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RBS strengthens supply chain offering

Electronic invoicing and bill presentment and payment (EIPP) is an important first step in automating the financial supply chain. The Royal Bank of Scotland sees the technology as a strategic addition to its portfolio of services for corporates

In June, The Royal Bank of Scotland (RBS) announced a multi-year agreement with Accountis, a developer of secure financial document exchange and payment systems, under which Accountis will provide the bank with an RBS branded electronic invoicing (e-invoicing) solution. The partnership will enable RBS to provide a VAT compliant e-invoicing service to its corporate customers.

Transaction-based services such as e-invoicing are becoming more important as financial institutions seek to recoup revenues lost in other areas of banking such as investment banking and payments. E-invoicing is considered a first step in automating the financial supply chain – a capability transaction banking departments have identified as the 'next big thing'. George Ravich, chief marketing officer at Accountis' parent company Fundtech, says there are "many opportunities" for banks to extend their relationships with corporates to provide more fee-based services. Fundtech promotes the concept of 'just in time cash', where banks can service their corporate clients very well by knowing their cash needs at any moment in time. Electronic invoicing is fundamental in this, he says, as it provides the information that is needed throughout the supply chain.

From such a capability banks will be able to lend or invest a corporate's cash more efficiently. "Factoring and reverse factoring are fundamental to the supply chain," says Ravich. "Understanding the funds that are coming in and out, based on the information in an invoice, will enable banks to provide solutions that are more tailored to their corporate clients' needs. And this is a transaction-based service, rather than a lending service, which in the current climate is a very important point."

Ian Watkinson, head of e-invoicing at RBS, says: "For our customers we see e-invoicing as a fast-track to saving time and money. In addition to eliminating paper and automating manual processes, users of the service will quickly benefit from real-time document management, faster settlements and better working capital optimisation."

Watkinson says the internet has changed the way banks to business "forever" and there is a greater drive for automation and a genuine move away from paper. E-invoicing is a strategic addition to RBS' existing product portfolio, he says. He agrees with Ravich on the significance of e-invoicing: "By offering additional transaction services such as e-invoice delivery, we will gain greater visibility of our customer's end-to-end, financial supply chain transactions. This will help us to improve our understanding of their business and strengthen our long-term relationship. It also places us in a better position to offer additional services such as supplier finance provisions and other innovative finance arrangements."

The Accountis e-invoicing service provides detailed status information, such as proof of delivery, acceptance, query and approval status for all documents involved in a business transaction from purchase order to invoice. Invoice receipt and discrepancy resolution are typically the most costly elements of the process. The Accountis service provides real time dispute management that enables customers to optimise the speed with which exceptions are resolved. Detailed reporting on the status of business transactions provides greater visibility of the financial supply chain and enables corporates to optimise their working capital requirements.

The use of the bank e-invoicing service within an accounts receivables department provides corporates with improved operational efficiencies and, more importantly, with quicker payments, reduced days sales outstanding and reduced working capital requirements. It also facilitates the bank provision of invoice-based financing services. The use of the bank e-invoicing service within the accounts payables department provides corporates with the opportunity to implement efficient early payment discounting schemes, thereby reducing spend. It also provides detailed and fine-grained visibility on order book and enables further bank trade finance services.

In developing its system, RBS wanted to make the service as easy as possible, says Watkinson. "We did not want to force change on our corporates in the way their accounting and ERP systems work. The service is designed to make it easier for corporates to exchange financial trade documents with their suppliers and customers." While many of RBS' large corporate clients are happy to make electronic payments, they continue to invoice in paper.

Watkinson says RBS will further develop the service and is investigating the possibility of more closely integrating payments and linking with supplier finance. "In approving invoices more efficiently, customers can get closer to the benefits of the supplier finance model."

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The initial focus is on RBS' major corporate clients and local authorities, where there is a lot of volume and the decision to automate is easier, says Watkinson. He believes there will be a "trickle down effect" to the larger corporates' SME suppliers. "For the future we will work towards making the service available to everyone."

Peter Radcliffe, executive chairman, Accountis, says RBS recognised that the service would enable the bank to deepen its relationship with its corporate clients, something banks everywhere are trying to achieve.

"Banks are looking for more transaction-based services to offer their clients, and that is a reason they are so interested in EIPP," he says. "The technology enables banks to provide a hub through which all invoices go and banks can offer totally new services off the back of that. For example, a bank could sign up a corporate for e-invoicing then to got the next stage which would be providing financing on the invoice, or invoice discounting."

Radcliffe says analyst firms such as Gartner have estimated that the cost of a paper invoice can be anything between €8-€60 to process from start to finish. By introducing automation, a significant amount of this cost can be saved and disputes can be more readily resolved, he says.

E-invoicing has been strongly promoted as the first of the so-called 'e-Sepa' services; value added, revenue generating services that will help banks recoup the payments revenue losses that the single euro payments area will bring about. The European Commission sponsored report by CapGemini, *Sepa: potential benefits at stake,* estimates that banks could receive potential extra revenue of €0.4-€3.4 billion per year from e-invoicing. Banks, clearing houses and financial messaging co-operative Swift are expected to play a key role in providing e-invoicing services, says the report.

"E-invoicing improves efficiency by eliminating manual tasks, achieving higher reconciliation rates, shortening processing cycle times, and reducing penalty interest," says the report. "It also improves quality control and responsiveness by providing real-time information; enabling electronic authorisation, as well as authorisation schemes and control points in workflow; enhancing information integrity through authorisation measures and event logging; and allowing better decision support.

E-invoicing also supports geographic independence through web-enabled workflow and electronic filing."

The most important relationship between Sepa and e-invoicing, says the report, is in relieving implementation barriers for e-invoicing: Sepa will standardise processing and simplify implementation and integration.

"This will significantly reduce the complexity of implementing e-invoicing solutions and integrate them into the back offices of sellers and buyers, lowering the barrier of compatibility with internal systems. And because both supplier and buyer are using the same standards for payments processing, this also lowers the barrier of compatibility between supplier and buyer." **IP**