# What is EDI?

**by Ray Atia,** ratia@amosoft.com

Short for Electronic Data Interchange, the transfer of data between different companies using networks,
such as VAN's or the Internet. As more and more companies get connected to the Internet, EDI is becoming increasingly important as an easy mechanism for companies to buy, sell, and trade information.
Currently there are two sets of EDI standards known as the X12 standards and EDIFACT standards.

Electronic Data Interchange (EDI) is the process of using computers to exchange business documents between companies. Previously, fax machines or traditional mail was used to exchange documents. Mailing and faxing are still used in business, but EDI is a much quicker way to do the same thing.

EDI is used by a huge number of businesses. Over 100,000 businesses have replaced the more traditional methods with EDI. This new system has a number of benefits; cost is one of them. Computer to computer exchange is much less expensive than traditional methods of document exchange. Processing a paper-based order can cost up 70 US dollars (USD), whereas using EDI costs 1 USD or less.

As a computer processes the documents in EDI, there is also less chance of human error. Speed is another benefit. A paper purchase order can take ten days to two weeks from the time the buyer requests it to the time the shipper sends it off. Now, the same order can be processed in less than a day.

These faster transaction times help maintain efficient inventory levels. They also contribute to a better use of warehouse space, and less out-of-stock problems. This in turn leads to a reduction in freight costs, as there should be no need for last minute urgent delivery surcharges.

There are a few drawbacks to the process. EDI can only work if everyone the company has deals with is using the same method. If the changeover has not been made within some businesses, other companies dealing with them may have to use EDI as well as the more traditional methods. This can be costly and time consuming. It may involve one member of staff maintaining the mailing process while another worker sends documents electronically.

The process of using EDI for purchasing is very simple. Once a purchase order has been written, the document is translated into a specific format and submitted to the

Address: 12445 Pacific Ave 5, Los Angeles, CA 90066

Phone: 310-862-4259          Web: www.amosoft.com

supplier via the Internet. It must be ensured that the document used by both parties is in exactly the same format.

Security is an important issue for companies using EDI. Data security is controlled throughout the process using passwords, encryption and user identification. The EDI has software that checks and edits the documents for accuracy.

Basically, all that is needed to run this method of document exchange is a computer and access to the Internet. There are many companies that supply no-fuss EDI software application packages. These have their own encryption software and the installation process can be completed in a few minutes. From a small initial outlay, companies can use EDI to improve efficiency while saving time, money and labor.