


	<p><b>The European E-Invoicing &amp; Electronic Bill Presentment &amp; Payment trends and the role of the Financial Services Industry</b></p> <p>Bruno Koch</p>
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<p><b>The contrast</b></p> 
<p>Some recent statements</p> <ul style="list-style-type: none"><li>• „Am I the first participant in an E-Invoicing consolidator network?“</li><li>• „Whilst the use of consolidates E-Billing is still in its infancy in Europe, ...“</li><li>• „We invented a new revolutionary technology for E-Billing.“</li></ul> <p><i>How informed and how mature is the market?</i></p>
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# The landscape and latest trends

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page 3

## European market size (all incl. paper)

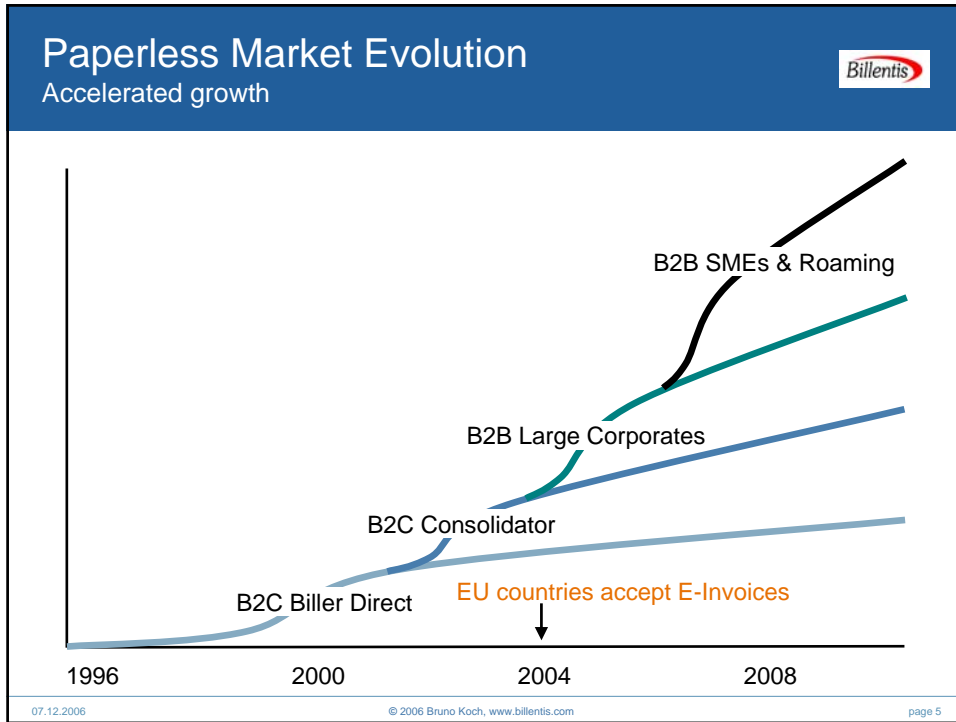


- Annual bill / invoice volume is about 28 billion (The US = 34 billion)
- Market selection (own estimations)
  - Germany 6 billion
  - UK 4 billion
  - France 4 billion
  - Italy 3 billion
  - Sweden 1.4 billion
  - The Netherlands 1.1 billion
  - Belgium >900 millions
- Typical pattern (rough)
  - 50% B2C
  - 50% B2B

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page 4

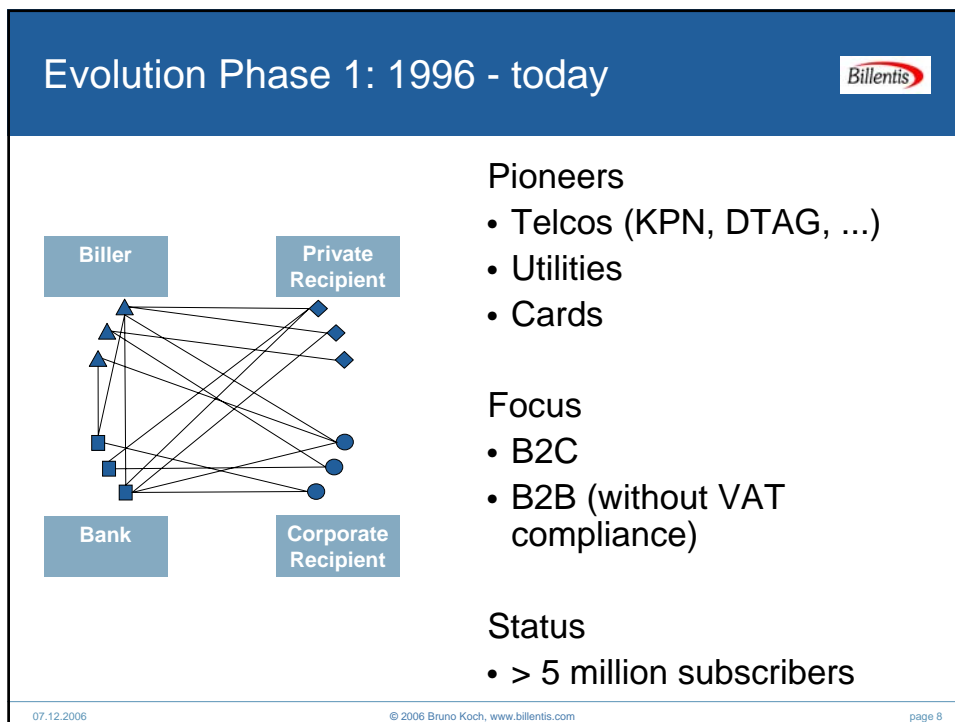
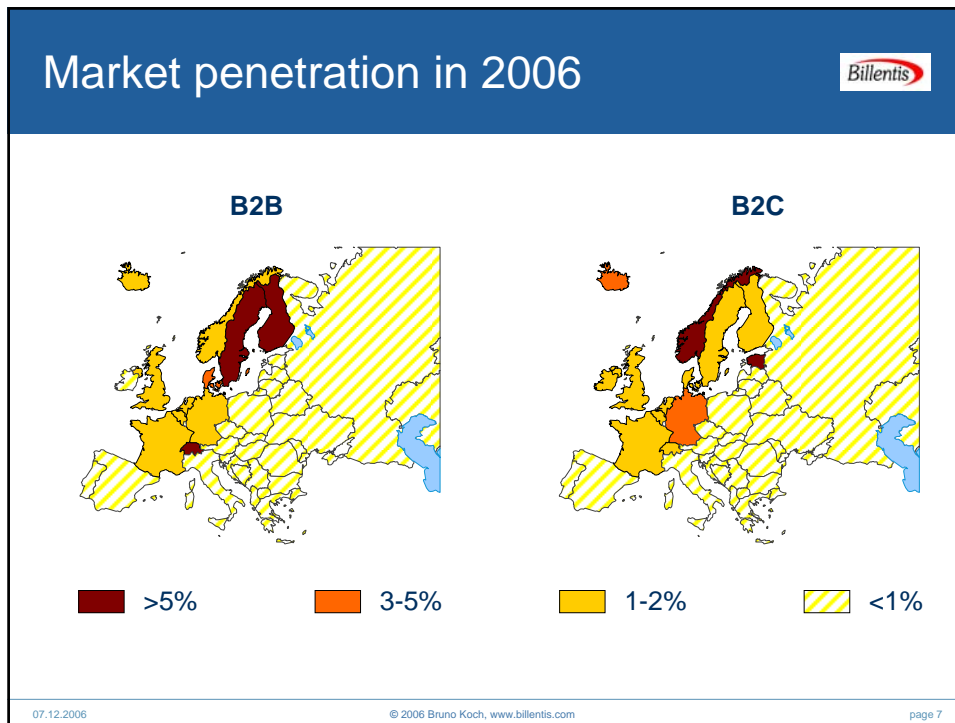


## Electronic Billing/Invoicing market figures

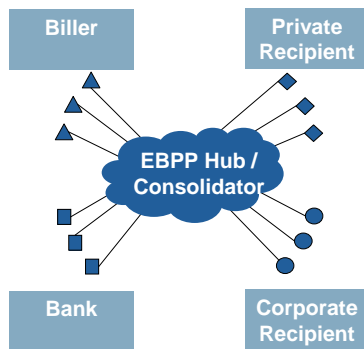
Europe	2005 (average)	2006 (average)
Participants	170,000 corporates 10.2 million consumers	360,000 corporates 14.4 million consumers
Pure* electr. volume	304 millions	491 millions
- B2C	- 181	- 259
- B2B	- 123	- 232

\*) Additionally, another 150-180 million E-Invoices are exchanged in Europe, mainly EDI based, but supported by paper summary invoices

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## Evolution Phase 2: 1999 - today



### Pioneers

- FSI (PayNet, Isabel, ...)
- IT companies (CheckFree, TietoEnator, ...)

### Focus

- Domestic markets
- B2C
- B2B (VAT compliance)

### Status

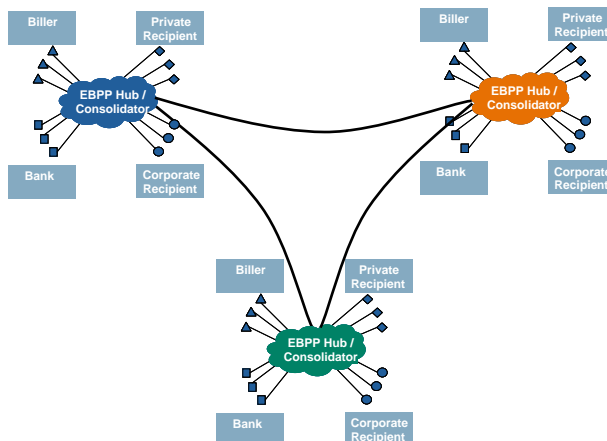
- At least 160 consolidators
- Some with several thousands of participants
- About 30 with > 1 million annually processed E-Invoices

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page 9

## Evolution Phase 3: now



### Pioneers

- Belgium
- Scandinavia
- Switzerland

### Focus

- Domestic & international networks

### Status

- At least 25 consolidators with one or more inter-connections

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page 10



## The electronic invoice was

- An excellent door opener for providers
- Good enabler for launching projects on sender & recipient side

but now

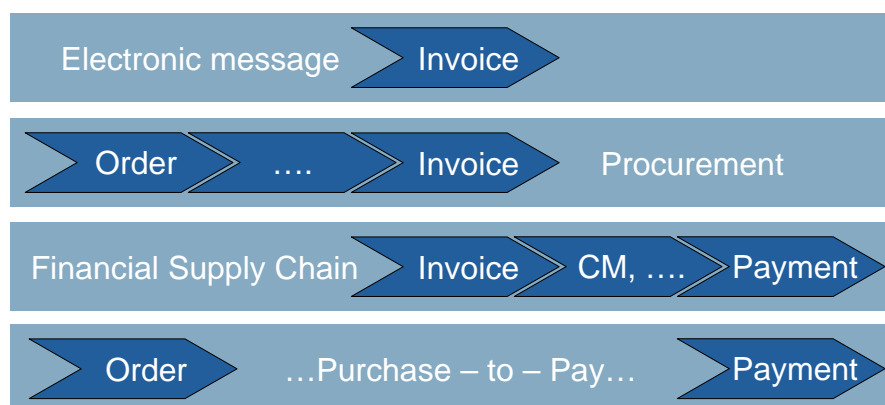
→ pure E-Invoicing is no longer sufficient

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page 11

## Enhancement of the value and process chain in progress



- Beyond message transport: Intelligent processing of different messages, e.g. dispute resolution, payment reconciliation, workflow etc.

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page 12



# E-Invoicing standards

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## Overview (subset)



- **GS1**, EANCOM, standard for retail segment
- **UN/CEFACT** Invoice specification
- **TWIST**, composed of members drawn from a wide cross section of the finance industry; global standards that enable the automation of any company's financial process through end to end STP
- **OASIS UBL 2.0**; Universal Business Language, is the product of an international effort to define a royalty-free library of standard electronic XML business documents such as purchase orders and invoices
- .....
- **SEPA**

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page 14

## SEPA and E-Invoicing



### **EBC Consultative paper on SEPA Incentives, 2.2006**

- “Currently, there is no shared vision regarding E-Invoicing”
- “Can the EPC in cooperation with the relevant stakeholders set standards for E-Invoicing?”

### **...and the reactions of some banks**

- Nordic banks: very positive or neutral
- German banks: “E-Invoicing and M-Payment is whether necessary for a successful launch of SEPA nor is it realistic (regarding the schedule). These initiatives do not have any place within SEPA, at least not in phase 1”

## Business Perspective





## Future opportunities



### EU to expand E-Gov by 2010

The EU has concrete plans for an expansion of E-Government systems and services. E-Government initiatives have already resulted in a significant savings of time and money in some member states, the commission said, but much more can be accomplished. **If all member states adopt E-Invoicing and E-Procurement, the commission believes that could save as much as 300 billion euros a year.**

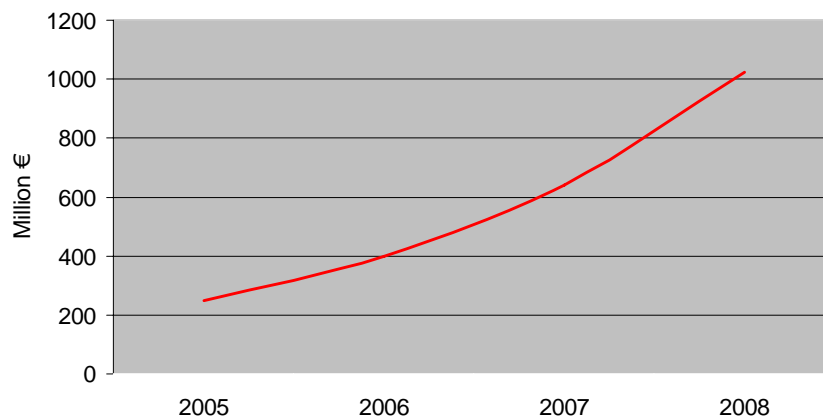
Extract of the latest "EXPP Quarterly Newsletter"

*Which stake of the 300 billion euros will be yours?*

## Outlook for solution/service providers



European third party EBPP revenues



## Service providers addressing E-Invoicing



- Third party billing services
- Letter shops
- Postal organisations
- Message exchange platforms
- Electronic market places
- Signature service providers
- ASPs and hosting providers
- Portals/ISPs with or without payment functionality
- Scanning & invoice management providers
- **Banks or their shared service centers**
- Payment service providers
- Collecting and factoring companies
- Archive service providers

## Importance and role of payment and the FSI



## The contrast



### Some statements 2000 – 2003 from the Financial Services Industry

- Bank of America (BofA) sells their EBPP solution (2000)
- Bank consortia Spectrum sells their EBPP solution (2002)
- Bank One will abandon Bill Presentment (2003)

### But...

- “BofA learned that e-billing can be a valuable customer retention tool; EBPP customers have an astonishing 80% lower attrition rate than their offline counterparts” (2002)
- BBS with success in Norway (2003)
- More than 900 Banks using the EBPP network of CheckFree (2003)

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page 21

## Usage of cashless payment & relevance of the second P within EBPP (Thesis)



number of transactions per inhabitant

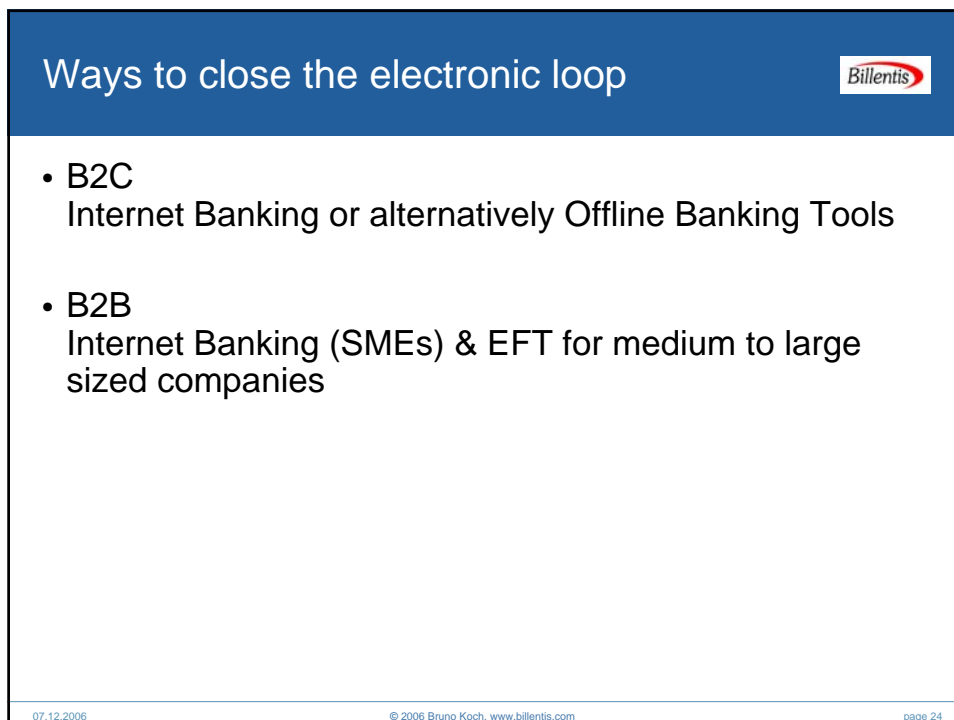
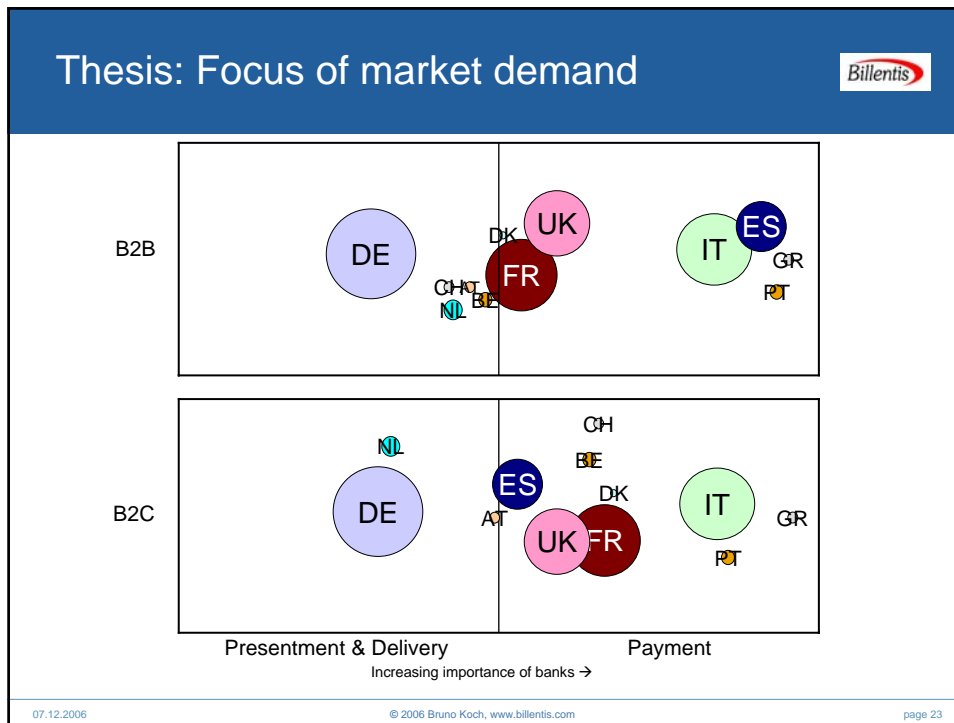
	B2C relevant		B2B relevant
	Cheques	Direct Debits	Credit transfer
Austria	1	33	61
Belgium	2	19	75
Denmark	10	24	40
Finland	0	8	105
France	64	38	42
Germany	2	64	69
Greece	0	0	1
Ireland	32	22	21
Italy	9	12	18
Netherlands	2	61	78
Portugal	27	11	7
Spain	5	29	8
Sweden	0	15	48
Switzerland	1	7	76
United Kingdom	38	41	37
Weighted Average EU + Switzerland	21	38	44

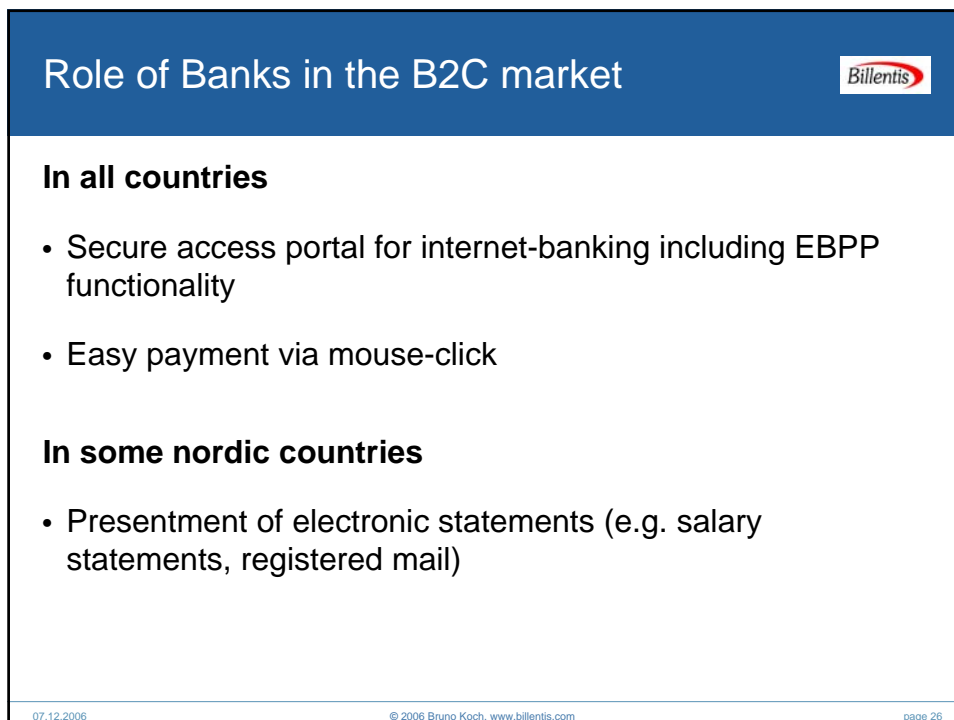
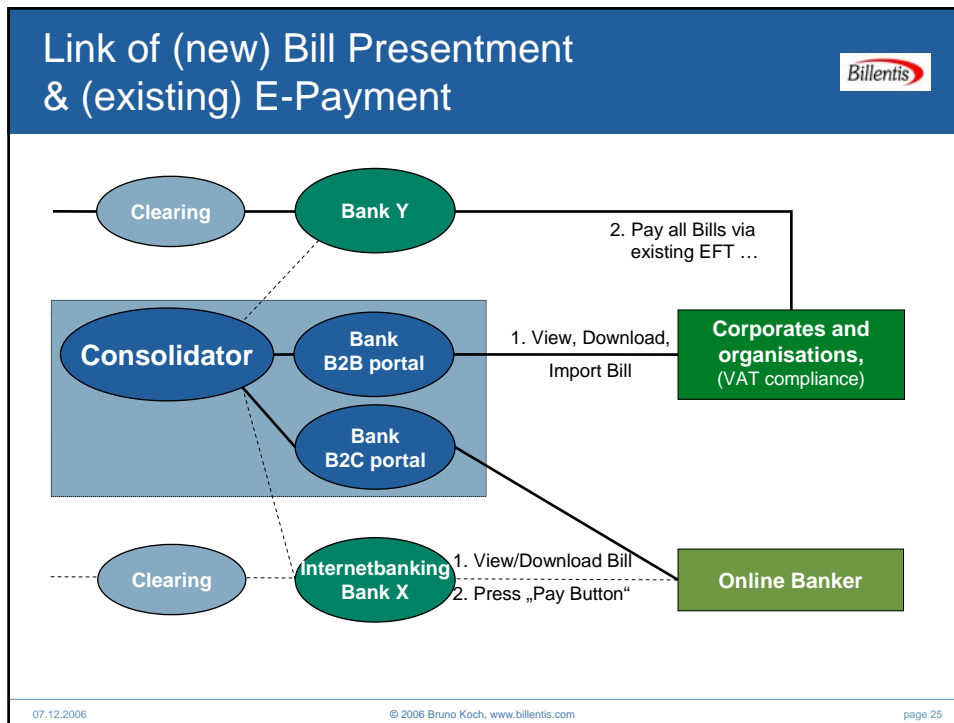
Source: Blue Book „Payment and securities settlement systems in the European Union“, European Central Bank

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page 22





## Role of Banks in the B2B market



### In all countries

- Secure access portal for internet-banking including EBPP functionality; used by some SMEs in the same sense like consumers
- Easy payment via mouse-click

### In some nordic countries

- Secure portal for entering and receiving E-Invoices (mainly used by SMEs)
- Consolidator services

### New banking initiatives (corporate departments)

- Combined services around cash management

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page 27

## Austria

The FSI as provider in the EBPP market



- Shared Service of banks: EBPP GmbH
- B2C and B2B
- Around 400,000 internet bankers using the service
- Dominating the market; very few Non-Bank providers
- Expanding the service now to Eastern European countries

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page 28

## Belgium

The FSI as provider in the EBPP market



- Shared Service of banks: Isabel
- B2C and B2B
- Around 40,000 B2B clients receiving electronic invoices; Service for internet bankers accelerating (still on low level); Share the market in co-opetition with a Non-Bank provider
- New service ZOOMIT supporting SEPA and SWIFT; including document gateway (contracts, payslips)

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## Denmark

The FSI as provider in the EBPP market



- Shared Service with bank involvement: e-Boks, PBS
- B2C and B2B
- Around 40,000 B2B clients sending electronic invoices; 1 million consumers & SMEs as recipients of E-Bills.
- A next step of Danish government will be the enhancement with E-Orders


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page 30

## Estonia B2C

The FSI as provider in the EBPP market



• Invoices in one month in average

	Amount	Penetration
2003	70 000	3,2%
2004*	100 000	4,2%
2005*	190 000	7%
2006**	310 000	11%

\* First four months  
\*\* Prognosis

Source: Itella


### Different channels

- **Internet banks** **52%**
- eMail attachments 29%
- Others (Portals, etc.) 19%

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page 31

## Finland

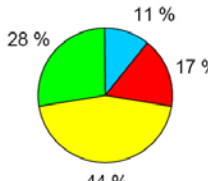
The FSI as provider in the EBPP market



- Currently still B2B driven, but B2C is now also strongly pushed
- > 45,000 B2B clients, most sending and receiving electronic invoices; Banks not only as delivery channel, but also as portal for WebEDI
- FSI shares the market in co-competition with several Non-Bank providers

**Banks:**  
Osuuspankki, Nordea, Sampo

**Operators:**  
Basware, Elma, Enfo, TeliaSonera, TietoEnator, VM-Data



■ Bank to Bank eInvoices	11 %
■ Operator to Bank eInvoices	17 %
■ Operator to Operator eInvoices	44 %
■ Bank to Operator eInvoices	28 %

Source: Kareltek

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page 32

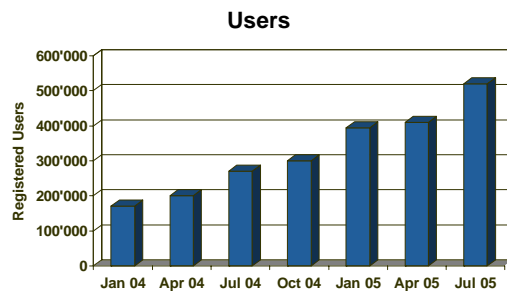


## Norway

The FSI as provider in the EBPP market



- Shared Service of banks: BBS
- **B2C**: E-Faktura service



- **B2B**: Just a hub role on behalf of most banks
- Market dominated by banks

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page 33

## Switzerland

The FSI as provider in the EBPP market



- Shared Service of banks: PayNet in co-opetition with PostFinance and in competition with around 10 Non-Banks; all retail banks are supporting E-Billing via their portal
- B2C and B2B
- Closed electronic loop for corporates and consumers
- Pioneer in connecting networks and roaming for electronic invoices domestic and internationally

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page 34

## Other markets and current trends

The FSI as provider in the EBPP market



- Banks are entering in the segment, following the several successful Non-Banks already active in the market.
- In most countries, the internet banking portal plays a key role
- New group of banks driven by the corporate and cash management department are in progress to push their E-Invoicing services: JP Morgan, Deutsche Bank, Lloyds TSB, ...

## Challenges for establishing such a service in the market



## Mayor challenges



- Inform
- Provide trust
  - 100% commitment
  - Guarantee VAT compliance
  - Excellent brand or certified platform
- Turnkey offerings for all sizes of companies, including link or integration in a B2B environment
- Persuade participants of their benefit
- Persuade simultaneously complementary senders and recipients
- Marketing excellence

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page 37

## Marketing in the B2C



http://www.e-rechnungswettbewerb.ch - Concorso e-fattura - Microsoft Internet Explorer

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**9 iPod nano di Apple**  
valore complessivo CHF 2'691.-  
Più informazioni sui premi >>>

**99 x 2 buoni per il cinema**  
valore complessivo CHF 2'304.-  
Più informazioni sui premi >>>

**Sorteggio supplementare di fine anno**  
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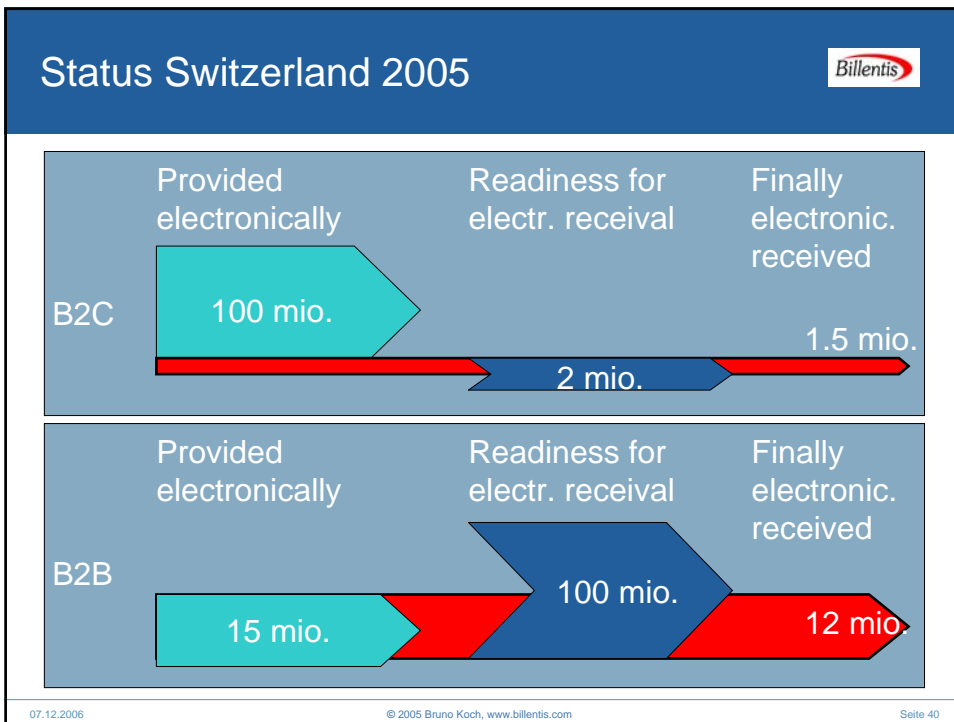
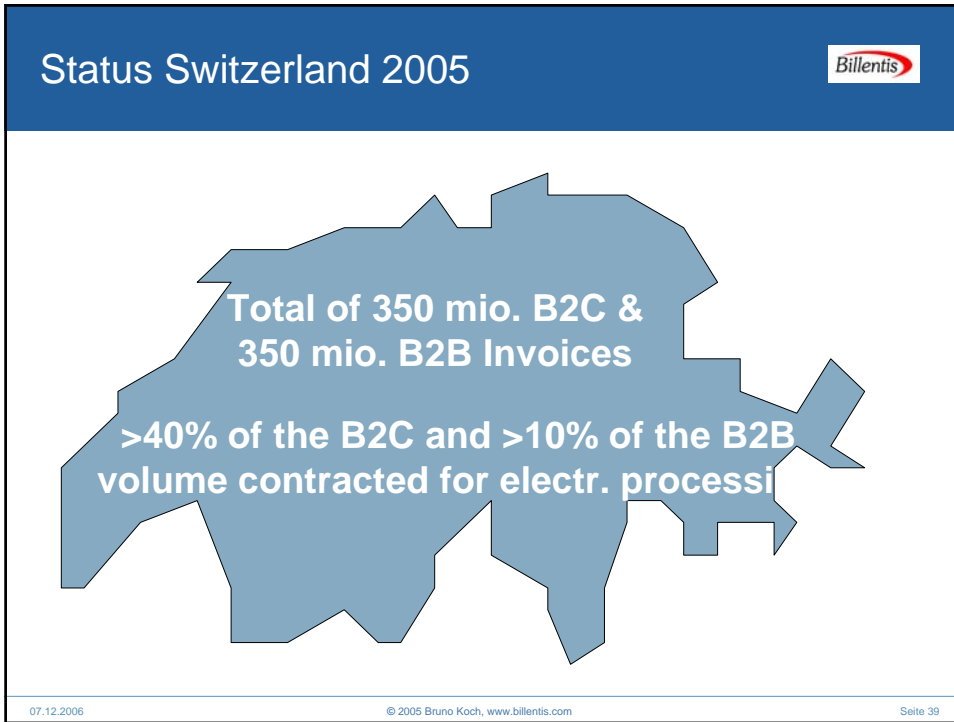
**Partecipa al concorso >>>**

Source: www.e-rechnung.ch

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page 38



## Penetration on company level



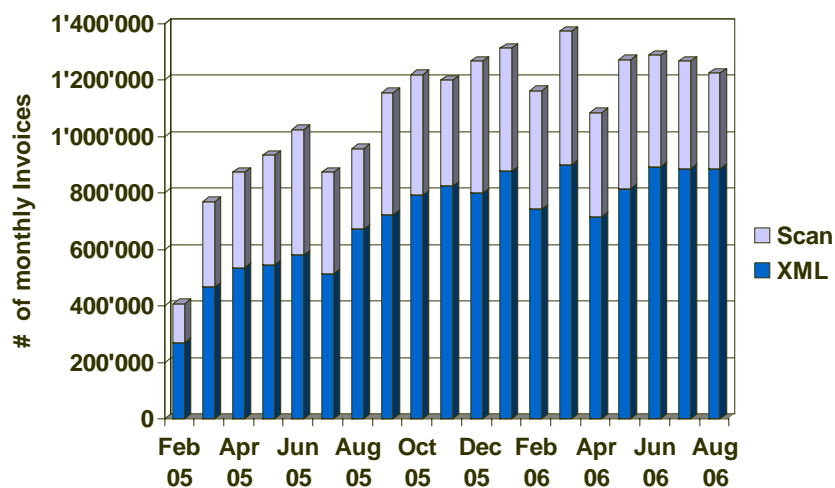
- Supplier driven, Roll-out-model: „Opt-Out“
  - Isabel (BE) 90%
  - Leasing company (NL) 85%
  
- Supplier driven, Roll-out-model: „Opt-In“
  - Enhancement in existing customer networks: 5-15%
  - Free offering for any recipient: 1-5%
  
- Recipient driven, Roll-out-model: „Opt-In“
  - Large accounts: 50-70% of all invoices after 1 year are electronically (e.g. Hewlett-Packard, LogicaCMG, UBS)
  - 100% digitalisation with Full Service (electronic & scanning)

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## 100% digitalisation: Denmark government




Source: H. Brondholt Nielsen, Danish Government

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# Outlook


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## Outlook

Europe	2006	CAGR (E)
Companies > 1,000 employees using E-Invoicing	40%	+ 50%
Participants	360,000 corporates 14.4 million consumers	+ 75% + 30%
Pure electr. volume	491 millions	+ 60%
- B2C	- 259	+ 40%
- B2B	- 232	+ 80%
# Service providers	160	+ 50%

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Bruno Koch  
Billentis  
[info3@billentis.com](mailto:info3@billentis.com)  
+41 71 911 60 32

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## About Billentis



- Highly specialized consulting and market research company (E-Invoicing, optimisation of Procure-to-Pay and Financial Supply Chain)
- Founded in June 1999
- Owner: B. Koch (8 years PwC, 4 years Credit Suisse, 2 years Europay/PayNet)
- More than 100 customers in 20 countries
- Issuer of a European market report and quarterly newsletter
- Founder of the European EXPP Summit

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