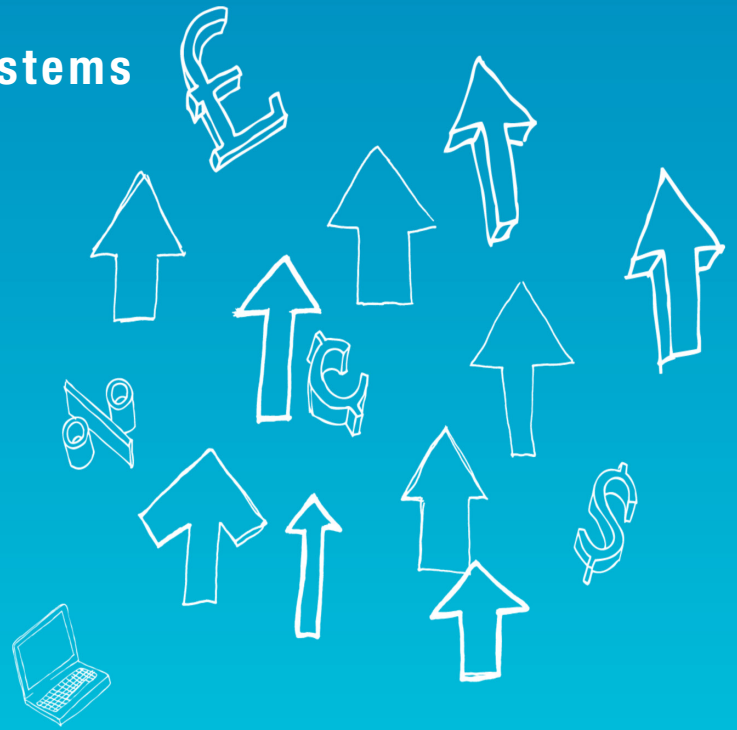


2012 Global E-Invoicing Study

A shift toward e-invoicing ecosystems



The Institute of
**Financial
Operations**
IAPP | IARP | NAPP | TAWPI

basware

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2012 E-invoicing Research

About The Institute

The Institute of Financial Operations is a membership-based professional association serving the entire financial operations ecosystem, with a particular focus on the accounts payable and accounts receivable disciplines and the related fields of information management and data capture. The Institute grew out of the merger of four associations: International Accounts Payable Professionals (IAPP), International Accounts Receivable Professionals (IARP), the National Association of Purchasing and Payables (NAPP), and The Association for Work Process Improvement (TAWPI).

Based in Orlando, Fla., with offices in Boston and London, The Institute serves as a global voice, chief advocate, recognized authority, acknowledged leader, and principal educator for people in financial operations. The Institute has a community of nearly 100,000, which includes 5,000 members, 17,000 customers, and an additional 75,000 financial operations professionals.

The Institute's members have access to benefits and leading-edge resources such as the award-winning *Financial Operations Matters* magazine, a dynamic re-engineered website, educational and networking events, online educational offerings, certification and certificate programs, career resources, and volunteer opportunities.



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Basware is the global leader in cloud-based e-invoicing and purchase-to-pay solutions with more than 1,000,000 users in over 60 countries. Basware's B2B Cloud solutions and services provide an open, secure, and global ecosystem for buyer and supplier collaboration, connecting more than 1.9 million buyers and suppliers globally. The solutions are architected to meet the needs of SMEs and global enterprises and are built upon Basware's deep knowledge and experience of B2B financial processes, coupled with intelligent cloud connectivity and the Open Network. With Basware, organizations benefit from more efficient procurement, accounts payable, and accounts receivable processes, sustainable cost savings, better insight to cash flows, and improved buyer-supplier relationships. The solutions are available via the cloud, on-premise, or through business process outsourcing in Europe, the U.S., and Asia-Pacific through an extensive network of Basware offices and business partners. www.basware.com



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Executive Summary

In 2011, Basware and The Institute of Financial Operations collaborated on a study that evaluated current practices surrounding e-invoicing processes and the strategic challenges experienced by CFOs and other financial professionals. This 2012 study looking at similar issues on a global scale is intended to help inform financial decision-makers on e-invoicing strategy, based on the sentiment of industry peers expressed in the survey.

In 2012, organisations are experiencing some challenges very similar to those identified in 2011 — for example, the pursuit of operations efficiency as a strategic priority, supported by improved cashflow management and increased profitability, form an enduring “top three” issues shaping financial strategy. It is notable, as referenced in the 2011 study, that operational efficiency remains a priority ahead of profitability by some margin for finance departments. This supports the broader macro-economic conditions that dictate a ruthless focus on cost management in a challenging commercial environment across the majority of mature Western economies.

There are, however, comparative changes in the data from 2011, coupled with new areas of investigation in this year’s research, that provide very useful insights on how the landscape for e-invoicing is evolving. These considerations are defined by three key positive trends:

- Increased adoption and use of e-invoicing and automated payment processing
 - 73 percent of respondents used electronic invoicing to some degree in 2012, compared with 59 percent in 2011.
- Reduction of the barriers preventing e-invoice automation
 - Supplier resistance to e-invoice adoption has decreased from 46 percent in 2011 to 26 percent in 2012.
- E-invoice benefits strongly aligned to improvements in process speed and resource efficiencies
 - 67 percent of respondents believe e-invoicing can help to achieve the goal of improving operational efficiencies, compared with 50 percent in 2011.
 - Faster invoicing cycles and reduced invoice costs are the top two e-invoice benefits experienced by respondents.

These positive trends are countered somewhat by areas of development identified from analysis of existing invoice processing practices, including:

- Continued reliance on rudimentary “electronic documents” and manual processes
 - 58 percent of respondents receive invoices by PDF attachments, with a further 13 percent avoiding automated processes altogether.
- Lack of focus on invoice scan and capture deployment
 - 53 percent of respondents still scan and capture physical invoices in-house, with an additional 26 percent opting not to scan invoices at all.
- Overall levels of fully automated e-invoicing that are increasing but are in need of improvement
 - Only 15 percent of respondents state that the majority of e-invoices are sent out electronically (up from 9 percent in 2011).
 - About 37 percent believe this will be the case in their organisations within the next 24 months.

Key segments of the respondent base view and execute e-invoice strategy in different ways, further informing the current status of e-invoice use across the globe. Regional differences are manifold, based on issues such as regulatory and compliance needs/enforcement and technological and cultural norms. Furthermore, company size and levels of process sophistication drive shifts in overall trends, sometimes in critical areas. These can be summarised as follows:

- Respondents with sophisticated e-invoice systems (sending/receiving XML e-invoices, using point-to-point connections, using third-party web service/portals) experience higher cost savings (per invoice) than those with simple PDF-based paperless processes.
 - 56 percent of businesses with web-based or outsourced e-invoicing stated a reduced cost of invoice processing against 47 percent with more rudimentary processes.
- Smaller businesses are significantly more likely to see customer demand as a driver for transition to e-invoicing.
 - 61 percent of businesses with fewer than 100 employees cited customer demand as the key driver for increased use of e-invoicing. Only 34 percent of businesses with 1,000 or more employees state the same.
- Sophisticated e-invoice systems are used by both high- and low-volume invoice senders/receivers.
 - 17 percent of businesses using web-based or outsourced invoice processing send fewer than 100 invoices per month, while 23 percent send more than 5,000 invoices per month.

The research represents identifiable shifts toward an ecosystem of automated transactions, away from traditional drivers associated with large enterprise-procurement efficiencies. What started as a need for high-volume invoice sender/receiver organisations to realise cost savings on bulky and complex AP processes is now evolving. As software becomes more accessible and less complex to deploy, adoption increases. As adoption increases, more businesses encounter partner, supplier, and customer organisations benefiting from e-invoice use — or in some cases mandating adoption of e-invoice processes. These factors combine to increase not only the number of organisations adopting e-invoice processes, but also the volume of invoices processed.

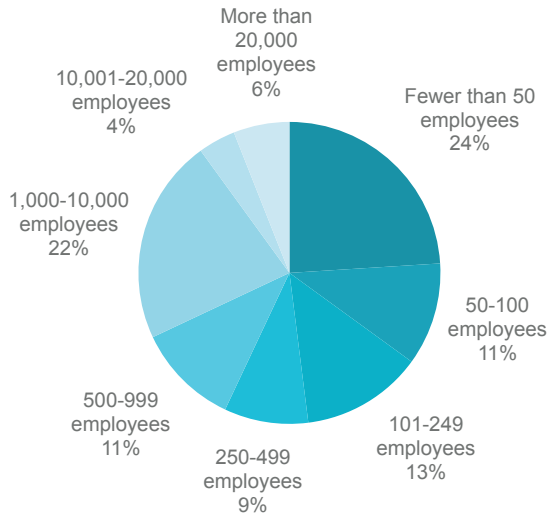
Of course, challenges remain. The vast majority of companies are still only at the start of this journey. There are many businesses that consider a PDF attachment to an email a sufficient departure from “paper processes” to deliver value back to the business. While this might be true in part, especially for senders, a sustainable transition to fully automated document exchange is more desirable. There is also a notable minority of businesses with no automated processes whatsoever.

Despite these challenges, the potential for change within the e-invoice “biosphere” is tangibly different from other intersections between business process and technology. While many financial and operational processes evolve through the structured endeavor of company strategy, e-invoicing has something of a “viral” model of adoption. Simply put, many IT transformations only impact the business behind the firewall, while others — such as supply chain strategies — require complex planning and multilayered execution to effect a change. E-invoicing, on the other hand, is an innovation that when adopted by one business has an immediate effect on another. A simple shift in the format and sophistication of an invoice can, in the right conditions, lead to a network of information and transactional changes.

Profile of Respondents

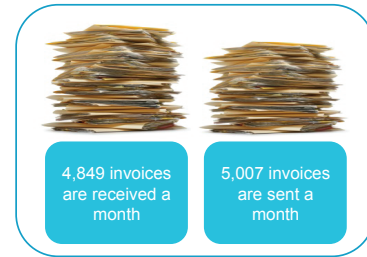
FIGURES 1 and 2

Company size

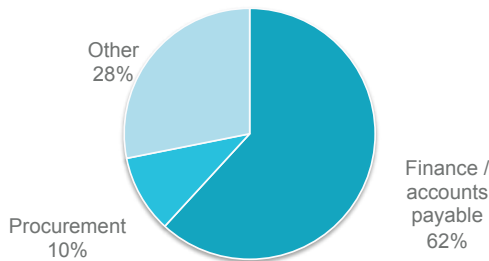


Region	Sample size
U.S.	161
U.K.	108
Sweden	149
Norway	187
Germany	64
Finland	153
Other	86
Total	908

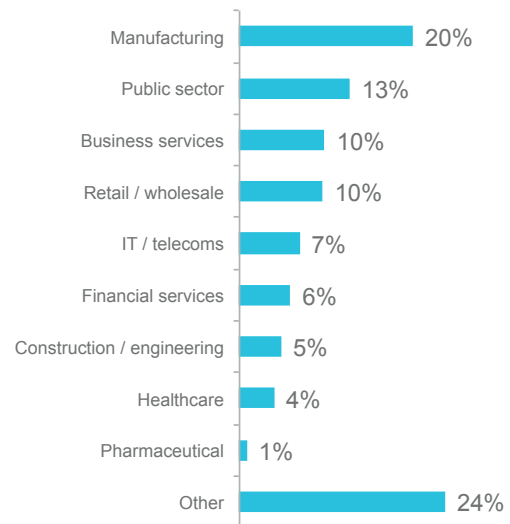
Invoice volume



Job role



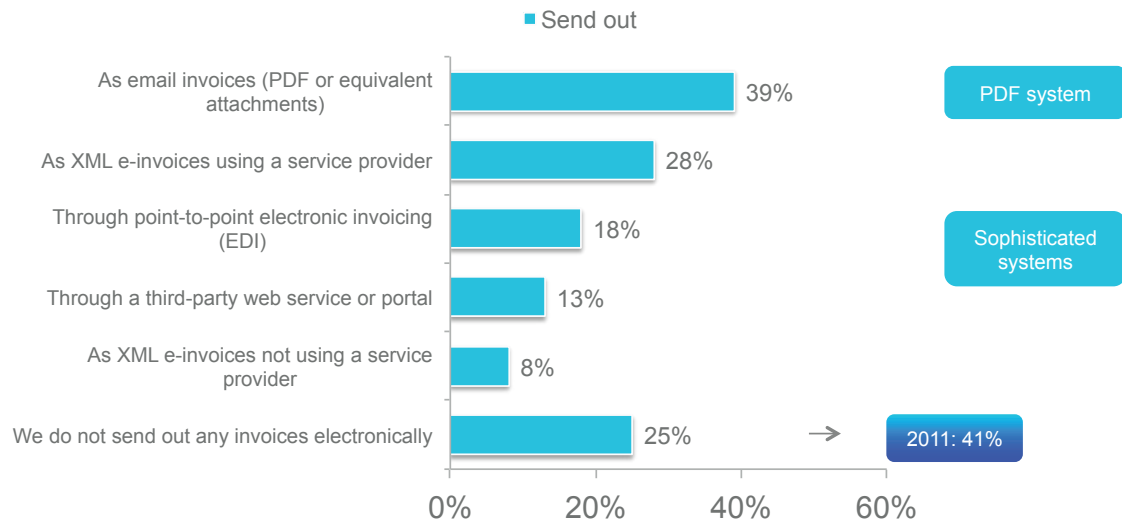
Sector



Survey Results

Positive e-invoicing trends

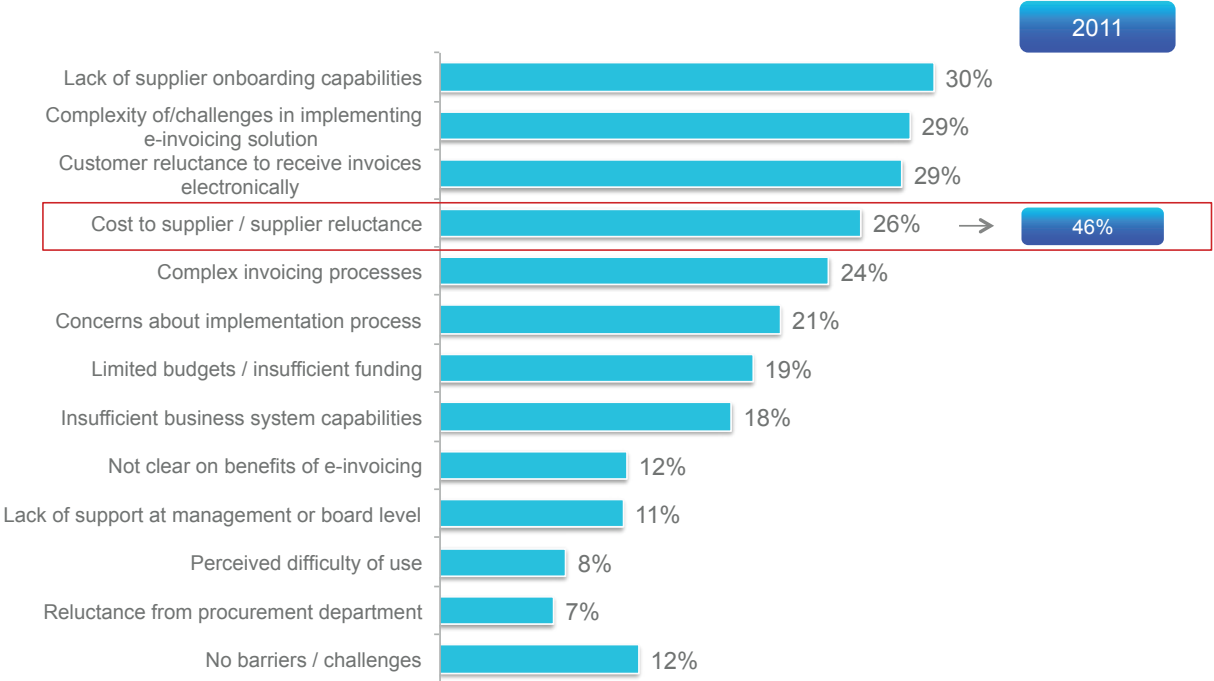
FIGURE 3: Electronic formats for invoices sent



The survey shows that respondents are moving away from outdated methods of sending out invoices, with a shift toward various systems that remove some or all of the need for a paper document (Figure 3). The percentage of respondents stating that they do not send out any invoices electronically has diminished considerably, from 41 percent in 2011 to 27 percent in 2012. However, it is notable that PDF attachments are the most common entry point to electronic invoicing. Arguably, this is still a long way from “real” e-invoicing and the distinction between this PDF group and other more sophisticated systems will be addressed further on in the report.

The UK (55 percent) and Germany (44 percent) are those most likely to be using PDF formats as an approach to e-invoicing.

FIGURE 4: Challenges or barriers to increasing e-invoicing

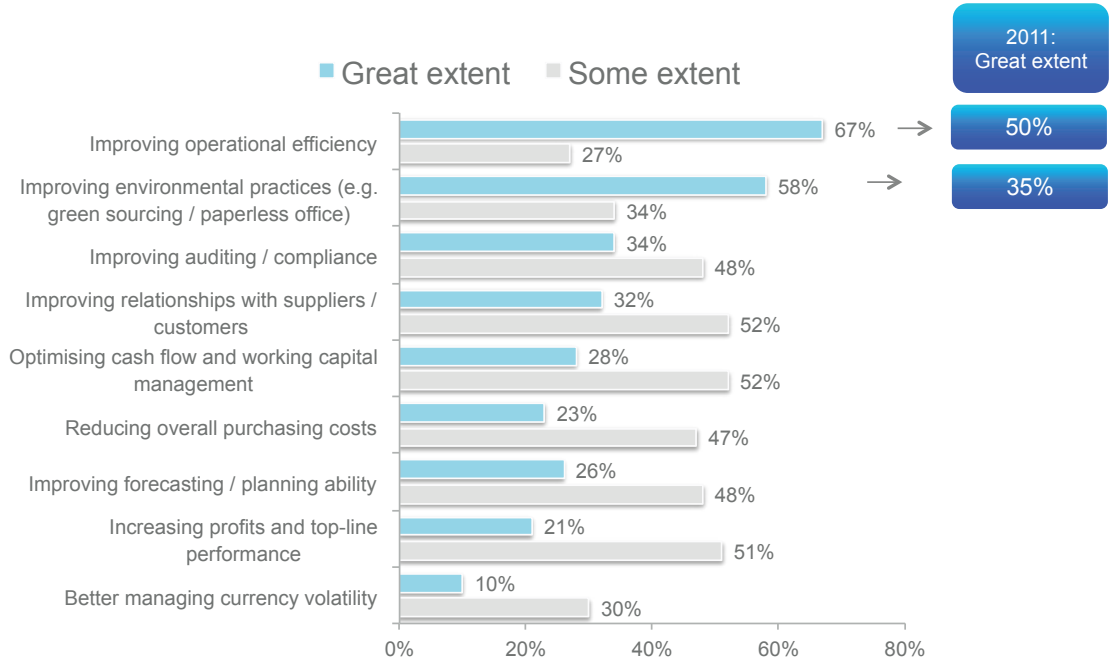


While only 12 percent of respondents globally state there are no barriers to e-invoicing, the barriers themselves are relatively diffuse, meaning that no single issue is creating an insurmountable obstacle. In fact, the key challenge of supplier onboarding is cited by only 30 percent of respondents, while cost to suppliers and supplier reluctance chimes with just over a quarter (26 percent) of respondents. This figure is down from 2011 when, globally, 46 percent of businesses considered this issue to be a factor preventing wider e-invoicing adoption.

With a great percentage of businesses adopting e-invoicing overall, it seems that the objections and barriers on the supplier side of the network have played a role in reducing e-invoicing issues. This could be attributed to a wider array of e-invoice options available in the market, as well as service-based pricing models and a recognition from buyers that supplier costs in engaging in e-invoice exchange must be kept to a minimum.

Globally, the biggest difference is seen in the issue of “limited budgets/funding.” In the United States, 40 percent of respondents cited finance as an issue against a global average of 19 percent.

FIGURE 5: Extent to which efficient e-invoicing can support financial objectives

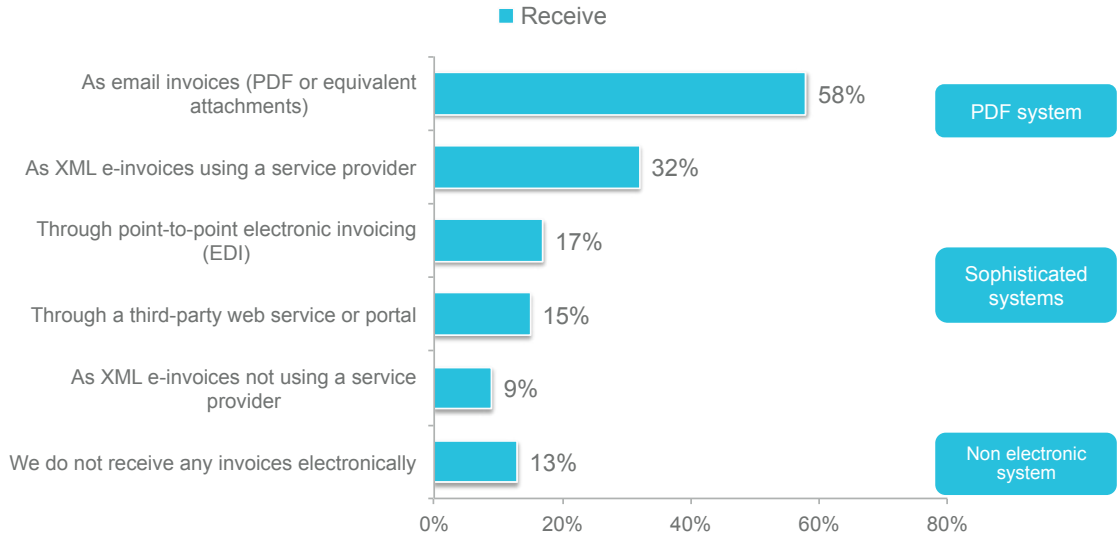


With an increased appetite for e-invoices, respondents are also more positive when associating deployment of such products and services with achieving overall business goals. Figure 5 shows encouraging boosts in expectation for improving operational efficiency and the benefits of a paperless office on environmental practices compared with the 2011 data. Most importantly, the number of respondents agreeing that e-invoicing can improve operational efficiency to a “great extent” has increased from 50 percent in 2011 to 67 percent in 2012.

This link between e-invoicing and tangible financial objectives is critical to harnessing future benefits. However, regional differences were marked in some areas. For example, respondents in the United States are far more likely to expect that e-invoicing could help achieve financial objectives in terms of operational efficiency (77 percent), than those in Finland (49 percent).

E-invoicing challenges and development needs

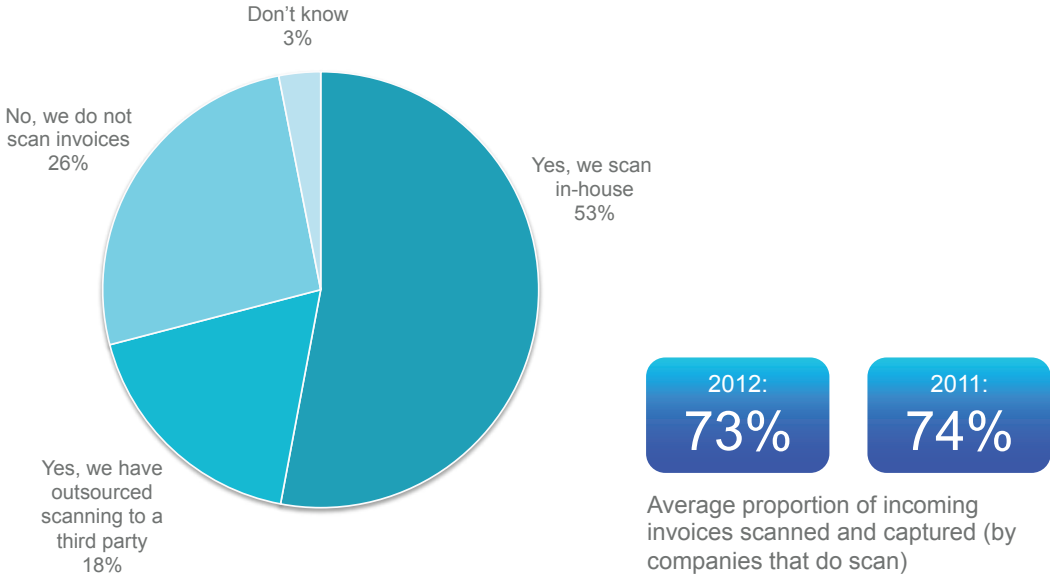
FIGURE 6: Electronic formats for invoices received



Looking at the methods by which companies receive e-invoices from their ecosystem of suppliers, there is a high level of PDF attachment documents in play (Figure 6). As discussed, this is an admirable departure from paper/manual processes, but it shows that a significant percentage of businesses are doing the bare minimum to automate their manual records. In many cases, these PDF documents will require physical printing by the recipient, as there is no interoperable system connecting the process for invoice exchange, apart from corporate email accounts.

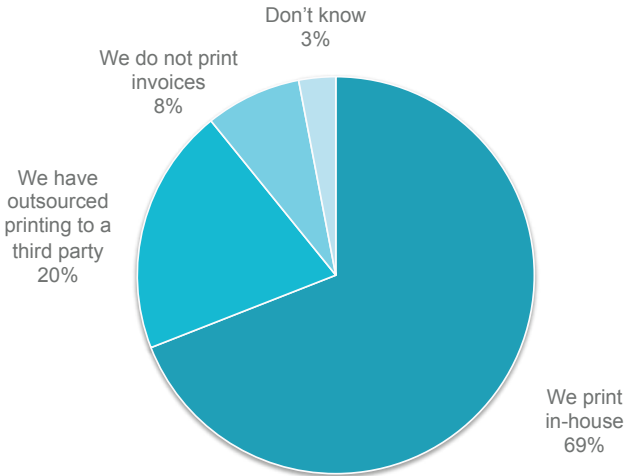
PDF exchange is most widespread in the two largest economies taking part in the survey, United States (74 percent) and Germany (69 percent). Companies in Sweden at 54 percent and in Finland at 39 percent are least likely to be the recipients of PDF invoices.

FIGURE 7: Scanning of incoming invoices



The need for scanning is one of the back-office challenges associated with rudimentary e-invoice automation. This time-intensive process is undertaken mostly in-house, and 26 percent of respondents do not scan documents at all. Only 18 percent use third-party services, driven mostly by the sheer volume of records received. Enterprise organisations with 1,000-plus employees are, at 26 percent, more than twice as likely to outsource document scanning as small to midsize enterprises (SMEs) with fewer than 100 employees, at 11 percent.

FIGURE 8: Printing of paper invoices



An extension of the challenges associated with a lack of fully automated invoicing is the degree of paper printing that occurs (Figure 8). Sixty-nine percent of businesses absorb this cost in-house, while 20 percent have identified that outsourced printing services are an effective route for process management. Businesses using more sophisticated systems are more likely to outsource printing services (30 percent), with 17 percent of PDF users doing the same. Only a minority (8 percent) of respondents have taken the truly efficient step of avoiding invoice printing completely.

Looking at outsourced services, businesses in the Baltic and Scandinavian regions are more predisposed to opting for this model of cost saving. Businesses in Finland (25 percent) and Sweden (35 percent) take a notably different approach than businesses in the U.S., for example, where 7 percent of businesses are outsourcing invoice print needs. Conversely, however, the U.S. has the largest percentage of businesses that do not print invoices at all (18 percent).

FIGURE 9: Expectation for e-invoicing to account for majority of invoices

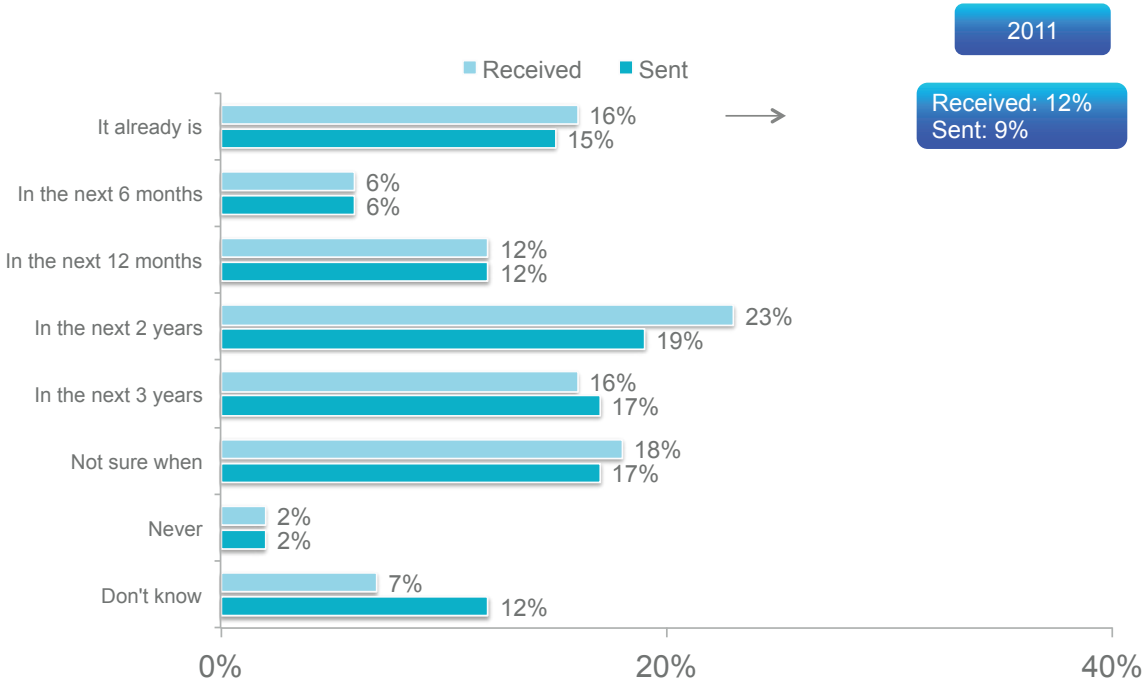
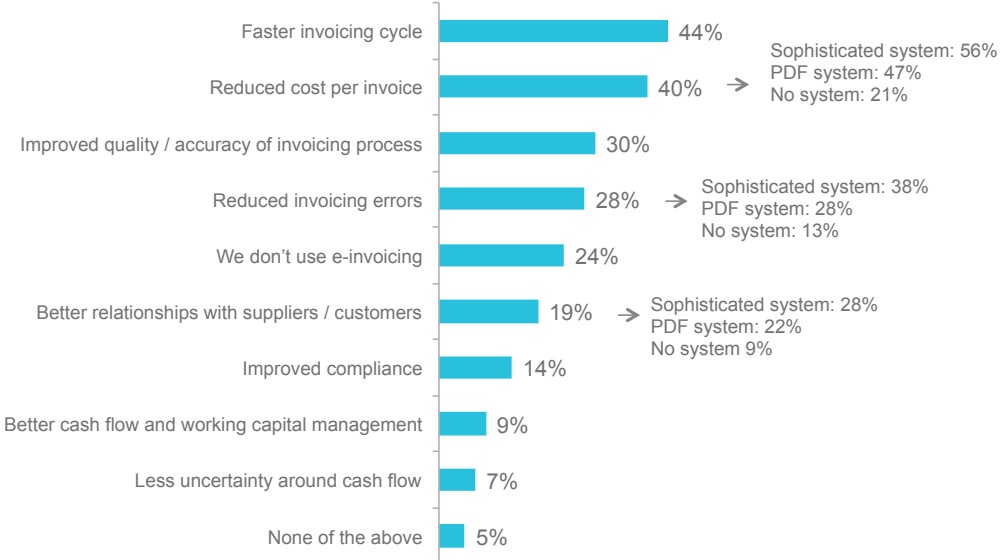


Figure 9 shows that businesses expect an incremental increase in sending and receiving e-invoices over time. In fact, compared with last year’s figures, there is a small increase in the number of respondents that state their organisations already have at least 50 percent of invoices exchanged in an electronic format. However, progress is modest at best — with most companies failing to realise the benefits of e-invoicing, on a large scale, much before 2014 or 2015. With cost management and operational efficiency clearly stated as financial priorities over the next 12 months, it appears there are opportunities being missed at a global level.

Company size and invoice complexity in this instance are mostly consistent with the global averages in the survey. For example, SMEs at 14 percent and enterprise organisations at 19 percent are equally likely to state that 50 percent of invoices sent are already electronic.

E-invoicing benefits

FIGURE 10: Benefits companies report as a result of e-invoicing



There are clear and encouraging insights relating to different types of invoice exchange that suggest XML-based or outsourced services are beneficial to businesses. As shown in Figure 10, companies in the “sophisticated system” group are more likely to have experienced a range of business benefits to a greater degree than businesses using a PDF system. Quality, accuracy, cost, and supplier relationships all show indications of being improved when greater effort is placed on the automation of invoice document exchange.

Companies in regions that have a greater representation of sophisticated system users are also more likely to have experienced greater benefits. For example, Sweden (50 percent) and Germany (42 percent) are ahead of the United States (32 percent) in having benefited from reduced cost per invoice as a result of e-invoicing use.

The e-invoicing ecosystem

Figures 11a and 11b provide further insights into the nature of e-invoice exchange between the two groups that have been focused on in this report: organisations that use sophisticated systems and those that rely upon PDFs. Figure 11a splits respondents into these two categories based upon the system used to send invoices. The question then asks in what formats they receive invoices. It is interesting to note that, for example, businesses that send PDF invoices are also much more likely to receive PDF invoices: 79 percent of PDF senders also receive PDF invoices. Equally, those that send invoices through a service provider, part of the sophisticated system groups, are more likely to receive invoices in that way (47 percent) than businesses that send PDFs (28 percent).

FIGURE 11A: Receipt of electronic invoices based on system used to send invoices

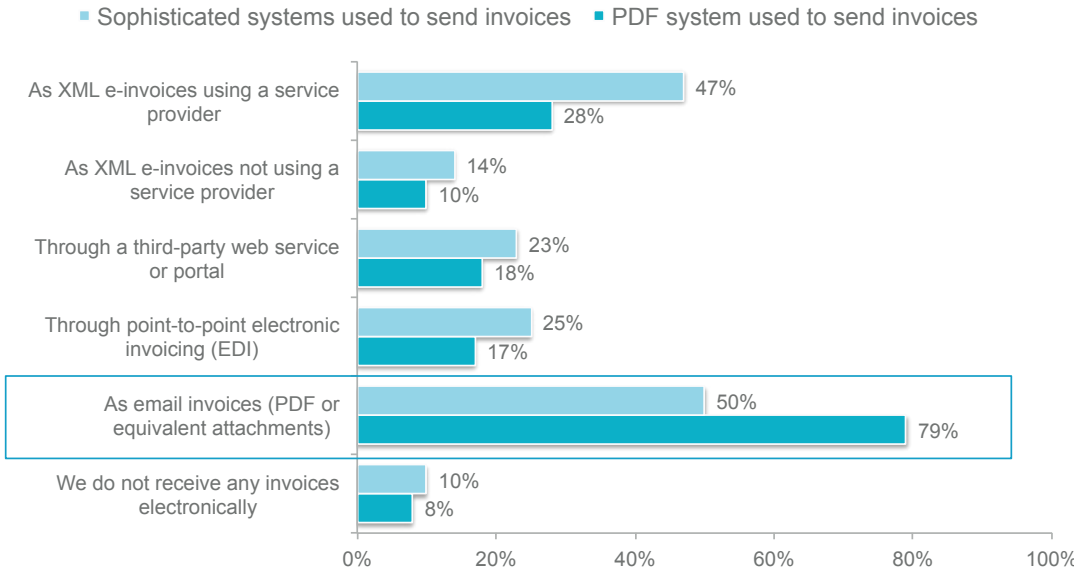


Figure 11b also shows this relationship between send and receive invoice models. Businesses that send with sophisticated systems receive a higher percentage of fully electronic invoices (32 percent) than either PDF senders (24 percent) or those businesses with no e-invoice capabilities at all (21 percent).

FIGURE 11B: Receipt of electronic invoices with no manual intervention, based on system used to send invoices

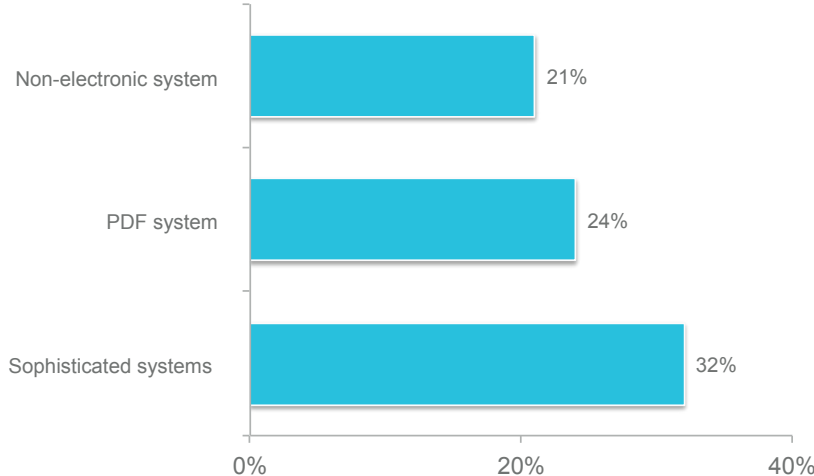
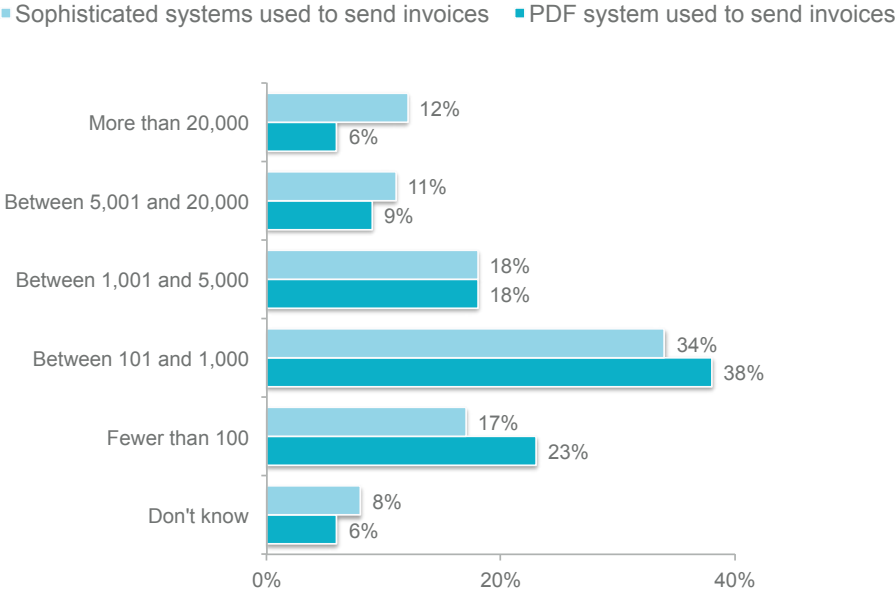
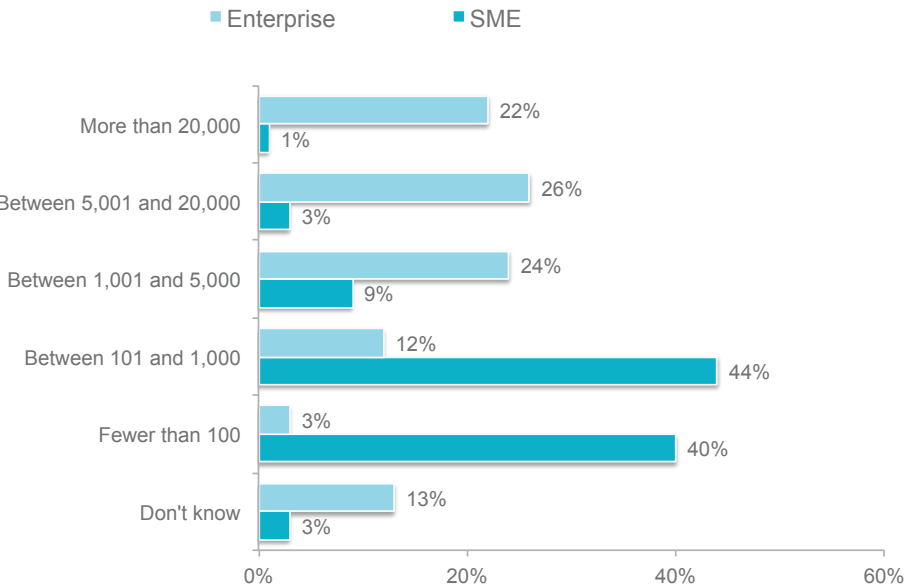


FIGURE 12A: Volume of invoices received, based on system used to send invoices



Figures 12a and 12b also show interesting differences when looking at the volume of invoices received per month by an organisation. Figure 12a shows that companies with sophisticated systems for sending and those sending PDFs are equally likely to receive high or low volumes of invoices per month, although at the top end (5,000-plus invoices) the distinction is somewhat more evident. This pattern is also consistent when looking at invoices sent per month across both groups. However, Figure 12b shows that there are considerable differences between SME and enterprise organisations that, understandably, impact volumes of invoices sent.

FIGURE 12B: Volume of invoices received, based on company size

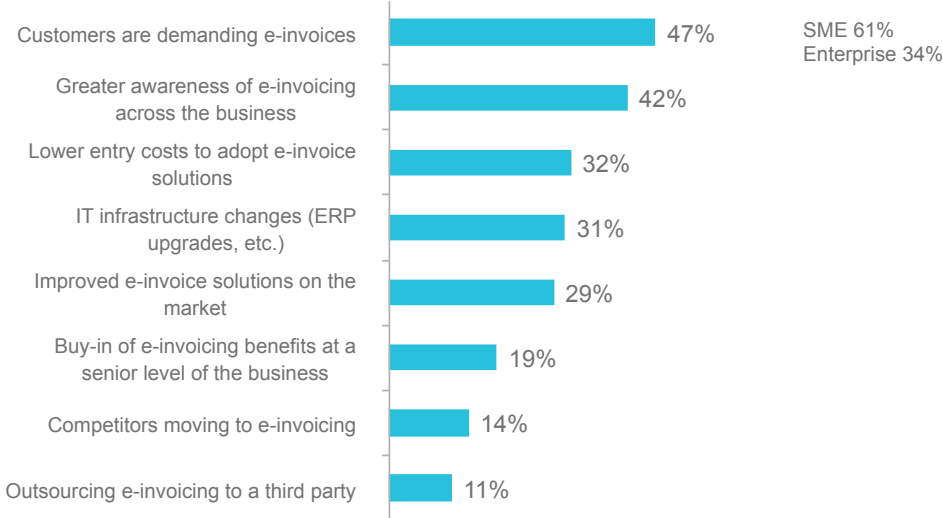


While these distinctions may seem at odds at first glance, they present a crucial insight into how e-invoicing occurs within a network of information exchange. Company size determines, to a large degree, the volume of invoices sent and received per month; big companies receive lots of invoices, small companies receive fewer. However, company size does not determine levels of invoice sophistication to the same degree. Small businesses are more likely to use PDF systems to send invoices than big businesses (49 percent to 30 percent, respectively), but when it comes to use of e-invoicing in any form, company size does not have any impact — 76 percent of SMEs use some form of e-invoicing compared to 74 percent of enterprise organisations.

This means that companies are behaving differently, creating different invoice strategies, and this is not wholly based on the invoice volume and size of the organisation. To use a comparative area, that of payroll systems, it is simple to observe that a large, complex business has a sophisticated payroll and HR system, while a small business will use more basic processes and technology. In terms of invoices, things are different. The lines are blurred. This is because the nature of invoicing is based on inter-company exchange, and what a business experiences through its own supplier network, or is requested to do by its customers, can change how it operates.

Businesses are evolving e-invoicing strategy, and one factor influencing this is the commercial company they keep. A business with sophisticated customers or suppliers will be more likely to experience e-invoice exchanges than others. This is the e-invoice ecosystem at work, and it underlines the increased interconnectedness of B2B exchange today. This point is emphasised in Figure 13, where customer demand (47 percent) and overall awareness (42 percent) are cited as the most important factors for increasing e-invoice adoption.

FIGURE 13: Organisational/market changes expected to increase use of e-invoicing



Strategic drivers for e-invoicing 2011–2012

To consider this ecosystem in a broader economic context, comparing financial priorities (Figure 14) and the drivers for invoice adoption (Figure 15), it is clear that the general trends are very similar year on year. While profitability and operational efficiency have shifted slightly, they still occupy the same positions in order of importance in Figure 14, with speed and cost reduction still providing the top two reasons for businesses to embark upon e-invoicing in the first place in Figure 15.

FIGURE 14: Key financial priorities for organisations

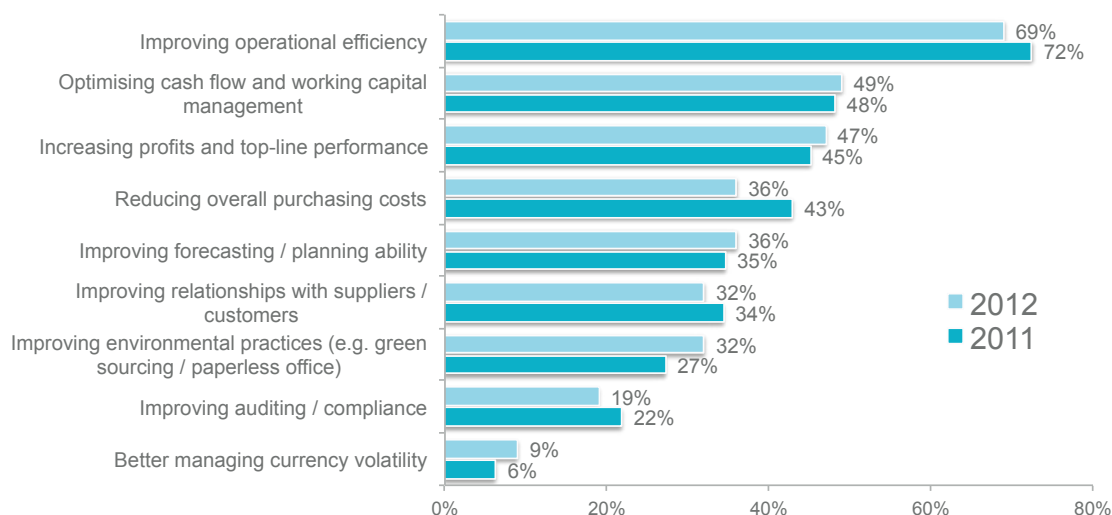
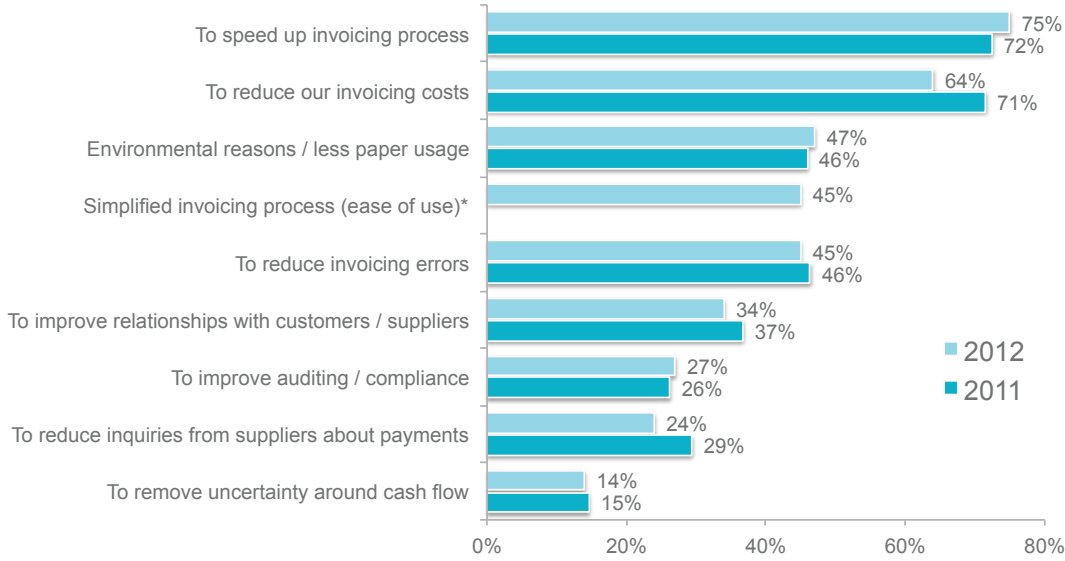


TABLE 1: Financial priorities by region

	Finland	Germany	Norway	Sweden	United Kingdom	United States
Improving operational efficiency	57%	77%	75%	62%	65%	81%
Optimising cash flow and working capital management	37%	64%	42%	38%	69%	57%
Increasing profits and top-line performance	46%	42%	51%	42%	53%	47%
Improving relationships with suppliers / customers	20%	38%	24%	28%	54%	39%
Reducing overall purchasing costs	22%	38%	37%	39%	44%	37%
Improving forecasting / planning ability	39%	45%	27%	32%	43%	34%
Improving environmental practices (e.g. green sourcing / paperless office)	29%	25%	31%	28%	44%	34%
Improving auditing / compliance	16%	14%	9%	9%	34%	32%
Better managing currency volatility	2%	6%	4%	4%	34%	6%

Table 1 shows how some of these financial priorities differ at a regional level. The general distinctions are consistent with other parts of the survey, where the businesses in the Nordic region behave somewhat differently than those in the larger Western economies of the U.S., UK, and Germany. Businesses in the U.S. are more focused on operational efficiency than in all other regions, and this aligns with their focus on auditing and compliance needs in relation to the rest of the sample. Businesses in the U.K. and Germany place a greater emphasis on supplier relationships than in other regions, a factor influenced by large export markets and their positions as “hub” locations for international commerce.

FIGURE 15: Drivers to increase adoption of e-invoicing



* Not asked in 2011

Conclusion

The 2012 Global E-Invoicing Study, conducted by The Institute of Financial Operations in partnership with Basware, shows that the way businesses across the globe use and plan to use e-invoicing is evolving. Businesses are using e-invoicing to a greater degree in 2012 than in 2011, with the commercial drivers of operational efficiency (speed and cost) emerging as the dominant themes that create e-invoice “momentum” in the market.

While e-invoice transactions increase, there are still many businesses using outdated methods of e-invoice exchange, and labor-intensive processes in the activities surrounding e-invoice processing, such as scan, capture, and invoice printing. As companies with more sophisticated e-invoice systems are experiencing greater business benefits in terms of cost savings, quality, and supplier relationships, they should provide sufficient incentive for other businesses to review existing strategy, evaluate, and take appropriate action to ensure that all is being done to optimise processes and cost savings in this area.

The research also asserts that the nature of how e-invoice use is expanding in the market is based on a network model, where customer and supplier behavior influences the B2B ecosystem as much as any company-specific internal drivers for process improvement.

Based on the above, the following points should provide key considerations for businesses seeking to evolve e-invoice processes over the next 12 months:

- Strategic priorities aligned to e-invoicing are consistent year on year and will continue to emphasise the importance of efficiency and cost management.
- Defining e-invoicing is important as there is a range of sophistication in the market from simple PDF attachments, to emails, to fully automated and outsourced services. These approaches impact overall business benefits.
- E-invoice success is improved by adoption and extension of e-invoicing within a business and its supplier environment — software and process transitions are the enabler for change but wider adoption and increases in e-invoice volumes within your company’s ecosystem will increase return on investment.
- It is not only large “enterprise” businesses with high transaction volumes that can benefit from e-invoice efficiencies. E-invoice activity is influenced by B2B networks of companies with varying degrees of complexity and scale.
- Understand the complexity of your own e-invoice network and be proactive in creating operational change to benefit your business. All businesses pursue similar operational goals, but approaches to e-invoicing differ globally and in terms of corporate and commercial culture. The opportunity to improve current e-invoice strategy is not based on your business alone — substantial operation efficiencies may be only one supplier or customer away.



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