

Dear Friends:

Electronic data interchange (EDI) has taken a priority position on the agendas of a number of media associations working to help their members improve their business processes. In recent months, Szabo Associates has received a number of inquiries from clients about electronic invoicing, which offers media great benefits as well as challenges.

We hope our feature article will help clarify some of these challenges and benefits, and that it will facilitate more dialogue among credit managers about this very important topic. Szabo Associates would like to express our appreciation to the credit managers quoted in our article for their willingness to share their experiences and opinions.

On our calendar of events this fall are the Advertising Media Credit Executives Association convention in San Antonio, Texas, October 7th through 10th, and the 21st Century Media Credit Professionals conference in New York City, November 13th and 14th.

Best wishes for a great fall season!



Pete Szabo, President
Szabo Associates, Inc.

Going Paperless ... Will Electronic Invoicing Increase Your Profitability?

We've been talking about it for years—electronic invoicing, the paperless delivery of invoices from media to agencies. While some in the media industry embrace the concept of EI with an almost religious fervor, others yawn when the topic comes up in coffee room conversation. What for some is perceived as an opportunity to reap greater profits and efficiencies is for others perceived as a burdensome and costly effort with questionable return on investment.

The reason for these differences of opinion is not difficult to understand. EI technology has made significant strides in the last year and a half, but it is still relatively young, with standardization and security issues yet to be sufficiently addressed. Additionally, some media properties that originally embraced the concept have yet to realize its advantages, at least at the level hoped for.

The benefits that electronic invoicing can offer media are simple and impressive: faster payments, error reduction, and greater time efficiencies for personnel.

Faster payments. Some large agencies receive 15,000 or more invoices each month. With the traditional method of paper invoicing, all must be sorted and opened, and the information from the invoice must be keyed into a matching system. The information is reviewed by the

buyer, who approves the invoice for payment. The entire process of getting the invoice and checking it can easily take a month or even two.

With electronic invoicing, the process is much more streamlined. Advertising data is entered into the system by the media property and the agency. Information from media is transferred to a vendor, which forwards it to the agency. The information is electronically matched with the order. If no discrepancies exist, the invoice is approved for payment. This process takes one or two days. Charges to media for this EI service can vary by vendor and media type.

Logic tells us that electronic transmission of invoices should result in speedier payment to the media property. Additionally, many agencies, realizing that cooperative EI efforts allow them more time to produce and manage a greater volume of business and serve their advertising clients better, encourage media to use EI by telling them they will give priority to invoices generated electronically. The benefit of speedier payment—along with the corresponding elimination of the labor, materials, and postage costs of traditional paper invoicing—should more than offset media's cost to

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use EI. But do media properties actually get paid faster?

In an informal survey of 10 television station credit managers in various sized markets across the country, about 75% reported an overall marginal improvement in speed of payment, with some agencies paying more quickly, and others not. That opinion is shared by Connie Allcorn, Credit and Collection Manager at WSB-TV in Atlanta, who is nonetheless optimistic about its promise. "I think many in media have the unrealistic expectation that with EI, they will get paid in 10 days," she says. "We need to recognize what it does accomplish, that sometimes we are paid faster, and that with more uniform standards and general acceptance, it will get even better."

John Sloan, Director of Credit Services, Turner Broadcasting System, Inc., believes that while EI has not significantly sped up payment to his company, speed of payment must be evaluated in light of a changing media environment. "Since we implemented EI in 1994, our company, as well as cable in general, has had a substantial increase in number of networks," he says. "Had we and some of the other larger cable networks not implemented EI, I'm not sure how the agencies would be able to deal with the sheer volume of spots. You can't manage a media schedule today with paper and pencil. It's hard to quantify the benefit because it's impossible to know how it would be if we didn't have this tool."

Pete Gallo, Credit Director of USA Today, which has not implemented EI, says, "I believe EI has not been more widely embraced by print media because the investment to

implement EI outweighs any current benefit. Even invoices billed correctly and processed on a timely basis are not necessarily paid any faster. In the case of larger agencies, the treasury function decides when to release the actual check, not the processing level."

Regarding prioritization of EI invoices, a common refrain among media credit managers is, "Some agencies give priority to EI invoices, some don't." Some media properties also report that many agencies using EI slow down the payment process and neutralize some of media's cost benefit by requesting paper copies in addition to electronic invoices.

Ms. Allcorn of WSB-TV prints and mails invoices to all agencies. "Right now I don't have enough agencies that do not require hard copies to justify pulling those out," she says. "We're working on our station's EI to devise a way to segregate EI agencies that don't require hard copies from the others. Also, some EI agencies tell us they are unable to print their own copies for their files, so they want us to provide them."

Mr. Sloan of TBS believes this problem may reflect a lack of training of agency personnel, citing a recent situation in which an agency requested paper invoices to determine which were sports invoices and which were other types. "On our electronic invoice there is a field that designates what type of buy it is," he says. "Either they didn't look for it, or their vendor didn't include it in its transmission. We also have a staff person whose job it is to make sure we get acknowledgment through the system that the agency received the invoices. If not, we call them up. Otherwise they don't tell us if they didn't get them. EI is not something you can implement and walk away from. It's an active process."

Larry Irving, Credit and

Collections Manager, Lifetime Entertainment Services, believes that manual invoicing exacerbates the perception among media that EI does not yet produce an adequate return on investment. "Media credit managers should hold agencies using EI accountable for multiple invoice copy requests," he says. "The agency should be aware and take action with individuals who delay the process for invoices being cleared for payment. Costs are substantially higher for most media properties that send manual invoices as well."

Another longtime broadcast credit manager reports that requests from large agencies for hard copies used to take up about an hour of each workday. "We have, however, recently noticed a decline in the number of those requests," she reports.

Perhaps the reason for the decline in requests is that more and more large AAAA agencies are signing a "paperless pledge," which means that media no longer need to send paper invoices if they send invoices electronically. Efforts are being made by the AAAA to enable smaller member agencies to participate in a "no paper" policy as well.

For print media, however, there is an additional hard copy issue that has yet to be resolved. "Discussions of EI for print media invariably must include the companion discussion of electronic tearsheets," says Mr. Gallo of USA Today. "This area is critical to the overall payment processing system. Several major papers are on the verge of testing both."

Error reduction. The more often human beings have to handle paperwork, the greater the number of opportunities for error. Each time a person in a media property, agency, or rep

firm re-keys information, an opportunity for a discrepancy occurs, and the number of discrepancies is staggering. While EI does much to minimize discrepancies related to re-keying errors, discrepancies continue to plague media properties that deal with makegoods and revisions.

Contract revisions are one of the biggest problems encountered by Mr. Sloan at TBS. "Someone wants to buy a certain number of spots over a period of time, we agree and send the contract electronically. They put it into their system and confirm. The first time we have a preemption or something goes wrong, the systems go out of sync and we can't match them up again," he says. "It's a problem that is being worked on and hopefully resolved."

Ms. Allcorn of WSB-TV believes, however, the most valuable benefit of EI is that discrepancies become apparent earlier than they would if tradi-

tionally invoiced. "Let's say I send an agency 10 invoices, and five of them get processed in 30 days. I immediately know that there are discrepancies with the remaining five," she says. "There is not enough manpower within the agencies to call about discrepancies. This way, I can investigate the invoice on my side, then get the account executive to call the buyer and work it out. The problem can be rectified without my having to call payables first."

Greater time efficiencies. While electronic communication between trading partners, particularly in fast-paced and volatile spot-buying arenas, can reduce the number of discrepancies from re-keying errors and streamline back-office processes, another significant by-product of this streamlining is the greater time availability for trading partners to perform more profitable tasks, such as analyzing data and negotiating media buys. Simply stated, EI can lead to better media solutions by improving process efficiency.

Agencies are under increased pressure from their advertising clients to provide information quickly to help them track the effectiveness of advertising campaigns in specific markets and create the most successful media solutions. With the pressures that demands from advertisers, merging operations, and the increasing complexity of media buying create, it is not surprising that many agencies have in turn put pressure upon media to jump aboard the EI bandwagon.

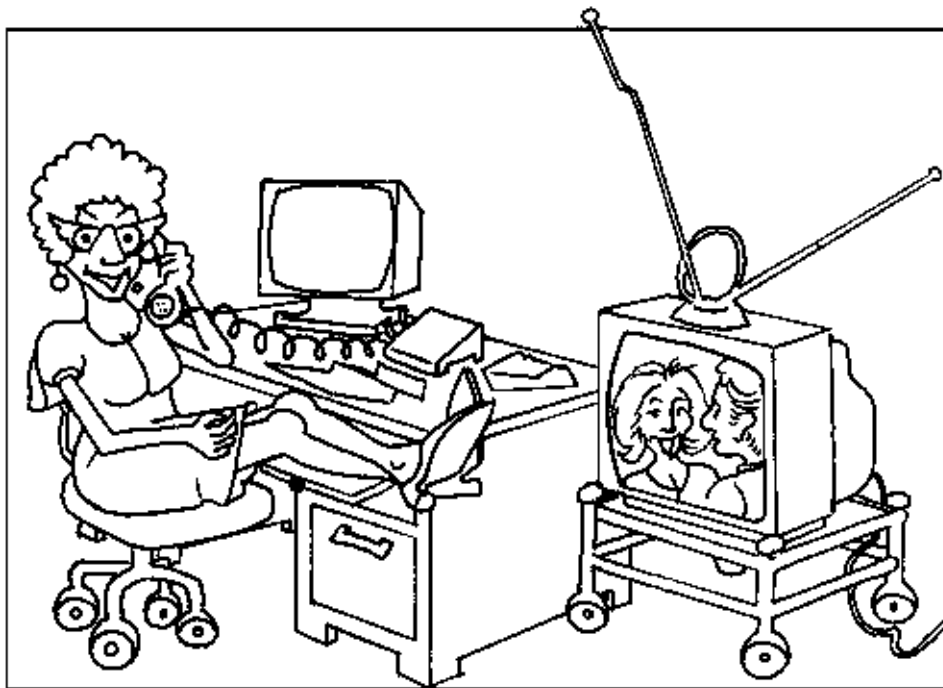
So what does media need to have happen in order to universally embrace electronic invoicing and reap the rewards it promises?

All would agree that greater cooperation between trading partners and among EI vendors to address issues unique to the media industry as well as a clear financial incentive, including reasonable vendor costs, consistently faster payment from agencies, and elimination of requests for duplicate paper, is critical if EI is to become universally and enthusiastically embraced.

Mr. Gallo of USA Today says, "I think both media and ad agencies need to address these challenges together. The AAAA organization needs to be more proactive in getting a unified policy for acceptance from the major agencies, and the media also have to standardize their approach where possible."

Says Mr. Sloan of TBS, "In the past decade, the consolidation of the media buying business has occurred at the same level as media properties, and that consolidation will continue because agencies recognize the media buying function can be shared by any number of agencies. At some point standards will be imposed, and the question for media will no longer be, 'Should I implement EI?' There

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"WHAT DO YOU MEAN, I DIDN'T PAY AN ELECTRONIC BILL? I'LL HAVE YOU KNOW THE LAST ELECTRONIC I BOUGHT WAS A BIG SCREEN T.V., AND I PAID CASH IN FULL."

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will be no choice.”

Mr. Irving of Lifetime asserts, “The cost for EI is not fair or equitable for what Lifetime Entertainment Services receives in return. At this time, the most important advantage of our using EI has been the excellent service we can provide agencies by giving them accurate invoices in a timely fashion. The main reason some media properties have not yet embraced the concept of EI is cost, particularly the cost of converting to new software. I also believe that EI’s move to the Web will produce the reliability, security and confidence required for agencies and media to use EI.”

“There has to be more ‘give and take’ between agencies and media. Nothing is perfect, and we need to work together,” says Ms. Allcorn of WSB-TV.

Nowhere in media is the need for cooperative efforts more acknowledged than in the radio industry. In a panel discussion on EI at the 2001 BCFM Conference in Toronto, Mary

Bennett, Executive VP of the Radio Advertising Bureau, stated, “Many partners, particularly on the radio side, are still learning to dance with each other. Our agencies are demanding it, and there will be financial penalties for stations not providing EI.” Ms. Bennett co-chairs RAB’s recently launched EDI Financial Task Force, with participation from 17 notable radio groups, whose task it is to help their industry move forward with EI implementation. At the Toronto conference, Ms. Bennett also cited the need for enhanced dialogue between agency and station partners and better collaboration between agency software providers and traffic software providers.

With organizations like the AAAA, TVB, RAB, MPA, and NAA creating task forces to address issues, promote cooperation among trading partners and among software providers, and promote the process efficiencies of EI to their respective memberships, we can expect acceptance of EI in all media to increase dramatically in the near future.

Perhaps the most fundamental if not critical aspect of industry-

wide acceptance and implementation of electronic invoicing is the realization among all parties of what it is not, what it is, and what it can and will be.

Electronic invoicing—as well as the broader applications of electronic data interchange (EDI) that will provide true end-to-end solutions—is not an agent for fundamental change in the way we do business. Rather, it is a process enabler—a powerful tool to enable media buyers and sellers to streamline their processes and maximize their efforts to serve clients better. And with new technology addressing standardization and security issues, costs coming down, and more widespread acceptance of EI throughout the media industry, it can and will be one of the most valuable new tools we have to maximize our efficiency and improve our bottom line.

In our next issue, we will discuss the technological aspects of implementing EI, including the latest advancements and their implications for the media industry. ♦



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3355 Lenox Rd., Suite 945, Atlanta, Georgia 30326
Tel: 404/266-2464, Fax: 404/266-2165
Web site: www.szabo.com
e-mail: info@szabo.com

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