For Lactalis Northern Europe, it's not just cost reductions that make the business case for Babelway's EDI SaaS, but also the agility and flexibility it creates.

Sylvain Beauget and Theophile Pesnelle, IT Manager and EDI Manager at Lactalis Northern Europe respectively, openly discuss their experiences of introducing EDI with Babelway. They share their analyses and thoughts. An essential read for anybody thinking about EDI solutions.

The French group Lactalis produces and markets fresh and dairy products worldwide. The group generates a turnover of around €10 billion from some 300 brands including Président, Lactel Galbani, Salakis, Société, and employs 40,000 people.

Lactalis Northern Europe is the Lactalis group's subsidiary in Belgium and The Netherlands, turning over around €130 million. Lactalis Northern Europe also serves as the back office for the joint-venture with Nestlé: Lactalis-Nestlé Fresh Products.

What was the situation in terms of EDI before the Babelway project?

Lactalis Northern Europe works fairly independently from the group as far as IT decisions are concerned. We report to our local Financial Director and not to a central IT group. The group only stipulated our ERP system. This ERP system is called Genacod and was tailor-made by a French provider. As the IT team, we run the system locally.

We started with EDI in early 2000, or maybe a bit earlier. Until last year (2009), we only worked with local software. We exchange around 40,000 messages a year: orders, dispatch notes, invoices, sales reports and inventory reports with around 15 retail distribution and logistics partners. We used a specific piece of software for X.400 communications and another one for message mapping. We installed a third to handle the AS2 communication with our partner for electronic invoice archiving.

Our goal was, and still is, to reduce administration work as well as to be in a position to deal with customer requests.

Why change? What problems were you trying to solve?

Our key problem was that our main software hadn't been updated or upgraded since it was first installed in 2000. After talking to the software company it became clear that it wasn't possible to perform the upgrades we needed without redoing all message maps.

A second issue was the extension of AS2 communications to new partners, such as our logistics partners, STEF-TFE.

We were therefore considering adding a new software layer and migrating all the maps.

When we discovered Babelway we realised we could solve 2 other issues: firstly, we avoided the financial burden of investing in a new solution. Secondly, the Software-as-a-Service approach, which we didn't even know existed, eliminated the need to think about our IT infrastructure.

What attracted you to Babelway?
What were your expectations?

I really liked the idea of a single solution for both communication and mapping. For us, it replaced 3 pieces of software.

The usage charge based on traffic looked reasonable to us. It was simple to justify to our finance department. If the business grows, we pay more: it was quite logical. We didn't have to worry about software releases any more. I am sure that this is an issue which is generally underestimated. Quite often, software releases don't really provide any new functionalities, they mainly fix bugs. They take up a lot of the IT department's time without bringing any business benefits. In fact, quite the opposite: they represent a business risk. They are hard to justify financially.

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The only justification for upgrades is often just the fact that you need to keep up with the software company. With Babelway and SaaS in general, the responsibility and cost of software releases are eliminated.

The next point was the infrastructure. This is not usually a major issue but it is still yet another server to maintain, an OS licence to pay, upgrades, back-up, a disaster recovery procedure, documentation and a CD to store. We have to check that back-ups are working (which we don't do very often). If we don't do anything with it for a while, it becomes impossible to maintain.

What's more, EDI is becoming more and more critical. A few years ago, if it stopped we could still process messages manually. Now, if it stops for a day, it is a very serious problem. What it means in terms of infrastructure is that we need a second server, maintenance contracts with SLAs on call-out lead times, etc. All of this costs money.

Tell us about the migration project.
How did you organise it?

We started testing the Babelway software in November 2008 with an order from Delfood. I took care of it myself. I turned down the training that Babelway offered: I wanted to know how intuitive it was.

At the time, Babelway prepared our first message structure (a multi-record flat file structure) since that sort of structure wasn't yet supported in Self-Service mode. Once successfully tested we decided to launch the migration of our entire platform. This was in January 2009. Theophile Pesnelle had just started with us (for another project that didn't start). He took over the migration. Theophile had some experience with EDI but he hadn't done any mapping before. We didn't find it hard, the learning process was easy. We spent a bit of time getting to grips with the "multi-record wizard". There were a few bugs, but the product has improved considerably since then.

What did take time was contacting customers and asking them to change their communication settings. We migrated everything in one year. This may seem like a long time but it was hard to make our partners change any quicker. For example, one of our customers migrated one of our 2 bodies, Lactalis Northern Europe but didn't do anything with the other, Lactalis-Nestlé Fresh Products, for no reason other than inactivity.

We get the feeling that many companies don't master their EDI tool, for them, it's just an add-on. They don't follow-up development. This is scary and they stay away from it, hence the delays.

In the end we built about 20-25 existing flows plus some new ones, such as the pre-order for Delhaize as part of the Continuous Replenishment Programme (CRP), the 'picking order' sent to our logistics partner in Germany and the dispatch note for Lactalis Germany which confirms deliveries.

How much did the project cost?
Did you compare prices for alternative approaches?

Babelway charged us about €1,500 for the initial setup. We dedicated about 80 man-days of our time for project management, development, etc.

Babelway costs around €5,000 a year for support and usage (Internet and X.400 flows).

We compared Babelway with a solution from a market-leading provider. They proposed 2 options:

1. Installing a piece of software on our local infrastructure. The 'capex' (i.e. initial investment) was higher and the 'opex' (recurring costs) was a bit higher but more or less the same. We didn't include the savings within our own infrastructure in our calculation, and from a functional point of view, we didn't do an in-depth analysis.

2. A fully outsourced solution. This was out of the question. Firstly, the opex was much higher and secondly, our responsiveness would have been compromised. We soon realised that the opex of Babelway was the same as a piece of local software, without the capex and with additional flexibility. So there was no contest.

But is it becoming more common to outsource EDI?

Actually yes, I can see that there is a trend towards outsourcing. I don't claim to know everything, but we don't think it makes any sense to outsource EDI. EDI exists to ease B2B message flows. With outsourcing, a certain level of knowledge is lost and we run the risk of losing flexibility and responsiveness when it comes to dealing with business requests. Any changes require a series of steps that can incur disproportional costs and delays. For example, our partner in Germany, Lactalis Deutschland, has outsourced EDI. We started long discussions with the group's management in France to introduce a small change, the concatenation of 2 fields to build up a message reference. Our central IT department could not accept the change because it did not strictly respect the standard. From their point of view, this was a request for a change to the ERP system itself, and therefore it was complex to implement. From my point of view, this focus on complying with a standard turns the problem upside down. ERPs are not structured to comply with standards. It shouldn't be the ERP that needs to adapt, but rather the EDI tool. Let's not forget that EDI is there to connect 2 systems to each other to provide flexibility. By standardising all exchanges, without standardised ERPs, it becomes impossible to develop flows.

In the end, we resolved this issue directly with our partner in Germany. Our partner was very impressed by the speed at which we could address any of their needs. A change request received in the morning was in production by lunchtime. Ultimately, this wasn't a huge issue, but going through a third-party would have caused problems.

What are the results and what benefits do you take away? Did it live up to your expectations? Were there any surprises?

The project was a great success. Our data exchanges are much more reliable. This is not just because of Babelway: we also took the opportunity to redesign our ERP interfaces. Logistics and sales administration users have reaped the rewards. Just yesterday, the Logistics Director congratulated us on the improvement in reliability.

Users are much better informed. The email notifications are very useful. Before, when orders arrived in our GXS mailbox, there was no notification. Sales administration staff were only informed when these orders were imported into the ERP.

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This immediate notification removed a lot of the pressure in the sales administration department. Now they know as soon as an order has arrived, even if it isn't in the ERP yet. This sounds inconsequential, but it is very reassuring.

For us in IT, the web interface enables us to see what happens to messages immediately. The body text of the notifications is fully customisable, which we made the most of to provide control and visibility to sales administration users.

I'd say that the reliability of our flows is so high that we have stopped checking that everything is running smoothly. It is assumed to be correct unless we get a complaint from a customer or a partner. This is the flip-side of too much reliability: we are reactive instead of proactive.

Other positive aspects included Babelway's support during the migration project which was very important and much appreciated.

There weren't any extra hidden costs other than those that we had initially agreed.

We didn't come up against any functional obstacles, there was always a way forward.

> **"Load-balancing as provided by Babelway clearly adds value. A hot back-up is already out of The question for a company of our size."**

Any negative points?

Yes, we spent way too much time migrating our order flows. This wasn't anything to do with Babelway, it was to do with the responsiveness of our customers. We originally planned to migrate an average of one customer per week. We thought that this was pretty cautious and not particularly ambitious. In the end, it took much longer. We realised that every customer has its own way of following the standard. So every flow needs to be customized to a certain extent. For example, for the product code, there is GTIN UC or GTIN box – it depends on the country. We took the opportunity of the migration to standardise and decided on GTIN box. This worked for all customers apart from one. This is not too bad. Our product list became much more reliable since we know exactly what each product reference means. The second negative issue was that the solution was still a bit new. Some functionalities were missing, such as the support for multi-record flat file structures or customisable notification emails, which are now supported. We had a few bugs that got in the way. Now the solution is stable. Response times have been greatly improved as well.

Load-balancing as provided by Babelway clearly adds value. A hot back-up is already out of the question for a company of our size.

How do you use Babelway today? And how do you expect it to evolve?

Our exchange volumes are around 40,000 messages per year.

We also used Babelway to interface our internal systems, like the order proposals that are generated in a separate forecasting system and transferred in the ERP via Babelway. We therefore do a bit of EAI (Enterprise Application Integration).

We are expecting a greater demand for electronic invoicing, which we are ready to meet.

We are also ready when it comes to the dispatch note. We are not particularly proactive on that one due to the complexity of gathering the information from our 60 production factories and our large number of transport partners. We realised that the demand for AS2 was lower than we expected.

If you had to do it again, what would you change?

We would be much more forceful with our customers. I think this would avoid a lot of wasted time during migration.

What would you suggest to companies willing to extend or migrate EDI?

I'd say that it's a good idea to challenge solutions in 2 stages. Firstly, assess the 3 alternative models: internal software, outsourcing and Software-as-a-Service. Then and only then, establish the total cost of the solution. For me, Babelway comes first in both these stages.

How could you trust Babelway, which was a very young company at the time?

This was an issue at the time. One thing that reassured us was the level of investment in Babelway and the shareholding structure with well-known investors.

We could migrate very progressively. This meant that we could stop and go back if required. Our initial investment was so minimal that the risk was contained. We are delighted with the decision that we made.

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