Electronic Invoice Presentment and Payment: Decision Whether to Offer an EIPP Service

David Wright, The University of Ottawa Telfer School of Management, Canada

EXECUTIVE SUMMARY

This case study describes marketing options, systems architecture, and strategies for an IT company to enter the market for B2B EIPP (business-to-business electronic invoice presentment and payment). The organization explores the possibility of developing EIPP software and offering an EIPP service in competition with other EIPP services. The advantages of EIPP to potential customers and to the organization itself are described together with the option of partnering with a bank to offer the service.

Keywords: b2b e-commerce; electronic invoice presentment and payment; e-commerce intermediaries; electronic payment systems; e-commerce strategy; online bill payment; online transactions

COMPANY BACKGROUND

XYZ Corporation designs, develops, and markets software for enterprise customers. To date, they have focused on the North American market, and have an international sales force and distributors in a few selected countries in Asia and Europe. Software is based upon standard modules such as accounting systems, Web Services interfaces, and security suites that are licensed to customers for one-time licensing fees. A second source of revenue comes from customization of the standard modules to suit the needs of individual customers, resulting in a customization fee, which can often be 2 to 3 times the original software license fee. XYZ performs the customization itself and also uses the services of value-added resellers (VARs); both XYZ and VARs sell and customize the products. A third source of revenue is software maintenance fees that are derived from upgrades to the standard modules if customers choose to implement them.

The CEO described each of these three sources of revenue as “highly bursty” in the sense that it is difficult to predict when the sales force will negotiate a new sale with a customer and also in the sense that it is difficult to predict the dollar value of those sales. She would like to supplement these erratic revenue streams with new more stable revenue streams. A few years ago, XYZ Corp. sought to achieve this by offering its standard modules through an application
service provider (ASP) model in which customers would pay a monthly license fee to use the software on XYZ’s servers instead of paying a one-time fee to load the software onto their own systems. Although XYZ solved the technical issues, such as security, perfectly well, there was not a large demand for the ASP concept, particularly from existing customers who had already invested in implementing the modules on their own systems, and in some cases performing their own customization. Market analysts observed the lack of success of the ASP model in the software industry in general and commented that most software cannot be outsourced: It is a product, much to the disappointment of XYZ’s ASP product line manager.

A second strategic objective of the CEO derives from the specifics of the mid-range segment of the market for accounting software from which XYZ derives a significant proportion of its revenues and profits. This segment consists of companies with revenues in the approximate range of $2 million to $500 million, 75% of which use multiple application software packages and 65% of which have more than one site. They typically employ chartered accountants who demand sophisticated features from their accounting software, and IT personnel who are capable of customizing and maintaining the software. They have larger budgets to spend on software and customization than smaller companies, with the result that vendors of accounting packages for the low end of the market are increasing the functionality of their offerings and entering the mid-range segment. In addition, small companies that grow into mid-range companies tend to stay with the vendor that they used for low-end accounting software, partly because of the customization that vendor provided for the customer. At the same time, vendors of large ERP (enterprise resource planning) systems for high-end enterprise customers are developing stripped-down versions of their software for the mid-range segment. The mid-range segment is therefore becoming crowded with vendors; the CEO of XYZ Corp. would like to have less of her eggs in this basket and develop products or marketing strategies that could bring about additional revenue streams.

A third strategic objective derives from the way in which the IT industry as a whole is evolving. XYZ’s Web Services software has allowed many of its customers to develop service-oriented architectures (SOAs) from which they have benefited in terms of considerably more efficient operations. The return on investment from SOA implementations in the industry as a whole has been very rapid. Although, by definition, SOA is an architecture, it is also an approach to a pressing business need. The recent increase in the number of mergers and acquisitions has resulted in companies with a large number of incompatible software applications developed by diverse teams of IT personnel. SOA offers an opportunity to integrate these applications together, resulting in more efficient and more consistent business operations and control. XYZ has benefited from this industry trend by deriving revenue from selling the enabling software. Now the CEO would like XYZ to obtain benefits from SOA more directly within XYZ itself. Although the ASP model of selling access to software had not been successful, she would like to investigate an SOA model for selling access either to XYZ’s software or to some services based on XYZ’s software.

The international perspective on XYZ’s operations is something that the CEO approaches cautiously. Despite the hype about globalization, XYZ’s attempts to expand its marketing efforts from North America to Europe and Asia have resulted in only sporadic sales that have not satisfied the first strategic objective of stabilizing the revenue stream. Although the overall industry rate of growth of software sales in North Africa and the Middle East has been attractive at 16% per year, the CEO is unwilling to invest heavily in international marketing when the returns to XYZ are unpredictable.
Related Content

Research on Optimization of Multi-Commodity Supply and Demand Logistics Network Based on Supernetwork
[www.igi-global.com/article/research-on-optimization-of-multi-commodity-supply-and-demand-logistics-network-based-on-supernetwork/207301?camid=4v1a](www.igi-global.com/article/research-on-optimization-of-multi-commodity-supply-and-demand-logistics-network-based-on-supernetwork/207301?camid=4v1a)

Comprehending Technology Attachment In The Case Of Smart Phone-Applications: An Empirical Study
[www.igi-global.com/article/comprehending-technology-attachment-in-the-case-of-smart-phone-applications/172803?camid=4v1a](www.igi-global.com/article/comprehending-technology-attachment-in-the-case-of-smart-phone-applications/172803?camid=4v1a)

Customer Loyalty in the Auction E-Service
[www.igi-global.com/chapter/customer-loyalty-in-the-auction-e-service/149062?camid=4v1a](www.igi-global.com/chapter/customer-loyalty-in-the-auction-e-service/149062?camid=4v1a)