The Six EDI Documents Typically Found in a Trading Partner Cycle
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An Electronic Data Interchange (EDI) translator is a powerful and productive tool. EDI delivers the ability to transact business electronically with your customers, helping you expedite the exchange of critical data, streamline transactions, eliminate manual data entry errors, improve customer service and increase productivity capacity. EDI programs are also a requirement for doing business with major customers such as Walmart, Home Depot and Honda.

Without getting into too much detail, let's just say that the technology behind a sophisticated EDI engine is complex. Fortunately, if you have an embedded EDI and ERP solution, then the technical particulars are inconsequential - Your ERP solution will take care of everything for you. The value of an embedded EDI module cannot be understated. While simple in concept, embedded functionality is powerful when you consider that the EDI module is natively integrated on the same database as the rest of your business.

Embedded EDI eliminates cumbersome third-party interface challenges and has a dramatic impact on time spent entering data and managing its accuracy. With a two-way, hands-off information exchange, your EDI module can translate incoming files directly into the ERP system and automatically generate outgoing files for transfer back to customers and suppliers. Additionally, an embedded EDI module can create and update your ERP’s sales orders and your pick, pack and ship information, while also populating the forecast module, cash receipt records and more.

With the technical side of EDI being handled by your ERP solution, let’s take a look at EDI from a business perspective. What are some of the most essential EDI documents you should expect to encounter on a regular basis? A typical EDI trading partner cycle, from start to finish, might contain:

**EDI Purchase Order (850)**

This inbound document is the most common EDI transaction set and is used by a customer to place an order with your business. It typically contains information found on a paper purchase order (PO), such as specific items and quantities to be manufactured, pricing and applicable discounts and shipping details. If your EDI is embedded, the PO data is usually translated automatically into a sales order.

**Benefits**
- Avoids data entry errors associated with manually keying in data
- Reduces time lags and speed up the process of sending and receiving documents
- Eliminates duplicates

**EDI Functional Acknowledgment (997)**

A small, but important outbound EDI document sent back to the customer acknowledging that you successfully received their purchase order or other valid EDI document. It is important to note that this functional acknowledgment (FA) is merely a receipt that the document was received or rejected. It does not indicate acceptance of the PO or agreement to the pricing terms and other document contents. The FA can also be an inbound document from your customer, indicating that the document you sent (such as an invoice) was received by the customer’s EDI translator without error.

**Benefits**
- Allows for quick correction and retransmission of documents if they were rejected
- Saves time and money
- Avoids costly delays in processing
**EDI Purchase Order Acknowledgment (855)**

An outbound EDI document that recaps and confirms what was in the purchase order. With an 855, you are essentially telling your customer that you received their order and you will take the job. It closes the loop and confirms the order electronically, without a follow up call or fax. An 855 can indicate that the purchase order was accepted or rejected. It can also indicate any changes in pricing or quantity, alert the customer of product availability (in stock or backorder) and provide ship and delivery dates.

**Benefits**
- Customer can update system with any changes you may have made to prevent confusion or mistakes when the invoice is sent
- Time and money is saved not having to follow up

**EDI Advance Shipping Notice (856)**

A more complex outbound EDI document alerting your customer that you are shipping an order to them. Details of an 856 describe the contents and packaging of a shipment, including item and quantity information, carrier elements, tracking numbers and delivery dates. Some trading partners prefer to use an 857, which is an ASN and invoice combined in one document.

**Benefits**
- Customer’s shipping and receiving departments can more easily schedule inbound deliveries
- Time is reduced receiving shipments into inventory with information such as barcodes printed on each carton or pallet
- Improves accuracy for billing as you know exactly what was shipped

**EDI Invoice (810)**

An outbound EDI document that replaces the traditional paper invoice. The 810 basically says that your order is complete and has shipped, so now we are billing you. Invoice details typically include goods provided, shipping particulars and payment terms. If your EDI is embedded, the invoice data is usually translated directly out of your AP module and into the EDI document.

**Benefits**
- Eliminates labor-intensive processes and costs associated with paper invoices: printing, postage and time spent stuffing and preparing mailings
- Allows for the receipt of a functional acknowledgment (FA)
EDI Payment Order/Remittance Advice (820)

An inbound EDI document that accompanies an invoice payment (typically an electronic transfer of funds) and traditionally closes out the lifecycle of an order. When your customer sends money, the 820 details out the payment (such as which invoice to apply it to), any adjustments that were made, the billed and paid amounts and bank account IDs, if applicable.

Benefits
- Reduces manual keying and data entry mistakes
- Helps you reconcile which invoices have been paid

There are many more EDI document types to support very specific business transactions and industries, but the six documents listed above are by far the most common and useful for manufacturers.

An EDI translator can be an extremely beneficial business tool, and for some manufacturers, a prerequisite for doing business. When investigating EDI as a new addition to your company, be sure to seek out an EDI solution that is embedded with your ERP software for maximum efficiency and visibility.

About IQMS

Since 1989, IQMS has been designing and developing ERP software for the repetitive, process and discrete manufacturing industries. Today, IQMS provides a comprehensive real-time MES and manufacturing ERP software solution to the automotive, medical, packing, consumer goods and other manufacturing markets. The innovative, single-database enterprise software solution, EnterpriseIQ, offers a scalable system designed to adeptly grow with the client and complete business functionality, including accounting, quality control, supply chain, CRM and eBusiness. With offices across North America, Europe and Asia, IQMS serves manufacturers around the world.

If you would like to learn more about IQMS' comprehensive ERP solution, please visit www.iqms.com.

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