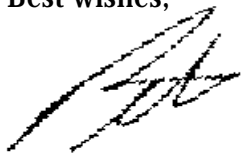**Dear Friends:**

In our last issue, we talked about the benefits of electronic invoicing and the level to which they are being realized among media. This time, we talk about the technical aspects of EI and the impact of the Internet on this technology. Media should be encouraged by the rapid strides being made in EI technology, which holds promise for considerably improving process efficiencies.

We're hopeful that we will experience an economic upturn in 2002. In the meantime, this is the time to carefully review accounts and "clear the decks" of aging receivables, which are extremely perishable now. Timely placement can prevent the "hard to collect" from becoming "uncollectable."

The Szabo holiday party was a wonderful opportunity to recognize our many talented and hardworking employees and to have a terrific time. All of us here at Szabo Associates hope you had a wonderful holiday season and a Happy New Year!

Best wishes,

Pete Szabo, President
Szabo Associates, Inc.

Electronic Invoicing ... The Paperless Chase Gains Momentum

In the last issue of "Collective Wisdom," our contributors acknowledged the need for increased cooperation among trading partners and vendors in order for media to enthusiastically endorse and widely implement electronic invoicing. The creation and efforts of EDI (electronic data interchange) task forces in various media organizations have done much to address this challenge by promoting the benefits of electronic invoicing to their memberships and encouraging collaborative efforts.

Electronic invoicing is a relatively small slice of the EDI pie and the easiest to accomplish; however, because vendors view electronic invoicing as part of a comprehensive set of interrelated electronic solutions for media, it is helpful to talk about electronic invoicing in the context of EDI in general. In doing so, we can facilitate understanding about the technology involved in the electronic transfer of data, how you may be able to apply it to your organization now, and what you can expect in the near future.

An EDI Primer

EDI has been around for over two decades. Although there are variations in how EDI is implemented, basically it works as follows: A company's back-end accounting software application generates a hard-copy invoice and stores that data. Another application extracts that data and reformats it to a flat file according to the ANSI x.12 industry standard; i.e., a standard-ized data record format for an "invoice transaction." Yet another application then prepares and manages the transmission of that file to the targeted recipients via a private network carrier. On the receiving end of the network, the same type of applications as those above pick up the transmitted data, then reformat that data for entry into the recipient's back-end accounting application. Alternatively, the network carrier delivers the data to a "clearinghouse" from which the recipient may receive the data in a number of different formats and applications.

Lifetime Entertainment Services uses a system architecture essentially like that described above. "Although not without its problems, EI works very well for both the network and its partner agencies," says Peter Gautieri, Vice President, Pricing & Planning for Lifetime. "It speeds up the interchange of data between partners, while reducing administrative costs. We look forward to system upgrades and moving EI to the Web."

EDI and the Internet

The advent of the Internet as a "public data highway" to carry data between systems, instead of a private network, has propelled EDI into a new space altogether, called "e-commerce." Its promises of economy, flexibility, functionality, and ease of maintenance have driven a new wave of electronic business transaction innovations.

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Electronic Invoicing —

E-commerce for the advertising industry—"ad-commerce"—was initially promoted as a means to revolutionize the way trading partners conducted business. Although embraced by some, many media sellers reacted with skepticism to proposals to change the way industry prices and sells inventory. As was true with EDI in its infancy, the first objectives of e-commerce are to reduce paperwork and improve process efficiencies, and, in the case of electronic invoicing, to improve cash flow. As ad-commerce matures, it will lead to fundamental improvements in business practices, as did EDI.

The XML Breakthrough

A major focus in the development of Internet Web-based e-commerce solutions has been the defining of technical standards that can be used to handle the range of business transactions that occur over the lifecycle of a media buy. While electronic invoicing in itself can do much to streamline processes, other transactions such as makegoods and revisions must also be managed efficiently in order to realize EI's potential.

Most of us are familiar with HTML, which, simply put, is a system of data object names (called "tags") designed to display data on Web pages. Whereas HTML enables any browser to look at the data or to make a "data object" (that is, text or a graphic, etc.) look a certain way, it cannot perform functions or logic with that data.

This is where XML comes in. XML (eXtensible Markup Language) does for data what HTML does for display. XML is a set of programming guidelines for defining standardized data formats for use on the Web. It is a system that allows common naming or "tagging" of form fields and the physical characteristics of that data. An XML file may also include "metadata," which adds the "logical definitions" or functional attributes of the data and provides the recipient of the information with instructions on how to use the data. Agreement on a common set of XML-based data standards, freely available without licensing requirements or other restrictions, is a prerequisite to maximizing the value of Web-based solutions to media customers.

The ANSI x.12 standards, which are the basis of EDI, are being implemented using XML as the language platform for the Web; however, different versions are being developed to address requirements related to specific industries, and each of these versions defines data differently. Media EDI vendors, encouraged by AAAA and other media organizations and motivated by the potential benefits of a common standard, have engaged in increasingly cooperative efforts in the past year to agree on an XML standard for the media industry.

Associations and Partnerships Speed Innovation

Among media associations' notable achievements in this area has been the work of the Television Bureau of Advertising's EDI Committee and the AAAA's EDI Task Force. In October, TVB and representatives of the nation's largest advertising agencies released the essential business transaction elements that must be communicated among local broadcast television trading partners in order for them to conduct business electronically. The release also introduced the concept of a "Universal Transaction Identifier," which can distinguish a piece of business throughout its life regardless of the computer systems through which it passes, as well as a numbering scheme to identify each transmission that clearly illustrates the purpose of the transmission and facilitates auditing. The organization's goal in issuing this document is to assist the vendor community in creating technical standards that could be published, ultimately enabling the entire industry to electronically conduct business on the Web with all the functionality of EDI via a set of open XML standards.

On other organizational fronts, the Cabletelevision Advertising Bureau is also working to create unique identifiers for each commercial opportunity. CAB, working with consulting firm PricewaterhouseCoopers, has brought 65 networks and 50 agencies online to trade contracts and invoices electronically. The Magazine Publishers of America and Media Credit Association (which merged in 1997) have also been focusing on creating communication standards and identifiers. "We look forward to digitizing the entire process, from placement of the order to final production," says Vaughn Benjamin, Vice President, MCA. "The technology is progressing," he says. "Of course, acceptance of new standards and protocols is key to success, but didn't we say that about the automobile, cell phone and microwave?"

Print media is also moving toward resolution of the thorny issue of e-tearsheets, with assistance from such organizations as the Newspaper Association of America and the Advertising Media Credit Executives Association. An excellent 16-page white paper on the subject of e-tearsheets—including solutions, case studies, and vendors—is available on the NAA's Web site (www.naa.org). Some newspapers, including the Wall Street Journal, are converting customers to e-tearsheets, some are running tests or waiting for a corporate decision on how to proceed in terms of vendor and process, and some are waiting to gauge agency and advertiser acceptance of e-tearsheets as proof of publication (including whether a pre-press digital file is sufficient or whether clients will demand a scan of the printed page). The issue has an additional layer of complexity for the magazine industry. "Any color can be replicated online," says Kevin Gannon, director of advertising revenue services for Hachette Filipacchi Magazines. "The problem is that there can be a suspicion of manipulation. The advertiser may question whether

the online replication is an accurate representation, whether the ad was positioned as requested, and whether the stock was as specified. The debate is largely cultural rather than technological."

This past year has also seen the creation of strategic partnerships among companies that indicate the commitment of vendors to deliver on ad-commerce's promise and the eagerness of media to benefit from it. In April of this year, 11 companies involved in developing technology and services for the broadcast media industry announced that they were joining forces to develop open and freely-available XML-based standards. The collaborating companies are Ad2Media, AdConnections, AdValue Technologies (a unit of Reuters), eMadison (now owned by CAM), InVision, Inc., MediaGravity, MediaOcean, MediaPartnerships, Spheric Media, SQAD, and VCI.

Another notable collaborative effort is being undertaken by two longtime industry players, Encoda and Donovan Data Systems. Encoda Systems (formerly CJDS), a major provider of traffic systems for electronic media, and Donovan Data Systems, which powers many agency buying and accounting departments, announced in April

that they are "jointly working on significantly expanding the e-commerce initiatives between our respective products and systems." Additionally, in February of this year, Encoda Systems acquired ODAC, a provider of ad-commerce software solutions for the media industry, and subsequently formed a new business unit focused on providing end-to-end, cross-media solutions.

Now is the Time

In the "old days" of EDI, the cost/benefit trade-off of electronic invoicing was favorable only to sizable media properties, and no "burning platform" existed for the industry in general to embrace the concept. Things are quite different now. The pressure is building from large industry players and media organizations to get on board with EI, and this imperative will only get stronger.

The cost of entry is coming down. Focus on Web-based solutions is substantially lowering upfront investment costs (many require little more than Internet access and a Web browser). Monthly costs vary (some vendors offer EI at no cost to subscribers of other services, some have a per invoice charge, some have a monthly licensing fee). Electronic invoicing already has done much to

improve workflow and process efficiencies, which reduces operational costs, and these financial benefits will increase.

EI (Electronic Invoicing), EC (Electronic Contracting), ECC (EC Change, which allows electronic movement of order revisions and make-goods), and "end-to-end" solutions continue to be developed by a number of vendors, and many of these solutions are now fully functional. With the development of true e-commerce systems, which allow efficient two-way transactions between trading partners, complaints about EI's shortcomings will surely decline.

What to Do

If your organization is interested in electronic invoicing, contact your traffic system vendor to find out what is required. Traffic systems play a critical role in the electronic exchange of data since they touch the entire revenue stream from order entry to invoicing. Vendor Web sites can also give you some useful information on their offerings. An example is the useful and straightforward spotdata.com, which answers questions about requirements for broadcast and cable companies to implement EI and even includes a demo. Also visit media association Web sites for updates on EI news and vendors appropriate to your medium. One of the most informational regarding EI and EDI is the TVB Web site (www.tvb.org). Attend media conferences. Many, including the Broadcast Cable Financial Management Association and the AMCEA conferences this year, have hosted discussions on EI.

Clearly, the advent of the Internet, the Web, and open standards such as XML are creating opportunities for media to reap the benefits of EDI at a much lower cost. And this is just the beginning. As e-commerce evolves, it will open a world of opportunity for media—just as it has for so many other industries—to greatly improve business practices and increase productivity. ♦

" EDI, HTML, FTP, AND NOW XML. HOW ABOUT THIS ONE ... I-Q-U-I-T!"

The Szabo Difference:
Speed and Priorities

Innovations in media billing and payment are making it possible for media and advertisers to move money faster than ever before.

But what if the money doesn't move at all? Late-pay or no-pay accounts are more troublesome than ever when you rely on fast cash flow. Fortunately, the new technology can help collections to work more quickly, and smart media credit departments are working toward that goal. Electronic billing means that you have the potential ability to find out more quickly when an account payment becomes dangerously overdue.

This can be an important tool for you during an economic slowdown. When money is tight, sales departments are inclined to exert pressure on credit managers to accept marginal accounts. And credit managers accept risks that they wouldn't take when times are good.

Your Szabo representative will urge you to set definite priorities on past-due accounts and to move most quickly on the accounts you're most worried about. No matter where an account falls on your list of priorities, your Szabo representative can help you take the appropriate action.

You might want to give more careful treatment to accounts that have been reliable over the years. If you turn them over to us, we can take firm steps to accomplish the collection, but with a sensitivity that will leave you with the option to preserve the working relationship in case you want to reestablish it later. When economic times take a turn for the better, as they always do, these accounts might once again turn into good paying clients. Szabo representatives are specially trained in negotiating settlements that recover your money without damaging long-term prospects.

On the other hand, you already know the accounts that carry a high risk. When they show signs of slow pay, it's important to act immediately. If it appears that a collection service can help, let us know the moment you make that decision. Our representative can start working to recover your money the day you turn the account over to us. We don't wait for the mail. We begin work immediately, by phone. And we keep working at it until we resolve the problem.

The need for speed is one reason we give you such a wide range of ways to assign an account to us. Of course you can do it by mail, with hard copies, diskettes or tape. But you can also get your problem into our hands instantly, by phone, fax, EDI, or through our web site at www.szabo.com.

You've got the fastest tools that business has ever had for billing and collections. At Szabo, we're working to help you make the most of them. ♦

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