

# ELECTRONIC TRANSMISSION

E-invoicing has been a buzzword in business for years, but now corporate customers are starting to realise the real value it can offer. Royal Bank of Scotland's **John Lyons** tells Jim Banks that banks are upping their efforts to provide seamless, secure and compliant services, and momentum in the market is starting to build.

- The economic downturn has not lessened the desire for e-invoicing.
- For a bank much depends on the choice of systems it makes for its e-invoicing services.
- Banks will extend their services across geographical boundaries.

**A** with any technological innovations, e-invoicing raises its fair share of opportunities and challenges. After many years of discussion, however, banks have made much headway in overcoming the challenges and maximising the opportunities. Interest among corporate clients has grown to the point that banks are starting to compete more intensely for their business.

E-invoicing has long promised cost savings and efficiency gains, but now the technology platforms are in place, banks are ramping up their services, and corporate and commercial customers are ready to bring their supply chain partners into the new environment. Furthermore, the economic downturn has not dampened their appetite, as many realise that it is more important than ever to improve efficiency and reduce costs.

Companies can remove paper from the invoicing process, they can validate and process invoices quicker and they can make better decisions about when to pay suppliers or bill their customers. E-invoicing is simply cheaper, faster and better,' says John Lyons, head of global transaction services UK at Royal Bank of Scotland (RBS).

RBS currently offers the UK's only fully branded e-invoicing service direct from a bank. It allows customers to send and receive electronic invoices in a secure and compliant fashion, by leveraging their own accounting systems. The bank takes on the technology challenge, providing corporate clients with a web-based service that requires no software installation, and which offers STP, enhanced security and invoice validation features.

'Interest is growing all the time. We have been in research and piloting mode for a number of years and the service has now been fully live for 18 months. It is certainly a hot topic in the UK, especially in the public sector, as companies look to streamline their invoicing, and companies are motivated by moves being made by the EU to encourage that,' notes Lyons.

E-invoicing is still in its infancy, but large organisations with a high volume of invoices are leading the way. They are proving the concept for smaller companies, which will eventually follow suit. Lyons notes that RBS, for instance, is already building its SME offering, which he believes is vital for the development of the market. To generate maximum efficiency, e-invoicing needs to cover all points on the supply chain.

'It is easier for big organisations to push e-invoicing with customers and suppliers. They lead the way and it trickles down. It is important that any e-invoicing service works for organisations of all shapes and sizes. We are currently selling to larger corporations to help them with their billing decisions, but they must connect to all kinds of customers and suppliers,' he remarks.

### A robust platform

Technology is, of course, the key enabler of e-invoicing, so for a bank much depends on the choice of systems that underpin its services. In 2008, RBS chose to implement technology from Accountis, a division of Fundtech, as the foundation of its VAT-compliant, branded service.

The Accountis electronic invoice presentation and payment (EIPP) technology comprises Accounts Receivable (AR) and Accounts Payable (AP) trading hubs, which consolidate data from disparate billing systems and bring invoices directly into the bank's financial systems. The technology provides detailed information on the status of each invoice or purchase order, and also

enables real-time dispute management in the event of a query.

As well as automating manual processes, enabling real-time document management and faster settlement, the technology also provides a basis for optimising working capital management. Furthermore, it enables RBS to deliver a range of solutions to suit different clients and their supply chain partners, and helps to address the common concerns that companies may have about e-invoicing.

Lyons understands why corporate clients may have concerns about making the transition to e-invoicing, but he can reassure them that issues such as data security have been thoroughly addressed by the systems and by the governance processes of the banks providing such services.

'There have been barriers to uptake, and security is certainly one of them. You don't want to rely on an invoice if you can't verify its authenticity. We've addressed that by using rigorous and proven security protocols. We use

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digital signatures, which give the receiver confidence that the sender is who he says he is,' he remarks.

'Paper invoices arriving in the post may feel more comfortable, but they are also vulnerable to the risk of fraud. The internet is not necessarily a safe place, so we have taken steps to ensure the security is inherent in an unobtrusive way to give our clients the trust and certainty they need.'

Companies that have confidence in the security of e-invoicing technology and accept that there is a robust approach to access control and invoice validation may still have concerns about the process of transition to a new environment in a part of their business as important as invoicing and payment. Lyons can once again reassure them that even in today's challenging markets the transition is not only worthwhile, but can also be handled with minimal disruption.

He notes that e-invoicing requires buy-in along the whole supply chain, beyond a

## EU embraces e-invoicing

In July 2007 the EU Informal Task Force on e-invoicing highlighted the potential savings that could be accrued in Europe, pointing to the findings of the European Associations of Corporate Treasurers' project, Corporate Action:

- The average processing cost of a paper invoice across Europe is approximately €30.
- E-invoicing could yield an 80% saving on processing costs.
- This saving could amount to €243 billion across Europe in the business-to-business market alone.

bank's clients to reach their customers and suppliers, and that the transition should, therefore, be steady and measured. Starting that process now, before the anticipated economic recovery, could be important in preparing a business for better trading conditions, as well as accruing efficiency gains from the early stages of the project.

'The big bang approach doesn't work. It is difficult to get people to move quickly. There is always inertia, and familiarity with the way things are done now holds some companies back. But everyone wants to get paid faster, reduce the cost of payments and improve efficiency,' he says.

### Smooth transition

Banks are working hard to ensure that the process of transition is as painless as possible. RBS, for instance, has focused on ensuring that suppliers are required to make very few changes, and that there is no restriction on the format of invoices. It offers a range of applications to suit companies of different sizes and with varying levels of technical capability.

A small company, used to sending an invoice as a Word document, can use a simple web screen to input the data, while Purchase Order Flip feature allows them to receive electronic purchase orders that are automatically converted into invoices.

'If the company has an accounting system printing invoices then we can capture the data before printing, digitally sign it and send it. We can also map and reformat data from different file formats, like ASCII or XLS, in an automated way. Or companies can use the internet to have servers talk directly to each other. It is important to find the right solution for each company,' explains Lyons.

'Hard work is needed to make the

transition, and there is a phenomenal range of formats, but a bank can work with its customers to refine and develop its service. We will shortly introduce a service that enables clients to be fully electronic from day one. A buying organisation can receive paper invoices from the suppliers, which are sent to a PO Box. We

'Savings are usually possible in areas like the re-keying of data, tracking and fixing inaccuracies, and simple things like postage, copying and printing costs. Small discrepancies can be costly when matching invoices to orders,' Lyons notes.

In the years ahead, competition among banks to engage clients is likely to heat up. There is a general acceptance among banks and large corporate clients that e-invoicing will become a vital area of service in the near future, and that the competitive advantage will become ever clearer as more companies sign up. This is good news for corporate customers looking to make the transition, as banks try to differentiate themselves by focusing on additional services.

and the service removes this headache for them. Our approach to pricing is to charge our clients, but not charge their suppliers to sign up and use the service.

This approach is vital to ensure suppliers adopt the service and our customers can then maximise their efficiency gains from use of the service.'

The market for e-invoicing services is steadily building towards critical mass, and ultimately banks will look to extend their services across geographical boundaries. RBS, for instance, may currently be focused firmly on the UK, having taken the lead among banks in developing a suite of branded services, but it recognises the potential to expand into Europe in the years ahead.

Lyons notes that that technology underpinning RBS' UK offering is already working in nine other jurisdictions. The platform is there, but it will take time and effort to develop service offerings, which must have a local focus in each country, in the same way that an individual corporate client may need a unique blend of applications to bring them into the e-invoicing arena.

The drive among banks to develop services and enable corporate and commercial clients to move quickly and easily into the electronic world speaks volumes about the level of expectation around e-invoicing. It will be a major factor in generating efficiency for many organisations in the near future, and banks are keen to be one step ahead of the competition. FBA

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scan them and process them electronically. It may take time to set up the electronic connections for a client, but our two-step approach means our clients can get the benefits quickly while we help them make the transition to fully electronic systems.'

### Counting the cost savings

For most organisations there is great potential to deliver cost savings and process efficiency by switching to e-invoicing along with key suppliers and customers. The scale of these gains will, however, vary depending on the company's size, complexity and existing invoice processes.

Banks such as RBS recognise that most corporate clients will be able to make improvements in some areas of their invoicing workflow by automating manual processes or improving the communication between accounting systems. The challenge for banks is, therefore, to help those companies to develop their own, unique model for e-invoicing rather than trying to develop a one-size-fits-all solution.

'Differentiation between banks is not just about technology. E-invoicing is very much a service, not a technology offering. There are certainly economies of scale if we run the infrastructure, but we must also have a strong service offering. For instance, we help connect a client's trading partners to the service. There is a collaborative effort to get their suppliers on board,' comments Lyons.

'The e-invoicing service we provide complies with the local tax regulations with respect to deliver of invoices online. Customers don't need to worry about understanding and implementing technology in line with complex compliance directives



### John Lyons

John Lyons is head of Global Transaction Services in the UK at Royal Bank of Scotland, responsible for cash management and trade sales and domestic product management and development. He has had a varied background in product development, change management, international operations management and development, relationship management and specialist sales.