



Xchange e-procurement for the Contractor

As part of an on-going development strategy RedSky IT has developed and deployed an opportunity for the users of RedSky IT financial software that have the Purchase Order Processing module to send electronic Business-to-Business (B2B) transactions to their suppliers.

xchange

The Concept

The concept is a simple one. The RedSky IT applications of Summit 2000, Summit 3000, Summit 5000 and DEMA have all been enhanced to communicate directly to the RedSky IT Internet facing transaction hub known as Xchange.

The hub is a “store and forward” server that enables RedSky IT customers to send electronically 100% of their Purchase Orders. Users do not need to know which of their suppliers are ‘Xchange-enabled’ and which are not. If the supplier has not yet registered then they will be sent a fax directly from Xchange. Contractors will not even need to change any current business processes, the basic principle is that instead of, or as well as, printing the Purchase Order, they can select to “send to Xchange”. The only requirement is that all users have their suppliers fax numbers entered in their database. The application takes care of the rest. From the supplier’s side, if they have signed up, they are able through the RedSky IT e-client, to receive all orders electronically, which can then be fed directly into their own system.

The Requirements

To take advantage of this service and to build upon your current supply chain initiatives, the following are the minimum requirements:

- You need to have a connection line to the Internet. If you have external e-mail or Internet capabilities from your offices, then you probably are already connected.
- You need to be using a RedSky IT Purchasing module. Currently, we have enabled Summit 2000/3000/5000 and DEMA to automatically communicate with Xchange. If you are an existing user, you probably already have the capability.
- You need to register your company’s interest by providing your RedSky IT sales manager with some basic details.

The Commercials

Importantly, the software enhancements are included as part of your licence fee. The charging mechanism for Xchange will be “pay as you go”, that is, the charges will be based on the number of transactions that you send through Xchange. For example, to the contractor, the transaction cost for a Purchase Order will be less than the cost of a stamp. Please contact your account manager for details.

The Benefits

Essentially these are the costs savings that are immediately available.

- The tangible benefits include paper, printing and postage savings, and if you are already faxing, then telephone charges.
- The intangible benefits include improved Supply Chain Management and quicker response times.



The Process

The design of Xchange allows 100% take-up of the service with no investment from either the Contractor (the buyer) or the Supplier (the seller), encouraging all members of the supply chain to become part of the community without encountering financial or technological hurdles.

The Contractor (buyer)

Using Xchange enabled software, the buyer places orders in the normal way, through his purchasing system. Instead of printing the purchase order and then posting the order to the supplier, the buyer selects the Xchange function. The application then produces the necessary XML, connects to the Hub, and sends the transaction and checks to see its status. If there are any transactions to be received then these are retrieved and handled by the application. Currently this includes details of the status of transactions sent to the hub to indicate whether the transaction has been delivered.

The Xchange Hub:

The hub is Internet facing and has been designed to securely handle high volumes of different transaction using the appropriate XML standards. There are three parts to the Hub:

1. Transaction Hub

Transactions are always sent to the hub and stored in an "outbox". If Xchange recognises the registered supplier then the transactions are put in the recipient's "Inbox".

2. Fax Hub

If the fax number is not recognised as an Xchange account, i.e. the supplier has not registered, then the transaction is sent to the fax hub. This will attempt to send any transactions that it receives by fax. It converts the XML into an image form and using a fax driver sends the fax. A status message is returned to the originator.

3. Data Server

Sitting behind the transaction and fax hubs is a powerful Oracle database providing storage, audit and control of the transactions being processed through Xchange.

Of paramount importance is the secure transmission and storage of your transactions. We support Virtual Private Networks (VPN) and recommend that both contractors and suppliers make use of this technology. If you are already using a firewall then you probably already have the software. VPN is a tunnel that carries private data across a public network (such as the Internet) using a combination of techniques such as encryption and authentication. Xchange also supports a near VPN security model for those users who do not wish to use full VPN.

The Supplier

The supplier connects to Xchange using a simple application called the RedSky IT e-client. This application manages the connection requirements, "sends", and "retrieves" any transactions in the suppliers "inbox". This will then download the necessary XML enabling the supplier either to look at this information or to feed it into their sales-order system. Once the transaction has been received the status of the transaction is then passed back through Xchange



The future of Xchange

Short-Term Plans

Initially we implemented Purchase Orders and more recently Material Invoices. The plans include the provision of on-line catalogues based on supplier and manufacturer's information. To ensure Xchange remains inclusive, we will be creating a community forum.

The Long Term Future

In the longer term, the community will be charged with developing key aspects through working groups. RedSky IT already has plans to deliver a functional specification to help evolve the e-procurement of building materials purchasing. This includes both existing paper transactions being converted to electronic form, such as deliveries & price quotations, but also will look at changing some of the current business processes that the industry struggles with, such as the GRN (goods received note). There are other areas being reviewed that are non-traditional types of transactions such as catalogue searching and trade information.

"The impact Xchange would have on our ordering process was immediately obvious. Our Group has 3 buying departments each processing 50 orders a day. Our buyers would use either fax or telephone to place the order, with 75% of orders taking 15 minutes of our buyer's time. The cost of the call could reach over £1 per order. So quickly I could add up the cost of placing an order and this was far more than the cost of ordering via Xchange".- Gary Spicer - Knight Group

Example on potential savings

Typical order costs:

- Cost of a 2nd class stamp = 21p
- Pre-printed order form = 24p
- Envelope = 5p
- Administration time cost = 50p
- Total cost per order = £1.00

A company producing 25 orders a day would incur internal costs of over £6,000 a year – and could save over £4,500 if they used Xchange. Refer to the attached table to calculate how much you could save.

Transaction Banding Per month	Monthly Charges			Yearly Charges			Annual Pre Pay Option		
	Internal Costs	Xchange Charges	Savings P/M	Internal Cost	Xchange Charges	Savings P/A	Pre Pay Discount	Pre Pay Savings	Pre Pay Contract Price
500	£500.00	£150.00	£350.00	£6,000.00	£1,800.00	£4,200.00	20%	£360.00	£1,440.00
750	£750.00	£225.00	£525.00	£9,000.00	£2,700.00	£6,300.00	20%	£540.00	£2,160.00
1000	£1,000.00	£300.00	£700.00	£12,000.00	£3,600.00	£8,400.00	20%	£720.00	£2,880.00
1500	£1,500.00	£450.00	£1,050.00	£18,000.00	£5,400.00	£12,600.00	20%	£1,080.00	£4,320.00
2000	£2,000.00	£600.00	£1,400.00	£24,000.00	£7,200.00	£16,800.00	20%	£1,440.00	£5,760.00