Third Generation e-banking - Innovations for Connecting-Customers Dimension

5.5.2008
Bo Harald

TietoEnator

Copyright © 2008 TietoEnator Corporation

Role of:

- e-payments,
- e-id
- e-signatures and
- e-invoicing

in business and government services

TietoEnator

Copyright © 2008 TietoEnator Corporation

Questions

- Do banks want to *modernize* their services to contribute in new ways to customer value, European productivity and environmental issues?
- *Of course!*
- Does the public sector want to save tax payers' money by digitalizing services with the same tools as the private sector?
- *Of course!*
- *The tools are there – further investment needs are small*
- What are we waiting for?

TietoEnator

Copyright © 2008 TietoEnator Corporation

Some key examples

1. E-identification & e-signatures – use bank log-in tools *(one-time codes or certificates in mobile)* for public sector and private sectors. Save 10s of billions € in EU..
2. E-invoicing – make invoices travel – just like payments – one contract reaching all. Save 100ds of billions € in EU – same tools for b2b&b2c, same tools for direct debit
3. Direct real-time e-payments for e-commerce
4. E-salary
5. Mobile banking and payments – the time is ripe

- Banks need to expand common standards and network
- New value – new income. EARNING the better profits.

TietoEnator

Copyright © 2008 TietoEnator Corporation

Outline

1. Our experience
2. Innovative banking services needed for the Networked Economy
3. End-user centric approach – making it from inventions to innovations
4. E-invoicing in EU focus

TietoEnator

Copyright © 2008 TietoEnator Corporation

Experience in banking, payments and e-id services

TE supporting BANKS in Nordic countries since 1968 to:

- become world leaders in multi-channel e-banking and payment automation
- expand business offerings from e-banking to e-business-embedded e-banking – 3rd generation

AND at the same time with automation, self service and sourcing

- cut their costs in half

AND

- establish a model for public-private partnership

Experience cannot be copied - it has to be experienced...

TietoEnator

Copyright © 2008 TietoEnator Corporation

Innovations make the difference – stages 1&2 (Nordea Bank Finland – *my experience*)

- Corporate e-banking (1979)
- Private e-banking (1982)
- One-time-code log-on (1982)

1. Basic banking is the base

– 85% penetration (corporate 100%)

- Equity trading in e-bank (1988)
- Travel currency (1993)
- SMS-banking (1996)
- e-consumer finance (e2) (1996)
- e-mortgages e2e (1998)
- e-invoicing (1998)
- Foreign payments (1999)
- WAP-banking (1999)
- Warrants (2002)
- Next life event concepts
- E-vaults
- Mobile services for private Banking

2. All products, multi-device,

TietoEnator

Copyright © 2008 TietoEnator Corporation

Innovations make the difference – stage 3 (Nordea Bank Finland)

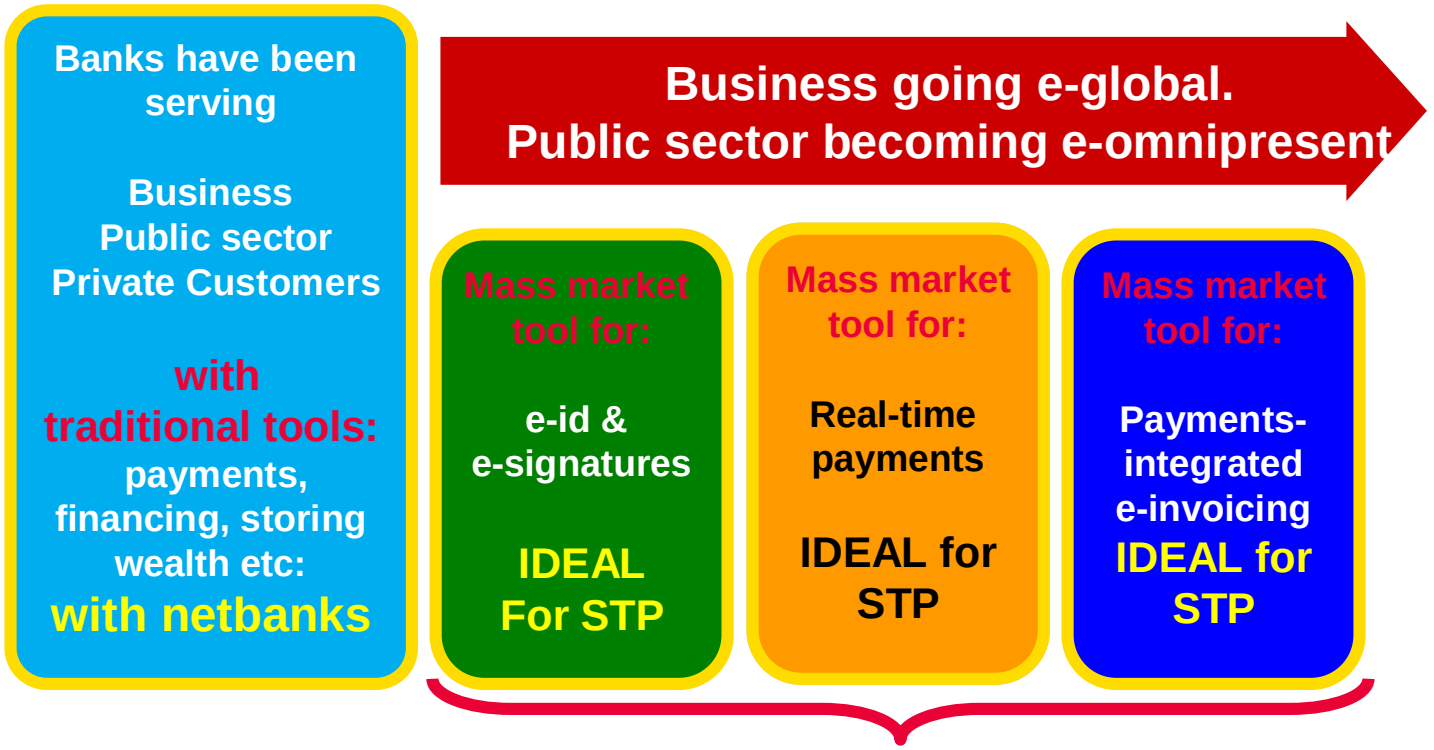
- E-id third parties (1992)
- Real-time e-commerce-payments (1996)
- E-billing b-to-c (1998)
- E-signatures 3rd parties (1998)
- E-salary (2000)
- E-id public sector (2002)
- Finvoice e-invoicing (2003)
- Certificate on EMV-card (2004)
- Finvoice for documents (2004)
- More coming..

3. "Connecting customers"
– reuse *(economy of reuse)* familiar *(economy of repetition)* e-banking tools for 3rd parties
– embedded in e-commerce and e-public sector services

TietoEnator

Copyright © 2008 TietoEnator Corporation

The Networked Economy -
3 more pillars needed from banks



Nordic banks have delivered these -
much with support of TietoEnator

TietoEnator

Copyright © 2008 TietoEnator Corporation

Outline

1. Experience
2. Innovative banking services needed for the Networked Economy
3. End-user centric approach – making it from inventions to innovations
4. E-invoicing in EU focus

TietoEnator

Copyright © 2008 TietoEnator Corporation

Citizens need digitalization of enterprise and public sector services – banking embedded

How can it be done:

1. Faster Use tools what citizens already have and trust – avoid technology trap.
2. At low cost Re-use tools created – for example bank-id – avoid vendor trap

Joint responsibility – also private-public partnership.

Time for business to drive regulation – co-regulation makes it better.

Banks have to take their responsibility – modernize banking – natural role in new environment

TietoEnator

Copyright © 2008 TietoEnator Corporation

1. How faster > total end-user centricity (1/2)

- Obvious service design guidelines: clinically simple in navigation and language
- Obvious networked economy guidelines: start from citizens everyday practices (often needed by many first) and address the need holistically – build on experience
- Always reuse tools that citizens have, are used to and trust – avoiding technology for technology's sake
- Same tool for public and private sectors – faster critical mass (there is no "public sector" – only service…)

TietoEnator

Copyright © 2008 TietoEnator Corporation

1. How faster > total end-user centricity (2/2)

- Add services, channels and mobile services (omnipresence drives usage – now is the time to re-enter mobile)
- Understand that also digital immigrants are getting new skills and demand better and more
- Understand the social web's tools (learn just-in-time – pro just in case) and mindset (true participation)

TietoEnator

Copyright © 2008 TietoEnator Corporation

It is all about human behaviour….

- "What I hear, I forget.
- What I see, I remember.
- And what I do, I understand.“

1. **economy of repetition for user**
2. **economy of reuse for provider**
3. **economy of scope for both**
4. **economy of scale for both**
5. **economy of loyalty for both**

Total value in economy = ∑ ????????

TietoEnator

Copyright © 2008 TietoEnator Corporation

How lower cost?

- Reuse existing technology – economy of re-use (avoid infra-, smart card and card reader investments, Vista upgrade challenges…)
- Reuse existing habits – economy of repetition (avoid cost for teaching and instructing)
- Reuse sales force and services desks – economy of scope
- Reuse existing systems – economy of scale
- Make sure that competition works (4-corner-models)
- Banks are ideal partners – MUST be secure, are supervised – have sales power and standardization track record

Who can be against this model? Moving faster, securely and at by far lowest cost.

TietoEnator

Copyright © 2008 TietoEnator Corporation

Advantages of netbank login based e-identification for end-users

- First time usage
  - No extra registration & enrolment
  - No need to install anything
  - No additional cost
- Everyday usage
  - Usage from any location – home, office, public libraries etc
  - Usage with different kind of devices – PC, mobile phones, fixed line phones, TV
  - Usage also in call centers – multichannel: additional economy of reuse and repetition
  - Easy to use – also for signing loans (over 50%) and 3rd party agreements (utilities, telecom operators etc)

TietoEnator

Copyright © 2008 TietoEnator Corporation

Advantages of netbank login based e-identification for service providers

- Lowest cost – automatic upgrading
- Reach large number of citizens – all internet users in practice
- Citizen satisfaction > they have the readiness
  - Authentication device
  - User habit
  - Trust – also for signing contracts
- Connection to services is easy – usage from day one
- Banks have the sales force and the usage support
- Banks have to be strict at customer identification when opening accounts and issuing first identification tools
- Banks have to use strong security to stay in business and are supervised
- Banks compete (additional steps should be and are being driven by the industry)

TietoEnator

Copyright © 2008 TietoEnator Corporation

A world with far too many choices, fragmented technology, lack of standards, information overflow...

...simple insight - the only thing **scarce** in a world of abundance is **human attention.**”

Business 2.0 Jan 2000, James Daly, Editor in Chief

Less time for any one thing... > quest for clarity, simplicity, holistic collaborative offerings and repeatability in user interfaces >

ECONOMY OF REPETITION – bank e-id and payments-integrated e-invoicing central examples

TietoEnator

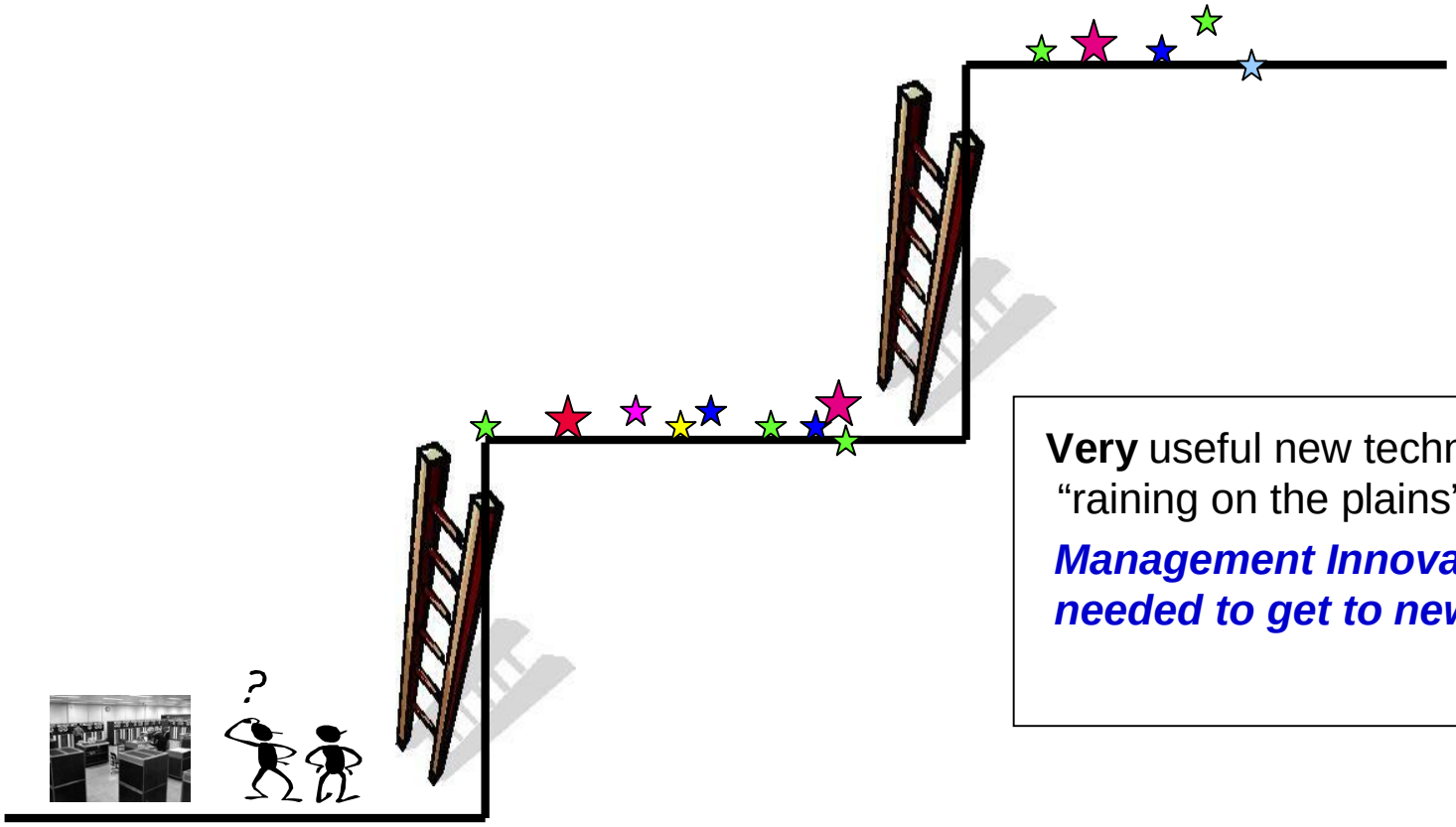
Copyright © 2008 TietoEnator Corporation

Outline

1. Experience
2. Innovative banking services needed for the Networked Economy
3. End-user centric approach – making it from inventions to innovations
4. E-invoicing in EU focus

TietoEnator

Copyright © 2008 TietoEnator Corporation



Very useful new technology
"raining on the plains"

Management Innovation needed to get to new levels

Reality:

Severe information overflow (less time for any one thing) and **inflexible IT-infra**

TietoEnator

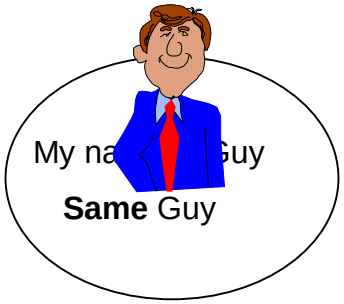
Copyright © 2008 TietoEnator Corporation

Bank customer

Bank corporate customer

Utility customer

Corporate utility customer



Citizen in public sector service

Enterprise in public sector service

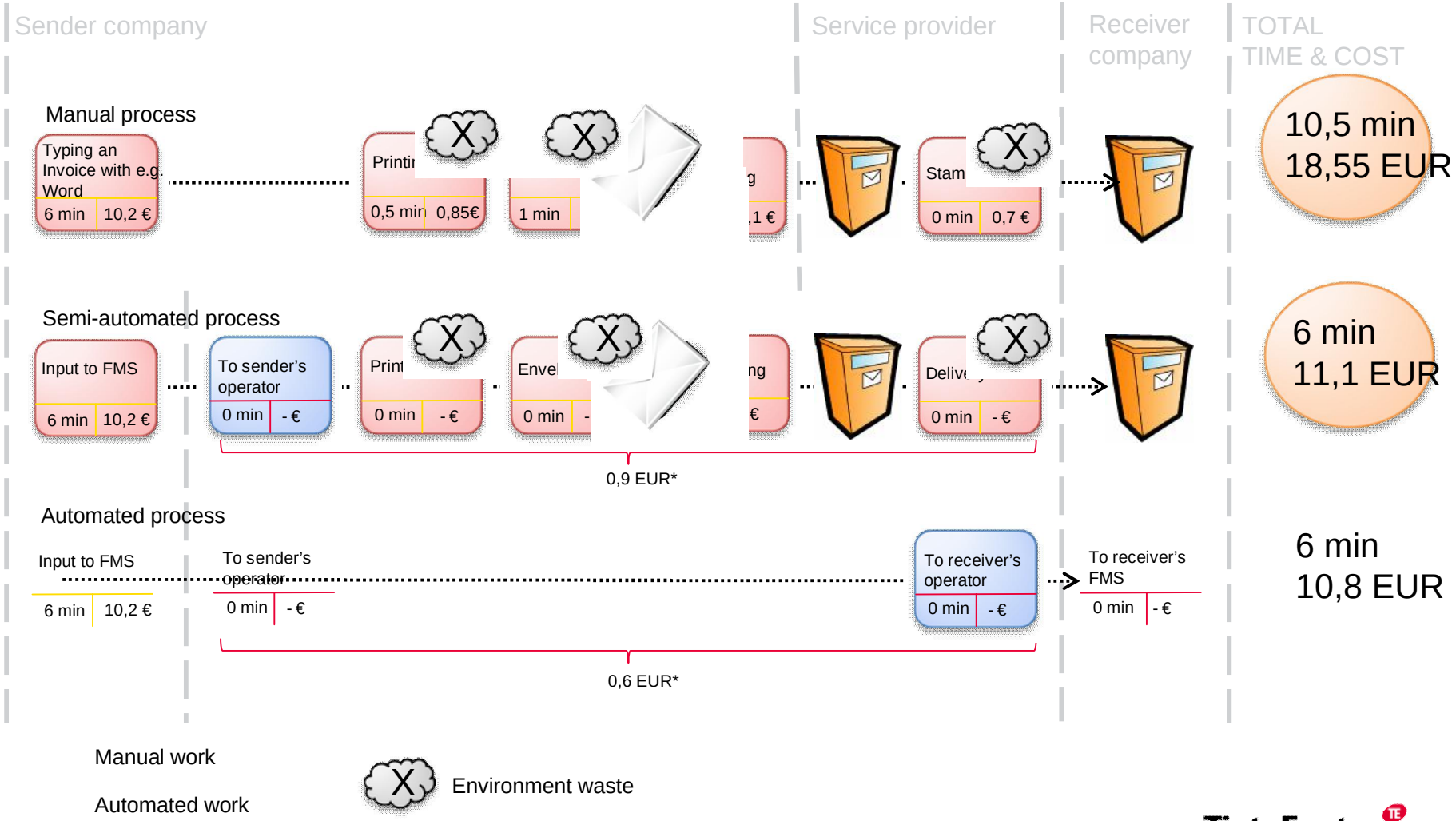
Operator customer

Operator corporate customer

TietoEnator

Copyright © 2008 TietoEnator Corporation

Micro-SME Outbound



Cost estimation: 100 EUR / working hour, FMS = Financial Management system
*Nordea Bank,

Copyright © 2008 TietoEnator Corporation

Applied to market in Finland

	SME (case company) 150 inbound invoices/year 60 outbound invoices/year	Finland 218 000 SMEs (<10 employees)	Europe 18,8 M SMEs (<10 employees)
Inbound invoices	3825 EUR	834m	72bn
Outbound invoices	465 EUR	101m	8,7bn
Total	4290 EUR	935m	80,7bn

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for large enterprises

- massive process cost savings
- better interoperability between present standards
- lower IT-application and reformatting costs with wider use of common directly interoperable standards
- cross-border interaction enabled more widely
- standard interfaces to service providers > more competition > lower costs
- opportunity to automate entire value chain (same data elements) - e-invoicing is a part of both buyer centric (purchase to payment) and supplier centric (order to cash) process models
- business process optimization and straight through processing follows fine
- tuning single transaction types
- faster payments > better cash flow and forecasting – improved working capital
- less credit risk
- less currency risk
- opportunity to benefit from own credit rating via supplier financing to SMEs
- less boring tasks – more motivating, productive opportunities for own staff
- opportunity to help SMEs to move up in digitalization layer
- image improvement from promoting common open standards
- part of enterprise program to slow down global warming
- opportunity to engage in positive co-regulation – driving the necessary in and eliminating the unnecessary in co-operative spirit with enlightened policy makers

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for SMEs

- can continue to trade with partner (for example public sectors in an estimated 15 countries consider making e-invoicing more or less mandatory)
- better value for own customers (manual invoices cost him 30-70€ each, un-automated e- around 10€, fully automated 1€)
- same tool works with all – and from all
- no investment needs with template in e-bank or general portal
- no it-skills needed
- familiar user experience, user support and security when part of e-banking
- invoicing - causing much lower cost to receiver - can be more frequent > better cash flow, lower credit risk, lower currency risks
- e-invoices are paid faster > better cash flow – less financing need – less risks
- invoices can be sent to bank for invoice financing – benefiting from trading partners' credit standing
- better reporting
- cheaper accounting
- wider supply of mini ERP solutions when common standards gain space – easier to change service provider > more competition
- more valuable customer for banks, accounting firms and other service providers > more competition
- less fraud risk as e-invoice senders have been properly identified by service providers
- same tool can be used for sending invoices to consumers (increasingly needed for tax deductions and demanded as digital habits grow)

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for the public sector

- massive savings of tax payers' money
- opportunity to make e-society programs concrete and progress measurable – with same tools as private sector
- opportunity to drive the market by being a model user (e-only once low-cost tools to SMEs are available)
- more competitive enterprises
- less tax evasion
- opportunity to use same tool for business to consumer invoicing
- less strain on environment
- opportunity to contribute to EU-wide productivity

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for EU

STEP 1. Productivity improvements from

- *Faster digitalization in harmonized and wider common market*
- *Direct cost savings (B2B 240bn + B2C)*
- *Indirect improvements (financing, cash flow, fraud elimination, lower risk levels…*

STEP 2. Step to further layers towards real time economy

- Procurement processes
- Automated accounting etc

The Commission is working hard to make EU more competitive – not always an easy task.

We are committed to support for our part - by making concrete progress.

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for the environment

Less paper (fiber equivalent of 15 million trees)

- Less energy used in manufacturing
- Less printing
- Less transport
- Less recycling
- Less traveling

TietoEnator

Copyright © 2008 TietoEnator Corporation

e-invoicing - key – to:

1. Better productivity in EU – cost savings, risk mitigation AND step to next document layers
2. Better customer service – new value in many dimensions
3. Better jobs – less routine – more interesting and better paid
4. Better environment – less travel, less transport, less material

TietoEnator

Copyright © 2008 TietoEnator Corporation

Up to 243 billion reasons…

Finnish State Treasury: cost estimate for incoming manual invoice € 30€, e-invoice 10€, fully automated 1€….

Finnair: 40€/incoming manual invoice

Electrolux: 50€/incoming manual invoice

Finnish Employers Federation:

- annual saving from b2b e-invoicing at 2,8bn€

European Association for Corporate Treasurers: 243bn€

EU 238bn€

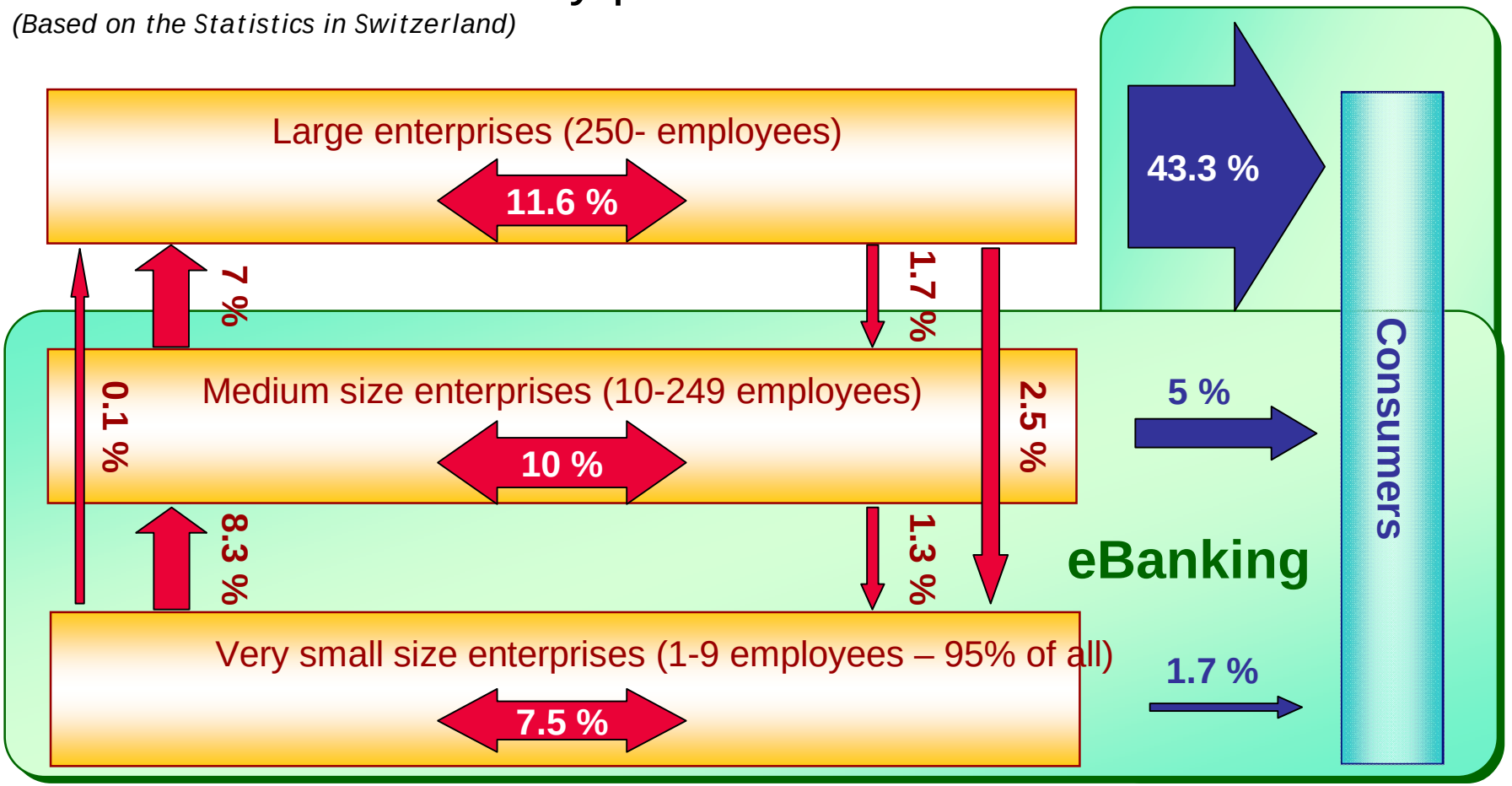
- This is processing only - more from lower credit risk, faster cash flow, lower fraud, lower IT-cost etc
- This is e-invoicing only – other documents in procurement process add more..
- This is b2b only – 10s of billions from b2c..
- Additional dimension: staff moving to productive work…
- Opportunity to grant cheaper financing to SMEs – buyers also benefiting

TietoEnator

Copyright © 2008 TietoEnator Corporation

30 Billion invoices – why part of SEPA?

(Based on the Statistics in Switzerland)



B2C 53 %
B2B 47 %

Conclusions

- Less than 12 % of invoices are between large enterprises
- Almost half of the invoices are from large enterprises to consumers

Source: Billentis / Bruno Koch (www.billentis.com) January 5th 2006

Copyright © 2008 TietoEnator Corporation

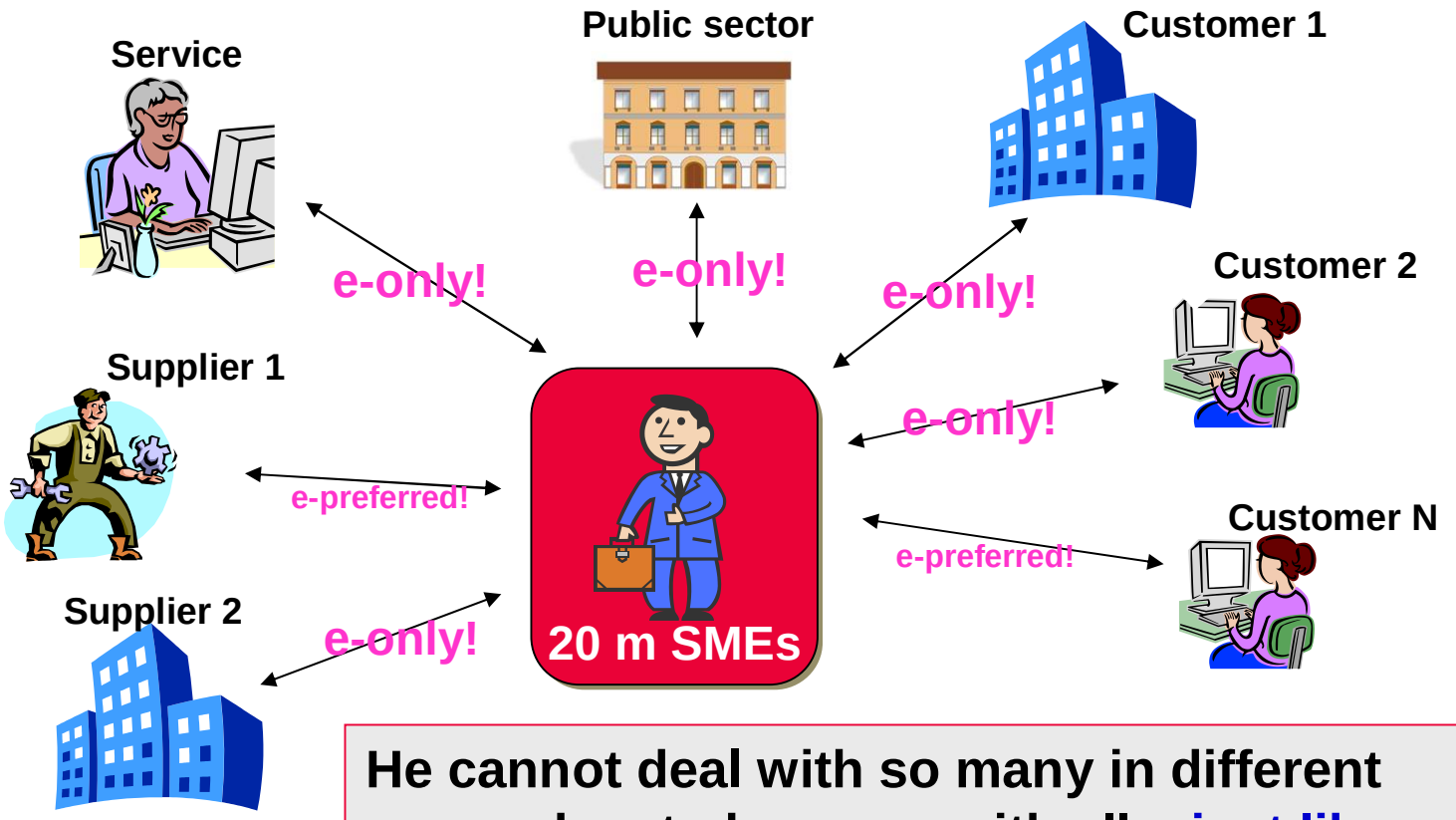
National initiatives driving e-invoicing:

- Denmark: mandatory by law – as of 1.2.2005 only e-invoices accepted in public sector (70% achieved in 2006)
- Sweden: e-invoicing mandatory with public sector 1.7.2008
- Italy: Finance Act: "article 5, obliges all companies to send electronic invoices to state administration starting 1.7.2008, in order to be paid…"
- Finland: enforcing e-invoicing in public sector today – final deadline 31.12.2009. Progressive enterprises: "E-invoice or No Invoice"
- 15 countries in all have initiatives – by 2010 it is expected that b2gov e-invoicing will be mandatory in most countries (Bruno Koch)

TietoEnator

Copyright © 2008 TietoEnator Corporation

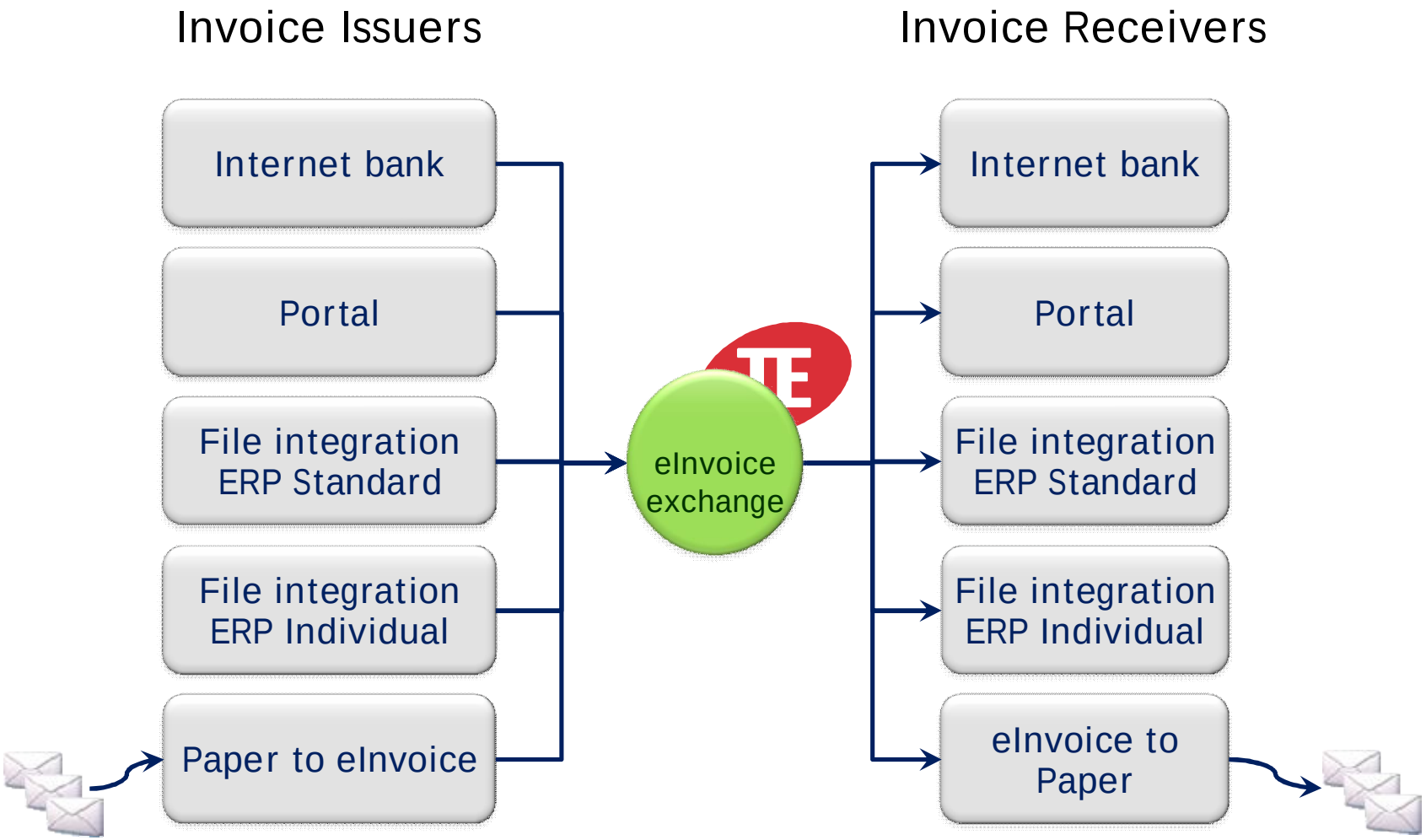
Infrastructure supporting 20m EU-SMEs in the networked economy – ”e-only-age”



He cannot deal with so many in different ways – has to be <u>same with all</u> – just like payments!

Copyright © 2008 TietoEnator Corporation

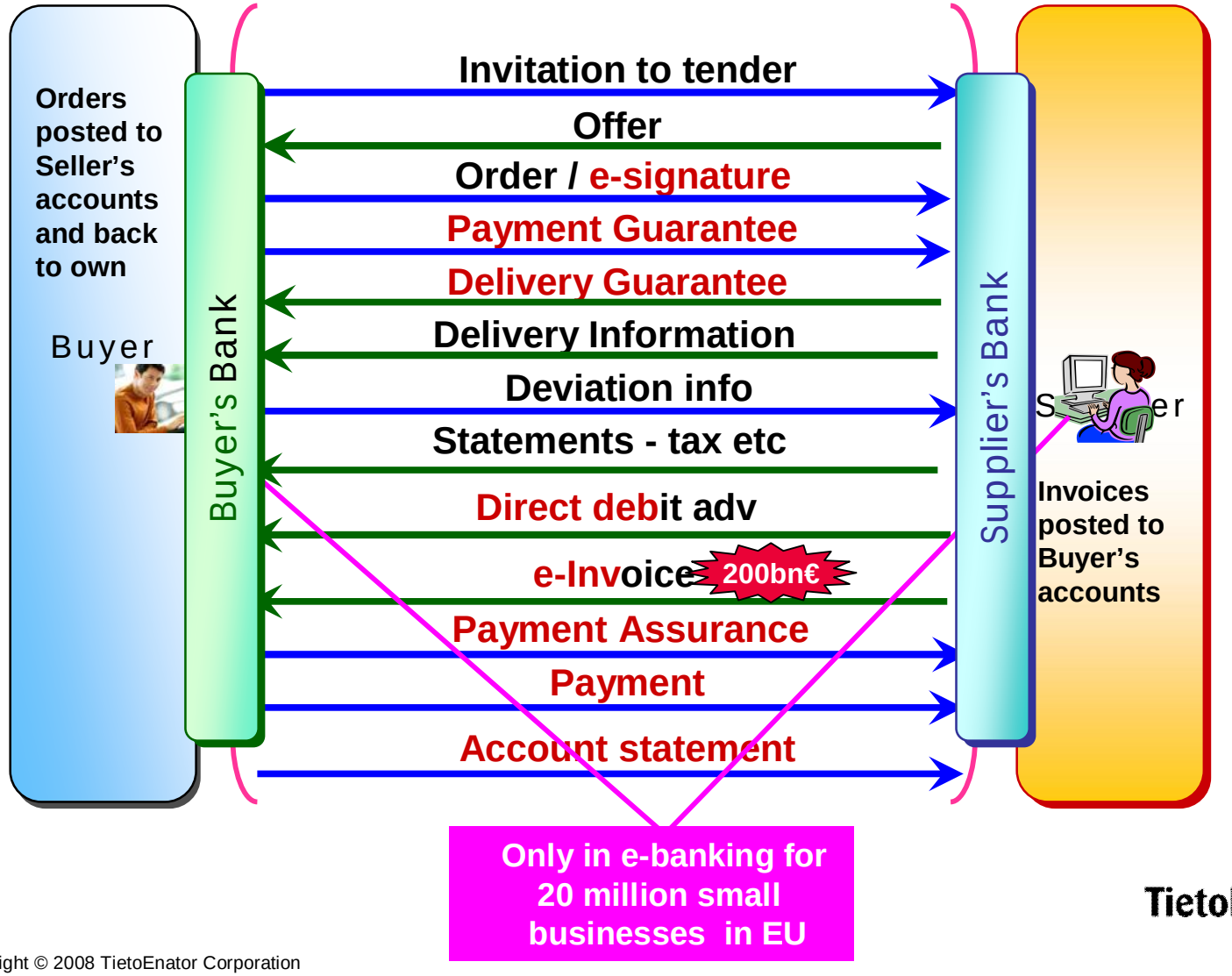
White Labelled Electronic Invoice Exchange
On-Demand Service in TietoEnator Financial Service Hub



TietoEnator

Copyright © 2008 TietoEnator Corporation

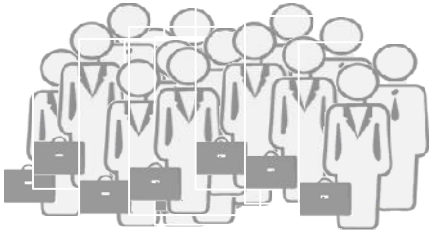
From e-invoicing to all messaging - easy XML-based horizontal *Automation* and vertical *Reconciliation*



TietoEnator

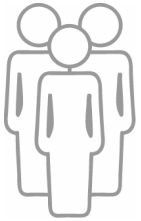
Copyright © 2008 TietoEnator Corporation

Basic Elements in TietoEnator's Financial Service Hub



Large Enterprise

Small and Medium Enterprise (SME)



Consumer

Financial Service Hub

Automated Message Exchange

eBanking / Self Service Portal

High Volume End
- ✓Automated Message Exchange
- ✓Online Conversions, AFI - AFO (Any Format In - Any Format Out)
- ✓Adapters for ERPs
- ✓Data validation
- ✓Roaming with other networks

Business Value Functionality

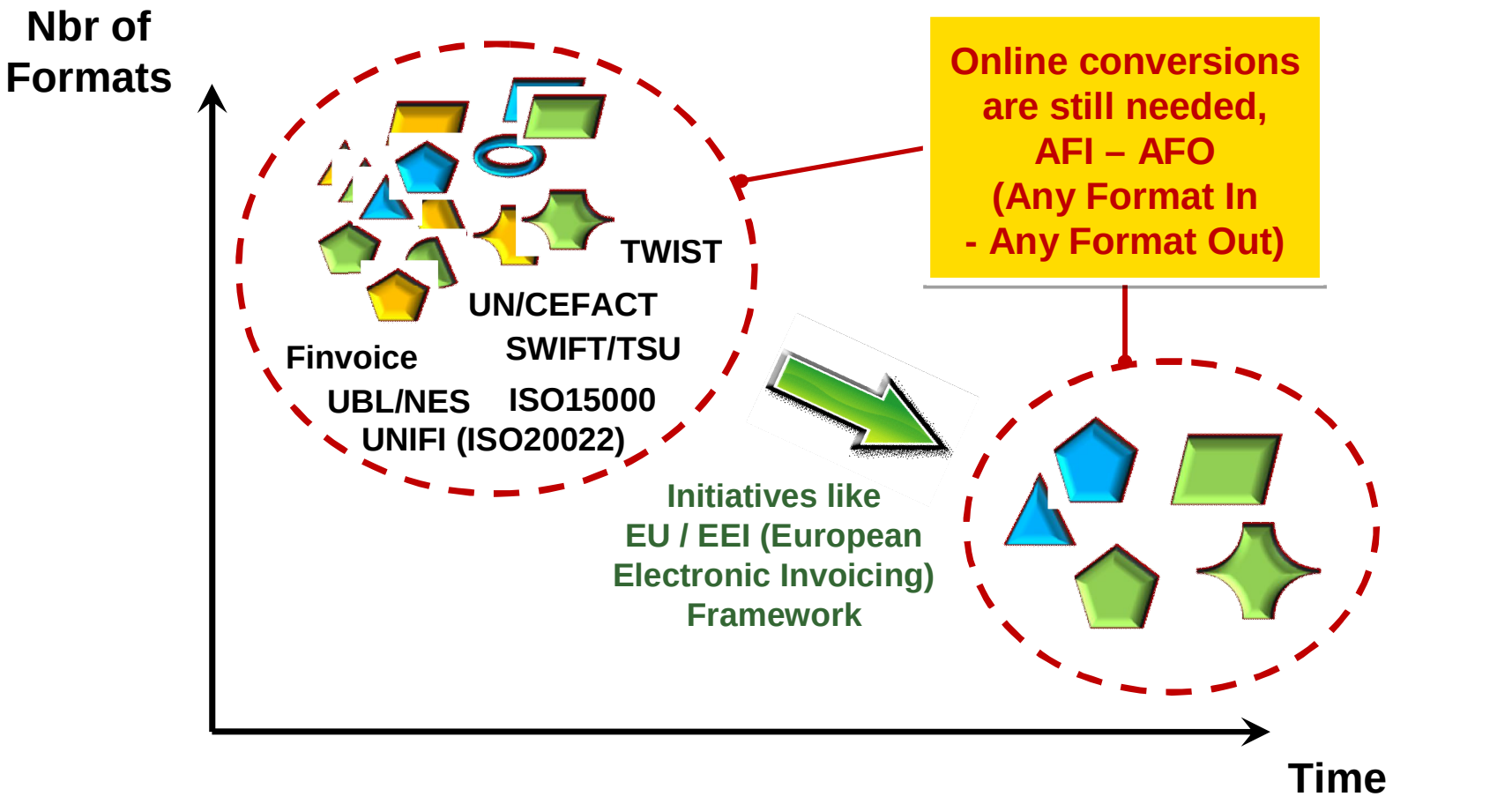
Document Storage and Presentment

Bank

Low Volume End
- ✓Self service functions
- ✓Integrated with eBanking
- ✓Manual capability
- ✓File Transfer capability
- ✓Value added applications
- ✓Semi-automated integration (Print file upload, PO Flip)

Copyright © 2008 TietoEnator Corporation

Decreasing Number of Financial Value Chain Standards



TietoEnator

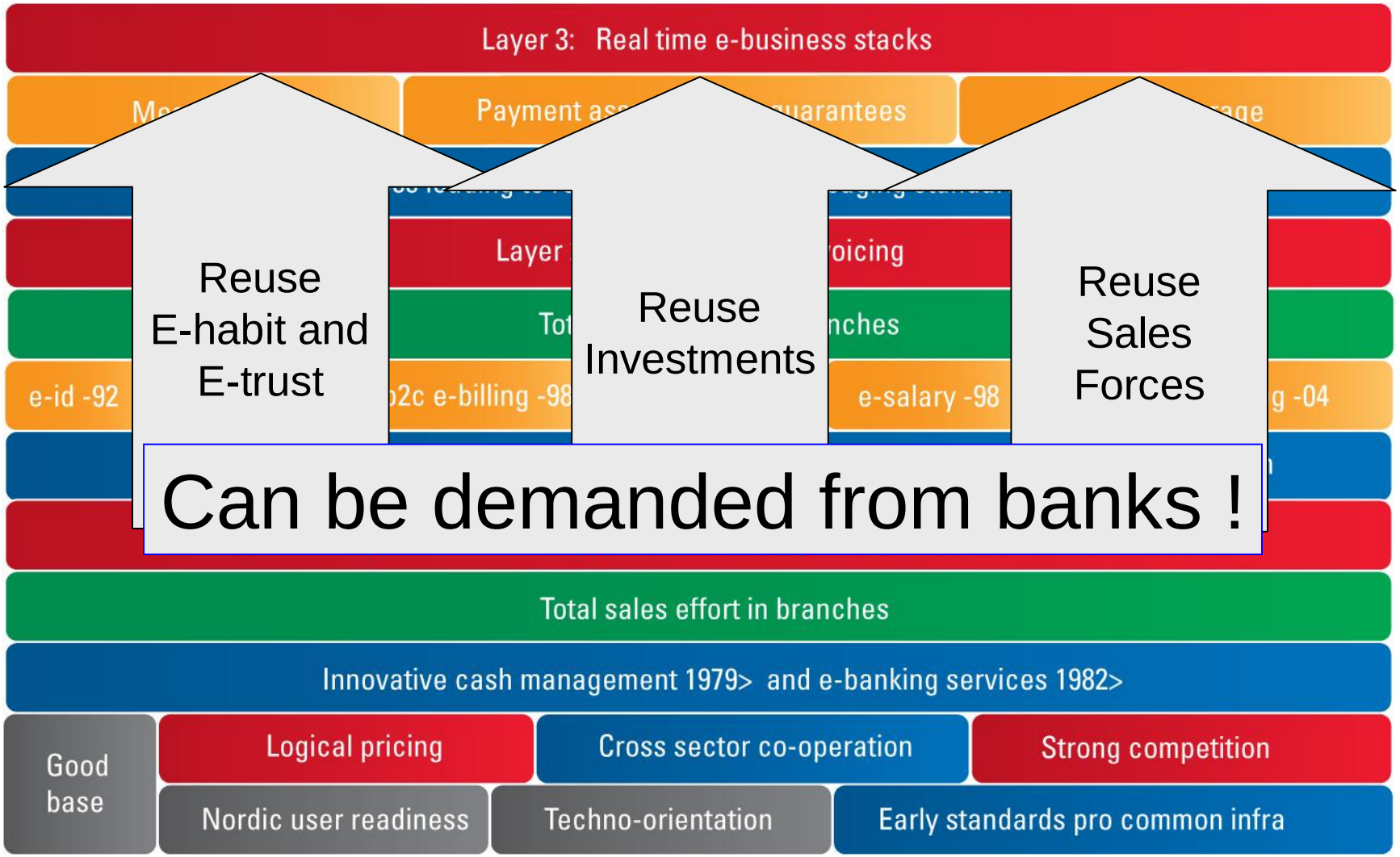
Copyright © 2008 TietoEnator Corporation

Financial Value Chain as a service.

TietoEnator

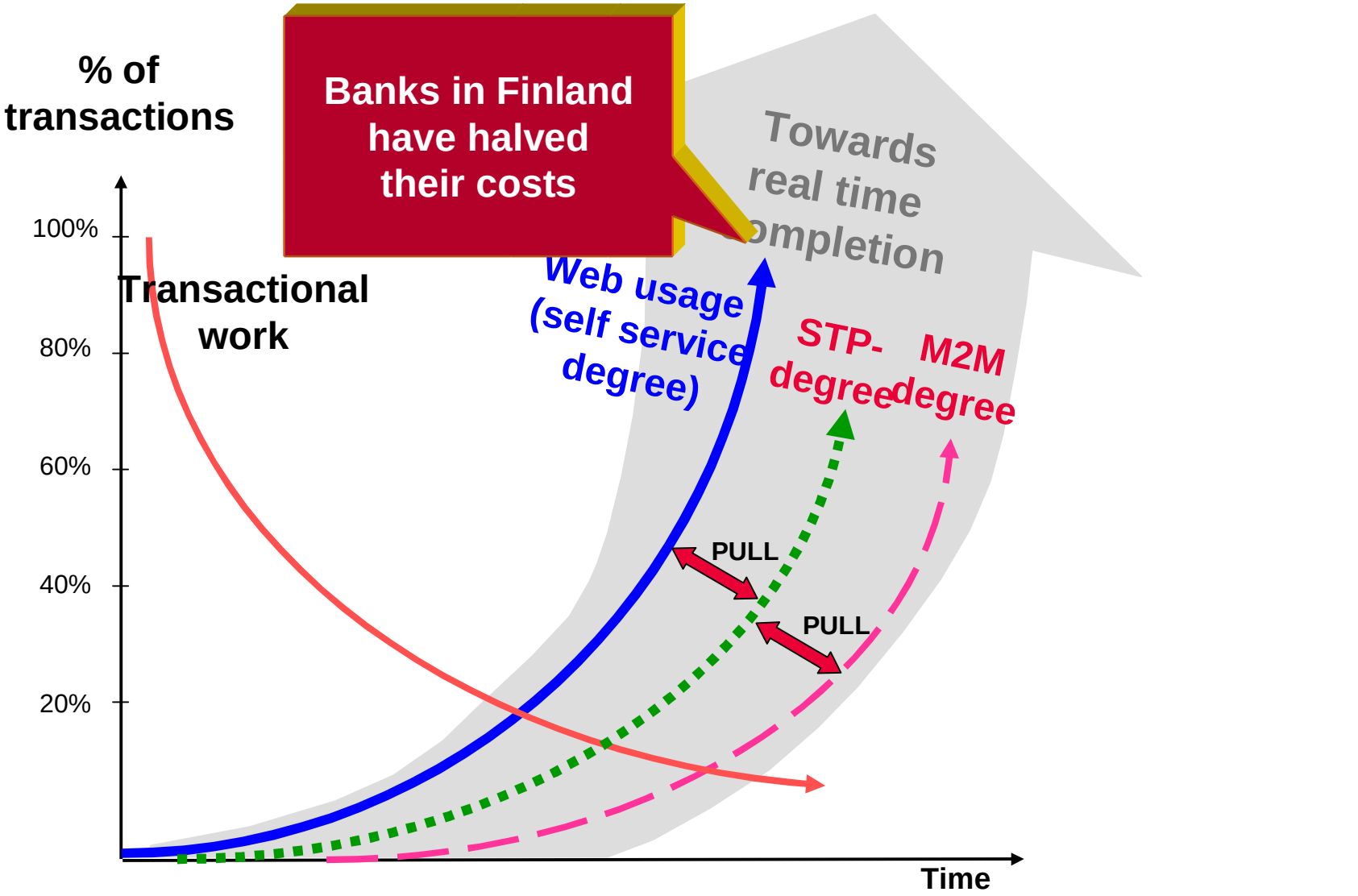
Copyright © 2008 TietoEnator Corporation

Layer-by-layer Case Nordea



TietoEnator

Copyright © 2008 TietoEnator Corporation



TietoEnator

Copyright © 2008 TietoEnator Corporation

It is not DEMAND that creates *SUPPLY*

It is the other way around

Henry Ford

TietoEnator

Copyright © 2008 TietoEnator Corporation

Wisdom from ice hockey needed in banking and payment systems:

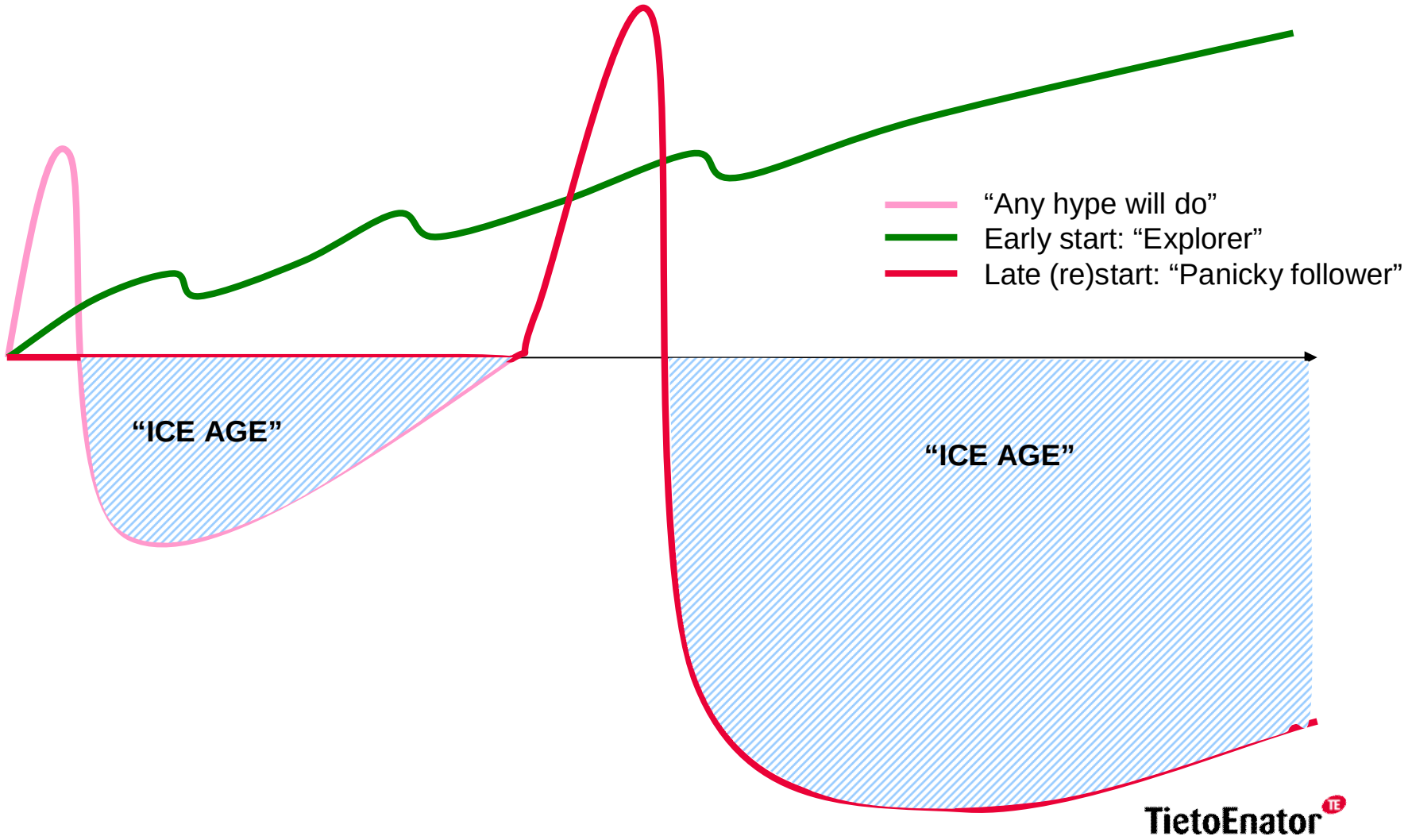
"Do not go where the puck is >

go where it is going."

TietoEnator

Copyright © 2008 TietoEnator Corporation

Start early – let mature – implement gradually



Copyright © 2008 TietoEnator Corporation

The future is not planned nor prognosed

Thank you

bo.harald@tietoenator.com,
http://boharald.blogspot.com

TietoEnator

Copyright © 2008 TietoEnator Corporation

financial i

Leaders in Innovation Awards 2007

E-INVOICING

TietoEnator

financial i Awards Winner

TietoEnator provides the backbone for both Nordea and Swedbank's corporate e-invoicing solutions. It also recently launched a white-labelled version of its Financial Service Hub - which extracts information in real time from purchase orders, invoices and payments exchanged between corporates and their suppliers. It is also offering the first-ever e-invoicing solution in the Czech Republic, demonstrating its ability to provide uniquely tailored e-invoicing solutions.

Mats Wikstrom, general manager, value networks

www.tietoenator.com

COMPANY TO WATCH

JPMorgan Xign

JPMorgan Chase purchased Xign in May. As the two companies were already collaborating as part of the bank's Order-to-Pay solution, the new company has fewer of the integration issues typical of a new acquisition. They have built on the acquisition with Procure-to-Pay, a more comprehensive offering, which brings together accounts payable and procurement on a single platform. Future phases include a service for suppliers for automating order-to-cash.

www.xign.com

TietoEnator

 Copyright © 2008 TietoEnator Corporation

financial i

Leaders in Innovation

Awards 2006

ELECTRONIC INVOICING

Nordea/TietoEnator

financial i Awards Winner

Nordea Bank and Nordic solutions provider TietoEnator's collaboration on e-invoicing is highly effective. TietoEnator is an innovator in business integration software. Nordea is one of the largest payments banks in the region. By combining their skill sets the two firms have created eInvoicing. The goal of the solution is to increase the use of electronic invoicing by using Nordea's e-invoicing and banking services along with TietoEnator's net invoicing and message conversion software to overcome formatting problems and data processing incompatibilities.

Erkki Poutiainen, head, eBusiness, Nordea

Mats Wikström, general manager, value networks, TietoEnator

www.tietoenator.com

www.nordea.com

COMPANY TO WATCH

Deutsche Bank

Deutsche was at the forefront in launching its e-invoicing solution, db-ebills and has worked hard to keep its solution at the top of the pack in terms of technology. The group offers payments and financing services linked into db-ebills, and the system is integrated within Deutsche Bank's financial supply chain management solutions. It has also teamed up with Computer Sciences Corporation to provide a solution for straight-through processing of invoice presentment and payment initiation and allows billers to submit invoices to payers online.

Werner Steinmuller, head, global transaction banking

www.db.com

TietoEnator

The IDC EMEA 2007 Award for ICT Innovation

Mr. Johan Schmalholz, Swedbank
Business Developer, Corporate Banking

Swedbank got the IDC EMEA 2007 Award for ICT Innovation based on end-to-end B2B e-Invoicing service provided by TietoEnator

TietoEnator

 Copyright © 2008 TietoEnator Corporation

TietoEnator Named "Cool Vendor" by Leading Analyst Firm

TietoEnator Corporation Press Release 13 April 2005 2.00 PM CET

- TietoEnator has been included in the list of "Cool Vendors" in the Research Report from by Gartner, Inc:

  "Cool Vendors in Application Integration, 2005"
  (ID Number: G00126493) by Benoit J. Lheureux, L. Frank Kenney, Paolo Malinverno, Nikos Drakos and Karen M. Shegda,
  Published on 30 March 2005

Gartner

Research

Publication Date: 15 April 2005

ID Number: G00126402

Cool Vendors Will Drive IT Innovation

Anne-Marie Roussel

TietoEnator

Copyright © 2008 TietoEnator Corporation

Magic Quadrant for Integration Service Providers, 1Q06
Source: Gartner (January 2006)

This Magic Quadrant graphic was published by Gartner, Inc. as part of a larger research note and should be evaluated in the context of the entire report. The Gartner report is available upon request from TietoEnator.

The Magic Quadrant is copyrighted 2006 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner's analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the "Leaders" quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Thought Leadership in International Forums

Bo Harald, head of Executive Advisors within TietoEnator,
was asked by European Commission to chair
the European eInvoicing (EEI) Expert Group
to define an EEI Framework

Tapani Turunen, Development Director within TietoEnator,
represents Finnish banks in ISO20022 SIG
and has provided drafting support in
"European eInvoice Framework – Transport Operation Rules"
for the Euro Banking Association (EBA)

TietoEnator

Copyright © 2008 TietoEnator Corporation

Agenda

1. EU Commission Expert Group – making the markets
2. Massive benefits
3. E-invoicing is just one step
4. End-user centric approach

TietoEnator

Copyright © 2008 TietoEnator Corporation

Message from the EU Commission at 1st meeting:

- Need to support the Single Market for the 21st century
- Advent of SEPA is a driver
- Development of systems and standards on a European basis
- Bring in all the stakeholders and liaise with sector and national communities
- Deliver something concrete and operational
- European interoperable standards can go global
- Address issues such as legal validity, security, authenticity and integrity
- Perspective of user friendliness is important
- Create a world class framework

TietoEnator

Copyright © 2008 TietoEnator Corporation

The tone

- The Expert Group is a joint effort among willing and committed partners
- We all share the vision – e-business focused on e-invoicing to accelerate productivity in EU
- We will do our very best to find a fast to implement, flexible and a future proof concept to get moving and – over time – reap maximum benefits and have these shared between all parties

TietoEnator

Copyright © 2008 TietoEnator Corporation

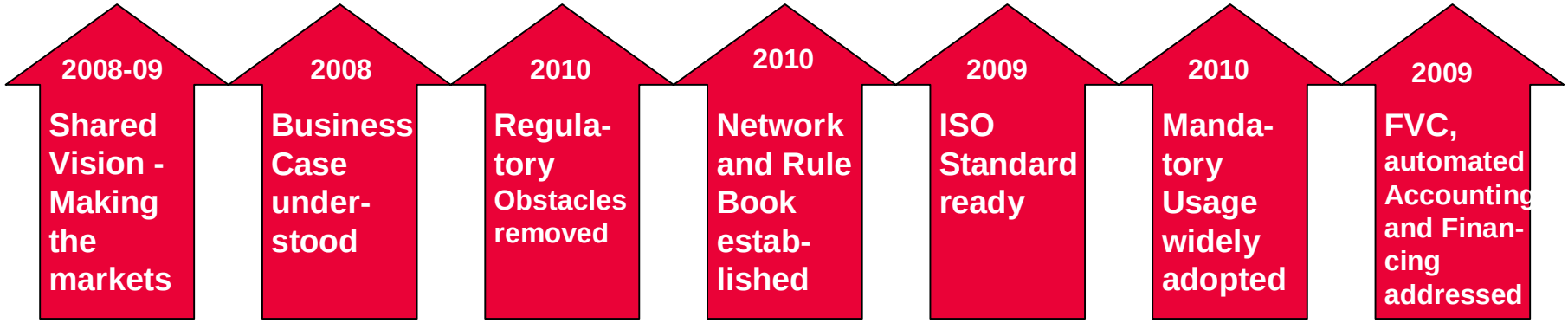
Formal tasks

1. Identify shortcomings in the regulatory framework for e-Invoicing
2. Identify and validate e-Invoicing business requirements
3. Identify and validate relevant e-Invoicing data elements and linkages (procurement, payments, value-added tax, authentication, integrity, archiving)
4. Propose responsibilities to be assigned to standardisation bodies and a time schedule for the development of common standard(s)
5. Propose the European e-Invoicing Framework to establish a common conceptual structure, including business requirements, standards and solutions

TietoEnator

Copyright © 2008 TietoEnator Corporation

2012 = E-invoicing predominant and widely integrated



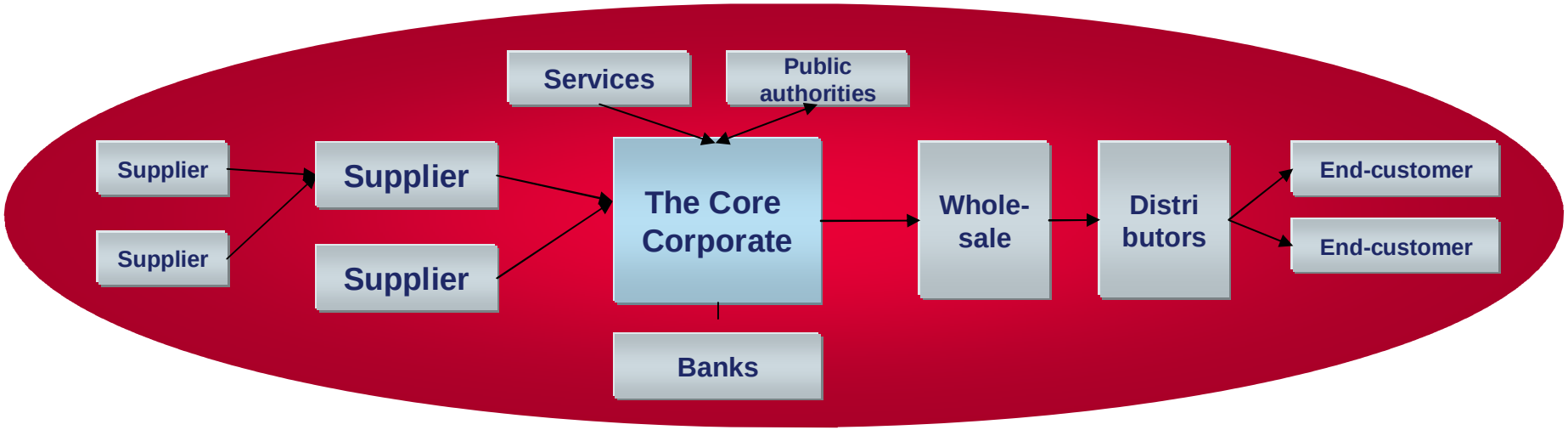
Existing base

- Infra – EDI, XML, practices established for signing
- Standards – presently in use, ongoing work (UNCEFACT/CEN/SWIFT, NES, Finvoice, TWIST, SEPA – ISO20022)
- EU/ECB decisions,
- EU TASK FORCE WORK > EII-report,
- EG mandate, EBA report,
- invoice receivers (esp public sector) declaring mandatory etc
- Rapidly rising market penetration and transaction volumes – market experience

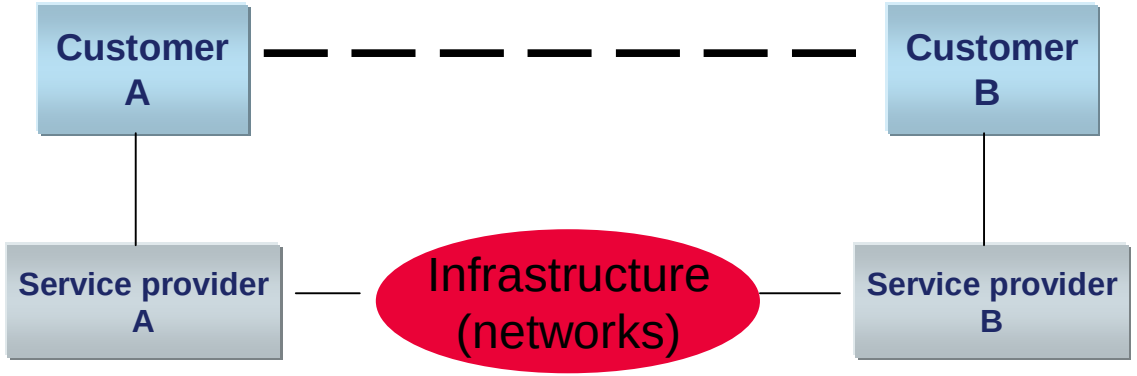
TietoEnator

Copyright © 2008 TietoEnator Corporation

A simplified corporate supply network



A many to many e-network requires collaborative design



Competitive: Services

Collaborative:
Rules, standards and interfaces for networking

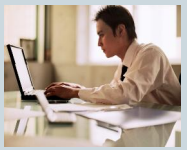
TietoEnator

Copyright © 2008 TietoEnator Corporation

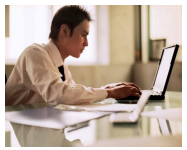
Exchange models in a networked e-economy

1 Bilateral

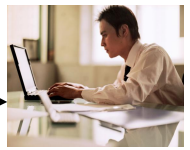
Need to agree with N parties



2 Hub (3 party)



Hub



3 Roaming

Hub

Hub

Hub

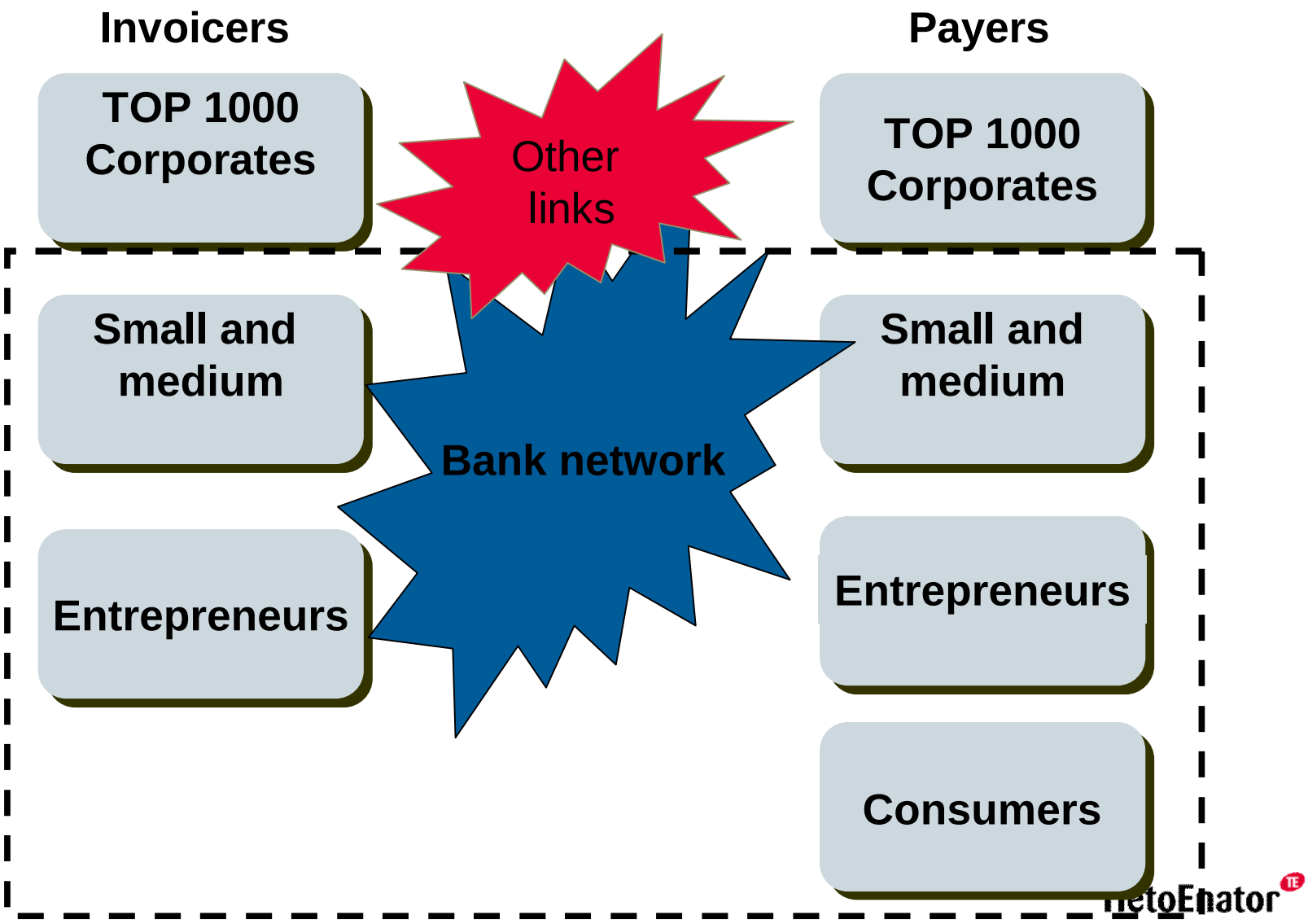
4 Open network
(4-party model)

Hub

Managed
Network

Hub

Copyright © 2008 TietoEnator Corporation



Copyright © 2008 TietoEnator Corporation

Agenda

1. EU Commission Expert Group – making the markets
2. Massive benefits
3. E-invoicing is just one step
4. End-user centric approach

TietoEnator

Copyright © 2008 TietoEnator Corporation

Faster progress – how?

Make it *crystal clear* that
manual invoicing has no future
– 238 billion reasons upfront to
move on – market-by-market

TietoEnator

Copyright © 2008 TietoEnator Corporation

e-invoicing - key – to:

1. Better productivity in EU – cost savings, risk mitigation AND step to next document layers
2. Better customer service – new value in many dimensions
3. Better jobs – less routine – more interesting and better paid
4. Better environment – less travel, less transport, less material

TietoEnator

Copyright © 2008 TietoEnator Corporation

Up to 243 billion reasons…

Finnish State Treasury: cost estimate for incoming manual invoice € 30€, e-invoice 10€, fully automated 1€….

Finnair: 40€/incoming manual invoice

Electrolux: 50€/incoming manual invoice

Finnish Employers Federation:

- annual saving from b2b e-invoicing at 2,8bn€

European Association for Corporate Treasurers: 243bn€

EU 238bn€

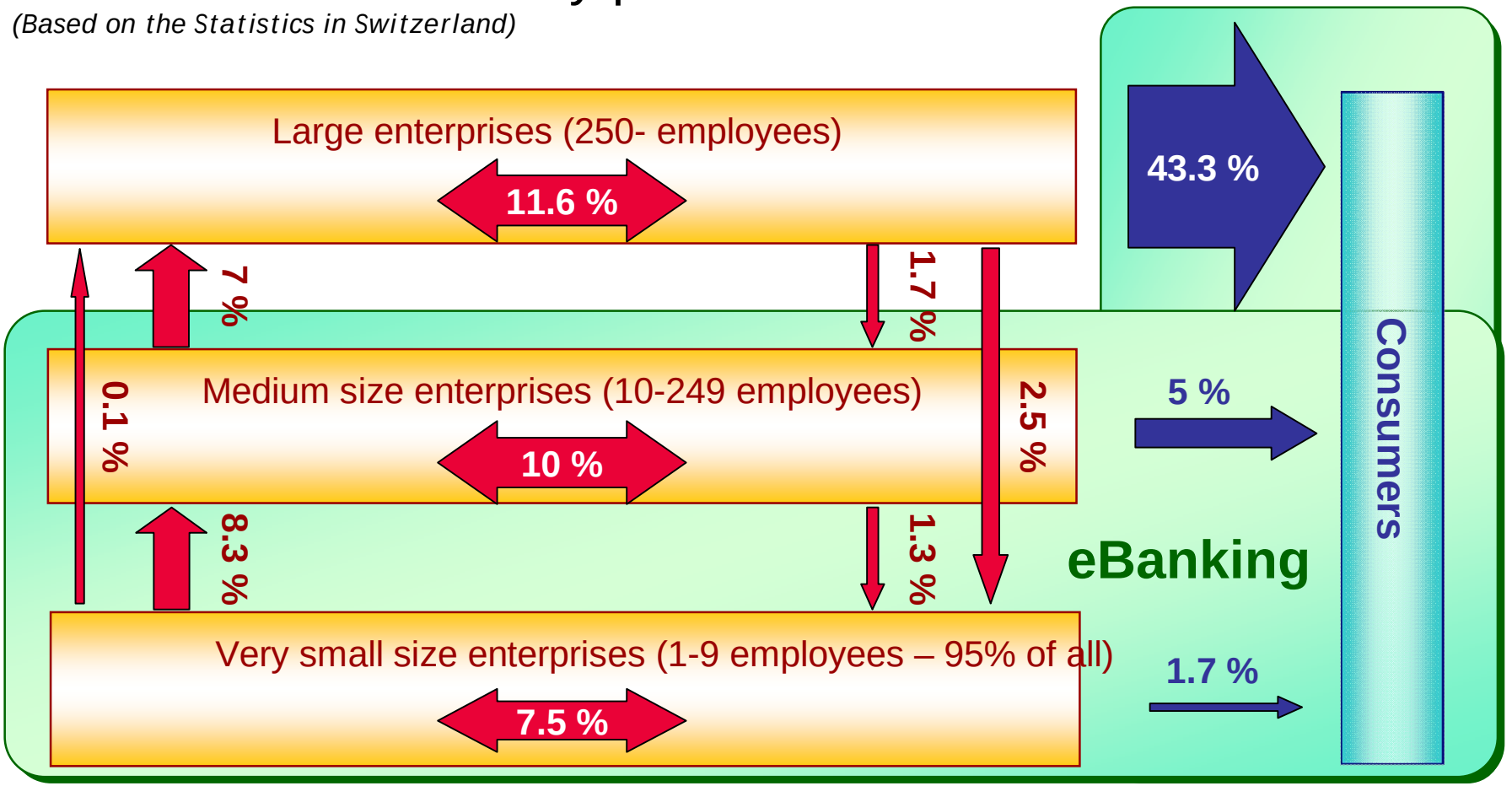
- This is processing only - more from lower credit risk, faster cash flow, lower fraud, lower IT-cost etc
- This is e-invoicing only – other documents in procurement process add more..
- This is b2b only – 10s of billions from b2c..
- Additional dimension: staff moving to productive work…
- Opportunity to grant cheaper financing to SMEs – buyers also benefiting

TietoEnator

Copyright © 2008 TietoEnator Corporation

30 Billion invoices – why part of SEPA?

(Based on the Statistics in Switzerland)



B2C 53 %
B2B 47 %

Conclusions

- Less than 12 % of invoices are between large enterprises
- Almost half of the invoices are from large enterprises to consumers

Source: Billentis / Bruno Koch (www.billentis.com) January 5th 2006

Copyright © 2008 TietoEnator Corporation

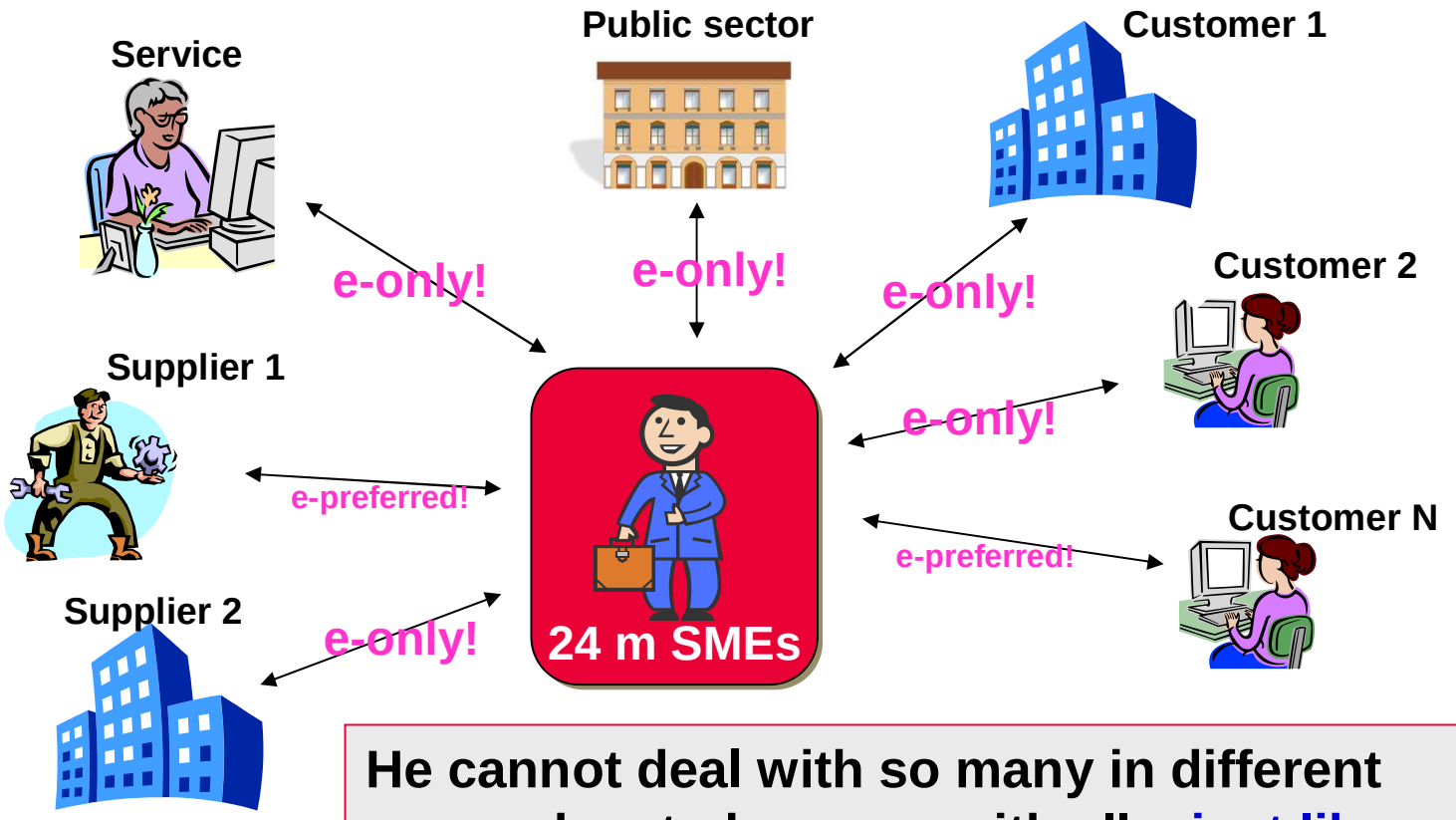
National initiatives driving e-invoicing:

- Denmark: mandatory by law – as of 1.2.2005 only e-invoices accepted in public sector (70% achieved in 2006)
- Sweden: e-invoicing mandatory with public sector 1.7.2008
- Italy: Finance Act: "article 5, obliges all companies to send electronic invoices to state administration starting 1.7.2008, in order to be paid…"
- Finland: enforcing e-invoicing in public sector today – final deadline 31.12.2009. Progressive enterprises: "E-invoice or No Invoice"
- 15 countries in all have initiatives – by 2010 it is expected that b2gov e-invoicing will be mandatory in most countries (Bruno Koch)

TietoEnator

Copyright © 2008 TietoEnator Corporation

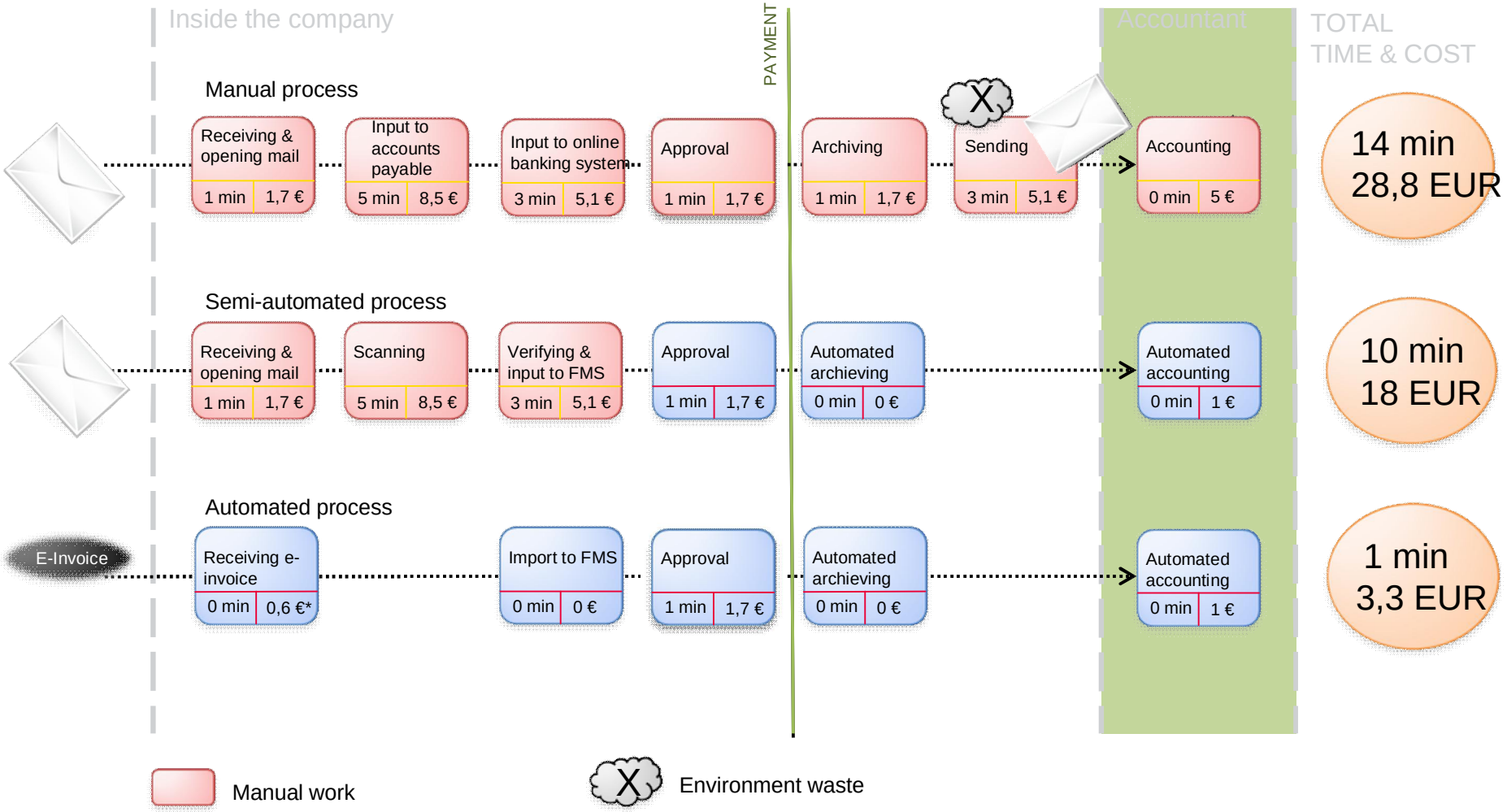
Infrastructure supporting 24m EU-SMEs in the networked economy – ”e-only-age”



He cannot deal with so many in different ways – has to be <u>same with all</u> – just like payments!

Copyright © 2008 TietoEnator Corporation

Case Micro-SME - inbound



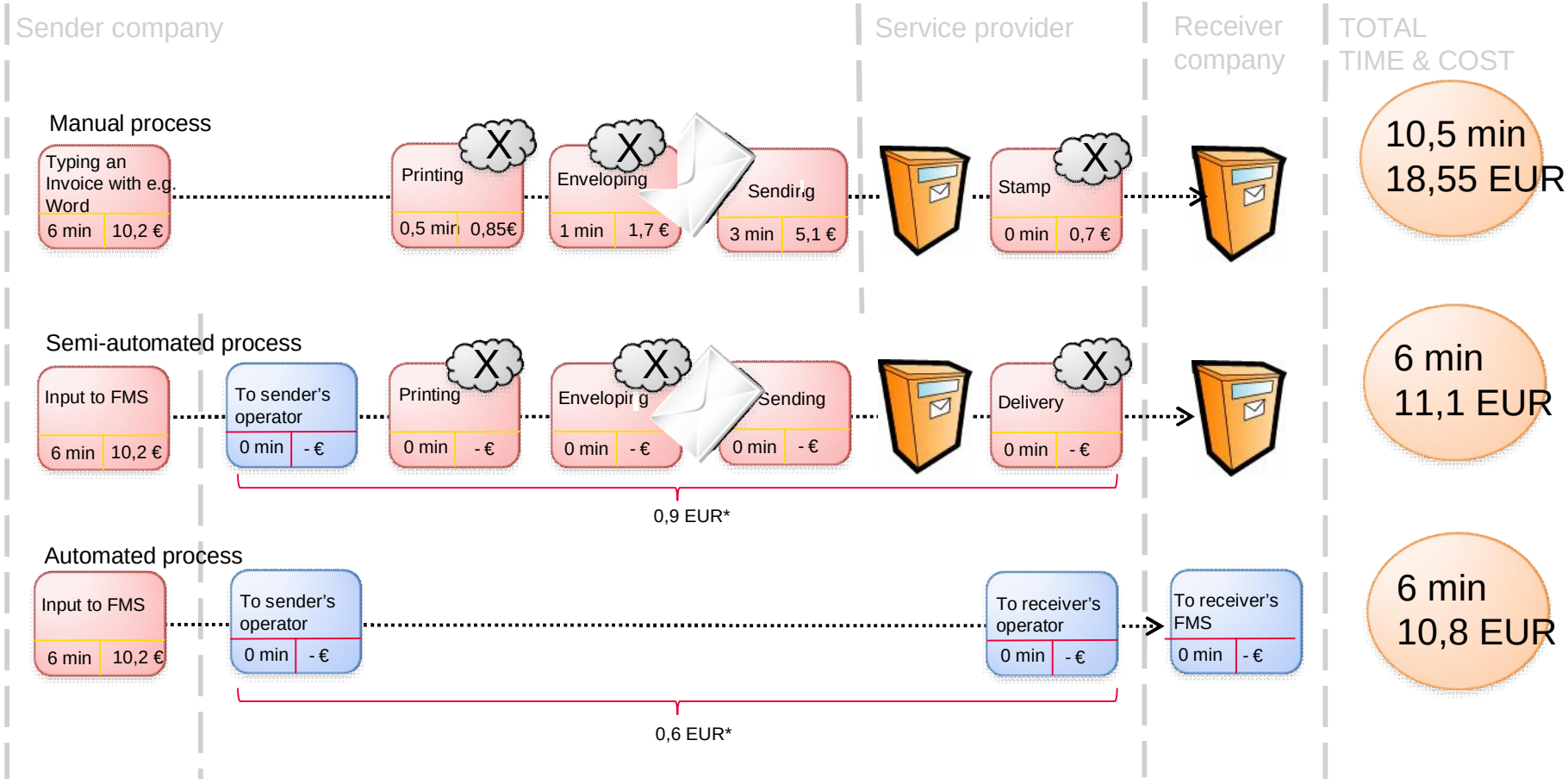
Cost estimation: 100 EUR / working hour

*Nordea Bank

FMS = Financial Management System

Copyright © 2008 TietoEnator Corporation

Micro-SME Outbound



Cost estimation: 100 EUR / working hour, FMS = Financial Management system
*Nordea Bank,

Copyright © 2008 TietoEnator Corporation

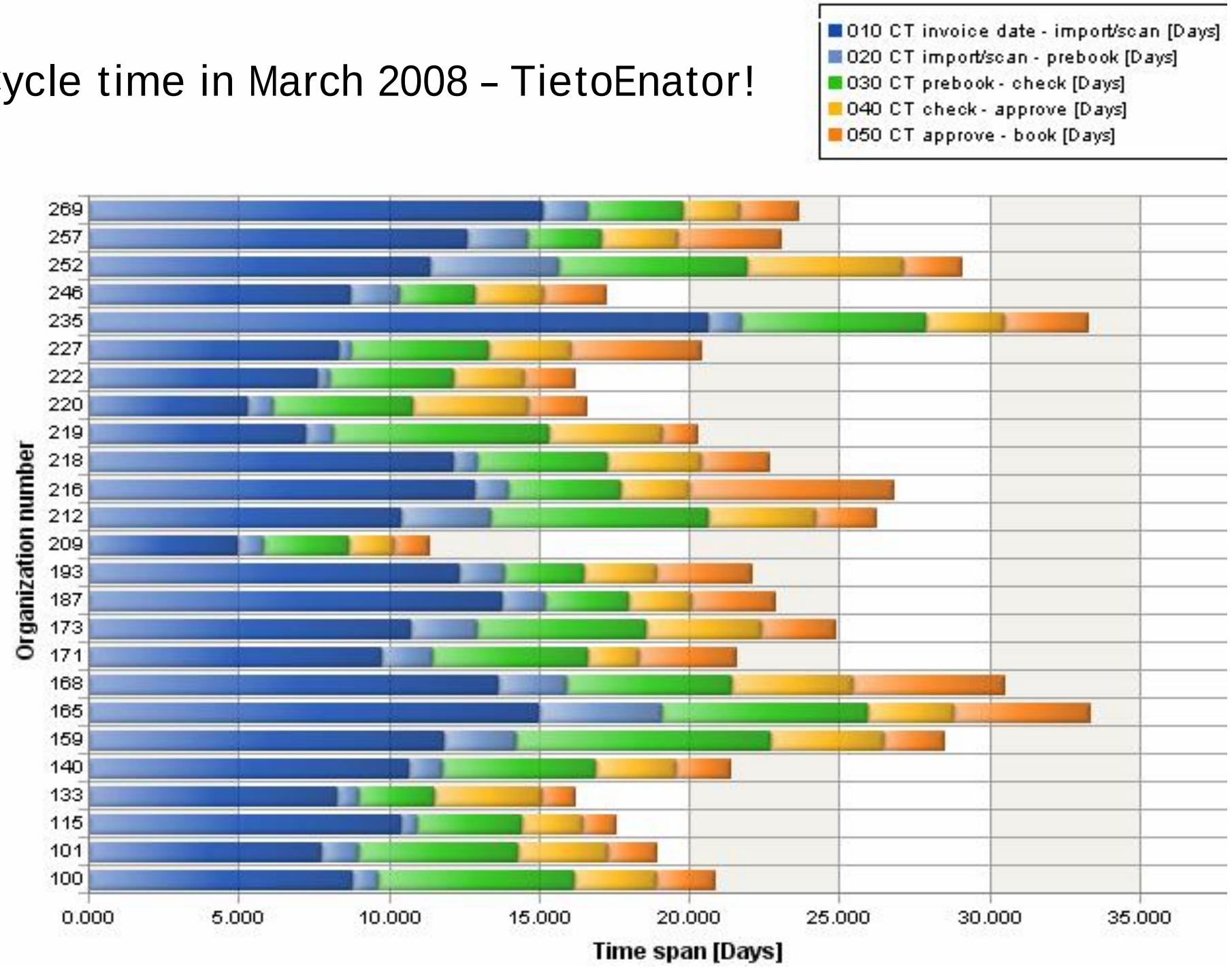
Applied to market in Finland

	SME (case company) 150 inbound invoices/year 60 outbound invoices/year	Finland 218 000 SMEs (<10 employees)	Europe 18,8 M SMEs (<10 employees)
Inbound invoices	3825 EUR	834m	72bn
Outbound invoices	465 EUR	101m	8,7bn
Total	4290 EUR	935m	80,7bn

TietoEnator

Copyright © 2008 TietoEnator Corporation

Cycle time in March 2008 – TietoEnator!



Benefits for large enterprises

- massive process cost savings
- better interoperability between present standards
- lower IT-application and reformatting costs with wider use of common directly interoperable standards
- cross-border interaction enabled more widely
- standard interfaces to service providers > more competition > lower costs
- opportunity to automate entire value chain (same data elements) - e-invoicing is a part of both buyer centric (purchase to payment) and supplier centric (order to cash) process models
- business process optimization and straight through processing follows fine
- tuning single transaction types
- faster payments > better cash flow and forecasting – improved working capital
- less credit risk
- less currency risk
- opportunity to benefit from own credit rating via supplier financing to SMEs
- less boring tasks – more motivating, productive opportunities for own staff
- opportunity to help SMEs to move up in digitalization layer
- image improvement from promoting common open standards
- part of enterprise program to slow down global warming
- opportunity to engage in positive co-regulation – driving the necessary in and eliminating the unnecessary in co-operative spirit with enlightened policy makers

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for SMEs

- can continue to trade with partner (for example public sectors in an estimated 15 countries consider making e-invoicing more or less mandatory)
- better value for own customers (manual invoices cost him 30-70€ each, un-automated e- around 10€, fully automated 1€)
- same tool works with all – and from all
- no investment needs with template in e-bank or general portal
- no it-skills needed
- familiar user experience, user support and security when part of e-banking
- invoicing - causing much lower cost to receiver - can be more frequent > better cash flow, lower credit risk, lower currency risks
- e-invoices are paid faster > better cash flow – less financing need – less risks
- invoices can be sent to bank for invoice financing – benefiting from trading partners' credit standing
- better reporting
- cheaper accounting
- wider supply of mini ERP solutions when common standards gain space – easier to change service provider > more competition
- more valuable customer for banks, accounting firms and other service providers > more competition
- less fraud risk as e-invoice senders have been properly identified by service providers
- same tool can be used for sending invoices to consumers (increasingly needed for tax deductions and demanded as digital habits grow)

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for the public sector

- massive savings of tax payers' money
- opportunity to make e-society programs concrete and progress measurable – with same tools as private sector
- opportunity to drive the market by being a model user (e-only once low-cost tools to SMEs are available)
- more competitive enterprises
- less tax evasion
- opportunity to use same tool for business to consumer invoicing
- less strain on environment
- opportunity to contribute to EU-wide productivity

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for EU

STEP 1. Productivity improvements from

- *Faster digitalization in harmonized and wider common market*
- *Direct cost savings (B2B 240bn + B2C)*
- *Indirect improvements (financing, cash flow, fraud elimination, lower risk levels…*

STEP 2. Step to further layers towards real time economy

- Procurement processes
- Automated accounting etc

The Commission is working hard to make EU more competitive – not always an easy task.

We are committed to support for our part - by making concrete progress.

TietoEnator

Copyright © 2008 TietoEnator Corporation

Benefits for the environment

Less paper (fiber equivalent of 15 million trees)

- Less energy used in manufacturing
- Less printing
- Less transport
- Less recycling
- Less traveling

TietoEnator

Copyright © 2008 TietoEnator Corporation

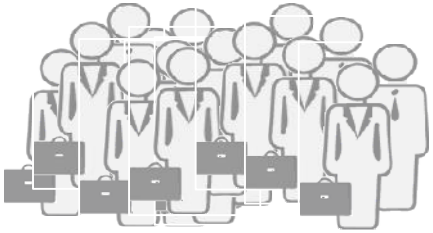
Agenda

1. EU Commission Expert Group – making the markets
2. Massive benefits
3. E-invoicing is just one step
4. End-user centric approach

TietoEnator

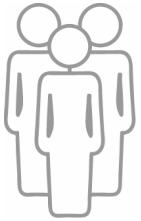
Copyright © 2008 TietoEnator Corporation

Solution for banks



Large Enterprise

Small and Medium Enterprise (SME)



Consumer

Service Hub

Automated Message Exchange

eBanking / Self Service Portal

High Volume End

- ✓Automated Message Exchange
- ✓Online Conversions, AFI - AFO (Any Format In - Any Format Out)
- ✓Adapters for ERPs
- ✓Data validation
- ✓Roaming with other networks

Business Value Functionality

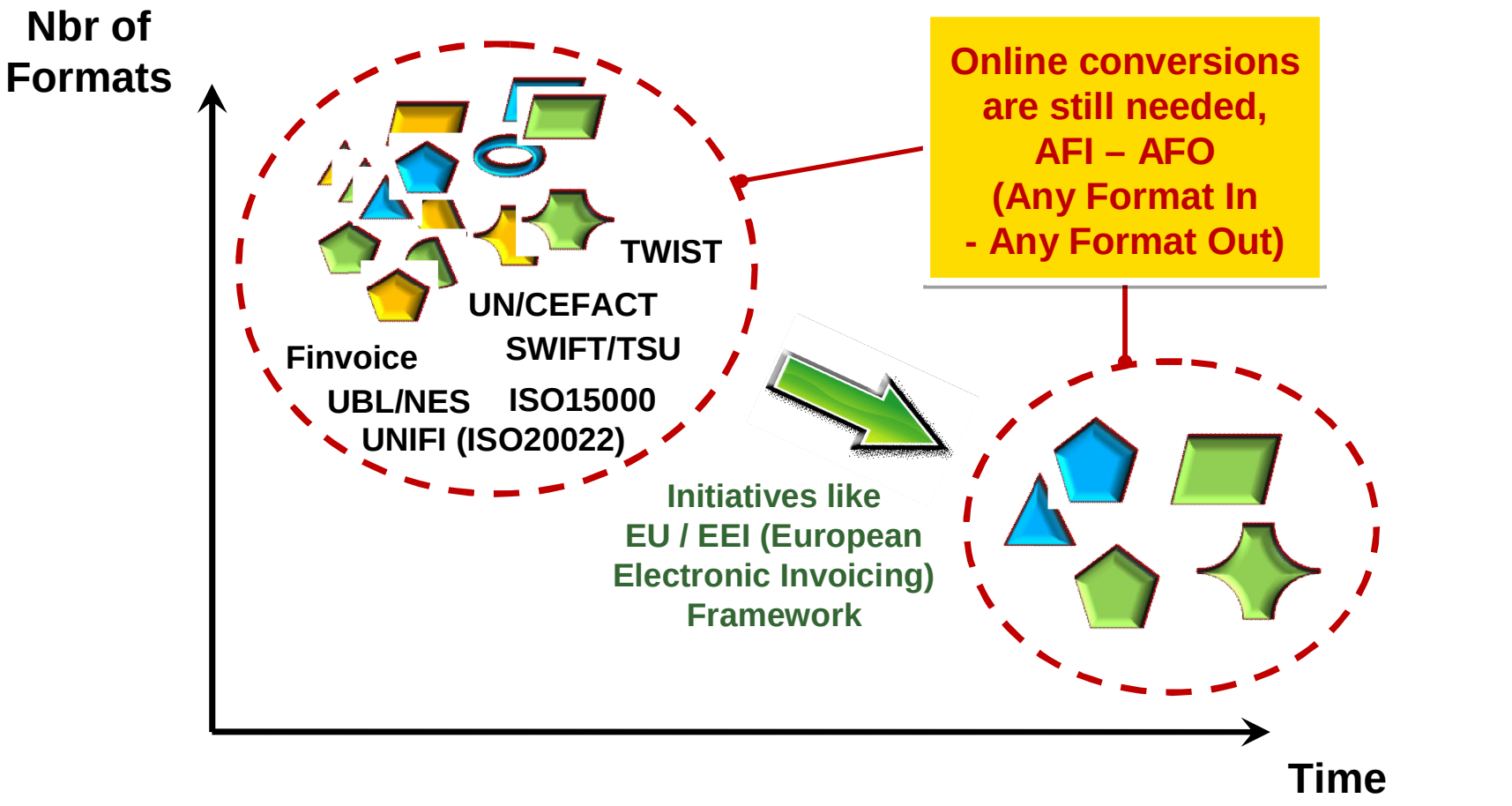
Document Storage and Presentment

Low Volume End

- ✓ Self service functions
- ✓ Integrated with eBanking
- ✓ Manual capability
- ✓ File Transfer capability
- ✓ Value added applications
- ✓ Semi-automated integration (Print file upload, PO Flip)

Copyright © 2008 TietoEnator Corporation

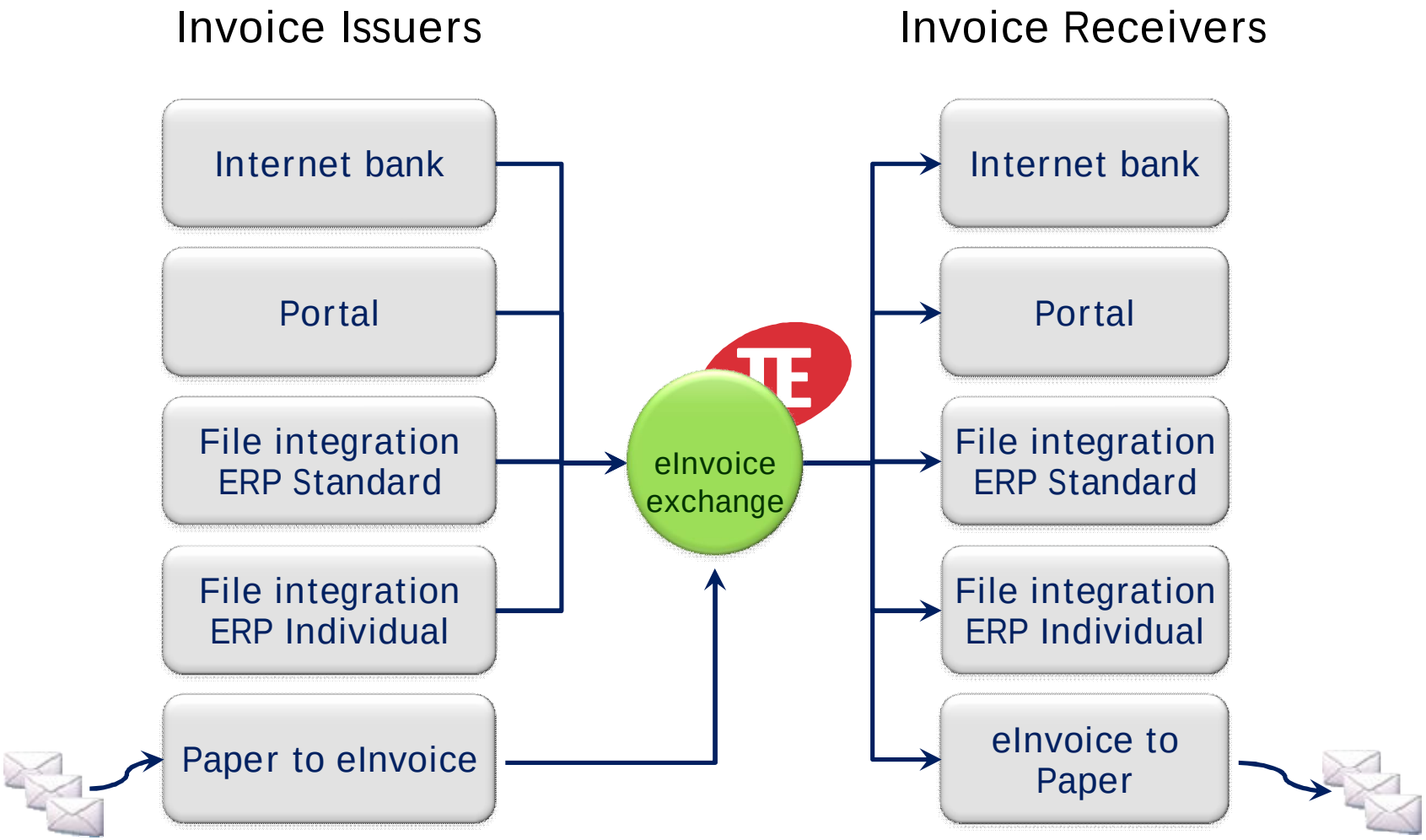
No need to wait – AFI-AFO needed now and later!



TietoEnator

Copyright © 2008 TietoEnator Corporation

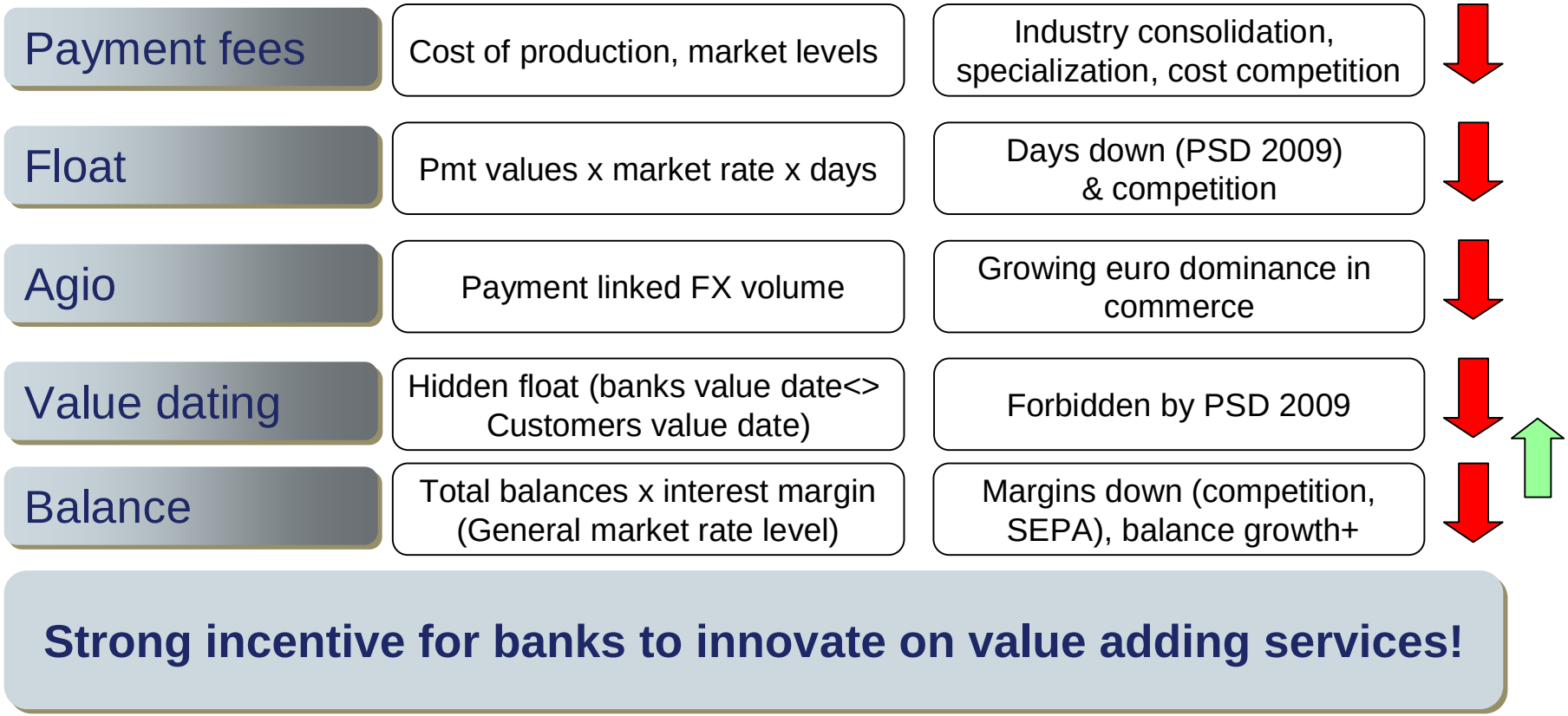
White labelling all aspects..



TietoEnator

Copyright © 2008 TietoEnator Corporation

Traditional earning elements under threat in payments – impact of SEPA, PSD and competition



Strong incentive for banks to innovate on value adding services!

TietoEnator

Copyright © 2008 TietoEnator Corporation

Very different payment traditions

Maa	Credit transfer %	Direct debit %	Card %	Cheque %	Total Trn (mil.)
Finland	46	7	47	0	1243
Sweden	31	10	59	0	1488
Denmark	23	14	60	3	1081
France	18	18	33	29	14092
Germany	42	41	15	1	14342
Italy	31	13	32	14	3093
Netherlands	40	28	35	0	3610
UK	20	20	44	16	12917

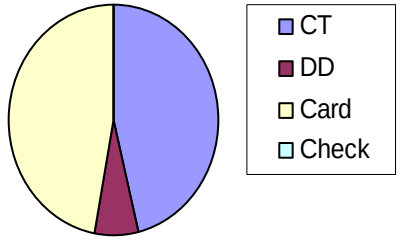
EU:

73 billion non-cash payments

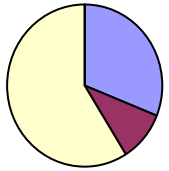
497 million citizens

24 million enterprises

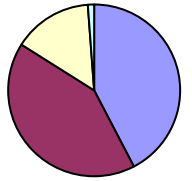
Finland



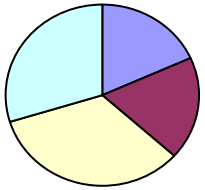
Sweden



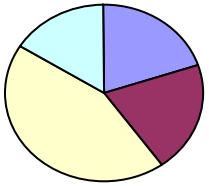
Germany



France

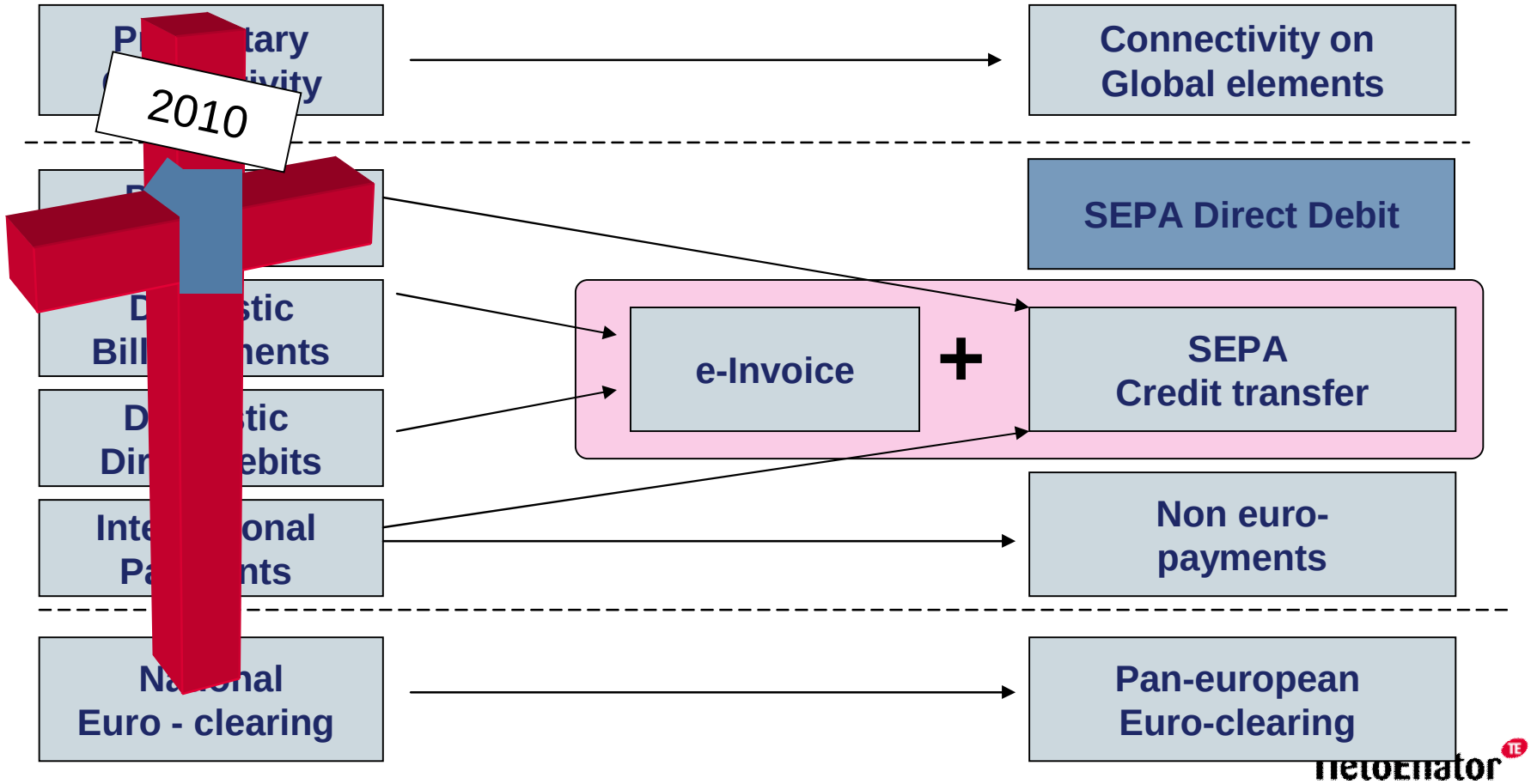


UK



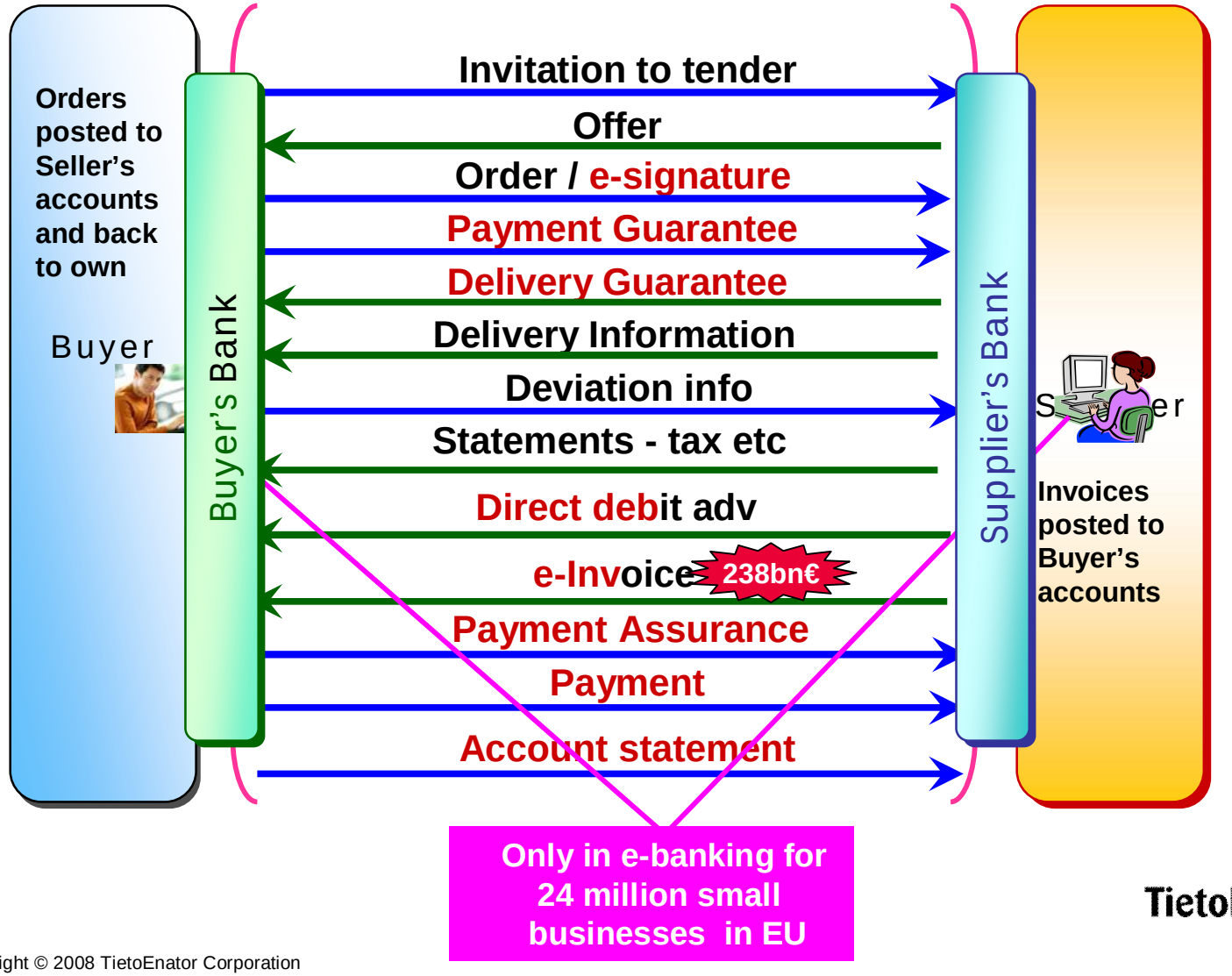
TietoEnator

Migration plan in Finland: Benefits to customers From traditional complexity to harmonised SEPA



Copyright © 2008 TietoEnator Corporation

From e-invoicing to all messaging – same data elements…



TietoEnator

Copyright © 2008 TietoEnator Corporation

Ja paljon lisää…. esim

5***** dokumenttihotelli:

- Myyntikanava
- Käyttöohjeet
- Kirjanpitoaineisto
- Arkistointi
- Aineistot yhdessä paikassa – pointerit siirtyvät
- Kassavirtaennusteet
- valuuttapositiot

Kirjanpitoviennit kerralla

Lisäarvoveroraportointi

TietoEnator

Copyright © 2008 TietoEnator Corporation

Agenda

1. EU Commission Expert Group – making the markets
2. Massive benefits
3. E-invoicing is just one step
4. End-user centric approach

TietoEnator

Copyright © 2008 TietoEnator Corporation

A world with far too many choices, fragmented technology, lack of standards, information overflow...

...simple insight - the only thing **scarce** in a world of abundance is **human attention.**”

Business 2.0 Jan 2000, James Daly, Editor in Chief

Less time for any one thing... > quest for clarity, simplicity, holistic collaborative offerings and repeatability in user interfaces >

ECONOMY OF REPETITION – bank e-id and payments-integrated e-invoicing central examples

TietoEnator

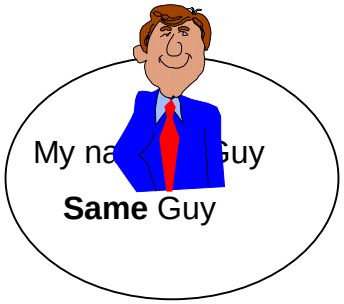
Copyright © 2008 TietoEnator Corporation

Bank customer

Bank corporate customer

Utility customer

Corporate utility customer



Citizen in public sector service

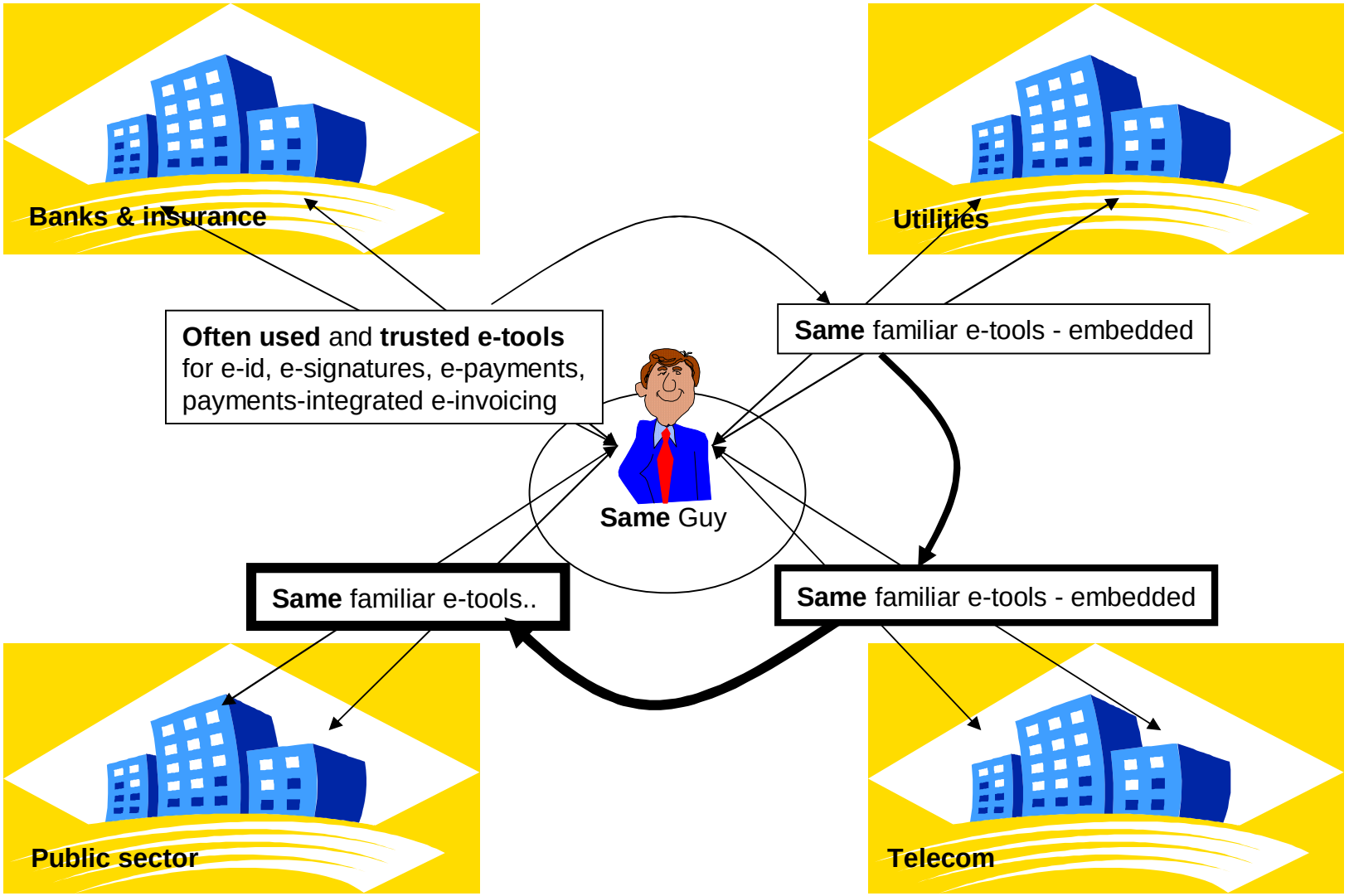
Enterprise in public sector service

Operator customer

Operator corporate customer

TietoEnator

Copyright © 2008 TietoEnator Corporation



TietoEnator

Copyright © 2008 TietoEnator Corporation

Build ladders for your customers

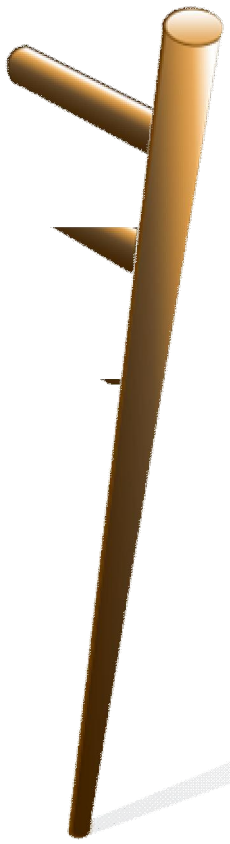
Top line growth opportunity is a sound driver

Bring in next level concepts and technology

Add partners for collaborative offerings

Reuse tools - integrated in corporate and public sector services - economy of repetition (learn once - use everywhere)

Cost savings for all



Standardize further for end-to-end automation

Expand further to benefit from economy of reuse, economy of scope and scale

Ready habit and trust - e-banking

TietoEnator

Copyright © 2008 TietoEnator Corporation

Accenture: Building the trust Survey 2006

Copyright © 2008 TietoEnator Corporation

It is not *DEMAND* that creates *SUPPLY*

It is the other way around

Henry Ford

TietoEnator

Copyright © 2008 TietoEnator Corporation

Wisdom from ice hockey

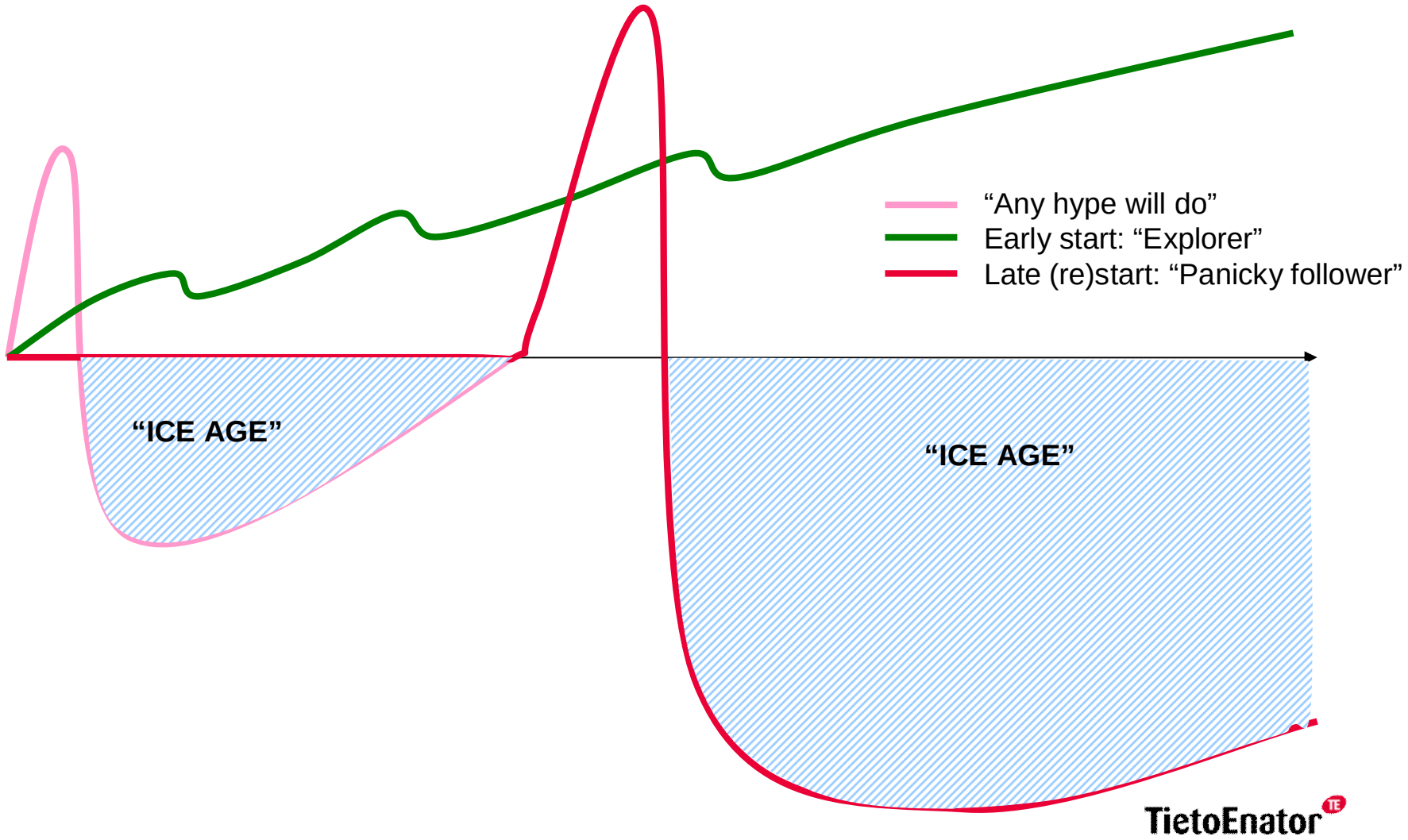
"Do not go where the puck is >

go where it is going."

TietoEnator

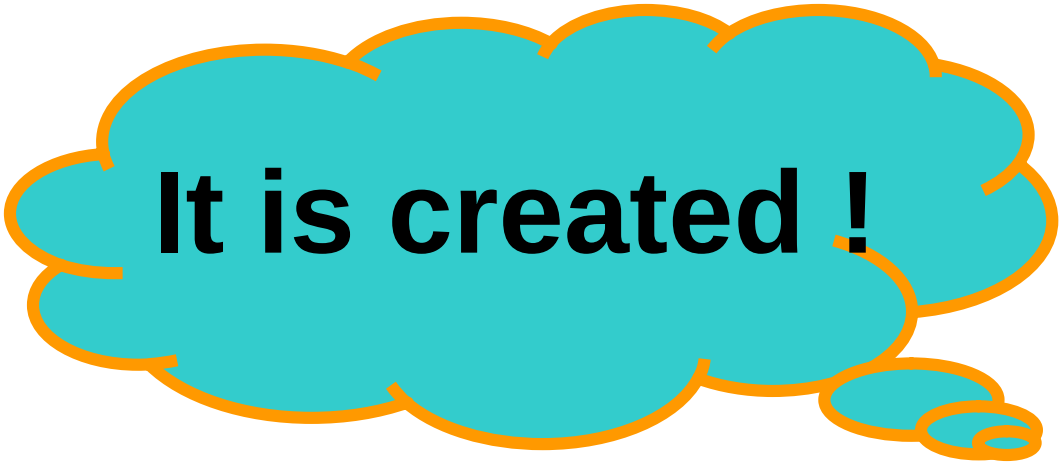
Copyright © 2008 TietoEnator Corporation

Start early – let mature – implement gradually



Copyright © 2008 TietoEnator Corporation

The future is not planned nor prognosed.



Thank You

bo.harald@tietoenator.com,
http://boharald.blogspot.com

TietoEnator

Copyright © 2008 TietoEnator Corporation