

Onboarding Suppliers to an E-Invoicing Solution

Understanding the challenges, benefits and who does what

By Amy Fong and Patrick Connaughton

Executive Summary

The Hackett's Group's 2015 e-invoicing poll revealed that companies that implement e-invoicing experience an average 31% reduction in invoice processing costs and spend 24% less time on supplier inquiries. However, despite the benefits, many suppliers struggle with the initial onboarding process. Software vendor fees and limited resources are top concerns. And, because there is a cost to both the supplier and purchasing organization to enable each supplier, companies are selective about which suppliers to enable. For success, coordination is required among multiple stakeholder groups, both at the supplier and the purchasing company.

Key takeaways:

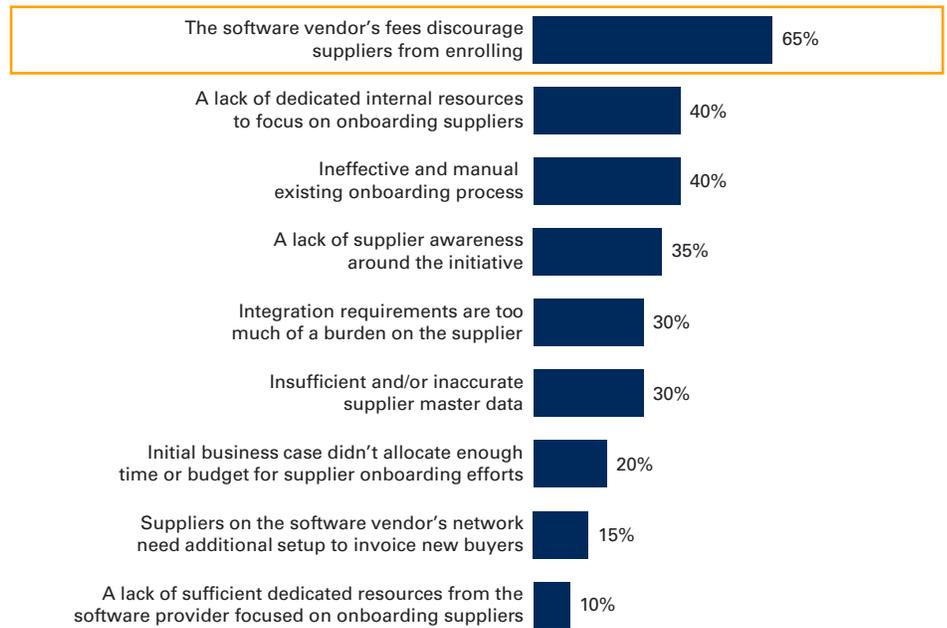
- The most significant result of implementing e-invoicing software is an average 42% reduction in the number of paper invoices.
- Eighty-six percent of organizations prioritized which suppliers to enable first based on transaction (i.e., invoice) volume.

E-Invoicing Adoption Challenges

Achieving electronic invoicing automation hinges on the supplier's ability to effectively begin using the solution provided by the buying organization, whether via a software vendor's supplier network or a buyer-maintained supplier portal. The training and support required to use the e-invoicing solution is often provided as part of a formal supplier onboarding program. However, supplier enablement and overall e-invoicing adoption face a wide range of obstacles that have hindered adoption, most notably the fees charged by software providers, which discourage many suppliers from enrolling. In fact, 65% of respondents to our poll on e-invoicing rated vendor fees as the top challenge they face today (Fig. 1). Other hurdles include limited resources to facilitate the onboarding process and difficulties with the process itself, which sometimes requires extensive manual effort.

On the positive side, very few respondents reported being hindered by the lack of a business case or limited support from the software vendor. For the most part, companies are allocating sufficient time and budget to supplier onboarding activities, albeit for a selective group of suppliers. And, it appears that the software vendors are able to provide a high level of support if needed to augment internal staff for onboarding activities.

FIG. 1 Top challenges in enabling e-invoicing solutions



Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

Companies Are Selective About Which Suppliers to Enable

Considering the lack of onboarding resources and other challenges, buying organizations are selective when determining which suppliers to enable first on the network or supplier portal. The vast majority (86%) prioritize those with the greatest transaction volume (i.e., number of invoices) (Fig. 2). Surprisingly, the value of the transactions is rarely a factor in these determinations: 71% of respondents do not include it in the criteria used to prioritize supplier enablement.

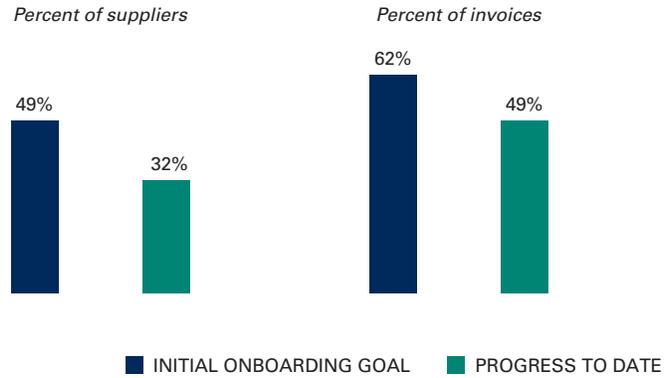
FIG. 2 How companies decide which suppliers to onboard first



Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

Another interesting finding from the study: No respondents indicated that their goal was to enable 100% of suppliers regardless of criticality, volume, etc. This is a good indicator that companies are approaching the enablement process with realistic expectations and goals. In fact, organizations appear to be quite conservative in their goals for the percentage of invoices and suppliers to enable on e-invoicing – setting out initially to enable an average of 49% of their suppliers and 62% of invoices (Fig. 3). There is a modest 15% gap between these projections and the actual percentages achieved to date. This is not so significant that we would consider it a major disconnect, especially considering that many of these initial onboarding programs are still in progress. This also means we are unlikely to see “100% e-invoicing” as the standard in the near future, despite expectations of many in the industry.

FIG. 3 Initial onboarding goal vs. progress to date



Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

The conservative onboarding goals are a reflection of the time it takes most companies to enable a single supplier. On average, 16 days are required to completed the process from start to finish. However, only about two actual days of work (i.e., 17 hours) are needed to complete the e-invoicing enablement tasks. While not overly cumbersome, there is room for improvement. Certainly, until the total cycle time is reduced, onboarding programs will not be able to scale to a larger supply base.

Cost is a limiting factor as well (software fees, the cost to create training materials, staff the help line, etc.) However, a significant percentage of respondents are unable to estimate the total cost to enable a single supplier (Fig. 4). Those that could answer this question reported an average of \$925. Before setting out to streamline the process, companies should get a better handle on current costs and process bottlenecks to understand where improvement opportunities lie.

FIG. 4 Cost and effort to onboard a supplier

Metric	Average response
Estimated total cost to onboard a single supplier	\$925
Percent of respondents unable to estimate total cost of onboarding a single supplier	47%
Average time required to onboard a supplier	17 hours
Total days from start to finish	16 days

Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

Understanding the Potential Benefits

Companies implementing e-invoicing solutions reported positive results (Fig. 5). As expected, the most significant among these is the reduction in the number of paper invoices (by an average of 42%). Other notable benefits include:

- 31% reduction in overall invoice processing costs.
- 24% less time spent on supplier inquiries.
- 32% improvement in on-time payments.
- 37% improvement in first-pass match due to better invoice accuracy.

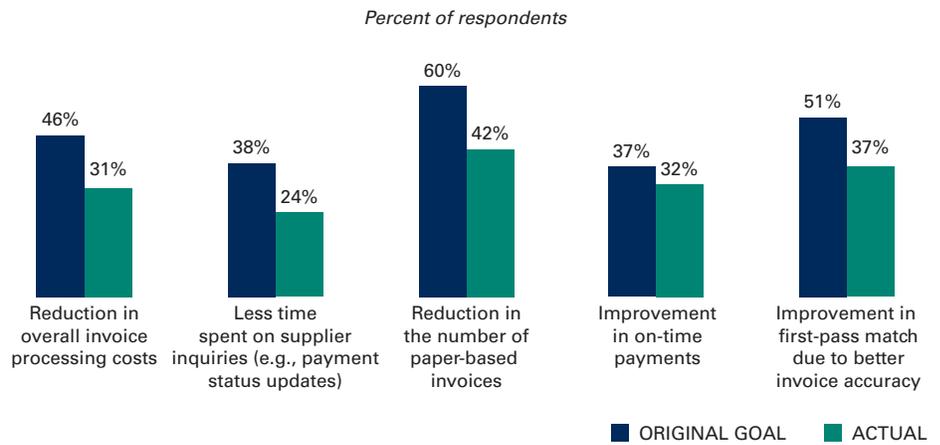
Similar to the supplier and invoice onboarding goals discussed earlier, there is a 14-18% gap between the original goals versus what was actually achieved (with the exception of the percentage of improvements in on-time payments, with a 5% gap). Across all of our research, this difference between expectations and reality is typical.

Accuracy of software vendors' supplier-match percentages

We asked in the study, "When the e-invoicing solution was originally evaluated, did the software vendor provide an estimate of the percentage of your supply base that was already on the provider's network (often referred to as 'supplier match')? If so, how accurate did the estimate turn out to be?"

The responses showed that the software vendors' preliminary estimates of supplier match are unexpectedly conservative, and not that far off from what was actually achieved. A case in point: software vendors promised an average 44% match rate. Once the tool was implemented, customers found the actual percentage was 34%, a substantially smaller discrepancy than we had hypothesized. It turns out that few software vendors are guilty of setting unrealistic expectations.

FIG. 5 The benefits of onboarding suppliers to an e-invoicing solution (expected vs. actual)



Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

Looking Ahead

Supplier onboarding spans a wide variety of activities and involves multiple stakeholder groups. Internally, procurement, accounts payable (AP) and IT are all involved at some stage. Externally, the software vendor and third-party consultants play a role. Determining which onboarding activities to support and who is responsible for each is the first step. **Fig. 6** shows the types of e-invoicing enablement activities that companies commonly support and who is primarily responsible.

Internal IT has accountability for the creation of data upload utilities and data definition documents to map the e-invoicing interfaces to legacy source-to-pay solutions. An even mix of responsibility among all groups was found in defining and setting up supplier access rights and staffing a supplier onboarding help desk. AP often takes the lead on the creation of a supplier onboarding guide and FAQ documentation.

FIG. 6 Primary owner of e-invoicing onboarding activities

Activity	Percent of respondents carrying out activity	Primarily responsible for completing the work
Creation of data upload utilities	88%	Internal IT working with the sourcing/procurement team
Creation of data definition documents to map interfaces	88%	Internal IT working with the software vendor
Setup of supplier security roles and data access rules	82%	An even mix of responsibility between procurement, IT and the software vendor
Training suppliers	82%	Software vendor supported by AP
Staffing a dedicated supplier onboarding help desk/hotline	77%	An even mix of responsibility between procurement, AP and the software vendor
Creation of supplier onboarding guide and FAQ documentation	75%	AP supported by procurement and the software vendor
Providing testing and data validation services	71%	Software vendor supported by AP
Generating supplier onboarding status reports	69%	Software vendor supported by AP
Configuration of online/supplier self-service data entry screens	59%	Software vendor

Source: E-Invoicing/Supplier Onboarding Poll, The Hackett Group, 2015

The scope of software vendors' responsibility is quite notable: 53% of respondents said that their e-invoicing vendor has primary responsibility for training suppliers, while 36% reported the vendor is primarily responsible for providing onboarding status reports. This is further evidence that companies are increasingly looking to their e-invoicing software vendors to not only perform the technical onboarding tasks but own the "softer" side of the onboarding process from start to finish.

Related Hackett Research

"Five Myths Stifling Adoption of Supplier Self-Service Tools for Invoice Automation," May 2015

"Hackett Technology Insight Report: E-Procurement," November 2014

About the Advisors

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Ms. Fong has 18 years of experience in industry and consulting with a focus on procurement, supply chain and organizational effectiveness. She has considerable experience in P2P process improvement, managing complex global supply chain partnerships, sourcing, supplier performance and relationship management, outsourcing evaluation and implementation, and cost improvement. She has worked with numerous major companies in North America, Asia and the South Pacific.

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Mr. Connaughton leads the development of The Hackett Group's intellectual property in the areas of strategic sourcing and procurement. He has over 15 years of experience in supply chain and procurement research and advisory roles. He has published groundbreaking research in areas like spend analysis, contract life cycle management, supplier risk assessments and services procurement. Prior to joining Hackett, he was principal analyst at Forrester Research, where he focused primarily on helping executives mitigate risk through more effective supplier relationship management. Previously, Mr. Connaughton was a consulting manager at Manhattan Associates and Accenture.

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