



'E-INVOICING 2008' – KEY FINDINGS

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BACKGROUND

- What is e-invoicing
- Why e-invoicing

'E-INVOICING 2008'

- Structure and contents
- Key findings, illustrated
- Feedback and next steps

KEY ACTIVITIES

- EC E-invoicing Expert Group
- EBA objectives

- Replacement of paper invoices wholly with electronic invoices
- "The sending of invoices by electronic means i.e. transmission or making available to the receiver and storage using electronic equipment for processing....." (European Council Directive 2001/115/EC)
- Must be agreed between sender and receiver
- Must comply with legal provisions regarding authenticity of origin and integrity of content
- In B2B often part of integrated, electronic external and internal processes. In B2b and B2C often linked to e-banking

- **EUR 238 billion reasons through cost savings to society**
- **Process efficiency in a networked world bring faster & smoother supply chains with less errors and more trading partner satisfaction**
- **E-banking can deliver a new value-add and not just client data entry and cash management**
- **New financing opportunities and value propositions for all segments**
- **This is a public policy priority for the Lisbon agenda and is helped by SEPA**
- **The technology exists, so why not use it**

- **Management summary**
 - Key findings
 - Considerations
- **Part I - Market Description: description of current situation in 'e-invoicing'**
 - Introduction and review of traditional and e-invoicing
 - Current status of e-Invoicing in Europe
 - Service models and providers
 - Landscape of country, sector, standards and EU initiatives
 - Drivers and enablers
 - Issues and inhibitors
- **Part II - Market Analysis: defining, structuring & scoping of 'e-invoicing'**
 - Analytical Framework
 - Analysis of trade process, as the context of invoicing process and invoice document
 - Analysis of invoicing process, as a part of trade process
 - Analysis of invoice message, as a part of invoicing process

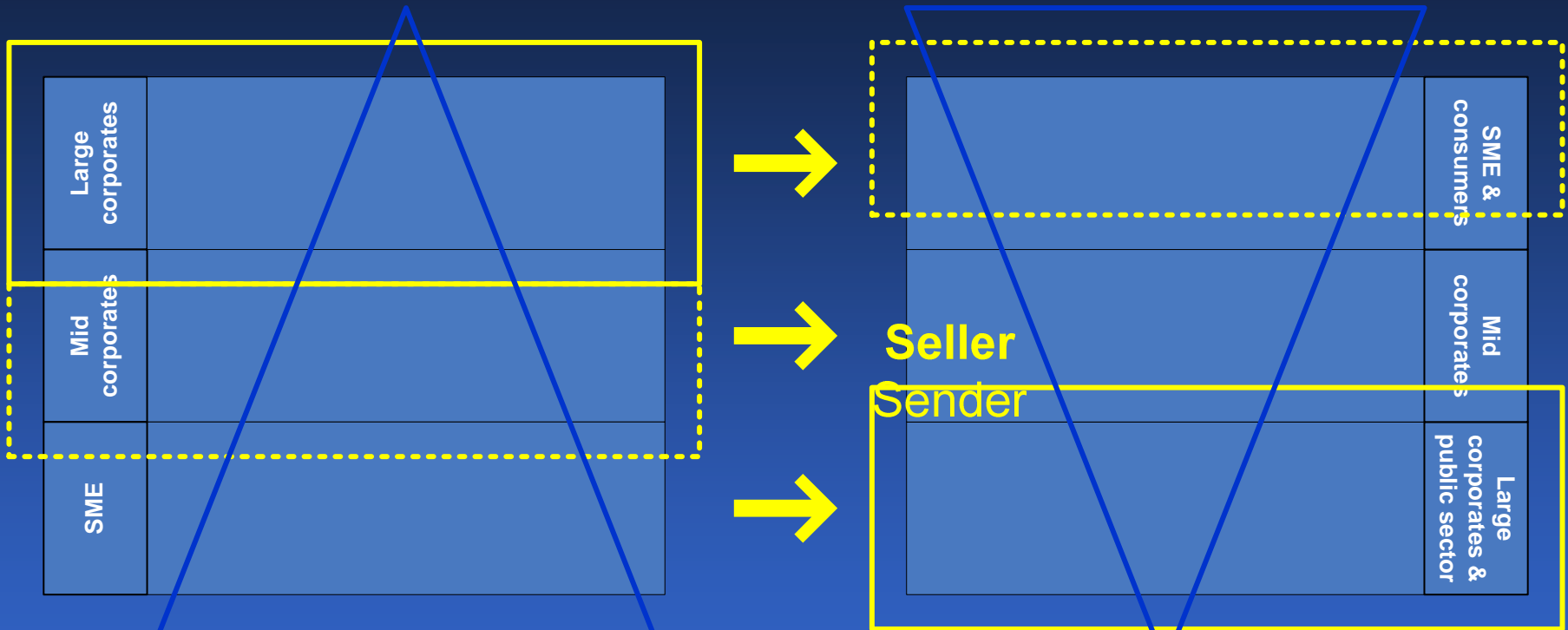
Finding 1: Market penetration



E-invoicing is growing fast from a low base but there are major unaddressed market segments

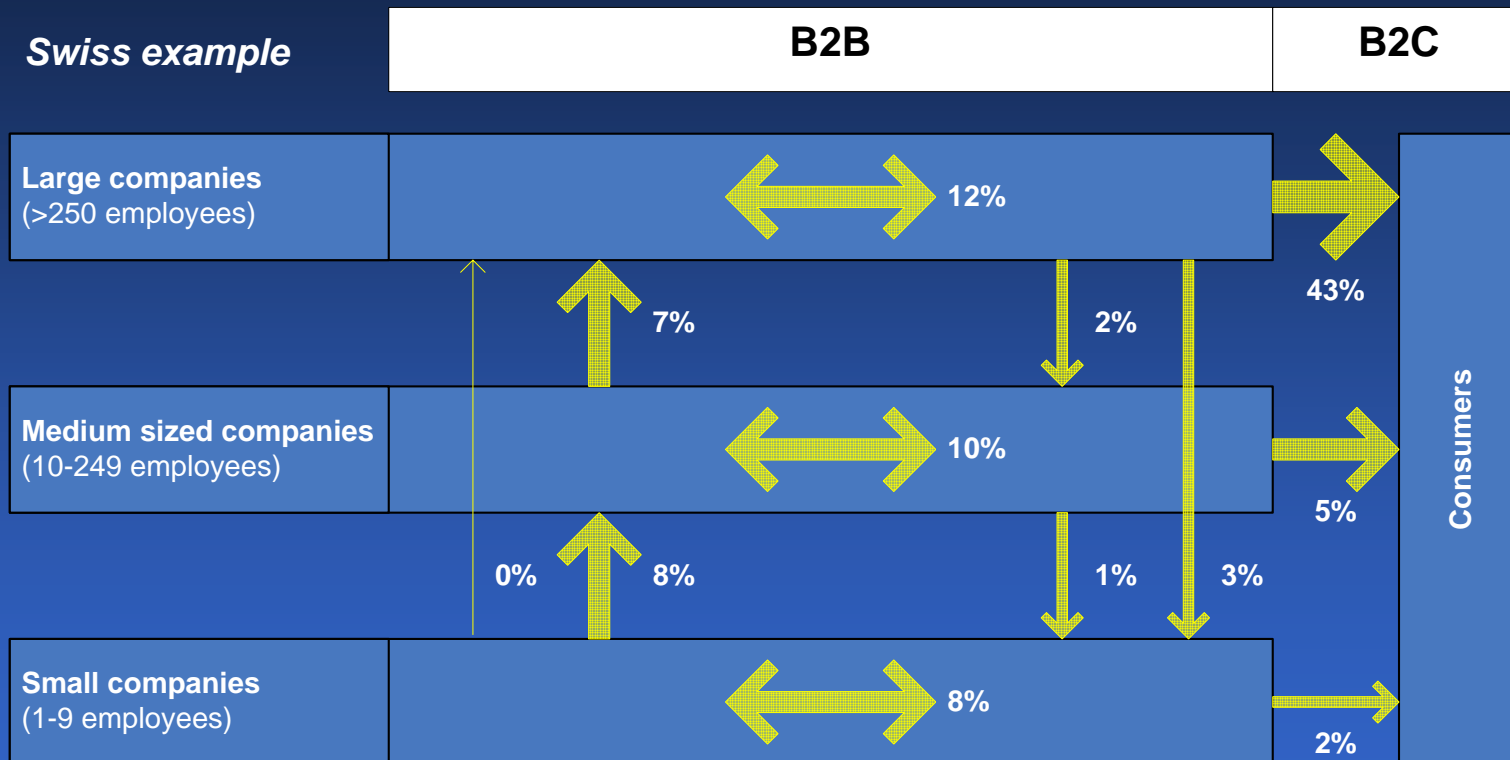
- **After 20 years of development, less than 5% of invoices are electronic**
- **Adoption varies considerably by country- higher in Nordic, EDI in Germany**
- **Strong current focus on accounts payable automation for large organisations with power over supply chains**
- **Some consumer invoicing from utilities but not at all pervasive**
- **Public sector leads in some countries eg Denmark**
- **The market for SMEs and consumers is comparatively unaddressed**

Finding 1: Market penetration



- Large billers
- Accounts receivable
- Reach through a variety of channels
- Consolidators

The importance of SME's and consumers cannot be overstressed



The market is very fragmented and reaching all potential users is a serious problem

- **250 – 300 service providers are active in the European market though there are some larger players**
- **Service providers often focus on different market segments/regions with varying approaches and functionality**
- **Bilateral, three-corner and four-corner models are used to reach senders and receivers**
- **Roaming can interconnect service providers, but this has resulted in interoperability problems**
- **Banks-inspired models can help to solve the problem of reach and where banks and IT service providers work together adoption is enhanced**

Finding 2: Existing models

Main categories of invoicing models

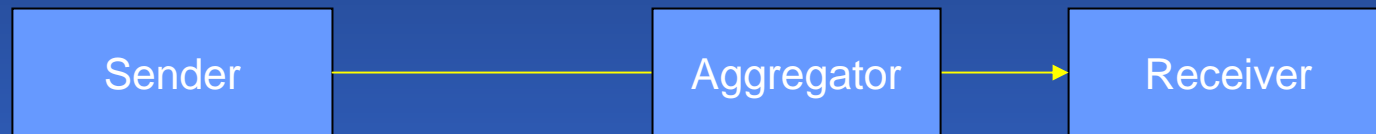
Bilateral



Consolidator



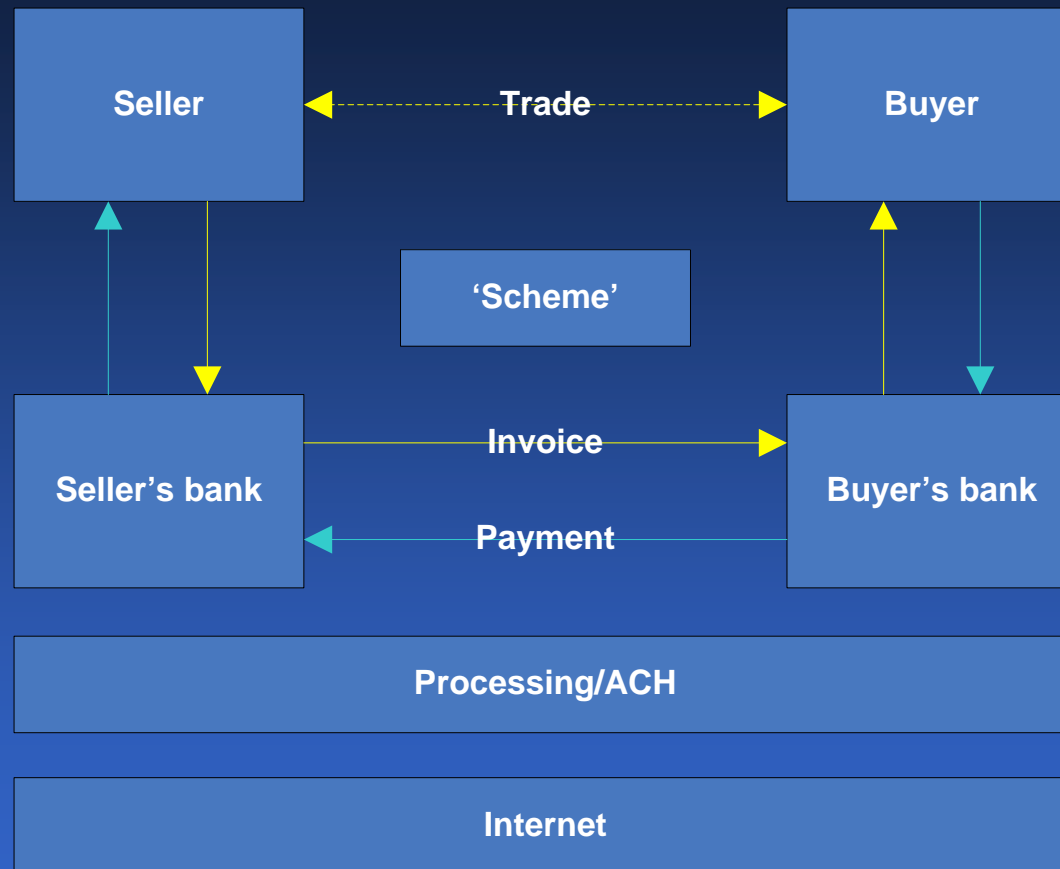
Aggregator



4-party



Finding 2: A bank 4-party model



Among the drivers and inhibitors impacting the adoption of e-invoicing, are technical barriers, but also an underlying and under-recognised need at strategic management level to truly embrace e-business

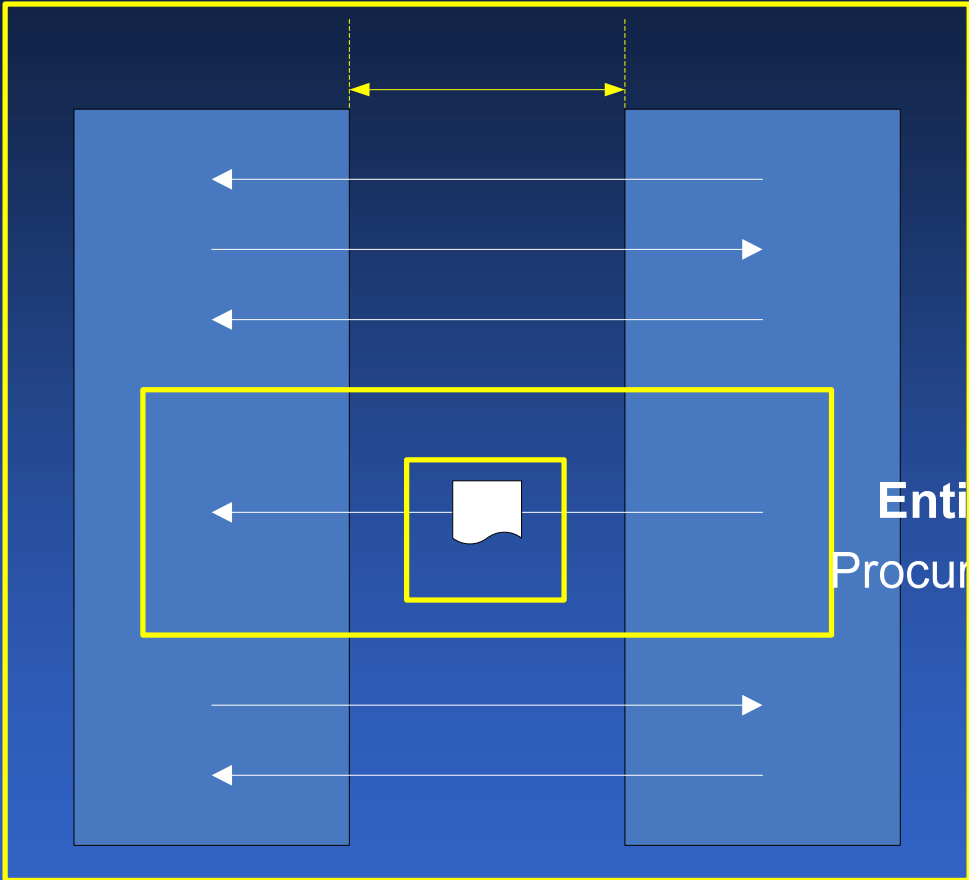
- **Positive drivers and enablers:**
 - public policy encouragement,
 - potential cost savings,
 - quality and efficiency gains,
 - financial management benefits (incl trade financing),
 - customer advantages,
 - new business process potential,
 - the arrival of the Single Euro Payments Area,
 - and corporate social responsibility arguments.
- **Inhibitors and issues:**
 - commercial barriers among all economic actors,
 - legal and VAT issues,
 - trust and operational issues,
 - lack of standardisation
 - and the lack of consensus on business and cooperation models.

Of all the inhibitors, it is clear that the issues around strategic commitment and widespread confidence building are very important, if critical mass in e-business is to be achieved.

E-invoicing and its context have been poorly defined so problems are not well understood. An analytical framework is required with common terminology

- **The end-to-end trade process: all processes that make up the trade process between two trading parties (trading entities), including the invoicing process. In effect, the end-to-end trade process forms the ‘context’ of the invoicing process**
- **The invoicing process: the specific process with regard to invoices being exchanged between the trading entities within the end-to-end trade process**
- **The invoice as a document: the carrier of business process information required for an invoice as a part of the invoicing process within the end-to-end trade process**

Defining e-invoicing & its context



Entity A
Procurement

1. TRAD

EXC
DC

Contracti

Orderi

Deliveri

Finding 5: Exchange domain

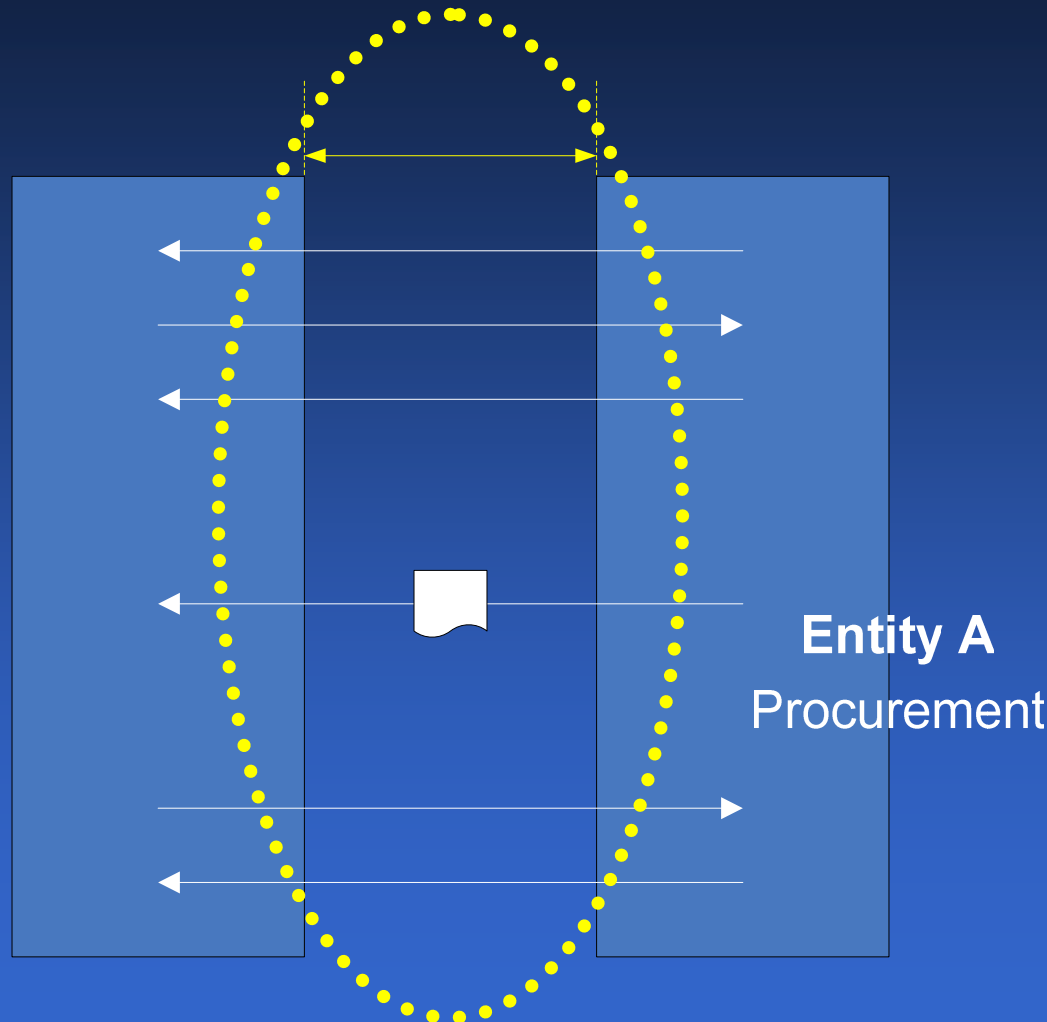


The exchange domain should be clearly addressed as a priority otherwise no widespread adoption

- **Trade is not limited within a certain industry, geographical region or entity size**
- **The competitive “Entity” domain should be separated from a collaborative “Exchange” domain**
- **The exchange domain requires technical interoperability (including addressing and security), content standards and rules-based governance**
- **Interoperability between service providers can be delivered even if some “closed” EDI and service provider models co-exist with an open model**

Exchange domain should be a priority

An open exchange domain could complement or replace closed loop systems



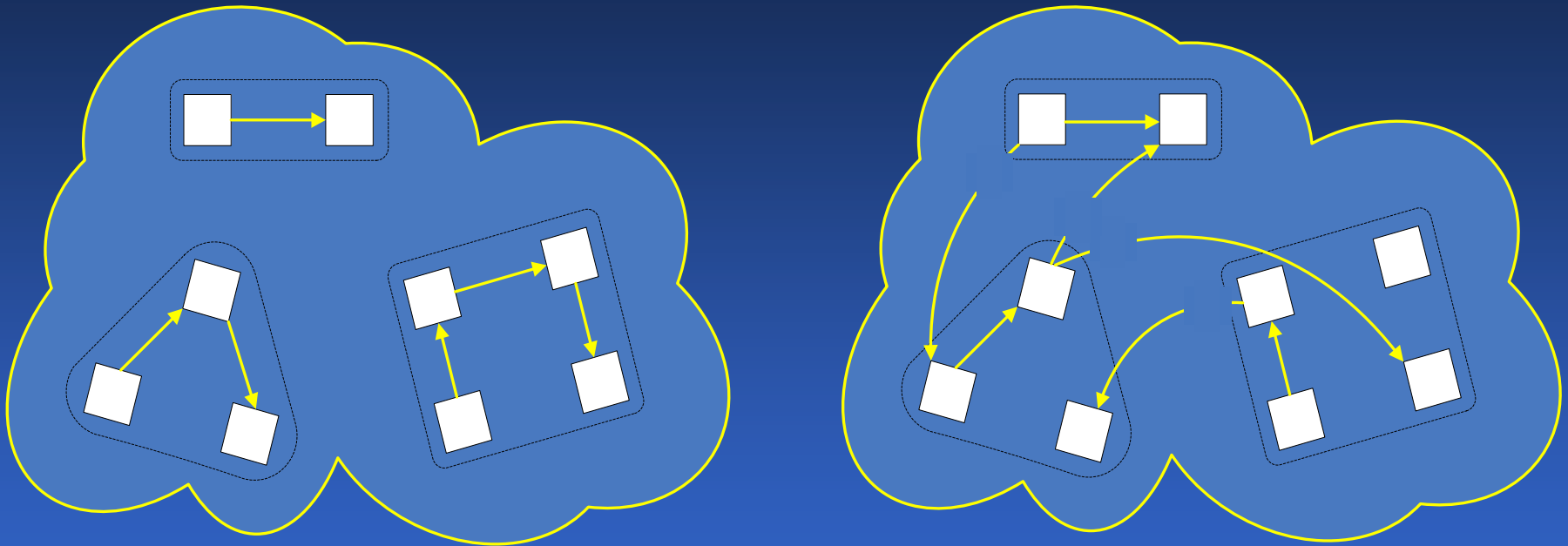
1. TRAD

EXC
DC

Contracti

Exchange domain should be a priority

Without this, it will be “winner takes all” (which is unlikely) or there will need to be lots of “roaming agreements”



A

bilateral

B

Business & Governance | Scheme & Rules | Roles & Responsibilities

→ Collective action is needed

- Willingness, confidence
- Business models



Application & Content | Message Standards | Semantics & Syntax

→ Current initiatives converge, but needs alignment with other levels

- Decomposition: generic header, different industry standards as body
- Exchange & security related content not clear



Infrastructure & Exchange | Message transport | Connectivity | Security

→ Collective action is needed

- Again 3 'layers':
 - Addressing | routing | switching | etc
 - Network | protocols | topology | etc
 - Security | integrity | authenticity | digital signatures | etc

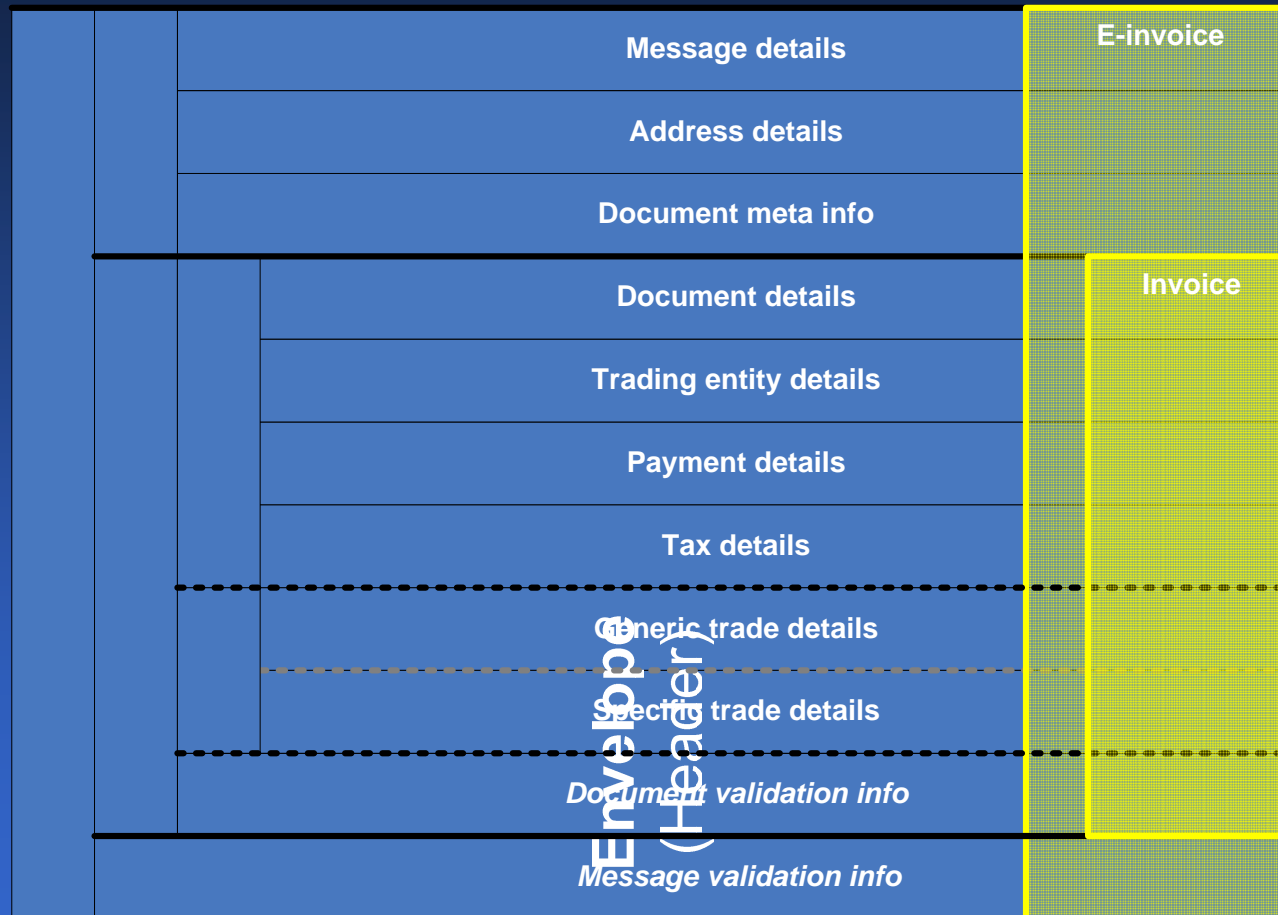


Standardisation of the e-invoice as an exchangeable message is clearly needed but there must be flexibility to meet industry specific and individual standards

- **There is a positive movement towards convergence e.g. the cross-industry invoice**
- **The invoice could be split into a generic part and an industry specific part**
- **The invoice must have an “envelope” or header facilitating the exchange of the invoice through the exchange domain**
- **Standards issues do not need to prevent immediate progress**

Finding 6: Standards

There is more to an e-invoice than only the invoice document...



- **There are some crucial regulatory and legal issues that need addressing if e-invoicing is to be widely adopted**
- **E-invoicing has strong European political support but is hampered by inconsistent practices surrounding:**
 - VAT rules
 - Electronic signatures
 - Archiving
- **Re-assessment is required as the lack of harmonised practices is inhibiting adoption and makes implementation costly and complex**

All stakeholders need to be involved:

- **Tax authorities**
- **Public administrations**
- **Standards organisations**
- **Banks**
- **Large corporates**
- **SME's**
- **Consumer bodies**
- **Service providers**
- **ERP suppliers**

A European Informal Task Force reported in 2007 and now a European Commission Expert Group has been launched

- **Convince decision-makers of the benefits of e-business**
- **Focus on inclusion and reach especially SME's**
- **The exchange domain should be addressed as a collective priority**
- **Focus on domestic volumes, cross- border likely to grow**
- **Cooperation between service providers is needed**
- **Re-use of experience, existing infrastructure and a practical approach**
- **No public sector-only requirements**
- **Support converging work on data elements and standards**
- **Address and remove legal and regulatory barriers**
- **All stakeholders should come together**
- **Create a common language and an analytical framework**

- **“... it has to be said that this is a very comprehensive, insightful and well balanced report. ... I think this document forms an excellent base for the work ahead of us.”**
Bo Harald, TietoEnator & Chair of the EC E-invoicing Expert Group
- **“We find the book to be of high good quality...”**
Markus Hautala, SWIFT
- **“Overall I thought the document was comprehensive, well written and informative.”**
James Whittle, APACS
- **“... this excellent summary of the current status of the various e-invoicing initiatives in Europe, which also provides a clear analytical framework for the processes, issues and obstacles in this area.”**
Alec Nacamuli, IBM
- **“Good and comprehensive document”**
Gary Young, Logica

- **The European Commission installed an E-invoicing Expert Group**
 - Chaired by Bo Harald, TietoEnator
 - 30 members, approx. 50% from the banking related organisations
 - First meeting on 26 February, second meeting 4-5 April
- **Main objectives of the EC E-Invoicing Expert Group**
 - The Group will assist in creating a European E-Invoicing Framework (EEIF), as a basis for achieving the interoperability of e-invoicing solutions in public and private sectors across Europe by means of common business rules and technical standards
 - The Group will identify business requirements and ensure their validation by stakeholders, allocate responsibilities for the execution of specific work, and propose necessary steps.
 - The timeframe for implementing these tasks will run from start of 2008 until end of 2009

- **EBA will act as catalyst and thought leader in the European banking industry**
 - Two way channel of communication for its community
 - Promoting awareness of business opportunity and business case for banks
- **EBA will contribute actively to the EC E-invoicing Expert Group**
 - During 2008-2009
 - Monitoring and support
- **EBA will support European banking industry by creating a Roadmap/White paper**
 - Setting out options for industry deliverables and potential roles
 - At a pace and intensity determined by industry
 - EBA Working Group



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