

BMO-Ariba Alliance Expands Spending Management Unit

■ BY STEVE BILLS

Bank of Montreal is expanding its commercial card operations into a broader spending management system for its corporate clients using technology from the payments software vendor Ariba Inc.

The Toronto company, which does business as BMO Financial Group, was expected to announce the partnership today.

As part of its program, it is also changing the name of its commercial card unit to BMO Spend & Payment Solutions, according to Terry D. Wellesley, the unit's managing director.

In allying itself with Ariba, a Sunnyvale, Calif., vendor, Bank of Montreal joins financial companies that are broadening their suite of electronic services for corporate clients. Citigroup Inc. announced its own alliance with Ariba six weeks ago, and last week MasterCard Inc. linked its MasterCard Payment Gateway with the e-invoicing system of iPayables Inc. in Lake Forest, Calif.

"The real question is, how fast this market is moving," Mr. Wellesley said. "It has really started to accelerate in the last year or so."

Drew Hoffer, Ariba's senior manager of financial solutions, said that Citi chose, on behalf of its corporate buyers, to focus more on the electronic invoicing and payment capabilities of his company's technology by connect-



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ing to the vendor's network of 160,000 suppliers.

"Bank of Montreal is taking a more holistic tack and offering a broader suite of services," Mr. Hoffer said. "It's not two different things; it's different pieces of the puzzle."

BMO's Spend Solutions suite incorporates a range of Ariba technologies, including the supplier network, spending analysis goals, contract management, and electronic invoice presentment and payment. "We're beginning to see the tipping point for this," he said. "Spend[ing] management is going mainstream now."

Andrew Bartolini, the group director for global supply management research at Aberdeen Group, of Boston, said the corporate payments market has evolved since December 2006 when American Express Co. bought Harbor Payments Inc. of Atlanta, an Internet payment management service, and kicked off the trend toward electronic integration.

But Amex's deal, and JPMorgan Chase & Co.'s May 2007 purchase of Xign Corp. in Pleasanton, Calif., have not generated the kind of results their competitors might have feared, Mr. Bartolini said. "Those experiences will drive the market to focus on partnerships in the near term."

Mr. Wellesley argued that an alliance with a nimble entrepreneur is a better approach to a fast-moving market.

"When you buy something and bring it in-house in a big organization," he said, "a lot of that intelligence goes away pretty quickly over the next couple of years."

Ariba's network enables Bank of Montreal to move quickly to line up customers, Mr. Wellesley said. "We don't have to worry about

signing up all those suppliers," he noted.

The company plans to use the Ariba system internally for its own procurement and spending management, Mr. Wellesley said. "We think that gives us a lot of credibility as we go to market," he added.

Bank of Montreal has no customer implementations yet, but it has been working on the project for more than a year with a corporate advisory group, Mr. Wellesley said. "We have a list of clients lined up at the door for us to roll this out to," he said.

Doug MacCallum, the renamed unit's director of spend and payment solutions, said Ariba's technology is being fully integrated into Bank of Montreal's platform.

"This is not about reselling the Ariba solution," he said. Instead, the procurement tools act as a "front end" to BMO's suite of banking services, including cash management, trade finance, and cards. "Everything will carry our brand, not the Ariba brand."

Different companies face different issues. Some are concerned about strategic sourcing; others are focused on contract management, electronic invoice presentment, dynamic discounting, or spending analysis, Mr. MacCallum said. "I want to know what their pain points are, and I want to know I have the solution."

Mr. Bartolini of Aberdeen Group said that purchasing cards, which he said were introduced into the corporate market as an alternative to petty cash, were bumping up against their limitations as a payment vehicle, but the cards' fine-grained detail helped legitimize the role of procurement as a strategic corporate function.

By offering a broader suite of spending management services to their corporate clients, he said, "bank issuers of cards are looking to gain a bigger piece of that overall transactional pie."

Mr. Wellesley said that Bank of Montreal will offer payment options including wire transfers and automated clearing house transactions, in addition to cards. "If you're looking to maintain the status quo," he said, "we can even put out checks."

Bank of Montreal has a strong purchasing-card business in the United States and Canada, Mr. Wellesley said. "We can take this product and market it around the world with Ariba in a way that will give us a much more global presence." ■