

e-Invoicing Basics

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Formal definition by EU for e-invoicing

Electronic invoicing (e-invoicing) refers to the process of issuing, transmission, and reception of invoices in a structured electronic format which allows for their automatic and electronic processing. By automating these processes, e-invoicing can significantly reduce the cost and complexity of invoicing for both senders and recipients.

An e-Invoice

- Structured invoice data issued in Electronic Data Interchange (EDI), XML formats or other.
- Structured invoice data issued using standard Internet-based web forms

Not a true e-Invoice

- Unstructured invoice data issued in PDF or Word formats
- Paper invoices sent via fax machines
- Scanned paper invoices

An electronic invoice should contain data from the supplier in a format that can be entered (integrated) into the buyer's Account Payable (AP) system without requiring any data input



Why e-Invoice?

There's compelling evidence that eInvoicing saves money for your company. Research suggests that a paper-based invoice costs around 30 euro compared to less than 5 euro to process an electronic invoice.

Average processing cost between 10-20 euros from other sources.

In addition, cost savings are matched by revenue generating and cash flow potential.

A growing number of governments are compelling suppliers to use eInvoicing when invoicing their public sectors.

This will be a major driver of e-invoicing adoption in the near term.

Directive 2014/55/EU [i.1] on electronic invoicing

The European Commission estimates that "*The mass adoption of e-invoicing within the EU would lead to significant economic benefits and it is estimated that moving from paper to e-invoices will generate savings of around EUR 240 billion over a six-year period*". Based on this recognition "The Commission wants to see e-invoicing become the predominant method of invoicing by 2020 in Europe."

As a means to achieve this goal, Directive 2014/55/EU [i.1] on electronic invoicing in public procurement aims at facilitating the use of electronic invoices by economic operators when supplying goods, works and services to the public administration. In particular, it sets out the legal framework for the establishment of a European standard (EN) for the semantic data model of the core elements of an electronic invoice.

Here are five of the key reasons why you should be introducing eInvoicing into your organisation

Overcome the Challenges of Paper Invoices: There is so much time, effort and cost involved in the paper-based invoicing process, it is surprising that so many organisation have yet to optimise their accounts payable functions.

Improving process automation: The major saving in eInvoicing isn't achieved through reducing printing or postage usage, it is implementing efficient processes and integrating them into your business.

Improving cash management: In tougher economic conditions, cost saving is only one weapon in your armoury. An equally effective approach can be focusing on cash management.

EU Directive and other compliance issues: The European Union is at the forefront of driving the widespread adoption of eInvoicing. Other territories are not far behind.

Green Initiatives: Each year, 12 million trees are cut down to accommodate paper-based invoices in Europe alone. Electronic invoicing can make a significant impact on your sustainability strategy.

Benefits for Buyers

Reduced costs

Increased accuracy

Increased AP productivity

Faster processing and payment cycles

Focus on higher value activities

Enhanced accounts reconciliation

Improved cash management

Reduced fraud, duplicates and late payment fees

Improved dispute handling

Improved supplier relationships

Optimised community management

Benefits for Suppliers

Faster payments

Reduced costs

Fewer rejected invoices

Increased productivity

Enhanced accounts reconciliation

Improved customer relationships

Improved cash management

Alternative finance options

Benefits for managers

Optimised working capital

Improved compliance

Improve supplier/customer relationships

Enhanced IT system optimisation

Meeting green initiatives

The Issues

Forward planning:

Where to begin? How do you ensure you get the planning correct from the start?

Internal capabilities:

What are the skills and knowledge that you will require within your business to create and manage your e-invoicing solution?

Technology readiness:

What systems will your eInvoicing solution need to integrate with? Will the systems be contained within the accounts department or will it need to communicate with your ERP and planning systems?

Supplier/customer acceptance:

Are your trading partners either capable or willing to invoice electronically? What can you do to help with their adoption?

The Issues (ctd)

Supplier/customer integration:

How easily can you onboard your trading partners to your eInvoicing system? In which format will they require invoices?

Data storage and archiving:

All countries have regulations about how long you must retain invoice information. What are the data storage and archiving issues you'll need to address?

Managing change:

Most analysts accept that the biggest barrier to successful eInvoicing implementation is cultural and not technological. Are your people ready to move to eInvoicing?

What you need to consider before you embark on an eInvoicing project.

Do-it-yourself or hosted eInvoicing service?

- (need to consider when deciding on in-house vs a provider).

Selecting the right eInvoicing solution

Selecting the right eInvoicing service provider

Fundamental Questions to include in your e-Invoicing RFP to ensure you get a long-term, sustainable eInvoicing solution.

Gartner's Magic Quadrant

