

Whitepaper

eInvoicing - The future of AP Automation for NetSuite



STARIA

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Introduction

Since the very first businesses existed, accounts payable has been one of the most important and undoubtedly one of the most manual, error-prone and most vulnerable (from a security perspective) functions in a business. At best, manually processing vendor bills is duplicate effort as the data has already been entered by the vendor. At worst it provides a number of touch points where errors can be made and go unchecked, or worse, amendments can be made deliberately to remove funds from your business – impacting your operations, time, finances and reputation.

With pre-existing trends showing increased adoption of cloud-based technology and automation solutions only fuelled by the impact of the Covid-19 pandemic, this white paper discusses the concept of eInvoicing, how it relates to the function of Accounts Payable and the wider topic of AP automation, and finally examines specifically how it applies to users of NetSuite, the world's leading cloud-based financial management solution.



What is an eInvoice?

The first thing to address when defining eInvoicing is the difference between an invoice which is produced and shared electronically (e.g., a PDF sent via email) versus an eInvoice.

Whilst some factions may refer to PDFs, online documents, and emails as electronic invoices, eInvoices are different on two key fronts:

1. The way the information is produced and shared.

eInvoices have no physical element to them. They are shared automatically and directly from the vendor's invoicing system to the customer's accounts payable system using a form of electronic data interchange (EDI) or secure XML file transfer.

As in, when the bill is produced from the vendor system, all data (including amount, supplier info, due date and tax codes) are all pushed automatically into the customer's system, removing the need for any data entry or document scanning.

2. The requirement for a structured framework when producing invoices.

Naturally, due to the fact that data is being shared electronically and directly between systems

(meaning that nobody on the customer side actually creates the transaction) there is a requirement for the data to be consistent and mapped between both systems.

On a practical level, this is as simple as ensuring critical bill data lands correctly in the customer system – invoice ref, supplier ref, line-item detail, quantities, pricing, tax, and due date. Obviously, if any of these items are missing from any vendor bill (eInvoice or not), there will be an issue with completing AP.

Beyond the practical element of literally exchanging information to ensure bills are paid, there is a further requirement to ensure that invoices and bills shared electronically are legally compliant for tax, financial reporting, and auditing purposes.

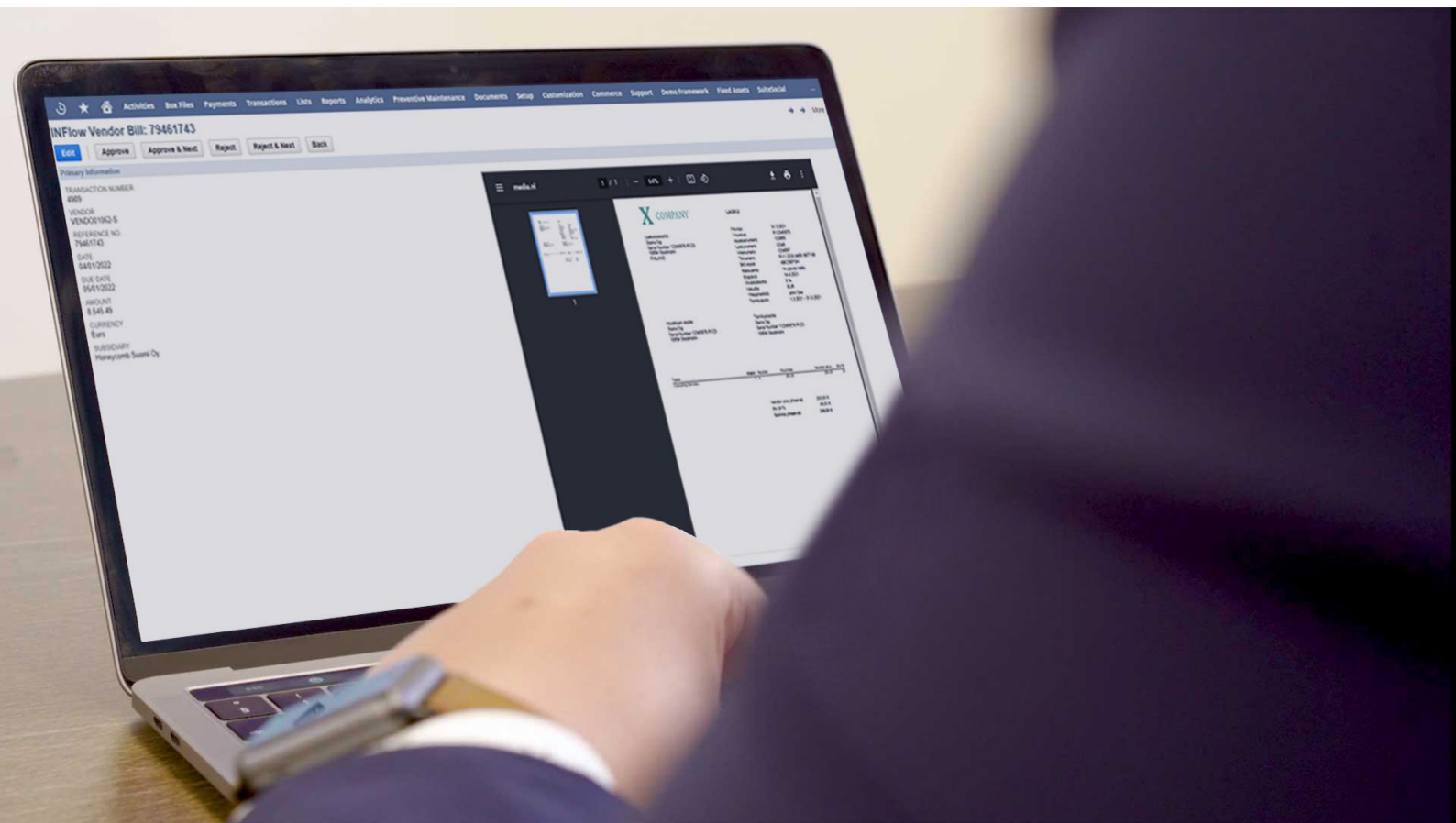
This is covered in more detail later in the paper; however, this means the eInvoicing usually requires a government-led initiative to define the standards required and the framework which eInvoices are required to comply with. Used in 30+ countries, PEPPOL is the most common framework for regulating eInvoices, however there are other regional and national alternatives in use.

eInvoices are:

- Completely electronic - no physical document exists
- Shared directly from supplier system to customer AP system
- Produced to comply with, and verified by, a structured framework such as PEPPOL

eInvoices are not:

- Paper invoices
- Word, PDF, or Web Page (HTML) driven documents
- Invoices sent via email
- Vendor bills scanned via OCR



The History, and Future of eInvoicing

Origin story & technological evolution

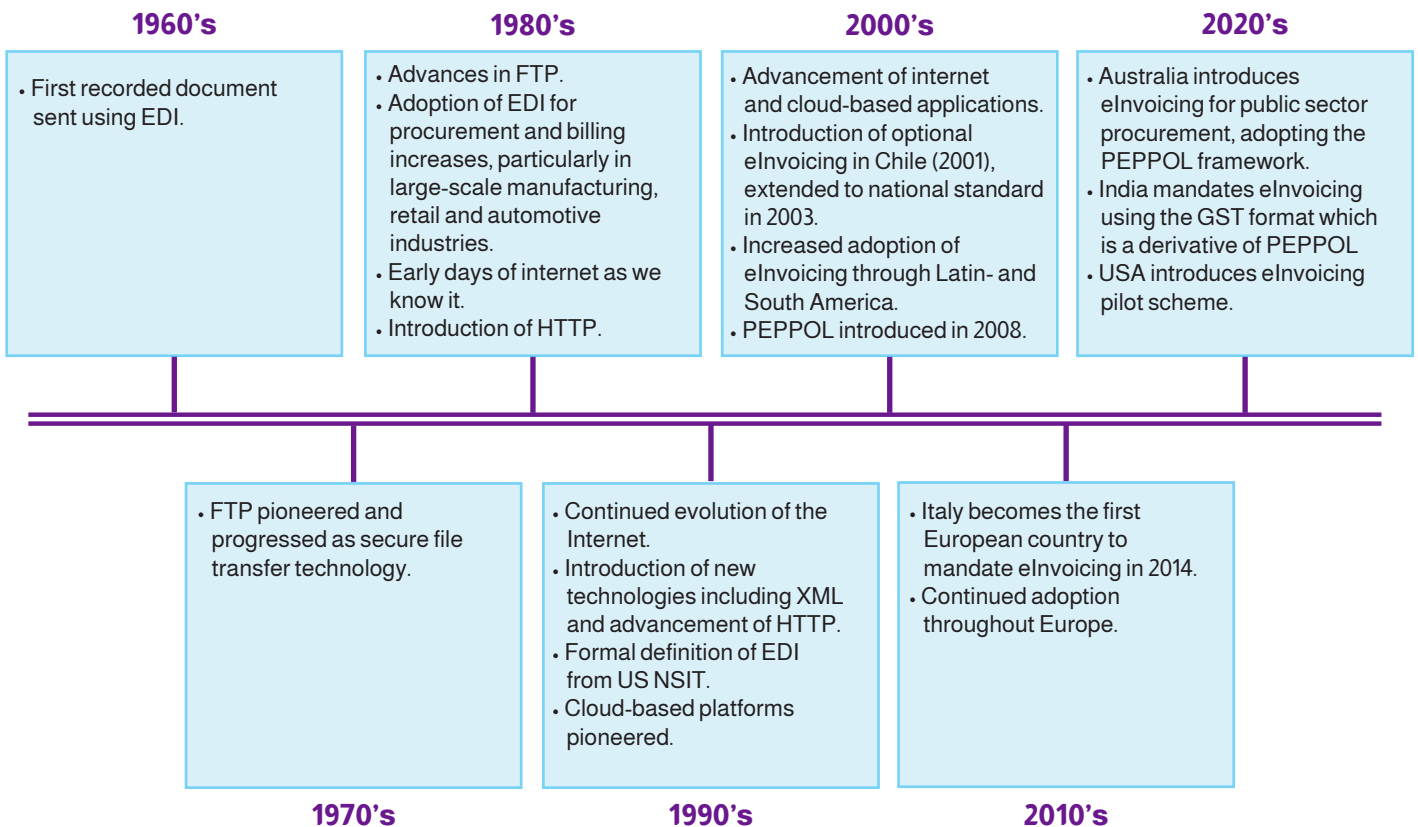
Records of electronic data interchange and document sharing date back to the mid 1960s. The first document shared widely acknowledged to be a shipping mandate via telex on the Holland-America line in 1965.

Even in its early stages, its reason for being was always to reduce manual processing whilst increasing security by removing potential

touchpoints for manual error or deliberate fraudulent activity.

Since then, there have been a number of significant steps forward both in terms of methods developed to share information and the adoption of new technology, with eInvoicing becoming increasingly more common across the world since 2015. At the point of publishing, eInvoicing is being used in some fashion in 60+ countries.

The eInvoicing timeline



Legislation and Frameworks

Naturally, early iterations of EDI were primitive, costly, and limited in their effectiveness due to the lack of potential integrations and touchpoints.

From the initial versions of the technology through to modern day, there has always been a requirement to formalize definitions around processing and, where possible, standardize data formats to ensure that the technology could work at scale, as opposed to several individual integrations.

There are various frameworks currently used to support and mandate eInvoicing processes. These are often developed regionally and nationally to ensure that procurement, particularly within the public sector, can be standardized. Whilst not always the case, trends have usually seen

eInvoicing introduced to be mandatory in the public sector initially which leads to a natural progression to wide adoption throughout the private sector.

This national framework approach can however create barriers for international or global trade if vendors operate via different frameworks to customers. As such, a few international and global frameworks, most notable PEPPOL, have become increasingly prevalent when eInvoicing is introduced into new regions.

Co-funded by the European Commission and PEPPOL Consortium Members, the framework (Pan-European Public Procurement On-Line) was initiated in 2008 specifically to ‘with the aim of simplifying electronic procurement across borders by developing technology standards that could be implemented across all governments within Europe’.¹

The most common frameworks

Universal/International	Regional/National	
<ul style="list-style-type: none">• PEPPOL BIS (various countries)• EDIFACT• GS1	<ul style="list-style-type: none">• UBL (Universal Business Language)• Finvoice (Finland)• EHF (Elektronisk handelsformat) (Norway)• EInvoice (Estonia)• FacturaE (Spain)• Factur-X (France)• FatturaPA (Italy)• CFDI (Mexico)• ISDOC (Czech republic)	<ul style="list-style-type: none">• E-faktura (Poland)• OIOUBL (Denmark)• Svefaktura (Sweden)• UBL-OHNL (Netherlands)• ZUGFeRD, XRechnung (Germany)• Nota Fiscal Eletrônica (Brazil)• Facturación Electrónica (Ecuador)• DTE (Chile)

¹<https://peppol.eu/about-openpeppol/history-of-openpeppol>

Current Adoption of eInvoicing

Adoption of eInvoicing is increasing faster now than it ever has before. As you would expect, and as we have previously alluded to, this is largely down to the increasing availability and affordability of technology, government mandates, and as with many things relating to technology, a requirement to implement automation-focused cloud-based solutions following the Covid-19 pandemic.

Generally, Nordic and Latin American countries are recognized as pioneers and leaders in the use and development of eInvoicing. (Particular mention to Chile who first introduced eInvoicing in 2003!).

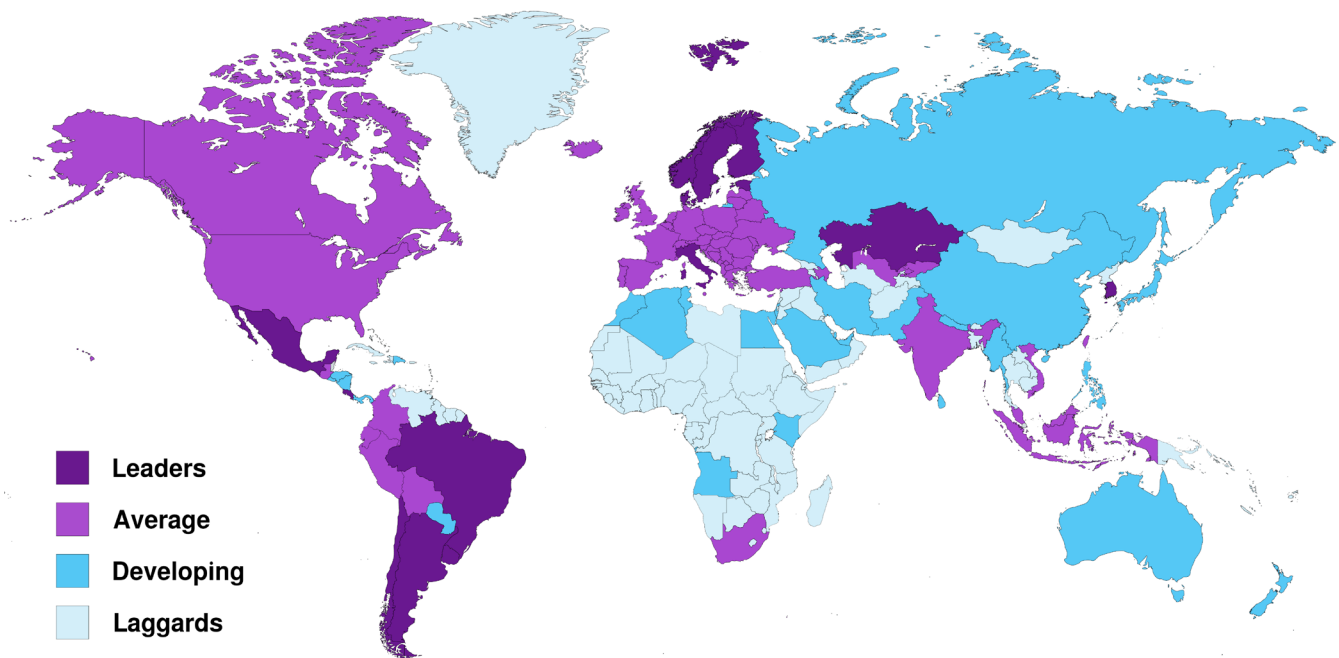
Beyond these regions, Central and Western

European countries collectively have advanced their usage over the last 10+ years, which in itself has driven the success and popularity of the PEPPOL framework given its proven background of cross-border success. More recently, Australia and India are two of the largest countries to mandate eInvoicing in the public sector with initiatives throughout 2020/21.

Perhaps surprisingly (due their rich technological landscape), the US has not seen massive uptake for eInvoicing to-date, however the Federal Government and Business Payments Coalition have been piloting an eInvoicing initiative throughout FY22 and Q1 FY23 in a first step to developing a standardized US-wide framework similar to PEPPOL.

International eInvoicing Market 2020

B2B, B2G, G2B and B2C



Source: Billentis, 2020²

² https://www.billentis.com/einvoicing_ebilling_market_overview_2020.pdf

The Future of eInvoicing

A report, published by Yahoo Finance in November 2022 predicts that the eInvoicing market will increase from 5.87 billion USD (as of 2020) to 16.68 billion USD by 2030, representing a compound annual growth rate of 17.4%.³

Based on these predictions alongside the visible increased adoption rates and global initiatives, **the future of eInvoicing can probably be summarized as a matter of 'if, not when'** it will be the default global method for distributing vendor bills.

As highlighted in the previous section, with most major economies now having a framework and government-led initiative at least in pilot stage, it is only a matter of time before the savings, efficiencies, and security enhancements solidify it at a global level. Leaders in the field, including our native Finland, already 90%+ of all procurement transactions to be managed via eInvoice.

Two major considerations when discussing the future of eInvoicing may be:

1. The development of a unilateral, globally accessed and framework.

Obvious challenges lie in the disparate nature of different countries, cultures, legislation and maturity of different frameworks. Currently, there are options for cross border collaboration and similarities across various frameworks, however it is unclear if we will ever reach a single, global consensus.

2. The application of the core technology behind eInvoicing, EDI, into other aspects of financial data sharing, collaboration and submissions.

Various initiatives already exist globally for VAT, Tax and Payroll submissions to name a few, and we predict that this will be replicated across the board as more and more functions migrate to unified cloud-based technologies and the technologies continue to evolve.



³ <https://finance.yahoo.com/news/e-invoicing-market-size-2022-110300462.html>

The Case for AP Automation

Automation is currently one of the hottest topics for businesses throughout the world. The global Business Process Automation (BPA) market is predicted to double from its \$9.8 Billion USD value in 2020, to \$19.6 billion USD by 2026.⁴

In October 2022, Gartner predicted that **“70% of organizations will implement structured automation to deliver flexibility and efficiency, an increase from 20% of organizations in 2021”**⁵. Of those surveyed, 43% had a particular focus on workload automation with a view to reducing employee interactions with IT systems and programs, 90% of the total audience surveyed who were deploying automation solutions reported that they had seen value from their project.

The case for automating the accounts payable process specifically should be one of the most compelling for business leaders. Beyond anything else, most data for accounts payable has usually been manually entered at least once, probably twice, before a vendor bill is produced – the customer creating a purchase order, and the vendor creating the vendor bill.

Also undeniable is the importance of the accounts payable function in the wider context of the business. From employee engagement and

retention to period-end, cashflow management and vendor relationships, slow and error prone AP processes can have a significant impact on your financial management.

Recent studies show:

- 1% of all invoices are paid twice due to duplicate invoices, human error and inadequate reference checking.⁶
- 70% of businesses cite issues with visibility of payables negatively impacting forecasting.⁷
- 63% of AP staff reported regularly working overtime due to opaque processes.⁷
- 73% of businesses had experienced strained corporate relationships with suppliers regarding payment delays.⁷
- 62% of businesses reported that suppliers had withheld products or services due to issues with payments.⁷
- 63% of businesses report to having received criticism for AP impacting negatively on wider business units.⁸

⁴ <https://www.marketsandmarkets.com/Market-Reports/business-process-automation-market197532385.html>

⁵ <https://www.gartner.com/en/newsroom/press-releases/2022-10-03-gartner-survey-finds-85-percent-of-infrastructure-and-operations-leaders-without-full-automation-expect-to-increase-automation-within-three-years>

⁶ <https://www.resourcefulfinancepro.com/articles/duplicate-payments-cost-risk>

⁷ <https://www.pymnts.com/accounts-payable/2022/pymnts-intelligence-leveraging-ap-automation-to-improve-billing-processes>

⁸ <https://tipalti.com/en-uk/manual-finance-processes-are-stunting-business-growth-and-creating-fraud-risk>

What does eInvoicing Mean for NetSuite Users?

The concept

eInvoicing, by its touchless nature, structured, and framework driven approach unquestionably provides improved accuracy, efficiency, and security for both customers and vendors alike.

So, whilst each business is unique and will have its own perspective on, or requirement for, eInvoicing, however **the concept of eInvoicing should be an exciting one for NetSuite users.**

Given it is the world's first, and still leading, cloud based financial management solution,

developed specifically to improve efficiency and visibility throughout businesses by centralizing, standardizing, and automating unnecessary manual processes – the core concept of NetSuite aligns perfectly with that of eInvoicing.

And, with the majority of NetSuite users being internationally focussed, scaling businesses based in key regions where eInvoicing is already commonplace or adoption is growing rapidly (EMEA, APAC, N. America, Latin America), it seems that all things AP point towards eInvoicing being the default for many NetSuite within the next few years.



The technology

Beyond the alignment of ideologies, on a technical level, NetSuite is an ideal platform for businesses looking to remain at the forefront of optimizing their business processes.

As a core platform, NetSuite provides unrivalled functionality for fast-growing, rapidly evolving businesses who require a simple and configurable interface to evolve and automate day-to-day tasks. For more specific and technically complex requirements (e.g., eInvoicing) NetSuite also provides a tremendous platform for new functions to be built, or purpose-built 'SuiteApps' to be developed by an eco-system of authorized partners.

At the point of publishing this paper, NetSuite does not offer eInvoicing within its core product, and as such a SuiteApp would be the most practical and cost-effective solution to incorporating eInvoicing.

What to consider when reviewing eInvoice and AP Automation SuiteApps

- What AP functions does the SuiteApp address?
 - Is it just eInvoicing, or does it also offer additional functionality such as scanning, matching, posting and payments?
- Which eInvoicing frameworks does the app support?
 - It's important to ensure that any app is compliant with at least your most common requirement, and potentially wider commonly used frameworks.
- How does the app integrate with NetSuite?
 - The three kinds of 'Built for NetSuite' SuiteApps are Native, Hybrid or Integrated. Each offer different approaches and therefore provide different solutions depending on your requirements or preferences.
- At what point in the process does the transaction hit NetSuite, how much data is available, and how does it interact with existing workflows and customizations?
 - This is essentially a more practical version of the previous integration question; however it is important to understand the impact of any potential change on existing systems, workflows and processes.



About Staria

With 20+ years' experience in delivering growth-focused financial strategy and technology solutions for some of the world's most rapidly scaling businesses, Staria has always prided itself on being a pioneer and champion of the latest platforms and initiatives to improve how businesses manage their processes, cash, and most importantly, their people.

We offer a broad and comprehensive portfolio of services and solutions to help businesses improve their financial strategy, operations, reporting or technology. A part of this offering is our end-to-end AP Automation solution developed specifically for NetSuite.

An End-to-End AP Automation solution for NetSuite

Staria's AP Automation solution goes beyond invoice scanning, making it a complete end-to-end solution for NetSuite that incorporates invoice scanning, vendor bill automation, invoice approvals and payment processing in a single solution. Flow seamlessly from capture to posting, posting to approval, to secure submission of payments files to your bank, all from NetSuite.

In removing the need for manual processing and risk of error at every stage of your AP process, our solution ensures a quicker and better process for your team, improved cashflow management, and enhanced vendor relations.

**Do you want help on your
AP Automation journey?
Contact us!**

www.staria.com