

20 Questions You Must Ask Software Vendors

In the market for new software? Compiled by a twenty-year software veteran, use these questions to identify hidden issues that can negatively impact project success and long term return on investment.

1. How many versions of your software are you supporting?

Best answer is one, as this will give you the fastest pace of innovation.

2. What is your upgrade or release process? How often do you do it?

Flush out any hidden costs or potential disruption as well as pace of innovation.

3. What are the ongoing costs in addition to licenses?

Lower costs are better but also assess cost predictability.

4. What countries do you have users in?

The more the better as this speaks to scale and global performance.

5. How many customers do you have, and what is their collective volume of data/content?

More the better to demonstrate scale and execution.

6. What is the background of your leadership team?

Leadership experience in software matters. The more patterns they've seen, the better.

7. How many different software delivery approaches do you have?

Best answer is one. Red flag if a vendor has on-premise, private cloud, and multi-tenant cloud. This shows a lack of focus.

8. Where is the development team based?

Communication is integral to successful software companies. Needs come from customers go to product designers, which go to architects, which then get coded by developers, which are then tested by QA teams. This relay can lose fidelity if communication is not crystal clear.

9. Is your company profitable or cash flow positive?

A software vendor in good financial standing has the means to invest more in ongoing innovation or R&D than those that are not.

10. What is the ownership profile of your company?

Are they public, VC-backed, or private equity owned? Public is safest as nothing is hidden. Private equity is riskiest because a banker is captaining a software investment ship.

11. How quickly is your revenue growing year over year?

While customer and employee growth is also good to understand, the numbers can be misleading as other variables can be at play. Revenue growth is the purest motivator for ongoing investment for a software company.

12. Does the software offer an open, public API at no additional cost?

Systems are meant to talk to each other. Today, an open API is a must. If a vendor charges for the API then what else are they going to nickle and dime you on?

13. How is the software modified/customized? Is it by configuration, code, or both? If both, find out what the configuration is used for and what the code is used for.

14. Is the application built on an application platform or is it a point solution?

Many vendors will call applications platforms. The quick test is to ask how many applications are on the same platform. Don't let a vendor call a module or add-on an application. A true platform will have multiple applications running on the same code base that can interact with each other.

15. What customer use metrics does the vendor track?

If they are unable to track performance and real world usage patterns the vendor will lack critical data for continually improving the product.

16. How is the software licensed? Is it perpetual with annual maintenance or tier based user pricing?

Licensing needs to align to value. Restrictions such as data volume, logins per time period or use of the word "concurrent" should be cause for concern because just like cell phone providers, costly charges could result in overage fees or worse, inaccessibility to users.

17. Where is the software hosted and is it GDPR compliant?

The best are AWS, Microsoft Azure, Google Cloud, data centers, etc.

18. Does the vendor provide transparency into the status of the service?

How will you know if the system is up, down or sideways? Pure cloud vendors will often provide a public site that details the status of the service and will report on any disruptions to the service. Here is an example: trust.veeva.com

19. Does the vendor have a robust partner ecosystem?

System integrators and other 3rd parties can play a significant role in the tuning of a SaaS solution. Don't be trapped and sole-sourced by your vendor. Make sure that there is an ecosystem of partners who can help you to configure and fold the service into your business environment.

20. What is the vendor's customer renewal rate?

In the world of SaaS, customer renewal rates are a proxy to customer satisfaction. If a customer is unhappy with a service, then they won't renew their subscription with a vendor. Also, if a vendor is lucky enough to have "negative churn," then they are expanding their footprint within accounts, as opposed to shrinking or not renewing. Negative churn is the best indicator for both customer satisfaction and adoption.

Armed with these 20 questions, any software buyer can select the best software vendor for their company's needs.