Article Side

Crafting the Perfect Invoice by Joe Hyde

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Since 2007 the worldwide economy has been navigating a financial storm, with many weaker companies sinking under the pressure of falling order books and late payments.

A typical manufacturing company will have cut back on hiring new employees, stopped buying capital equipment, slashed research and development and frozen new product launches. Directly impacted by the recession is the accounts receivable (AR) process. The customers of the company that owe it money may pay slowly, late, or not at all, further reducing revenues. The affected company will pay its own bills more slowly, late, or in smaller increments - this in turn may reduce the companyâ€™s credit rating and its ability to obtain financing.

In short, itâ€™s a vicious circle which many organisations have fallen victim to. So, any strategy to facilitate the payment of invoices and reduce the days sales outstanding (DSO) is critical to any business, large or small.

This whitepaper considers the true cost to deliver a business to business (B2B) invoice and proposes a flexible and innovative method (based around the Pareto principle or 80/20 law) to deliver invoices instantly, cost effectively and with complete visibility

The Death of Post

In the last five years weâ€™ve seen an explosion in the growth of electronic business document transmission â€“ common formats and methods of transmission include:

â€¢ EDI (Electronic Data Interchange)

â€¢ XML, CSV or other structured file formats sent via email, FTP or secure web portals

â€¢ PDF or Tiff images sent via email

Of the formats and transmission methods listed above, PDF sent via email is proving popular. This is because it provides a direct replacement for post but at a negligible cost. You also negate the need to agree a â€œtrue electronicâ€• format to exchange data, as a PDF is simply an electronic image of the original paper document.

Comparing the Cost

If youâ€™re comparing the cost of Post vs. PDF (sent via email), you realise the reason for its popularity:

Cost to create the document - Post vs. PDF

Post â€“ circa 20p (this includes printing cost, paper, envelope, energy and labour)

PDF â€“ circa 1p (there are no material and labour costs only software and energy)

Cost to send document - Post vs. PDF

Post â€“ 20p (downstream access provider, e.g. UK Mail) to 39p (1st class franked mail)

PDF â€“ less than 1p (there is a theoretical cost for the broadband access and the bandwidth but itâ€™s practically zero when split over all the applications that use it)

Speed of delivery - Post vs. PDF

Post â€“ 1 to 5 days depending on service levels

PDF â€“ less than 1 hour (can be sent instantly but there may be delays due to email servers at customer end)

ROI - Post vs. PDF

If you can replace 3,500 posted packets a month, with a PDF transmission, you may be saving Â£2,000 a month â€“ now thatâ€™s significant.

Whatâ€™s the catch?

It sounds too good to be true, if the cost savings are so significant, why isnâ€™t everyone sending PDF invoices and statements (and other business documents).

There are a number of reasons for this:

1. Some companies canâ€™t easily automate the creation and sending of PDF invoices from their business system

2. Some customers/partners wonâ€™t accept a PDF invoice â€“ they want a true electronic exchange of data or they simply arenâ€™t setup to receive an email (although these are pretty rare now, but they do exist)

3. Certain organisations feel they have to send post (e.g. Councils, Charities, NHS Hospitals, Legal companies, etc)

4. Some companies havenâ€™t thought about it or are too lazy to change

5. Reliability â€“ some companies feel post is more reliable and worry emails can, in some instances, disappear into the ether

Letâ€™s look at how the objections above can be overcome:

1. Output Management Software (e.g. Formate Output Management Software) will take the generic output from ERP systems and intelligently create and deliver PDF documents

2. Tell your customer that itâ€™s part of your environmental policy to deliver electronic documents to reduce your carbon footprint â€“ after all, nobody likes to be seen as a â€œgreen ogreâ€•

3. This is potentially the most difficult one to address â€“ government organisations and certain professions are slow to change and bound by red tape. Although organisations need to address modern document delivery methods this is probably the most difficult sector to tackle.

4. This is all about education, showing companies (and staff) what can be done

5. Reliability â€“ email transmission of PDF invoices is more reliable in percentage terms than post, but technological issues can suddenly disrupt the process (changes of email address, email server crashes, spam filter/firewall updates blocking valid email traffic, loss of internet connection, etc)

Weâ€™re now going to look further at this last point (reliability) and look at ways to address this problem and add other benefits to the sender.

Reliability and Visibility

Whilst sending invoices via email is cost effective, thereâ€™s no guarantee the invoices has been successfully delivered and more importantly, the recipient has read it.

Document delivery software (e.g. ParetoPostâ„¢ software) has now been developed which provides an assured method to deliver electronic documents instantly to your customers via a secure web portal. Itâ€™s ideal for the guaranteed delivery of:

â€¢ E-Billing â€“ invoices, statements etc

â€¢ Proof of Delivery

â€¢ Purchase Orders

â€¢ Drawings and project information

â€¢ Staff documentation

Unlike email, youâ€™ll know who has viewed the document, the date and time that it was read, and any notes the recipient has added. It delivers electronic documents quickly, securely and with a low delivery cost.

Removing Excuses to Pay and Improve your DSO (Days Sales Outstanding)

If youâ€™re a credit controller chasing overdue invoices, using a document delivery web portal youâ€™ll b able to chase all the invoices which havenâ€™t been viewed or downloaded. If the debtor claims not to have seen it, you can quickly point them at their secure customer portal or resend the unique document web address. In simple terms you take away their excuse not to pay.

The Pareto Principle

The Pareto principle (also known as the 80-20 rule), is named after Italian economist Vilfredo Pareto, who observed in 1906 that 80% of the land in Italy was owned by 20% of the population. Pareto further developed the principle by observing that 20% of the pea pods in his garden contained 80% of the peas. The simple rule works in many different walks of life from nature through to economics.

In many business organisations, 80% of the revenue will come from 20% of the customers or turned around; a company will send 80% of its invoices to 20% of its customers.

Look after your important customers

Using the Pareto principle, it makes sense to implement a new invoicing strategy for your most important customers (the top 20%) as these are oneâ€™s you send most invoices to (80% of the total invoices send). If you still have to post a small quantity of invoices to your smaller customers, then so be it â€“ donâ€™t worry about the small volumes, itâ€™s the large customers which really matter.

Interfacing to your ERP system

Many new technology initiatives, like delivering ERP invoices to a secure web portal, fall down as theyâ€™re too complex and costly to integrate into an existing infrastructure (i.e. linking to an ERP system). Using output management software itâ€™s really simple to grab existing print output from an ERP system and intelligently publish to a secure document delivery web portal.

Whether your business is still sending paper invoices or emailing them we hope weâ€™ve given you the

impetus to investigate e-billing further!

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Document Genetics is an established UK based company providing a comprehensive range of document management solutions. We focus on improving document automation, workflow and collaboration within our client organizations, and our range of innovative solutions and specialist services help to save time and money by processing documents and data more efficiently.

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