

TOO MUCH of a good thing can be a problem, at least when it comes to business-to-business electronic payments.

While there are only a few standard ways to make payments electronically — Federal wire, automated clearinghouse (ACH) or purchasing card — these methods are impractical for many business transactions because they don't convey much information other than who, when and how much. A business needs to know more, such as the invoice number, whether the invoice was paid in full, and to which account to credit the payment.

That's where electronic invoicing and bill presentment (EIBP) comes in, but a variety of vendors and incompatible technologies makes it difficult for a company to decide on any one EIBP system — especially when its business partners may pick a competing one.

"Competing vendors are not talking to each other," says Pete Lambert, a vice president of treasury services at Wachovia Corp. in Winston-Salem, N.C. "You've got different file formats. As a customer comes in to [the vendor's Web site] to review their bills, you have different downloads into their accounts payable systems."

As a result, the biggest growth in EIBP is happening among business partners that are grossly unequal, such as a large corporate buyer and its dependent suppliers.

"The larger companies prefer to do business electronically; it's much more cost-effective for them," notes Ken Vollmer, an analyst at Cambridge, Mass.-based Giga Information Group Inc. Those companies, in turn, put pressure on their smaller partners to sign up with the vendor they chose.

Growing Acceptance

Today, about 20% of all business-to-business invoices are sent electronically, according to Avivah Litan, an analyst at Gartner Inc. in Stamford, Conn. That number is expected to rise to 62% by the end of 2005. Collaborative applications will be the big story behind the growth, Litan says.

"With the Internet, you can talk about things line by line, you can partial-pay, negotiate terms online, link to procurement and sales processes," she explains. "It's not just about turning paper checks into ACH or Federal wire payments."

International Playthings Inc. in Parsippany, N.J., has 25 suppliers, mostly in Asia. The payment process for the \$30 million maker of educational toys

used to require faxes, letters of credit and a great deal of sitting around and waiting for various documents.

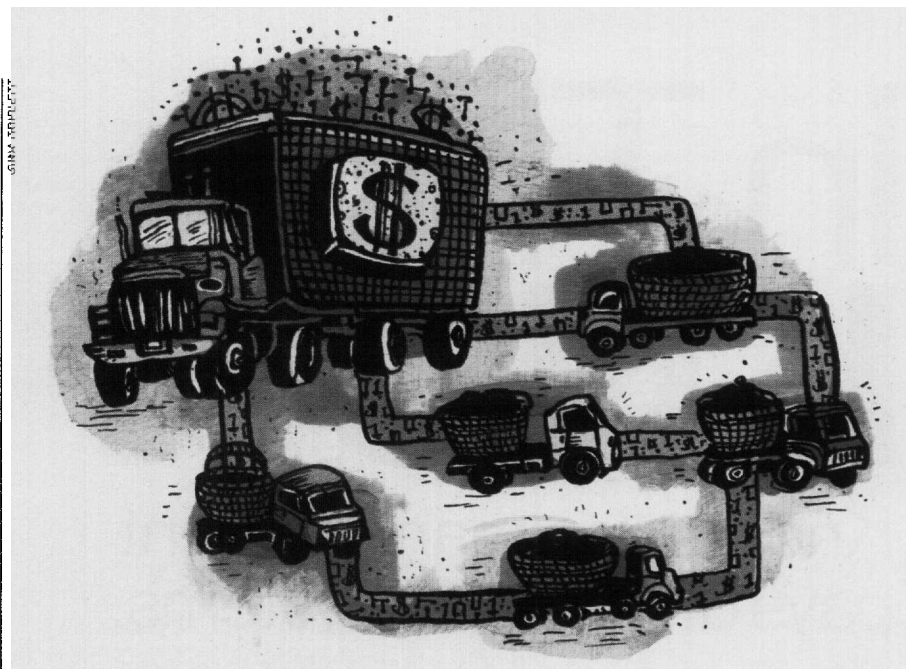
"It took a lot of faith to change the way we were doing business," says purchasing manager Holly Harrington. "But I can't imagine going back to the way we used to do it."

So far, International Playthings has saved \$50,000 in invoicing and payment processing fees by moving its payments to an EIBP system from New York-based TradeCard Inc. And International Plaything's suppliers are willing to give the company a discount in return for faster payment of invoices.

In some cases, suppliers are getting their money 10 days faster than they would have with letters of credit, which are bank-provided payment guarantees.

Like International Playthings, Dedham, Mass.-based TAC Worldwide Cos. decided to get its feet wet by asking its vendors to start sending in electronic invoices. TAC, a global provider of professional staffing services, picked an EIBP service from Portland, Maine-based Clareon Corp. to automate accounts payable and payment processing with the third-party staffing agencies the company uses.

The process of getting the vendors onto the system took about a month and a half, but it took only 18 hours for TAC to hook up its system to Clareon's, with the data automatically transferred in and out of TAC's Oracle database management system. But since not all of TAC's systems are as modern as its database, CIO Steve Morin is look-



ing forward to the next development in Internet technology: Web services.

"I believe that this is a very promising aspect of development, and it's something that we're going to be able to take advantage of tremendously in the long term," he says. "We will be using [Web services] in integrating [Clareon] with legacy applications."

Clareon itself has bet big on open standards, with a Java front end and an XML-based data model, and it has positioned itself to offer Web services support once the market is ready.

"Early adopters are trying to utilize Web services for mundane tasks," explains Clareon Chief Technology Officer Clyde Thomas. "For mission-critical applications, there's a little bit of hesitation. Payments need to be bullet-

proof. They need to always work."

Until Web services are ready, Clareon is working on multiple ways for buyers and suppliers to access its billing and payment system, which already has more than 3,000 customers.

"We integrate into any ERP or accounts payable environment out there," Thomas said. "We've even integrated into some old legacy environments — Cobol that was written in the '60s." ▸

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