

Bank Selection & Relationship Management

From RFPs to Scorecards

Mark K. Webster, CPA, CCM, Partner
Daniel L. Blumen, CTP, Partner
Treasury Alliance Group LLC



Agenda

- Overview
- Bank Selection
 - The RFP Process
- Relationship Management

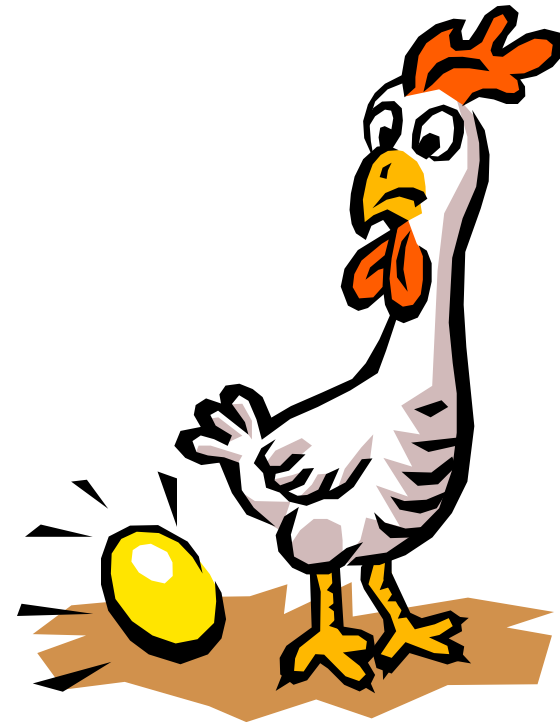
Overview

Why change banks

- Mergers and acquisitions
- Internal downsizing
- Changes in bank's condition
- Service quality or pricing problems
- Consulting study
- "We haven't done it in awhile"

The Challenge

- Simple Objective
 - Mutually beneficial long term relationships with your financial partners
 - Providing high quality products and services
 - Ensuring mutual profitability
- Challenging Execution
 - Need for multiple banks
 - Wide range of service requirements
 - Regulatory requirements
 - Market capacity
 - Information transparency
- Price of Failure
 - Lack of service availability
 - Suboptimal pricing



Selection Criteria

	Middle Market	Upper-Middle	Large Corporate
Willingness to provide credit	17.6%	18.9%	32.5%
Commitment to customer	44.4%	38.9%	32.5%
Quality of service	14.4%	21.7%	20.1%
Specific product or feature	3.9%	3.8%	6.8%
Pricing	14.1%	12.4%	7.0%
Financial Strength	5.6%	4.2%	2.5%

Source: Phoenix-Hecht Cash Management Monitor

Bank Selection

Methods to Select Service Providers

- Informal
 - Ad hoc
 - Addition or enhancement of existing service
 - Limited to one or two potential providers
 - Discussions and interviews
- Strategic requirement
 - Involve supply chain
 - Use RFIs and RFPs

The RFP Process



Where are we now?

Who are we and what do we want?

What do the banks say the can do?

Can they really do what we want?

How do we get from here to there?



Current Assessment

Current Assessment – Step 1 is an assessment of your current banking network and services to develop a common understanding of where you are today.

Major Tasks:

- Collect current bank account analyses for all banks and accounts
- Develop a detailed map of your current bank accounts and services
- Develop checklist to use in reviewing service requirements
- Survey internal stakeholders to identify gaps and future requirements

Results

- Understanding of current banking environment
- Understanding of business and technical requirements
- Understanding of potential areas for improvement



RFP Development

RFP Development – The RFP is customized to your specific needs and requirements. Describing who you are is just as important as identifying what services you need.

Major Tasks:

- Develop a vision of your future banking network
- Quantify internal needs, concerns and selection criteria
- Develop the actual RFP
- Identify the banks that will receive the RFP

Results

- Design of future banking network
- Quantified selection criteria



Response Evaluation

Response Evaluation – Bank responses are reviewed, evaluated, and prioritized to identify the bank or banks most likely to meet your requirements.

Major Tasks:

- Customize evaluation tool
- Collect bank responses preferably using on-line tool
- Score the results on a weighted basis
- Conduct cost analysis
- Determine short list of finalists

Results

- Ranked list of responding banks
- Recommended list of bank finalists

Example - Web issued RFP

Please respond to all questions, pasting text from another source into a form if you find it convenient. If you have made an error, or wish to modify your submission after having pressed the continue button simply complete this section again. This will overwrite the previous submission and will be the only submission in this category used to assess your bank's proposal.

Please enter your userid:

Please quote all charges in even EUR to two decimal places.

Item	Functional Equivalent	Number of Units	Unit Price	Basis
Project implementation fee	<input type="text"/>	<input type="text"/>	<input type="text"/>	One time fee
Account set up	<input type="text"/>	<input type="text"/>	<input type="text"/>	One time fee
Account maintenance - main accounts	<input type="text"/>	<input type="text"/>	<input type="text"/>	One time fee
Account maintenance - subaccounts	<input type="text"/>	<input type="text"/>	<input type="text"/>	One time fee

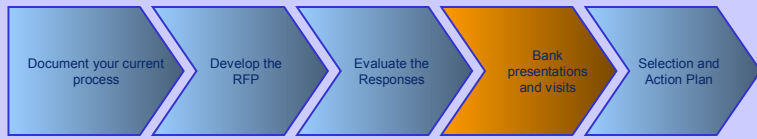
Please enter your userid:

Will overdraft facilities be provided for each client LUX currency account? What is the amount that the bank is willing to offer?

Are guarantees required? From the client or each of the Holding Companies and/or Parent companies of the operating companies?

Final Scoring - Example

Key Areas	Comment	Weight (1-3)	Scoring (3 - excellent; 2 - good; 1 - fair)					
			Bank A	Mtd. Score	Bank B	Mtd. Score	Bank C	Mtd. Score
Customer service		3	1.50	4.50	3.00	9.00	2.80	8.4
	relationship/people							
	access/location							
	languages							
	coordination							
Coverage		2.5	1.75	4.38	2.80	7.00	2.50	6.25
	branches							
	partner strategy							
	global capabilities							
Technology		3	2.00	6.00	3.00	9.00	3.00	9.00
	platforms							
	global reach							
	security/backup							
	payment product							
Implementation		2.75	1.00	2.75	3.00	8.25	2.80	7.70
	handholding							
	documentation							
	experience							
Outsourcing		2	1.00	2.00	3.00	6.00	3.00	6.00
	flexibility							
Trade Finance		1	2.80	2.80	2.80	2.80	2.00	2.00
	same platform							
	consulting							
Final			10.05	22.43	17.60	42.05	16.10	39.35



Bank Visits

Presentations and Bank Visits – Oral presentations and bank visits are the first step in due diligence to help ensure that the bank selected will perform as required.

Major Tasks:

- Notify banks that they did or did not make the finalist list
- Develop presentation script and present to finalist banks (2-3)
- Schedule presentations and bank visits
- Evaluate the demonstrations and debrief after each meeting.
- Conduct on-site visits as required or desired.
- Select finalist bank and begin contract negotiation

Results

- Validation of banks' capabilities and "fit" with your organization



Implementation

Implementation – The real work begins once a bank has been selected. Contracts need to be finalized and implementation plans need to be developed to allow you to move to your desired end goal.

Major Tasks:

- Negotiate service contracts
- Develop overall implementation plans:
 - Timeline and project dependencies
 - Staffing requirements
 - Key deliverables

Results

- Documented and agreed upon implementation plan
- Bank service agreements and contracts
- Management approval of implementation process

Bank Relationship Management

I love my banker but....



Which of these is you?



Wallet Sizing

- Estimate bank share of your wallet
- Check for:
 - Overlooked business segments
 - Relationship priorities; investment banking or cash management
 - Complaints without details suggest poor relationship management

Bank Revenue 2006	Bank 1	Bank 2	Bank 3	Bank 4	Total
Loans					
M&A					
Bonds					
Equity					
Other Capital Markets					
FX					
Investments					
Country A					
Country B					
Country C					
Total					

Develop Relationship Summary

- Objective summary per bank
- Identify things you can do to help banks be profitable

Bank Name	Revenue	Objectives	Comments
Loans			
M&A			
Bonds			
Equity			
Other Capital Markets			
FX			
Investments			
Country A			
Country B			
Country C			
Total			

Conflict is part of life

- You don't want to change banks
- Your banker doesn't want you to change banks
- You're unhappy with your current banking services – or pricing – or quality – or something

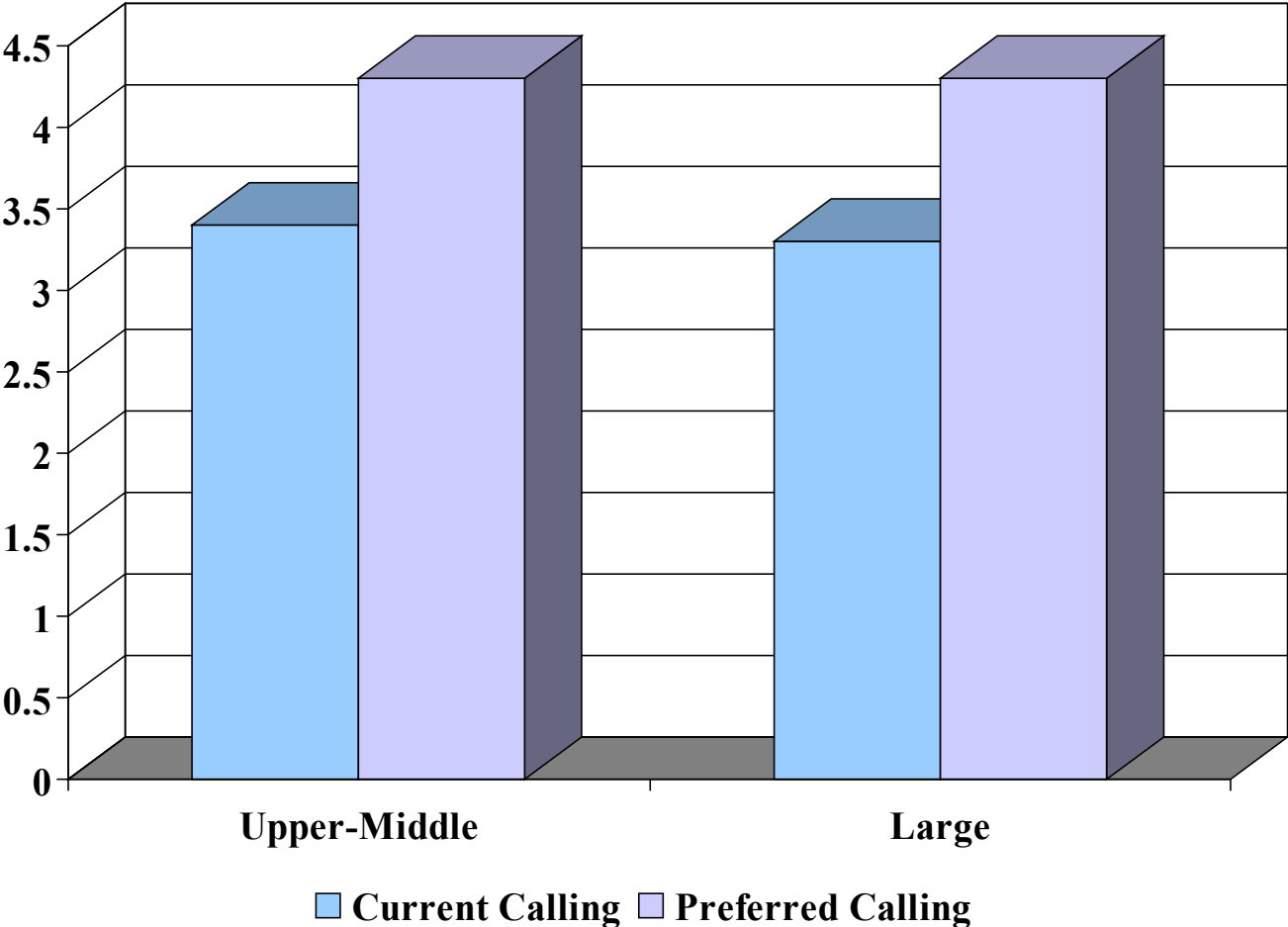
Have you told anyone?

Relationships are valuable – so manage them!

Relationship management tools

- Bank visits
- Scorecards
- Account analysis review
- Communicate

Bank visits



Bank Visits

Scale 1-5 with 5=Very Important	Middle Market	Upper-Middle	Large Corporate
In Person Bank Calls	3.69	3.67	3.82
Trade Publications	2.74	2.97	3.37
Internet	3.17	3.24	3.35
Trade Meetings	2.32	2.63	3.26

Source: Phoenix-Hecht Cash Management Monitor

- Survey bank quality
 - Quick
 - Opportunity for comments
 - Check on fees
- Provide results to banks
- Create action plans

Example of Email Questionnaire for Business Units

Division:

Bank Name:

Overall Service

- Excellent
- Good
- Acceptable
- Weak
- Unacceptable

Domestic Operations

- Excellent
- Good
- Acceptable
- Weak
- Unacceptable

Price/Quality

- Excellent
- Good
- Acceptable
- Weak
- Unacceptable

International Operations

- Excellent
- Good
- Acceptable
- Weak
- Unacceptable

Comments:

Fees paid to bank:

Account Analysis Review

- Review them – monthly
- Track results
- Automation can help
- Identify opportunities
 - Incorrect fees
 - Incorrect volumes
 - Unused services
- Consider changing how you pay for services

The image shows a detailed account analysis statement from a bank. It includes sections for account information, a table of relationship balances, a summary of charges and adjustments, and a table of services performed with associated fees. The statement is dated 01/01/07 to 01/31/07.

DATE	ACCOUNT NAME	AMOUNT	DEBIT	CREDIT	BALANCE	PERIOD
01/01/07	DEPOSIT	11,000			11,000	01/01/07
01/01/07	DEPOSIT	100			11,100	01/01/07
01/01/07	DEPOSIT	0			11,100	01/01/07

DESCRIPTION	DATE	AMOUNT	DEBIT	CREDIT	BALANCE
MONTHLY SERVICE FEE	01/01/07	10.00			11,090.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,080.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,070.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,060.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,050.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,040.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,030.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,020.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,010.00
MONTHLY SERVICE FEE	01/01/07	10.00			11,000.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,990.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,980.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,970.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,960.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,950.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,940.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,930.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,920.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,910.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,900.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,890.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,880.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,870.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,860.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,850.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,840.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,830.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,820.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,810.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,800.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,790.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,780.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,770.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,760.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,750.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,740.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,730.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,720.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,710.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,700.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,690.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,680.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,670.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,660.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,650.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,640.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,630.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,620.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,610.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,600.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,590.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,580.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,570.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,560.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,550.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,540.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,530.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,520.00
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MONTHLY SERVICE FEE	01/01/07	10.00			10,500.00
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MONTHLY SERVICE FEE	01/01/07	10.00			10,460.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,450.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,440.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,430.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,420.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,410.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,400.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,390.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,380.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,370.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,360.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,350.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,340.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,330.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,320.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,310.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,300.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,290.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,280.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,270.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,260.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,250.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,240.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,230.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,220.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,210.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,200.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,190.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,180.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,170.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,160.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,150.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,140.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,130.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,120.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,110.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,100.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,090.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,080.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,070.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,060.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,050.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,040.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,030.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,020.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,010.00
MONTHLY SERVICE FEE	01/01/07	10.00			10,000.00

Communicate

- Be proactive
- Develop a formal communications plan
- Include formal and informal “touch base” meetings on a regular basis
- Give appropriate feedback to provider on quality of personnel and communication
- Surface problems promptly
- Be willing to ask for changes
- Take advantage of available bank training

Tips and Tricks

- Positive change in league table rankings for banks qualifies as “other business”
- Allowing banks access to division managers – such as M&A staff – also qualifies as “other business”
- Meet personally with the banks for at least one hour to discuss strategy
- Don’t give business to banks that don’t appreciate it or support you with credit
- Be open with the banks, they hate surprises
- Develop a “book” about your business including filings (Q’s and K’s) and other information
- Develop a matrix of business you can offer to banks and reallocate as necessary
- If it’s a syndicated facility don’t try to do it yourself

Summary

- It's cheaper to stick with a "good" bank than to keep doing RFPs in search of nirvana
- Quality of the relationship is just as important as the dollars and cents cost of the relationship
- Lowest price is not always the best choice

Questions?



For further information

Mark K. Webster, CCM, CPA, Partner
Phone (216) 932-1678
mark.webster@treasuryalliance.com

Daniel L. Blumen, CTP, Partner
Phone (630) 717-9728
dlblumen@treasuryalliance.com

Treasury Alliance Group LLC
www.treasuryalliance.com

