

# Vendor Selection Process

## Finding Good Teammates to Finish Jobs Right

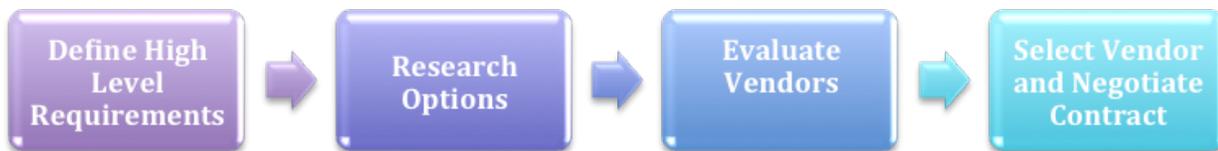
- Step-by-Step Process for Selecting Good Vendors
- Must-Know Details that Should Be Included in Any Vendor Agreement
- Sample Tools for Help Selecting the Right Vendor



## Overview

In the past it was not uncommon for companies to build many of their software solutions in-house using internal developers. This was due in part to the limited availability, quality, or significant expense associated with vendor package solutions. While in-house development is still a viable alternative for some software solutions, increasingly companies are finding high quality and affordable off-the-shelf solutions that are ready to implement.

You might think that selecting a solution is pretty straight-forward. You bring in the vendors, check to see if their products can do what you need, and then you pick one. At a high level, this is in fact what you need to do. At a more detailed level, there are important steps that help ensure the best decision is made. In this document, we will discuss four basic steps to the Planning Phase of a typical Technology Vendor Selection process.



Each of these four steps takes you through the high-level process of selecting a vendor, but within each of these steps we've included information that you should be gathering or questions you need to be asking. This is the time period to get what you want out of a tool; once you've signed an agreement, you are locked in to those terms. If there are things that you have to have, this is the time to demand them. It's a tough situation to find out other pieces you need or standards you need to hit, but not be able to add them (or at least not without an extra cost) because you didn't do your homework in the Vendor Selection phase. We're providing the map to help you get through that homework completely.

## Goals

As pointed out above, the important part of selecting any vendor is making sure that you have done your homework about what you're spending the company's money on. This is important from the perspective of seeking the best functionality for the task you need the tool to perform, but also from knowing as much information as you can about the vendors, their products, and the deliverables they're offering in terms of performance and implementation. The more options you have – and information about those options – the better chance you'll have of making a great decision for your organization.

We also want this document to point out some specific agreements that need to be made with vendors to protect your organization. A lot of software/hardware implementations are completed over budget and late. The reasons for that usually have to do with the agreements that were – or weren't – made with the vendor. For example, will the vendor face any type of penalty for missing deadlines? If they won't face any penalties because of the agreement you have established, then there is no incentive for them to hit the deadline. Your legal team can help you with the wording, but the important thing for this process document to get across to you is that the language of any agreements you reach with vendors is critical to the success of the implementations and, therefore, your investments.

Most importantly, we want you to take away from this a process that you can repeat anytime you're faced with a similar decision. Processes make success repeatable! This should be your mantra. The more you can regulate how decisions are made, the more likely those decisions will end up being favorable to you. After going through this process once, hold on to it so that you can revisit it as needed.



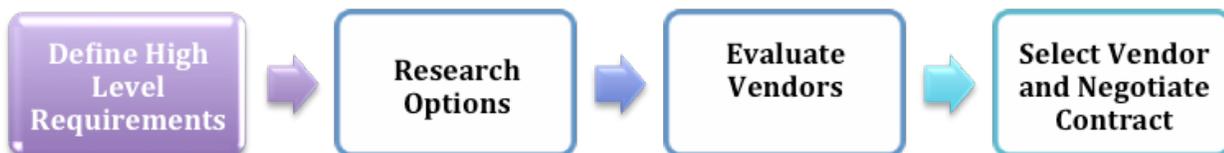
We want this process to help you make good vendor decisions so that your technology investments are successful and productive. By selecting a vendor, you're bringing someone new on to your team, and you should be evaluating them on that basis. Strong teams are made up of capable teammates; make sure that the vendor you select is adding the value you want to your organization.



## Process

This process has been broken down into four main steps: defining high level requirements, researching options, evaluating vendors, and finally selecting a vendor and negotiating the contract.

### Step One - Define High Level Requirements

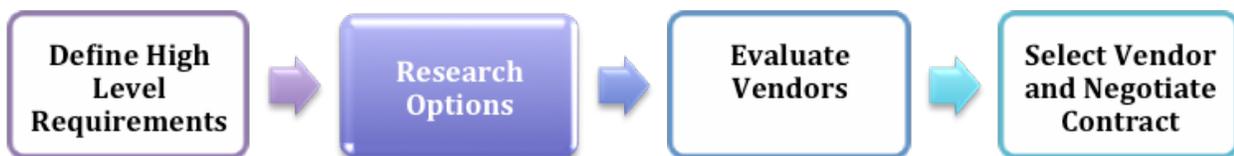


Once a potential need is identified, the initial business case must be defined. What is the desired functionality (what exactly does the software need to do)? What might the financial or other return be? What will be the impact on customers, clients or other external audiences? Who inside the company might be impacted by its development? This business case will be further developed into a Scope of Work in later steps, but at this stage can be used to build buy-in and assess how the need is perceived.



Take the information outlining the desired functionality from your initial business case and expand it to create a list of high-level requirements. This list should consist primarily of business-focused requirements, but should also include any *significant* technical, architectural, information security and audit requirements. These high-level requirements are the key things you will be looking for as you start to identify your initial list of potential vendors. From this point on, your project team should have adequate representation from both the business and IT.

## Step Two - Research Options



Before embarking on a full-blown vendor selection project, it is a good idea to look internally to see if you may already have a solution in house that could either support or be upgraded to support the required functionality. Conduct meetings in each department to gather information on a potential technology solution. Get feedback on ideas expressed and make a decision as to whether there is enough of a business reason to go ahead with investing resources. It is also a good idea to check your company application portfolio and parent/sister company portfolios for other potential options as well. If you find something that may fit the bill, make sure to add it to your list of options.

At this stage, it is helpful to create a detailed Scope of Work document and to lock in a project champion who is willing to carry the ball on the project once the work begins.



Some companies may choose to consider building a custom solution instead of buying one. It is possible that the capabilities you desire are quite specialized and not available in the marketplace, or you may determine that a custom solution will provide a better opportunity for competitive advantage. You may also find that it is less expensive to build the solution in house, or you may want to build in house to have better control over integration points between your existing systems. If you decide that building is an option, it is best to perform a Build vs. Buy analysis to determine which path to want to pursue[1].

Present to the Technology Steering Committee where a Build vs. Buy decision will be discussed. If it is decided to buy the software, and is approved as a needed technology, proceed to the Vendor Evaluation step. If not, there are two options: the project may be dead for lack of support, or it might need to be put on the list for later consideration after the completion of other projects.

### Step Three - Evaluate Vendors



After your Core Technology Team has approved the project, the project champion should assemble the team needed to make vendor decisions. When selecting team members, it is often a good practice to ask for assistance from co-workers in departments that have an interest or will be impacted by the software decision and give them an opportunity to have a voice in the process. This will build buy-in as you move forward and will become even more important when you get to the implementation stage.





languages, integrate with a third-party accounting or CRM system, be aligned with the company's technology strategy, and have a price tag that will support the high level business case. Figure out what your initial filters are, do your research, and refine the list to just two or three alternatives to continue the evaluation process. Be sure to only include vendors that have a good reputation, and that should strongly consider as a partner. Consider creating a spreadsheet with the requirements needed from the system and the priority that each requirement represents. Create a column for each vendor in the comparison and score them based on their ability to meet the requirements (see Exhibit B below for an example of a vendor comparison for a marketing automation system). Research each company thoroughly and rank them by ability to fulfill the needs of the software by comparing references with the spreadsheet results. Include a cost comparison of the solutions. This should be looked at in view of at least a five-year horizon, not just upfront costs. Be sure to include the licensing fees, maintenance, and support fees.

Once you have shown interest, many of the larger vendors will want to come in and explain how they can help you through this process. They will, often for “no charge”, offer to spend time with your team to gather information about processes/requirements, match those against their product and create a formal proposal complete with a perceived ROI, and implementation plan. This is certainly something to consider, but remember that the vendor ultimately wants you to select their product. This is not a secret – they will tell you this upfront – but if you go this route you need to keep this in mind as you review their deliverables. Also keep in mind that you and your colleagues will need to dedicate potentially significant time to this. Allowing the vendor to go through their requirements validation approach may end up being beneficial to your company, but you need to know what you are agreeing to. Vendors may also offer some other flavors of this approach that include interviewing colleagues and creating a formal proposal without doing a full-fledged requirements study.



For each vendor on your short list, it's now time to request more detailed information. This can be done using a formal RFI (Request for Information) template, or by conducting one-on-one meetings or phone interviews to gathering the information directly. Vendors will also want to come in and do "dog-and-pony shows" to demonstrate their products. They will try to "wow" you with their cool features, but please remember that just because something is slick and shiny during the presentation does not mean it's automatically the right choice. You still need to do your homework. General categories of information you want to gather should include but are not limited to:

1. Company Information
2. Product Profile
3. Product Capabilities
4. Technical Overview
5. Pricing Information
6. Customer References
7. Proof-of-Concept Options

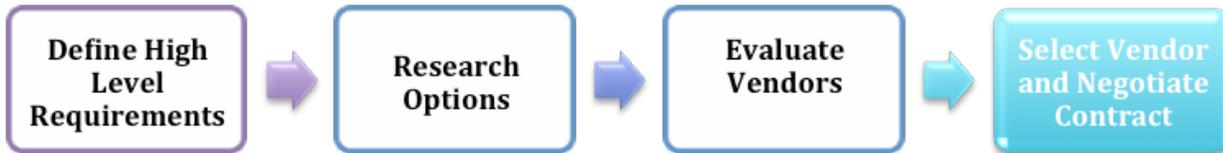
See Exhibit A in the supporting documents of this process for examples of the type of detailed information you may want to collect in each category. See Exhibit B for an example of a comparison chart you can create to do side-by-side evaluations of multiple competitors.

Whether you use a formal RFI or not, plan to allocate additional time to perform follow-up meetings to clarify answers and ask additional questions. On a related note, it is quite common for vendors to indicate that they are able to support a requirement, only to find out later that it is supported in a less-than-ideal way. Don't be afraid to ask for clarifications, examples, and the details necessary to feel comfortable that the product meets your needs. It is also important to



set the tone early on that you will not simply allow the vendor to lead you down a path of their choosing without you fully understanding the implications of what they're telling you.

#### Step Four - Select Vendor and Negotiate Contract



Members of the project team should rank the responses and feedback gathered for each vendor. For ease of viewing, it's best to create a table that list the requirements/information in the rows and the vendor responses in the columns. Each vendor should be given a score for each response and that score should be multiplied by the defined weight of the requirement to give a weighted score. We want to weigh the importance of the requirement because some of requirements may be fulfilled completely and receive a high score but just aren't that important in the grand scheme of things.

Tally a final score for each vendor and create a report ranking your findings. Make sure to include information about the vendors that may not come through in the numbers. This would be more gut-feel information, customer relationship management issues, significant low scores that could be deal breakers, etc. Once you have tallied, ranked, and evaluated the findings, the vendor selection team should make their choice and prepare to present this recommendation to the proper level of management based on the money involved. Seek approval for a budget dedicated to the project. Convey all of this information to the Core Team so that they can begin planning. Some steps you should consider during implementation are included as Exhibit C below.



Once the rankings are solidified and the entire team (including the Project Champion, Governance Boards, IT and Core Team) agrees to move forward with a particular vendor, it's time to start contract negotiations. This phase of vendor selection can be tricky, so it's best not to burn any bridges with the other vendors until you have successfully signed a contract. Your contracts/legal team members - if they haven't been involved to-date - need to be brought into the loop immediately to secure the appropriate legal documents and assist with contract wording. This may include a Professional Services Agreement and/or Confidentiality Agreement along with the actual contractual language.

There are a number of specific points that sometimes get overlooked, but that you will want to make sure are carefully examined and explicitly handled in the contract:

- a. The warranty
- b. Penalties for missing deadlines
- c. Locking in implementation consultants for the whole project
- d. Fixed pricing language
- e. Problem resolution methods
- f. Service level agreements

Your legal team should have a good handle on what's important in a vendor contract. A few specific areas to think about include warranties, adherence to service level agreements, product quality, liabilities, risks, the vendor selling their company to someone else, escape clauses, the disposition of your data should the contract end, third-party and information security demands.

It is typical to have several iterations of contract language before the final contract is signed.



Once you have reached that milestone, it is time to celebrate and move on to the next phase of the process – Building the Solution. It is time to turn the next phase over to the implementation team.



## Expected Outcomes

Selecting a vendor, agreeing to buy a tool from them and have them install it is an investment. Your organization should do everything it can to make sure that the money allocated is being spent properly. This process is way to make sure that you've taken the necessary steps to research and evaluate different options, select the one that provides the most value for your organization, and then negotiate an agreement that protects and is favorable to you. Hopefully this document provides you with a framework to think about all the information you will need to make the best decision possible. From there, we want you to get in the habit of storing this information and analyzing it. This is an important part of making good technology decisions. Let us remind you that bad technology decisions result in wasted time and money to correct the problem. That's what we want to avoid. If you go through this process once, then there's a good chance that you will need to go through it again. By having a process like this on file, you're ready to immediately begin the steps to making a decision and moving forward. This gives your organization the velocity to grow and compete because you aren't dragging your feet when you are faced with these decisions; you're ready to take action and reap the value from it.



## Supporting Documents



**Exhibit A** – Examples of Vendor Selection information by category. This is not an exhaustive list; rather this is a starter set of types of information you may want to collect. Customize this for your own purposes, and consider putting this information into a table format. Add a column for what ideal answers you would like to see in the vendor responses.

### 1. Company Information

- a) Size, location, revenue, years in business, geography
- b) Number of products
- c) Number of customers
- d) Industries served
- e) Relationships with third parties/other companies/vendors/products
- f) Company's SSAE 16 results, Business Continuity/Disaster Recovery processes

### 2. Product Profile

- a) Product history including dates of initial and subsequent releases
- b) Number of customers with product installed
  - c) Profile of customers including by industry, release number, size of installation, geographies, configuration
  - d) The company's view of their biggest competitors in this space and what makes their product unique or better than the rest
- e) Product roadmap
- f) Rank on any Gartner Magic Quadrants, Forrester Wave™ or similar reports

### 3. Product Capabilities



- a) Ability to support business processes/functional requirements (incorporate your list of business/functional requirements, adding as much detail as you feel is necessary)
- b) Any minimums or maximums on key entities (e.g., accounts, customers, products)
- c) Configurability of the system
- d) Reporting options
- e) Integration/interaction with other systems or data
- f) Up time/Availability, Service Level Agreements
- g) Recommended number and role of customer's business users needed to support
- h) User training options
- i) User support

#### 4. Technical Requirements

- a) Overall product architecture
  - a. Software architectural diagrams and platforms supported
  - b. Development languages, approaches, technology strategies
  - c. Data Management – database engines supported, physical data structures, commingled, data ownership, accessibility, accuracy, reliability, security
  - d. Platforms, hardware, software, operating systems, devices, communication protocols, supported
  - e. Infrastructure - installed on site at customer's location, hosted by vendor, hosting options
  - f. Integration points with existing products (third party vendors, e-mail platforms, collaboration software, project management software, problem ticket systems, etc.)
  - g. Web/mobile accessibility
  - h. Number of types of APIs available



- b) Necessary hardware, software, devices, middleware, network, security required to implement
- c) Implementation approach including timing, requirements, personnel needed internally to implement
- d) Ability to Scale
- e) Vendor developer team information
  - a. Number of developers
  - b. Internal or third party
  - c. Location
  - f) Recommended customer-site developers needed
- g) Frequency of and process for new releases (how often, how rolled out, backwards compatibility)
- h) Enhancement processes (how request updates, how to get in the queue). May we see enhancement list? What is the main thing the product does not yet do that your customers are asking for?
  - i) Software support information
    - a. Number of support personnel
    - b. Internal or third party
    - c. Location
  - j) Required customer-site technical personnel to support
  - k) Defect resolution processes, tracking
  - l) Audit/Risk/Information Security – SSAE 16, authentication, access, handling of sensitive data, safeguarding data transmission, storage and retention. Need this information for any third parties involved as well.
  - m) Patch management processes
  - n) Information on Disaster Recovery/Business Continuity plans, SLAs



o) Product technical roadmap (plans to support newer technologies, changes to operating systems, coding, etc.)

## 5. Customer Review Questions

a) Start with gathering general information about the customer – industry, size, location(s), when did they install the system, version(s) they are using, what they are using it for and general scale of use

b) What other packages did you evaluate?

c) Why did you choose this one?

d) What has been your experience with (insert functions or requirements that you are just not quite sure about based on what you've learned or seen from the vendor)?

e) Was there anything that you thought you would get from the vendor/product but didn't?

f) Did the implementation process happen as expected?

g) What has been your experience with any bug fixes or upgrades?

h) Did you define Service Level Agreements with the vendor? Has the vendor been able to meet them?

i) In general, how has the product support team performed?

j) Did you receive training from the vendor? Was it what you expected/needed?

k) What have you asked for in terms of enhancements to the product?

l) If you had to choose again, would you select this product? If not, why not?

## 6. Pricing Model

a) Licensing – annual or perpetual, by users or by accounts, data size, costs to scale, terms and time periods?

b) Hosting (if applicable)



- c) Support model
- d) Training
- e) Upgrade charges
- f) Annual accelerator on contract
- g) Additional costs or penalties
- h) Plug all of these numbers into your business case

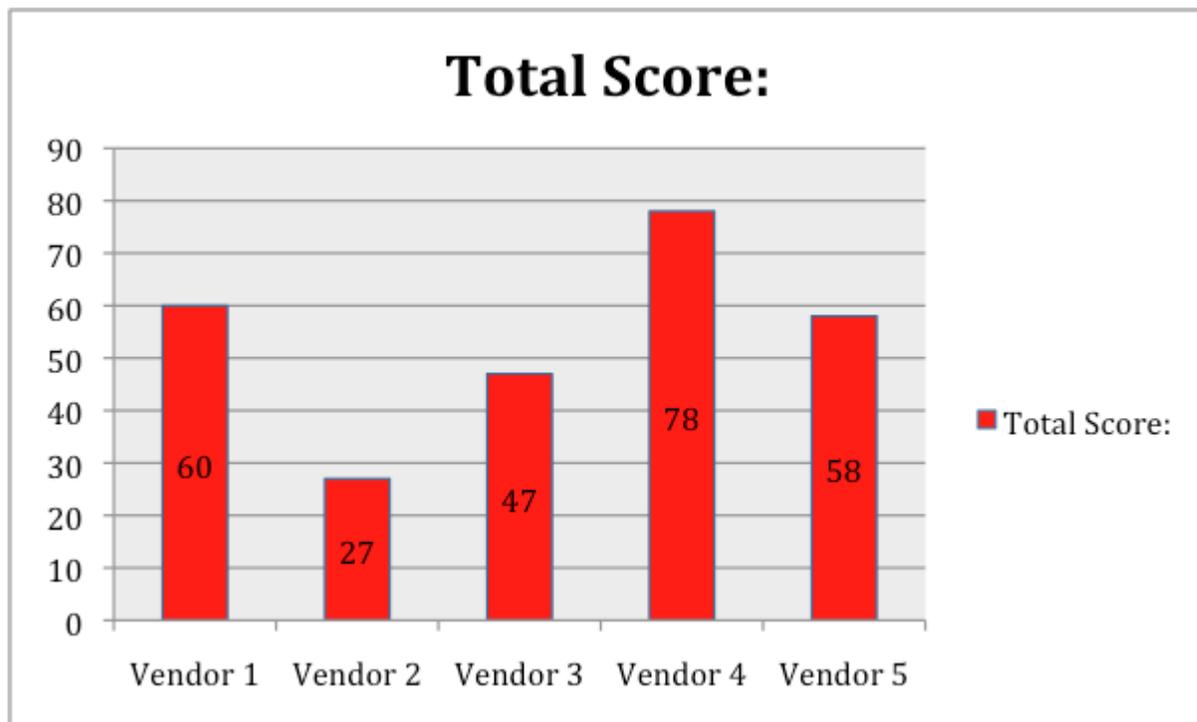
## 7. Proof-of-Concept Options

- a) Can we try before we buy? Perhaps log into a test system or set up our own development region to test things out?
- b) We may want to see verification of information security requirements by running some scans on the software, security processes, etc.

**Exhibit B – Sample Marketing Automation Vendor Comparison Chart and Graph (non-weighted)**

Factor	Comparison Factor	Vendors				
		Vendor 1	Vendor 2	Vendor 3	Vendor 4	Vendor 5
1	Cost	5	3	2	4	1
2	Export Analytics	1	2	4	5	3
3	Reporting Analytics / Templates	4	1	2	3	5
4	Content Templates	3	1	2	5	4
5	Campaign Management	4	1	3	5	2
6	Analytics of Online Sources	3	2	1	4	5
7	Simple Upload of Leads	5	1	4	3	2
8	Campaign Cost ROI	2	1	3	5	4
9	CRM Platform Compatibility	4	1	3	5	2
10	Seamless CRM integration w/API Calls	4	1	3	5	2
11	Opt-Out Preference Management	1	2	3	4	5
12	Speed to Learn	4	1	3	5	2
13	Speed to Implement	4	3	1	5	2
14	Knowledge Base	3	2	4	1	5
15	Browser Compatibility Check	3	2	1	5	4
16	Consultant Preference	2	1	3	4	5
17	Company Culture Fit	4	1	2	5	3
18	Trust	4	1	3	5	2
	<b>Total Score:</b>	<b>60</b>	<b>27</b>	<b>47</b>	<b>78</b>	<b>58</b>
Key: 5 is best; 1 is worst						





**Exhibit C** - Basic Software Implementation Steps to Consider (example from Marketing Automation Implementation Plan)

- 1) Define who should be involved in the Implementation:
  - a. Marketing Team and IT Team
- 2) Determine who will handle technical setup:
  - a. Marketing will implement Tracking Codes and custom page scoring.
- 3) Who will develop email Templates, Forms and Landing pages:
  - a. Marketing will create email templates, forms and landing pages for future campaigns.
- 4) How Will Training Be Accomplished:
  - a. Marketing and IT will attend daily and weekly webinars.
- 5) Who will Import Existing Prospect Information:
  - a. Marketing will upload all prospects that were not uploaded to CRM.

- 6) Who will handle the CRM Integration:
  - a. IT Team will be involved in the integration.
- 7) Who will be responsible for Hosted Content:
  - a. Marketing will upload white papers and data sheets for prospects' activities.
- 8) Who will develop Automation set ups:
  - a. Marketing will build list segmentation and manage lead assignments.

### **Build vs. Buy Analysis**

If you would like more information on conducting a Build vs. Buy analysis, please contact us at [info@fpov.com](mailto:info@fpov.com).

### **Sources:**

This Vendor Selection Process document was developed jointly by Future Point of View and Jody Page, with the help of some of our clients.

