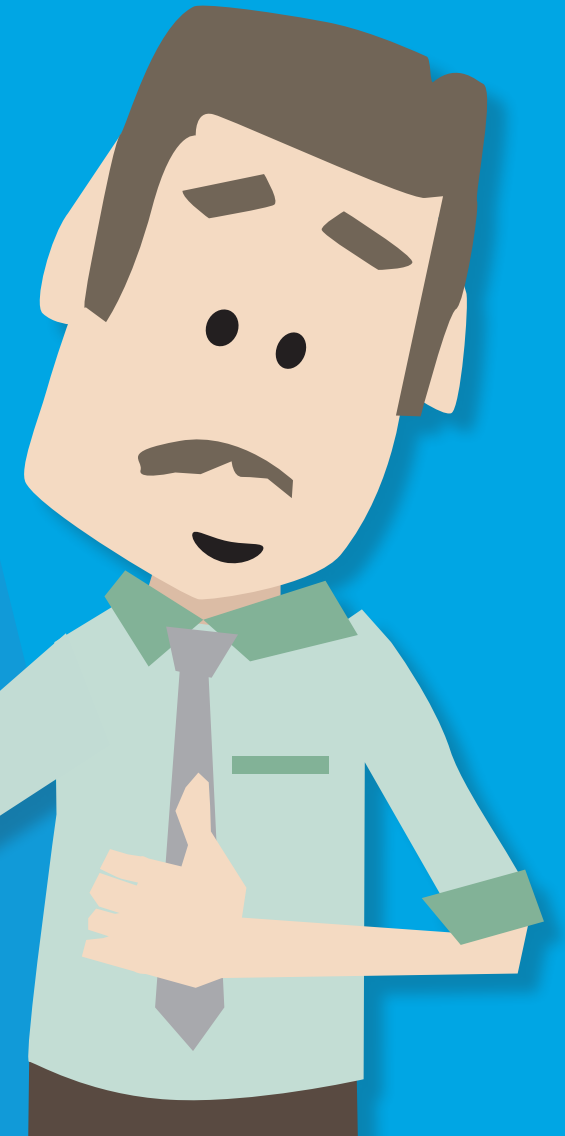


How to write the perfect e-invoicing RFP



A series of guidelines on how to put together the perfect e-invoicing RFP - including useful tips that will set you on the right path.

Foreword

There's a fundamental flaw in the RFP system as it exists today. The problem is, more often than not, a company looking to source new technology using an RFP might not be knowledgeable in the area yet. We've seen many RFPs for e-invoicing solutions where the person that put it together doesn't have a clear grasp of what they are looking for.

And why should they? This is a fast moving area with new features and functionality being rolled out all the time. So we thought it might be useful to put together some suggestions for anyone that finds themselves in exactly this situation.

While we can't help you with all your RFP needs, we can give you some idea of which questions to ask when you're on the hunt for the perfect tool based on our wide-ranging experience in this area.

The suggestions below are obviously based on our perspective, namely that you should prioritise the most broadly functional solution that provides as much value as possible at the best price, without locking you into a single vendor forever.

Christian Hjorth
Chief Commercial Officer

The RFP Series

1. Am I signing up for a portal or a network?
2. Is the platform open and how is its interoperability?
3. Are your suppliers going to sign up to use the service?
4. How seriously do they take compliance and security?
5. Who is the business model designed to help?
6. Get your suppliers' views on the selection process
7. Get references that reflect this too
8. Is the system hosted locally or in the cloud?
9. Can the tools be adapted to accommodate your requirements?

1 Networks vs Portals: The Future of Business Online

The days of running processes and storing data on a big central machine in your office are nearly gone – today, the cloud offers the opportunity for anyone to log in from anywhere and get on with their work.

But as with all emerging technologies, different businesses have approached this world of new possibilities with different levels of ambition. Some import the old way of doing things into the Cloud – a fair idea but one that doesn't push the envelope. Instead, sometimes the Cloud allows a whole different approach to the problem.

Let's take a look at an example, and something that's vital to bear in mind when putting your e-invoicing RFP together.

E-invoicing

Broadly speaking, there are two approaches to cloud-hosted business solutions:

1. Thinking with Portals

A big company sets up a portal that its partners and suppliers have to sign into to interact with them. As a result, they may end up dealing with a dozen different portals, each with its own log-ins and interface. And even if two of the bigger companies use the same system, their portals will still be discrete, may be set up differently and may crash or go down separately from one another. It's time-consuming, inefficient and every time a supplier creates one of these portals, the value to everyone actually diminishes.

So what if there was another way? What if, as with the more mature phase of the internet, you created a network of connected users, based on open standards, through which every new user increases the value to those who join in the future.

And that brings us nicely to the second option.

2. The Online Business Network

One simple interface. One set of log-ins. One interface, accessible through any computer, anywhere in the world that anyone can join for free and instantly connect with other users and start working with them.

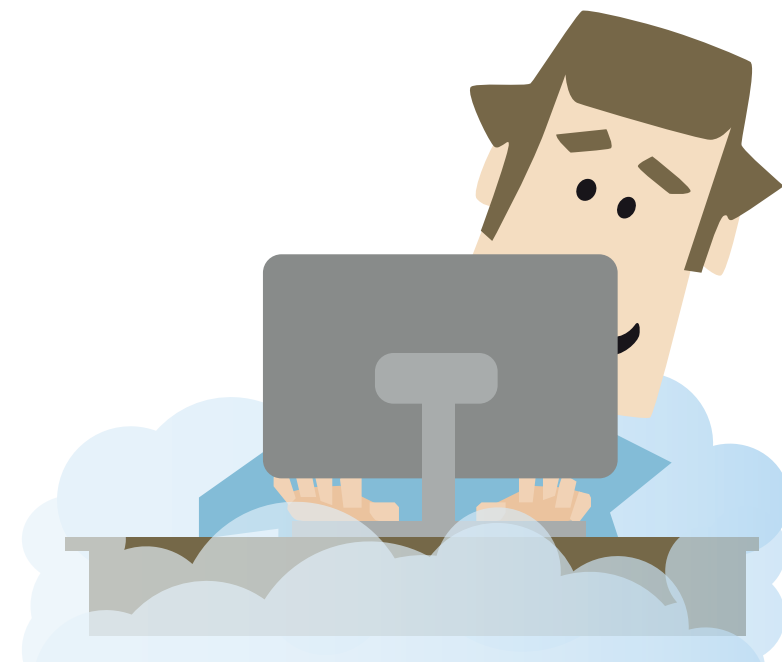
Because this option is hosted centrally, and designed to be scalable, the cost is less for everyone involved and free for all suppliers, which results in far higher adoption rates. And on top of that, the potential for the platform as a whole is far greater. E-invoicing, payments, quotes, purchase orders – whatever ways your business interacts with its partners, they can be accommodated online.

And, with even starker contrast to the closed and proprietary portals, there's the opportunity for anyone to develop apps for these users. This could include everything from simple compatibility systems to help older systems connect and share with the network to ideas nobody has done before. If you take the right approach and stick to the right standards, the sky's the limit.

You decide

We think the choice is clear. The change is coming. Indeed, for brands like the NHS, Kuehne+Nagel and DSV, it's already here. There's no reason to suffer through portals, why be part of the old dynamic instead of embracing a brave new future?

RFP TIP: When it comes to the RFP, consider which of these categories each tool might fit into and design a process that will classify them accordingly.



2 Open Platforms and Interoperability

The challenge of closed versus open systems is one of those vital factors in selecting software that doesn't always become apparent until it becomes a problem. And often a big big problem. But more on that later...

For now, let's look at the difference between open and closed systems and how you should consider the topic when putting together an RFP.

Open vs Closed

When we talk about closed systems, it's easy to get carried away with a picture of evil CEOs creating products that will never work nicely with anything but their own suite of products and lock businesses into using their tools. This is only a half truth. Often it's just about a flawed design approach.

The limitations of choosing a closed system are quite simple – it will be harder to integrate with existing systems and, if you want to make changes to your working processes or replace the solution entirely, it's going to be difficult. Again, all this comes from one of two causes – either negligence at the time of development or (in rarer cases) an outright objective in the design phase to create a system like this that benefits the vendor more than the user.

Open potential

By contrast, open systems are created from day one to make it as easy as possible to do whatever you need to

with both your data and the software. That means using open standards like XML, which let you interact with other systems in a shared language and work smoothly together.

It also means providing platforms within the system to help you manipulate your data however you choose. In the context of e-invoicing, there are plenty of touch-points where smooth interaction with data can be vital to the everyday running of your business.

So when you're putting together your e-invoicing RFP, or indeed any software selection, invest in your future convenience by correctly weighting the importance of this openness and interoperability. Otherwise, you won't know just how much you've sacrificed until it's too late.

RFP TIP: Avoid long-term vendor lock-in by prioritising interoperability – be suspicious of firms that try and trap your data in their system and don't support compatibility with other secure and reliable providers.



3 Will your suppliers sign up for your service?

They say in space, nobody can hear you scream. The same is true of an e-invoicing system that your suppliers haven't adopted. Historically, the model of e-invoicing systems has offered some clear advantages to buyers but potentially caused massive headaches for suppliers, resulting in disappointing adoption rates.

When you think about how important it is that your suppliers sign up for and use the solution, one thing quickly becomes clear: you have to make it easy for them to integrate the tool into their ERP or finance system and have it cause as little inconvenience to them as possible.

Any compromise here guarantees that suppliers will resent the tool and you ultimately won't get the results you're hoping for.

First up, think about the costs. This means time and money. Do they have to pay to use the tool? You'll lose some. Probably proportionately to how much it will cost them.

Of course, the real threat here is slightly hidden. They may pay to use the solution but ultimately they have to decide how to absorb the cost – do they simply accept the cost, which means lower margins or do they find other ways to recover the costs? For instance do they put their prices up? That's bad news. What's worse, it is very difficult for the buyer to analyze how much of the suppliers fees end up on the buyer side due to higher prices.

On the other hand, are there going to be costs for them to integrate with your technology? How hard is it to use the solution? Is it intuitive and can it be easily understood, or will it require more resources and training? All of these are further reasons for them to resent a system that has been thrust upon them.

Because of this, making sure the tool can integrate easily with other software and systems ticks another box that could encourage them to sign up and increase your return on investment.

Another key aspect of this in your RFP is to look at how it fits with the bigger picture. It's not just about recognizing factors that might limit adoption – you'll also want to consider how attractive features could actually drive adoption. Are you asking them to sign up for just an e-invoicing system or does the platform open the door to other useful functionality?

We discussed a good example of this at length in our last post on networks vs portals – if you ask them to sign up to a network then you're potentially ushering suppliers into a new, mutually beneficial way of working.

So, whichever tool you pick, it's vital to get as many of the companies you work with using it as quickly as possible. To achieve that, make things easy and look at it as an opportunity to make their life better, not worse.

RFP TIP: Ask your supplier to put their money where their mouth is and do a six-month pilot of the software with a commitment to reach a target of suppliers or invoices sent through the system.



4 How important is compliance and security to your E-invoicing RFP?

People often talk about how decision-making processes are made up of two elements – must-haves and nice-to-haves. But really most of the time, even the must-haves are effectively just prioritised nice-to-haves.

In reality, there are only a few pieces of the puzzle that are real must-haves. These non-negotiable hygiene factors are features or functionality where even a little compromise just won't cut it.

In the world of business technology, more often than not this means one theme: security and compliance.

No room to manoeuvre

No e-invoicing supplier will ever outwardly claim to be insecure or lacking in compliance. As a result, if you're writing an RFP, you simply have to know what's really important when it comes to security today.

In an area where the cost of any chink in the armour can be extreme and the technology moves so quickly, how do you know what makes the difference between a virtual Fort Knox and an unsuspecting threat to your business.

For a start, check that the vendor has VAT Compliance and digital signatures. In addition make sure that they have SAS 70 in place. You should always ask if they have remote back-up of all your business transactions for at least 10 years along with audit logs and tenant data isolation.

Ask the experts

Actually, it doesn't have to be a nightmare. Let someone else do the hard work. These days, when putting your RFP together, don't just rely on candidates' claims of security and compliance – insist upon third party validation.

There are plenty of organisations out there that make their living scrutinising every technology for potential exploits and cracks. Furthermore, the world of compliance is built around businesses whose sole function is to understand and audit the very latest rules and regulations that exist today.

Ask the vendors if their solution is watertight, tell them to put you in touch with the real experts who will prove it.

When asking for proof, check they are SAS 70 certification, audit reports such as PwC and KPMG.

Are their systems secured by simple firewalls or do they encrypt each message in a multi tenant infrastructure?

RFP TIP: Don't rely on the candidates' claims of security and compliance – get proof in the form of whitepapers and auditor reports.



5 Whose life does the e-invoicing tool make easier?

As we've discussed in previous posts, not every e-invoicing system is created equal and usually, there are two approaches:

1. The network approach: wherein our hero (a supplier) simply connects to an existing global cloud of other suppliers and enterprises and is able to interact with every one of them through a single interface

2. The portal approach: wherein valiant suppliers are forced to access proprietary portals, run by each buyer they invoice and requiring duplication of login details, registration and all that admin

When it comes to writing your e-invoicing RFP, and when you're considering the difference between these two approaches, there's another thing to consider besides what we've discussed previously.

Whose life does the e-invoicing tool make easier?

Past e-invoicing business models have dumped much of the cost on the smaller suppliers, with the large buyer being responsible for about 30% of the cost, and the little guys picking up the rest.

As a result though, it has introduced a situation whereby suppliers are basically paying to get their money from you. And, business being business, that added cost has to be picked up somewhere.

What is more likely? That they'll absorb the cost themselves or that, as a growing business, they'll be forced to raise their prices – especially if they have a number of buyers forcing them to pay for these systems?

In any other aspect of your business, this 'supplier tax' would be ridiculous – would you really charge them extra to email you or to attend meetings with you?

So when you're considering your RFP, look for solutions that don't penalise suppliers just to get paid. The consequences could be greater than you first realize.

RFP TIP: Does the product tax suppliers for using it? Consider the knock-on ramification if so or look for systems that don't push the cost their way.



6 Get Your Suppliers' Views During the RFP Process

Although we try and foster a lot of skills here at Tradeshift, even with our strictly regimented training routines, mind-reading is not among them (yet). But that's okay, because we'd wager this is probably true for most businesses. But although the technology isn't there yet, mind-reading is often a much needed skill in business.

For example, when it comes to your e-invoicing RFP, it is necessary to try and pick the tool that you think your suppliers will like and use. Not as easy as it sounds! Luckily, that's where the coping mechanism comes in – if you want to know whether your suppliers are likely to use the e-invoicing tool you select, don't try and read their minds, integrate them into the selection process. Literally show them the options, see if you can get them involved in the trial and let them play as active a role in the selection as they can.

If you extend this opportunity to a number of your suppliers, you'll also learn from the different ways that they will be expecting to use it. Many heads are better than one, especially when it's the buyer's head versus the suppliers'. It also gives them an opportunity to experience the solution beyond a set of bullet points and understand what it's like to use.

Naturally, if the options that you're looking at happen to be free then that provides the maximum opportunity for your suppliers to really get to grips with how its adoption will affect their relationship with you. This in itself could play a part in their feedback.

Every company's suppliers are different – and even within that, you're sure to get a range of different businesses that will want to work with you in different ways. If you do decide to take this path of consulting your suppliers, don't forget to choose a representative sample that reflects this. This is essential to making sure a really good idea doesn't suddenly become a misleading mistake.

The reason this is such an effective strategy is that the solutions they find most user-friendly will soon shine through. You will also end up with guaranteed buy-in from them once you roll the solution out, creating an advocate that you could put in touch with other suppliers should you need to justify the selection further down the line.

So when you're considering your e-invoicing options during RFP, make sure the e-invoicing providers under consideration agree to let your suppliers play an active part in the process. If they aren't so keen on the idea then that may speak volumes in itself...

RFP TIP: Invite the e-invoicing providers to meet a range of short-listed suppliers and be challenges on technology, implementation and fee structures. The less they pull their punches, the better – it will separate the men from the boys!



7 Get References From Current Users in your E-invoicing RFP

While I can't imagine anyone putting together an RFP without asking to speak to other users of the solutions being assessed, there are a few key aspects to bear in mind when it comes specifically to e-invoicing.

Firstly, be sure to ask for a healthy range of different businesses that use the solution. Does satisfaction vary between industries? Does it vary depending on whether they are the supplier or the buyer? How has their experience with the tool changed over time?

Anything to hide?

On this last point, you'll also want to make sure those involved have been working with the product for a sensible amount of time. If they're still in the honeymoon phase, you may be unlikely to get the full picture or an idea of challenges that arise over time.

Another reason this can be such a valuable inclusion in the RFP is because of what it tells you about the company you're working with. Are they reluctant to put you in touch with sources that will be genuinely useful in your assessment? Do they drag their feet or insist on being included in the discussions?

The pitch process is as much a chance to learn about your new partner as the tool they are providing. If they are trying to pull the wool over your eyes so early on, imagine how that relationship will develop over time.

Widening the search

When the e-invoicing provider suggests certain references, have a look to see if the customer story has been used elsewhere. Has it been written about in publications? Has it even been covered by journalists or bloggers in your vertical sector?

Perhaps support the process further with a bit of investigation on social media. What do your followers on Twitter think? Are there any influencers on those channels who can lend you advice from their experience and act as a reference in that way? Are there LinkedIn groups that may shed some light on the virtues of different solutions?

The process of getting references in your e-invoicing RFP may be one of the most important aspects and certainly one spending time on. After all, once you start using the solution you select, it will form the backbone of your entire financial infrastructure. Think carefully about what it will be saying about your business – that may be the most important reference of all.

RFP TIP: A variety of insights into tools will provide you with the most complete picture of the potential.



8 E-invoicing RFP: Cloud vs. On Site

Get ready! This is it. The big one. The cloud.

But what difference does “the cloud” actually make and how should it affect your choice of e-invoicing solution?

When it comes to creating the perfect e-invoicing RFP, you’ll need to make sure you understand the advantages and disadvantages of a hosted or on-premise solution and how it may change the way you run this vital business function.

For example, deployment. Do you fancy the sound of rolling out hardware to handle your e-invoicing and facing the cost, stress and potential pitfalls of another technical mouth to feed?

What about the Cloud route of pressing a button and you’re good to go? Oh, you’re a large enterprise?

Well rather than spending hundreds of hours getting servers running properly, why don’t you spend that time with a team that can get you set up and help you bring suppliers on board instantly?

What about the on-site upgrade costs a few years down the line when the software is starting to lag and performance isn’t what it used to be?

Sure, you could put up with it. But why bother when a cloud solution means you’ll be updated on a far more regular schedule without paying a penny more?

Why host the ghost of the cloud?

“Ah,” I hear you say, “but I can have the best of both worlds by simply going with an on-site solution that is actually hosted in the cloud!”

But unfortunately, it’s not that simple. Take these systems, dump them in the cloud and you’re really just removing one of the pitfalls – the hardware. In reality, an e-invoicing solution that fully accommodates the cloud goes far beyond this, and importantly, has the most potential too.

Any on-premise system that is hosted in the cloud ignores all the design opportunities that the cloud enables. If you actually build these systems to take advantage of the cloud, then you open a door to whole new degrees of opportunity.

For example, integrating your e-invoicing system with the entire network instead of just one of many portals. It means ideas like new functions and features being added, at no extra cost, all year round. And without you having to go through any upgrade processes or waiting for releases and bug fixes.

Cloud is not just about where you host the equipment – it’s so important to your RFP because it says so much about the providers being scrutinised. You’d expect us to say, of course, but any provider who has built their solution with the cloud in mind is always going to provide a better end product.

So if you’re going to start a meaningful relationship with a new e-invoicing supplier, the choice is yours – stay with on-site solutions or take to the clouds with something more modern...

RFP TIP: Be aware of the potential consequences of each option. Will you need IT resource to maintain the system on-site? Will you be missing out on upgrades to cloud products that can be rolled out instantly.



9 Your e-invoicing solution should be the start of something big

If there's a technology trend that will come to define the last few years, it's apps. Imagine if the iPhone had stayed as it was at launch with only the new features and functions that Apple adds with firmware updates.

Would it be the success it is today?

Using a developer ecosystem to extend the value proposition of a core offering is nothing new. Just think of Windows versus the Mac many years ago. Without software, the Mac started to fall behind – a closed ecosystem that doesn't make it easy for people to explore new functionality is always at a huge disadvantage.

All this goes to show that, when selecting technology, it's always a good idea to favour platforms that are open and encourage third-party expansion. And e-invoicing is no different.

Platforms with potential

Businesses are complicated entities. The connections you make with suppliers will range from the commonplace – such as invoicing and POs – to the specific. And invoicing is just one of the many ways in which you interact with the businesses you work with.

Do the e-invoicing platforms you are looking at make the most of this potential? Furthermore, does it actually let you

turn off any of the advanced functions and add-ons that you may not be interested in using. How does it let you tailor the experience to create the most useful and effective tool for what you need to get done?

If the platform allows anyone to create new functions or apps, then that will enable you to build your own bespoke functionality. No two businesses are the same, remember, so bespoke will really work to your advantage.

Apps that extend the platform make the difference between a system you log into to perform one task and a vital piece of your business that continues to offer new value, options and solutions for your workflow. Think of it as an investment in the future of your business versus simply ticking a box for the present.

The power to integrate

Another key consideration of an open platform is the ability to integrate with other existing legacy systems or processes. This is hard to over-emphasise as you will know if you've ever come up against the challenge of getting separate systems and processes in your infrastructure working in sync.

As the saying goes, "if you build it, they will come." But, here at Tradeshift, we think that's only half the story. After all, when you're talking about Software-as-a-Service (Saas)

and cloud-hosted e-invoicing solutions, are you really ever finished? Businesses wait for no one, and why should they?

We sure haven't...

RFP TIP: E-invoicing can either be the end of the story or the beginning – look for a platform that has the potential to be tweaked to offer extra functionality. When finalising your RFP, ask your self this question: is it really just e-invoicing that you're looking for?



10 Can e-invoicing help you with more than just e-invoicing?

That might sound like a really dumb question, but stick with me!

What are the underlying reasons for you beginning this search? While e-invoicing represents a key part of your quest, if you think about it logically, the e-invoicing process is just one example of the many interactions you'll have with suppliers on a regular basis.

Wouldn't it be great if you had one centralised platform where you could centrally manage every interaction? From day-to-day contact and contracts, to updates and purchase orders.

In the future, it is not hard to see how this could go even further, with this platform becoming the key hub of your entire collaboration with all the businesses that you work with. This idea really isn't all that far fetched. At Tradeshift, our open APIs (which we have talked about before) already allow companies to add any functionality they think might be useful.

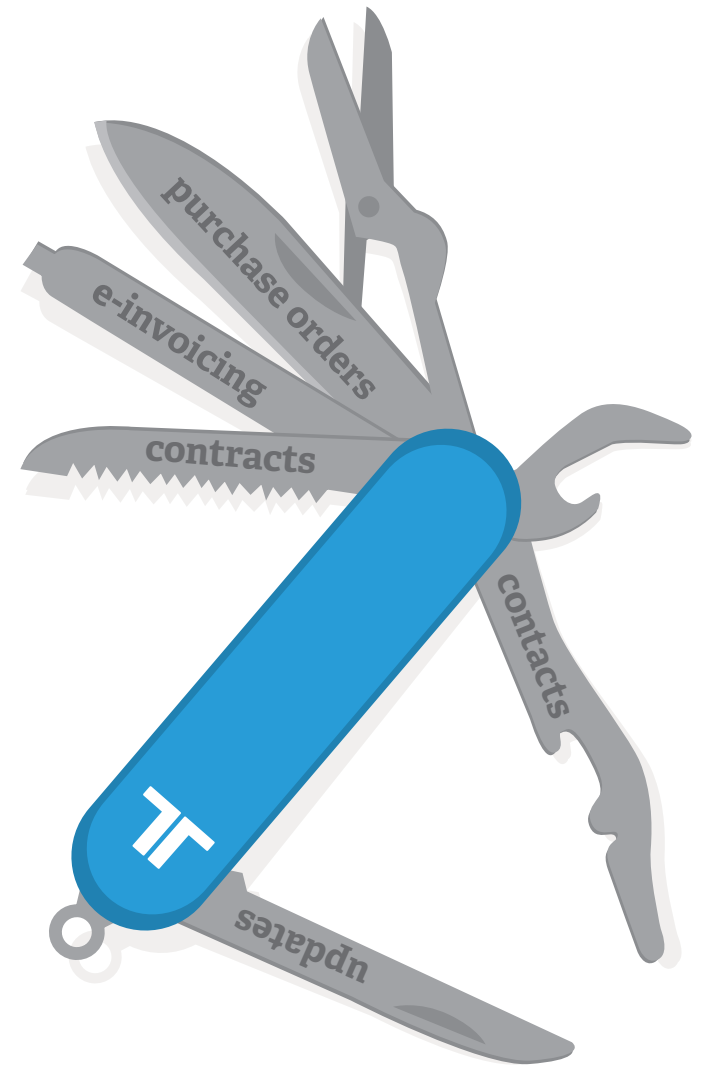
Once you have suppliers onboard, it makes perfect sense to leverage the platform to manage all interactions they have with your company.

It's worth repeating: think about the value that your e-invoicing platform may be able to provide to departments beyond just the "accounts payable" team.

Consider how you can leverage the value of relationships with other companies and change the way you do business – your e-invoicing tool is potentially the backbone to all of this.

The culmination of your search for the perfect e-invoicing solution might not be the end, it might just be the beginning...

RFP TIP: Don't make your selection criteria too narrow. Flexibility should reward the best all-round tool for your business.



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