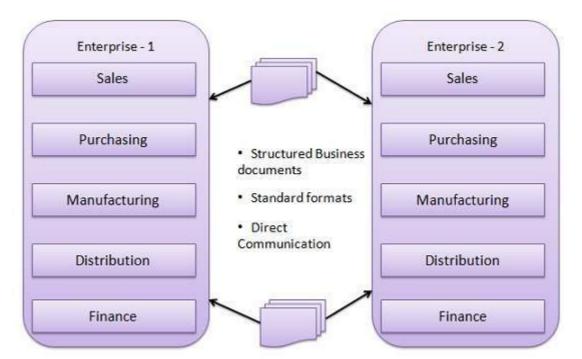# E-COMMERCE - EDI

EDI stands for Electronic Data Exchange. EDI is an electronic way of transferring business documents in an organization internally between its various departments or externally with suppliers, customers or any subsidiaries etc. In EDI, paper documents are replaced with electronic documents like word documents, spreadsheets etc.

EDI Documents

Following are few important documents used in EDI −

- Invoices
- Purchase orders
- Shipping Requests
- Acknowledgement
- Business Correspondence letters
- Financial information letters

Steps in an EDI System

Following are the steps in an EDI System.

- A program generates the file which contains the processed document.

- The document is converted into an agreed standard format.

- The file containing the document is send electronically on network.

- The trading partner receives the file.

- An acknowledgement document is generated and sent to the originating organization.

Advantages of an EDI System

Following are the advantages of an EDI System.

- **Reduction in data entry errors.** – Chances of errors are much less being use of computer in data entry.

- **Shorter processing life cycle** – As orders can be processed as soon as they are entered into the system. This reduced the processing time of the transfer documents.

- **Electronic form of data** – It is quite easy to transfer or share data being in electronic format.

- **Reduction in paperwork** – As lot of paper documents are replaced with electronic documents there is huge reduction in paperwork.

- **Cost Effective** – As time is saved and orders are processed very effectively, EDI proves to be higly cost effective.

- **Standard Means of communication** – EDI enforces standards on the content of data and its format which leads to clearer communication.