

**Effective Data Inc.
White Paper:**

VAN Analysis



Effective Data

1515 E. Woodfield Road,
Suite 770
Schaumburg, IL 60173
Ph (847) 969-9300
Fx (847) 969-9350
www.effective-data.com

Table of Contents

Executive Summary.....3
Why do a VAN Analysis?4
How does a VAN Analysis work?5
Reviewing VAN Charges6
ROI Analysis7
Help is Available8
About us9

Executive Summary

Value Added Networks (VANs) have been dominating EDI business for many years. They have proven to be a reliable and effective way of doing EDI. However, VAN charges are highly visible and can make EDI an expensive way of exchanging business documents. Changes in technology and market competition are constantly pressuring VANs to adjust their pricing and to provide a variety of choices. EDI over the Internet (EDIINT) with protocols such as SMTP, HTTP, HTTP/S and other technologies like FTP and FTP/S have already been adapted by all major providers. However, substantial monthly savings can be achieved by pitting multiple VANs with similar services against each other in a bid for your business. Use your historical VAN charges to provide the information needed and be sure to include your current VAN in the process as they are just as anxious to keep your business. If the comparative costs are close, there will be no additional effort needed to implement an immediate savings.

Savings can be as high as 50% - 70% with an ROI for the entire exercise in as little as two months.

Why do a VAN Analysis?

In the face of the rising costs of using a value added network (VAN) for EDI data transport, a commonly overlooked opportunity for potential savings is the contract with the current VAN. Companies will usually shop multiple VANs when they originally implement their EDI solution but very rarely determine if they are still getting the best return on investment on a yearly basis. Other companies simply chose a VAN based upon which VAN or VAN's their initial trading partners are using.

When cost projections are made during the justification for using EDI to exchange business documents with your trading partners, the volume of activity can greatly change from year to year. As business increases, new partners are added to the exchange of EDI documents. New documents are added to the existing trading partners. The volume used for the initial pricing with the VAN may justify a lower cost per transaction (or Kilo character), which could reduce your monthly VAN bill.

As the VAN market evolves and matures the services that make up the "Value Add" changes and may or may not be of benefit to your organization. Changes in technology can have the impact of driving down market prices for VAN services. The reduction and eventual elimination of Bisync communications is driving up the price for customers who are using that method of communications. Customers that are willing and able to utilize EDIINT to exchange documents through the VAN are able to negotiate a lower monthly VAN bill.

By doing a VAN analysis and comparing the prices and offerings from a variety of VAN's, you will have the opportunity to revisit the assumptions made previously and evaluate the changes in technology that are becoming more prevalent in the industry. Some of the EDI practices that seemed to work so well last year may not be the best solution for your organization going forward.

How does a VAN Analysis work?

When you first evaluated VANs, you had to use volume estimates to generate comparisons. After a year or more, you have actual information and the ability to better estimate growth based on the size of individual transaction sets in use and how each document relates to your business.

First, look at ways you can reduce your cost by reviewing the charges for services beyond the basic VAN service.

- Twelve months of VAN charge data will provide a way to look at seasonal fluctuations showing the peaks and valleys. The key information is:
 - Unit Cost
 - Unit Volume
 - Extended Cost
- Review your numbers and try to note any patterns or any charge that seems particularly high.
 - Interconnect charges
 - Archive Storage
 - Additional Mail Slots
 - Dial-out Sessions
- Did you purchase any VAN services that can be performed by your EDI software?
- What type of communication is used? Significant savings can be achieved by switching to a newer less expensive communication type like SMTP, HTTP, FTP, VPN, etc.

Reviewing VAN Charges

VAN's have structures that vary greatly and without a good understanding of your data, what may appear to be a good deal can be a bad deal. One VAN charges for every ISA sent and received as well as documents. They may give you a break on the character rate, which is good if you exchange with a few partners and exchange large data documents. However, if you are sending too many partners and exchanging small data documents the break you're getting on the character rate may evaporate because of the ISA charges.

The best way to determine what one VAN will charge for the volume you have on another VAN is to send them your charges in a spreadsheet. The downfall to this is you'll be working with sales staff and you can be sure they'll be following up with phone calls to sell you their service. Even sending them the data and breaking it down into the proper numbers for their rate structuring can be a difficult task. Especially if you don't know the number of interchanges exchanged with your trading partners and you want to get a quote from the VAN that charges for interchanges. To get a more accurate proposal you may have to do some prowling into your EDI data itself to get these numbers.

Once these numbers are all gathered you would need to plug them into a template for each VAN you are considering. To do this correctly you'll need the current rate structure for each VAN. Not all VANs are willing to provide you with this information. If not just plug the volumes in and then send the spreadsheet to a sales rep for the VAN.

- Have them enter their cost for each month so you can see how their rates look in a high volume month and a low volume month. If they show an overall saving based upon a significant savings in low volume months but a higher cost in a high volume month and you project your volumes to increase the initial savings may be wiped out down the road.

Also, set a deadline for final proposals. Once they know they're going up against someone else's number you can be certain they'll adjust their numbers a little here and there. They may be willing to waive some fees; archiving, monthly, mailbox fee, or something like the first 60 minutes of session time free.

When you receive the VAN's final proposal, review it closely to see if these rates are based on certain minimal criteria that must be met.

- A contract to go with their service for a set number of years
- A minimum volume of usage

ROI Analysis

Effective Data's experience with VAN cost analysis indicates savings of between 50% - 70% can be achieved. Regardless of total cost, the time required to complete the analysis is about 40 hours. That can produce a return on investment in as little as two to three months.

Analysis Cost	\$6,000	50% Savings		70% Savings	
Current Monthly Van Charges		Monthly Dollars	ROI Months	Monthly Dollars	ROI Months
\$1,500		\$750	8.0	\$1,050	5.7
\$2,000		\$1,000	6.0	\$1,400	4.3
\$2,500		\$1,250	4.8	\$1,750	3.4
\$3,000		\$1,500	4.0	\$2,100	2.9
\$3,500		\$1,750	3.4	\$2,450	2.4
\$4,000		\$2,000	3.0	\$2,800	2.1

Help is Available

Effective Data has over a decade of experience implementing EDI and working with VANs. That experience can make the difference between struggling through a VAN cost analysis and quickly and efficiently implementing the process to maximize return on investment. Effective Data's senior level consultants understand the issues involved with the wide variation in VAN charge methods.

About us

EDI is our forte and nobody does it better. Over the past decade, ED has supported companies of all sizes - in every industry. From Mom and Pop shops - to the Fortune 100, ED has developed and implemented an EDI solution for them all. We have worked on every platform and with every EDI software package under the sun - whether home grown, off the shelf, or custom. Through all the ups and downs over the past decade, one thing has remained constant; the nation's top companies have continuously relied on Effective Data for EDI support.

Effective Data builds and maintains long-term business relationships with our clients. Offering a unique approach to each project and unsurpassed responsiveness, our clients receive EDI services that are aligned to meet their specific technology needs and business objectives. Before you move ahead with your next project, evaluate our past. Clients include:

	
	
	
	
	
	
	

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Further details and testimonials from our client base can be obtained by contacting our offices or visiting us on the web at www.effective-data.com.