Reading


Activity 2.3

What do you think should be the key features of an e-procurement model?

Purchasing technologies: EDI

There are various types of e-procurement trading models in the market. In this section, we will look at an electronic method of transmitting data that offer a whole new way of communicating across the internet and beyond.

1. **What is electronic data interchange (EDI)?**

EDI is the direct computer transmission of orders and other transaction information. In purchasing, EDI is usually used for the electronic transmission of orders, invoices and payment between buyer and seller. The main elements of an EDI system are computer hardware, software, computer compatibility between the sender and receiver, and subscription to a common network.

There are many benefits of using EDI. For a small firm, EDI may help keep a valued trading partner or customer or even gain new ones. For larger firms, the main benefit is generally the cost savings, or to be known as a leading-edge company.

A simple example of what EDI can do for a firm follows. A buyer takes a request from someone within the organisation, creates a purchase order and mails it to the supplier to fill and ship. This process is speeded up when the buyer enters the purchase order on a computer screen as he or she is talking to the user and sends the order electronically to the supplier’s system as soon as he or she hangs up the phone. This, of course, would only be done if the person ordering had the authorisation and if the order had to be sent that quickly. Traditionally, a firm could collect the orders to a single vendor and send them all together at the end of the day. EDI software technology enables the orders to be converted into a standard format and translated either directly to the supplier’s system or to an electronic mailbox on a third-part valued-added network (VAN) accessed by the partners. On the supplier end, there must be