Report from TRANSALIS

Achieving a frictionless supply chain for B2B

A report from Transalis 2023: Achieving a frictionless supply chain for B2B

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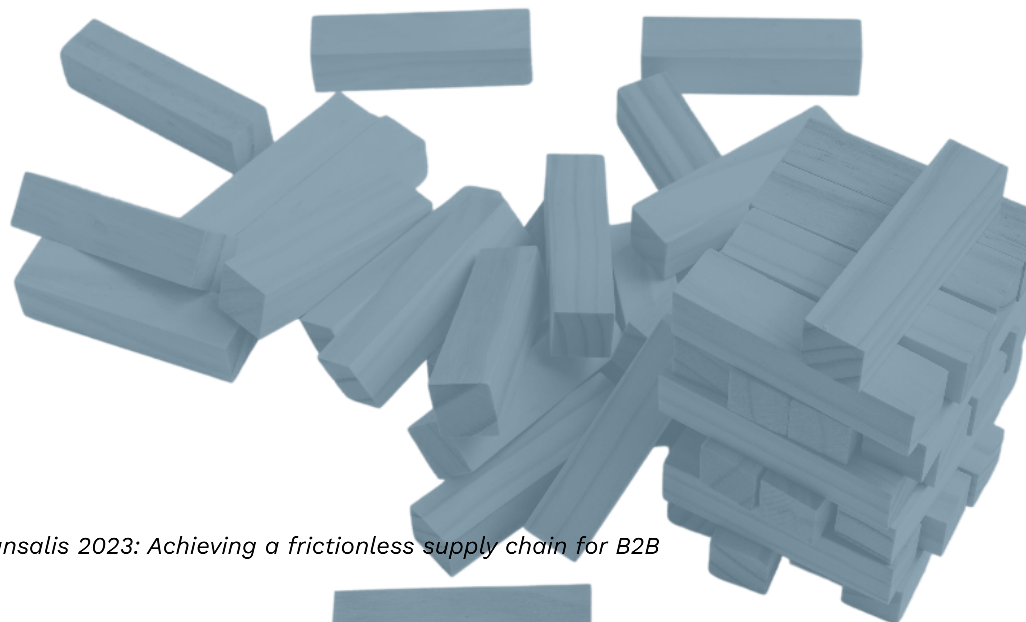


Intro

Q4 is the quarter for looking ahead. As one year draws to a close, businesses must be focused on the objectives for the following year, and what changes need to be made in order to achieve them.

Optimisation is a common driver for change. Assessing existing performance and identifying inefficiencies or commercial challenges form good starting points.

However, with different departmental objectives competing for adequate budget, many businesses have a difficult time formulating and agreeing upon the strategic focus for the year ahead. For example, Heads of Supply Chain want to ensure minimised costs and increased efficiency. Alternately, Sales and Customer department heads are laser-focused on empowering their teams to enhance client relationships and capitalise on revenue generation opportunities. Whilst Compliance Managers are raising their concerns regarding the urgency required for the business to comply with new international tax reporting mandates.

Targeted digital transformation offers an opportunity to tackle all of these objectives. Cloud-based EDI, paper-to-digital, and bespoke application integrations are all relevant solutions for the business functions highlighted above.

This report provides the necessary guidance for leaders of Supply Chain, Sales, and Finance Compliance teams at this crucial time of year. It focuses on the core deliverables every organisation should be looking at, the associated challenges unique to these specific departments, and the strategic approaches used to address them.

"70 percent of companies will employ hybrid or multi-cloud management technologies, tools, and processes."
– McKinsey[1]

Key takeaways

01.

Head of Supply Chain: Cutting costs and timeframes

Running an efficient supply chain is not a new objective for department heads. They already regularly evaluate how operations can be run more efficiently and cost-effectively, especially as departmental budgets are allocated. This is increasingly relevant as most will be running several different sales channels, e.g. High-street retailers, B2B resellers, and Direct-to-Consumer (online marketplaces and e-commerce). From this perspective, the Head of Supply Chain needs to consider how to ensure effective communication of supply chain information across disparate systems, channels, and external endpoints. Dedicated middleware and select system integrations allow for rapid communication between different entities, whilst avoiding the costly process of implementing individualised connections.

02.

Sales Director: Optimising the sales process

Sales Directors are often challenged by the manual administrative tasks that distract the team from revenue-generating activities. Manually inputting orders, or rekeying of information sent from clients is not an effective use of time.

In order to achieve sales growth, this manual effort needs to be eliminated through the effective use of digital transformation solutions. Thus subsequently allowing the sales team to redirect more time developing and nurturing client relationships, reducing churn and identifying new sales opportunities. Solutions predominately focused on a Paper-to-Digital process result in the automated extraction, standardization, and routing of information without the need for manual intervention.

03.

Compliance Manager: International tax compliance

Minimising the VAT gap is a priority for tax authorities. Compliance Managers know the implications for the business if deadlines are missed. Urgency is required of organisations with operations in affected territories to ensure compliance with new emerging regulations, including Continuous Transaction Controls (CTC).

Digitisation of invoice processing is a natural next step to addressing these requirements. Compliance teams must present the most sustainable solutions to gain business buy-in, being sure to factor in regulatory changes, business growth, and expansion to new territories.

01

Head of Supply Chain: Cutting costs and timeframes

The Head of Supply Chain needs to be focused on ensuring cost-effectiveness and optimised processes.

With businesses distributing goods via a number of different channels, it's vital that information regarding orders and shipments are processed and managed accurately. This is where digital transformation can support an efficient supply chain.

There's a number of different areas of inefficiency within the supply chain that can be resolved through the use of automated systems. For example, the management of communications with warehouses and 3PL providers. Automated solutions remove the complexities of distributing crucial information to the right end points.

However, many Heads of Supply Chain may be missing a less obvious opportunity for further optimisation- the distribution of product information with customers.

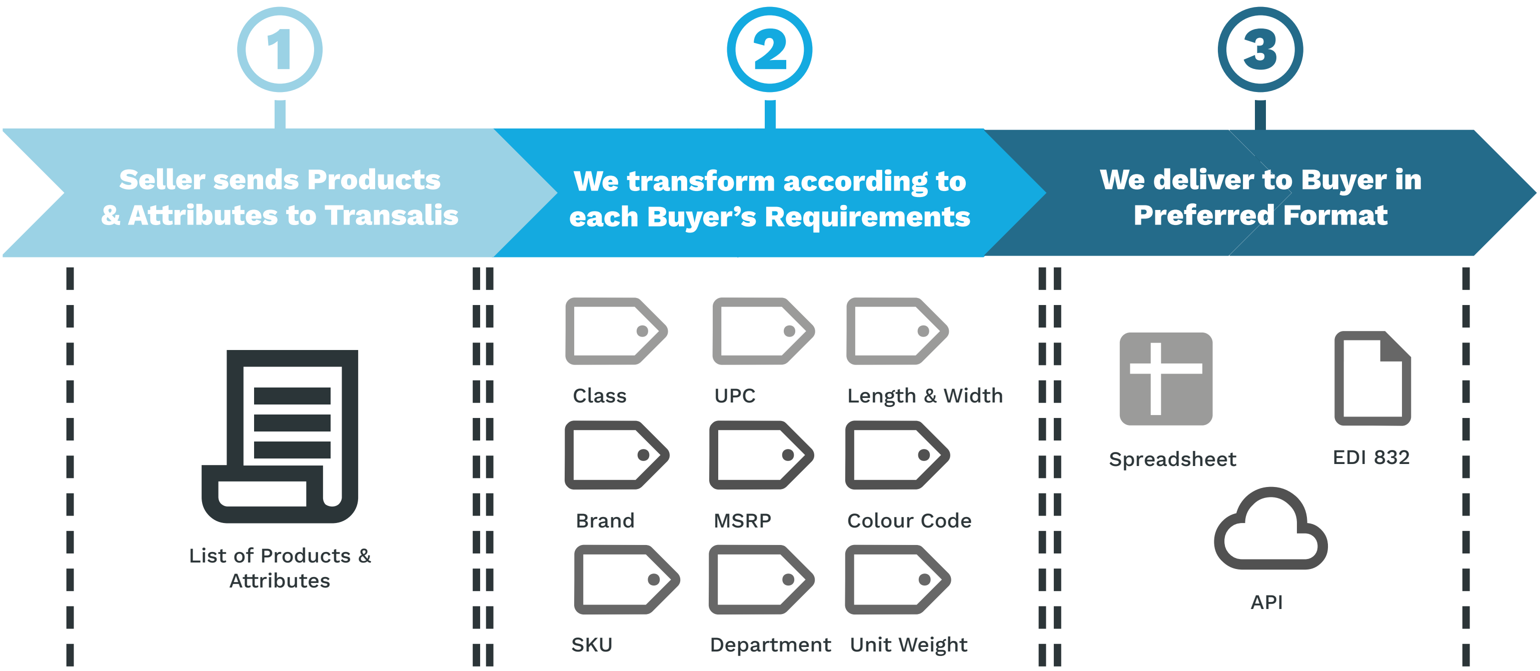
"For many [businesses], automated systems will account for 25 percent of capital spending over the next five years,"
- McKinsey[5]

Automation of catalogue distribution

Businesses that supply goods to large retailers, B2B resellers, and run Direct-to-Consumer (D2C) channels (e-commerce marketplaces), need to distribute a lot of product information to a multitude of endpoints. This information can include product descriptions, prices, and potentially even inventory levels. Sharing this information is further complicated when there are slight variations between the information that needs to be distributed to different recipients. All in all, this can create a large amount of manual administration.

However, digital transformation in this area can remove this complexity. These dedicated solutions utilise a digital transformation layer, also termed middleware, that is able to extract information and route it to the right endpoint in the right format.

We visualise how this can look in the workflow below:

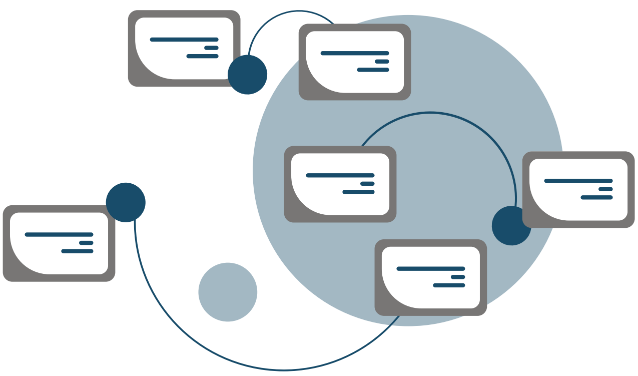


A case study

Transalis has worked with a few clients that needed similar solutions as described above. For B2C businesses, this has involved the use of PIM (Product Information Management) integrations. For B2B organisations, it has predominantly revolved around distributing catalogue information across P2P (Procure-to-Pay) marketplaces.

Another example of this can be derived from a client (a tech distributor) that needed to communicate its product catalogues with big retailers, large scale resellers, and over 1800 other small-scale resellers. Due to the number of endpoints, it was not commercially viable to complete this project using individual EDI connections. Not only would this be an expensive way to tackle this requirement, but it would also be extremely time consuming to complete. Instead, opting for a digital transformation layer that acts as middleware between disparate systems and endpoints significantly simplifies the scope of the project.

In this respect, the solution can distribute individualised product catalogues to resellers (which may vary in product type and price points depending on the client relationship). This is achieved by extracting the relevant information from internal business systems, transforming it into the required format (email, PDF, or direct integration for example) and distributing it to the right client endpoint.



You can read more detailed examples of implementing digital transformation solutions in the case studies section of our Knowledge Hub.

Learn more

02

Sales Director: Optimising the sales process

Secondly, we recommend investing time in optimising the sales function.

For many B2B businesses, the sales function is essential in building positive connections and relationships with clients. They are expected to identify new potential prospects, as well as additional revenue opportunities from existing clients. However, depending on the business structure and processes, with this responsibility can come an inordinate amount of administrative work.

Sales Directors should consider the best application of departmental budget in order to gain the greatest return, both financially and productively. The sales and customer services departments might not seem an obvious place to digitise, however, these functions can spend a high proportion of time on manual data entry. In this case, budget can be repurposed to remove these manual processes, therefore freeing up time for more revenue-generating activity.

In terms of how digital transformation can look for this department, the automation of order processing is the priority. This can be achieved by implementing either an EDI or a Paper-to-Digital (P2D) solution that can convert all incoming orders into a compliant format and then fed to the appropriate internal business system, such as an ERP application.

Case study 1

Transalis undertook a process review for a manufacturer selling natural pet products via their retail channels and Direct to Consumer (D2C).

The table below highlights the findings from an analysis which concluded that it was taking the customer service team 2 days a week to manually process incoming orders for a single Direct-to-Consumer (D2C) channel.

D2C manual processing analysis

Days per week given to order processing per marketplace	Number of D2C	Total days per week	Total FTE required per week	Annual salary costs per FTE	Total annual cost
2	4	8	1.6	£28,000	£44,800

When multiplied across four marketplaces, this meant that two of the FTEs in the customer service team were predominately tasked with administration rather than customer engagement. This totalled an annual cost of £44,800.

To address this inefficiency, Transalis deployed a blend of direct EDI connections and OCR technology between the four marketplaces and the 3PL. Ultimately resulting in a 2.5X return on the investment.

Case study 2

Outside of direct EDI connections in the supply chain network, organisations can also explore digital transformation solutions that automatically convert “paper” documents (e.g. PDFs, scans, email attachments) that are commonly processed by sales and customer teams. This technological approach is referred to as P2D (Paper-to-Digital).

Transalis was approached by a client (IT hardware distributor) to execute a project that tackled the complexities of processing incoming orders from B2C retailers and B2B resellers. Similarly to the situation outlined in the prior case study, the sales function in this organisation found themselves handling a variety of administrative tasks, including manually rekeying order information into business systems.

To combat these time-consuming processes, we proposed implementing a P2D solution. With this solution type, inbound orders of all formats can be pulled through a digital transformation process automatically, dealing with the extraction, conversion and routing of information to the right system. This type of solution is especially useful when individualised EDI connections are financially viable. Due to the scope of the project, which included hundreds of retailers and resellers, large and small, a P2D approach proved to be the most cost-effective and scalable solution.

As before, with a solution like this in place, the sales function can fully concentrate on nurturing client relationships for increased revenue generating opportunities.

Take a closer look at our client success stories in the Case Studies section of our Knowledge Hub.

Find out more

03

Compliance Manager: International tax compliance

Multi-national businesses have long needed to contend with regulatory requirements for compliant trade. However, as tax authorities lean on digitisation to close their respective VAT gaps, businesses must to remain in tune with changing tax reporting mandates.

Minimising the VAT gap has been a top priority for tax administrations globally for some time. It is defined as the discrepancy between the expected VAT revenue and the amount actually collected.

The European Commission outlines several causes of the VAT gap, including:

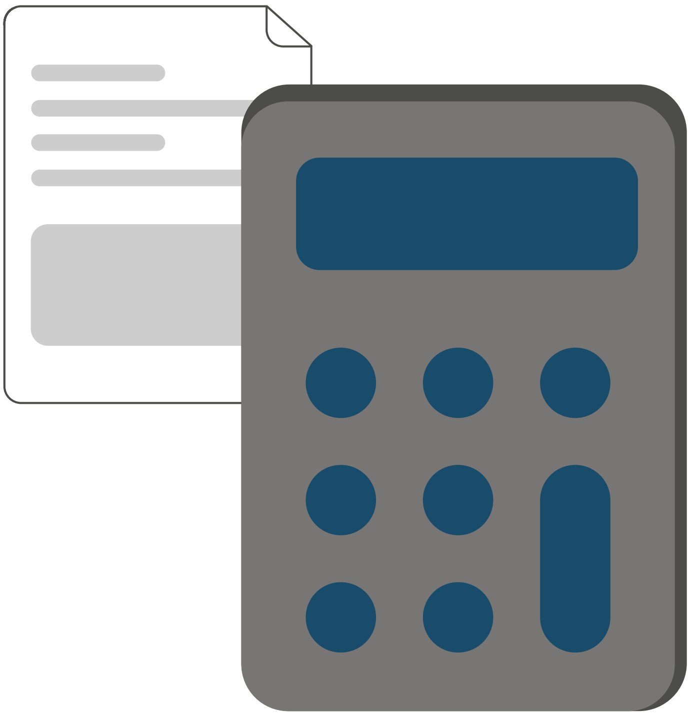
- Fraud and evasion
- Corporate bankruptcy
- Maladministration
- Legal tax optimisation
- Corporate insolvency

The European Commission also publishes an annual VAT gap report, which outlines how this discrepancy affects countries across Europe.

> "EU Member States lost an estimated €93 billion in Value-Added Tax (VAT) revenues in 2020. Though still extremely high, the 'VAT Gap' dropped by approximately €31 billion compared to the 2019 figures."
> - European Commission[2]

The matter of how to minimise the VAT gap has become the target of legislation. The introduction of e-invoice and e-reporting mandates means tax authorities can effectively reduce the VAT gap and ensure an auditable, digitised paper trail.

These developments are nothing new. In fact, Chile was one of the first countries to introduce e-invoicing requirements back in 2002 and has since achieved success amounting to a 50% reduction in their VAT gap.[3] In light of this, countries across Central America, South America and Europe have all either enacted new mandates or made announcements for phased introductions across Business-to-Government (B2G), Business-to-Business (B2B), and even Business-to-Consumer (B2C) transactions.



Main factors to consider

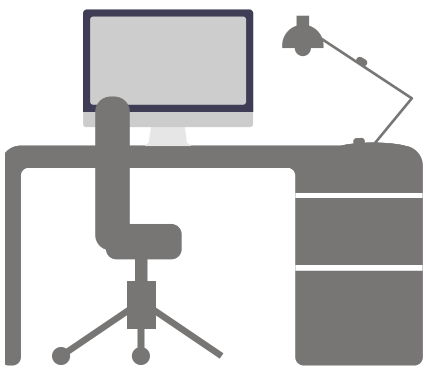
For Compliance Managers investigating how these requirements will affect ongoing business, there are a couple of key factors to focus on.

Firstly, if the business is operating in a territory that has announced the introduction of any e-invoice or e-reporting mandates applicable to them, then they must comply. Strict penalties will be applied if businesses do not have a suitable solution in place to manage compliance with these new requirements. How these penalties are imposed varies from country to country, but can range from anything between a fixed fee per non-compliant invoice to fines equivalent to 100% of the value of the invoice[3].

Secondly, the systems employed by different governing bodies to support these mandated requirements can vary greatly. Although, for the most part, these implemented systems revolve around Continuous Transaction Controls (CTC). In summary, CTC requires businesses to report their transactions as they occur (also known as Real-Time Reporting), which replaces the need for the submission of periodic tax returns. However, how this transpires can be very different depending on the tax authority in question.

For example, some countries follow a clearance model, which requires authorisation from the tax authority in order for an organisation to issue an invoice to the end buyer. However, how this authorisation is achieved can vary greatly between countries, with variants such as hard-clearance and soft-clearance. Other countries, such as those in Europe, follow an interoperability model (focusing on the efficiency of invoice processing), and/or utilise the Peppol network.

Furthermore, as businesses evaluate how to comply with these mandates, they will need to assess whether this can be managed in-house or whether the scale of administration requires an automated solution. Organisations issuing and reconciling large volumes of invoices will not find it sustainable to manage the manual processing within their Accounts Receivable function. Instead, they should be concentrating on finding an automated solution that complies with requirements and simultaneously increases efficiency.



Summary of regulatory mandates

The table below highlights some of the most well-documented B2B e-invoicing and e-reporting mandates being introduced across Europe.

COUNTRY	DEADLINE
Belgium	2026
France	2024
Germany	2026
Italy	2019
Poland	2024
Romania	2024
Spain	2023
Turkey	2014

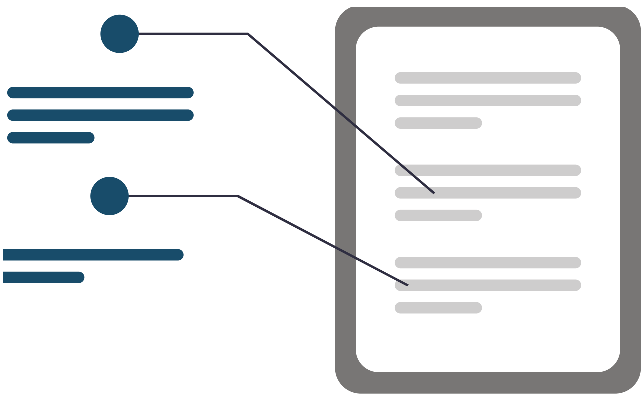
In addition, many other countries have declared plans to introduce new e-invoicing requirements in the near future, including Bulgaria, Croatia, Denmark, Germany, and Sweden, to name a few.

A case study

Transalis has experience in supporting its clients as these mandates are implemented.

One client in particular, a multi-national health and beauty retailer, needed to simultaneously comply with e-invoice requirements in Italy and Turkey. In terms of the genesis of the project, this client needed to tackle inefficiency in their manual Accounts Payable processes, combined with the scale of their business operations across Europe, and these new mandated processes. In this scenario, all B2B invoices needed to be submitted to a government portal so that the VAT could be captured. Previously, the client was receiving invoices from suppliers in a number of different formats and having to rekey them manually into the relevant systems.

To resolve these challenges, Transalis implemented a solution that considered all of the client's needs, by concentrating on simplifying the routing of information with integrations. As a result, the solution facilitated connections to the required tax authority portals, extracted the invoice information, transformed it into the required format, and attributed the invoice data to the correct entities in order to be paid. In terms of overall benefits, efficient invoice processing and payment meant that the client could also take advantage of prompt payment discounts- especially significant when considering invoices in the hundreds of thousands and above.



If you want to discuss any e-invoicing mandates that are due to affect your business, schedule a brief call with one of our dedicated team members.

Book a meeting

Want to learn more?

Transalis offers a wealth of resources in its Knowledge Hub, including real-world examples and expert industry examples. Take a look at our case studies, whitepaper reports, and informational guides.

Find out more

Email	sales@transalis.com
UK	0845 123 3746
International	+44 1978 369 343

Resources

[1]McKinsey Digital. 2022. *Tech at the edge: Trends reshaping the future of IT and business*.

[2]European Commission. 2022. *Taxation and Customs Union*.

[3]Billentis. 2019. *The e-invoicing journey 2019-2025*.

[4]Pagero. 2023. *Consequences and impact of non-compliance with e-invoicing*.

[5]McKinsey & Company. 2023. *Unlocking the industrial potential of robotics and automation*.