

**E**lectronic data interchange (EDI) has reached a stage of development in corporate North America in which it is finally offering powerful proactive opportunities for mid-sized businesses. The commercialization of the Internet, and the growing trend toward “web-enabling” most, if not all, mission critical enterprise applications has created a technical environment that has drastically reduced the communications costs, integration complexity, and time required to accomplish substantial

integration of enterprise applications. This has reignited interest in the benefits promised by EDI among these companies. At the **May 21 TUG Meeting of Members**, the evening speaker, **Brian Bennett**, from Extol International Inc., will present an in-depth look at these developments. As a primer, Extol has supplied a white paper by **Patty Brown** on this subject. Too lengthy to include in this magazine, the entire white paper is available on the TUG Website ([www.tug.ca](http://www.tug.ca)). Here is an excerpt...

# Strategic EDI and the Mid-Sized Enterprise

By **Patty Brown**

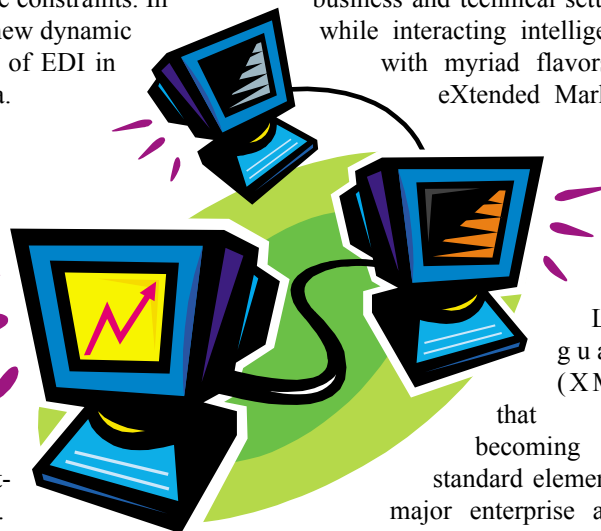
## Executive Summary

**O**ver the next time frame through to 2004, we expect to see a surge of activity in “strategic EDI” initiatives among mid-sized companies – defined in this white paper as companies with annual revenues well under \$1 billion, and which find themselves under serious IT resource constraints. In so doing, we will see a new dynamic at work in the adoption of EDI in corporate North America.

Traditionally, mid-sized players have reacted to the demands of their large customers, and have done little to harness the capabilities of EDI to achieve strategic results from their investments in this technology.

But maturing enterprise applications, along with new offerings from technology partners, and a better understanding of the competitive imperatives and opportunities that EDI offers to mid-sized enterprises is changing this dynamic.

In so doing, the mission of EDI has evolved beyond simply supporting traditional transaction sets based on the American National Standards Institute’s X12 committee (ANSI X12), or the United Nations EDI for Administration, Commerce and Trade (UN/EDIFACT). The EDI of the immediate future must have software-based intelligence that can dynamically support inter-corporate business operations under a variety of business and technical settings, while interacting intelligently with myriad flavors of eXtended Mark-up



Language (XML) that are becoming a standard element in major enterprise application systems.

As a result, EDI is providing mid-sized enterprises with a strategic opportunity to increase the quality of service they can provide to their buying community and increase their communication with their own supply partners.

Simultaneously, strategic implementations of EDI are saving these companies millions of dollars.

This white paper provides a brief overview of the issues and success factors that must be taken into consideration by mid-sized enterprises exploring strategic EDI, and presents a close up on how one innovative company has implemented this technology to advance its strategic objectives.

## CASE STUDY

### Scholastic Canada Ltd: Smooth Integration Key to Rapid EDI Roll Out

**I**f there is one silver lining that can be found when the call to implement EDI immediately comes from a customer – or a group of customers – it is that it removes the “analysis paralysis” that keeps many companies from taking action to gain the benefits on strategic EDI initiatives.

In the case of case for Scholastic Canada, Ltd., – a leading publisher and distributor of children’s books and educational materials in both French and English, – an integrated EDI system with its top customers was deployed within one calendar year of responding to customer queries.

# CASE Study

The early returns from this rapid EDI rollout have taken the form of cost reductions and faster order processing operations while opening the door to new strategic opportunities that were simply not available before the implementation. In fact, the real payoff is coming from business development opportunities with both new and existing customers who can now more easily access the award winning children's content offered by the Markham, Ontario-based company.

## Background

Incorporated in 1957, Scholastic Canada Ltd. was the first of an international family of companies that now includes members in the United Kingdom, Australia, New Zealand, Mexico, India and Hong Kong. All evolved from the original Scholastic company founded in 1920 by M.R. (Robbie) Robinson in Pittsburgh, Pennsylvania. Scholastic Canada has grown dramatically. Its impressive head office and distribution warehouse in Markham, Ontario is complemented by eleven Book Fair branches across Canada. From coast to coast, Scholastic Canada employs approximately 800 Canadians, both full- and part-time. But it was not until a combination of industry-wide initiatives and specific requests from large customers and distributors that Scholastic's book publishing operation began to automate its relationships with trading partners in April of 2002. The Canadian book industry has held a number of meetings over past two years to create a formal supply chain initiative that will drive costs out of the whole industry. One of the companies aggressively pushing this initiative is Indigo Books & Music, Inc, which as a result of a merger with Chapters Inc., in August 2001, became Canada's largest book retailer. Indigo is also a major buyer of Scholastic Canada's content.

Canada's federal government, via its Department of Canadian Heritage, is also participating in this push to help the book publishing industry automate its supply chain.

*"An efficient supply chain, characterized by effective communication and the timely delivery of products between trading partners, is key to the success of any industry. In the book industry, where the large number of products, players, and processes contribute to an unusually complex chain, strategies for improved communication and distribution efficiencies are a fundamental consideration. This is of particular concern in Canada, where the complexity of the supply chain for books, combined with inefficient trading conditions, has resulted in wastage and high costs." – The Department of Canadian Heritage*

## The Implementation

The industry-wide initiative moved ahead aggressively. The interest shown by players like Indigo, convinced Scholastic Canada's management that it was in the company's best interest to lead, rather than follow, the EDI revolution in Canada's book industry.

It fell on **Dave Clarke**, Scholastic Canada's Director of MIS, to implement a solution that would not only allow the company to comply with the requirements of the country's largest retailer of books, but to do so in a manner that would yield immediate operational benefits to Scholastic Canada's bottom line.

*"We were fortunate in that our fiscal year ends in May. That allowed us to budget*

## The 5th Wave

By Rich Tennant



**"I don't care if you do have a coalition of kids from 19 countries backing you up; I'm still not buying you an ADSL - EDI line."**

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for the resources needed to get the ball moving forward as quickly as possible. The first order of business for us was to identify an expert on EDI who not only understood EDI in the book industry, but also understood the AS/400 environment. We found that in an independent consultant whom we brought on board to teach our team the intricacies of EDI as we went about the implementation process. The second order of business was to select and implement a translation and mapping tool that could take us where we needed to go quickly with EDI.” – **Dave Clarke, Scholastic Canada**

Clarke and his team worked with the consultant to review mainframe, mid-range and PC-based EDI translators available on the market.

“When we excluded money, the EXTOL International, Inc., product won on the features we were comparing. We then worked with them to come up with a package that allowed us to buy it.” – **Dave Clarke**

By end of May 2001, Scholastic Canada had selected and purchased its translator. Shortly thereafter, the company contacted Indigo to initiate a live pilot program to prove the EDI concept. What ensued then was a sort of technical shuttle diplomacy, as Scholastic and EXTOL worked with Indigo and its technology team to identify transaction sets and coordinate implementation guidelines based on the standards and related documents that had been developed by the book industry.

“We Identified the interfaces we needed to create between EXTOL and our existing order management system, which is a homegrown product written in an application development tool for the AS/400 platform. By mid-August we implemented the purchase order [PO] transaction set and went live with Indigo, followed a week later by the PO acknowledgement, again with Indigo.” – **Dave Clarke**

Scholastic Canada’s first live EDI transmission from Indigo contained 2100 purchase orders. And because Indigo has over 300 stores around Canada, those POs described close to 28,000 line items.

“Normally, it would take two weeks for the whole department to key those in. We had those logged in, processed, and ready for shipment in four hours.” – **Dave Clarke**

With the template for success thus cast, Scholastic Canada identified five additional book vendors to get up on the EDI system, expanding not only its trading partner base, but also adding transaction sets (such as the advanced ship notice) to its portfolio of automated processing capabilities.



But before it took its EDI initiative to the rest of the book selling industry, Scholastic Canada decided to leverage interest and energy building up around supply chain management in the general retailing industry to break into entirely new markets.

Shortly after its successful implementation with Indigo, Scholastic Canada began talks with Costco, the international warehouse club enterprise with over 400 facilities across North America, Europe and Asia.

“Our new EDI capability created an opportunity to tap channels that we may not have considered in the past. By moving beyond the traditional book industry retail chain, we have an opportunity to expose our content to new and potentially very lucrative markets. That would not have happened in this time frame without the EDI initiative.” – **Dave Clarke**

The company began exchanging purchase orders and invoices with Costco in early October.


“It was quicker the second time around because now we had done all your interface development. So now it is just a matter of rolling out some modification to fit the trading partner’s requirements.” – **Dave Clarke**

### Lessons Learned

While it may be fair to characterize the EDI implementation initiative at Scholastic Canada as successful, it would be misleading to say that it was easy. According to Clarke, the technology portion has to work as designed and promise, but other key components are also critical to successful deployments.

“This is truly an interdisciplinary endeavor. It is critical to have a good partner to pilot the program – which we had with Indigo because they were motivated to be successful. But it is also important to get various elements within both parties to work together effectively. We had a lot of involvement from the marketing and financial teams, as well as the technical teams. It really is important to recognize that this is a full featured business relationship that is being automated with EDI. The underlying technology must work like a utility. It cannot interfere with the business relationships that must be built and developed” – **Dave Clarke**

### In Summary

Strategic entry into EDI provides mid-sized companies with an opportunity to increase the quality of service they can provide to their buying community and increase their communication with their own supply partners. Simultaneously, strategic implementations of EDI are saving companies millions of dollars in time and overhead costs. 

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