advanced

e-invoicing
How do electronic invoicing
methods compare?

Introduction

Why onboarding matters

Many organizations are still burdened with manually checking and processing data from physical documents into their systems. Electronic invoicing can speed up processing while cutting down on errors, costs and even environmental impacts. But with different solutions available, it's important to select the right one for your organization to realize maximum benefit.

In this review, we outline the three main types of electronic invoicing methods and consider the strengths and challenges of each – considering the ease of installation, on-boarding rates, data accuracy, and the costs involved for your organization and your vendors.

Types of electronic invoicing

XML or EDI invoicing

The traditional e-invoicing approach requires vendors to send an XML or EDI file, often via a service provider, to the buyer's finance application. Data accuracy is very good as no manual data input is required, information can be directly extracted from the source documents.

Vendors will usually need to change their billing application and infrastructure in order to send XML or EDI documents, making this an expensive and time-consuming option. If they have the skills available to make the change and are sending a high volume of invoices to the buyer – over 1,000 a year – a supplier may be able to justify the effort and cost to move to this method of invoicing. Otherwise, it is far less likely vendors will be willing to make the changes, so onboarding rates remain low.

Summary:

- High level of IT changes required
- Slow to implement
- High data accuracy
- High cost so appropriate only for very large vendors (1,000 invoices/year plus)
- Low on-boarding rate

Invoice portals

Invoice portals provide a single connection point for vendors and buyers to send and receive invoices.

For organizations that already raise invoices in an accounting application, repeating the process in a third-party portal means duplicating time, effort and cost. And as portals require manual data entry, there is a risk that errors will be introduced, potentially causing a discrepancy between invoice details recorded in the supplier's finance application and those in the portal.

For very small vendors who don't use an accounting package and send one to three invoices a year, portals can remove the barriers to e-invoicing that exist with XML and EDI. However, adoption rates remain low for other organizations due to the operational inefficiencies they can cause.

Summary:

- Low level of IT changes required
- Quick to implement
- Some errors due to manual data entry
- Appropriate only for very small vendors (1-3 invoices/year)
- Low on-boarding rate

Types of electronic invoicing

PDF & Digital Document invoicing

After paper invoicing, PDF and digital document invoicing is the second most popular invoicing method. It requires vendors to create an invoice within their own accounting package and send it via email, most commonly as a PDF.

As PDFs are computer-generated files, all of the invoice data items are embedded in the document and visible to the right technology. PDF invoicing solutions will extract this information, so 100% data accuracy is guaranteed.

Almost every billing application can generate an invoice as a PDF, meaning that vendors won't need to change their processes, technology or infrastructure. As a result, onboarding rates are extremely high for vendors of all sizes.

Summary:

- Low level of IT changes required
- Quick to implement
- High data accuracy
- Appropriate for all sizes of organizations (high or low invoice numbers)
- High on-boarding rate

100% data accuracy is guaranteed.
As PDFs are computer-generated files, all of the invoice data items are embedded in the document and visible to the right technology. PDF invoicing solutions will extract this information, so 100% data accuracy is guaranteed.

Comparing electronic invoicing methods

In general, the easier an invoicing method is for your vendors, the higher the onboarding rates – and the greater the impact will be on your organization. Focus on your largest vendors first to bring the greatest benefits to you. Take into account the time needed to get a solution in place: the longer it takes to become functional, the longer it will take to realize the business case.

	EDI or XML invoicing	Invoice portals	PDF invoicing
Implementation speed	Slow to implement	Fast to implement	Fast to implement
Infrastructure changes	High level of IT changes required	Low level of IT changes required	Low level of IT changes required
Cost	High cost to both buyers and vendors	Low cost to buyers, high cost to vendors	Low cost to buyers and vendors
Types of vendors suitable for	Very large vendors (over 1,000 invoices a year)	Very small vendors (1-3 invoices a year)	All sizes of organizations (high or low invoice numbers)
Data accuracy	High data accuracy	Some errors due to manual data entry	100% data accuracy
Onboarding rates	Low onboarding rates	Low onboarding rates	High onboarding rates

Why Advanced?

Our Advanced Data Automation solution provides straight-through, no-touch invoice processing for data-rich documents including PDFs, Microsoft Word, Microsoft Excel, and HTML files like emails.

It captures, extracts and validates data from invoices with 100% accuracy, before automatically inputting it into your financial management system (FMS) or enterprise resource planning (ERP) software.

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We would love to hear from you

To discover how Advanced Data Automation can help you achieve your goals, get in touch today.

Contact us