

It's time to face your e-invoicing fears



Is it right for your business?

What does it take to become e-invoice enabled? Many businesses may have already created their business case and spent a considerable amount on a P2P implementation that simply doesn't deliver. Fear of the system being rejected by staff and suppliers, lack of technical support and no visualisation of the business case, all play a part in the lack of e-invoicing uptake.

Enabled e-invoicing can deliver savings, improve relationships and open up new possibilities. Here we aim to give you the tools to analyse whether e-invoicing is right for your business and identify the key considerations for your implementation approach. Whether you have a P2P system already in place or are in the process of going live, e-invoicing will likely be an option available to you for the first time.

From Xoomworks' experience of implementing and supporting P2P systems such as SAP Ariba and Coupa, we often encounter apprehension when it comes to e-invoicing, causing clients to miss out on realising all the benefits of their system. This concern is often based on the unknown and an assumption that most suppliers will say "no". Here we shed some light on e-invoicing and how it can be successfully implemented. We will also identify areas where we have seen success in overcoming suppliers challenges to e-invoicing.

What constitutes an e-invoice?

An e-invoice is an invoice that is transmitted electronically and is intended to be processed automatically by the receiving system without manual intervention or printing.

Many organisations are happy to include emails, pdf attachments and OCR (Optical Character Recognition) invoices into their electronic definition. This is not what we mean by an e-invoice – and the reason is that at some point they are likely to be printed and keyed into an Accounts Payable system.

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4 benefits of e-invoicing

E-invoicing has a number of benefits, both tangible hard cost savings as well as, soft intangible benefits:



Increased efficiency, reducing operating costs

Entering data from a paper invoice into a payment system is time consuming and risks incorrect data entry.

Efficient e-invoice enabled AP functions can process as many as four times as many invoices per person. This can equate to hundreds of thousands of pounds, euros or dollars for medium or larger organisations. It can also free AP resources to focus on more value-add activities such as working capital management.

In addition supplier self-service significantly decreases the number of supplier queries that accounts payable need to deal with, cutting costs further and also improving supplier experience.

Some organisations have held back on a P2P system because they fear implementing too much change at once would have a dramatic impact on staff and suppliers. But by putting in a P2P system, an organisation can seamlessly harness these efficiencies.



Improved supplier relationships

Suppliers' most consistent objection is that they do not know the progress of payment of their invoice and that they don't get paid on time. With traditional paper-based invoicing, there is no visibility or easy-to-track status, and if you want information you often have to make contact by telephone.

But with e-invoicing, once you submit your invoice it can be tracked straight away and the supplier can see when it has been paid or when it is likely to be paid. Invoice processing times will be vastly reduced giving the buying organisation more control over payment. Payment on-time can lead to better supplier relationships – especially for more strategic suppliers where Supplier Relationship Management plans may be in place. Paying your supplier is a hygiene factor that shouldn't be ignored.



Better working capital management

Early payment discounts can be obtained from the accelerated payment cycle provided by e-invoicing.

With more control over the payment time and freed-up resources, proactive decisions can be made over early payment discounts. With some of the best organisations in the world taking advantage of these where it suits the working capital strategy of the business, savings here can be significantly more than any other e-invoicing measure.

With Taulia our supplier management software partner, it is easy to generate significant savings through connecting buyers and suppliers to become more efficient. Taulia Business Exchange turns invoices into revenue opportunities and increases supplier liquidity by automating early payments on 100% of invoices.



Reduced environmental impact

Less paper means a lower carbon footprint which not only improves company image but also provides a cost saving through reduced storage requirements.

Most countries require that paperwork is stored for a number of years and this has resulted in significant storage costs. However with cloud and servers this is no longer necessary, with electronic means also providing a better audit trail that is more easily identifiable.

So what does this equate to in GBP?

Taking an organisation with 100,000 invoices a year and spend of around £800m:

- Increased efficiency, reducing operating costs: Although estimates vary significantly, a realistic paper estimate of £3 per invoice could be reduced to £1 per e-invoice = £200,000
- Improved supplier relationships: Depends on opportunities taken as a result
- Better working capital management: 0.1% saving on overall spend of £800m = £800,000
- Reduced environmental impact: Storage costs of 100,000 invoices over 6 years. With estimates of storage varying significantly from £0.1 per invoice to £1.50, with being the most conservative at £0.1 = £60,000

Total potential savings: Over £1m plus supplier relationship opportunities

We have already helped our customers achieve some impressive results ranging from 70% to 90% e-invoicing by invoice volume.

Cost & technology considerations for e-invoicing

There are a number of potential areas where you need to be aware of costs depending on the technology selected.

High volume transactions will be integrated on the P2P portal to enable invoice automation. With this comes the potential for the costs of this automation to be passed onto the buyer.

Portals offer easy-to-use PO-flip and invoice entry functionality for lower transaction volume suppliers. However there are some costs associated either from portal usage or for advanced features on that portal. Whichever technology you use, you need to be aware of where potential additional costs may arise.

Likewise, you will need to assign internal or external resources to complete the supplier enablement activities. A clear strategy, tested communications and a support plan are required to minimise resource costs and to prioritise suppliers for enablement.

Successfully enable your suppliers

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To achieve these high levels of e-invoicing, you will need to overcome the fear of on-boarding suppliers and view it as a continual process.

With senior level executive sponsorship, the right resources and a clear plan in place, you can proactively achieve the benefits of e-invoicing in your organisation.

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Ensure top down executive sponsorship

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Some suppliers may push back when you ask them to move to e-invoicing. You will need that mandate from the top to assert to the supplier that e-invoicing is a company requirement. In the majority of cases you should confidently be able to enforce e-invoicing with the support of the business and direction from your executives.

Once you have secured executive sponsorship, the e-invoicing initiative needs to be communicated across the business so people know what you're doing and why you're doing it.

Establish clear guidelines

Guidelines should be created to define the supplier on-boarding process. You will need a transparent approach when designing this process to ensure supplier enablement happens in a structured and pre-defined way.

Typical questions to consider when creating these policies include:

- Does it include all suppliers?
- Are suppliers submitting over 4 invoices a year?
- Have the suppliers traded within the last 12 - 24 months?
- What happens when suppliers refuse?
- What if suppliers demand payment to comply?

Structure the team correctly

Your internal resources need to be structured in such a way to ensure effective supplier enablement. We recommend two different but complementary skilled teams.

The first team covers the process of making first contact with the supplier to introduce e-invoicing and go through the enablement process. The second team should then manage technical issues and handle trouble shooting. By segregating the work in this way you can use your resources more efficiently.

Have a clear escalation process

A clear process and plan is required to effectively enable the different categories of suppliers. An important area often overlooked is an escalation process for when problems arise. Xoomworks has seen successful results with the following four escalation routes:

- 1. Supplier is resistant to change** – the trouble shooting team work with the business. They determine if the supplier should be handled as an exception or – if an alternative source of supply is available – cease to work with the resistant supplier and de-activate them in your system.
- 2. Contact details are not available or are incorrect** – the trouble shooting team work with the business contact and master data team to determine the correct details and update them in your system, passing back to the enablement team once complete.
- 3. Lack of response from the supplier** – if three contact attempts are unsuccessful, pass to the trouble shooters who will use the approach in either point one or two above.
- 4. The supplier raises a business question or issue** – if the query can't be handled by the enablement team, pass the query to the trouble shooting team who work with the relevant business or AP contract to resolve the query. It's also useful to prepare and refine a list of FAQ's that the enablement team have access to, to resolve queries instantly.



Enhance productivity by segregating supplier data

It will not be possible to enable all suppliers using the same e-invoicing methods. You can manage your risk around this by adopting a different approach to on-boarding according to supplier profiles and thus maximise your productivity. One solution would be to categorise your suppliers into high, medium and low volume and create an e-invoice method for each group:

HIGH
full integration through cXML

MEDIUM
cXML or through a supplier network / portal

LOW
supplier network / portal

Have a regular data cleanse plan

You should ensure you have the most up-to-date supplier information details before your supplier enablement launch.

This can be achieved by reviewing your master data. However this may be an ongoing task if you have outdated information and a balance will be required against effort versus cost.

Collaborate for better supplier engagement

Your supplier engagement will be more successful with a collaborative effort where communication and buy-in to the process is key:

- Promote the benefits to the supplier – get paid on time, improve working capital, self-service invoice tracking, preferred supplier
- Use your company branding in your communications and if possible, have it sent from a senior executive
- Provide supplier training materials for use of the e-invoicing platform
- Offer training sessions for your suppliers

Engaging with a collaborative message shows your supplier that you're working as partners and increases the likelihood of them signing up to your initiative.

Engage procurement early on

E-invoicing might be driven by Finance but your procurement team is often on the front line between buyers and suppliers. Engaging your procurement teams will save time and effort. They can help by adding an e-invoicing clause to new and existing supplier contracts and by managing any commercial discussions with the supplier about the e-invoicing project.

Plan for Accounts Payable (AP) engagement

A successful e-invoicing project will change AP processes and the skill sets required in the team, moving from invoice processing to exception handling and proactive capital management.

Planning for these modifications will require effective change management and the involvement of HR, as resourcing is transitioned and allocated appropriately.

Continually monitor and measuring progress

To measure progress on your business case, we recommend a number of KPIs that should be in place from the outset and assessed on a regular basis to demonstrate progress and help identify any possible areas for concern:

- Percentage of invoices submitted using an e-invoicing method: To gauge the adoption of the e-invoicing solution. The business case for e-invoicing will have benefits driven by the number of invoices going through the e-invoicing solution. This percentage will highlight if more focus is needed on supplier enablement work
- Percentage of invoices with exceptions: This will identify how many invoices need AP intervention which will hence increase AP overhead and reduce the chance of on time

payment. If a high percentage of invoices have exceptions then analysis needs to be performed to identify why this is the case so that improvements to the supplier change management process can be implemented

- Cost of processing an invoice: To illustrate the direct cost saving from implementing an e-invoicing solution. E-invoicing will reduce the number of exceptions that AP have to deal with and improves efficiency. This in turn drives a reduction in the processing cost per invoice that will be tracked against the business case target
- Percentage of on-time supplier payments: Confirming if suppliers are paid on time will highlight if current payment terms are suitable for the efficiency of the AP process. This will also show if discounts from on-time payment are a viable option and

if supplier relationships are being improved or harmed by the length of the invoicing process

- Days payable outstanding: The number of days it takes to pay a supplier from the point an invoice is received shows how efficient the AP process is. Reducing the length of time it takes to pay a supplier will improve supplier relationships and provide opportunities for early payment discounts
- Percentage of early payment discounts taken: If payment terms include a discount for early payment then the percentage of these opportunities taken needs to be closely monitored. If pricing with suppliers has been based on early payment discounts being achieved then the business could be losing money if the invoicing process is not meeting early payment targets.

So What Next?

It is important to consider your business case with KPIs to identify your targeted savings. From there you would need to gain executive sponsorship and project funding.

We have been implementing, optimising and operating procurement solutions for clients for nearly 20 years. As part of these services, Xoomworks has a dedicated, multi-lingual supplier enablement team to help clients get the most from their procurement and finance investment.

We have managed over 200 projects across 82 clients in over 40 countries and we have enabled more than 200,000 suppliers from simple invoice 'flips' to complex cXML punchout integration and EDI integration. Our services are run from a dedicated near-shore centre in Romania, with support from our UK and European consultants. This combination of staff allows us to provide the right mix of expertise at the right price.

We'll work with you to offer as much or as little assistance as required, to enable as many suppliers as possible to transact with the system at the appropriate level. The goal is to ensure that maximum efficiencies are achieved through your P2P investment.

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How we do it:

We can help you develop your business case and scope out your project, giving advice on how to secure funding and executive sponsorship. Our approach is comprehensive and we can also offer a one-day assessment workshop aimed at reviewing your invoicing processes and making key recommendations on how you can use digitisation to improve your e-invoicing outcomes. From your supplier management processes through leveraging your digital payment mechanisms, we'll understand the challenges you are trying to overcome and recommend simple, cost effective solutions to make you more effective.

Our services include:

Planning:

- Review of Supplier Data to identify any gaps and identify suppliers suitable for each enablement path
- Compare Customer Supplier Data to Xoomworks historic enabled supplier database to identify further suitable suppliers for each enablement path and timeline for enablement
- Discussions with different Customer stakeholders to discuss priority suppliers and initial recommendations
- Produce a recommendation report detailing which suppliers should be allocated to each enablement path

Delivery:

- Make recommendations undertake activities involved to on board suppliers through proactive enablement
- Enable as many identified suitable suppliers as possible with the appropriate services

Ongoing Supplier Support:

We support suppliers using Coupa, Ariba and other technologies to receive PO's and send e-invoices. However, if the suppliers have queries about anything else related to their solution, our team supports them or escalate as required.

- Supplier service desk – Focused on supporting enabled suppliers with any issues or queries
- Enablement of new suppliers – Support new suppliers onto the enablement paths

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Who we've helped:

Here are two customers that we've helped:

Philip Morris International (PMI) – a multinational company with around 82,000 employees globally.

Xoomworks has delivered a range of Coupa supplier enablement & support services for PMI's Swiss Pilot in multiple languages including:

- Proactive Enablement of several hundred strategic suppliers onto the CSP
- Ongoing supplier service desk for up to 2500 suppliers

Diageo – a multinational beverages company with around 33,000 employees globally.

Xoomworks not only implemented their Coupa system but was also invited to deliver a range of supplier enablement services. Xoomworks supported Diageo through:

- Collating supplier data and identifying gaps
- Collecting and validating their supplier data
- Enabling suppliers onto the CSP
- Enabling identified suppliers with hosted catalogues
- Enabling identified suppliers to be able to transact via cXML PO/INV

About Xoomworks

Xoomworks is a niche consultancy and outsourcing company that specialises in Procurement and Business Intelligence. Staff are based in UK and Europe and consist of technical, business and behavioural consultants, and senior procurement staff. Our Complete Procurement proposition addresses both the mechanics and behaviours of Procurement that drive the greatest value for organisations.

Interested in finding out more about Xoomworks Procurement?

Call us now on +44 20 7400 6120 or send an email to procurement@xoomworks.com www.xoomworks.com/procurement