



HSN EDI-enables Smaller Vendors

Florida-based direct merchandise retailer provides non-compliant vendors with access to EDI-only trading environment.

As a direct-to-consumer retailer who sells via television and Internet, HSN, LLP has already removed a significant amount of overhead from operational costs. To further increase margins, the retailer developed a drop-ship environment that allowed approximately 12 percent of units shipped to be delivered to customers without being held in an HSN DC.

Seeking additional avenues to decrease cost and increase revenue, HSN decided to enhance supply chain efficiency by requiring all vendors to communicate via EDI. However, a sizable portion of the retailer's profit model is based on quickly bringing new and innovative products to market, sometimes in as little as two weeks. Many of these goods are supplied by small- to mid-sized vendors who lack the in-house technology and capability to execute EDI.

In addition, even vendors with the necessary resources to launch an EDI program would likely be unable to perform the necessary development and testing given the constraints of a short time-to-market schedule. HSN initially investigated purchasing an in-house EDI application to solve the problem but found that this approach would be too expensive.

Relying on a long-established relationship with New York-based procurement technology provider Mercury Commerce, HSN began offering vendors access to Mercury's hosted VendorBridge EDI solution. VendorBridge serves as a third-party EDI translator that allows suppliers who are non-EDI-compliant to participate in EDI communications. Thus HSN can enjoy the benefits of EDI without losing potentially hot products. In addition, by providing a hosted service the retailer avoids having to maintain a significant EDI services staff or conduct testing.

How It Works

While HSN makes a number of third-party EDI solutions available to vendors, the retailer recommends Mercury Commerce VendorBridge based on the level of service. Initially, HSN sends supply chain data to Mercury Commerce via FTP directly over the Internet, encrypted with pretty good privacy (PGP) protocol. When Mercury Commerce receives the data, it sends back an EDI-formatted functional acknowledgement.

Vendors can then download supply chain data from VendorBridge in non-EDI format or as custom pick tickets. In addition, suppliers can perform drop shipping functions utilizing the solution.

Furthermore, VendorBridge enforces compliance rules by sending suppliers emails warning them of late shipments and other violations, and also transmits information such as shipping confirmations, remittance advice and credit memos.

Technical Environment

HSN utilizes the following technologies to provide non-compliant vendors with EDI functionality:

- An NT-based EDI system, Mercury Commerce VendorBridge connected via 128-bit FTP connection, and PGP encryption for non-WAN security;
- an Oracle back end supporting EDI data and Win2000 .net; and,
- a leased-line based WAN.

Mercury Commerce links VendorBridge to suppliers with the following components:

- a SQL Server 2000 running Mercury Commerce VendorBridge and Windows IIS Webserver (currently migrating to Win2K3); and,
- 128-bit encryption communication.

Benefits

Shifting to an EDI-based communication format with all vendors has enabled HSN to make products available for sale in more timely and efficient manner. Email now serves as the medium of notification for vendors' compliance status, and whereas all food products were once shipped by air for precautionary safety, a routing priority control implemented by Vendor Bridge has lowered transportation costs, with many food products now shipped via ground transportation.

In addition, VendorBridge is integrated with all major small package carriers, requiring fewer changes for small vendors. All of these benefits have given HSN a faster speed-to-market ratio, while controlled routing and encrypted sessions between VendorBridge and vendors have increased security.

Future Plans

HSN plans to continue to enhance EDI service levels for vendors by utilizing upcoming Mercury Commerce system upgrades. Mercury Commerce is currently building a retail module enabling suppliers to perform complex EDI functions via Web browser. Pack/pick manipulations and shipment organization will thus be manageable without further software or support issues.

Lessons Learned

HSN has experienced overall success with its vendor-communication integration, and offers the following advice to retailers contemplating similar endeavors:

- Though it may seem to be a relatively easy task, resist attempting to write an EDI translator in-house. Selecting a proven product is far more cost-effective.
- The use of a third party e-commerce provider has significantly reduced the level of in-house EDI staff.