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COVER STORY

Syncada B-to-B System Signs Its First Bank User

■ BY ANDREW JOHNSON

Commerce Bank will be the first to sign on with the Syncada open supply chain processing network owned by Visa Inc. and U.S. Bancorp.

Though observers questioned banks' willingness to participate in a system partially owned by a rival bank, the Kansas City, Mo., unit of the \$18.4 billion-asset Commerce Bancshares Inc. said the system's technology was a huge step up from its current offering for business payments.

The agreement is also a big step for Syncada executives, who are trying to build a multibank network to simplify business-to-business payments in a field many independent vendors and banks already serve with mild success.

Commerce Bank now offers its business customers ControlPay Advanced, a card-based accounts payable system, said Jeff Burik, an executive vice president and commercial products manager. Adding Syncada to its roster of commercial services will augment the bank's capabilities.

"The Syncada product lifts that product offering because it would involve all payment types and can handle all invoices, not just the ones that are paid by card," Burik said in an interview.

With Syncada, participants can pay invoices with checks, automated clearing house transactions, cards and wire transfers.

George Thomas, a principal with Radix Consulting Group, an Oakdale, N.Y., firm that focuses on business payment issues, said Syncada still needs to attract other banks to increase efficiency of the network — a challenging task as some banks may be wary of using technology that is



Track record: Syncada's underlying technology is proven, Schneider says.

partly owned by U.S. Bancorp, he said.

"You're making a big investment into a system that's owned in part by one of your competitors," Thomas said.

Syncada's advantage is its open nature, he said.

"I think an open network is important," Thomas said. "Closed networks are never going to work. They're limited to the partners that you can have."

The Syncada joint venture is expected to announce Monday that Commerce is the first customer to agree to offer the network's receivables- and payments- processing system to its corporate clients.

Kurt Schneider, Syncada's chief executive,

said in an interview that Commerce is a good fit for the network because of its customer focus and its desire to "wring out incremental bottom-line results" for its business clients. "They have a nicely growing corporate payments business that fits very well in the Visa world," he added.

Syncada is marketing its technology as a way to speed up the time it takes corporate suppliers and buyers to send and receive payments. It also aims to help banks make better financing decisions by giving them closer insight to their customers' business relationships, Schneider said.

Commerce Bank expects Syncada's software will help it improve business customers' cash flow, Burik said.

"We're always looking for ways to offer commercial clients innovative products and services that meet their specific needs," Burik said.

Commerce Bank spent about a year evaluating Syncada's service before deciding to offer it to customers. It is going through implementation planning now and aims to be running on the network in the first half of 2011, Burik said.

Using Syncada, suppliers and their buyers can submit order invoices, contracts and other documents to the network's cloud-based software, which electronically audits the forms to verify billing amounts and other information, Schneider said. Buyers can set preferences for when and how they want to respond to invoices to automate payments.

Syncada has had several discussions with interested banks since Visa and U.S. Bancorp announced the formation of their

joint venture in July 2009 and expects to announce additional participants in the coming months, Schneider said.

Syncada is based on U.S. Bancorp's PowerTrack invoicing and trade finance system focused on the freight industry, in use for more than a decade. Schneider said U.S. Bancorp's underlying technology is proven in the market.

Schneider would not disclose specific financial details of its contract with Commerce Bank, which will act as a sponsor bank in the Syncada network.

"Primarily Syncada is paid when the tap is turned on," he said. "As participants transact on the network, we receive fees for the transactional support."

Observers say Syncada is entering a crowded field.

Numerous third-party vendors, as well as other card payment networks and banks, including American Express Co. and JPMorgan Chase & Co., have rolled out business-to-business invoice-processing services in recent years.

Syncada's multibank model is smart because it can provide more efficiency to the businesses that use it to process payments, unlike bank-specific applications, which typically are limited to an individual bank's clients, analysts said.

"One of the first questions that most banks and partners raise is, 'When can we speak with the other banks to evaluate how our portfolios might complement each other?'" Schneider said.

Nancy Atkinson, a senior analyst for wholesale banking at Aite Group in Boston, said Visa's backing should help Syncada open doors with potential customers. Visa has experience operating a multibank network and creating policies and procedures that participants will follow.

"It's something that Visa definitely brings to the table for Syncada that I don't necessarily see in all of the other" receivables-processing services, Atkinson said.

While it will be crucial for Syncada to amass several large banks to reach as many businesses as possible, Commerce Bank is a good start.

"Someone has to break the ice," Atkinson said. "I think Commerce is probably a pretty good one for them." ■



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