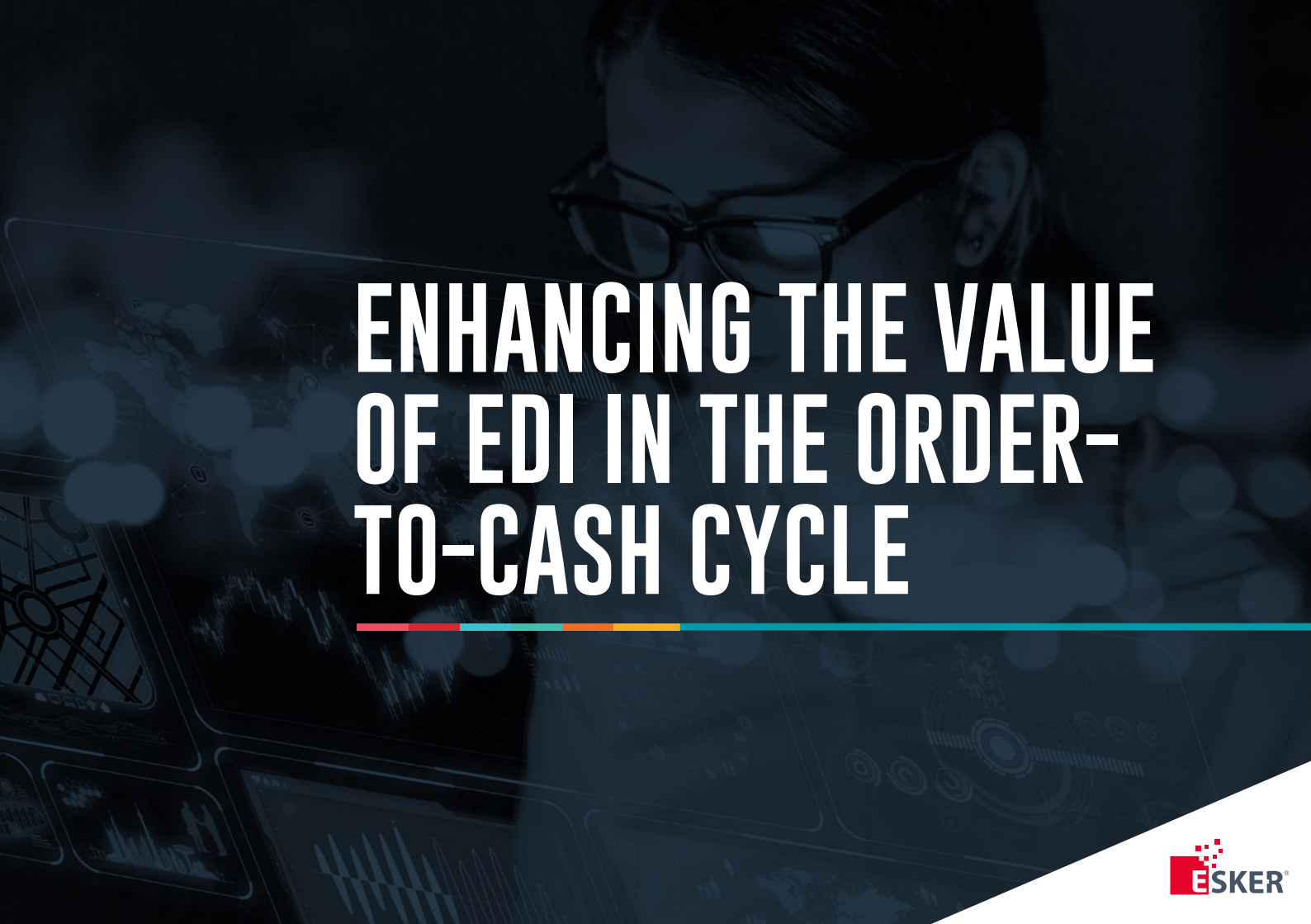




ENHANCING THE VALUE OF EDI IN THE ORDER- TO-CASH CYCLE



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WHAT IS EDI?

If automation of orders and invoicing is a topic being discussed in your business, or if you have customers that have embraced automation of these processes, chances are that you will come across the term EDI. Here is a little primer on what this actually is, what it can and cannot do, and what functionalities you might want to consider when choosing automation.

1.1. WHAT IS EDI?

Used widely since the 1980's, Electronic Data Interchange (EDI) is a computer-to-computer exchange of business documents such as purchase orders, delivery notes, invoices, etc.

For a long time, this EDI was the only way for companies to automate the sending of data to each other and replacing paper-based documents. Avoiding manual, repetitive data entry by humans, EDI offered an alternative that sped up business processes and reduced both errors and costs.

1.2. HOW DOES IT WORK, EXACTLY?

EDI documents can flow straight through to the recipient's target application such as the ERP or order management system. The EDI format standards define where and in which order the information can be found in the document.

This is the "all computer" vision of business: a structured and perfect world where digital information is transmitted between companies and replaces human exchanges.

1.3. EDI & E-INVOICING REGULATIONS

This format has not only been embraced for B2B transactions to assist in keeping supply chains moving, but nowadays governments around the world are increasingly basing their interactions with businesses on this setup as well. In order to ensure compliance with tax codes and other legal frameworks, e-invoicing legislation requires invoices to be transmitted using EDI to:

- National platforms such as Chorus Pro in France or SDI (Sistema di Interscambio) in Italy
- Or interoperability networks such as the PEPPOL e-delivery network (widely used in B2G transactions).

Even the UK's National Health System (NHS) launched a voluntary e-procurement strategy for hospitals using Peppol in 2014, and a similar — and mandatory — system in Italy (NSO-Nodo Smistamento Ordini) was introduced in 2020 to better control public spending.

Since EDI seems to be expanding in use, is this technology the future of order management, then? In short: no.



WHAT EDI CAN AND CANNOT DO

2.1. THE JUMPING-OFF POINT

In order to simplify their back-office operations and reduce costs, some companies — often those with unequal power relationships — have tried to apply this technical vision by forcing their customers and suppliers to send and receive orders via EDI.

- To make use of this technology, both sides need to apply the same EDI communication format, usually employing one of the industry standards (UN/EDIFACT, ANSI ASC X12, GS1 XML, TRADACOM, UBL, etc.).
- The two parties need to define the technical protocol that will be used to transfer the data (such as SFTP, AS2 or AS4).
- Each EDI connection is a small IT project involving technical teams to connect the two computer systems, test the document flow and, above all, validate that everything works without friction. In fact, the very philosophy of EDI asserts that once the flow has been implemented, there is no need to intervene with or even see the documents before they are integrated into the ERP.

2.2. THE PERFECT WORLD DOESN'T EXIST

The problem with this vision is, however, that this system is made for a “perfect world”, where machines talk only to machines and there is never a need for a human to correct or change something.

While humans are able to intelligently discern small deviations or errors, EDI systems do not have these capabilities and will simply not work even if the format difference is minimal.



IT to the rescue – again and again and again

Along with already having to perform virtually the entire onboarding process, the IT department will be involved in the whole lifecycle of EDI use. In the long-term, this is untenable, considering the high number of functions IT usually has to perform in a modern-day business setting.

Now that I am here, where am I?

Process visibility is also limited, since the communication takes place from one computer to another via algorithms, so if there are any errors or snags, regular (meaning non-IT) humans won't be able to read what or where the problem is.

Don't call us—we'll call you

And, just because the customer sends out the order via EDI doesn't necessarily mean that they want to receive the order confirmation in EDI format as well, as this would mean another level of setup that drives up complexity and costs.

Love me, hate me, I'm here to stay

Nonetheless, EDI remains a prominent tool for order automation, whether it's imposed by customers or legislation, so there is often very little choice for a business whether to use it or not.

EXPANDING EDI WITH AI

3.1. BEST SERVED WITH COMPLIMENTS

So now that we are facing the inevitability of EDI, what are the options? Esker has given much thought to this question. Recognising that EDI will continue to have a firm place in the business toolbox, Esker's solutions utilise AI-driven technology to step in where EDI falls short.

A to the I to the Rescue

Algorithms trained on hundreds of thousands of real-world orders with deep learning technologies create a neural network that expertly captures data from sales orders sent by means other than EDI, such as email.

Specialised in the very specific task of finding key information in a purchase order, such as the order number, desired delivery date, line items, quantities, prices, etc., AI can systematically recognise more than 80% of the fields on orders from new customers. Additionally, the amount of data needing to be entered as well as errors associated with data entry are reduced due to the auto-learning capabilities that automatically learn and improve the recognition rates over time on recurring orders.



Many Hands Make Light Work

An important difference between the two approaches is that we are not aiming at perfection every time with AI. Although the initial goal of AI was to replace human intelligence with an artificial one, 100% order automation is not what we're aiming for, here.

We need to maintain the human factor because exchanges between trading partners are still exchanges between humans and require scalability, adaptation and occasionally even interpretation.

EDI-only solutions do not adapt to this essential flexibility. So instead of replacing humans, AI based solutions are built on human-machine collaboration, with the goal of making human tasks easier. Usually this means that 95% of the tasks will be automatically processed, with the remaining 5% of cases left to be managed by users, like 1-click approvals, for example.

3.2. THE MAGIC MIX

By adding AI-driven technology to the mix, however, Esker's solutions provide layers of visibility, flexibility and autonomy to the standard EDI foundation. Analytics and reporting tools such as dashboards and KPI deliver up-to-date insights into both EDI and non-EDI business processes.

For the O2C cycle, for example, the machine-readable EDI order is automatically transformed into a human-readable PDF, then integrated into the ERP. This creates one unified process, no matter which channel the purchase order comes in on.

The AI then applies the relevant rules to all orders, such as the conversion of units of measure, the splitting of orders based on line item criteria or the detection of unusual quantities. Those anomalies are then easily be resolved using built-in internal and external collaboration tools.

With an EDI-only solution, updates to information such as article references needed to be carried out either by EDI directly or by the IT team. Since AI automatically learns mappings and handles exceptions, these situations can be carried out autonomously, and IT no longer needs to get involved.

START WIDE, EXPAND FURTHER AND NEVER LOOK BACK

Esker's AI-based Order Management solution expands the capabilities of EDI by offering:



**Reporting & data
analytics**



**Fast setup speed &
instant EDI customer
onboarding**



**Automated order
triage**



**Internal & external
conversations for
clarifying orders**



**Delivery of order
confirmations & shipping
notices to customers in
their preferred format
(email, PDF, portal, EDI)**



**Order portals that
integrate order
confirmations & ship
notices**

By also including Esker's Invoice Delivery solution, suppliers can close the O2C loop, deliver invoices to customers in their preferred format and provide online payment capabilities, all on the same portal. This directly contributes to better relationships with customers, because the communication is clear and timely.

And because it understands and speaks multiple languages in both directions (e.g., IDOC, EDIFACT, X12, UBL), Esker's solutions effortlessly integrate with many EDI platforms, including both 3rd party e-ordering and e-invoicing platforms (e.g., NSO/SDI, Chorus, Face, Peppol). But what makes them special is that they can manage both EDI-messages and other formats (email, PDF, etc.), depending on what the customer prefers. They can choose the format in which they send and receive these communications, rather than being forced into a system.

Esker's Order-to-Cash suite brings diversity to your tech stack and makes the mix work.



THERE IS NOTHING PERMANENT, EXCEPT CHANGE

As the business world increasingly moves towards a B2C marketplace, standard EDI will not be able to keep up with the individualism and flexibility needed to keep supply chains moving. The automation that previously only EDI could deliver is now supplanted by AI-driven solutions that digitalise entire business processes.

AI enriches EDI by adding a functional layer to speed up and facilitate order processing while providing visibility and flexibility for exception handling. True business functionality of EDI tools is achieved when processes are transparent and agile. With EDI itself being a rather opaque and inflexible technology, AI puts people back at the heart of company exchanges and even offers a competitive advantage by improving the customer experience. Take your order management from the technical to the business level with Esker's AI-based Order Management solution.

Florida Crystals, a producer of organic sugar products, turned to Esker's Order Management solution to transition their largely EDI-based and manual order processing to an essentially touchless operation. This resulted in a 75% reduction in order processing time.



EDI was our most automated type of order processing and the CSRs had to touch each order. Now it's all automated thanks to Esker."

Irma Pereles, Customer Service Manager, Florida Crystals

ABOUT ESKER

Esker is a global cloud platform built to unlock strategic value for finance and customer service professionals, and strengthen collaboration between companies by automating the cash conversion cycle. Founded in 1985, Esker operates in North America, Latin America, Europe and Asia Pacific with global headquarters in Lyon, France, and U.S. headquarters in Madison, Wisconsin.

Our customers use our cloud solutions to increase the efficiency, productivity and visibility of their Procure-to-Pay (P2P) and Order-to-Cash (O2C) processes.





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