

Software Vendor Due Diligence Checklist

Organizational Background

	CRITERIA	ACTION
	Experience	Ask for a review and a brief history of the company's years in business.
	Customers	Request a list of key customers, partners and contact information for references.
	Training and Development	Review the system the vendor has in place for customer training and development. Simply put, how will the vendor ensure that you would be trained and supported should you move forward with as their customer.
	Key Stakeholders	Meet with the individuals who would be support your success. Key stakeholders should include: <ul style="list-style-type: none">• Executive leadership• Sales• Customer Experience (Onboarding, Customer Success, Support)

Organizational Performance

	CRITERIA	ACTION
	Operational Capacity	Gather information to determine total capacity; determine if there is sufficient capacity to meet your current and future requirements.
	Consistent Quality and Service Levels	Determine if the vendor will be able to deliver high levels of quality and service throughout the life of the contract. One indicator of customer focus is whether or not the supplier has a dedicated Customer Experience and/or a team of experts who can deliver on your needs and to ensure you meet your business goals.
	Communication Channels	Ensure the vendor can dedicate a resource to your success. Example: <ul style="list-style-type: none">• Monthly usage reviews with Customer Success• Quarterly Reviews on progress to accomplishing business goals• Annual Reviews to showcase ROI and Value Realized
	Operational Statistics	Check statistics that provide evidence concerning quality problems or service levels. Example data to request: <ul style="list-style-type: none">• Customer usage analytics (look for usage trends amongst customer base)• Net Promoter Scores (NPS)• Customer Satisfaction Scores (CSAT)• Customer Effort Scores (CES)
	Development Capacity	Ensure that the necessary systems and procedures are in place to support product bug fixes, product enhancement requests, and roadmap planning.

Key Stakeholders Aligned to Business Goals

	CRITERIA	ACTION
	Key Stakeholders	<p>Outline each business unit within your organization that will leverage the vendor's software to complete their job. Ensure to do internal due diligence to understand the following:</p> <ul style="list-style-type: none"> • How will each business unit interact with the software? • What part of their roles will be impacted, both positively and negatively, with the use of the software?
	Business Goals	<p>Using the list of key stakeholders, map out the goals of each business unit and how the use of the vendor software will contribute to reaching their goal. Be sure to tie in projected usage data that correlates back to the business goals.</p>

Commitment to Customers

	CRITERIA	ACTION
	Item or Service	<p>Ask for reviews and referrals from customers or independent sources regarding the quality of the software and/or service.</p>
	Quality Management	<p>Look into quality processes that the vendor employs, such as total quality management (TQM) or quality control measures that quantify the standard of output.</p>
	Standards Compliance	<p>When it is essential to your business, verify that potential partners adhere to standards relevant to their business (and yours). Standards may be related to product quality, such as international production ISO standards or the QS 9000 for American car manufacturers. Compliance with regulations like the Payment Card Industry Data Security Standard (PCI DSS), the HIPAA standards for healthcare information, and the California Electronic Communications Privacy Act (Cal ECPA) may also be relevant to your business.</p>
	Integrations	<p>List all integrations you need from a software provider and ensure that the vendor has the appropriate integrations team to allocate resources to accomplish a successful integration. Potential integrations to consider:</p> <ul style="list-style-type: none"> • Accounting software • E-commerce • Customer relationship Management (CRM)
	Continuous Improvement	<p>Check for organizational culture and corporate value that focus on continuously achieving and improving quality.</p>

Pricing

	CRITERIA	ACTION																														
	Pricing	Price quotes should reflect quality, service, and industry competition.																														
	Pricing Table <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Item</th> <th style="width: 35%;">Description of Cost</th> <th style="width: 15%;">QTY Required</th> <th style="width: 15%;">Unit Price (USD)</th> <th style="width: 20%;">Extended Price (USD)</th> </tr> </thead> <tbody> <tr> <td>Software</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Hardware</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Implementation</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Customer Mgmt.</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Item	Description of Cost	QTY Required	Unit Price (USD)	Extended Price (USD)	Software					Hardware					Implementation					Customer Mgmt.					Other				
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	Full Cost Analysis	Ensure that your vendor or partner has a well-run business based on variable costs, fixed costs or overhead, profit margins, and the break-even point.																														

Financial Information

	CRITERIA	ACTION
	Balance Sheet	Check the official record of fixed and current assets and how they are financed.
	Profit and Loss	A P&L sheet shows you whether the supplier is making a profit; the sheet is also an indicator of company stability.
	Credit Rating	The financial institution credit rating should be high — a poor rating is an indicator of mismanagement.
	Financial Reputation	Ask customers, analysts, and colleagues about a prospective partner's financial suitability.

Internal Processes

	CRITERIA	ACTION
	Inventory	When a vendor or supplier carries sufficient inventory, it should be able to supply the right quantity at the right time.
	Quality	Quality controls are essential to a successful contract.
	Operations	Disciplined operations enable on-time deliverables that meet specifications in the correct quantity.
	Procurement	Efficient procurement processes are essential when your vendor uses its key suppliers to keep costs in line.
	Health and Safety and Environment (HSE)	Check for sound systems and procedures, as well as an excellent safety record, which demonstrates social responsibility and a workplace that motivates staff and builds morale.

Corporate Social Responsibility

	CRITERIA	ACTION
	Follows Ethical and Legal Standards	Products and services should satisfy legislative requirements. Evidence of conformity might include policy and processes aimed at delivering ethical best practices, positive media or feedback, or good ratings from industry agencies.

Culture

	CRITERIA	ACTION
	Values	A healthy relationship can foster a long-term and sustainable partnership that adds value to both parties.
	Understanding Business Drivers	A partner should understand what impacts your business, from the competitive environment to the latest innovations.