



The Benefits For Your Company in Having Only One Procure to Pay Provider

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The European Commission has electronic invoicing firmly on its digital agenda and the market is growing. They have set out a vision for electronic invoicing as ‘an ecosystem where any enterprise... can use electronic invoicing as a commonly accepted and trusted business tool with any trading party in Europe’.

The EC recognises the substantial benefits electronic invoicing offers:

- Over €200 billion annual cost savings for corporate companies
- The potential to reduce CO₂ emissions by up to 3 million tonnes per year
- The potential to reduce fraudulent invoicing by improving VAT controls

The vast majority of invoices within European member states are still paper-based and the market adoption of electronic invoicing continues to vary by country from 3% up to 12%. It is encouraging then that the volume of invoices handled electronically is increasing rapidly. According to research firm Billentis, there will be an estimated 1.5 billion business-to-business (B2B) electronic invoices processed in Europe in 2011, a 35% growth in transaction volume from 2010.

But electronic invoicing has been around for over 20 years now through electronic data interchange (EDI). Is EDI invoicing really any different from ‘electronic invoicing’ and if so what does your company need to know? This paper will outline, from the GXS perspective, some of the key areas. Gartner defines electronic invoicing as ‘the interchange and storage of legally valid invoices in electronic format only between trading partners’. The benefits of electronic invoicing are well documented, including the reduction of costs associated with handling paper, reducing the numbers of errors compared to manual invoices and enabling transparency into the process for improved cash management. But perhaps less well understood is that electronic invoices

now need to meet per-country tax compliance laws for mandatory fields, authenticity, integrity and archiving.

Direct and Indirect Spend Invoices— Where is the Difference?

In truth, electronic invoicing has been used by innovative companies for over 20 years via EDI. This method exchanges electronic business documents, including invoices, across the physical and financial supply chain to facilitate business process efficiencies. Typically companies have experienced the benefits of this automation in their direct spend but in recent years companies have sought incremental process improvements within indirect spend processes, which in some cases can represent as much as 50% of an organisation’s spend.

Otherwise known as goods not for resale (GNFR) or maintenance repair and operations (MRO), indirect spend invoices cover the goods and services required to support a company’s day-to-day operations and are not linked to the costs of the goods this company sells to its customers. For many organisations this is a large area and can incorporate cleaning supplies, store maintenance, lighting, and point of sale equipment, printers, computers and much more.

B2B automation and integration, often via EDI, has been very successful in direct spend initiatives, but MRO has remained paper-based and still ripe for automation. A mystique exists that indirect invoices are somehow different from direct invoices and should therefore be managed differently. However, an invoice is inherently a simple thing: it has a header and line item fields, so I would question what the difference between direct and indirect spend invoices really is?

While an indirect spend invoice may have some different fields and deal with different service delivery models, such as temp workers or advertising spend, it is really not that different. In fact, when compared to the numerous complex invoicing examples within direct spend; it can be

argued that MRO invoices are, in fact, much simpler to process.

EDI as a means to exchange electronic invoices is long-established, proven and is recognised by the majority of tax authorities as a compliant method of e-Invoicing. It is true that in the past this was only available for larger trading partners and affordability for small- and medium-size businesses (SMB's) was sometimes overlooked. This, along with the prominence of the internet has led to the emergence of niche e-Invoicing providers.

The e-Invoicing 'Gold Rush'

A large part of EC thinking is driven by the need for the seamless and low cost inclusion of SMB's and it seems that what they really want is to connect rapidly and cost-effectively with their trading partners. In effect, they want a solution that allows them to trade without the need to invest heavily or radically alter their existing business processes.

B2B integration companies have developed solutions that enable all companies, regardless of size and technical capability, to trade electronically, affordably and with compliance. This kind of connectivity is in the DNA of every B2B integration company and these are the skills that today's e-invoicing companies are just learning to emulate. This, combined with allowing customers to manage compliance themselves, or through value-add services is beginning to close the schism and increase the demand for electronic invoicing via B2B integration. Gartner state "multi-enterprise B2B and e-Procurement are morphing one into the other and e-Invoicing is one of the main morphing agents".

In the e-invoicing marketplace the number of vendors is growing roughly 20% annually, all aiming to stake their claim. Billentis suggests that within the next year or two, when the total amount of B2B electronic invoices processed annually passes 15%, there will be a logical consolidation of these vendors through acquisitions. Any company looking to select an e-invoicing vendor should be aware of how this market will mature and which companies are likely to be still trading five years from now.

The Bigger Picture and More Value

Electronic invoicing is an essential element in automating your financial supply chain. But, it is only one element. The EC recognises that 'even though invoicing may seem a small process within a broader context, it is an essential

part of overall procurement'. For e-invoicing to be successful the EC suggests that it needs to be tied to initiatives across procurement, logistics, payment and tax compliance.

The point the EC appear to be making is that e-invoicing needs to be viewed within the wider context of B2B e-commerce. E-invoicing is an essential area to address within overall business improvement initiatives but it is important not to lose sight of the much bigger B2B picture. So why does current market hype focus on e-invoicing as an end in its own right?

When Enterprise Resource Planning (ERP) came to prominence, organisations were keen to take advantage of the business benefits they promised. Businesses invested heavily in ERP systems but gradually came to realise that they had different systems from different vendors in different regions of the world. This resulted from a combination of decentralised purchasing, mergers, and/or acquisitions. Integration across platforms was problematic so they consolidated on a single vendor solution. But that led to a new challenge with different instances of the same ERP system, with different versions and in different regions. Integration is still a problem—it has just changed shape. The latest trend sees organisations gradually moving to a single global instance of their preferred ERP system.

In the B2B integration space, there is a similar shift in strategy as organisations have realised that there are real business issues in managing networks of vendors. Market leading companies have seen the benefits of selecting a single or small group of key suppliers that can deliver consistently across all business areas and geographical region.

If you are a larger or multi-national organisation why would you actively choose to implement additional e-invoicing solutions? While niche e-Invoicing providers have their place, using multiple suppliers to address different elements of your B2B processes is going against the trend of vendor consolidation, creates complexity and fragments the visibility your company should have across different business processes.

Consolidation for Competitive Advantage

If your company has automated your procurement or logistics with EDI then there is a diminished argument for engaging with different solution providers and disparate systems for e-invoicing. It is worth finding out if your ex-

isting B2B integration provider can provide the e-Invoicing service you need across your business.

B2B integration specialists are the only global partners who can offer the range services and solutions across the physical and financial supply chains. The investment and experience in these areas is enabling these vendors to uncover the next generation of business automation, the information supply chain.

The ability to have real-time, end-to-end visibility across all your business processes, including that vital external customer and supplier information to drive effective and agile decision making will be your next competitive advantage. But the information supply chain can only be revealed when your physical and financial supply chains are automated across your entire company.

About GXS

GXS is a leading global provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration among trading partners. Organisations worldwide, including more than 75 percent of the Fortune 500, leverage the on-demand services on GXS Trading Grid® to extend supply chain networks, optimise product launches, automate warehouse receiving, manage electronic payments and gain supply chain visibility. GXS Managed Services, GXS' B2B outsourcing solution, empowers customers with the expertise, technical infrastructure and program support to conduct B2B e-commerce with trading partners globally.

Based in Gaithersburg, Md., GXS has an extensive global network and has local offices in the Americas, Europe and Asia-Pacific regions. GXS can be found on the Web at www.gxs.co.uk.



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