

Realizing the Full Value of GHX

A GHX Education Paper for Healthcare Supply Chain Professionals



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➤ Executive Summary: Driving Value Beyond the Basics

GHX trading partners realize varied levels of value, with some manufacturers reaping benefits far beyond the time and cost savings typically associated with e-commerce. Why? After 15 years of operating the GHX Exchange and diligently benchmarking performance, it's clear that organizations get out what they put in. The value realized by joining the GHX trading partner community is directly related to adoption of GHX tools and services. Maximizing value requires suppliers to increase adoption while actively managing and mitigating discrepancies using unique exception management solutions from GHX. Best-in-class manufacturers and distributors have established robust, proactive and strategic e-commerce initiatives in integrated supply chain management and capitalized on the benefits of GHX beyond fundamental operational efficiencies.

Manufacturers and distributors need to understand how to transform their end-to-end business processes beyond the core benefits of e-commerce before they can achieve a leaner supply chain that drives greater savings and enables their workforce to focus on value-added tasks. An optimized supply chain can unleash the true potential of e-commerce, extending its value beyond the core operational efficiencies gained by eliminating manual steps associated with inbound or outbound transmission of electronic document transactions.

This education paper looks at data from several studies that attest to getting the fullest value from e-commerce deployment, and showcases best-in-class practices that can help manufacturers and distributors achieve savings beyond what they originally thought were possible.

➤ The Core Value of EDI Outside of Healthcare

In industries outside of healthcare, the implementation of EDI transactions between trading partners has been proven to significantly reduce the cost of sending, receiving and processing manual documents. Cost savings studies include a report from the Aberdeen Group, which highlighted that in the U.S. it cost \$37.45 to produce and send a paper PO compared to only \$23.83 using EDI.

EDI allows a company to be more competitive in today's business environment. A study by the EDI Group, Ltd., reported that companies using EDI experienced reduced cycle times of 40.3%, with a simultaneous drop in error rates from an average 10.1% to 4.4%. Cost savings averaged \$2.20 per document upon implementation of EDI.

Benefits of EDI include:

Reduced Cost

- Overhead costs are reduced by eliminating or reducing human handling in such areas as:
 - » Repeated keying of information
 - » Manual reconciliation of different documents (purchase orders, receiving notices, invoices, etc.)
 - » Paper and toner costs
 - » Document mailing, telephoning or faxing of information
 - » Document storage
- Error costs, which may be as much as five times the cost of processing the document correctly in the first place
- Transportation costs, particularly expedited freight charges

Improved Customer Service

- Because information is available on a real-time basis and is more accurate, concerns and questions from customers can be addressed more effectively.

Strengthened Trading Partner Relationships

- Improved visibility after implementing EDI helps to build trust between trading partners. The sharing of information that results from EDI strengthens the ties between partners and encourages stronger levels of commitment.

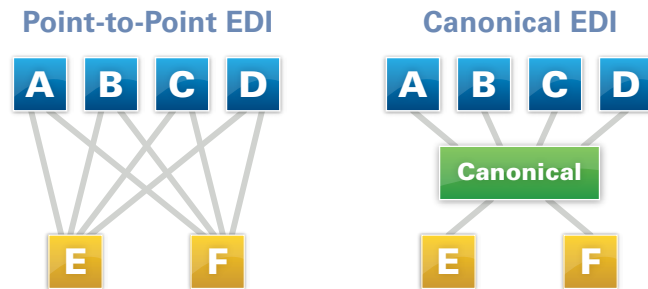
Increased Sales Potential

- Become a vendor of choice by meeting customer demand for EDI enablement. EDI can lead to increased sales by improving responsiveness, reducing errors and speeding processing.

➤ The Core Value of GHX for the Healthcare Industry

Outside of the healthcare industry, EDI typically requires a direct connection. This means that a company has to commit resources to set up and manage EDI for each trading partner with which it wants to work electronically. This can be cost prohibitive, particularly for smaller companies or companies with many trading partners.

To solve the connectivity complexity issue, GHX provides access to all trading partners on the GHX Exchange through one EDI transaction map. The current GHX community includes 400+ integrated suppliers and 4,100+ integrated providers leveraging a canonical one-map to many connectivity solution rather than point-to-point EDI interfaces as depicted in the figure below. On average, suppliers report that they can avoid between \$1,000 and \$3,000 in IT, hardware, and software and telecommunications fees per trading partner connection by using an exchange versus establishing and maintaining individual EDI connections with suppliers.

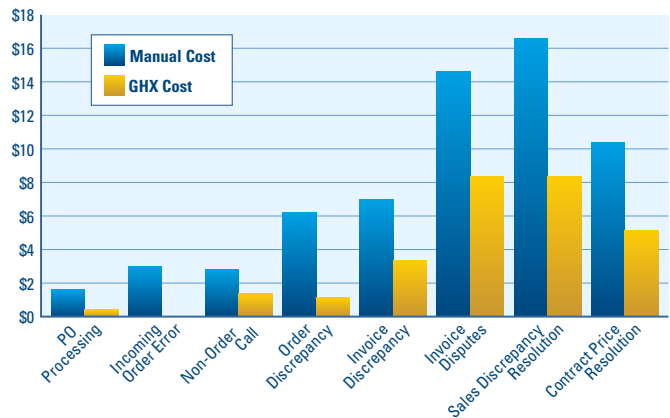


Total Cost Comparison*			
	Average Cost Non GHX EDI	Average Cost GHX EDI	% Improvement with GHX
Average EDI Order Cost	\$10.75	\$2.45	77%

*Industry average purchase order costs calculated from weighted averages for 20 suppliers, confirmed by an additional 50.

The following chart demonstrates the differences in labor costs for suppliers to process purchase orders and invoices manually and through GHX. For many suppliers, the initial decision to join an exchange is based solely on their desire to transact electronically with trading partners. GHX studies with more than 20 suppliers have identified even greater savings by using exception management data to improve business processes.

Supplier Order Management Cost Savings Manual vs. GHX Electronic Industry Average (Labor Only)



Note: Based on weighted industry averages from over 20 suppliers, confirmed by an additional 50.

➤ Realizing the Full Value of GHX

For manufacturers of healthcare supplies and devices, operational cost savings is a well-recognized benefit of supply chain business process automation. However, there is relatively little recognition at senior levels as to the ways EDI can support and maximize the effectiveness of back-end order-to-cash processes.

To understand those opportunities, it's important to look at how e-commerce optimizes business processes with access to more accurate and timely data, and in turn to evaluate how those translate into both labor and hard dollar savings.

Step 1: Improve exception management

The cost differences in the Total Cost Comparison table have nothing to do with how an order is sent to a supplier. In fact, most orders sent via GHX are EDI transactions. The difference arises from how users (typically customer service representatives) utilize real-time data made available through GHX to manage those orders. With traditional EDI orders, there may be numerous discrepancies between the purchase order and its purchase order acknowledgement, requiring line-by-line review and reconciliation. GHX My

Exchange Order Center™ notifies users in real-time when there are order exceptions, enabling customer service representatives to manage exceptions rather than every single order. Additionally, GHX Order IntelligenceSM is an application that automatically checks all purchase orders sent through the GHX Exchange. With GHX Order Intelligence, corrections are made to the order based on business rules before they impact customer service. Orders without discrepancies can continue through the process in a touchless manner.

With traditional EDI, users must perform a line-by-line match, even for orders without discrepancies, a process that can take two to 10 minutes per order. Business rules within GHX Order Intelligence reduce exceptions relating to SKU, UOM, or other missing data by reviewing and correcting those errors before they enter a supplier's ERP system. Part lookup and checking against the GHX AllSource® catalog database, as well as data integrity checking, provide a supplier with the option to park an order at GHX and correct it using business rules before it hits their ERP system. This minimizes orders entering an error queue in a supplier's ERP system. A wide range of correction options on a purchase order are available to a supplier, including changing a purchase order number, account number, and even a message, among others. Options to check and change data vary according to order or channel type. For example, consigned or rush orders can be checked for data relevant to those types, and orders from different channels such as fax or integrated can have different sets of rules applied to them. Augmented orders flow through a supplier's ERP system seamlessly and can be processed automatically.

Total Cost Comparison*			
	Disputed Order	Discrepant Order	Accurate Order
Manual	\$62.50	\$20.83	\$1.67
EDI	\$61.67	\$20.00	\$0.83
GHX	\$28.54	\$6.67	\$0.42

*Industry average purchase order costs calculated from weighted averages for 20 suppliers, confirmed by an additional 50.

Step 2: Increase electronic transactions

The more electronic transaction sets a supplier can support, the more benefits it can secure from automation. By being a more cost effective and efficient trading partner, a manufacturer or distributor can also help improve competitive advantage and customer satisfaction, which drives organizational success.

Step 3: Increase trading partners

Suppliers can further increase order accuracy and reduce operational costs by actively trading with more of their business partners. Once on-boarded, a trading partner has the same real-time visibility into orders as the supplier. The combined impact of increasing order volume, implementing business rule smoothing and enabling parked orders to be corrected results in a higher volume of touchless orders and improved customer satisfaction as customer service representatives can focus on more value-added tasks. GHX allows more orders to flow to a supplier's ERP in a touchless manner than before. Our single-entry registration process is faster, more accurate and reduces customer uncertainty, as connecting parties have visibility into the same information, as well as shared reports that helps hold each partner accountable.

Further savings can be realized by fully leveraging GHX utilization reports as well as information derived from GHX Supplier Intelligence. This application enables suppliers to look strategically at their e-commerce volumes, efficiency, cost-to-serve and opportunity areas. GHX also sends a scorecard to our customers that provides a snapshot of their supply chain performance in a variety of categories. Through charts and graphs, customers can see ongoing performance as well as areas where they need to focus improvement efforts. By ensuring every account is actively trading electronically, and for all business processes available, suppliers can increase order accuracy and decrease operational costs.

Step 4: Automate fax orders into single electronic channel

GHX offers G-FaxSM, a fax conversion service that reduces manual entry by translating faxed purchase orders into EDI transactions. Best practice suppliers are using G-Fax to further drive down costs, improve customer service and expand the use of e-commerce across buying and selling activities. G-Fax consolidates orders into one central channel used for integrated trading partner orders. Through My Exchange, suppliers can view order exceptions as well as the purchase order status, enabling users to resolve issues more quickly so that fulfillment and invoicing are not delayed. G-Fax provides visibility into customers' original inbound faxes and the converted EDI, and enables transactions to be sorted in a variety of ways, including by customer, date, current state and transaction type.

Step 5: Leverage GHX eInvoicing

The GHX eInvoicing solution automates the invoicing process so manufacturers and distributors can deliver up to 100 percent of their invoices electronically. The result is touchless invoicing that helps lower costs, improve efficiency and speed processing.

3. Transact electronically with a higher percentage of their customers
4. Automate manual fax orders to leverage centralized exception management tools
5. Drive adoption of industry solutions, such as GHX eInvoicing, to realize additional savings

Conclusion

Every year GHX recognizes best-in-class suppliers at the annual GHX Healthcare Supply Chain Summit. These elite suppliers are selected based upon their impactful implementation of e-commerce strategies including highest growth in electronic transactions and trading partners and lowest exception rates. These metrics signify a supplier's ability to most effectively utilize GHX as a technology partner.

Best-in-Class Suppliers

1. Have a higher percentage of EDI transaction sets supported
2. Complete GHX Exchange electronic transactions with a higher percentage of trading partners



Plan and Measure Your Savings

Level of Supply Chain Automation for Suppliers

