Selling to a Bank: Advice to Vendors and Banks
by Charles Wendel

In recent weeks I have had the opportunity to review 20+ proposals from alternative finance (alt fin) companies in response to RFPs from banks evaluating potential lending and technology partners in the small business and consumer spaces. Based on this sometimes headache-inducing activity some lessons emerge for both vendors and banks.

Vendor considerations. Our review of these responses and prior experience in this area results in some recommendations for vendors concerning how and even whether to respond.

*Your response both is and is not a sales piece***.** Of course any response will put a company's best foot forward; that is to be expected. But not all the different responses can be from the best or most experienced small business loan provider. Some responses smell of hype and, after a close review, fail to match reality with their claims. Too often, responses discuss what they can do rather than what they have done. That is likely because they lack experience in the areas of most importance to the bank and are hoping the bank does not notice, an approach that does not work.

Targeted specificity will win. The best proposals provide a level of specificity that demonstrate command of the area and offer a level of assurance that the alt fin company can help lead a bank through a complex initiative. In the case of alternative lenders they detail their internal processes from origination through ongoing monitoring and risk management. Some responses provide a level of detail that demonstrates expertise while others skate along the surface. Banks want to know how their customers will be handled and want to minimize any reputation risk from working with a third party. A bank's due diligence process will and should demand detail.

Be careful about your partners. One alt fin lender outsources a key function to a third party (for confidentiality reasons neither function nor third-party can be named). When one of the bank reviewers saw that name, he reacted very negatively and mentioned some past experience with that provider. Unintentionally, the alf fin company had dug itself into a hole.

Don't avoid pricing. It is understandable to avoid a detailed pricing discussion until requirements and volumes are fleshed out, but at a minimum initial responses should include the categories related to any fees and revenue potential and some range for each category.

Proofread. Two responses I recently reviewed included the wrong bank name within the proposal. Someone at the alt fin had failed at cutting and pasting from one

response to another. That shows a certain carelessness that should lead to immediate elimination of the proposal.

Sometimes it is better not to participate. Several of the companies that received the RFPs my clients sent out decided not to participate. Usually the reason centered on their view that they simply did not have the experience needed to meet the screening hurdles that the bank would set for them. That was a good choice for them in that they avoided an often-agonizing RFP process with little likelihood of success.

Bank Considerations. Banks should approach the RFP process with greater preparation and care.

Determine what you are looking for and, then, ask. Several alt fin colleagues have mentioned one infamous bank that provided them with a 400 question RFP. Beyond being absurdly time consuming, an RFP of that length reveals that the bank has not sufficiently considered its needs before going out to the market. Frankly, an RFP of that type also shows disrespect to potential partners and signals a bank that is unlikely to follow through on whatever agreement it reaches. A "kitchen sink" RFP approach should be avoided by banks.

Set and keep to time goals. I know of one bank that began to evaluate alt fin lenders two years ago, but they still have not selected one. In that case senior management has yet to buy in fully to the need to work with outside firms. At another bank, the CEO is enthusiastic about this venture and has set explicit time goals for making an announcement. Which do you think better keeps a process on track? Getting senior management on board early into the process shortens it.

Create a review team. Any bank needs to bring together its internal line of business, marketing, IT, legal, compliance, and related experts to review the proposals. This group can become unwieldy if it gets too large or if the wrong people are selected for it. The right types are those who possess both the requisite knowledge and the desire to get things done rather than setting up roadblocks.

Drop the weak ASAP. Any set of responses will feature one-two very strong players and at least one-two others that illustrate those alt fins are out of their league. Rather than continuing to ask questions of that group, in most cases (except for competitive intelligence reasons) it is best to drop them as soon as possible from the process. That saves a lot of time for all concerned.

Look to outsiders. This is one area in which a consultant or industry expert can and should help. I know of banks that have chosen an inferior provider because they did insufficient due diligence or felt they had an expertise in this area that, in fact, they lacked. Big mistake. Also, some alt fins exaggerate their capabilities and need to be vetted thoroughly both for what they can do and for their reputation.

The contract is the beginning of the process, not the end. Make sure you know the ongoing marketing, training, and sales process. Banks need help in selling what alt fins have to offer and it is to the bank and the alt fin's benefit that a detailed program with a long time commitment is agreed to before a deal is signed.

RFP writing and responding requires both science and some art. Not surprisingly, the care and effort extended in this area results in greater clarity and an increased likelihood of success for both the bank and its potential partner.