

Purchasing Insight

Purchase to Pay, Purchasing & Procurement Process, Electronic Invoicing

e-invoicing raised to the power of free

Let's get something straight at the outset. I'm not about to suggest that users of e-invoicing networks will want to use them to play Farmville. But what I can see is that the transactional platforms will become free to use as service providers offer other value added services and I want to explain why.



Just over a decade ago, dotcom stocks were being valued at ridiculous multiples. 50 times revenue was not unusual. It all fell apart of course but can you imagine if at the time you'd suggested that you could offer a product for free and float the company for \$100bn, even the most optimistic day trader would have said you need your head examined.

Today the facebook valuation is old news and many find it easy to rationalize. Something like 500 million users makes facebook a highly influential, high traffic site and that traffic can easily be translated into revenue. It's less easy to rationalize the twitter valuation of \$10bn. That's in the region of 100 times projected revenue but one thing is for sure about facebook and twitter – offering their service for free has not dented their fortunes and it says something important about the B2B charging models for e-invoicing.

I was chatting to Bertram Meyer, CEO of Taulia this week, ostensibly to discuss their last 12 months, how impressive it was and the market for dynamic discounting. But we digressed and we started talking about e-invoicing. Now, e-invoicing isn't Taulia's core business – (for those who don't know Taulia provide a slick way for SAP houses to manage their financial supply chain using dynamic discounting). In contrast, e-invoicing is Ariba's core business – or at least one part of it – and Ariba offer dynamic discounting too. So Taulia and Ariba have similar business models but with different emphases.

There are lots of differences between Taulia and Ariba but there is one fundamental difference. Ariba charge transaction fees. Taulia don't and, as Bertram pointed out, this is a critical difference when it comes to dynamic discounting.

It means that a buying organization that uses Ariba can extract value from the invoices from let's say the 20% of their suppliers signed up for ASN, whereas a buyer that uses Taulia can extract value from 100% of their invoices. Why is this? Because Taulia offers completely free, open and interoperable e-invoicing service. It doesn't matter whether the supplier uses ASN, OB10 or whether they use Taulia's service.

Taulia isn't a competitor to Ariba. They compliment Ariba. And this is at the heart of what openness, interoperability and the power of free is all about. e-invoicing per se is not where it's at. e-invoicing is just an important means to an end. It is the value you can extract when you can automate your financial supply chain that is important and it's the value added services that should be charged for.

There's a very strong counter argument to this of course and that is that the infrastructure that is required to support tax compliant and secure, reliable e-invoicing delivery is non-trivial to say the least. Ariba and OB10 have been investing in this for years and really do add significant value. Today, in 2012, the free e-invoicing stance is a little naive. But only a little and for how long? In 2015 I'm not confident it will be that naive at all.

In 2015 the discussion will have moved on. Closed networks will look like the "walled garden" internet offerings of the 1990s. The real interest will be the added value services that will grow around the transaction platforms, more supply chain finance models and techniques like gamification to encourage good corporate conduct – gold stars for good behavior.

Actually, that does sound a little bit like Farmville.