

Vendor Contracts: The Savings You Need, Hiding in Plain Sight

3 REASONS TO GIVE YOUR VENDOR CONTRACTS A CLOSER LOOK



ARE YOU THINKING?

- » *It's not a good time to negotiate...*
- » *We're too busy to tackle it...*
- » *Besides, vendors aren't going to be making deals right now...*
- » *They're probably not even taking those types of calls...*



If your contracts are set to expire in 18 to 24 months, don't put off the opportunity to find significant savings. There's too much at stake and it will only put you further behind.

If reducing expenses while still keeping up with the technological needs of your account holders are part of your focus this year, taking a closer look at your vendor contracts could pay off more than you might expect.

When it comes to contract negotiations, some of the common misconceptions are: *We're just a small financial institution... We aren't the top priority for our vendors... We have all of our major services bundled with one vendor... We don't have any negotiating leverage... They're only going to cut deals for "the big guys"... I might as well save my energy and just let contracts auto-renew... We're happy with how things are going.*

Today's economic challenges have further made banks and credit unions question the value of contract negotiations, with most believing: *It's not a good time to negotiate... We're too busy to tackle it... Besides, vendors aren't going to be making deals right now... They're probably not even taking those types of calls.*

Given JMFA's years of experience in financial contract negotiations, and with our finger on the pulse of the industry's current landscape, it's safe to say that it's always a good idea to give your vendor contracts a closer look. Consider these three essential points before you ignore this task—it could be the difference in securing five-, six-, or seven-digit savings over the terms of your contracts and help you offset economic hardships during this crisis.

#1: YES, YOU ALWAYS HAVE LEVERAGE TO NEGOTIATE A CONTRACT.

Regardless of your asset size, number of branches, number of accounts or any other perceived shortcoming, remember this: **A vendor does not want to lose your business.** As in most industries, it's much less costly to retain a customer than to go out and secure a new one.

KEY TAKEAWAYS

- » *The bank assumed their contacts were the same as similar institutions*
- » *They asked JMFA to verify*
- » *The outcome resulted in initial projected savings of **\$255,000/year***
- » *They **recouped \$2.4M** in savings over the life of the contracts*

OUR CONTRACT OPTIMIZER TEAM KNOWS:

What others are paying

How much vendors are willing to negotiate

Signing bonuses of other financial institutions

It takes time to keep the process moving

For example, JMFA's Contract Optimizer team recently negotiated several contracts with one vendor on behalf of a Midwestern bank client. The CEO initially had many of the same thoughts mentioned above and figured they had the same deal as all the other similarly sized financial institutions. When we showed them the initial projected savings—**\$255,000 per year**—they couldn't believe they'd waited so long to negotiate. When all was said and done, the bank recouped **\$2.4 million in savings over the life of the contracts**, which included signing bonuses and retroactive savings.

If a vendor can cut you a deal to keep you on board for another several years, you can bet they're going to—and it's even more profitable when you know exactly what to ask for.

#2: IT'S IN YOUR BEST INTEREST TO BE REPRESENTED BY A THIRD-PARTY NEGOTIATOR.

Knowing what to ask for during negotiations with vendors is key to getting the most favorable results. This is why going it alone is not recommended. When an expert negotiates on your behalf, you benefit from their specialized experience, strategic insight and extensive database of past vendor transactions. This includes everything from what others are paying for specific services, to how far down a vendor went on a particular contract line item, to what type of signing bonuses other financial institutions have recently received. Even if you're the best negotiator in other areas of life, there's just no way to know what exactly to ask for or how far to push when dealing with financial services vendors on your own.

Another critical factor is the time it takes to stay on top of vendors and keep the process moving. Vendors may drag their feet or play hardball. Plus, if you're busier with other aspects of your job like most everyone is today in the current crisis, you may not be able to give vendor contract negotiations the time and energy needed to finish strong. That's where it pays to have JMFA on your side, as one Northeastern credit union client discovered.

When their contracts for core data processing, loan processing, mobile banking and bill pay all came up for renewal, seeking outside help enabled them to stay focused on more pressing strategic initiatives and overcoming the new

"I can't even imagine the number of hours we saved by turning it over to JMFA. It would have been uncharted territory for us to do it alone."

—Northeastern Credit Union Client

challenges at hand. They gained valuable time by moving this task off their plate as well as the much-needed expertise to achieve maximum savings. The credit union **saved \$255,875 annually and secured significant credits—\$125,000 for future processing costs and \$325,000 for technology upgrades.** What's more, instead of having to wait two years for their current contract to expire, the new negotiated pricing was applied immediately.

A third-party expert has both the knowledge and the time to help you reduce your costs and the workload it takes to do so.

#3: DESPITE THE SITUATION, IT IS ALWAYS A GREAT TIME TO NEGOTIATE.

If your contracts are set to expire in 18 to 24 months, don't let your current situation stop you from moving forward. There's no need to put off the opportunity to save.

Look at this as a chance to flex your negotiation leverage and secure an amazing deal that will help reduce operating costs for the next five to seven years. Those who act now—while others may be on the sidelines, thinking it's "not the best time"—will catch vendors at the right time, while the best deals are available.

ABOUT JMFA

[JMFA](#) is one of the most trusted names in the industry. Whether it's recovering lost revenue, uncovering new savings with vendor contract negotiations, creating more value, serving account holders better or delivering a 100% compliant overdraft service—JMFA can help you deliver measurable results with proven solutions. To learn more, please [contact your local representative](#) or call us at (800) 809-2307.

Working with a contract negotiating expert allows you to take hold of the available opportunities without adding more to your plate. Next time you start doubting your negotiating leverage, remember these three truths and resolve to take action. Your account holders, your organization, and your bottom line will be the beneficiaries for years to come.

For more information or additional client success stories, please contact kelly.flynn@jmfa.com.