



## Awarding Excellence in B2B

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When **GXS** asked AMR Research to judge its 2007 Global Customer Awards, we took advantage of the opportunity to get further insight into how companies are implementing their B2B strategies. The criteria used to determine the award winners, detailed below, is a good yardstick for measuring progress.

Global Customer Awards are presented to companies that can demonstrate the best use of GXS technology and services in three areas: increasing the rate of B2B e-commerce automation, enhancing supply chain visibility, and accelerating the growth of multienterprise collaboration in a global supply chain. A fourth award, important to note as companies are increasingly moving to a managed-services model for B2B enablement, recognizes a company that uses outsourced services for competitive advantage.

Finding the best among sophisticated users of enterprise technologies and services is difficult, so it was not without some regret that there could only be four winners among the entrants. These companies all exemplified the significant value that B2B communications, along with close collaborative relationships with trading partners, can bring to the supply chain.

Here's a look at six companies that have made significant progress in their efforts to implement B2B technologies across their trading communities.

### Measuring effectiveness, sustainability, and trading community benefits

To pick the top companies, AMR Research analysts used criteria that best reflect the difficulties clients are dealing with as they move forward on their B2B initiatives.

The five areas evaluated were as follows:

- **Value**—This area considered the level of quantifiable value received for B2B deployments. Initiatives that drove profitable growth, not just cost reduction, were given special consideration.
- **Scope of the B2B deployment**—Scope refers to the level of integration reached within the enterprise and among the trading community.
- **Scale of the B2B deployment**—Scale means the geographic reach of the initiative and number of trading partners involved.
- **Value created for the extended trading community**—The value area encompasses the extent to which B2B initiatives were designed and implemented to create reciprocal value for all partners participating.
- **Demand driven**—The demand-driven criterion measured how B2B technology is used to support demand-driven business models by creating greater transparency of information and speedier, more efficient translation of signals from demand sources to supply.

Based on these criteria, we selected the following four companies as the best in their respective categories. These were not the only companies, however, that had valuable experiences to share; thus we profile two other companies whose B2B accomplishments were impressive and worthy of your attention.

And the award goes to ...

### **International Post Corporation—for accelerating the growth of multienterprise collaboration in a global supply chain**

As a cooperative association formed by 24 postal organizations in Western Europe, North America, and Asia Pacific, and serving 120 postal operators globally, **International Post Corporation (IPC)** was formed to improve the performance of cross-border delivery of letters and parcels as well as courier mail services.

Payment for international mail delivery services is based on meeting service-level agreements. IPC tracks the performance of cross-border delivery and is responsible for the administration of payments for these deliveries, amounting to millions of dollars, to its postal operators. It is big stakes. If IPC determines that a postal service has fallen below 80% of its delivery service agreement, that service can lose half of its revenue. Besides tracking performance for compliance to service-level agreements, the data IPC collects is used by local postal services to track the progress of items into and out of their sorting operations, allowing them to identify poorly performing operations in their networks.

Data collection to monitor performance is done in several ways. Every item that is sent by parcel and express mail is tracked using barcodes, much like the express and overnight services of **UPS, Federal Express, and DHL**.

Tracking the barcodes of individual letters would be a logistical nightmare. Instead, IPC has negotiated with participating postal services to implement a program in which test letters, indistinguishable from regular mail, are tracked using RFID tags and readers at 250 sites in 50 countries.

The organization's original technology strategy was to use GXS' pre-packed, ready-to-go technology, but as business requirements became better known, IPC gravitated to a more proprietary set of applications and communications protocols specifically designed to support its business model. For example, IPC is now using a dedicated service from GXS that shadows each transaction sent between postal operators, effectively turning it into a claim for payment. It also chose to use GXS' OTX proprietary protocol rather than the X400 standard to build a more secure and reliable interface into its internal application. The GXS Trading Grid now carries around 40,000 messages a day for IPC, rising to a peak of 80,000 messages a day during the holiday season.

IPC's accomplishments were notable for the following reasons:

- Since its inception in 1994, the organization has helped significantly improve delivery performance across its member network. Letters sent to international destinations now arrive within three days as high as 95% of the time in some countries, up from an average of 69%. Even during periods of large spikes in mail volume, the services IPC provides to monitor and measure mail delivery performance ensure that customer service expectations are met.
- The physical network created by IPC among its founders and participating postal services is truly global, spanning North America, Europe, and Asia Pacific countries.
- With 35 million mail bags and trays moving annually among 120 postal operators, IPC has shown its ability to manage both a complex physical and information network that can monitor activities at a local level.
- As an association with voluntary membership, IPC must deliver services that satisfy all of its constituents. By making data on the movement of mail transparent, it acts not only as a governing body that measures performance, but also as one that enables member services to diagnose and correct deficiencies in their networks.

### **Panasonic—for enhancing supply chain visibility**

Committed to aggressively increasing its market share for its most profitable product line, flat-screen displays, **Panasonic** realized that shipments into the European and North American retail channels must be on time and complete, with a service level that surpasses its competition.

In 2004, Panasonic performance in supplying its retail channels was mediocre. In-stock performance was at best 80%, and inventory on hand far exceeded the demand the company experienced. It revamped its retail replenishment processes with the help of **i2's** managed services for planning (see "The Supply Chain Company: i2 Planet 2006"), bringing inventory levels down to 4 weeks from 17, and at the same time raising on-shelf availability significantly.

The company realized that to sustain such performance, it not only needed to accurately assess and respond to demand, but also had to provide dependable delivery services to its retail customers to meet the commitments made to them. Panasonic implemented GXS' Logistics Visibility Service in December 2006 to aid in the management of its network.

Panasonic has demonstrated that while having the right products available is critical for success in the retail channel, on-time delivery is also crucial to maintain high in-store availability and customer satisfaction. Based on its performance the past three years, the company has become a top-tier supplier to big-box consumer electronics retailers. The company plans to extend network and visibility capabilities to other business units of Matsushita, its parent company, as well as extend it to Eastern Europe and the Asia Pacific region.

### **Tesco—for increasing B2B Automation**

UK-based retailer **Tesco** is almost £30B in revenue, with a strong international presence in China and now the United States. The retailing giant has invested significant time and money in developing more efficient ways to work with its supply base. It is the only retailer we are aware of that has formalized a program to solicit recommendations from its suppliers, anonymously if desired, about how to improve current business practices.

Tesco sees B2B trading as a critical part of bringing products to its shelf in a timely and cost effective manner, and has made great progress in creating an electronic connection to its larger trading partners. In fact, of the one million documents Tesco processes each month, only 40,000 are paper-based. The efforts Tesco is making to reduce the balance of paper documents, often with its smallest and least technically sophisticated suppliers, earned it this award.

Tesco has already seen the positive results of B2B document management, which is why the company is constantly looking for ways to expand its electronic network. Using GXS' Intelligent Web Forms, it is trying to push 100% B2B participation within its supplier community, including those serving its international locations.

Tesco performed extensive testing with a representative sample of its vendor base to establish that it could do the following:

- Accept invoices in pounds sterling and Euros
- Convert and pay overseas suppliers in their preferred currency

- Manage service-level agreements where suppliers delivered to multiple countries under different terms and different invoicing parameters
- Manage relationships with suppliers who deliver to distribution centers as well as directly to stores

More efficient processing and a greatly reduced error rate on invoicing helps suppliers manage their cash flow and Tesco to limit exception management and meet the payment terms previously agreed upon. At the same time, visibility to goods in the supply chain makes logistics operations more efficient.

### **PepsiAmericas—for best use of B2B outsourcing for competitive advantage**

**PepsiAmericas, Inc.**, with revenue of \$3.7B, is the second largest Pepsi-Cola bottler, with operations in 15 countries including the United States, the Caribbean, and Central Europe. In all, the company estimates it serves a market of 122 million people.

Locked in a fiercely competitive industry, its customers favor suppliers that are easy to do business with, help reduce operating costs, and can respond quickly to changing consumer preferences. PepsiAmericas has developed a large and diverse product portfolio; and to reduce complexity and lower costs, it introduced e-commerce technology that automates processes and transaction management in the supply chain.

Using GXS' Trading Grid Managed Services, the company has begun to on-board additional trading partners, allowing PepsiAmericas to expand internationally its electronic trading network to additional retail customers, product suppliers, logistics providers, financial institutions, and brand owners.. It also allows for a quick response to the four to five major retail and food service accounts a month that request electronic communications.

GXS will also assist PepsiAmericas in adding new transaction types, such as advanced ship notices, price catalog entries, product movement, and item and price synchronization. One of the future phases of the project involves retailer web forms for replenishment orders. PepsiAmericas plans to have 150 customer service representatives calling 24,000 small restaurants, retailers, and other customers to encourage them to adopt electronic order processing via the web versus handing it over the phone.

### **The runners up ... (as we see it)**

We also wanted to mention several other companies we noted that have had experiences in B2B that offer insight into the value of the technology.

**Baosteel** is using GXS' Trading Grid Messaging Service to make its IT infrastructure more responsive to its automotive customers within and outside of China. The company has reduced purchase-order processing time to two hours from two days, and has seen a significant growth in the number of electronic transactions with Tier 1 customers.

**W.H. Smith**, another UK-based retailer with international presence, finds that the visibility and control offered by EDI has let it consolidate shipments from suppliers and ship directly to stores, bypassing its distribution centers. This has reduced replenishment cycle time significantly, down to two to three days from ordering. The company also uses EDI to transmit point-of-sale and other demand intelligence to its suppliers.

### **Common themes for B2B success are consistent**

All of the companies evaluated shared common characteristics that played a major role in their successful B2B initiatives.

For one, many of the companies had disparate EDI initiatives going on within their own organization, without any centralized management or oversight. By centralizing the EDI infrastructure, they were able to extend reach and capabilities.

In terms of value realized, successful implementations focused not only on what benefits could be accrued by the company, but also by its trading community.

Finally, most of the companies we evaluated had set goals to have their trading communities become 100% compliant with EDI adoption, making this a significant corporate commitment.