

GLOBAL SUPPLIER ENABLEMENT SOLUTIONS

WHITE PAPER: BENEFITS OF A SOLID EDI FRAMEWORK AND INTEGRATION STRATEGY

Taycom Business Solutions and Sogeti have teamed to provide automotive suppliers with 100% electronic connectivity with trading partners to reduce supply chain administrative costs and risks. This white paper documents the advantages of utilizing an Integrated EDI Framework to allow Original Equipment Manufacturer (OEM) suppliers to seamlessly integrate their back-office systems with Trading Partner Enterprise Resource Planning (ERP) systems.

AUTOMOTIVE BUSINESS CLIMATE

The current business climate for automotive supplier's has produced tremendous pressure to control costs and minimize waste, in addition to the need to adjust to the following industry-wide issues:

- Automaker pressures to reduce costs through 'Productivity' gains, and demands for 'world pricing'.
- Eroding margins, especially due to increased steel costs from tariffs, not recoverable through currently negotiated pricing.
- Growing lobbying costs for representation of automotive suppliers in Washington D.C.
- Slowing cash flow from the pervasive impact of the Global Economy.
- Manufacturing bottlenecks and inherent inefficiencies.
- Greater focus on delivery of Systems vs.

Components, and a larger assumption of risk of warranties for suppliers.

- External regulatory pressures for corporate accountability from Sarbanes Oxley and others.

As a result of the above factors, the leaders in the automotive industry are effectively deploying technology and focusing on incremental initiatives that provide ROI now.

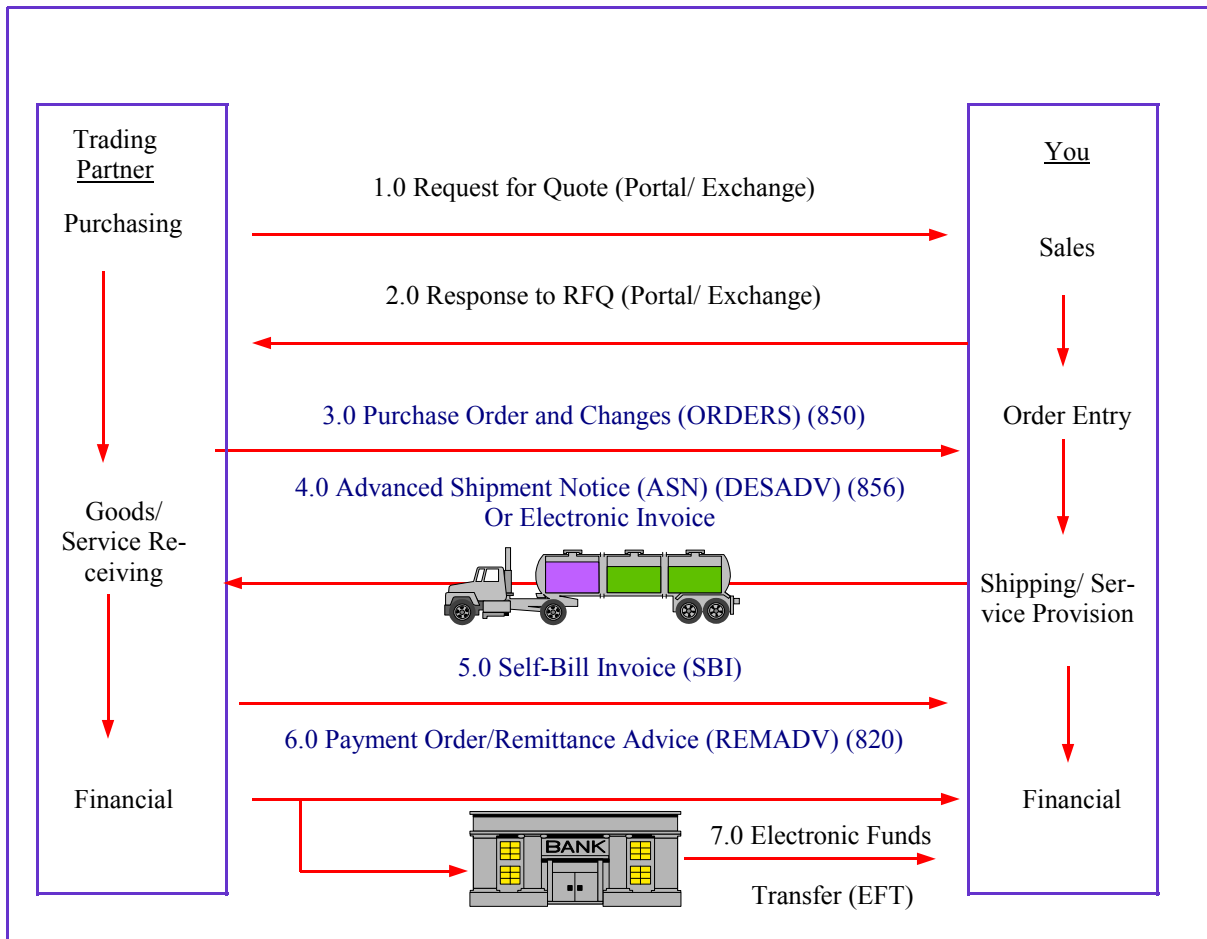
THE DRIVING FORCE FOR ELECTRONIC INTEGRATION

The OEM's and major corporations are increasingly realizing the benefits of Enterprise Resource Planning (ERP) systems, and the ability of those systems to reduce administrative costs and eliminate the need for manual intervention in transaction driven processes.

Though the technology deployed by major trading partners may differ, the functions of the technology remain the same: **reduce the administrative costs of interactions, decrease time and risk of error, and increase speed and visibility.** Following are a few major processes that have been implemented by global companies for key transaction cycles, including:

- Automated Procure-to-Pay Functions
- Electronic communications for commercial documents
- Increased visibility through the use of portals

EDI Framework: Enhancing Trading Partner Communications An Automated “Order-to-Cash” Process



The above diagram depicts the sequential events that occur within the Order-to-Cash cycle. There is an opportunity for suppliers to realize significant cost savings by automating the exchange of commercial documents in process steps 3-6. Automation of the entire Order-to-Cash process eliminates non-value-added manual tasks and the risk of errors in a critical process. The key is for suppliers to develop streamlined and automated processes that provide fluent integration of company resources with diverse trading partners and suppliers.

THE OPPORTUNITIES AND RISKS OF A NEW PARADIGM

Today's Enterprise Resource Planning systems, led by Oracle, PeopleSoft and SAP (JDE), offer large companies the ability to streamline processes and effectively integrate the supply chain without significant incremental costs. This technology presents an opportunity for suppliers to leverage the investments made by their Trading Partners by requesting and enabling “Last Mile” connectivity.

The Order-to-Cash business process is critical to every company's success, so as your major Trading Partners adopt new paradigms, the supply base must adapt.

A new element in supply chain interaction is the concept of SELF BILLING INVOICES (SBI), which are prevalent in Europe, but have frequently been utilized by U.S. based companies over the past 5 years. Major companies that utilize the SBI (or Oracle's Evaluated Receipts Settlement—ERS—

process) create the invoice document, on behalf of the supplier, which serves as the basis for the Trading Partner's payment to the Supplier.

The manifestation of the SBI was natural: Generally Accepted Accounting Principals (GAAP) require a 3-way match of the 1) Purchase Order, 2) Receipt (of goods or services), and 3) the Invoice, in order to provide proper substantiation of expenditures for payment. As noted in the preceding Order to Cash process, steps 3 & 4 satisfy the requirements for PO and receipt.

Major companies are realizing that the supplier's submission of a physical invoice, which requires significant staff in the Trading Partner's Accounts Payable department to enter the data contained in the invoices, adds significant overhead costs for a non-value-added process.

These companies have realized that creating the invoices themselves, based on the Purchase Order price and receipt quantity, eliminates several potentially recurring issues: 1) Lost invoices; 2) Incorrect invoices, and 3) Keying errors during re-entry, all of which requires significant time and money.

By configuring their ERP system to automatically produce the invoices at the time of receipt, major companies have reduced the number of full-time equivalents to 10% of the original staff, and have eliminated all of the potential errors.

The SBI represents a significant paradigm shift for the supplier, which creates several opportunities, but also creates new risks for suppliers:

INDIRECT MATERIAL SUPPLIERS

Opportunities:

- **Increased speed of cash-flow:** ASN's facilitate your trading partner's ease of receiving supplier goods and services. Invoices are created and aged for payment upon the trading partner's 'one-click' acceptance of the ASN and receipt of goods or services.
- **Minimal Invoice and Payment Errors:** Invoices created by the Trading Partner will reflect the quantity received X PO price.
- **Real-time communication:** Commercial documents are available immediately.

Risks:

- **Risk of Input Errors for Portal ASN's:** Non-EDI suppliers must input invoice infor-

mation manually, increasing the risk of error.

- **ASN's Must be Timely:** As the official request for payment in an SBI environment, all relevant details must be included in ASN data in order for the Customer-produced invoice to reflect the same detail as the suppliers invoice .
Transfer of Tax Liability: Information received from supplier ASN's will confirm actual delivery information, regardless of Customer Purchase Order specifications.

ELECTRONIC INTEGRATION OVERVIEW

The OEM's have determined that by using Electronic RFQ's (eRFQ), Self Billing Invoices (SBI), Electronic Funds Transfer (EFT) Payments and Supplier Portal functionality, they can decrease the costs and risks of manual intervention in supply chain administration. These paperless processes present significant savings and enable global strategic opportunities. Now OEMs are looking to push those savings to their suppliers.

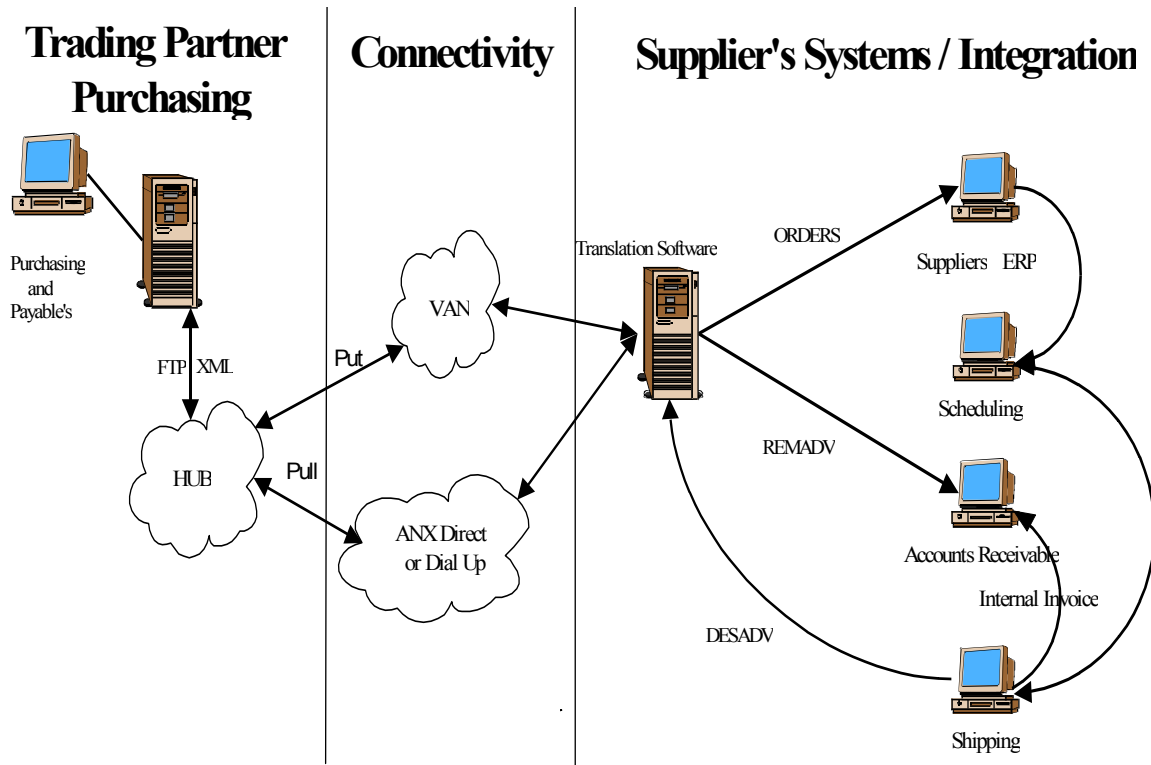
Without Electronic Data Interchange (EDI) interaction, supplier communications with OEMs are limited to viewing commercial documents (Purchase Orders, Invoices (SBI) and Remittance Advices) on the supplier portal. Manipulation of this data is cumbersome to suppliers, and presents risk of error when re-entering data on sales orders and when reconciling supplier invoices with Trading Partner invoices, and receivables.

For non-production suppliers of Indirect Materials and services, the submission of Advanced Shipment Notices or Electronic Invoice (process step #4), in essence, becomes their official request for payment. Any delay or error in this process will significantly delay payment and cash-flow.

Utilizing 100% EDI or web-enabled capabilities is the only true source of efficiency and risk mitigation for suppliers to effectively interact with OEMs that allow this capability. The following figure depicts the relationship between supplier EDI transactions and Trading Partners

Taycom and Sogeti offers Implementation and Integration Services for an EDI or Web Enabled Framework for 3 Documents:

- 1. Supplier Inbound Purchase Orders: 850 (ORDERS) connectivity and Pricing Integration.**
- 2. Supplier Inbound Remittance Advices: 820 (REMADV) connectivity and Receivables Integration.**
- 3. Supplier Outbound Advanced Shipment Notice/ Electronic Invoice: 856 (ASN) automation and connectivity .**



BUSINESS ADVANTAGES

The main advantage of moving to EDI is reduced costs and elimination of errors related to manual input. The payment for goods and services rendered is sped up through electronic ASN's, purchase orders, invoices and fund transfers. Cash-flow will increase as a result. Administrative costs will be reduced, and manual reconciliation of accounts receivables will be eliminated, thus allowing employees to focus on strategic initiative versus administrative tasks. Additional benefits include improved partner relationships and higher satisfaction throughout the supply chain.

- Potential Reduction of 1 to 5 FTE's through the elimination of manual tasks.
- Reduced administrative time
- Streamlined Business Processes
- Improved internal controls and process assurance for Sarbanes Oxley compliance
- Elimination of risks to financial statements
- Accurate and timely financials and Receivables
- Scalable solutions that enable ease of integration with other trading partners.

OUR COMPETITIVE EDGE

Taycom has been in business since 1997 providing ERP and accounting services for clients such

EDI COST SAVINGS (ROI NOW)

as Ford Motor Company, McDonalds, Lucent Technologies, Sony, ACR Industries, ON Semiconductors, and 3M. Taycom's principle officers have over 80 years of manufacturing expertise in operations, finance and information technology.

Sogeti is a wholly owned subsidiary of Cap Gemini SA, and specializes in delivering innovative information technology solutions for your business. Geographically located close to local decision makers across the world, Sogeti offers a full range of IT and project management knowledge and expertise.

We will provide an assessment that will provide for an implementation that fits your needs and budget. A full implementation will include integration with the suppliers' ERP package, with pre-defined solutions for Oracle, SAP, JD Edwards, and PeopleSoft. Taycom quantifies and builds its success based on the success of its clients. Therefore, training and education will be offered.

We will leverage your existing infrastructure and use our multi-vendor expertise to focus your investment on immediate value areas. This is a scalable solution, with its components expandable to meet future functionality requirements. The solution provides a solid foundation for future growth.

WHY TAYCOM AND SOGETI

- **Global expertise integrating supplier ERP systems (Oracle, SAP, JDE, Peoplesoft)**
- **Extensive experience with manufacturing business Processes and applications**
- **Expertise in the Global Deployment of Automated Procure-to-Pay Processes, including Self-Billing, automation of the Order-to-Cash process and Supply Chain Integration**
- **Operational, Process and Technology knowledge as Suppliers to the Big 3 and Oracle Partner Network Partners.**
- **In depth experience with supplier integration and finance reconciliation processes**
- **Tools and methodologies to support large scale supplier connectivity, including deep EDI and XML based integration capability and experience.**
- **Tier 1 services provider to the Big 3**

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