

Rising to the Challenge

7 Rules for Optimizing Vendor Contracts



ACTIVATE WHAT'S NEXT



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Patrick Goodwin is the President of SRM and the Practice Leader for the Technology Advisory Services. In this role, Goodwin oversees the project management team that implements the bottom line improvement strategies for clients.

Goodwin joined SRM more than 15 years ago, and has been instrumental in driving consistent growth for SRM. He began as a project manager, and in subsequent years took on more leadership opportunities in project management. His knowledge of credit and debit card services, M&A contracts, and more remains vital to SRM's clients' continued success.

Prior to joining SRM, Goodwin worked in the healthcare industry for several years, responsible for the development of financial management tools to measure the cost and performance for satellite locations as well as for the development of standardized training and operations processes.

Goodwin is a regular speaker at state banking conferences and credit union forums. Goodwin earned his Bachelor of Business Administration in economics from Mississippi State University.



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Richard Whiddon is a Senior Vice President, Business Development at SRM, a leading advisory firm with specialized expertise in sourcing, strategy, payments, and technology throughout North America and Europe.

Whiddon brings over 25 years of executive financial services leadership ranging from early-stage start-ups to large-scale loan origination and deposit platforms. His understanding of perpetual changes in the marketplace enables him to help financial institutions compete with the largest competitors in the market, along with other industry disruptors.

At SRM, Whiddon helps banks and credit unions to match needs with vendor management strategies in areas such as credit and debit cards, payments, core processing, and lending origination. Prior to SRM, Whiddon led the development of first-generation online account opening at uMonitor. He served in executive roles at Harland Financial Solutions, Finastra, MortgageBot, CRIF Lending Solutions, and MeridianLink.

Whiddon graduated from the University of Memphis.



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Bill Pusey is a Managing Director, Business Development at SRM, a leading advisory firm with specialized expertise in sourcing, strategy, payments, and technology throughout North America and Europe.

Bill is an experienced leader in business development and client relations with a proven track record in banking and consulting. He is recognized for building strategic partnerships and driving organizational growth and believes in the importance of aligning client needs with innovative solutions. He has extensive expertise in deposit gathering, effectively leveraging tools to optimize this critical aspect of the balance sheet.

Prior to joining SRM, Bill served as an EVP at the Independent Community Bankers of America (ICBA), responsible for member acquisition and engagement. He also held various leadership roles at Reich & Tang, Emery Leadership Group, and Promontory Interfinancial Network. He has also spent time in management roles at various community and regional banks.

Bill graduated from the University of Vermont.

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Industry Context and the Vendor Challenge



Growing Reliance on Vendors and Fintech Partners



Increased Vendor Dependency

Financial institutions rely heavily on fintech partners for faster innovation, specialized products and services, and 3rd party investments that scale.



Operational Complexity

Managing numerous vendor contracts creates complexity and risks overlooking cost optimization opportunities.



Strategic Risks and Challenges

Long-term vendor agreements may limit pricing flexibility and impact service quality for financial institutions.



Necessity of Contract Negotiation

Effective vendor contract negotiation are essential for maintaining profitability and competitive advantage.

The Power Imbalance

Information Advantage of Vendors

Vendors leverage deep, current market knowledge of trends and competitive offerings to structure negotiations with a competitive advantage over financial institutions.

Institutional Knowledge Gaps

Financial institutions often lack frequent negotiation experience and visibility into market benchmarks, creating a disadvantage.

Complex Pricing & Contracts

Evaluating complex pricing models and bundled services requires specialized expertise not always available internally.

Need for Data-Driven Strategy

Addressing imbalance demands preparation, data-driven decisions, and often external expert support.

Challenges of Switching Vendors

Direct and Indirect Costs

Switching vendors incurs direct fees and implementation costs, plus indirect impacts like resource diversion and operational burdens.

Operational & Staff Challenges

Risks include customer disruption, data migration issues, and staff resistance due to learning new operating environments.

Incumbent Vendor Leverage & Pricing Strategy

Vendors leverage conversion reluctance to maintain margins, offering modest concessions during contract renewals.

Overcoming Fear of Changing Status Quo

Institutions must evaluate credible alternatives and show a willingness to change to overcome vendor leverage.

Financial Impact of Poor Contract Management

01

Hidden Cost Drivers

Insufficient access to market data, conversion/implementation costs, and passive contract renewal strategies increase operating expenses significantly.

02

Potential Savings Opportunities

Rigorous contract assessments can unlock millions in savings by addressing hidden cost drivers, timing, and market changes.

03

Risks of Passive Management

Missed notifications and renegotiation triggers due to poor contract management erode margins over time.

04

Strategic Importance

Viewing vendor contract optimization as a strategic discipline is key to financial health and growth.

Why a Structured Framework is Essential

THE VENDOR CHALLENGE

Need for Structured Approach

Ad hoc negotiation methods are ineffective due to vendor relationship complexity and financial risks.

Benefits of Framework

Framework ensures consistency, accountability, and repeatability throughout vendor lifecycle management.

Principles of Successful Negotiations

Focus on early preparation, disciplined governance, market awareness, and informed decisions over adversarial tactics.

From Reactive to Proactive

Instituting these principles shifts organizations from defensive to proactive vendor management strategies.

Early Preparation and Disciplined Execution



Rule One

Start the Process Early

Importance of an Early Start

Starting contract reviews early increases negotiation leverage and avoids costly short-term extensions.

Comprehensive Vendor Evaluation

Vendor evaluation, including RFPs, takes many months and requires ample preparation time.

Strategic Internal Alignment

Early start enables alignment on priorities ensuring negotiations support long-term business goals.

Understanding the RFP Timeline and Leverage



Rule Two

Develop a Disciplined Approach

Clear Leadership Assignment

Assign an internal project lead to ensure accountability and align contracts with strategic, operational, and financial goals.

Separate Negotiation from Relationship Management

Keep negotiation leadership distinct from day-to-day vendor management to maintain objectivity and Stronger negotiation outcomes.

Standardized Processes

Implement standardized evaluation criteria, documentation, and approval workflows to treat contracts as strategic assets.

The Role of Contract Management Software

➤ Centralized Contract Visibility

Contract management software centralizes contract data, enabling easy tracking of critical dates and terms to avoid missed obligations.

➤ Automated Alerts and Tracking

Systems provide automated alerts for renewals and track amendments, helping institutions manage contracts proactively despite staff changes.

➤ Value Realization and Governance

Contract software supports value realization by monitoring pricing tiers and service-level commitments, integrating with governance for accountability.

Setting Clear Evaluation Priorities

Importance of Clear Priorities

Clarity on key evaluation criteria guides effective negotiation and prevents derailment by internal or external challenges.

Beyond Pricing Considerations

Negotiations should consider service delivery, functionality, flexibility, governance, and process improvements alongside cost.

Adapting Priorities Over Time

As strategic goals shift, evaluation priorities like scalability and integration become increasingly important for growth

Enabling Trade-Off Analysis

Clear priorities allow for trade-offs, exchanging concessions in one area for gains in another to maximize long-term value.

Maintaining Leverage through Market Awareness



Rule Three

Keep Your Options Open

Avoid Automatic Renewals

Never automatically renew contracts without reviewing terms to identify potential savings and improvements.

Beware of Early Renewal Offers

Early streamlined vendor renewal offers can limit scrutiny and lock in less favorable terms.

Market Price Dynamics

Technology markets typically experience downward price pressure from competition and innovation over time.

Maintain Negotiation Leverage

Keeping options open preserves leverage and encourages vendors to offer competitive pricing.

Using the RFP as a Market Intelligence Tool

Market Evolution Insights

RFP responses highlight vendor differentiation and emerging market trends, revealing evolving standards and premium features.

Pricing and Negotiation Leverage

Understanding pricing flexibility through RFPs enables better renegotiation of terms and improved service agreements.

Challenging Internal Assumptions

The RFP process challenges assumptions about affordability and possibilities, uncovering unmet needs even within current vendors.

Strategic Vendor Management

Treating the RFP as a learning tool enhances vendor management and supports strategic decision-making beyond selection.

Rule Four

Pay Close Attention to Renewal Terms

1

Common Renewal Pitfalls

Missing renewal notice deadlines often leads to automatic multi-year contract renewals at existing rates, typically subject to annual increases.

2

Negotiation Challenges

Vendors gain a negotiation advantage after missed deadlines.

3

Proactive Contract Management

Institutions should limit renewal durations, seek termination rights, and require advance renewal notices.

Safeguards against Auto-Renewal Risk

Early Termination Notice

Providing written notice to terminate at contract signing neutralizes auto-renewal clauses from the start.

Vendor Reminder Notices

Requiring vendors to send renewal reminders ahead of deadlines helps prevent unintentional renewals.

AUTO-RENEWAL SAFEGUARDS

Four Proactive Steps

Flexible Renewal Terms

Shortened renewal periods and termination-at-will during renewals increase contract flexibility and control.

Contract Management Software

Using software tools enhances oversight and enforces safeguards against unintended auto-renewals.

Rule Five

Leverage Outside Data and Partners

Importance of External Data

External data provides critical context and levels the playing field in negotiations.

Role of Third-Party Advisors

Advisors bring deep expertise and insight into market pricing and vendor behavior.

Enhanced Negotiation Outcomes

Using outside partners improves confidence and leads to better, balanced negotiations.

Maximizing Value Over the Contract Lifecycle



Rule Six

Be Aware of Renegotiation Opportunities

Monitor Agreements Continuously

Renegotiation opportunities exist throughout the contract lifecycle, not just at expiration dates.

Impact of Mergers and Acquisitions

Mergers and acquisitions often change service models and pricing, creating potential renegotiation chances.

Include Renegotiation Clauses

Contracts should explicitly allow renegotiation in case of vendor mergers and acquisitions.

Align Contracts with Strategy

Proactively identifying triggers keeps contracts aligned with evolving business strategies.

Operational and Volume-Based Pricing Triggers

> **Volume-Based Pricing Adjustments**
Pricing adjustments are linked to transaction volumes, user counts, or operational thresholds in many contracts.

> **Inconsistent Application Issues**
Pricing reductions are often inconsistently applied or missed due to manual interventions or system failures.

> **Audit & Compliance Importance**
Regular invoice audits ensure pricing aligns with contractual terms and agreed-upon thresholds.

> **Performance-Based Incentives**
Clauses linking price reductions to missed features or service levels encourage accountability and fair pricing.

Ongoing Diligence after Contract Execution

Importance of ongoing Governance

Continuous oversight ensures contract terms are fully realized and benefits sustained over time.

Monitoring Compliance

Institutions must track adherence to service-level agreements, pricing tiers, and deliverables effectively.

Performance Reviews & Audits

Regular reviews and invoice audits identify discrepancies early to prevent contract failures.

Post-Execution Oversight

Integrating follow-up processes into standard procedures addresses issues before they escalate.

Rule Seven

Relationships Extend Beyond Negotiations

Long-Term Relationship Importance

Successful vendor relationships rely on transparency and mutual respect beyond negotiation stages.

Managing Vendor Influence

Vendors may use personal relationships to sway negotiations, requiring a unified internal approach.

Clear Communication Policy

Communicating that competitive processes are standard helps maintain goodwill with vendors.

Engaging Independent Negotiators

Using independent negotiators can help preserve strong relationships while achieving optimal terms.

Balancing Diplomacy and Leverage

MAXIMIZING VENDOR VALUE

Balancing Fairness and Diplomacy

Successful vendor management requires a balance between assertiveness and diplomatic communication during negotiations.

Setting Clear Expectations

Communicating that competitive reviews are routine and policy-driven reduces personal conflicts and clarifies engagement rules.

Fostering long-term Partnerships

Emphasizing commitment to fairness and cooperation nurtures strong, sustainable vendor relationships over time.

Separating Negotiation from Collaboratio

Distinguishing negotiation intensity from daily collaboration helps preserve operational relationships and achieve outcomes.



Learn more about how SRM helps banks

[SRM American National Bank of Texas Case Study](#)

SRM's 2026 Industry Outlook Report

A strategic briefing for leaders at an industry-defining inflection point.

 **Perspectives**

Structural Forces Reshaping
the Financial Services Industry
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About SRM

SRM is a global advisory and execution firm that helps financial institutions and fintechs modernize with confidence.

For more than 30 years, SRM has gone beyond traditional consulting by uniting strategy, technology, and execution under one roof and one partner—bringing clarity to complexity and momentum to transformation.

SRM consultants and practitioners pair deep industry expertise with a bias for action, helping organizations **modernize payments, optimize vendor sourcing, shape enterprise strategy, accelerate M&A integration, and deploy transformative technologies.**

SRM is built to activate what's next, empowering clients to **unlock growth, improve performance, and strengthen the institutions** that strengthen communities—fueling their resilience, competitiveness, and capacity to sustain a diverse, thriving financial ecosystem for generations to come.

Learn more about SRM at srmcorp.com and on LinkedIn.

Thank You.

