



REALIZING THE BENEFITS OF ESTABLISHED ECOMMERCE TOOLS IN THE BEER INDUSTRY



INTRODUCTION:

eCommerce in the beer industry has seen incredible expansion in recent years with tools like business-to-business ordering platforms, consumer-facing mobile apps and countless other tools aimed at making the industry more efficient.

This report, however, is not so much focused on emerging eCommerce tools to the industry but rather a refresher of the benefits and savings that can be realized across the supply chain by more established eCommerce tools like Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These tools, while several decades old, continue to provide value to retailers and distributors alike as outlined throughout the rest of this paper.

WHAT IS ELECTRONIC COMMERCE IN THE BEER INDUSTRY?

When business-to-business (B2B) transactions between wholesalers and retailers happen electronically – this is eCommerce. There are two main ways transactions become digitized: B2B eCommerce applications and Electronic Data Interchange or EDI. Both forms of eCommerce focus on the primary types of transactions listed below:

Invoices / Orders: Depending on the stage of the ordering process this document can have many different names or file types. The order either coming from the retailer or from the wholesaler moves back and forth a few times. Keeping the order in sync between both parties is key to eCommerce success.

Pricing: Getting the price right on the order has become more complicated as pricing strategies have evolved over the years.

Payment: Processing or advising of a payment completes the transaction.

BENEFITS OF ECOMMERCE:

When a distributor adopts or formalizes an eCommerce strategy, they are committing to bringing commercial benefits to their retail customers and their own bottom line. There are two main buckets where value is unlocked through eCommerce:

Efficiency: When transactions are processed electronically it obviously reduces labor costs as computers are doing the work otherwise completed by wholesaler and retailer staff. Each and every transaction removes a quantifiable amount of time from the supply chain – directly translating to increased margins for both wholesaler and retailer.

Sales Lift: eCommerce enables greater sales by automating the process for ordering regular inventory and therefore leaving more time for the wholesaler and retailer to consider new and additional products. eCommerce apps are specifically designed to encourage ordering more products through enhanced discovery and promotion.

OPTIONS:

Wholesalers have options in how they activate their eCommerce strategy. A wholesaler can unlock the benefits of eCommerce with most independent retailers through the use of B2B eCommerce applications, while EDI is the go-to solution for realizing the benefits of eCommerce with chain retailers. Most wholesalers have access to EDI providers through either a Molson Coors or Anheuser Busch sponsored EDI services, or through their Route Accounting Software (RAS) provider. Some wholesalers may also consider utilizing third-party EDI service providers to achieve their eCommerce goals.

WHAT IS RETAILER EDI?

Retailer EDI automates the manual processes related to retail orders, deliveries, price catalogs, invoicing and retailer payments to distributors by leveraging technology.

Retail eCommerce drives better decision-making, reducing costs through process improvement, and serving as a foundation for future capabilities. This will drive excellence in retail by improving speed to market execution, simplifying operational activity, and providing the 3-tier network with an increasing and sustainable cost saving model.

WHAT ARE THE OPTIONS?



**EDIProvider,
OpenText**



Anheuser-Busch

**Anheuser-Busch
Electronic
Commerce**

ENCOMPASS
TECHNOLOGIES



RAS Vendors



**Other
ValueAdded
Network
(VANS)**

Millions of hours are saved in the beer business every year due to EDI



WHAT CAPABILITIES ARE BEING DELIVERED?

Listed below are key EDI transactions that are currently benefiting retailers.

CAPABILITY EDI#	BENEFITS
Price Sales Catalog (832)	Distributor: 120 min/transaction Retailer: 120 min/transaction
Item Maintenance (888)	Item/Price/Promo transactions provide full portfolio reporting capabilities between distributors and chains. Distributor: 120 min/transaction Retailer: 120 min/transaction
Price Information (879)	
Promo Announcement (889)	
Purchase Order (850 or 875)	Distributor: 30 min/transaction Retailer: 0 min/transaction
Pre-Delivery Notice (894)	Distributor: 40 min/transaction Retailer: 40 min/transaction
Advance Shipment Notice (856 or 857)	Distributor: 40 min/transaction Retailer: 40 min/transaction
Invoice (810)	Distributor: 0 min/transaction Retailer: 15 min/transaction
Remittance Notice (820)	Distributor: 15 min/transaction Retailer: 10 min/transaction



WHAT IS ELECTRONIC FUNDS TRANSFER (EFT) AND ITS IMPACT ON THE BEER & BEVERAGE INDUSTRY?

EFT is the electronic transfer of funds between a buyer, seller and his/her respective financial institution. EFT allows parties to move money from one account to another, replacing traditional, slower, less secure payment methods.

With payment between parties, EFT transactions usually function via an internal bank transfer from one party's account to another or via the U.S. Federal Reserve Board's Automated Clearing House (ACH) network. EFT and ACH are often used interchangeably. Given the timely and secure manner EFT offers for payment, all states have adopted EFT as an acceptable and legal way to pay alcohol invoices, even in COD states.

TYPES OF EFT PAYMENTS:

Regardless of your company's payment terms, the retailer verifies and signs the distributor's invoice at the time of delivery, and the distributor leaves a hardcopy or electronic invoice with the retailer. After the distributor reconciles the invoices for the day what happens next may differ from state to state, so it is recommended to always check your state's respective Alcohol Beverage Control laws.

COD Payments:

The distributor initiates the money transfer directly through their electronic commerce process once a delivery is made and an invoice is given to the retailer. Typically, in credit prohibition states, the transfer of funds must occur within a specified time frame as required by state law or regulation.

Credit/Term States:

When EFT transactions are characterized as "credit or term" they are not required to occur within 24 hours. Each state will provide specific terms by which the parties must abide. A retailer must pay all regulated items electronically on the specified due date to stay compliant with the state law.

BENEFITS OF EFT PAYMENTS:

Potential savings are directly proportional to the number of retailers who select EFT payments and the distributor's ability to enroll these retailers.

Distributor Benefits

- Drivers no longer need to wait for checks to be written or cash to be counted.
- On average a driver will save 15 minutes per EFT delivery stop*.
- Additional time savings are recognized each day by the Accounts Receivable department by reducing driver check-in time during end of day reconciliation.
- EFT reduces the need to backtrack/double stop on routes to make a delivery when the check is available.
- EFT reduces the risk of theft and lost checks by eliminating the amount of cash and checks handled by employees, also potentially reducing insurance costs.
- Payment occurs exactly on the specified due date, and amount determined by the distributor which provides funds-in-hands on settlement day rather than a delay of payments.
- Current technology allows the distributor to offer the same EFT features to all customers, regardless of their size and technology capabilities.

Retailer Benefits

- Retailers will save up to 2 hours per week normally spent writing checks or preparing payments.
- No longer must retailers maintain extra cash or checks on hand for regulated deliveries; and drivers and trucks are in and out of the stores more quickly.
- Allows retailers with multiple locations to track deliveries and payments for deliveries through one central source.
- Rapid exchange of line-item invoice and payment data electronically between distributor and retailer, including settlement for corporate AR departments and stores.
- Electronic processing of invoice data and payment information makes it possible to automatically post data directly to retailers' accounting systems, eliminating manual entry or invoice scanning, saving substantial time for the retailers.

WHAT ARE EFT PAYMENTS?

Electronic Funds Transfer (EFT) payments facilitate faster and more secure payments on alcohol invoices between distributors and retailers.

Electronic Funds Transfer (EFT) is the electronic transfer of funds between a buyer, seller, and his/her respective financial institution. EFT allows parties to move money from one account to another, replacing traditional, slower, less secure payment methods. This form of payment is quickly becoming the normal way to collect payments, specifically in the regulated payment of alcohol invoices.

WHAT ARE YOUR OPTIONS?

Distributors can implement two types of EFT/ACH payments through Third Party, RAS, Brewer-Facilitated and Local/National Bank Systems.

Distributors should consider EFT/ACH transactions based on the COD/Terms they intend to extend based on their state alcohol regulations. Each has its unique benefits:

**Distributor-Initiated Payments:
COD & Term States. Payments
are paid in full on the date
determined by the distributor.
Retailer cannot change date or
invoice amount paid.**

**Retailer-Initiated
EFT: Term States**

**Retailer pushes payment
or increments of partial
payments until the
amount is satisfied by
invoice due date.**



WHAT BENEFITS ARE BEING DELIVERED?

CAPABILITY	BENEFITS
Electronic Payments (ACH/EFT)	Eliminates need for drivers to collect cash, checks or money orders at time of delivery.
Faster Deliveries	Drivers save an average of 15 minutes* per EFT delivery, improving route efficiency and labor costs.
Safe and Secure	Reduces the risk of theft by eliminating the amount of cash and checks carried by drivers. All funds are securely transferred via the EFT/ACH network.
Reduced Payment Errors	Reduces errors that occur manually recording depositing and keying checks/cash into distributor accounting system.
Improve Cash Flow	EFT payments provide better visibility into cash flow with faster processing – no more “check is in the mail” excuses or short payment of invoices.
Cost Effective	EFT payments eliminate the overhead costs of traditional payment methods through faster delivery, faster end of day driver reconciliation and manual AR recording of payments.
Scalability	Distributor’s can offer the same EFT features to all customers, regardless of size and technology capabilities. EFT retailers have a 95% retention rate of paying electronically after initial enrollment.

*Calculation based on independent NBWA/BIECC study



CONCLUSION:

EDI & EFT carry multiple benefits and drive efficiency for distributors and retailers. Although each distributor's operation is different, the use of these tools will deliver efficient cost savings to many departments. Value will come in the form of per hour labor savings, more efficient use of personnel and faster more secure reconciliation of payments. Distributors of any size gain a competitive advantage reflected in the number of retailers they have using EDI and paying electronically.

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