



# TRENDS & DEVELOPMENTS IN THE E-INVOICING MARKET

Interview with Bruno Koch, Billentis

## WHAT IS THE STATUS QUO AND WHICH TRENDS DO YOU SEE IN THE E-INVOICING MARKET?

As a market analyst, I have monitored the worldwide market for close to 20 years. The development around the world is relatively different, but worldwide, over 90% of invoices are still paper-based. In Europe and in the U.S. however, the average volume of paper invoices is around 70%. The other 30% are e-invoices exchanged mainly as PDF invoices and, to a minor extent, via EDI.

The private sector has always been ahead of the public sector in terms of e-invoice exchanges. We see an adoption rate of 10-15% in the private sector versus 5% in the public sector. The private industry has always been the driver for e-invoicing or any kind of innovation. Typically, larger companies have pushed their trading partners towards e-invoicing. All of these trading partners have different requirements; some want ANSI, others EDIFACT, XML, CSV, etc. **The reality today, and I'm sure for the next five years, is that multi-format, multi-channel environments are required to practice e-invoicing.**

Governments are now entering the e-invoicing market, primarily on the inbound side. The public sector is responsible for 60-80% of all procurements in a country, which means that they also receive a huge amount of invoices. In order to efficiently process their invoices, governments are increasingly pushing their suppliers to send them e-invoices. The U.S. government already mandates e-invoices and they are in the final phase of mandating all suppliers as of 2018. 2018 is also a milestone year in Europe: All governments must be prepared to receive e-invoices. This is already a requirement for all public sector agencies today, but some countries have gone one step further – 30 European countries already require suppliers to send them e-invoices.



## DO YOU SEE THE LEGAL REQUIREMENTS FOR B2G E-INVOICING HAVING AN EFFECT ON THE B2B MARKET?

I expect to see a positive impact from all these business to government initiatives in the private sector. The reason behind is the relevance of the public sector. In most countries, 45-65% of all companies are suppliers to the public sector. If a public sector is mandating e-invoicing, more than half of businesses are affected by that. Therefore, I'm very happy that the public sector is going this way.

## WHAT WOULD YOU RECOMMEND TO COMPANIES AND GOVERNMENTAL ORGANIZATIONS? WHAT NEEDS TO BE CONSIDERED DURING THE LAUNCH OF AN E-INVOICING PROJECT?

Unfortunately, most businesses start using e-invoices unintentionally. It's not a proactive approach with a strategy or objective. For that reason, **one of my key recommendations to start an e-invoicing project is to change from a reactive to a proactive approach.** For very small companies with low invoice volumes, a real project is not required; meaning, that they can typically just register on a web portal or install a piece of client software on a computer and get started. But for mid- to large-size companies, it is highly recommended to begin with a very structured project. Anywhere up to seven departments in a company can be affected by an e-invoicing project. For a successful project implementation, these departments have to be brought into the loop at an early stage and support the project. Often, these larger companies are international. They have cross-border invoices and invoicing becomes a multi-national project from day one. It can take 12-18 months for a large company to go live, that is, if they are ready to move to e-invoicing. That is a key prerequisite.

E-invoicing only works if all trading partners, at least a large proportion of them, also support e-invoicing. Companies need to understand the structure, the capabilities and the limits of its trading partners. Only in that case is it possible to prepare everything internally to on-board a high number of trading partners within a short time period. If a company has a good understanding of the structure of its suppliers and what they are able to do, it is key to communicate with them at least twice as much as they think they should.

## WHAT LONG-TERM TRENDS DO YOU SEE IN THE NEXT FIVE YEARS?

It's not easy to predict the future, but I have good information on some countries that are ahead in a certain discipline. I also have a good sense as to which developments will also take part in other countries.

**Overall, I believe e-invoicing volumes will grow each year for the next five years: 15% in Europe, 20% in North America and 25% in Asia. I foresee very strong growth rates.**

Today we have too many image-based PDF invoices in the game. Typically 70-75% of all paperless invoices are image-based PDFs and this will no longer be sufficient in the future. The market will become more demanding. In addition to these image-based PDFs, the market is demanding structured data, either as a parallel file or embedded into a PDF.

What I also see is development beyond just e-invoicing. Purchase orders, sales orders, order acknowledgements and confirmations have to be included in the digital process chain, as well as the entire procurement cycle, including resources and catalogues.

Finally, tax authorities will become more and more influential. In an increasing number of countries, they will mandate that market participants exchange only e-invoices. This is already the case in Latin America, Asia, Southern Europe and more countries will soon be affected by such mandates.

