

## The Reality of e -Invoicing

Adolfo Tunon  
Managing Director  
Head of Receivables for  
Europe, Middle East and Africa  
[adolfo.tunon@citi.com](mailto:adolfo.tunon@citi.com)

Cash Management  
Global Transaction Services

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Strictly Private and Confidential



# Concentration Exercise

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<b>Football</b>	<b>Next Meeting</b>	<b>Boss</b>	<b>Sex</b>
<b>Holidays</b>	<b>Partner</b>	<b>Weekend</b>	<b>E-Invoicing</b>
<b>Something Else</b>	<b>Lunch</b>	<b>Work</b>	<b>Beach</b>

# Agenda

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- 1. Electronic Invoicing Market Today**
- 2. European E-Invoicing Initiative**
- 3. Conclusions**
- 4. Q&A**

# 1. Electronic Invoicing Market Today

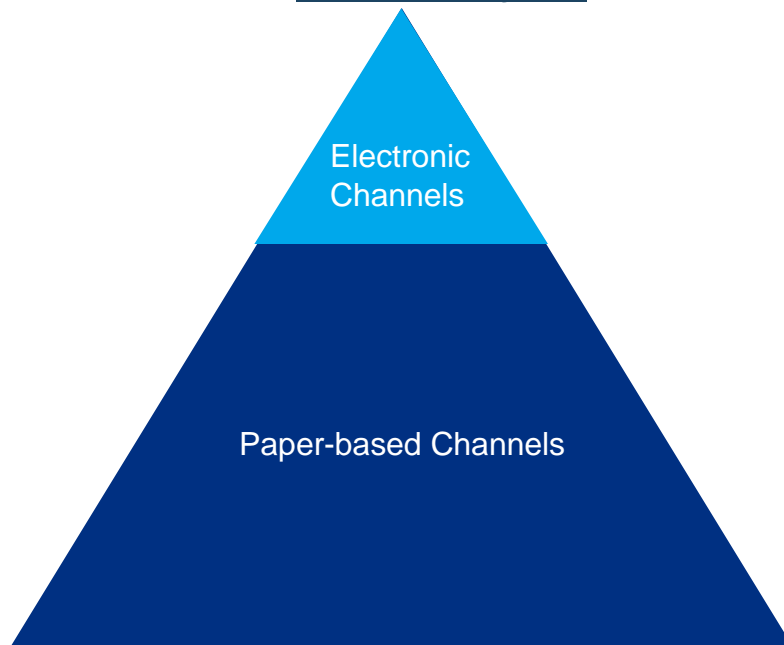
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# e-Business and Changing Business Landscape

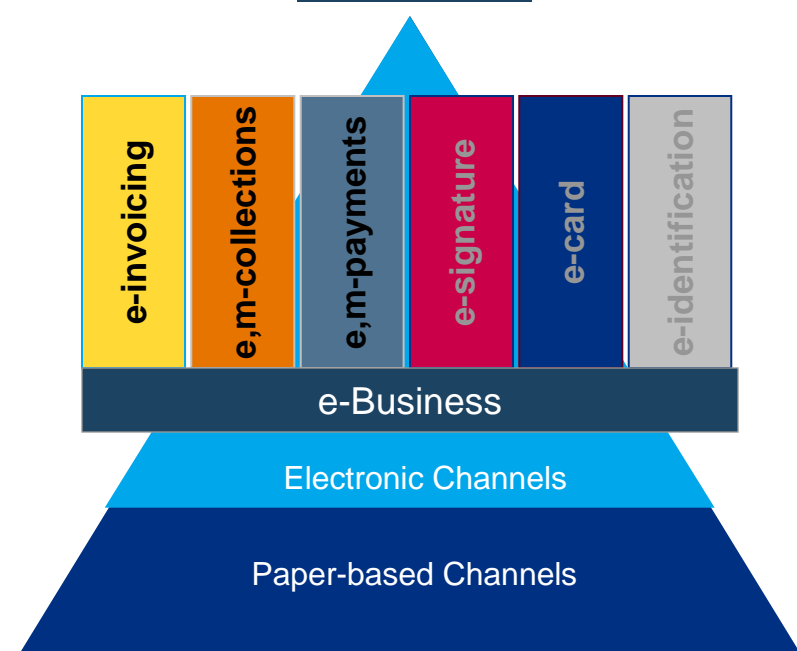
e-Business is becoming part of our everyday life as new Internet and mobile banking channels continue to evolve

- Over the past few years, corporates and individuals are switching from physical to electronic collection channels
- Development of new Internet and Mobile banking channels is ongoing and e-Business is becoming part of our everyday life
- e-Invoicing ,one of the evolving e-Business channels, boosts efficiency of invoice processing through dematerialization of paper invoices

Yesterday....



Tomorrow



# European e-Invoicing Market: Key Facts

Today electronic invoices represent approximately 2% of all invoices issued in Europe

- **28 Billion** invoices generated in Europe each year (Germany – 6B;UK – 4B; France – 4B)
- Only **490MM** of this volume are electronic invoices (**2%** of market penetration)
- Approximate pattern: **50%** of e-invoices are B2C; **50%** of e-invoices are B2B
- **360M** corporate users;**14.8 MM** individual users
- Most of corporates users are large companies (**15%** of large companies use e-Invoicing)

## e-Invoicing Market Penetration by Industry

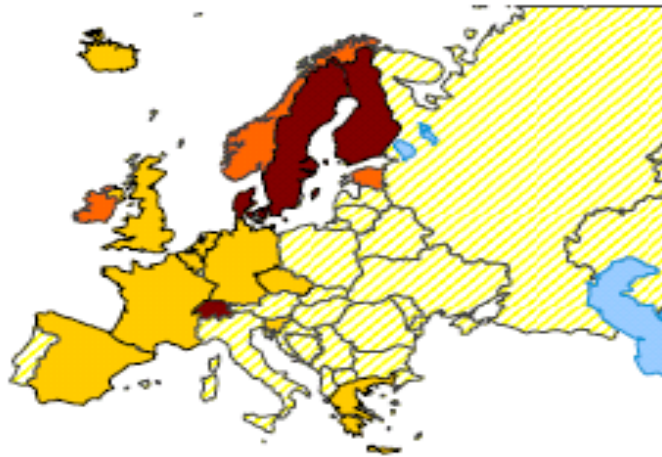
Industry Sector	Electronic Invoicing Adoption Rate
IT Services	10-15%
Aerospace Industry	8-12%
Tourism	5-10%
Pharmaceutical Industry	5-8%
Textile Industry	4-8%
Automotive Industry	4-8%
Publishing and Printing	3-6%
Machinery and Equipment	3-6%
Food and Beverages	2-5%
Construction	2-5%

# European e-Invoicing Market by Region

**Nordic region has the highest penetration of electronic invoicing**

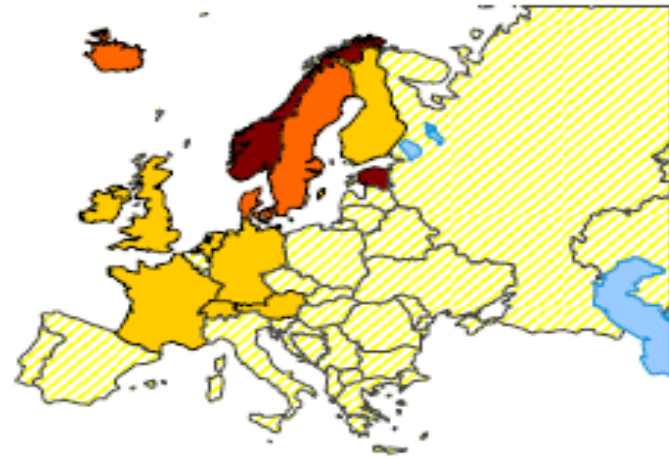
- **Denmark, Finland, Sweden and Switzerland have the highest electronic invoicing penetration in B2B segment**

**B2B**



- **Norway and Estonia are leading electronic invoicing adoption in B2C space**

**B2C**



**>10%**

**3-10%**

**1-3%**

**<1%**

Source: © Bruno Koch, Billentis

# European e-Invoicing Savings Estimate

Electronic invoicing can bring 240B of annual savings for the European economy

- Various studies and real-user cases demonstrate that electronic Invoicing can significantly enhance business efficiency through reducing costs of handling invoices by up to 80%
- Based on conservative estimates, this could translate into 240B euros of annual savings in Europe alone

Savings from e-invoice = 80%



+



X 10 Billion e-invoices = 240 Billion Euros

## Question to the audience #1

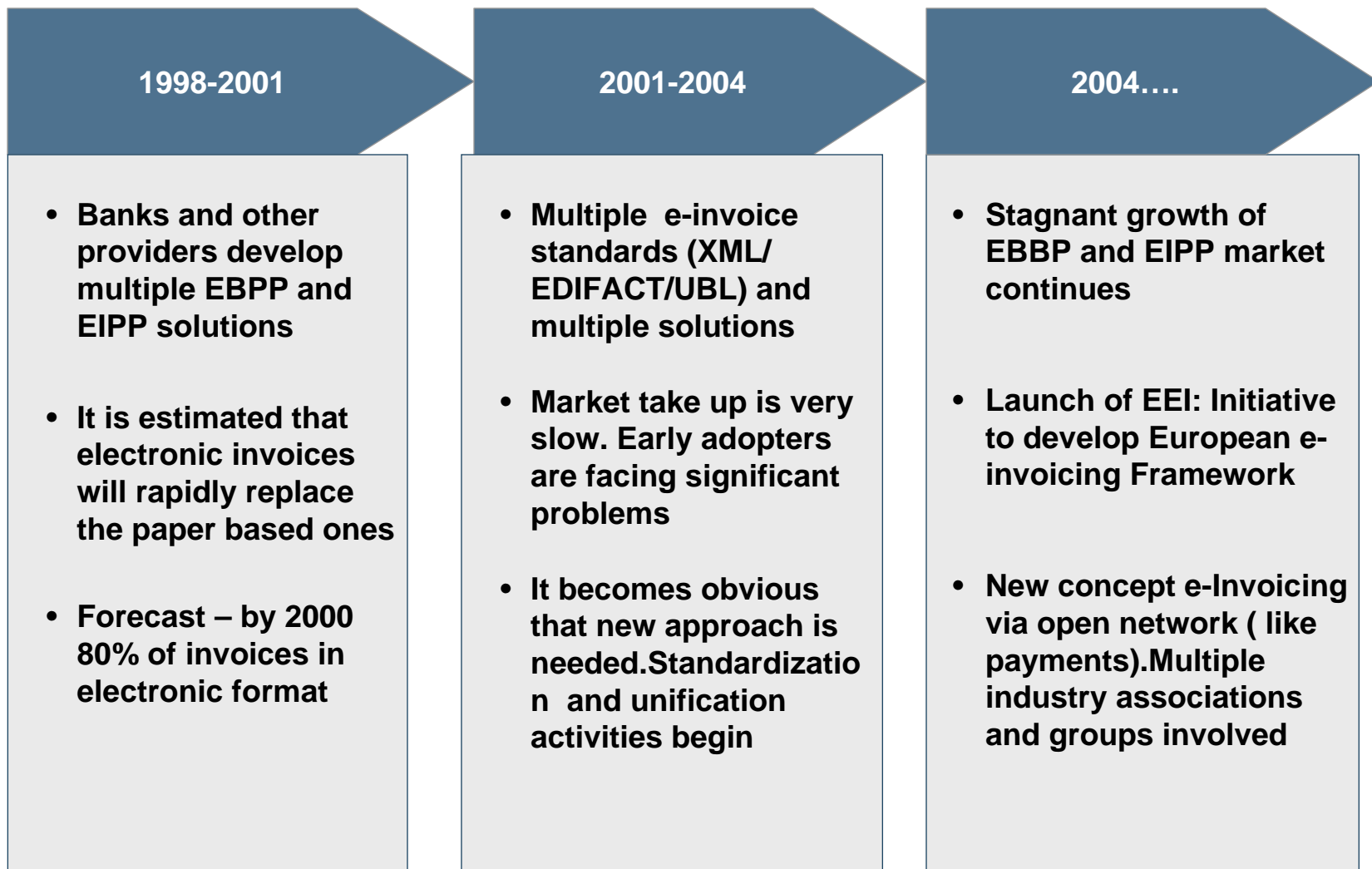
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How is your organization positioned with regards to e-billing?

- a) We have already implemented an e-billing solution
- b) We are in the process of implementation or plan to implement e-billing
- c) We do not have plans to implement e-billing in the near future

# Electronic Invoicing Historic Development

The concept of electronic invoicing has been evolving and developing over the past decade



# Current Solutions Limitations and Market Barriers

Existing e-billing solutions face common challenges due to a number of market barriers

- So far electronic invoicing has not been a success story as market take-up was slow and costs of e-billing solutions implementation remained high
- Most of the e-billing solutions today face common limitations and challenges due to a number of market barriers (as identified by EU Informal Task Force\*)

## Market Barriers

### Legal

- e-Invoicing lies in the crossroads of several areas of legislation (VAT, payment, authentication etc).
- No clear international regulations, harmonised legal or administrative practices are in place

### Standards

- Multiple standards/ fragmentation of standardization
- None of the existing standards is a perfect fit for mass market or integrates well with SEPA

### Trust & Operational issues

- Lack of interoperability between existing e-billing solutions
- Conflicting and confusing data exchange requirements

## Question to the audience # 2

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What do you perceive as a main barrier for implementation of e-billing solutions?

- a) Technical/organization constraints
- b) High costs of implementation
- c) Lack of compatibility /interoperability between different e-billing solutions
- d) Legal uncertainty

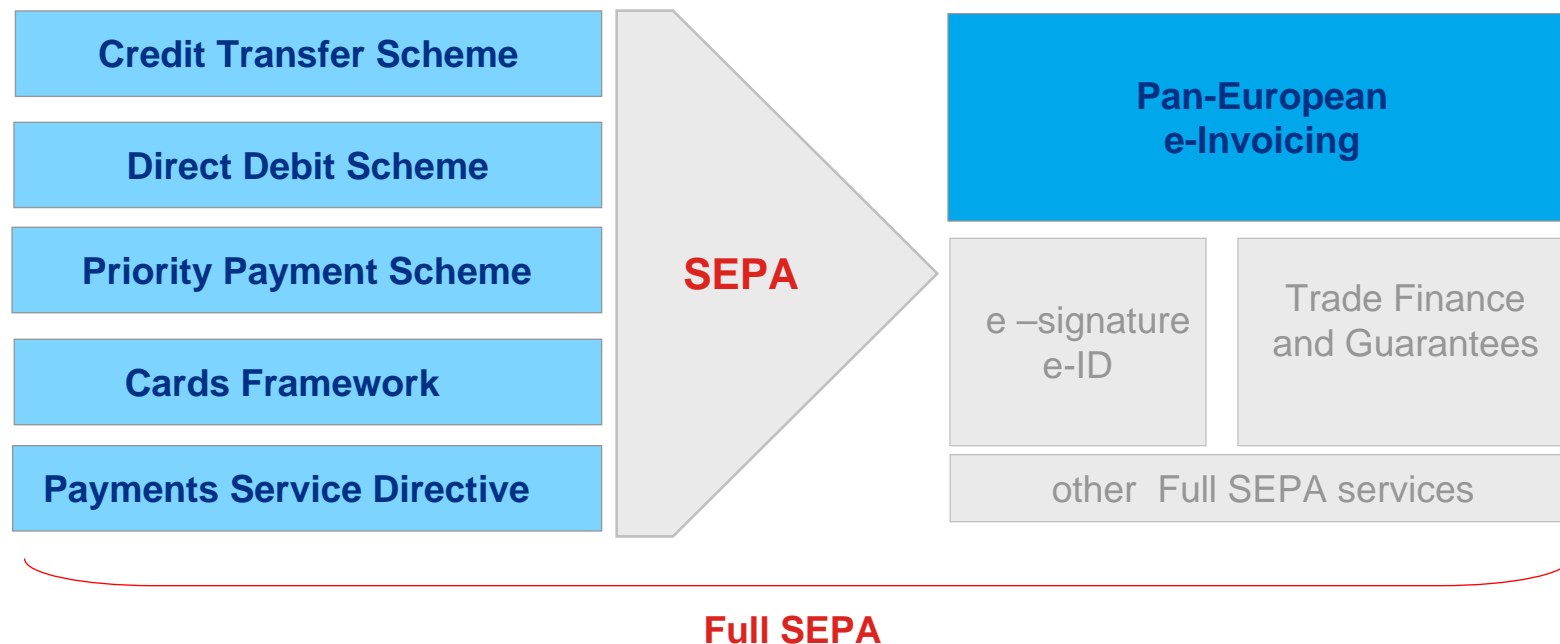
## 2. European e-Invoicing Initiative

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# Full SEPA and e-Invoicing

e-Invoicing is a part of the Full SEPA concept, that will maximize efficiency of financial value chain

- SEPA will connect enterprises into digital value chains creating basis of pan-European e-invoicing
- 'Full SEPA' concept goes beyond cross-border payments and includes e-invoicing, e-signature and other services



# European e-Invoicing: Key Milestones

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## EU Invoicing Directive

- The EU Invoicing Directive, implemented in 2004, stipulates that all member states must accept the use of e-invoices
- However, the interpretation of the Directive has been different in each EU state, which led to significant discrepancies between national e-invoicing laws

## Informal e-Invoicing Task force

- EU informal Task Force on e-Invoicing was formed in December 2006 with the objective to identify a possible roadmap for European e-Invoicing Framework.
- In July 2007, the Task Force issued the Final Report that analyzed current situation and provided recommendations for next steps towards creation of EEI framework

## Expert Group

- Expert Group was formed in January 2008, based on recommendations of informal task force
- Expert group consists of 30 members that represent all key stakeholder groups
- The group is to deliver guidelines for further development of EEI by the end of 2009

# Key Stakeholders for e-Invoicing

Success of the e-Invoicing Initiative will depend on the buy-in from all key stakeholders

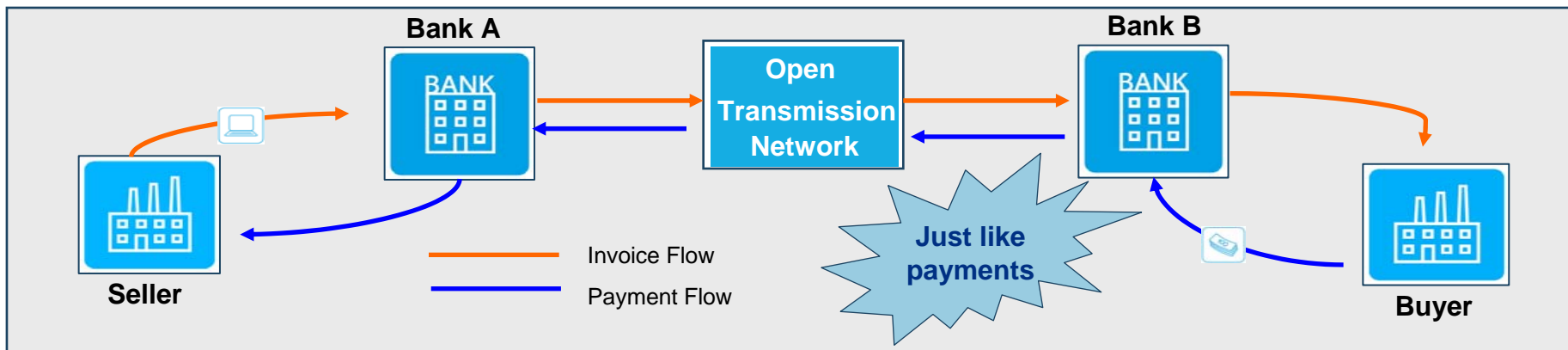
- All market participants should work together to develop common e-Invoicing framework acceptable for all parties involved

Key Stakeholders	Awareness of EEI Initiative	Support of common e-Invoicing standards	Representation in Expert Groups and Associations	Conflicting Interests/ Barriers to common e-Invoicing framework
Big Corporates	Medium	High	Medium	Low
SME	Low	Medium	Low	Low
Banks	High	Medium	Medium	Medium
Technology Service Providers	Medium	Medium	Low	High
Public Sector	Medium	Low	Low	High
Standardization Organizations	High	High	High	High
Policy Makers	High	High	Medium	High

# Open Transmission Network: e-Invoicing Flow

Electronic Invoices will be transmitted via an Open Transmission Network similar to Clearing System for payments

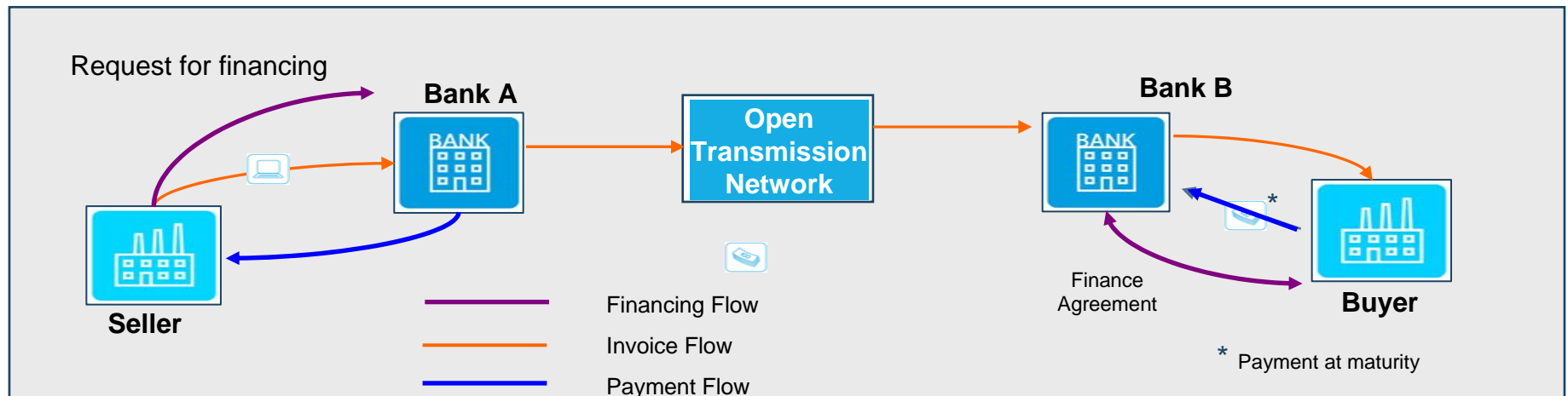
## e-Invoicing Flow: Transmission of e-invoices via Open Network



# Open Transmission Network: e-Invoicing Flow

Electronic Invoices will be transmitted via an Open Transmission Network similar to Clearing System for payments

## e-Invoicing Flow with Supplier Financing: simplified process of supply chain finance



## Question to the audience #3

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What do you perceive as key benefits of e-invoicing?

- a) Increased efficiency and cost reduction
- b) Fewer disputes and faster reconciliation
- c) Easier access to invoice-based financing

### 3. Conclusions

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# Future of e-Invoicing: Conclusions

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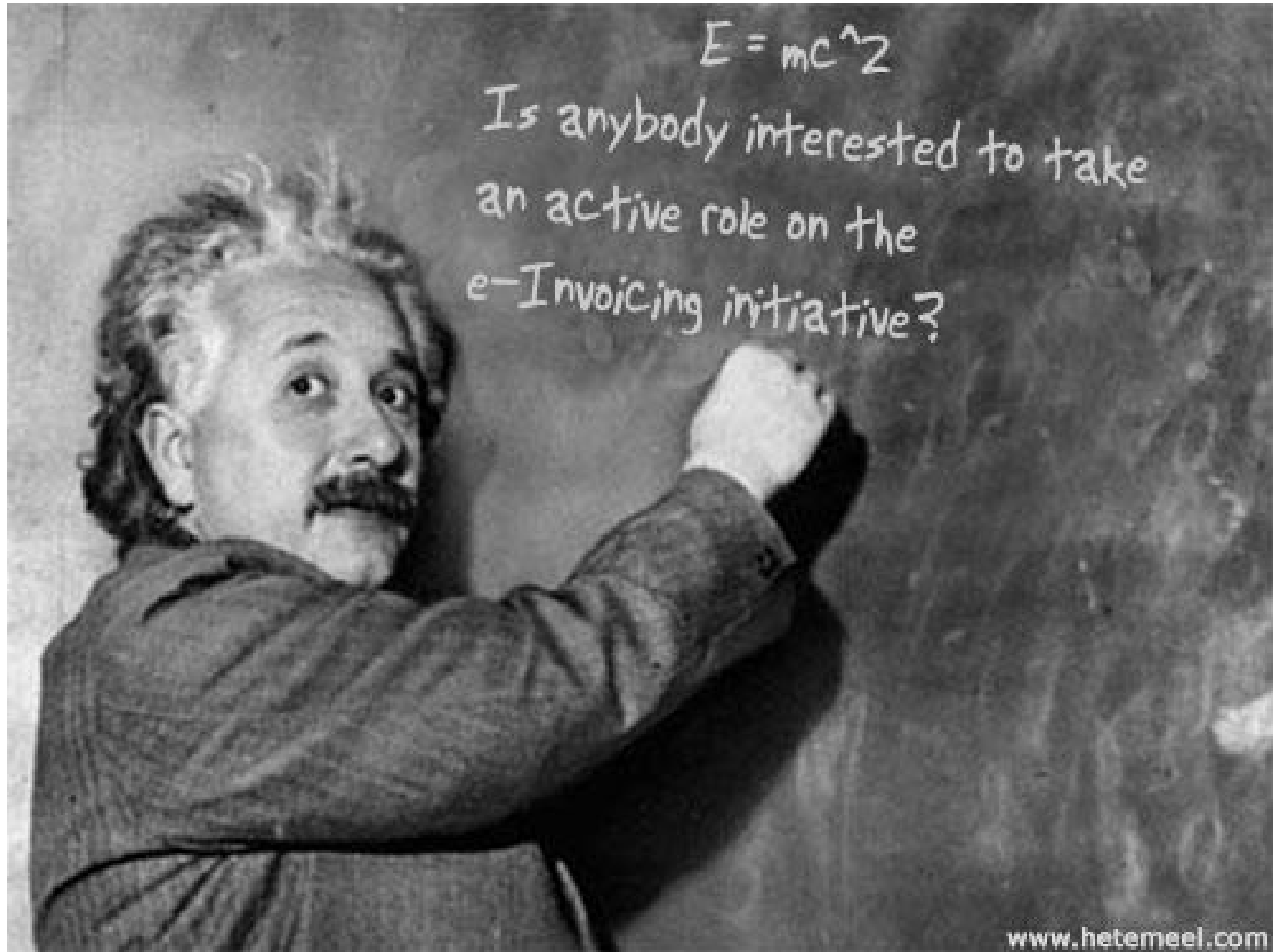
**Citi supports European e-Invoicing Initiative and is actively involved in standardization efforts**

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- **In our view, development of market standards and open invoice transmission network is key to the success of e-Invoicing**
- **All market participants (banks, companies, international bodies) should unite in harmonisation and standardization efforts**
- **Incompatibility between e-Billing platforms and lack of legal framework are the main barriers for adoption of electronic invoicing by mass markets**
- **Citi will continue be an active participant and facilitator in relevant forums and working groups aimed at development of the common European e-Invoicing Framework**
  - **Participation in EACT (European Association of Corporate Treasurers)**
  - **Participation in APACS (Informal Task Force for e-Invoicing in the UK)**
  - **Follow very closely the EU Expert Group set up in January 2008**

## One last question from the genius ...

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**Questions?**



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