

State of e-invoicing in the Netherlands: history, lessons learned and new steps.

Contribution of the Dutch Multi-Stakeholder Forum to Activity Group 1

Uptake of E-Invoicing in the Netherlands lags behind expectations despite several years of policies actively endorsing and stimulating e-invoicing. In 2008 the government has stated high ambitions regarding e-invoicing: in 2014 the aim is that 80% of the received invoices (sent to the government) are digital, but these ambitions will almost certainly not be realized. The central government received 42% of the invoices electronically, the government as a whole 9% and enterprises with more than 10 employees received and sent 27% respectively 18% e-invoices.

The pressure on government agencies to accept e-invoices is quite mild: government agencies are advised to ask for e-invoices in the procurement process and since January 2011 there is a ministerial decree that forces central government to accept e-invoices when they are sent in UBL or HR-XML. The invoices can be sent through the "Digipoort", active since 2009, a central hub that provides access to all the different governmental agencies with their own technical infrastructures.

The current government builds on measures taken earlier to stimulate the uptake of e-invoicing.

- 1.** From 2008 on a so-called "ambassador e-invoicing" was appointed, Marco Pastors. He is a well-known (local) politician. The first years he actively visited the large business partners of government agencies to remove organizational and technical borders for e-invoicing. He also visited governmental agencies and municipalities to help them to switch to e-invoicing. However: it appeared that actually connecting business partners took a lot of effort. And the efforts did not lead to a large scale uptake of e-invoicing by other agencies or business partners
- 2.** In 2009 a covenant was signed between government and business parties about the importance of e-invoicing and the preferred standards (UBL, UN/CEFACT). A semantic invoicing model was developed so that also other invoice models could be mapped on each other.
- 3.** In February 2009 Secretary of State of the Ministry of Finance gave the paper and electronic invoice the same legal status: any additional requirements for the digital invoice were withdrawn. In this respect The Netherlands were ahead of EU-directive 2010/45/EU.
- 4.** In 2012 the expert group on e-invoicing, in which the Dutch Tax Administration was represented, published the compliance guidelines e-invoicing. These compliance guidelines provided guidance how to deal with compliance and master fiscal risks of e-invoicing.
- 5.** 2013 the SimplerInvoicing initiative, from Billing Service Providers and administrative software developers, supported by the ministry of Economic Affairs, developed a "four corner model" that can deal with the technical and procedural complexity of e-invoicing for the end-user: for the end-user all his business partners, connected to SimplerInvoicing, belong to just one network and all the technical issues like how the receiver wants to receive an e-invoice and in which format is dealt with by SimplerInvoicing. An important aspect of the network is that there are two versions: a "light" version in which e-mail is used: it can be used by every party sending and receiving and e-invoice. And a "full" version in which authenticity and integrity of the e-invoices is guaranteed. In 2014 the network is up and running. Eleven service providers are live and 10 are implementing. However: the next step is that their customers really activate and make use of Simplerinvoicing.

Despite the political attention, and the actions removing the fiscal/legal and technical barriers for e-invoicing, e-invoicing is growing slower than expected. The lessons that can be drawn from the Dutch efforts are:

Lesson 1. The measures taken to remove technical, fiscal and legal barriers were *necessary, but apparently not sufficient*, to stimulate the uptake of e-invoicing.

Lesson 2. Rather than thinking about e-invoicing as a solution in its own right, we need to consider it as an enabling project. If business and suppliers adopt e-invoicing, and effectively build a virtual network, it unleashed huge potential. When considered that really the purpose of an e-invoicing network is to facilitate the movement of cash (the ultimate measure of value) we can start to consider what to do with this network to *maximise the value of that cash movement to the business*. This is where the topics of making cash available early to suppliers at a discount comes into play. Adoption of e-invoicing is great, but really it's just an enabler to introduce a programme that has far more value creation for a business. Secondly in Single Office Home Office (SOHO)/ Small and Medium Sized Enterprises (SMEs) often the handling of paper & PDF based invoices does not take that much time due to low volumes. It also creates a new moment of contact with the customer and is guaranteed in compliance. Just focusing on the savings of e-invoicing does not lead to mass adoption.

Lesson 3. The efforts to stimulate uptake of e-invoicing have limited effect. However: in a number of domains uptake of e-invoicing is large and policies are not required at all: for example in the domain of fast moving consumer goods, logistics and transport, automotive industry, in the building sector and in food chain e-invoicing is best practice. Policies aimed at removing technical and fiscal barriers or making e-invoicing mandatory should not hinder these communities, for example by requiring new investments without a business case.

Lesson 4. A powerful group of barriers is not addressed by the policies: realizing the advantages of e-invoicing (by SME's) requires quite fundamental (cultural) changes of the service-providers in the administrative domain.

a. First there is the phenomenon of vendor-lockin : it is quite prevalent in the domain of administrative software and in e-invoicing services. Vendor-lockin is a powerful (most of the time transient) mechanism: it makes it attractive to invest in new technologies, but after a while lockin slows down uptake and wide use. At this moment only business partner connected to the same service provider can be reached without effort and the network is a Unique Selling Point. We do expect adoption will be driven rather by ERP-vendors than Billing Service Providers (BSPs). Interest of both groups is different: ERP-vendors prefer simple transactions (just an exchange of structured e-invoices) with added value coming from the software packages. BSPs would like to have as much added value to the transaction (trusted, signature, confirmations, archive etc).

b. Second the domain of administrative, financial and fiscal services are to a large extent working on the basis of "paper" and slowly evolving to digital services. The adoption of e-invoicing requires the adoption of a new business model for these parties: and this takes time.

Lesson 5. There are organizational barriers within organization that slow down large scale adoption of e-invoicing. We identified three types of barriers within organizations:

- a.** A large part of the small SOHO/SMEs do not have a digital administration that can deal automatically with e-invoices. This means that processing an e-invoice for the SME is as much work as processing a paper invoice or : the data are entered manually for banking and administration.
- b.** Another organizational barrier is that organizations are often organized in isolated silos, like logistics, ordering, fulfilment and payment. These silo's have their own ICT systems and their own priorities, language and culture. The possibilities for process optimization by introducing e-invoicing is small for these companies and in addition: the costs of an inefficiently handled invoice are small compared to the costs that are made for a transaction to take place in the other silo's.
- c.** the business-case for digitalization of the invoicing process is large for a relative small number of invoices. For the larger companies about 80% of the business process and therefore the invoices is done with 20% of their business partners. There is a business-case to invest in the optimization of the processes with these 20% of the business partners: logistics, procurement, e-invoicing. The main driver for digitalization of these processes is costs: choice of the business partners is often done on the basis of price. The 20% of the remaining invoices (exchanged with 80% of the business partners) are often non-standard: orders and invoices are exchanged on an incidental base with a relatively large group of business partners (80% of the total number of business partners is doing business incidentally). The business case for e-invoicing for this type of invoices is large on a societal scale, but small for the business partners: personal contacts and quality of services and goods are much more important than the reduction of costs. It is in the domain of the incidentally sent invoices with a large number of business partners that on-boarding process is often too complex and costly. SimplerInvoicing could be an important instrument to make the on-boarding process easier.

The Netherlands are considering the next steps to be taken to stimulate uptake of e-invoicing. Two steps are considered:

1. Stimulate the uptake of SimplerInvoicing by service providers and actual use by SME's. Once an SME has activated SimplerInvoicing he can send e-invoices to almost every business-partners, either using specific standards, used in a specific domain, or general standards. However, even when SimplerInvoicing is built in, it is often not activated. To stimulate uptake of SimplerInvoicing efforts will be spent on marketing (knowledge about SimplerInvoicing).
2. The possibility is considered to not only mandate receive capability for government agencies but also require it from their suppliers to send an e-invoice. Other European countries, like Denmark and Norway, have seen an sharp increase in adoption from such a measure.

These steps may stimulate uptake of e-invoicing in the following ways:

1. SimplerInvoicing does not interfere with the uptake of e-invoicing in domains where there is a clear business-case (80% of the invoices are send to 20% of the business partners - lesson 3) and helps uptake of e-invoicing for those invoices that are send to incidental business partners (20% of the invoices are sent to incidental business partners) (lesson 5c).

2. Simpler Invoicing makes vendor-lockin by maintaining incompatible standards an unattractive strategy: an SME can send invoices to a business-partner whatever the standards the business-partner uses (lesson 3a).

3. We do not directly address with these measures the issue of adoption of new business models in the administrative services that will make e-invoicing more attractive than processing invoices on paper (lesson 3b) and we do not address the issue of silo's within organizations. Finally we do not address directly that the business-case for e-invoicing for small companies is small (lesson 4). However indirectly we may influence these issues: if it becomes easier (and more secure) to send an e-invoice than a paper invoice, it will probably become more attractive, also for small companies, to start e-invoicing.

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