E-INVOICING: 4 KEY BENEFITS U.S. COMPANIES ARE MISSING OUT ON
INTRODUCTION

Industry in the United States has a long history of being at the forefront of technological innovation in its tireless endeavor to boost business efficiency and productivity while reducing critical operational costs. That is why it comes as a surprise that, across all industries, the U.S. is lagging behind the rest of the world in the implementation of electronic invoicing (e-Invoicing)².

One would expect that a software that streamlines and automates invoicing processes, making document exchange more efficient and cost effective, would be quickly adopted in the world’s most competitive market. Unfortunately, this has not been the case. In fact, other markets around the world continue to outpace the U.S. in their adoption of e-Invoicing platforms and many international localities are even standardizing the electronic exchange of documents.

Although the United States has yet to adopt a standardized electronic invoicing model, the benefits of transitioning to an automated invoice exchange are numerous. Organizations looking to reduce operating costs, optimize their cash management, and improve payment processes should consider moving away from a manual, paper-based process in favor of an automated, digital one.

In this white paper, we will explore the topic of e-Invoicing in the United States and analyze the benefits and common obstacles associated with the implementation of electronic invoicing. We will also examine the progress the United States is making in the standardization of e-Invoicing compared to the rest of the world and how this affects companies that want to implement e-Invoicing infrastructure.
WHAT IS E-INVOICING?

Before we continue, it is important to first define what is meant by ‘e-Invoicing’. For the purposes of this white paper, we will use the Business Payment Coalition’s definition of an electronic invoice:

An invoice issued by the seller, transmitted and received by the buyer in a structured digital format that allows for automated processing

It is important to make the distinction between the above definition and the standard definition of e-Invoicing. The standard definition includes the utilization of email to send invoices in the form of PDF files or any other electronic file that was produced by an accounting system and is machine-readable. Although many companies send invoices via email, these will not be considered true e-Invoices due to the lack of automated processing. In this white paper, automated processing is a crucial element for an invoice to meet the Business Payment Coalition’s definition of an e-Invoice.

To look towards the future, it is important to look back on the past and see how the invoicing process has evolved to become the automated, digital process that it is today. No matter the size or industry of a company, invoices are an unavoidable part of doing business with trading partners. Historically, these invoices have been paper-based and sent by the supplier via traditional delivery methods such as U.S. Mail. The costs incurred from traditional invoicing are expensive and include the cost of paper and postage, not to mention the time associated with processing the outgoing invoice. The paper-based method is also slow, with invoices taking several days to reach the buyer, perhaps more depending on the distance between the two companies. When the receiving company finally returns a check for payment, more resources are required to match the payment with the invoice and deposit the check. Even after all this, the invoice and payment information must still be archived, requiring paper filing, retention, and storage space.

In the past, this arduous process was simply a necessary part of doing business. Fortunately, we now live in the digital age and many companies have digitized parts of the invoicing process. However, few companies have fully digitized and automated their entire process from the point of issuing an invoice to the receipt of payment. Electronic Invoicing is the natural progression of this fundamental business process in the digital era – one that will inevitably be adopted by every company looking to boost business efficiency and productivity while reducing operational costs.
According to industry experts at Billentis, over 550 billion invoices were sent around the world in 2019 for both physical goods and services rendered. Of these, only 55 billion or 10% were exchanged electronically. The extent of e-Invoice implementation is not consistent across regions, however, and a minority of countries are sending a majority of the e-Invoices. Countries with government mandates such as many of those in Latin America and Scandinavia (and recently Italy) are leading the world in the utilization of electronic invoice exchange.

Although not as homogenous as Scandinavia, the rest of Europe has taken a collaborative approach at building a universal e-Invoicing framework that can be used by millions of companies regardless of their size or the country they are located. With this goal in mind, an organization called OpenPEPPOL, which is comprised of members from both the public and private sectors, was formed. OpenPEPPOL works to create and maintain technical specifications known as Pan European Public Procurement Online or PEPPOL. PEPPOL guidelines enable e-Invoicing solution providers to be interoperable with different e-Invoicing systems across Europe. Much like sending an email between two different email providers, PEPPOL enables the seamless transfer of invoices between two different e-Invoicing providers.
that are connected to the PEPPOL network (known as PEPPOL Access Points). Here in the United States, we do not yet have a government mandate or even a loose collaboration like PEPPOL. The largest advocate for greater e-Invoice adoption is the Business Payments Coalition (BPC). The BPC is a volunteer group of organizations, both public and private, with the common goal of seeing greater adoption of electronic B2B payments, remittance data, and invoices in the United States. This coalition is leading the effort in determining whether PEPPOL or a similar universal framework can work here in the U.S. For now, without a larger strategic partnership between organizations, companies have little choice but to look inward and optimize their internal processes without the support of a universal network to facilitate seamless invoice exchange between all business partners. Although comparable now, at the current rate of e-invoice adoption, European companies will be sending far more invoices electronically than U.S. companies by 2024.
BENEFITS
OF E-INVOICING

The current lack of standardization in the United States makes the benefits of automating the invoice exchange procedure less obvious. However, the opportunities of reduced paper and processing times associated with e-Invoicing are well documented and enjoyed by companies that have already decided to transform their systems.

1 REDUCED OPERATING EXPENSES

Switching to e-invoicing would eliminate the need for paper, postage, and specific workflows such as data entry, invoice routing, and invoice approval. It is estimated that e-Invoicing systems reduce the cost of issuing invoices by 59% and reduce the cost of receiving invoices by 64%. In total, industry experts believe that accounts payable processing costs would reduce by $4 to $8 per invoice by shifting to an automated system.

If widespread adoption of electronic invoicing is achieved in the United States, an estimated $45 to $150 billion would be saved annually from reduced AP/AR expenses. The U.S. federal government would save $266 million annually from B2G transactions.

2 OPTIMIZED CASH FLOW

Another benefit of electronic invoicing is the increased speed of transactions. Unlike paper invoices which only have a 45% on-time payment rate, the on-time payment rate of e-Invoices is 92%. This improved on-time payment rate is the result of a simplified invoicing process and the near instantaneous speed in which the invoices can be issued and returned using an automated system. By speeding up the response time to an invoice, payers can capitalize on early payment discounts that they were previously unable to attain. On the flip side of the transaction, invoice issuers can collect their payment faster and improve their cash flow, enabling them to put their money back into profit generating ventures more quickly.

3 ENHANCED LOGISTICS

Going digital eliminates ambiguities in the financial supply chain. By using an online portal, a user can have easy access to an invoice to verify its quality and accuracy. No matter where in the world the invoice is destined, a company utilizing e-Invoicing can track the status of the invoice in real-time.

Electronic invoicing makes it possible to visualize slowdowns in the processing of an invoice, allowing users to contact the necessary individuals to keep the flow moving.
IMPROVED SUSTAINABILITY

By transitioning to e-invoicing, a company can show that it is environmentally responsible. As the state of the global environment becomes increasingly precarious, every little change that a company can make to become more eco-friendly is appreciated by customers. Reducing the number of paper invoices by 10 billion would save 1 million trees and 200 tons of paper, all while reducing greenhouse gas emissions by 360 tons\(^6\). Organizations that are committed to the environment and have pledged to become more sustainable can point to their utilization of e-invoicing as one way they are keeping their commitment to reduce their carbon footprint.

SUMMARY

In a market as competitive as the United States, companies are always searching for a way to edge out their competition. Typically, the first to effectively implement the latest technology sees the greatest success over others in their industry. e-Invoicing is the latest example of an efficiency-boosting technology that can forever change a fundamental business process. Although there is yet to be a universal exchange network in the U.S., it is easy to see that there are still numerous benefits that make modernizing current invoicing procedures worthwhile. It is important to stay ahead of the curve and evolve old procedures today to reap the benefits tomorrow.
Comarch e-Invoicing is a powerful and comprehensive product that both streamlines and automates all of your AP/AR invoicing processes to enable a secure and highly efficient document exchange with all of your business partners and clients. Created to address the challenges of the ongoing digital transformation, it is fully compliant with the latest legal regulations and modern standards for data transfer.

Comarch e-Invoicing automatically validates and converts every invoice you send or receive - regardless of the size and technical maturity of your company. Combined with a complete set of practical, technologically advanced functionalities such as Self-Billing, e-Archive, and Electronic Signature - as well as our experience in carrying out the most complex B2B & B2G operations - Comarch e-Invoicing guarantees both higher quality of data and lower operational costs. Visit the Comarch e-Invoicing website to learn more.

Sources
7. “What Is PEPPOL?” Edited by André Hoddevik, PEPPOL.

About Comarch
Founded in 1993, Comarch has over 25 years of experience in designing, implementing and integrating IT solutions for large enterprises in a variety of industries: airlines, travel companies, telecoms, financial institutions, as well as retail and consumer goods companies. Comarch’s CRM & Marketing portfolio - which includes the award-winning Comarch Loyalty Management (CLM) system - is an advanced set of solutions dedicated to marketing processes and activities: building loyalty and maximizing engagement. Comarch is a true end-to-end loyalty and engagement provider. Aside from best-in-class technology and product sets, Comarch also offers a full suite of managed services to guide customers throughout the entire loyalty program lifecycle. With thousands of successfully completed projects, 20 data center locations and more than 6,500 employees in over 90 offices around the world, Comarch has the support and infrastructure necessary for high-volume rollouts.