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E-invoicing: crown or catalyst of an efficient billing process?



E-invoices have passed the one billion mark in Europe. E-invoices describe a variety of electronically sent invoices: They range from bills simply sent by e-mail to consumers to fully integrated payment management systems. According to Billentis, a consultancy and e-invoicing advocacy, close to 900m B2B and 500m B2C invoices will be sent electronically this year. [chart 1](#)

The market share is tiny. The number of e-invoices grew by more than 40% p.a. over the last few years. Nevertheless, e-invoicing has so far only reached a tiny market share of 5% of the total billing volume. [chart 2](#)

20% of European companies send or receive e-invoices. This is an increase by 17% compared to the previous year. However, Eurostat only asks whether or not companies use e-invoicing, not how many bills they send or receive electronically. This may distort the picture. [chart 3](#)

No clear pattern in Europe. Estonian firms are most likely to use e-invoices followed by Norwegian companies. More surprisingly, Italy has sneaked into the top group whereas Sweden is below the EU average. In fact, typical leading indicators for adoption, such as GDP per capita or latitude, have no explanatory power. [chart 4](#)

Wholesale and retail trade firms are leading adopters in Europe. That may have to do with the number of transactions and bills they work with. But the degree of business IT sophistication is also important. For instance, more than 60% of large German carmakers, which operate highly advanced systems, send invoices electronically. [chart 5](#)

Big firms cajole smaller ones to use e-invoices. Larger companies often have standardised billing processes and hence tend to benefit more from e-invoicing. But to make it worthwhile, they must also exchange e-bills with their many smaller counterparts. Yet, large companies have much bargaining power over their suppliers to make them comply. [chart 6](#)

E-invoicing needs to overcome structural obstacles. Large companies often use already quite advanced legacy systems for billing and payment. Smaller and medium-sized enterprises are discouraged by the complexities and the lack of a critical mass of counterparts. Imposing a mandatory standard top-down might solve that but would also inflict substantial adjustment costs on firms and payment providers. [chart 7](#)

The hidden treasure of e-invoicing is a streamlined billing process. Billentis argues that an e-invoice may be EUR 18 cheaper than a paper-based bill. However, the foremost part of these savings occurs in a better billing and payment process – not by sending or receiving the bill as such. This puts many of the claimed benefits of e-invoicing into perspective. They won't materialise without a fully integrated billing process. [chart 8](#)

Are e-invoices crown or catalyst of an efficient billing process?

Sceptics of e-invoicing say that first the billing processes should be modernised because that's where the biggest savings are. The e-invoice is just the cherry on top. Advocates claim that once e-invoices are being introduced, they would trigger this modernisation and push otherwise reluctant enterprises. Evidence across Europe suggests that e-invoicing is one of the later steps of IT sophistication, particularly among medium-sized companies. [chart 9](#)

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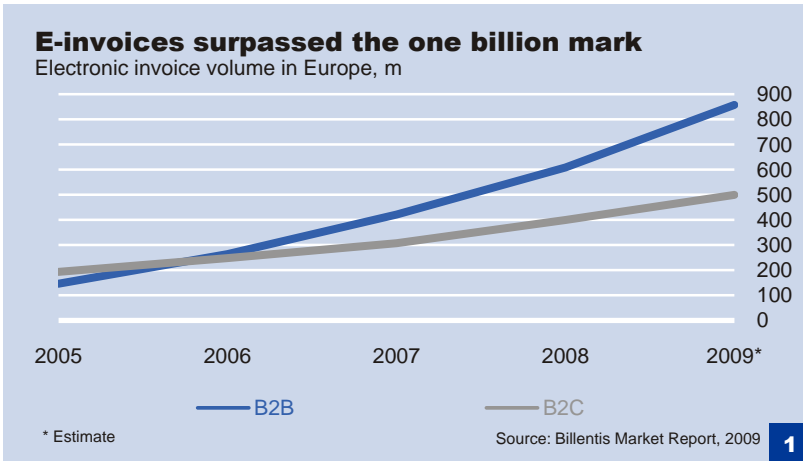
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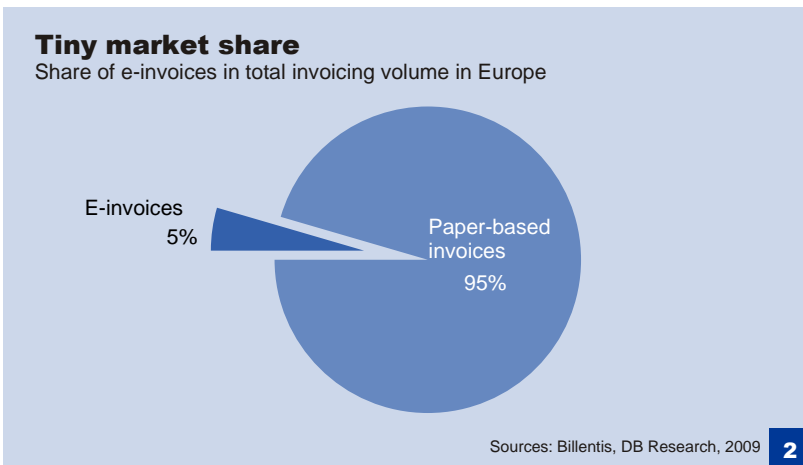
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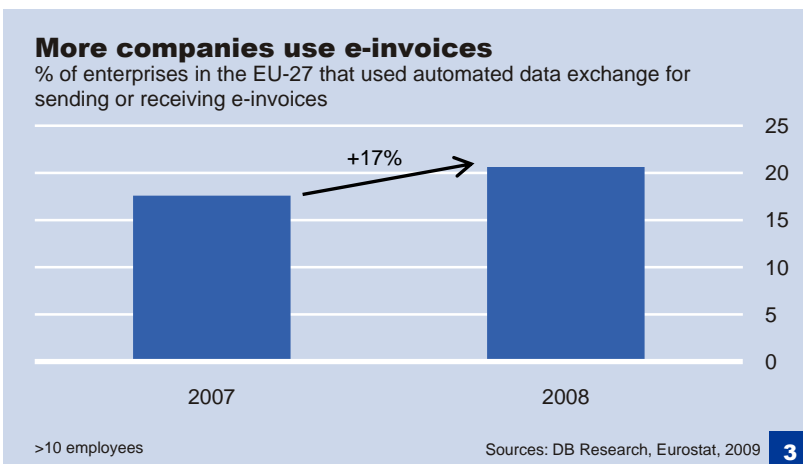
Norbert Walter



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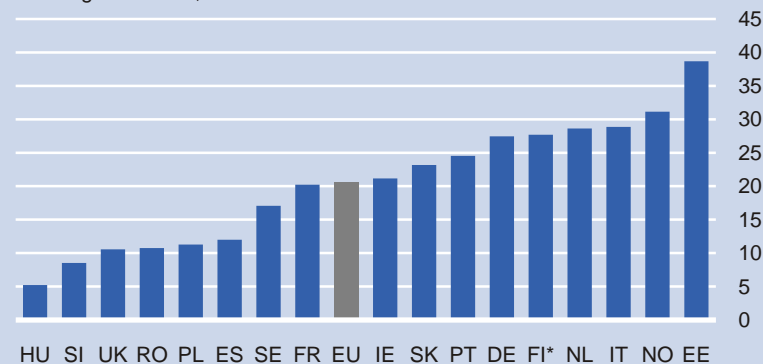
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Who saves the trees?

% of enterprises that used automated data exchange for sending or receiving e-invoices, 2008



>10 employees. *2007

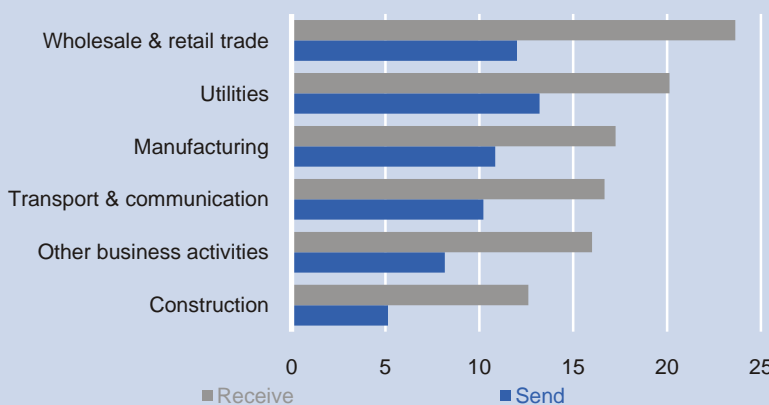
Sources: DB Research, Eurostat, 2009

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Adoption varies by industry

% of enterprises in the EU-27 which used automated data exchange for sending or receiving e-invoices, 2008



> 10 employees

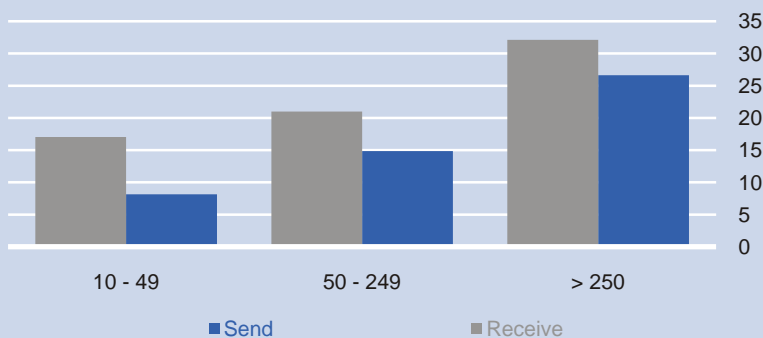
Sources: DB Research, Eurostat, 2009

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Big firms cajole others to use e-invoices

% of enterprises in the EU-27 which used automated data exchange for sending or receiving e-invoices, by number of employees (2008)



Sources: DB Research, Eurostat, 2009

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Big firms cajole smaller ones to use e-invoices. Larger companies often have standardised billing processes and hence tend to benefit more from e-invoicing. But to make it worthwhile, they must also exchange e-bills with their many smaller counterparts. Yet, large companies have much bargaining power over their suppliers to make them comply. [back to front page](#)



What drives, hinders e-invoicing?

Drivers	Brakes
Potential cost savings	Critical mass of users needed
Pressure from counterparts	Ill-prepared billing processes
Joint or open standards	Differences in payment habits and legal traditions
Solutions from standard softw are packages	Legacy systems

Source: DB Research, 2009

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E-invoicing needs to overcome structural obstacles. Large companies often use already quite advanced legacy systems for billing and payment. Smaller and medium-sized enterprises are discouraged by the complexities and the lack of a critical mass of counterparts. Imposing a mandatory standard top-down might solve that but would also inflict substantial adjustment costs on firms and payment providers. [back to front page](#)

Biggest savings potential in streamlining billing process – not e-invoices as such

Costs in EUR per transaction

Invoice issuer

	Print, envelop, send	Payment reminders	Remittances & cash mgmt	Archiving
Paper	3.90	0.50	4.50	2.20
Electronic	0	0.40	3.00	0.80

Invoice recipient

	Receive	Entering Codification	Validation & matching	Dispute Mgmt	Payment & cash mgmt	Archiving
	1.10	3.00	4.00	2.50	4.80	2.20
	0	0	1.20	2.00	2.00	08.0

Example of a company with 5,000 employees.

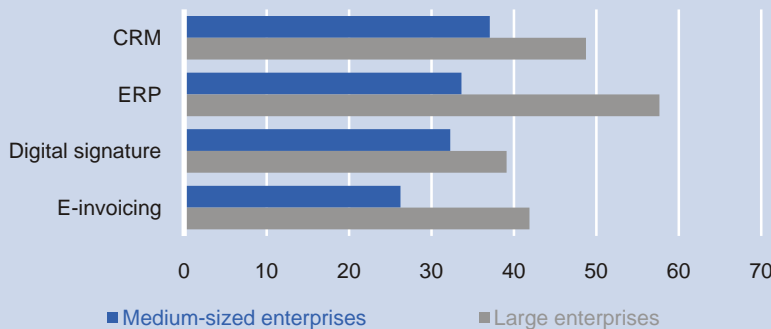
Source: Billentis, 2009

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Cherry on top

% of enterprises in the EU-27 which use the following, % (2008)



Sources: DB Research, Eurostat, 2009

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