cloudtrade

EDI has been around since the 1970s, so why is paper still so prevalent in organisations today?

What are the barriers impacting the adoption and usage of e-invoicing?

Free Guide: E-Invoicing

How to guarantee high supplier adoption, in the shortest possible time frame.

This guide aims to answer these questions and describe how to overcome the barriers without disrupting your supply chain.

It should be stated from the outset, this is not just a marketing message from a service provider with an agenda to promote. The underlying message throughout, is that e-invoicing needs to be as simple as possible for the supplier to use (and free!), in order to ensure high adoption.

The following pages talk about an invoicing approach which is already ubiquitous and second nature to every organisation - in fact it's the second most popular way to invoice today after paper. Unfortunately however, most organisations are not aware of the automation possibilities that present themselves by using the data that lies, literally in front of their eyes!

The problem with the traditional paper process

A traditional paper-based purchase invoice process consists of a number of manual activities: the supplier raises the invoice in their finance application; they print it out, place it into an envelope and send it on its way in the post. Their customer receives the post, opens and sorts the mail items and enters the invoice details into their accounting system.

The manual activities don't always stop there as the invoice is often photocopied or scanned, with the copy invoice sent round the organisation for approval for payment.

It often takes days – or even weeks – from invoice generation, through to it being approved and ready for payment, and is a manually intensive process prone to errors and delays.

1. It is costly for the customer receiving paper (mailroom, handling, registration, storage, destruction etc.)

2. It is costly for the supplier sending paper (printing, handling, postage)

3. There is a lack of visibility and control for both supplier and customer

4. It is slow, manually intensive and prone to error (invoices getting lost, delayed, duplicated and data entry issues)

5. **It's also not good for the planet!**

So how can e-invoicing help?

"An organisation can save 1-2% of its turnover by replacing paper invoices with electronic invoices and optimising the related processes"
Billentis, 2010

Benefits are realised by both the buyer and the supplier when trading electronically. Electronic invoices are received straight into the buyer's processing application, within seconds of it being sent by the supplier - eliminating the need for any costly, slow and labour intensive activities.

The nirvana of straight through processing – where an invoice is received and processed without any human intervention – becomes an achievable goal, when e-invoicing is partnered with a robust P2P process.

Though it is not just about removing manual activities and the cost savings this will deliver. E-invoicing also enables greater control and visibility within the finance function and increases the ability for the buyer to pay on time and take advantage of supplier discounts.

These benefits have been discussed – and more importantly realised - many times before. For an organisation to realise them, it is clear they must convert suppliers from paper to electronic.

I have thousands of suppliers, where do I start?

Focus on the suppliers that generate the greatest benefit

An e-invoicing programme should not be distracted by measuring onboarding rates across all suppliers a customer trades with. If a supplier only submits two invoices a year, is it going to make a material difference to the benefits case by not receiving e-invoices from them?

At the outset effort should be spent making sure the right type of supplier – those that will deliver the greatest value to the customer – are identified and prioritised.

In the majority of instances, prioritisation is driven by invoice volume. A supplier sending 1,000 invoices / year to you, in almost all cases will provide more value as an e-invoice supplier, than a supplier providing 10 invoices / year.

In many organisations, a relatively small number of suppliers will be responsible for sending the majority of the invoices. Although this can vary by industry sector and organisation, it is not uncommon to find that as few as 5-10% of suppliers, represent 60-80% of the volume. In real terms this is often less than 200 suppliers.

So are we saying a successful e-invoicing project can be measured by the number and profile of the suppliers that move to e-invoicing?

Though true, we should not forget that it is also about the time taken to get them to convert from paper to electronic in order to ensure the benefits are realised as quickly as possible.
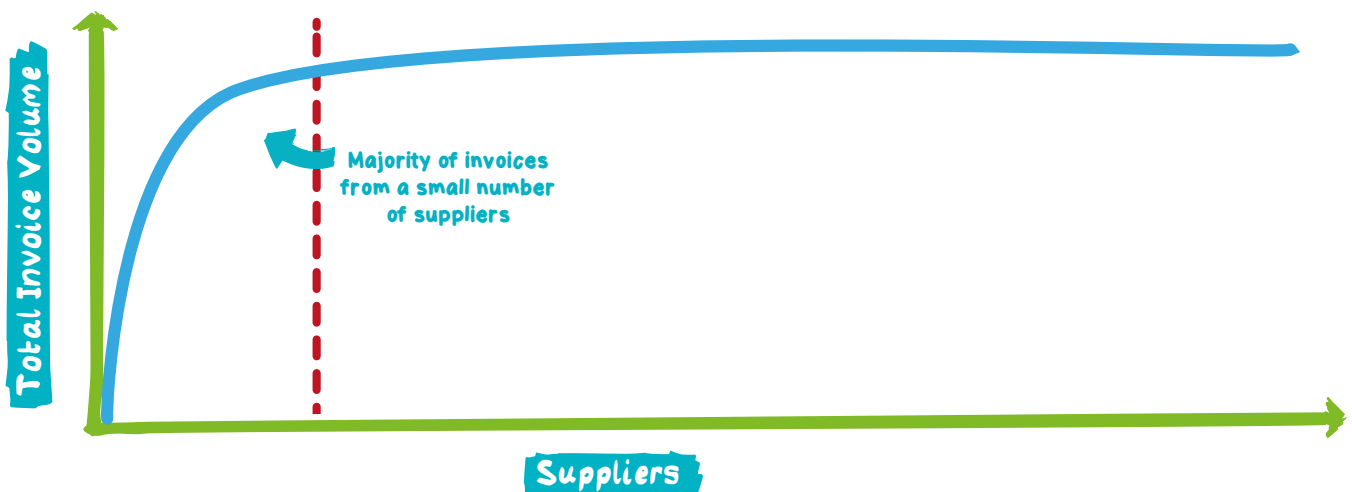
E-invoicing is a proven concept and there are many organisations around the world that have realised the benefits. High adoption of the suppliers that matter is one of the most important factors to a successful e-invoicing project. The more electronic invoices you receive, the less paper remains in the business. The quicker you can get your suppliers on-board, the sooner you will realise the benefits.

So why is there often such a low take-up of e-invoicing particularly with small to medium size suppliers?

What are the barriers that often impact fast and high supplier adoption?

The founders of CloudTrade have over 25 years' experience of the e-invoicing and purchase to pay market and have seen first-hand the challenges that organisations face when trying to move their suppliers away from paper. The following section outlines the three main barriers that impact supplier adoption.

Supplier Adoption Barrier One

The technical change suppliers often have to make

Many e-invoicing service providers require invoices to be produced and sent as an XML or EDI file. Although these files are very structured, producing them may require the supplier to make costly and difficult changes to their billing applications and infrastructure. These changes can restrict **all but the largest organisations** with the budget and invoice volumes needed to justify the changes.

INVOICE SUBMISSION APPROACH

Direct integration from accounting application

✔ Structured document data

✖ Change to suppliers billing application

✖ Change to suppliers infrastructure
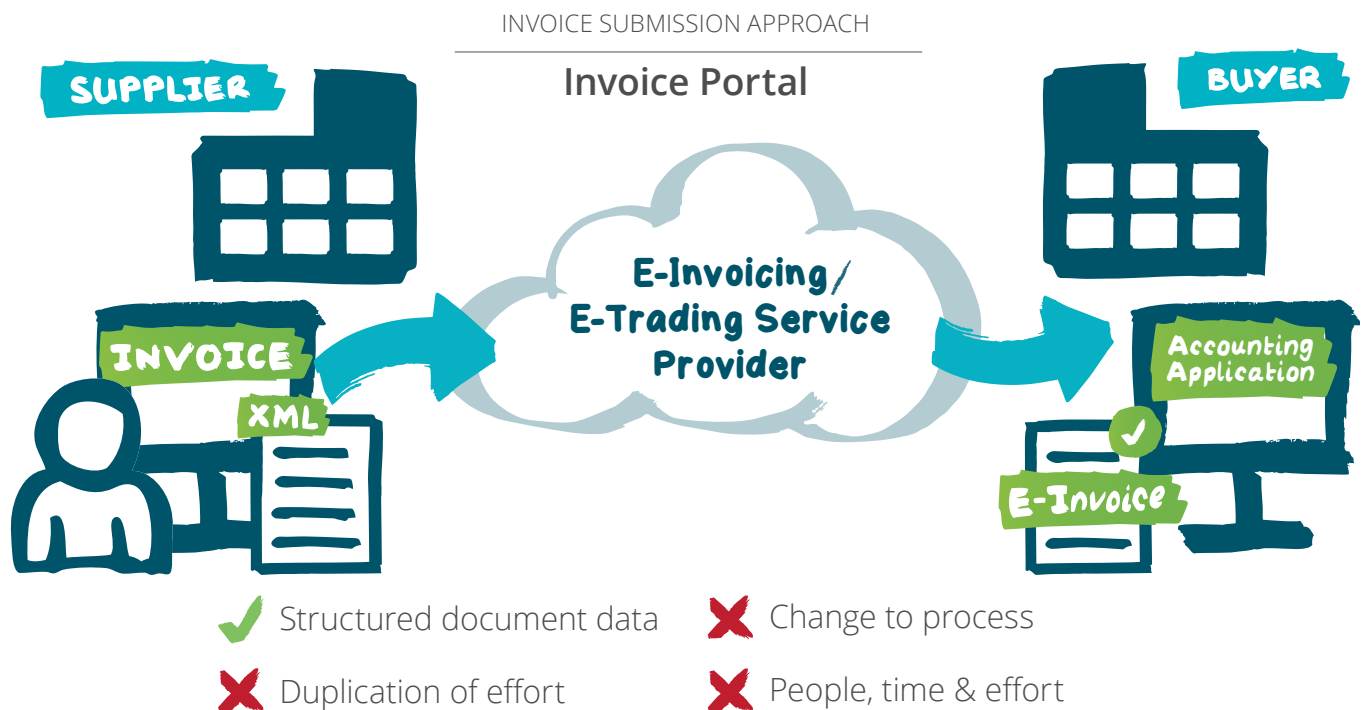
✖ People, time & effort to configure

Supplier Adoption Barrier Two
The change often needed to the suppliers operating processes

As an alternative, some e-invoicing providers offer an on-line option where the supplier can enter the invoice directly into the service provider's portal. An e-invoice data structure is generated from the data that has been entered and delivered to the buying organisation.

On-line portals avoid the necessity of changing applications and infrastructure to send EDI or XML documents - but they do require the supplier to raise their invoice in a 3rd party website. If a supplier already uses an accounting package to record their invoices, the question must be asked: "why would they want to duplicate effort by first raising the invoice in their own finance application, then again in a 3rd party portal?"

Unless the supplier is a **micro business without their own finance application**, invoice portals add complexity and duplication to the supplier's billing process.

INVOICE SUBMISSION APPROACH

Invoice Portal

SUPPLIER

INVOICE

XML

E-Invoicing / E-Trading Service Provider

BUYER

Accounting Application

E-Invoice

✔ Structured document data   ✖ Change to process

✖ Duplication of effort   ✖ People, time & effort

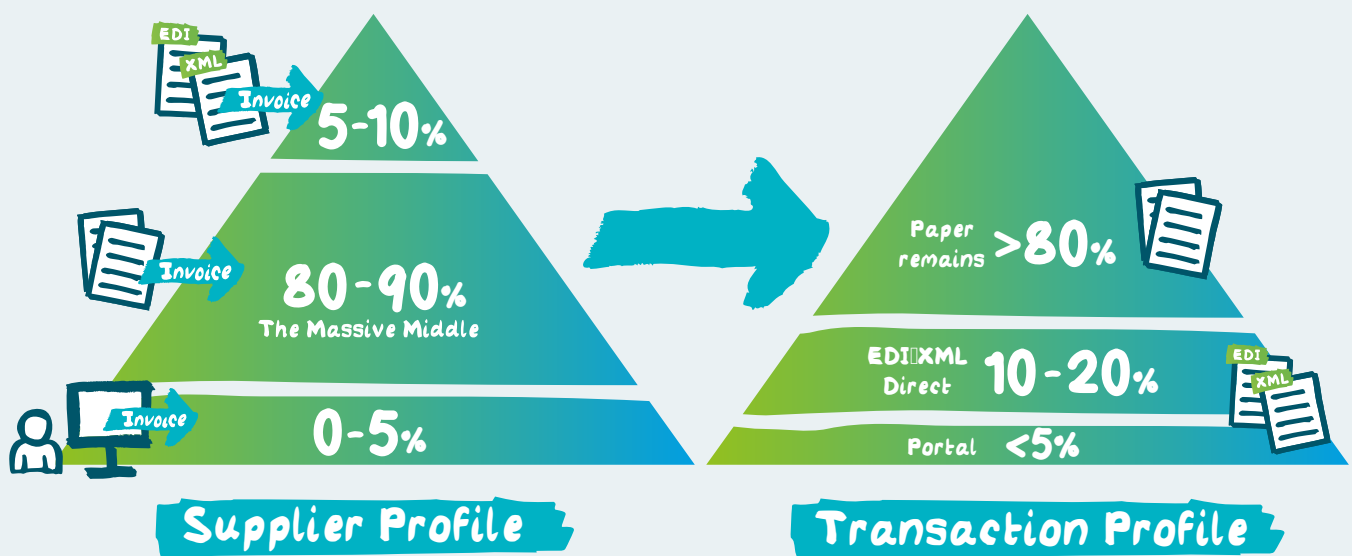**Supplier Adoption Barrier Three**
Financial cost to the supplier

Both of the above invoice submission options come with financial implications, either: **investment needed** to change applications and infrastructure to send EDI or XML; or **additional overhead costs** to cover time and effort to support invoice portals.

Add to this the **charges that are levied by some e-invoice service providers** on the sending organisation and it's easy to see why suppliers often can't justify the financial investment needed to support e-invoicing initiatives.

Where does this leave supplier adoption?

The net result of these barriers is that supplier adoption is impacted, leaving suppliers that are either too big to utilise on-line portals or too small to change their systems to send XML / EDI – to remain on paper. We refer to this group of suppliers as the "Massive Middle" – which can often map to 80-90% of invoice volume.

Supplier Profile

- EDI XML Invoice — **5-10%**
- Invoice — **80-90%** The Massive Middle
- Invoice — **0-5%**

Transaction Profile

- Paper remains **>80%**
- EDI XML Direct **10-20%**
- Portal **<5%**

Overcoming the barriers to guarantee high supplier adoption

For an organisation with experience of working with a traditional e-invoice service provider, the challenge of; "how to remove the barriers to onboarding to maximise supplier adoption", is likely to be viewed as a complex and difficult one.

However, as is often the case with complex problems, taking a simple, fresh approach can result in a simple and easy to use solution.

Any supplier using email can be an e-invoice supplier!

As finance professionals the world over will attest to, almost all accounting packages can generate a PDF invoice – with most also being able to email the PDF invoice straight from the application.

What many people may not be aware of though is that when an application generates a PDF invoice, in almost all instances it will be a text PDF with the key **document data such as invoice number, line quantity and price, embedded within the PDF as put there by the original generating application.**

By using technology from a service provider such as CloudTrade, the raw invoice data within the PDF can be mapped (no OCR) to an e-invoice structure - making this approach akin to mapping one flavour of XML to another flavour of XML!

As almost all accounting packages can generate a PDF* – and as email is the default way to communicate – by allowing suppliers to email their invoice to you and use CloudTrade to map the data embedded within the PDF to your preferred e-invoice structure, the barriers to supplier adoption are removed:

1. Suppliers don't have to change their applications or infrastructure to send EDI or XML files

2. Suppliers don't have to log onto a portal in order to create and submit their invoice on-line

3. Suppliers don't have to invest in technical changes or cover additional operating costs caused by inefficient processes.

although PDF invoices are by far the easiest and most common way to raise an electronic invoice, CloudTrade is able to receive and process any data socument, including; PDF, HTML, XLS, XML, EDI, DOC etc.
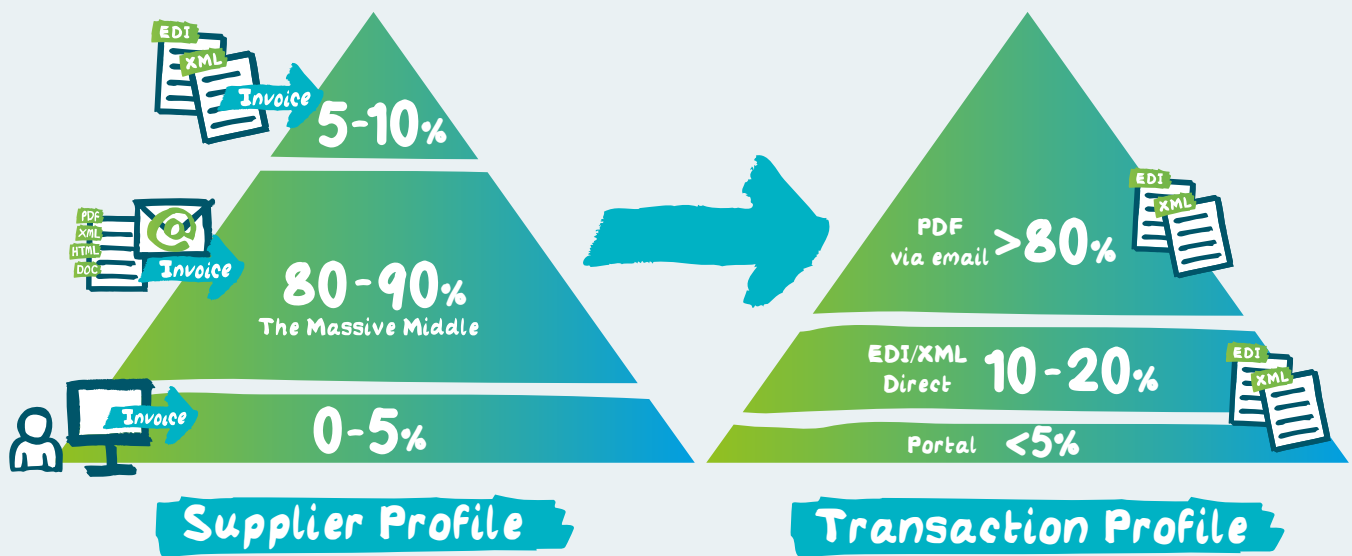
INVOICE SUBMISSION APPROACH

PDF via Email

SUPPLIER

BUYER

Accounting Application

PDF

cloudtrade

Accounting Application

E-Invoice

✔ Structured document data

✔ Equivalent to XML or EDI

✔ >90% supplier adoption rates

✔ Easy to use and non-disruptive to the supplier

Where does this leave supplier adoption now?

Those suppliers that may be too small to justify the changes needed to billing applications or infrastructure to send EDI or XML files – or too big to justify using portals to submit their invoice – are suddenly able to participate in e-invoicing initiatives by simply emailing their invoice to you.

EDI
XML
Invoice

5-10%

PDF
XML
HTML
DOC
Invoice

80-90%
The Massive Middle

Invoice

0-5%

Supplier Profile

PDF
via email **>80%**
EDI
XML

EDI/XML
Direct **10-20%**
EDI
XML

Portal **<5%**

Transaction Profile

Is it really as easy as this?

As mentioned at the outset, this is not just a marketing message from a service provider with an agenda to promote. PDF invoicing is already ubiquitous – though unfortunately most are not taking advantage of the automation possibilities that present themselves by using the data that lies literally in front of their eyes.

A recent study from the Accounts Receivable network highlighted something most finance professionals are already aware of – that is PDF via email is the second most popular way to send invoices after paper – with traditional EDI and e-invoice services trailing a long way behind.

How can we help you?

Suppliers can produce their invoices in an easy and non-disruptive way that removes the need for changes to their applications, infrastructure or internal processes.

Due to the nature of machine generated PDFs, these invoices are the equivalent to an XML or EDI file and therefore ensure accuracy of data. With this approach and our technology, the "massive middle" no longer has any barriers to adoption and can be quickly brought on board to deliver electronic invoices straight into your finance application within seconds of the supplier sending it!

1. **Sign up to a free trial at www.cloudtradenetwork.com**
We'll show you how it works with your own invoices

2. **Supplier adoption**
We'll help identify and onboard those suppliers that will give you the greatest benefit (many are probably available on our network already!)

3. **Mop up the long tail**
For infrequent suppliers we have a number of options to ensure 100% of invoices are e-invoices

4. **Count the savings!**

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