CCG | Catalyst Consulting Group

CASE STUDY:

A double contract negotiation for a $1 billion, nationally chartered bank in the Northeast

When a vendor contract is coming up for renewal, it can spark feelings of opportunity and a headache at the same time. When two contracts are coming up for renewal, well, you can imagine the compounding that can occur. CCG Catalyst recently helped a client in exactly this situation. Our client, a $1 billion, nationally chartered institution in the Northeastern US, was looking to negotiate on its core system contract as well as on its contract with its credit card servicing provider. We took a holistic approach with both vendors, grounded in relationship management and facilitation, to maximize not only savings but also improved communication and understanding on both sides.

THE CLIENT PROBLEM:

Our client needed to negotiate on two contracts coming up for renewal, one with its core system provider and another with its credit card servicing vendor. Based on our assessment, there were a few issues with its existing contracts:

- Pricing was out of line with the market. The bank was paying about 20% higher across those contracts than what we see in the market at CCG Catalyst and based on our industry knowledge. In particular, the bank had experienced considerable growth and was not benefiting from volume-based discounts.
- Contractual language, especially on core, did not reflect the bank's growth strategy. Notably, there was no language around the potential for merger and acquisition (M&A) activity, an extremely important element for any financial institution (FI) that is focused on expansion.
- The bank also suffered from communication issues with both vendors, largely around response times as outlined in their service-level agreements.

These issues are not uncommon, but solving for them was critical to supporting the bank's long-term strategy, especially given the flexibility required in staying committed to growing the bank and delivering value for shareholders.

OUR STRATEGY AND APPROACH:

Our approach was to tackle each of these issues individually with each vendor, while facilitating communication between the parties.

By stressing not only the bank's tenure with both providers but also its recent (and potential future) growth, we were able to demonstrate that a price reduction on each contract was not only warranted — it was long overdue. When you grow, you should see discounts on your volume-based pricing, but they hadn't. We helped the bank to communicate that story and bring their pricing in line with the market by assuring each vendor that they would continue to benefit from the bank's trajectory.

When it came to contractual language, again, we were focused on adding provisions that would protect the bank as it continues to grow. That included clear language around M&A as well what would happen if the bank reached certain volumes organically. These points were designed to ensure that our client wouldn't again end up in a position where its contracts did not reflect the present state of the institution. We also took care to make sure the term length of each contract reflected where the industry is headed and the advancement of technology.

Perhaps most importantly, though, we created a dialogue between the bank and its vendors to help flesh out and solve issues that were impacting the business. This helped to improve language around reporting and response times as well as to create an environment in which everyone felt heard and positive about the future.

OUTCOME AND RESULTS:

Ultimately, we were able to save the bank $20 million over 5 years. That included a 31% reduction on current spend for core and a 24% reduction on current spend for credit card servicing. Critically, because CCG Catalyst charges a fixed monthly retainer fee for its contract negotiation services, these savings will go directly to the bank.

Additionally, we were able to secure strong contract language that protects the bank with reasonable term limits. And we helped the bank to strengthen its relationship with both vendors through better and more open communication. By mediating through issues around response times, for example, we were able to adjust response time language in the bank's service-level agreements from 99% to 99.7%.

WHAT MAKES THE DIFFERENCE?

CCG Catalyst's relationship-based approach is designed to not only save the FI money but also to foster better vendor management. We focus on the relationship between the parties and building that relationship, so it works for everyone. At the end of the day, all should feel good about where we end up. In this particular case, the client is happy with its contracts, and the vendors are happy to keep working with the client as it grows.