

More Firms See Opportunity in Electronic Invoicing Field

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By [Steve Bills](#)

As more corporations try to streamline accounts payable operations through automation, financial companies are seeking ways to enter this evolving market.

MasterCard Inc. said Monday that it has integrated electronic invoicing into its business-to-business payment gateway, joining the list of companies encouraging businesses to move away from paper processing.

Indeed, a growing number of banks are offering e-invoicing technology to their corporate clients, often using third-party vendors, as MasterCard is doing.

Analysts say the opportunity is great as more companies automate, but the question remains open how large financial companies' role will be in that.

MasterCard said it had linked its MasterCard Payment Gateway with the e-invoicing system of iPayables Inc. of Lake Forest, Calif. This integration was done initially to help the cargo airline Atlas Air Worldwide Holdings Inc. execute payments on its corporate purchasing cards, but Shari Krikorian, a senior business leader in MasterCard's advanced payments unit, said other banks also could offer the integrated system to their corporate clients.

"If there is customer demand for MasterCard to integrate with another provider, we would be open to that," she said.

Ms. Krikorian said iPayables and Atlas had come to her Purchase, N.Y., company to handle card payments; the vendor was already working with the airline.

Also Monday, the Aliso Viejo, Calif., e-invoicer Transcepta LLC announced it was working with Monster Worldwide Inc. to incorporate electronic invoicing into its enterprise resource planning system. The companies said this project is to improve workflow management; they did not discuss the financial aspect of executing the payments.

Ms. Krikorian said the impact was minimal on the issuer, U.S. Bancorp.

"For the issuer, it's pretty much business as usual," she said.

Duncan Jones, a senior analyst at the Cambridge, Mass., technology research company Forrester Research Inc., said the argument for automation is compelling, though the market is fragmented. As a result, "I think a lot of buyers are a little bit confused."

The three big domestic payment portals operated by financial companies — JPMorgan Chase & Co., American Express Co., and MasterCard — do not communicate with one another, he said, and Forrester has identified 13 providers of electronic invoicing services that have a market share of at least 1%.

Those facts argue for both a consolidation among small providers and more interoperability among big ones, Mr. Jones said.

Forrester said in a January report that most buyers will have adopted electronic invoicing and payments by 2010, and that all business-to-business suppliers will have to be able to support it.

A growing number of banking companies are entering the market. BB&T Corp. started offering its Supply Chain 360 service in March in conjunction with GXS Inc. of Gaithersburg, Md.

Paul Houston Baity, a technical product consultant at BB&T, said executives in all parts of the Winston-Salem, N.C., company were hearing demands from customers.

"Supply chain is the hottest product out there among all the banks," Mr. Baity said.

BB&T took a collaborative approach involving several units, including trade services and international finance, commercial finance, and treasury management and payments, he said.

The first couple of customers went live on the service at the end of last month. Mr. Baity would not identify the companies or their industries, but he said the growing internationalization of manufacturing was propelling the shift.

"These guys went from being a manufacturer to being a brand manager or a distributor," he said. "They want more services beyond making the payment."

The BB&T-GXS service processes purchase orders and invoices, so that corporate buyers can automate the processing into their centralized systems, whether using letters of credit or open account, and then executing the payments through domestic or international wire transfers, automated clearing house transactions, checks, or card payments on behalf of its clients, Mr. Baity said.

"This is a total solution," he said. "I think it is what they are ultimately looking for."

The Jersey City vendor Fundtech Ltd. announced last month that Royal Bank of Scotland Group PLC is offering its Accountis e-invoicing service.

Ian Watkinson, the head of e-invoicing at Royal Bank, said the service was a logical extension of the kind of capability that bankers have long offered their corporate clients, such as connectivity using electronic data interchange.

"EDI works for large organizations to connect to large organizations; e-invoicing complements this and offers a way to get all your other suppliers to connect to you," Mr. Watkinson said in an interview last week. "We are offering customers flexibility on the data formats that the service supports and trying not to be prescriptive about the data formats customers must adhere to."

David Fish, a senior analyst at Mercator Advisory Group Inc. of Waltham, Mass., said the market is likely to continue to include both bank-owned portals, such as JP-Morgan Chase's Xign, and vendor sponsorships of various kinds.

"In corporate payments, it's all about the relationship and not just the product," and many banking companies ultimately will offer some kind of electronic invoicing, Mr. Fish said. "Whether they build, partner, or buy, that's another question."

Shan Haq, Transcepta's vice president of product management, said its project is designed to improve the efficiency in Monster's accounts payable unit, though e-invoicing could be an attractive service for banks to offer to their business clients.

Like the wholesale lockbox services many big banking companies offer, e-invoicing provides valuable information in addition to the payment itself, he said. That is particularly true in complex business-to-business transactions, he said, where "it's a pretty complicated reconciliation."

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