

Electronic Invoicing and Payments:

Signaling the Start of the Next Corporate Paradigm

The Challenge

Supply chain pressures and financial benefits have promoted electronic commerce (e-commerce) — including the tools and processes necessary to exchange invoices and payments with your supply chain vendors electronically — to the forefront of back office initiatives. The well publicized benefits include:

- significantly reduced costs — up to 60 percent lower than those associated with paper;
- improved discount management;
- stronger supply chains;
- improved working capital management; and
- access to better information.

However, these benefits come with a price, as many challenges can arise as organizations strive to promote e-commerce with their supply chains. For example:

- Corporations with decentralized AP face an environment where their supply chain must implement e-commerce across multiple locations.
- While multi-level approval of paper invoices can be accommodated using intra-office mail systems, approval of electronically received invoices requires workflow management systems to enforce AP policies.
- Small vendors make up the bulk of most corporations' supply chains and have neither the money nor IT resources for sophisticated e-commerce implementations.
- Old financial systems (ERPs) may not have the required functionality to import / export e-commerce information or to make electronic payments using bank routing and account information.
- Resources to proactively solicit and aid supply chain vendors to participate in e-commerce efforts are inadequate in most companies.
- Security issues can arise when implementing vendor portals and data exchange with supply chain vendors.

While the challenges are many, the emergence of robust e-commerce solutions signals the start of the next corporate paradigm, enabling trading partners — buyers, suppliers and banks — to seamlessly exchange transaction-related information and funds.

Selecting a Solution

Many e-commerce solutions in the market today are designed to help buyers and suppliers move their invoicing and payment-related activities from paper to electronics. However, not every solution provides equal functionality to enable suppliers and buyers to achieve their desired results, so organizations need to understand the differences between the various solutions available.

When looking to implement an e-commerce solution, there are two basic in-house choices: you can build and implement a solution in-house or license and implement commercially available software. Any significant system change impacts three important components of your business — tools, processes and people. Each of these solutions requires a significant investment in capital and IT resource **tools**; a luxury that many organizations either do not have or prefer to utilize to address core business concerns. These in-house solutions also require major change in AP **processes** to accommodate the removal of paper from payment procedures and perhaps the migration of decentralized to centralized AP. To optimize e-commerce benefits, **people** must be deployed to sustain efforts to move vendors to e-commerce — vendors do not move without professional persistence.

You can also outsource to a service provider with the tools, processes and expertise necessary to develop and implement a comprehensive electronic invoicing strategy in a fraction of the time and cost of an in-house effort.

Service providers enable you to capitalize on the economies of scale and experience. Because of their real-world experience, service providers can provide insights into other customers' successes and help you foresee and avoid unexpected and unfavorable consequences during your implementation.

While some banks, technology companies, and specialty financial services firms provide electronic invoicing and payment solutions, your selection of a service provider with the appropriate solution is critical because it impacts your efforts to achieve your stated ROI and helps control your total cost of ownership. If you are looking for a provider, seek one with an in-depth understanding of working capital management. To find the “right” fit, you should pursue a vendor who:

SourceNet Solutions AP Outsourcing Insights

- Is **experienced**. Your vendor should possess a strong and lengthy background in e-commerce invoice processing and payment.
- Is **financially strong**. Make sure your partner is able to stay in business for the long haul.
- Offers the **set of features** you'll require to make your system useful for both you and your suppliers. Make sure your partner's toolkit includes multiple e-commerce choices for small and large volume vendors, vendor portals for vendor self service, workflow management tools for routing and coding invoices, and cash forecasting and discount management reporting tools.
- Has a proven track record of **strong customer service**. Choose a service provider who is a one-stop shop for both invoice presentation and payment.

Solution Benefits

Effective electronic invoicing and payment will allow your AP department to:

- Reduce direct operating costs by as much as 55 percent while simultaneously achieving continuous process improvement.
- Access a state-of-the-art imaging workflow, as well as payment and e-commerce tools that are tightly integrated around world-class AP processes to enable you to focus your resources on your core business.
- Meet the strict accounting requirements of a Sarbanes-Oxley (SOX) framework.
- Improve your supply chain satisfaction by providing self-service tools and faster access to information.
- Provide financial benefits associated with improved discount management and working capital management.
- Speed implementation – getting started in 90-120 days instead of using an in-house model that may take 12-18 months.

However, the greatest value for organizations lies in the more strategic benefits automation delivers — namely, increased supply chain visibility, improved working capital requirements and better trading partner relationships:

Web Invoicing	Electronic Payments
<ul style="list-style-type: none">■ Removes paper from the equation and reduces manual entry■ Increases visibility by allowing simultaneous access to information■ Simplifies discrepancy resolution, transaction research, audits and supplier inquiries■ Accelerates approval processing and reduces errors and exceptions■ Provides comprehensive audit trails and tools for reporting and spend analysis	<ul style="list-style-type: none">■ Enhances prompt payment discount capture and reduces the incidence of late fees■ Lowers processing costs by removing the need for printing and mailing checks and the incidence of fraud■ Dynamic discounting provides a low-cost financing alternative to suppliers and an additional income stream to buyers■ Aids in compliance with Sarbanes-Oxley and other regulatory requirements

Source: PayStream Advisors

What does it all mean for your company?

E-commerce can transform your procure-to-pay functions by reducing paper and streamlining how you procure supplies, generate purchase orders and invoices, handle exceptions, dispute and approve invoices, notify interested parties and conduct transaction reporting, while also offering increased payment and remittance options.

If you would like to discuss e-commerce in more detail, I invite you to contact Dan Reiff, SourceNet's senior vice president of Business Development, at (979) 691-7700 for a personalized consultation about your organization's individual circumstances. As you seek to help your company operate cost effectively and focus on the more strategic aspects of your business, outsourcing your electronic invoicing and payment is an alternative worth investigating.



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