A Case for Hiring a Consultant to Negotiate Your Next Core Processing Agreement

by ICI Consulting

The banking industry is known for its need to keep up with the fast-paced, rapidly changing technology landscape. Since each bank's strategic objectives include providing outstanding benefits and service to its customers, banks must address the constant challenges to keep pace with relevant industry trends, keep up with competition offering innovative solutions, and maintaining efficient operations to support margins. While the financial institution's reputation with its clients is a key ingredient, one of the best ways to ensure the bank's stability, longevity, and ability to compete in the marketplace is the health of its underlying financial foundation. This successful scenario can be accomplished by hiring a consulting firm to assess and improve the overall technology stack and cost structure of the organization, starting with its largest component: the core platform.

Data Processing represents one of the largest expense categories for banks on their balance sheet, making it a prime opportunity for cost savings. An experienced consultant can easily address these expenses, including an institution's technology spend for Core Processing & Ancillary Systems if the timing is right. One crucial component is the negotiation of lengthy vendor contracts supporting the bank's core software and systems. The evaluation and negotiation process is incredibly time-consuming and complex. Outsourcing this daunting task to a consulting firm that specializes in this extremely specific type of evaluation and negotiation is extremely valuable. Three reasons why banks benefit from collaborating with an experienced consultant during core contract negotiations include:

1. **Wealth of Industry Knowledge and Expertise in the Field**

   The Core processing system of a bank is truly the technological pillar of bank operations. Complexity of the systems is notorious as it incorporates critical functions including account management, transaction processing, and customer relationship management. Retaining a consulting firm to spearhead the evaluation process of the current core systems is key to solidifying the best results. A consultant will preserve the time of the bank team, align capabilities with the bank's key business initiatives, and provide industry acumen to support SLAs to surround the customer service goals. Consultants possess an unparalleled grasp of the banking industry, knowledge of market trends, up-to-date information on key technology solutions, and awareness of the latest offerings from a multitude of vendors. Tapping into this very specific knowledge can help the banks secure the best alignment with the core system, minimize disruptions in service to their team and their customers, and preserve the operational stability of the organization.

2. **Understanding the Vendor Landscape**

   Much like every digital-driven, technology-submerged industry, the core vendor market experiences a constant evolution. Consultants, many of whom are veterans of the core vendor industry, have a deep understanding of this market landscape. They know firsthand how the core providers operate, the functionality of the provider systems, and their pathway to the promise of Core Modernization.

They understand pricing model nuances for each of the core providers, have direct access to the right vendor professionals, and will leverage those connections to arrive at the best price and most favorable contract terms. All these valuable insights can prove highly beneficial to banks when crafting negotiation maps for upcoming core renewal projects.

3. Highly Specific Negotiation Skills and Non-Biased Approach

Unless you are a bank with a dedicated evaluation team, it is almost impossible to keep abreast of the rapid advancements in banking industry technologies, including AI, core modernization, and innovation. Core contracts are updated infrequently, and the process of replacing a core system is disruptive and tedious. Often, banks have long-standing relationships with their incumbent vendors which may create a level of familiarity and complacency. The consultants bring vendor knowledge, industry-specific negotiation skills, current pricing intel, and a "fresh set of eyes" for an unparalleled value-add to the negotiating table. They deliver a non-biased evaluation of the current system capabilities focusing on the bank's best interest and growth prospects. Objective evaluation of the vendor performance is necessary in determining alternative, innovative solutions that can be of superior value to the bank. A thorough evaluation combined with a consultant's highly specific negotiation skills can result in outcomes that exceed the bank's expectations:

- A top-notch core processing environment coupled with competitive pricing
- Impactful service level agreements (SLAs)
- Iron-clad contract terms beneficial to the bank and well-aligned with its strategic objectives

In conclusion, the expertise consultants bring to the evaluation process and the negotiating table for any core processing system project or Core renewal is invaluable. Customer expectations dictate the need for Banks to keep pace with newest trends in technology, innovation, fraud prevention, risk mitigation, and new trends evolving in the banking industry. By leveraging consultants' in-depth knowledge of industry, expertise of vendor landscape, and an unbiased negotiation approach, banks can effectively navigate the complexity of the core processing system.

Engaging a trusted consulting partner allows financial institutions to protect resources, enhance operational stability and security, and maximize long-term savings, all while ensuring their technology investments align with future growth and innovation adoption requirements.

About ICI

Since 1994, ICI Consulting has helped banks and credit unions to assess, cost justify, evaluate and convert core processing, artificial intelligence, digital banking, EFT, lending, document imaging, CRM and branch solutions. ICI has performed over 1,300 engagements for nearly 850 bank and credit union clients in all 50 states and on four continents. Please click the links to schedule a Complimentary Core Pricing Analysis or Exploratory Discussion.

Your ICI Contacts:

Thom Gresak, SVP
Mobile: (804) 337-7802
thom.gresak@ici-consulting.com

Kevin Mehl, EVP
Mobile: (262) 617-7576
kevin.mehl@ici-consulting.com

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