



Case Study

The situation

Most companies are in the early stages of establishing a full-blown Internet-based buying strategy. One such company is Dollar General, a \$4.5 billion discount retailer with 7,079 stores. The company is laying the groundwork for supply chain efficiency by transmitting purchase orders and invoices with its suppliers, and coordinating transportation with its carriers over the Internet.

Dollar General is on course to eliminate paper-based communication with its supply chain partners and reduce electronic data interchange (EDI)-related fees. By using B2B software and the Internet to automate transactions, Dollar General will decrease costs and improve efficiency. "B2B is about business-oriented transactions moving over the Internet to strengthen the supply chain, so we can drive value to the customers," said Dennis Krautsack, Senior Director of Information Services at Dollar General. "Retailers have limited means to cut costs, so it only makes sense for them to focus on strengthening their B2B relationships."

Solution Snapshot

Industry:
Retail

Challenge:
Rising VAN EDI costs and high volume of paper transactions

Solution:
BizManager™

Benefits

- Reduced transaction processing times from one day to one hour
- Decreased supply chain cycle times
- Integrated invoices with accounts payable

The business challenge

Although Dollar General already communicated electronically with half of its trading partners via EDI, an Internet connection would eliminate the monthly Value-Added Network (VAN) fees it incurs with every transaction. VANs facilitate EDI transactions by offering EDI translation and encryption, secure email and management reporting. For a large company, VAN charges could add up to \$100,000 or more per month. Wanting to decrease its VAN dependency, Dollar General purchased a transaction management product from Inovis called BizManager™. The software allows Dollar General's suppliers to communicate securely via any standard browser or transport protocol including VAN, Internet, file transfer protocol (FTP) and hypertext transfer protocol (HTTP).

Procter & Gamble, one of Dollar General's largest suppliers, supports the move to an Internet-based trading environment. "On a global basis, 70 percent of our business orders are transmitted to our customers through a number of different EDI standards," said Steve David, CIO and Chief B2B Officer at Procter & Gamble. "We want to move these transactions to the Internet, where open, standards-based transmissions can occur with all of our trading partners so we can achieve machine-to-machine, no-touch, perfect transactions." This way, retailers and suppliers could use their existing EDI systems. Internet-enabled EDI provides the potential for all companies to conduct business in a standard environment—the challenge is having industry players agree to standards. This was the advantage Dollar General knew it could offer its suppliers. The next step was taking the concept for a test flight and asking its trading partners to copilot.

A complete solution

Dollar General had to first consider that not all of its suppliers are able to exchange information via EDI. "After each interaction with our bread vendors, for instance, a paper invoice is created and sent to the home office to be paid," Krautsack said. "As we add more perishable food vendors, we could be processing 15,000 paper invoices a week."

To combat this inundation of paper, BizManager provides electronic invoices, or web forms, to be transmitted over any Internet browser, eliminating the need for paper documentation. BizManager accepts the electronic invoice and directs it into the retailer's accounts payable system. This saves time on managing paper invoices and will process the vendor's payment more quickly by eliminating

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Senior Director of
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manual intervention. Eventually, Dollar General would like to expand its supply chain's connection to its warehouse management system to provide stores and distribution centers (DCs) with advance ship notices. "This information extension will allow us to know what merchandise will arrive before the truck pulls up to the dock," said Bruce Ash, VP of Information Services at Dollar General. "This way the stores and the DCs can plan their staffing in advance."

Transportation confirmation at the click of a mouse

Exchanging purchase orders and invoice information is fairly straightforward: they are transactions that can be managed by machines without human interaction. But, automating processes like transportation planning requires Dollar General's partners to take action within two hours.

Last year, Dollar General opened its seventh DC in Zanesville, Ohio. This produced an increased workload of 15 percent to 18 percent on its transportation department, which arranges truck transportation among its suppliers, DCs and stores. The retailer knew it needed an electronic solution to manage the load tendering function of offering jobs to its transportation carriers—a process that relies heavily on telephones and fax machines.

Barr-Nunn Transportation (Granger, Iowa), one of Dollar General's carriers, developed in-house software that will enable it to interact with the retailer over the Internet and through BizManager. When an EDI shipment request comes into Barr-Nunn's system through the Internet, it is translated and directed to a load coordinator's computer in the form of an instant message. The message appears on the screen, and the load coordinator has the option to accept or reject the request in minutes with a click of a mouse. "There are no more frustrating phone calls or missed faxes," said John Kerber, Director of Information Technology at Barr-Nunn. "The system sends us everything we need for an order through Internet-based EDI, and it is automatically loaded into the dispatching system. This way our drivers have their orders prior to picking them up."

Dollar General won't require 100 percent supplier participation over the Internet, but it hopes its trading partners will recognize the competitive advantage that supply chain efficiency can provide. The Internet allows companies to look at B2B transactions on a new level, while the day-to-day mechanics of the supply chain switches to automatic pilot.

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