



EGS Whitepaper

An introduction to eInvoicing

August 2008

What is eInvoicing?

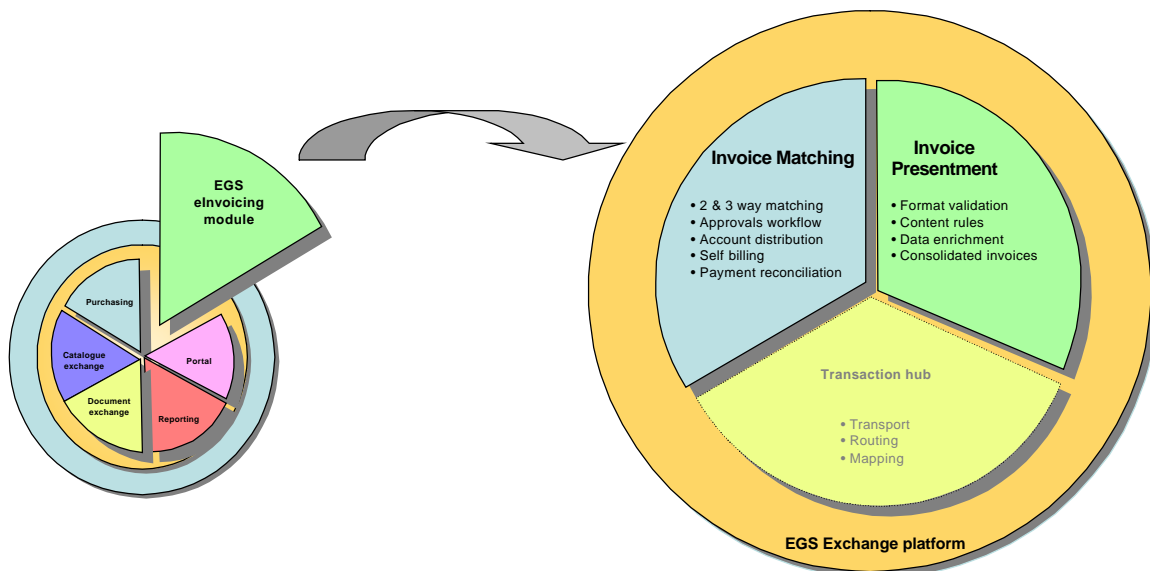
eInvoicing enables buyers and suppliers to remove time-consuming paperwork from the billing and payments process, reducing processing costs and improving the efficiency of the accounts payable and receivable activities. It replaces paper and paper-chasing by electronic documents, electronic processing of invoices and electronic approval workflows.

To achieve the financial benefits that eInvoicing can deliver, you need to integrate it with other parts of the purchasing process and engage the majority of your high volume suppliers. The EGS eInvoicing solution recognises these simple facts, providing not just an electronic system but including an effective supplier engagement package and a range of integration options for buyers and suppliers.

Independent market research commissioned by EGS¹ has shown that awareness of eInvoicing is very high among purchasing organisations, yet 80% of buyers are receiving less than 10% of invoices electronically. Although nearly 80% of businesses consider meeting payment times to their suppliers as important, a third of businesses admit to not achieving their targets. And although 70% of suppliers receive at least some of their orders electronically, only 15% send any volume of eInvoices and over 60% don't use eInvoicing at all – they are taking their lead from buyers.

The EGS eInvoicing solution

EGS eInvoicing is one of several eCommerce services collectively forming the EGS eProcurement solution; users benefit from the integration of data between these services which allows EGS to deliver functionally rich solutions because we capture information throughout the procure-to-pay process, from creating a requisition to payment of the invoice.



¹ Between May and July 2007, some 150 large suppliers and 25% of local government and universities in England and Wales were interviewed for this research, conducted by Different Market Research Ltd.

EGS eInvoicing enables the secure marketplace of invoices between suppliers and their customers through the EGS marketplace, an electronic marketplace enabling a buying organisation to receive correctly formatted invoices from all their suppliers and vice versa.

This provides significant economies of scale for both parties and ensures that invalid invoices are rejected before reaching the buyer's accounts payable process.

In line with other EGS marketplace modules, the eInvoicing module can be accessed online by buyers and suppliers, and can be integrated with their accounts payable and accounts receivable systems respectively; the configuration is determined by the existing systems in place and the organisation's business requirements.

The eInvoice service platform

EGS eInvoicing includes comprehensive invoice matching and configurable approval workflows for organisations using the EGS Marketplace purchase order processing (P2P) service who need to handle invoice processing outside their financial management system.

Whilst there are several eInvoicing solutions available, EGS Invoice Matching is unique because:

- As part of our procurement marketplace, the information we already hold on purchase orders, receipts, catalogues and suppliers means that we can offer effective validation, matching and workflow - which maximises the proportion of invoices passed for payment without requiring the time and expense of manual intervention for exceptions, and further improves the time to payment.
- As a securely hosted external service, it requires no investment in software or hardware "behind the firewall". The invoice matching and invoice presentation functionality is built into this platform, avoiding the need for implementation and management by IT staff.
- The service has been developed in partnership with a number of larger EGS customers and reflects the specific requirements of large purchasing organisations.

Functional summary	Typical scenario
<p>Accept invoices from suppliers in several standard formats, validate format and content against business rules. Rejection of invalid invoices to supplier.</p> <p>Two-way and three-way matching against receipts and/or PO, approval workflow, account code distribution rules, self-billing.</p> <p>Creation of export file in choice of 3 standard XML formats for manual or automatic download to buyers finance system.</p> <p>Reconciliation file for paid invoices.</p>	<p>Buying organisation needs invoice matching and approval but does not intend to use their financial management system (FMS) for this purpose.</p> <p>FMS not used for purchase order processing – buyer uses EGS marketplace for this purpose.</p> <p>Buying organisation operates several departmental systems each of which handles billing & payments.</p>

Supplier Engagement

The success of an eInvoice implementation depends critically on getting your key suppliers on-board – without them and the transaction volumes they represent, you will not be able to fully achieve the cost savings that eInvoicing can potentially deliver.

The EGS solution recognizes that eInvoicing is more than just an electronic system, by packaging three different supplier options.

(A) Supplier options

eInvoicing for suppliers	Summary	Typical scenario
"PO Flip"	Creation of invoices online using the information from the customer's purchase order to populate the invoice template.	A quick and simple way for small suppliers or suppliers with small invoice volumes to create eInvoices which they know will be valid. Suppliers that do not have the ability to create electronic invoices.
Manual XML upload	Manually-initiated upload of invoice files (individual or batch) for automatic processing and onward delivery to the customers using the EGS marketplace.	Suppliers with billing systems able to create invoice or billing files with moderate volumes of invoices.
Automatic XML upload	Automatically-initiated upload of invoice files (individual or batch) by HTTPS for automatic processing and onward delivery to the supplier's customers using the EGS marketplace.	High volume suppliers with automated systems, typically already integrated for purchase order receipt.

(B) Supplier engagement

The objective is to identify and implement a supplier engagement programme designed to bring all a buying organisation's suppliers into the project within agreed time-scales. EGS works directly with the buying organisation and it is important that the project sponsor is a senior officer with the backing of the executive to ensure full buy-in. Supplier engagement includes the following activities.

Review and planning

- Review expenditure/supplier analysis for the previous year, identifying the number of suppliers to be engaged on a quarterly basis over the next 12 months.
- Identify dependencies for successful eInvoicing implementation.
- Communication with supplier relationship owners within the buying organization.
- Review the list of suppliers to identify suppliers already engaged for eInvoicing on the EGS marketplace.
- Confirm contract renewal programme and identify impact on supplier switching.
- Agree segmentation of suppliers in the three options above and priority order for adoption
- Produce the supplier adoption programme.

Engagement

- Communication formally from the buying organisation to all targeted suppliers outlining benefits and policy.
- Supplier engagement workshops for suppliers under each of the three options.
- Follow-up with supplier to confirm interest and next steps.
- Provide guides as appropriate to suppliers.
- Provide guides and processes to the buying organisation for user acceptance testing.
- Test the three options in the training environment
- Handover documents to support suppliers "go live"

Why introduce e-Invoicing?

Our own independent market research, and that conducted by other business research companies has shown consistently that the highest priority drivers for automating the billing and payments processes are:

- Focusing on managing cash flow.
- Avoiding penalties, duplicate payments and overpayments.
- Integrating purchasing, payables, and treasury decision making and process changes.
- Improving visibility and enforcement of policies and contractual terms.
- “Closing the loop” on procurement savings.

The main findings in terms of common factors and key issues are:

- Closing the loop on procurement savings is a leading challenge to success.
- Shared service approaches are by far the preferred organisational model.
- Manual methods are still the norm in all process elements.
- EDI attempts are numerous; adoption is very low: “point to point” is not a cost-effective model.
- Electronic purchase to pay methods result in per-invoice cost reduction improvements of 50% to 60%.

Public and private sector organisations have particular pressures from central government and shareholders that reinforce these issues, and our own independent research found that the main objectives sought by finance directors focused primarily on cost savings, compliance and avoidance of penalties, whether government or supplier imposed:

- The high costs associated with large volumes of paper invoices, routing and approvals.
- The cost of the labour-intensive process associated with invoice status enquiries, managing suppliers’ enquiries and dispute resolution.
- The loss of payment discounts and elimination of duplicate payments.
- High invoice entry costs – lots of people entering data all day long manually, scanning and other manual solutions.
- The matching and reconciliation process is labour-intensive and costly.
- Exception handling costs, high expenses of not including tax.

Why EGS e-Invoicing?

EGS eInvoicing tackles these issues head-on - we have been careful to develop the system directly in partnership with our current customers, so that the functionality and supplier engagement process is fully validated in the real world.

You can therefore have confidence that EGS eInvoicing provides a solution to each of the above issues that is completely in-tune with the particular needs your business.

Discover more

To find out how your organisation can benefit from eInvoicing, please contact EGS on 0207 539 2828 or email info@egsgroup.com

About EGS

Founded in 2000, EGS is the UK's leading supplier of eCommerce marketplaces. Its shared solutions are used by around 150 buying organisations. EGS operates a series of interlocking regional and sector-focused eCommerce marketplaces, providing services designed to automate and reduce the costs and time-scales associated with the procurement-to-pay lifecycle. Our services save considerable time and cost for buying organisations and suppliers. EGS has more than 50% market share in the UK local government, making it the leader in its field and the most successful business of its kind in Europe.

To find out more, visit www.egsgroup.com

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