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Invoice HUB for banks

Next generation SME Banking

15 September 2023

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1. Problem

SMEs have been underserved by banks because of the high costs of serving the segment, while open banking and open finance will create a more challenging competitive environment

47%

of SMEs believe that banks don't try to understand their challenges

14%

of total SME funding needs are met only

40%

of banking revenues are payment revenues, which will be attacked by non-bank players

Source:

McKinsey: How banks can reimagine lending to small and medium-size enterprises

McKinsey: A digital approach to SME banking

PartnerHUB analysis

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2.Trends influencing SME banking

SMEs are becoming a lucrative segment for financial service providers

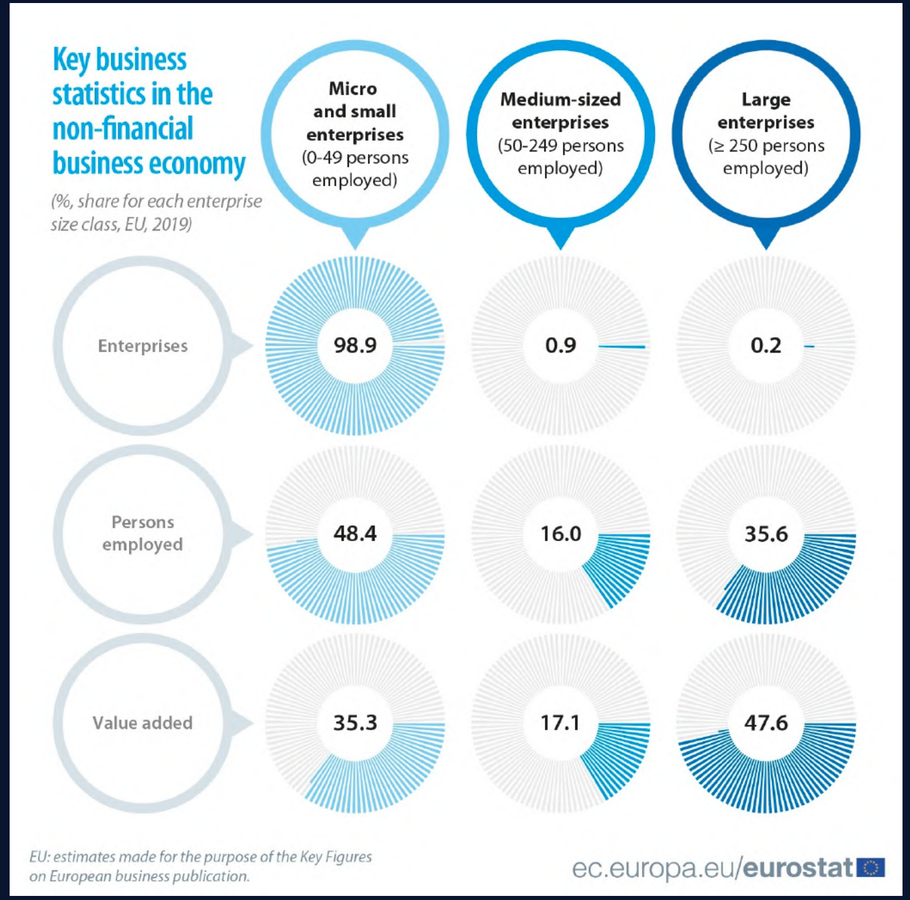
- SMEs are the backbone of the economy, major role in employment and GDP contribution
- Diverse, but retail-like small customers making up the majority
- Underserved, which means there is substantial growth potential
- Technology enables decreasing service costs substantially

20 %

of SMEs in Europe, access to financing is the most urgent problem

20 to 30 %

operational efficiency gains on digitising the customer journey



Source:

McKinsey: How banks can reimagine lending to small and medium-size enterprises

McKinsey: A digital approach to SME banking

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2.Trends influencing SME banking

Digital transformation has happened in the SME segment

During the pandemic SMEs have turned to digital business models, leveraging e-commerce and marketplace platforms to drive sales

Majority of SMEs now expect to be able to engage with their banks through a variety of digital channels

Banks must remain conscious of the differences in digital and financial literacy among their SME clients

69%
of small businesses view robust digital capabilities as a key consideration in choosing a financial services provider

43%
of SMEs have increased their use of online banking services via computers or tablets,

40%
used more mobile banking services

38%
decreased their visits to branches

24%
reduced their use of ATMs

Source:
Accenture: Commercial Banking Top Trends in 2023 report
EY Global: The five-step journey to SME banking transformation

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2.Trends influencing SME banking
Competition is increasing: digital banks perform better, SMEs are loyal, but digital experience matters

Banks are still the most trusted type of financial services provider in SMEs' eyes, but not by a large margin: other providers such as Big Tech corporations, large companies expanding into financing and FinTech players are quickly catching up

25%

Less than 25% of UK SMEs switched their main bank in the past 5 years

$32 bn

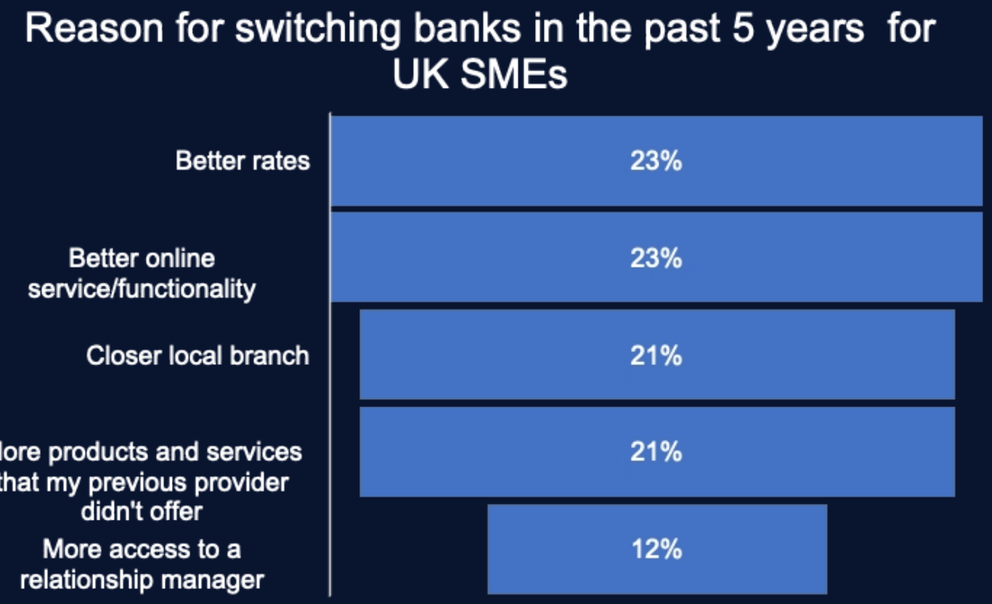
of SME banking revenue could shift from traditional banking offerings to embedded finance experiences by 2025

48%

would have liked faster access to credit: 55% of SMEs would like to be funded within seven days, and 31% would like to receive funds within three days

40%

of SMEs would be interested in using banking services from one of their digital service providers.



Source:

McKinsey: A digital approach to SME banking

EY Global: The five-step journey to SME banking transformation

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2.Trends influencing SME banking

SMEs priorities need to be understood by banks and banks need to shift from short to long term profitability

SME top 5 priorities

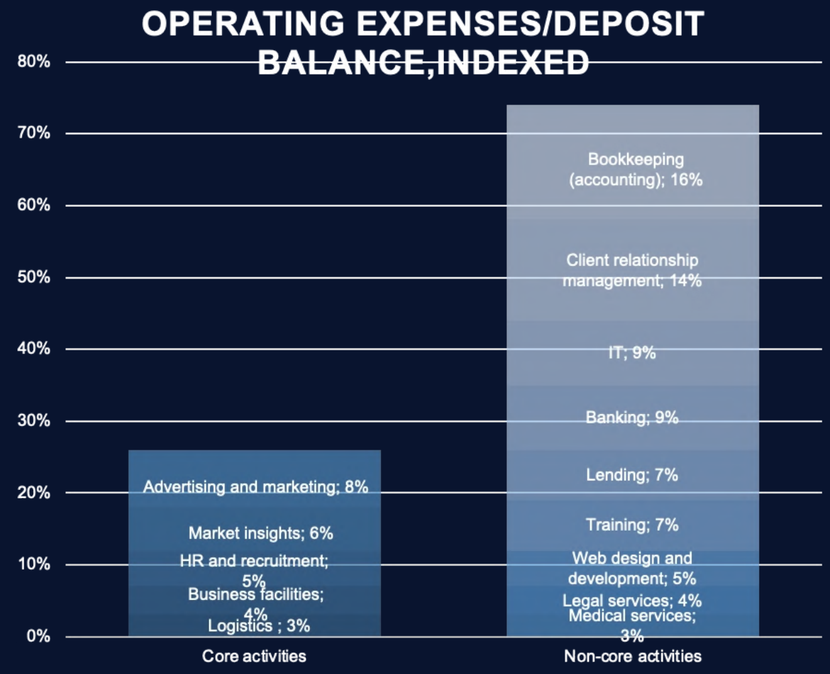
1. Growing the business
2. Talent acquisition and retention
3. Supply chain management
4. Managing cash flow
5. Taking care of administrative tasks

SME challenges in 2023

1. Cost of living crisis on the revenue side
2. Inflation on the cost side and access to financing
3. Conversion to Net Zero on the investment side

Focus on industry specifics and SME lifecycle

1. SMEs are very open to sharing more data to have a personalised experience
2. Banks must concentrate on the SME lifecycle
3. Industry specific focus and offerings can be a distinguishing factor



50 %

of SMEs would be willing to pay for a enhanced personalised experience

29 %

Of the companies that received credit during the crisis 29% are very or extremely concerned about repayment

1%

went into the “exit” phase

Source:

McKinsey: Beyond banking: How banks can use ecosystems to win in the SME market

McKinsey: A digital approach to SME banking

EY Global: The five-step journey to SME banking transformation

Lloyds Banking Group: The top challenges for UK SMEs in 2023

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3. Solution: Integrating e-invoicing for SMEs into online and mobile banking channels with Invoice HUB

Become the financial one-stop-shop

Integrating digital invoice managements with banking for SME customers means providing an end-to-end service for managing all financial administration activities. With additional integrations with accounting software providers, the whole financial administration process can be made seamless.

Save time for your SME customers

A digital customer journey will save hours for your merchant and SME customers, when they do not have to collect their paper invoices and take time with manual data inputs. They will value the time you save for them.

Digitalise your processes

Digital invoice data allows to digitise your payments and invoice financing processes end-to-end.

Personalise the experience

You can use invoice data for analytics for personalisation of offerings and risk modeling.

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3. Solution: Invoice HUB for Banks feature set

Incoming Invoice Management

- Receives invoices via e-mail and other data exchange methods
- Uploads invoices produced by other accounting systems
- Automatic processing of e-invoices
- OCR and a user interface for processing paper-based/pdf invoices
- Invoice repository
- Configurable workflow for incoming invoices

Core platform features

- Registration
- Party management
- Master data management
- Subscription management
- Authentication
- Data exchange

Customer invoicing

- Generates electronic invoices in any tax jurisdiction that comply with the regulations together with necessary tax authority connection
- Sending invoices via e-mail
- Invoice repository
- Matching invoice data with payment/financing data
- Configurable workflow for outgoing invoices

Low-code integrations

- Facilitates easy 3rd party Integration
- Invoicing, accounting software, ERP systems
- Lender/bank's systems and payment schemes
- E-invoicing schemes and tax authorities

3. Solution: Implementation approach

The Invoice HUB for Banks starter kit ensures a standard MVP functionality:

- For each function group, we provide the related:
  o back-end service for the digital invoice management,
  o detailed system description,
  o prototype front-end for demonstrating system capabilities
  o user test scenarios.
- Infrastructure service for up to 1 year for development and test systems (go-live will require a higher capacity and higher availability infrastructure and should be discussed in detail with the bank).
- Architecture plan for the minimum failover system.

With this starter kit the bank will have a standard functionality digital invoice management product (invoicing and payment, invoice issuing and digital archiving) which can be tested by the bank, and subsequently certain modifications can be done based on the bank's business concept.

The implementation lead time with this approach in our experience is ca. 3-4 months.

Solve the most important SME Banking financial administration pain points

by integrating e-invoicing and digital invoice management into online and mobile banking channels and realise additional revenues from value added services

4. Invoice HUB for Banks - bank benefits

Keep your payment revenues

By issuing invoices from the banking application, payments will arrive to the related bank account.

By having all supplier invoices in the banking applications, supplier payments will be initiated from the related bank account.

4. Invoice HUB for Banks - bank benefits

Decrease SME Banking service costs by having access to digital invoice data

30% operational efficiency gains on digitising the banking customer journeys

5. References and case studies

Following its merger with MTB Bank and Budapest Bank, MKB Bank has grown to be a sizable player in the Hungarian banking industry, with a ca. 30% market share.

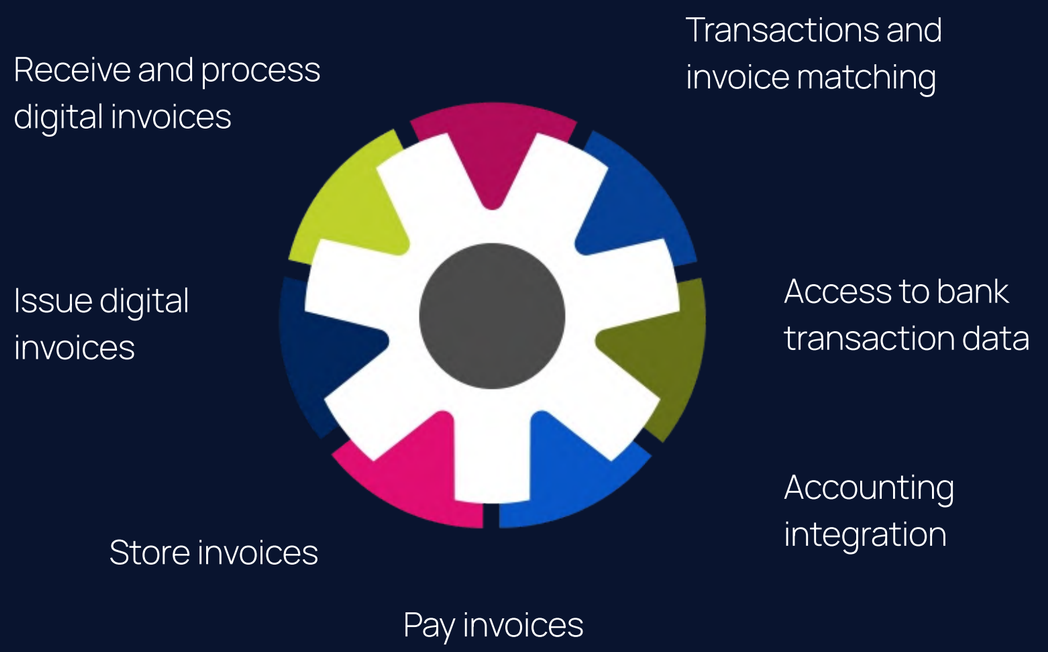
The bank introduced the digital financial assistant solution to give their SME clients a value-added service. Another crucial element in the launch of the solution was the legislation for real-time reporting of invoice data that was passed in 2018.

MKB Bank's BUPA digital financial assistant solution1 integrates digital invoice management with online banking for SME customers, offering the same core functionality as the OTP eBIZ solution:

1. Issue and send invoices
2. Receive and process invoices
3. Invoice repository
4. 1-click invoice payment
5. Transaction history
6. Invoice-payment data reconciliation

- Invoice HUB provides the backend of the solution and Partner HUB developed the front-end and mobile application.
- Partner HUB runs the solution as an outsourced service for the bank on a dedicated bank-grade infrastructure
- The BUPA solution is registered by the Hungarian National Bank as a Payment Initiation Service Provider (PISP) as per The European Union's Second Payment Services Directive (PSD2)
- The BUPA solution connects to MKB Bank's system via the bank's open banking API.

BUDAPEST PÉNZÜGYI ASSZISZTENS



After the launch of the Digital Financial Assistant, about 30% of Budapest Bank's SME clientele adopted the solution.

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5. References and case studies

OTP Bank is the market leader bank in Hungary (with ca.30% market share) with CEE coverage.

In Hungary, the SME market was highly price competitive. The bank wanted to provide a value-added service to their SME clientele. It examined all potential use cases and concluded that invoicing could be provided as a value-added service integrated into online and mobile banking channels, offering a one-stop shop for SME financial needs..

As a result they launched OTP eBiz, which is an Invoicing and Finance platform for SMEs. It enables SMEs to digitalize financial administration, and cash flow management in the bank. The digitization include creating and presenting invoices, creating a financial dashboard using invoice data for cost and revenue categories, computing the amount of taxes due, and predicting cash flow for the SME.

The solution helps SMEs move from paper-based to digital processes by serving as a collaborative digital platform for all parties involved in the SME's financial administration processes. Supplier invoices can be registered in the system, e-invoices are automatically processed. 1-click invoice payment is enabled.

OTP eBiz is integrated with OTP Bank's Core Banking System through a middleware system to enable direct payment transfers from OTP Bank.
Invoice HUB is the backend for the OTP eBiz solution. The platform's capabilities were used to set-up:

- Registration processes,
- Master data management,
- Document (invoice) management.
- Generating payment links for invoices and generating payment instructions from invoice data.

The scope of the project included:

- Customization of customer invoicing, and supplier invoice management processes,
- Setting up a real-time dashboard,
- Banking middleware integration for payment services,
- Setting-up reconciliation processes,
- Subscription management system,
- API integrations with 3rd party software

otpbank

The platform has increased customer loyalty and generated significant payment revenue for the bank. The platform is used by a large insurance company to send invoices to its clientele.

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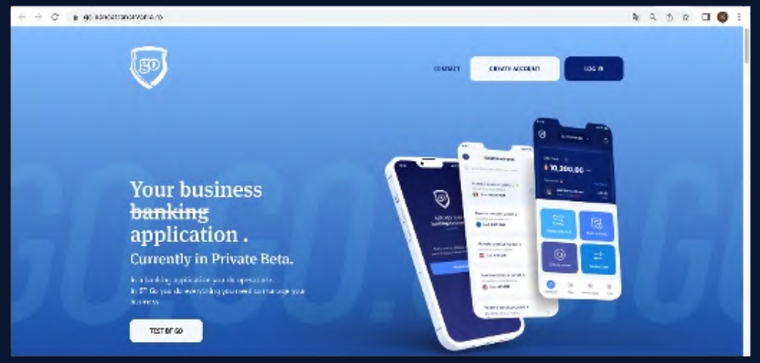
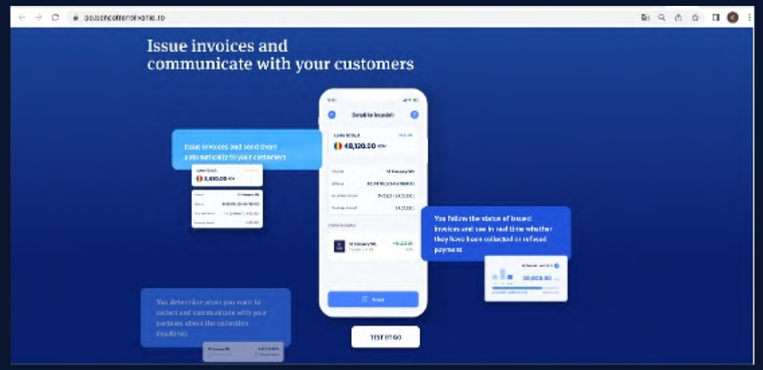
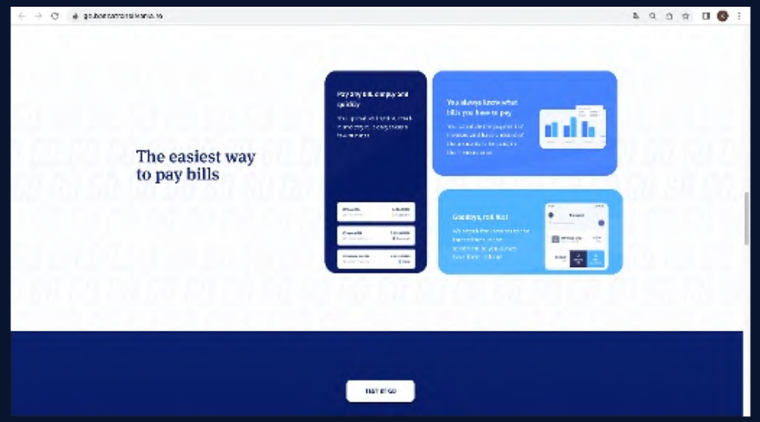
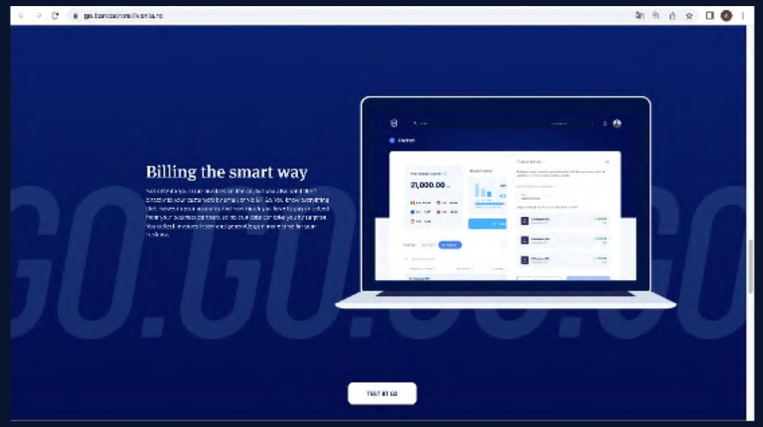
5. References and case studies









BANCA BT TRANSILVANIA
Banca oamenilor întreprinzători

Banca Transilvania is Romania's largest bank, accounting for over 18% of the market and serving 3.6 million customers.

The bank wanted to introduce an end-to-end service for their SME clientele to help them digitise their operations. They introduced online and mobile banking channels, as well as invoice management software.

The functionality includes issuing and sending invoices, receiving, processing and paying invoices, transaction reconciliation and customer dashboard.

Invoice HUB serves as the backend for the invoice management functionality and the reconciliation engine.

In October 2022, the beta version of the solution was made public.

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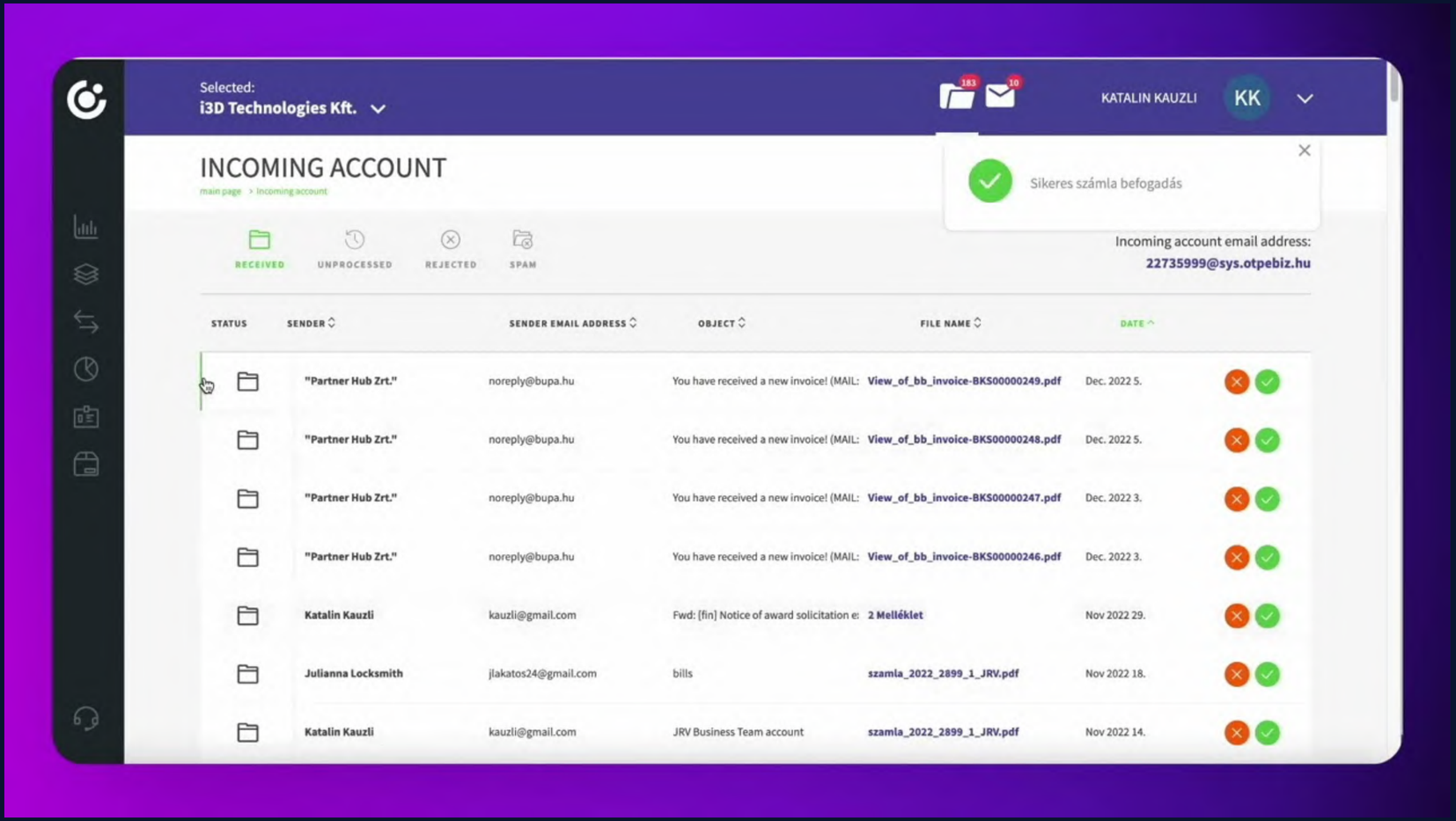
6. Product demo: Automatic invoice processing and payment



https://youtu.be/Mh14rFXEy5A

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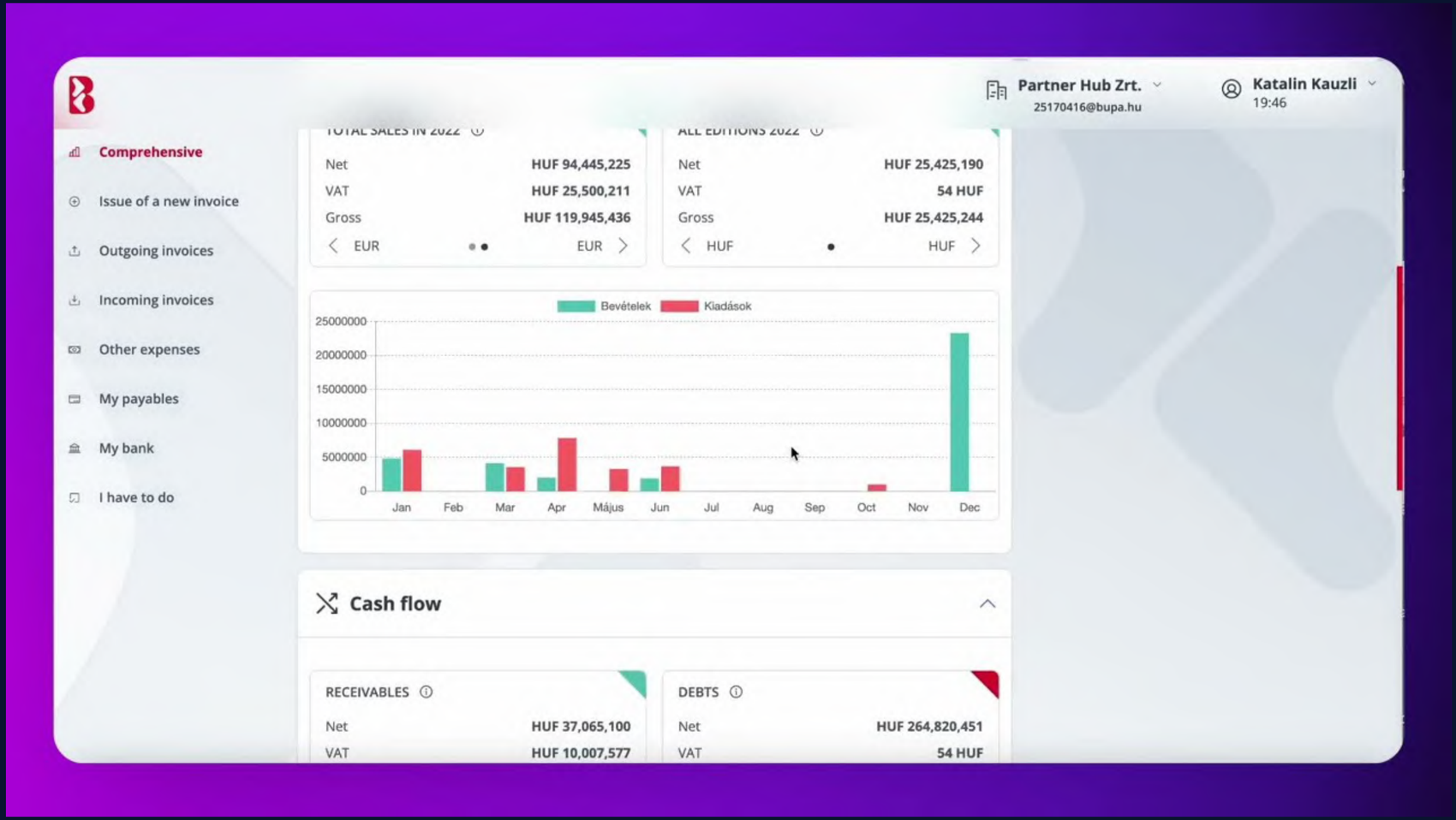
E-invoicing for SMEs



https://youtu.be/gXtmbsy7jF4

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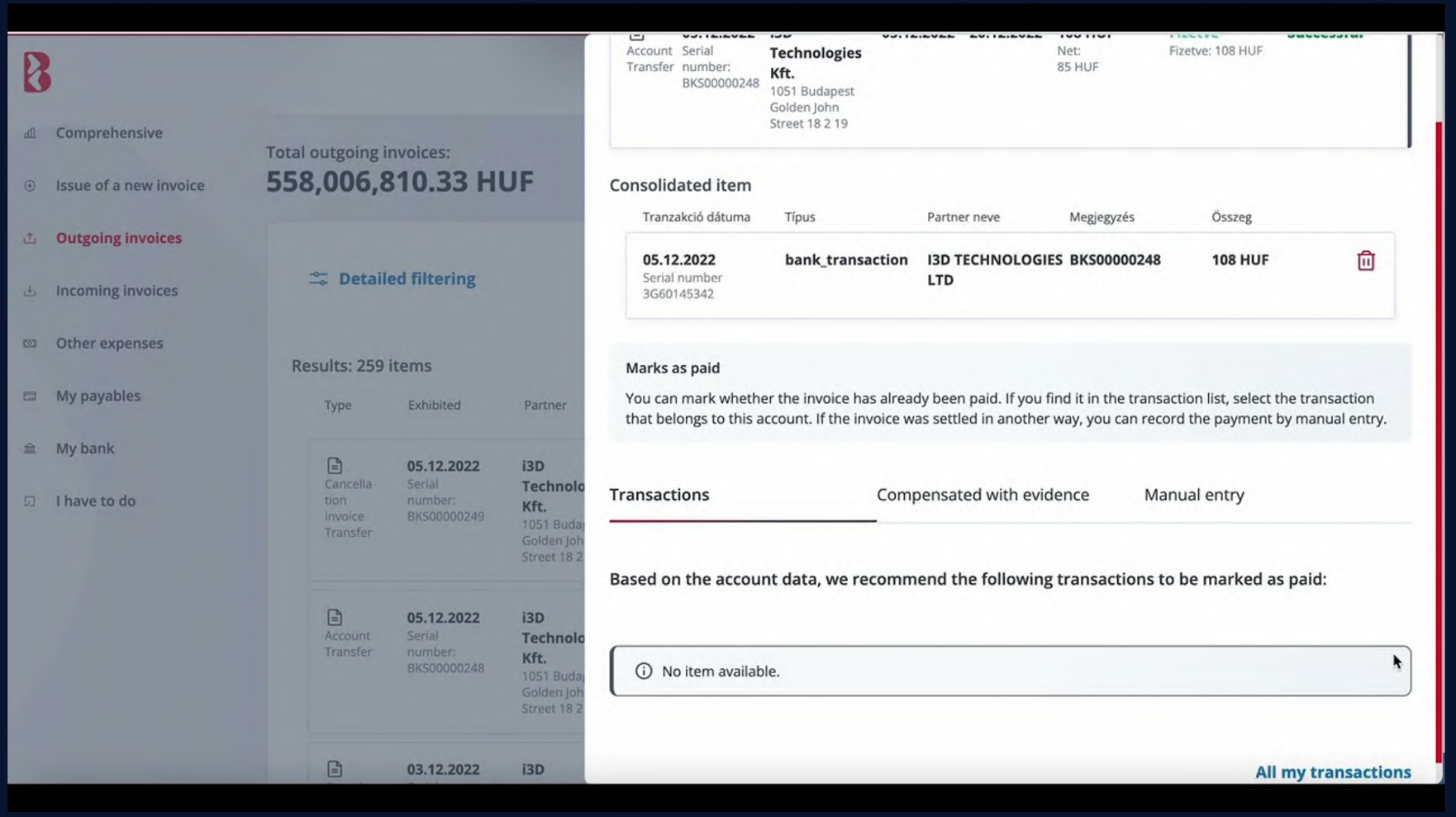
6. Product demo: Reconciliation of invoices and payments



https://youtu.be/oeu_oelCA-A

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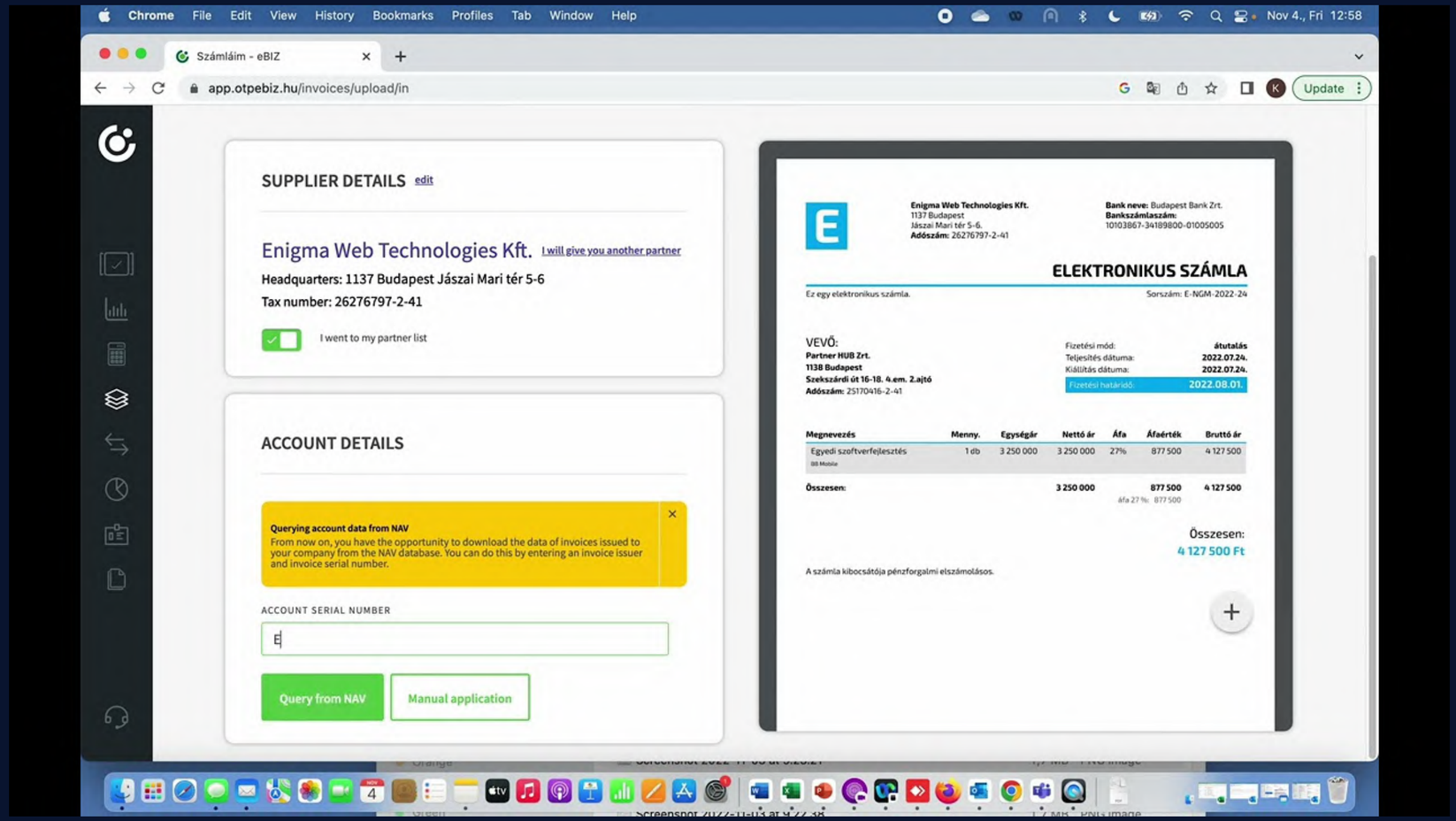
6. Product demo: Invoice data from 3rd party data sources

- Invoicing solutions
- Accounting software
- ERP solutions
- Tax authorities



https://youtu.be/r_7Jszfiq6Y

7. Why our solution is special

Our technology is specifically designed to financial service providers' needs to ensure the shortest time to market, maximum control over the solution while keeping maximum flexibility at 60-70% lower customisation and maintenance costs compared to in-house can 3rd party vendor implementations.

- White label technology
- Customisable with a low-code/no-code approach
- Flexible scalability and deployment
- Low-code integrations technology
- Data standardisation capabilities
- No vendor-lock in

8. Why work with PartnerHUB?

Future-proof solution

- Continuously adding new countries for e-invoicing compliance and payment schemes to the platform
- Working on a drag-and-drop implementation approach
- Adding analytics layer for invoice data

Accomplishments

- 3 completed banking projects for value added SME Banking integrating e-invoicing with innovative and market leader banks in the CEE regions, EPS India is a sales partner in India.
- **Ready request-to-pay and e-invoicing integrations**
  Raiffeisenbank Hungary, AnswerPay, Pine&Cone, UPI collect, US, Mastercard open banking connection
- EFMA Newtech Challenge, Sibos Perfect Pitch competition and Technoviti (India) winner

Why PartnerHUB?

- Unrivalled knowledge and experience for using invoice data and invoice management use cases in banking
- Fastest time to market, our technology supports rapid prototyping
- Instant and tangible results from the proposed use case for the SME segment

8. Why work with PartnerHUB?

Our award winning technology is used by innovative banks

OTP Bank

Business Finance Assistant: SME banking incorporating digital invoice management

Banca Transilvania

Business Finance Assistant: SME banking incorporating digital invoice management

Hungarian Bank Holding

Business Finance Assistant: SME banking incorporating digital invoice management

Raiffeisen Bank Hungary

POC: Integrating e-invoicing and request-to-pay to onboard corporate customers

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Thank you

15 September, 2023

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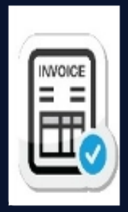
Ready made but customisable online invoicing application

Issuing and sending invoices, operations on invoices, matching invoice and transaction data

Issue invoice



Customer invoice or pro-forma invoice

Complies tax regulations, self-billing and FX invoices are included

Invoice operations

Clone the invoice

Cancellation invoice

Invoice from pro-forma invoice

Cancel pro-forma invoice

Generate request-to-pay

Operations on invoices can be carried out with one click

Send invoice (and request-to-pay)

Customer

The invoice is sent from the system to the customer together with an accompanying message

Invoice payment

Matching invoice and payment transaction

The system matches invoice and payment transaction data

Data exchange with other systems

Input data for dashboard and data analysis

Financing offers

Accounting software integration

Data can be exchanged with other systems in a structured data format

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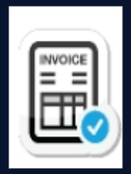
Invoice receipt and payment creates value

Invoice receipt , approval and payment

Invoice inbox



Supplier invoice

Electronic invoice from other Invoice-HUB systems

Other electronic invoice with structured data

Pdf /Paper invoice

Invoice receipt / approval

Automatic data processing

Automatic data processing (data mapping required at the bank level)

Manual data input or OCR solution

Invoice payment

Automatically generated payment transfer

Data exchange with other systems

Accounting data (invoice data and payment data) can be exported to accounting systems , or native data connections can be set-up very easily with any software

Input data for dashboard and data analysis

Financing offers

The SME gets all its invoices into the invoice inbox integrated into the online bank

The SME can view, approve or reject the invoices. In case the invoice is approved, the invoice is put into supplier invoices vy the system

The SME can do a 1-click payment of the invoice: the payment instruction is generated automatically, which can be approved by the SME as a credit transfer

Data can be exchanged with other systems in a structured data format