



YOU'RE GOING TO NEED A BIGGER VAULT

Expensive Mistakes Financial Institutions Make with Their Vendors



STRATEGIC RESOURCE MANAGEMENT

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Strategic Resource Management, Inc.

- 25 Years in Business
- Performance Based Model
- Help Banks Improve the Performance of Vendor Agreements through Benchmarks, Data, and Analytics

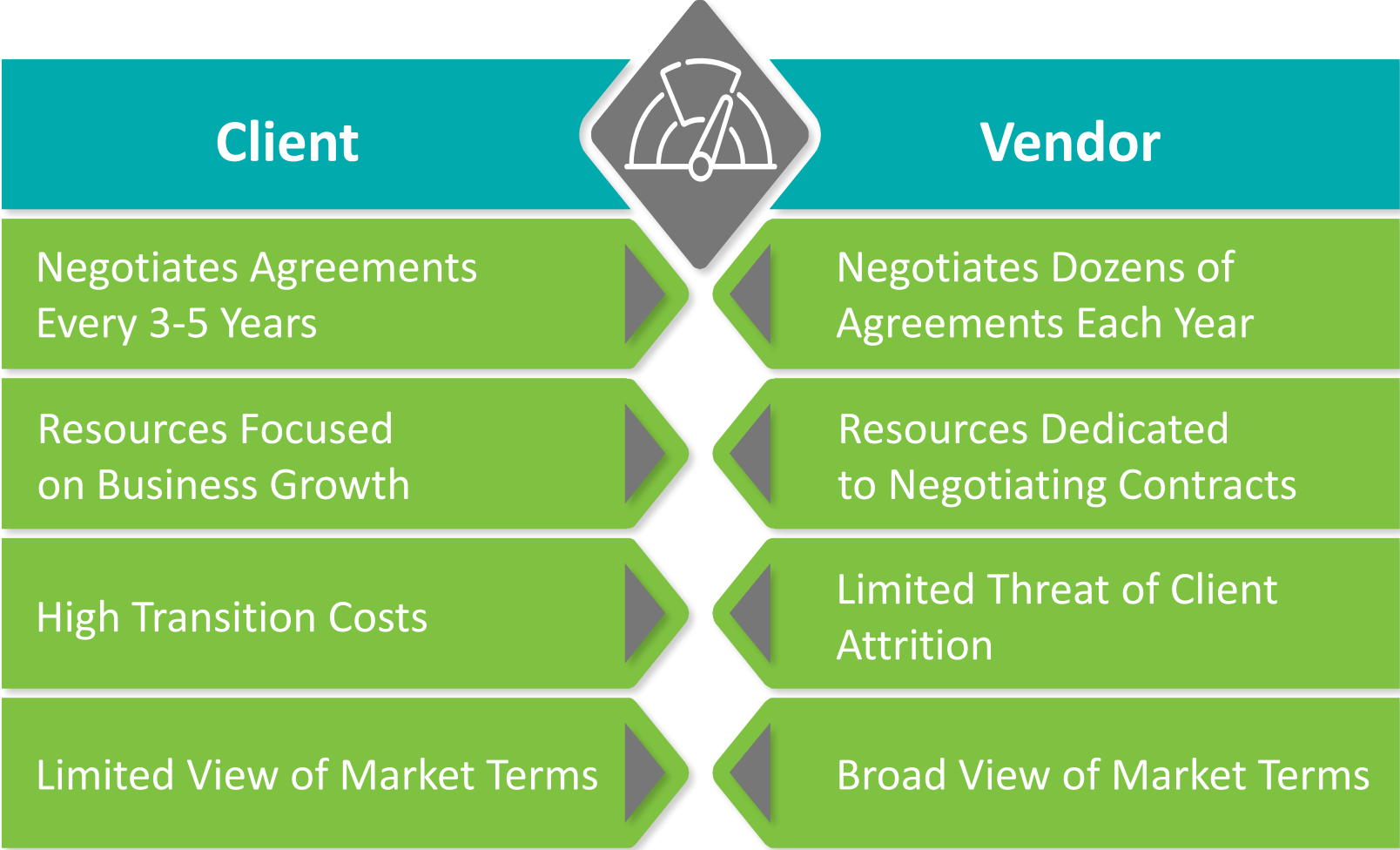


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Basic Truths

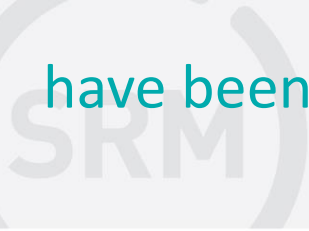
About Vendors

Vendors often have leverage when entering contract negotiations.



But, financial institutions can use an experienced advisor to level the playing field.

“I have always been a competent negotiator. I saved my bank hundreds of thousands. Later I found out it could have been millions.”





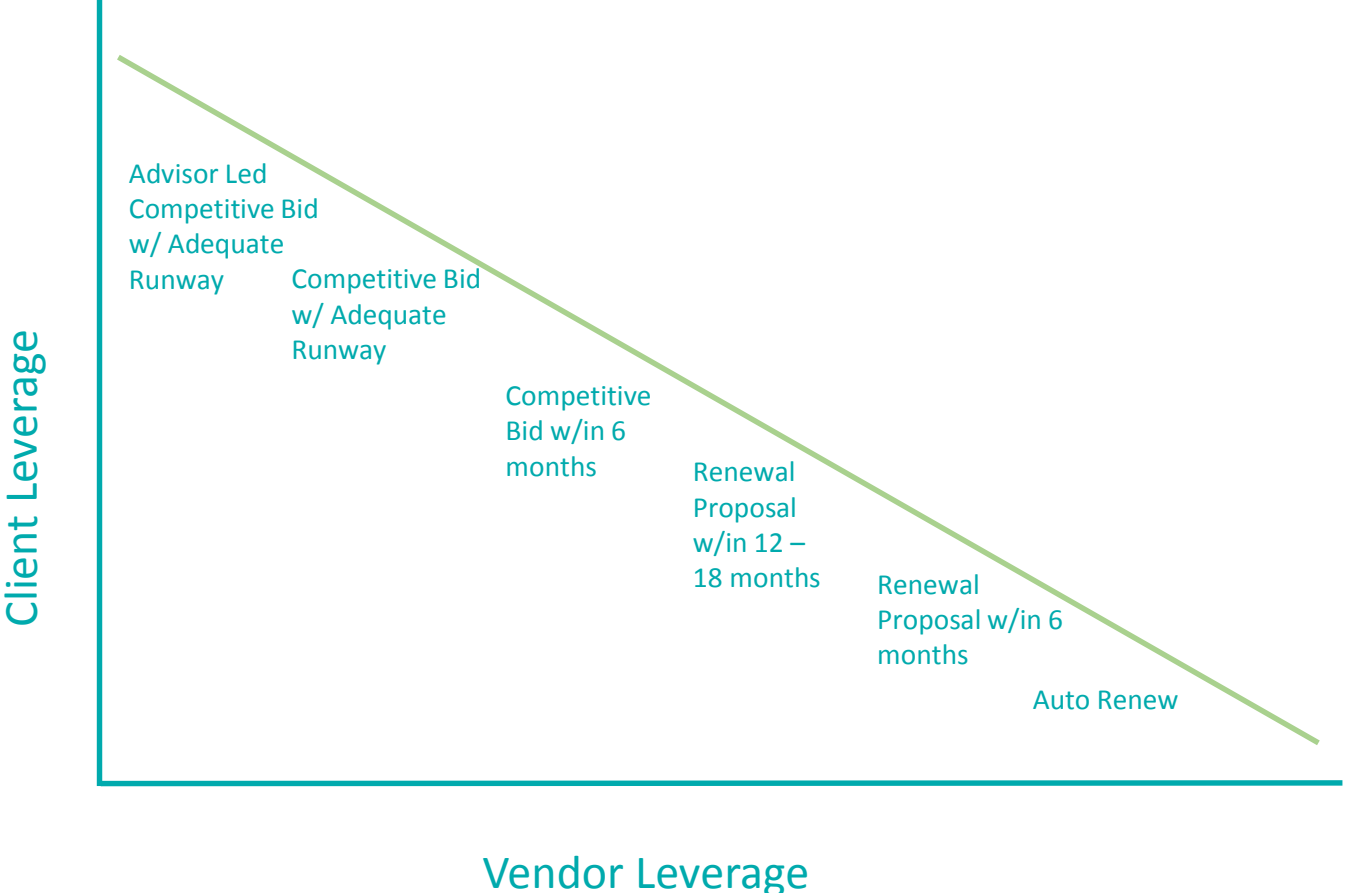
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The Most Expensive Mistakes

Failing To Prioritize Objectives Before Starting Negotiations.



Starting An Evaluation Late In The Contract Cycle.



Sole-sourcing Business Arrangements.



Competitive processes optimize price

No one knows what the market will bear until soliciting proposals

RFPs may be the quickest approach

Competing proposals put the incumbent on the clock

Evaluating options can build market intelligence

Clients can learn about new features, processes, business terms

There is no obligation to move

90% of the time, clients use the process to improve existing terms

Inadequately Negotiating Renewal Provisions.

	Favors Vendor	Favors Client
Renewal Period	<ul style="list-style-type: none">• Longer renewal term, such as 3 or 5 years• Single renewal term	<ul style="list-style-type: none">• Shorter renewal term, such as 1 or 2 years• Unlimited renewal terms
Trigger	<ul style="list-style-type: none">• Automatic unless either party provides termination notice, or only with the consent of both parties	<ul style="list-style-type: none">• At client's election
Notice Date	<ul style="list-style-type: none">• 6 months' notice of non-renewal required• No vendor obligation to inform client of approaching date	<ul style="list-style-type: none">• 6 months' notice required from client, 1 year's notice required from vendor• Vendor must notify client of approaching date
Terms Impacted	<ul style="list-style-type: none">• Increased pricing, relaxation of performance obligations in renewal term	<ul style="list-style-type: none">• Major provisions remain in effect during renewal• Relaxation of exclusivity and reduction in pricing

Extending Agreements Without Negotiating Incremental Financial Value.

Vendor Sales Cost

- Material to start a relationship
- Generally insignificant in a renewal

Vendor Onboarding Costs

- Certain services will have high setup costs
- These are avoided in contract extensions

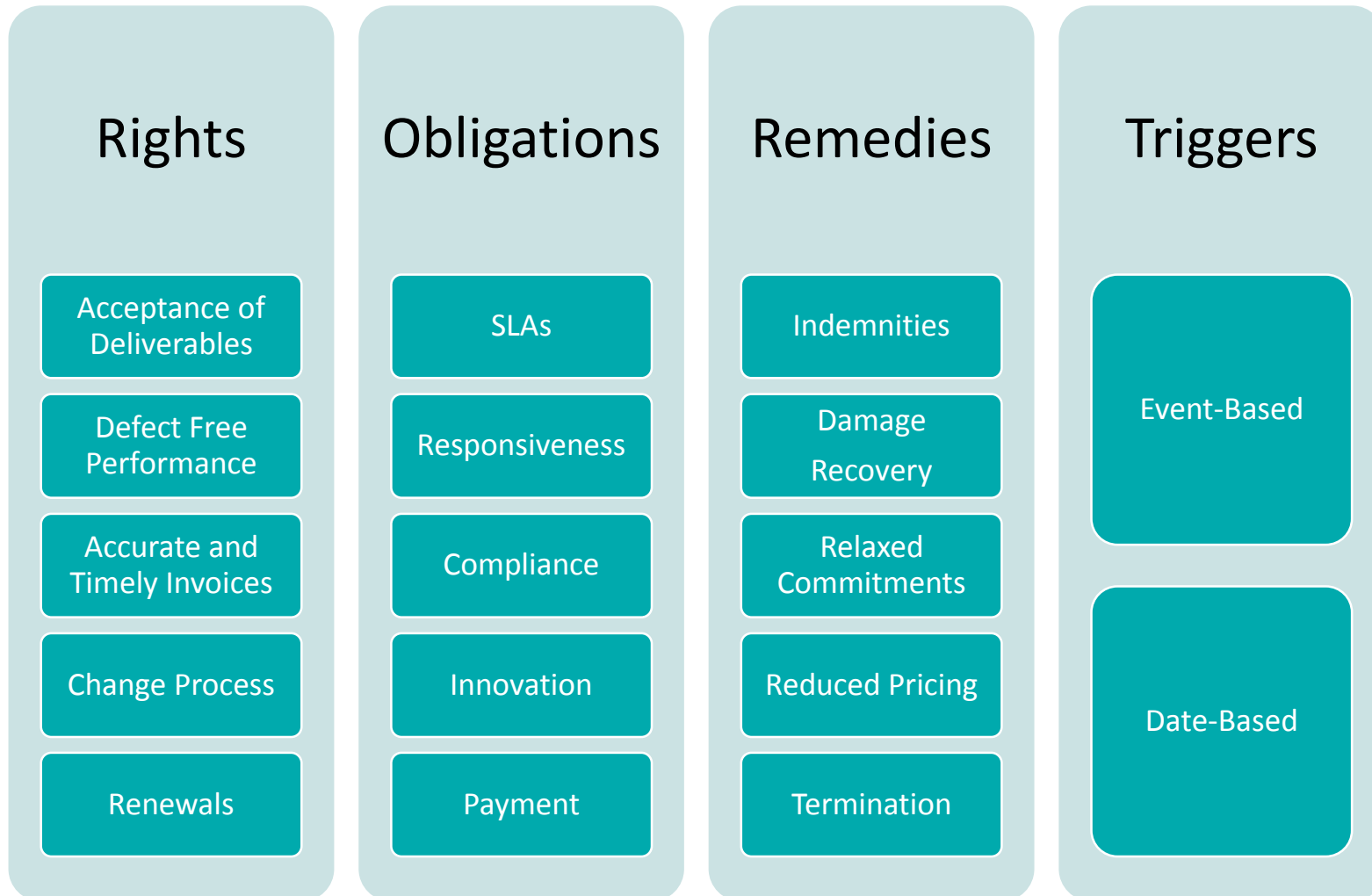
Vendor Financial Investments

- Signing bonuses may be required to win new business
- This could be overlooked in a renewal term

Vendor Operating Efficiencies

- Technology / data costs decline over time
- This benefit should be shared with clients

Managing Vendor Relationships Without An Understanding of Key Business Provisions.



Paying Vendor Invoices Without Performing A Detailed Reconciliation.



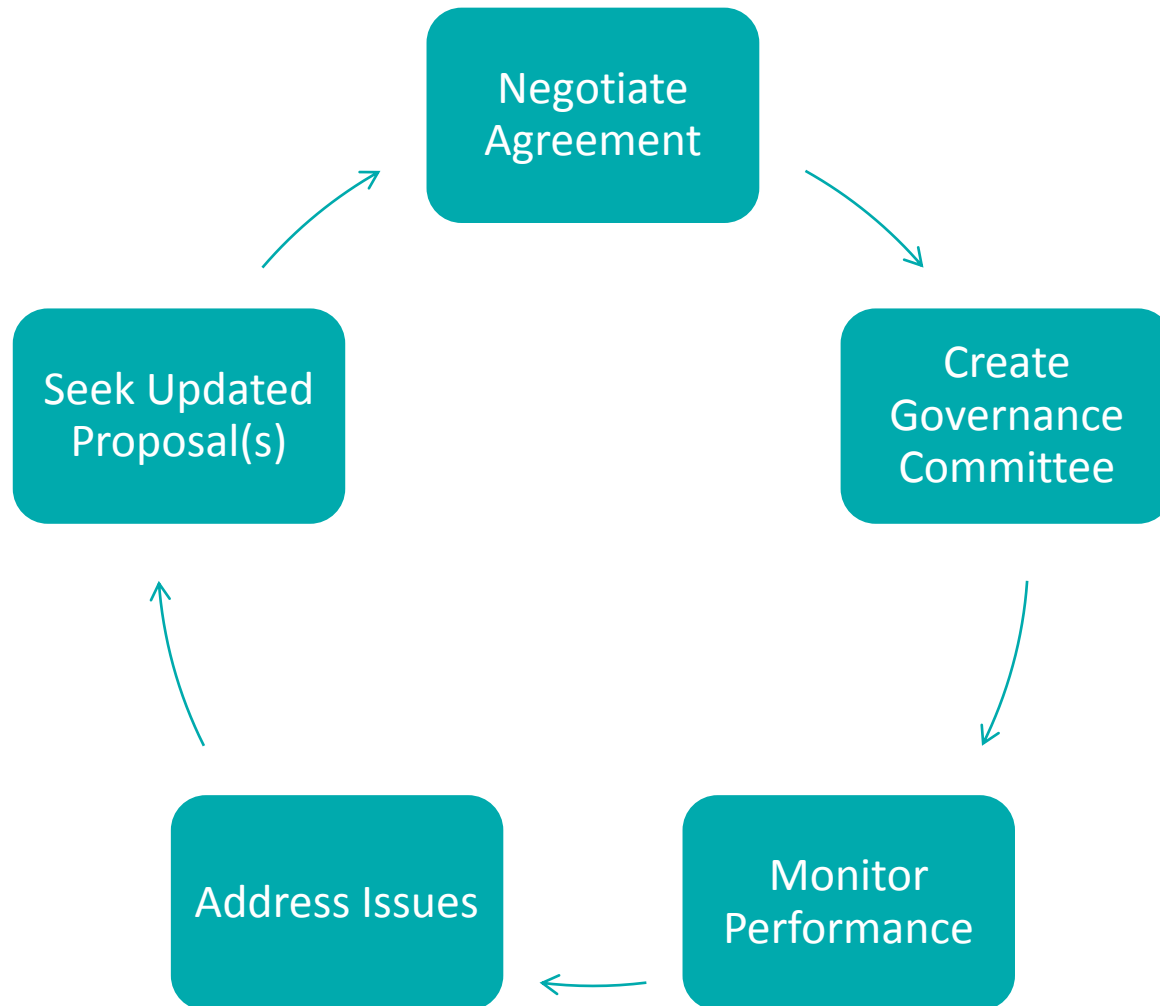
- Use historical activity to forecast future monthly costs
- Forecast at the line-item level for each service
- Account for seasonal fluctuations

- Ensure unit rates match contract
- Compare invoice volumes to forecast
- Note any material variances

- Address any variances in unit costs immediately
- First work with internal stakeholders to explain volume variances
- If not easily explained, research with vendor

- Update forecasts based on changing business conditions.
- Adjust forecasts in accordance with new services, pricing, and usage.

Treating Vendor Selection As A Single Event Instead Of An Iterative Process.



Questions?



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OVER 6,800	700 +
PROJECTS COMPLETED	CLIENTS SERVED
MORE THAN \$2.2 BILLION	
IMPACT FOR OUR CLIENTS	



Thank You

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