

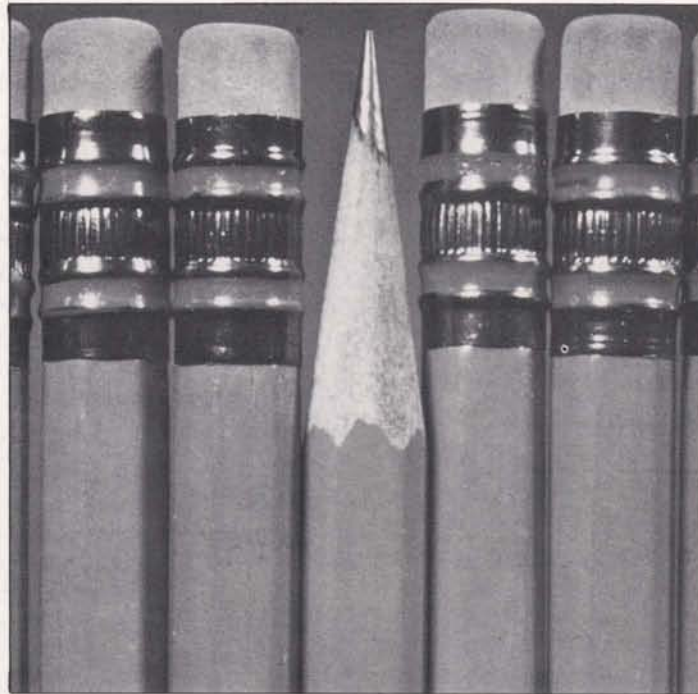
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SPECTRUM

FOR THE EMPLOYEES OF GE INFORMATION SERVICES COMPANY

cover story

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SPECTRUM Editor: G. C. Barnes
Acting Editor: Sallie Birket Chafer
QUIK-COMM: YLOP; DIAL COMM: 8*273-4476

Fast-Fax Editor: Jim Doyle
QUIK-COMM: FAST; DIAL COMM: 8*274-6517

Documentation Editor: Dex Nilsson
QUIK-COMM: OLOS; DIAL COMM: 8*273-4444



**INFORMATION
SERVICES**

General Electric Information Services Company U.S.A.

MAKING OUR POINT ON EDI

For the third consecutive year, GE Information Services exhibited its wares at the National Data Systems Forum and Exhibit, sponsored by the Transportation Data Coordinating Committee (TDCC). This year, the company mounted a full-scale effort to establish itself as one of the top two—if not the top—electronic data interchange (EDI) third-party service vendors and to differentiate its services on the basis of functional, industry, and product scope. GE Information Services' prominent and eye-catching booth featured PC-based demonstrations of TRADE*EXPRESS™ and EDI*EXPRESS™.

GE and GE Information Services speakers also enhanced corporate visibility. Edward J. Skiko, Vice President, Corporate Information Systems, delivered the keynote speech, "The Phenomenon of Electronic Data Interchange." Robert G. House, manager, Market Planning, co-chaired the clinic on "EDI Third Party Service Providers."

GE Information Services also sponsored a reception that brought many of the more than 1,200 managers—representing industries such as manufacturing, automobiles, chemicals, retail, shipping, electronics, and transportation—to the booth.

Over the course of the conference, GE Information Services employees made "over 300 very productive contacts," according to Al Boynton, manager, EDI distribution and pilot programs. The booth logged in over 100 formal requests for information and follow-on contacts.

The Growing EDI Market

Industry sources document that total EDI market revenues currently are running at \$20 million per year. Building on the adoption of industry and cross-industry standards that provide a common basis for intercompany communication in fields such as transportation, manufacturing, distribution, international trade, and medical claims, the EDI market is expected to grow to \$1 billion by the early 1990s.

Dave Foster, vice president and general manager, Focused Business Operation, observed that "this is a demand-pull market, which we haven't seen for a long time." In a separate interview with *MIS WEEK*, he discussed the origins and prospects for the EDI market. "This didn't come from high-tech people. This comes out of America's smoke-stack industries. A lot of the time we see technological solutions that have no problems. Here, we started with a problem that needed a solution. The problem was how to make purchasing and billing faster, more reliable, and more economical Most major corporations will be picking their EDI vendor within the next 12 months."

Typically, standard business documents—purchase orders, invoices, bills of lading, and the like—have been printed out of one company's computer system, mailed to another company, and entered again into the computer system of a vendor or customer.

With EDI, the entire process is electronic, computer-to-computer document transfers are almost instantaneous, and one entire keying step is eliminated. Participating companies benefit from more accurate and easily verifiable records, savings in time and money, opportunities to decrease inventories and the working capital necessary to maintain them, and concomitant improvements in customer service and productivity. EDI essentially uses the exact same forms, transactions, approvals, and authorizations as current operations: they're simply no longer transmitted on paper.

In short, as one GE Information Services document notes, "you can get better service from your suppliers, give better service to your customers, become more competitive, and save real money." According to one projection, the American automobile industry alone would save roughly \$2

billion per year simply by removing the error and delay sources currently inherent in their systems.

EDI applications are essentially of three types: one-to-many transmissions, clearinghouse functions (an offshoot of one-to-many transmissions), and incremental paper trail operations (each successive user adds input). EDI appears to be most useful in overcoming barriers of time, distance, or differing document formats. *MIS WEEK* noted that EDI "is most applicable in industries where buying, selling, and distributing transactions are frequent and repetitive and where business relationships are continuing . . . it's volume and economy of scale that make third-party EDI attractive."

EDI gained a foothold first in the transportation industry and has expanded into manufacturing, groceries, warehousing, brokerages, government operations, and, recently, automobile manufacturing.

The highly competitive and increasingly interna-

tional economy confronting many industries has prompted new business strategies that frequently rely on the fast and accurate transmission of business documents to regular trading partners. The "Just in Time" (JIT) technique is one such strategy. JIT relies on ordering small batches of supplies that are delivered more or less to the production line as needed.

Consequently, manufacturers employing JIT techniques can reduce inventories and associated financial and operational overhead while at the same time offering improved customer responsiveness and enhanced production flexibility. Concomitantly, suppliers can carry smaller stocks of parts and often can negotiate accelerated payment schedules with their customers. Because JIT requires closer and more accurate relationships among firms and suppliers, JIT is playing a significant role in the expansion of EDI in the U.S.

EDI At GE Information Services

Al Boynton offered perhaps the most concise assessment of the EDI market: "EDI is the single biggest opportunity to face GE Information Services in 20 years."

Moreover, despite a relatively recent entry into the EDI market, GE Information Services is already a leader in the field. Dave Foster noted that "we've come from behind to become one of the top third party providers of EDI services. We're winning roughly 70 percent of the deals we go after in the areas on which we're focusing." Bob House suggested that "we're in front of all our competitors, and we have the opportunity to widen the gap."

Bob Foley, manager, international trade, has the same message on international EDI services. "We're positioning ourselves to be the leader in international trade EDI services. We're the only major vendor focusing on international trade. . . . The transition to automated systems will occur over the next five to seven years. . . . Being number one is clearly available to us."

The company's drive into the EDI market is one aspect of the broader intercompany strategy based on industry-specific marketing. Market foci include international trade (particularly banking and ocean shipping), health care, financial transactions, and manufacturing and distribution—the latter includes automotive and heavy equipment manufacturing, automotive distribution, chemicals, electronics, retail soft (non-durable) goods, and office products.



Joe Webster makes his point during demonstration at TDCC Forum and Exhibit.

Primary competitors for the EDI market in these fields include McDonnell Douglas (perhaps the top competitor), Control Data Corporation, AT&T, IBM, Informatics General, and SCM Corporation. Our competitive position is enhanced, as Bob House noted, by "our unique network translator, which none of our competitors have. We'll be releasing our mainframe translator for the PC shortly." These translation capabilities address the needs of trading partners in an EDI network to exchange forms and information without directly dealing with the compatibility of the wide variety of equipment in use among the trading partners.

The EDI market is tailor-made for third-party service companies like GE Information Services. As Dave Foster explained, "This market wants to buy from third parties because of the inherently inter-

company operations in these fields." Even modest EDI systems can require a dense network of communication connections, and GE Information Services can offer expert assistance and technical capabilities to help overcome difficulties such as differing geographical locations, time zones, hardware, software, data formats, and/or data processing schedules.

GE Information Services EDI Products

The EDI*EXPRESS System demonstrated at the TDCC Forum and Exhibit has been available since last October. EDI*EXPRESS supplies essentially a clearinghouse capability that functions at the heart of most EDI applications. EDI*EXPRESS is designed for the electronic exchange (in a secure environ-



Edward J. Skiko contemplates the GE booth and product demonstrations, flanked on his left by Al Boynton and on his right by (left to right) Rick Van Atta, Jim Mc Nerney, and Dave Foster.

