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Choosing an EDI Solution - Build or Buy?

How to tell which solution is best for you.

You need EDI. Now you need to decide whether a custom solution (build) or an out of the box solution (buy) is the better option for your company.

This brief will walk you through the most important questions about your EDI project, your company's needs and the pros and cons of Buy vs. Build.

Choosing an EDI software solution for your company is a serious undertaking. The right choice results in a smooth and painless process with strong positive ROI. The wrong choice can have detrimental effects for years with poor ROI and ongoing operational and support issues. One key question we often hear is "Should we build it or buy it?".

Commercial solutions (the buy option), are usually the best option for almost all software decisions assuming the solution can meet the business requirements.

Commercial solutions are typically the most cost effective choice since you are spreading the cost of development and ongoing maintenance over a larger population of companies. Unfortunately they don't always appear lower cost as many costs of custom solutions are not factored into the cost analysis.

Custom solutions (the build option) are ideally perfectly focused solutions with little or no "bloatware" to add confusion and operational overhead.

There is a percentage of businesses that can benefit from custom EDI solutions, it is extremely low as the future business requirements have to be clearly understood and relatively simplistic. In today's business economy, with the emergence of omni-channel selling, increasing sophisticated supply chain activities and increasing expectations of business partners that want to eliminate human activities from business transaction processes – predictable and simplistic are not the norm.



Understanding the real risks of a custom solution is critical to making the right decision. Key risks of a custom solution include:

Key risks at-a-glance:

- Compliance Failures
- Hidden Costs
- Support Issues
- ERP Implementation Delays
- Difficult ERP Upgrades
- New Employee Onboarding and Other Educational Needs
- Lack of Best Practices
- Multiple Points of Failure
- Transactions Falling Through the Cracks
- Inadequate Automation

Compliance Failures

Compliance with EDI requirements is a must if you want to acquire new customers in most markets and avoid costly chargebacks and scorecard damage. It is expected that companies of all sizes meet and adhere to published standards as well as new initiatives that may have not been foreseeable at the outset of a project. You can put your customer relationships at risk if you cannot maintain compliance. Larger commercial vendors that focus on the types of business activities your company engages in usually is working ahead of the curve on the next requirements to meet market demands and EDI compliance changes. The right solution provider provides for easy upgrade paths, high transaction accuracy and a guarantee you will be able to meet compliance requirements with your trading partners.

Hidden Costs

The initial EDI development estimate is typically optimistic and based on a limited understanding of the project's scope and requirements. The most common misconception is that EDI compliance and integration is simply importing and exporting data in different formats. Even simple projects require advanced transformation of data into compatible structures before any sort of import work can begin. Once formatted, large amounts of effort are required to build the needed data scrubbing, error trapping, error alerts, cross reference substitutions and other advanced logic to handle "non-standard" business practices which are often the norm. For outbound processes, exports have to be built and all of the import logic has to be reversed to create the transactions in the lexicon and format of the receiver. Additional considerations include definition of which transactions should be exported since not every transaction is going to be EDI related.

Support Issues

Dependency on current development staff can cause legacy nightmares as employees leave or require extended absences. Additionally, this can be a considerable risk for management to have primary operations dependent on few individuals that are not easily/quickly replaced. The right commercial software vendor always has experts on staff, complimenting your existing resources and eliminating the risk of dependency on any one individual.

ERP Implementation Delays

EDI development projects are often initiated during ERP implementations. In many cases, the development is intended to replicate the prior legacy EDI solution that was originally created to support a legacy translator that expected the "heavy lifting" to be done by the ERP platform; i.e. all of the data scrubbing, cross referencing, exporting of "turnaround data", etc so that the translator could send the proper data back to the partner. ERP related delays can have a significant negative impact on the cost and ROI of the ERP project overall.

Difficult ERP Upgrades

[ERP customization](#) projects always pose a challenge when new releases are made available. Most companies that customize their ERP to handle EDI don't factor those future costs into the build vs buy decision but the impact in the ROI calculation can be significant.

New Employee Onboarding and Other Educational Needs

Custom systems typically do not have well documented implementation, support and training, and for customers to get these it can be costly to generate and maintain. Commercial software has on-line help, training materials, training classes, and other key documentation which allows customers to be more self-sufficient, and not be at the mercy of the custom software vendor or in-house developer.



EDI is Made Simple When You Don't Go It Alone

- ➔ Purchasing the right EDI solution for your company and working with the right EDI partner can be smooth and painless with a strong ROI.
- ➔ Engaging the experience, expertise, and the complete solution offered by Vantage Point from Data Masons is the most secure and safest way to assure that you've partnered with a proven Solution provider.



EDI is complex. Data Masons makes it simple.

Make sure you're choosing the right EDI vendor with [this simple EDI Evaluation Checklist](#).

Lack of Best Practices. Custom solution providers, whether in-house or contracted, are typically not experts in EDI processes and standards – they usually learn as they go. Your company can benefit from many [standard best practices](#) embedded in commercial software. EDI software companies know EDI, not just their own software.

Multiple Points of Failure. There are many EDI translation tools and VANs that will deliver a file that your company is left to integrate into your ERP. It is important to consider the cost of integrating EDI documents in and out of your ERP platform. A solution provider that handles all aspects of mapping, compliance, integration and support eliminates the multiple points of failure that often plague custom solutions and also avoid blurred lines of support responsibility resulting in fewer incidents and shorter resolution times.

Transactions Falling Through the Cracks. Almost no initial custom EDI solution design considers an audit and transaction reconciliation process which is crucial to operational reliability. Missing or unsent transactions can cripple your business relationships and delay business transaction cycles such as order to cash.

Inadequate Automation. We've never seen a custom solution that enables the system to run unattended 24/7 with all of the error trapping and reporting that is required for end-to-end automation to work properly.

Ultimately, it is important to remember why your company adopted EDI. Likely it was to reduce costs or it was mandated by a key customer. While there are many other benefits to EDI, these are the typical primary reasons. You should align your solution selection with these drivers, finding a solution that reduces/minimizes costs and also makes you easy to do business with.

The true benefits of EDI are closely tied to ERP integration, and having a tight integration can help your company realize tangible benefits:

- Faster Transaction Cycles
- Improved accuracy
- Reduced overhead
- Increased Competiveness

All of these benefits can streamline your processes allowing for scalability and growth. Finding a solution that already has the ERP integration available for your ERP will accelerate your company's ROI.

Conclusion

If your company adopted EDI because you are mandated by a customer or sought to improve your business execution with suppliers or logistics providers, it's likely that more of your requirements and opportunities will grow. For most companies in today's economy, buying the right commercial EDI solution with the right EDI solution partner can help your business be more competitive and enable new opportunities than a custom built solution.

Use this [EDI Evaluation Checklist](#) to go beyond the product data sheets and software demonstrations, and uncover the distinguishing features of each solution and solution provider, so that you can make the right decision for your company.