



# **BAA Plc**

## ***Improving A/R Performance with IATA InvoiceWorks***

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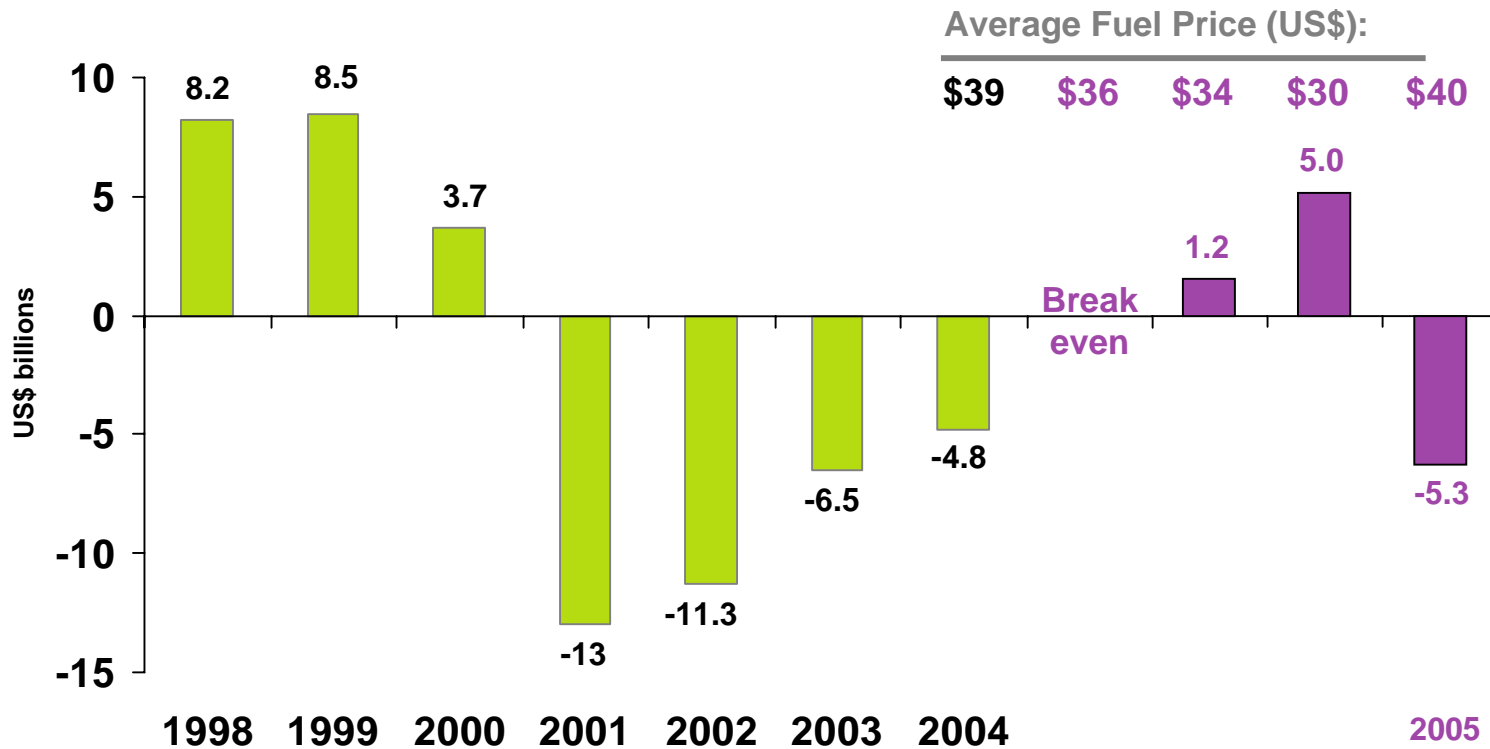


# Agenda

- Case for Change
- IATA InvoiceWorks Solution Overview
- BAA – Customer Case Study
- Summary and Next Steps

# Airline Industry Snapshot: Profits

A return to profit this year remains highly exposed to the oil price



# So What Are We Doing About It?

- Cost Reduction
- Cost Management
- Industry Solutions for Common Business Processes

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# IATA InvoiceWorks Value Proposition

- Electronic Invoice and Supporting Details
- Integrated
  - “P.O. Flip”
  - Validation & Coding
  - Online Query & Dispute Management
  - Workflow and Process Management
  - Centralized Reporting and Control
- Integration with ERP, Accounts Receivable, & Operational Systems
- “Win-Win” for Suppliers and Payers
  - Typically Reduce Invoice Processing Costs by 50-75%
  - Hard-Dollar Savings

# **IATA InvoiceWorks** *Powered by BearingPoint.*

## **E-Invoicing**

- Manual Entry
- File Upload
- FTP

## **Work Flow**

- Routings
- Approvals
- Linkage to AP Systems

## **Status**

- Dispute Resolution
- E-Mail notifications
- Metrics

## **Paper Invoice Mailbox**

- Scanning
- Data Capture
- Document Handling

**Applications Management & Hosting**

**Customer Support & Help Desk**

**Implementation Consulting & Enrollment**

**Software Support, Maintenance, & Future Development**

# E-Invoicing Benefits

## **Biller (Supplier)**

- Elimination of mail float
- Lower printing and production costs
- Lower delivery costs

## **Payer (Airline)**

- Eliminate paper invoices and manual data entry
- Higher efficiency and staff productivity
- Better control over invoice routing & approval

## **Both Business Partners**

- Visibility of invoice status
- Improved data quality
- Improved cash management
- Online query & disputes
- Improved ability to manage early-pay discounts
- Improved buyer-supplier relations

**Yields Tangible Dollar Savings for Both Suppliers and Airlines**

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# BAA Case Study Contents

- BAA Company and Billing Background
- Context of Involvement with IATA InvoiceWorks
- Advantages of IATA InvoiceWorks
- Our Key Assumptions
- Current Position
- Benefits and Business Case
- Development Project – Our Experience
- Forthcoming Developments

# BAA Case Study – Company Background

**BAA Plc: Formerly the British Airports Authority; formed in 1966; privatised as a stock market listed company in 1987**

- Own and operate seven airports in UK
- One in five of the world's international passengers pass through these airports which include
  - London Heathrow, world's busiest international airport &
  - London Gatwick, which has the world's busiest runway
- 143 million passengers in the year to June 2005
- Interests in a further eleven airports outside UK
  - six in Australia, four in US and one in Italy

# BAA Case Study – Billing Background

- 2600 active customers; 100 of these (mostly the world's main airlines) account for over 90% (check) of our (non-retail) income
  - Monthly billing is £c.100m GBP (175m USD)
- Tariff structure for flights is complex with a variety of charges applying to each movement
  - e.g. landing, parking, departure, power supply whilst on the ground, check-in facilities, coaching, emissions charges
- Invoices are densely populated with high values and many movements & charges on a single invoice
- Payment terms are short – 14 days for traffic charges
  - Both of the above make electronic invoicing very appropriate
- Also one of the UK's largest commercial landlords with 900 'property' customers

# Context for joining IATA InvoiceWorks

**We had approaches from customers for electronic billing**

## **Engaged with IATA in 2003**

- Commenced work after European Launch of IATA InvoiceWorks in February 2004
- Officially joined the service as from July
- Went live in September with Delta Air Lines

## **BAA is the first power supplier, after IATA itself**

- We have developed a fully automated file transmission capability with summary invoices & attachments, online disputes and management information
  - We don't utilise the services for scanning or typing in invoices

## Why we went with IATA InvoiceWorks

- Most likely to guarantee access to a wide group of our key airline customers through IATA connections
- Lower start-up, roll-out & marketing costs than for any other option then on the market or going alone
- Opportunity to influence development as first airport supplier
- Met our goal of being responsive to customers in providing electronic data
- Enabled us to support IATA in influencing more airports to unlock further benefits for the industry

# Our Key Assumptions

**Believed customers would want us to join this service as it offers**

- direct cost savings for them; and
- improvements in efficiency in the whole industry

**We forecast, on joining, that airlines accounting for up to a third of our turnover will engage with the service as benefits become evident**

- current take-up is much greater & faster than we expected at this stage & already exceeds our forecast
- >36% of our invoices, by value now going through

**We assumed that most customers will pay by the due date if the invoices are approved in their AP systems in time**

- earlier clearance should mean earlier payment
  - Our experience is that is true with IATA InvoiceWorks

## Business Case

- We saw the service benefits to our customers as being of greatest importance
- Financial return is dependent on
  - the degree of take-up by customers
  - improvements in the speed of cash payments
- Keeping up with technology was another key influence

## Main Benefits Sought

- Elimination of mail and processing delay
  - Through same day delivery & standardisation of input to customer systems
  - Invoices can be cleared up to three days earlier which permits more payments to be made by the due date
    - ✓ Earlier payment has an interest value to BAA
- Facilitates process improvement and cost efficiencies for airlines

## Other Benefits

- Improvements in productivity in our Service Centre
  - Self-service capabilities for invoice status and dispute resolution
  - Efficient delivery of invoices to the right approvers in dispersed customer organisations
  - Improved workflow within BAA for disputes
- Visibility of invoice status without constant phone calling

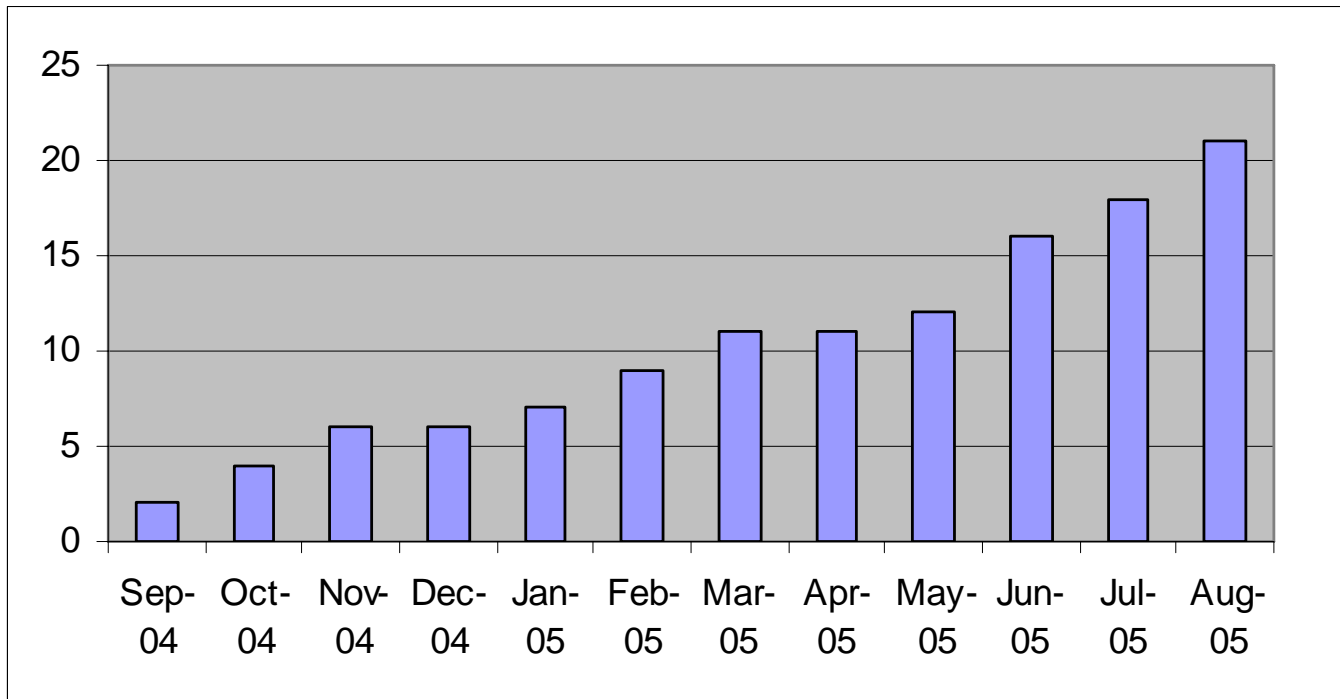
# BAA Implementation

- Preparatory work took four months
- Involved functional and technical preparations and end to end testing with BearingPoint and Delta, our first customer
  - Excellent experience with both organisations during this process
- 70% of our trade is enabled for the service
  - Focus is on operational trade to airlines with the largest values
- 95% by September as more invoice types are added
  - This will engage customers servicing the airport, as well as airlines

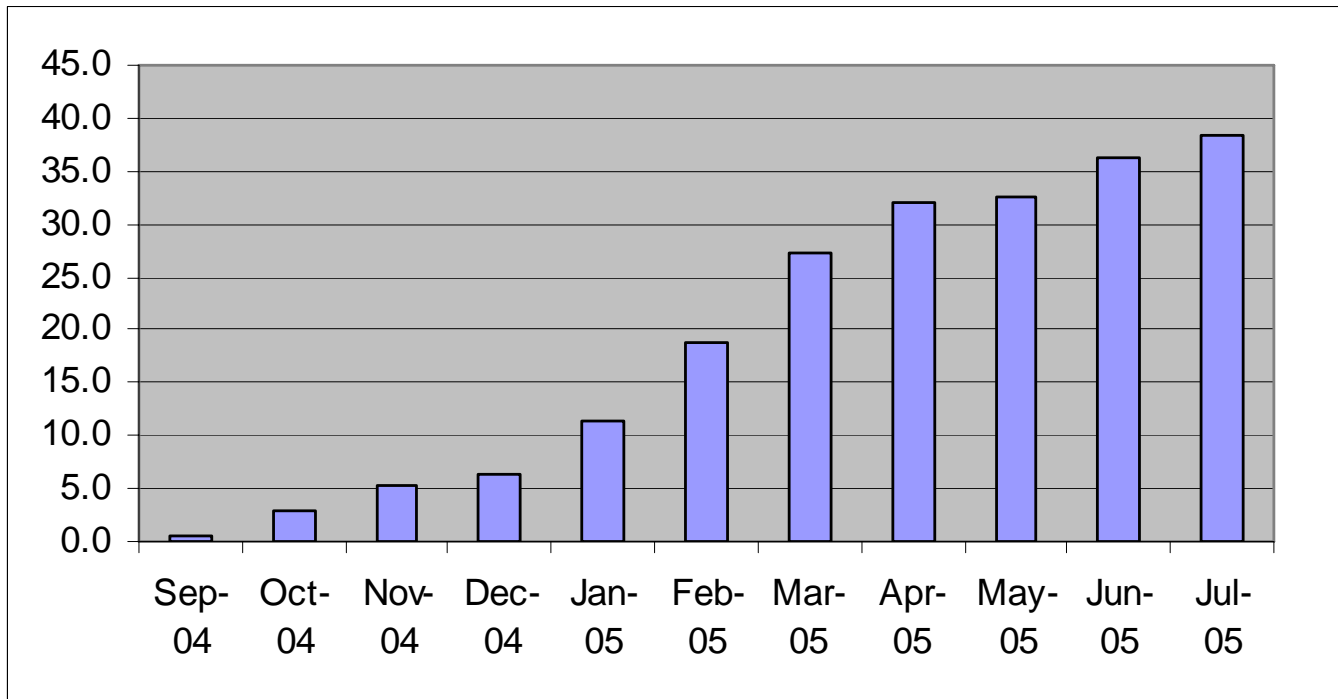
## Current Position

- Went live with Delta in September 2004 - Traffic & Utilities invoicing initially
- New 'summary' invoice with separate backing data, (both as pdf.s) & xml attachment for data analysis
- 20 other airlines now involved including
  - AA, BA, Air Canada, Cathay Pacific, Virgin
  - All seven of our UK Airports & BAA Indianapolis in US are now active
- Reviewed by UK Customs regarding VAT Compliance
  - Very positive verdict 'no shortcomings or areas of concern'!

# Customer Adoption



## Invoice Value – (GBP)



\*£millions per month

## Benefits Gained

**Our main AR measure is control and reduction of outstanding debt rather than staff per invoice**

- We have relatively small volumes of high-value, summary invoices

**with IATA InvoiceWorks we are enjoying:**

- Notable reduction in 'Days Sales Outstanding (DSO)' for customers on IATA InvoiceWorks compared with earlier periods for the same customers
- Cost and productivity savings becoming more significant as throughput volumes grows

# Project Experience & Lessons

- Development Project
  - Judged to be very successful and trouble-free
- Post Project Support by BearingPoint has been excellent
- Main lessons learned
  - Deploy a good team
  - Don't try to implement on a shoestring
    - ✓ Will only result in delay and larger cost in the long term
- Allow plenty of time for end-to-end testing with customers

# Aspirations for the Future

- Greater take-up by airlines, even as participants, but ideally as 'power' customers
  - BAA customers can be switched over to electronic within a few days
  - All parties – customers, BAA, IATA & BearingPoint will gain from greater utilisation of the service through widening experience
- IATA InvoiceWorks to be used fully for raising and resolving disputes
  - Allows these to be work flowed directly to airport business units while providing our service centre with visibility
  - Efficient dispute workflows within both organisations will deliver greatest process benefits to all
- Seeking feedback of data re payments or payment intentions, via IATA InvoiceWorks, in due course, to gain full process benefits

# BAA Roll-Out

- Focus continues to be on
  - largest customers
  - customers who are always seeking invoice copies
  - overseas customers with whom normal mail is problematic or slow
- Communication vehicles include
  - Specific approaches to large customers
  - Co-operative working with other airports
  - Proactive investment in developing industry XML standards
  - Messages on our paper invoices & content soon to be added to our main company website (visited by many millions each year)
  - Industry events and promotions such as this webcast

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# Where Are We Today

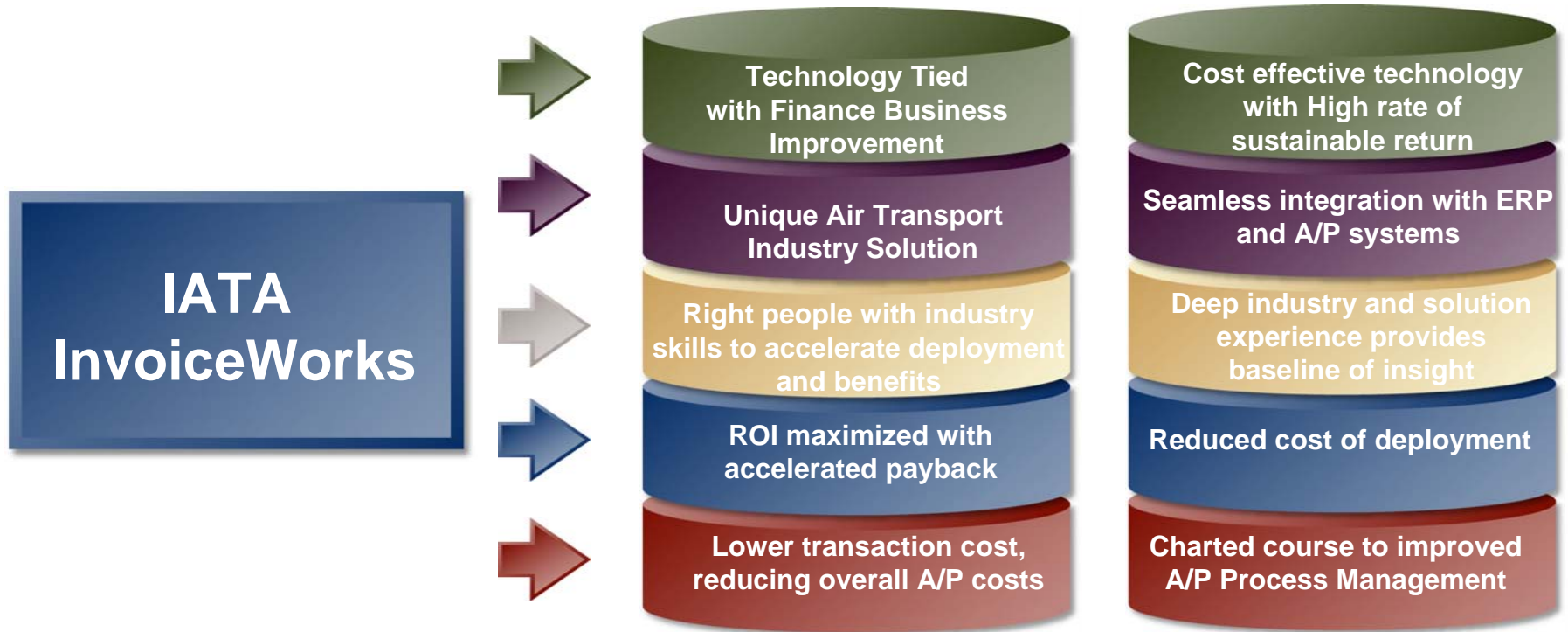
## **IATA InvoiceWorks Launched in 2004**

- **Electronically Linked:** 255+ Airlines and 5,400+ Suppliers
- **Power Customers:** AA, MQ, CV, DL, LY, AY, FI, NW, UA, BAA plc, IATA
- **Registered Suppliers:** 68,000 (scanning of paper invoices and integration into IATA InvoiceWorks)
- **Invoicing Standards:** Fuel XML, Airport XML
- **Invoice Settlements:** Payment Cards

# What's in the Pipeline

- Enhancements prioritized by the User Group
- Expand electronic invoicing into priority segments
  - Overflight and Navigation
  - Catering
  - Ground Handling
  - Interline
  - Hotels
  - Others to be defined such as In-Flight, and MRO
- Direct Operating Cost Management
  - Fuel Management
  - Contract Management

## Why IATA InvoiceWorks



## Next Steps

- No charge consultative analysis to perform Quick Scan/ROI
  - Questionnaire available online at <https://redporch.com>
- For more information, please contact:
  - Ayaz Hussain at [hussaina@iata.org](mailto:hussaina@iata.org)
  - Kenneth Kicia at [kenneth.kicia@bearingpoint.com](mailto:kenneth.kicia@bearingpoint.com)