Mining of EDI Data for Performance Measurement of a Supply Chain

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Abstract. This paper presents an application of data mining using EDI data to measure the performance of a supply chain. This performance is measured in terms of the turn-around time for a business transaction. The data mining problem focuses on a large set of EDI data in which the formulation to calculate the turn-around time is well defined and the parameters involved are clearly identified. One issue associated with mining EDI data is the computational load in parsing the data is also discussed. Results of some EDI data sets are summarized and presented as demonstration for data visualization.

I. INTRODUCTION

Data mining [1-5] is the process of extracting knowledge from a large set of raw data. It is common practice for the data to be stored in a database for efficient retrieval. The extracted knowledge is often used for post-operation analysis, supporting a decision making process, or as input into another application.

The process of data mining traditionally involves several subtasks, e.g., exploratory data analysis [6-7], descriptive modeling [8-9], predictive modeling [10-11], etc. These subtasks are used to address specific needs and requirements that the owner of the data might have. Sometimes the data are used to discover unexpected knowledge outside the pre-defined needs and requirements.

In an inter-organizational business-to-business (B2B) process [12-14], business transactions are flowing from one organization to another. These transactions represent commercial activities such as trading, planning and scheduling, monetary wiring, authorizing, etc. These transactions are often stored in a database connected to an Enterprise Resource Planning (ERP) system [15-16]. In addition to the direct usage of these transactional data for commercial trading, this database can also be used to provide information that might help improve the productivity/performance of a business process.

The use of electronic commerce has increased the flow of these transactions to a faster rate due to an increase in efficiency in data handling. In this setting, an organization buying products and services from a supply chain (a large number of suppliers) must rely on the fast pace of transactions to plan its ordering activities. To minimize the inventory cost, an organization will utilize on the performance of its supply chain to plan its “just-in-time” inventory system.

In order to achieve a certain performance, quantitative measure must be defined, tracked, and controlled. In the management of supply chain, the response time to a purchase order is used to reflect the performance of a supplier. This quantitative measurement is tracked against a set of dependent variables to help manage and control the performance to a satisfactory level.

This paper presents the use of mining EDI data to measure the performance of a supply chain. In this setting, an organization managing a large supply chain can record the turn-around time of a purchase order as a parameter reflecting the performance of each supplier. This is the time elapsed between the start of a purchase order and the receipt of an invoice. The performance of a supply chain is assumed dependent on a set of parameters, some directly retrievable from the data on an invoice, some from a database of suppliers.

One side issue in mining EDI data is the parsing of a data set compactly packed in a particular format [17-18]. This phenomenon is the result of EDI data being packed into a compact size to minimize the data transmission cost [19-20]. In order to retrieve a data element, an EDI data message must first be parsed into several segments, each representing a specific type of data and containing a number of data elements. The parsing of EDI data requires some computational effort that can accumulate into a sizeable burden when a large number of EDI data messages is involved.

II. MINING EDI DATA TO MEASURE PERFORMANCE

This section summarizes the basic tasks of the data mining process for measurement of the performance of a supply chain.

An organization trying to optimize its inventory system must rely on the response time of its suppliers. This response time is critical for the planning of a just-in-time inventory system to minimize the inventory cost and to maximize uninterrupted operation period. These factors play major roles in allowing the organization to retain competitive advantages over its competitors.

A. Assumptions

It is assumed that the suppliers share the same EDI environment, e.g., the same service provider, the same computer capability, and the same business rules. This assumption is a fair factor to help eliminating some basic variations that might affect the analysis of a large supply chain. For a large supply chain, the suppliers can be categorized into different groups, each sharing the same EDI environment so that the analysis can focus on fewer (and perhaps, a manageable number of) variables.
B. Observable Output

The response time of a supplier is measured as the time duration between the time a purchase order is placed and the time the corresponding invoice is received. Through the use of electronic data interchange, the period when these documents are in transit is practically reduced to a fraction of a second, leaving the response time as a true indicator of how efficient a supplier is set up.

Alternatively, other parameters can be used as the measurement of the response time. One can use the duration between the time a purchase order is placed and the time the shipping notice is received. This parameter measures the total cycle of the ordering process, leaving out the details of what might happen in each step in between. Another parameter that one can use as the measurement of the response time is the duration between the time a purchase order is placed and the time of shipment arrival. Again, this parameter includes the performance of the carrier, which does not accurately reflect just the performance of a supplier.

In the scope of this paper, the duration between the time a purchase order is placed and the time the corresponding invoice is sent is used. A typical invoice document normally contains both the purchase order timestamp and the invoice timestamp. Each timestamp routinely details the date, month, year, hour, minute, and second. These data allow the calculation of the response time through a simple subtraction algorithm of two different timestamps.

Since the calculated response time is deterministic and based on the time set by computer systems, this output measurement can be considered unbiased and not contaminated by any interference. Occasionally, a supplier might stamp an invoice with time from a different time zone, or unethically change the time on its computer system to manipulate the data to his advantage. To address these issues, an organization can override the invoice timestamp with the time the invoice is received (instead of the time the invoice is sent). This practice is acceptable in the use of the data in an organization’s ERP system to measure the response time. However, the timestamp at the moment an invoice is sent is still widely accepted as legally binding for other purposes.

C. Dependent Variables

There are two sets of dependent variables in the process of measuring the performance of a supplier. One set of variables can be retrieved directly from the invoice, and another set can only be retrieved from a database containing supplier information. These dependent variables will be used to help the analysis process that tries to extract an explanation for why a supplier or a group of suppliers is performing at certain rate. These variables are hypothesized, with reasons presented below, to play major roles in affecting the performance.

From an invoice, the following variables are retrieved: the total amount of an invoice, the number of line items in an invoice, and the number of individual items in an invoice.
A non-performing supplier is the one who takes more than two business days to respond to a purchase order. Since the response time is already outside the acceptable level, the variance range is not crucial in determining which supplier is not performing. However, the variance range might be helpful in analyzing the individual failure for explanation that might help in managing a large supply chain.

III. EDI DATA COMPUTATIONAL REQUIREMENTS

The complete process of mining EDI data to evaluate the supply chain performance consists of the following four basic steps: (i) query appropriate data from a large database, (ii) parse the retrieved data into data elements, (iii) classify parsed data into different categories, and (iv) prepare graphical reports for analysis. Figure 1 depicts the data flow in this process.

A. Data Query Procedure

A database containing EDI transactional data is queried for the purpose of retrieving useful information to determine the performance of a supply chain. In the context of this paper, only invoice transactions are retrieved. Furthermore, the data are retrieved for a certain time period of evaluation. Two query criteria are therefore used: transaction type (invoice), and transaction date (invoice date).

Since it was common practice to store raw EDI data in a database, the query must look for a string containing certain signatures representing the search criteria. An EDI message is a string of several characters compactly packed together. The transaction type is encoded in a segment with the segment identification “ST”. For an invoice, the first element of this segment is a string constant “810.” As the result, the search query will look at the raw EDI data string and search for a sub-string 

\[ ST*810 \]

embedded in it. Notice the use of an asterisk (*) in this search string: it is the standard delimiter used to separate the data elements and the segment identification.

A second criterion to be used in the query is the invoice date. An EDI segment containing the invoice date has the identification “DTM” and the qualifier “003” in its first element. The second element is the invoice date in the format of 8 characters, with the first four characters representing the year, the next two characters representing the month, and the last two characters representing the date. The search of an invoice in a particular date must contain the following sub-string 

\[ DTM*003*YYYYMMDD \]

where the string YYYY represents the year, the string MM represents the month, and the string DD represents the date.

A typical query command looking for all EDI messages that are invoices in a particular date can be written in an SQL-like format:

```sql
SELECT data FROM EDItable
WHERE data = '*ST*810*' AND data = '*DTM*003*YYYYMMDD'
```

B. EDI Data Parsing Procedure

Once an EDI message is retrieved from a database, it must be parsed into a structure containing several segments, each segment containing individual data elements. The parsing of an EDI message is particularly simple because of a well-defined convention separating data segments and data elements: a pre-defined symbol, the circumflex accent (^), is used as a delimiter separating the segments, and another pre-defined symbol, the
asterisk (*), is used as a delimiter separating the segment identification and data elements. The parsing algorithm consists of two separations, one to separate the segments, and another one nested in a loop to separate the segment identification and the data elements.

For most of the time, an invoice will contain the purchase order date in the segment DTM with the first data element serving as a qualifier containing the constant string “004.” However, sometimes a supplier’s computing capability is not sophisticated enough to handle that reference, the buyer must query back into its database to cross-link the invoice with the original purchase order to retrieve this purchase order date. In this case, the invoice must contain the original purchase order number to allow this cross-linking. The parsing procedure will be slower due to an additional query into the buyer’s database to retrieve more information.

Since every EDI data message must be parsed before its data are used, the computational load of this mining procedure is a major issue in dealing with a large database containing many EDI data messages. An alternative approach to reduce the run time of such a query is to parse data as they come in. This approach will not reduce the total parsing time but will significantly reduce the mining time. One hidden cost to this approach is the complexity of a table designed for storing the already parsed data. The number of variables must be pre-set at a large default number to cover all possible cases. This practice might slow down the search procedure when dealing with a more complex table.

C. Data Classification

Invoices during a particular review period are pulled out from an EDI database. These invoices come from many suppliers and will be classified on the averaging basis. As the result, the following adaptive algorithm is implemented to categorize supplier’s performance.

For an individual supplier, the average response time is updated every time an invoice that it sent out is encountered. The update average time is calculated as follows:

$$\mu_{n+1} = \frac{n}{n+1}\mu_n + \frac{1}{n+1}x_{n+1},$$

where $x_{n+1}$ is the $(n+1)^{th}$ response time point encountered, and $\mu_n$ the average response time based on $n$ points. Similarly, the variance is updated as follows:

$$\sigma^2_{n+1} = \frac{n}{n+1}\sigma^2_n + \frac{1}{n+1}(x_{n+1} - \mu)^2.$$  

The second formula is the exact iterative formula where the average $\mu$ is assumed to be calculated in the first pass of a two-pass process. However, in a real-time one-pass process, it is common practice to use the estimated average at that particular time and the resulting error is bounded within some acceptable limits. These limits are determined by the statistical model and the number of sample data used [21].

These two parameters are used to determine the classification of a supplier. The algorithm for classification is as follows:

(i) if $\mu \leq 1$, supplier is in preferred list
(ii) if $1 < \mu \leq 2$ and $\sigma^2 \leq 1$, supplier is in normal list
(iii) if $1 < \mu \leq 2$ and $\sigma^2 > 1$, supplier is in “concerned” list
(iv) if $\mu > 2$, supplier needs to improve on performance

D. EDI Data Organization and Report Preparation

The data organization process consists of grouping data as a whole to analyze a supply chain, and grouping data according to individual supplier to analyze each supplier for performance improvement (if needed).

For a report preparation, data must be presented in some graphical representation allowing a quick analysis that can form a hypothesis of a relation linking the performance level with the dependent variables.

IV. SIMULATION RESULTS

This section outlines the numerical results in extracting performance information from a database storing EDI data. The results will be organized into two categories: the performance of an overall supply chain, and the performance on individual suppliers.

A. Overall Supply Chain Performance

The performance of an overall supply chain reflects a brief summary of all suppliers. Typically, a histogram listing the number of companies responded in a particular timeframe (Fig. 2). This histogram should show a heavy concentration of suppliers around an acceptable level of 1 day. There will be a small number of suppliers on the borderline of 2 days, and a very small number of suppliers outside the acceptable range.

A detail report of the supply chain will list out individual supplier names according to each category (Fig. 3). This report will be useful for a buyer to single out non-performing suppliers to either schedule meeting for enforcement or to drop them off the approved list. This report is often printed in colors to help human easily categorize the suppliers according to each pre-assigned color.

The performance of an overall supply chain will also be plotted in a three-dimensional chart against any of the dependent variables listed earlier: total amount of an invoice, the number of line items in an invoice, the number of individual items in an invoice, the number of buyers a supplier must deal with, the geographical region a supplier is in, and the number of products a supplier is selling. These plots will help a supply chain manager analyze the performance in detail and form a hypothesis about a relation between the performance and these variables. Figure 4 depicts such graphical results.

B. Individual Supplier’s Performance

Individual supplier’s performance is also needed to analyze cause and effect, and ways to make improvement, if needed. For the preferred suppliers, the analysis will give hints to why the suppliers performed well. These hints will be used to help non-performing suppliers to
improve their performance. For the non-performing suppliers, the analysis will give hints on how to improve its performance in some periodic review, what corrective measures to suggest and apply, and clarifications on the checklist that determines the approval criteria for suppliers. Figures 5, 6, 7 displays typical data visualization for each individual supplier for this analysis purpose.

C. Future Task: Automatic Analysis & Correlation

At this timeframe, the results of the above work were manually analyzed for managerial decision concerning individual suppliers. This task is tedious and sometimes can be subjective. The number of dependent variables involved, when being large, is another obstacle for manual analysis because of the difficulty in data visualization in multi-dimensional space.

V. Conclusion

It has been shown that raw EDI data can be mined for practical application of measuring the performance of a supply chain. The EDI data are parsed into individual data elements, the performance is calculated for each supplier,
and the final results are presented as the whole for the supply chain as well as individually for each supplier for performance review and for planning control action. Numerical examples are presented to demonstrate the workability of the concept and to pose the definition of future work on analysis of the result of this data mining process.

REFERENCES