



# White Paper

White Paper by Bloor

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## How to select a vendor



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**A supplier wouldn't have a good reputation if didn't offer good technology at a reasonable price, and it wouldn't be considered trustworthy if it didn't communicate well with its clients and provide excellent levels of service and support.**

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# Executive summary

**S**electing a vendor is not a trivial process: it has multiple aspects. To begin with, it depends on what sort of vendor we are discussing. For example, different criteria might apply to an ERP or database provider compared to a systems integrator or a software supplier intent on extending its partner network of ISVs. Survey-based research into the priorities of the latter category have been conducted by Bloor Research and this suggests that the three most important factors involved are, in order of precedence: the trustworthiness and reputation of the supplier in question, the technological capabilities offered by the provider and, only third, relevant monetary metrics (cost, value and so on). While these priorities may be different in different contexts they are, in our opinion, the big three.

However, none of these, let alone measures considered to be of less significance, are easy to estimate. Moreover, bearing in mind that there are often a large number of potential vendors that might provide a potential solution, how do you whittle these down to a manageable number? We are pleased to say, given the focus of industry analysts such as Bloor Research, that research and the use of online resources were considered by respondents to our survey to be by far the most important factors in determining which vendors to investigate in further detail though, of course, both “research” and “online resources” are broader categories than just considering the reports produced by industry analysts.

A third factor is whether you are selecting a vendor to provide you with off-the-shelf software or if you are looking for help with bespoke or customised software. Research suggests that the bespoke market continues to grow faster than the software market as a whole. Projections are for 6.79% compound annual growth through 2024 for the former but only 3.61% for the latter. We will discuss some of the reasons behind this increase as well as anecdotal evidence that suggests that there are some areas of the market where this is not the case.

Finally, all the factors just discussed exist within the context of a changing software landscape: digital transformation, cloud-based technologies, increasing use of machine learning, and the impact of Covid-19 are just some of the important factors to be considered. In the last case, according to research conducted by Experian, almost two thirds of companies surveyed were accelerating data management initiatives as a response to the pandemic.

In this paper we will be discussing all of these points in more detail, with respect to our headline intention: how to select a vendor. We should say that this paper has been sponsored by Software Solved (see <https://www.softwaresolved.com/>) but that company had no input into the survey work (questions or results) or analysis conducted by Bloor Research in compiling this paper.



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# Understanding the context

**B**efore digging into detail into the various factors involved in selecting a vendor it will be as well to consider today's software landscape. To begin with, global expenditure on software is growing at a compound annual growth rate (CAGR), according to Mhojhos Research, of 3.61% through 2024. Technavio, meanwhile, projects that the comparable figure for bespoke software has a CAGR of 6.79% over the same time period, and this figure is cited by Mhojhos Research in its report so it, presumably, accepts this figure as accurate. Moreover, the 2019 SIM IT Trends Study (published 2020), which is based on surveys within the United States, found that 32.7% of companies put custom/bespoke software development within their top three spending priorities in 2019 compared to 22.4% in 2018 and 18.1% in 2017.

such as GDPR and CCPA. It is only now (late 2020) that vendors are starting to come out with such solutions, so we can easily imagine that concerned companies have been previously rolling their own, bearing in mind that the average cost of processing such a request without an automated software solution is around \$1,400 per request and that the average large organisation has 500 such requests per month. Conversely, we would argue that companies don't develop their own security software, they don't develop their own databases or data warehouses, and they don't develop their own software for monitoring their data centre performance. We would further argue that we would expect a reduction in the customisation required of traditional package solutions for, for example, ERP and CRM. Firstly, because companies have other priorities and secondly because, as software solutions become more mature they (should) require much less customisation. This isn't to say that this won't be required in some instances, just that those instances should be reducing in number.

All this, of course, is without taking into account the affect of the current pandemic, as all the research reported was conducted in 2019 or earlier, so does not take account of Covid-19. Fortunately, Experian has conducted research into the impact of this on data management and found that 64% of companies responding to the survey had accelerated their data management programmes because of the virus. The detailed results are illustrated in *Figure 1*. Bearing in mind that data management is not an area where users are likely to be developing their own solutions for data quality, data catalogues, data preparation and so forth, the effect of this increased focus will be to challenge the relative growth predictions quoted above. Moreover, the key word here is "accelerate": user organisations want solutions faster and that will further tend to tilt the balance away from bespoke software.

But why does all of this matter? It matters because there is a difference between selecting a vendor (or an open source software product for that matter) that is going to provide you with a piece of ready to run software, and choosing a supplier that is going to develop bespoke software for you or which is going to customise a solution on your behalf, which is the issue we must now address.

**Figure 1:**  
*The impact on data management initiatives as a result of Covid-19*

	Operations	Data / insight / analytics	Customer services	Sales & Marketing	Finance	IT	Other
Initiatives will become more urgent	60%	68%	53%	47%	67%	69%	59%
No change	28%	25%	30%	40%	21%	28%	26%
Initiatives will become less urgent	12%	7%	17%	13%	12%	3%	15%

Unfortunately, these market surveys and reports do not break down their consideration of bespoke development into any particular areas, and our view is that growth is occurring for some types of applications and for some uses cases but decreasing in others. For example, the growth in availability of low-code and no-code development tools, targeted at citizen developers, means that there is more bespoke development going on in that area. There is also an increasing interest in machine learning and the creation and deployment of relevant models which is, essentially, a development process. We do not know whether either of these types of development were included in the figures quoted.

More generally, we expect that this growth in bespoke software is for applications that are not otherwise available. For example, constructing Internet of Things (IoT) based software that is simply not available off the shelf. Or developing software to support data subject access requests (DSARs) to comply with regulations

# Most important characteristics

**C**hoosing a vendor essentially boils down to three stages: selecting a long list, paring that down to a short list, and final vendor selection.

In terms of selecting a long list, in our survey we found that the four most commonly used methods, often in combination, were research (50%), online resources (40%), events (20%) and tracking of what competitors were doing (20%). The use of personal contacts was also mentioned and, in practice, recommendations from staff or other people who have experience of a particular supplier can have a significant impact, whether positive or negative. We should add – in our own interest – that industry analysts are good resources for finding vendors that should be on your long list, that you may not have heard of, as well as providing assets to help reduce that long list to a short one. Unfortunately, such resources are not typically available for service providers or systems integrators or even ISVs (independent software vendors). We suspect that the value of personal contacts, and references, will be much more important in these environments when compared to simply licensing a software solution.

We also asked respondents to our survey what were the three most important characteristics for a vendor. The results – omitting those that did not comment or did not know – are illustrated in **Figure 2**.

As can be seen, being considered trustworthy, and having a good reputation, was considered the most important criteria, followed by technology and cost/value, in that order. Support, sector expertise and communication skills (the relationship between supplier and customer should be thought of as a partnership) were also considered important.

A complementary approach is the one we use at Bloor Research. As a member of the Bullseye Foundation we assess vendors across the categories illustrated in **Figure 3**. Of course, not all of these metrics will

be appropriate to all use cases, and the weightings you apply to each measure will similarly vary. Note too, that this represents a technical evaluation of the company and product or offering, and does not take account of costs or pricing.

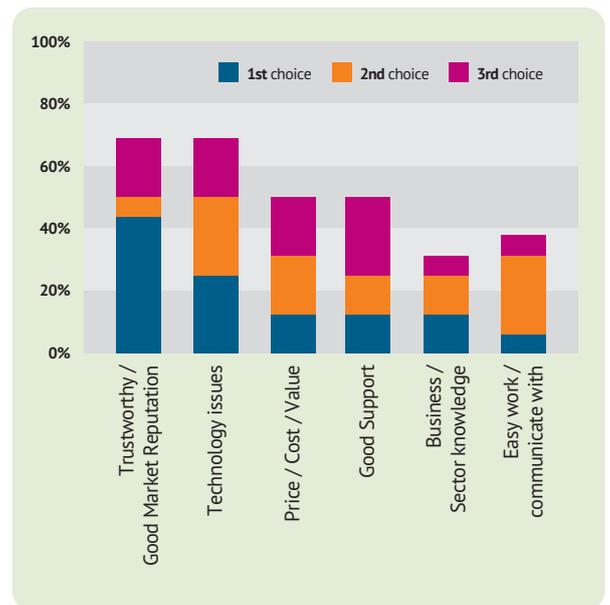
The question is, if you haven't dealt with a prospective vendor before, how do you know any of these things? We need to consider each of these aspects of supplier selection in more detail. However, before doing so, we should discuss the actual process involved. Typically, this means selecting a long list of potential vendors, whittling that down to a short list, and then making a final selection. But how do you get from a long to a short list?

## Trust and Reputation

If you haven't dealt with a particular supplier in the past, how do you establish whether they are trustworthy, transparent, honest, and so on? How do you establish whether a vendor is worthy of your trust? Key metrics include:

- **Financial status.** You need to know that your supplier will still be in business to support you in the years to come.
- **History.** A company with a lengthy history, especially within the area in which you are seeking products or services, will be reassuring.
- **Geography.** Does your vendor provide support and services within the geographies for which you need it? Bear in mind any future plans for (further) international expansion.
- **References.** You will want to hear from other clients of potential vendors. Calls and/or face-to-face meetings should be conducted without the presence of the supplier in question.

**Figure 2:**  
*The most important aspects of a vendor*



**Figure 3:**  
*Bullseye Foundation metrics used by Bloor Research*

Stability & Risk	Support & Location	Fit for Purpose	Ease of Use	Performance	Architecture	Value	The Story	Innovation	Disruption	Awareness	Adoption	Results
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### Technical issues

Requirements for assessing potential vendors will vary widely depending on the sort of solution being sought. One key technical requirement will be with respect to how the vendor is catering to emerging technologies. For example, while cloud computing and machine learning are all the rage today, you would have wanted to know three years ago what plans vendors had to support these technologies. So, technical evaluations should be based not only on what is available today but also on roadmap items and their timescale.

There will be a difference between service providers or systems integrators on the one hand, and software providers on the other, in that the former will

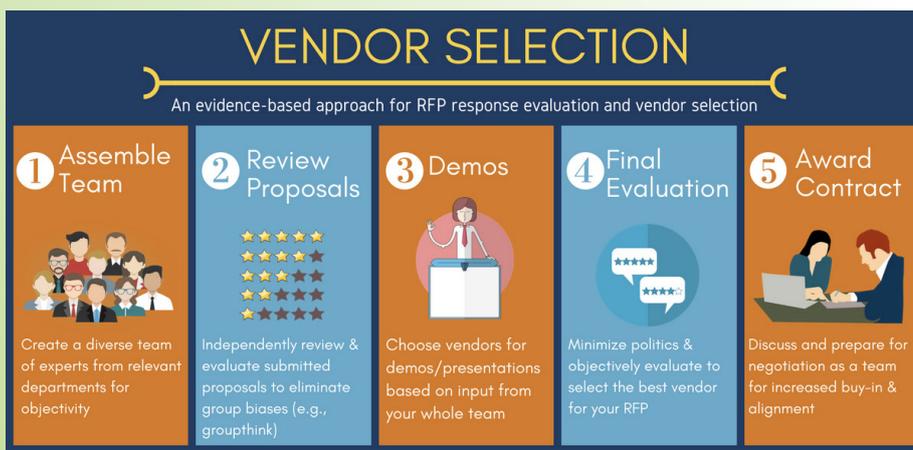
### Financial considerations

There are various ways to measure and compare costs and value, including total cost of ownership (TCO), return on investment (ROI) and time to value (TTV). These are not always easy to calculate but the following considerations should be borne in mind:

- TCO calculations should be over a period of time (typically three or five years) and should include staff time, training and consulting costs and other relevant factors as well as the costs of the software and any associated hardware. Moreover, in some situations it is not simply a matter of adding all of these up. For example, when comparing the cost of a data integration tool with hand coding, you need to consider how many integration projects you will be developing during your selected time period, how complex each such project is and how much time (and cost) will be involved for development of each project, whether hand coding or using the tool in question. In other words, the ability to reuse a tool in multiple situations is a factor in TCO. The complexity of the tasks in question is also relevant: one tool may appear less expensive than another but if it can't easily handle more complex tasks then it may be more costly in the long run.

- ROI. To make ROI calculations in advance is non-trivial. In some instances, vendors actually provide relevant capabilities, though usually they don't. However, such tools can illustrate some of the potential benefits to be garnered. For example, *Figure 5*, shows an ROI calculator provided by Dun & Bradstreet for its D&B Optimizer data quality solution. Here you can see the sort of detail you need to drill down into to make relevant calculations. More generally, there are three types of data monetization such as this: reduced costs (for example, time to search is improved), improved results (for instance, more leads are converted)

**Figure 4:**  
*Some general principles for vendor selection*



[powernoodle.com/models-article/rfp-response-evaluation-vendor-selection](https://powernoodle.com/models-article/rfp-response-evaluation-vendor-selection)

not typically be able to provide demonstrations or proofs of concept. On this note we should say that best practice might involve demonstrations as a part of the process of getting from a long list to a short list, but we would not recommend these as part of the final decision process. Here, we would advocate proofs of concept. These should be designed by the client and not the provider and they should represent a meaningful but not critical use of the technology in question.

More generally, *Figure 4* illustrates some of the general principles involved in selecting a provider. Note the importance of involving all stakeholders and removing group biases.

and, especially where compliance is involved, reduced risks. Note that if there are multiple projects that can be addressed through a single software solution, then this sort of approach can also help with the prioritisation of those projects.

- **TTV.** How quickly will your software start providing a return on your investment? It is essentially a calculation based on how long it will take to implement the software and get staff trained on its use. There is obviously an imperative for suppliers to claim rapid TTV so any relevant claims should be checked through references from previous clients to verify their accuracy. How important TTV is will vary but the longer one vendor will take compared to another the more the latter should be favoured.

### Good support and ease of communications

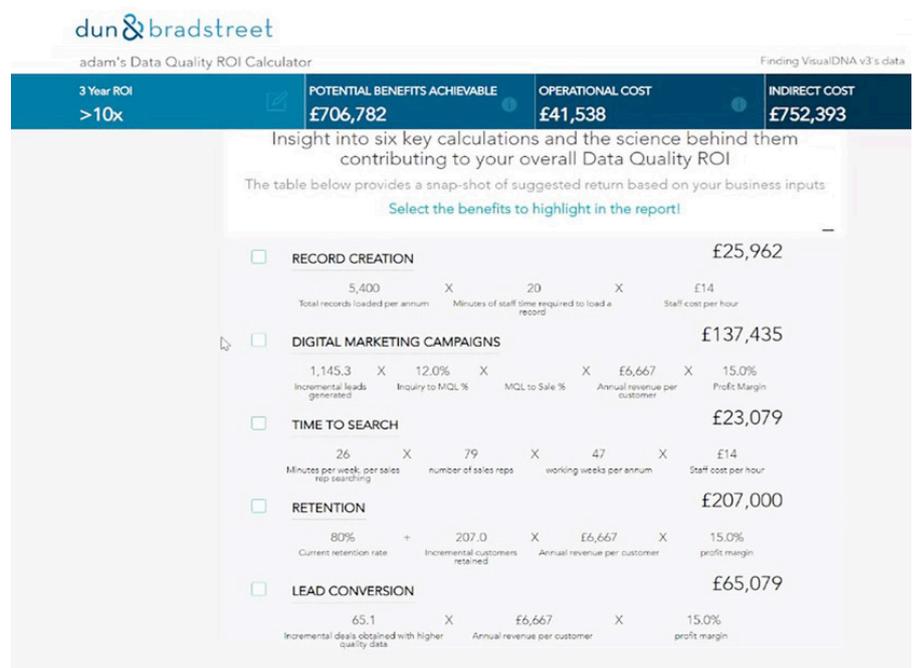
This is a major factor. You are entering into a partnership: both support in a technical sense and good communications in general are relevant. In particular, service level agreements (SLAs) are significant: is telephone support available at the times you need it? Is there online help? How responsive is the supplier (check with references)? And bear in mind that increased levels of SLA affect TCO.

Training is also relevant here. How is this provided? In-person? On-line? How good is it really: check references.

### Industry or specialist expertise

This will not always be important. If you are implementing generic software such as a database or data warehouse, or even a CRM system (customised or otherwise) then it probably isn't very significant, if at all. Conversely, if you want a solution to help you comply with GDPR then a knowledge of that regulation will be clearly be helpful. Industry specific solutions – such as customised ERP software – will certainly benefit from relevant expertise.

Figure 5:  
ROI calculator



## The bottom line

**W**e are happy that reputation, experience, and trustworthiness come top of the list of requirements for selecting a vendor. It is almost as if this implies everything else: a supplier wouldn't have a good reputation if didn't offer good technology at a reasonable price, and it wouldn't be considered trustworthy if it didn't communicate well with its clients and provide excellent levels of service and support.



We are happy that reputation, experience, and trustworthiness come top of the list of requirements for selecting a vendor.



### **FURTHER INFORMATION**

Further information about this subject is available from [www.bloorresearch.com/update/](http://www.bloorresearch.com/update/)



### About the authors

**DANIEL HOWARD**  
Senior Analyst,  
Information Management and DevOps

**D**aniel started in the IT industry relatively recently, in only 2014. Following the completion of his Masters in Mathematics at the University of Bath, he started working as a developer and tester at IPL (now part of Civica Group). His work there included all manner of software and web development and testing, usually in an Agile environment and usually to a high standard, including a stint working at an 'innovation lab' at Nationwide.

In the summer of 2016, Daniel's father, Philip Howard, approached him with a piece of work that he thought would be enriched by the development and testing experience that Daniel could bring to the

table. Shortly afterward, Daniel left IPL to work for Bloor Research as a researcher and the rest (so far, at least) is history.

Daniel primarily (although by no means exclusively) works alongside his father, providing technical expertise, insight and the 'on-the-ground' perspective of a (former) developer, in the form of both verbal explanation and written articles. His area of research is principally DevOps, where his previous experience can be put to the most use, but he is increasingly branching into related areas.

Outside of work, Daniel enjoys latin and ballroom dancing, skiing, cooking and playing the guitar.



**PHILIP HOWARD**  
Research Director / Information Management

**P**hilip started in the computer industry way back in 1973 and has variously worked as a systems analyst, programmer and salesperson, as well as in marketing and product management, for a variety of companies including GEC Marconi, GPT, Philips Data Systems, Raytheon and NCR.

After a quarter of a century of not being his own boss Philip set up his own company in 1992 and his first client was Bloor Research (then ButlerBloor), with Philip working for the company as an associate analyst. His relationship with Bloor Research has continued since that time and he is now Research Director, focused on Information Management.

Information management includes anything that refers to the management, movement, governance and storage of data, as well as access to and analysis of that data. It involves diverse technologies that include (but are not limited to)

databases and data warehousing, data integration, data quality, master data management, data governance, data migration, metadata management, and data preparation and analytics.

In addition to the numerous reports Philip has written on behalf of Bloor Research, Philip was previously editor of both *Application Development News* and *Operating System News* on behalf of Cambridge Market Intelligence (CMI). He has also contributed to various magazines and written a number of reports published by companies such as CMI and The Financial Times.

Philip speaks regularly at conferences and other events throughout Europe and North America.

Away from work, Philip's primary leisure activities are canal boats, skiing, playing Bridge (at which he is a Life Master), and dining out.

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Bloor brings fresh technological thinking to help you navigate complex business situations, converting challenges into new opportunities for real growth, profitability and impact.

We provide actionable strategic insight through our innovative independent technology research, advisory and consulting services. We assist companies throughout their transformation journeys to stay relevant, bringing fresh thinking to complex business situations and turning challenges into new opportunities for real growth and profitability.

For over 25 years, Bloor has assisted companies to intelligently evolve: by embracing technology to adjust their strategies and achieve the best possible outcomes. At Bloor, we will help you challenge assumptions to consistently improve and succeed.

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