

SUBSCRIBE (OR RENEW) NOW - THE PRICE IS GOING UP!

The **EDJ Reporter** is published monthly by INPUT and is available for \$195.00 per year/per subscriber. Now is a particularly opportune time to subscribe or renew. To better reflect the value contained in its pages, INPUT's Executive Committee has approved a substantial price increase, effective with the new year. Subscribe (or renew) now to lock in a career enhancing investment in EDJ information. Return your order form immediately to INPUT, 1280 Villa Street, Mountain View, CA 94041 or for faster service call our offices in California (415) 961-3300 or New Jersey (201) 299-6999.

- () YES! Please send me INPUT's **EDJ Reporter** regularly at the fee of \$195.00 per year. (I understand I will receive 12 monthly issues plus bonus issues when events warrant.)
- () Please send me more information about INPUT's Electronic Data Interchange Planning Service (EDIPS) - newsletters, reports, conferences, and continuing "Hotline" support. (I understand that I am under no obligation to purchase.)

TERMS OF PAYMENT

Payment in full is due within 30 days of invoice date.

- () Enclosed is my check in the amount of \$ _____. Send my first issues immediately!
- () Bill my company on purchase order number _____ in the amount of \$ _____. I understand that my first issues will be sent immediately upon INPUT's receipt of payment in full.

Organization _____

Address _____ Signature _____

Name _____ Title _____

Telephone _____ Date _____

Check here for renewal at the \$195.00/year rate

Photocopy and Return to: INPUT 1280 Villa St. Mountain View, CA 94041 (415) 961-3300

ABOUT INPUT

Founded in 1974, INPUT has become a leading international planning service firm. Through advisory/research planning services, multiclient studies, and proprietary consulting, INPUT serves clients' ongoing planning information needs. Clients include the world's largest and most technically advanced companies.

Offices**NORTH AMERICA**

Headquarters
1280 Villa Street
Mountain View, CA. 94041
(415) 961-3300
Telex 171407

New York
Parsippany Place Corporate Center
Suite 201
959 Route 46 East
Parsippany, NJ. 07054
(201) 299-6999
Telex 134630

Washington, D.C.
8298 C Old Courthouse Road
Vienna, VA. 22180
(703) 847-6870

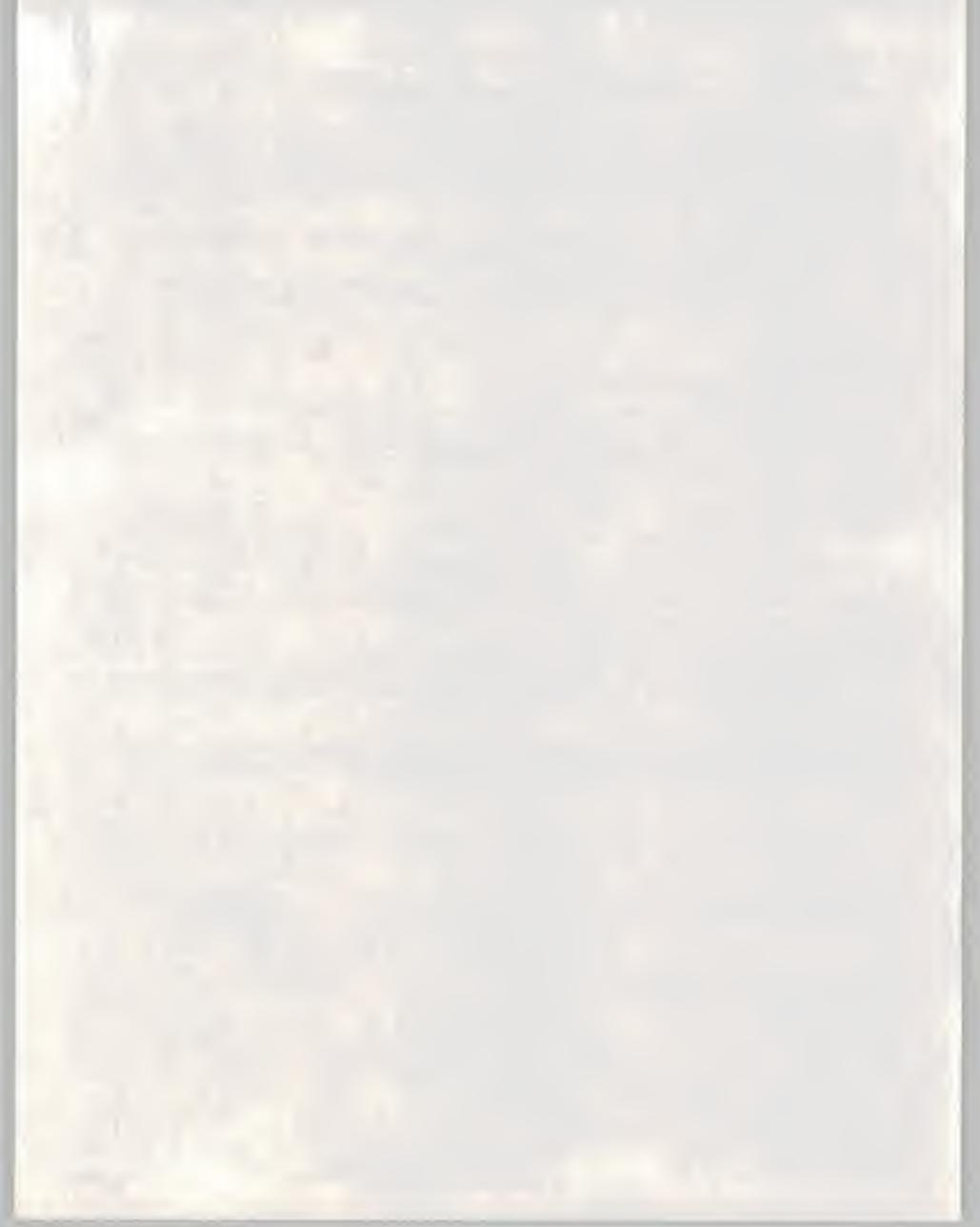
EUROPE

United Kingdom
INPUT
41 Dover Street
London W1X 3RB
England
01-493-9335
Telex 27113

Sweden
Athena Konsult AB
Box 22232
S-10422 Stockholm
Sweden
08-542025
Telex 17041

ASIA

Japan
Future Knowledge Institute
Saida Bldg., 4-6,
Kanda Sakuma-cho
Chiyoda-ku,
Tokyo 101,
Japan
03-864-4026



IN THIS ISSUE:

- It's TEDI From TELENET - An Interview
- Electronic Mail Association And X12 Committee Meeting In San Francisco
- EDI Council Of Canada Forum

TELENET NAMES SERVICE, SIGNS WITH TRANSETTLEMENTS

At INPUT's EDI conference several months ago, it was announced that Telenet would private label Sterling Software's Ordernet EDI services under a remarketing agreement. At the Electronic Mail Association conference in October, other shoes were dropped. Telenet will also be selling TranSettlements' mainframe translator, and the new service is named TEDI. A follow-on agreement with a PC software vendor (believed to be EDI, Inc.) is expected.

Telenet is reportedly looking for an appropriate fuzzy mammal as a symbol of its new EDI service. More below.

TELENET: AN INTERVIEW

INPUT's Vic Wheatman interviewed Richard Kozak, Vice President and General Manager of Messaging, Ted Myer, Director of Consulting

Services and Michael Mansouri, Director of Electronic Data Interchange at the EMA conference.

VW: One of the concerns about the resale agreement is that you may have trouble encouraging your sales force to market what is, after all, someone else's service. Comments?

RK: It's not clear to me why the sales organization will have difficulty accepting an opportunity to generate additional business. In fact, they may find EDI an entree to customers not using Telenet. Or, they may find that EDI is necessary to complete a customer's requirements. It could argued that offering EDI could be defensive where the customer says he wants it and is going out for public bid and if you don't have it, you're disqualified.

I don't see any conflict. If our sales force is not concentrating on customer needs, Telenet has a fundamental problem. As far as who provides the service, it's transparent to the customer...the sales rep is selling a Telenet service.

VW: It's going to say Telenet on the menu or welcoming screen?

THE UNIVERSITY OF CHICAGO

PHYSICS DEPARTMENT

PHYSICS 435

RK: It's the Telenet EDI service. We'll be announcing something soon on the theme "the TEDI service."

VW: With Teddy Bears and all?

RK: Exactly.

VW: Do you think the Australian travel commission might object if you use a bear?

RK: It depends on what kind we use. As long as we don't use Koalas. We might use Pandas. We want it to be a warm, cuddly service.

VW: User friendly?

RK: Yes.

VW: I think you're the first to have a mascot. We've been promoting the idea of an industry symbol and a national spokesman, someone who can do for EDI what Lee Iacocca has done for Chrysler. We figure **Max Headroom** would be good in that role. But back to our interview. All of the vendors say "we provide a complete solution" and you're saying the same thing. **How is Telenet going to be different in providing its "complete solution"?**

RK: It's different in that **we've picked the best that's available in the market.** Ordermet has by far the best service reputation in the industry. It's difficult to find any customers who do not applaud their service responsiveness. The agreement with TranSettlements for its mainframe translator is similar.

There are other alliances we'll save as future announcements but suffice it to say, yes, we do not man it today, but we feel we've been able to package and integrate the best that's available.

MM: We're very strong in systems integration. Telenet offers everything from hybrid networks to messaging products, so we can cover from A to Z and be responsive to user needs.

VW: You made an interesting comment in your opening statement to the press about internal auditors and accounting firms....

RK: One thing that troubles me is that you're interfering with the company's internal accounting system, the accounts payable system, and ultimately the

cash management system, particularly if we start integrating financial transactions. **The customer needs to have some comfort as to what this does to them. What better way than to have someone with accounting or audit credentials talk to the customer's accounting people?** It can be difficult for a salesman to persuade a comptroller why and how this should be adopted into their accounting system. Yet an auditor can properly present it and preach how the necessary protections and safeguards are incorporated speaking at the financial officer's level. It seems to me that would have significant merit in accelerating adoption of EDI.

VW: Are you planning any agreement in this area?

RK: It's an option. One of the nice things about alliances is you have a great deal of freedom.

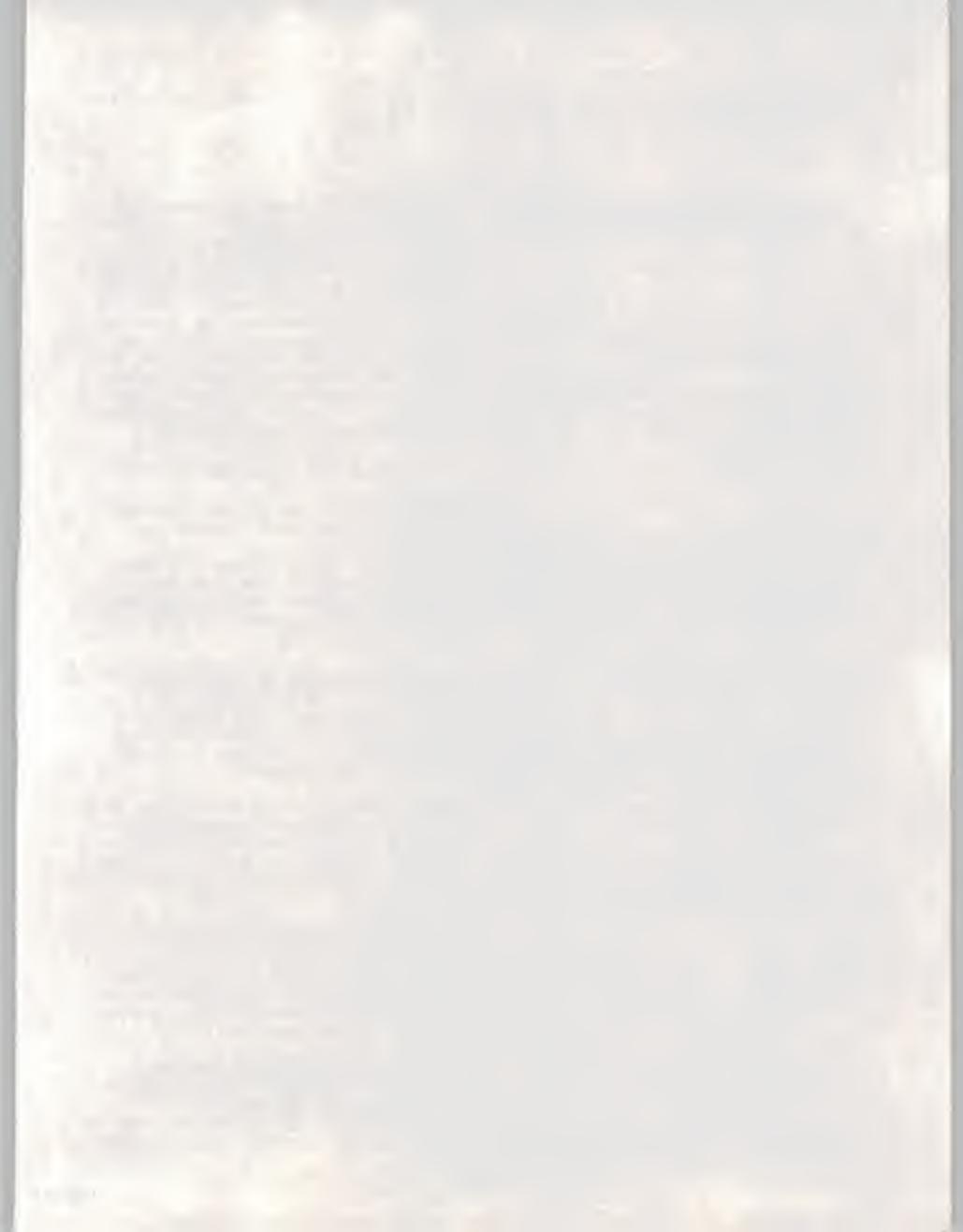
VW: I understand the agreement with Sterling Software's Ordermet is a first stage agreement. **What is the possibility of using your international affiliations for EDI services?** Clearly that's in your overall messaging strategy.

RK: Conceptually, but not as far as implementation. That may be something we start looking at in '88. Arguably our licensees or interconnect partners can just come in through the X.400 interconnect and transact off the U.S. EDI hosts until they implement it on a host in their own country.

[EDITORS NOTE: Following this discussion, the Telemail International Licensees Association was formed in Brussels to promote E-mail and other forms of exchange services (such as EDI) and to promote interconnectivity via X.400. Mr. Kozak was named secretary.]

TM: We're starting to see a broad interest from the PTTs in integrating EDI services compatible with their E-mail. We've had talks with one or two who are keenly aware of the problem EDI is trying to solve, but only in the last six months or so has that begun to build into a wave of interest and enthusiasm.

MM: The market internationally is probably one-tenth or less what you have in the U.S. It's going to take a while before they really utilize EDI. We sometimes have a tough time explaining EDI to some of our U.S. customers, so I imagine it's going to trail....



RK: Let me give you an example. While in Japan, I was surprised to find that while the Japanese produce and distribute PCs throughout the world, there were very few used there in business. Their culture has been very manual intensive, in large part because of their character set. Also, it was construed in their cultural heritage as inappropriate (much as it was in the U.S.) for a manager to use a keyboard.

You still have an older generation in Japan that controls the business community. **As young, computer literate managers begin to come out of universities and take their place in the business world, they're adopting usage.** That generation is coming up but it's going to take some time for them to get a foothold in the corporation and affect policies.

VW: Like the U.S. experience where you have purchasing managers who have been in their jobs 15 years or so with the green eyeshades and a roomful of clerks saying "We've always done it this way." It's difficult for them to change.

RK: Part of it is job protection.

VW: Telenet has an E-mail forms service where someone can fill in the blanks. Is it in the plan to use the form fill-in capability to create an EDI transaction?

TM: If you pop that purchase order form or requisition up on someone's screen, if the question is "can that then become an EDI document," the answer is a very strong "yes." That will be one of the very natural steps to take. Right now, the big EDI players have their mainframes shipping thousands of transactions to each other. I think there's also a component in the EDI market of smaller firms or even individuals within a company who need to originate documents which are part of the firm's red tape. There's nothing more natural than integrating these different applications. To create a personal memo and fire that off, and in the next breath create a purchase requisition and fire that off is exactly what needs to happen.

Comments: EDI service resale is likely to be a characteristic of the 1988 marketplace. Already some service vendors, such as GEIS, have signed agents in various industries, and one of the telephone companies is about to enter such an agreement. By avoiding expensive development and concentrating on marketing to customers clamoring for

service, risks are substantially lowered. But of course, so are profit margins.

Let's hope this EDI resale business doesn't get ridiculous. When alternative long distance carriers first got started, along with them came resellers. It's been estimated that nearly 1000 long distance resellers surfaced before the inevitable shakeout. EDI should not experience this same dynamic, but it will be interesting to see who remakes what in the coming year.

ELECTRONIC MESSAGING '87

Approximately 300 people attended the fourth annual conference of the Electronic Mail Association held in San Francisco in October. **Dominant themes were interconnectivity of E-mail services and systems, coming enhancements of the international X.400 standard which address EDI functionality, and synergies between EDI and messaging.**

The EMA is trying to put its arms around EDI as a natural adjunct to members' interests. An EDI working group has recommended close working relationships with EDI organizations such as DISA and the TDCC.

An EDI panel was presented, with representatives from Telecom Canada, Western Union, McDonnell Douglas, and INPUT.

Shirley Macemon, Product Manager, McDonnell Douglas Applied Communications Services, said "As... organizations complete their studies and recommendations, they and their suppliers have developed closely tied operational systems and EDI is the logical choice. But using messaging as a pre-EDI tool to be replaced by legitimate EDI is but the tip of the iceberg for the shared destiny of EDI and [electronic] messaging."

Steve McMahon, Senior Director, Western Union, stated that EDI should be part of users' network strategy and users need to decide at the beginning how to optimize solutions. A network strategy should integrate various devices. "For example, you may have distributors who only have phones and FAX machines and they may be calling in for prices that are available on your computer. With an optimized



solution you can send that information straight from your computer." He said that Western Union is in a unique position to talk about network strategy because they have continued to go through their own development process "particularly when you take our position in the Telex world, moving into the E-mail world with Easylink and now to EDI." He cautioned that those without a strategy may be unable to plan for future changes such as X.400.

Don Audsley, Director, Product Management at Telecom Canada, said his company is committed to X.400, seeing it as a long term method for reliable messaging. He sees EDI and E-mail merging in the 1990s and "that coupling of technology will drive the interconnection of the larger E-mail vendors. As far as Telecom Canada is concerned, X.400, EDI, and E-mail and systems interconnection are so closely interlinked as to be almost inseparable, and in Canada the merger has already taken place." Audsley said Canada is quickly closing the 2-4 year time lag that typically characterizes assimilation of U.S.-based technology and service concepts into the Canadian market and that EDI Canadian-style is now virtually parallel with the U.S. in terms of maturity, "so while we may have been a slow starter, it's clear that Telecom Canada is out on the forefront of EDI service in North America." Some of the push has come from U.S. multinational corporations operating in Canada.

Audsley thinks the involvement of the financial institutions is going to be "the major impetus to completing the cycle of events that will form the full of EDI functions."

Currently, **Telecom Canada does not provide network translation** and sees virtually all users implementing EDI with their own software. Audsley concluded that EDI will succeed internationally because it is a user driven standard which satisfies vertical industries needs and general business requirements. He called for standards groups to avoid the "not invented here" syndrome to move quickly towards workable International standards.

[Next month's issue will feature an essay on EDI and E-mail integration.]

X12 COMMITTEE TAKES HEART IN SAN FRANCISCO

ANSI X12 members, 379 strong and representing nearly 200 companies, trekked to the City by the Bay to continue development of EDI standards and to address common concerns and issues.

Newly elected Chair is **Earl "Buddy" Bass** (EDI, Inc.) who edged out **Incumbent Tony D'Anna** by one slim vote. The two have been working together in EDI for over ten years, even prior to the formation of the committee, and will continue to collaborate. **Ken Hutcheson** (DuPont) was selected Vice Chair by a wide margin.

Looking for Convergence

The Executive Committee received a **Migration Task Force Report** which will be disseminated to membership for ongoing discussions on the job of moving from a U.S.-based standard to one accepted internationally. Separately, a detailed comparison between relevant X12 documents and EDIFACT international equivalents is going on, examining the syntax and envelope to identify changes necessary for convergence.

A Task Group continues to examine the electronic messaging standard **X.400** and has been working with the National Bureau of Standards on implementing the standard's envelope structures for EDI. A draft guideline has been prepared which now goes onto technical assessment.

On behalf of the **Government Project Team**, **Ray Hipsher** reported reviewing regulations and impediments to EDI implementation in the federal government, with roundtable discussions proposed with officials of the **Defense Department** and the **General Services Administration** to understand how government contracting policies are made. Also, GSA made a presentation leading to a proposed transaction set covering the solicitation for offer, a voluminous transmission to perhaps hundreds of firms announcing that bidding is open. Hipsher expressed **disappointment at the speed with which X12 is being accepted as a Federal Information Processing Standard (FIPS)**, but said that a proposal is likely coming in January.



Glenn DuBols (Levi-Straus), on behalf of the **purchasing project team**, reported **termination of the purchase order redesign process**, instead handling new requirements through the existing format. Maintaining the status quo will encourage potential users. Several were holding back at what was seen as a sign of instability in the standard, and current users, particularly those with "hard coded" programming, can breathe a sigh of relief that their efforts will not require redoing.

John Goetzman (Georgia Power Company) reported that the **utilities group** has drafts of electronic purchase orders and utility bills designed for the industry's specific needs. The electronic electric bill has significance for large, multi-location customers such as railroads, oil companies, and government agencies that have hundreds of meters, each requiring a bill. This was the group's second meeting, with 14 utility companies represented.

Carl Murphy (CSX), representing the **National Association of Purchasing Managers**, noted that the NAPM has embraced the ANSI standard and that EDI is being added to the association's certification examinations.

Jean Meyer (Ford), representing the **Automotive Industry Action Group** said that many members are working to develop global EDI strategies to communicate with their overseas suppliers and subsidiaries. She also reported that **Jlm Oravec** of the AIAG travelled with other industry representatives to meet with **Korean automakers** about adopting EDI.

EDI Users of the World Unite

Formed at the X12 meeting, but not having anything official to do with the association, was the **North American International EDI Users' Group**, consisting largely of multinational corporations. The group is designed to facilitate creation, promotion, and use of EDIFACT standards for EDI. According to **Dennis McGinnis**, North American Rapporteur to the United Nations Economic Commission for Europe Working Party 4, EDI user groups are forming in Europe and elsewhere. The new group is to pilot IEDI projects, educate users, share information, and support documentation of IEDI methods. **Hans Wieting of SeaLand** (Elizabeth, NJ) was named Chair of the new group which will meet again at the

TDCC/EDIA conference in December, and in conjunction with future ANSI X12 meetings.

The **Voluntary Inter-Industry Communications Standards (VICS)** group defused a misunderstanding, saying it is **not** adopting the UCS (Grocery) standard, but is looking to the Uniform Code Council as a possible secretariat to distribute its documentation and handle administration.

Sandy Wiltson (Hewlett-Packard), representing the **Electronics Industry Data Exchange Association (EIDX)**, said it has signed with the American Electronics Association as its secretariat, and that AEA will host seminars promoting EDI. X12 next meets in Dallas in February.

EDI COUNCIL OF CANADA'S FIRST FORUM

Marshall Spence's organization held its first large-scale meeting in Toronto last month. Although expecting double the number that did come, "only" 400 showed up in Toronto due to yet another Canadian postal strike which prevented would-be attendees from receiving information in time for adequate planning.

The meeting comes at a particularly opportune time. Spence reports the Council is being swamped with inquiries about EDI and says that several large retailers have announced intentions to deal with all suppliers via EDI. Also, Canada's major banks are dedicating resources to changing business methods and investigating a range of EDI and EFT possibilities.

The dominant overall theme was "Let's Do It." Potential users shouldn't become concerned about technological issues, which others have already solved, but rather should focus on the more important people issues. **Users should not start at the IS department but determine how EDI fits into their business strategy and get top level management agreement that EDI is the way to go.**

NEWS BITS:

Southern New England Telephone (SNET) officials acknowledge they will announce an EDI resale



agreement, probably this month. The private labeled, private menued service will be available through **ConnNet**, the Telco's statewide/LATA-wide LADT (local area data transport) packet network. ConnNet currently connects with McDonnell Douglas' Tymnet so we're guessing they'll provide the underlying service.

Specification 2000, an industry-association EDI clearinghouse for the **airlines and their suppliers**, will be operational soon. The project, coordinated by the **Air Transport Association of America**, is running at a data center administered by **Aeronautical Radio, Inc.** in Annapolis, MD. An on-line data base of parts and equipment are maintained, providing one-stop shopping for users and allowing smaller companies (both airlines and suppliers) to participate via PCs and 1200 bps modems.

ACS Network Systems (Concord, CA) has expanded its offices and added staff as it rolls out product enhancements to its IBM System 36 and 38 EDI software. **Mike Nelson** has been promoted Director of EDI Marketing and **Fran Eddy** is new Customer Service Director with documentation responsibilities.

INTERNATIONAL NEWS BITS:

Lloyd's of London has announced that its **Transpotel** freight information service, and **Maritime Cargo Processing (MCP)**, creator of the Integrated Port Information System/Direct Trader Input System, will offer EDI for international trade documents over IBM's international network. Services will start on **SAD day, January 1, 1988**, when the European Community's **Single Administrative Document** is introduced, replacing multiple documents now used in the EC. Transpotel EDI will use the EDIFACT international format, first in the UK and Europe, but eventually worldwide.

MCP has also agreed with **British Telecom Applied Technology (BTAT)** for an interconnected UK freight computer system covering sea and airports. MCP has 400 customers for its Direct Trader Input and port inventory system at 10 UK ports, and BTAT has over 600 users at three airports as well as other services. The move is seen as leading to integrated EDI in the UK freight industry.

The UK-based Society of Motor Manufacturers and Traders has issued a statement regarding the **Internetworking of INS (the GEISCO/ICL joint venture) and Istel's EDICT service**. According to the statement, the link will be established in early 1988 as a condition of the SMMT's endorsement of the two EDI services. Both providers are preparing the technical specifications of the interconnection.

The Commission of the European Communities (EEC) has issued a call for proposals for **EDI Conformance Testing Service Centers** to approve software claiming to conform to international standards.

HARDCOPY COMMUNICATIONS (Letters to the Editor)

Editor: Reference Page 11, November issue. I certainly hope the agencies and associations listed were not intended to be all-inclusive. The railroad industry, through the **Association of American Railroads**, has been actively involved as a leader in EDI for over a decade. - Henry W. Meetze, President, Railinc, A subsidiary of the AAR.

Many associations are now involved in EDI, and we meant no slight. For the record, Railinc is located at 50 F. Street, NW, Washington, DC, 20001 (202) 639-5500.

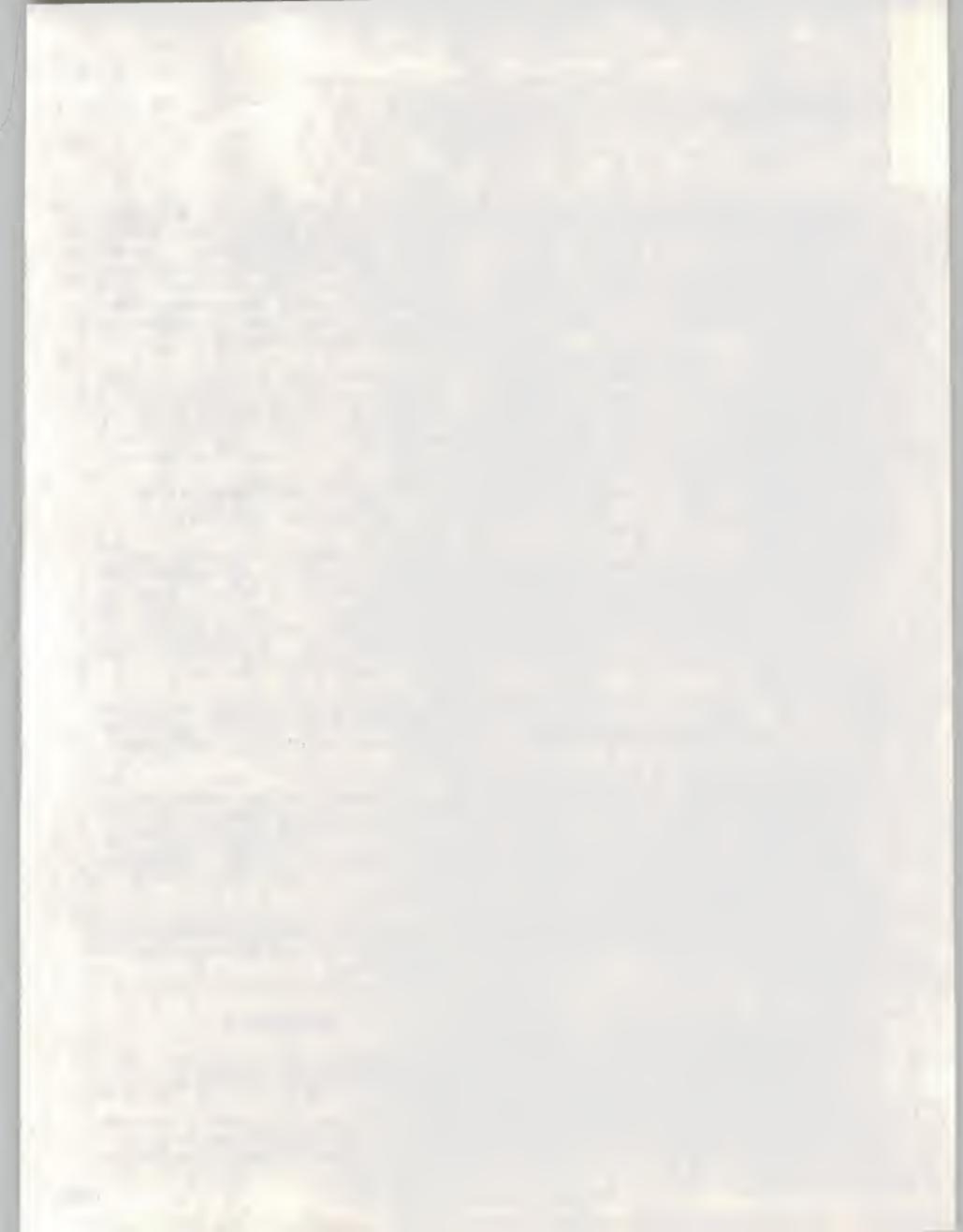
Another association of interest to many of our readers is the **Telecommunications Industry Forum (TCIF)** which can be reached through the Exchange Carriers Standards Association, 5430 Grosvenor Lane, Ste. 200, Bethesda, MD 20814-2122 (301) 564-4505.

Letters, comments, product announcements are welcome! We reserve the usual rights to edit for space and clarity.

EDI EVENTS

February 22-26, Harvey House, Dallas, TX. ANSI X12 Committee, hosted by IBM. (703) 548-7005.

February 29-March 2, Netherlands Congress Centre, The Hague Compat '88, the Third International EDI Conference. Eurotech Forum, Brussels (32-2) 736-9715.



March 3, Hollywood Beach, FL. EDI and X.400, sponsored by the Electronic Mail Association. (202) 293-7808.

April 20-21, Hyatt Regency, San Francisco, CA. ANSI X12 EDI '88 Seminar - Changing the Way Business is Done, sponsored by the Data Interchange Standards Association. (703) 548-7005.

May 2-3, 1988, Netherlands Congress Centre, The Hague. EDI In Practice, sponsored by The City of The Hague, CETIMA, and Elsevier Science Publishers. (+31) 10-436-0371

May 16-20, 1988, Chicago, IL. ANSI X12 Committee, hosted by Moore Business Forms. (703) 548-7005.

June 1-3, 1988, New York Hilton Hotel, New York, NY. International Trade and Computerization Exhibition, sponsored by the National Council on International Trade Documentation. (212) 925-1400.

July 14-15, 1988, Mark Hopkins Hotel, San Francisco, CA. TENTATIVE date and place for INPUT's 1988 EDI Conference.

NEXT MONTH IN THE EDI REPORTER:

- Inside an Industry Clearinghouse:
An Interview with Transnet
- Report from the 19th TDCC Show:
It Works!
- Federal EDI Initiatives Reported

NEXT YEAR IN THE EDI REPORTER:

- *EDI Tech - EDI Technical Training Offerings*
- *Telemarketing and EDI*
- *International EDI Services Market*
- *"Other" Forms of EDI: EMC/ECS, IIR/Acord, Super, etc.*
- *What's Your EDI-Q?*
- *Beginning: The EDI Glossary (collect the whole set)*
- *EDI At HBS - About Harvard's EDI Teaching Module*

*HAPPY SEASON
TO ALL!!!!*





INPUT[®] EDI Reporter

A Monthly Publication from INPUT's EDI Planning Service

Vol. 2 No. 8

August, 1987

IN THIS ISSUE:

- ❑ Blockbuster Announcement At INPUT Conference
- ❑ Interview: Sterling Software's Ordernet
- ❑ Rumor: BOC To Market Third Party's EDI
- ❑ MSA's EDI Expert Software Released
- ❑ IBM Wins U.K. Insurance Industry EDI Contract

ANNOUNCED AT INPUT EDI CONFERENCE: TELENET/ORDERNET AGREEMENT

In an announcement that startled the nearly 70 attendees at INPUT's EDI Conference in July, William Plumb, President of the Ordernet Services Division of Sterling Software revealed that Telenet, the world's largest packet-switched network would offer Ordernet's EDI services to its corporate customer base.

The agreement, said to be the first stage in the relationship, is expected to complement the marketing position of both companies. Ordernet will gain

greater exposure because of its connection with the international VAN, and Telenet will add the capabilities provided by Ordernet. "This agreement...[will] accelerate our strategy of capturing a larger portion of the Fortune 500 market," said Plumb. "With Telenet we can expect to substantially extend our market reach by leveraging their nationwide sales and support organization".

According to Richard Kozak, Telenet's Messaging business unit manager, "The alliance...will allow us to achieve substantial growth in the EDI marketplace."

Telenet has been receiving requests from its customers for EDI services, some of whom have threat-

ened to sign with other network services to access them. Now, Telenet will resell and private label Ordermet's EDI services sometime in the fourth quarter of the year, as final procedures are arranged between the two companies.

INPUT understands that the agreement contains provisions preventing Telenet from selling into Ordermet's primary businesses: Pharmaceuticals, hardware, housewares and grocery. This leaves a lot of territory, with the international marketplace remaining to be discussed between the two companies.

How will this impact other EDI service providers and potential players? David Bezaire, Manager of Electronic Communications Products at CompuServe told the EDI Reporter "Ordermet has always been a competitor and obviously will be stronger in conjunction with GTE. That doesn't affect our plans. We'll deal with the overall competitive situation...it's not a huge change." CompuServe's EDI service will be announced later this year.

A current EDI services provider feels it may be difficult to get Telenet's sales force "turned on" to selling someone else's service. Our source feels Telenet's motivation was to sell packet switched networking to Ordermet which principally relies on 800-access numbers. However, INPUT feels that while this may be a hidden benefit, the fact that the agreement gives Telenet EDI technology without an expensive development effort was sufficient cause for the arrangement.

INPUT will monitor this agreement and provide further news as it develops. Reports on the INPUT conference, "EDI: New Competitive Directions" will be in future issues.

INTERVIEW: STERLING SOFTWARE

Originally part of Informatics General, the Ordermet Services Division of Sterling Software (SSW) was the first third-party EDI service provider. The Ordermet service and industry format

were developed over 10 years ago in association with the National Wholesale Druggists' Association. Services to the hardware and other industries have a similar history of trade association involvement.

INPUT's Vic Wheatman interviewed David Dodge, Director of Sales and Marketing and Tom James, Manager, Marketing Communications, at the Ordermet division's Columbus (O.) headquarters, prior to the announcement of the Telenet resale agreement.

VW: Ordermet has announced additions to its services, with greater support of X12 standards. Could you explain your direction?

DD: Over two years ago, we recognized X12 was going to be a standard many people would use, and this would have an effect on our current customers. We developed an X12 offering to be included with all the other formats we support: UCS, Ordermet, Comm-Net, Eagle, and all the transportation/TDCC standards. When we talk about X12 standards, we're talking about chemical, steel and auto/AIAG standards. As far as we're concerned, X12 is another network services capability offered our current customers and prospects.

VW: There's been some controversy involving unnamed parties regarding so-called proprietary "closed" formats (and Ordermet is said to be this) versus an "open" standard.

TJ: Anyway you look at it, it's an open network once we get to UCS and X12, and we provide full network service. For example, we support X12 or UCS between two customers or between one customer and any other UCS or X12 non-customer entity.

DD: If you want to single out those formats as private they're really not but they ARE specific to the industry. The NWDA wanted a format for themselves. The medical and surgical distributors trade association wanted a format because there was none supporting their efforts. The Eagle formats are for the hardware and housewares industries. Again, there were no formats. Lacking any official body to develop formats, Ordermet Services was positioned to be both

the service provider and format developer. And we do not charge people to use these formats, there're no annual fees or communications ID charges. From the standpoint of the term "proprietary" I would rather say they're private industry formats used by industry or association members.

TJ: This controversy, (if there is one) is simply a reflection that we became involved with EDI so early, that people hadn't even thought of ANSI yet. Rather than just sit around and wait for someone to come up with ANSI, Ordernet, Comm-Net and Eagle were developed.

DD: We have developed translation capabilities for all those formats to talk to each other so that NWDA members can talk to the grocery community, for example. Likewise, you may know that George Klima of SuperValu (grocery wholesaler and chain) buys from pharmaceutical manufacturers, health and beauty aids and over-the-counter drug people through Ordernet Services. Each industry recognizes its own formats, which are fairly unique. They also recognize that someday, everybody may go X12. In the meantime, the reality is people have to do business.

VW: You have worked with the First National Bank of Chicago to develop a media conversion service and now you're going alone with EDI/LaserMail service. What is its value?

TJ: Let's take the example of a hardware wholesaler. Without media conversion, he's going to have to support both electronic and paper processing, so there's two systems. Through media conversion, he can do things 100% electronically. We will produce paper documents cheaper than they can do it themselves. They're not supporting two different media, and chances are the paper documents are getting where they did before at a lower cost and in a standardized format. That would tend to make the manufacturer who receives standardized purchase orders get used to the EDI idea. I think it would also tend to prime the pump. The paper based customer will say, "Hey, I like the way this works."

DD: One customer told us that for every purchase

order they send electronically, they save \$6. So a strategic decision was to save as many \$6's as they can. One of the ways was to use EDI/LaserMail. They got 100% of the electronic benefits even though the recipient was not electronic. It's going to be a while before everybody does EDI, so you need to build some facilities in-between. You can call it a crutch, or a bridge, but we think EDI/LaserMail and our EDI/Fax service will get people 100% electronic on the sending side, and the receiving side will begin to see the benefits. Just like CRT terminal users have battled through years of needing hardcopy: sooner or later you're going to have to pull the thumb out of their mouths, get rid of paper and do everything on the screen. But meanwhile, paper has some value.

TJ: It should definitely help the case of EDI by making that first, if somewhat tenuous contact with the standardized document.

VW: You mentioned EDI/FAX service. Is that released?

DD: It has not been released. We're not sure what name we want to give it in the marketplace, and we're still conferring with trademark counsel.

Our interest is that there are some very time critical documents our customers want to send to non-EDI partners, and if that partner has a facsimile machine, it can be accomplished. It makes good sense for small documents. If we're talking about 40-50 pages, it's not going to be as cost-effective. Think about all the time-critical cases: It could be a company opening a new store and to do it quickly, they need to get orders out as fast as possible. Likewise in pharmaceuticals. There could be some very high value, critical drugs or products and they need to get that order into somebody's hands in a matter of minutes. It becomes very beneficial. We're very customer driven. Every time we add a new product someone says "that's great, but can you do this?" We're looking at every one of those suggestions.

VW: Facsimile has become the VCR of the last few years, so you're tying right into FAX growth.

DD: We see FAX as an EDI add-on. However, if I was

in E-mail now, I would see FAX taking away a large piece of both intra- and inter-company mail because you no longer have to key and you're taking documents with graphics that cannot really be keyed in now. I see a lot of potential loss for E-mail, but not for EDI which is still computer-to-computer with no data entry.

VW: What are your perspectives on EFT and EDI?

DD: A lot of people are reevaluating EFT... or do we call it Corporate Trade Payments? Our understanding is that the banks are positioned with the ability to transfer funds but have not been able to demonstrate the ability to handle the volume of data that comes in out of remittance advices, which is tremendous.

VW: Isn't there also reluctance to get in a position of potential liability for erroneous information or failed transactions?

DD: I don't know that is really an issue here anymore than it is in the transmission of purchase orders or any other transaction documents. But our understanding is that Bergen-Bruswig does about 5% of their business using Corporate Trade Payments, and this represents a very high percentage of CTP in the U.S. The pharmaceutical industry is aware of the amount of information that can come on an invoice as it relates to line item detail. It is generally six times more on an invoice than it is on a purchase order. I think for banks the hesitation may center on the question of how to avoid choking on the volume of data.

VW: Ordermet is the only service provider creating a data base from EDI traffic. Obviously the people involved need to sign off to allow the data to be used that way. You're involved in pharmaceuticals as well as veterinary medicine....

DD: Actually, veterinary medicine is not doing EDI right now. Our initial involvement was their need for market share data. The way you do that is solicit sales information from the distributor to an end point, by ZIP code, by product, sales or costing price so you can determine penetration and market share in a

salesman's territory. It's not really tied yet to the EDI application. The tracing is from the wholesaler's sale.

The reason for the EDI-generated data base is because of our pharmaceutical customers. Some have formed associations to do business with multinational corporations, and they've asked for information consolidation to produce reports. It's primarily mailbox consolidation, data collection and either providing raw data or reports from that data.

VW: Are the hardware people (Eagle) interested in this application?

DD: From the association level, there is interest, but it hasn't gotten far enough yet to determine.

TJ: By way of clarification about our animal health database, we're involved animal drugs, but there's also chemical and food additives. We're talking about the livestock industry in the sense of where many of these products are going. And then in human health, there's EDI for some of the data base information for reporting such as hospital supply. Then there's also a larger area of non-EDI data base services such as what we're doing in the People's Republic of China.

DD: Basically they audit prescription drugs to determine usage patterns. It goes to the pharmaceutical manufacturers who want to know how the drugs are being used and the diagnosis that goes along with it. That's now been expanded: A tremendous number of drugs are dispensed in nursing homes, doctors offices, and chain drug stores. The opportunity for people is to service those accounts. Let's go back to patient service. If a patient can buy drugs right from the doctor before they leave, why do they have to make another trip to the drug store?

TJ: The data is either transformed into aggregate information or it's available only to the company that was the source of the information. The confidentiality, integrity and security involved with the information means it is never provided in other than aggregate form.

DD: In the case of animal health, the wholesalers and

manufacturers agree to how they want to do it. They all sign off on it, otherwise we don't do anything. Our role as an EDI provider is to transmit the document, checking its format, and sending it on. We don't open it up and take a look at it.

VW: What about international activities for Ordermet?

DD: We're in the process of developing relationships in the Far East, the U.K and Western Europe. There's every reason to believe the service and capabilities we offer in the U.S. can be leveraged and offered in those areas as well.

VW: As you get out internationally, would you still be using 800 service or would you be looking at other data communications methods.

DD: We'll be looking at the least costly methods, whether satellite, cable, common carrier or possibly dedicated facilities.

VW: Since we brought up the issue of 800 numbers, obviously there's value in being able to access your services toll free from virtually every telephone in the U.S. and a lot of Canada. But some people think 800 services are oriented towards telemarketing and late night TV ads for Ginsu knives and the like, rather than data communications. It's a perception issue more than a technical issue. Could you talk about this?

DD: Believe me, if there was a VAN that could offer a bisynchronous network from 197 million locations like 800 service can, then we certainly would be looking at it. From our understanding, 800 service goes through one-tenth the number of switching nodes than a local dial-up VAN, so instead of 16 nodes, you probably run through two, which means fewer points of failure, and an absolutely clear and precise service. In the 12 years we've been in business, we've never had any problem with service or adding new lines. I guess twelve years of good service speaks for itself.

VW: What about the costs?

DD: We're currently providing 1-800 dial-up asynch,

or customers can come through VANS for asynch dial-up. The cost for bisynch is about three times asynch but the speed is four times faster. So when it comes down to the customer's real cost and price, it's almost the same as asynchronous service. And we're happy with AT&T's price decreases. What our customers like is transparency. Their systems are set up to automatically dial. They don't care if they're dialing long distance, it's all transparent. As long as it works, let's not mess with it.

TJ: I don't think there can be too much argument about relative reliability and the standards for continuous high performance on 800 systems. Their record is probably better than the alternatives. The redundancy built into the system is enormous.

VW: Ordermet is principally in pharmaceuticals?

DD: We do business in 10 industries. Pharmaceutical is the largest, with hardware and housewares second and grocery third. UCS has been growing very rapidly.

VW: Are you seeing any interest in the services sector for EDI?

DD: Maybe we ought to back up and ask "why does EDI work today, who is using it and why?" Those using EDI are extremely concentrated marketing and trading communities. Those 10 industries probably represent where 90% of EDI is being done, primarily between wholesalers, distributors and manufacturers. A high volume of transactions take place daily. They have benefits because of just-in-time inventory management and savings in transportation. The transportation industry is saving on paper costs. We're vertically focused in markets with large numbers of trading partners.

VW: Since the time you first got involved in EDI, there have been many newcomers: GEIS, McDonnell Douglas, the people down the street at CompuServe are making noises as is Western Union, Telenet and others. What do you think about these developments? You're getting more competition, but also these people are generating interest in EDI.

DD: Well, IBM's in it, which means they believe it's an industry. It confirms what we've been saying all these years, that there's a hell of a lot of benefit in EDI. The fact there are so many people in the business also indicates there is pressure from their customers. It goes without saying that all the companies you mentioned have quite a few customers saying "we need EDI." That's how Ordernet started, when somebody said "Well, we've got this purchase order to the point where we can print it on a line printer. Why don't we just send it electronically?" It began because of the customers' needs. It is not a high-tech product or application. It IS a major change in the way people do business. When you go from paper to electronic, there's a lot of people involved and they're buying into it.

VW: Who specifically in a company needs to buy into it? Obviously it's to the benefit of the purchasing organization. But that guy may have been in his job 10-12 years. He's involved in a cadre of people....

DD: On the manufacturing side, if they're being driven by their customers, then the sales and marketing departments are always the ones to buy into it. Then their MIS department needs to buy in and support them. On the purchaser's or customer's side, it starts with either the purchasing or merchandising manager. Then you bring in the distribution manager because it's a warehousing type of organization, as well as the MIS department. We deal a lot with inventory, merchandising, and MIS managers on the purchasing side, the sales and marketing organization on the manufacturing side, and MIS on both sides.

TJ: The manufacturer also looks at himself as a purchaser, not just a seller.

DD: General Motors supports its dealers which would be its distributors or purchasers. GM is also a buyer: oil, fenders, hubcaps, etc.

TJ: EDI is not some kind of new high-tech service you can sit back and sell. There's a lot of customer service. Our people are very involved with the customer base, helping them get installed, come up with new applications, and so on. It requires a fair amount

of assistance. I don't know how happy some of our larger competitors are going to be with this kind of intensive customer contact.

VW: So you also need to provide what we call professional services: training, consulting, etc.

TJ: One of the things that keeps coming up, and I'm a little sensitive about, is that some of the companies now entering EDI are large organizations. There's more name recognition than there is for Ordernet Services. One keeps running into articles about EDI listing these companies with a fraction of the number of customers we have....

DD: Part of that may come from the fact that in August 1985, Sterling Software bought Informatics and possibly many people lost the name Informatics. Sterling Software is a \$250 million company, one of the top five software companies in the U.S.

TJ: The name recognition for General Electric and McDonnell Douglas is in the world of manufacturing, and it's only second-hand carried over into the world of data processing.

DD: We may never be the biggest company, but we may be the best.

Comments: As noted, this interview was conducted before the resale arrangement with Telenet was announced. INPUT estimates that Sterling Software's Ordernet Division has approximately 20.5% of the EDI services market based on the number of customers, and 26% based on 1986 revenues. With nearly 700 customers now, the company projects it will have 770 by December 1987.

Because it is an EDI pioneer, Ordernet's growth rate may be lower than new market entrants, but its closeness and responsiveness to its users over the years means it will maintain a significant portion of the market, particularly in those industries it services. Now, with Telenet private-labelling and reselling Ordernet's EDI services, penetration into other industries, and particularly the Fortune 1000, can be expected.

SEMINAR: THE HOWS AND WHYS OF INTERNATIONAL EDI

Last month, the National Industrial Transportation League (NITL) sponsored a seminar focusing on the costs and productivity benefits of international EDI (IEDI).

According to the league's newsletter, Dennis McGinnis of North American Phillips (and chair of ANSI X12's International Project Team) compared X12 to standards being developed for international use under the United Nations Joint EDI team (UNJEDI) saying "There is nothing in the international syntax that prevents you from using the ANSI messages that you are using (domestically) today."

Lee Foote of E.J. DuPont noted that in contrast to domestic shipments, international trade involves many participants and many transactions between them, meaning hundreds of documents for a single shipment. With EDI, a company enters data once. The information is easily accessible and instantaneously transferred, and standardized documents are used by all involved. According to Foote "The export business is very paper intensive which can lead to mistakes, delays, and high administrative costs. However, the competitive nature of the export business, given off-shore producers seeking the same markets, often makes timeliness a critical success factor. Therefore, exporting activities are a prime area for computerization....The only real barrier...is our own inertia. The one solution to this is **do it.**"

IBM's Peter Idema, Director of the International Purchase Office and Distribution Center described the U.S. Import/Export Operations Center (IPODC) at IBM, and its global communications network which provides order status and other information. He explained how the company system supports "continuous flow manufacturing (i.e. just-in-time).

Ron Johnson, Manager of Customer Interface Systems at American President Lines described the range of services his department provides, including voice response, and the Direct Computer Access Import Information System which links EDI applications through the U.S. Custom's agency's Auto-

mated Manifest System. He noted that while APL supports the TDCC family of standards, it is difficult to implement international standards. "Migration...is slow, but not non-existent." He also noted that the biggest challenges in starting EDI within a company are managerial, not technical.

Other speakers addressed the role of the third-party service provider, the automation of the ports and Custom's Automated Commercial System which will benefit shippers, ports, brokers and freight forwarders through improved information, pre-arrival cargo release, better cargo tracking, improved profitability and lower costs.

Concluding the seminar, McGinnis reiterated the need for standards, but said there is also a need to continually review, revise and improve them. He said the critical problem was not the development of standards, but communicating those standards to others. "It's like have a religion without people coming to church." Finally, McGinnis noted that the industry is now in the beginning stages of IEDI, and now is the time to become involved.

UNITED NATIONS JOINT EDI INTERNATIONAL COMMITTEE MEETING

Early in July, the UNJEDI committee met to advance development of EDIFACT, the international EDI syntax/standard. Most of the effort focused on the technical aspects of the effort. Ray Walker of the European EDI agency SITPRO noted that participants, like the writers of the U.S. Constitution, made a virtue out of compromise. A request was made that the UNJEDI committee and ANSI X12 develop a plan and timetable to merge the two standards.

Comment: INPUT earlier attended a conference sponsored by the National Coalition for International Trade Documentation to gather research for an upcoming report on IEDI. We're still analyzing the information presented but two dominant themes emerge: IEDI is an area of certain problems, with

incompatible systems, slow standards development, transborder data flow restrictions, procedures dating from the 18th century, and with the technology in place often dating from the 1940s. However, due to the requirements of international trade, the need for IEDI is clear. The redundancies, delays, errors and costs associated with international trade are substantial. For a variety of business and public policy reasons, improvements are needed, and IEDI is central to those improvements.

EDI News Bits

INPUT has heard that a **Bell Operating Company** is about to sign an agreement to market EDI services from a third-party, with billing to be done by the telco. No processing will be done by the BOC (currently prohibited) but presumably its packet switched local area data transport (LADT) service will be used to feed traffic to the provider. Also, the telco will be involved in customer service, according to sources. Watch for more alliances of this nature (such as the recently announced partnering between Telenet and Sterling Software) in the future, possibly followed by a shake-out of the weaker players.

MSA's Expert EDI, which is an enhancement of TranSettlement's TranSlate mainframe EDI software, went into commercial release on August 1 after beta-testing at two sites. Priced at \$50,000, nearly double the package it is based on, MSA will provide additional professional services such as integration and installation support, training and other services. MSA is principally targeting its installed base of approximately 6,500 users of its Expert series of mainframe software, as well as new prospects for its products. For more information, see the interview with MSA personnel in the EDI Reporter, February, 1987.

Sterling Software reports that several military commissaries and exchanges are adopting UCS (grocery) as their EDI standard. The Air Force and Marine Corps are piloting and/or installing UCS systems, with more expected as indicated by the Defense Department's recent purchase of a communications ID from the Uniform Code Council, the keeper of UCS standards. As a side note, Sterling

Software notes that the American Logistics Association, a trade organization of suppliers to government commissaries and other outlets, has formed an EDI task force to discuss common concerns and to update brokers and vendors on EDI use in the military.

The "Big Eight" accounting firm **Arthur Andersen** sees a massive restructuring in wholesale distribution due to mergers and technological changes. In the next three years, the number of distributors will be reduced by 25%, according to the firm, from 320,000 to 245,000 firms. Industry changes are forcing companies to merge or acquire others to maintain competitive economies of scale, expand product lines, increase market share, and to enter new territories. Large wholesaler-distributors will increase market share by 30% or more at the expense of smaller companies. Automated buying (read EDI) is one part of the trend. Pressure on margins, financing changes and new technology are reasons for the restructuring, along with the fact that the owners of many privately held distribution firms, started after World War II, are now retiring.

International News Bits

IBM has won a contract with Lloyds of London and other U.K. insurers to essentially clone its U.S. based insurance industry services. Approximately 150 agents and 20 brokers will use the system, with later enhancements planned to provide data transfer on premiums to participating banks.

A consortium of interests in the U.K. construction industry have formed **EDICON**. Architects, surveyors, building contractors and others will exchange information, apparently through an independent network, in support of their efforts.

The U.K.'s **Vanguard** program has set up EDI awareness programs for about half of the 2000 respondents to a market survey. The program, sponsored by the Department of Trade and Industry, is promoting Value Added Data Services generically, and EDI specifically. A similar effort is needed here!

EDJ Events

August 10-14, L'Enfant Plaza Hotel, Washington DC. ANSI X12 Committee meeting, hosted by GE Information Services.

August 27-28 Grand Hyatt, Washington D.C. EDJ Training Session, sponsored by the Electronic Data Interchange Association. 202-293-5514.

September 2-4, Marriott Hotel, Toronto, Canada. Principles of EDJ, sponsored by EDJ Education, Inc. 312-848-0135.

September 9-11, Intercontinental Hotel, Hilton Head S.C. The Challenge of Integration, sponsored by INPUT. Features presentation on Integrating EDJ. 415-960-3990.

September 14-16, Principles of EDJ, St. Louis, sponsored by EDJ Education, Inc. and hosted by McDonnell Douglas. 312-848-0135.

September 15, Westin O'Hare, Chicago, UCS Orientation Seminar sponsored by the Uniform Code Council. 800-543-8137.

September 27-30, Atlanta Marriott, Council of Logistics Management Annual Conference - The Information Era: Issues & Opportunities. 312-574-0985.

October 8-9, Sir Francis Drake Hotel, San Francisco, Electronic Messaging '87, sponsored by the Electronic Mail Association, with a presentation by INPUT on 10/9. (202) 293-7808.

October 21-22, Chicago, American UNJEDI committee meeting, hosted by Continental Bank. (312) 828-6489.

November 16-20, San Francisco, ANSI X12 Committee.

November 10, Wyndham Franklin Park, Philadelphia, UCS Orientation Seminar sponsored by the Uniform Code Council. 800-543-8137.

December 2-3, Washington D.C. Hilton, The World of Electronic Data Interchange, sponsored by the TDCC/EDIA 202-293-5514. INPUT will present session on "The Future of EDJ".

December (date to be announced), Washington, D.C., UCS User Group Meeting sponsored by the Uniform Code Council. 800-543-8137.

February 22-28, 1988, Dallas, ANSI X12 Committee.

April 1988, Washington D.C. UNJEDI Task Group.

NEXT MONTH IN THE EDJ REPORTER:

A Report from the August X12 Meeting

An EDJ Case Study

INPUT's EDJ Software Studies Go to Printer

...and More

CHANGE OF ADDRESS

Effective August 8, 1987

INPUT's Corporate Headquarters will be relocated to:

INPUT

1280 VILLA STREET

MOUNTAIN VIEW, CA 94041-1194

Telephone: (415) 961-3300

EDI TOPIC INTEREST SURVEY

INPUT'S EDI Planning Service is producing the following 1987 reports:

- EDI: European Market Opportunities
- U.S. EDI Services 1987-1992
- U.S. EDI Service Provider Profiles
- U.S. EDI Software Markets 1987-1992
- U.S. EDI Software Provider Profiles
- International EDI
- EDI Initiatives in the Federal Government
- A Guide to EDI Implementations

... in addition to the monthly EDI Reporter.

In order to plan our 1988 program, we request that you rate your interest in the following topics, or to suggest others. Please "vote" by rating each topic on a 1-5 scale, with a "1" indicating low interest, and a "5" high interest. We will report highlights of the selected studies in the EDI Reporter.

Suggested 1988 EDIPS Reports

- Update on EDI in Europe _____
- Update on U.S. EDI Services _____
- Update on EDI Software _____
- EDI in Canada _____
- EDI and Professional Services _____
- EDI User Case Studies _____
- EDI: Vertical Market Directions and Potentials _____
- Banks and EDI _____
- Logistics and Electronic Data Interchange _____
- E-Mail Forms Usage Patterns - a Migratory Path to EDI _____
- X.400 - The International E-Mail Standard and EDI _____
- Integrating Image Transmission with EDI _____
- Other Topics _____

OPTIONAL:

Your Name: _____

Company: _____

Address: _____

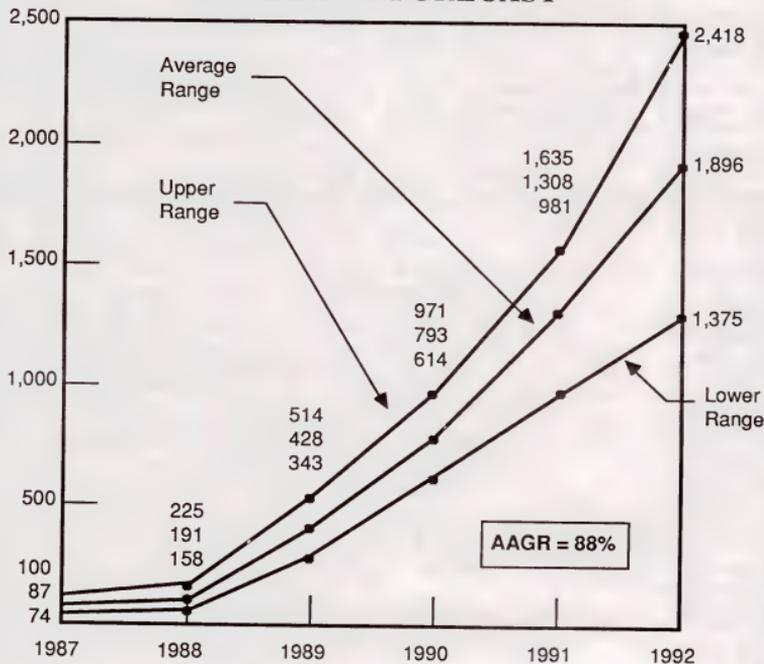
City/State/Zip: _____

Telephone: _____

Please return to:

INPUT EDI Reporter
1280 Villa St
Mountain View, CA
94041

INPUT'S EDI MARKET FORECAST*



1986 Market: \$46 Million

* Processing/Network Services, Software, Professional Services

EDI STATS

INPUT provides planning information, analysis, and recommendations to managers and executives in the information processing industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions. Continuing services are provided to users and vendors of computers, and communications and office products and services.

The company carries out continuous and in-depth research. Working closely with clients on important issues, INPUT's staff members analyze and interpret the research data, then develop recommendations and innovative ideas to meet clients' needs. Clients receive

reports, presentations, access to data on which analyses are based, and continuous consulting.

Many of INPUT's professional staff members have nearly 20 years of experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed in 1974, INPUT has become a leading international planning services firm. Clients include over 100 of the world's largest and most technically advanced companies.

Offices

NORTH AMERICA

Headquarters
1280 Villa Street
Mountain View, CA 94041
(415) 961-3300
Telex 171407

New York
Parsippany Place Corp. Center
Suite 201
959 Route 46 East
Parsippany, NJ 07054
(201) 299-6999
Telex 134630

Washington, D.C.
8298 C, Old Courthouse Rd.
Vienna, VA 22180
(703) 847-6870

EUROPE

United Kingdom
INPUT
41 Dover Street
London W1X 3RB
England
01-493-9335
Telex 27113

Sweden
Athena Konsult AB
Box 22232
S-104 22 Stockholm
Sweden
08-542025
Telex 17041

ASIA

Japan
FKI
Future Knowledge Institute
Shanpia Bldg., 8-1,
Kanda Sakuma-cho 2-chome,
Chiyoda-ku,
Tokyo 101,
Japan
03-864-4026

INPUT[®]
Planning Services For Management