

# Is It Time to Make the Leap to a New, Better Core Processor?

## SIX WAYS AN EXPERT NEGOTIATOR CAN IMPACT RESULTS

By Kelly Flynn, National Sales Director

The days of floppy disks, dial-up modems and VHS tapes have come and gone, and we've moved on to ever-more advanced technology. Yet many community credit unions still cling to their outdated core processing software. What gives?

Due to a number of factors, many financial institutions may be using core software purchased 20 to 30 years ago. To keep up with changing technology and ways of doing business, a Band-Aid solution has been to layer "ancillary" products on top of it, like online and mobile banking software. But this creates a muddled IT situation that makes it difficult to manage, launch new products and keep up with regulations.

Is that really the best way to go about business for your credit union or your members?

### IT'S TIME TO TEAR OFF THE BAND-AID

According to industry reports, there are several reasons cited for NOT changing core processors. Hesitance to impinge on staff time, fear of members feeling the impact during the switch and price ranked at the top of the list.

To sum it up, it has to do with not having enough time to evaluate all of the options and do a thorough comparison.

This mirrors what I've seen from clients through the years, as well. Pursuing a new core processor is a huge undertaking. As a result, many credit unions will delay beginning the process as long as possible to avoid dealing with the aforementioned side effects. But if your system is outdated, you're only making things worse by delaying the inevitable.

It's time to get over the fear, put a plan in place and rip off that Band-Aid so you can start reaping the benefits of an updated core processor.

### ALL HANDS-ON DECK — AND THEN SOME

As I mentioned, a core processor conversion is a long process. It's best to start two years before your current core processor contract expires. During this time, you'll likely take on few if any other large initiatives and you may need more people power along the way.



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To provide the best service to your members and not overload your current staff, don't be afraid to hire temporary support during this timeframe. It's a common practice and can even lead you to individuals that have the potential to join your organization full-time, down the road. A third-party recruiter that specializes in the financial industry can help you find the perfect fit for temporary positions.

And since you can't magically create more time in the day, you may want to consider hiring an expert contract negotiator that can take the lead for you on the core conversion process.

### WHAT A THIRD-PARTY NEGOTIATOR CAN DO FOR YOU

Professional contract negotiators streamline the process and find the best value for you. Extensive industry experience and knowledge give your credit union the upper hand when evaluating contracts and negotiating the best terms, because professionals know what to ask for and how much other institutions pay for similar services.



In a lengthy process like core conversions, a professional contract review provides even more benefits along the way, including:

1. **Discovery.** After a thorough review of your current situation — including any problems staff may be experiencing with the current system, plus any wants, needs and new application requirements — your consultant can work with you to find the best solution for your organization.
2. **RFPs.** Acquiring competitive bids for services can be a time-consuming process. A contract negotiator will send out requests for proposals (RFPs) to trusted vendors, on your behalf.
3. **Evaluation.** A contract expert can provide an apples-to-apples comparison of the RFPs and help your team narrow down your options, providing clarification, guidance and advice.
4. **Coordination.** To save time, the consultant will set up all meetings between your staff, the negotiations team and vendors — including demos and presentations — so you don't have to.
5. **Negotiations.** A professional negotiator will review all vendor proposals, using a proprietary database, to ensure you are receiving the very best rates.
6. **Final negotiations.** When you have chosen a vendor, the contract experts will complete the “best and final offer” negotiations, contract order and contract review. After you sign the contract, they will transition you to the vendor's implementation team.

As you can see, having help along the way can prevent your staff from getting bogged down by the administrative details of the search process. Plus, when it comes time to negotiate, you will get the best deal and most favorable terms.

### A CORE CONVERSION SUCCESS STORY

Our contract negotiations team recently helped a client institution complete a core processor conversion. In this case, our client had already narrowed the options to two vendors. From there, we helped evaluate each vendor's proposal and negotiated the final offers for our client to choose from.

#### **Here's their story:**

They had been on the system for over 20 years. It was the first — and only — core processing system they had ever used. They had no real idea how outdated the system was until we started showing them what else was available. Plus, the vendor had not released any enhancements in quite some time and they weren't fixing anything, either — just patching or offering a work-around. It seemed to our client that the vendor was phasing out the system.

Also, over the past 10 years, the institution had increased loan volume and the existing core system seemed to them more challenging for their changing needs. In all that time, the rep who serviced the account never offered a different core that was better suited for the institution. If that would have happened, the vendor might have been able to keep them as a client!

By seeking expert advice on evaluating options the institution was able to make the switch without increasing costs.

They got a much better system for the same price. In the end, they are paying less for their item processing and clearings, and for debit card processing. They also received a huge incentive to switch, so that took care of implementation costs.

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#### **After implementing the new core processor, our client experienced:**

- improved operating efficiency;
- the capability to provide a better online and mobile banking experience to members;
- a much better solution for commercial loan repayment structures; and
- the ability to offer more deposit products and services like sweep accounts and rewards checking.

## **START THINKING AHEAD**

The core conversion process can take some time, but the efficiencies, value and growth potential you'll see afterward will make it more than worth it.

If you're not satisfied with your current core processor, check your contract today to see when it's set to expire. Mark your calendar for when it's 24 months from the expiration date—and make a plan to tackle this project head-on.

For more information about core conversions and contract negotiations, contact Kelly Flynn—by email at [Kelly.Flynn@JMFA.com](mailto:Kelly.Flynn@JMFA.com) or call 225-313-3374.

### **ABOUT THE AUTHOR**

*Kelly Flynn is a national sales director for John M. Floyd & Associates (JMFA). She has more than 18 years of experience working with community credit unions of all sizes. Kelly is focused on helping her clients achieve their strategic goals by optimizing the value of their third-party vendor contracts or agreements. Contact her directly at [Kelly.Flynn@JMFA.com](mailto:Kelly.Flynn@JMFA.com) or 225-313-3374.*



### **ABOUT JOHN M. FLOYD & ASSOCIATES (JMFA)**

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