

## 5 THINGS TO CONSIDER BEFORE SIGNING A VENDOR CONTRACT

By [Kelly Flynn](#), National Director



Picture this: you've just been offered what looks like a fantastic contract renewal by your current vendor for credit and debit card processing, or core processing. Renewing means you're locked in, no price increases. You're thinking, "Pretty sweet deal — and I don't have to think about this again for a long while!" But don't sign on the dotted line just yet — what you're signing away could be a substantial amount of savings and much more.

Flexibility and more bargaining power are the keys to securing the best deal. Having a third-party expert on your side to examine and [negotiate your contracts](#) line item by line item to find five-, six-, or even seven-digit savings is the best approach for getting the best results.

So, before you ink a long-term deal, make sure you can answer "YES!" to all of the following:

### **1. Is the vendor constantly innovating and evolving?**

History is filled with once-successful companies that failed to innovate and [lost their edge](#) ... Kodak, Sears, America Online and more. Just because you're with an industry-leading vendor now, the company could be on the decline in a decade or less. Before you hitch your financial

institution to a vendor with a long-term agreement, it is important to investigate what it's doing to stay relevant and competitive for the long-term.

## **2. Is this vendor the best partner for my financial institution?**

Remember MySpace? It was all the rage until a little company named Facebook came on the scene. You can't expect your bank or credit union to be the same institution it was, say, 10 years ago —so be sure to partner with a vendor who will be able to best serve you now AND in the future. If you're renewing with your current vendor, you should be confident they have your best interests at heart, are easy to communicate with and offer solutions that meet your needs — both short- and long-term.

## **3. Is the pricing structure of the contract appropriate?**

Prices for computers, GPS devices, data storage and other technologies have dropped significantly over time with increasing automation and decreasing production costs. The same could be true in the next decade for certain IT services and equipment currently used by your institution. Make sure you are in a position to reap some of these savings related to increased efficiencies. A third-party contract negotiator can easily let you know if you're overpaying for certain services compared to other financial institutions, or if there's a better way to structure your contract to get better pricing. For services like [contract negotiations](#) and [overdraft program consulting](#), contingency pricing offers the most appropriate option of all.

## **4. Will I be taken care of after I sign a long-term contract?**

Don't get stuck with a vendor that operates with an "out of sight, out of mind" mentality. Regardless of your asset size, you have the right to have high expectations for any service you purchase. Your vendor rep should be trustworthy, open to discussion, responsive to questions or concerns, and always proactively reaching out to you to make sure you're 100% satisfied.

## **5. Will I be ready to renegotiate when the time comes?**

When you've been doing business with the same vendor for a long time, it can be easy to miss the auto renew deadline (typically 90 to 180 days from the contract expiration date) and let your contract automatically renew. However, renegotiating gives you the opportunity to review a vendor's products and services against your institution's needs and lets them re-earn your business.

Mark your calendar to begin renewal discussions between 12 to 18 months before the expiration date, which will give you enough time to get the best deal from your current vendor or, if need be, switch to a new one.

Bottom line: Signing a multi-year vendor contract can be beneficial, as long as you carefully consider its short- and long-term impacts for your credit union or bank. If you're worried about the time it takes to renegotiate such agreements, partner with negotiation experts who will do all the heavy lifting to get you the very best deal. Learn more about how [Franklin First Federal Credit Union](#) benefited from contract negotiations support and then complete an easy, [free appraisal](#) to determine just how much your institution can save, starting today.

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