



ECOutlook.com Helps Bristol-Myers Squibb Lower Transaction Costs

Solution Overview

Early 1999: As a world leader in health and personal care products that extend and enhance human life, Bristol-Myers Squibb (BMS) has thousands of suppliers, ranging in size from Global 100 companies to the smallest of small businesses. Although the company's 20 largest suppliers conducted business with BMS via an EDI network – with the other 90+ percent, the purchasing process was handled manually – by mailing or faxing order information. In an effort to reduce its paper flow and increase operational efficiencies BMS aggressively sought ways to affordably extend EDI-like capabilities to its largest segment of suppliers.

In the second quarter of 1999, BMS selected ECOutlook.com as its solution provider. ECOutlook.com teamed with BMS to build an Internet-based solution that would enable BMS to conduct business electronically with all suppliers, regardless of size, budgetary constraints or technical sophistication. Effectively, the solution enabled BMS to extend EDI capabilities to its non-EDI enabled supplier community. The solution was implemented in less than 100 days and was universally accessible by all BMS suppliers at no cost to them.

Background

Bristol-Myers Squibb is a leading diversified worldwide health and personal care company whose principal businesses are medicines, beauty care, nutritionals and medical devices. Its Worldwide Pharmaceutical division discovers and develops breakthrough prescription therapies, including TAXOL®, Paraplatin and Ifex to fight cancer and Pravachol, Avapro and Plavix to combat heart disease. The company's Worldwide Beauty Care Group is led by Clairol – the number one hair products company in the U.S. and its Worldwide Consumer Medicine division owns such leading brands as Bufferin, Excedrin, Nuprin and others.

The company employs more than 54,000 people, does business in more than 100 countries and in 1999 achieved global sales over \$20 billion. The company's mission is to extend and enhance human life by providing the highest-quality health and personal care products.

Business Challenges/Objectives

BMS purchases production and MRO services from over 14,000 U. S. based suppliers; BMS uses Ariba for procurement of non-production goods and SAP as their enterprise resource planning (ERP) system. Before implementing the ECOutlook.com solution, a typical flow of documents was as follows:

EDI-enabled suppliers:

1. BMS sent purchase orders via their EDI VAN. These orders were generated within their SAP system, passed to their EDI software and then to the EDI VAN.
2. Upon receipt of the purchase order, the supplier sent back an invoice via the EDI VAN, which passed it through EDI software and then to BMS' SAP application for accounts payable.

Non-EDI-enabled suppliers:

1. BMS generated paper purchase orders and faxed them directly to their suppliers. Any purchase order changes were also faxed.
2. The supplier would either mail or fax back an invoice for the purchase.
3. Invoice information was scanned and linked to the original PO in BMS' ERP system, which produced batches of invoices.
4. BMS also regularly e-mailed their suppliers a spreadsheet of Expected Delivery Reports and Material Forecasts, which were generated from their ERP system.

The paper flow generated from the multitude of faxes and regular mail from 14,000 U.S. based suppliers – only 20 of which were EDI-enabled – was substantial. In addition, only 2 documents were handled electronically via the EDI network – purchase orders and invoices. Moreover, under these processes:

- Each document was handled from two to six times.
- Data reconciliation was a manual process, making it very difficult to link the various documents (PO changes, acknowledgements, ship notices, invoices, etc.) related to each order.
- Extra time was required to handle each document due to higher error rates associated with manual handling of purchasing.

Given the situation and challenges outlined above, BMS sought a solution that would achieve 4 key objectives:

- 1) Quickly and affordably extend electronic, EDI-equivalent capabilities to 100 percent of its supplier community.
- 2) Be easily implemented by everyone in its supplier community, regardless of level of IT staffing or expertise.
- 3) Integrate seamlessly with BMS' SAP system.
- 4) Be implemented and managed without the purchase of new hardware, software or additional staffing.

Solution: ECOOutlook.com enables automated, electronic information exchange

After detailed analysis of a variety of solutions, Bristol-Myers Squibb selected ECOOutlook.com as their technology partner to electronically link and integrate business communications between

BMS and their suppliers. By implementing ECOOutlook.com's Internet-based *eReach* solution, BMS was able to lower transaction costs by substantially reducing the time spent handling each transaction-related document. With *eReach* in place, thousands of "hard copy" business documents that flowed between BMS and its non-EDI-enabled suppliers could now be exchanged electronically.

As a result, within a little over a year BMS went from electronically exchanging only two documents – purchase orders and invoices – between a few large companies, to enabling the electronic exchange of seven types of business documents with more than 1600 suppliers for both MRP and MRO goods and services. (Current plans call for BMS to eventually roll out the solution to well over 10,000 regular and occasional trading partners.) The seven business document types are: PO (including Discreet POs, Blanket POs and Service Orders) PO changes, PO acknowledgements, advance ship notices, invoices, materials forecasts and expected delivery reports.

Web-form Suppliers:

1. BMS generates a Purchase Order or PO change in their ERP system which is translated into an EDI file and submitted to ECOOutlook.com.
2. ECOOutlook.com automatically normalizes the file into an XML format, confirms that there are no duplicate files, aggregates the Purchase Orders and PO changes, validates the file for accuracy and then routes it to the supplier as either as either a single EDI document or an easy-to-read Web-based form.
3. The supplier can interact with the BMS document by entering information into an intuitive Web-based form to generate a purchase order acknowledgement, an advance ship notice, and, an invoice. Based on the PO type, various BMS business rules – such as tolerance levels, notifications, required fields and calculations, or other response requirements – are linked back to and enforced on, the responding documents.
4. All data is validated for accuracy and automatically routed to BMS via ECOOutlook.com. If any of the information is inaccurate and does not comply with BMS' business rules the sender cannot complete the transaction without first correcting the data.
5. Upon receipt, the information is automatically integrated into BMS' SAP system, without any human intervention.

Direct Integration Option:

- ✓ In addition to offering its suppliers the web-form method of response BMS worked with ECOOutlook.com to implement a direct file transfer solution for its EDI-enabled partners. By utilizing this option suppliers can upload to ECOOutlook.com any responding document (purchase order acknowledgement, advance ship notice, etc.) as an EDI or flat file.

As with web-form suppliers, various BMS business rules are linked back to and enforced on the responding documents and all data is validated by ECOOutlook.com before being automatically routed along to BMS to be downloaded directly into its business system. In the event, that any information contained within the responding documents is inaccurate and does not comply with BMS' business rules suppliers are automatically notified via e-mail to correct the document and retransmit. In addition, once the document has been

successfully transmitted the data will be viewable and archived on the ECOOutlook.com portal.

Benefits to BMS:

- Lower administrative costs due to less time spent handling purchase orders and invoices and no longer having to research lost invoices.
- Additional cost-savings and efficiencies as a result of electronically enabling a significantly larger percentage of their supplier community – from 20 to 1,000+. (Future plans are to electronically enable all 14000 U.S. based suppliers.)
- Low cost of implementation as the solution requires no new investment in software or hardware for either BMS or its supplier community.
- Application of business rules and logic to all documents eliminates manual handling and substantially reduces errors.
- Paperwork reduction due to full integration of solution with BMS' SAP system.
- Fast 100-day implementation time.
- Improved communications with suppliers due to *eReach's* ability to enable broadcast messaging to all BMS suppliers.
- Enhanced business intelligence due to ability to easily track purchasing trends and run reports on purchasing data.

Benefits to Trading Partners: (get a quote from a supplier)

- Zero implementation costs as no new hardware or software purchases required.
- Zero training costs.
- Lower administrative costs due to less time spent handling purchase orders and invoices.
- Lower phone bills and mailing costs due to electronic transmission of documents.
- Higher productivity due to reduction in manual entry and subsequent errors.
- Easy document tracking capability ensures smoother, faster movement of invoice through accounts payable department.
- Common location for all data means improved efficiency. All historical data is electronically archived and available 24/7. Can be re-retrieved, downloaded to computer and/or printed in hard copy form.
- Enhanced inventory management capabilities resulting from ability to reconfirm dates with Materials Release Forecasts.

Application of business rules and logic enhances solution

Another major benefit of the ECOOutlook.com solution is that BMS can have business rules and logic applied to any data exchange between them and their suppliers. This added capability has been shown to substantially reduce the amount of time it takes to process each document. Two example rules are as follows:

- All invoices applying to one purchase order cannot be greater than the total of the purchase order or any approved changes to it.
- A purchase order acknowledgement cannot list an amount that is 5% more or 0% less than the original amount provided in the purchase order.

Vendor-Managed Inventory (VMI): A Future BMS Initiative

In the future, ECOOutlook.com and BMS will be working together to implement a tightly integrated VMI program for a number of BMS' MRP suppliers. In this initiative BMS' partners will be have access to a special VMI "dashboard" via ECOOutlook.com where they will be able to look at an aggregated view of BMS' current inventory levels as well as daily, weekly, and monthly usage forecasts.

The VMI partner will be able to link to a blank PO from the dashboard and will also be able to respond with shipment and invoicing documents from this aggregated view.

Summary

To date, BMS has worked with ECOOutlook.com to implement several of the *eReach* solutions for the purchase of raw materials (MRP) and in dealing with the purchase of MRO products and services. As of 10/8/2000 the solution had been in place for over a year and continues to prove out its value to BMS as evidenced by the growing list of its suppliers to whom BMS is making the solution available.

To find out more about ECOOutlook.com's work with Bristol-Myers Squibb and how you can lower your company's transaction costs by quickly and affordably extending EDI capabilities to your non-EDI enabled suppliers call ECOOutlook.com at **888-377-1203** or visit us on the Web at www.ECOOutlook.com. And while you're there be sure to sign up for one of our free e-business e-seminars.