# 1st Bank of Sea Isle City Tackles Complicated Vendor Contract Negotiations

Larry Schmidt, CEO and President of 1st Bank of Sea Isle City in Sea Isle, New Jersey, has that same “show me” characteristic associated with that state. Of course, New Jersey natives are not known for taking things as they are presented. So, when Schmidt was approaching the end of his core contract, he wanted to get some input from NJ peers he knew shared a similar mindset.

## It’s Complicated

“Actually, it was complicated,” states Schmidt. “I had more than a hunch that we were paying too much to our vendor for the services they provided. I also had zero interest in replacing that core provider with anyone else. To make things a bit more interesting, during a meeting with the vendor, one of our team members let slip the fact that we did not consider choosing another supplier as an alternative.”

Schmidt figured that his leverage in negotiations had evaporated with that revelation, so he began to do some one-on-one research. An active member of the New Jersey Bankers Association Schmidt found the opportunity to ask another CEO his advice given the situation at a networking event. **“He unequivocally said, ‘You need to connect with SRM.’ My response must not have been too enthusiastic as he continued to sell the firm for another 15 minutes before he ran out of gas.”**

## Curiosity is a Good Thing

“I was not convinced, but I was curious. So, I managed to corner John E. McWeeney, Jr. the president/CEO of the NJBankers, at another networking event, and got his take on my options. I asked him particularly about SRM.

He endorsed them as the people to see for anyone in a fix such as ours with the core vendor. Still not convinced, at a CEO session offered by one of our other partners, I asked again. The answer


was the same with particular praise for SRM’s subject matter expertise in core processing.”

At that point, Schmidt’s “show me” had enough support to merit contacting SRM for an assessment. “From the start and throughout the initial evaluation, the SRM team made it clear there was no reason to assume we could not better the economics of our relationship with our core vendor,” said Schmidt. “They demonstrated this point throughout the engagement. The subject matter experts at SRM know about nuances and variables that require years to understand and, in the end, made the difference.”

“My biggest surprise was the reaction of the vendor when I told them we would be using an outside firm to assist us in evaluating and negotiating the next contract. My default was to assume that vendors did not like to have banks bring in outside help with benchmarks and other tools that many institutions do not have. That was how our core vendor felt about some firms, but when I told them our partner would be SRM, they seemed relieved.”

## Working the Details

Due to the nature of the negotiation and the stated desire by the bank to remain with the core vendor, the level of intricacy was high as SRM worked with the vendor across several of their offerings to secure a package for 1st Bank of Sea Isle City which represented "at market" value. According to Schmidt, "I thought I would be going to numerous meetings with my SRM contact sitting in small rooms all day negotiating back and forth. That was far from the case. SRM handled all the negotiations and kept me informed whenever they had something material to report."

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Given the sheer size of the vendor's organization and the independence given to each of the lines of business which had to be brought into the discussion, Schmidt felt SRM's knowledge of how the vendor operated was a key strength. "SRM understands the business models used by the vendors," Schmidt noted. "And they are not adversarial toward vendors. They represent their client and maintain their independence by not having any economic relationships with vendors. This was all very important to me – all of it – as I needed for all parties to maintain a quality of interaction that would facilitate our working successfully with the vendor for the next few years."

**As for an encore performance featuring SRM and 1st Bank of Sea Isle City? Schmidt concludes, "We will be using SRM again when the need arises. It is perhaps cliché to talk about the importance of the character and values of a partner, or even to use the word 'partner,' itself. But I can show you a firm where these things are not treated as such."**

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## About 1st Bank of Sea Isle City

1st Bank of Sea Isle City was formed in 1888 as Sea Isle Building and Loan, when the founding fathers of Sea Isle City saw the need to promote home-ownership among area residents. As a building and loan, we opened simple savings accounts and loaned the money for homes. We started small, like all businesses do – even operating out of someone's home! At that time, Sea Isle City was mainly rural pasture and miles of unexplored seashore.

## About SRM

SRM (Strategic Resource Management) has helped 1,000+ financial institutions add more than $5 billion of value to their bottom line in areas such as payments, digital transformation, core processing, artificial intelligence, digital assets, and overall operating efficiency. SRM has lowered costs, created revenue opportunities, increased productivity, and provided a competitive edge for clients in an environment of constant and accelerating change.

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