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US B2B sector makes strides towards seamless interoperability with launch of E-Invoice Exchange

The US business-to-business (B2B) sector has taken a step towards interoperable straight-through processing (STP) with the launch of the E-Invoice Exchange under the oversight of the Digital Business Networks Alliance (DBNAlliance). The DBNAlliance is a non-profit company that will operate the electronic delivery exchange network in the US.

Established by participants from the Business Payments Coalition's (BPC's) E-Invoice Exchange Pilot, the

DBNAlliance aims to make the exchange of B2B documents smooth and frictionless by reducing inefficiencies that businesses experience with traditional invoicing methods and by creating standards for smooth exchange of electronic invoices.

This is complemented by an E-remittance Exchange Pilot launched by the BPC with support from the Federal Reserve. Through this pilot program, the payments industry is coming together to test an electronic delivery network that will enable all kinds of businesses to exchange e-remittance information.

Kevin Neal
CEO of P3iD Technologies and marketing chair of the TWAIN Working Group

Overcoming fragmentation: The road to standardized e-invoicing

Kevin Neal, CEO of P3iD Technologies and marketing chair of the TWAIN Working Group, says that these efforts will go a long way towards addressing a lack of standards for electronic B2B documents and transactions in the US. A fragmented environment means that many organizations still process invoices and remittances manually.

This is an important development, given that US companies are wasting billions of dollars on labor for inefficient processes for exchanging B2B data for financial transactions. It will usher in a new era when systems will no longer be siloed and where workflows are not slowed down by manual bottlenecks.

TWAIN is working closely with the BPC and DBNAlliance to ensure that its application programming interfaces (APIs) and communication protocols for communication between software and digital imaging devices are aligned with exchange standards. This will help close the loop for companies that

capture data from paper into business applications.

This, in turn, will help traditional Capture and Intelligent Document Processing (IDP) vendors ensure their salience in a changing market. Capture and IDP vendors have the opportunity to enable the access points within the network which translate the invoices from one format to another.

Addressing a lack of interoperability

According to the BPC, 250 e-invoice providers in the US create, send, and receive more than 15 different e-invoice formats. US businesses that want to send e-invoices may currently be required to integrate directly with their trading partner's system or join the networks to which their trading partners belong.

Streamlined VAT collection is a driver for e-invoicing in most markets outside the US.

The lack of interoperability between the differing syntaxes, formats, and subsets and the various service providers and systems can make e-invoicing a complicated and expensive proposition. This creates a complex environment for e-invoicing in the US, where only a quarter of the 25 billion invoices issued each year are transmitted electronically.

The E-Invoice Exchange aims to address this challenge by creating a virtual electronic delivery network. The exchange's technical standards and policies aim to enable all businesses to securely share electronic documents with one another, no matter which platform, system, application, network or payments instrument they use.

The network employs a four-corner model, where e-documents are sent and received through an access point or service provider that connects companies to the network. The exchange framework contains four types of participants—the supplier, two access points otherwise known as service providers, and the buyer.

Members of the BPC and DBNAlliance include many heavyweights in B2B supply chains as well as leading e-invoicing service and software providers. The hope is that these companies will have the scale to build enough support for the E-Invoice Exchange that it reaches a tipping point and becomes the standard.

While the B2B buyers and sellers involved in the standards organizations are predominantly large corporations, the aim is to make the standards attractive and easy for small and medium businesses (SMBs) to adopt as well. One way this might be achieved is by bringing accounting and other SMB software providers on board.

Government mandates versus industry drive

Neal says that the lack of a government-driven mandate for e-invoicing partially explains why it has taken time for the US to rally around standards for B2B document sharing. Streamlined VAT collection is a driver for e-invoicing mandates in other territories—impetus lacking in the US, which has no federal VAT or GST system.

However, TWAIN believes that the business case for e-invoicing, e-remittances and, eventually, STP, will accelerate adoption of the DBNAlliance's exchange. For suppliers and service providers, a standardized network promises secure delivery, speeds up payments, and allows for instant invoice response notifications.

> STP is achieved by establishing an electronic payment process that requires no manual intervention. The entire payment process including invoice, payment and remittance information is completely automated from start to finish. These electronic or automated payment processes benefit the entire B2B payments ecosystem as they lead to more efficient payments.

Buyers should meanwhile benefit from lower processing costs, more accurate processing and the possibility of discounts for prompt payments. At a time of high interest rates, sellers and buyers alike will find a lot of benefit in streamlining administration and cash flow, says Neal.

Access point service providers will be able to leverage the framework to facilitate the connection of buyers and suppliers, ensuring that connections meet their customers' business rules.