

## **Collaboration the key to survival in today's business climate.**

No industry sector is immune from the current economic downturn and many businesses have experienced a sharp drop in demand resulting in an increasing number of production cutbacks and staff retrenchments.

Businesses are essentially reliant on the success of their trading partners which is why there is a critical need for greater collaboration to ensure business survival. Electronic Data Interchange (EDI) is the key to unlock greater collaboration by automating and synchronising trading partners to reduce costs and improve market competitiveness.

Any business with a need to interact with multiple customers or suppliers can benefit from the streamlined efficiencies of EDI. Businesses that are not automated will rapidly fall behind and miss out on the significant cost savings. But first, taking a closer look at EDI shows how it has been applied in real life situations to make collaboration a reality.

Electronic Data Interchange (EDI) is most easily explained as the replacement of paper-based documents, for example, purchase orders, invoices) and so forth, with electronic equivalents. It is actually much broader in its application than the procurement process, and its impacts are far greater than mere automation. EDI offers the prospect of easy, secure, cheap and traceable communication of structured information throughout the corporate community irrespective of the IT system used by each company, and is capable of facilitating much closer integration among remote organisations.

An excellent example in the South African context is the automotive industry. The Motor Industry Supply Chain Competitiveness Improvement Programme (MISCCIP) was established in 2002 with the aim of uniting the entire automotive industry in a collaborative project to raise its international competitiveness.

The MISCCIP project was initiated by NAAMSA/NAACAM and project managed by the Automotive Industry Development Centre (AIDC). Collaborative Xchange's EDI technology platform was selected for the MISCCIP initiative and has since connected SA motor manufacturers with their supplier base and logistic service providers.

The project was successful in that it mobilised the local automotive industry to bring together the disparate supply chains of the various role players for greater efficiencies, traceability, security, cost savings and competitiveness. This created an industry-wide collaborative partnership unprecedented on a global scale.

The EDI platform developed by Collaborative Xchange offers full supply chain visibility to every industry player, irrespective of their core IT systems. It takes the forecast / order submitted by the manufacturer, and translates it into a format that can be seamlessly integrated into the back-end systems of the supplier, no matter what ERP or IT system they use. Smaller suppliers that lack such infrastructure are alerted to a new message via email and can then log onto the CX portal to view and respond accordingly.

Further benefits of the system are that it enables suppliers to view their forecasts and orders, to create Advanced Shipping Notifications (ASN), to create electronic waybills, to manage orders and print packaging labels via the online portal. The manufacturer can then view the status of these messages in real-time and proactively manage the suppliers by using the portal's reporting functionality.

The advantage of having an EDI ordering system in place is that it enables manufacturers and suppliers to collaborate more closely on areas such as production planning, stock holding and supply forecasts. Logistics service providers can also use that information to eliminate bottlenecks, reduce transport costs and improve turnaround times.

With other industries also feeling the pressure of difficult market conditions, an increasing number of companies are investigating collaborative strategies in order to achieve greater cost savings and improve performance.

The Aerospace and Defence industry has established a supplier park and is in the process of developing its own EDI platform with the assistance of Collaborative Xchange. The FMCG and Mining sectors are also looking to the collaborative power of EDI to gain a competitive advantage via reduced order delivery times and improved production efficiencies. Perhaps collaboration is the key to survival?

### **Benefits of an EDI platform**

#### **Integrate and manage your suppliers through one portal**

- All suppliers can be linked through one common industry portal.
- This cost-effective automated solution allows suppliers to access and respond to purchase orders in real time, so improving turnaround times.
- Suppliers have direct access to orders and save time as a result.
- Manufacturers have visibility to track the progress of each order.
- Logistics service providers can use the information to eliminate bottlenecks and reduce supply chain costs.

#### **Full visibility of orders and supplier progress**

- Manufacturers can see when orders are viewed, accepted and placed on backorder.
- Full visibility and traceability of orders allows manufacturers to plan ahead to determine lead times and production scheduling.
- Powerful reporting tools enable proactive supply chain management and inventory planning, resulting in a more streamlined and effective process for all parties concerned.
- Supplier commitment and performance can then be evaluated and enforced.

#### **For more information, please contact:**

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