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Publication date:
1993

Document Version
Publisher's PDF, also known as Version of record

[Link to publication](#)

Citation for published version (HARVARD):
Roelandts, C 1993, *EDI in mail ordering firms : a French initiative..*

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EDI IN MAIL ORDERING FIRMS: a French initiative

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At the beginning of 1992, La REDOUTE , France's largest mail-order house, launched with six of its suppliers, the first EDI experiment by Mail Ordering firms in France. As early as 1982 LA REDOUTE had already conducted a first study which then was, however, not conclusive. The study was resumed in 1988 and, by the end of the year, a preliminary report indicated that establishing a data exchange system could bring about financial benefits for LA REDOUTE by reducing administrative costs and shortening delivery times.

The purpose of this paper is to describe how this last study was conducted and what are the lessons to be learned after a first year of activity. ¹

LA REDOUTE'S "SUPPLIER DIRECT DELIVERY SYSTEM"

The first step was to choose the kind of article that could most benefit from an electronic interchange and it was quickly agreed that the pilot experiment should start with suppliers of hard furnitures and bedding. The sale of such large or heavy articles are organized by LA REDOUTE by Direct Despatch. Under this system, called by LA REDOUTE "Supplier Direct Delivery System", the items are included in its sales catalogue but, unlike most of the other

¹This paper has been prepared on the basis of information kindly provided by Mr Patrick BUYSE, Computer Project Leader at La Redoute Catalogue, S.A, Roubaix FRANCE. An article published in january 1993 by EDI Analysis has also been used as reference.

articles, are held on by the supplier into his own stocks. These "stock suppliers" receive daily orders for LA REDOUTE customers and arrange themselves the direct delivery to the final customer by a transporter selected by LA REDOUTE.

Obviously, for such articles it is of prime importance that a good coordination is established between LA REDOUTE, which is the only firm having a contact with the customer and which has to give an indication on the time and day of the delivery, the SUPPLIER who is manufacturing the goods in accordance with the customer's specifications and the TRANSPORTER who has to comply with any special request for delivery made by the customer on the phone to LA REDOUTE.

It is also the kind of articles involving the exchange of a considerable number of documents and where the penalty for orders cancellation is expensive in view of the size and weight of the goods.

Three poles were considered to be fields of possible improvement in LA REDOUTE's Suppliers Direct Delivery System :

The Suppliers Pole i.e. improving the liaison between LA REDOUTE and its suppliers.

The Availability Pole i.e. a better management of immediate and forecast availability of goods.

The Transporter Pole i.e. an improved communication between, on one hand, LA REDOUTE and its transporters and, on the other, between LA REDOUTE's suppliers and the same transporters.

OBJECTIVES

LA REDOUTE's general objectives to replace the exchange of paper documents by an electronic, computer to computer, exchange of data were threefold :

- 1.To enrich the dialogue with suppliers.
- 2.To optimize internally the flow of information such obtained.
- 3.To improve customers relations.

- by shorter deliveries and more accurate announcements.
- by more satisfactory answers to enquiries.
- by improved handling of complains.
- by better treatment of orders cancellations and modifications.

All this, obviously, offers a favorable effect on the company's proceeds and profitability.

THE STUDY GROUP

After having selected the type of articles La REDOUTE decided, in january 1990, to constitute a Mixed Study Team and had no difficulty in finding six suppliers within the "Supplier Direct Delivery System" who readily volunteered to take part to the experiment. It is worth mentioning that half of these firms were SMI's.

The members of the study team were: Dunlopillo (Bedding), La Manufacture Vosgienne de Meubles (Kitchen and Bathroom furniture), Weber (furniture), Recticel (Bedding), Capdevielle (Settees) and Wifor (Bedding). They are all suppliers of heavy items such as household or office furniture and accessories and together receive from LA REDOUTE some 120.000 orders per year, which then represented 30% of the total Direct Despatch traffic.

MESSAGES

Eight messages between LA REDOUTE and these suppliers were defined by the Study Group during the first half of 1990. Early 1992 two suppliers connected to IBM-IN became operational and the four remaining partners, using Atlas 400, joined the group by mid-1992.

These messages are :

Order: LA REDOUTE asks the supplier to deliver a defined item to a particular customer via a specified transporter that they have previously contracted. The data exchanged are the customer references, the article ordered and the selected transporter.

Order Confirmation: Within 72 hours the supplier must confirm the order and communicate the actual delivery date with the invoice number, or give a forecast of the planned delivery date. In the latter case, a second message is sent with the invoice number when the delivery has actually taken place.

Re-order: LA REDOUTE repeats the message everyday when no supplier confirmation has been received within 72 hours.

Order Cancellation: By LA REDOUTE, in case the customer request to cancel its order, or for any other reasons.

Cancellation's Confirmation: The supplier confirms the cancellation of the order.

Out of Stock: The supplier advises that the item is out of stock and that the order must be cancelled.

Most of these messages did not exist previously, in the "paper" process between LA REDOUTE and its suppliers.

The following two messages concerns sales forecast and availability and will only be operational in the future.

Sales forecasts: Sales forecasting constitutes an essential element in LA REDOUTE's management system. Its 6.000 articles are classified in 200 groups whose curve of sales follows a similar pattern. Each group includes different kind of articles, all presenting the same rythm of sales after the publication of the catalogue.

These curves are used as such during the first four weeks of sales but are adjusted during the fifth week by taking account of the actual sales.

In order to help suppliers to prepare their manufacturing program, LA REDOUTE communicates these forecasts weekly to its various suppliers, giving them the anticipated sales of each item by size, color, etc..

This information is nowadays sent by paper but the intention is to use electronic messages in the near future.

Availability: In response, the supplier informs LA REDOUTE once a week on the availability of the various articles in stock and the dispatching possibilities in each of the following six weeks. This message is sent to the buyer responsible for the article who then compares forecast with availability and places his orders accordingly.

Nowadays this message is optional for the supplier and sent by paper but it will soon become part of the EDI system.

STANDARD AND CODES

The Study Group decided to use UN/EDIFACT standard for the message "ORDERS" and has had recourse to a consultant to verify its conformity. For the other messages, EDIFACT having not issued

prescriptions so far, the Study Group was obliged to devise its own messages.

Each partner uses internally his own codes. LA REDOUTE has made its own classification, different from EAN or all other existing codes and has no intention to modify the present system. The supplier, who generally has his own codes, uses conversion tables to match LA REDOUTE codes with his own. He also receives from LA REDOUTE coded labels that he is required to affix on the goods supplied.

NETWORK

The Study Group decided to make use of Value-Added networks. These networks adapt themselves to the specific applications of each partner presenting heterogeneous systems and offer the advantage of securing the information and of allowing the possibility of asynchronous exchange.

IBM-IN is used by those suppliers equipped by IBM whilst Transpac's ATLAS 400 is used by smaller firms.

INTERCHANGE AGREEMENT

A contract is signed between LA REDOUTE and each of its suppliers which is made of three sections. First it describes the various EDIFACT messages, it then details the technical specifications and, finally, it covers all the contractual obligations by both partners.

The contract includes a definition of the terms used and of the EDIFACT syntax, a list of the main data segments exchanged and their meaning, the communication network and the rules of transmission to be followed, the sharing of the transmission and storage costs, the security issues and backup, the confidentiality and records prescriptions and the responsibility in case of incidents.

E.FO.V.A.D.
(for Exchange Fournisseurs Vente A Distance)²

This is a non-profit association, founded in 1992 by LA REDOUTE, to foster EDI by creating a community of interest between Mail or Distant Ordering firms and their suppliers.

The association offers a "turnkey EDI system" to members wishing to start exchanging data.

It provides messages, interchange agreements, technical solutions, and assists its members in their negotiations with equipment manufacturers, service companies and network operators
It organizes training seminars.

It also takes care of the follow-up of existing messages and creates new messages. It represents its members to EDI organizations and liaise with other EDI users associations.

THE RESULTS AFTER A YEAR OF ACTIVITY

Today 46 % of LA REDOUTE's total potential volume passes through this EDI channel and the profit accrued is estimated to 3 millions FRF per year against an investment of only 2 millions FRF, consisting mostly of study costs, and a running expenditure of 373.000 FRF per year.

Most of the profit resulted from a substantial reduction in the level of cancelled orders and turned down deliveries, which reflects a qualitative improvement in customer's satisfaction whilst only 0,6 millions FRF came from administrative savings.

So far only one supplier (WEBER) has integrated EDI into its own administrative procedures at a cost of 150.000 FRF with a pay-out of 3 months only.

² Litterally "Suppliers Exchange Distant Sale"

THE OUTLOOK

The next action will be to exchange invoices with these stock suppliers by using EDIFACT standard and also to automatize their settlement. Therafter, at the light of the success of the pilot experiment, it has been decided to extent gradually EDI services to all other suppliers and transporters. This will imply to integrate new data and study new messages.

The objective is to reach 75% of the total Direct Despatch volume by the end of this year.

At longer term it is envisaged to exchange EDI messages with customs agents, banks and public administration. It is also considered to organize exchanges with the various trade involved in the production of the catalogue (photocomposers, binders, printers etc...)

The initial Study Team has now been dismantled and has been replaced by a Technical Committee, made by the technical staff of both LA REDOUTE and its partners. The objective is to pool the various experiences to improve the existing project and to follow its development.

CONCLUSION

This French experience has been conducted independently from EDI initiatives taken by Mail Ordering firms in other European countries.³

³ In the United Kingdom, in particular, the Home Shopping Companies have been, since many years, at the forefront of developments in this particular field. The major U.K. companies are Littlewoods, Great Universal Stores, Freemans, Grattan and Empire. They all exchange data with their suppliers using IBM or INS Tradanet networks and use a software package especially devised for each of them by a firm called Meadowhouse Bar Laser (MBL). In view to adopt a common approach to their respective suppliers, which are often the same, these Home Shopping Companies have formed, in mid 1991, a Committee with the specific objective of coordinating the industry's approach to EDI implementation.

We consider that it would be of particular interest to undertake further researches in order to compare the different initiatives made by the various European Mail Ordering firms in respect of EDI exchanges.

The final objective would be to examine if a common European approach should not be encouraged, as part of the single European market, to obtain a common set of procedures to transfer business transactions electronically between Home Shopping Companies and E.C suppliers, irrespective of their nationality or location.

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Namur
April 13th 1993