

Leaders or Laggards? Manufacturers and e-Invoicing

IDG research highlights challenges and opportunities
for the industry



Contents

Executive summary	3
Manufacturing: A pioneer in e-Invoicing?	4
The weaknesses of PDF-based invoicing	5
Two fiscal models for e-Invoicing	6
The drivers of e-Invoicing adoption	7
The effects of global e-Invoicing regulations	8
Choosing an enterprise e-Invoicing provider	10
Compliant E-Invoicing for Global Manufacturing from OpenText™	12
About this research	12

“We plan to grow in e-Invoicing as, after the pandemic, we realize that we had fallen behind with it incredibly.”

Survey respondent and global manufacturer

Executive summary

It's often stated that the manufacturing sector has been one of the early adopters of e-Invoicing. Supply chains are evolving into complex, multi-tier digital ecosystems of suppliers, 3PLs, partners and customers. Invoice management has become a major focus for digital transformation efforts to improve both AP/AR performance and supplier management.¹

The COVID-19 pandemic has caused many organizations to accelerate the digitization of their finance and supply chain operations. Within this, e-Invoicing is an increasingly vital component. Estimates suggest that the market will grow rapidly to reach \$15.5 billion by 2027—from just under \$5 billion in 2019.²

While the cost and productivity benefits of a digital invoicing system are well understood, a complex global landscape of changing e-Invoicing mandates and trading regulations dramatically complicates the implementation an effective solution—especially for organizations with cross-border and global trading relationships.

Each year seems to bring more dramatic developments in global e-Invoicing compliance to which manufacturers must quickly respond. More than 170 governments worldwide now operate a value added tax (VAT) or goods and services tax (GST) scheme.³ Countries across the world, including France, Germany, Italy, China, Saudi Arabia, Australia, the Philippines and Poland, have committed to introducing new or extended e-Invoicing mandates and regulations in the next months and years.⁴

IDG recently conducted a survey of finance, procurement and IT leaders to better understand the drivers and opportunities involved in implementing e-Invoicing. It provided a snapshot of the perceived levels of maturity within different industry sectors. This position paper concentrates on the manufacturing sector to identify the challenges organizations are facing as they look to create a compliant environment for global e-Invoicing.

1 Accounting Today, For CFOs, digital transformation is a post-pandemic must. (2021)

2 The Insight Partners, E-invoicing Market Forecast to 2027 - COVID-19 Impact and Global Analysis by Type (Cloud and On-Premise); End User (B2B, B2C, and Others); and Geography. (2020)

3 OECD, Consumption Tax Trends 2020: VAT/GST and Excise Rates, Trends and Policy Issues. (2020)

4 Order2Cash, Global B2G e-Invoicing Compliance Map. (2022)

“Our challenge is the ability to synchronize with the partner's system globally. Everyone has a different software or operating device, so the e-Invoicing needs to be on a cloud-based system, ideally with ability to be useful to all devices.”

Survey respondent and global manufacturer

Manufacturing: A pioneer in e-Invoicing?

The manufacturing industry is almost twice as likely to have implemented e-Invoicing as any other industry. That’s the headline finding from IDG’s recent research into e-Invoicing adoption on companies worldwide (See Figure 1). At first sight, it appears that the sector has reached an unmatched level of maturity, but things may not be as they appear.

More than three quarters of manufacturing respondents say that e-Invoicing is in place, compared to only one in four for other sectors. However, when asked how many invoices were sent and received digitally, the difference between manufacturing and the rest disappears (See Figure 2). In fact, 94 percent of all respondents exchange more than 50 percent of their invoices digitally compared with 92 percent in manufacturing.

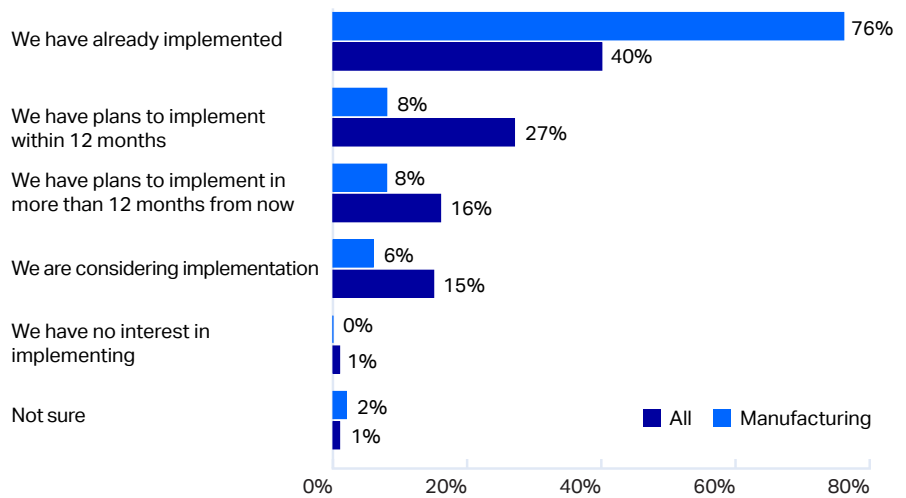


Figure 1: Which of the following best describes your organization's adoption of automated e-Invoicing? (Source: IDG)

Diving deeper into the research findings suggests that rather than being more mature, the manufacturing sector may lag slightly behind. When asked how they create, exchange and receive invoices today, more manufacturers are still relying on manual, paper-based processes (71% vs 64%) and fewer have adopted full B2B integration (47% vs 53%) (See Figure 3).

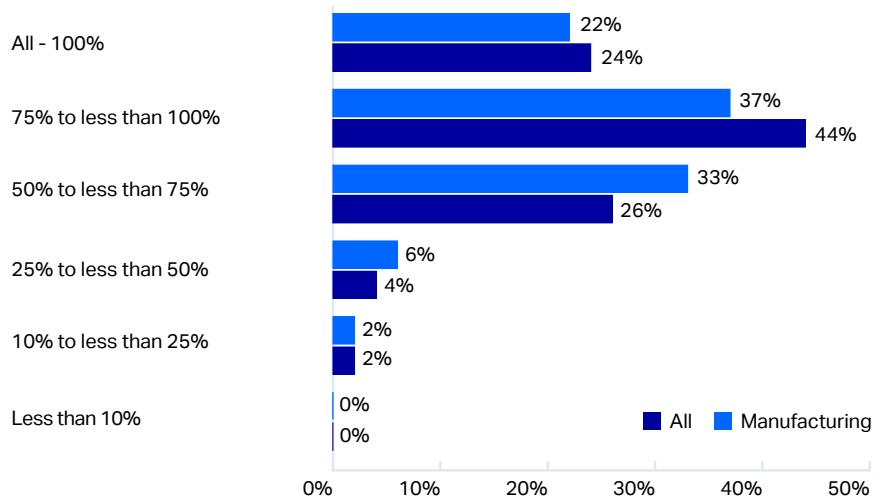


Figure 2: Approximately, what percent of the invoices your company sends, receives and/or processes are in a digital format today? (Source: IDG)



These results suggest that, within the sector, there is still some confusion as to what constitutes e-Invoicing, with many companies believing that exchanging invoices via PDF is sufficient. While exchanging PDFs is a basic form of e-Invoicing, it has serious limitations when attempting to derive the full benefit of digital invoicing.

The weaknesses of PDF-based invoicing

Regardless of industry sector, PDF is the most common format for e-Invoicing worldwide. Adopting PDF invoices undoubtedly helps organizations reap some of the benefits of e-Invoicing. At a basic level, the transition from paper-based to electronic invoices, in whatever format, speeds the trading process and improves the quality of invoices, while removing great deal of time and effort from the process.

However, there are inherent weaknesses within PDF that undermine its value when digitally transforming finance, AP and AR functions. In addition, fewer global governments and tax authorities are accepting the technology under their new e-Invoicing mandates (See box on fiscal models). It comes down to the capabilities of PDF formats.

PDF

Manual/Paper-based methods

Online portal (a cloud-based service hosts online forms to capture data in a format suitable for importing into back-end systems)

Direct B2B integration (invoices are automatically generated and sent in digital format, where they can be automatically processed and imported into back-end systems)

We outsource invoicing processes to a third-party B2B / EDI integration provider(s)

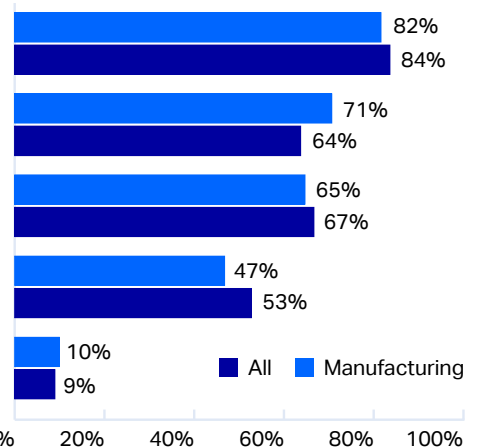


Figure 3: How is your organization generating, receiving and processing invoices today?

When using basic PDF, an invoice is created within the supplier’s ERP or accounting system and converted into a PDF. The PDF can optionally include a digital signature for authenticity and integrity. The PDF is then emailed to the buyer. The buyer extracts the data and enters it manually into their back-end systems. This approach doesn’t allow for end-to-end automated processing of invoice data between both partners, as well as government bodies. Only 13 percent of manufacturers told IDG they used this approach.

At a more advanced level, the invoice data is embedded within the PDF in a structured format using XML. The “embedded” PDF invoice is created within the supplier’s ERP or accounting system and converted into a PDF. Like the basic version, the embedded PDF is 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. Specialist software is needed to both create and receive the PDF invoice.

“We want to further optimize our processes, especially with our joint venture partners where the process has so far been sub-optimal.”

Survey respondent and automotive manufacturer

This approach digitizes the invoice but makes it difficult to extract the invoice data and integrate it into digital workflows and isolates it from the digital exchange of other business documents. As compliance models increasingly expand into realtime data exchange and involve more tax-related documents, an embedded PDF can't meet those requirements.

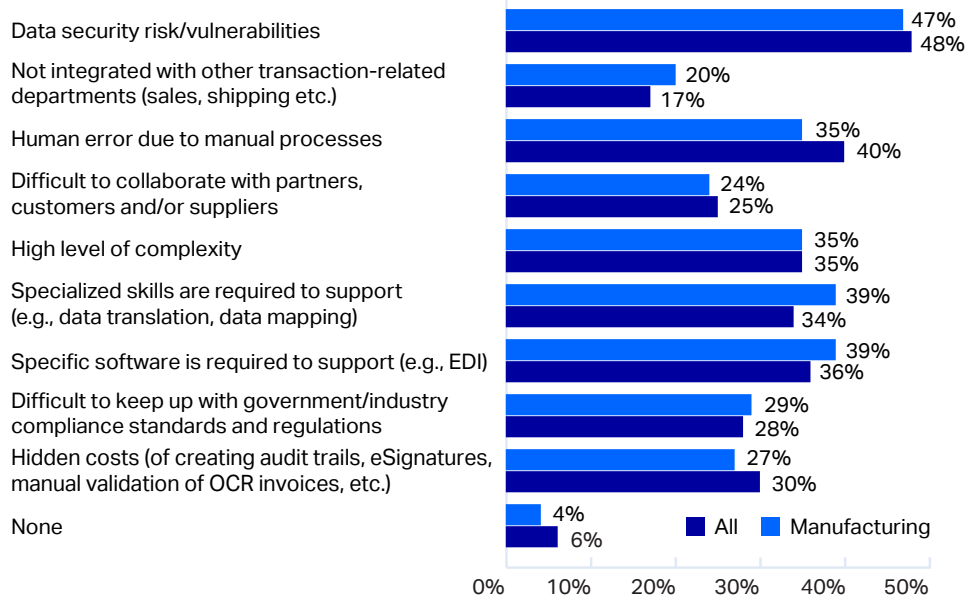


Figure 4: From your perspective, what are the drawbacks of the invoicing process(es) and method(s) in use at your organization today? (Source: IDG)

The IDG research highlights that many manufacturers are beginning to experience the weakness of PDF as an e-Invoicing solution. When asked about the drawbacks of their current approaches (See Figure 4), manufacturers found that their solutions struggled to integrate with other systems or processes or collaborate with their trading partners.

Security remains a key concern and, although they can be password-protected, many PDFs are not secured or encrypted when sent by email. In addition, they were aware of drawbacks around the need for specialist software and skills—this was true at the level of both PDF and full B2B integration.

Two fiscal models for e-Invoicing

As e-Invoicing has become acceptable for tax purposes, two fiscal models emerged:

Post-audit model

The post-audit model allows taxpayers to exchange e-Invoices directly but insists that each company preserves the e-Invoices and makes them available for audit when required. The core focus in the post-audit model is to ensure the invoice's authenticity and integrity. While PDFs may be acceptable, many governments use unique data formats, such as EDI or XML.

“The main e-Invoicing challenge is the implementation of VAT, because it changes according to the countries in which we are established.”

Survey respondent and automotive manufacturer

The clearance model

The clearance model differs from post-audit in that the supplier must submit the invoice to the tax authority prior to, or in parallel with, the transaction. The tax authority then must approve or clear the invoice. Clearance models are complex to navigate because they have strict rules, regulations and technical specifications to which all parties must adhere. This model increasingly relies on the realtime transfer of accurate invoice data in a mandated format, usually a particular XML standard.

The drivers of e-Invoicing adoption

One in five manufacturers when asked by IDG stated that digital transformation was their key driver for e-Invoicing adoption. The responses suggest that companies are looking to move quickly away from paper-based processes and overcome the potential shortcomings of PDF solutions. Achieving data quality and integrity, as well as creating faster and streamlined processes are high on manufacturing companies’ priority list when implementing e-Invoicing (See Figure 5).

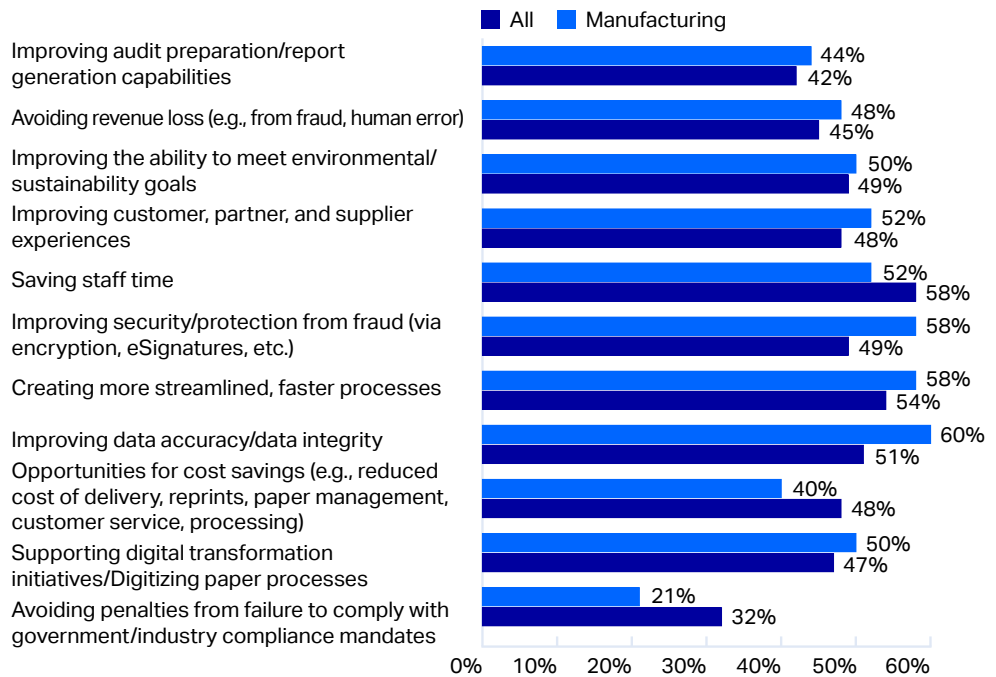


Figure 5: Which of the following are driving your organization's interest in automated electronic invoicing? (Source: IDG)

These findings are reflected when respondents were asked about the challenges of their invoicing environment (See Figure 6). Manufacturers find it most challenging to ensure data quality (74%) and integrate invoice data into enterprise applications and processes (74%), as well as other documentation involved in the AP/AR processes (62%). In terms of digital transformation, nearly 70 percent of respondents said it was at least “somewhat challenging” to collaborate with trading partners in real time.

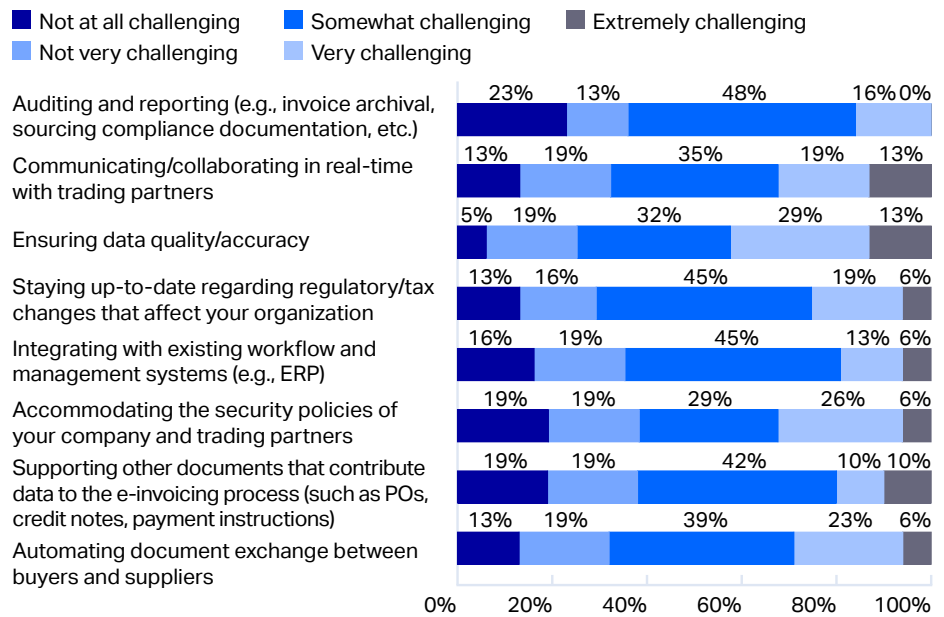


Figure 6: How challenging are the following aspects of the invoicing process for your organization today? (Source: IDG)

In the context of global e-Invoicing compliance, seven out of 10 manufacturing companies responded that staying up to date with regulatory environments where they traded was a challenge. This translates directly to the drivers for adoption where protection from fraud (58%) and reducing the risk of revenue loss from tax fraud (48%) were among the key drivers.

The effects of global e-Invoicing regulations

It's clear from the research that mitigating the risk from global e-Invoicing compliance failure is much more than a theoretical driver. Nearly one quarter of manufacturing companies told IDG that their business had been negatively affected by compliance failures in the previous 12 months. In fact, 55 percent of manufacturers expect their company to be affected by new or changing e-Invoicing regulations over the next 12 months (See Figure 7).

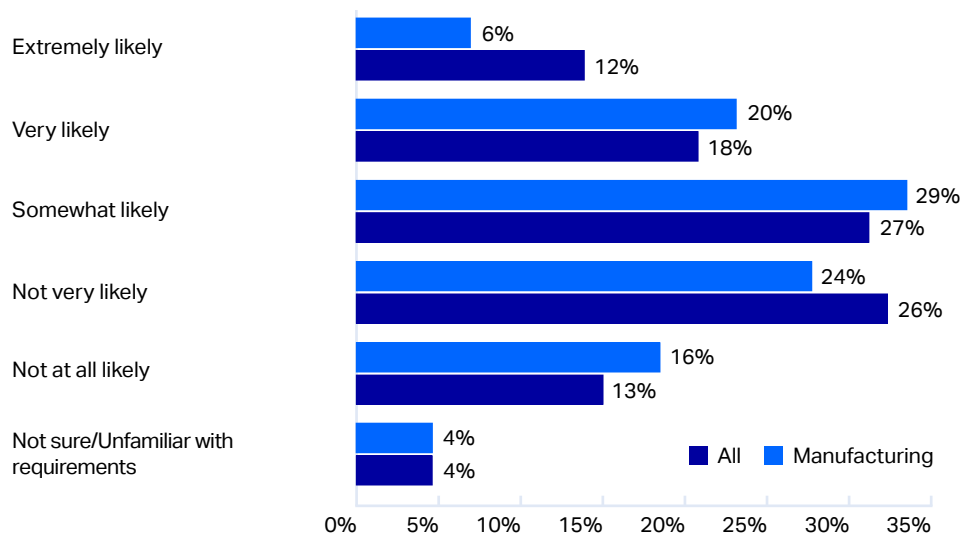


Figure 7: How likely is it that your organization will be impacted by e-invoicing regulations and impending requirements over the next 12 months? (Source: IDG)



Manufacturers are aware of the complex maze of regulation and mandate they are faced with and know that there is no “one size fits all” approach followed by global governments. Today, almost every country and region interpret e-Invoicing in a slightly different way and stipulates different formats and standards—technical, industry and regulatory—including:

- 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 Telecom, RosettaNet in High Tech and ISO 20022 in Finance.
- Regional/country standards, such as PEPPOL in the EU and parts of the Asia Pacific region, FatturaPA in Italy, FacturaE in Spain, UBL-TR in Turkey, Comprobante Electronico in Ecuador and the NFe, NFS-e and CT-e formats in Brazil.

Maintaining compliance with tax authorities globally requires an e-Invoicing solution that monitors changes and applies new regulations and archiving requirements proactively to keep manufacturers compliant in any country.

This is another area where manufacturers differed significantly from IDG respondents as a whole. These companies are beginning to understand that the complexity can put an extraordinary burden on internal resource and are looking for support from external suppliers (See Figure 8).

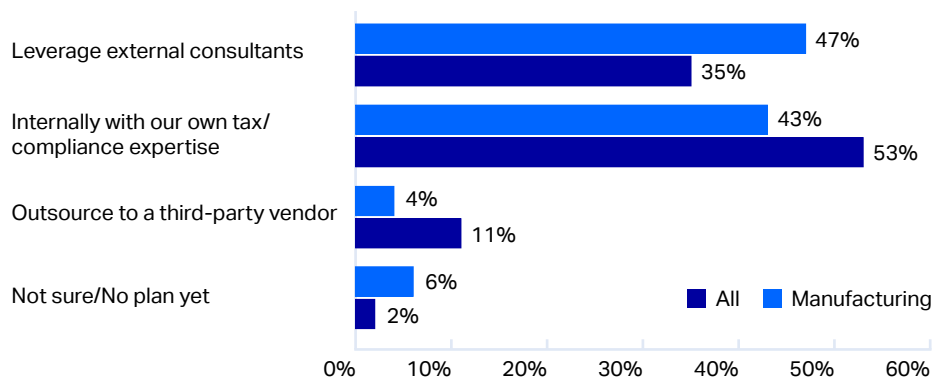


Figure 8: How will your organization stay informed about and take steps to meet e-invoicing regulations and impending requirements over the next 12 months? (Source: IDG)

Choosing an enterprise e-Invoicing provider

When asked, 90 percent of manufacturers said that it would be valuable to have a single global partner for their e-Invoicing needs (See Figure 9). Companies had a long list of capabilities they expected from this partner. Key skills a provider should possess are integration and onboarding expertise (91%) but this has to be delivered in a cloud-based environment (78%) that allows the organization to leverage the latest technologies (74%) (See Figure 10).

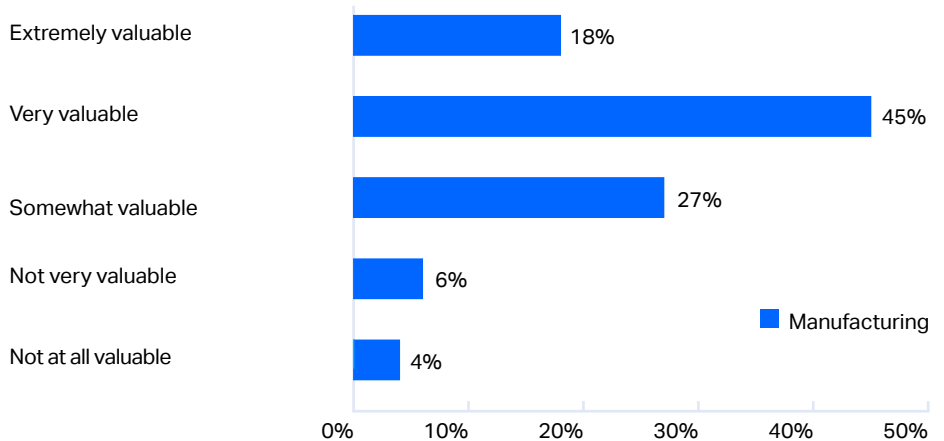


Figure 9: How valuable would it be to have a single global strategic partner to assist your organization with e-invoicing rollout? (Source: IDG)

The manufacturers surveyed felt that the provider they work with should be able to help overcome global e-Invoicing compliance issues by offering contracts that ensure that all relevant regulatory requirements will be met (86%)—something best delivered by a global e-Invoicing platform that connects organizations with suppliers, partners and government bodies to securely exchange a wide range of compliant business documents.

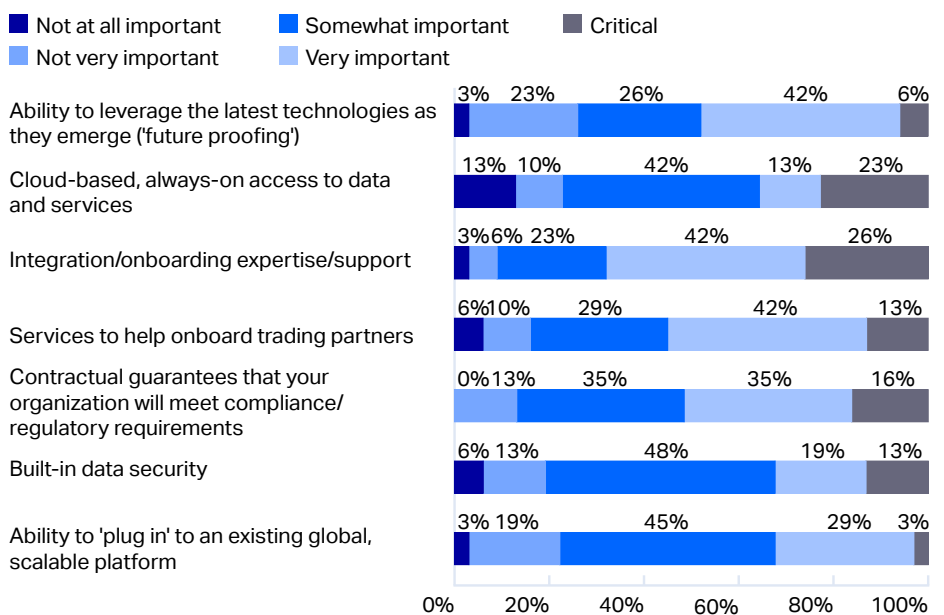


Figure 10: How valuable are the following potential capabilities of a global e-invoicing partner?

In all, 77 percent of manufacturers felt it was important to be able to plug into an existing global, scalable platform. The best e-Invoicing providers deliver a unified, cloud-based enterprise platform, such as [OpenText™ Trading Grid™](#), with embedded e-Invoicing capabilities that can immediately connect manufacturers to an existing global community of customers, suppliers and other supply chain partners with tried and tested integrations. Companies already exchanging information over the platform are doing so in a way that complies with industry standards, local regulations and government mandates.

This platform accommodates different document formats, technology standards and communication protocols to be able to automatically deliver outbound receivables e-Invoices and support inbound accounts payable flows. Often, it also includes several community and analytics services to ensure that e-Invoicing plays an integrated role in the improvement of finance and supply chain processes.

Manufacturers may not yet be pioneers in e-Invoicing, but the IDG research suggests that they are aware of the limitations of their current approaches and are keen to become more advanced. As government mandates and industry regulations grow, manufacturers seem more prepared to look to external service providers to fill the gaps in skills and resources they need.





Compliant E-Invoicing for Global Manufacturing from OpenText™

Designed with global manufacturers' specific needs in mind, Compliant E-Invoicing for Global Manufacturing from OpenText provides companies with a single, global enterprise e-Invoicing platform to facilitate trading with its community of partners and suppliers worldwide. It can:

- Consolidate point solutions onto a central platform.
- Quickly onboard and begin trading with new and existing suppliers.
- Accommodate existing global, regional and country regulatory and tax requirements, while monitoring for, adapting to and introducing new requirements.
- Handle the complexity of e-Invoicing standards, protocols, technologies and platforms.
- Trade electronically with 100 percent of a trading partner community.
- Take full advantage of the power, scalability, security and performance of the cloud.
- Implement a secure digital archiving system to ensure compliance and facilitate auditing.

[Learn more](#) about how Compliant E-Invoicing for Global Manufacturing from OpenText can help your organization enable trading partners while meeting current and future regulatory and industry mandates.

About this research

This IDG survey of 152 finance, accounts receivable, accounts payable, procurement and IT managers at mid-sized and large companies worldwide looked at the ways in which organizations are generating, processing and receiving invoices today, as well as current challenges of the invoicing processes and methods in use. This position paper concentrates on responses from the manufacturing sectors. The quotes featured in this paper are taken from manufacturing professionals who participated in the survey.

About OpenText

OpenText, The Information Company, enables organizations to gain insight through market leading information management solutions, on-premises or in the cloud. For more information about OpenText (NASDAQ: OTEX, TSX: OTEX) visit: opentext.com.

Connect with us:

- [OpenText CEO Mark Barrenechea's blog](#)
- [Twitter](#) | [LinkedIn](#)