

Real Supplier Choice

White Paper

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Introduction & Situational Overview: Real Supplier Choice

For nearly 30 years very little has changed in the way companies communicate when invoicing. Massive Electronic Data Interchange (EDI) infrastructures and costly e-invoicing portals have dominated the market. Much of the cost of running these systems falls on small suppliers in the form of per-transaction fees.

Frequently smaller suppliers cannot afford to cover these fees. They put these costs back on the larger buyers in the form of higher pricing. And if suppliers aren't able to transfer the added cost in this way then many simply will not adopt the e-invoicing solution proposed by their customer.

Recently things have started to improve. Large companies, buyers, are seeing the many benefits of engaging their suppliers in the process of electronic invoicing and ensuring they implement a strategy that benefits both parties. In fact, many of these same large companies are inviting their

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suppliers to actively participate in the selection process of e-invoicing technology. In doing so, companies around the globe are realizing the power behind building a solid, open business-to-business (B2B) network where data and information, far beyond just invoices, can be shared securely and in real-time.

Engaging suppliers in the process of e-invoicing, ensuring that the technology in place provides value to their business model as well as to the business model of the buyer, promotes higher adoption rates, lowers costs, increases efficiencies, builds overall stronger B2B relationships and encourages interoperability.

Keeping Suppliers in Mind is Better for Buyers

If the goal of on boarding and engaging suppliers on a new platform is a high adoption rate, then certainly the system that appeals to suppliers is best. An e-invoicing solution with a low value proposition for suppliers creates massive roadblocks between the supplier, the system in question and ultimately the buyer. And if they do make it beyond those roadblocks they will still need to offset the added costs put on them by this business model. Again, this results in higher costs for buyers.

Still, all suppliers are different. So what key characteristics of an electronic invoicing solution appeal to suppliers of all kinds? And what key features, functionality and benefits will ensure high adoption?

Real Supplier Choice & Free Invoicing

The shift seen in recent years has been dramatic and has begun a complete redesign of a very old business model. One where entire revenue plans for invoicing platforms have been turned on their heads.

In 2009 the Danish government launched EasyTrade, a business-to-business and business-to-government network. EasyTrade provided free e-invoicing to suppliers using the system. Within 10 months over 70,000 companies had adopted the platform - 40% of Danish businesses. This revealed something the industry had known for years but many large platform providers did not want to accept: If the invoicing solution is

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low cost, easy to use, and easy to integrate into an existing finance system then the supplier adoption rate of the solution will be much higher. And of course, the overall goal of implementing an e-invoicing solution is to have a high adoption rate of suppliers.

With free e-invoicing for suppliers and a brand new business model, Tradeshift came to Market in 2010 providing the first, global B2B network. Tradeshift's business model is completely different from that of systems dominating the market in years past. Providing free invoicing to suppliers has allowed Tradeshift adopters to spread virally around the globe - Tradeshift is active in over 100,000 businesses in 190 countries.

Real Supplier Choice & Ease of Use

When we further consider the importance of adoption rates from the supplier side, a natural place to focus attention is on how easy an e-invoicing solution may be to use. Many EDI systems create massive headaches for smaller, leaner businesses. EDI was designed for large scale, high volume data exchanges. For many suppliers, simply getting on board the system is a task beyond their realm of possibility.

There are easy online solutions that handle this on boarding process - such as Tradeshift. But this is just one of the advantages. Some online solutions offer a wealth of other benefits geared directly at suppliers

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of all sizes. Most importantly, the user interface (UI) and User Experience (UX). UI and UX are absolutely critical when considering supplier choice. The increase in cloud computing and

online social networks across all spheres of life, whether business or personal, has set the stage for end users' expectations when it comes to actively engaging with software. And the expectations are high. The UI and UX must be intuitive and attractive. The system should be easy to learn and operate without extensive training required.

Real Supplier Choice & An Open Network

No two suppliers, or buyers for that matter, are exactly alike. What functionality is put in place to ensure the e-invoicing solution scales with both you and your supplier network? This question and many others are solved by implementing an open network solution. An open, online business network has one interface and is accessible through any computer. It is hosted centrally and designed to scale. An open network solution is less costly for everyone involved and, returning to the first point of interest, sometimes free to suppliers.

Another important distinction of open networks, one that many are familiar with these days, is application development. This new paradigm for software development has

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taken center stage in recent years and is redefining how software is utilized and how it evolves. Open network platforms encourage this development. Very simple applications can be added to open network solutions to further customize functionality to the needs of both suppliers and buyers. Thanks to open networks, software solutions are no longer one size must fit all. Instead they adapt and change based on individual business needs.

Supplier Choice & Interoperability

Interoperability is a term we hear a lot in the electronic invoicing sphere. There are different levels of interoperability but only one that really matters, Any-to-Any Interoperability. What this means, is that one system is designed to work seamlessly and integrate with any other system without restrictions and/or limitations. Why is specificity in definition so important? Because suppliers have multiple customers. The need to engage in a network that allows any-to-any interoperability is critical for them.

Tradeshift, for example, connects businesses on a secure online network to help them work collaboratively and manage tasks such as invoicing and cash flow. In the Tradeshift Business Cloud, organizations create a network with suppliers, customers and

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partners to streamline business processes powered by the latest technologies allowing them to share, comment and exchange critical transaction data.

Tradeshift's Unique Position

As we've learned change is upon us. EDI is no longer the default solution and online, cloud based software is fast becoming the standard. Still, many online solutions are falling back on one common point of failure. They are developing systems and business models that only favor themselves and leave suppliers and buyers to foot large bills based on per-transaction fees.

By turning first to suppliers and determining what their needs are from an e-invoicing solution Tradeshift has solved many of the aforementioned problems such as low adoption rates and high costs, which have plagued buyers for decades. After all, buyers never benefit from the per-transaction fees. Transaction fees are a way for the platform developers to turn a profit. In the end buyers want a solution that their suppliers will happily adopt, thusly allowing business transactions to move smoothly and efficiently.

Benefits of Supplier Choice for Buyers

We now understand why engaging suppliers and understanding their needs regarding electronic invoicing is important. Let's take a moment to recap and see how supplier benefits translate into benefits for buyers.

1. Free e-invoicing: As first mentioned the goal is to implement an electronic invoicing platform that suppliers will utilize. Doing so will increase the chances these suppliers actively and consistently engage with the platform. Additionally, by providing suppliers with an invoicing solution that is free for them to use, buyers will benefit from knowing that the cost of goods they are paying is just that - the cost of the goods without additional fees designed to offset the supplier's added expense.

2. Increased Productivity: Consider the time spent disputing invoices and resolving discrepancies that are generated by poor communication and the lack of supplier engagement in the solutions in place. Eliminating this increases efficiency and improves business operations.

3. Ease of Use: Intuitive UI and UX benefits everyone, not just suppliers. Buyers too will be utilizing the system. An easy-to-use cloud based system can guarantee easy implementation and shorter learning curves for employees.

4. Open Network & Interoperability: By adopting a system built on an open network users on both sides, suppliers and buyers, will surely benefit from the systems ability to scale and evolve with their businesses. As business needs change from year to year, an open network solution adapts. Integrations with other systems and the addition of simple applications will prevent the system from becoming outdated and archaic.

Conclusion / For More Information

Working with suppliers and engaging them in the process of electronic invoicing is the first major shift we are seeing in an arena that, for years, has been dominated by large EDI infrastructure and expensive e-invoicing solutions. The advent of cloud computing, open networks and application development has allowed for more cost effective solutions to enter the market. For the first time buyers and suppliers can engage with software solutions that provide a value proposition to both. In doing so we are seeing more efficient business processes, increased adoption rates of the open, cloud based networks, such as Tradeshift and an overall evolution of the way businesses are able to communicate and work together.

**For more information on Real Supplier Choice and Tradeshift please contact:
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