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e-Invoicing and Supplier Adoption, a Not-so-Trivial Pursuit: Answers to Tough Questions

By Chip Martin

Over a recent weekend, I found myself engaged in a rather competitive game of Trivial Pursuit with some friends. Despite a pretty decent memory for 1980s pop culture, procuring the last piece of my game "pie" proved elusive for four full rounds. Staring at that circular game piece and its empty slot for "headlines of the '80s," I realized that the current state of electronic invoicing was quite similar to my own journey around the Trivial Pursuit game board.

I had moved successfully around the board, answering questions and acquiring colored pieces, but my inability to secure that last puzzle piece was preventing me from finishing first. I ultimately finished second. Not bad, but certainly not the intended outcome. With electronic invoicing, we've seen many organizations in diverse industries transform their approach to handling paper invoices and creating more efficient—and cost effective—review and approval processes. But there's a final barrier that many struggle with and it is supplier adoption.

Confronting Supplier Adoption Rates

In my estimation, supplier adoption is the single largest hurdle to achieving winning electronic invoicing initiatives today. Trying to persuade your suppliers to change their processes, which have likely been in place for years, to align with your organization's needs can be a costly and time-consuming process.

Selling your vision for accounts payable automation to suppliers is largely dependent on your ability to give them a beneficial reason to come along for the ride. The more suppliers that participate in your electronic invoicing initiative, the greater its impact will be on your organization.

To date, many accounts payable departments have struggled unsuccessfully with effectively communicating the value of AP automation initiatives to their suppliers, and as a result have jeopardized key relationships through compliance mandates. Not too long ago, for example, my organization received a letter from a telecommunications company indicting that it now required electronic invoice submission and

payment disbursement via their ePayables Center, which was operated by a software company.

After briefly detailing the benefits of this service, the letter went on to disclose that failure to comply with this request would allow the telecommunications company to dictate its own payment terms and/or refuse to conduct any future business with our company. For many suppliers, this approach could hardly be described as best practice in managing successful, long-term vendor relationships.

Understanding What Resonates with Suppliers

The foundation of a solid relationship between buyers and suppliers isn't built on buying power alone, it also incorporates cooperation, mutual respect, and a shared commitment to quality. From a supplier's perspective, throwing support behind your AP automation initiative should represent an opportunity to improve the efficiency of its own accounts receivable (AR) processes.

To achieve this, buyers, or payers, must be proactive in providing opportunities for suppliers to shorten the transaction cycle and offer self-service access to information related to the status of invoice approval and settlement processes. Always remember that at the end of the day, suppliers want and need to control receivables with an ultimate goal of getting paid faster, or at best, on time. Your role in helping them to do this will play a significant role in their loyalty.

If mandating participation or trumpeting other incentives such as the promise of reduced postage costs have stymied supplier interest in your organization's e-invoicing initiative, what approaches can deliver the full benefits of electronic invoicing without putting your supplier relationships at risk?

New Thinking for Migrating Suppliers

One potential approach to circumnavigating the supplier adoption hurdle is to combine third-party data capture services with a vendor segmentation strategy that allows you to determine which suppliers are ideal candidates for submitting electronic invoices directly.

I mentioned earlier the difficulty associated with trying to get suppliers to change long standing processes. Through the use of a third-party data capture service, which converts paper invoices in electronic data, you're requesting the supplier only accept minimal

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process change, most likely sending invoices to a P.O. box as opposed to your office.

By pursuing an electronic invoicing initiative also capable of accommodating paper invoices, you're able to simultaneously open the door for suppliers who might not yet be ready (or willing) to make the transition to electronic invoice submission. Over time, you can gradually expose them to the mutual benefits of electronic invoicing (an opportunity to improve their own AR processes) through self-service online visibility into invoice receipt and approval status, until they've reached a point where they're ready to make the switch.

The other half of this approach to supplier migration is vendor segmentation, or the process by which you determine those suppliers ready and willing to make an immediate jump to electronic invoicing. Breaking down your supplier base is an effective way to get your initiative off the ground because it allows you to build your supplier network at a pace best suited to the resources of your accounting department.

All the while, those not yet submitting invoices electronically are leveraging the third-party data capture service, helping your organization to successfully achieve the benefits of 100% electronic invoicing without placing any supplier relationships in jeopardy.

Reaching New Heights

Through a pragmatic approach to supplier migration, accounts payable departments can place themselves in a much stronger position to capitalize on the full potential of electronic invoicing. With more suppliers on-board, the greater your ability to work more collaboratively with suppliers to resolve discrepancies and disputes, proactively negotiate early settlement discounts, and bring your bank into the mix to take advantage of trade financing opportunities that might be available.

While process efficiency gains and cost reductions are important benefits of electronic invoicing, unlocking an initiative's strategic value is where the real promise lies. But without the ability to obtain broad supplier support for your initiative, you'll be stuck like I was trying to fulfill the winning piece of the "pie." **AP N&T**

About Chip Martin and Bottomline Technologies

Chip Martin serves as vice president of product management for Bottomline Technologies, and has domain expertise in payment systems, middleware integration, Web services infrastructure, and standards-based messaging protocols. He has a broad background within the technology industry, with more than 10 years' experience in sales, marketing and product management, and five years of experience in software product management and marketing.

Information about Bottomline Technologies and its products and services can be found at

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