

My suppliers want to send PDF invoices – are these the same as electronic invoices?

Do PDF invoices provide me with structured data that can be used in my finance application?

# PDF Invoicing

## Dispelling the Myths

**CloudTrade offers a supplier a number of ways to send an electronic invoice – including XML and EDI invoice submission.**

However, the easiest and most popular method for suppliers, is to simply send a PDF invoice via email.

This paper is to dispels some of the myths that are commonly associated with PDF invoices, and answer questions such as:

1. Is PDF really invoicing?
2. Are electronic signatures required for PDF invoices in Europe?
3. Is PDF invoicing only appropriate for Small to Medium Sized Businesses?

# Is PDF invoicing really e-invoicing?

We occasionally hear the statement that PDF invoicing is not really electronic invoicing.

In most cases, this statement is simply not true. In fact, for many (including the author) PDF invoicing is the saviour of e-invoicing and the only way that mass adoption of electronic invoicing is ever going to happen.

Let's first agree on what an electronic invoice actually is. The widely accepted definition of an electronic invoice is as follows:

**“...an electronic invoice should contain data from the supplier in a format that can be entered (integrated) into the buyer's Account Payable (AP) system without requiring any data input from the buyer's AP administrator”.**

Traditionally, suppliers have been asked to send XML or EDI invoice files from their billing application to their customer (receiver).

As there is no single standard for an invoice file structure, a market has evolved where e-invoicing service providers offer value added mapping services.

## For most organisations adopting e-invoicing, the process is:

- 1. Supplier:** uploads XML or EDI invoice file (e.g. Tradacoms EDI) to the e-invoice service provider
- 2. Service Provider:** maps the data from the supplier's file to the structure required by the receiver / buyer (e.g. Tradacoms > cXML). Validation checks are applied to the data and file structure by the service provider
- 3. Buyer:** receives a validated e-invoice file (e.g. cXML). The objective of most e-invoicing projects is to remove paper from the receivers finance department and increase visibility and controls within their purchase to pay function.

The buyer rarely cares how the supplier sends their invoice to them.

As long as they receive the same, validated file structure every time from the service provider and a high quality and cost effective service is received, they are happy.

Referring back to the original definition, when a supplier sends an XML or EDI file the document is rarely *“in a format that can be entered (integrated) into the buyer's Account Payable (AP) system without requiring any data input from the buyer's AP administrator”.*

**That's where e-invoicing and EDI service providers come in. They map the invoice data from the file the supplier has generated into a structure that can be integrated into the buyer's Accounts Payable system.**

# So, is a PDF any different to an XML or EDI file?

**If the PDF has been machine generated (i.e. not scanned) then the answer is simple: NO, there is no real difference.**

A PDF invoice carries the invoice data, in the same way that an XML or EDI file carries data.

When a PDF is 'machine generated' i.e. produced by an application such as an accounting package (which most are!), in almost all cases it will be a text PDF, with all the invoice data items embedded directly within the PDF. The PDF file simply acts as a carrier of data, with a visualisation mechanism to allow people to read the document.

A PDF's ability to carry the invoice data, is no different to how an XML or EDI file carries data. The only real difference is the way the data is structured internally within the document.

An XML or EDI file 'should' comply with a particular industry schema – such as cXML or Tradacoms – whereas the structure of the PDF will comply with the schema as defined by the Accounting Application generating it (or unique to the supplier if they have 'tweaked' the invoice template).

On this point, it should be said that XML and EDI files suffer the same 'supplier specific' data structure issues that PDFs do. Although in theory they 'should' comply with a specific schema, the reality is somewhat different.

The sender's view of how to represent invoice data in the schema, is very often different to the receivers view. Data items are placed into the wrong schema elements, that will ultimately require 'cleaning up' (i.e. re-mapping) at some stage of the process (usually done by the service provider).

Therefore, using the argument that data will be represented consistently the same way within an EDI and XML schema across many suppliers, is simply not true. Supplier specific mapping rules are needed to ensure consistent data structures are delivered to the receiver.

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## Can a supplier send any type of PDF?

**The only constraint is that the PDF must be 'machine generated', i.e. produced directly from an application.**

Machine generated PDFs almost always carry the raw invoice data within the PDF itself.

If the PDF is generated by scanning a paper invoice, an image or 'photograph' of the invoice will be passed in the PDF.

Unfortunately the only way to process image PDFs is to use OCR (Optical Character Recognition) technology – which by its very nature cannot guarantee data quality without an human intervention.

## Do all PDF data files received from a supplier need to be mapped?

By using technology that can access the data layer within a PDF and by creating a map that is unique to the Accounting Package or Supplier (i.e. in much the same way as any other EDI/ e-invoicing vendor would create a map for an XML or EDI document), you get the same level of data quality on each and

every machine generated PDF invoice as you do for an EDI or XML generated invoice.

Referring back to the original definition, a PDF when first received from the supplier won't be: *"in a format that can be entered [integrated] into the buyer's Account Payable [AP] system without requiring any data input from the buyer's AP administrator"*.

The same can be said for an EDI or XML file received from the supplier. However, by using the right tools to map the data from a PDF invoice into a structure the receiving party requires, a machine generated PDF is no different to an XML or EDI document.

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## Are electronic signatures required for PDF invoices in Europe?

**No. Since 1st January 2013, all EU members must afford the same legal status to electronic invoice processes as they do for paper invoices.**

The EU's intention is to create an environment where it is as straightforward as possible for all sizes of organisation to use e-Invoicing when trading with partners, both nationally and intra-EU.

### e-Invoices and paper invoices are legally the same

Under the new rules individual member states can no longer impose conditions in relation to the use of electronic invoices. Instead, it is for an individual business to determine the method used. In this sense, paper and electronic invoices are now treated equally – the same process for paper invoices can be applied for e-invoices.

### An emphasis on business controls

Each organisation may determine their way to ensure the authenticity of the origin, the integrity of the content and the legibility of the invoice. The primary (but not the only) method is the use of business controls to create a reliable audit trail between the invoice and the supply to ensure the authenticity of origin, integrity of content and legibility for all invoices, whether paper or electronic.

Business controls can mean different things to different people. However, for most organisations business controls are standard practice, which are already embedded within the purchase-to-pay and invoice-to-pay processes. Business controls are simply about creating a reliable audit trail between invoice and supply of goods or services. Something that most organisation already do as standard practice.

For more information on Business Controls, please refer to: "Good Practice: e-Invoicing Compliance Guidelines" by CEN [European Committee for Standardisation] [ftp://ftp.cen.eu/CWA/CEN/eInv/CWA\\_16460.pdf](ftp://ftp.cen.eu/CWA/CEN/eInv/CWA_16460.pdf)

# Why is PDF invoicing so popular?

A recent survey by the Accounts Receivable Network highlighted PDF invoicing as the second most popular way for organisations to send their invoices, after paper.

In fact, in almost every organisation a high proportion of invoices will be received via email as PDF invoices (if the organisation allows it that is!).

Once an organisation actively promotes PDF invoicing as part of a proactive supplier enablement programme, we would expect to on-board > 90% of suppliers that are targeted – and usually by their very next invoice.

The simple reason for this level of supplier conversion is that PDF invoicing is easy to use, non-disruptive and out-of-the-box with most accounting and billing applications.

## Is PDF invoicing only appropriate for Small to Medium Sized Businesses?

Contrary to common belief, this is not just a method used by small to medium sized suppliers.

The approach is the most popular way to invoice, irrespective of the size of the supplier.

The reasons for this are quite simple:

For most suppliers, emailing their invoices to you is their preferred way to invoice.

As a result, when asking a supplier to move away from paper and onto e-invoicing, the barriers to adoption of are removed.

- 1. Technical barrier is removed:** Suppliers don't have to change their billing systems or infrastructure, which is usually required when sending XML or EDI documents.
- 2. Process barrier is removed:** Suppliers don't have to duplicate their invoicing activity by first creating their invoice in their own accounting package, then doing it again in a 3rd party portal.
- 3. Cost barrier is removed:** Suppliers don't have to engage (or pay for) IT to change systems or infrastructure to send XML or EDI. They don't have to purchase software to generate their invoice. They simply use the tools they already use day in/day out.

- 1. Non-disruptive move from paper:** PDF invoicing is out-of-the-box with almost all finance applications. No technical or process changes are needed – for most it is simply a case of checking a box in their finance application.
- 2. No investment or approval needed:** the customer's main contact can make it happen. When an on-boarding team engages with a supplier, in the first instance it is usually with the Accounts Receivable clerk responsible for the customer's account.

If you ask them 'can you send their invoice as an XML or EDI file', the AR clerk has to raise

the request with their line manager. The line manager has to engage IT who may have to engage with a 3rd party who provides the IT for them. Any change request paper work has to be raised and the budget has to be signed off. If that supplier is providing 1,000 invoices a year to the customer, the supplier may be willing to make the change.

If however they only send 100 invoices / year, it is unlikely the supplier would be willing to support the initiative.

With PDF invoicing, the Accounts Receivable clerk can make the switch.

- ✓ **No need to raise requests with management or other departments.**
- ✓ **No investment case needs to be signed off.**
- ✓ **It is quick and simple and why so many suppliers – irrespective of size – prefer PDF invoicing over other e-invoice submission options.**

## Benefits for the Buyer

There are numerous benefits for the Buyer.

- 1. More suppliers on-boarded:** Working with a service provider that offers PDF invoicing as an option for suppliers, will result in more suppliers being on-boarded, which in turn will mean more paper is removed and more invoices will be received electronically than 'traditional' e-invoicing methods.
- 2. Quicker supplier's on-boarding:** PDF invoicing is 'out-of-the-box' with most billing applications. Unlike XML or EDI which require IT involvement (and often an investment case to be signed off), the Accounts Receivable clerk raising the invoice can make the change. In the majority of cases, a supplier will start sending PDF invoices instead of paper, directly following the request from their customer to move over to this method.
- 3. Lower on-boarding costs:** The cost to on-board suppliers is kept to a minimum. Although commercially supplier on-boarding charges will be dependent on the service provider, the effort for both

buying organisation and the service provider is kept to a minimum (which should be reflected in the charges!).

- **Easiest:** Most organisations will already have some suppliers sending their invoices via email. For those suppliers transacting via this channel, the only engagement with the supplier is to ask them to change the email address to ensure the invoice data is mapped and processed automatically.
- **Easy:** The supplier on-boarding process starts with an email which is sent to the suppliers within scope. Out of 10 suppliers that receive this request, 2-3 will start transacting without further communication or chasing.
- **Slightly harder (but still easy!):** Those organisations who do not start transacting following receipt of initial request from the buyer, will require a follow up email and /or call. In the majority of cases, the suppliers contacted within this group, haven't received the letter as the contact details provided by the buyer are either incorrect or out of date. Although suppliers in this group are classed as the hardest to on-board, it is not a hard sell. We are not asking them to

change systems or infrastructure, and we don't charge them for the service. As a result, once the follow up cycle has been completed, typically >90% of suppliers that are targeted for e-invoicing will move away from paper and onto this form of electronic invoicing.

**4. Supporting invoice documentation can be kept with the invoice:** Unlike XML and EDI type services where supporting documentation has to be kept separate from the invoice data file, PDF invoicing doesn't. Supporting documentation such as timesheets or delivery notes, can be sent with the invoice and the relationship with the invoice is maintained within the process. The PDF Invoicing service provides three options for the receiving party:

– Supporting documentation received with the invoice is kept separate and routed to the buyer via email.

– Supporting documentation received with the invoice is kept with the invoice files and passed to the buyer invoice processing environment with the invoice.

– Supporting documentation is 'merged' with the invoice image file (i.e. PDF) so that the buyer views a single PDF containing both invoice and supporting documentation.

**5. Original Supplier Invoice:** There is a genuine human readable record that has been created directly by the originator (supplier) as preferred by tax inspectors worldwide.

In summary, the benefits for the buyer offering PDF invoicing as an e-invoice submission options are clear: more suppliers will move away from paper and onto electronic invoice submission, in a shorter time frame, than any other approach.

## Benefits for the Supplier

**1. No IT changes required:** No change needed to the billing application or infrastructure – the supplier is simply using functionality that is out of the box with almost all accounting packages.

**2. No need to involve IT department:** No need to raise a work request on another department. The AR / Credit Controller can make it happen!

**3. No change to operating processes:** No duplication of effort or additional operating overhead – which are

unwanted side effects of using 3rd party invoice portals.

**4. No financial investment:** As no technical changes are needed – or additional overhead operating costs incurred - no investment of financial case needs to be approved.

**5. Easy and quick to adopt:** Due to the ease by which suppliers can move to PDF invoicing, most are able to make the move by their very next invoice.

**5. Stronger trading relationships:** Electronic invoicing is one step towards an integrated supply chain and stronger trading relationships.

# More paper removed in a shorter time frame....

We believe that for an e-invoicing project to be successful, it must be easy and non-disruptive for suppliers to use. Only then will suppliers move away from paper an onto electronic invoice submission.

PDF invoicing is the preferred way to invoice for most suppliers. It is easy to use, non-disruptive and out-of-the-box with most accounting applications.

Based on experience of on-boarding thousands of suppliers since 2010:

**CloudTrade will move more suppliers onto electronic invoicing – thus remove more paper from accounts payable – in a shorter time frame, than any other e-invoicing approach. Guaranteed!**

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