{ TREASURY INSIDER }

TEMPTED TO TENDER?

Bank requests for proposal may sound a good idea in principle, but they require a lot of dedication in practice, notes our Treasury Insider

There aren't many areas of treasury that score highly on both the interesting and daunting scales at the same time, but banking tenders are right up there. A great opportunity to drive improved service levels and lower fees? Absolutely. But the work involved makes you think long and hard about whether now's the right time.

We've all had more than enough on our plates in recent years. The benefits of reviewing banking arrangements hadn't been sufficient to make tenders a leading priority for a while. But, having refinanced and delivered solid progress on our treasury transformation, attention began to turn to identifying where we could achieve operational and financial benefits.

Our major overseas market was the obvious starting point, combining a number of incumbent banks (the largest of which was not delivering) with a scale that offered material financial benefits. We had also welcomed a new bank into our group during the aforementioned refinance – this was its primary market, so it was a great chance to show it a chunky ancillary opportunity.

And then we got carried away and decided to run two more tenders simultaneously. The logic was that the incremental work involved was limited given the synergies available. This was supported by the panel of banks being largely consistent across the three tenders, and geographical proximity that allowed us to combine the bank meetings.

Each of the banks invited to tender was in our relationship bank group, with a single exception where we wanted to benchmark against a leading local bank in the most exotic of the regions. This allowed us to test that the bank group was offering a sufficiently strong package. Interestingly, the local bank in this instance, while reassuringly strong in its own market, fell down on our requirements for repatriation of surplus cash and centralised balance reporting.

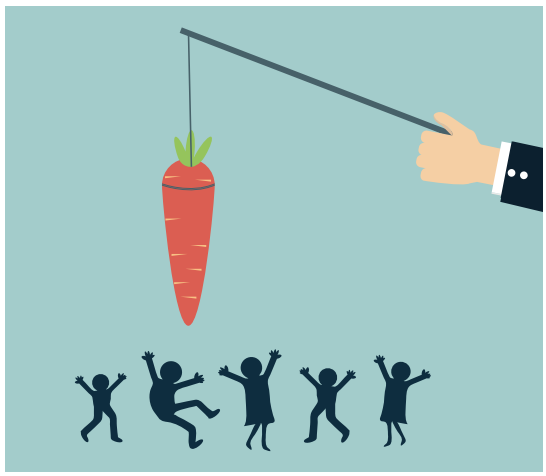

ILLUSTRATION: SHUTTERSTOCK

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Ticking the boxes

The bids of the remaining banks ticked each of the mandatory boxes, and the assessment scores were all close. So we arranged meetings with each of them (providing a very welcome, but too short, warm-weather break), scheduled back-to-back over a couple of days. This had the benefit of concentrating our attention and avoiding distractions, and forced us to complete post-meeting assessments immediately to avoid any confusion around which bank said what and when.

We were amused by the banks trying to interpret their relative positions from their place in the timetable – a random draw had anticipated this.

And then it was decision time, at which stage our detailed assessment framework came into its own, providing a high degree of objectivity in the analysis. Relationship dynamics were incorporated, as well as recognition of the advantages of incumbency, without overstating any transition costs and risks.

This analysis was priceless when it came to advising the banks of the results – being able to articulate where the unsuccessful banks fell short provided a framework for those difficult conversations, and avoided any sense of injustice that could have undermined the ongoing relationship.

The process was lengthy and arduous, but I'm pleased that we avoided any shortcut temptations that would have come back to bite us later. We secured banking improvements that enhanced service-level commitments that will streamline processes. We have access to new products that will improve the efficiency and effectiveness of treasury operations. And tariff reductions and improved returns will help the bottom line.

Of course, that's all well and good in principle. The next step is implementation, to actually deliver these benefits. And while we're working through these, the question now is: where should we tender next? Brazil next year is looking good, say around summertime?

The Treasury Insider works in corporate treasury at a well-known institution in the UK