

How Effective Are RFPs?



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Overview



- **Why so many RFPs?**
- **Are they effective?**
- **What companies think**
- **What bankers say**
- **Can you do a better job?**
- **How to approach costs**

Why So Many RFPs?



■ The four C's for RFPs

- Competition
- Convenience
- Commoditization (of services)
- Cost control

■ Perceived objectivity

Are RFPs Effective?

■ How can you tell?

- Lower costs
- Good competition
- Objective decisions made
- Good working relationship with bank



Are RFPs Effective?

■ Signs of ineffectiveness

- Inattentiveness (on both sides)
- Too many shortcuts
- Unsatisfactory proposals
- “Uninformed” decisions



What Companies Think



- **RFPs are here to stay**
 - **46% will do only 1 RFP (2004-2007)**
 - **54% will do 2 or more RFPs**
 - **15% will do 1 per year**

What Companies Think



- **Services covered**
 - Treasury management
 - Other areas
- **50/50 split: single and multi-service**
 - Larger corps.: more single-service RFPs

What Companies Think



- Sent to 7 banks (avg.)
 - Range: 3-19
- Kinds of banks
 - 85% national
 - 69% regional
 - 35% local
- Bank switch = 60%

What Companies Think



- Takes one month to prepare RFP (median)
 - Range: 1 week to 1 year
- Little use of consultants
 - But some would next time
- About 2/3 used a book
 - Most would use book next time

What Companies Think



- **Satisfied with RFP**
 - **More with process (3.8) than responses (3.5)**
- **Pricing most common problem area**
- **No correlation between satisfaction and prep time**

What Bankers Say



- RFPs hard to decipher
 - What's important?
 - What exactly do you want?
 - Why are you asking that question?
 - Poorly stated requirements
- Public entities do a better job
- Companies just don't do their homework

What Bankers Say



■ Too many RFPs

- Banks receive hundreds annually
- Becoming more selective – “sniff” test

■ Problems

- Too little time to respond
- “Mega-proposals”: bank’s worst nightmare
- Next worst: just give me your prices

What Bankers Say

- **Companies don't really read bank proposals**
 - **Canned responses = stock answers to standard questions**
 - **At least read the questions and the guidelines in the books**
- **No chance to be creative**
- **Banks want to compete on solutions**



Can You Do a Better Job?



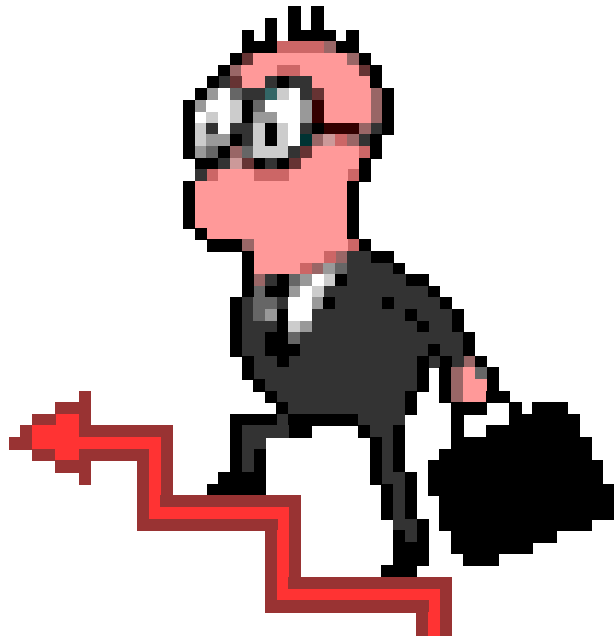
- **Prepare! Prepare!
Prepare!**
- **Don't ask a bank to
help**
 - **Banks can spot these a
mile away**
 - **And their responses
will show it**

Can You Do a Better Job?



- **Read questions before you send them out.**
 - **Get rid of duplicate and irrelevant ones**
- **Make the questions yours**
 - **Ask what you'll do with the answer**
 - **When in doubt, throw it out**

Can You Do a Better Job?



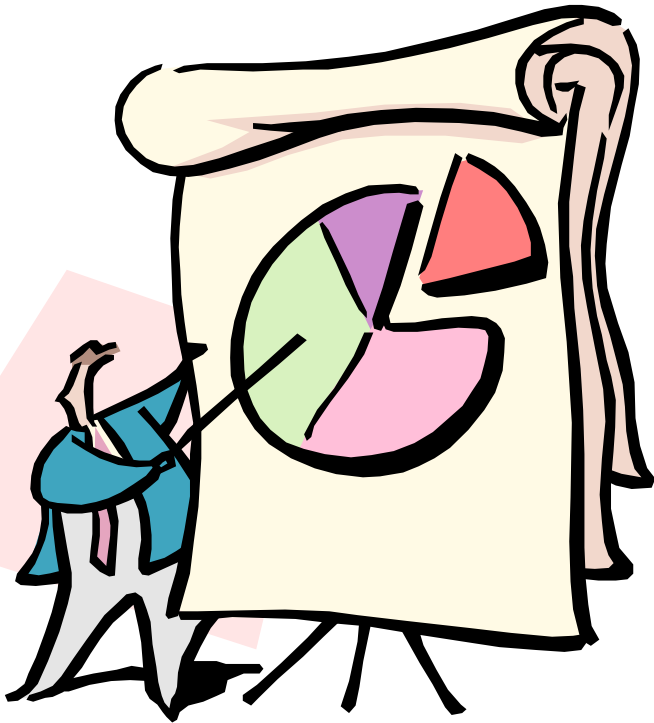
- Provide data and questions electronically
 - Responses same way, too
- Set reasonable limits
 - Time to prepare
 - Turnaround times
 - Time for analysis, follow-up, and reference checking

Can You Do a Better Job?



- **Handling bank questions**
 - **Level playing field**
 - **Don't stifle creativity**
- **Clarifications**
- **References**

Can You Do a Better Job?



- Use objective means of evaluation
 - Rate questions
 - Score each bank's answers
- Evaluate by sections

Can You Do a Better Job?

Request for Proposal for Banking Services

Average Team Scores

ELECTRONIC SERVICES (Section Total)

Wt	BANK A	BANK B	BANK C
	195.33	209.67	219.00

GENERAL ACH SERVICES — Total for section

		110.00	104.33	116.00
Provide ACH volumes for the past year by type ...	1	3.00	4.33	4.33
Describe your controls to prevent file loss, ...	3	3.00	4.00	4.33
Describe the method(s) you use to protect file transmissions.	2	4.00	2.33	4.00
What time will we be informed of ACH items being charged ...	1	4.33	3.00	4.33
Can items be transmitted by PC?	2	4.33	4.33	4.33
Do you provide any electronic check presentment (ECP) services ...	1	4.00	2.00	1.00

...

DIRECT DEPOSIT OF PAYROLL (AND OTHER PAYMENTS)

	48.00	49.33	52.00
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ELECTRONIC TAX PAYMENTS

	28.33	38.33	37.67
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DIRECT DEBIT PROGRAM

	9.00	17.67	13.33
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How to Approach Costs



- This is toughest part.
- Ask for estimates in the bank's account analysis form
 - Don't try to fit it into another format
- Check volumes

How to Approach Costs

- Watch out for 0's

- Do they mean no charge?
- Or, does it mean no data available?

- Expect more than one round to get it right



How to Approach Costs

Cost/Pricing Comparison	Bank A vs. Bank Z		
	BANK A	Bank Z	Difference (Bank A - Bank Z)
Cash Management Services			
General charges (maint., etc.)	71.00	60.00	11.00
ACH/DDP	114.50	208.50	(94.00)
Returned items	75.00	150.00	(75.00)
Lockbox/Deposits	1,350.12	1,327.64	22.48
Disbursements/ARP	764.08	1,248.70	(484.62)
Coin & Currency	0.00	0.00	0.00
Information	108.00	313.00	(205.00)
Wire transfer	231.00	280.00	(49.00)
**Subtotal Cash Mgmt. Svces.	2,713.70	3,587.84	(874.14)
Credit Cards			
**Subtotal Credit Cards (annual)	16,850.00	20,290.00	(3440.00)
**Subtotal Credit Cards (monthly)	1,404.17	1,690.83	(286.67)
*** Total cash mgt & crdt cds (monthly)	4,117.87	5,278.67	(1160.81)
*** Total cash mgt & crdt cds (annually)	49,414.40	63,344.08	(13929.68)

Conclusions



- RFPs are here to stay
- Keep RFP to what you need, want, or could use
- Be reasonable
- Do your homework
- Some banks won't want what you're offering

Any Questions?