

Vendor Contract Negotiations Success Story

THE BANK OF MARION / STATE: VA

After working with us to implement JMFA OVERDRAFT PRIVILEGE® and achieving great results, The Bank of Marion decided to test our expertise in contract negotiations. What began as a request to renegotiate one contract turned into a three-contract project that resulted in seven-digit savings over 10 years, tremendously exceeding the bank's expectations.



ONE SUCCESS STORY LEADS TO ANOTHER

Established in 1874, The Bank of Marion is the third-oldest bank in the state. With \$351 million in assets and 14 locations across Southwest Virginia (plus another branch across the state line in Johnson City, Tennessee), the bank owes its growth and stability in large part to its hometown customer care and emphasis on serving the community.

A SURPRISING DISCOVERY

When President/CEO, Chris Snodgrass reviewed the income and expenses from the bank's debit card processing invoices, he hit an unexpected wall.

"I've been in banking my whole career ... but a lot of the line items on those 10- to 12-page invoices were foreign to me," Snodgrass explained. "Even our operations officer, Billy [Buchanan], who has been in IT and back-room operations most of his career, had questions," he said, when it came to certain items on the bill.

Snodgrass and Buchanan then had an IT consultant take a look at the bills. After evaluating the pass-through fees from the card brand vendor and other expenses from the card processing vendor, the consultant delivered some astonishing news: for every dollar of additional revenue the bank generated through their card program, they were only receiving \$0.48.

"We were opening tons of accounts, doing all this work—and well over half of it was going to our card processor and card brand vendor!" said Snodgrass. "The deal we had was clearly not a very good deal for us."

OLD FRIENDS REUNITE

The Bank of Marion worked with JMFA to implement JMFA OVERDRAFT PRIVILEGE®. During that process, the bank took the time to learn about the JMFA Contract Optimizer program.

Given at the time they had just signed a new contract with a credit card processor the bank didn't see a need for the service. However, after Snodgrass and Buchanan's review of recent invoices, they started to reconsider. And after experiencing strong results for their overdraft program using JMFA's team of consultants, they were curious about the company's assessment of their vendor contracts.

"After we talked with Kelly and [JMFA project manager] JT Cullen, we said, 'Look, these guys are doing it all the time. They're seeing all the major vendors every month, they're dealing with contracts ... let's give them a try,'" said Snodgrass.

JMFA GETS TO WORK

Cullen told Snodgrass that they could certainly renegotiate the debit card processor contract. But he also suggested switching from one EFT network to another, saying The Bank of Marion could make more on their interchange.

"We wouldn't have even thought of that," explained Snodgrass. "We were thinking small; we were thinking, OK, we'll negotiate with our card processor and get a better deal on that. But JT had all this experience and knowledge and knew that we could work the network contract as well as 'level up' with our card brand vendor to move up to a preferred customer status."

Indeed, that's how it played out. Cullen asked Buchanan and Snodgrass to send over their 5-10 year debit card volume projections. Cullen shared these projections with the card brand vendor, and asked them to provide their best offer or he might start submitting requests for proposals (RFPs) to other vendors. The card brand vendor came back offering the bank a preferred vendor status and a number of incentives, including a \$90,000 signing bonus. Over the 10-year contract, the Bank of Marion will save **\$682,000**.



**OVER THE 10-YEAR CARD
BRAND CONTRACT, THE BANK
OF MARION SECURED
\$682,000 IN SAVINGS**



CARD PROCESSING SAVINGS:
\$426,100

AND



EFT CONTRACT SAVINGS:
\$401,100

On top of that, the card processing renegotiation will save them **\$426,100** over seven-years — a 17% savings.

The bank will also save **\$401,100** over seven years with the new EFT network contract.

Over the life of the multiple contracts, JMFA found more than \$1.5 million in benefits for The Bank of Marion!

The bank plans to use these additional funds for mobile and online banking upgrades to provide better customer-facing technology for its account holders.

“Tapping into the knowledge of the JMFA team took our contract negotiations to a level that we just couldn’t have taken it to,” said Snodgrass. “And even after paying JMFA for their services, we’re still saving much more in hard dollars than if we had done it ourselves.”

TIME IS EVERYTHING

In addition to the monetary savings and other incentives received, Snodgrass and Buchanan noted that the time savings achieved by using JMFA was incredible.

“JMFA provided detail work that would have taken us hours and hours,” said Snodgrass of the three contract negotiations. “It was an efficient use of the bank’s time.” Having an experienced and knowledgeable

team working on their behalf let them focus on their larger projects and goals without having to switch gears and dig into the minutia of the contracts.

JMFA also provided an unmatched level of service. Though The Bank of Marion had used a different contract negotiator previously for its core processor negotiations, Snodgrass said they found JMFA to be more thorough and detailed.

One example of this occurred after the bank received the first vendor bills under the new contract terms. The JMFA team was thorough and evaluated actual billing against the new agreement to make sure everything lined up correctly. Plus, they took the time to explain the intricacies of the contracts to Snodgrass and Buchanan. JMFA will also keep track of when contracts are set to expire so the bank can start the negotiations well ahead of time and secure the best deals. In the past, those critical dates had sometimes slipped by The Bank of Marion; but now, they’ll have time on their side.

NOTHING TO LOSE, SO MUCH TO GAIN

With this successful experience in the books, The Bank of Marion plans to contact Flynn for another upcoming contract negotiation, and recommends JMFA without hesitation.

“You’ll be pleasantly surprised,” Snodgrass said. “They know things we [in the industry] don’t know. We don’t negotiate contracts nearly as often as JMFA does.”

He notes that any bank or credit union considering JMFA for contract negotiations should give them a try. With contingency-based fees, it’s basically risk-free—if JMFA can’t find additional savings, there’s no cost involved.

JMFA is proud to be a trusted ally for The Bank of Marion in its contract optimization—and overdraft program—needs.

To learn more about getting the most out of your vendor contracts, contact Kelly Flynn at Kelly.Flynn@JMFA.com.

About JMFA

JMFA is one of the most trusted names in the industry, helping community banks and credit unions improve their performance and profitability. Whether it’s identifying new revenue opportunities, reducing net operating costs, serving account holders better, delivering a 100% compliant overdraft program, or finding the perfect personnel fit, JMFA has the right solutions to help their clients not only meet, but exceed, their goals. We are proud to be a preferred provider among many industry groups.