

Technology **IT@MM**

Why e-invoicing makes sense

E-Invoicing is more than the sending and/or receipt of tax compliant invoices in an electronic format. As **Scott Harkin** explains, it can deliver plenty of benefits for you and your customers.

ONE significant pain point that I often come across in manufacturing organisations is the use of paper based invoicing. Paper invoices are a barrier to efficient Accounts Payable (AP) and Accounts Receivable (AR).

As an example, how often do invoices arrive as part of the delivery paperwork into a busy store or goods receiving department and are then expected to magically make its way through various departments depending on a business workflow and arrive on an AP team members' desk for processing.

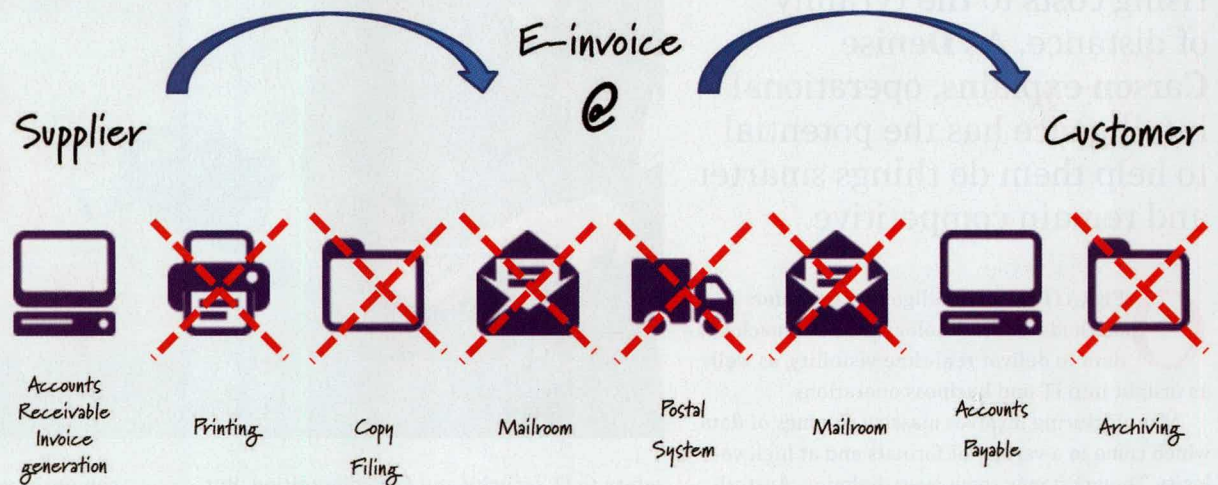
Frequently this does not happen and so valuable time is wasted by both AP and AR chasing payments, replacing invoices, managing late payment cash flow issues and generally having a negative impact on an otherwise healthy and productive supplier/customer relationship.

It's not just manufacturing. Of the current estimated 500 billion Invoices being transmitted currently worldwide there is estimation that only 8% of them are electronic or e-invoices. However, this ration is changing rapidly and the number is estimated to grow at a level of about 20% per annum over the next few years. This can vary country to country dependant on the development status.

The growth we have seen to date in the utilisation of E-invoicing and Automated AP has really been driven by Government and big business where the traditional cost of the running AP automation and demanding e-invoicing has kept it out of the reach of all but the largest organisations.

This is beginning to change and the functionality and benefits are coming into the reach of the small and medium market in all business types with a range and type of providers growing!

One of the key drivers of demand for this growth is the considerable



E-invoicing removes most of the manual touch points for both the supplier and the customer

cost benefit. The cost of issuing and receiving E-Invoices and utilising automated Accounts Payable processes can be 60-80% less than those of manual and paper based processes.

E-Invoicing

E-Invoicing, at its most simple, is the sending and/or receipt of tax compliant invoices in an electronic format. In a more complex requirement it is the sending and/or receiving of invoices in a format manageable by another process. i.e. a company has an automated Account Payable process and requires their vendor invoicing to be issued in a very specific format for automatically reading the data within. This is not new to some industries.

Taking a look at the schematic it is at once obvious to appreciate the operational and cost benefit to be gained by both the supplier and their customers. Consider the conventional paper based invoice issuing process compared to e-invoicing.

The actual non-value-add touch points of each invoice become practically zero and the speed of interaction becomes almost immediate.

Accounts payable efficiency

Aside from improving relationships with your vendors and freeing up the team for value add activities, for buyers there are a great many advantages to be gained through e-invoicing. Costs are reduced and efficiency improved by eliminating sorting, registering and manual data entry cutting down on process time and errors. Payment cycles are better controlled allowing for on-time payment, avoidance of late payment fees and ensuring the opportunity to capture contractually negotiated discounts.

Accounts receivable efficiency

In manufacturing cash flow is king and while not all customers can be made to pay on time, as a supplier you need to make it easy for them and remove all roadblocks.

E-Invoicing eliminates the delays that result from mailing, routing, sorting and re-keying paper documents. Your invoice arrives at the right place immediately ready for processing. On top of the time saving and direct communication, invoice delivery costs are reduced through savings in print, postage, materials processing and storage.

There is a reduction in lost invoices which remove duplicate invoice requirements and difficult customer management calls. With accuracy increased for your customer there will be a reduction in errors and rejected invoices.

Over hundreds and thousands of invoices each year there is substantial time to be regained for value add activity. Every business has different requirements on size, scope and complexity but on a fundamental level and as a starting point I believe every business should look to issue and ask to receive their invoices in electronic format even if it is just a system generated and emailed pdf.

[Scott Harkin, a procurement and expense management practitioner, is a Director of ProcNet Services and P2 Procure to Pay.]

