



SWIFT E-invoicing: Yet Another Reason for Corporates to Adopt SWIFT

Written by Marcus Hughes,
Bottomline Technologies

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With cash management and SWIFT integration, electronic invoicing (e-invoicing) is an exciting tool that can help organisations to achieve the benefits of true order-to-pay (O2P) automation.

Corporates today are focused on optimising cash and working capital. An increasing number of organisations are realising that this can be achieved by automating the order-to-pay (O2P) process, enabling them to free up cash lost in time-consuming and inefficient, paper-based activities. Automation empowers treasury, procurement and other finance professionals to access and act on financial supply chain information in real-time so they can:

- Optimise working capital.
- Maximise profits and minimise operational risk.
- Capture early payment discount opportunities.
- Make strategic payment timing decisions.
- Strengthen supplier relationships and control spend.
- Gain visibility of cash flows for accurate forecasting.
- Reduce carbon footprint.

SWIFT has become an integral part of the quest for automation and corporates are achieving the many operational and strategic benefits of joining SWIFT. Streamlining payments and cash management are an important foundation, but with SWIFT's new initiative in electronic invoicing (e-invoicing), there is now an additional motive for corporates to send and receive their financial messages securely over the SWIFT network. The natural link between payments and invoices can be immediately realised with automation driving more efficient working capital management and finance opportunities at lower risk, thanks to improved visibility.

Although e-invoicing has been growing at a rapid rate (40% per year in Europe), most e-invoicing networks today are predominantly focused on domestic invoicing. SWIFT has identified this as a significant market opportunity to link existing networks and provide cross-border interoperability between e-invoicing service providers and banks. Such capabilities would extend the global reach of both buyers and suppliers.

With over US\$14 trillion of cross-border trade per year, which represents more than 25% of worldwide gross domestic product (GDP), the world is experiencing increasing trade globalisation and a continuing shift towards open account, away from traditional trade finance instruments, such as letters of credit (L/Cs). This continuing momentum towards greater automation and open account trade suggests that a collaborative international e-invoicing solution will prove a powerful addition to SWIFT's payment and cash management services for corporates.

E-invoicing Plus Payments: A Compelling Bank Proposition

Combining payments with invoicing creates a compelling proposition for banks to offer to their corporate customers. Banks continually seek value-added transaction banking services that can attract credit balances and shore up fee income from an increasingly commoditised clean payments business. Banks which achieve timely visibility of their corporate customers' trade cycle, passing through purchase order (PO) distribution and invoice approval, are well placed to deliver strong transaction services and mitigate their credit risk. In addition, it opens up opportunities to provide a range of working capital finance solutions to both buyers and suppliers.

With cash management and SWIFT integration, e-invoicing is an exciting tool that can help organisations to achieve the benefits of true order-to-pay automation. Buyers benefit from having broader access to pay vendors electronically, and can gain better visibility and cash control across integrated information reporting. Banks can achieve market differentiation and new sources of revenue throughout the payables lifecycle.

Why Corporates are Adopting SWIFT

Almost 900 corporates have now joined SWIFT and many others are actively working through the business case. Increasingly, organisations are joining the network as a proven way to achieve a range of financial, operational and strategic benefits, such as:

- Improved visibility of bank accounts, leading to better liquidity management.
- A secure and resilient interface to multiple bank relationships.
- A bank agnostic form of connectivity, delivering greater bank independence.
- Access to multiple payments types, such as domestic and international wires, as well as bulk payments and direct debits.
- Reduced costs through standardised messaging and straight through processing (STP).
- Enhanced control, audit and non-repudiation of messages.

Adding e-invoicing to this powerful mix creates an even more compelling business case. Over 80% of corporates joining SWIFT are deciding that the easiest and most practical way to connect with SWIFT is via a service bureau. SWIFT provides helpful guidance to prospects and users of its services by appointing regional partners and issuing a series of accreditations for outstanding performance and customer satisfaction. Its SWIFTReady Connectivity 'Best Practice' label, a sought-after accreditation for SWIFT service bureaus, has only been awarded to half dozen SWIFT partners around the world.

The benefits of outsourcing SWIFT connectivity to such a highly accredited SWIFT access service include:

- Expert advice and 'hand-holding' on joining SWIFT and connecting to the network.
- The ability to go live faster and more easily.
- Lower total cost of ownership, with no new hardware or software required in-house.
- No need to build or retain SWIFT expertise in-house.
- Future-proof against upgrades to the SWIFT infrastructure (such as SWIFT Release 7), which are handled by the bureau.
- Easy access to value-added services such as reformatting, reconciliation and anti-money laundering (AML).

Delivering Interoperability and Global Reach

There are a plethora of e-invoicing networks across the global, with a varying degree of functionality, ranging from just invoice distribution to the full O2P cycle. The largest and fastest growing payment and invoicing network is Bottomline's Paymode-X multi-bank network, with a community of more than 140,000 buyers and suppliers, which is growing at a rate of over 2,500 new members per month.

It is estimated that there are over 400 e-invoicing solutions in Europe alone, with hundreds of other service providers around the world. This is a highly fragmented market, creating confusion over which network to join to reach your customers or for your suppliers to reach you efficiently.

Although there are some agreements between different providers to allow customers of one network to send e-invoices to users of another network, these ad hoc arrangements are non-standard in terms of connectivity, documentation, format and pricing model. SWIFT is proposing a new value-added service for its banking and corporate customers by making it easier to connect different e-invoicing networks. This enables SWIFT to extend the global reach of service providers, which with only a few exceptions are generally focused on domestic e-invoicing.

Conclusion

SWIFT connectivity offers exciting potential for streamlining international trade processes and mitigating risk. We will likely see growing traction over the coming years, as banks and corporates gain confidence in this new proposition. SWIFT's new initiative is highly complementary to existing payment and invoicing exchanges, which will benefit from extended reach and standardised interoperability with other networks. Both banks and their corporate customers will realise significant benefits from this interoperability.

The combination of SWIFT's e-invoicing solution with SWIFT's existing payments and cash management proposition provides a further driver for corporates to embrace the benefits of using SWIFT to converge their international trade and cash requirements and streamline working capital management. Similarly, this same combination is a compelling reason for banks to offer an enhanced SWIFT value proposition to their corporate customers with international trade and cash management needs.