



How Does e-Invoicing Work?

At the end of the day, e-invoicing is simple. Structured formats, standards and networks make it work – and these are all things that can be taken care of by your chosen service operator.



Networks provide the easy connectivity that makes **the electronic exchange of business data and trade documents**, including e-invoices as a core element, truly efficient

THINK INTERNATIONALLY, THINK NETWORKS AND ECOSYSTEMS!

Standardized digital business networks enable seamless business-to-business collaboration: you can sell, buy and pay digitally. Networks provide the easy connectivity that makes the electronic exchange of business data and trade documents, including

e-invoices as a core element, truly efficient – and not just in your own neighborhood but globally, regardless of local differences.

Furthermore, business networks are growing into ecosystems where even competitors may collaborate to better meet the challenges of the changing

business environment. E-invoicing is a fine example of ecosystem thinking. Join an e-invoicing network, and get your business access to a dynamic global ecosystem that aims to maximize the value of trading relationships for all its participants.



THREE THINGS ARE NEEDED TO MAKE E-INVOICING WORK

AN E-INVOICING ADDRESS – TO WHOM?

Just like a letter needs a postal address, e-invoice senders and recipients are identified by their respective addresses. Globally there are different identifications, such as VAT numbers, business IDs, GLNs, and so on... All of them work well as long as the sender knows the right address. The best way to share information would be a global e-invoicing address directory but unfortunately we are not quite there yet. Some of the networks (such as the PEPPOL Network) do already have central address catalogs.

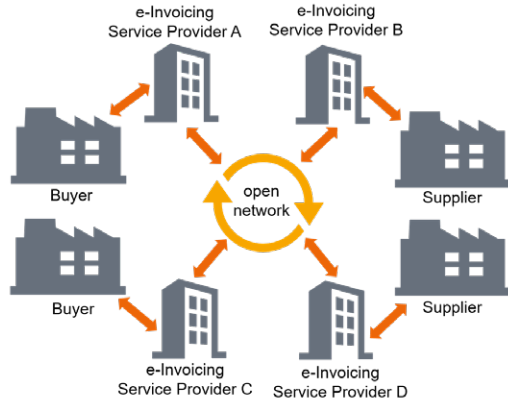
A FORMAT – WHAT?

A format (such as EDI, XML, ZUGFeRD, etc...) defines how the invoice data is put on the e-invoice and ensures that both of the business parties can understand the document in the same way. Structured standard formats allow automatic processing, conversions and full electronic handling of the invoice. Format complexities are usually solved by the service providers.

INFRASTRUCTURE – HOW?

How electronic documents are to be exchanged between the parties needs to be agreed, either by the business parties or within a network. Senders and recipients need access to infrastructure for the transmission of e-invoices. The bigger, more widespread and more standardized the infrastructure is, the better for the participants.

HOW ARE E-INVOICE MESSAGES EXCHANGED?



There are, of course, several e-invoicing models. In OpusCapita we support them all but we think that **the four-corner model** has in most cases the greatest efficiency and scalability. It is an open network model where the e-invoice senders and recipients can choose any service operator they find most suitable for their individual needs.

That is also just about all they need to do in order to start sending and receiving e-invoices – their service operators take care of everything else. Operators dig into and keep up-to-date on technical, legal, fiscal and other relevant issues, and ensure that everything is done by the book.



For some companies and in some cases an open network is not an ideal solution. Sometimes a direct connection between the trading parties is all that is needed. **A two-corner model** is relatively easy to establish and all transmission details can be agreed between the buyer and the supplier, but it is not scalable.



A three-corner model is a closed arrangement where one service provider connects the supplier(s) and the buyer and can offer a tailored service to them. This works efficiently as long as all parties can use just a single service operator – but suppliers are often forced to work with many service providers simultaneously because their customers are using different providers.



The OpenPEPPOL Network has Certified Access Points to the network in **25 European countries, the United States and Canada.**

PEPPOL has:
> 100,000 receivers
> 400,000 senders
~ 60 million documents exchanged
(2017)

HOW TO BEST REACH YOUR BUSINESS PARTNERS?

Based on this we can say that **the four-corner model has the best international scalability and flexibility.** It offers you the easiest way to reach your supply chain partners anywhere in the world. If you receive 10,000 invoices from your 100 suppliers, there is no need to negotiate and arrange technical, legal and other details separately with all of them. Service operators take care of compliance and interoperability with each other, based both on bilateral agreements and as part of a multilateral network.

Service operators around the world participate actively in developing the interoperability of an e-invoicing ecosystem. PEPPOL (Pan-European Public Procurement Online) is an example of a rapidly expanding network for electronic cross-border procurement and invoicing in Europe. PEPPOL has its roots in the public sector but is increasingly used for B2B messages (e-invoices and trade documents) as well.

In the future, the public sector will be increasingly engaged in the process of invoicing, for example to prevent VAT revenue leaks. There will be a rapid change towards real-time clearance models, and they are expected to become the dominant control method in less than 10 years. An open network model adapts flexibly to any legal and fiscal requirements. (More about them in the next chapter.)

GLOSSARY



E-invoicing infrastructure = A set of technical elements that determine how the parties joined in a network exchange electronic documents.



E-invoicing ecosystem = A combination of different e-invoicing networks.



Interoperability = A set of technical and business measures agreed by two or more service providers to ensure that their customers can exchange and process electronic documents with each other, even when they operate on different systems.

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Ahti has been active in the e-invoicing industry since the year 2000. A large part of his work involves developing the e-invoicing ecosystem in Europe, for which he is a member of the executive committee of the European E-invoicing Service Providers Association (EESPA). He also acts as the OpusCapita representative for towards the OpenPEPPOL Association.

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Learn more about how you can benefit from OpusCapita's e-invoicing services at

www.opuscapita.com/solutions/business-network/e-invoicing



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