

Internet Transactions Required By Wal-Mart, Other Retailers

"Twice a day, using a system called electronic data interchange, the sock buyers for Wal-Mart Stores Inc. send electronic fields to Candor Hosiery Mills Inc., telling the Robbins NC company such things as how many pallets of white and multicolored crew socks to deliver to stores, pronto."

So begins the Wall Street Journal article about internet-driven communications that are changing the way Wal-Mart deals with its vendors.

It used to take Candor Hosiery employees six hours a day sitting at desktop computers hooked to a dial-up modem. Since August of 2002, Wal-Mart has required its suppliers to start sending and receiving data over the internet. Now, over 98 per cent of Wal-Mart vendors are using AS2, a software package from Isolft Corp., Dallas, for internet exchanges.

The package, purchased by the supplier, can cost as little as \$300 for transactions only with Wal-Mart. It can cost up to \$100,000 for transactions involving 100 or more companies.

The Wal-Mart mandated system highlights the way the internet and simple, off-the-shelf software are overhauling the retail-distribution network. Transactions are cheaper for retailers and suppliers and with tiny margins, the savings can be significant.

"We have more time to prepare and get orders together," Dorenda Kidd, chief information officer for Candor Hosiery, is quoted as saying. Goods get out quicker and the company is allowed to ship more merchandise.

All that helps as retailers ask more of their manufacturers. For example, Wal-Mart asks Candor to mix 40 different styles and sizes into a single pallet

continued on page 14

LEGWEAR FASHIONS

continued from page 11

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for direct-to-store delivery. All this costs Candor an additional 15 cents a dozen in labor. "But we're still getting the same \$2 a pair for the socks," Ms. Kidd notes.

Wal-Mart is not the only retailer to adopt the internet strategy. Kohl's Department stores and Meijer's Stores also are requiring vendors to use ISoft or similar software for internet transactions.

In the meantime, business-to-business commerce is accelerating on all fronts. In 2002, U.S. businesses spent about \$482 billion on online transactions with other businesses, up 242 per cent from 2000, according to *eMarketer*, the online research firm.

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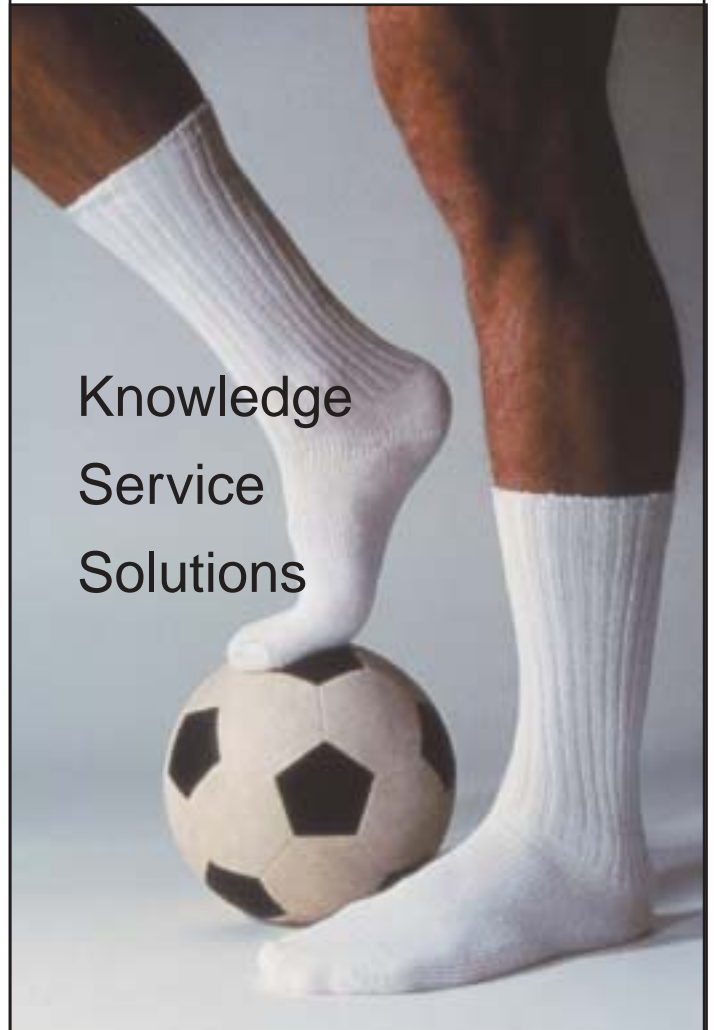
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