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# TREASURY RESOURCES

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at the 2003 New York Cash Exchange

**Cadbury Schweppes**

**NEW YORK  
CASH EXCHANGE**



## **RFP PROCESS FOR BANKING SERVICES**

**A Cadbury Schweppes Case Study**  
*Presentation to the New York Cash Exchange*  
*September 3, 2003*  
*New York, NY*



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# Contents

- **Before Starting...**
- **RFP Process**
- **Banking Needs Assessment**
- **RFP Formulation and Distribution**
- **RFP Evaluation**
- **Finalist Presentations and On-Site Tours**
- **Bank Selection**
- **Case Study – Cadbury Schweppes**
- **Questions & Answers**

# Developing the questions to ask prior to starting the RFP process is essential!

- **Why would a company use an RFP process to select banking services?**
- **What types of resources are available when creating an RFP?**
- **How does a company choose the banks to invite to participate?**
- **How many banks should be included?**
- **How long should it take a bank to complete the RFP?**
- **How should the bank responses be compared?**
- **Who should be involved in the evaluation of the responses?**

# Developing the questions to ask prior to starting the RFP process is essential! (cont)

- **How much time should be spent on reference checks and on-site visits to similar customers?**
- **How many bank tours are necessary before narrowing the list of participants?**
- **Other than the questions stated in the RFP, what other factors should be considered when selecting the final bank?**
- **How should the results of the RFP be communicated to the banks?**
- **What implementation factors should be considered after the final selection is made?**
- **How often should banking services be revisited?**

# Contents

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- **RFP Process**
- **Banking Needs Assessment**
- **RFP Formulation and Distribution**
- **RFP Evaluation**
- **Finalist Presentations and On-Site Tours**
- **Bank Selection**
- **Case Study – Cadbury Schweppes**
- **Questions & Answers**

# RFP Process

The right bank relationship can make a world of difference in day-to-day treasury operations, and traditionally, Request for Proposal (RFP) has been the method to confidently and objectively select a banking partner. Finding that right bank can be accomplished in a five-step approach.



“Where are we now?”

“What services do we want our bank to provide?”

“How do the banks say they measure up to your requirements?”

“Can the banks really deliver what you require?”

“What are the specific next steps?”

# Contents

- Before Starting...
- RFP Process
- Banking Needs Assessment
- RFP Formulation and Distribution
- RFP Evaluation
- Finalist Presentations and On-Site Tours
- Bank Selection
- Case Study – Cadbury Schweppes
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# Banking Needs Assessment

**Banking Needs Assessment** - The first step is a review of the current banking environment. The goal is to establish a firm understanding of what can and should be considered as requirements in the targeted banking structure.

## **Major Tasks**

- Prepare a customized packet for each branch of your treasury organization regarding their current banking services
- Request current bank account analyses for all banks and accounts
- Design a checklist determining necessary information to gather from each branch

## **Results**

- Understanding of the current environment for banking services
- Understanding of key business and technical requirements
- Initial identification of potential service gaps and improvement opportunities



# Contents

- Before Starting...
- RFP Process
- Banking Needs Assessment
- RFP Formulation and Distribution
- RFP Evaluation
- Finalist Presentations and On-Site Tours
- Bank Selection
- Case Study – Cadbury Schweppes
- Questions & Answers

# RFP Formulation and Distribution

***RFP Formulation and Distribution - The second step is the development of the RFP based on the information gathered in Step 1.***

## **Major Tasks**

- Develop an overall vision for banking structure and services required
- Analyze current bank account structures and providers
- Inventory and assess specific branch/subsidiary concerns and issues for bank service requirements
- Determine list of banks to be included in RFP process
- Develop the customized RFP for those selected banks and issue RFP

## **Results**

- Conceptual design of the future banking structure
- Communication & recommendations for preferred services across all regions



# Contents

- **Before Starting...**
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- **RFP Evaluation**
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- **Bank Selection**
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# RFP Evaluation

***RFP Evaluation*** - The third step focuses on evaluating and prioritizing the bank responses to determine which banks can realistically be considered to move a company from the current to the target environment.

## **Major Tasks**

- Customize RFP evaluation tool for bank services across corporate and subs
- Conduct quantitative analysis of RFP responses
- Score bank RFP results on a weighted basis
- Perform additional technical and qualitative analysis on bank RFPs
- Complete cost analysis on proposed pricing using the estimated volumes
- Determine the short list of banks to participate in the presentation phase

## **Results**

- Banks are objectively prioritized based on their capabilities and responses
- Recommended banks identified to participate in bank presentations and visits



# Contents

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- **Questions & Answers**

# Finalist Presentations and On-Site Tours

***Finalist Presentations and On-Site Tours - The fourth step is the research and validation to ensure that the bank can meet the current and future requirements, as stated in their response, at a level of satisfaction to your company.***

## **Major Tasks**

- Notify the banks that did not make the final cut
- Contact the short list of banks that made the final cut to let them know of next steps and give them advance notice
- Develop the desired presentation format/script, and provide this to the banks
- Schedule the presentations and bank visits
- Evaluate the demonstrations formally and debrief after each meeting
- Conduct on-site tours of finalist banks as necessary

## **Results**

- Validation of bank capabilities with regard to your company's requirements



# Contents

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- **RFP Formulation and Distribution**
- **RFP Evaluation**
- **Finalist Presentations and On-Site Tours**
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- **Case Study – Cadbury Schweppes**
- **Questions & Answers**

# Bank Selection

*The fifth step is the the selection of the bank and development of an overall plan which will consider the key tasks, the staffing / skill requirements, timeframes and estimated costs required as next steps to move towards the targeted environment.*

## Major Tasks

- Select the preferred bank(s)
- Develop overall implementation plan which includes:
  - Key project tasks and dependencies
  - Staffing and skill set requirements
  - Timeframes
  - Key deliverables

## Results

- Documented and agreed upon implementation plan for the conceptual design of the preferred banking structure
- Approval to move forward with the implementation



# Contents

- **Before Starting...**
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# Cadbury Schweppes

## Global Company

- **Over 200 years old, headquartered in London**
- **One of the largest international beverage and confectionery companies with sales over \$9 billion**
- **Global confectionary leader spanning chocolate, sweets and gum**
- **World's third largest soft drinks company**
- **Products include strong global and regional brands like Cadbury, Bassetts, Schweppes, Orangina, Clamato, Rose's**

# Cadbury Schweppes - US

## US Company

- **US Brands include Dr. Pepper, Seven-Up, Motts, Snapple, Yoo-Hoo, Hawaiian Punch, A&W, Canada Dry, IBC, Stewarts, Mystic, RC, ReaLemon, Holland House and Nantucket Nectars**
- **Purchased Adams Confectionery business from Pfizer in March 2003 – brands include Halls, Trident and Dentyne**
- **North American Treasury located in Stamford, CT**
- **SAP Treasury now being implemented in US for Dr. Pepper/Seven-Up business**

# Covering the World in Brand Leadership



# Treasury Issues for Lockbox

- Too many banks collecting receipts in the US – five banks with a goal of one
- Existing lockbox processing sites were Atlanta, Charlotte, Dallas, and Newark – total of 13 lockboxes
- Sub-optimal float environment for customers at these sites with current float environment of 3.98 collection days
- Paper intensive and manual receivables environment
- High collection bank fees
- New collection bank must be selected and approved in very aggressive 6-7 week timeframe over end-of-the-year holidays, to meet SAP deadline set by business unit

# Lockbox Bank Project Objectives

- **Select one-bank lockbox receivables solution with national network**
- **Analyze new lockbox study results for optimal sites**
- **Accelerate cash collections and reduce float**
- **Obtain comprehensive receivables reporting**
- **Enable image-based platform for checks and remittance docs**
- **Integrate collection data and images fully into SAP**
- **Streamline Treasury Americas receipts collection point**
- **Reduce existing collection bank fees**
- **Lock-in lower bank fees in three-year pricing agreement**

# Project Scope and Timeframes

- **Selected one lockbox bank and network to service all US Cadbury business units at Dr. Pepper/Seven Up, Snapple, Motts, Nantucket Nectars, Jaret International, and Yoo-Hoo**
- **Distributed RFP analyses and results to business units weekly to keep them apprised of progress**
- **Provided business units with final bank selection decision to meet SAP configuration January deadline**
- **Started Bank Selection Project on November 25, 2002**
- **RFPs received from banks the week of December 23, 2002**
- **Completed project and selected bank by January 10, 2003**

# Key Lockbox Selection Criteria

- **Service Innovation, Leadership and Product Commitment**
- **Cutting-edge and leading provider of lockbox services**
- **Quality Assurance: Strong policies and procedures to minimize processing errors and increase efficiency**
- **Pricing: Competitive marketplace prices for requested services over three years**
- **Institutional Capability: Proven ability to deliver lockbox services in selected processing sites**

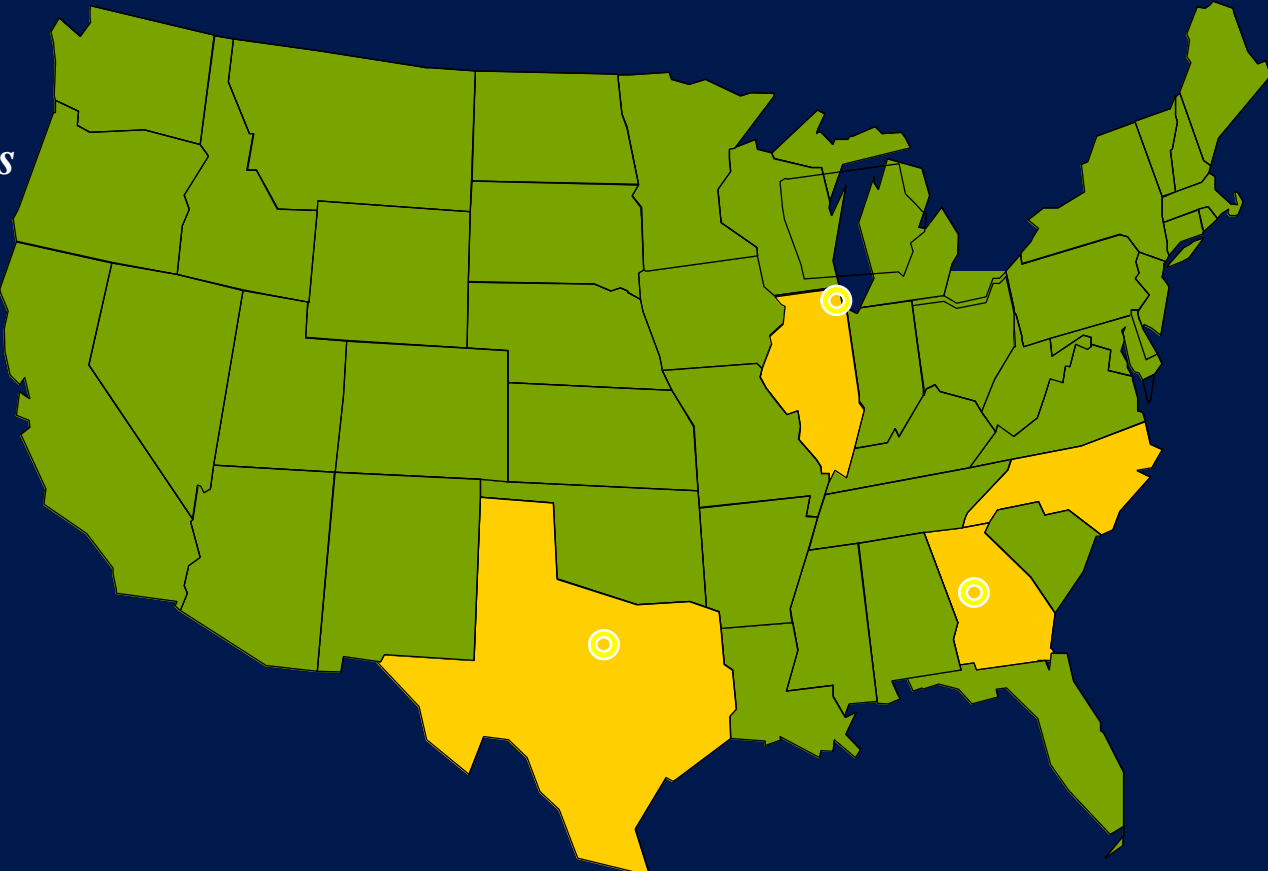
# Results of Lockbox Study

- **Lockbox study had not been completed in many years and the customer base had changed over the years with many acquisitions**
- **53% of overall check sample was non-locally disbursed**
- **41% is collected from top 20 remittance customers**
- **\$102,000 annually, for sample, is incrementally saved utilizing a three-site versus two-site solution**
- **Optimal 3-site locations from the study were Atlanta, Chicago, and Dallas**

# Preferred Lockbox Locations

*Two RFP banks maintained lockboxes in the preferred 3-site solution.*

● Lockbox Locations



# Total Projected Lockbox Savings

**Annually:**

Projected Float Savings	+	Projected Fee Savings	=	Total Projected Savings
\$189,000	+	\$73,000	=	\$262,000

**Three-Year Total from the Sample Selected:**

With pricing guarantee, total projected lockbox savings to Cadbury Schweppes is:

<b>\$262,000</b>	<b>X</b>	<b>3</b>	<b>=</b>	<b>\$786,000</b>	<b>Total</b>
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**\* Indirect cost savings include: fewer drawdowns, more efficient Accounts Receivable posting, and enhanced customer issue resolution capabilities**



# Final RFP Evaluation Summary

*The chart below is a summary of the Scorecard used to evaluate the banks' responses to the Lockbox RFP:*

Selection Criteria	Total Weight	# Questions	Max Score	Bank #1		Bank #2		Bank #3	
				Raw	Weighted	Raw	Weighted	Raw	Weighted
1. Service Offerings	40%	36	271	249	0.37	242	0.36	228	0.34
2. Quality of Delivery	30%	57	386	365	0.28	319	0.25	328	0.25
3. Pricing	25%	18	78	62	0.20	71	0.23	52	0.17
4. Institutional Capability	5%	5	18	18	0.05	18	0.05	14	0.04
<b>TOTAL RAW SCORE</b>		<b>116</b>	<b>753</b>	<b>694</b>		<b>650</b>		<b>622</b>	
<b>TOTAL WEIGHTED SCORE</b>	<b>100%</b>			<b>90.0%</b>		<b>88.3%</b>		<b>79.7%</b>	

*The selection criteria, total effective weightings, and maximum scores in the table were established to determine weighted scores for each of the bank's services. Comparative advantages/disadvantages were also tallied.*

# New Lockbox Bank Benefits

- **Reduction in mail float**
- **Reduction in collection float**
- **Faster, more accurate lockbox processing via imaging**
- **More rapid access to information**
- **Greater ease in finding and sharing information**
- **More efficient cash management process**
- **Improved customer service and reduced cost with one service provider**

# Preferred Lockbox Banking Partner

**The Preferred Lockbox Banking Partner was selected based on:**

- **Highest evaluation scorecard results**
- **Optimal lockbox locations**
- **Competitive three-year pricing**
- **Experienced lockbox provider with strong imaging capabilities**
- **Demonstrated commitment to wholesale lockbox processing**
- **Business units reviewed technical specifications and signed off**

**The new banking partner recommendation was then formally approved by Treasury Americas.**

# Project Progression

## How has the project moved forward?

- **Where we are now**
- **Pricing**
- **Estimated Go-Live**
- **Issues**
- **Lessons Learned**

# Contents

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# Questions and Answers



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