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Date: **29 April 2008**
Prepared by: **Metia**

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With the arrival of the single euro payments area (SEPA), many banks feel that they have waved goodbye to their payments profits. Embracing new technologies such as electronic invoicing presentment and payment (EIPP) can help banks deliver new, high-value services to corporate clients. This rapidly expanding area of payment services deserves serious consideration by financial institutions that are seeking to increase profits while deepen their relationships with corporate clients.

Impact of SEPA

SEPA is not only forcing banks to reduce the charges they make for cross-border payments, it also involves a significant investment in terms of technology. Clearly, financial institutions need to find a means of leveraging this investment with new revenue opportunities.

The arrival of SEPA has also had an impact on corporates. Many see it as an opportunity to streamline their cash management and payments processes and are actively looking for ways to eliminate inefficiencies from these processes. Many larger corporates are setting up shared service centres to take advantage of the consolidation offered by SEPA and want to incorporate billing services into the mix. E-invoicing provides a key opportunity for companies seeking to reduce the time and cost involved in generating, presenting and processing invoices. Much of the cost involved in billing is related to manual processes - and corporates are looking for an automated alternative.

Creating the complex trading networks required to operate such a system can be difficult for corporates. What organisations really need is a way to take advantage of an existing ubiquitous network that allows them to link their invoicing processes to the eventual transactions, for an end-to-end solution.

Banks are in a unique position to help them do this, and as a result, they are beginning to take an interest in e-invoicing services. By combining billing services, specifically EIPP, with their existing transaction services, banks can deliver a unique and valuable end-to-end commercial service. This provides a great opportunity for banks to extend their corporate services beyond the actual processing of payments.

Now is the time for banks to take advantage of e-invoicing technology. Whereas previously barriers to entry were high, SEPA means that even smaller financial institutions can think about delivering such services to their client base.

An Automated Opportunity

According to a report produced by EBA and Innopay, e-invoicing has the potential to deliver 'annual corporate and public savings of up to €243bn...across Europe as a whole'. But what exactly is e-invoicing? For some, it is simply an online invoice. For others, it revolves around either their accounts payable or accounts receivable department. But, for those willing to take maximum advantage of the opportunity, it is a platform that delivers end-to-end automation of the invoice lifecycle. EIPP does more than just deliver invoices. It also captures and stores all the documents and information flows that form a billing transaction, including purchase orders, acknowledgements, delivery notes, credit and debit notes, statements and terms and conditions. As well as tracking each document from creation to fulfilment, EIPP keeps a complete record of relevant data.

Documents are saved in a variety of formats that can then be imported into the company's finance and ERP systems for rapid reconciliation. This eliminates the need for manual intervention or time-consuming data entry and immediately flags any missing information or invoicing anomalies. As well as saving cost and effort, e-invoicing speeds up the invoicing process. Debtors are more likely to pay quickly if the request for payment is presented to them electronically, helping companies receive their money on time.

E-invoicing is becoming increasingly popular. In 2006, 490 million e-invoices were distributed. By 2007, this number had increased by 45% to 710 million. The reasons for this sudden popularity are evident. Electronic invoicing reduces costs, with companies saving up to 82% on accounts receivable and up to 52% on processing accounts payable. It helps corporates track, verify and reconcile invoices, reducing the number of costly disputes. And, with so many companies becoming conscious of the need for environmental efficiency, the 'green' benefits of paperless processes are becoming a key driver.

For corporates, the benefits of e-invoicing are tangible. But why is it of interest to banks?

A Sticky Situation

For many banks, SEPA is a costly thorn in the side of profitability. The price of corporate payments has been driven down and is rapidly becoming a commoditised activity. The only solution is to develop high-value, payment-related services. Many banks have caught on to this idea and are now beginning to seek out opportunities, and EIPP is among the most exciting.

With today's banks becoming more service-oriented overall, it makes sense for them to get involved with business transactions as early as possible. At the moment, banks only have visibility of payments made and received. Delivering EIPP services will give them greater visibility of the client's finances, deepening the bank-corporate relationship and making it easier for the bank to provide additional services. For example, a bank can use information about a customer's accounts payables to extend inventory financing services. Equally, it could deliver invoice factoring services based on in-depth knowledge of the customer's accounts receivable.

This will take banks beyond their traditional involvement in the payments lifecycle and help them to become fully embedded into the customer's internal processes. In turn, this can help banks understand their customer's profile and add value to their services at every stage of the supply chain.

EIPP is ideal for banks because it complements a wide range of existing services. And given the current credit climate, many banks are looking for new services that do not necessarily involve lending money. E-invoicing not only fits this criteria, it also deepens the bank's visibility of client finances, making it easier to calculate risk.

The complexity corporates face when deploying e-invoicing solutions in-house has been crucial in creating an opportunity for banks. A corporate implementing a direct e-invoicing system would need to create a trading network to connect all its suppliers and customers onto the system. By outsourcing this service to a bank, they can take advantage of an existing infrastructure and trading network. Corporates that subscribe to a bank's e-invoicing services have immediate access to all other businesses using the solution.

There are many options for financial institutions that want to develop EIPP services. Regardless of size, banks need to make sure that the solution they offer delivers end-to-end EIPP services, not just a single part of the overall invoicing chain. With more services provided, banks are in a better position to reap greater returns on their investment.

End-to-end Revenue Generation

The delivery of EIPP to corporates is a win-win situation for banks. Customers get the transparent, real-time liquidity management services they want. They also benefit from an outsourced service that covers everything, from purchase order initiation through to tailored financing based on the company's accounts receivable. They receive rapid, accurate payment for their goods and services while lowering their operating costs

From the bank's perspective, services of this kind work because they create a 'stickier' relationship that is mutually beneficial. Not only does the bank have a greater opportunity for cross-selling its products and services, it can also deliver a truly tailored lending portfolio while minimising risk. Additionally, banks have a unique advantage over in-house systems and business process outsourcers because they can combine e-invoicing services with their existing payment transactions.

Although e-invoicing is favoured by larger corporates typically serviced by the largest banks, there is no reason why smaller banks with SME customers cannot deliver similar services. Cost and complexity are key issues and smaller financial institutions must consider whether they have sufficient resources, for example IT support and infrastructure, to support an EIPP solution themselves or whether they can buy these services from a larger partner or provider. They may also need to be more creative about the nature of services they offer, perhaps concentrating on delivering a few core services to their SME clients.

Why Now?

With SEPA just at the start of a long road, why should banks - and corporates - think about EIPP now? The case is compelling. The very fact that banks are taking an interest in e-invoicing is proof that the industry is maturing. Banks have never been in a better position to deliver e-invoicing services. Large banks, in particular, already have the extensive trading networks and corporate banking presence required to make a success of these services.

Another reason to enter the market now is the rate of growth. The e-invoicing industry is growing exponentially. It has almost doubled in the past twelve months. Banks who wait to make a decision will miss out on the first mover advantage and ultimately vital market share. Meanwhile, competitors that take immediate steps to launch EIPP services will not only gain rapid access to a new revenue stream, they will also be in a better position to catch customers before they turn elsewhere. Ultimately, the delivery of new, services will help banks gain a reputation for innovation helping them to secure new business ahead of the competition.

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Ifor has worked in a number of industries and academia. Prior to joining Accountis, he was responsible for the Sales & Marketing functions of SecureTrading Ltd, an Internet Payment Service Provider. His academic background includes seven years researching, designing and implementing high-performance computer systems following completion of a PhD at Manchester University.

Accountis

Fundtech is a provider of financial supply chain and corporate banking solutions with an in-depth knowledge of the banking industry. Accountis is a provider of EIPP to corporates and outsourcers. Combined, they can provide banks with a complete, end-to-end solution spanning the entire business transaction lifecycle