



corporate financial systems

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ANALYSIS: E-INVOICING

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Together in electric dreams

Lowering costs and improving efficiency is what every company is looking to do right now. So a technology that promises to deliver on both of these points should certainly be of interest to everybody. CFS was at EXPP in Frankfurt to discover if e-invoicing could live up to the expectations.

E-invoicing is an area that has got a lot of corporate treasurers talking. Aside from the benefits to corporate social responsibility of reducing your carbon footprint, there are some serious financial benefits that companies can derive by going electronic. By taking this path, companies have cut their invoicing costs and reduced their days sales outstanding. It should come as no surprise then that the annual European EXPP Summit, held in Frankfurt, provided some insightful comment on this burgeoning industry and gave some real world examples of how corporates are succeeding in this arena.

Figures from e-invoicing consultancy, Billentis, released at EXPP, estimate that currently in Europe there are almost one million companies that send or receive e-invoices, a figure up by 50 per cent from last year. The number of e-invoices sent has also increased from 730 million in 2007 to an estimated 985 million in 2008. The biggest increase is in the B2B sector, where the number of invoices is up an estimated 45 per cent. These may sound like big numbers, but market penetration is still low. Those 985 million invoices make up only a fraction of the 30 billion invoices sent annually in Europe.



Bruno Koch,
Billentis

The positive feature that these figures show is that e-invoicing is a rapidly growing industry. According to Billentis CEO and EXPP founder, Bruno Koch, countries that have shown particularly strong growth in the last twelve months are Italy, Greece, Poland and the Netherlands. There are several things that can act as drivers for this growth. Certainly government initiatives are helping. For example, in Italy if a com-

pany wants a public sector invoice paid it has to be sent electronically. Italy is one of five European nations that have programmes like this to encourage e-invoicing.

Corporates are also driving this change. According to Koch, 'large buyers push suppliers to send e-invoices'. But he has also witnessed a new trend where large billers declare e-invoices 'mandatory'.

The business case for moving to e-invoicing is compelling. Findings at Finnish companies, presented by Bo Harald, chairman of the European expert group for electronic invoicing and VP, head of executive advisors at TietoEnator, showed that by switching to e-invoicing a small company made a saving of one per cent of its turnover. But it is not only small companies that can benefit. A large enterprise also showed similar results, achieving a 0.9 per cent of turnover saving by making the switch.

As the old saying goes, you can prove anything with statistics. However, there are also corporates of all sizes willing to share their experiences in this space. In the early stages of its project is UK-based networking IT company and telco, BT. Its Global Services business unit is focused on the B2B space, and this unit is currently piloting e-

invoicing in the Benelux region. Speaking at EXPP, Catherine Dubu-Lambert, BT Global Services' head of billing operations for Northern Europe, explained how the company is now offering two electronic billing solutions. It is offering a standard e-invoicing portal and a customised EDI offering. The pilot is being used to 'tune and define' the companies e-invoicing capabilities.

BT wanted to integrate its various systems on to one platform for its outgoing invoices. To achieve this as quickly as possible, it decided to partner with Belgian vendor B2Boost for the project. Invoices are produced as PDF or RTF files. The data is extracted from these and converted into XML. These invoices are then digitally signed and made available to the customer via an internet portal. Currently there are 30 customers connected to the platform with more on the way. According to Dubu-Lambert the customer feedback so far has been good.

It is not only by sending e-invoices to customers where corporates can find an advantage. Moving suppliers on to this method can also provide some benefits. German vehicle manufacturer, Daimler, is one example of a large corporate that has done just this. In 2006 it started its 'Project Oscar' to build an integrated process for the electronic processing of signed invoices for plants in Germany.

The initial plan for Daimler was to optimise and harmonise its invoicing process in the manufacturing plants. It was receiving around eight million invoices or credit notes annually, and these were dealt with in different ways depending on the plant. One of the main objectives of Oscar was to remove the manual processes and automate incoming invoices through high quality data transfer from suppliers.

The manufacturer wanted to receive invoices in any data format its suppliers wanted to use. On top of this it wanted to be able to receive printed documents in an electronic format, where data is interpreted and files can be generated. To achieve all these aims Daimler decided to partner with German service provider, First Businesspost.

The first step for Daimler was a pilot phase where it looked at invoices for non-production materials. It connected four suppliers that sent it more than 1000 invoices. Connecting these suppliers gave

Daimler an enormous increase in its data quality. The next step was to increase the scope of the trial and include more suppliers. It also set up a shared services centre with the aim of having a single point of contact for suppliers and to make processing much easier.

One of the interesting things that Daimler has done is focus on the suppliers who send the most invoices. The system is not being currently pushed towards the 90 per cent of suppliers that send less than 150 paper invoices per year. Daimler feels it has seen some real benefits from making

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Wendy Mahoney, independent expert

the shift to e-invoicing. By substituting manual for automated processes it has an easy-to-handle process that is more cost effective and has given it a higher standard of data quality.

The in-house hosted system is one option that is appealing to corporates, but it is not the only option out there. US-based Vengroff Williams & Associates (VWA) highlighted the outsourcing option that many corporates have chosen to take. The firm specialises in cash collection and credit risk outsourcing and manages \$30 billion of client receivables. According to Steve Menozzi, European client services director at VWA, the automation that has come through e-invoicing has improved its cash flow management. VWA decided to form a strategic partnership in Europe with Microgen for its e-billing (it is now also looking to extend this relationship for its global operations). It now offers its customers a bespoke e-invoicing portal through which they can invoice their clients.

Menozzi has seen several advantages for his clients through taking the e-invoicing route. The most obvious is a rapid return on investment through the elimination of postage costs. He cited the example of one customer that managed to recoup its costs in just 45 days through this method, claimed a 95 per cent reduction in invoicing costs could be achieved. He also believes e-invoicing helps with enhancing

cash flow, improving visibility of customer AP activity and, ultimately, leads to greater customer satisfaction.

One VWA customer that has seen real savings is Walt Disney. According to Menozzi it has saved half a million dollars a year in invoicing costs. It has also achieved a 33 per cent reduction in headcount over three years and has had no bad debt losses in the past financial year.

The advantages are not only for customers, Menozzi claimed, as VWA are also seeing benefits. E-invoicing has given a greater visibility of what a client's customer

has done with its invoice after receipt, so can give the VWA credit controller greater 'power' over the customer AP team. It can also eliminate copy bill requests and speed up payments. This in turn improves cash flow and speeds up processes by speeding up delivery.

The outsourcing option does bring up one interesting aspect. Increasingly, banks are targeting e-invoicing as a new revenue stream in troubled times, and are looking to provide this service to corporates. Some EXPP attendees believed in the current conditions banks should 'concentrate on doing their jobs better' rather than get involved in new areas. One roundtable audience member went as far as to suggest if banks wanted to help the e-invoicing industry 'they should stay out of it'.

The general consensus was that banks do have an important role in enabling e-invoicing for SMEs. It is only the large corporates, who send and receive a high volume of invoices and may already have an EDI system in place, that would get a rapid return on investment from implementing their own e-invoicing systems. For smaller companies, banks could be the facilitator. According to Tietoenator's Harald, 'e-invoicing will not happen without banks'. He believes they are needed to get the SME sector involved, as they can do it with small investments.

For the vendors, whether e-invoicing is bank driven or corporate driven doesn't

matter. Chris Hayes, senior product marketing manager at Sterling Commerce, points out the vendor 'can offer e-invoicing for banks to corporates or direct to the corporate'. He describes invoices as 'the orphan document of the electronic age', and feels they have been left behind automation wise.

According to Hayes, the critical aspect of e-invoicing is the audit. This is despite it being 'a little neglected' and not an area of focus for vendors. He describes paper driven finance processes as 'bordering on the Dickensian', and feels that e-invoicing should 'make audits easier and cheaper'. It is this area, he claimed, where the real savings are for corporates.

Of course there are issues that still need to be resolved around e-invoicing. Mait Sooaru, MD of e-invoicing vendor Itella Information, believes 'changing people's mindset is the hardest thing'. This was backed up by independent e-invoicing expert, Wendy Mahoney. She said, 'if you say to 250,000 customers 'you're now going to receive your invoices electronically', you will see a mass migration to your competitors'. If this industry is to truly take off, the benefits that everyone will see need to be clearly set out.

There are some very compelling reasons to make the switch to e-invoicing, and clearly there are lots of possible routes to achieve this. By making the switch, corporates have seen reductions in cost and increases in efficiencies. But aside from this, the most compelling reason has to be the environmental impact. E-invoicing is a big tick in the box for green issues and helps with corporate social responsibility programmes.

Probably the best statistic to highlight why this is such a big issue came from Billentis' Koch. In his opening address he revealed that if all paper invoices were replaced, 50 million trees would be saved every year. What better reason could there be to offer this service? 

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