



# Global Electronic Invoicing

The State of AP Automation Worldwide

Q1 2013

*Featuring Insights on ...*

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**TRADESHIFT**<sup>®</sup>

Technology Adoption

– U.S. vs. Global Landscape

Changes in Payment Types

Electronic Invoice Adoption

– U.S. vs. Global Landscape

Automation Goals

– U.S. vs. Global Landscape

Electronic Invoice Drivers

AP Automation & Supply Chain Finance

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## Executive Summary

The benefits of electronic invoicing (eInvoicing) have been touted for years – less paper and manual data entry equals time and cost savings that can directly impact a company's bottom line. However, there seems to be a growing acceptance within the industry that eInvoicing is not an end in itself, but rather part of an overall automation process. While there has been an abundant amount of research on eInvoicing as a whole, little research exists on the current state of the global eInvoice market.

This void of missing global eInvoice data and information is what prompted PayStream Advisors and Purchasing Insight to team together to release a global eInvoice report based on new global survey data. The purpose of this report is to analyze the survey data and present readers with current, up to date global eInvoicing trends, statistics and state of the market. Survey data reveals rapid growth in the adoption of eInvoicing and significant changes in the motivations for eInvoice implementation. In analyzing the data, three key insights emerged that are worth looking at.

### ***Key Insight 1 – Electronic Payments***

The United States is out of step with the rest of the world when it comes to business to business (B2B) payments. Survey data shows that a large number of U.S. companies still prefer paper checks over electronic payments (ePayments). Granted, U.S. companies are reducing the number of paper checks written, but they still lag behind the rest of the world. Purchasing Cards (P-Cards) are the exception to this rule. The explosive growth of P-Cards in the U.S. shows no signs of slowing and the rest of the world has a lot of catching up to do in terms of P-Card growth.

### ***Key Insight 2 – Electronic Invoicing***

Survey results reveal that we have hit the tipping point in electronic invoice adoption. Large companies have largely automated and thanks to innovations like Software-as-a-Service (SaaS), free supplier portals, dynamic discounting and mobile transactional capabilities; the middle market is now opening up. However, there's still a long journey ahead.

### ***Key Insight 3 – Financial Supply Chain Management***

The big picture of the overall automation process involves integrated accounting systems, workflow, communications, supplier management, improved cash flow and working capital. These are all driving factors for accounts payable automation initiatives. While cost reduction and efficiency are still main drivers, more companies are now seeing the big picture and exactly where eInvoicing fits in that picture to help turn the AP department into a profit center.

## Global eInvoice Survey

eInvoicing has been at the forefront of AP process improvements for many organizations for well over a decade. The prospect of creating a streamlined finance process by allowing buyers' and suppliers' Enterprise Resource Planning (ERP) systems to directly communicate with each other is tantalizing. The thought of creating this streamlined approach for global companies is irresistible. For many reasons however, a vast number of organizations have resisted electronic invoicing and continue to operate utilizing cumbersome and time consuming paper invoices.

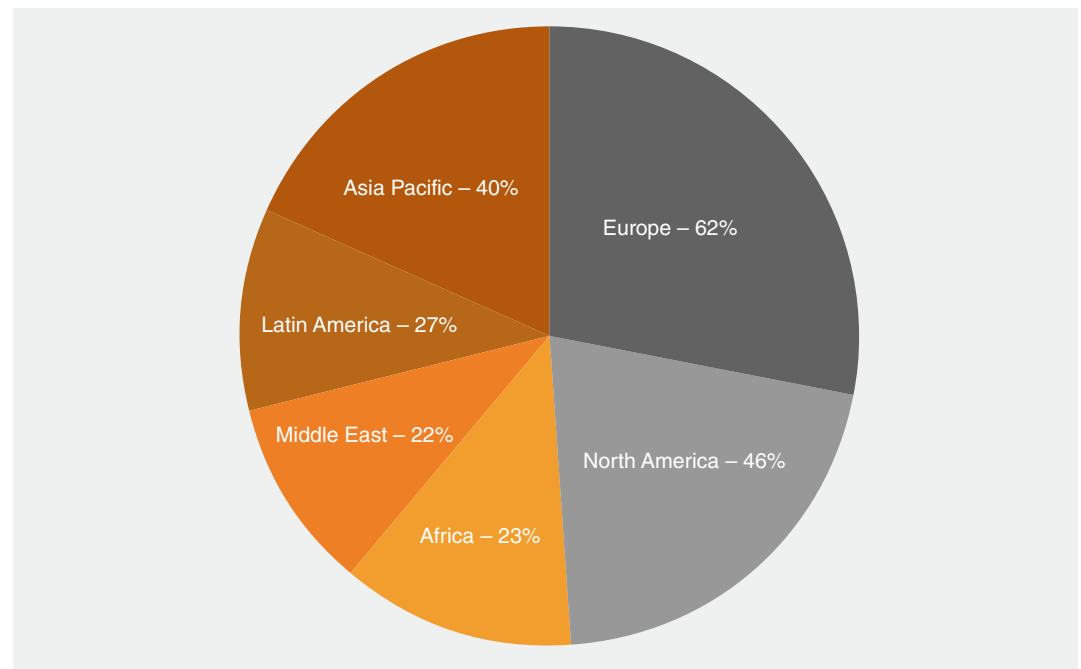
To date, there has been very little research done on a global level regarding the current state of the global electronic invoice market, despite the fact that many international organizations are currently seeking global eInvoice solutions to streamline their AP processes. For this reason, PayStream Advisors teamed with Purchasing Insight to develop a detailed global eInvoice report to identify the current state of the market.

### **Methodology**

In the third quarter of 2012, PayStream Advisors and Purchasing Insight launched a global eInvoicing survey to AP, finance and treasury personnel in a wide range of industries. The survey received over 200 responses, which were analyzed for the creation of this global eInvoice report. The majority of respondents were from the European (23 percent) and U.S. (35 percent) markets, and therefore we worked to analyze this data separately. However, survey respondents were worldwide, which allowed us a detailed look into the global market. Figure 1 illustrates the various regions of the world that survey responses were received.

*Figure 1*

*Global eInvoice survey responses were received from 6 regions of the world.*



The survey has a truly global reach with responses from six regions of the world. As stated, North America and Europe dominate, but Asia Pacific, Latin America, the Middle East and even Africa contribute respectable proportions of the survey. Please note that survey respondents were asked to indicate the geographical regions in which their organization conducts business. They were advised to choose all regions that apply.

Based on our experience and the number of respondents, all survey questions have a confidence level of +/-5 percent.

## Survey Respondents

Survey responses were gathered from a wide range of individuals, both in terms of industry spread and size of their organization. As seen in Figure 2, there is a predominance of responses from the healthcare and professional services. This is a reflection of the population surveyed in North America, but apart from these two industries, there is a wide and more even spread across many industries.

Figure 2

Various industries represented in the global eInvoice survey.

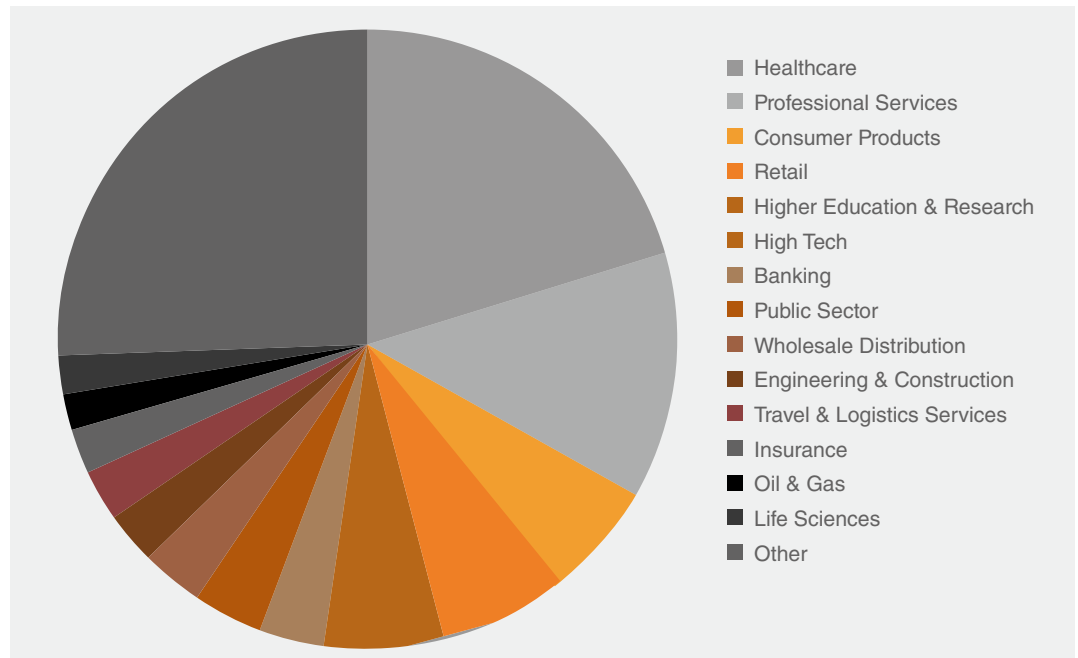
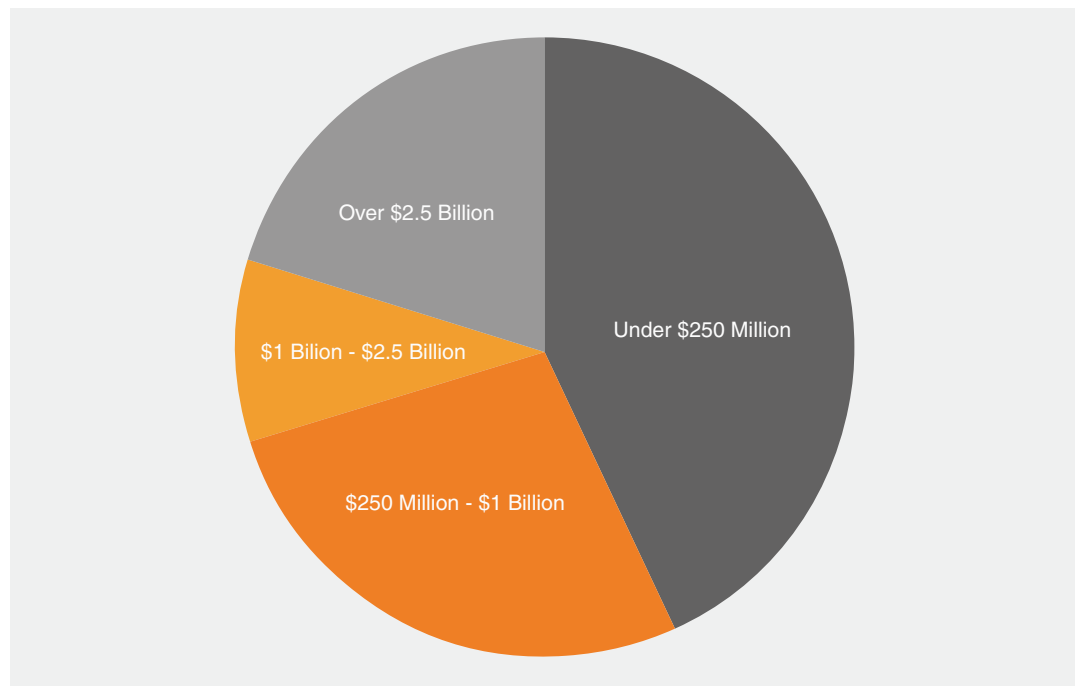


Figure 3

Company size (based on annual revenue) represented in the global eInvoice survey.



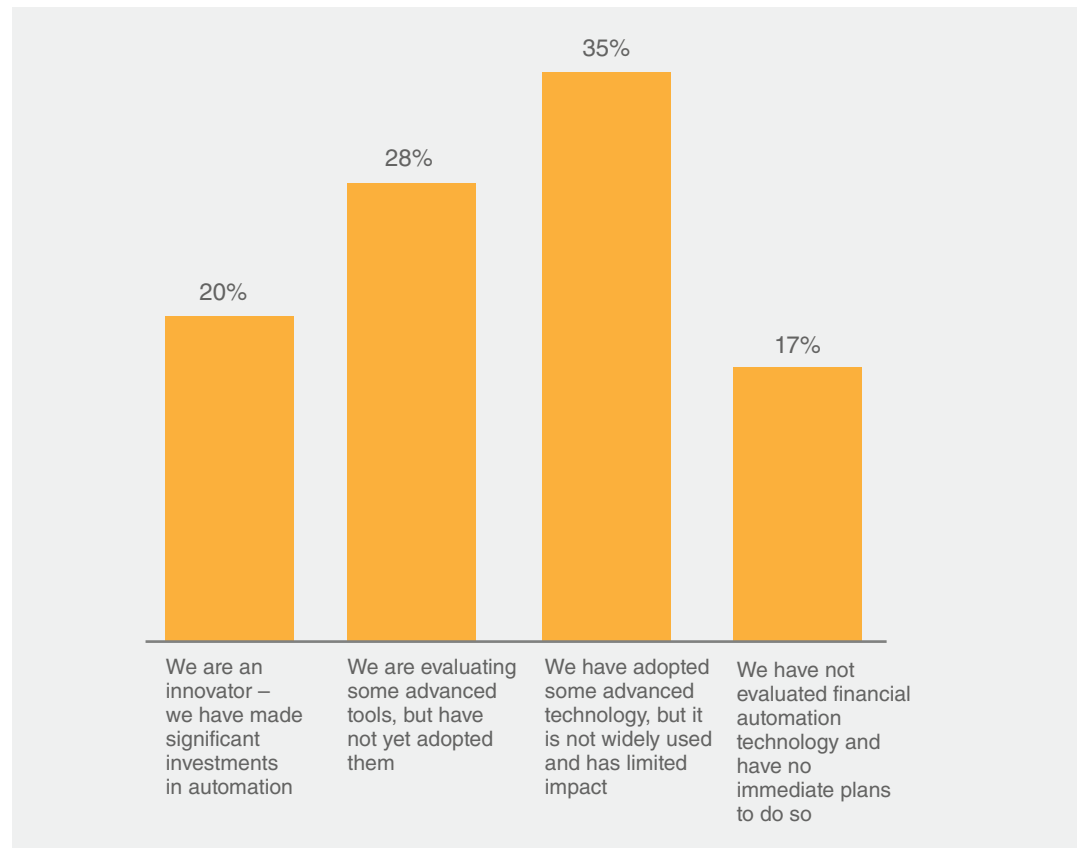
## Nature of the AP Department

Historically, Purchase to Pay (P2P) solutions reside within the procurement domain. The emergence and maturity of eProcurement networks in the late 90's established a strong precedent for the utilization of internet technologies in a B2B context. But more recently, there has been a growing trend for finance departments to grab hold of the P2P reins as the need to adopt a more holistic approach has gained more acceptance. This shift of ownership of P2P toward finance is transformational. It allows the finance community and in particular AP departments to relinquish the traditional back office mentality and begin to proactively manage key parts of their business.

The full breadth of AP automation including invoice receipt, document imaging, elnvoicing, data extraction, content management, approval workflow, and reporting and analysis are used to drive processes efficiency and lower costs. AP automation has quickly become a lead component of a holistic P2P approach. As technologically advanced companies have proved through the successful implementation of such holistic approaches, many additional financial benefits are being revealed that directly impact the bottom line, including the ability pay invoices on-time and even capture new discounts. Paying on-time not only avoids late fees, but it drastically improves the relationship between buyers and their suppliers; so much so that financial supply chain management is now becoming a driver in itself for AP automation.

Figure 4

Breakdown of Companies  
by Innovation Level

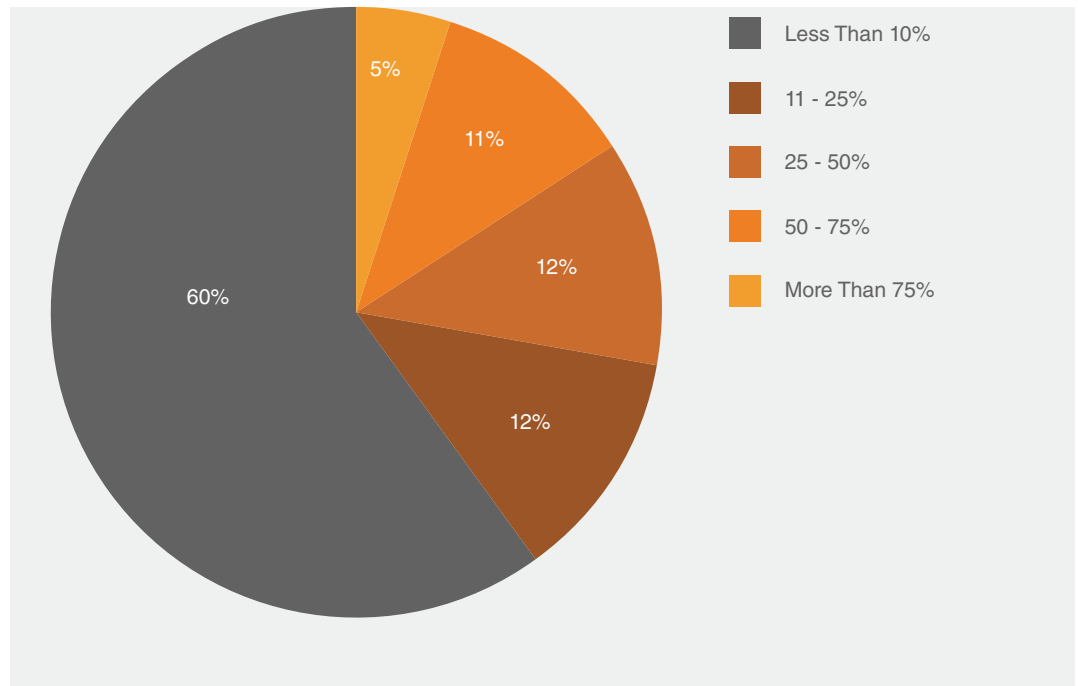


With nearly half of all finance professionals surveyed saying they've either got an automation solution or are actively looking for one, companies are keenly aware of the benefits that automation carries. See Figure 4 for the breakdown of how survey respondents ranked their companies use of financial automation technology in comparison to their peers.

## Paper Still Dominates

While paper invoices are waning, early predictions of the death of paper were vastly exaggerated. We have yet to witness a truly paperless office, despite 30 years of hype and expectation. The new global eInvoice research reveals that only 16 percent of AP departments receive the majority of their invoices electronically and a paltry 5 percent receive more than 75 percent of invoices electronically. The majority (60 percent) of respondents report that they continue to receive over 90 percent of their invoices on paper.

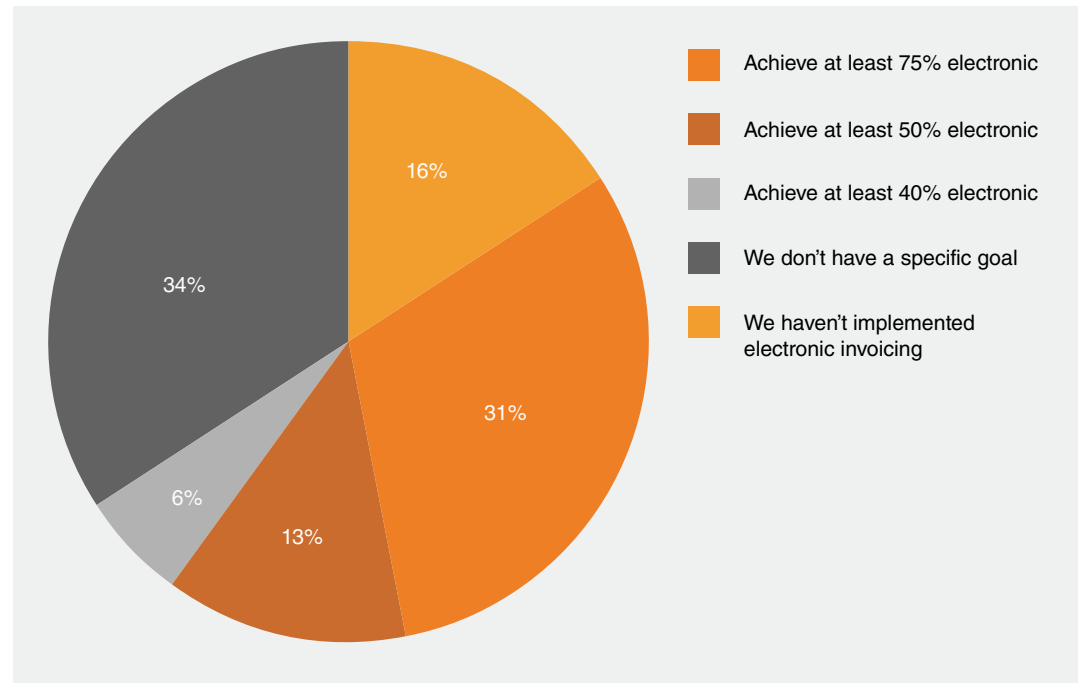
*Figure 5*  
*Invoices Received*  
*Electronically*



## Drive Towards Straight Through Processing

Despite the number of companies that are currently trading invoices on paper, survey respondents are not without ambition, and analysts see a current trend that respondents are aiming high when it comes to AP automation goals. Half of survey respondents reveal they are looking to implement eInvoicing in the coming year, and well over half of those (31 percent) are looking to achieve at least 75 percent electronic.

*Figure 6*  
*2013 Global eInvoice Automation Goals*



It begs the question “is this a realistic goal?” The high number of respondents looking to convert the majority of their invoices to electronic may be a bit naïve, but analysts are witnessing a trend towards organizations exploring Straight Through Processing (STP). STP or Touchless Processing allows automated posting without AP staff intervention, allowing AP departments to focus their energies on analytical tasks.

## Technology Adoption – U.S. vs. Global Landscape

There is an extraordinary contrast in the adoption of P2P technologies when we compare the U.S. market with the global view. While the existing use of electronic invoicing (and for the purpose of the survey we group all forms of electronic invoicing together including EDI) the goals of U.S. organizations are markedly lower. But it is in the area of payments that we see the most marked difference.

Electronic banking and elnvoicing has not sparked as much adoption in the U.S. versus other regions of the world, despite the fact that the U.S. is one of the most technologically advanced markets on the planet. It's been observed before, and our survey results reinforce that American's like paper.

Even in Africa where the banking infrastructure does not exist, the rapid growth of mobile phone adoption has brought about a revolution in SMS banking, allowing people in remote areas to enjoy the benefits of electronic payments.

But this is not universally true of all electronic payment types. When we consider P-Card usage, the U.S. market reflects the opposite trend. Purchasing Cards have had much more success in the U.S. then other regions. Growth appears to have plateaued in Europe, for numerous reasons such as multiple currencies, acceptance rates, and culture; however, there is no sign of P-Card growth slowing in North America. Financial automation strengths vary based on the different regions of the world. On a global basis, analysts are witnessing an overall increase in the use of electronic payments. For example, Purchasing Cards are not utilized as much in the European market as they are in the U.S.; however, Automated Clearing Houses (ACH) is a popular ePayments choice throughout Europe, unlike the U.S.

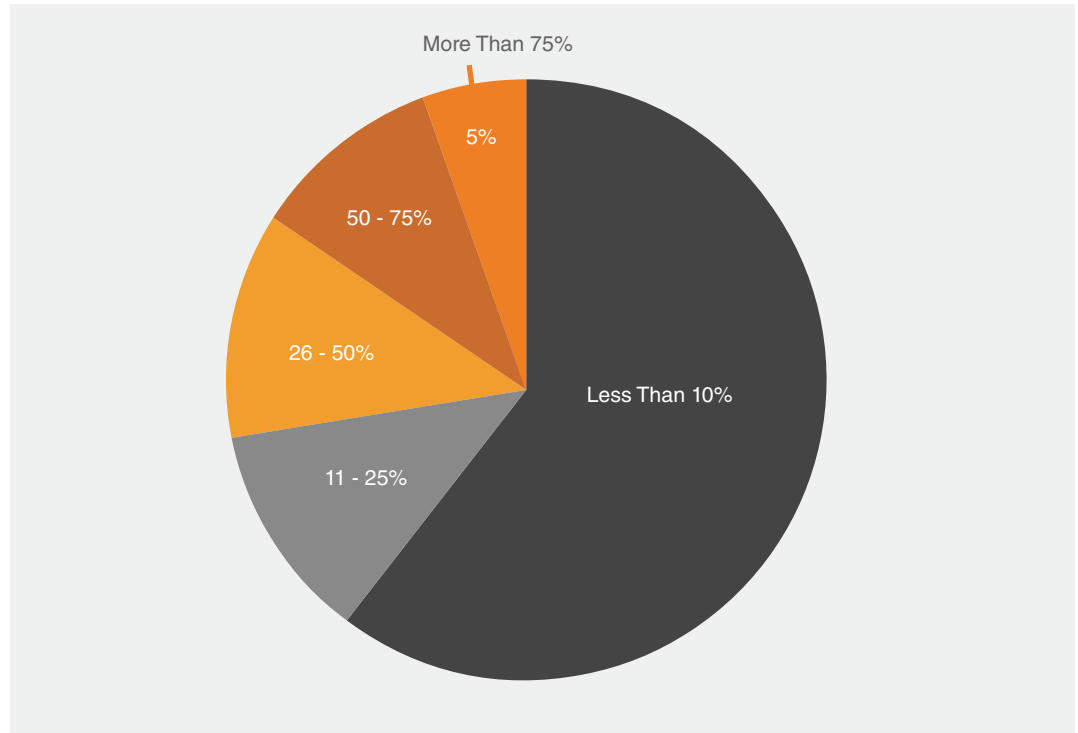
### ***Electronic Invoicing***

The existing adoption levels of electronic invoicing show no marked difference when we compare the U.S. market against the global market. Most (60 percent) of organizations have yet to deploy the use of elnvoicing, accepting less than 10 percent of their invoices electronically, and only 16 percent claim to accept the majority of the invoices via EDI or other electronic form. But with nearly 30 percent receiving over 25 percent of their invoices electronically, analysts predict that we are past the early adoption phase of electronic invoicing and should witness continuing gains in elnvoice adoption. Existing users of elnvoicing solutions are now looking for ways to expand efficiency and cost savings through discount management and STP.

There is further evidence that we are at or past the tipping point when we look at elnvoicing goals and in this respect, there is a difference between the U.S. market and the global view.

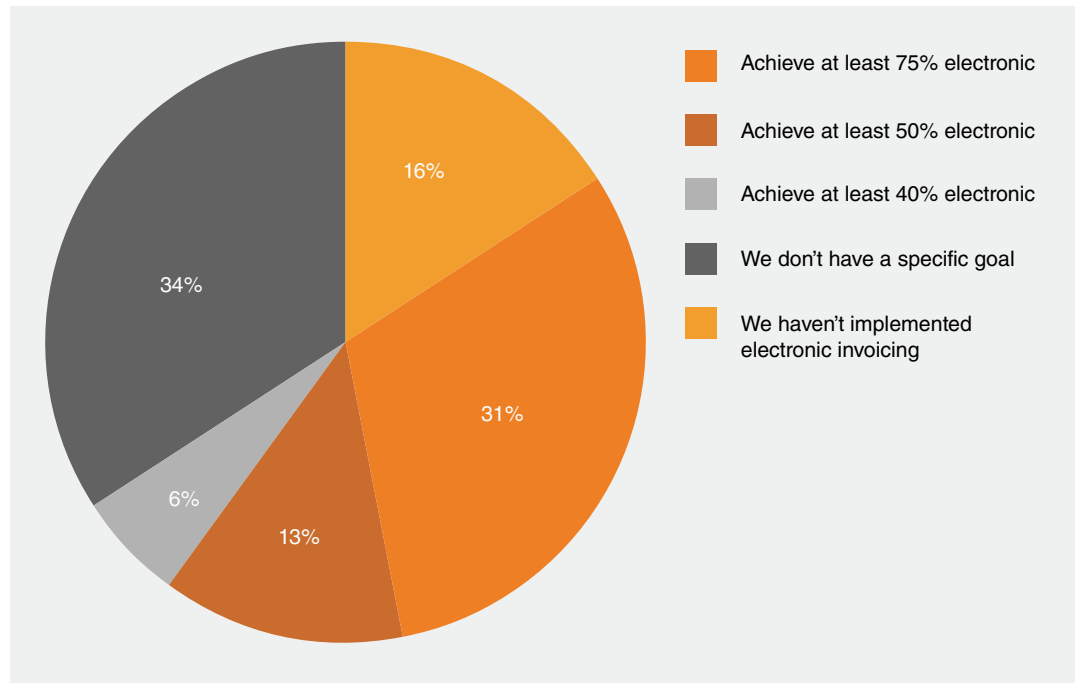
Of those surveyed, 50 percent have not implemented elnvoicing or have specific goals, while 31 percent report they would like to achieve at least 75 percent electronic.

*Figure 7*  
*Global eInvoicing Adoption Rates*

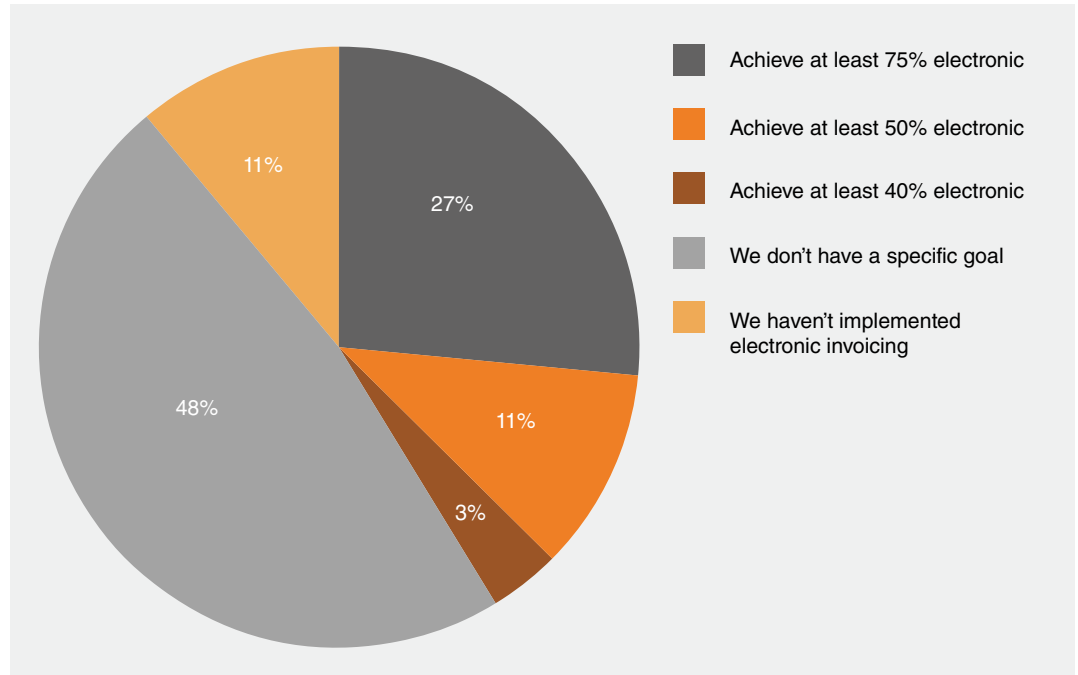


In the U.S. 59 percent of respondents have not implemented eInvoicing or have specific goals, and 27 percent are looking to achieve at least 75 percent electronic.

*Figure 8*  
*Global eInvoice Adoption Goals*



*Figure 9*  
*U.S. eInvoicing Adoption Goals*



When comparing the global market (50 percent) to the U.S. market (41 percent), the global market is aiming higher in their adoption goals

There are a number of reasons for this outcome. Outside of the U.S. there are a number of drivers for eInvoicing. The European commission is encouraging public sectors to embrace eInvoicing and in parts of Latin America, eInvoicing it is being mandated. While in the former territory the driver is efficiency in a complex tax environment, in the latter it is to maximize tax collection through central control and management.

## Payment Types

Purchasing Card usage in the U.S. has increased tremendously when compared to the other regions of the world. Globally there has been a significant move away from paper checks which has led to the overall increase in the usage of ePayments.

Figure 10

Global Payment Types  
Over the Past Two Years

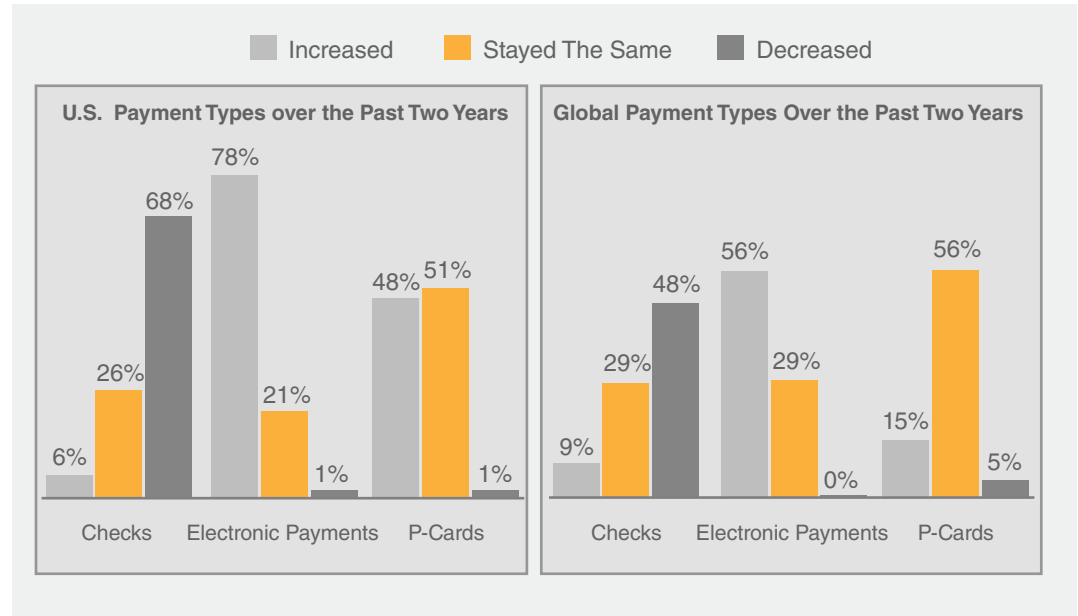
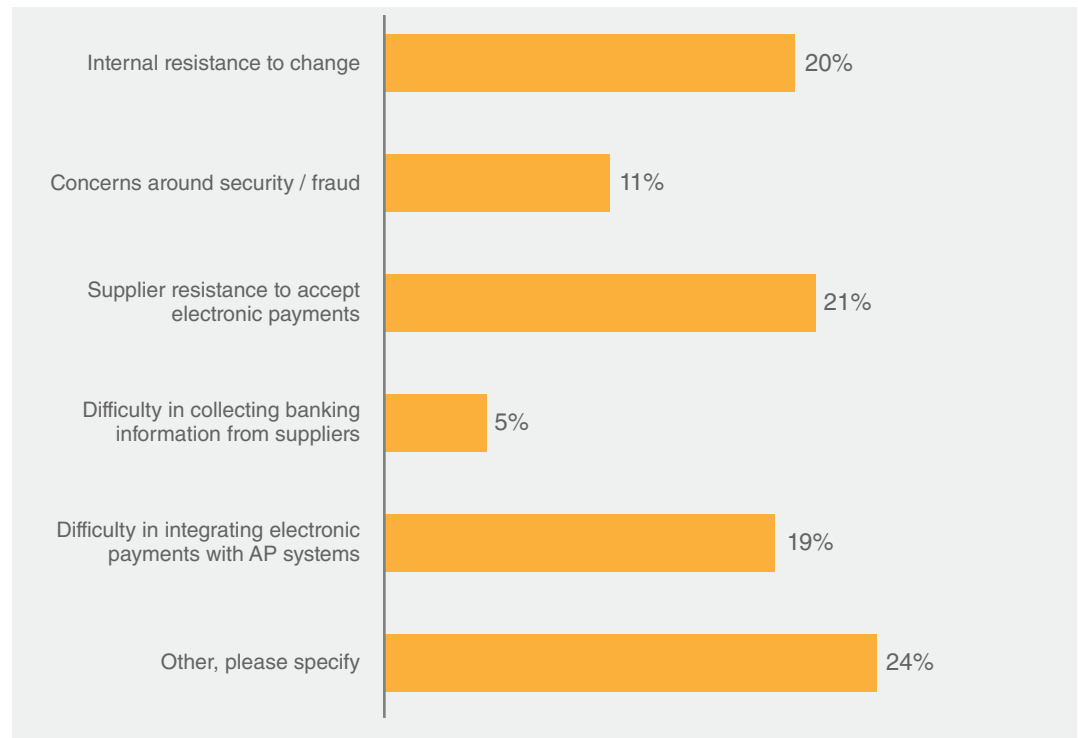


Figure 11

Primary Reasons Global  
Organizations do not use  
ePayments



Worldwide, paper checks are declining as all forms of electronic payments continue to increase. A noticeable difference worth mentioning again is the increased use of P-Cards in the U.S. (48 percent) versus worldwide (15 percent). Despite the P-Cards value as a means of recording VAT compliant financial transactions that can negate the need for an invoice, P-Cards have enjoyed limited success in Europe while in North America purchasing cards are seen as a core P2P technology.

Supplier resistance to accept electronic payments ranked as the primary reason organizations globally do not use electronic payments, see Figure 11. For this reason, solution providers have implemented aggressive supplier onboarding programs to help clients convert suppliers to eInvoicing.

## Electronic Invoices – U.S. vs. Global Landscape

Figure 12

Global Automation Goals  
2013

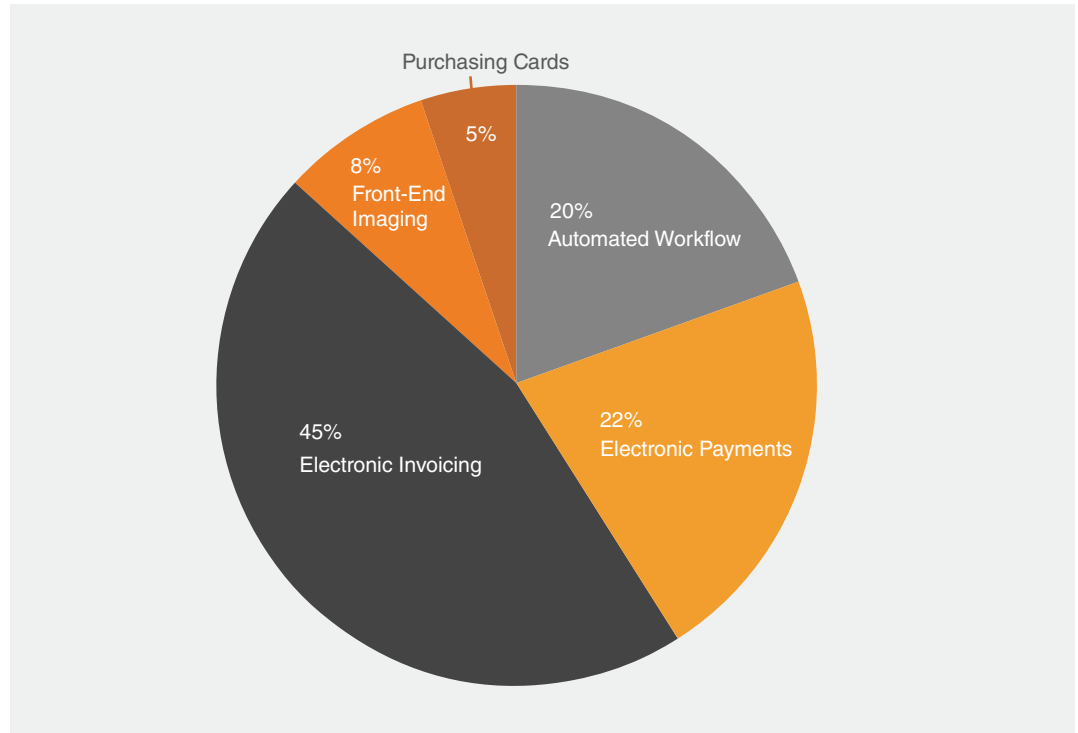
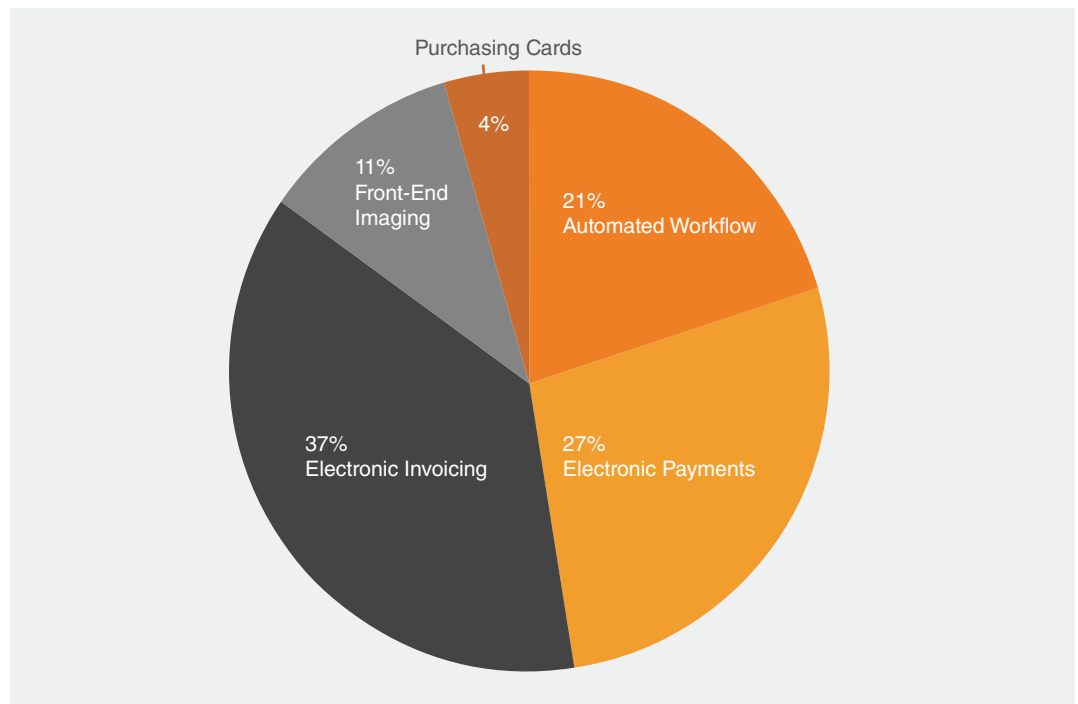


Figure 13

U.S. Automation Goals  
2013

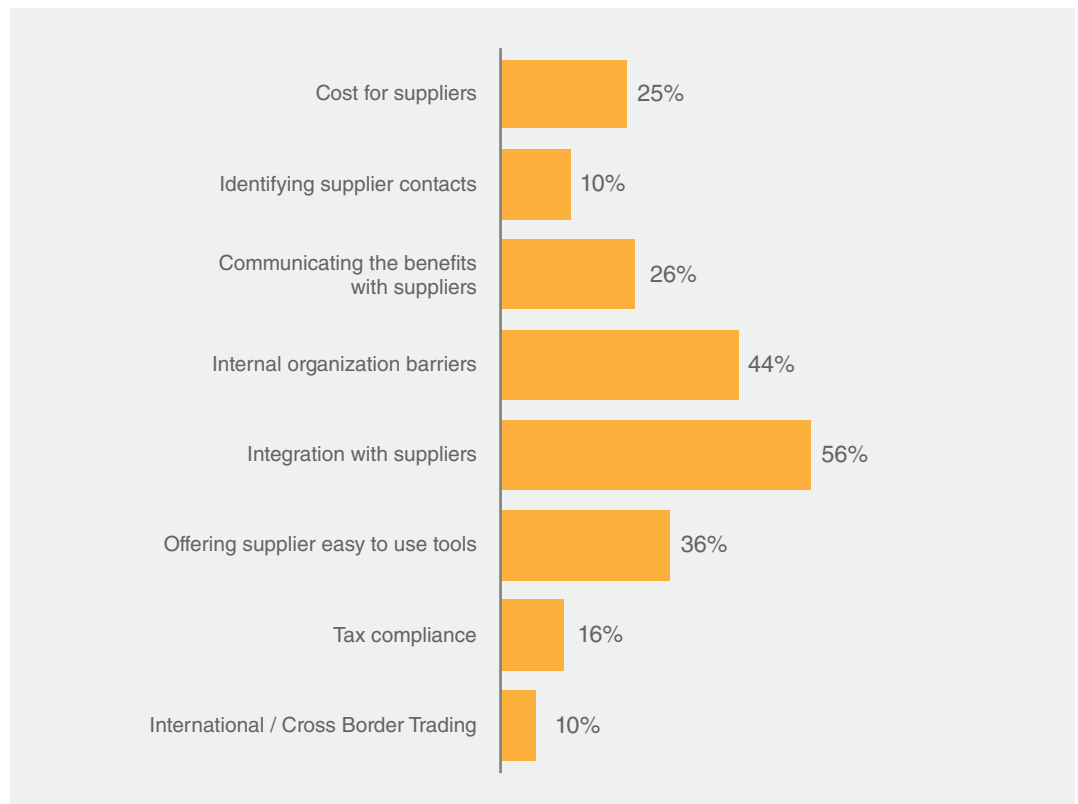


Analysts expect significant growth in the adoption of electronic invoicing. We are arguably at or even past the “tipping point” with close to 30 percent of organizations now taking a close look at elnvoicing. Both globally and within the U.S. market, electronic invoicing ranked as the top automation goal for 2013. Electronic payments ranked second with 22 percent of respondents and purchasing cards ranked third at 20 percent.

## eInvoice Challenges

There is a consistent view of the challenges faced in implementing an einvoice solution. Internal organizational barriers and supplier integration are seen universally as the biggest challenges to overcome in einvoice adoption. Interestingly, concerns for suppliers in terms of cost and ease of use are cited as significant concerns. This is a marked difference from the heyday of EDI when suppliers were simply expected to comply and pick up the substantial cost of implementation. Also notable is the confidence in solution providers to accommodate cross border and tax compliance issues, which most likely reflects the maturity of the key einvoice players.

*Figure 14*  
*Global eInvoice*  
*Challenges*

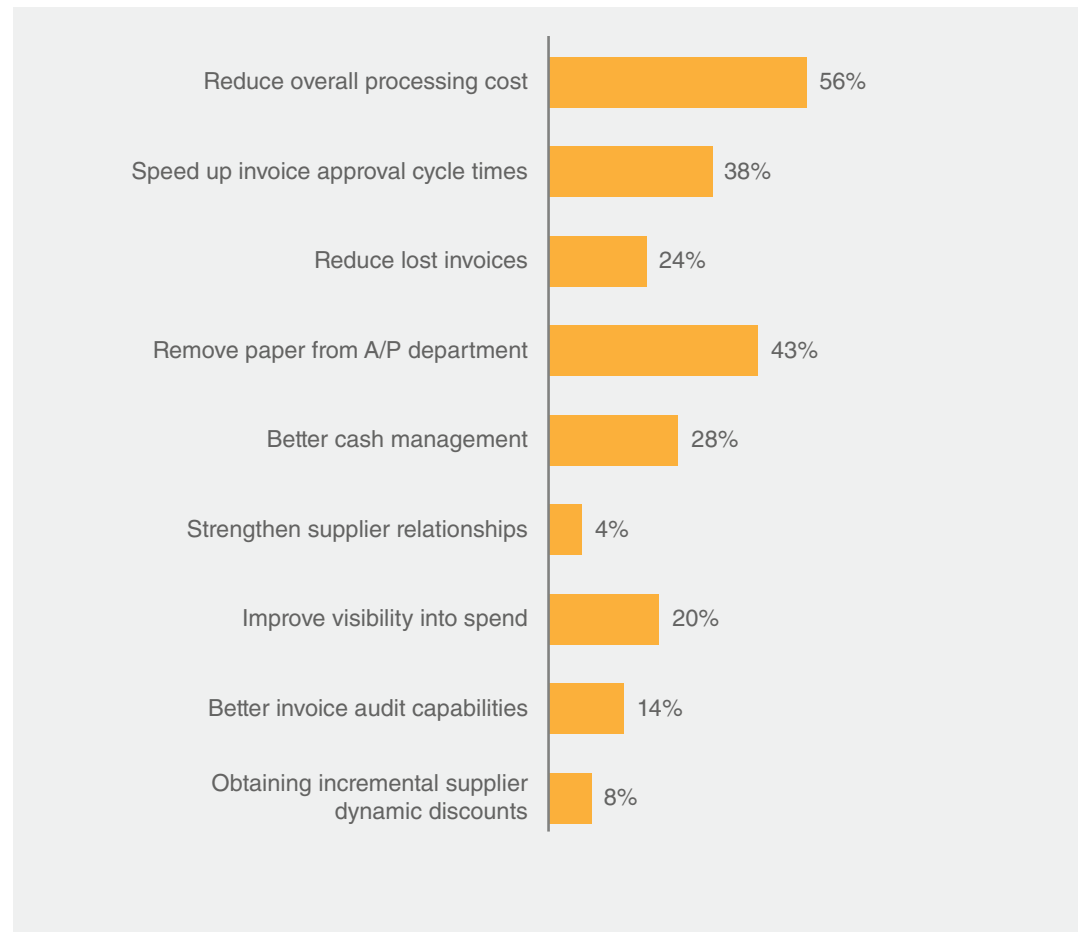


## eInvoicing Drivers

Automating accounts payable by using electronic invoicing rather than paper and manual processes is seen by many as a “no-brainer”. Reduced processing costs, faster approvals and elimination of paper are obvious and compelling benefits. But what are the actual drivers for change?

It is no surprise to learn that these drivers are confirmed by our research. Reduced cost, removal of paper and speeding up of the approval cycle are the top priorities. There is little discrepancy between the survey results when comparing the U.S. to the global market. Interestingly, cash management ranks fourth and does not relate to process efficiency. This is particularly interesting because in the early days of eInvoicing, this was off the radar from a driver’s perspective and it is worth drilling down deeper into the data to understand why cash management is now appearing on the eInvoice agenda.

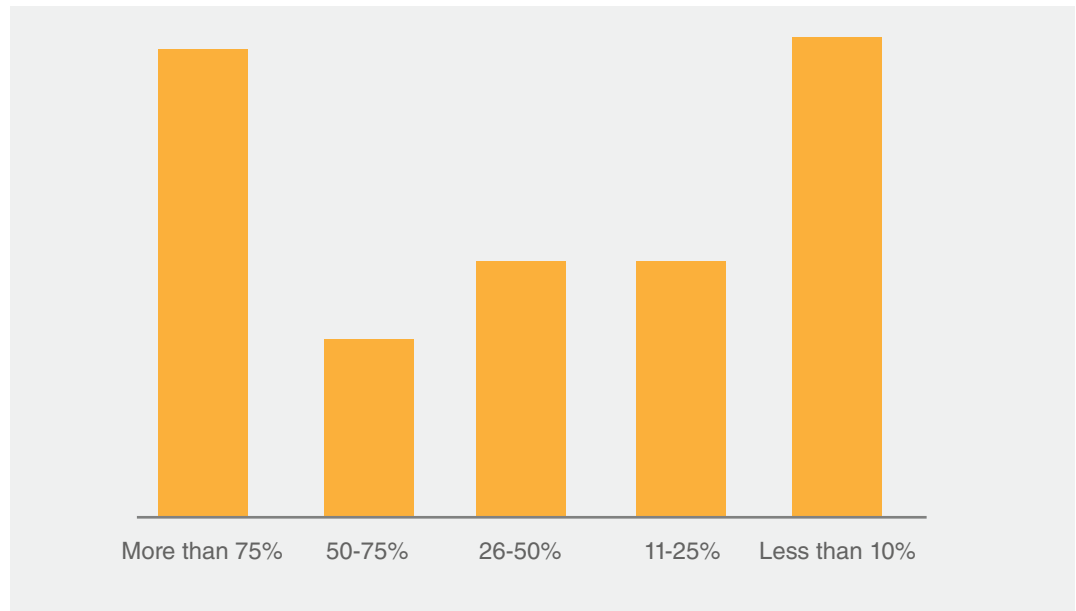
*Figure 15*  
*Benefits of Electronic Invoicing*



## AP Automation and Supply Chain Finance

It is interesting to see that cash management is a driver for eInvoicing, so we looked deeper into the data and an even more interesting trend emerged. The driver for cash management is most marked amongst those organizations at the very early stage of their implementation journey, receiving less than 10 percent of their invoices electronically, and for those at a very mature stage receiving greater than 75 percent electronically.

*Figure 16*  
*Level of eInvoice Automation*



There is a clear and likely reason why this is the case.

For companies at a mature stage of eInvoice implementation, they have witnessed that one of the key benefits of eInvoicing is increased speed of invoice approval. Typically, in a non-automated environment, it takes over 22 days to approve an invoice for payment. This means that there is little opportunity to gain discounts for early payment because early payment is simply not possible. In an automated environment, it's possible to have an invoice ready to pay in a matter of a few days. This opens up the possibility to leverage that efficiency and negotiate and claim early payment discounts. In an economy where many suppliers struggle to obtain credit, this is especially advantageous. The original business case for eInvoicing that predicted AP efficiencies are being dwarfed by the significant returns that can be obtained through financial supply chain management.

This also explains why companies embarking on new automation programs cite cash management as a key driver of eInvoicing. The shape of the AP automation business case has changed and cash management and the benefits derived from financial supply chain management are now a major component.

## Tradeshift

Tradeshift the platform for all your business interactions is one of the fastest growing, global B2B networks and is used by over 150,000 companies across 190 countries. It helps companies run more efficiently by harnessing the power of their network to create new value from old processes like invoicing, payments and more.

Tradeshift connects all suppliers and business partners electronically, delivering better, smarter and safer business transactions. Tradeshift's free online invoicing to suppliers coupled with their supplier onboarding program, has awarded the company higher than average adoption rates. Tradeshift manages large-scale global rollouts encompassing hundreds of thousands of suppliers utilizing the company's highly automated Network Engagement Tool.

|                              |  |
|------------------------------|--|
| <b>Website</b>               | tradeshift.com   |
| <b>Founded</b>               | 2009   |
| <b>Headquarters</b>          | San Francisco, CA  |
| <b>Other Locations</b>       | Copenhagen, London, Frankfurt, Amsterdam   |
| <b>Number of Employees</b>   | 100  |
| <b>Customers</b>             | 150,000  |
| <b>Key Clients</b>           | NHS, French Government, Kuehne+Nagel, MITIE, Vestas, DSM   |
| <b>Target Vertical</b>       | Any  |
| <b>Awards/Recognitions</b>   | <ul style="list-style-type: none"> <li>» Best Enterprise-TechCrunch Europa</li> <li>» Most Innovative Solution by Financial-I</li> </ul> |
| <b>Current Version</b>       | Connect every business on the planet on one, open, shared platform   |
| <b>Solution Name</b>         | Tradeshift   |
| <b>Year Introduced</b>       | 2010   |
| <b>Frequency of Upgrades</b> | Daily  |

### *Solution Overview*

Tradeshift is a cloud-based hosted service that connects in multiple ways with ERP and legacy systems. As a 100 percent cloud-based platform, Tradeshift allows for the development of third party applications, making Tradeshift extensible to run any process. The company invented Tradeshift CloudScan<sup>®</sup>, the world's first network integrated OCR solution that allows suppliers to handle scanning exceptions that permits customers to switch to 100 percent electronic invoicing from day one.

The company's global footprint encompasses 190 countries and the solution supports multiple languages, including French, Spanish, German, Dutch, Danish, Hungarian, Polish, Finnish, Swedish and Italian. In addition, Tradeshift's solution provides robust mobile functionality.

Tradeshift has an extensive product road map for 2013 roll-outs in which the company will release major product features each month, in addition to minor daily upgrades.

### ***Supplier Recruitment***

Tradeshift boasts the highest supplier onboarding rates in the industry. Their higher than average adoption rates are due to the fact that they do not charge supplier fees. Tradeshift's Network Engagement tool automates supplier outreach with customizable campaigns designed to optimize supplier onboarding by reaching a client's entire supply chain.

### ***Electronic Invoicing***

Tradeshift provides electronic invoicing solutions to companies around the globe. Any document or image type can be submitted and is fully supported through CloudScan, which completely eliminates the need for manual input of invoices received via email, PDF or paper. The Tradeshift platform supports 50 different electronic invoicing formats for the exchange of eInvoices, including cXML, EDI, x12, UBL, Nota Fiscal, CBDI (Mexico) and CSV files.

Electronic invoices can also be submitted through Tradeshift's integrated cloud connectors to online accounting systems, such as E-conomic (more than 50,000 suppliers in Scandinavia), Twinfield (more than 80,000 suppliers in Northern Europe) and QuickBooks (more than 5 million suppliers globally). Suppliers can submit invoices through direct integrations, utilizing Tradeshift's free integration apps, directly from Tradeshift's web applications, or via Tradeshift's mobile platform.

Tradeshift's Business Firewall permits companies to set rules and standards for invoice acceptance. In addition, real-time comment capabilities speed up invoice correction and dispute resolution. Suppliers are notified instantly through the user interface if an invoice has been recognized with an error. This allows for easy corrections to be made, so the invoice can be resubmitted for approval.

### ***Approval Workflow***

The Tradeshift solution does not currently have any workflow capabilities.

### ***Working Capital Management***

Tradeshift's working capital management solutions allow companies to accelerate payments in return for a discount. Discounts are quickly and easily configured using Tradeshift's Supplier Engagement tool that enables supplier groups to be defined with rules added to each group. Suppliers are able to determine what invoices to discount through Tradeshift's web interface.

### ***Electronic Payments***

The Tradeshift platform provides integrated electronic payments in several markets, including PayPal Global and PayPal Business Payments, Intuit Payment Network and GoCardLess.

### ***Reporting and Analytics***

Tradeshift's solution provides robust reporting capabilities that are completely configurable by users. Over 100 reports can quickly be generated utilizing combinations of queries. Reporting data can be exported to PDF, Excel files, and CSV for import into third party reporting tools.

### ***Pricing and Implementation***

A typical Tradeshift implementation is between one to three months. The project period, including supplier onboarding ranges between six and 12 months. Tradeshift is completely free to suppliers and buyers can purchase Software-as-a-Service (SaaS) subscription fees for access to Tradeshift's platform. In addition to SaaS subscription fees, Tradeshift charges per application on top of the platform and a transaction price for buyer side transactions. Tradeshift buyer side pricing is very competitive with all leading providers.

Tradeshift provides full 24-hour operations and technical support for clients, including online web-based support for all suppliers with an average response time of less than 15 minutes. In addition, Tradeshift offers a full change-management and project management package to all clients to aid with implementation, training and ongoing result based coaching of everyone involved in the project.

## Conclusion

Early electronic invoice adopters have witnessed firsthand the efficiency and cost savings opportunities derived from automation. However, they are also realizing that they have just scratched the automation surface and additional opportunities lie ahead in the form of financial supply chain management, improved cash flow and working capital.

Today's savvy eInvoice solution providers are able to quickly and cost effectively arm companies with the automation tools needed to turn AP departments into profit centers. Electronic invoice management is a top priority for companies worldwide and 2013 should prove to be a banner year in terms of automation adoption on a global scale.

## About PayStream Advisors, Inc.

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at [www.paystreamadvisors.com](http://www.paystreamadvisors.com).

## About Purchasing Insight

This report has been produced in collaboration with Purchasing Insight Group. Based in Europe, Purchasing Insight is one of the most authoritative sources of information, insight and commentary in the field of Purchase-to-Pay, including eProcurement, eInvoicing and financial supply chain management.



