

Last-Minute Call Leads to Profitable Contract Renegotiations

As savvy businesspeople, CEO Keith Uyeno and Accounting Manager Kim Lee of Kauai's Garden Island Federal Credit Union (GIFCU) began to wonder if their credit union was paying more than its peers for its debit card processing system. And as savvy businesspeople tend to do, Uyeno and Lee took initiative, researching the best way to renegotiate a better deal with their current vendor.



In the beginning, the cost-conscious GIFCU Board of Directors wanted an in-house team to handle the negotiations. However, Lee recalled speaking with JMFA national sales director Kelly Flynn the previous year and being impressed with JMFA's risk-free, performance based contract negotiation services. Lee contacted Flynn, just in the nick of time. You see, JMFA typically recommends initiating the contract renegotiation process when contracts have 18-24 months remaining. But in GIFCU's case, there wasn't a moment to spare—their current debit card processing contract would expire in a little over six months, and their contract non-renewal letter was due in just two weeks. If they didn't drop it immediately, they would end up with the same vendor under the same terms for another lengthy period of time.

STARTING OFF ON THE RIGHT FOOT

JMFA wasted no time in performing a free analysis of GIFCU's previous years' expenses and projected an annual savings of \$27,894. To achieve that, the credit union had to first drop the non-renewal letter—and quickly. Flynn explained that this is the first step of ANY contract renegotiation process and reassured them – their current service would not and could not be affected whatsoever. In addition, two very important universal concepts were stressed, which every financial institution should understand:

- ✓ Sending a non-renewal letter is NOT the same as terminating service. It simply means that the contract won't renew at the existing rate. (Most core processing contracts have a 12-month window from the time a non-renewal notice is due until the end of the contract; card processing contracts typically have a 3-6 month window. Either way, nothing can change in that period of time while the contract is still in effect.)
- ✓ Sending a non-renewal letter puts your current vendor on notice that they will need to re-earn your business, and frees you to negotiate simultaneously with other vendors.

MAXIMIZING SAVINGS, ONE LINE ITEM AT A TIME

Once the non-renewal was dropped, the real work began. JMFA went over every line item of GIFCU's billing with its current vendor, comparing it to market averages and negotiating for savings. The combination of JMFA having the knowledge of what the vendor had agreed to for other credit unions and the vendor knowing that we know this information always proves to be a powerful combination. The vendor responded quickly with concessions and savings, earning the credit union's business for several more years.

JUST HOW MUCH DID GIFCU WALK AWAY WITH AFTER ALL WAS SAID AND DONE?

"\$27,511 in annual savings—a 23% reduction in costs and just a couple hundred dollars shy of JMFA's initial estimates. Additionally, JMFA negotiated a \$30,000 signing bonus and \$6,800 in retroactive savings, meaning GIFCU didn't even have to wait until its new contract took effect to start experiencing a reduction in expenses.



"What we got was more than expected, which was a nice surprise," said Uyeno. "We didn't expect invitations to the vendor's conference or a signing bonus. If we had done our negotiations in-house, we wouldn't have even known to ask for those additional items."

REFLECTIONS ON THE RENEGOTIATION PROCESS

The entire process, from the day contact was initiated with JMFA to the finalization of the contract negotiations, took a swift three months.

For GIFCU, it was an eye-opening experience. Its team realized that JMFA's industry influence, experience with vendor pricing and expertise in negotiating gave us the upper hand that couldn't be replicated in-house. And with JMFA's 100% guarantee of not getting paid unless it first saved them money, there was no reason for the credit union not

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to reach out for assistance. In the end, the credit union agreed that the benefits they received far outweighed the cost of our services.

Most importantly, the credit union let go of its fear surrounding contract negotiations. We're so proud to have empowered the GIFCU team with the confidence to explore its options and not be afraid to go after the best deals out there.

"JMFA went to bat for us. It's great to know a reputable company will be continuously making sure we're getting the right services and being billed properly throughout the term of our contract," Lee said, referring to JMFA's commitment to monitor and review the vendor's billing to ensure the new rates are applied correctly. "It's been nothing but a positive experience."

Uyeno and Lee noted the helpfulness of our staff, reasonable cost and our negotiation experience as reasons why they would highly recommend JMFA to other financial institutions looking to reduce expenses. We are honored that they subsequently have engaged us to assist with their online banking vendor negotiations, where we expect to execute another win-win situation.

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To learn more, please contact Kelli Silvernale at kelli@cuvm.org or 850-558-1082.