



white paper

**eBuy
Center**
*It's about
Time*

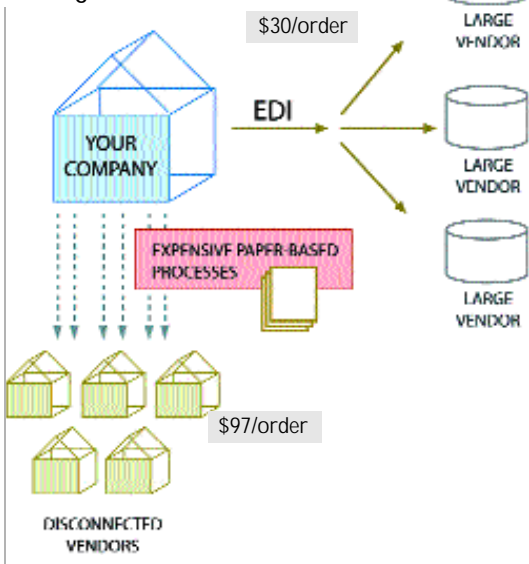


Introduction

As a forward-thinking distributor, you may have already implemented EDI or other e-business communications with your largest suppliers. Unfortunately, while a variety of electronic messaging options (EDI, XML, flat file, etc.) are available to communicate with your trading partners, many of your suppliers have not yet adopted or implemented these technologies. In fact, e-business adoption is slow. This may be acceptable because this is the way you have always done business -- if you factor in a cost of \$50 to \$97 per PO this disconnection can represent a significant drain on your profit every month.

The familiar 80-20 rule applies: 20% of your vendors are likely to be responsible for 80% of your inefficient paper-based processes. While this may seem acceptable today, at a cost of up to \$97 per purchase order, these disconnected vendors represent a significant drain on your profits every month.

Where are the Real savings in EDI?



How do you save time and reduce the costs associated with procuring product from your suppliers with little to no connectivity technology? NxTrend Technology has invested significantly in research and development to address this very problem. Our solution, eBuy Center, is designed to take the cost out of your supply chain when dealing with suppliers and put those dollars back to your bottom line.

eBuy Center offers the advantages of EDI connectivity for you, the distributor, without requiring your suppliers to spend the time and money on traditional EDI or other e-business programs.

The Problem with EDI and Suppliers

Much as been written about the virtues of using EDI to reduce the cost and increase the efficiencies associated with the process of "buying product" from suppliers. Some distributor/manufacturer supply chains have successfully embraced some type of electronic document standard -- primarily EDI and in a few cases XML -- to exchange messages like purchase orders, acknowledgements, and invoices. While great cost reductions and efficiencies have been gained, this "hookup" has not come without a certain level of pain and cost. There are problems with standards such as which document format should you use, are your vendors on EDI, and can you integrate using XML? Often, you must custom tailor these standards to satisfy a particular need of a single vendor. The majority of your vendors lack integration to back office system processes. This results in extra manual data entry by your staff, which in turn results in increased payroll costs and errors. The lack of technical expertise on either your staff or your vendor's staff makes it even more difficult to fully realize the cost savings and competitive advantages that real e-business messaging brings.

While this connectivity will continue to develop and adoption levels will increase, we must all know that this is an evolutionary process. EDI has been around for over 30 years, and industry estimates put its adoption anywhere from 20% to 40% within the supply chain. Evolution continues as document standards evolve and trading partners upgrade their back office systems and invest in messaging systems that connect to your systems; However, this evolution will continue at the slow pace established over the last 30 years. Can you afford to wait?

As with the general adoption rate, many distributors find that only 20-40% of their suppliers are capable of accepting or sending EDI transactions. Often, those who remain are smaller vendors who generate a ton of paperwork for relatively smaller volume and profits.

Because of their size, revenues, and unique niches, these smaller vendors are also likely to be the last to adopt e-business processes that save you time and money.

Increase Your Profits While Reducing Your Vendors' Costs

In a recent study by the Center for Advanced Purchasing, 169 companies were surveyed to help determine the cost of processing a purchase order. All costs were considered in the survey: labor cost with benefits, overhead, time and cost to fix errors, delivery cost (email, mail, fax), office supplies, paper cost, telephone, computer hardware, and software costs. The study took an end-to-end approach to determine every cost that went into the tasks associated with processing a purchase order.

The study found that on average, it costs \$97 to process a purchase order to an existing supplier. The average cost of a purchase order from a new supplier shot up to \$147.

changing your manual procurement process to simple EDI will save 70% of the cost of processing a purchase order. That means even at the minimum cost of \$50 per order, you are throwing away \$35 every time you place an order with a disconnected vendor. How many of these wasteful transactions do you process in a single month?

Perhaps as important as the bottom line benefits, electronic messaging frees up your purchasing professionals from many of the tedious clerical tasks that take so much time. Wouldn't you rather have your people working on analysis of vendor performance, quality control, and inventory management strategies?

Your vendors will also embrace eBuy Center since you will help streamline their processes with no additional cost to them, giving you more room to negotiate discounts and more favorable terms.

AVERAGE DOLLAR COST TO PROCESS A COMPLETE PURCHASE TRANSACTION							
For an Established Supplier			For a New Supplier				
	Low Value	Average Value	Higher Value		Low Value	Average Value	Higher Value
5 Years Ago	\$84.80	\$113.40	\$147.00	5 Years Ago	\$96.00	\$154.00	\$217.00
Current Cost	\$76.57	\$97.44	\$118.30	Current Cost	\$95.78	\$147.44	\$199.10
Projected 3-5 years from now	\$67.87	\$84.65	\$101.12	Projected 3-5 years from now	\$87.15	\$126.21	\$165.33

Study conducted by the Center for Advanced Purchasing Studies Robert J. Thong, PhD and Michael G. Kalchin, D.B.A., C.P.M. at Lehigh University.

There was even one participant in this study who determined their vendors' inefficient processes were costing them \$300 to process a \$50 PO. While it's unlikely that your purchase orders cost you \$300, these costs are significant -- and thanks to eBuy Center, unnecessary.

For the sake of argument, assume that your organization is at the peak of organizational efficiency and technology maximization and that the cost of your purchase orders is somewhere below the industry average of \$97 per order. Go one step further and assume that your orders cost you the industry accepted minimum of \$50 for the overall cost of processing a PO. EDI proponents will say that

eBuy Center -- It's About Time

The cost of a purchase order is more than just physical costs and postage. It's about all the time currently wasted:

- at the fax machine
- calling vendors
- calling vendors back to expedite orders
- filing paperwork
- posting invoices manually
- updating salespeople
- correcting printing problems
- correcting internal mistakes and vendor errors

NxTrend's eBuy Center can save you countless hours over your current paper-based procurement processes. The choice is clear. Will you just watch as the evolution occurs over the next several months and years? Will you just sit back and wait while incurring the costs associated with the inefficient process of paper, faxes, phone calls, lost POs, and misshipments that are associated with procuring product from suppliers who are unable to connect via an electronic messaging mechanism? Or, will you implement NxTrend's eBuy Center?

eBuy Center lets you hook up those suppliers who have not yet evolved to the capability of electronic messaging. For you, eBuy Center provides a mechanism allowing you to gain the benefits of electronic messaging in your procurement process without all the costs associated with connecting to your supplier via EDI or XML. Since your suppliers don't spend a dime, it enhances their business processes without having to change them.

eBuy Center Workflow

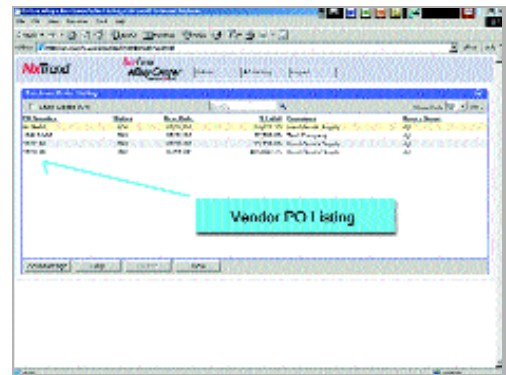
eBuy Center works with Commerce Connect, NxTrend's Enterprise Application Integration (EAI) System. eBuy Center is another value-driven product building upon NxTrend's Enterprise Commerce Management (ECM) Strategy. According to AMR Research:

"Enterprise Commerce Management (ECM) provides the model for the next generation of business systems, comprising process-oriented applications and services tied together by the Internet to support inter-company commerce."

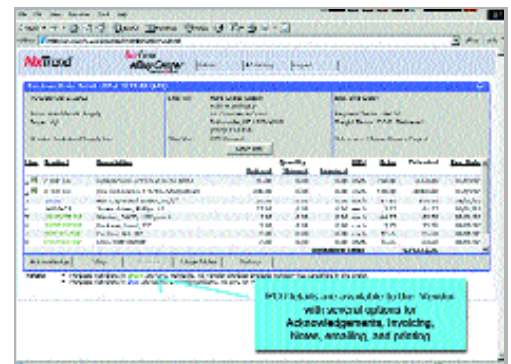
The basic workflow is simple and seamless. You enter a purchase order into your system, just as you would for a

vendor who is on EDI. Your vendor receives notification of your purchase order through email and interacts with you through a web browser-based interface. Through eBuy Center, your vendor can acknowledge, invoice, and collaborate on the purchase order with you. To you, the process is as seamless as if the vendor was using fully-integrated EDI.

When you generate a purchase order, eBuy Center sends an email notification to the vendor. The vendor clicks the URL in the email and is taken directly to the eBuy Center web site. Once logged in, the vendor is presented with a list of any open or closed purchase orders.

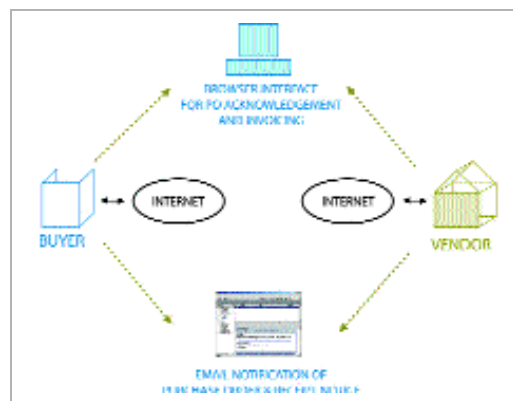


From there, the vendor has several options.

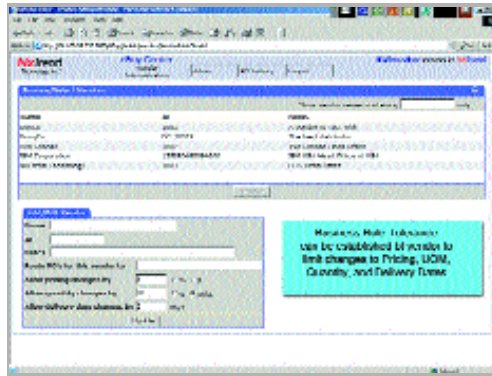


The vendor can acknowledge, invoice, print or email a copy of the order.

The vendor can also review and maintain each purchase order, including price, quantity, UOM and delivery dates for each line item. eBuy center tracks these changes to provide a complete audit trail to the buyer. In addition,



you can establish ranges and tolerances for these changes, and eBuy Center automatically alerts you of exceptions. Notes can be sent via email to the buyer, and a full history of every change made by the vendor is tracked.



eBuy Center Feature Listing

Following is a list of features for eBuy Center.

- 1) Back office Interface and Integration Capability
- 2) Security Authentication System
- 3) Automatic inactivity time-out capability for logged in users
- 4) E-mail Notification System
- 5) Log in from link in notification email
- 6) Customizable area for text and graphics relevant to a particular buyer or eBuy Center
- 7) Detailed e-mail text and subject line including PO number
- 8) Detailed e-mail text including the company names of the buyer and the vendor
- 9) Vendor notes to buyer
- 10) History Log tracking all changes made to PO
- 11) Storage of PO in underlying database
- 12) Database Independent (MySQL, SQL, Progress, Oracle)
- 13) PO filter by:
 - PO Status
 - Requested date
 - Company name of purchaser
 - Name of purchaser (person)
- 14) PO sort by:
 - PO Number
 - PO Status
 - Order Date
- 15) Vendor access to change the following for each line item:
 - price
 - quantity
 - delivery date
 - Unit of Measure
- 16) Vendor access to view line-item comments some comments are mandatory and must be viewed when Vendor acknowledges
- 17) Vendor access to create or modify order notes to the buyer (these are NOT the Notes from the supplier)
 - Notes are sent to buyer in e-mail.
 - Notes are stored at eBuy center and accessible by both buyer and vendor.
- 18) Vendor can save PO changes (to finish acknowledgement later)
- 19) eBuy Validation System - validates submitted PO against tolerances pre-set by vendor. Will send email to buyer of acknowledge by vendor if outside of tolerances
 - Quantity Changes - % or \$
 - UOM - Unit of Measure Changes
 - Price Changes - % or \$
 - Delivery Date Changes - Days
- 20) Vendor ability to add or modify order notes to the buyer (Text and HTML)
- 21) eBuy Vendor System Administration
 - Create users - Assign permissions
 - Change user IDs/passwords
 - Reinstate passwords
 - Remove users
 - Set up Notification e-mails tied to doc type
- 22) eBuy Distributor System Administration - User Accounts
 - Create users and assign permissions
 - Change user IDs/passwords
 - Reinstate passwords
 - Remove users
 - Create buyer name with e-mail address mapping

23) eBuy Infrastructure

- Logging - all changes to PO/Invoice (who changed what and date of change)
- History - versioning of PO in each of its saved states (each time it's saved)

Showing your Vendors the advantages of eBuy Center

While the benefits of eBuy Center to you - the dealer or distributor - are obvious, your vendors need to understand the benefits of using eBuy Center too. Here are three common objections and strategies for overcoming them.

Concern: A messaging system, in an EDI or XML document format, that sends messages over the Internet, eliminating VAN costs, is much better than eBuy Center. It eliminates duplicate entry on both sides of the trading partner relationship.

Response: "YES, I agree that a messaging system does eliminate duplicate entry on both sides of the trading partner relationship." However, also let the vendor know that you as a distributor already have this capability in NxTrend's Commerce Connect EAI (Enterprise Application Integration) software products. With Commerce Connect as your messaging system, you have the ability to connect to your vendors in a variety of ways, such as http, FTP, VAN, email, JMS, and in a variety of document formats, such as EDI, XML, flat file, etc.

Concern: A cost concern will come from the vendor who does not currently provide EDI access. They often do not know the start up costs and on-going support associated with electronic messaging. In many cases, their back office systems can't even support many of the basic EDI documents.

Response: Tell your vendor that you are all set to perform electronic messaging. With NxTrend's Commerce Connect Module, you can offer them a variety of document formats, such as EDI, XML, ASCII, etc., and can connect to the supplier through a VAN or directly with a variety of data communications

protocols including FTP, http, email or JMS. If they have not been performing EDI with other customers, you can sell the vendor on the fact that eBuy Center offers a way to get the vendor started in eCommerce with your company without incurring the initial start up costs of a more robust electronic messaging system.

Concern: You may have a vendor that sends limited EDI documents and doesn't feel that they have a need for eBuy Center.

Response: Sell your vendor on the fact that eBuy Center can supplement where they have an inability to produce certain electronic documents. Maybe they can accept a PO and send an Invoice to you via EDI; However, their back office system is unable to send you acknowledgements and advance shipping notices. Also, their back office system is incapable of accepting a receipt notice. In this example, PO and Invoices would be sent and received electronically and eBuy Center would be used for the ACK, ASN, and Receipt Notice.

eBuy Center Vendor Benefits Summary

- Improved communication and service levels with your customer
- Reduced hard costs
- Improved competitive position with your customers
- Reduced errors
- Get started in eCommerce with NO huge start up costs
- Complete visibility into all stages of the PO process (PO, ACK, Receipt, ASN and Invoice)
- eBuy Center Vendor's Cost Savings
- Reduced invoicing costs:
- Stamps
- Envelopes
- Labor
 - Postage machines
- Reduced phone calls
 - Free up time to perform profit oriented tasks
- Reduced errors
 - Fewer clarification phone calls

- Lower expediting costs
- Lower handling costs
- Happier customers
- Reduced start up costs
 - Start up costs are insignificant
- Browser
- Internet connection
- Drive down costs of sales orders
- No IT expertise required to use eBuy Center

eBuy Center Transactional value to Vendor

- Transactional Value
 - Vendors have a legible copy of your PO
 - Vendor is able to provide a PO ACK without EDI or a phone call
- Many MRP/ERP systems don't support PO ACKS
 - Change orders are performed online without a phone call
 - Vendor can add notes to POs that are stored on the web and sent directly to the buyer via e-mail
 - Vendor has complete real time visibility into the entire purchase order process and can see when you receive your product
- Allow Vendor to invoice process FASTER!!

eBuy Center Intangible benefits to Vendor

- Improved communication between buyers and sellers
 - Online POs, Acknowledgements, Invoices, Notes, Transaction history
 - All available via web
- Improved competitive position with your customer
- Improved service levels
- Growth in sales
 - If a distributor can reduce their costs and improve their service levels why wouldn't they buy more from you? For Example: "For every \$1.00 in sales, a company spends 50 to 55 cents on purchased materials" (Aberdeen Group)
- Complete Visibility into the entire PO process

