



by Duncan Campbell, BMO

BMO started its venture into software as a service (SaaS) 15-20 years ago when it developed its proprietary purchase card management and reporting system – Details onLine. This Web-based system enabled the bank’s public and private corporate customers to utilize an electronic card management and reporting system without implementing and managing software on their own computer systems.

#### **Five major benefits of SaaS**

Subscribing to a software service instead of purchasing a software licence provides the following tangible benefits:

1. **Save money** by lowering IT costs, taking advantage of economies of scale and paying for the service as you go. Organizations lower IT costs by avoiding the overhead associated with implementing conventional software packages, purchasing servers and associated hardware and ongoing maintenance. There are suggestions that these costs are four to five times the cost of the original licence. Economies of scale are achieved when multiple organizations use the same software. And, for an organization, a pay-as-you-go strategy is easier to incorporate into

the budget than large one-time capital expenses. As well, the organization can change the subscription or opt out for a better deal.

2. **Save time** associated with implementing the SaaS solution as the software is already in existence and running. The only time needed is to ready the organization's systems for Web access and training the staff. BMO's experience suggests its solutions can be up and running within three months, while some literature suggests licensed applications can take from 12-18 months to implement.
3. **Focus technology budgets** by freeing up the organization from purchasing and supporting infrastructure, providing redundancy and security and maintaining patch and upgrade processes. Time spent on these activities takes away time the organization's staff can spend on core business activities.
4. **Gain immediate access to the latest innovations** on an on-going basis as soon as new or improved features are available in the application. There is no need to invest scarce IT resources on expensive upgrades. Typically licensed software upgrades are released every 1-2 years. To take advantage of all of the new features of the upgraded software an upgrade to the organization's operating system may be required.
5. **Join a community with common interests** in the same application your organization is using. Traditional licensed software is normally an individual purchase. SaaS applications have a wide and varied audience, all with unique situations but utilizing a

common solution. The SaaS vendor is constantly aware of how its product is being utilized, which normally results in improvements to the application.

BMO has taken the SaaS concept a step further to include all facets of purchasing and payment – starting with a system for sourcing and selecting a goods or services provider, creating the contract from the sourcing documents and managing it throughout its life; electronically selecting goods and services from catalogues and issuing purchase orders; enabling suppliers to issue electronic invoices that match or are based on the purchase order; and creating payments based on electronic two-, three- or four-way matching of purchase orders and invoices.

Rather than build or buy, and following significant due diligence, BMO chose to partner with the market's best-in-class spend management solution provider, Ariba. The decision was based on detailed research with North America's top analysts and, more importantly, clients' needs. By combining forces, clients can now access a fully integrated source-to-settle process that enables them to quickly improve their process efficiencies and save money.

Most organizations have invested significantly in their own ERP systems, many of which have modules that can perform purchasing and payment functions. Therefore, organizations are able to pick and choose the BMO SaaS component or components that they require. Even after implementing one or more of the BMO solutions, if the organization acquires or activates one of the modules of its own ERP system it can switch, no questions asked.

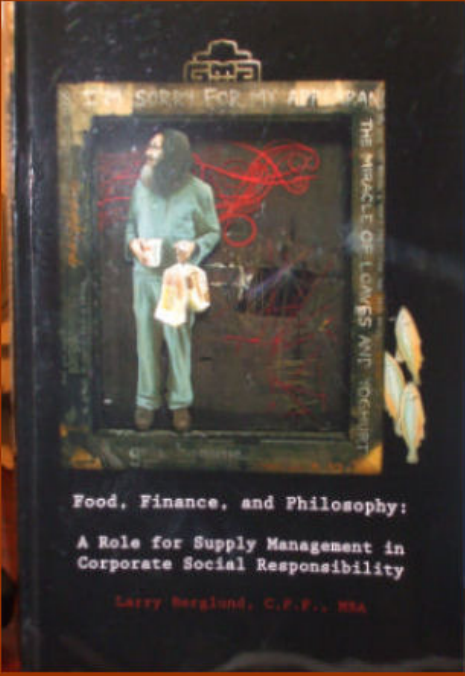
Following are brief descriptions of four BMO SaaS components:

**eSourcing.** This solution automates and standardizes the process for issuing and grading RFxs – requests for proposal, requests for information, requests for quote. Automation and standardization of the sourcing initiative ensures that all buyers are using the same processes – no need to create a new process each time an RFx is issued – and the organization’s purchasing strategy will be applied consistently by all buyers. Moving away from paper creation for each RFx represents large efficiency gains. Experience suggests that buyers can double the number of RFxs they manage in a year due to faster processing.

Some examples of administrative cost savings include: no distribution and management of paper responses for evaluation; the system measures and scores quantitative results; and subjective answers are removed electronically and sent to scorers whose scores are sent back

electronically and matched with the submission. According to an Aberdeen Group survey of Fortune 1000 companies that have deployed eSourcing technology, material costs were reduced 14.3 percent; sourcing cycle times were reduced 50 percent; administrative costs were reduced 60 percent; and time-to-market dropped 15 percent.

**Contract management.** Automation promotes: contract visibility throughout the organization (they can be viewed instantly by those who need to know – managers, senior management, auditors); process standardization (no more maverick contract creation with insufficient controls); reduced or eliminated paper-intensive processes; standardized language; performance management (forces correct workflow to ensure appropriate approval levels); and electronic storage, which makes for easier retrieval (no more paper hunts) and location of relevant clauses. Notices are posted when products or services and payments are due.



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This solution addresses all aspects of contracting including: document and process management and reporting; having the contract define the relationship between the buyer and seller; and utilizing industry leading capabilities such as MSWord integration, electronic signature support, complete search and reporting, and identifying unmatched compliance. Although there may be some initial resistance from contract managers due to a perceived loss of independence, once they use the system they do not want to go back to manual systems of creating paper-based contracts.

**eProcurement and catalogues.** To be successfully implemented and accepted by an organization's staff, the electronic catalogues have to be as easy as, or easier, than picking up the telephone to place an order. The BMO-Ariba partnership enables the electronic transmission of product selection and purchasing documents between the organization and over 186,000 worldwide suppliers. This network has open, multiple standards across 10 languages and 80 currencies. It delivers line level data and images.

Online access is provided to many vendor catalogues with millions of SKUs, all priced for the specific buyer. Employees are able to search and create a market basket with punch out capabilities, along with a workflow approval process. Electronic purchase orders can be delivered to the vendor via the Ariba Supplier Network. Vendors not currently on the Ariba Supplier Network are easily enrolled and only pay for the enrolment when the number or dollar value of invoices surpasses a preset threshold. Electronic catalogue purchasing streamlines the purchasing process reducing processing time and costs. It also helps reduce maverick spend by providing access to suppliers approved by the organization.

Duncan Campbell is a senior account executive with BMO, Spend & Payment Solutions.

**Electronic invoice presentment for payment (EIPP).** This accounts payable solution has four main components: connect and capture invoices (a lot of suppliers do not have electronic invoice production capabilities – the BMO-Ariba partnership does it for them); invoice matching, management and compliance (electronic matching of invoices and purchase orders in accordance with the buyer's business rules guarantees accuracy and speed to reconciliation); working capital management (the supplier pays less interest due to shorter line of credit borrowing time and the buyer obtains goods cheaper through early payment discounts); and payment management (both parties can anticipate when payment will be made with certainty when they agree on the date to settle the invoice).

Real dollar savings occur when billing errors are reduced as a result of correct invoices being submitted due to matching of invoices with purchase orders before being submitted for payment; discounts being optimized based on when it is mutually beneficial for the buyer and seller to process the payment; and invoices not being lost or misdirected, eliminating overdue payment penalties.

## **Conclusion**

Limited capital budgets and IT staff have always influenced decisions on whether to implement installed software or SaaS solutions. Installed software solutions usually result in major implementation projects requiring significant staff resources and capital investment and large front loaded cash payments. During times of limited credit availability, SaaS is even more attractive. 