E-Invoicing
Explained

- Learn e-invoicing approaches and options
- Understand global e-invoicing regulations
- Discover an approach to getting started


Invoice
Ms
Current Name
Street Name. 1
70000 City Name
Street Name. 1
70000 City Name
Tel: 0000 5555555
E-Mail: emailname@server.com
Invoice-Nr.
2011042401
Date
24.04.2011
Clerk name/-in:
Your Name
Dear Ms Current Name,
I authorize myself to make following invoice:
Num.
Qty
Units
Article Nr.
Goods, Service
Unit Price
Price
Total
VAT 19%
Total Amount Payable

Contents

Chapter 1

Introducing E-Invoicing

In this chapter

- Learn about the development of e-invoicing
- Understand invoicing from the buyer and supplier perspectives
- Learn about the key business drivers for e-invoicing

The invoice is one of the essential documents that forms the basis of "doing business." The more quickly you issue an accurate invoice, the more quickly you get paid. But getting paid sooner is only a small part of what e-invoicing delivers to your company.

If you're new to e-invoicing, this chapter is a great place to start. It introduces e-invoicing, explains how the process works, and reviews some of the reasons companies choose to use it.

What is E-Invoicing?

Unlike many technologies, e-invoicing is fairly easy to explain. A simple definition is the exchange of the invoice document between a supplier and a buyer in a digital format. That definition, however, masks the business, technical, and compliance complexities involved when implementing e-invoicing.

At a high level, e-invoicing is the exchange of the invoice document between a supplier and a buyer in an electronic format. This could be as simple as a PDF document sent via email. However, while a PDF document might qualify as an eInvoice, it is not the ideal type of e-invoicing.

The key missing element is that not only should the supplier create the electronic invoice, but the customer should be able to accept and process it, without any manual data input on either end. The completely digital process reduces errors and increases processing speed.

The majority of invoices sent electronically today are in PDF format, but most don't meet the deeper definition of an eInvoice. Many PDFs simply contain the image of a paper-based invoice. Your customers still have to extract the data from the PDF and manually enter it into their accounting systems.

Understanding the E-Invoicing Process

Any invoicing process has two parts: the buyer side and the supplier side. The invoice forms part of the buyer's purchase-to-pay cycle where the company ensures it has the products or services it ordered, has been invoiced correctly, and can issue payment. The supplier issues invoices as part of its order-to-cash cycle. For the supplying company, it requires a way to deliver accurate invoices on agreed timescales to ensure that it receives payment quickly and efficiently.

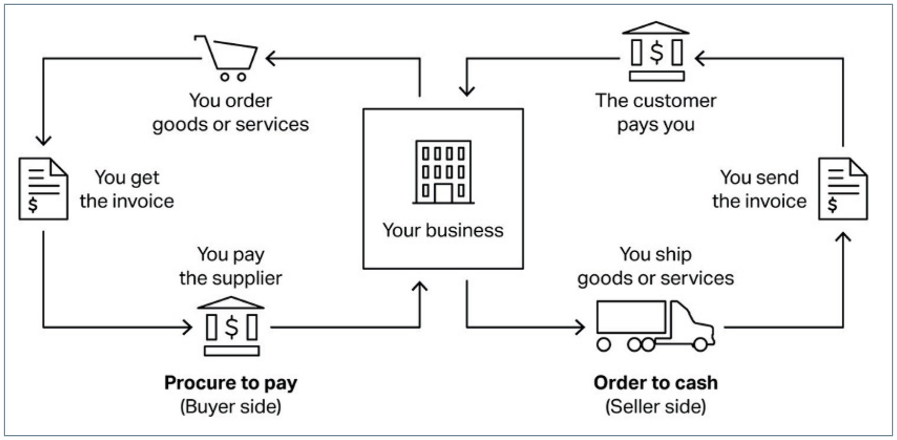


Figure 1-1: The invoicing process from the buyer and seller perspectives.

It's tempting to think of e-invoicing as an issue just for Accounts Receivable (AR) or Account Payables (AP). In fact, it covers more departments than you might expect. When you begin your e-invoicing program, you must take time to identify everyone concerned with your invoice processes and get them involved as early in the program as possible.

The invoicing process touches as many as seven different departments within both the buying and the selling organizations. In addition to the buyer's AP department, its purchasing, treasury, audit, legal, and IT departments will be involved in the processing and settlement of invoices. For the supplier, the AR, IT, audit, legal, and sales departments are involved. Buyers and sellers have different challenges when processing paper invoices and receive slightly different benefits from e-invoicing (see Chapter 3 for more info)

Understanding the Key Business Drivers

While there are many good reasons to implement e-invoicing, four key business drivers are responsible for the rapid e-invoicing adoption that is now taking place. This section explains them.

Transforming paper processes

Research consistently shows that digital transformation tops almost every executive's agenda. *Digital transformation* can be defined as the transition from paper-based processes to their digital equivalents. This is more than simply removing paper from the business; it is also the ability to use digital technology to re-engineer existing processes or develop new processes to improve current business operations and enhance innovation.

Seen like this, e-invoicing could be one of the first examples of digital transformation in an organization. It helps AR and AP departments remove paper from their office. It enables invoices to be quickly and automatically created, issued, approved, and settled. An efficient e-invoicing process improves cash management and increases visibility of the invoicing process.

The latest developments in e-invoicing are opening new opportunities for buyers and sellers. For example, buyers can take advantage of dynamic discounting (DD)—discounts based on payments dates—due to an effective payment process. At the same time, suppliers can take advantage of new supply chain and trade financing options using the eInvoice as collateral.

The ability to use an eInvoice as collateral for trade financing is becoming more popular due to the Clearance model that many tax authorities mandate for e-invoicing. You can find out more about it in Chapter 5. For this model, the buyer must acknowledge receipt of the invoice. In some countries, this is taken as a legally binding obligation to pay and can be used to secure financing terms.

Reducing costs

Cost reduction was one of the original motivations in Western economies behind the development of e-invoicing, and it remains a strong driver today. In other parts of the world—especially Latin America and Asia—government mandates have been the key driver where, in some instances, it may still cost less to process invoices manually.

However, organizations in regions such as the US and Europe have seen impressive cost savings from moving to a digital format for their invoicing.

According to analyst studies, suppliers that have automated their AR process have realized major cost savings. Delivery costs can be reduced by as much as 80 percent due to savings in postage, materials, processing, and storage. Further savings result from a reduction in reprint requests and customer service calls and the ability to implement electronic payments. In addition, having an electronic invoice archive reduces the costs associated with the storage and retrieval of paper copies.

On the buyer's side, eliminating the sorting, registering, and manual data entry of paper invoices can yield impressive savings. And because e-invoicing works by having the data quickly and automatically exchanged between the supplier and buyer systems, fewer staff hours are needed for invoice processing.

Billentis, the specialist e-invoicing research consultancy, estimates that e-invoicing can help the buyer achieve 62 percent savings and the supplier savings of 57 percent compared with processing paper invoices. We go into more benefits of e-invoicing in Chapter 2.

Automating billing and payment

E-Invoicing helps automate billing and payment processes. It simplifies the process of invoicing and requires far fewer resources. As there is far less manual data entry involved, there are fewer data entry errors and invoices are more accurate. The e-invoicing process maintains data integrity, as all data remains unaltered from when the supplier creates the invoice to when the buyer pays it.

Automated eInvoices offer security and fraud protection through advanced encryption and legally binding security elements such as eSignatures.

Automating the invoicing process is seen as one of the important steps in the trend toward the real-time economy (see Chapter 7). The real-time economy relies on the instant exchange of key business information between trading partners, and this becomes more essential as governments increasingly require you to provide your invoice for approval prior to issuing it to your customer.

Complying with government mandates

With over 150 governments worldwide now operating a value added tax (VAT) or goods and services tax (GST) scheme. This type of tax is now the largest transaction tax in the world. It is also a major source of tax fraud. In fact, a global VAT gap is emerging: It is estimated that as much as 30 percent of potential VAT revenue goes uncollected. Governments have been quick to understand that e-invoicing and electronic filing are effective tools to reduce fraud and increase revenues.

Over 50 governments globally have some form of e-invoicing mandate. Latin America leads the way with Mexico, Brazil, Peru, and Chile wielding hefty penalties for organizations that don't comply with their e-invoicing mandates for B2G and, increasingly, B2B transactions.

The European Union (EU) was an early adopter of e-invoicing with over 30 countries now having mandates for B2G transactions and Italy becoming the first EU country to mandate it for B2B transactions in 2017.

Each country is instituting its own flavor of e-invoicing and underpinning technical standards. As more countries mandate e-invoicing, multinational organizations will find compliance an essential business requirement and an increasing challenge to achieve. You find out more about this in Chapter 5.

The penalties for not complying with e-invoicing mandates can be very severe. For example, The UAE can shut down a business for three days and impose penalties up to 500 percent on top of the initial VAT debt.

Chapter 2

Exploring the Many Ways to Use E-Invoicing

In this chapter

- Learn about the PDF options available for e-invoicing
- Discover online portals for e-invoicing
- Find out about fully integrated e-invoicing

E-Invoicing began as a means for large organizations to digitally exchange documents with their key suppliers. Early e-invoicing systems could be complex and expensive. Today, there is an e-invoicing option for every size and shape of business. In this chapter, you learn about four common approaches to e-invoicing and the benefits and challenges of each.

E-Invoicing via Signed PDF

When using a signed PDF, an invoice is created within the supplier's ERP or accounting system and converted into a PDF. The PDF can optionally include an eSignature for authenticity and integrity. The PDF is then emailed to the buyer. The buyer extracts the data—either through technologies such as optical character recognition (OCR) or through manual re-keying—and enters it into their back-end systems. Figure 2-1 illustrates this process.

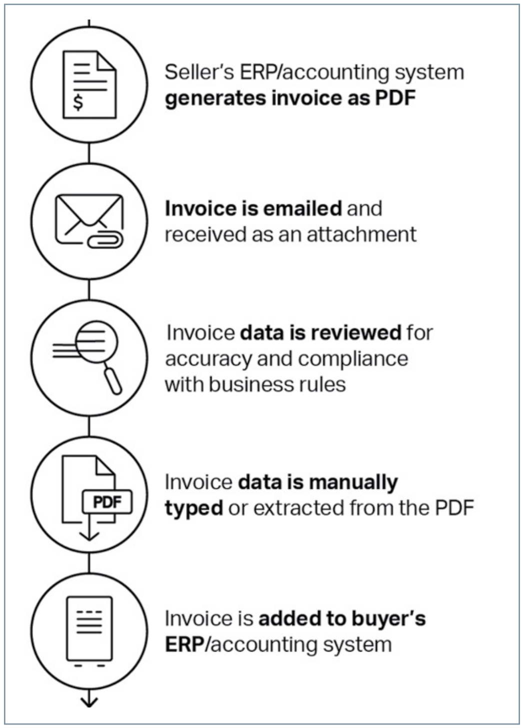


Figure 2-1: The e-invoicing process using a signed PDF.

While this approach doesn't allow for end-to-end automated processing of invoice data between both partners, in many places with established regulations on e-invoicing such as Europe and the United States, a PDF that includes an eSignature is considered a valid invoice. In fact, the majority of eInvoices throughout the world are currently exchanged using this PDF format.

The clear benefit of this approach is that it represents a low-cost method of e-invoicing that virtually any business can afford. The approach primarily benefits the supplier, who avoids the cost of printing and mailing an invoice. The supplier also no longer needs to store paper copies for audit and record keeping. PDF is such a common format that nearly everyone understands how to work with it.

However, a signed PDF also has significant drawbacks.

- The supplier must be able to guarantee the data integrity and authenticity of the invoice.
- The buyer will have to manipulate the invoice data in some way before it's entered into their systems.
- There are also hidden costs in the signed PDF approach, particularly for small businesses. They will have to make the investment necessary to create the processes and audit trails needed to guarantee the integrity and authenticity of the eInvoice. In addition, eSignatures typically go through a third party, which charges for setting up the process and signing each document.
- The main drawback of the signed PDF approach, however, is at a regulatory level. While a signed PDF may be counted as a valid eInvoice in most countries, it can't deliver the level of automation that's required in the more advanced e-invoicing fiscal models (we cover those models in Chapter 4). As countries increasingly adopt the more real-time, automated tax models, a signed PDF is not likely to meet their requirements.

E-Invoicing via an Embedded PDF

In the embedded PDF approach, an invoice is created within the supplier's ERP or accounting system and converted into a PDF (this is similar to the signed PDF; see the preceding section). In this case, however, the invoice data is embedded within the PDF in a structured format using XML. The embedded PDF also includes an eSignature for authenticity and integrity.

Like the signed version, the embedded PDF is then emailed to the buyer. Upon receipt, the structured invoice data can be automatically extracted from the invoice and can flow directly into the buyer's systems, as shown in Figure 2-2. This approach removes both paper and manual intervention from the process.

Using the embedded PDF approach overcomes many of the drawbacks of the signed PDF. However, it is not without its drawbacks.

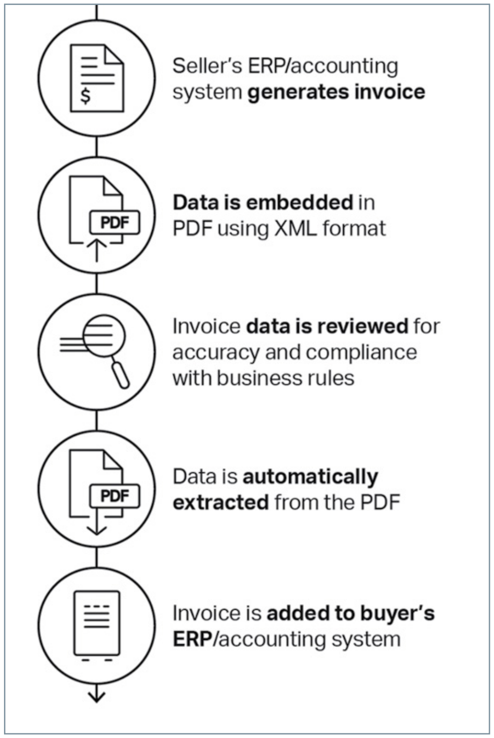


Figure 2-2: The e-invoicing process using an embedded PDF.

With an embedded PDF, businesses have a relatively low-cost means of exchanging eInvoices using a format that all parties are comfortable with. However, adopting the embedded PDF approach requires special software for both parties. This software includes capabilities for data mapping and translation needed to convert the structured invoice data from the supplier into a format that the buyer's systems can accept. It requires both the buyer and seller organizations to have the technical skills to customize the software to their partner's requirements. Generally, this is achieved through adopting a pre-agreed standardized format—such as the ZUGFeRD or VER models in Germany—that allow partners to connect without the need for data mapping and translation specific to each trading partner.

Another drawback of the embedded PDF approach is that, while it helps digitize an important business process, it also isolates it from the digital exchange of other documents, such as purchase orders and shipping notices, that underpin transaction-related processes. In cases where a business can make a slightly larger investment in e-invoicing, invoicing via B2B integration may be a better overall value (see the later section, "e-invoicing via B2B Integration," for more information).

Efforts are underway in multiple countries to create standard eInvoice formats for the XML in an embedded PDF. Unfortunately, multiple standards are emerging and businesses will likely need to support more than one.

E-Invoicing via an Online Portal

An increasingly popular approach among large buyers is to create an online e-invoicing portal. It provides a secure cloud-based service where suppliers have access to easy-to-use online forms. The forms on the portal are able to ensure all required data is included and saved in an electronic format suitable for importing into the ERP system. Figure 2-3 outlines this process. The buyer can integrate the portal with its invoice processing system to provide status and other payment information to the seller.

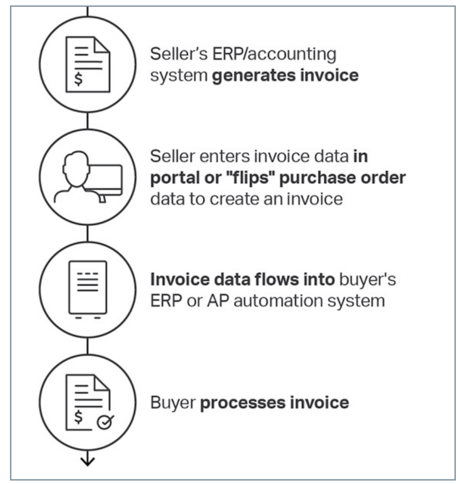


Figure 2-3: The e-invoicing process via an online portal.

This approach is best for integrating with smaller suppliers that can't invest in the technology required to exchange data digitally. The advantage of portals is the bi-directional nature and ability to automate some communication. It's likely that the buyer will use the online portal in conjunction with the last option presented in this chapter, B2B integration, to ensure that all invoices can be processed in the same way, with the same tools and processes. Taken together, the buyer can achieve 100 percent digital engagement with its supplier community.

Unfortunately, using an online portal does mean that small suppliers will have to key some data into the portal manually. Some data entry errors are likely to occur, although fixing errors is easier via the portal as compared to fixing paper-based errors, and errors can often be caught and fixed directly in the portal. It helps if the portal also supports the placing of orders, in which case the portal can pre-fill forms for the supplier with data from the order, reducing manual data entry even further.

One drawback to this approach is its heavy focus on the buyer. Suppliers have little leverage in this situation. With most benefits going to the buyer, it can be challenging to get suppliers to participate. You will likely need to use training and communication programs to encourage supplier engagement. Another disadvantage, and perhaps a major one, to this approach (similar to PDF approaches) is that it doesn't allow for full end-to-end automation for the invoicing process. The result of this is that it is unsuitable in countries that use the Clearance model for e-invoicing.

E-Invoicing via B2B Integration

The final approach for e-invoicing is electronic integration between partners, often referred to as B2B integration. *B2B integration* means the integration, automation, and optimization of key business processes that extend outside the four walls of a company's organization. It enables you to automate all the business documents involved in your key supply chain processes in a way that increases visibility, drives performance, and lowers costs.

In this approach, suppliers automatically generate and send eInvoices that buyers receive in digital format, automatically processing and importing them into their ERP or accounting system. This system eliminates data entry for both supplier and buyer while improving data accuracy and integrity. It speeds the process, increases satisfaction for all parties, and provides a foundation for all the benefits that come from e-invoicing. Figure 2-4 outlines the process.

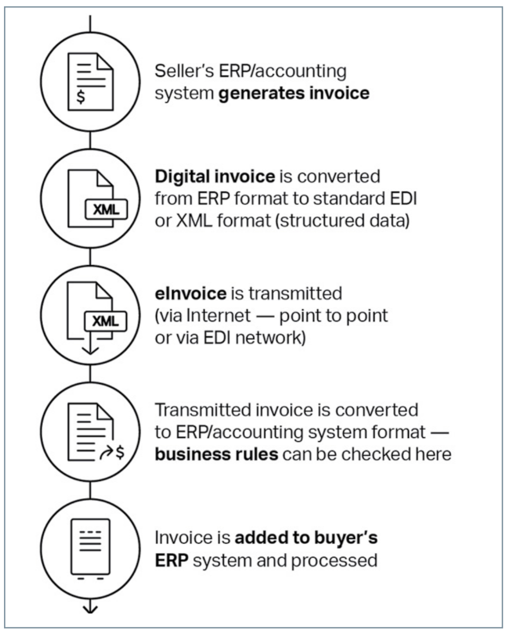


Figure 2-4: The e-invoicing process via partner integration.

This exchange of digital information between trading partners is the most efficient way to exchange eInvoices. It also allows for some valuable interaction between buyer and seller. For instance, many buyers do extra processing during the conversion step to ensure all the right data is available and accurate or within tolerances before the data goes into the ERP or accounting system. If required data is missing, part numbers don't exist, or the amount billed varies too much from the order amount, the system can reject the invoice and send a digital message to the supplier.

Although B2B integration is the "best" system by many measures, it is also the most complex option to implement. The initial set-up and configuration between the buyer and seller requires time and effort. The conversion steps shown in Figure 2-4 may need to be done on both sides using data mapping and translation software. The conversion steps are required due to challenges faced when integrating buyer's AP with supplier's AR systems. Each accounting vendor outputs invoice data in its own preferred format. If you use your own software, you need to meet with each trading partner and determine the EDI or XML data format that the documents will be transmitted in.

With this level of complexity—as well as rapidly changing technology and global regulatory requirements—many organizations outsource to B2B integration service providers. In addition to gaining access to a global e-invoicing platform that can connect to all types and size of partners, this approach gives you the opportunity to implement full B2B integration capabilities, so you can digitize and exchange all business documents using the same technical infrastructure.

Chapter 3

Discovering the Key Benefits of E-Invoicing

In this chapter

- Change the topline benefits of e-invoicing
- Understand how e-invoicing benefits buyers
- Learn how suppliers benefit from e-invoicing

Organizations can achieve many benefits by adopting e-invoicing. As I briefly touched on in Chapter 1, these benefits are somewhat different for the supplier and the buyer organizations, but some things are common to both. This chapter looks at the ways that e-invoicing can be a boon to each.

E-Invoicing: The Overall Benefits

The first advantage of e-invoicing benefits all organizations — buyers and suppliers alike. This section doesn't give you an exhaustive list, but it demonstrates the key areas where you can potentially make substantial gains.

Cost reduction

Cost is always a major driver in any organization. The traditional invoicing process is costly for both the buyers and suppliers. On average, it costs $21.65 for a buyer and $13.65 for a supplier to process and pay a paper invoice. In comparison, e-invoicing costs an average of $8.25 and $5.80 respectively. Figure 3-1 provides a complete breakdown of where the savings come from for the buyer.

	Paper/manual	eInvoice/automated	Potential savings
Invoice capture	1.35	0.50	**0.85**
Quality assurance	3.70	0.00	**3.70**
Routing and circulation	8.00	3.90	**4.10**
Reporting and filing	2.70	1.00	**2.70**
Payment	5.90	2.45	**3.45**
Total costs/savings*	21.65	7.85	**13.80**

*All amounts in Dollars ($)

Figure 3-1: Paper versus electronic invoices: A cost comparison for the Buyer (Source: Billentis)

Research consistently demonstrates the cost savings of moving away from paper invoices. For example, research company Billentis estimates that senders of eInvoices can save about 59 percent and recipients can save 64 percent compared to using paper-based processes. The Aberdeen Group, a leading research company dealing in the technology field, suggests that these figures may be conservative, reporting that saving of up to 90 percent are possible when moving from paper to digital invoices.

These figures are based on a perfect invoice, of course. If there are any issues in the original invoice, then extra costs are added to the process. It's estimated that re-issuing an invoice costs around $39. The more invoices that can be processed the first time they're submitted, the more savings accrue from using e-invoicing.

Invoice accuracy

Paper invoices require a good deal of manual intervention. If a process is solely paper-based, accounting staff on both sides must key and rekey data into electronic systems. Even using a signed PDF (as described in Chapter 2) requires that staff on the buyer side key data from the PDF into their ERP or accounting system.

All this keying inevitably leads to human error. The scale of this problem is massive. The industry benchmark is a 1 percent error rate for data entry. It's suggested that the average keystrokes are between 12,000 and 15,000 strokes an hour, which represents up 150 inaccurate keystrokes—150 errors being introduced into the average system every hour.

Electronic capture of invoices enables straight-through processing of critical business data into accounts payable (AP) systems without relying on error-prone, manual re-keying of data. While this automation won't eliminate the potential for error, error is dramatically reduced.

Invented in the 1990s, the term straight-through processing describes the process of payment transactions to happen completely electronically without the need for manual intervention, subject to any legal or regulatory requirements that may apply.

Although e-invoicing will automate much of the invoicing process, there will still be the need for human input. Invoice review, exception handling (where your system flags that there may be an issue with the eInvoice), and approvals will often need people to ensure everything is working properly and correct.

Time savings

By enabling end-to-end automated processing, e-invoicing makes it quicker and easier for the staff at both ends to deal with invoices. In addition, more accurate invoices mean that there is less time spent making corrections, re-issuing, and chasing corrections.

In 2017, Billentis found that electronic and automated invoice processes could result in saving of 60 to 80 percent compared to traditional paper-based processing. The firm, that specializes in e-invoicing research, accredits electronic and automated invoice processing for saving between 1 and 2 percent of turnover.

Faster payment

Late payments can be a major issue for business, especially small companies. For example, the Australian government found that the average invoice was paid over 26 days late—or after 86 days on 60-day payment terms. In the UK, a 2018 survey found that almost half of respondents admitted that at least one in ten payments to suppliers were made after the agreed payment dates. e-invoicing can dramatically speed the entire order-to-cash cycle.

While this may appear like a benefit for the supplier, it can also be a significant benefit to the buyer. By paying early or time, a buying organization can potentially secure attractive discounts. Suppliers are often willing to exchange a discount of 1 to 2 percent of the total charges on the invoices for an earlier payment. When you're spending millions or billions of dollars on goods and services each year, this level of discount soon mounts up and improves cashflow within your business.

Improved visibility and compliance

Invoicing on paper means that there is a delay in the invoice becoming visible within the accounting system. This delay affects the speed and accuracy of forecasting and forward planning. Within your treasury function, the ability to see the invoice as soon as it is issued provides a much greater level of certainty and control.

This improved visibility of the invoicing process helps with customer, industry, and regulatory compliance. Moving from paper to electronic versions also makes the storage and retrieval of invoices much more efficient for auditing and meeting document retention requirements.

Enhanced security and better fraud detection

Paper invoices sent by mail, fax, or email are vulnerable to interception, making the invoice exchange process insecure. With e-invoicing, the invoice data remains unaltered throughout the process. Many e-invoicing solutions even provide digital security measures such as secure delivery and encryption, meaning prying eyes can't read the data at all.

This enhanced security significantly reduces the potential for fraud, which is a major reason tax authorities worldwide are now mandating e-invoicing (we discuss this in Chapter 4).

In addition, the introduction of stringent new personal data protection laws in Europe under the General Data Protection Regulation (GDPR) make it vital to effectively manage the sensitive data you hold—such as contact and address details on invoices. e-invoicing facilitates the process of GDPR compliance while paper invoices will make it challenging to meet new privacy rights such as the 'right to be forgotten'.

GDPR gives wide-ranging new rights to EU residents over their personal data. The 'right to be forgotten' sets out the right for someone to demand that you remove all information you hold on them—both digital and paper-based—from your systems.

Improved customer and supplier relationships

E-Invoicing makes the process as effective as possible and ensures that the supplier can deliver a high level of service. Customers and suppliers like that, naturally, and it makes them want to continue to work with you. Where issues do occur, it's much quicker to find and fix the errors electronically. The pressure on relationships that payment disputes create is reduced or eliminated. Moreover, the process of the supplier and buyer integrating their systems to enable e-invoicing requires each side to make an investment in the long-term nature of the relationship.

Better environmental protection

Offices use a lot of paper—a lot. The paper consumption for a single office worker can range between 10,000 and 20,000 sheets per year. This number is likely to be even higher for those working in the accounting and finance sector given the extra paper they use for invoicing and the paperwork that supplements it. This paper consumes natural resources to make and even more natural resources to transport it from place to place.

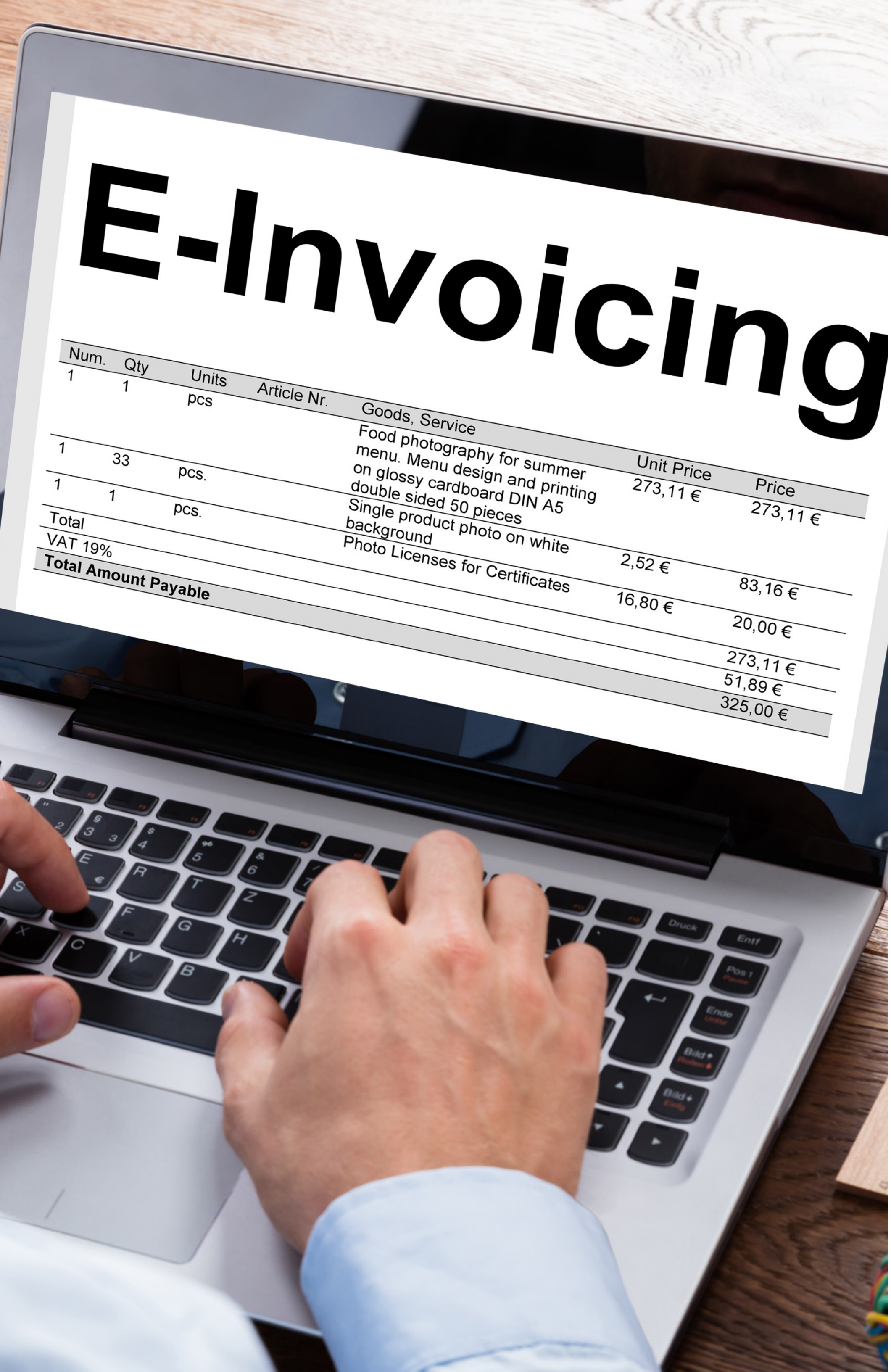
E-Invoicing eliminates both the paper and the transportation of that paper from supplier to buyer. Some estimates suggest e-invoicing solutions can help to remove more than 80 percent of paper from most accounting departments, reducing a company's carbon footprint drastically. It's not just about sustainability; this savings represents a real bottom line benefit.

As a further benefit, consider the storage costs involved in retaining invoices to meet the regulatory requirements in each market where you trade. With over 40 percent of companies retaining archives for up to ten years, industry research has shown that AP can save 67 percent, and 32 percent for Accounts Receivable (AR) by moving from paper to digital invoices.

Self-billing & self-invoicing

E-Invoicing can begin to dramatically alter the entire invoicing process. The first step in this direction is *self-billing*, in which the buying company issues the invoice to itself on the supplier's behalf. The supplier doesn't have to create or issue the invoice. That way the buyer can ensure that the invoice matches other documents involved in the process, such as a contract, call-off schedule, or purchase order and any related despatch advice or advanced shipping notice (ASN). The buyer stays in control of the process and gets supplied more quickly. The supplier gets paid more quickly while doing less work. It's a win-win.

The next step is *self-invoicing*, in which the actual invoice becomes redundant. The buyer pays the supplier without an invoice ever being generated. Both parties rely on other documents to chart out the transaction. For example, if the shipment details and ASN match the initial purchase order, the supplier is automatically paid. The simplest forms of e-invoicing can't support this level of automation, but fully integrated electronic data interchange (EDI) or a buyer portal (as explained in Chapter 2) can facilitate this approach.



How E-Invoicing Benefits the Supplier

In addition to the common benefits in the first part of this chapter, other benefits exist just for the supplier. This section outlines some of these.

Improved cash management

E-Invoicing eliminates the delays that result from mailing, routing, sorting, and re-keying paper documents. Customers can easily route your invoices for fast processing and approval because the data is immediately available electronically in their workflow systems. As a result, invoices are paid on time, days sales outstanding (DSO)are significantly reduced, and cash flow is improved.

DSO, or days receivables, is a calculation used by a company to estimate its average collection period for cash owed. It is a financial ratio that illustrates how well a company's AR department is being managed.

Fewer rejected invoices

E-Invoicing enables straight-through processing directly from your AR system to your customer's AP application. e-invoicing eliminates the buyer's need to manually re-key the data, reducing the potential for data entry errors. As a result, invoices are less likely to be rejected and customers can start processing them without delay.

Increased productivity

With electronic delivery of invoices, you know that your customers have received their invoices and precisely when they were received, reducing the need for status calls. Improved accuracy resulting from e-invoicing reduces the amount of rework required and volume of dispute phone calls.

Enhanced account reconciliation

Suppliers are often challenged to reconcile the payments they receive from customers against the original invoices they submitted. Buyers will often consolidate multiple invoices to allow for a single bank transfer, and suppliers usually then need to call the buyer's AP department to understand the details behind funds received. With e-invoicing, buyers can send an electronic remittance advice with the payment, providing a detailed accounting of invoices paid as well as debits, credits, and adjustments taken. This also helps in situations where buyers claim deductions against an invoice due to shipment problems such as damaged or missing items.

Improved financing options

By taking a great deal of the risk out of the payment process, e-invoicing opens up new and innovative financing options for the supplier. With faster and more predictable payment on invoices, suppliers can begin to leverage invoices to secure trade and supply chain financing. Especially when local tax authorities apply the Clearance model (we explain in Chapter 4), the buyer's acknowledgement of an invoice's receipt and validity can be considered an obligation to pay. Having that assurance enables the supplier to take advantage of innovative payment and finance options such as invoice auctions.

Auction-based financing is still relatively new. It involves an online platform where finance providers bid to advance money to organizations against the invoices they have issued. This financing method was created to overcome the credit crisis where traditional lenders—such as banks—cut their lending streams dramatically.

E-Invoicing Benefits for the Buyer

This section gives you the other side of the coin: how e-invoicing benefits the buyer. There are a number of ways.

Improved productivity

As a result of increased invoice accuracy, less rework is required due to invoice errors, as well as fewer phone calls from suppliers to buyers asking for invoice statuses. Suppliers know that the invoice is accurate, and they know when it was received, so they don't need to chase the buyer's AP department to ensure the invoice is being processed.

More trade discount opportunities

Electronic invoicing enables buyers to process and approve invoices more quickly. As a result, buyers can take full advantage of timely payment discounts. There are several different models for early payments, including buyer-managed invoice discounting programs, supplier receivables factoring programs, bank-led supply chain finance programs, and multi-bank electronic marketplaces such as the Receivables Exchange. Increasingly, buyers look to take advantage of newer approaches to discounting facilitated by e-invoicing such as dynamic discounting.

Dynamic discounting allows buyers and suppliers to negotiate price discounts based on speed of payment on an invoice-by-invoice basis.

Improved dispute handling and resolution

Invoice disputes can cost from $60 to a lot more than that to resolve, creating both inefficiencies in the financial supply chain and hard feelings between customers and suppliers. The faster, more accurate payments that e-invoicing enables greatly reduces the number of calls from suppliers asking about payment status or disputing payment amounts.

Enhanced account reconciliation

Buyers frequently consolidate payments for multiple invoices into one single funds transfer to reduce banking fees. Buyers may also claim deductions against an invoice for a variety of reasons. Upon receiving a consolidated payment, confused suppliers will frequently call the buyer's AP department to inquire about the details behind funds received. Buyers can help suppliers out with their account reconciliation by sending electronic remittance advices along with a payment that provides a detailed accounting of the invoices paid as well as debits, credits, or adjustments taken.

As you begin to plan your e-invoicing program, sit down and carefully work out what benefits you want to achieve. Look at both the tangible benefits—cost and performance—and the intangible benefits—customer satisfaction or brand values. Build your plan around the low hanging fruit so your e-invoicing program can deliver quick and visible wins.

Chapter 4

Looking at E-Invoicing Around the World

In this chapter

- Learn why governments are introducing e-invoicing regulations
- Simplify VAT processes
- Understand the difference between the post audit and clearance e-invoicing fiscal models

Business has become more global and more digital in the last few decades and becomes more so every year. This evolution brings opportunity, but it also increases the complexity of doing business in different countries, especially when trading across borders. At the same time, governments want to ensure that they receive the correct amount of tax from this trade. This chapter looks at the role that governments play in driving e-invoicing adoption and what that means for your business.

The Rise of Government Mandates

Early government interest in e-invoicing centered on cost reduction and environmental improvement, as it did for businesses. Removing paper from invoicing significantly reduces carbon footprint while saving the accounts payable (AP) departments in government agencies quite a chunk of their budget.

The United States federal government processes over 19 million invoices each year, and estimates that it could save over $450 million a year if it used e-invoicing for all its invoices. The European Union (EU) worked out that its savings could exceed $2.5 billion if all the governments in Europe did the same thing.

For this reason, many nations have begun to mandate the use of e-invoicing when doing business with government agencies. The EU was one of the first government bodies to start encouraging and enforcing the use of e-invoicing. It gave e-invoicing the same status as paper invoices in 2010 for tax reporting and has stated that it will make e-invoicing mandatory for all invoices to government entities. The United States federal government is also working toward mandatory e-invoicing for government suppliers.

E-Invoicing consultancy, Billentis, estimates that commerce with the government can represent up to 80 percent of all procurement spending in a country, so such mandates will drive widespread adoption of e-invoicing within private business. Companies also stand to experience significant cost savings by complying with these requirements, as you discovered in Chapter 3. The Finnish government found that its suppliers saved on average 57 percent through e-invoicing.

But cost is no longer the main reason for governments adopting e-invoicing. Effective tax collection has always been a challenge. The growth of digital trading and globalization has made collection even more difficult. e-invoicing is proving to be a powerful tool in increasing revenue and reducing fraud.

Today, over 55 countries worldwide have adopted or are considering e-invoicing mandates. This number is growing steadily.

Addressing the VAT Gap

Value added tax (VAT) and the related goods and services tax (GST) are experiencing growing global adoption. The taxes are also undergoing two other important trends: standardization and enforcement.

First, countries are looking to simplify and standardize their VAT processes. The EU has published its *VAT Action Plan* to modernize the current VAT systems across Europe. The Gulf States—such as Saudi Arabia, Kuwait, and Oman—are harmonizing their VAT systems from 2018.

At the same time, countries are taking steps to proactively combat tax evasion. And e-invoicing mandates are an effective means of dramatically reducing tax fraud.

Indirect taxes are vulnerable to fraud and evasion. VAT depends on organizations meeting their tax obligations as part of their sales, purchasing, and accounting processes. It falls to the companies to report their tax obligations. Many VAT systems leave it for the companies to play fair by properly reporting and complying with all the tax regulations they are faced with.

There can be the threat of regular audits, but these audits still leave a great deal of room for fraud and evasion. Even where the company doesn't deliberately set out to defraud the tax authorities, the complexity of all the tax regulations can easily lead to mistakes that go unnoticed. Whether by accident or design, large sums of money go uncollected. This often referred to as the VAT gap—that gap between what a tax authority is owed and what it actually collects. And that gap is huge. In Europe, this gap is estimated to account of between $185-$310 billion each year. It's thought that the global *VAT gap* may be as much as 30 percent of total global revenue. Little surprise that governments want to take action to address this.

Tax authorities around the world now want a high degree of visibility and transparency into your invoice data, and they're making the penalties for non-compliance severe. These include fines, audits, loss of trading privileges, and even criminal prosecution in some cases. The following sections look at each of these penalties in more detail.

Administrative fines

If you can't prove that the information in your invoices is correct, or if you didn't submit the invoice correctly, you can be fined. In some circumstances, the company that you were trading with can also be fined.

Criminal action

Some countries are treating non-compliance with invoicing regulations as seriously as tax evasion and are launching criminal proceedings against the transgressing companies.

Lengthy audits

While audits normally only take a few days, a company that breaches regulations may expect protracted audits that take time and resources and can potentially uncover new violations.

Trading partner audits

To ensure the accuracy of the invoice, the tax administrator may choose to audit the books of your trading partner. This is not good for your relationship.

Loss of VAT rights

The tax authority has the right to withdraw your ability to deduct VAT. You won't be able to claim VAT on new purchases, and you might have to pay back VAT that has been charged on past purchases. This will definitely affect your profit margin.

To provide an example of how severe a penalty can be: The United Arab Emirates can suspend a company from trading for three days and impose a fine of up 500 percent on top of the initial VAT debt.

The results of aggressive enforcement via e-invoicing can be as impressive as the penalties. Brazil, for instance, has increased its revenue by $58 billion a year, while Mexico has increased tax collection by 34 percent through e-invoicing mandates.

As more governments move to e-invoicing mandates, businesses are faced with a shrinking timeframe to provide tax-compliant invoices in all the global territories they serve. Not only governments but also the trading partners within these nations will make compliant invoicing a stipulation when doing business.

Compliance is no easy task when buying and selling internationally, because no two mandates are the same. Each country has its own set of standards and technologies that you're expected to adhere to. There is no standardization even at the level of the data you are expected to provide. Data can include contact details, product details, discounts, pricing, and payment terms, to name only a few examples. This data is stored in different systems in different departments across your organization—and often beyond, in the systems of your trading partners. You just must comply with all the different data requirements in all the mandates if you want to do business in those countries.

Telling the Tale of Two (Fiscal) Models

When e-invoicing technology first appeared in the 1990s, most governments refused to accept eInvoices as valid for tax purposes. A paper invoice was still required. As the situation changed, governments began to look to models where e-invoicing could help with tax administration. Two fiscal models emerged: the post audit model and the clearance model.

Two factors have driven these models:

- The technology available at the point when the model was initially created
- The severity of the tax fraud and evasion problems within that country or jurisdiction

The post audit model was the first to be created and has been widely adopted within the EU. Latin America and the rest of the world have chosen the newer clearance model because of the benefits it offers to tax authorities.

The post audit model

The post audit model requires that you send eInvoices to the tax authority after completing the transaction. You must preserve the eInvoices and make them available for audit when required. The core focus in the post audit model is to ensure the invoice's authenticity and integrity. Some common features of post audit eInvoices include the following:

- The use of eSignatures or digital seals
- Machine and human readability
- Invoice IDs
- Use of unique formats such as EDI, XML, and so on
- Mandated tax content
- Defined archiving processes

Most countries began using this model for tax reporting purposes and have since extended it to business-to-government (B2G) transactions. However, some post audit countries, such as Italy, are now looking at requiring e-invoicing for all B2B transactions.

Because it requires the invoice only after the transaction has taken place, the post audit model still allows for the potential of tax fraud. It doesn't enable the real-time transparency of the invoicing process for all parties involved. At the time the post audit model was developed, the technology to support high volume, real-time data transfer wasn't available, but it is now, making the post audit system seem somewhat outdated.

Initially, the integrity of the invoice was guaranteed through a digital signature. This could be the digitized version of an actual signature. The EU has passed legislation to make a digital seal legally valid for this purpose. The seal doesn't contain a signature, but it has a certificate containing information that proves the authenticity of the data within the invoice.

The clearance model

The clearance model differs from post audit (see the preceding section) in that the supplier must submit the invoice to the tax authority before sending it to the buyer. The tax authority then must approve or clear the invoice.

The other major difference between the models is that the clearance approach requires much greater buyer involvement. The buyer must acknowledge and approve the invoice as part of the process.

Clearance models are complex to navigate because they have strict rules, regulations, and technical specifications that all parties must adhere to. Some common features of clearance eInvoices include the following:

- The use of eSignatures or digital stamps
- Machine and human readability
- Invoice IDs
- Buyer consent and acknowledgement
- Buyer response messages
- Use of unique formats, such as EDI, XML, and so on
- Use of third-party service providers for certain functions, such as digital signatures, certificates, and network services
- Mandated tax content
- Time stamps
- Defined archiving processes

Most countries in Latin America and the emerging nations of Eastern Europe have adopted this model. The much more complex and stringent requirements of clearance may make it more attractive to jurisdictions where fraud and corruption are greater. However, that is only half the story. The clearance model was developed later than the post audit model, when new technologies became available to support it. The newer eInvoice systems enabled developers to build the layer of bureaucracy required for the clearance into the invoicing process without disrupting business too much.

The real-time transfer of accurate invoice data allows for much greater control for tax authorities, but it can also help businesses to be supplied and paid faster. This has worked so well that many governments are expanding the number of tax and business documents exchanged included in mandates. For example, Brazil has introduced electronic trading into other business processes such as personnel, accounting, and inventory management.

It is important to understand the use of multiple standards—even within a jurisdiction. Brazil provides an ideal example where there are five separate e-invoicing standards:

- NF-e and NFC-e: Formats for sales invoices
- NFS-e: Formats for invoices for the sale of services
- CT-e: Formats for sales invoices in transport
- DANTE: A simplified version of the NF-e to track goods in transit.

These standards and formats are continually being amended and refined. It is extremely challenging to keep abreast with all developments.

Because many clearance models explicitly call for the use of service providers as a part of the invoicing process, large organizations understandably would want to work with e-invoicing service providers that can provide the technology platform needed to meet global eInvoice compliance requirements.

Increasing Standardization

The deep transaction-oriented integration of e-invoicing systems with public authorities is quickly becoming the norm worldwide. In some post audit countries, especially those with the most pressing tax collection challenges, governments are looking at how they can incorporate real time capabilities similar to those specified in the clearance model.

For example, e-invoicing compliance in Italy increasingly resembles the clearance model. The Italian tax authorities require direct integration with a government portal—so that they have immediate visibility to all invoices in near-real-time—in a way you often see in Latin American countries. Industry experts now see a global shift toward increasing standardization on the clearance model.

Billentis suggests that the reason the clearance model will continue to gain prominence is that it provides a range of benefits for both government and business. These benefits include the following:

- Compared to the post audit systems, clearance ensures that fiscal documents are tax compliant in real time, significantly reducing the risk of fines.
- Automating tax-relevant processes replaces manual and periodic reporting forms; VAT declaration and deduction are no longer required, and collection and refunds can be done automatically.
- Where applied, the clearance method significantly reduces the VAT gap. Doing so paves the way to decreasing tax rates in the future.
- Countrywide message standards are established, reducing variation.
- Issues related to interoperability between service providers are easily solved or become irrelevant.
- Countries deploying clearance very quickly extend it to other fiscal documents, such as invoices, payment receipts, credit notes, debit notes, monthly salary statements, and so on.
- The availability of new volumes of real-time data enables companies and government organizations to apply advanced analytics to improve the process and innovate other areas of business.

Again, using Brazil as an example, the country has not only moved beyond e-invoicing to other business functions, but also it is now using analytics applied to e-invoicing processes to help Customs determine new price benchmarks. This is a trend that will only gather pace as more countries adopt this model and mandate e-invoicing usage across an increasing range of transactions.

Chapter 5

The Core Components of an E-Invoicing Solution

In this chapter

- Learn the five key business steps needed to gain full benefit from e-invoicing
- Study the ten core components of an e-invoicing solution
- Understand the role of a unified e-invoicing platform

Transitioning from paper to e-invoicing is an important step toward improving your cashflow, reducing costs, and achieving process improvements within your accounting department. You just need to ensure that the e-invoicing solution you select has all the features you require. In this chapter, you look at what components comprise an effective e-invoicing solution.

Five Steps to Realizing the Potential of E-Invoicing

Before looking at the capabilities of your e-invoicing solution, let's take a step back. Implementing e-invoicing is not simple, and jumping straight to the technology can mean you can miss some of the potential benefits. Instead, you need to build a strategy to help you realize the full potential of e-invoicing. For most large organizations, there are five important steps.

Centralize your e-invoicing capabilities

Most major, multi-national organizations should begin by moving toward centralized invoicing processes, both for issuing and receiving invoices, based on a single central or a small number of regional accounting centers. It may not be possible for your organization to centralize every aspect of its invoicing operations, but the more your invoicing operations are centralized, the easier it is to achieve the benefits of e-invoicing and the better return on investment you will get. However, centralizing your accounting operations won't happen overnight, you should do this in parallel with your e-invoicing initiatives.

Aim for 100 percent trading partner participation

Trading partner engagement is another area that unlocks the benefits of e-invoicing. The closer that you can get to 100 percent trading partner participation, the more benefits you reap from your investments. While technology has been a barrier to adoption for smaller partners in the past, this is no longer the case. Small businesses today have a wide range of connectivity options, from full B2B and EDI connections to simple web forms that give you the flexibility to exchange business documents quickly and easily with trading partners.

Sometimes it's not the technology but the culture that acts as a barrier. Some trading partners might be resistant. You need to fully understand the capabilities and requirements of your trading partners. It is a good idea to build trading partner involvement into your e-invoicing program.

If you work closely with the partners you wish to exchange invoices with, you can build communication and incentives to drive participation. This may not work in all instances. You may have to apply pressure—even penalties—to ensure all trading partners move to e-invoicing. That kind of coercion is a last resort, but it may be required if the success of your program is in question. For suppliers, negotiation and incentives are your major tools.

Plan for greater process automation

E-Invoicing can enable a much wider scope of process improvements and cost savings. For example, a major hurdle in achieving full invoice automation is often the quality of data coming from other systems, both inside and outside of your enterprise. Insufficient data within the invoice message necessitates manual exception handling, and the proportion of paper invoices that require manual intervention can be extremely high.

By simplifying the invoicing process while helping to improve data accuracy and integrity, the order-to-cash cycle shrinks, and you get paid more quickly with less resource use. For the AR department, there is far less time lost chasing late payments. The AP department will handle far fewer inaccurate invoices.

Prepare for multi-channel e-invoicing

You'll find that there are as many approaches to e-invoicing as there are trading partners. Nearly every system is different in some way, with different standards, technologies, and government mandates to follow. There is no one-size-fits-all e-invoicing solution. Even if the market does begin to settle on fewer standards over time, you will continue to face a multi-channel, multi-format environment for the foreseeable future.

Dealing with multiple channels becomes more pressing as mobility continues to become a larger presence in every aspect of business. No matter what the task, people increasingly expect instant accessibility from any platform they happen to be using, from a smartphone to a desktop workstation. And that includes their e-invoicing services.

Use e-invoicing as a catalyst

Look beyond simply automating and optimizing your invoicing processes. Research suggests that those things will return only a third of the total possible benefits of e-invoicing programs. The majority of benefits come from integrating e-invoicing into wider financial process automation initiatives. Moving from paper to electronic invoices enables you to take an end-to-end approach across your entire sales and supply chain processes. e-invoicing can become part of an overall approach that includes automatic matching of orders, order confirmations, invoices, and payments.

Ten Core Components of an E-Invoicing Solution

Every e-invoicing solution requires a number of features, whether you decide on an in-house software approach or select an e-invoicing service provider. The following sections explain each one.

Electronic document exchange

Your solution automates document exchange between buyers and suppliers, regardless of company size, technical capabilities, or geographical location. It should support the other documents — such as POs, credit notes, payment instructions — that contribute data to your e-invoicing process. It must be able to accommodate the security policies and communications strategies of your company and trading partners.

Integration with accounting and ERP systems

Any e-invoicing solution should enable straight-through processing between a buyer's AP system and a supplier's AR system. The solution should easily integrate with your current workflow and management systems without requiring replacement of existing functionality. That way you can continue to use your own financial systems to create and process the invoice. You can also leverage your investment in workflow and management tools to control the payment transaction initiation.

While ERP systems can create invoices, integrating various e-invoicing standards is outside the scope of ERP providers. Your e-invoicing solution should be able to handle the any-to-any data conversions to overcome these limitations.

Tax capabilities

The e-invoicing solution should have a facility for receiving updates promptly when regulatory changes occur that affect your business. That's important because it helps you remain compliant with local laws and fulfill the requirements of local tax authorities.

Data quality services

The solution you select needs to help eliminate a significant percentage of the research, matching, and resolution tasks associated with invoice validation by performing data quality checks — based on specific rules — before delivering invoices to the buyer. Examples include

- **Business rules** ensuring that invoice data matches the purchase order and goods received data
- **Tax rules** ensuring that mandatory tax data is present and verified
- **Trade and customs rules** ensuring that your e-invoicing solution meets government mandates where required

Support for standards

Every e-invoicing solution must be able to accommodate countless standards. Depending on which market you operate, you and your partners are likely to have to work with a number of different standards in one or more of these categories:

- **Technical standards** such as ANSI, UN/EDIFACT, XML, ebXML, OASIS UBL 2, and PDF/A-3
- **Industry standards** such as GS1 in retail, ETIS in Telecoms, RosettaNet in High-Tech, and ISO 20022 in Finance
- **Regional/Country standards** such as PEPPOL in the EU, facturae in Spain, UBL-TR in Turkey, Comprobante Electronico in Ecuador, and the NFe, NFS-e and CT-e formats in Brazil

Pan-European Public Procurement On-Line (PEPPOL) is an EU standard for facilitating cross-border eProcurement. PEPPOL is not an e-Procurement platform, but a set of technical specifications. These specifications, when implemented in eProcurement solutions and eBusiness exchange services, make disparate systems across Europe interoperable . There is also a PEPPOL eDelivery network, which is an interoperable and secure network that connects all parties using the same electronic messaging protocol and formats and applying digital signature technologies to secure message content.

Flexible portal-based services

Many e-invoicing solutions can connect directly with some trading partners via a digital connection (such as through EDI or XML) while it connects to others via web interfaces. This flexibility encourages trading partner engagement by delivering a means for smaller partners to digitize and begin to trade electronically at a technical level and cost that they can sustain.

Regulatory compliance services

Your e-invoicing solution must be able to comply with all country-specific e-invoicing laws and mandates. Non-compliance can lead to sanctions, including fines and business suspension. Companies often use service providers to ensure end-to-end security for their e-invoicing community.

Community management

After on-boarding suppliers into an e-invoicing solution, how can you maximize the potential of this newly created community? Many large companies are faced with corporate social responsibility challenges. By interacting with suppliers electronically, they can engage each company, either individually or as a group.

Community management makes it easier to effectively manage corporate social responsibility projects. In addition, complex supplier interaction projects, such as switching ERP or providing remittance data, become easier to control and quicker to execute.

Trading partner engagement is always a huge part of any supply chain initiative's success. e-invoicing is no different. Good communication between you and your partners is essential. For an e-invoicing program, you should communicate with your trading partners at least twice as much as you think you need to.

Archiving

One of the major components of any e-invoicing solution is invoice archiving. Many countries require archival of digital invoices for extended time frames. The solution must allow for these data storage requirements while making the electronic invoices, and related documentation, easy to access and retrieve.

Auditing and reporting

External and internal auditing is an important element for any e-invoicing solution. The solution must be able to display human-readable invoices, support related compliance documentation for non-signed EDI documents, and ensure effective and timely reporting.

The Role of a Unified E-Invoicing Platform

The unified e-invoicing platform—often a B2B Integration platform from a B2B Managed Services provider—connects you immediately to an existing global community of customers, suppliers, and other supply chain partners. This community contains thousands of document maps and translations that have already been written and tested for e-invoicing. The companies already exchanging information over the platform are doing so in a way that is compliant with industry standards, local regulations, and government mandates.

Figure 5-1 summarizes this system.

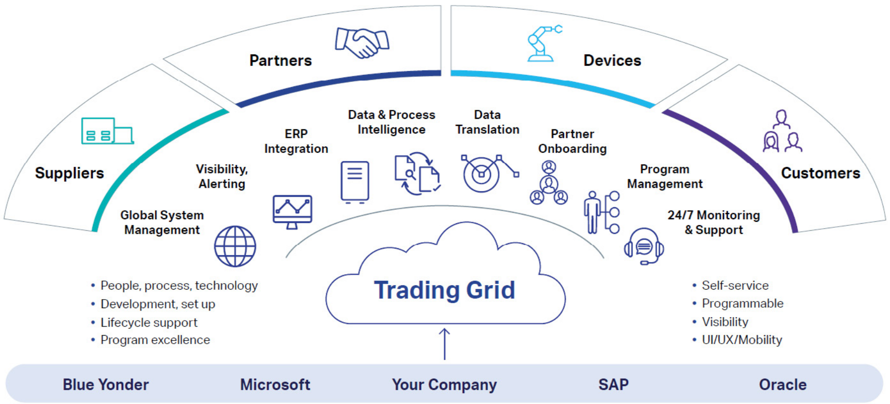


Figure 5-1: A unified B2B platform provides a single integration point into the enterprise.

If you're working with a B2B Managed Services provider (as I explain in Chapter 6), its platform should enable you to increase your sourcing flexibility and business agility when entering new markets in a way that would be difficult to achieve by yourself.

Chapter 6

Selecting an E-Invoicing Service Provider

In this chapter

- Provide e-invoicing yourself or via a service provider
- Use a simple elimination test to quickly refine your search
- Learn the key capabilities needed for e-invoicing service providers

Global e-invoicing solutions can be quite costly, complicated, and time consuming to administer. Appointing an e-invoicing service provider can be an attractive alternative to trying to set something up yourself. However, going the service provider route doesn't suit every business.

In this chapter, I explain the approaches to handling e-invoicing internally versus externally, so you can make the decision for yourself. I also give you an elimination test that you can use to test your providers, and lastly, I give you tips on what to look for in an e-invoicing service provider.

Taking an In-house Approach to E-Invoicing

Keeping your e-invoicing system in-house ensures that you keep control of your systems. However, there are many considerations that make building, managing, and maintaining an internal system challenging.

Internal IT resource

Your in-house development team will require a broad range of technical and EDI skills. Data translation and mapping expertise can be difficult to find and few organizations have it in-house.

Multi-disciplined teams

Your team must include more than just IT experts. Line-of-business, accounting, and taxation professionals will also need to be involved from the early stages through to roll-out and ongoing future revisions.

Your invoicing process can touch as many as seven different departments. Ensure that each is properly represented and that its input is fed back into the development process for your e-invoicing solution.

Recurring license fees

Most e-invoicing software licenses charge customers on a per-user or per-seat basis. You must plan for ongoing software patches, upgrades, and support and maintenance costs.

Support and maintenance

You're responsible for supporting and maintaining the solution throughout its life cycle. You may need to provide support and maintenance to your trading partners as well.

Partner on-boarding

With partners in different locations and with different levels of technical capabilities, on-boarding can be a major challenge. Provide a range of options (like the ones in Chapter 2) so all partners can engage with you.

Future proofing

With constant tax compliance and technological developments, your e-invoicing solution will require regular updates. Your budget cycle will likely drive any major changes to your system, leading to potentially damaging delays — especially where delays cause you to be out of compliance with tax regulations.

Working with an E-Invoicing Service Provider

Few organizations have the skills and resource internally to develop an effective e-invoicing solution. Using an e-invoicing service provider should overcome internal cost and resource issues as well as deliver a range of benefits that an in-house system may struggle to provide.

E-Invoicing standards

It's the service provider's business to stay up-to-date with all the important e-invoicing—and other B2B integration—advances such as technical standards, regulatory requirements, and government mandates.

Global platform

Major providers deliver a global, unified platform for all e-invoicing requirements and wider B2B integration services. Scalability and security are built into their e-invoicing services while you can connect directly to a global community already connected to the platform.

On-boarding trading partners

Some providers offer community management expertise and a dedicated team that can bring new trading partners on board while effectively managing changes within your existing trading partner community.

Integration options

The provider should support a broad range of integration mechanisms, including web forms. In addition, your e-invoicing solution should integrate into enterprise applications such as Accounting or ERP systems.

Cloud-based service

Access to the latest cloud infrastructure enables the provider to deliver secure, scalable, services. Availability via “the cloud” means anytime, anywhere access to e-invoicing services.

Future proofing

Timely market intelligence about country-specific e-invoicing regulations is critical. A provider invests in the latest technologies and delivers the agility to let you grow as business dictates.

The Simple Elimination Test

Finding the right e-invoicing service provider can be time consuming and costly. You need to draw a list of potentials, do your research, and find out if they can do what you need.

You can shorten the initial stage of this process through a simple elimination test. Ask your potential providers the following questions, and if the provider answers no to any of these questions, you can safely move on.

Take a look at these questions:

- Can you provide the data validation and authentication services you need to ensure the integrity, auditing, and archiving of my eInvoices?
- Do you have experience with — and are able to support — all the key eInvoice standards, B2B communications, and file formats?
- Can you accommodate the broad regulatory compliance requirements across multiple countries and continents?
- Can you provide any-to-any data mapping and translation capabilities to meet all my trading partner requirements?
- Does your solution generate automated reminders to cut down on the time you spend chasing invoices?
- Do you support a wide range of communications protocols, security standards, and technology standards?
- Do you deliver seamless ERP system integration, communications, and process control expertise?
- Do you have flexible connectivity options for new trading partners, including web forms and web invoicing for small suppliers?
- Can you deliver your service through cloud or Software-as-a-Service (SaaS) infrastructure to enable on-demand services?
- Do you have local language support across the territories where you do business?
- Can you provide access to a global network of pre-connected trading partners?
- Can you demonstrate that you have in-depth experience in handling the needs of complex global supply chains?
- Is every part of your service covered by an effective Service Level Agreement?
- Do your contracts have the flexibility to accommodate change without imposing heavy penalties?

Chapter 7

The Future of E-Invoicing

In this chapter

- Understand the role of e-invoicing in the real-time economy
- Recognize the move toward mobile apps and cloud
- Learn how AI and analytics enhance e-invoicing

The only thing certain in business is change. e-invoicing is no different. In fact, e-invoicing is changing faster than many other business technologies. In this chapter, you look at five key trends in the world of e-invoicing.

Moving Toward a Real-Time Economy

As eInvoices provide faster, more accurate data, businesses and governments are increasingly transitioning to a real-time economy, where all trading partners' transactions happen in a digital format, are generated automatically, and are completed in real time.

The invoicing process is an ideal business function for such an approach. If the invoices are printed and mailed by traditional means, significant delays occur in the processing and payment, especially if there are errors or exceptions. Early PDF-based implementations of e-invoicing (we covered these in Chapter 1) don't allow for the end-to-end processing of data needed to enable real-time business activities.

The University of Aalto in Finland developed the concept of the real-time economy. Properly implemented, it can reduce the latency between and within processes. In practice this means that orders, order confirmations, invoices, and payments flow from system to system without delays.

By conducting the entire process in real-time, buyers can check the invoice immediately for accuracy and immediately notify the supplier of any errors. The supplier can quickly take any remedial actions and reissue the invoice if needed. The entire process, including resubmitting the invoice to tax authorities if required, can occur in hours or less.

As invoice automation technology improves, the flow of accurate and timely data from eInvoices is moving beyond the invoicing process itself. Businesses are looking to implement real-time services that help them pay invoices on time, improve workflows, manage their cash flow, and take advantage of time-sensitive features such as dynamic discounting (I talk about this in Chapter 3).

Providing Mobile Apps for E-Invoicing

Mobile invoicing is another trend that facilitates the real-time economy. As with other areas of business, organizations expect to have access to invoices at anytime, anywhere, and on any device, so that they can be quickly and efficiently sent, reviewed, and approved.

The prevalence of mobile apps makes e-invoicing easier and more accessible. Having 24/7 access will become a major consideration for organizations when selecting e-invoicing software. It may also act as a business differentiator by making your company easier to do business with. If you aren't mobile friendly, offering invoicing features via an app, customers may move on to a competitor that is.

Private organizations and tax authorities are already beginning to deliver mobile e-invoicing apps. For example, the Chilean tax authorities are developing a mobile app to allow businesses to submit tax documents from a smartphone.

Taking Advantage of Cloud Services

Cloud-based invoicing delivers many of the anywhere, anytime benefits of mobile computing. However, it is the greater business benefits of low-cost business flexibility and agility that will accelerate e-invoicing adoption in the cloud.

Organizations are becoming increasingly comfortable with moving their key business functions into the cloud and taking advantage of cloud service providers to manage and maintain those processes. The use of cloud services for ERP services, B2B networks, and the exchange of business documents is widespread.

B2B describes the exchange of products, services, or information between trading partners. The B2B network, sometimes called the B2B integration network or Business Network, is the technical infrastructure over which B2B transactions are executed.

E-Invoicing is ideally suited to a cloud-based delivery model. However, Billentis has found that, until recently, it has been difficult to find a single source for all the different cloud service requirements. The analysts point out that there are a wide range of cloud components and services for e-invoicing already available:

- E-Invoice exchange
- Any-to-any invoice data formatting
- Mapping setups for data formatting and roaming
- Tax compliance and validation services
- Data integrity and synchronization services
- Long term archiving
- ERP and enterprise application connectivity services
- Country localization services
- Tax reporting

A new generation of cloud service brokers may be able to bring together all these different services and deliver it to you as a single solution.

Large cloud-based B2B Managed Service providers are developing their service portfolios to a point where they can now deliver a single e-invoicing solution based on a single global technology platform. This approach is likely to prove preferable for companies that want to integrate e-invoicing further into their other accounting processes and B2B interactions.

Exploiting Big Data

E-Invoicing makes many internal accounting and supply chain processes visible and transparent to tax authorities for the first time. They now have the ability, especially within the clearance model (see Chapter 4), to quickly and reliably validate or reject Customs and indirect tax declarations. They also have access to vast quantities of data — Big Data — from which to better make decisions and improve both their tax collection processes and service provision. There are four separate challenges to Big Data: the volume (how much data there is), the velocity (how quickly it is being created), the variety (the diversity of data sources), and the veracity (how accurate that data is). However, it is not about the data. It is what you do with it. Big Data gives the potential for in-depth analysis leading to better business decisions.

Data standardization and quality are also essential. Achieving standardization and quality is challenging because the data that governments request can come from numerous separate data sets. For example, the data the government needs can include trading partner information, product descriptions, unit and extended values, discounting, terms, prices, and payment terms. This data must be pulled from many disparate systems — both internally and externally.

If Big Data is a challenge, it's also an opportunity. e-invoicing releases the data that would previously be trapped within largely unstructured documents. This data can now be used to better understand your customers, improve invoice management, drive supply chain performance, and reduce the risk of tax fraud.

It's not only the buyer and seller that can benefit from the Big Data analysis of eInvoices. Governments, tax authorities, financing organizations, and service providers are all keen to unlock the insight in the data.

AI and Analytics

Companies are gaining control over Big Data as the cost of technology and storage enables them to do more with that data. Two interrelated technology advances are Artificial Intelligence (AI) and analytics.

AI is bringing human-like thinking into computer operations. For example, machine learning, which is a branch of AI, enables the computer to teach itself from both structured and unstructured data, recognize patterns, and build its own business rules using learning algorithms.

Machine learning enables you to fully access all the data being created in ways that are simply not possible through human analysis. In fact, much of the technology to achieve this kind of data management wasn't available five or so years ago. Now you can use AI components, like machine learning, to optimize and accelerate your invoicing process.

AI is only part of the story. AI needs to be combined with advanced analytics if you are to gain complete insight into your data in order to make more informed decisions. But it goes beyond that. AI and analytics can analyze and identify patterns and trends in the data that even a data scientist may miss. They can provide those insights in a business-led, self-service format so end-users have access to the analysis they need in a way that they understand.

Chapter 8

Ten Tips for Achieving E-Invoicing Success

In this chapter

- Understand the need for planning and strategy
- Look at who should form part of an e-invoicing program
- Set goals and objectives for working with your e-invoicing provider

This chapter presents ten handy tips to help you when you begin to implement your chosen approach to e-invoicing.

Be Proactive, not Reactive

Many companies introduce e-invoicing as a reactive measure. It may be in response to the requirements of trading partners, for example. Lacking a proper e-invoicing strategy — and clear objectives — can lead to a poor implementation that will struggle with changing global requirements. Be proactive about building the powerful and flexible e-invoicing platform your business needs.

Plan, Plan, and Plan Again

The issue for many organizations when faced with an e-invoicing project is knowing where to start. As with everything in life, the better you plan, the more likely you will get the results you want. Start by building a solid business case and aim to quickly gain executive support. If you choose to work with an e-invoicing solutions provider, it will be able to supply you with reliable return on investment estimates based on its experience. Plan your e-invoicing project according to how many invoices you'll be able to process automatically and the countries the eInvoices will progressively touch. You should plan globally from the outset even if you decide it is advisable to begin locally and grow from there.

Build a Winning Team

With up to seven departments within an organization affected by an e-invoicing project, it is essential that you capture each department's commitment and input. Look to build a program team that involves everyone early in the process and assigns tangible and measurable tasks to people within all departments. Aim to make the program as structured as possible.

Don’t Forget Your Partners

Always remember that e-invoicing is about connecting your internal business with that of your trading partners. It is a good idea to get their input and involvement in your program. At the very least, you’re going to have to understand the business structures and processes, technical capabilities, and limitations of your trading partners. Having that information will enable you to implement a program design to connect to all your trading partners.

Keep partners informed at all stages. When you consider how much you should be communicating, take that figure you were thinking of and double it!

Think Where This Can Take You

Invoices are only one type of business document. You probably exchange dozens of other document types regularly with trading partners. Can you use your e-invoicing program to create a basis to digitally transform these other business document exchanges? You might begin by introducing electronic versions of other documents related to the eInvoice to deliver full visibility to your procure-to-pay or order-to-cash processes. Your chosen e-invoicing service provider should be able to deliver complete B2B integration capabilities to fully automate your supply chain.

Do-It-Yourself Can be Tough

Even the largest of organizations struggle to deliver an enterprise e-invoicing platform internally. In fact, a growing number of tax authorities mandate that you connect to third-party providers for a range of services. Beyond the cost and resources required to create and maintain the technology platform, the amount of time and effort required to ensure you’re always compliant with changing global regulations and mandates is tough for most companies to sustain.

Things Change, so Don’t Get Locked In

It’s clear that more countries will mandate e-invoicing to their own standards. We know the technology will improve and new standards will emerge. We can also hazard a guess at an increasing standardization of e-invoicing approaches worldwide over time. This is a lot of change. The investment you make in e-invoicing can’t represent a point in time. Whether you build your own e-invoicing system or work with a service provider, you must have the flexibility to keep up with technology and regulatory advances.

Not All E-Invoicing Providers are Created Equal

The global nature of e-invoicing means that your service provider must have both a global reach and intimate local knowledge. It must be able to demonstrate that it complies with e-invoicing mandates in the locations where you do business today or plan to in the future.

Select a provider with proven experience in your industry sector. Not only will it know what e-invoicing capabilities are most suited to the sector, but it's likely to be working with many of your trading partners already. That vendor can help you quickly enter new markets and geographies by using a compliant e-invoicing platform with pre-connected trading partners in that region.

Use Your Service Provider as a Consultant

Your e-invoicing service provider uses best-of-breed technologies and processes. It does it to stay ahead of its competition. It's something you benefit from, as your service should always be up-to-date. However, it also means that the provider knows the latest e-invoicing trends. It should be monitoring all these trends and looking to extend your service as those trends mature. As well as being a basis for continuous improvement, this gives you access to a valuable knowledge base.

Keep Thinking Green

The carbon tax has proved successful in many companies at significantly reducing CO2 emissions. It has also proven costly for those who miss their targets. Simply removing paper from the accounts and purchasing departments will help you limit your carbon emissions. It's estimated that it takes 12 million trees to supply the paper for European invoices each year. In a small way, e-invoicing will help reinforce the environmental credentials of your organization.

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OpenText™ Active Invoices with Compliance is a cloud-based e-invoicing solution that provides buying and selling organizations with the technology and services needed for automating invoicing and tax compliance in more than 40 countries. Built to run on OpenText™ Trading Grid™, the world's most powerful integration cloud for B2B eCommerce, Active Invoices with Compliance provides validation, digital signature, archiving and e-invoice delivery by EDI, portal and email. A simple, intuitive web portal provides employees and auditors access to the archive.

Inside:

- Introducing e-invoicing
- Exploring the many ways to use e-invoicing
- Discovering the key benefits of e-invoicing
- Looking at e-invoicing around the World
- The core components of an e-invoicing solution
- Selecting an e-invoicing service provider
- The future of e-invoicing
- Ten tips for achieving e-invoicing success

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