E-Invoicing: Efficient Or Complex?

🏷 payments   business customers   digital banking

Summary: SMBs have converted to many digital services. Yet, e-invoicing still has not taken off. We provide some insight.

Interesting research by AARP looked at technology usage among people age 50+. It found: 23% are taking online classes as they pursue lifelong learning; 14% now own a home assistant like Amazon Alexa or Google Home; only 19% have confidence in their online safety. Meanwhile, items ranking much higher: 91% use technology to stay connected to friends and loved ones; 63% play online games and 57% watch videos or shows online.

No matter your age group or what you do online, the data shows small-to-midsize businesses (SMBs) have converted to many digital services. However, when it comes to invoices, it is quite different.

SMBs report that they still receive almost 44% of invoices through their fax machines and almost 73% arrive through postal mail, according to a recent PYMENTS study.

Interestingly though, this doesn't seem to bother them too much, as only 46% considered electronic invoicing (e-invoicing) implementation a top priority. This same study notes the reasons behind this lower priority status include: more significant priorities (14.3%); perceptions that innovations such as this take too long (11.5%) and too expensive (9.1%).

Yet, digital invoicing can increase efficiencies. According to a 2018 EY report on e-invoicing, it costs more than $8.00 to issue a single paper invoice, compared to $0.35 for an electronic one. It saves money & time. The Association for Financial Professionals (AFP) estimates it takes up to 15 days to process paper invoices.

But, what is making adoption difficult in the US is that there are too many different standards of e-invoices to consider, making the decision harder and possibly more costly. In 2017, the AFP found a variety of 40 e-invoicing standards being used.

Another hurdle for an SMB to overcome is the lack of a physical document. Some hybrid solutions generate electronic invoices in both XML and PDF formats to provide compliance with local tax and e-invoicing regulations, and some are also easily integrated into buyers' and suppliers' back-end systems. The PDF format further offers human professionals the ability to retain a more traditional style of billing and send cost-effectively through email.

On a broader level, electronic-invoicing adoption can open entrepreneurs' eyes to the benefits of data sharing in general. Industry initiatives to digitize data and support cross-platform sharing certainly help SMBs gain greater choice in the products and services they use.

The Business Payments Coalition (BPC) is a group that has been involved in mapping out a way to establish e-invoicing more broadly in the US, so that should help speed things up. Among other things, they are trying to streamline the various e-invoicing standards by working with the different stakeholders. These include payment service providers and banks, to ensure common standards for all parties.

Whether your SMB customers are using e-invoicing yet or not, it helps to know the current happenings and expected progress. This way, you can guide your SMB customers as they get closer to making a decision, while also adapting your own systems as progress is made and adoption is expanded.

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