



## **E-invoicing: the drive to adoption**

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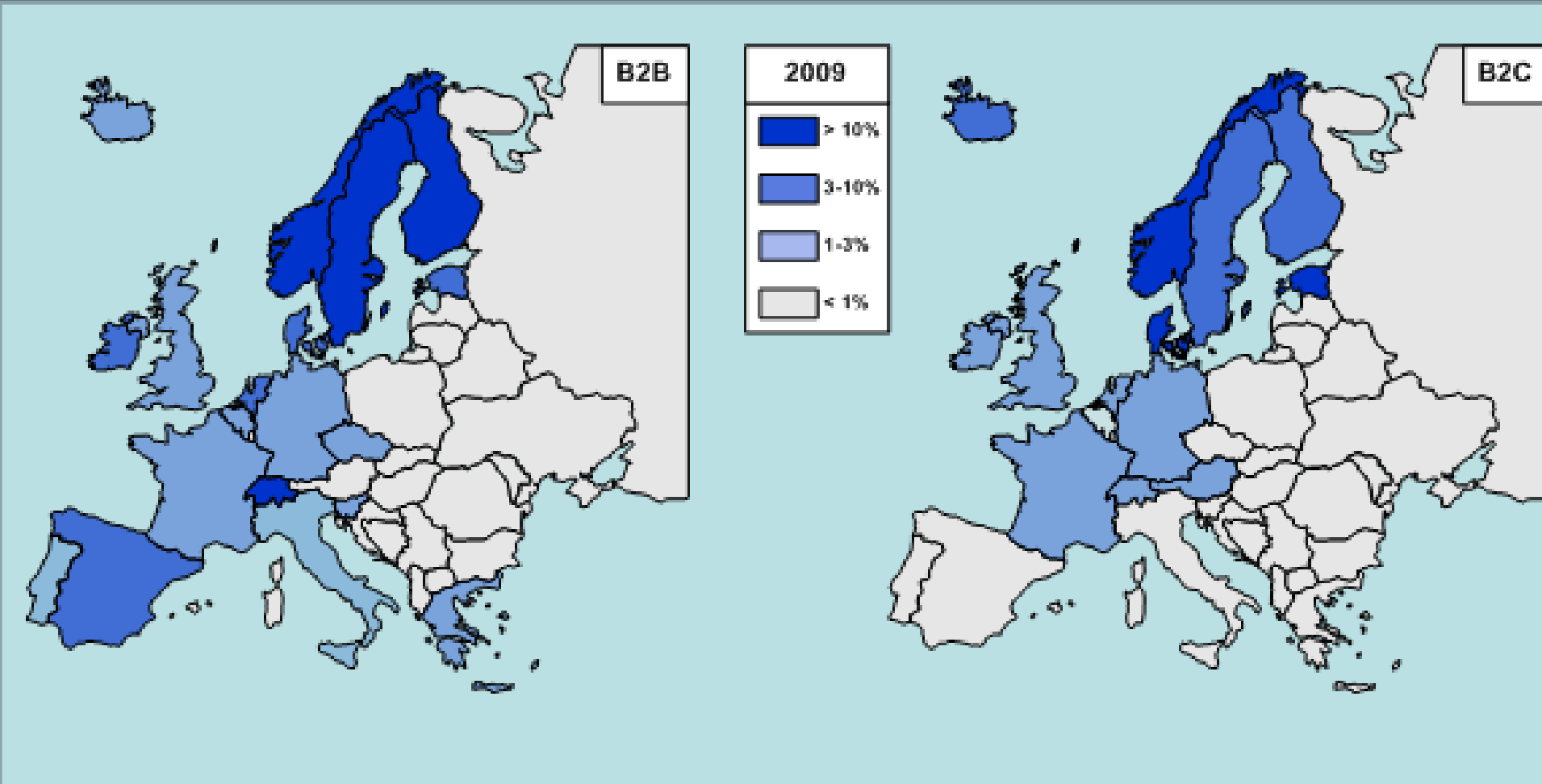
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- **E-invoicing is happening**
- **It is a public policy priority pushed by European institutions**
- **There are major benefits to business and society**
- **A number of initiatives have been working on improving the environment**
- **Up to now large enterprises and public administrations have taken the lead**
- **SMEs need to be attracted towards adoption with a strong business case**
- **A greater element of standardisation is required in a number of areas**
- **Incremental reform of the legal and VAT framework is being pursued**
- **The banking industry has a role to play**

# E-invoicing is happening

- E-invoicing is growing fast with growth figures of 22% (B2C) and 50% (B2B) in 2009
- Total number of invoices exchanged in Europe is 32 bln. Approximately 50% are B2B invoices
- Average adoption of e-invoicing in Europe varies (depending on the region) between 1% (Eastern Europe) and 12% (Nordics)
- There are under-addressed segments, especially in the area of SME to SME e-invoicing, where adoption rates remain relatively low.
- The market for services and solutions is fragmented with approximately 400 service providers and another 120 solution providers.

# Country overview



Source: Bruno Koch, Billentis, 2009

# European public policy priority



- **Lisbon agenda now 2020 strategy**
- **VAT directives provided the base**
- **Public procurement both pan-European and national**
- **Information society and 'green' agenda**
- **The public sector continues to promote a number of supporting initiatives and programmes**

- **Cost savings between 25 and 50% can be realised due to labour savings, faster payments, fewer enquiries, payment discounts, IT and operational efficiencies.**
- **It is increasingly becoming a requirement for trading with larger trading entities**
- **Improved productivity of company workforce, releasing resources for more productive work**
- **Additional value added opportunities can be realised in terms of better risk management and supply chain financing opportunities**
- **Key issue is commitment from senior level management and business owners – business case even better post financial crisis**

# E-invoicing initiatives

- European Commission Expert Group on e-Invoicing
- CEN Workshops
- PEPPOL
- UN/CEFACT
- ISO
- UBL
- Service Provider Interoperability
- Euro Banking Association and SWIFT

# Large enterprises / public administrations have taken the lead



- EDI and supply chain integration
- Self-billing and PO 'flipping'
- Accounts payable automation
- Goods for resale vs MRO
- EBPP
- Role of service providers and outsourcing
- Public administrations eg. Denmark, Spain and others



# SMEs need to be attracted

- There are over 20 mln SMEs in Europe of which the majority have no ERP system
- SMEs engaged through large company supply chains, not SME to SME
- Nearly 50% of all invoices involve SMEs and/or consumers
- SME business requirement need to be recognised
- Ease of use and no IT investment
- How can SMEs be incentivised to make the move
- What role can banks play with their installed base of SME users?

- **Invoice content**
  - Not a showstopper but common standards would help
  - Single semantic model is the starting point
  - UN/CEFACT Cross Industry Invoice is promising
  - Convergence between initiatives needed
  - Syntax expressions to be addressed
- **Interoperability**
  - A monolithic environment will not develop
  - Bilateral, 3- and 4-corner models will co-exist
  - How to create interoperability between models and network instances
  - Addressing and routing
  - Common terminology and standard agreements
  - Best practices
  - Market initiatives rather than regulation

# Incremental reform of the legal framework

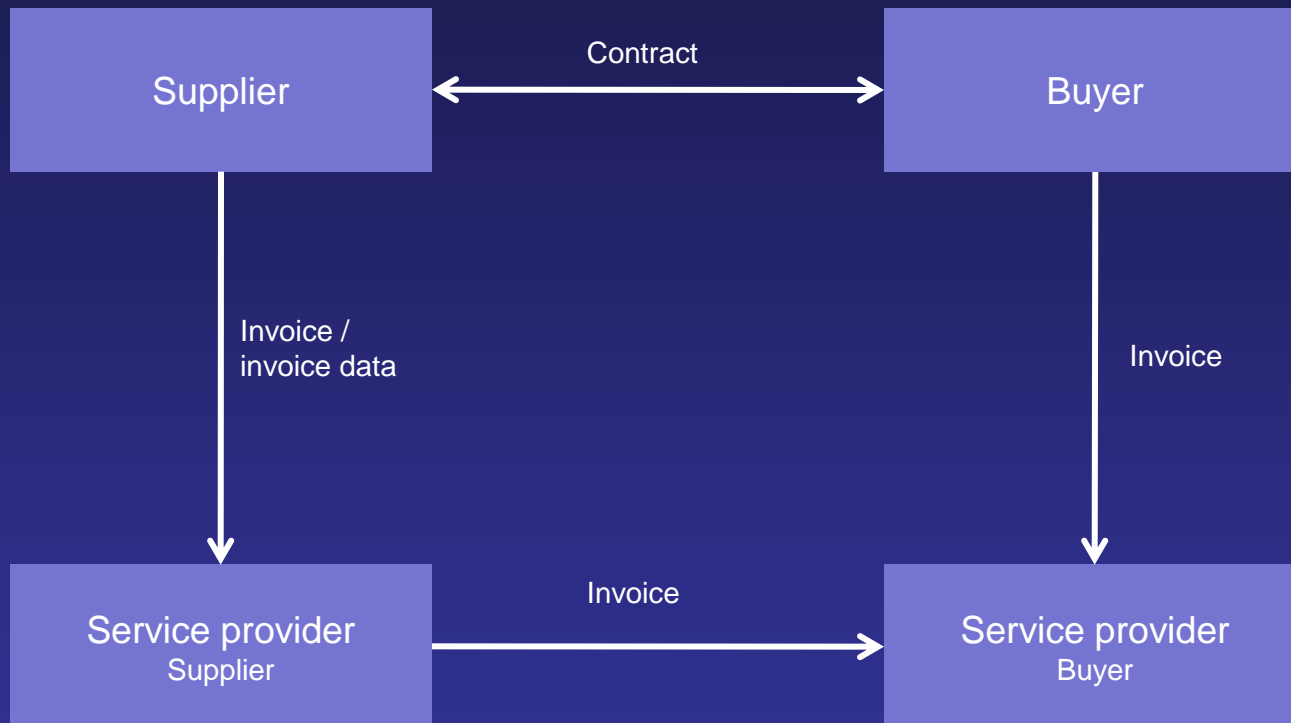


- In Europe, current environment rests on VAT directives 2001 and 2006
- 3 options: electronic signatures, EDI and 'other means'
- Demand for further harmonisation and more clarity
- European Commission has proposed 'equality of treatment' between paper and electronic invoices
- Should technology requirements be prescribed by law or left to market and best practice?
- Crucial role of tax auditors in establishing the compliance environment
- A new draft VAT Directive has recently been agreed and is a step in the right direction.....

# The banking industry has a role to play

- Banks have entered the e-invoicing market both B2C and B2B
- Highly variable country by country positioning
- Revenues from processing, payments integration and supply chain financing
- How far will the banking industry go and what do their clients want from them?
- Experience of standards, networks, mission critical processing, etc
- SME market is a major potential opportunity
- EBA e-invoicing initiative

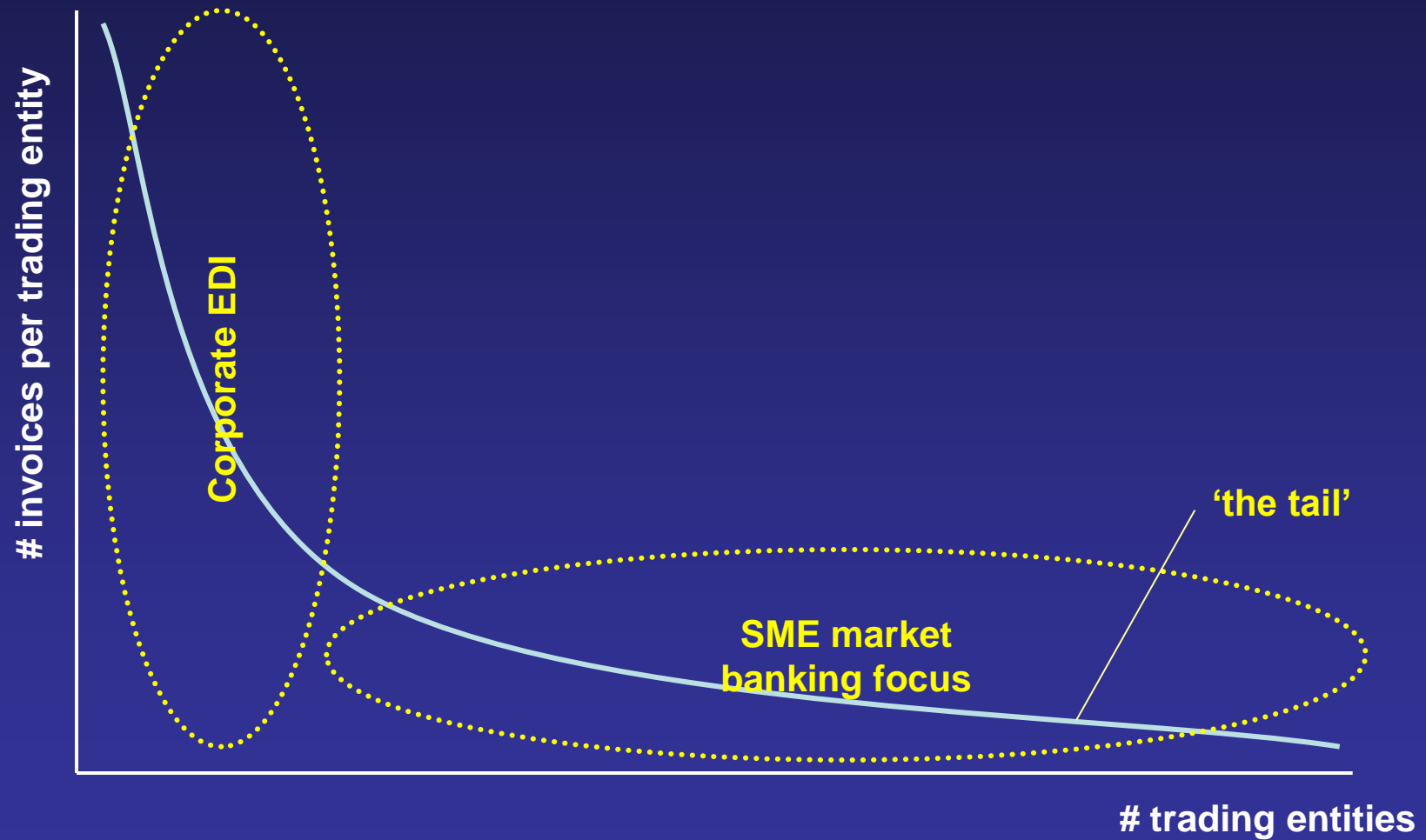
# The 4-corner model



**Payments are settled through payment systems in a normal way. If the service provider(s) is a bank, payments can be integrated with invoicing.**

- **EBA has played an active role in the EC Expert Group**
- **In parallel an EBA Working Group meeting since 2008 has produced :**
  - Service Description and Rulebook for a possible pan-European Service
  - A Business rationale for banks
  - A Proof of Concept based on a consultation with leading service providers
- **Emphasis on SMEs, e-channels and an interoperable network for both banks and non-banks**
- **A White Paper has been published to the EBA membership and will consult on next steps..**

# Business case: for e-invoicing in general the SME “tail” is the key opportunity for banks





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