

The Hidden Costs of Legacy B2B Architectures



Modernize and Consolidate Older Systems to Dramatically Reduce Overhead

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FOR DECADES, organizations around the world have relied on electronic data interchange (EDI) technology to automate the process of exchanging purchase orders, payments, and vital business messages with customers, suppliers, logistics services, and financial institutions. This business-to-business (B2B) integration can reduce administrative costs, eliminate manual errors, and ensure the timely flow of information. The integration of EDI systems with ERP platforms like SAP ERP increases the value even more.

Today, however, many companies are handicapped by their legacy B2B/EDI landscapes. IT departments facing time and budget demands are slow to replace older platforms, leaving them with a patchwork of costly-to-manage adapters and connections that were added to support new protocols and partner requirements. IT teams are also forced to grapple with multiple B2B systems purchased by different divisions and business units or inherited through mergers and acquisitions, greatly increasing management costs. A recent study in which over 600 senior IT decision makers were polled found that companies must refocus their B2B strategies and recognize the advantages of holistic integration to accurately keep track of their growing business networks.¹

¹ The Vanson Bourne Omnibus survey (January 2011).

The Pressure to Upgrade

Companies are seeing the need to modernize and consolidate their fractured B2B environments. Part of the impetus comes from the evolution of business partner communications from the original EDI standards to modern file formats like XML and a proliferation of communication protocols. Point solutions added over time to accommodate these needs have increased management overhead and complicated supply chain production and logistics processes. The spread of global business, with the need to use different EDI protocols in different geographies, exacerbates the problem.

Organizations worldwide are realizing that older B2B platforms reduce their ability to remain competitive in today's marketplace. Factors influencing this conclusion include:

- Demands from trading partners for smooth B2B integration that will minimize inventory, maximize stock turnover, and optimize customer service
- The still-commonplace, expensive, and error-prone practice of exchanging transaction messages with suppliers manually
- The cost of older technologies in terms of monitoring and maintenance, as well as a lack of functionality such as message tracking that must be overcome with manual intervention

Yet another reason for companies to modernize their B2B infrastructure is to support growing volumes of third-party transaction data. One study about ERP and B2B integration found that more than one-third of the data in corporate ERP systems comes from external sources, including customers, suppliers, and third-party logistics providers, thereby creating a need to expand the B2B infrastructure.²

Broad Benefits

The benefits of replacing and consolidating outdated B2B systems range from a 50% or greater reduction in B2B-related administrative costs, to the availability of advanced functionality absent in older EDI translators or legacy platforms. Other potential benefits include:

- Reduced B2B/EDI system maintenance efforts and staff costs
- Simplified B2B/EDI mapping due to newer processes
- Decreased software license and power costs through system consolidation
- Faster message status and document tracking via new tracking and audit tools
- Reduced data transfer costs through use of newer protocols
- Built-in enterprise application integration capabilities for automated data exchanges with customer resource management, business intelligence, and other systems
- Integrated managed file transfer (MFT) capabilities that provide secure, auditable, policy-based controls over non-structured data exchange — all from the same interface

Often these benefits are realized in conjunction with an ERP upgrade that triggers the EDI modernization. In these cases, the gains are even more dramatic as companies realize the double efficiencies of implementing two technologies simultaneously.

Requirements of a Successful B2B Project

The transition to a new B2B infrastructure must be planned carefully — from platform selection to actual implementation — to ensure maximum process optimization. For example, B2B solutions differ widely in the number of data formats they can handle. The larger the number, the greater the depth of process integration and the breadth of communication media that can be used, ranging from EDI/B2B to web, sensors, and paper.

B2B solution suppliers also vary in their ability to offer tools for safe and cost-effective data migration. With reliable analysis tools, vendors can identify possible data migration problems, such as undocumented processes in invoicing and delivery note data, before they occur. An extensive vendor library of prebuilt adapters, mappings, and workflows can substantially reduce migration time, and proven testing methodologies can eliminate serious problems, such as loss of production from faulty B2B connectivity.

2 AMR Research: “ERP Projects Create Significant B2B Opportunities” (August 2009).

A successful B2B modernization and consolidation project also requires a holistic B2B strategy that includes in-depth integration with the ERP system to ensure that data is not simply fed into applications, but is immediately subjected to further processing. Detailed invoices should be stored electronically, for example, and the whole transaction booking process should be fully automated.

Modernization at Magna

One organization that joined the B2B modernization movement several years ago is global automotive systems supplier Magna International. Magna had a complex B2B environment with over 300 plants utilizing multiple EDI systems, several ERP platforms, and disparate global requirements to support business processes such as ordering, invoicing, JIT/JIS, and daily combined delivery notes and other business processes. The goal was to move toward a single integration platform to simplify B2B operations.

Magna chose the SEEBURGER Business Integration Suite because it can integrate with SAP ERP as well as any other ERP system, handle messages in any global data format or communications protocol, and provide local language support and training capabilities. Magna migrated its data from existing applications in just six months, without any noticeable difference to suppliers. Power and maintenance costs dropped as the business retired its legacy EDI systems, quickly saving enough to amortize the capital costs of the new solution.

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— **Scott Brownlow**, EDI Systems Manager NA, Magna IT

As Scott Brownlow, EDI Systems Manager NA at Magna IT explained, “Within Magna, we have created a shared service B2B department that has been successfully implemented with the help of our partner, SEEBURGER. Today, we have over 100 Magna facilities as subscribers of this shared service globally. We are now in a position to react quickly with the flexibility needed to meet the requirements of our subscribers, customers, and the market.”

Let SEEBURGER Help You

The SEEBURGER Business Integration Suite offers a robust, fully integrated EDI/B2B/MFT platform used by organizations around the world for B2B modernization and consolidation. We offer free webinars to help you explore modernization and consolidation strategies, and explain how advanced supplier integration can generate real business and technological value. SEEBURGER also offers a proven seven-point deployment plan to reduce migration risk. Learn more at www.seeburger.com. ■