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Implementing e-invoicing: Technical challenges and considerations

INTRODUCTION

In our ever more cut-throat world of business, innovation is often our only competitive edge. But innovation comes at the price of change, which includes changing people's behaviour, a difficult proposition that requires strategy and attention.

As a leader, whether c-suite or departmental, you'll know that change management comes easiest when equipped with a deep understanding of the challenges ahead. This white paper sets out the most common areas of technical challenges and strategies to tackle them.

For those who are responsible for ensuring that an e-invoicing project is scoped, managed, and deployed successfully, the information here provides you with the benefit of over a decade of experience in deploying e-invoicing solutions for global businesses. Every business experiences a different blend of the challenges inherent in transitioning to more innovative processes. The knowledge that follows will help you to achieve the competitive edge that e-invoicing offers, regardless of your current stage in the digital transformation journey.

THE BUSINESS BARRIERS TO E-INVOICING DEPLOYMENT

Whether approaching e-invoicing from a strategic or operational angle, the momentum of the wider business will be one of the first challenges to overcome.

INVESTMENT

One of the main barriers to e-invoicing has often been the mindset that says, "Paper invoicing works just fine for us, why change?" That is no longer a valid objection because statistics confirm the efficiency of e-invoicing. Businesses that manually process 1,000 invoices per month can accelerate to 5,000 invoices a month with automation.. The transformation possible with e-invoicing was further emphasized by the challenges of 2020. The impact of Covid-19 on office closures, slow postal delivery, and limited capacity due to remote working,

has instigated an irreversible trend towards electronic delivery, in order to provide assurance of delivery and visibility of read status.

Furthermore, the cost of paper, postage, storage, and the overheads of paper-based processes continue to significantly outweigh the costs of e-invoicing. Billentis calculates the average savings is in the order of €6.60 per invoice.

Every business should be aiming for financial efficiency through invoicing simplicity. It is, without doubt, an investment worth making.

PROCESS CHANGE

The perceived upheaval of implementing e-invoicing solutions unfortunately becomes a deterrent for many businesses. For example moving to a Value Added Network (VAN) requires alterations to current invoicing processes. When weighed against the long-term benefits, however, the transition itself becomes

a value-added effort, offsetting the temporary disruption of automating processes.

Electronic invoicing is, in fact, a *simplification* of accounts receivable processes. E-invoicing solutions remove the need for repetitive processes, such as the manual creation of invoices, uploading of these to client portals, or printing and posting. When the primary manual tasks that accounts receivable teams deal with are addressing exceptions to an otherwise automated process, they can focus on bringing in the money.

Beyond this, consider the simplification of reporting or auditing requirements. Storing invoicing details in an electronic format means that information is searchable at the touch of a button. Broad swathes of data can be analysed quickly to identify trends and areas for performance improvement. These are process changes *for the better*.

UNCERTAINTY OF STRATEGY

It's not uncommon for businesses to feel paralysed by the ever-increasing choices of portals and networks to manage e-invoicing standards. In some cases, businesses choose to wait until their trade partners steer them toward adopting a particular solution.

This lag in decision-making about important business processes translates into lost efficiency gains and compromised control over e-invoicing. Businesses should be looking to financial leaders within their organisation to offer an informed opinion to drive the e-invoicing agenda.

The vast range of e-invoicing standards and solutions does present at least one thorny challenge: the risk of incompatibility with trading partners and solutions they may adopt in the future. We expand on this challenge in the next section on technical considerations. There are solutions. Essentially, no business should feel they are limiting their customers due to their existing e-invoicing solution.

TECHNICAL CONSIDERATIONS

Electronic invoicing is a technological solution. Yet, few businesses have the spare capacity in their IT department to create an e-invoicing solution from scratch, which makes selecting the right partners and solutions crucial to success.

INTEGRATION WITH EXISTING SYSTEMS

Electronic invoicing requires technical integration and will be most streamlined when integrated with ERP and related systems. A large organisation may have multiple ERP systems that will need to be brought together, as well as additional data sources for supplementary data held outside of the ERP.

Once this data is available, the e-invoicing solution can send each invoice (or a batch of invoices) in the best format for each recipient. Leading e-invoicing solutions allow delivery of invoices in a variety of formats, and direct integration with customers' accounts payable systems.

WORKING WITH VANs AND CUSTOMERS' AP PORTALS

Value Added Networks (VANs) are either closed (only sending or receiving invoices in a specific format and layout) or open (handling a range of formats and layouts). The lack of standardisation means that, very often, electronic invoices need to be prepared and delivered in a range of formats and layouts to meet customer requirements.

Many businesses still manually upload, or re-key, invoices into VAN portals. E-invoicing offers a way to automate this process, delivering invoices directly using secure file-transfer protocols.

Integration with VANs, such as delivering invoices to portals like Tungsten OB10, can take internal

IT teams weeks or even months to perfect. Best practice is to choose an expert e-invoicing partner with experience in integrating with each customer's system on your requirements list. Working with a service partner can reduce months of integration and formatting work to just a few weeks.

Even better, an existing relationship between teams at the e-invoicing partner and the payment portals of interest can fast-track the set-up process and ensure exceptions are resolved quickly, should they occur.

GOING BEYOND AN ERP SYSTEM

There's no easy way to say this, ERP systems may be great for planning resources in an enterprise, but they are not typically designed to work as e-invoicing platforms. That's not to say they can't send electronic invoices, but the limitations on what can be sent and how it's sent can be frustrating and costly. Furthermore, customising a standard ERP implementation can drain a considerable amount of IT resources.

One of the main limitations of an ERP system, when used for e-invoicing, is the need to configure invoicing rules for different scenarios. A typical set of rules might include any/all of the following:

- + If zero value, suppress the invoice from being sent
- + Send to a different contact or address than the delivery
- + Send to a group

- + Send different format (e.g. PDF attachment, HTML, email, or even print) and posted to different contacts at different locations
- + Send to different individuals if total value is higher/lower than a certain amount
- + Send by one route (e.g. email) and then follow up with another (e.g. print and post) if no response to initial send after a specific amount of time.

These rules get more complex when taking into account the full range of documents created and sent by accounts receivable. It's not just invoices. Credit notes, statements, and dunning letters may require different rules. For example, some countries require dunnings to be received by post. It is this level of rule structure that can make for expensive and time-consuming customisation of an ERP system.

More detail on this topic can be found in our white paper about [invoicing beyond an ERP system](#).

STORAGE AND ACCESS

Requirements to store invoices vary by country and by industry. Often, invoices need to be stored for five years or more. Electronic invoices have a distinct advantage over printed invoices here in being stored as electronic files. E-invoices enable more secure storage and reduce the storage space requirement. Storage that would have taken a floor of filing cabinets 20 years ago can now fit, quite literally, in the palm of a hand.

According to the IDC¹, an enterprise employing 1,000 workers wastes \$48,000 per week, or nearly \$2.5M each year, on finding and retrieving information. Electronic documents remove this inefficiency. Moving invoicing to an electronic format can enable swift access to invoicing data, reducing audit costs and timeframes and opening up the possibility of analytical insights into payment performance.

Quick and easy access to electronic invoices can also aid your customers. Consider how much time your customer services and accounts teams spend reprinting invoices or answering queries about past payments. Providing your customers with access to their invoicing history, and even associated documents, enables them to access self-service and reduces the burden on customer services.

SOLUTION CHOICE – IN-HOUSE OR EXTERNAL?

Considering whether to develop and deploy an e-invoicing solution in-house or to bring in an expert partner is an [often debated topic](#). It is generally best to reserve your IT bandwidth for making decisions and for applying an extra layer of customisation and integration on areas where they can deliver the most value.

Working with an expert partner takes the strain off your IT department. An outsourced partner who has experience delivering on similar requirements will be responsible for delivery on-budget and on-time.

It's certainly worth evaluating a range of partners critically, understanding their experience and expertise in delivering solutions similar to your needs.

Tasking internal IT teams with unassisted responsibility for delivering an e-invoicing solution will almost certainly prove costly, time-consuming, and ultimately work against many of the benefits you are seeking to attain through e-invoicing.

EVOLVING STANDARDS

As early adopters like Brazil demonstrate the effectiveness of wide-scale e-invoicing, the global speed of adoption increases. Many countries where e-invoicing is mandated do this to ensure greater visibility of transactions, reducing tax fraud and improving VAT payments.

Businesses looking to deploy e-invoicing across multiple countries need to consider the status of e-invoicing requirements in each country. Selecting an e-invoicing partner with experience in these countries can save time and money on sorting out configurations to suit the varying standards.

Below is a brief overview of recent developments and future expectations for e-invoicing standards across various countries.

INVOICING STANDARDS

At a global level, [UN/EDIFACT](#) is the EDI standard developed under the United Nations. Further development of this standard continues through the United Nations Centre for Trade Facilitation and Electronic Business ([UN/CEFACT](#)) under the UN Economic Commission for Europe, in the Finance Domain working group [UN CEFACT TBG5](#). This creates a valuable framework but is by no means the last word in e-invoicing standardisation, as can be seen by the diversity shown below.

In conjunction with UN/CEFACT, [OASIS](#) jointly worked on specifications for electronic business messaging. One product of this is [UBL](#) (Universal Business Language), this XML standard is used in the PEPPOL (Pan-European Public Procurement Online) framework, which has become widely used throughout public procurement in Europe.

Again, at a global level, the [ISO 20022](#) platform for standardised messaging types in the financial world presents a solid framework for e-invoicing content, being adopted primarily by financial institutions but having wider-reaching implications for support.

EUROPE

Over the last few years, Europe has seen a number of advances towards standardisation of electronic invoicing, with EU Directive [2014/55/EU](#) requiring support for electronic invoicing across the EU to be enshrined in law. The European e-invoicing norm EN 16931-1 represents a semantic data model of an invoice's core elements, but country

(or even regional) variations in this are described by a variety of Core Invoice Usage Specification (CIUS) – addendums to the EN 16931-1 model. Any member state of the EU or user group can create a CIUS. You can find a list of the current CIUS definitions at the [following link](#).

Public procurements in the EU account for approximately 17 percent of the Gross National Product (GNP). In order to create a more efficient process for procurements, [PEPPOL](#) was set up. PEPPOL focusses on e-procurement components, primarily the electronic exchange of documents, including invoices. As such, PEPPOL takes a role in shaping the format of e-invoices to meet with ED Directive 2014/55/EU through use of the UBL syntax.

Amongst the various projects and evolving standards for invoicing in the EU, Germany's progress towards the [ZUGFeRD](#) dual format PDF and XML standard is noteworthy. Having previously mandated paper invoices (until 2014), this shift towards a new electronic standard affects all businesses delivering electronic invoices in Germany.

Various countries have gone further than the legal requirement to accept electronic invoices, such as Italy with their requirement that all B2B invoices are now sent electronically (not just public sector invoices).

A more detailed insight into electronic invoicing across the EU can be found in our white paper, [Mandatory Electronic Invoicing for the EU Public Sector](#).

APAC

E-invoicing adoption in APAC has accelerated in recent years, with mandatory e-invoicing requirements in India (for business above a threshold) and Taiwan and other countries likely to follow soon (e.g. Vietnam in 2022). Australia and New Zealand implemented their electronic invoicing project in tandem through the Australia and New Zealand Government Electronic Invoicing Arrangement in 2018, requiring businesses to use the PEPPOL network from 2019.

South Korea has had required e-invoicing for all private sector companies with annual sales above €225,000, since 2014. Hong Kong has yet to introduce mandatory e-invoicing, but already sees [over 50% of B2B transactions](#) invoiced electronically.

NORTH AMERICA

E-invoicing adoption in North America is lower than many other technically developed regions. However, the pace of adoption is increasing steadily as the benefits become more apparent. From 2018, government agencies have had to process all invoices electronically. This B2G e-invoicing requirement is already showing the value of e-invoicing, as well as encouraging government suppliers to adopt electronic invoicing.

A variety of electronic invoicing formats and VANs are used across the US, requiring sector-specific research or a good deal of flexibility when sending invoices electronically.

LATIN AMERICA

Columbia recently followed the lead of Mexico, Brazil, and Chile, mandating electronic invoicing to combat tax fraud. The e-invoices conform to an XML standard with digital signatures.

Brazil has the highest adoption of e-invoicing in B2B/B2G with over 90 percent of invoices sent electronically, resulting from the implementation of the e-invoicing obligation. Electronic invoices are known as “[Nota Fiscal Electrónica](#)” (NFE), with variation in content between services (NFS-e), physical goods (NF-e) and transportation (CT-e).

Latin American invoices bear similarities to other regions where e-invoicing has been brought in to address tax fraud. These characteristics include:

- + Digital signatures – approved or state-run certification authorities
- + XML standards for tax authority clearance
- + Reporting to tax authorities in real time or at least monthly
- + Archiving is typically five years

AUTHENTICATION – DIGITAL SIGNATURES

Digital signatures are an integral part of e-invoice standards; without which invoices would not be considered legally compliant. A digital signature is a cryptographic implementation of an [electronic signature](#), applied to a document as proof of authenticity and integrity of content.

The levels of signature applied to e-invoices are described as follows:

ELECTRONIC SIGNATURE

This is the weakest form of document signature, usually defined as “data in electronic form which are attached to or logically associated with other electronic data and which serve as a method of authentication”.

ADVANCED ELECTRONIC SIGNATURE

This form of signature offers significant security advantages over a weaker ‘electronic signature’. Firstly, an advanced electronic signature presents a unique link to identify the signatory. The signatory generates the signature and links it to the data to which it relates; any subsequent change to the data is therefore identifiable.

QUALIFIED ADVANCED ELECTRONIC SIGNATURE

This form of signature is based on a qualified certificate, such as those registered with the Adobe Approved Trust List (e.g. QuoVadis). Various classes of certificate exist for qualification of signatures, including time-stamped certificates to present absolute verification of document creation time.

Knowing which signature types are required in each market, or country, is an important step in delivering legally compliant e-invoices. An experienced e-invoicing partner such as Corcentric could talk you through the different requirements and how to meet these in the most cost and time-efficient manner.

WORKING WITH EVOLVING STANDARDS

Selecting an experienced partner, with expertise in regions of interest, vastly simplifies the process of invoicing across international borders and ensuring tax compliance. As standards evolve, an expert partner will take ownership of your compliance with this oversight, ensuring your invoices always reach customers in the correct format for swift, hassle-free payment.

CONCLUSION

As electronic invoicing evolves from a competitive advantage for early adopters to the default method of invoicing, the variety of standards and formats is set to grow steadily. Even in countries where standardisation prevails for particular markets, these standards continue to evolve. To make matters even more complex, payment portals present an even wider variety of standards and formatting requirements to meet.

Beyond the requirement to adopt specific standards for e-invoicing, many countries require delivery of invoices to specific portals, particularly in the case of public sector invoicing (e.g. PEPPOL).

Faced with such variety and evolving complexity in standards, formats and delivery requirements, best practice is to partner with an e-invoicing solution provider or expert partner, who can adapt – connecting to any payment portal or e-invoicing network and delivering invoices to meet these requirements.

Selecting the right e-invoicing provider requires a careful evaluation of their market experience and ability to support the e-invoicing standards your business may require – Our [Check-list for Selecting an e-invoicing Provider](#) can help you do exactly that.

Your challenges aren't limited to external factors, such as which EDI standards to support. Your business needs to mobilize from within to overcome the momentum of the status quo and present e-invoicing as a strategic advantage, rather than just an operational upgrade.

This drive for e-invoicing requires both technology and financial leaders to agree on goals and objectives, addressed as part of [creating a business case for e-invoicing](#). You can also find tips and strategies with our presentation [Getting buy-in from the Board for e-invoicing/ e-billing](#).

The technical challenges we have outlined in this paper are relatively easily addressed with a clear business plan and the right solution partner at your side. Moreover, waiting is an expensive option, few businesses can afford to miss out on the competitive advantages of faster payments and improved cash flow, or the efficiency gains that e-invoicing offers.

Pick off these challenges one-by-one, arm yourself with insight and recommendations for each, and choose the right partner to support you in staying on top of evolving standards and customer requirements.

ABOUT CORCENTRIC EIPP

Corcentric EIPP is a managed service dedicated to streamlining, automating, and enhancing business invoicing, from delivery through to payment. Corcentric EIPP ensures accurate and efficient delivery of invoices to your customers in the medium which suits them.

Beyond saving time and cost through invoice automation, Corcentric EIPP enables a risk-free and seamless shift towards electronic invoicing, reducing errors and driving down DSO.

Corcentric EIPP also removes the classic challenges of document storage and retrieval for auditing and compliance. Businesses depend on Corcentric EIPP to provide secure online access to their document distribution history, facilitating ease of reporting, performance analysis and proof of delivery along with a range of other document management functions.

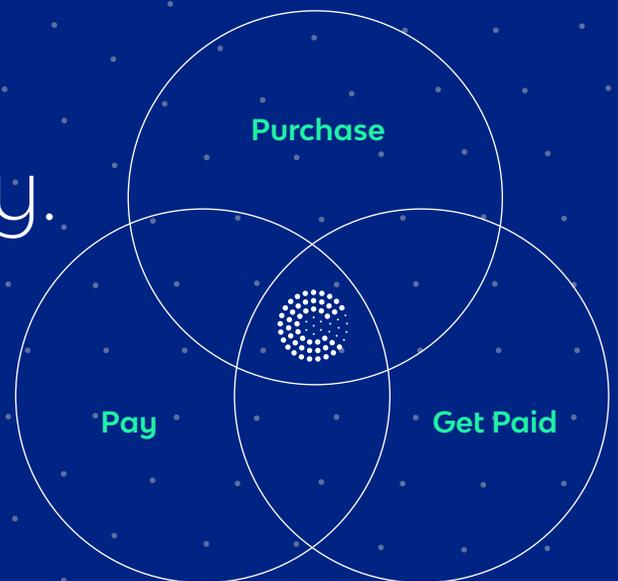
Headquartered in the United States, Corcentric helps more than 2,000 of the largest companies leverage smarter technology and services to reduce operating costs, improve cash flow, and unlock the hidden value within their enterprise.

REFERENCE SOURCES

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Corcentric is a leading provider of procurement and finance solutions. We help companies reduce costs and improve working capital by optimizing the way they purchase, pay, and get paid.



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