

Managing Core Vendor Relationships

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What is at Stake?

- Awareness of Liability/Exposure
- Impact on M&A Opportunities
- Significant/Persistent Costs
- Competitive Factors
- In Short: Proper Oversight

State of the Industry

- Three Dominant Players
- Two-Four Significant Players
- Smaller, Boutique Players
- How do Firms Behave in this Market?

Key Players

- Fiserv
- FIS
- Finastra
- Jack Henry

Second Tier

- CSI
- DCI
- Nicola
- MBS, ASI, IBT, COCC

Discussion

- Publicly Traded Implications
- Service Model
- Average Bank Size
- Industry Focus

Results of Consolidation Activity

- Multiple Core Solutions
- Multiple 3p Solutions
- Challenging Partnerships
- Difficult Decisions

Reasons to Change

- "Sunsetting" of Products
- Feature/Function Issues
- Support
- Pricing

Do You Really Want to Convert?

- Feature/Function Generally Stable
- Fees and Penalties
- Merger/Acquisition Activity
- Training Impact
 - Customers
 - Employees
- Pricing

Renegotiate Early?

- Are You Willing to Extend?
- Add or Replace 3p Products?
- Improve Contract Position
- Always get Value for Renewal

Vendor Management: Lots of Regulatory Attention

- Contractual Issues May Force Bad Decisions
 - Auto-Renewal
 - Clauses that Restrict Choices
- Historically not Centrally Managed

Length of Contract

Key Considerations

Recent Regulatory Issues

- Fourth Party Considerations
- Contingency and Disaster Recovery
- CyberSecurity Oversight

Key Contractual Issues

- Annual Price Increases
 - CPI Adjustment
 - Standard Pricing Adjustments
- Third Party Liability Protection
- Shared Development Costs

Key Contractual Issues

- Service Level Agreements
- Credits and Incentives
- Termination
 - Natural
 - Early
 - Unintended Consequences

A Game Plan for Success

- Actively Manage Vendor Relationships
- Improve Training and Utilization
- Carefully Scrutinize Current Contract
- Carefully Review New Contracts
 - Renewal
 - Add-on Solutions (alignment)
- Monitor Monthly Billings

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Thank You!
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