

E-Invoicing / E-Billing

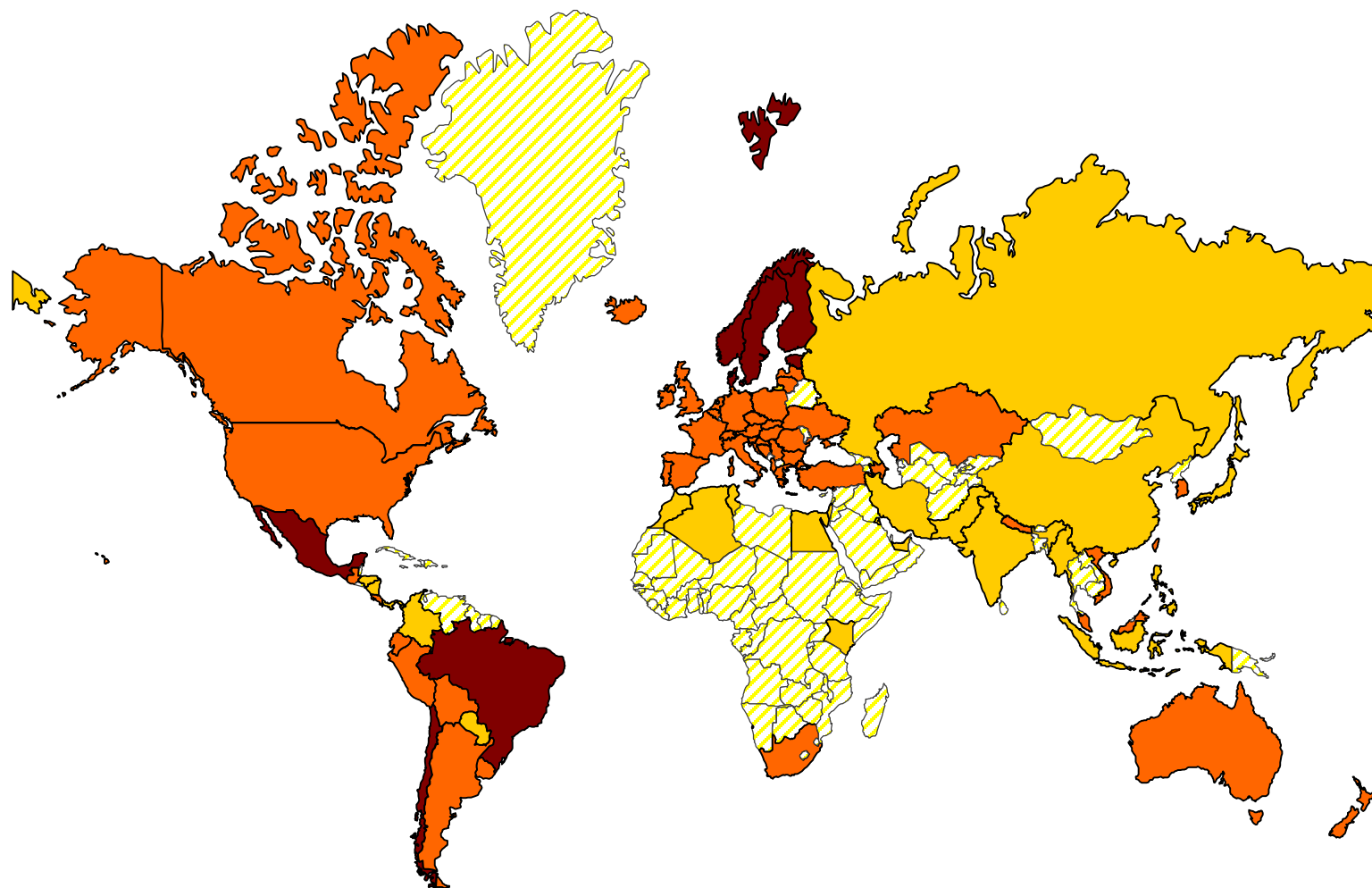
# International Market Overview & Forecast



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February 2015

# Global overview

# International E-Billing/E-Invoicing Market



 Leaders

 Average

 Developing

 Laggards

# Expected E-Bill/E-Invoice volume 2015 (billions) & trend radar



Recipient segment	Europe		LATAM		North America		APAC Africa	
<b>Consumer</b>	2.7	➔	5	➔	4	➔	1.5	➔
<b>Business &amp; Government</b>	4.6	➔	20	➔	2.8	➔	1	➔

- 24% of all U.S. consumer bills are sent electronically only (Source: Annual survey of Fiserv)
- Payment, Trade Finance, Dynamic Discounting and Procurement as main drivers in the B2B segment
- Preference for optimization of internal operations (AR and AP management); Increasing focus on collaboration and electronic interaction between trading partners
- Direct exchange of E-Invoices among trading partners still dominates; compared to Europe and LATAM, 3rd party operators still not yet very numerous, but the number meanwhile surpassed 130
- E-Invoicing gains more traction; B2B volume increase of around 20% predicted

- E-Invoicing pushed by public sector
- Real-time audit or invoice data mining by tax authorities with the aim of combating tax evasion
- Obligations for E-Invoicing announced/planned/live in Argentina (obligation for additional industry), Bolivia, Brazil, Chile, Costa Rica, Ecuador, Guatemala, Mexico, Peru (full mandatory E-Invoicing planned by 2017) and Uruguay.
- Brazil, Mexico and Chile as market leaders
- Next step in invoice-related digitalization: currently used fiscal printers in the retail segment will be replaced by a fully electronic solution, based on an XML file with a digital signature. Each transaction is authorized online before the sales process.

- First steps with B2C E-Billing; B2B legislation missing in many countries; sometimes, EDI invoices & paper originals
- Many advanced countries are more likely to adopt the (tax) control focussed LATAM model than the liberal European model
- Russia with tremendous relative growth rates (multiplies volume)
- Some other countries mandate the market participants to exchange invoices in electronic format, e.g. Kazakhstan (likely 2016), Singapore, critical industries in Turkey, Vietnam, ...
- Some countries are in the process of closing the loop between tills at points of sale – tax authorities – and clients. This happens either with the help of fiscal printers or electronic receipts / e-tickets (similarities with E-Billing)
- Several advanced initiatives of federal administrations in the Pacific Region, including e-Procurement

# European Market

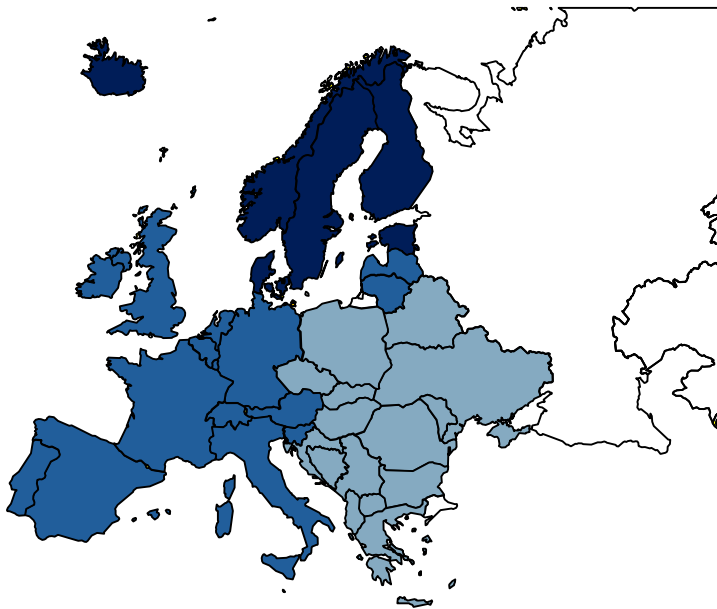


# Predicted Market Penetration 2015

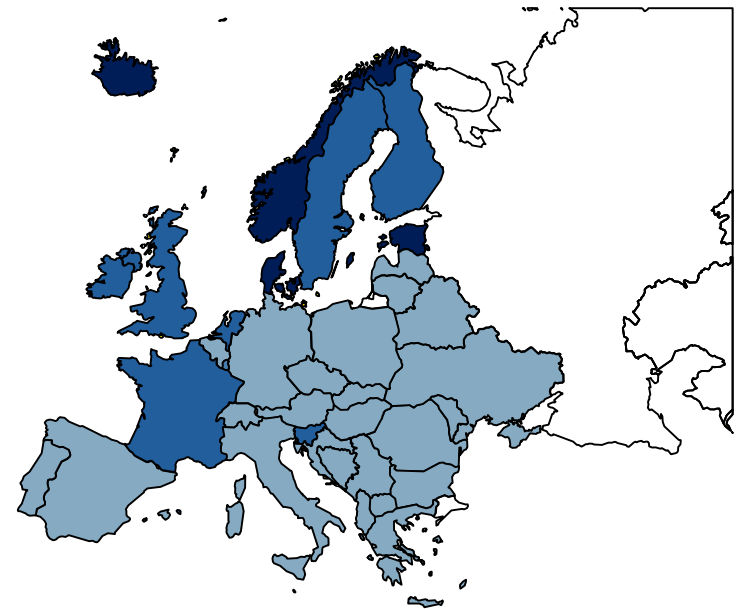
(Electronic share of total invoice/bill volume)



## B2B/B2G/G2B



## B2C



 >40%

 15-40%

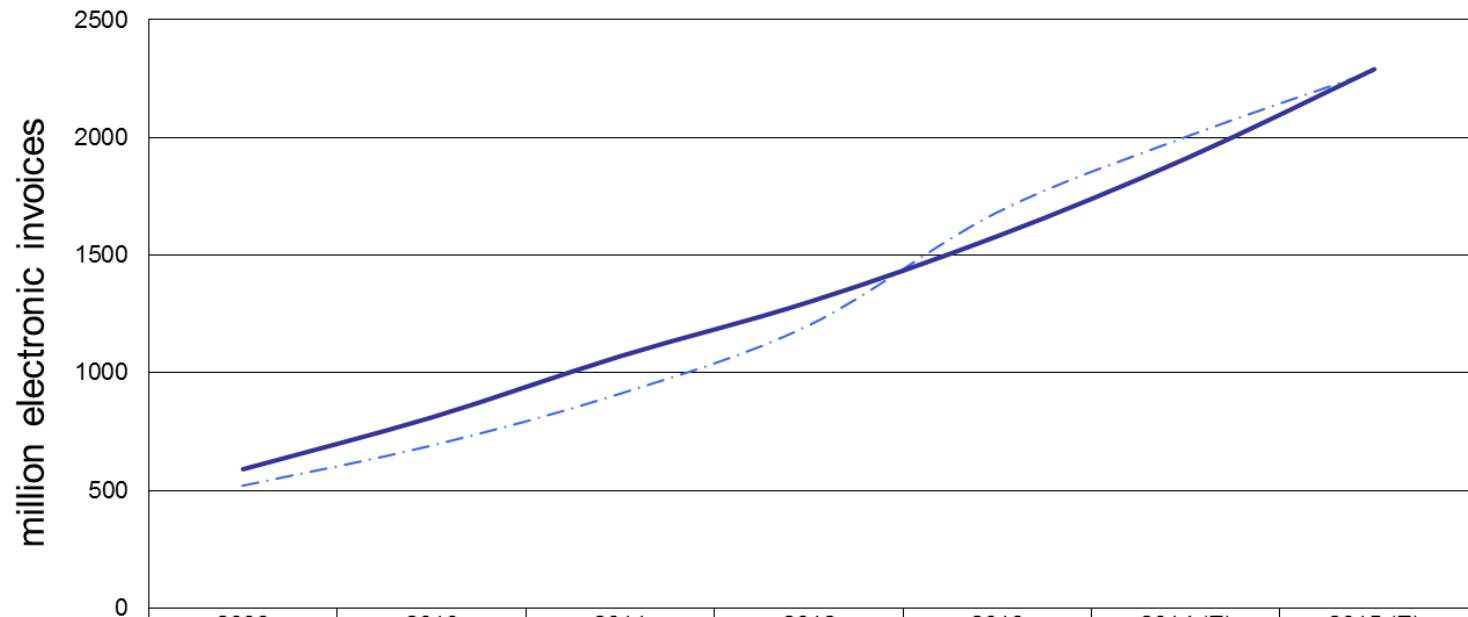
 <15%

# Channels Used for Electronic Invoices

B2B/B2G/G2B volume



B2B/B2G/G2B: Electronic invoice volume transferred directly or via service providers



— — B2B Supplier/Buyer Direct	520	690	910	1200	1680	2000	2280
— B2B via Service Provider	590	810	1070	1300	1580	1910	2290

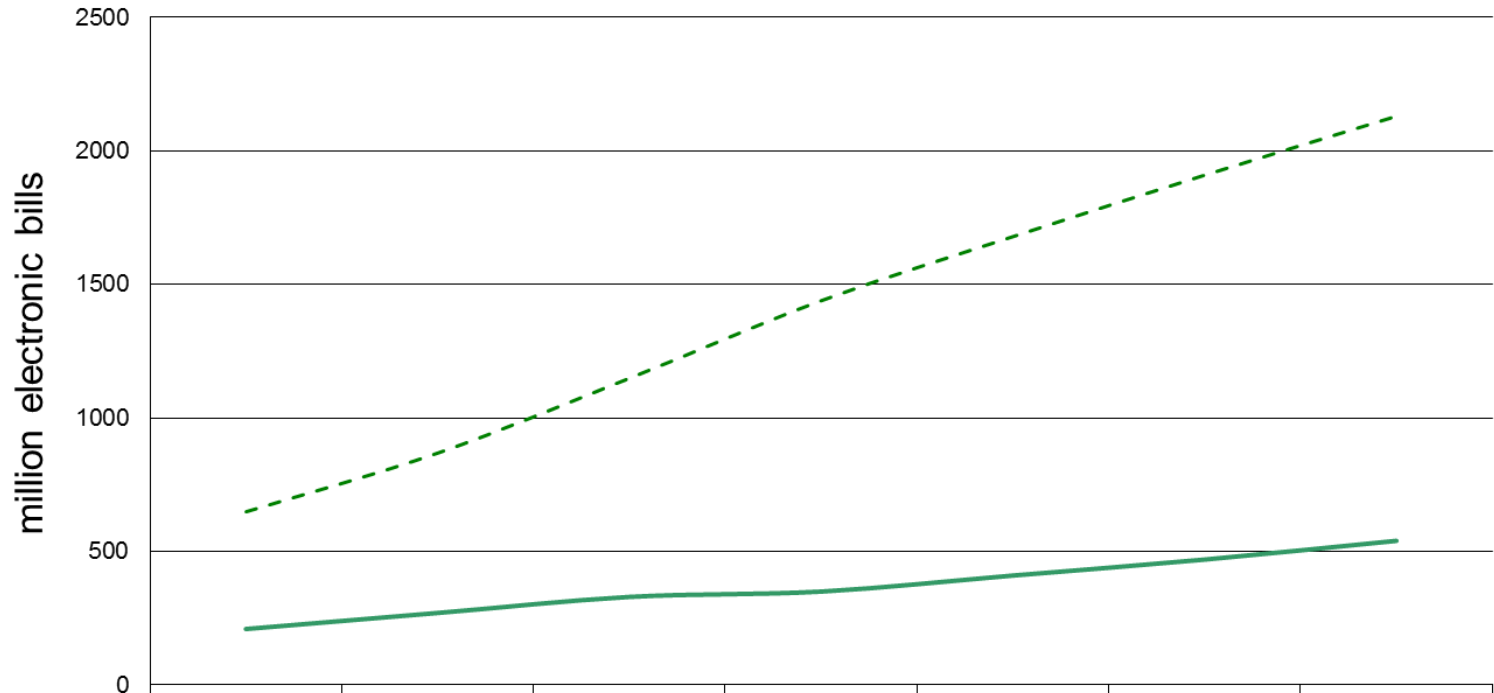
The strong and temporary increase in direct volume is mainly a statistical effect. Due to the new legislation in EU countries, a portion of the unsigned PDF invoices now belongs to the “tax compliant” invoices and are therefore considered in these statistics.

# Channels Used for Electronic Bills

## B2C volume



B2C: Electronic bill volume transferred directly or via service providers



	2009	2010	2011	2012	2013	2014 (E)	2015 (E)
B2C Biller Direct	650	870	1150	1440	1680	1910	2130
B2C via Service Provider	210	270	330	350	410	470	540

A Dutch and a very large German Telco operator lose steam and the proportion of its E-Invoicing users increases just modestly. Due to its size (14+ million e-bill subscribers), it has an impact on the European figures. In 2012, a very large biller changed from Service Provider to the Biller Direct model.

- **Public Procurement Directive 2014/24/EU**

- Fully electronic communication, tenders, ...
- Implement in national law of member states until April 2016 and practise from October 2018
- Affects hundreds of thousands of Public Administrations (PA) and millions of Suppliers

- **Directive 2014/55/EU**

- Electronic invoicing in public procurement; PAs have to accept electronic invoices
- Apply on all federal levels at the latest by November 2018
- Affects hundreds of thousands of Public Administrations and millions of Suppliers

- **New B2G E-Invoicing obligations**

- Italy in final implementation phase for all public administrations and its suppliers
- Slovenia and Spain from 2015
- Switzerland (January) and Estonia from end of 2016
- France announced an obligation from 2017
- Sweden is currently investigating a potential B2G obligation

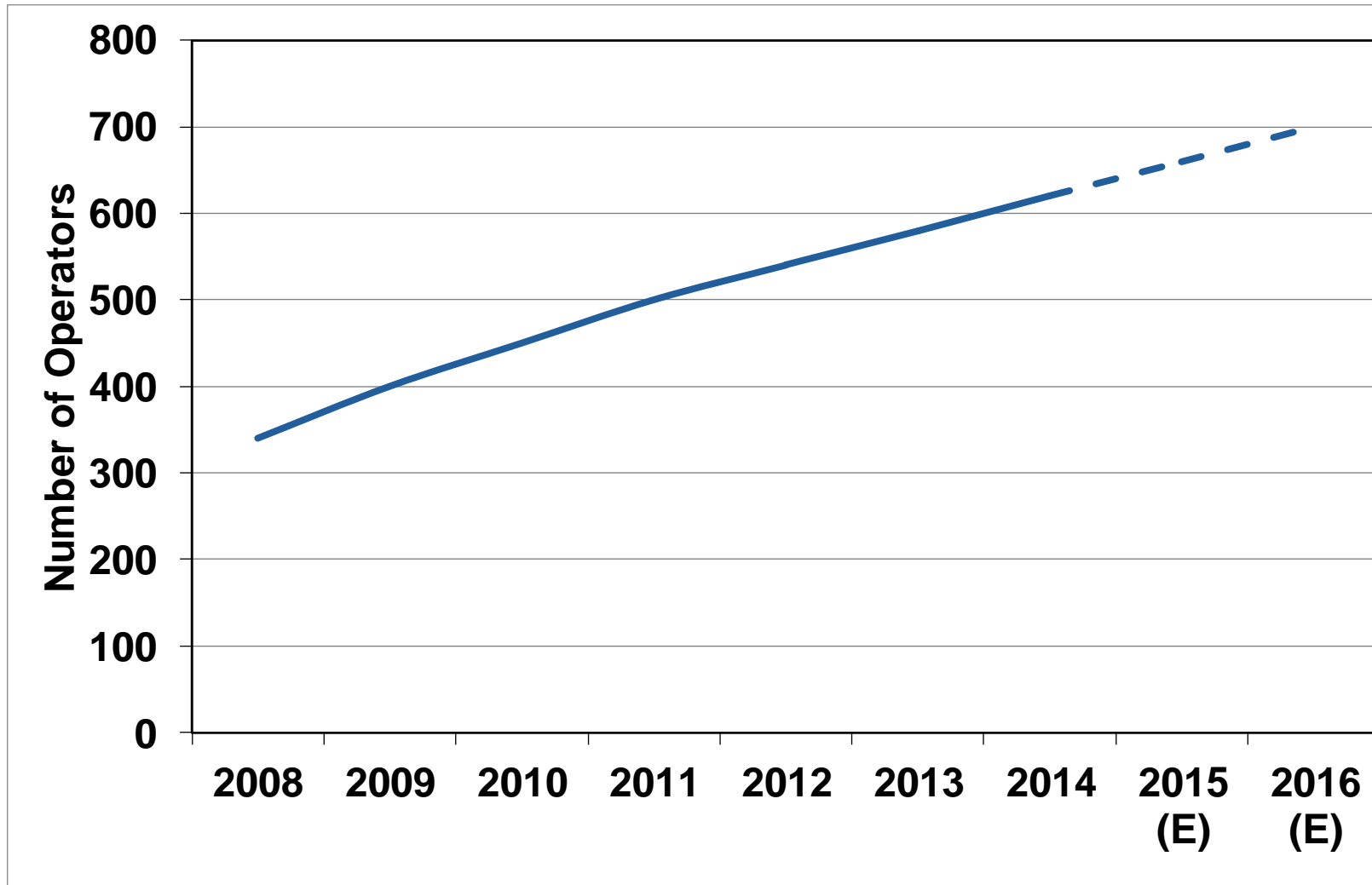
- **PDF → XML/structured electronic invoice data**

- Several surveys (e.g. Ernst and Young for Estonia, Las Sociedad en red edicion 2014 for Spain) show that a significant proportion of all E-Invoices is exchanged today as PDF and just a minority in structured format
- Industry and government initiatives strongly push the evolution from invoice images towards structured invoices or hybrid files (XML embedded in PDFs, e.g. ZUGFeRD)

# E-Invoicing network operators in Europe

- Provider offerings
  - Price erosion again substantial, especially on the supplier side and for the classic transaction business with little added value
  - Increasing importance of further added values
    - Trade finance
    - Dynamic Discounting
    - Spend analysis
    - Broad market coverage (directly or via partners)
      - Interoperability and open platforms
    - Support for processes and messages exchanged before an invoice appears
- New operators in countries with powerful public sector projects
- Challenging application replacements by 1<sup>st</sup> generation service providers. Some probably sell their business, others might re-design/re-build their solutions and a few are expected to buy the basis services as white label solutions from competitors.

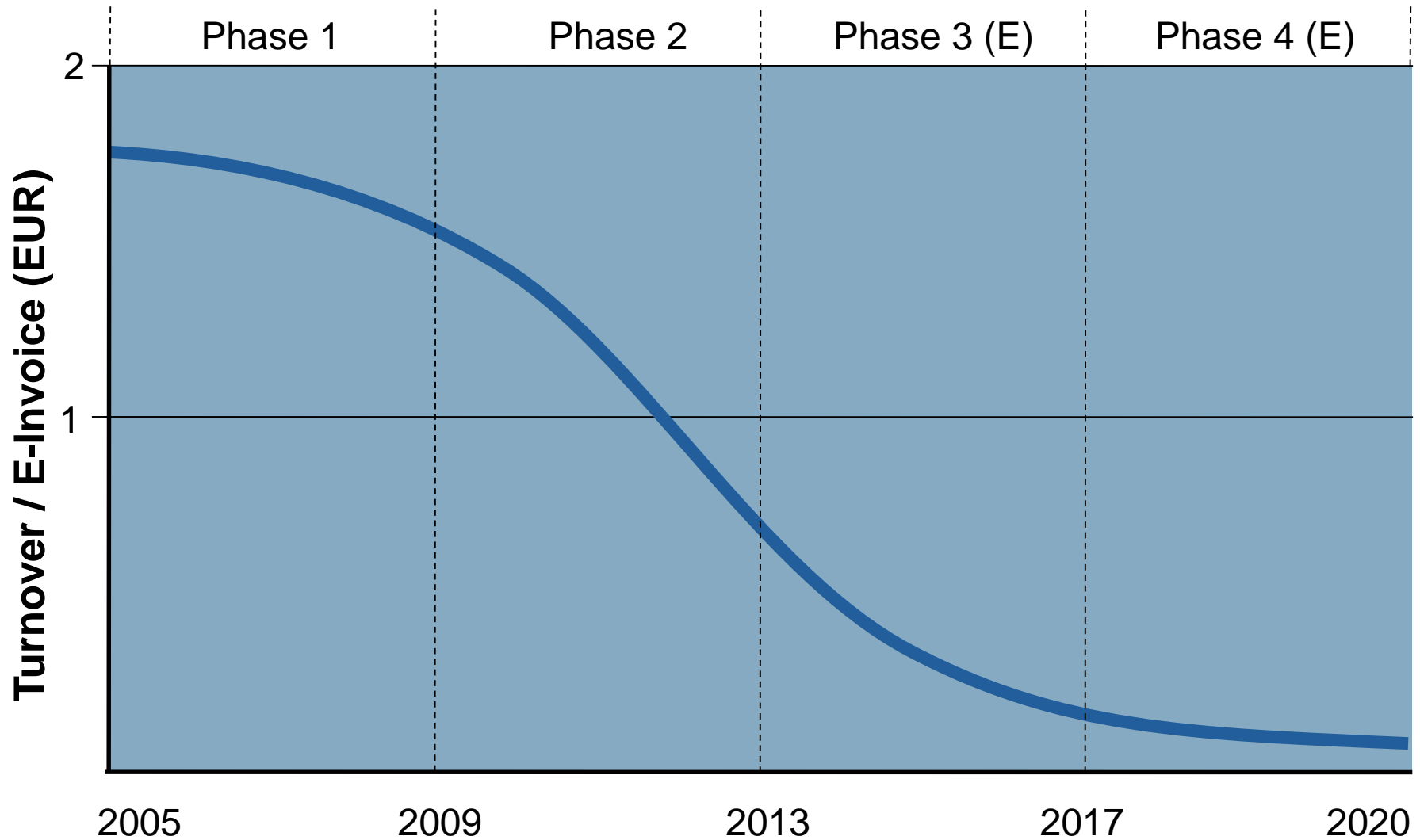
# Number of E-Invoicing network operators acting in Europe





# E-Invoicing Network Operator Turnover (1)

## Evolution of the Metric Turnover/E-Invoice (B2B/B2G/G2B)



# E-Invoicing Network Operator Turnover (2)

## Assumptions, considered providers and calculation base



- Service Providers acting in Europe and including all categories of operators (EDI Clearing Centres, focussed E-Invoicing operators, others like electronic marketplaces) are considered; depending on the degree of added value and international coverage, the services are not necessarily directly comparable, but all operators considered have in common that they process and exchange tax compliant E-Invoices.
- The author developed concrete benchmarks in 2004 and 2009 based on the typical size/volume of senders and recipients at that time and investigated the situation again in January 2013, 2014 and 2015.
- The ratio of the turnover and the volume processed by many operators enhanced with inside information on consulting projects are the sources considered.

# E-Invoicing Network Operator Turnover (3)

## *Phase 3 (2013-2016)*



- The public administration becomes a user, thereby
  - affecting the vast majority of enterprises in each European country.
  - significantly increasing the number of users as well as the processed volume.
- Most countries declaring some level of obligation to E-Invoicing might see additional service providers trying to play a role between the suppliers and the public administration. This is despite the fact that federal administrations often do not intend to pay a fee as an E-Invoice recipient, but just as an issuer.
- Increasingly, service providers rely on just the fees of senders of electronic invoices and other business documents.
- Bi-directional exchange of business documents becomes more popular; the income erosion per E-Invoice might be at least partially compensated through additional business messages and other added-values.

# E-Invoicing Network Operator Turnover (4)

## *Phase 3 (2013-2016)*



- The price erosion might be driven by further parameters
  - Discount providers gain traction.
  - The new legislation in EU countries gives a temporary boost towards direct exchange of PDF invoices, bypassing the service providers.
- Service provider contracts with the first generation of large E-Invoicing users might expire, resulting in tough price negotiations for renewal.
- Standardization of E-Invoicing makes changes from one service provider to the next easier.

**The Turnover/E-Invoice is estimated to erode by 13-17% p.a. However, new related business opportunities might appear and we are not to be concerned about the survival capability of agile providers. The turnover of operators is estimated to grow annually by 6-10% during the next 3 years.**

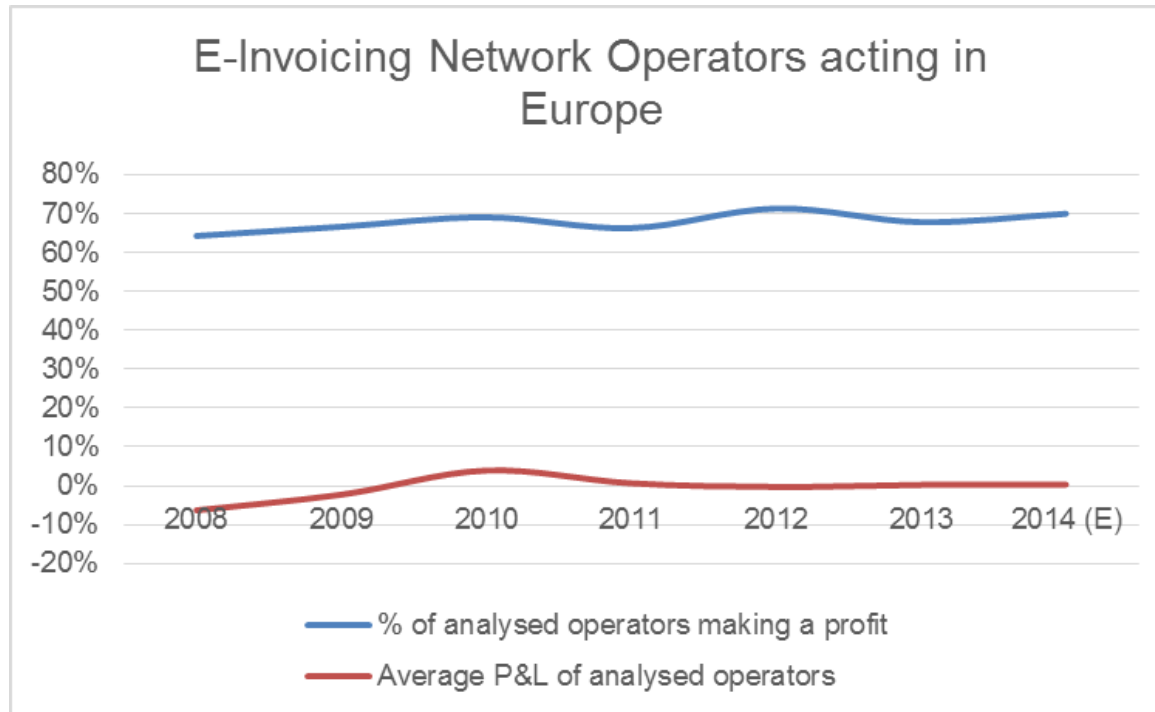
# E-Invoicing Network Operator Turnover (5) *Phase 4 (2017-2020)*



- Mass market
- E-Invoicing as a commodity business
- Service providers might offer the services on average for the price “internal costs + small margin” (e.g. in 2020 at EUR 0.10 ± 0.05) and use it as a base for other added-values.
- Why did I not explicitly mention the operators offering the services “for free”? → Because the previous slides consider the “whole operator community”, and the figures build averages.

**A limited number of operators are expected to be competitive due to economies of scale. Others might differentiate themselves by offering added value along the electronic supply chain or by focussing on interesting market niches.**

# Financial figures of up to 210+ E-Invoicing network operators acting in Europe



## Analysis:

- Only considers providers with E-Invoicing as a significant part of their business (at least 1/3 of turnover)
- Hard facts & figures of up to 213 financial statements / annual reports

**The operator community as a whole does not de-facto make any profit with the transaction business. It seems that the improved financial flexibility is immediately invested to gain additional market share (marketing & sales, price reductions, ...)**

Please find further details in the Market Report  
“E-Invoicing / E-Billing 2015”

Report issued in June 2015.

For further information, please visit

[www.billentis.com](http://www.billentis.com) [Twitter](#) [XING](#) [LinkedIn](#)

# Definitions & Methodology



Not considered in my statistics

## E-Invoices

Transported and archived fully electronically from end-to-end (supplier to buyer; pure transfer of invoice data between suppliers and tax authorities not considered) in a tax compliant manner

## Electronic, nok

Fully electronic, but not tax compliant due to lack of integrity, authenticity and legibility;  $\approx$  same volume as tax compliant invoices

## Semi-electronic

Electronic invoices are supported by paper summary invoices, scanned or printed/archived by recipients;  $\approx$  same volume as tax compliant invoices

## Others not included above

Major bulk of paper invoices  
Electronic invoice/audit data exchanged just between suppliers and tax authorities but not with buyers

- Screening and interpreting 700+ key sources, including:
  - User surveys in countries (AT, ES, FR, PT etc.) and industries (e.g. banking associations, GS1, santésuisse, ...)
  - Figures from large invoice issuers & recipients (e.g. Deutsche Telecom with around 600 million invoices issued p.a., public sector in several countries representing 10%+ of invoice volume in each country)
  - Figures of leading service providers
  - Consolidated figures of domestic E-Invoicing associations
- In total, results of surveys with 20,000+ enterprises and 15,000 consumers are considered in these statistics and forecasts