Key stakeholders as game changers

Exchange Summit
Barcelona, Spain
October 6, 2014

Bruno Koch

2013 – Time to turn-off the Summit engines

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The big international market picture

Development of E-Invoicing Market Penetration

Recipient segment	Annual bill & invoice volume estimated to be at least		Estimated electronic proportion of total volume in 2014		Estimated annual volume increase in electronic bills/invoices	
	World	Europe	World	Europe	World	Europe
Consumer	330 billion	18 billion	>8%	14%	20%	15%
Business & Govern-ment	170 billion	17 billion		24%		22%

Of the 500 billion bills/invoices globally, 40 billion are estimated to be exchanged in 2014 paperless (14 billion consumer bills and 26 billion invoices in the business and government segment). Latin America contributes around 25 billion to this electronic volume, Northern America 7, and Europe 6 billion.

Source: Billentis Market Report 2014

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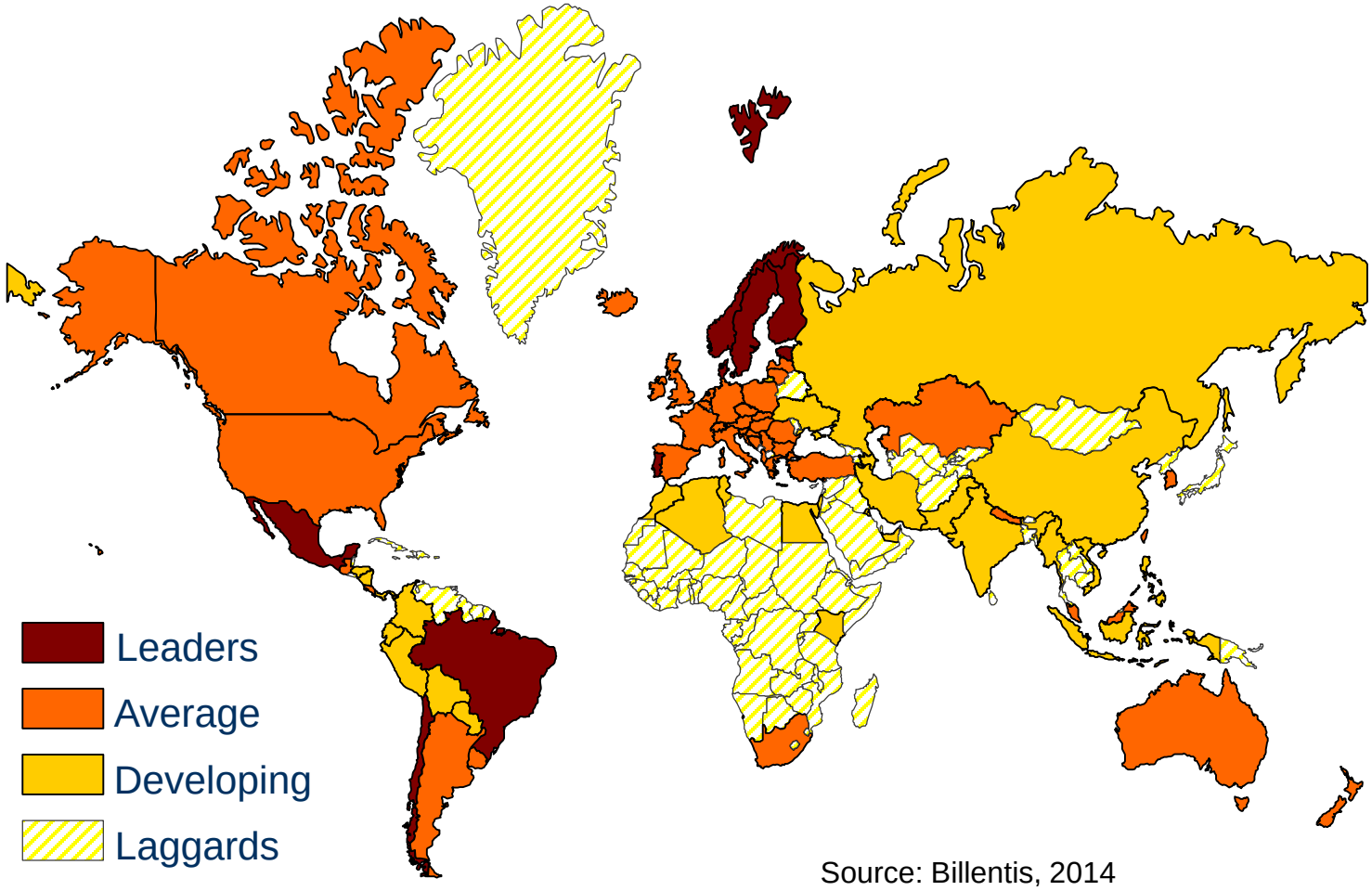
International E-Invoicing Adoption

B2B, B2G, G2B and B2C



Source: Billentis, 2014

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North America

- Payment, Trade Finance and Procurement as main drivers
- Preference for optimization of internal operations (AR and AP management); E-Invoicing just one feature of automation; increasing focus on collaboration with trading partners
- P-Card as indirect competitor of E-Invoicing at least within large business segment
- Direct exchange of E-Invoices among trading partners dominates; compared to Europe and LATAM, 3rd party operators still not yet very numerous (2014: 120+); Transaction services at least for the majority of suppliers are offered for free
- The market for E-Invoicing is opening up. In 2013 at $280 million, PayStream Advisors predicts demand is growing at a compound average annual growth rate of 13 percent. PayStream anticipates seeing the majority of this growth in SME's, as electronic invoicing trickles down from the large, early adopters.

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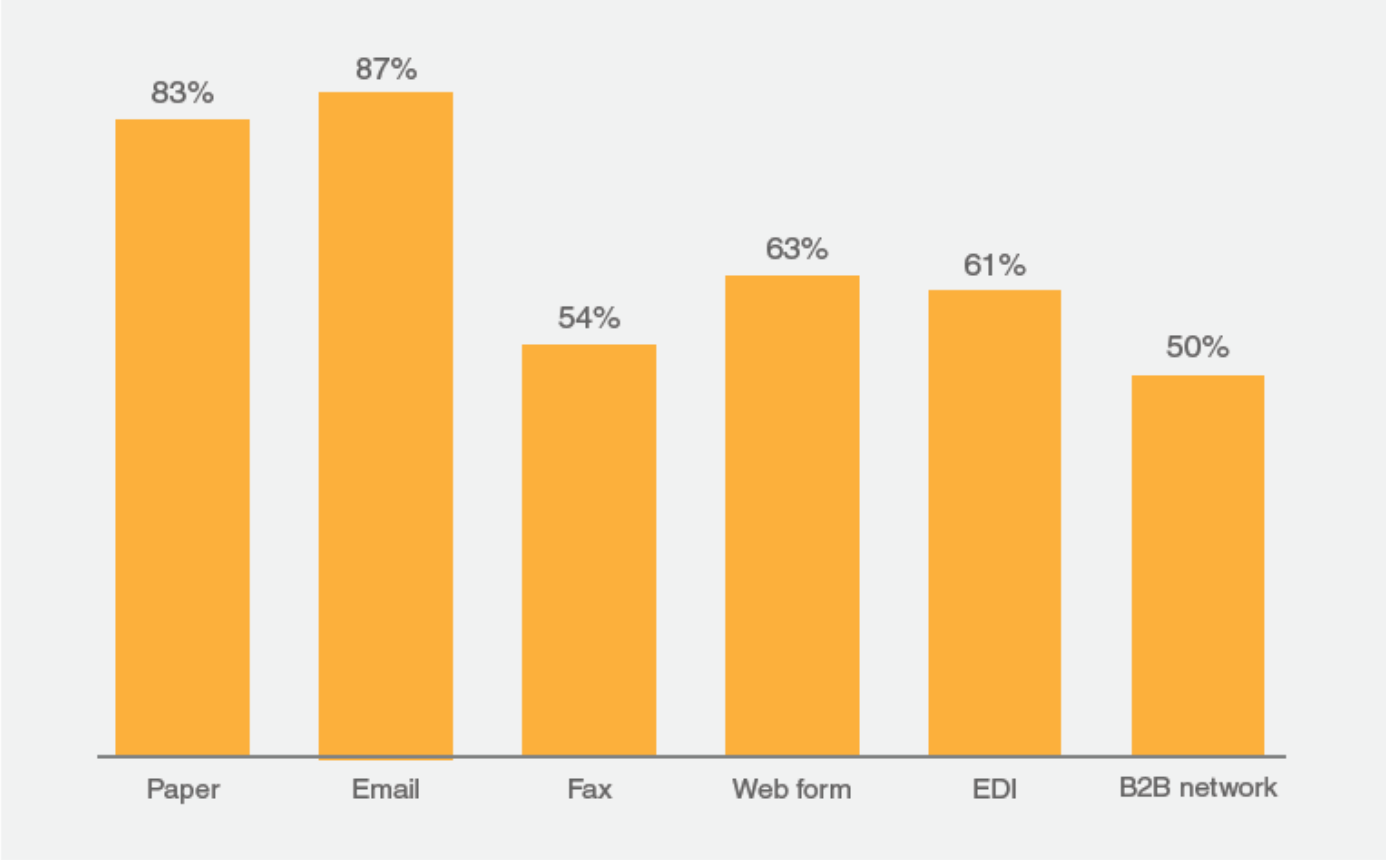
Paystream EIPP study 2014 (US)

Figure 4
Please choose which methods your organization uses for invoice delivery



The Institute of Financial Operations (IOFO) 2014 Order-to-Cash Automation Study

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Latin America

- 2014: Around 11bn E-Invoices in Brazil and 6bn in Mexico; Chile with market penetration of 50%+ and Uruguay around 40%
- Key role for 3rd party service providers / E-Invoicing networks
- E-Invoicing (+ tax & trade facilitation documents in general) pushed by public sector
- (Near) Real-time audit or invoice data mining by tax authorities with the aim of combating tax evasion
- Selective or full obligations for E-Invoicing in Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Peru, Uruguay
- Some countries are in the process of closing the loop between tills at points of sale – tax authorities – and clients. This happens either with the help of fiscal printers or *electronic receipts* (similarities with E-Billing); 5-15 times the volume of invoices

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Asia & Pacific

- First steps with B2C E-Billing; B2B legislation missing in many countries; sometimes, EDI invoices & paper originals
- Many advanced countries are more likely to adopt the (tax) control focussed LATAM model than the liberal European model
- Some other countries mandate the market participants to exchange invoices in electronic format, e.g. critical industries in Turkey
- Some countries are in the process of closing the loop between tills at points of sale – tax authorities – and clients. This happens either with the help of fiscal printers or *electronic receipts* (similarities with E-Billing)
- Several advanced initiatives of federal administrations in the Pacific Region, including eProcurement

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Europe with solid and sustainable growth

- Market penetration (volume) above 20%; +20% p.a.
- EU28 in 2013: 29% of Enterprises 10+ employees sending / receiving E-Invoices in a standard structured suitable format for automatic processing (Source: Eurostat)
- 2bn E-Invoices (half of the total electronic B2B/B2G/G2B volume) processed by the 600 E-Invoicing network operators
- Holistic approach with strong focus to collaboration among all stakeholders, providing easy access for enterprises of any size; intention to harmonise EU28 markets
- Public sector mainly in a supporting role & as user for E-Invoicing and increasingly for eProcurement

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Key stakeholders as game changers

Game changer

Public sector

Public sector is responsible for 15-18% of all purchases made in a country.

45-65% of all companies are suppliers for the public sector and send invoices to its administration.

100% of all enterprises and households receive invoices from the public sector.

Public Sector

- Public Procurement Directive 2014/24/EU
  - fully electronic communication, tenders, …
  - Implement in national law of member states until April 2016 and practise from October 2018
  - Affecting hundreds of thousands of Public Administrations (PA) and millions of Suppliers

- Directive 2014/55/EU
  - Electronic invoicing in public procurement; PAs have to accept electronic invoices
  - Apply on all federal levels at the latest by November 2018
  - Affecting hundreds of thousands of Public Administrations and millions of Suppliers

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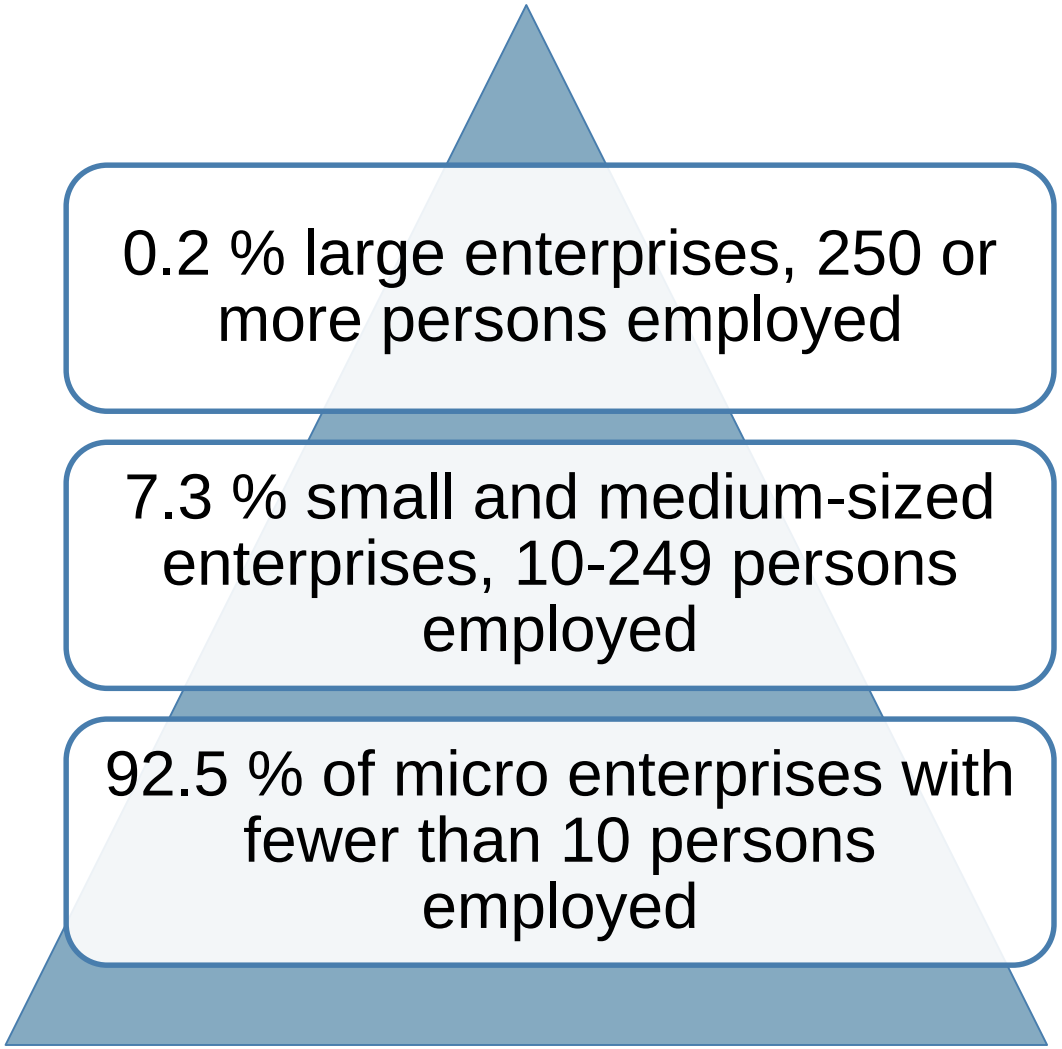
Game changers

Small & Medium-sized Enterprises

Enterprise structure in EU28



Source: Eurostat

22m+ of enterprises active within the non-financial business economy are micro, small and medium-sized

67.2 % of the workforce active in SMEs

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Small & Medium-sized Enterprises

- Millions of SMEs are pushed to communicate electronically
  - with their larger private sector customers
  - and increasingly with the public administrations
- Due to limited IT skills are they demanding for extremely easy-to-use tools & services, e.g.
  - Web users: “6 minutes and you are online”
  - With client software: “30 minutes and you can e-invoice”
- They intend to use solutions being efficient and generating benefits for them

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Game changers

Network operators
B2B Networks
E-Invoicing Networks
Servicer Providers

Service Providers

- SPs do proactively everything to satisfy the market demand and to be more successful than competitors.
- Additional and improved Value Added Services
  - Any-to-any data formatting
  - Rule based data validation
  - SCF
  - Support for achieving international tax compliance
  - …
- Innovative engagement and onboarding models
- Change management during the market transition phase in a way that suppliers and buyers shall not be chased for steady updates of their systems and processes

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I expect these evolution steps in Europe

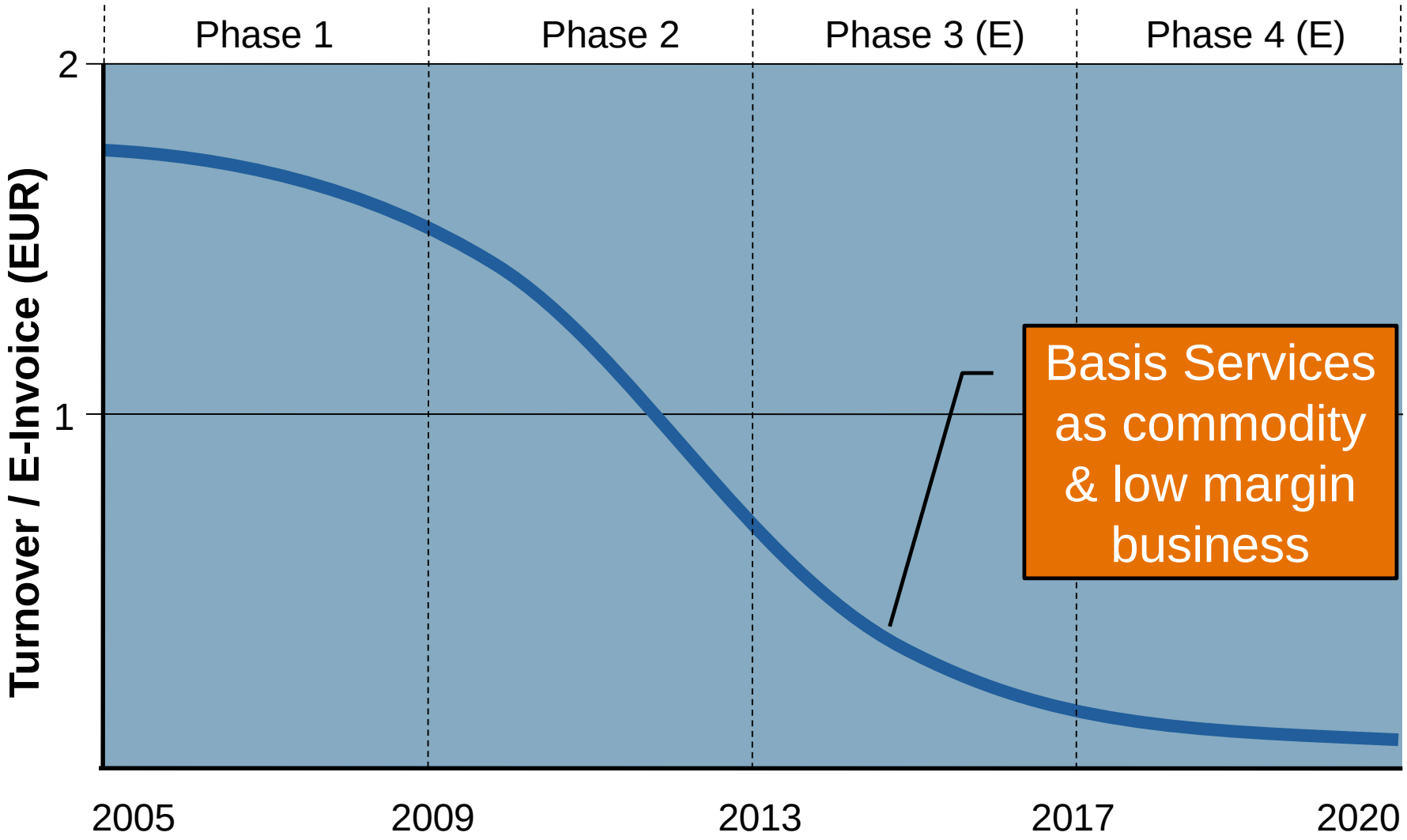
2014-2015: Service providers, large accounts and governments in some countries convince as many companies as possible with appropriate engagement and onboarding processes; ingenious onboarding & sales/marketing power is more important than differentiation

2016-2017: Trading parties and service providers will focus on increase of transactions; users increasingly react to value added services and recognize the USPs of various providers

2016-2020: Costly evolution of E-Invoicing and B2B network platforms towards eMarketplaces & sophisticated Business Process Automation platforms

E-Invoicing Network Operator Turnover

Evolution of the Metric Turnover/E-Invoice (B2B/B2G/G2B)



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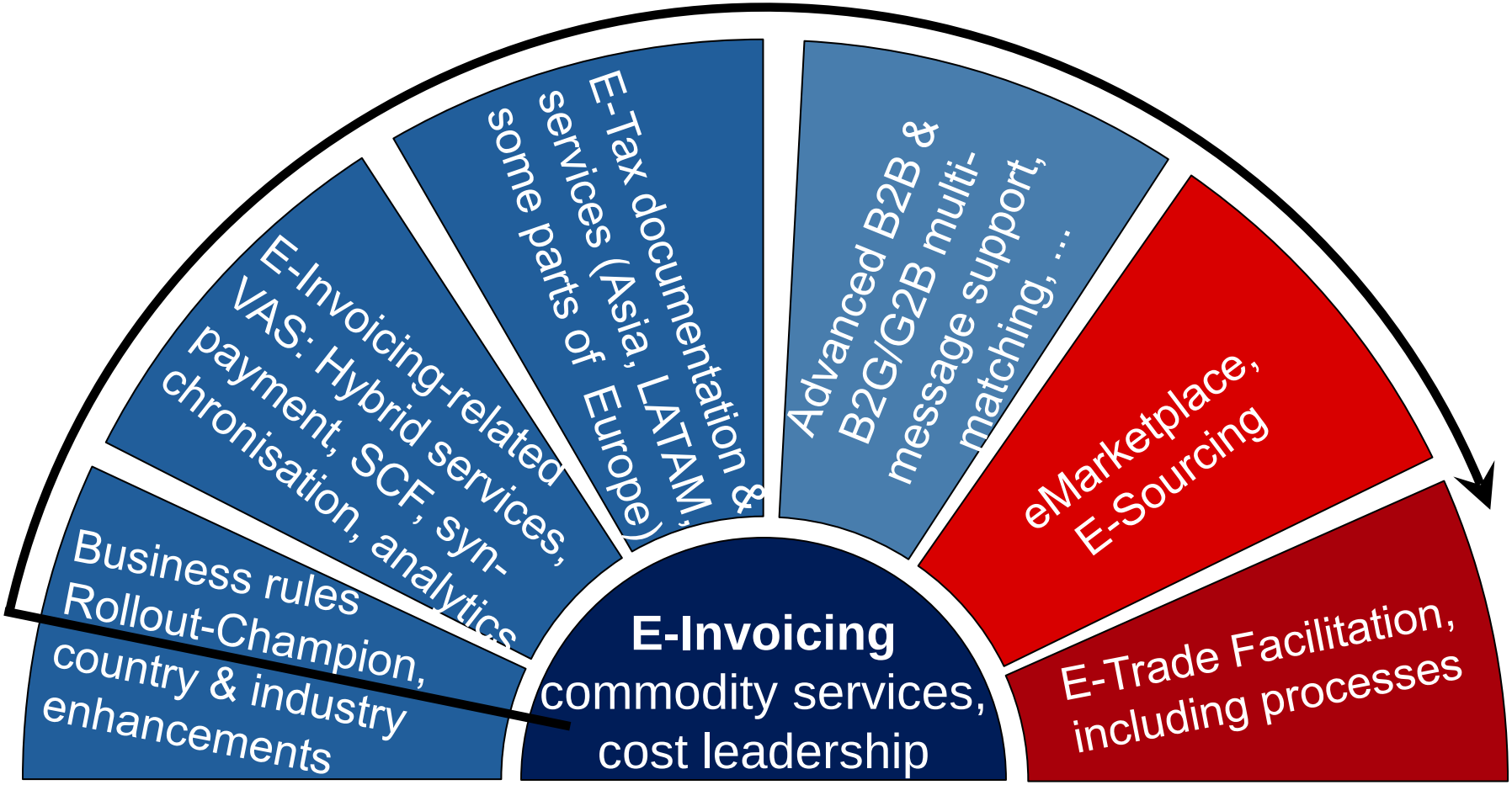
Future Markets Radar for Service Providers – Future Management



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Questions?

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