International trends for the electronic exchange of business documents

Bruno Koch

Traditional Documents

• Disadvantages
  - High paper volume
  - Long transport times
  - Long processing time
  - High processing costs
  - Problems with data quality
  - Archiving, costs, find them

• End-to-End full costs
  - Business document = EUR 1-50
  - Invoice = EUR 30
  (Source: EACT, European Treasurer Association)
Market structure and volume

Document Landscape
European View

Unstructured Business Information
- eMails, Contracts, ...

Structured VAT compliant documents
- Bills, Invoices

Structured Statements
- Orders, Order Confirmations, Delivery Notes, …
European document volume

- Unstructured Business Information
  - eMails, Contracts, ...
  - ?

- Supplier
  - Structured and VAT compliant documents
    - Bills, Invoices
  - 30'000 millions

- Buyer
  - Structured Statements
    - Orders, Order Confirmations, Delivery Notes
  - 150'000 millions

Market status and development
E-Invoice – just a common message?

STREAM A
11:30 E-INVOICE - THE QUEEN OF MESSAGES
- only focus on the electronic invoice or a big bag with closed electronic loop for all relevant messages?
- Make it Buy
- Challenges in the implementation and how to solve them
  - first experience
  - Ralf Kuhn, Senior Manager e-solutions,
  - BASF AG, Germany
12:00 E-INVOICE - THE FUTURE
- Evolution from E-Statement, Presentation to E-Invoicing
- How from paper-based confirmation
- Envisioning for cost reductions on issuer and recipient side
- E-Invoicing as a marketing instrument
  - David Byrne, Sales Support and Marketing,
  - DHL Freight, Republic of Ireland

STREAM B
11:30 E-INVOICING OPERATORS' FORUM (PART 1)
(access restricted to E-invoicing operators)
- Experience and perspective with international interconnection of networks
- Hear and discuss the stories and visions of
  - B2B
  - Testador
12:00 E-INVOICING OPERATORS' FORUM (PART 2)
- Meeting point: Search and find your future roaming partner

E-Invoicing/E-Billing market figures

<table>
<thead>
<tr>
<th></th>
<th>Europe 2007</th>
<th>Europe 2008 (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>630,000 corporates 18.6 million consumers</td>
<td>930,000 (+50%) 21.6 (+16%)</td>
</tr>
<tr>
<td>Electronic vol. only</td>
<td>700 million</td>
<td>960 million</td>
</tr>
<tr>
<td>- B2C</td>
<td>- 290</td>
<td>- 350 (+20%)</td>
</tr>
<tr>
<td>- B2B</td>
<td>- 410</td>
<td>- 610 (+50%)</td>
</tr>
<tr>
<td>Electr. with paper</td>
<td>400 million</td>
<td>350 million (part.</td>
</tr>
<tr>
<td>summary invoice</td>
<td></td>
<td>replaced by digitally</td>
</tr>
<tr>
<td></td>
<td></td>
<td>signed invoices)</td>
</tr>
<tr>
<td># Service providers</td>
<td>260</td>
<td>340 (+30%)</td>
</tr>
</tbody>
</table>
Market penetration 2008
(electronic share of total volume of 30 billion)

- >12%
- 4-12%
- 1-4%
- <1%

Evolution Phase 1: 1996 - today

Pioneers
- Telcos (KPN, DTAG, ...)
- Utilities
- Cards

Focus
- B2C
- B2B (without VAT compliance)

Status
- > 5 million subscribers
Evolution Phase 2: 1999 - today

Pioneers
- FSI (PayNet, Isabel, ...)
- IT companies (CheckFree, TietoEnator, ...)

Focus
- Domestic markets
- B2C
- B2B (VAT compliance)

Status
- At least 260 consolidators
- Some with several thousands of participants
- About 40 with > 1 million annually processed E-Invoices

Evolution Phase 3: now

Pioneers
- Belgium
- Scandinavia
- Switzerland

Focus
- Domestic & international networks

Status
- At least 25 consolidators with one or more inter-connections
Possible results for an organisation

Roll-out models and success rate by using service providers

- **Sender driven „Opt-Out“**
  - Isabel (BE) 90%
  - Leasing company (NL) 85%

- **Sender driven „Opt-In“**
  - In existing supplier-buyer networks: 5-50%
  - Free offering to all in the market: 1-5%

- **Recipient driven „Opt-Out“**
  - Danish government: 70% of all invoices after 1 year electronic
  - 100% digitalised with full services (electronic & scanning)

- **Recipient driven „Opt-In“**
  - Large buyers: 50-70% of all invoices after 1 year electronically (e.g. Hewlett-Packard, LogicaCMG, UBS)
  - 100% digitalised with full services (electronic & scanning)
### Invoice volume and potential cost saving

Example of corporate with 10'000 employees

<table>
<thead>
<tr>
<th>Company</th>
<th>Inbound invoices</th>
<th>Internal invoices</th>
<th>Outbound invoices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division 1</td>
<td>600'000</td>
<td>50'000</td>
<td>1'500'000</td>
</tr>
<tr>
<td>Division 2</td>
<td>50'000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Division ..</td>
<td>1'500'000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Saving/Invoice (EUR):**
- 8
- 10
- 3

**Potential long-term:***
- 4'800'000
- 500'000
- 4'500'000

**Potential 2009:***
- 2'800'000
- 400'000
- 225'000

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### Obstacles and how to overcome them
Challenges for the E-Invoicing market

- Dozens of countries, languages and regulations
- Relatively fragmented landscape with 23 million small and medium size enterprises (SMEs) and thousands of different ERP systems
- Standards as enabler
  - 35-38% of today's volume is based on standards
  - Some E-Invoicing country standards: Austria, Belgium, Denmark, Finland, Italy, Spain, Sweden, Switzerland
  - International standards or subsets
- International end-to-end service offering with a single-point-of-contact for invoice issuers and recipients

Challenges for the E-Invoicing market

- Laws & regulations: The EU directive is adapted to local laws in 27 different ways.
- Any-to-any data formatting, archiving services as well as an economical and easy access for SMEs.
- Interoperability among service providers (e-invoice roaming), offering participants an end-to-end service with a single point of contact.
Challenges for a company using direct models

- Involve lawyers for clarifying the rules and legislation in all the countries where counter parties are located.
- Convince counter parties
  - Send/receive electronic invoices in your proprietary way
  - Send/receive the desired format (conversion services)
- Generate a VAT compliant invoice respectively verify validity of signature and generate log-file.
- Build own archive and answer questions regarding archiving of invoices for your counter parties

→ A vast majority of organisations use external services

How to address all sizes of companies

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Recipient</th>
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</thead>
<tbody>
<tr>
<td><strong>Large</strong></td>
<td><strong>Large</strong></td>
</tr>
<tr>
<td>- Full ERP integration</td>
<td>- Full ERP integration</td>
</tr>
<tr>
<td>- Two-way communication</td>
<td>- Two-way communication</td>
</tr>
<tr>
<td>- External archive (later optional in house)</td>
<td>- External archive (later optional in house)</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td><strong>Recipient</strong></td>
</tr>
<tr>
<td>- Full ERP integration</td>
<td>- Full ERP integration</td>
</tr>
<tr>
<td>- DMO Systems</td>
<td>- Import Tools (CSV, ...)</td>
</tr>
<tr>
<td>- Export Tools (CSV, ...)</td>
<td>- External archive</td>
</tr>
<tr>
<td>- External archive</td>
<td>- External archive</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td><strong>Small</strong></td>
</tr>
<tr>
<td>- Printer Driver</td>
<td>- Browser presentment &amp; download, e.g. via homebanking</td>
</tr>
<tr>
<td>- WebEDI (type in invoice)</td>
<td>- External or CD archive</td>
</tr>
<tr>
<td>- Forms, e.g. FastPath</td>
<td>- External or CD archive</td>
</tr>
<tr>
<td>- External or CD archive</td>
<td>- External or CD archive</td>
</tr>
</tbody>
</table>
Complementary services covering all sizes of organisation in a Nordic country

Non-bank consolidators (1)

- Issuer (large)
- Issuer (medium)
- Issuer (small)

Consolidators

(1)

Recipient (large)
Recipient (medium)
Recipient (small)

Consumer

Bank consolidators serving SMEs (2)

- Issuer (large)
- Issuer (medium)
- Issuer (small)

Consolidators

(2)

Recipient (large)
Recipient (medium)
Recipient (small)

Consumer

Swiss E-Invoicing roaming landscape

Source: http://www.swissdigin.ch
Government as enabler

European governments – evolution steps

- Electronic Message
  - Invoice
- Order
  - Order confirmation
  - Invoice
- E-Procurement
- Financial Supply Chain
  - Invoice
  - Payment & Advice
  - Cash management
100% digitalisation: Denmark government

Support through government initiatives

• 15 European countries actively pushing E-Invoicing

Table 6.1: Existence of an official government strategy (in writing) for introduction of electronic invoices?

<table>
<thead>
<tr>
<th>Country</th>
<th>Yes</th>
<th>No</th>
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<tbody>
<tr>
<td>Finland</td>
<td></td>
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<tr>
<td>Estonia</td>
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<td>Austria</td>
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<td>Portugal</td>
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<td>Slovak Republic</td>
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<td>Hungary</td>
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<td>Cyprus</td>
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<td>Malta</td>
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<td>Poland</td>
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<td>Denmark</td>
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<td>France</td>
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<td>Ireland</td>
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<td>Lithuania</td>
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<td>Luxembourg</td>
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<td>Netherlands</td>
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<td>Slovenia</td>
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<td>Scan</td>
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<tr>
<td>Sweden</td>
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</tbody>
</table>

Source: Member State survey, 18 Member States participating.

The table above demonstrates that most of the Member States have either included the use of electronic invoices as an objective in a national government strategy, but only two Member States have concluded a strategy specifically aiming at electronic invoices.
**Helsinki Manifesto (Nov 2006)**

Initiatives to flatten the (European) world

The 12 most supported measures

1. Implementation of a European network of Living Labs, a user-centric platform for products and services in co-creation processes

2. Keep the benefits of re-using bank infrastructures: realize e-invoicing with interoperable standards

3. Break down internal borders for ICT services (key words: roaming, ICT-interoperability, eSI, secure pan-European e-services)

4. Raising the European innovation system

5. Creation of a market for innovative products and services supported by sufficient resources for R&D and innovation

6. Focus on services innovation, and establish services science, management and engineering as an academic discipline for driving innovation in services throughout Europe

7. Concrete funding and support for technology start-ups: an enabling entrepreneurial environment with both government and private sector funding available, commitment of early users beyond the project scope

8. Ensure data integration between IT-solutions to enable productivity in service provision

9. Internationally integrated retail banking market with full and prompt implementation of the Single Euro Payments Area (SEPA) and integration of key financial market infrastructure (TARGET2-Securities)

10. Implementation of European wide compatible e-trading system – common standards and definitions

11. Move from an organization-centered system to a citizen-centered system

12. Bring people actively to the information society (good basis for ePPP initiative – for example to give ICT skills to 10 million adult people in Europe over a 3 year period)

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**EC Activities**

**E-invoicing**

(DG Enterprise and Industry, DG Internal Market)

FISCALIS initiative on e-audit, including auditing of e-invoices [ongoing]
Study on e-invoicing business requirements in the public sector, and pilot implementation [1Q07 – 4Q09] (DG Informatics, DG Internal Market)

**E-signatures**

Interservice Group for the harmonisation of e-signatures [ongoing]
(DG Information Society, DG Internal Market, DG Informatics)

**E-commerce**

Expert Group on the review of the E-commerce Directive [ongoing]
(DG Internal Market)

**E-procurement**

CIP ICT-PSP pilot action on e-procurement, including e-invoicing [1st CfP closed on 23/10/2007] (DG Information Society)

Electronic Public Procurement progress review [ongoing]
(DG Internal Market)

Group developing self-regulatory measures to increase the B2B use by SMEs [ongoing] (DG Enterprise and Industry)
Outlook

European Outlook

• Private industry
  – Until 2010 likely all corporates with 5000+ employees practice E-Invoicing and 25% of all SMEs (Small and Medium-sized Enterprises)
  – Enhancements along the Supply Chain and closed electronic loop from the order via invoice up to the payment

• i2010 agenda of the European Community
  – Obligation in most European countries for sending/receiving invoices with government paperfree
  – Framework for international E-Business
Turkey

- Multinationals will be invited or forced to exchange electronically in 2008

- Large organisations recognize the big saving potential and launch projects by themselves in 2008/2009

- SMEs will be affected by the demand of their large customers after 2009

- Government ?

Questions?

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Appendices

About Billentis

• Highly specialized consulting company (E-Invoicing, optimisation of Procure-to-Pay and Financial Supply Chain)
• Founded in June 1999
• Owner: B. Koch (8 years PwC, 4 years Credit Suisse, 2 years Telekurs PayNet)
• More than 120 customers in 25 countries
• Issuer of a European market report
• Issuer of a quarterly newsletter (40+ countries)
• Founder of the European EXPP Summit, www.expp-summit.com
Services: consulting & project management

- Awareness, strategy and know-how workshops
- Feasibility studies; location of potential and involved business fields
- Identification of business opportunities
- Development of strategy and business plans
- Definition of RFPs, incl. country characteristics and the most suitable billing model
- Network and build strategic alliances
- Formulation of marketing and distribution strategies
- Project management/support as far as up-and-running service
- Procedure documentation (legal requirement)