

Is Your Core... working for you?

How to effectively manage and leverage the
most important relationship in your bank.

Genesys Technology Group, LLC
david@genesystg.com



Market Update



Manage & Leverage



Govern



Wrap Up & Questions

1

Is Your Core...

working for you?

Bank technology consulting that pays for itself.

Which one...



are you?

2



It doesn't have to be like this.

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MARKET
UPDATE



FINTECH

GO

Core Landscape

Post 2008 - Adapt or DIE

New ERA of Banking

Let's go



PLAYERS

Revenue

1. FIS \$9.2 billion
2. Fiserv \$5.51 billion
3. Finastra \$2.1 billion
4. Jack Henry \$1.43 billion
5. Shazam Undisclosed
6. CSI \$234 million
7. DCI \$40 million

Core Footprints

1. Fiserv 40%
2. FIS 20%
3. Jack Henry 20%
4. CSI 6%
5. Finastra 5%
6. Shazam
7. DCI



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Audience Poll:
Who's Your Core?





VENDOR Market Dynamics

CONSOLIDATION v. NEW ENTRANTS

CONSOLIDATION...

FIS

InterCept
Aurum
Metavante

Fiserv

PCS
OSI

JHA

BancTec

CSI

McCoy M.

NEW ENTRANTS...

START UPS

1. NYMBUS (open api)
2. Finxact (isolate core)

Vertical

1. Shazam
2. Temenos (UK)
3. VSoft (gone)

DOWNStream...
InfoSys

NEW ENTRANTS...

START UPS

1. *NYMBUS* (open api)

2. *Finxact* (isolate core)

Vertical

2.1 *PinXact (isolate core)*

Vertical

1. Shazam

2. Temenos (UK)

3. VSoft (gone)

DOWNStream...

3. *vSort* (gone)

DOWNStream...

InfoSys



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DOWNStream...
InfoSys



SOFTWARE *By Vendor*

Choose wisely...

Fiserv

Precision

Premier

DNA

Signature

Cleartouch

FIS

BancPac

Bankway

Horizon

IBS

JHA

Core Director

20/20

Silverlake

CSI

Meridian

NuPoint

Finastra

Sparak

Phoenix



ADAPT OR DIE

Post 2008 Survival Strategies

CONSOLIDATION

Core Vendors

1. Acquire
2. Find new sources of revenue
3. Revamp and invest

FINTech

Banks

1. Acquire
2. Regulatory pressure
3. Cut costs and find capital

FINTech



NEW ERA OF BANKING

Rising out of the ashes...

- 1 Technology is more important than ever



NEW ERA OF BANKING

Rising out of the ashes...

- 1 Technology is more important than ever
- 2 Banks need a partner, not a vendor



NEW ERA OF BANKING

Rising out of the ashes...

- 1 Technology is more important than ever
- 2 Banks need a partner, not a vendor
- 3 Choices are limited. Must effectively manage and leverage your core relationship

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MANAGE & LEVERAGE

A large, light blue circle is centered on a dark blue background. Inside this large circle, at the bottom, are three smaller, overlapping circles of the same light blue color. Each of these smaller circles has a darker blue border. The first circle on the left is labeled 'Self Assess', the middle one is labeled 'Manage', and the one on the right is labeled 'Leverage'. The text 'MANAGE & LEVERAGE' is written in white, bold, sans-serif font in the upper left quadrant of the large circle.

**Self
Assess**

Manage

Leverage

HOW DO YOU MANAGE?

The most important vendor relationship in your bank



Reactive

3



Proactive

HOW DO YOU MANAGE?

The most important vendor relationship in your bank



Reactive



Proactive

3



Gut check. What's your management style?

REACTIVE

re•ac•tive – adjective



acting in response to a situation rather than creating or controlling it

Characteristics | Symptoms

- Angry
- Lack of trust
- Taken advantage of
- Source of tension among team

Tactically

- No one owns the relationship
- Engage when there is an issue
- Never see your rep
- Rep is changed frequently
- Overpriced and under deliver

PROACTIVE

pro•ac•tive – adjective



creating or controlling a situation by causing something to happen rather than responding to it after it has happened



Characteristics | Symptoms

Intentional

Mutual respect

Healthy amount of trust

Business relationship

Tactically Leverage

Chain of command familiarity

Relationship Owner

- + Reads all communications
- + Clearly defines expectations
- + Delegates | Interaction & Oversight
- + Documents Issues (smartsheet.com)

Performance Reviews

- + Annually
- + Management from both teams
- + Selectively share strategic plan

LEVERAGE

Be PROACTIVE

- ✓ Lean into their services
- ✓ Leverage operational assessments
- ✓ Invest in getting to know management
- ✓ Attend and participate in user group(s)
- ✓ Attend conferences
- ✓ Take the time to be a reference



KEEP IN MIND

It's a relationship

- You can only control you
- Keep it professional
- Things WILL go sideways
- You cannot plan for or predict everything
- Accountability is healthy
- But, in the end, the relationship is governed by a contract



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GOVERN

Your Contract



Renewal
Game Plan



THE CONTRACT

WHEN THINGS GO SOUTH - THIS DOCUMENT COMES OUT

1. In the past, chances were low you will ever need it
 - Conversion - on the rise...
 - Merger/Acquisition - everyone is for sale
2. Provides framework of accountability
3. Outlines consequences of early termination
4. You must understand your exposure
 - How pricing affects you long term
 - Terms and conditions vs. strategic initiatives
5. Several hundred pages of twists and turns





YOUR CONTRACT RADAR

These should compliment your bank's strategic objectives



TERMINATION FEES

| Liquidated Damages | Deconversion Fees | Conversion of Legacy Data | Holdover Premiums | M & A Carve Outs |
|------------------------------|--------------------------|---------------------------|---------------------|-----------------------------------|
| Term and Renewal Term | Notifications | Governing Law/Arbitration | Changes to Services | Third Party Contracting |
| Transition Services | Problem Reporting & Cure | Termination for Breach | Fee Increases | Payment |
| Billing Errors | Limitation of Liability | SLAs | Credit & Incentives | Regulatory Audits & Documentation |
| Commencement on New Services | Exclusivity | GLBA | Training | Client Obligations |

RED FLAGS

PAY SPECIAL ATTENTION WHEN...

- Multiple schedules, exhibits, addendums (**consistency**)
- One section refers to another section
- You execute any new service during term of existing contract

DIG DEEPER AND TIE DOWN...

- "At then market rates"
- "Standard" is the kiss of death
- Any ambiguous or open-ended language





YOU NEED A GAME PLAN

A healthy cycle of due diligence and accountability

- Where are you?
- When is your next renewal?
- What is your game plan



YOU NEED A GAME PLAN

A healthy cycle of due diligence and accountability

- **Where are you?**
- When is your next renewal?
- What is your game plan

To the polls...



THINK STRATEGICALLY

Renewal negotiations are the best time to...



1. Consolidate vendors and co-term agreements
2. Change deployment
3. Align your contract with Strategic Initiatives
4. Review and revise current language
5. Purchase new products and services
6. Negotiate "value added" services
 - Operational Assessments
 - Conference Attendance
 - Regulatory Documentation



*Two years from end of term is the ideal time to form your **game plan**.*



GET ORGANIZED

1. ESTABLISH COMMITTEE OVERSIGHT
2. TAKE INVENTORY - BUILD SYSTEMS DASHBOARD
3. IDENTIFY ANY VENDOR/SYSTEMS **CONSOLIDATION**
 - Vendor Name
 - System/Service Provided
 - Effective Date & Term
 - End of Term
 - Notification Requirement
 - Average monthly spend
4. IDENTIFY NEW PRODUCTS AND SERVICES
 - Core vendor new services
 - Third-party API's that may be needed
5. IS A FULL CORE EVALUATION ON THE TABLE?

5 Do you know your vendor strategy?



GAME PLAN

Clearly define your objectives

- **Ideal term & renewal term**
- *Deployment change or stay in house?*
- *Terminate services?*
- *Have contractual revisions ready*
- **Reduce cost on trending services**
 - *Mobile | Bill Pay | Remote Deposit Capture*
- *New services*
- *Tighter integration with third parties*





STRATEGIC GOALS

NEGOTIATE SPECIFIC AREAS OF YOUR CONTRACT



Outsourcing

1. Termination fees
2. Price increases
3. Tiered pricing
4. Volume discounts
5. Discontinued services
6. Training
7. SLAs

Merger & Acquisition

1. Termination fees
2. Same vendor scenarios
3. Conversion costs
4. Hourly rates
5. Sample Scope
6. Tie to contract

Branching

1. Sample Scope
2. Hourly rate
3. Tie to contract

6

Audience Poll: In-House?



BE PERSISTENT ▪ BE SPECIFIC ▪ TIE IT DOWN IN AN AMENDMENT



TRENDING IN COMMUNITY BANK TECHNOLOGY

RENEWAL NEGOTIATIONS IS THE PERFECT TIME TO ACQUIRE NEW TECHNOLOGY

- API'S - integration to third party applications
 - Isolation of the core
 - API Marketplace
- Data Analytics
- Digital Channel Integration and Appearance
- Digital Payments
- Innovation
 - Customer Experience
 - Channel Continuity
 - Process Improvement
 - Sales and Marketing
- Managed Services
- Call Center



ENGAGE

1. AT LEAST 18 MONTHS FROM END OF TERM
2. PROVIDE NON-AUTO RENEWAL NOTIFICATION
3. REQUEST RENEWAL PROPOSAL
 - New Paper
 - Pricing Addendum
4. BUILD VALUE AROUND RELATIONSHIP RENEWAL
 - Allow them to establish opportunity cost
 - Outline vendor consolidation opportunities
 - If in-house - time to look at outsourcing?
 - Outline changes to existing agreement
 - Provide clear list of new services
 - Allow them to pitch new services not on your radar



AUDIT & REVIEW

1. *Review all proposals for accuracy*
 - Volumes
 - Discounts
 - Calculations
 - Products
2. *Do not accept summaries without detail*
3. *Line their proposal up to your invoice*
4. *Audit every new document*
5. *Be careful of DocuSign*
6. *Review and audit all invoices after renewal*



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HOMESTRETCH

**WRAP
UP**

?

PUTTING IT ALL TOGETHER

REFLECT | MANAGE | LEVERAGE | GOVERN



**The industry
demands that
we adapt.**

**It's a relationship
that can yield
dividends**

**Take the
opportunity
every renewal to
level the
relationship**

THANK YOU

Questions?

*David W. Saylor
President | Genesys Technology Group, LLC
david@genesystg.com
www.genesystg.com
(770) 729-4139*

*Access the Presentation:
genesystg.com/cbaga*



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