



Bank Strategy Briefing

Ideas and analysis for community bank executives

6 key considerations for hiring a core contract consultant

We were asked recently by a client to recommend a consultant who could help negotiate pricing and other business terms with their core provider. If your community bank has never worked with a consultant when renewing your core contract, we strongly encourage you to consider it. The potential for meaningful value-creation is real, but, as with any outside advisor, the benefits to be realized are entirely dependent upon the quality of the expert you hire.

There are many experts (or purported experts) in the market from whom to choose. Some work as solo consultants, while others are part of accounting firms or consulting firms that specialize in advising financial institutions on technology contracts. With so many options, what should a community bank consider when exploring potential core contract consultants? Here is a checklist of items we believe are particularly important:



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- 1. Personality and Approach:** Your consultant will represent your bank in negotiations with your largest and most critical vendor partner with whom you will work for at least several more years. How do you want your bank represented? Some consultants are known as “scorched earth” negotiators, while others take a more respectful approach.
- 2. Experience with Vendor:** How many times has the consultant negotiated your specific core platform with your vendor and how recently? Current data is the key here because the market changes. The more pricing data your consultant has gathered from recent prior negotiations, the better the consultant will be at zeroing in on preferred pricing.
- 3. Personal Background:** Being a former employee of a core provider is not a prerequisite. Many consultants have this background, but many are former bankers who developed specialized in-house operational expertise. Engaging a consulting firm that is staffed with several experts with diverse experience can have benefits.
- 4. Fees:** Most consultants are paid based on a percentage of savings they are able to achieve for you. This aligns your interests with theirs. However, it can also result in a windfall for the consultant if your pricing at the start of negotiations is above “market.” Consider asking for a cap. Some consultants will entertain fixed fee engagements, essentially competing on price. Use caution with these consultants to ensure that your interests are aligned and that they have sufficient expertise.
- 5. Ongoing Support:** What other support does the consultant provide after your core contract is signed? Some offer ongoing advice for integrating new products with your core vendor. Some also offer peer groups for COOs and CIOs, webinars and other educational opportunities.
- 6. Results and References:** Ultimately, you are hiring a consultant to produce results, so don’t forget to ask for specific examples of value creation as well as references.

We have had the opportunity to work with several core contract consultants in recent years, and we are happy to share our experiences as well as our thoughts on selecting an effective consultant. If you would like more information, please contact any member of our Financial Institutions Team.

Bank Strategy Briefing is prepared by the Banking & Financial Institutions Practice Group at Godfrey & Kahn, S.C., Milwaukee, Wisconsin, as a service to the community banking industry. It features commentary focusing on strategic business and legal issues relevant to community banks. Each written edition contains 500 words or less and no more than 2 editions are published per month. Information found in Bank Strategy Briefing is for educational and informational purposes only and is not to be construed or relied upon as legal advice.