**EDI Enabled Procurement Process**

**PROCUREMENT**

— Procurement is the process whereby companies purchase goods and services from various suppliers. These include everything from indirect goods like light bulbs, uniforms, toilet paper, and office supplies, to the direct goods used for manufacturing products.

— Procurement also involves the purchase of temporary labor, energy, vehicle leases, and more. Companies negotiate discount contracts for some goods and services, and buy others on the spot. Procurement can be an important part of a company's overall strategy for reducing costs.

— Historically, the individuals or departments responsible for purchasing a company's goods and services relied on various methods for doing so. The most basic included placing orders via telephone, fax, or mail.

**E-PROCUREMENT**

— Electronic procurement methods, generally referred to as e-procurement, potentially enable the procurement process to unfold in a faster, more efficient manner, and with fewer errors. These methods include electronic data interchange (EDI), online marketplaces or e-marketplaces, and various blends of the two.

— EDI deals more with the way information is communicated during procurement than it does with the act of linking buyers and suppliers.

— By definition, EDI is the electronic exchange of business information—purchase orders, invoices, bills of lading, inventory data, and various types of confirmations—between organizations or trading partners in standardized formats.

— EDI also is used within individual organizations to transfer data between different divisions or departments, such as finance, purchasing, and shipping. Two characteristics set EDI apart from other ways of exchanging information.

— First, EDI only involves business-to-business transactions; individual consumers do not directly use EDI to purchase goods or services.

— Secondly, EDI involves transactions between computers or databases, not individuals. Therefore, individuals sending e-mail messages or sharing files over a network does not constitute EDI.

— EDI can occur point-to-point, where organizations communicate directly with one another over a private network; via the Internet (also known as open EDI); and most commonly, via value-added networks (VANs), which function like telephone lines by allowing for the transfer of information.

— In the early 2000s, although many companies still relied on VANs, the Internet was playing a larger role in EDI. It is possible for companies to translate the files used during EDI and send them to another company's computer system over the Internet, via e-mail, or file transfer protocol (FTP).

— Because it is an open network and access is not terribly expensive, using the Internet for EDI can be more cost effective for companies with limited means.

— It has the potential to provide them with access to large companies who continue to rely on large, traditional EDI systems.

— The low cost associated with open EDI also means that more companies are likely to participate. This is important because the level of value for participants often increases along with their number.

E-procurement tools and applications:

Some e-procurement tools and applications include:

— Electronic systems to support traditional procurement

— EDI (electronic data interchange)

— ERP systems

— Internet as a support or complement to traditional procurement

— Electronic mail (e-mail)

— Web enabled EDI

— Extensible markup language (XML)

— World wide web (www)

— Internet tools and platforms that replace traditional procurement