

Vendor Selection Process

10 Questions for Your Vendor Evaluation Questionnaire

Introduction

Picking the best solution from a shortlist of potential vendors while meeting all the business requirements necessary for your company is a tough challenge. Those working in the procurement department or handling the vendor selection process in a department are responsible for choosing the best solution for the company's business needs.

This procedure requires considerable time and effort to analyze and evaluate the right vendor solutions. The key to success lies in the questions we ask along the way. There's a lot of pressure, so uncovering all the information we need by asking the right question holds the key to success.

This article will explore the vendor selection process through the lens of the best questions to address while evaluating your potential suppliers. These recommendations listed below should guide you through the examples and best practices and offer you the overview you need for selecting the right provider.

What is the vendor selection process?

Before we deep dive into the nitty-gritty elements of managing vendor acquisition, let's see what this process means.

A supplier selection process is a method for comparing suppliers to find the best fit for a company. It's a small but vital part of a logistics system. The supplier evaluation process is a multi-step process that begins with proper vendor selection guidelines. You can establish these guidelines as part of your vendor selection process by thinking about what kind of vendor will help your business meet its goals and solve its problems.

This is your chance to make sure that the solutions you are looking at will work for your business.

Vendor selection criteria and methods

The important factors and elements captured in your vendor evaluation guidelines serve as the assessment method for technical competence, quality control, budget, social responsibility, and other areas that you might define as critical for your business. All these criteria support the mission, vision, and values behind your company and product requirements and business needs.

Core components of the vendor evaluation criteria

Company overview - have an introductory section that covers a short description of who is the company behind the solution you are looking for, what's their history, and its most significant achievements.

Social proof - add relevant customer names, client reviews, testimonials, or other case studies that showcase the relevance to your business needs.

Key stakeholders - list out the names and roles of the people who'll be in touch with you from the software provider, and the possible communication channels for customer support and business development.

Operational status - ensure that your current tech stack integrates well with the new solutions and the process will comply with existing security and quality procedures.

Price quotes - list down the price required for the new system to compare it with other solutions available and your budget allocated for this type of solution.

Technical requirements - list down all the technical aspects related to the functionality of your current business processes, what specific elements need special attention, and how to describe how the vendor proposal complies with it.

Software performance - define how this particular vendor will deliver the solution or services you need and how they will avoid delivering poor quality.

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Create a pros and cons list of your existing stack, so you can arm yourself with solid talking points when you meet with and evaluate new potential vendors. Include the best features you enjoy now and add those that your team feels are missing in the stack.

Weigh each feature based on its importance to your business to get a clear and measurable picture of what matters most. Go through the list together with new vendors, telling them what you do like, what you don't like, and what functionalities you're missing most. The list helps keep you organized, so you don't forget to ask about any essential features to find the solution that best fits your team.

John, co-founder and CTO at Fig Loans

Why are vendor selection criteria necessary?

The benefits of vendor evaluation include locating low-risk suppliers for high-quality goods and services and building mutually beneficial long-term business partnerships. A few of the main advantages of having a vendor management program and team include:

Better perspective for business needs and vendor selection - While looking through the possible list of vendors and third-party suppliers, you build an industry benchmark of existing solutions available and how they can improve your existing business efforts.

Avoid liability issues and ensure security compliance - When implementing a new solution, this has to comply with your current policies and international standards or regulations.

Better security and data protection - This assessment phase you are conducting while discussing with various service providers will also bring light to how they will ensure data protection and protect the work that will get connected with their solution.

Ensure a thorough scope of service - In this process, you also write down the evaluation insights from your legal team and attach other NDAs or other types of business agreements. So, by the time your evaluation team hands down the report, you have a complete overview!

More clarity for the final decision-making process - Once you have your final list of selected vendors to choose from, you have a better image of each supplier's benefits and downsides, which would help you make a better and faster decision.

Automate internal processes and supply chain - If you are more agile in the vendor selection process, you can move faster and improve your contract negotiation strategy in the future, which can make a difference in front of other competitors.

Before engaging a vendor or supplier, conduct rigorous due diligence, request information from all your possible vendors, ask about potential vendor requirements for your product or team, and gather all the necessary parameters that might impact your company. All this type of information might be asked when you hand over your request for proposal further to your management.

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When financial and insurance companies set out to improve their tech stack, they need to evaluate what works best in order to make the right decisions. A quantitative analysis can help identify which software platforms are most effective in terms of productivity and cost savings.

For example, if a company is looking to implement a new customer relationship management (CRM) system, they can use analytics to compare the features and benefits of different CRMs on the market. This type of analysis can also be used to assess the impact of proposed changes to existing software platforms. By understanding the potential financial and operational implications of proposed changes, companies can make informed decisions that will help them improve their tech stack.

Max Benz, founder, and CEO, Banking Geek

How to select technology vendors?

Choosing vendors and suppliers for your business will require quantitative and qualitative evaluations to ensure the process works well for you and your company.

Let's do a quick tour through a few steps you should follow when looking for a new provider and the direct questions necessary to ask vendors for a successful evaluation!

Criteria for electing a technology vendor

Choosing the right provider for different services always starts with a "honeymoon period" where both parties are happy, and work is easily done. However, there are a few cases when vendors become unresponsive to the emails or requests you send over, and frustrations build up.

How do you make sure that your collaborations will not end up in the same situation right from the start?

We gathered a few tips and tricks from other companies on how to select the right vendor and ensure good project management so that the collaboration will work.

Follow their communication style - Discuss the main communication channel where you ensure they are available when you need them.

Analyze previous customer reviews - Look for the main points of their recommendations in their online reviews, and see why people like working with them. Is their customer team responsive? Do the issues get resolved when they happen? If you are not convinced, find a customer you can talk to directly.

Check their experience and history - Is this vendor just starting out? If you are looking for a solid partner who needs to know what they offer and how they integrate with your tech stack, consider looking for a solution provider with a few years of experience on the market.

Evaluate value provided for money required - The cheapest option isn't necessarily the best. Your providers must be reliable and provide exceptional service. You must select how much you are ready to pay for their services.

Vendor quality describes your quality - Your product or the services you provide rely on the efficiency of your tech stack. Customers associate bad quality with you, not your suppliers.

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From our findings, it is clear that the best vendor evaluation process is a three-step process that includes an initial screening, followed by in-depth interviews with shortlisted vendors, and finally, reference checks. This process allows you to quickly identify vendors that are not a good fit and narrow down your options to a few qualified candidates. The in-depth interviews give you a chance to get to know the vendors better and understand their unique capabilities.

Finally, the reference checks help you verify the vendor's claims and get insights from their past clients. Overall, this three-step process is the most effective way to evaluate vendors and find the best one for your needs.

Krishna Rungra, founder and CEO, Guru99

What types of questions to ask a potential technology vendor?

As we previously saw, the vendor selection process has three phases. Firstly, you start by analyzing existing solutions and roasting possible software vendors. Secondly, you start going through the vendor assessment document and rank them based on specific notes or scorecards.

Let's focus on the first area and see what questions you can ask during initial discussions for a better evaluation!

- 01 Do you have a procedure for supplier selection?**
- 02 Can you guide us through a step-by-step recorded demo or offer a trial for our team to test out the functionalities we need?**
- 03 How easy to use is the solution you provide? Is there any type of training needed?**
- 04 When was the solution Launched on the market?**
- 05 What type of functionalities are you looking to add in the future?**
- 06 Who are your customers?**
- 07 How are you currently solving the problems faced by customers like us?**
- 08 How will the software integrate with our solution?**
- 09 How quickly do you answer customer support questions?**
- 10 How much time is needed for customer issues to be addressed?**

How to prepare your team for a vendor evaluation process?

Before signing the contract with any solution provider, concentrate on picking the right vendor for your company's needs. These are the tips and tricks shared by similar companies that went through similar processes and shared the recommendations listed below.

Have a list of company needs and functionalities required - Your team members who will be using this solution or whose job will be completed by it are the ones who can provide more context for what's needed. Together with them, you can narrow down to a list of functionalities and items to include in your assessment.

Establish a budget with management representatives - Depending on how critical the problem is and what type of tool you need to integrate into your tech stack, a budget is necessary. Discuss the topic with your management before going through the process, and get their estimations for how much funding you have available.

Discuss potential legal and security questionnaires - These two team representatives are often involved in the vendor evaluation process to ensure that specific elements will be compliant.

Define KPIs and success measurement - The implementation of any tool will be closely followed internally to determine if the target results were achieved. It's crucial to decide on the exact indicators that will measure the impact of this tool so that every team member is aligned and there are no hidden expectations.

Successful vendor selection steps to follow

▶ **Software vendor selection - sources of recommendations**

You can find vendors in a lot of different ways. To get the best possible options, you should build up a shortlist from various sources. This will give you a more comprehensive range of options to choose from.

▶ **Direct recommendations**

If you don't know, ask your friends and business acquaintances. Ask someone who has used it to get an honest assessment of how well or how poorly an organization does.

▶ **Online directories**

If you want to find a supplier in your area, you should look in directories like G2, Capterra, SourceForge, GetApp, Software Advice, and Trust Pilot.

▶ **Online or offline events**

Industry events often include an area where vendor providers exhibit their solutions with a quick demo. Attending these events can be an excellent opportunity to connect with those you target.

▶ **Top Lists**

Bloggers and industry publications often publish articles that go through the top solutions within a specific niche. They can be a starting point for your research process.

▶ **Making the final decision**

Take your final list of vendor options, and ask for a written request for a quotation for each. Provide a concise summary of your needs, frequency of requests, and expected revenue. Once you have the quote, compare the various vendors based on your priorities.

Additionally, get the price quotation and compare it with your budget, and verify that the provider you want will have the highest chance of delivering quality what you need. Some vendors may outsource work to subcontractors, in which case you should check the subcontractor.

Don't forget to check the privacy policy and the terms and conditions with the legal department before making the final decision.

Vendor selection evaluation template

Use this template to adapt to your own company needs and kickstart your vendor evaluation process. You can complete it with the data obtained in the initial phase and analyze it based on your priorities and offered scorecards.

Criteria	Vendor A	Vendor B	Vendor C
(Can include features you want to see, software you want to integrate with, pricing, implementation costs and timelines,etc.)	Evaluate each line on a scale of 1-5 (One being poor, 5 being excellent)	Evaluate each line on a scale of 1-5 (One being poor, 5 being excellent)	Evaluate each line on a scale of 1-5 (One being poor, 5 being excellent)
Total Score:			

Final Vendor Ranking
 (sort in order of who had the highest score, to the lowest score)

- 1) _____
- 2) _____
- 3) _____

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