Implementing Electronic Invoicing in a Textile and Cleanliness Company – Impacts on Buyer-Seller Relationships

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ABSTRACT

In this article, we examine the effects of the implementation of electronic invoicing on buyer-seller relationships. We apply the framework by Cannon and Perreault (1999) to analyze the changes in the relationship connectors between the two parties. Drawing on qualitative interview data from a single case study, we find that the implementation of electronic invoicing has a strong impact on the information exchange component as well as on the operational linkages component. In addition, we find that both parties have made adaptations due to the implementation of electronic invoicing. It was also concluded that the switching costs have increased and the commitment improved between the seller and its customers. While the investments in electronic invoicing usually reduce costs for the buyers, the sellers benefit from the implementation of electronic invoicing in creating long-lasting relationships and even dependence between the two parties.

Keywords: Buyer-Seller Relationships, Electronic Invoicing, Information Exchange, Operational Linkages, Relationship Connectors

1. INTRODUCTION

Electronic invoicing has been recognized as one of the most important sources of productivity increases in Europe (EEI, 2007). Around 30 billion invoices are exchanged between buyers and sellers in Europe annually (Koch, 2009) and the benefits of moving from paper-based invoicing to electronic invoicing are clear. First, there are processing cost savings. The Finnish State Treasury and some Finnish companies have estimated that an incoming paper invoice incurs costs amounting to 30-50 Euros to the receiver company. By moving to electronic invoicing, these costs can be lowered considerably. According to the European Associations of Corporate Treasurers (EACT), the resulting cost reductions in the supply chain expenditures total...
243 billion Euros across Europe (EEI, 2007). Second, there are considerable environmental benefits as the transition from paper bills to electronic invoicing in the EU alone would save over 14 million trees (e.g., Pagero and PayItGreen). Third, by sending the invoice data in structured electronic format, the seller can provide better service to the customer company. Some European countries have been more active than others in enforcing the transition to electronic invoicing. As an example, since 2005, Denmark’s public authorities primarily receive invoices in electronic format and this has been stipulated by law (Brun, 2007).

Electronic invoicing is not something totally new. Invoices have been transmitted in electronic format for decades. Already in the 1970s, EDIFACT was used by large companies as a means to exchange invoice data. These systems were point-to-point systems, and required somewhat heavy investments in establishing the connection between the two companies or organizations. In this article, however, we leave these legacy systems out of our scope and define electronic invoices as invoices transmitted through XML-based open standards, e.g., Finvoice or the TEAPSSXML standard in the Finnish context. Our focus is on the automation of invoicing processes and this in turn requires that the invoice data is sent in a structured format. Therefore, invoices that are transmitted as attachments (PDFs, etc) in e-mails are not considered as electronic invoices. This is because e-mail attachments do not allow for the invoice data to be automatically processed in the payment system.

The objective in this study is to examine the effects of the implementation of electronic invoicing on buyer-seller relationships. As a conceptual theoretical framework, we use the framework by Cannon and Perreault (1999). They establish a set of relationship connectors: (1) information exchange, (2) operational linkages, (3) legal bonds, (4) cooperative norms, and (5) relationship specific adaptations by the seller or the buyer (see Figure 1 for a schematic overview of the framework). We use these connectors to examine the changes in buyer-seller relationships.

**Figure 1. Schematic overview of key constructs relevant to the practice of buyer-seller relationships (Cannon & Perreault, 1999, p. 442)**

![Figure 1. Schematic overview of key constructs relevant to the practice of buyer-seller relationships (Cannon & Perreault, 1999, p. 442)](image-url)
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