

Package Software

How To Save Time And Money Selecting Packages

Number 7

Information For
Senior Executives

From KENNEDY CONSULTING

15 Practical Tips From Our Experience

Selecting software packages for business applications requires an in-depth knowledge of both business processes and computer systems. To obtain the best packages at the lowest price in the minimum time also requires extensive experience of modern packages and buying methods.

The best selection procedure is straightforward, though a high degree of discipline is required. Done correctly, it will:

- reduce the risk of buying an unsuitable package
- increase the credibility of the Information Systems Department
- minimize the time and cost of selection

- negotiate the lowest price from a vendor
- set up the implementation project correctly
- provide a sound basis for resolving future problems with the vendor.

The procedure should be varied according to circumstances, but it essentially comprises seven inter-related stages:

1. Specify functional requirements
2. Decide evaluation criteria
3. Short-list suitable vendors
4. Evaluate vendors' packages
5. Request proposals from vendors
6. Negotiate the contract and price
7. Decide upon the preferred vendor

Read inside fifteen tips from our experience which can help you to obtain the best packages at the lowest cost in the minimum time.

Know The Package Marketplace

To obtain the best package at the lowest price, it is necessary to know about the software package marketplace:

- Packages, like cars, can be divided into classes. Expect to find simple features in simple packages and luxury features in luxury packages. Just one or two questions can often establish the class of the package
- Package prices vary widely and are no indication of functionality or quality

- Most vendors will negotiate a discount from their list price, but will try to recover it from other services.
- Many vendors make their money from modifications and support services for their packages. Expect to make modifications to packages for systems which can give your business a competitive advantage, usually the customer service systems
- The better packages are highly parameterized and/or modular, which reduces the extent and cost of modifications.

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Set The Ground Rules

Tip 1: Plan your business and MIS strategies first

The software packages selected will be expected to last five years or more. Best results are achieved if a written strategic business plan has been prepared, and the Information Systems Department has defined its supporting objectives. The clearer these objectives, the easier it will be to determine the best software package.

Tip 2: Prioritize your financial and technical constraints at the start

The selection of a package should follow a feasibility study, which estimates the costs and benefits of new software. Use the results to set financial constraints for the total cost of the project, not the package price.

Determine, in advance, your priorities on technical issues, such as:

- obtaining all packages from the same vendor, or the best packages regardless of the number of vendors
- a package written in a new language or using web services

Specify The Functional Requirements

Tip 5: Prepare a *short* specification of functional requirements, listing only the future functions which are:

- **critical to the business**
- **unique to your systems**
- **helpful in differentiating packages**

Because a package is a complete system it is not necessary to specify your requirements for all functions. You can establish much of what it will do with a few key questions.

A common mistake, often made by consultants, is to produce a long detailed

Tip 3: Control the vendors - buy the steak not the sizzle

The best purchase decisions are made logically, not emotionally. Be sure you buy the product, not the salesmanship.

Control the vendors, particularly in:

- the time you spend with each
- the information they provide to you
- the functions they demonstrate

Make sure that you will have all the information you need to compare packages by the end of the evaluation.

Tip 4: Control all contact with vendors through your negotiators

Negotiating the contract and the price starts on the first contact with a vendor.

The information that is given to vendors has to be carefully controlled so that they all have equal opportunities to present their products in the best manner. Vendors with direct access to staff other than the negotiators may gain information which will give them an advantage in negotiations.

specification of requirements. Not only is this not necessary, it is positively detrimental, because:

- users may not understand it
- it diverts attention from key issues
- vendors are not inclined to spend the time necessary to answer it fully
- the time for the selection process is increased considerably.

Tip 6: In the specification, list **WHAT** functions are required not **HOW** to do them

Unless you have definite views on HOW functions should be performed, allow vendors to suggest the best methods.

Decide The Evaluation Criteria

Tip 7: Make your key success factors your criteria for selection

Does it matter if the package documentation is poor? Or if the package is unproven or obsolete? Or if the users have to cope with two different systems? Of course it does.

Each of these factors, as well as the functionality, is critical to the success of your new systems. So write them down as the criteria against which you will evaluate each package.

Typically the criteria will include:

- functionality of the software for the requirements specified
- ease of use
- flexibility to change with business and technical requirements
- hardware and system software
- language and development tools
- compatibility with current systems
- ease of conversion
- vendor support and training
- package documentation
- audit trail
- security and recovery
- obsolescence
- contractual terms
- total cost over 3 or 5 years

Evaluate Vendors And The Packages

Through desk research, telephone calls and meetings with vendors, short-list the vendors who are worth evaluating in detail.

Tip 8: Make it clear that the packages must meet your needs, cost is a later consideration

The best negotiating tactic is to explain to all vendors that the first priority is to find the best package for the job, and then to consider cost. Pressing for price reductions too early in the meetings with vendors may cause them to cut corners in ways which are not to your advantage.

Tip 9: Stick to the specification when evaluating package functions

Give the vendors a copy of the functional requirements and your criteria for selection before they demonstrate their packages. Ask them to demonstrate specific functions which you consider to be critical. You will need at least two demonstrations from each vendor.

Have the vendors show HOW each requirement will be met, so that you understand whether the method would be the most suitable for you. Make notes on plain paper during the demonstration. Write them up against the points in your specification later. Be prepared to improve your specification if the vendors suggest better ideas.

Beware if too many functions that you need are "in the next release". Ask for written confirmation, and a penalty if they are not, or add in the cost of the modification when rating the vendor.

When a vendor compares it's product to that of another vendor, never believe the information about the other package. It is invariably wrong.

Tip 10: Identify all potential modifications; weigh the costs against the benefits

Identify modifications, and ask the vendor to quote for them. The higher the total for modifications the more likely it is that the vendor will be willing to make concessions on prices. Identification of the modifications is essential for implementation planning.

Request Proposals From Vendors

Tip 11: Have the best vendors put their proposals in writing

It is essential to have written proposals to resolve problems that could arise during implementation.

Prepare a Request For Proposal (RFP), which states what information is required. Otherwise, each vendor will submit totally different proposals and it will be extremely difficult to compare them.

Invite proposals only from vendors who have a real chance of winning your order. Ideally, this will be at least two, and no more than four.

A common mistake is to ask the vendors to include in their proposal a yes or no answer to each detailed functional requirement.

The methods for carrying out a function can vary so widely that these answers are meaningless unless you understand how the function is fulfilled.

Tip 12: Compare total costs

Compare vendors' *total* costs over three or five years. Include the license fee, required hardware and systems software, modifications, training, support, maintenance, conversion, and vendor expense charges in the total.

Tip 13: Find two vendors who rate equally, except for cost

Evaluate the vendors against all the selection criteria. If a vendor is lacking in some respects, add in the additional costs for correcting the shortcoming. At the end of the evaluation you should have at least two vendors who, in total, rate equally against the criteria, except for cost.

Negotiate The Contract And Price

Tip 14: Negotiate a large reduction in the initial license fee, less for the on-going work

Negotiate only with an executive from the vendor who has the power to make decisions during the negotiations.

Use your budget, the competitors, or any other negotiating tactic that you prefer, to convince the vendors that they should reduce the price to less than you think they will accept. Aim to gain the concessions on the initial costs, particularly on items where the vendor's cost is low. Examples are the license fee, multi-client training classes, and some modifications.

Tip 15: As the final vendors are rated equal, award the order to the one with the lowest price

Eliminate the other final vendors only on the grounds of cost. This prevents each of them from saying that you have not given adequate weight to their technical superiority. It will also help the salesperson to avoid blame for losing to the competition.

Kennedy Consulting is continually selecting software packages for clients. We are independent of all hardware and software vendors. For further information or assistance about package selection and our other consulting services please call:

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