

PLACE YOUR ONLINE BIDS PLEASE

TONY JOHNSON OF COGNITO EXAMINES THE PRINCIPLES BEHIND ONLINE FINANCING PORTALS AND DESCRIBES HOW TWO COMPANIES SAVED TIME AND MONEY BY GOING TO TENDER ONLINE FOR THEIR FINANCING NEEDS.

Recent IT and ecommerce developments have provided treasurers with a unique opportunity to change the way they do business. In the past few years, they have been enticed with an array of new technology, software and services. But the sheer volume of choice ensures that today's finance directors and treasurers have a difficult task in determining which solutions will add value to their operations and when they should begin to utilise them. This decision has taken too long for many service providers. Many have fallen by the wayside as the value of technology stocks, and the amount of new investment in them, has decreased dramatically.

As with many other industries, attitudes towards dot.coms, technological advances and the internet itself have often been the stumbling block that has impeded success, rather than the business model itself. One area where firms have been quick to identify the benefits is in corporate finance. Companies seeking funding have traditionally used a limited number of banks and other financial institutions to meet their needs. The reason for this is that the bidding process is traditionally performed between the corporate and each bank individually. This consumes a vast amount of time and is one of the main reasons so few banks participate. With each corporate limiting its options to a small number of institutions there are concerns about the process being opaque.

Online financing portals act as intermediaries between companies requiring financing and institutions providing those services. Existing offerings allow companies to source a number of banking products (including equipment and property finance, factoring and working capital finance, lines of credit, cash management, trade finance, money market placements and asset management). Because a broad range of targeted financial institutions compete for each bid tender, the treasurer benefits from a depth of banking providers. This results in a stronger product offering and aggressive pricing. Some portals also contains an information service that provides treasurers and finance professionals with the information needed to trade in one place including price points, breaking news and expert articles.

DTZ BENEFITS FROM THE ONLINE ROUTE. DTZ Debenham Tie Leung, a leading UK property adviser, recently needed to replace



DTZ Debenham Tie Leung is one of the UK's leading property advisers and has 27 offices covering all of the main commercial centres of the UK. Each division provides a fully integrated high quality property service based on detailed and up-to-the-minute market knowledge. The company reported a turnover of £142.3m in 2000/2001 and returned profits of £19.1m. Following its successful foray into the online market in June, DTZ says it would look to use a transaction platform for future financing requirements.



mondus is the first European online business-to-business (B2B) marketplace designed to meet the purchasing needs of small- and medium-sized businesses. Through mondus, businesses can compare, contrast and buy from the broadest range of branded business goods and services from suppliers.

Since its launch in April 1999, the company has grown exponentially with over 170,000 registered businesses, with operations across Europe. In August of last year, \$150m investment was received from SEAT Pagine Gialle, the leading European publisher of business directories.

After launching its online tender process in August 2001, mondus is now in discussions regarding a further money market fund placement.

'PROVIDING SIGNIFICANT COSTS SAVINGS AS WELL AS REMOVING MUCH OF THE ADMINISTRATION FROM THE SEARCH MEANS THERE IS NOW MORE TIME TO FOCUS ON HIGHER LEVEL ISSUES'

Treasurers' Conference in May this year," says Tim de Borde, mondus' Group Finance Director. At the time, it was a straight choice between using a transaction platform or using traditional methods. "The proposition we received was attractive, especially in terms of the comparison of data it could provide. I doubt I would have had the time to put that sort of information together on my own."

Initially, mondus wanted to arrange a €30m money market fund placement, which later increased to €45m. "We set rather strict guidelines as we only really wanted to invest in AAA-rated bonds or similar," explains de Borde. The service allows the client to define

CLIENT	DEAL	TENDER LAUNCHED	BIDS CLOSED	QUANTIFIABLE BENEFIT
DTZ Debenham Tie Leung	£1m+ IT equipment leasing	20 June 2001	4 July 2001	£80,000 over three years
mondus	€45m Money Market	8 August 2001 Fund placement	20 August 2001	50 basis points (£120,000 over one year based on past performance)

more than £1m worth of IT equipment across its 27 sites. Historically, DTZ used finance companies recommended by its equipment supplier. But after preliminary meetings earlier this year, it decided to tender for a leasing agreement through the online transaction platform, bfinance. While DTZ has been using leasing companies to buy IT systems for many years, the leasing deal in June was its first time using an online marketplace. Ed Mitchell, Information Systems Strategist at DTZ, says: "We met with bfinance in April this year. Following that meeting, and given the relatively straightforward nature of the deal we decided to try out the service." DTZ launched its bid tender in June, setting a two-week deadline for responses from institutions selected from a list of 297 registered across Europe. DTZ, and all participating institutions, were able to view the responses online, creating a transparent market. Only one round of bidding was required, as the institutions were able to adjust their offers in light of a more competitive bid being placed.

Following the conclusion of bidding, DTZ was provided with information relating to each bid. This meant DTZ was able to make a selection 10 days after the conclusion of bidding. Mitchell explains: "We defined the products we wanted to buy and at what price from the supplier and the tender was launched on 20 June. Three-and-a-half weeks later we chose the best quote which will save us a lot of money over the next three years."

Mitchell says: "Fundamentally, we were looking at the price, as we knew what product we wanted. The quality of responses received was good, and all bids received met our requirements." He highlights the advantage the online platform made in the amount of time the process took. "The last time DTZ undertook a deal of this size, in 1997, it took much longer to do. It also saved us a significant amount of money for fairly little effort."

MONDUS REAPS THE REWARDS. Another company to have benefited from using the online platform model is mondus, a European business-to-business (B2B) market for small- and medium-sized businesses' purchasing needs. Mondus launched its online bid tender with bfinance in August 2001.

"My original encounter with bfinance was at the ACT's UK

their requirements on a number of criteria, which de Borde found particularly useful, given the guidelines the firm wished bidding institutions to follow. This ensures that only qualified bids that meet the set criteria are received.

The deal was mondus' first money market fund placement and the issue of transparency was a key driver in its decision. De Borde says: "Transparency was a key benefit. I received notification when a bank submitted a bid, or resubmitted an improved bid, which I could then look at on the website. The banks had a few weeks to submit a bid, after which I received a print out of all the bid details."

Nine institutions submitted bids. By using an online portal, mondus received a greater number of responses and spent less time in the process. De Borde explains: "If we hadn't used such a service we would have approached our relationship bank and one other institution." The decision gained more credence when it transpired that the relationship bank did not submit a response to the online tender. Allowing member institutions to view all bids placed increases competition and helps to drive down the 'price' gained. At the end of the bid process, de Borde met bfinance to review the results and make a decision based on that information. A money market fund report was also produced which detailed the tender, the criteria and the bids from each of the nine responding financial institutions.

De Borde cites three main benefits from going online. A rate of return increase of 50 basis points was gained (on the assumption of past performance continuing, this equates to £120,000 a year). Time savings were made, in terms of the collation and analysis of data received. And the quality of data received allowed mondus to make an informed decision on which institution to select.

THE FUTURE. Online transaction platforms are proving to be a key weapon in the treasurer's armoury. Providing significant cost savings, enhanced transparency, as well as removing much of the administration from the search for financing, means there is now more time to focus on higher level issues – a situation most treasurers would like to be in.

Tony Johnson is a Consultant at Cognito.