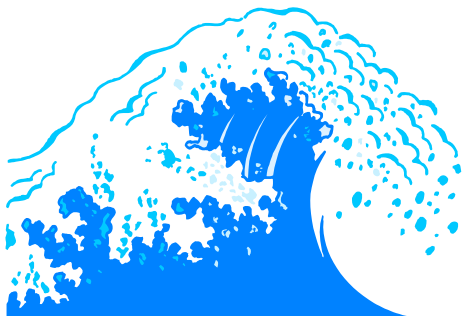


# 1998 DI USERS GROUP

## The Politics of Electronic Commerce

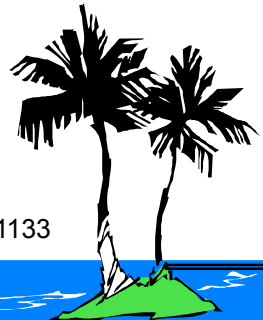


Tom Trunda  
Global EDI Project Manager  
3Com Corporation



***DI/EDI RIDE THE WAVE!***

DI1133



# The Question?

△ How do you convince management you need ...

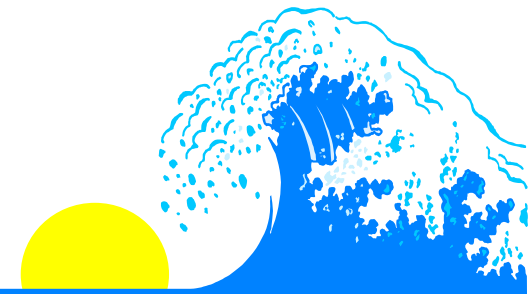
★ A larger staff?

★ More training?

★ More robust software?



# The Answer



# The Answer

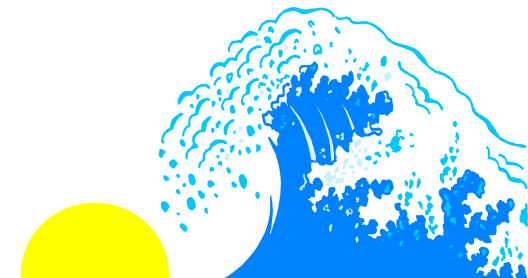
## ▲ Play Politics!

### Play from a position of strength!

- ✦ Plan your attack / pick your battle
- ✦ Be honest
- ✦ Be fair  
and.....



# The Answer



# The Politics of E.C.

Getting the information you  
need to succeed!

# Overview

Department Organization

Number of Employees

Activities

Metrics

Funding



# Department Organization

- △ Defining your department
- △ Job descriptions
- △ Reporting structure
- △ Department size





# Department Organization -- Defining Your Department

## △ **Cross industry (customer vs supplier)**

- ✦ **Specialize in business process**

## △ **Multiple departments (each staff member knows all documents)**

- ✦ **Well rounded staff**

- ✦ **Easier to level workload**

## △ **By transaction**

- ✦ **Ideal for very large operations**



# Department Organization -- Ideal EDI Team

- ▲ **EDI Manager**
- ▲ **EDI Project Coordinator**
- ▲ **EDI Analyst**
- ▲ **MIS / Technical (application side)**
- ▲ **Value Added Network and ISP contact**
- ▲ **EDI Software vendor contact**



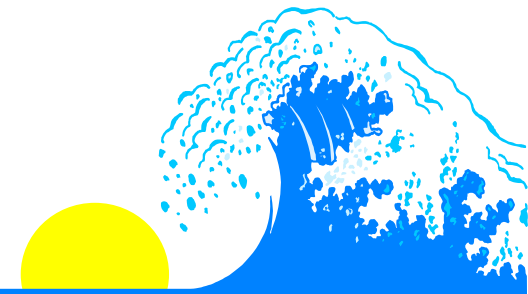
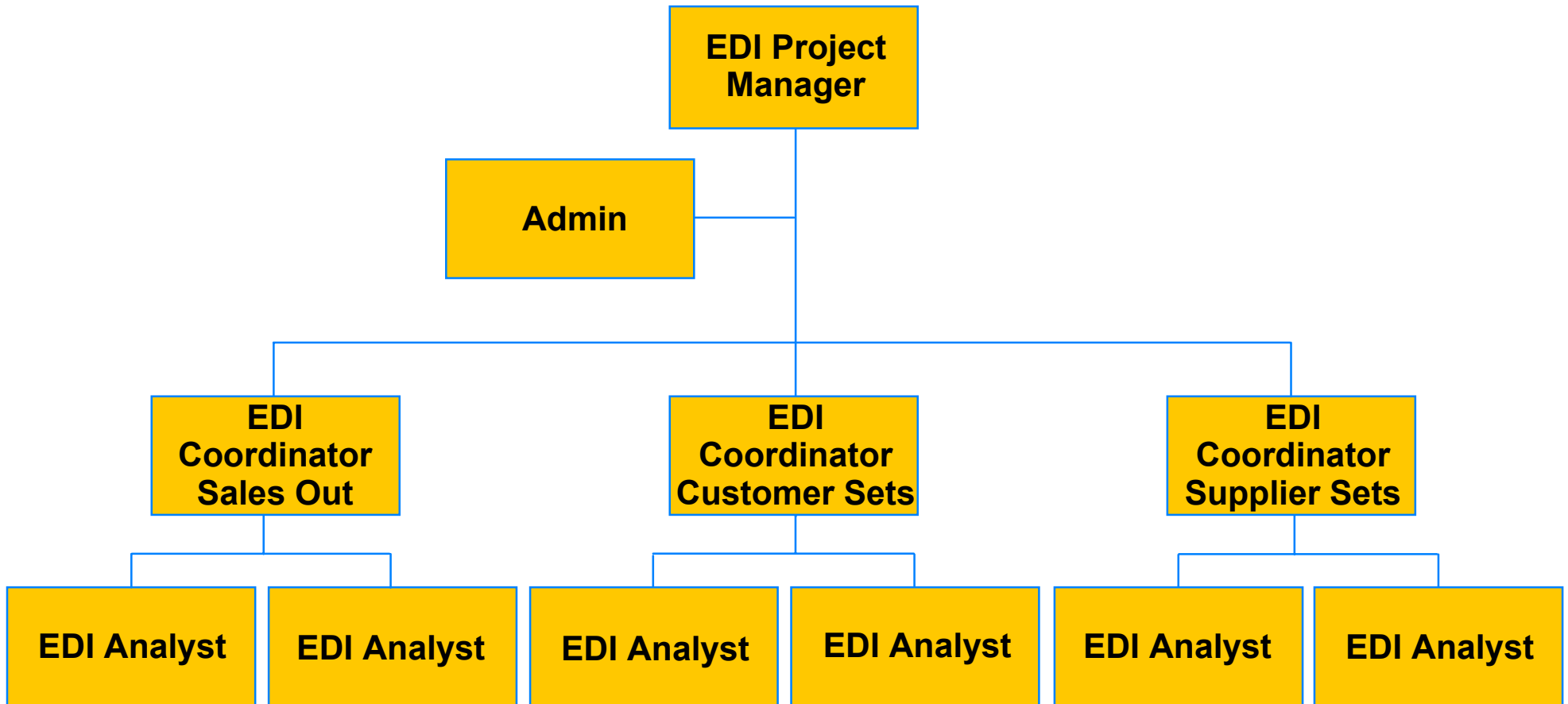
# Employees -- Job Descriptions

- ▲ **EDI Department Manager**
- ▲ **EDI Project Manager**
- ▲ **EDI Coordinator**
- ▲ **EDI Analysts**
- ▲ **EDI Help Desk Analysts**



<b>Task</b>	<b>EDI Specialist</b>	<b>Sr. EDI Specialist</b>	<b>EDI Project Administrator</b>	<b>Sr. EDI Project Administrator</b>
Day to day EDI operations	Understanding	Monitor	Monitor	Monitor and analyze
Front Line support	Understanding	Provide Basic	Provide Detail	Provide Front Line Support
Develop business requirements	Understand	Assist	Assist	Develop
Testing trading partners	Initiate some phases	Initiate & Monitor some phases	Initiate & Monitor all	Initiate & Monitor all
Analyze TP data requirements	Assist In /	Assist & Analyze simple no coordination	Assist & Analyze detail no coordination	Analyze detailed requirements coordinate
Developing Application file layouts	-----	understand	Assist	Assist
Translator:				
- Mapping	Understand	Do	Do	Do
- New Standards	Understand	Understand	Do	Do
- Control and Exception reports	Do	Do	Do	Do
Trading Partner Profiles and X-ref.	Assist	Assist	Do	Do
Test Transaction Sets / Documents	Assist	Assist	Do	Do
EDI Production Procedures	Assist	Document	Develop/Document	Develop/Document
Archiving data	-----	Do	Do	Do
Relationship Management	Assist	Assist	Do	Do
EC Alternatives	-----	Analyze	Evaluate / Analyze	Evaluate / Analyze
EC Implementation Material	-----	-----	Assist	Assist
Understanding of EDI Principals	Some Understanding	Broad	Strong	Strong
EC principals	Some Understanding	Broad	Broad	Strong
Understanding PC Systems	Understanding	Broad	Broad	Strong
Understanding PC Applications (Word / Excell / Etc.)	Understanding	Broad	Broad	Strong
Understanding Communications software	Some Understanding	Broad	Broad	Strong
Understanding Business Flow	-----	Broad	Strong	Strong
Presentations	None	None	Deliver	Develop / Deliver
Project Management Techniques	Understanding	Employ limited	Employ	Employ detailed
Experience with translation and mapping software	Knowledge	Some	Hands on	Hands on
Understanding of Business applications	Knowledge	Broad	Strong	Strong

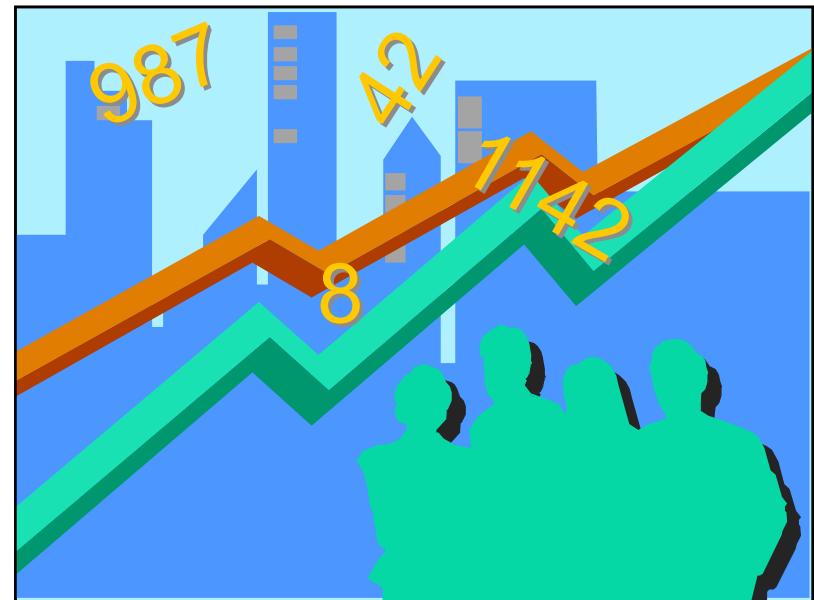
# Department Organization-- Reporting Structure



# Employees -- What's the right number of employees?

△ Should the number be based on

- ✦ Company size?
- ✦ Total revenue?
- ✦ Number of customers?
- ✦ Number of suppliers?
- ✦ Number of transactions



# Employees

## ▲ Company size

✦ \$\$ / number of employees = ?

## ▲ Total Revenue

✦ \$\$ / number of employees = ?

## ▲ Customers

✦ # of customers / employees = ?

## ▲ Number of suppliers

✦ # of suppliers / number of employees = ?

## ▲ Number of transactions

✦ # of sets / number of employees = ?



# Employees -- Putting it together

## ▲ Is your staff large enough?

✦  $\$6.5 \text{ billion} / 5 = 1 \text{ employee per } \$1.3 \text{ billion}$

✦  $2300 / 5 = 1 \text{ employee per } 460 \text{ customers}$

✦  $700 / 5 = 1 \text{ employee per } 140 \text{ suppliers}$

✦  $15 / 5 = 3 \text{ transactions per employee}$





# Employees -- 3Com

- ▲ **5.8 billion / 4 employees = 1.45 billion per employee**
- ▲ **1100 total customers / 4 employees = 275 customer per full time equivalent**
- ▲ **400 suppliers / 4 employees = 100 suppliers per full time equivalent**
- ▲ **20 transactions / 4 employees = 5 transactions per full time equivalent**



# Employees -- 3Com (cont.)

▲ **One 3Com full time equivalent is responsible for:**

✦ **275 customer relationships**

✦ **100 supplier relationships**

✦ **5 EDI transactions**

**An over burdened staff!**



# Employees

## ▲ Do you have the staff to support a growing implementation?

- ✦ \$3 billion company has 15 EDI employees = 1 employee per \$200 million
- ✦ 55,000 total customer base / 15 = 1 employee per 3666 potential EDI customers
  - What % VAR's?
  - What % Retail?



# Employees

## ▲ Total cumulative investment:

- ✦ Studies show optimum is 1% of annual sales

- ✦ Average \$712,000

## ▲ Most EDI departments have between 3 and 5 full time equivalents

*1994 The EDI Group Limited*



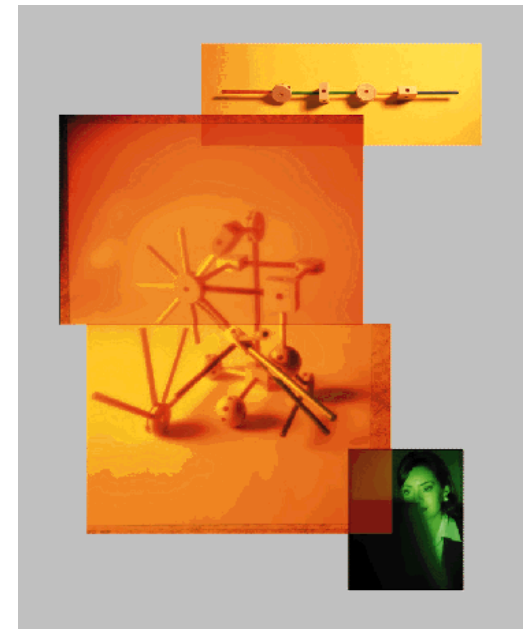
# Activities -- Determine time spent

- △ **Percentage on design and development**
- △ **Percentage on rollout activities**
- △ **Percentage on production support**
- △ **Percentage on training, conferences, seminars**
- △ **On each task per partner or per transaction**



# Activities -- Percentage on design and development

- △ New integrated transactions
- △ New partners requiring new maps
- △ Meetings
- △ Documentation



# Activities -- Percentage on rollout activities

△ Phone calls / follow-up

△ Trading Partner setup

△ Testing

△ Change control

△ Administration



# Activities -- Percentage on production support

- ▲ **Production processing**
- ▲ **Researching and correcting errors**
- ▲ **Supporting all maps and all versions**
- ▲ **Documentation**
- ▲ **Change control**





# Activities --

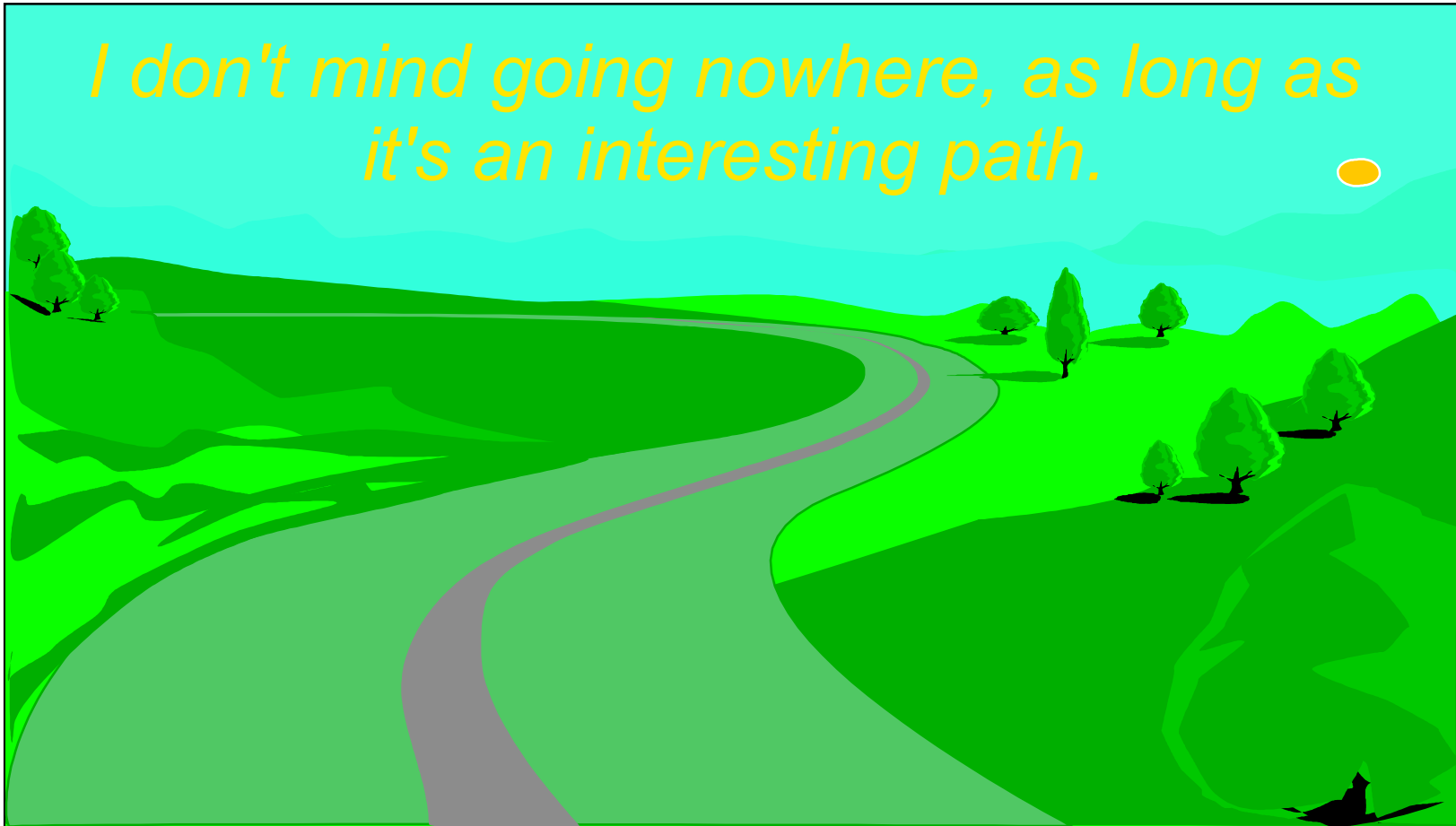
## Percentage on training, conferences, seminars

▲ Continuing formal education

▲ Industry education through conferences and seminars

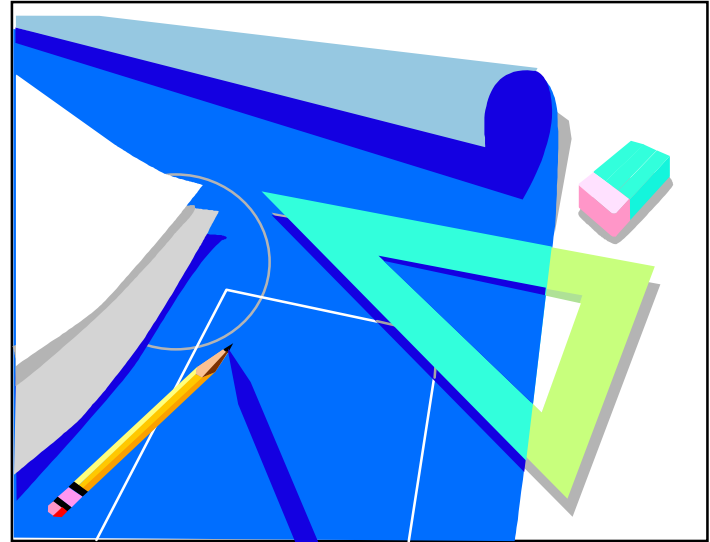


# Metrics



*Anonymous*

# Metrics



***Measure where you are and where you want to be.***

***Why?***



# Metrics

***To determine the state of your  
EC operations!  
and  
Get what you need!***

# Metrics

## ▲ **Most common**

- ✦ **Number of partner relationships enabled**
- ✦ **Number of transactions implemented**
- ✦ **Number of transactions processed**
- ✦ **Percentage of EDI to overall transactions**
- ✦ **Relationship of EDI transactions to customer sales or vendor purchases**

## ▲ **Other information needed**

- ✦ **Cost to process a manual document Vs. an EDI document**
- ✦ **Annual Van charges**
- ✦ **Annual software licensing fees**
- ✦ **Current annual employee expense**



# Metrics

▲ **What needs to be accomplished:**

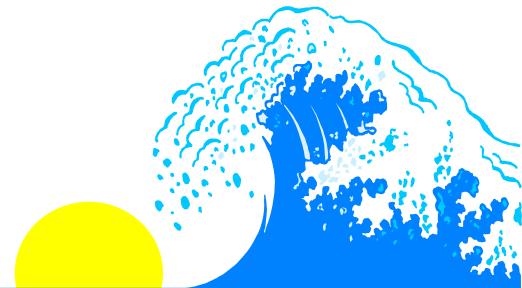
**Determine your current state - and then determine the optimum for each transaction or customer**

**Determine your costs to develop a return on your current and future investment**

# Metrics

## An example:

- ▲ Your company does \$1 billion in sales per year
- ▲ Customer A represents \$220 million in annual sales and \$34.7 million in net revenue
- ▲ Customer A had 1200 sales orders out of a total of 156,000 processed
- ▲ Customer A can do ALL EDI transactions



# Metrics

## ▲ This customer

- ✦ Represents 22% of total sales
- ✦ Represents only .769% of total sales orders
- ✦ Company net revenue is \$130 million, customer represents 26.7% of total revenue

Good Candidate for EDI?





# Metrics

## △ Initial savings

- ✦ 1200 sales orders @ \$35.00 = \$42,000 manual
- ✦ 1200 sales orders @ 2.25 = \$2,700.00 EDI
- ✦ Savings of \$39,300
- ✦ Savings / total cost-orders processed
  - $\$39,300 / \$5,460,000 = .7\%$  savings (.0071)

## △ Cost of transactions

- ✦ Add new trading partners - \$1139.00 average
- ✦ Add new trading partner - 9 days on average

1993 - The EDI Group Limited



# Metrics

## ▲ The return to the company

- ✦ Average 2 weeks per partner
- ✦ Average cost of \$1139
- ✦ Annual cost of \$29,614 to set up 2 partners per month
- ✦ Annualized return - straightlined
  - $\$39,300 * 26 = 1,021,800 / 29,614 = 34.5$
  - \$39,300 savings per transaction / \$1139 cost per transaction = a return of 34.5 times

**A very good deal to the Company!**



# Funding

- ▲ For new projects
- ▲ For new software
- ▲ For new hardware
- ▲ Staff



# Funding

## New Projects

New hardware /  
software

Additional VAN  
Charges

Contractors



# Funding

## ▲ What's driving the need for new hardware or software?

### ✦ Compliance?

➤ ISO

➤ Y2K

### ✦ Ease of use?

### ✦ Volume?



# Funding

## ▲ Staff

- ✦ **Know your needs**
  - **Technical Vs. Business**
  - **Seasoned or rookie**
- ✦ **Know how long each task takes**
  - **New map**
  - **New partner**
- ✦ **Be reasonable in your estimates**



# Summary

## △ Be prepared

- ✦ Know what you need
- ✦ Have what you need

## △ Be honest

## △ Be professional

