

COVALENTWORKS

EDI as easy as email™

EDI Basics

Fourth Edition

EDI Basics Training Guide For Small Businesses

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I. An Overview of EDI

EDI stands for Electronic Data Interchange. It is simply the computer to computer exchange of business documents between companies. EDI documents use specific computer record formats that are based on widely accepted standards. However, each company may use the flexibility allowed by the standards in a unique way that fits their business needs.

EDI is used in a variety of industries. In fact over 160,000 companies have made the switch to EDI to improve their efficiency. Many of these companies require all of their partners to also use EDI.

Computer-to-computer exchange of information is much less expensive than handling paper documents. Studies have shown that processing a paper-based order can cost \$70 or more while processing an EDI order costs a dollar or less. Much less labor time is required. Fewer errors occur because computer systems process the documents rather than processing by hand.

EDI transactions between companies flow faster and more reliably than paper documents. Faster transactions support reduction in inventory levels, better use of warehouse space, fewer out-of-stock occurrences and lower freight costs through fewer emergency expedites. Paper purchase orders can take up to 10 days from the time the buyer prepares the order to when the supplier ships it. EDI orders can take as little as one day.

EDI's efficiency has made it an important contributor to the efficiency of business communications in many industries. Business documents like invoices, purchase orders, and advanced ship notices can all be exchanged between companies through EDI.

II. How EDI Works

Here is an example of how an EDI transmission works: A buyer prepares an order in his purchasing system and has it approved. Next, the EDI order is translated into an EDI document format called an 850 purchase order. The EDI 850 purchase order is then securely transmitted to the supplier either via the internet or through a VAN (Value Added Network).

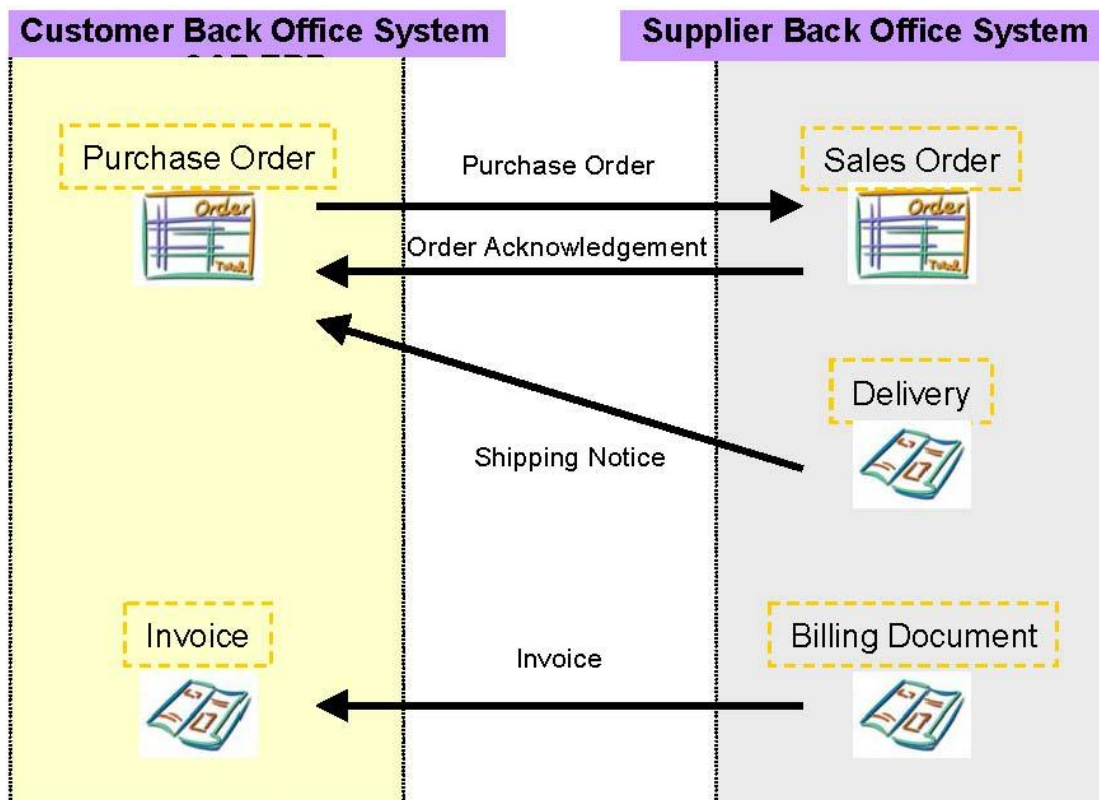
The buyer's VAN is a like an electronic post office that interconnects with the supplier's VAN. The VANs make sure that EDI transactions are sent and received. The supplier's VAN ensures that the supplier receives the order.

The supplier's EDI system then processes the order. Data security and control are maintained through out the transmission process using passwords, user identification and encryption. Both the buyer's and supplier's EDI applications edit and check the documents for accuracy.

Each trading partner has unique EDI requirements. These will include the specific kinds of EDI documents to be processed, such as the 850 purchase order used in the example above, 856 advance ship notices and 810 invoices. In fact, most any business document that one company would exchange with another company can be sent via EDI.

However, each EDI document must be exchanged with each partner in exactly the format they specify. Many partners will have an EDI implementation guide or kit that explains their specific requirements. Maps are required to translate the EDI documents from the trading partner's format into the format that is useable by the receiving party.

The following graphic demonstrates the typical transaction flow between suppliers and customers.



EDI capability involves either buying or outsourcing the following components:

1. Software for communications, mail boxing of EDI transactions, mapping and translation.
2. A VAN will need to be contracted or AS/2 communication will need to be configured for ongoing EDI transmissions.
3. Hardware including a server or PC, communication devices and peripherals
4. Secured office space and monitored security
5. Data backups and redundant power for reliability
6. Additional software will be needed if integration of the EDI transactions with back office systems is desired.
7. Personnel must be trained in how to use the software and communication devices.
8. Maps will need to be developed for each EDI document type to be exchanged with each partner. Maps translate the encoded EDI record into a useable format.
9. Every EDI transaction type required by your trading partners will need to be tested to each trading partner's satisfaction.

CovalentWorks' specialty is outsourcing all of the components of EDI for small companies. All our clients need is internet access and email. We take care of all the 9 items listed above for you in an easy to use solution - all of the software, VAN transmission, hardware, security, communications, mapping, translation and labor.

III. Why You Need EDI

More and more customers want their suppliers to have the ability to reliably exchange EDI documents. They are under pressure to reduce their procurement process costs by automating manual processes such as invoice data entry. As a result, EDI capability is a requirement for doing business with many customers.

Suppliers want to develop closer customer relationships. They want to make themselves less expensive to buy from by reducing the administrative burden on their customers.

There is a need to increase efficiency for all businesses. Suppliers are finding they can reduce costs by automating B2B (business-to-business) processes with EDI. Money is

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saved in improving the speed and accuracy of documents they receive from their customers.

Both suppliers and their customers have found that inaccurate or late B2B documents create expensive exception processes. Suppliers want to maintain control of their customer relationships and documents. They want to preserve the unique business arrangements they have worked hard to create with their customers and continue selling to their customers in the way they want to buy.

Many suppliers want an easy-to-use application that is accessed via the web and email. **Call toll free (800) 496-3380 or visit our web site at www.covalentworks.com** to find out how CovalentWorks' solutions can help you with all of your EDI needs.

Want to learn more about EDI? Read the EDI Blog at www.edi-blog.com

IV. CovalentWorks Frequently Asked Questions

A. What is EDI?

EDI stands for Electronic Data Interchange. EDI is the computer-to-computer exchange of business documents between companies. EDI replaces the faxing and mailing of paper documents. EDI documents use specific computer record formats that are based on widely accepted standards. However, each company may use the flexibility allowed by the standards in a unique way that fits their business needs.

EDI is used in a variety of industries. In fact, over 80,000 companies have made the switch to EDI to improve their efficiencies. Many of these companies require all of their partners to use EDI.

B. Why does my business partner require EDI?

The computer-to-computer exchange of information through EDI is much less expensive than the manual handling of paper documents.

Studies have shown that processing a paper-based order can cost \$70 or more while processing an EDI order costs a dollar or less. Much less labor time is required. Fewer errors occur because computer systems process the electronic order documents instead of manually processing the documents by hand.

EDI transactions between companies flow faster and more reliably than paper documents. Faster transactions support reduction in inventory levels, better use of warehouse space, fewer out-of-stock occurrences, and lower freight costs through fewer emergency expedites.

Paper purchase orders can take up to 10 days from the time the buyer prepares the order to when the supplier ships it. EDI orders can take as little as one day.

EDI's efficiency has made it an important contributor to the efficiency of business communications in many industries. Business documents like invoices, purchase orders, and advanced ship notices can all be exchanged more efficiently between companies through EDI.

Most companies in the United States and Canada use ANSI X-12 EDI documents. Common ANSI X-12 standard EDI documents include:

- 204 Motor Carrier Load Tender

- 210 Motor Carrier Freight Details and Invoice
- 214 Transportation Carrier Shipment Status Message
- 810 Invoice
- 820 Payment Remittance Advice
- 824 Application Advice
- 830 Planning Schedule/Material Release
- 832 Price Sales Catalog
- 846 Inventory Inquiry/Advice
- 850 Purchase Order
- 852 Product Sales Activity Data
- 855 Purchase Order Acknowledgment
- 856 Advance Ship Notice
- 860 Purchase Order Change
- 861 Receiving Advice
- 864 Text Message
- 865 Purchase Order Change Acknowledgment
- 869 Order Status Inquiry
- 870 Order Status
- 753 Request for Routing Instructions
- 754 Routing Instructions
- 990 Load Tender Response
- 997 Functional Acknowledgment

Common EDIFACT standard documents typically used in the automotive supply chain and sometimes used by industrial companies include:

- ORDERS Purchase Order
- ORDRSP Purchase Order Acknowledgment
- ORDCHG Purchase Order Change
- DELFOR Planning Schedule/Material Release
- DESADV Advance Ship Notice
- INVOIC Invoice
- CONTRL Functional Acknowledgment
-

C. Why do I need EDI?

More and more customers want their suppliers to have the ability to reliably exchange EDI documents. They are under pressure to reduce their procurement process costs by automating manual processes such as invoice data entry.

Because EDI is so efficient, many companies require their business partners to be EDI capable as a condition for doing business.

Suppliers want to develop closer customer relationships. They want to make themselves less expensive to buy from by reducing the administrative burden on their customers.

There is a continuing need for most businesses to increase efficiency. Suppliers are finding they can reduce costs by automating B2B (business-to-business) processes with EDI. Money is saved through improving the speed and accuracy of electronic documents they exchange with their customers.

D. What is EDI compliance?

EDI compliance is the ability to send and receive EDI documents in the way that your partner requires it. Each EDI document must be exchanged with each partner in exactly the format they specify.

Each trading partner has unique EDI requirements. Most partners will have an EDI implementation guide or kit that explains their specific requirements. Maps are required to translate the EDI documents from the trading partner's format into the format that is useable by the receiving party. EDI compliance must be tested and approved.

CovalentWorks handles everything - all of the mapping, translation, communication and testing requirements for our clients. CovalentWorks' solution will make you EDI compliant with your EDI business partners.

E. How do I implement EDI?

Simple - call us toll-free at 800-496-3380. We will take care of everything required to make you EDI capable and EDI compliant.

EDI capability involves either buying or outsourcing the following components: Software for communications, mail boxing of EDI transactions, mapping, translation, and testing. VAN, AS/2 or FTP communication will be required by various partners. A server or PC, communication devices, and peripherals will be needed as well as secured office space, monitored security, backups and redundant power. Additional software will be needed if integration of the EDI transactions with back office systems is desired. A VAN will need to be contracted for transmissions. Personnel must be trained in how to use the

software and communication devices. Maps will then need to be developed for translating the encoded EDI documents into a useable form.

Our service takes care of everything. We minimize your cost and effort through:

- Automating the document flow between you and your partners
- No mapping
- No investment in hardware
- No new staffing
- No lengthy contracts
- No annual fees
- No software to purchase or maintain

We will take care of everything required to make you EDI capable and EDI compliant.

F. What is Web-based EDI?

CovalentWorks provides Web-based EDI. All you will need is a fast Internet connection and email. You will be notified of new EDI transactions via email.

Your EDI documents will be translated by CovalentWorks into easy-to-read web forms on our secure internet site. You will be able to see your EDI documents at the office or at home or anywhere you have internet access. Your name and password will be required to access your EDI documents.

G. Do I need to buy software?

No, you do not need to buy any software. You will access our secure server via the internet. Our system will take care of everything. All you need is internet access, email, and our EDI service.

H. Do I need an EDI VAN? Do I need AS/2?

Yes, an EDI VAN is needed for EDI with many business partners.

A VAN is a Value Added Network. A VAN is responsible for the secure and

reliable communication of EDI documents. Your business partner probably already has one. CovalentWorks is a certified EDI VAN and takes care of all of our clients' requirements. As your VAN, CovalentWorks will interconnect with your business partner's VAN.

Some business partners do not use a VAN and use the internet for transmission of EDI documents via AS/2. CovalentWorks has AS/2 capability and takes care of the transmission of documents with these business partners also.

Does all this sound a bit complicated? Don't worry. CovalentWorks provides a complete solution. We take care of all of the VAN and AS/2 details.

I. How does your EDI service work?

The best way to understand how our service works is to view a demo on our website at www.covalentworks.com Feel free to call us toll free at 800-496-3380 to find out more about how our service works.

J. What do I have to do?

Simple - Call us and sign up for our service. We'll take care of details and headaches.

You will need to provide us with your complete company name, address, and a number to identify your company. We'll take it from there. You will be provided with one-on-one training and have the opportunity to do some test documents. Then we will move you to production status. That is all that you have to do.

K. Can you satisfy each of my customers' EDI requirements?

Yes, we can satisfy each of your customers' EDI requirements. We have extensive experience with many, many companies.

Chances are your business partner is on our list. You can see the list at www.covalentworks.com/companies-and-edi.asp.

Even if your business partner is not listed, we can quickly implement EDI for you with any business partner you may have in the United States and Canada.

L. How much does EDI cost?

CovalentWorks monthly fees are as affordable as a cell phone. If you would like

a quote for the CovalentWorks service that fits your needs, call toll-free at 800-496-3380. We answer the phone! Or email us with your phone number at info@covalentworks.com. We'll get back to you the same day.

M. Why is CovalentWorks less expensive?

CovalentWorks is less expensive because we specialize in web-based EDI service for small businesses. We do not sell software.

Our systems are maintained on our secure internet based servers. This is much less expensive than distributing software to thousands of computers throughout the world and maintaining that software on computers with various operating systems.

CovalentWorks solutions run on new computer servers that cost up to ten times less than comparable servers cost 5 years ago. We pass the software and server savings on to our clients in the form of less expensive solutions.

N. How can CovalentWorks help me?

Simple - We take care of everything you need to be EDI capable and EDI compliant with your business partners' requirements. Our outsourced EDI service is easy to use and easy to get started.

CovalentWorks specialty is outsourcing all of the components of EDI for small business that need to have EDI capability with their customers. All our clients need is internet access and email. We take of everything - all of the software, VAN transmission, hardware, communications, mapping, labor and EDI expertise.

Give us a call at 800-496-3380 to get started today.

O. What does CovalentWorks take care of "behind the scenes"?

Here is an example of how an EDI transmission works: A buyer prepares an order in his purchasing system and has it approved. Next, the EDI order is translated into an EDI document format called an 850 purchase order. The EDI 850 purchase order is then securely transmitted to the supplier either via the internet or through a VAN (Value Added Network).

The buyer's VAN is a like an electronic post office that interconnects with the supplier's VAN. The VANs make sure that EDI transactions are sent and received. The supplier's VAN ensures that the supplier receives the order.

The supplier's EDI system then processes the order. Or in the case of CovalentWorks' clients, we provide VAN transportation and our servers provide all of the software and hardware that are required to process EDI documents. Only internet access and email are needed.

Data security and control are maintained through out the transmission process using passwords, user identification and encryption. Both buyer's and supplier's EDI applications edit and check the documents for accuracy.

Each trading partner has unique EDI requirements. These will include the specific kinds of EDI documents to be processed, such as the 850 purchase order used in the example above, 856 advance ship notices and 810 invoices. In fact, most any business document that one company would exchange with another company can be sent via EDI.

However, each EDI document must be exchanged with each partner in exactly the format they specify. Many partners will have an EDI implementation guide or kit that explains their specific requirements. Maps are required to translate the EDI documents from the trading partner's format into the format that is useable by the receiving party. CovalentWorks handles all of the mapping and translation requirements for our clients.

EDI capability involves either buying or outsourcing the following components: Software for communications, mail boxing of EDI transactions, mapping and translation. VAN, ASYNC, BISYNC and direction connection and Internet communications will be required by various partners. A server or PC, communication devices and peripherals will be needed as well as secured office space, monitored security, backups and redundant power. Additional software will be needed if integration of the EDI transactions with back office systems is desired. A VAN will need to be contracted for transmissions. Personnel must be trained in how to use the software and communication devices. Maps will then need to be developed.

CovalentWorks specialty is outsourcing all of the components of EDI for small companies. All our clients need is internet access and email. We take of everything - all of the software, VAN transmission, hardware, communications and labor.

P. Why should I choose CovalentWorks?

We provide more of what small businesses need: We are more affordable, have more partners, provide more service, are faster and are more reliable. CovalentWorks can connect you with over 160,000 EDI partners in North America and around the rest of the world. **Call (800) 496-3380 to find out more.**

