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Acquiring Banking Services: Managing the Request for Proposal Process

I recently facilitated a round table discussion of the Request for Proposal (RFP) process from both the banker's and the customer's points of view. This was an open, frank discussion about what it takes for everybody to win. I wanted to share some of the highlights of the discussion in the hope that your next RFP process will be less painful and more beneficial for all.

For Customers: What Bankers Want and How to Get What You Need

You can't get what you want if you don't ask. This may sound self-evident. However, in the process of committing requirements to paper, there is often a lack of clarity. Plain English generally loses out in the attempt to piece together requirements from marketing brochures, technical manuals and seminar hand-outs, as well as cover all the dreaded legal and contractual exposures envisioned by procurement. Make sure that your requirements and your basis for evaluation are clearly presented and that potential bidders have an opportunity, such as a Bidder's conference, to ask questions to clarify their understanding of your needs.

The better a vendor understands your business, the better they are at anticipating and meeting your requirements. The RFP should clearly communicate what your company does and how it uses banking services. For example, do you initiate only domestic transactions or do you have global relationships with suppliers, customers and employees? How many, how often, what countries? How many suppliers (number of accounts payable transactions), how many customers (accounts receivable), employees (payroll)? Consider giving the "big picture at a glance" by providing a schematic of existing products used, account structure, cash flows in and out and size and frequency of payments. Include a copy of your audited financial statements or annual report.

Clearly differentiate requirements (mandatory) from preferences (desired) and be flexible. Don't specify the process, define the outcome. Explain what it is that you want to accomplish. I used to give "extra points" for innovative solutions, and always encourage my clients to include an evaluative factor in the selection criteria for demonstrated understanding of business needs: determining how well a bank is able to understand your business and translate it into the most appropriate solutions and service offerings. Let them tell you better ways to do your business, not just duplicate what you already have.

Define the structure of the responses. This will help you in the evaluation process and assist the bankers in understanding your needs. Consider including a descriptive table of contents for replies. Providing a checklist of the RFP's requirements makes it easy to quickly determine which services a bidder is or is not able to offer. Always use a pro-forma pricing proposal. Don't forget to include the exception items like NSF charges. And leave lots of extra lines for the responders to list unbundled items. Even when all services are defined and volumes stated, you will find follow-up questions necessary to compare pricing.

It's the bundled vs. unbundled nightmare we all live with. One way to help yourself out is to include a statement that item not included in the pricing proposal are presumed not to bear charges and will not be paid if they appear on analysis statements.

Provide adequate time to respond. A minimum of four weeks is fair, more if the scope of services is broad. Make sure the full four weeks is available. The clock starts from the time the RFP is received by potential bidders, not when it is mailed. And pay attention to bank holidays and other times when absenteeism may be an issue, such as Christmas, Thanksgiving and spring break. Don't schedule the pre-bid conference on a bank holiday, especially if attendance is mandatory! It has been done. Be realistic about your timeline. The biggest pet peeve that banker's have is the "hurry up and wait" portion of the RFP process. Deadlines for responses frequently allow inadequate time to prepare a quality proposal. This becomes even more frustrating when the customer postpones the decision process for months.

Explain the evaluation factors and the relative weight of each one. This, coupled with the requirements definition, will help your bank know what is important and what you are expecting from them. This section also includes the regulatory and contractual requirements, to satisfy your procurement and legal teams.

Provide an electronic copy, preferably as a Word document. When your RFP is received by the banks, several departments and divisions are involved in preparing the response. Overnight sweep, lockbox processing, controlled disbursements are only a few of the divisions that must review and respond to the RFP. Distribution of the RFP is expedited if it can be sent electronically. Responses are greatly simplified if the responder does not have to re-key the questions and requirements and recreate the pro-forma pricing proposal.

A suggestion from the bankers: Permit pre-bid questions to be submitted anonymously; many bankers are reluctant to ask questions because they don't want to reveal their approach/strategy to competitors. As a result, most bidders' conferences end up being a presentation by the customer, reiterating the requirements presented in the RFP and serve the banks simply as an opportunity to see which other banks may be competing.

For The Bankers: What Customers Want And How To Win the Business

Please: No more marketing brochures! Too much fluff and marketing data in proposals to "fatten it up" do not contribute value and only increase the amount of time the customer has to spend reviewing responses, which is frequently done outside of business hours. Make your response direct, concise and specifically address the requirements; show me you understand my business and what I want. I recently received an RFP requesting consulting services which stated: "Unnecessarily elaborate proposals beyond that sufficient to present a complete and effective proposal are not desired and may be construed as an indication of the Offeror's lack of cost consciousness. Elaborate presentation aids are neither necessary nor wanted."

What's in it for me? Most proposals are filled with vague generalities, and make claims such as "We are the largest ACH initiator in the US". But how does that really benefit the customer? Don't tell them what you have to offer, explain *why it is what they need*. Differentiate your services from your competitors' by explaining the specific benefits they will gain. Offer alternatives: "a better way".

Organize your response and present it in the requested format. As mentioned, much of the time customers spend reviewing responses to RFPs is outside normal business hours. To make the review process as efficient as possible, many customers want all proposals organized in the same manner. Please follow the rules! To paraphrase...*proposals not received in the requested format may be construed as an indication of the Offeror's lack of consideration.*

Demonstrate that you took the time to understand the business processes. Make the customer confident that you can and will do the job. Include specific information that demonstrates how your products and services will function in the customer's environment and will enhance processing accuracy and efficiency. Describe experience with companies in similar lines of business. Can you offer me ways to expand my service without extra manpower or even reduce the manual effort?

Show that you will do what it takes to get the job done. Provide details about the convenience and responsiveness of customer service. Training and Customer Support counts heavily for the long haul...emphasize strengths in these areas. Discuss the bank's commitment to quality control and performance standards. Explain how customers are notified about delays and problems. Do you notify customers, or just field the phone calls? How are problems escalated? What if I end up on 1-800-HOLD-ON! What should the customer do if they have to talk to someone now?

Clearly present the implementation and conversion plan. Help the customer envision a smooth transition. If you are not the incumbent, how will you make the change as painless as possible? Discuss the steps and procedures that will assure them that making a change is the right thing to do and worth the effort. Explain how customers are notified about major system and product changes and how support is provided (on-line users manual, class room training, real-time, on line tutorial).

What is the bank's commitment to staying in the market sector? In our current climate, where mergers and acquisitions are pervasive, customers want reassurance that you will be there for them. Let them know that you are in for the long haul. What steps has the bank taken to support the products and services you are proposing? Has there been an increase in capital investment, have additional employees been hired? What is the future direction and marketing strategy for the bank? Demonstrate that you won't abandon them.

A suggestion from the customers: Use the "Find/Replace" feature in Word to make sure that the correct client name appears in all boilerplate text. Better yet, eliminate all boilerplate!

P.S. How Do Banks Decide If They Will Bid?

During the roundtable discussion, several customers asked the bankers how they decide if they will respond to the RFP. The following factors were mentioned in weighing the decision to bid or not to bid:

1. Information provided in pre-bid conference where there is an opportunity to clarify the requirements and check out the competition.
2. The evaluation criteria that will be used for selection of the winning bidder and the relative weight of each factor. For instance, a bank may decide to pass if price is too heavily weighted
3. The reason the customer is issuing an RFP. Is it just to keep the incumbent on its toes, or is there a serious desire to do something different?
4. Likelihood of winning. While generally optimistic, bankers do realistically consider the probability of winning the business.
5. Is my bank the incumbent? See #4.
6. Who is the competition?
7. Does the bank have the capability to deliver the services requested? If the bank cannot meet the mandatory requirements, it does not qualify for selection.
8. What is the customer's relationship with the incumbent? See #4
9. What services are being bid (one or two services or entire cash management suite of products)? Is it an opportunity to get a foot in the door? Can the relationship be profitable offering only one service?