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EXPERIENCE**  
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# **A Tale of Two Negotiations: How to Strategize your Bank Fee and Relationship Review**

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# Marsh & McLennan Companies Overview

Clients in more than  
**130 countries**

**76,000**  
colleagues globally

Annual revenue of  
**over \$17 billion**

One of the  
**Fortune 250 companies**

**150-year history**  
Of leadership and innovation



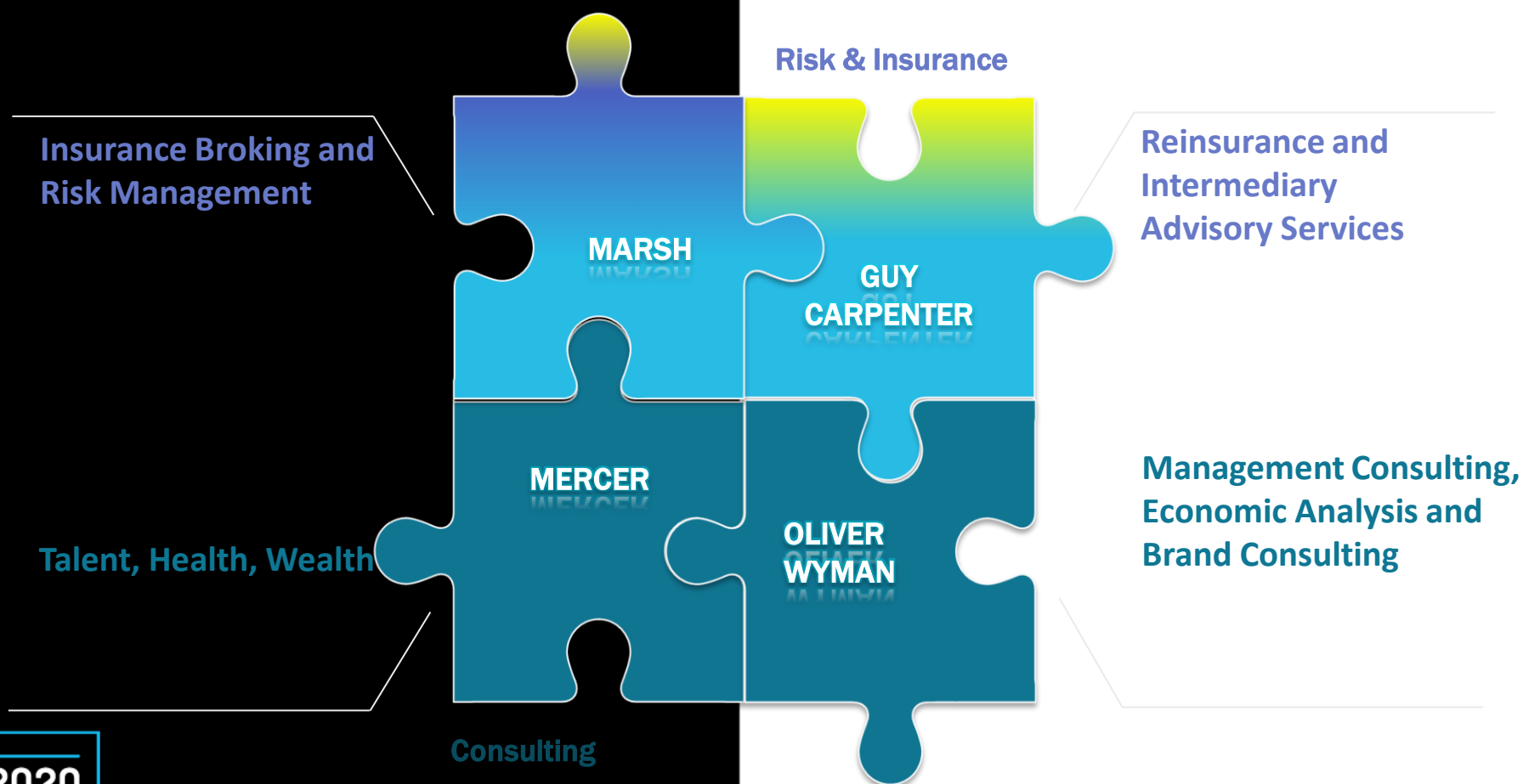
## Global Leaders in Risk, Strategy and People

We are four businesses – Marsh, Guy Carpenter, Mercer and Oliver Wyman – with one purpose: helping our clients meet the challenges of our time.





# Marsh & McLennan Companies Overview



# Delta Air Lines Company Overview



Delta Air Lines, Inc. is the U.S. global airline leader in safety, innovation, reliability and customer service

- **Founded in 1925**
- **Headquartered in Atlanta, GA**
- **Serve 200 million customers annually<sup>1</sup>**
- **Regularly awarded honors as a top workplace for approximately 75,000 employees**
- **Fleet of over 1,300 aircraft<sup>2</sup>**

<sup>1</sup> Based on pre-COVID-19 network and statistics

<sup>2</sup> As part of fleet restructuring efforts related to the impact of COVID-19, Delta has committed to retiring 383 aircraft by 2025 while taking 238 aircraft from its current order book. Delta also holds purchase options for 150 additional aircraft.

# Delta Air Lines Company Overview



Industry-leading global network of up to 300 destinations in over 50 countries<sup>1</sup>

- Maximize connectivity through core interior hubs with corporate relevance in coastal hubs
- Atlanta hub is world's largest airline hub and most travelled airport
- Strategic alliance and joint venture partnerships provide customers with seamless international access

# Agenda

- 1. Bursting the Myths of Bank Fee Negotiation**
- 2. First Thing First, Get Your House in Order**
- 3. Finding the Right Type of Negotiation for Your Organization**
- 4. Conducting a Structured and Successful Discussion**

- 1. Bursting the Myths of Bank Fee Negotiation**

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# Myth #1

I consider my banks as partners and I don't want to hurt the relationships

- **Relationships go both ways:**
  - Are you currently happy with the relationship?
  - How and when did you last ask your banks if they were happy with the relationship?





## Myth #2

**If I renegotiate my bank fees, it will backfire next time I need to renew my credit facility**

- **Banks will assess the overall profitability (i.e. RAROC) and not only a portion of their business with you**
- **The reverse argument is also true: cash management can be used as a reward in a broader negotiation**
- **It's all about knowledge and timing**



## Myth #3

**I don't really know how to benchmark myself so I can't really negotiate if I don't know what the right price is supposed to be**

- **Benchmarking your incumbent banks against each other is a good way to start**
- **Talk to your peers**
- **Bank service and fee review is not only about pricing: learn how to bank smarter, not harder!**

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# Get Your House in Order

## Step 1

### DATA COLLECTION

**Gain visibility into your bank services and fees**

- **Inventory your bank accounts and map out your existing account structure**
- **Download your account analysis statements in electronic format:**
  - Excel
  - EDI
  - Twist BSB



# Get Your House in Order

## Step 2

### SERVICE UTILIZATION REVIEW

Challenge your current suite of services

- Do I understand all the services that I am using?
- Is my suite of services in line with my internal processes?
- Do I need all the services that I am currently using?

# Most Common Items for Review

- **Inconsistent Services**

*A service that should never have been set up in the first place*

- **Redundant Services**

*Paying for the same service multiple times*

- **Inefficient Services/Users**

*A service that you should not be using anymore*

- **Punitive Charges**

*You are being charged every time you are doing something wrong*





# Get Your House in Order

## Step 3

### MAPPING

Be able to compare  
across banks and  
geographies

- **Create an efficient mapping system to categorize your services into product lines**
- **Look for the smallest common denominator to allow better cross bank comparison**

# What is So Unique About Bank Fees in the US?

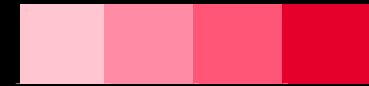
## Legend

Easy  difficult



### Availability

*How easy is it to get your hands on your bank fee statements?*



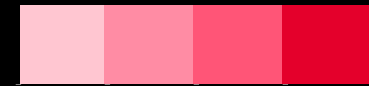
### Understandability

*How easy is it to figure out what services you are using and paying for?*



### Comparability

*How easy is it to compare your services and fees across banks?*

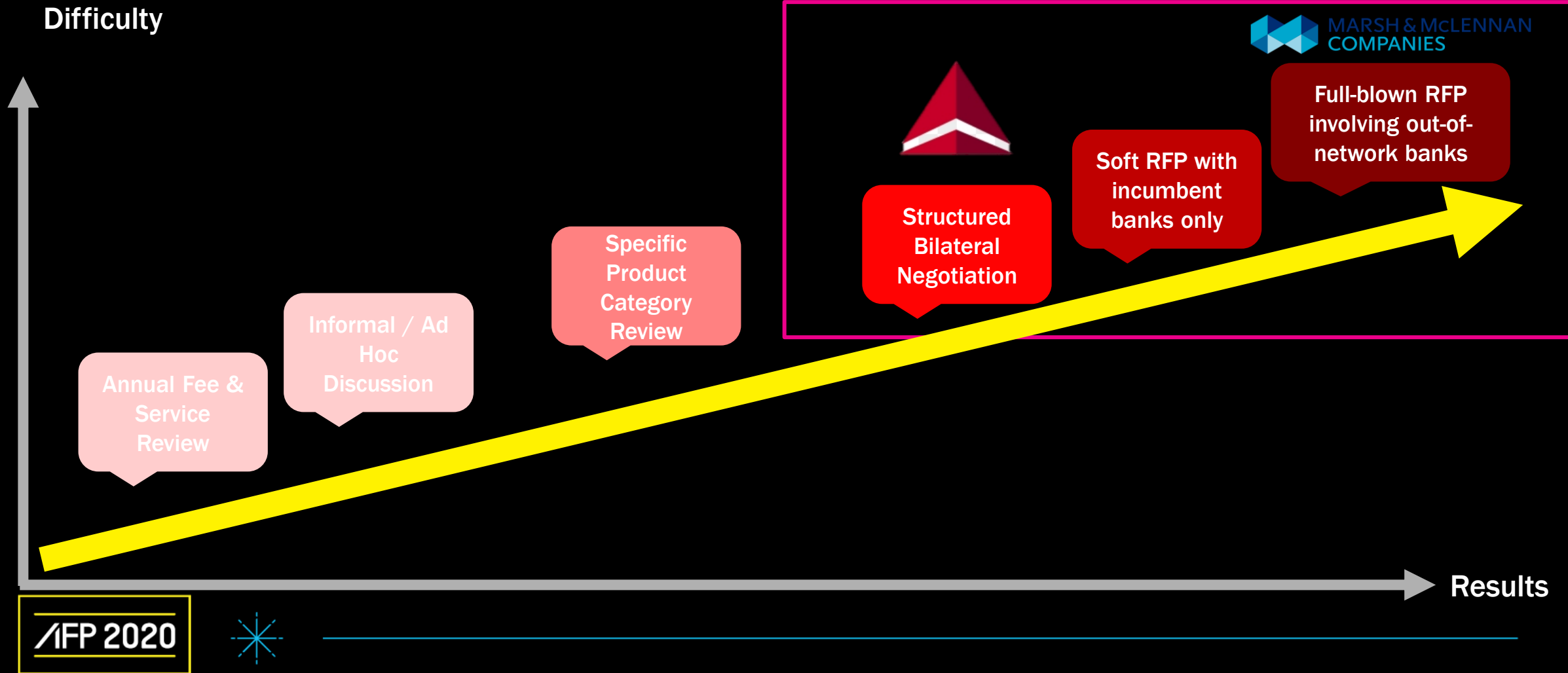




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# No Pain, No Gain



# Informal Discussion / Annual Review

What is it?

A non structured review of your bank services and fees with one, several, or all of your banks

What am I getting?

Slapping a bandage on the most urgent or visible issues



Minimum time and resources

Minimum amount of preparation

Review can be done with one bank at a time

“Softest” approach

Shallow review of your bank services

Passive role in service utilization review

Smallest savings opportunity

Short-term commitment from the banks

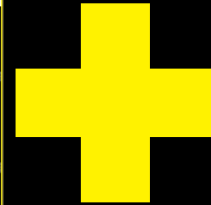
# Structured Bilateral Discussion

What is it?

**A formal, documented and in-depth review of your bank fees and services for all banks simultaneously**

What am I getting?

**Streamlined and sustainable suite of services at competitive pricing**



**Zero business disruption or implementation**

**Good tradeoff of results vs. time and resources**

**Active role in service utilization review**

**Simple and straightforward approach**

**Savings are not fully maximized**

**Lack of real leverage in the negotiation requires more thinking into strategy and communication**

**Limited appetite from the banks / behavioral risk**

**No opportunity for business reallocation**

# Soft or Full-blown RFP

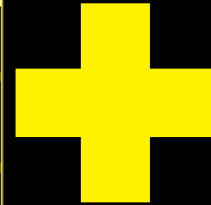
What is it?

A structured, formal and exhaustive request for proposal involving the incumbent banks and possible challengers

What am I getting?

The best value for money and the opportunity to rethink your business allocation and upgrade your services

IFP 2020



Opportunity for change  
Maximized leverage  
Greatest savings opportunity  
Access to best practices  
Comparability  
Long-term commitment on pricing

Requires the most investment in time, resources, preparation and discipline  
Requires the highest level of expertise to analyze the proposals  
Implementation can be cumbersome

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# Structured Bilateral Approach – Delta Air Lines' Key Factors of Success

## Dos

- Conduct a thorough service utilization review prior to any bank discussion
- Document every single area of improvement as an action item for the banks to address
- Define your benchmark and internal goal in the negotiation
- Manage the bank's expectations by giving them realistic but clear targets to achieve, supported by studies and analysis
- Always stay in control of the discussion

## Don'ts

- Underestimate your leverage by settling too soon
  - Delta went through multiple rounds of negotiations and conducted formal bank meetings before making a final decision
- Overestimate your leverage by bluffing
  - Delta conducted a fair negotiation using facts, comparisons, and industry benchmark
- Not sharing the right type or amount of information to allow your banks to succeed in the discussion

# Full-Blown RFP – MMC' Key Factors of Success

## Dos

- **Conduct a full audit of your fees and services and determine areas of improvements**
- **Maximize your leverage by**
  - inviting other banks in your credit facility that you would like to consider / reward
  - allowing all the banks to have a chance at winning additional business
- **Give your banks the opportunity to tell you through their proposals what pieces of your business they are the most interested in and the best at servicing.**

## Don'ts

- **Deviate from level playing field by having bilateral discussions**
  - MMC created a clear separation between the RFP line of communication and the day-to-day business with its banks
- **Make promises that you cannot keep**
  - Opportunities for additional business were clearly stated from the beginning of the RFP
- **Invite banks only for the purpose of creating competition**
  - MMC only invited the banks that had a real shot at winning some piece of the business



# Your Speakers

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# Questions & Answers

