



# White Paper

## Cutting our Costs, Reducing errors and improving customer service

Explore the impact of Electronic Data Interchange (EDI) on supply Chain management. EDI will remove data errors, prevent any loss of information flow, reduce your operating costs and better meet the needs of your clients. In this paper, you will learn to cut your labor costs via information implementation.

These goals have always seemed to be mutually exclusive. Removing costs usually comes down to removing labor in a 3PL environment. As a generalization, cutting costs (through labor reductions) increases errors and leads to reduced, not enhanced, customer service.

There is an answer to this though - reduce labor by removing work, not workers.

In a past life I consulted to a tier one parts supplier to the automotive manufacturers. They had 'EDI'. Data flowed from the manufacturer to a mailbox where clerks collected the data, reviewed it for accuracy and then copy typed it into their 'state of the art' system. The reverse was also true, advices were constructed as structured files, manually, and then uploaded to the mailbox. While this process certainly saved the customer labor in their internal processes it did nothing to remove transposition errors, reduce my client's labor cost or improve process efficiency. It was actually slower, and cost more, than the 'old' fax ordering system. This was explained to me as a 'cost of doing business'. It was deemed to be less costly than hiring an EDI 'guru' to make it work. It didn't make sense then and it doesn't make sense now.

Three weeks later – they had electronic communication working internally; the customer was getting accurate information in near real time with no data errors.

Four months later – the process had paid for itself!

As a value added service to your customers Electronic Data Transfer (EDI) can have a huge labor impact for you. It can also improve timeliness of information flow and remove data errors. EDI does not come without upfront costs, knowing when to spend and quantifying the justification can be a challenge. Is your data volume sufficient to justify this cost? Are the errors generated by manual processes costing you more, in rectification costs and service degradation, than the cost of implementation? Is your customer mandating EDI?

Done right, and with the right systems in place, EDI will remove work, improve customer service and remove errors. In an upcoming white paper I will address how EDI can be used as a differentiator in your business, what the benefits are, how to assess your needs and how to move some of the implementation costs onto your customers.

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