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 **Edisoft**
BUSINESS INTEGRATION



E-invoices in Baltic retail: requirements, progress, challenges

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ECR Baltic Forum 2010

11. November 2010

Telema

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Agenda

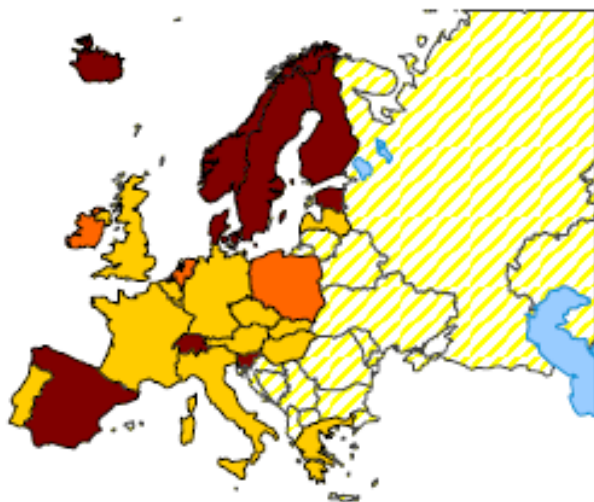
- E-invoices progress and trends (Hele)
 - World, Europe, Baltics
- Edisoft experience (Aleksei)
- E-invoice implementation challenges (Hele)
 - Complexity (different formats, channels, requirements from retailers)
 - High cost of integration/setup
 - E-invoices project in company—factors for failure vs success
 - Message on the market about EDI
- Conclusions

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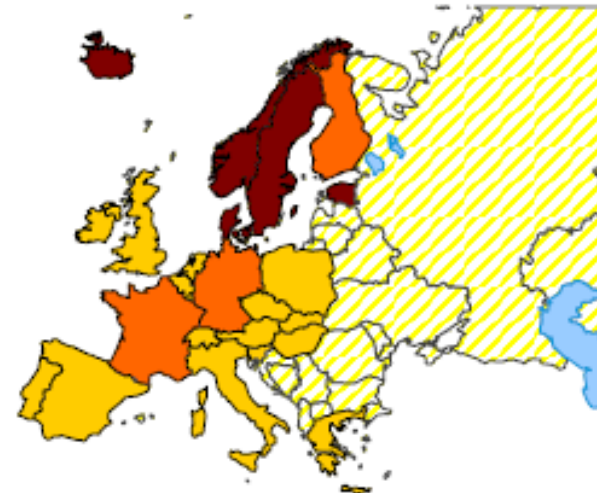


E-invoices in Europe

B2B/B2G



B2C



12-50%

6-11.9%

1-5.9%

<1%

Bruno Koch, Billentis, 2010e

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E-invoices in the Baltics



1-5,9 %

6-11 %

2010

Total invoices in Baltics (B2B + B2C):

EST	55 000
LAT	70 000
LIT	110 000
TOTAL	235 000

Total e-invoices in Baltics (B2B + B2C):

		penetration
EST	6 000	10.9%
LAT	2 600	3.7%
LIT	1 500	1.4%
TOTAL	10 100	4.3%

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Trends in Baltics

- Estonia—

- has been accepting e-invoice since 2004, official declaration by Tax Authority. Can be pdf, no digital signature required
- Estonian e-invoice standard version 1.1 for EDI invoices (xml),
 - not official, not compulsory,
 - not very useful in retail sector

- Latvia and Lithuania—

- E-invoice workgroups industry / state initiated
- Seemed like digital signature would be required
- Now at EU level this requirement is dropped (simplified treatment of VAT invoices directive 2013)

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Trends in Baltics, FMCG

- Key retailers actively promoting EDI:
 - **Rimi** (orders, invoices)
 - **Prisma** (orders, invoices)
 - **Selver** (4-document supply)
- Retailers to some extent using EDI: **ETK, Palink, Drogas, Mego,**
- Planning: **Maxima, Stockmann**
- Other EDI users: **OG Elektra, RR Lektus, Comarket, ..., +2000 shops/horeca**
- Yearly growth for last 5 yrs: 20-30%
- Estimation for 2011-2012 +40% annually

Some numbers /Edisoft experience

- 147 000 e-invoices delivered during October 2010. All of them are B2B invoices
- To 17 retailers in 3 Baltic countries
- 165 suppliers in Estonia
- 230 suppliers in Latvia
- 109 suppliers in Lithuania
- Total 504 suppliers sending e-invoices

ERP Systems in Baltics / Edisoft experience

- 64 different business applications
- First 10 business applications take up two thirds of the customers:
 1. 1C 14.44% RU
 2. Microsoft Dynamics NAV 11.96% Intl
 3. Microsoft Dynamics AX 8.07% Intl
 4. Rivile 5.12% LT
 5. SAP 4.66% DE
 6. Hansa Business Solutions 4.50% Intl
 7. Epicor Scala 4.35% Intl
 8. Agnum 4.19% LT
 9. Ladu20-KMA 3.11% EE
 10. Apvarsnis/Horizonts 2.95% LV

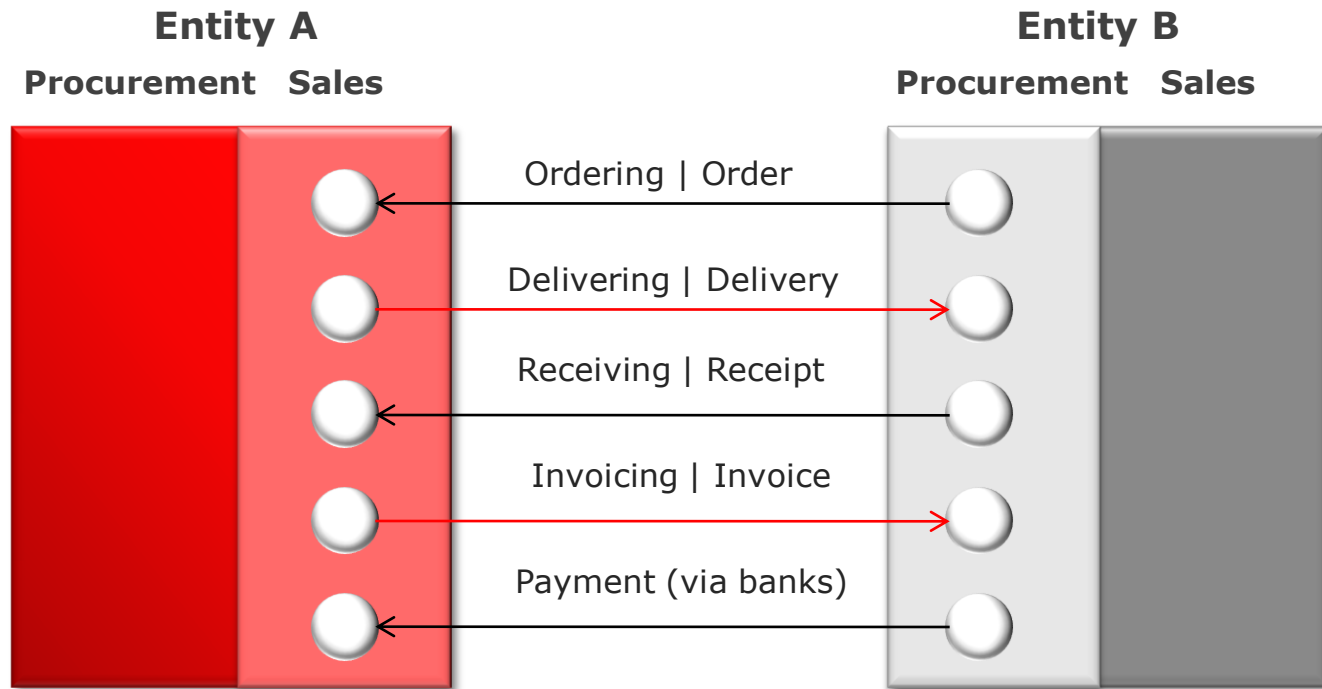
Total first ten: 63.35%

Challenges / Edisoft experience

- Business application providers asking for lots of money from the vendors.
- Obsolete business applications can not generate export files, therefore invoice information needs to be extracted from the database tables.
- Not all vendors/systems support GLN numbers.
- Different Key accounts are asking for different data sets with different business rules applicable, whereas quite often already implemented solution needs to be upgraded as recently added Key account is asking for more fields.
- Not all the banks are taking electronic factoring invoices.



E-invoice is never alone, it is part of document family



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So, why not many more e-invoices?

1. It's complicated
2. It's expensive
3. It takes time
4. The message should be loud
 - The message should be correct

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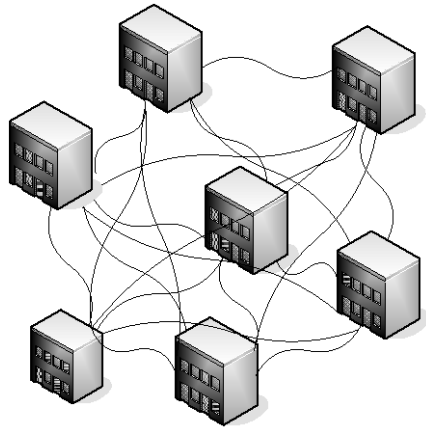
1. It's complicated

- There are **very many ERP systems**
 - 64 (+ versions)
 - In Europe: over 10 000 different ERPs
- The document **format requirements** are complicated
 - Laws
 - World standard / European standard
 - Estonian e-invoice standard
 - Baltic FMCG standard “Good Practice”

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Remedy to some of the complexity: Central EDI operator



- Each retailer has different requirements, different formats, channels
 - Operator consolidates the requirements from different retailers.
- Retailers change their requirements sometimes (often)
 - Role of communicator, trainer, consultant
- You need to have a thorough roll-out plan for getting your trade partners using e-invoices
 - On-boarding consultation, help
- You need to setup technical environment for validation, security checks, user rights, addressing, monitoring
- You can do it inhouse, but it will be more expensive and will take more time

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Baltics Retailers' requirements, extract

This is an extract from 65 additional requirements
(on top of what is required by law)

Field description	RIMI	SELVER DC	PRISM	Condition
Document Subtype	C	C	C	Has to be filled if its credit invoice
Factoring clause	M	C	C	Has to be filled if factoring is used
Unique branch code	-	M	M	
Buyer branch GLN	M	-	-	
Seller branch GLN	M	-	-	
Warehouse branch code	-	C	C	Has to be filled if 3PL is used
Currency code	-	M	M	
Document row item number	-	M	-	
Supplier product code	-	M	M	
GTIN	M	M	M	
Name of unit	-	M	-	
Item VAT type	-	-	M	=TAX, TAXEX, NOTTAX
Base sum for calculating VAT	-	M	M	
Item VAT rate	M	M	M	
Item VAT amount	-	M	M	

IKI requires Buyer product code

Telema E-invoice full specification: 1500+ rows

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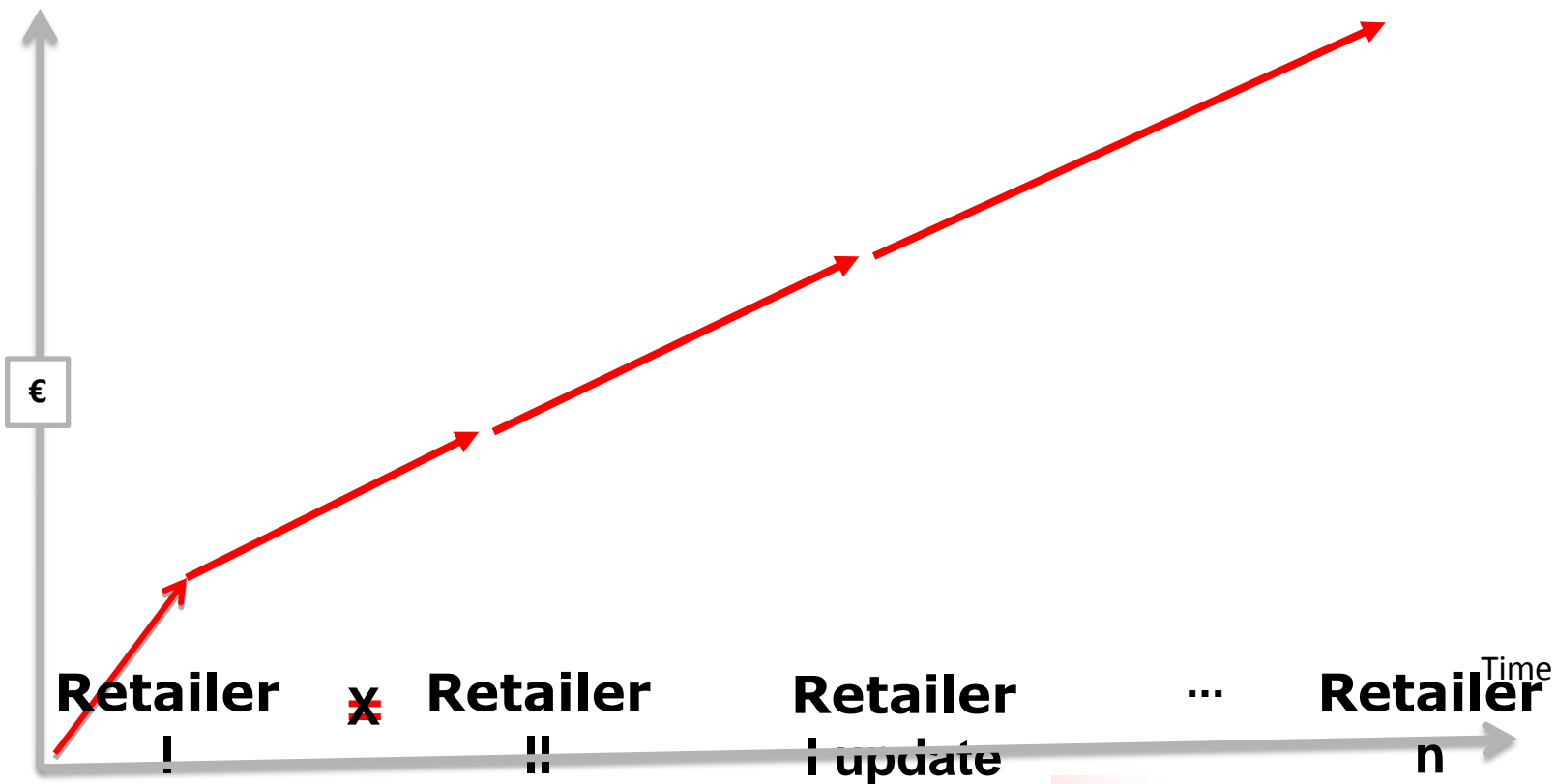
2. It's expensive

- Suppliers need to develop their ERP to be able to **export** those documents
 - e-invoice: ca 1500 EUR per supplier (one-time fee, goes to IT support firm)
 - 4-doc process 8000 EUR from one IT firm

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It's expensive

Cost for suppliers



17

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It's expensive--conclusion

- There is a need for some sort of “industry-wide agreed standard”.
- There is a need for understanding that changing requirements unless badly needed is costly to all parties

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3. It takes time

- As it is complicated and expensive for your trade partners, you should carefully plan your e-invoices project

- Reasons for failing¹
 - Poor understanding of interconnections with other areas
 - Poor project management
 - Too technical focus
 - Weak focus on process automation
 - Overestimation of partners' ability to comply
 - Weak roll-out plan (trade-partners on-boarding)

¹Bruno Koch, 2010

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4. The **message** should be loud and correct

- Implementing e-invoices is NOT about eliminating paper costs

- Is is so much more--
 - Improved accuracy
 - Better logistics
 - Less mistakes → leaner inventories
 - Faster processing → faster money to suppliers
 - Less stockouts → higher revenue for whole supply chain

€500 million / €18 billion

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CONCLUSIONS

1. Complicated

- Use EDI operator, but still complicated

2. Expensive

- There is a need for “industry-wide agreed standard” for e-invoices.
- There is a need for understanding that changing requirements unless badly needed is costly to all parties

3. Takes time

- If you are about to start an e-invoicing project, plan it carefully
 - Budget, Strategy, Roll-out plan

4. Message about value

- It is much more than saving paper costs, it is business process automation

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The question about e-invoices is not **WHETHER**

It is **WHEN**

Thank you!

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