



Accounts Receivable

100% Electronic AR Invoicing with SAP® Solutions

Realistic Steps to Quit Paper

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Introduction

Virtually all businesses running SAP® solutions want to move to electronic delivery of customer invoices. The advantages of electronic invoicing are clear: It's faster, less expensive and more reliable than manual invoicing, and it takes the inefficiency of paper out of the process.

Electronic AR invoicing addresses a broad range of issues including operational cost control, limitations of built-in capabilities for process automation, mailroom and mail house difficulties, and billing dispute management. And by increasing the speed and accuracy of invoicing through document process automation, organizations can collect cash faster because invoices are delivered sooner.

IT analyst research consistently finds that the average U.S. company can save up to millions of dollars annually by sending invoices electronically. In working with companies to implement electronic AR invoicing, Esker has found that elimination of manual processes can cut invoicing costs by up to 80 percent. Sending invoices in real time can significantly reduce DSO, and allowing customers to go electronic at their own pace — while delivering invoices more rapidly, accurately and efficiently — can contribute to higher customer satisfaction.

But **satisfying varying customer preferences for receiving invoices consumes internal resources**. To gain the advantages of electronic AR invoicing, companies need a practical way to resolve **contact management issues**. And while some customers understand that they can benefit from e-invoicing as well by moving money faster, reducing accounts payable overhead and eliminating manual handling of supplier invoices, many are simply not ready to change processes that are set up to handle paper invoices. With billing process improvement as a strategic objective, companies are left with three choices:

1. **Do nothing and forego major efficiency gains** (while competitors are achieving them)
2. **Try to move all customers to e-invoicing** — and almost certainly fail
3. **Take on the high expense and complexity of custom-designing different processes** for specific customers according to their various levels of sophistication

The ideal solution is a means for companies to send all of their invoices electronically while enabling customers to receive those invoices in whatever way they prefer — whether by postal mail, email or other electronic channel, or a combination. Such a solution would enable best practices in delivery of invoices directly from SAP applications, and would:

- **Automatically send invoices** in customer-preferred formats ranging from paper to electronic
- **Reduce internal support** for AR invoice delivery
- **Archive invoices** and associated documents or route them to a storage system
- **Maintain and adapt** as more customers adopt electronic invoicing
- **Help customers go paperless** and support green/sustainability initiatives
- **Integrate seamlessly** with SAP applications

But does it exist?

This paper illustrates that solutions exist today, both as traditional software and Software as a Service, with a proven track record of success in helping companies make the transition to 100% electronic AR invoicing.

Manual Invoicing Challenges

Limited potential for process efficiency gains

Typical paper-based AR invoicing is a long and time-consuming series of steps, with manual handling throughout the process. This results in high cost of production as well as a lack of visibility and process control. Ultimately manual invoicing puts a hard stop on the level to which a company can improve AR document processing and shorten the cash collection cycle.



Until companies find an alternative to managing conventional mail delivery of invoices, their potential for efficiency gains within the AR process will be strictly limited.

Time and money

Costs associated with manually mailing invoices include:

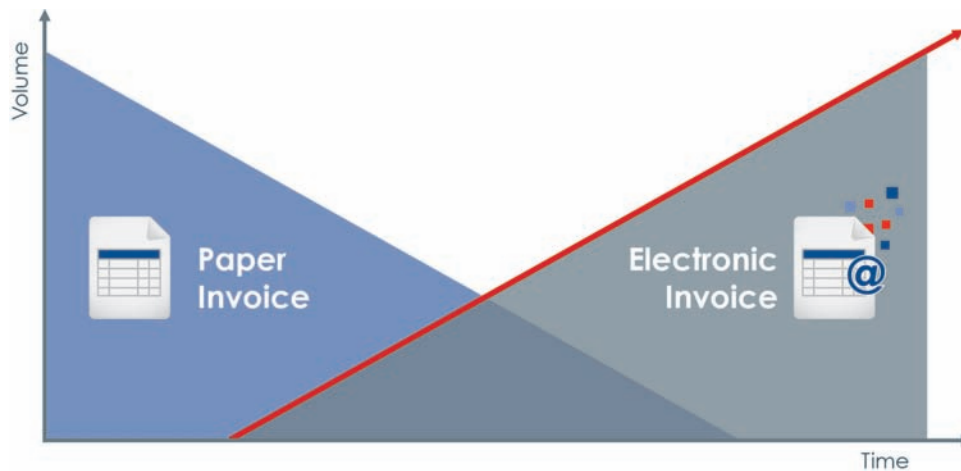
- Labor
- Hardware and maintenance
- Dependence on production equipment
 - Printers
 - Folding machines
 - Stamping machines
- Printing
- Stuffing and collating
- Stamping or metering
- Errors and exception handling
- Archiving and storage
- Process quality (monitoring, reporting, etc.)

According to some industry analysts, the total cost of mailing an invoice can be as high as \$15.00.

Going 100% electronic

Toward the objective of sending every AR invoice electronically, companies can produce both paper and electronic formats that match varying customer preferences. This provides the ability to:

- Automate workflow routing and delivery to customers
- Manage all customers automatically
- Let customers move to electronic invoices at their own pace
- Avoid disruption of existing AR processes or customers' AP processes



Essential elements

An effective solution for streamlining the process from paper to electronic requires several key functional capabilities, including the ability to deliver invoices by fax, email and postal mail. The solution should include automated electronic archive access to billing information for customer service and collections, and provide online subscription capabilities.



Beyond Auto-Faxing and Emailing

Extending the capabilities of SAP solutions

SAP solutions can provide the ability to email or fax invoices, but companies looking at these capabilities as electronic invoicing should ask themselves some key questions:

- Are you really automating the process?
- Do you have the visibility you need?
- How do you deliver what customers want?

Automated electronic AR invoicing goes beyond basic fax and email to streamline invoice delivery and reduce costs.

Real-time invoice delivery based on customer preference

With a fully capable electronic invoicing solution, invoices can be faxed, emailed and/or mailed based on customer preferences. Invoicing can be done through a single print stream from the SAP system.

Auto-bundling invoices with additional documents

Companies often struggle to get prompt remittance on invoices because their customers want proof of delivery or other supporting documentation before they will pay. Electronic AR invoicing can provide a means to help speed up payment, or at least remove the common barriers that customers present before payment. Documents generated throughout a transaction can be stored and then collected to send a complete package of billing documents along with the invoice. Usage examples of these capabilities include:

- **Auto-assembly of billing documents into a complete package**
- **Proof of Delivery received via XML from a handheld device**
- **Documents converted to PDF and archived**
- **Proof of Delivery and signed cover letter attached when the SAP system sends an invoice**
- **Invoices bundled by customer name**
- **Customer receives one email with multiple invoices**

Advanced Read Receipt notifications

Customers can receive an email including a link to a web-based portal, where they can view their invoices. After a customer has viewed an invoice, notification can be sent to the SAP system.

Self-service contact management

Subscription list capabilities let suppliers give their customers the ability to set preferences for receiving invoices, helping to relieve customer service staff of contact management burdens.

Ability to email copies of invoices both externally and internally

With the ability to identify contacts beyond the primary contact, additional contacts can be copied on the invoice email. Sales representatives and other internal contacts can also be identified and copied via email alias.

Customer portal support

Automation can allow both business users and customers to control AR document communication. Depending on the level of sophistication needed for its specific billing process (which, of course, can evolve over time), a company can decide how its AR invoice delivery preferences are managed.

Maintenance of delivery media preferences can be pushed out to customers via subscription functionality through a web interface where customers can choose how they want to receive invoices and other documents. Such a portal can also enable customers to search and retrieve their invoices online. On the seller side, companies can select media options they want to offer customers, and take advantage of online tracking to see when invoices have been read.



Suppliers' customers gain the ability to:

- Search and retrieve all their invoices online
- Select their preferred media with online subscription

The supplier can:

- Track online when an invoice was read
- Select media options to offer customers
- Report on invoices sent via each type of media

Benefits of Automated AR Invoicing

Business process efficiency

- Reduce document handling time by up to 96%
- Cut the cost of sending billing documents by 40–80%
- Reduce billing errors and returns by as much as 90%
- Prevent lost invoices and related documents
- Free-up CSR time

Visibility

- Real-time tracking
- Immediate dispute resolution
- Reporting

Access and reaction time

- Billing documents readily available
- Customer service and collections
- Customer requests

DSO reduction

Conventional billing processes typically include processing and sending invoices at the end of a set time period. Whether it is weekly or monthly, invoices that are ready to go sit and wait until the set time arrives. But the faster a company gets invoices into the hands of customers, the sooner it can receive payment. Real-time sending of invoices as they are prepared lets customers start their internal payment process right away, which can significantly reduce Days Sales Outstanding (DSO).

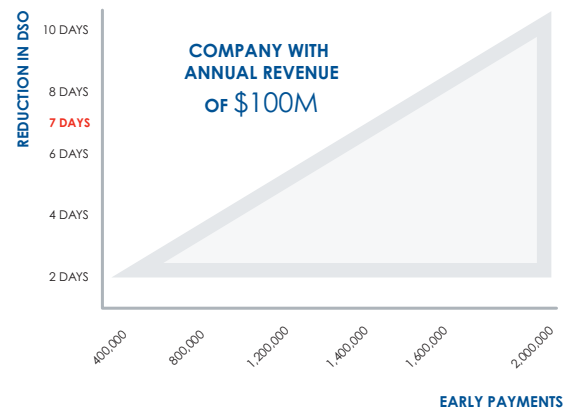
Additional cash

Imagine a company earning \$100 million a year using conventional invoicing processes. With 250 business days in a year, and if the customers were all paying on time, the company would take in \$400,000 a day. Of course, the reality is that customers often do not pay on time. But even with a conservative assumption of half paying late, the company would take in \$200,000 per day.

A 7-day reduction of average DSO through electronic AR invoicing would amount to \$1.4 million in early payments. With an average return on investment at 5%, the early cash collection could earn the company an additional \$70,000 in the bank.

Continuous collection

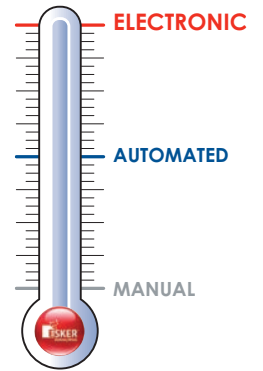
Contrasting with conventional invoicing methods of cash collection depending on invoice batches posted by end of month, and payments only coming in at certain times, cash can be collected continuously with real-time automated delivery of invoices.



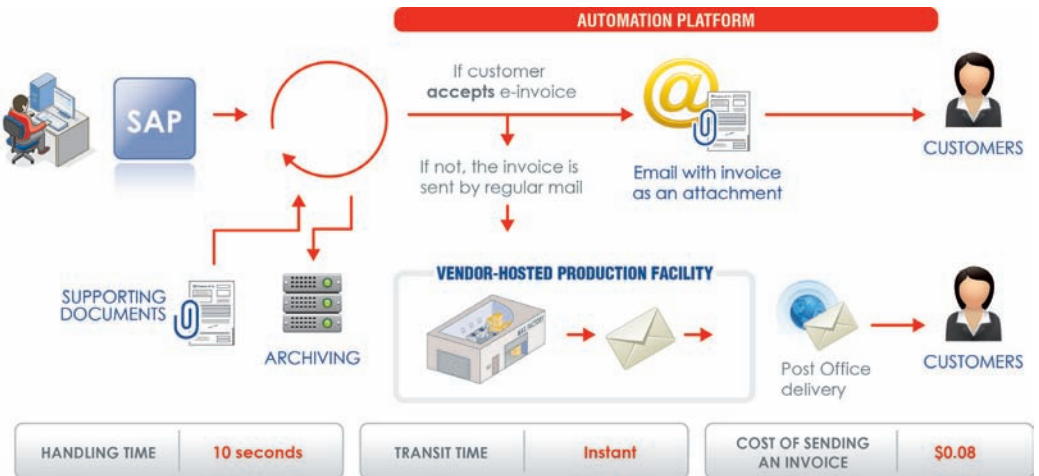
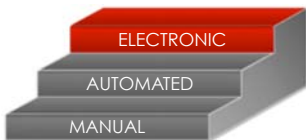
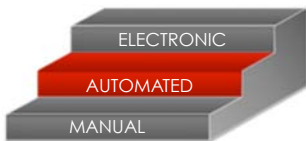
Transition to electronic delivery

Accounts payable is a critical process for any enterprise. For many companies, it is not one that they are prepared to change — certainly not just to save their suppliers time and money. But electronic AR invoicing can require no change on the part of customers. Suppliers can reconcile their need for automated billing with customers' desire to receive paper invoices. And as customers become ready to adopt electronic invoices, companies can easily satisfy changing preferences and tailor invoice delivery to the circumstances of each customer.

Companies can take a realistic, step-by-step approach that creates a continuum between legacy media and future e-invoicing mechanisms. This path from manual to automated to electronic invoicing follows customer adoption curves so that companies can start gaining efficiencies and reducing costs immediately. Top-tier AR invoicing solutions allow companies to send electronic and paper invoices to small and large customers instantly, eliminating the time and expense of managing costly mailroom operations or other manual means of delivery.



Step-by-step approach

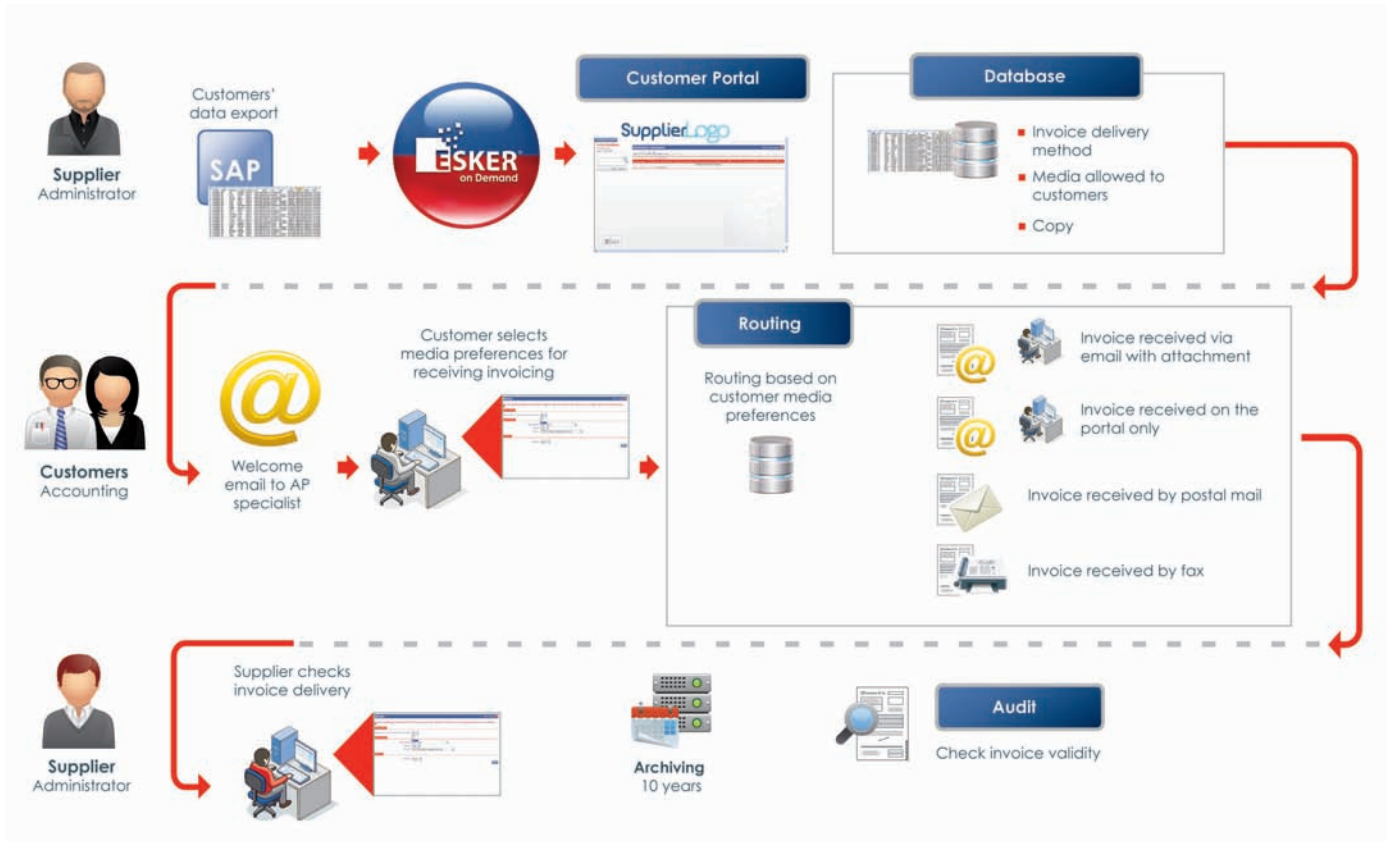


Best Practice AR Invoice Processing

How the automation works

Esker solutions apply best practices to customer billing processes by optimizing the delivery of invoices directly from SAP applications. For the sender, this means every customer invoice can be sent, archived and tracked automatically and electronically. On the other end, invoices can arrive by mail as they always have (paper in envelopes) or as email attachments, according to business rules based on the preferences of the receiving customer. So, companies can immediately gain the efficiencies and savings of e-invoicing without a negative impact on customer satisfaction. In fact, just the opposite is true. Along with giving customers a wider range of choices for receiving invoices from suppliers, billing process improvement with Esker solutions contributes to higher customer satisfaction by reducing risks of human error, delivering invoices in real time and enabling companies to track individual invoices.

Automated AR invoicing with Esker solutions simplifies billing operations and resource management at minimal expense, effectively removing direct costs and process inefficiencies associated with handling of paper invoices. For those customers who are not ready to receive invoices electronically, a business can gain automation efficiencies by offloading the delivery of paper invoices through on-demand services as part of its Esker solution. Invoices can be sent directly from SAP applications to an Esker production facility where the documents are printed, folded, inserted, stamped and forwarded to the post office.

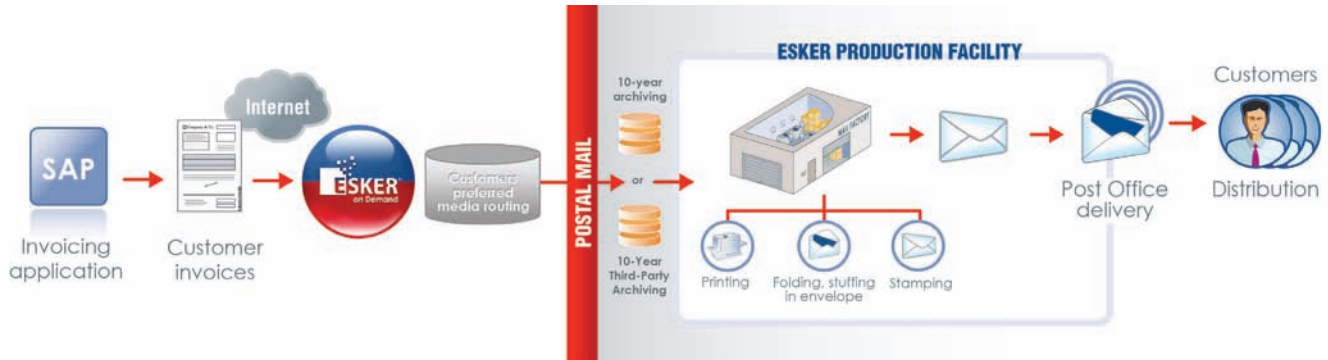


Capabilities of Esker AR solutions include integration with SAP applications, invoice delivery status notification and automatic routing of invoice copies. Archiving of original invoices is available for up to 10 years, with separate storage and access for supplier and customer. Esker solutions provide secure online access to archived documents in PDF format with search, filter and download functions. Backup of invoices on digital media can be ordered online or sent automatically on a regular basis.

Mail on Demand

What is it?

Mail on Demand is a business document delivery service hosted by Esker, integrated seamlessly within existing processes like AR invoicing. You pay as you send documents directly from enterprise applications, eliminating mailroom frustrations. Individual invoices or batch mailings of any size are dispatched immediately, without manual handling or internal process delays. The immediate result is reduced costs, accelerated accounts receivable and improved document tracking.



Mail on Demand can handle large volumes with feedback down to the individual document level. While an external mail house may require data in a specific format, Esker can take mail in any format directly from core business applications via multiple transfer mechanisms. Invoices are delivered electronically to an Esker on Demand production center where they are processed and put into the postal stream in less than 24 hours. Mail on Demand seamlessly integrates into SAP solutions with no need to modify existing applications, and pay-as-you-send billing provides complete cost predictability and control.

What are the advantages?

Versus external mail house:

- Automation of the process, not just outsourcing
- No file transfer/format issues
- Barcoding for quality control
- Send batch or transactional mail (no minimums, mail a few invoices at a time and receive payment faster)
- Real-time tracking of jobs, with document-level feedback
- Status notification in the SAP system
- Preview before processing
- No custom reprogramming required

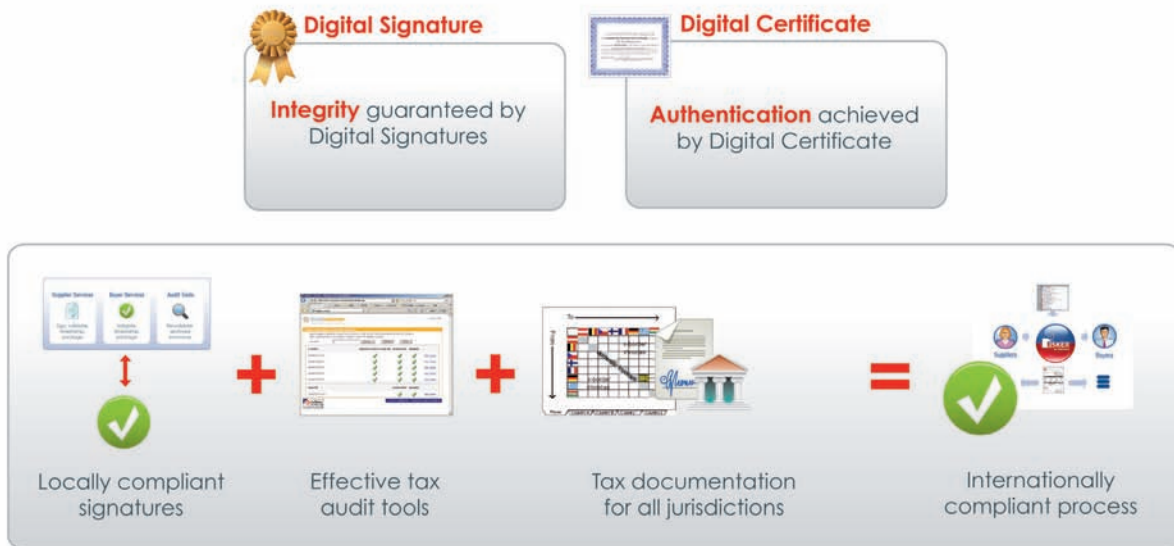
Versus internal mailroom:

- Equipment and maintenance cost avoidance
- Labor cost reduction
- No need to maintain equipment
- Status notification in the SAP system
- Preview before processing
- No custom reprogramming required

International Compliance

Electronic signatures and certificates

In today's global economy, an important consideration is the ability to sign invoices digitally using certificates for international compliance. Esker offers best-in-class digital signature and certification for more than 30 countries around the world, with controls for compliance in each jurisdiction.



Companies gain the capability to decide which signatures to apply and verify, depending on specific country requirements, according to a proven compliance mapping mechanism that documents and maintains data to satisfy local requirements.

Tax audit features

Along with signing and time stamping, Esker solutions provide invoice validation on behalf of the customer and a re-validation portal for tax auditing.

Third-party archiving

Through strategic partnerships, Esker offers additional capabilities for compliance with EU country regulations. Legal archiving of invoices sent to Europe is available for a fixed duration of 10 years, with secured online access to the archived documents.

Interoperability

Since many suppliers and their customers are already equipped with platforms for various invoicing functions, another key consideration is to make sure all AR systems can work together. Esker solutions support interoperability by providing multiple media options to connect with existing systems.

Checklist to Get Started

How to start

- **Get management support**
 - Make sure managers are aware of all the benefits
 - Customers can benefit from e-invoicing
- **Set realistic expectations**
 - 100% adoption immediately is not practical
 - Understand your technical abilities, and the abilities of your customers to accept e-invoices
 - Make it easy for your customers to change
- **Pick the right type of automation for you and your customers**
 - Supplier networks
 - Business process outsourcing
 - A platform for both document process management and contact management

Where to start

- **How many invoices are you sending a month?**
 - Is the process centralized or decentralized?
- **Are your invoices all domestic, or are some international?**
- **What are your customers like?**
 - B2C
 - B2B
- **Large companies — small number of customers**
- **Mix of large, medium and small — moderate numbers**
- **Mainly SMB — large numbers**

Rollout models

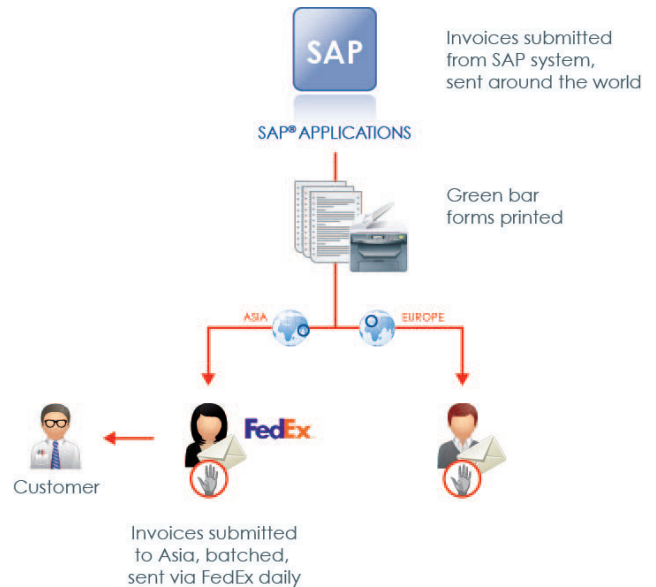
- **Opt-In**
 - Give the customers the opportunity to receive invoices electronically
 - Offer incentives and good reasons why they should do it
 - Slower adoption rate, but better customer relations
 - Is the process centralized or decentralized?
- **Opt-Out**
 - Tell customers that you will only offer e-invoices by a certain date
 - Customers are forced to “opt-out” with notice
 - Charge a penalty (fee) for not participating
 - Generally used by larger companies

AR Invoicing Success Stories

Digital circuits manufacturer

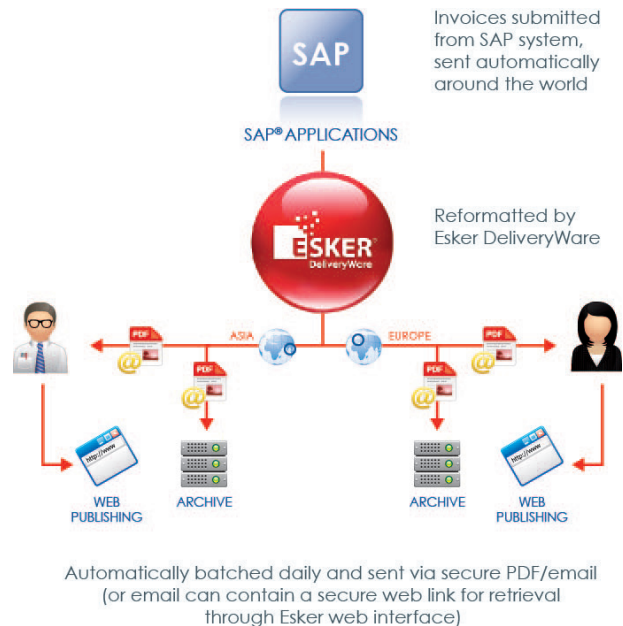
Challenge

- Manually printing 100,000 invoices annually to customers around the world — using old green bar forms
- Invoices to Asia are manually batched and sent via FedEx daily
- Invoices for Europe must be manually archived for VAT audits
- Estimated annual cost of \$98,000



Results

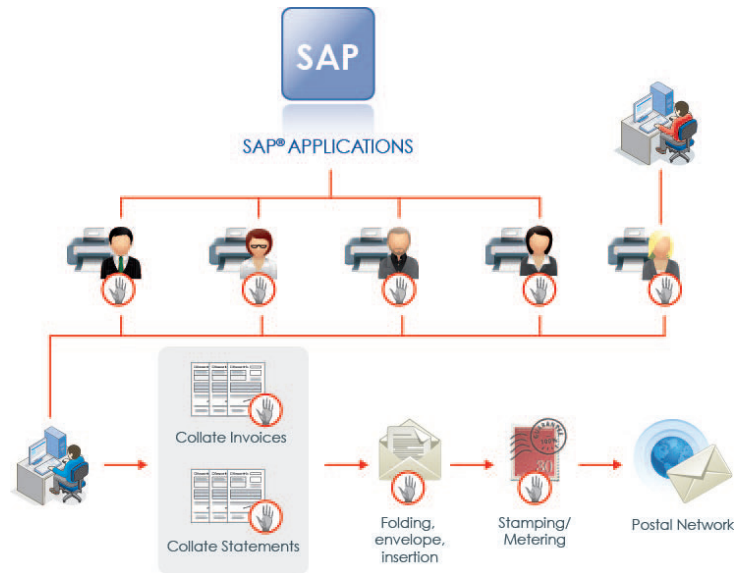
- Invoices automatically sent to Esker DeliveryWare, where they are reformatted
- Asian invoices are batched during the day, converted to a PDF and submitted to a secure website; email is sent to receiving customer with a link to the batched invoice
- European documents are converted to a PDF, emailed (as attachments or with a web link) and electronically archived
- Annual savings of \$68,000
- ROI in 3 months



Food manufacturer

Challenge

- Printing and mailing invoices
- Printing and mailing statements (approx. 3,500 x 10 pages per week)
- Time-consuming
- Inefficient
- Prone to errors



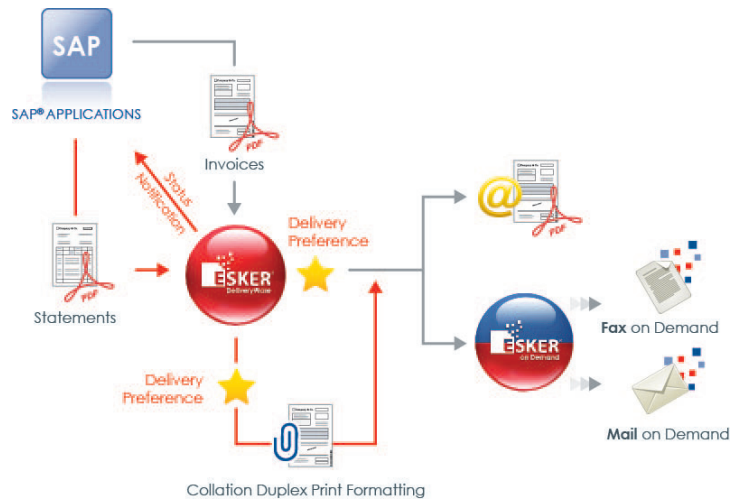
Results

Invoices

- Delivery preference determined from header page
- Formatted for black & white if fax

Statements

- Delivery preference determined from header page
- Formatted for black & white if fax
- Formatted for duplex printing to minimize paper/postage costs through Esker mail production facility



What Esker customers say about electronic AR invoicing

"Esker allows us to optimize invoicing processes from end to end and improve our DSO. We now have total visibility of our invoicing processes; we can easily modify formatting as needed; and we have eliminated the need to store letter head paper. And all this has been accomplished without modifying our system or maintenance, thanks to the simplicity of the solution installation."

Administrative and Financial Director ■ Samsung Electronics

"Our customers started paying us at least 3 to 4 days faster, which was a huge windfall benefit. Although we anticipated some benefits in this area, we were surprised about the magnitude of the benefits realized."

Director of Business Systems and IT ■ Carton Service, Inc.

"Sending out invoices by fax and post was not only time consuming but we were incurring large printing and mailing costs. All too often, 'floating paper' invoices were being misplaced, lost or never reached the person they were intended for. We weren't receiving payments on time and needed a solution to automate the invoice delivery process. Since implementing Esker we have eliminated invoice paper completely, reduced our delivery costs by half, achieved a time savings of 250 hours per week, reduced late payments by a minimum of 5 days and ensured that 100 percent of proof of delivery documents are received."

National Credit Manager ■ Visy Industries

"We've experienced tremendous benefits since working with Esker. We have reduced costs because we no longer buy paper and the other materials associated with printing, we no longer spend money on postal mail delivery and overall, the accuracy of our order fulfillment has improved. We also no longer pay staff overtime for working extra hours to print, stuff and address invoices for postal mail delivery."

Director of IT ■ Alcan Composites USA

"We batch-printed the invoices every night in-house. An operator would come in and print invoices and give them to our in-house mail room the next morning. Then they would sort and stuff them and give them to a mail house. There's been no big change in what we process, but the difference is what we can do. We're able to fax or email directly from our SAP solution with Esker, with better communication confirmations and the ability to build the master data in our SAP system. We got rid of our stuffing machine and the maintenance, and we got rid of a printer that we don't need anymore, so there have been significant costs savings on the hardware side. Accuracy is also better. A certain percentage of our invoices are multiple pages. Before, we had to find and stuff those separately, which creates the risk of error because it's such a manual process. And notification feeds back so we have visibility as to when invoices went out."

Manager ■ Application Services ■ State Industrial Products

"We set out with the immediate goal of speeding the delivery of invoices, but once we were introduced to Esker, doors started opening to many more document delivery possibilities. Esker has totally revolutionized our distribution capabilities, making it very easy to continually speed our processes surrounding customer communications."

MIS Manager ■ MAN Roland

About Esker

Document process automation leadership

Esker is a recognized leader in helping organizations eliminate manual processes, gain visibility and control, and reduce the use of paper by automating the flow of documents into, within and out of the organization. With its comprehensive platform and patented technology, Esker delivers the advantages of automated document processing either as a powerful on-premise solution or as an on-demand services (SaaS) leveraging Esker-hosted infrastructure. Customers achieve significant and immediate operational efficiencies, cost savings and measurable ROI in as little as three to six months.

As an established SAP software solution partner with certified integration, and an SAP customer itself, Esker has made serving the needs of SAP customers a top priority. The results of the SAP and Esker partnership are demonstrated around the world by SAP customers who have automated document processes with Esker solutions. Esker has a dedicated R&D team focusing on SAP applications, and a primary objective to offer SAP customers the best solution for document process automation.



Founded in 1985, Esker operates globally with more than 80,000 customers and millions of licensed users. Esker has global headquarters in Lyon, France and U.S. headquarters in Madison, Wisconsin. For more information, visit www.esker.com.

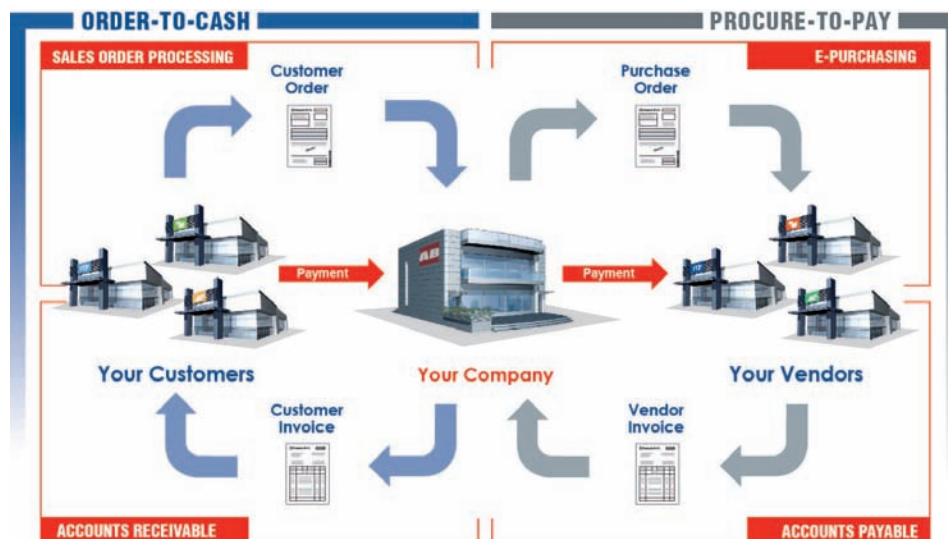


Solutions

Procure-to-Pay and Order-to-Cash and Automation

To help organizations quit paper and automate business processes to speed cash conversion, enhance customer satisfaction, improve supply chain performance, and increase profitability, Esker solutions span the procure-to-pay and order-to-cash cycles:

- **Sales Order Processing** to automate entry and routing of incoming customer orders
- **Accounts Receivable Invoicing** to automate processing and delivery of billing documents based on customer preferences
- **Accounts Payable Processing** to automate entry and routing of incoming vendor invoices and other payables
- **E-Purchasing** to automate processing and delivery of supply chain documents based on vendor preferences





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