# Gartner Decision Tools for Vendor Selection

Ralph Witcher

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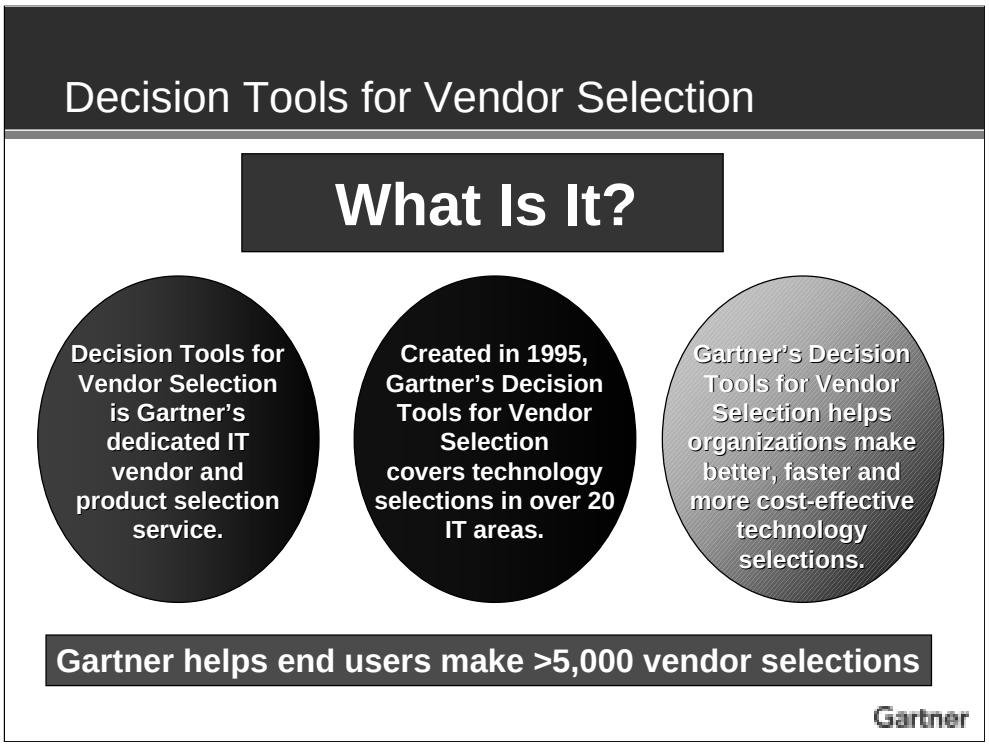


- A unique, dedicated service designed to help organizations make better, faster and more cost-effective decisions regarding IT product evaluation and selection, as well as to provide market intelligence for the vendor community.

- Portfolio of approximately 25 software-based Decision Driver models

Where do we fit …

- Gartner Decision Tools deliver software applications, services and methodologies that enable users to calculate and compare return on investment (ROI), make better, faster, more cost effective vendor selections, and perform cost-of-ownership analysis.

- By understanding the ROI of technology investments, clients are equipped with data to support their IT investment strategy.

- Decision Tools provide an ideal way to evaluate and select vendors and strengthen negotiations.

- By understanding the total cost of ownership, organizations are able to reduce costs dramatically while improving operational efficiency.

## Why Decision Tools for Vendor Selection?

- Enterprises that have replaced ad hoc acquisition programs with systematic acquisition programs have reduced procurement costs by 15 percent to 18 percent.
- Through 2004, a managed procurement process that reflects an enterprise's organizational structure, business objectives and implementation capabilities will reduce time to implementation by at least 30 percent (0.7 probability).
- Although a comprehensive request for proposal (RFP) costs a typical enterprise $100,000 to $150,000, an RFP will reduce the TCO by at least 5 percent when $2 million or more is involved (0.7 probability).

## Vendor Selection: Challenges Illuminated

***...Can You Feel the Pain?***

**Top Organizational Challenges:**

- Selection not a core competency
- Unrealistic timelines and expectations
- Divided attention
- Uncertain scope
- Tactical instead of strategic focus
- Political agendas

**Top Project Team Challenges:**

- Identify appropriate differentiating criteria
- Structure criteria into appropriate context
- Assign relative importance within this structure
- Gather and validate objective vendor information
- Justify the selection throughout the organization

**Help!!**

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**Who can take advantage of this research?**

• Any organization evaluating or purchasing covered technology areas

• Executives seeking to standardize on vendor selection methodologies

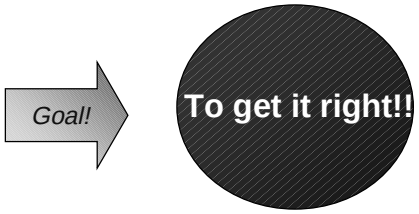
• Project teams faced with specific vendor selection initiatives

# Gartner Decision Tools for Vendor Selection

**"Selecting the right vendor is a daunting task involving a thorny process that often results in destructive chaos within organizations."**

## Challenges . . .

**Time**:
3-to-15-month cycle time
9 months average elapsed time
**Resources**:
8 to 20 persons on decision team
**Cost**:
Selection costs 20% to 40% of dollars spent
$500,000 purchase cost — $100,000 to $200,000 selection
**Risk**:
An inappropriate selection
Potential project failure
Negative impact on business processes

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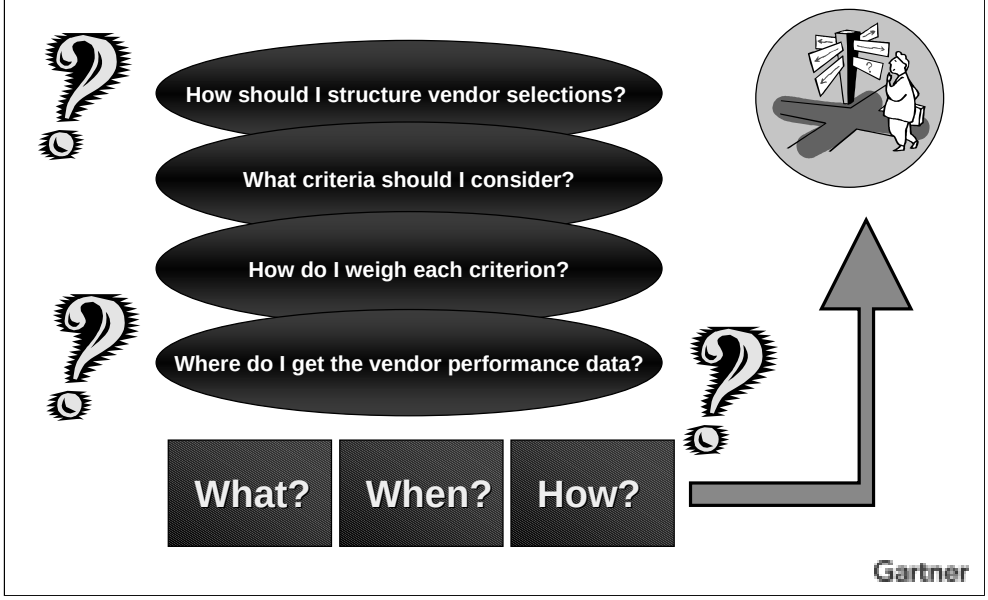
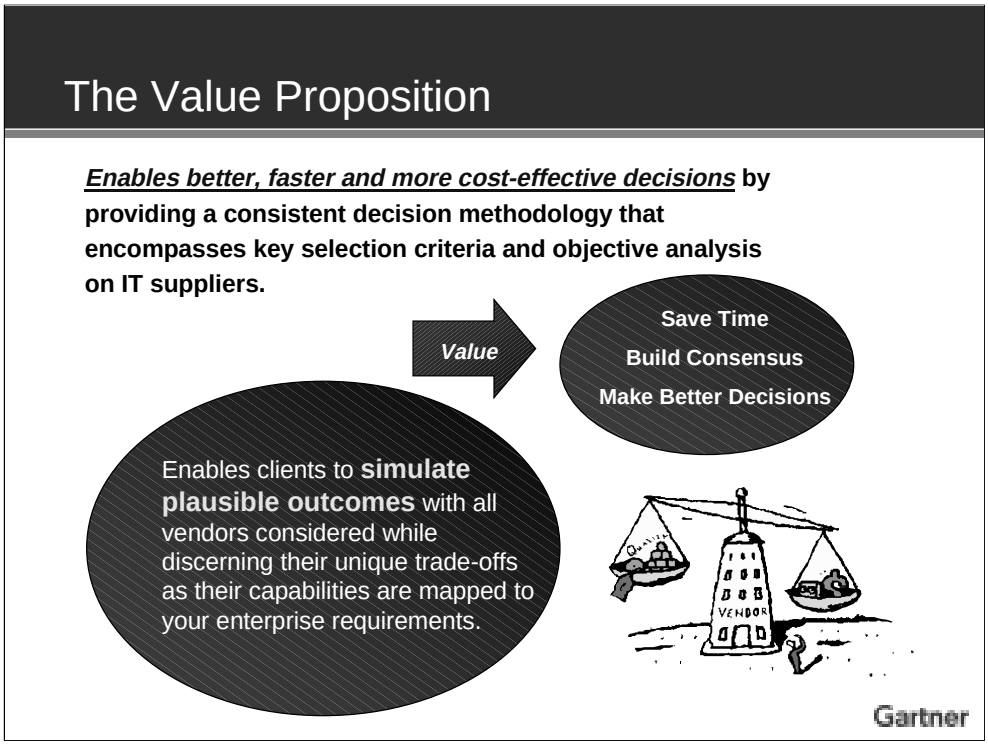
## Gartner Provides the Answers



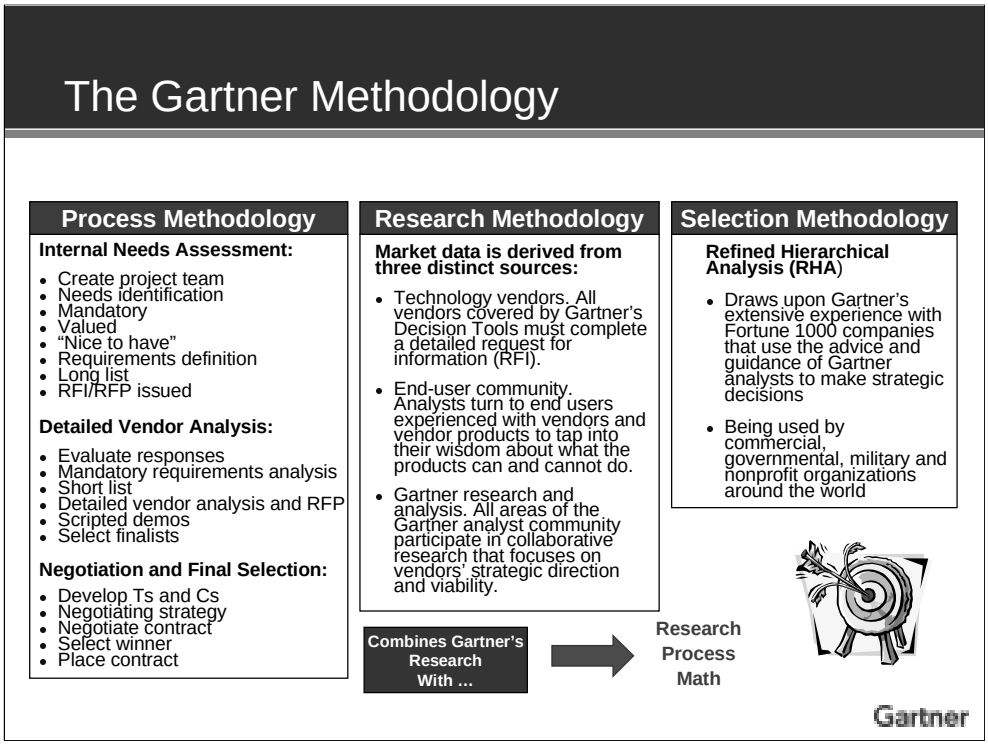



Clients save time and expense while reducing the risks associated with technology selection.

- What are the benefits of this service to an organization?
  Up to two-thirds less time spent based on our leverageable methodology.
- As much as 25 percent reduction in project team expenses
- Provides substantial negotiating leverage with vendors
- Decision Tools for Vendor Selection enables project teams to make better, faster and more cost-effective decisions through:
  - The identification of a comprehensive set of differentiating criteria
  - Provision of a best-practices structure and weighting of decision criteria
  - Access to validated vendor performance data

What are the benefits to an individual?

- Gain credibility — Project team members can establish a new level of credibility with their peers and superiors by introducing both time-tested methodologies and best practices into their vendor evaluations. They can leverage Gartner analysts to bring content expertise and wisdom to the table.
- Achieve collaboration — Gain critically important internal collaboration necessary to attain an optimal decision.
- Minimize exposure — Project team members don't have to bet their careers on a vendor selection process mired in vendor hype, politics and the disparate background of others on the decision team.




**Process Methodology**

The foundation of Gartner's Decision Tools approach to IT vendor selection: we refer to our formalized "cradle to grave" approach to decision making as the "Selection Methodology." The methodology is a road map, which guides you and your project team through a structured evaluation and selection process from the time you decide you need to make an IT purchase, to negotiating the best possible contract with your vendor of choice. The Selection Methodology consists of three phases:

- Internal Needs Assessment — Identifying what your organization needs from an IT solution, prioritizing among these needs, and highlighting critical or mandatory requirements.
- Vendor Analysis —— Identifying which vendors or solutions in the marketplace best meets the needs of your organization.
- Negotiation and Final Selection — Going out there and getting your solution – and getting it at the best possible price and under the best possible terms and conditions.

**Research Methodology**

Decision Tools analysts interview clients who have made specific IT decisions, asking, "What priority or importance did you assign to these criteria, and with the benefit of hindsight, what would you have done differently?" From these interviews arose a set of best-practices criteria weightings that can be used as a platform for discussion and customized to suit each individual organization's preferences and priorities.

- As for the objective data — or the cold, hard facts — Decision Tools is in a unique position to gather and track valid information. We refer to our objective product data as our "Comprehensive Knowledge Base." It is, in fact an aggregation of three principal data sources:

- Information and feedback from the end-user community – Speaking to clients who are actually using the Input from the vendor community – Our comprehensive best-of-breed RFI is submitted to the vendors and their responses fully validated.
- Audit and confirmation from The analyst community – Gartner analysts throughout the organization are tapped to validate vendor claims.

## What Criteria Do We Cover?

- Decision driver models evaluate five top-level criteria
  - Product — Generally available field-deployed product capabilities
  - Cost — Initial and ongoing investments
  - Services and support — Professional services and support capabilities
  - Viability — Financial and organizational viability
  - Vision — Assessment of vendors' product, corporate and marketplace direction
- Decision-specific criteria

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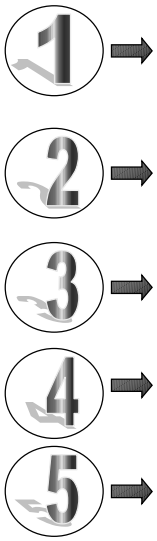
## Deliverables



1. Decision Engine Software
2. 21-Step Best Practices Approach to Making IT Decisions
3. Monthly Database Updates
4. Best-of-Breed RFI
5. Unmetered Telephone Access to the Vendor Selection Analysts

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# Decision Tools for Vendor Selection Library

| Models |
| --- |
| Multifunctional Product (MFP) |
| Enterprise Resource Planning Suite |
| Integrated Financials and HR Software |
| Intel-Based Hardware – Suite |
| Asset Management Repository |
| Financial System Application Software |
| HR Application Software |
| Content Management Services |
| Convergence Server Solutions |
| Customer Service and Support Software |
| Consolidated Service Desk |
| Extraction, Transformation and Loading |
| Provisioning |
| Customer Relationship Management Suite |

| Models (Cont'd) |
| --- |
| Enterprise Information Portal |
| Enterprise Server Platforms |
| Integrated Document Management |
| Intel-Class Hardware – Desktop |
| Intel-Class Hardware – Notebook |
| Midmarket ERP Software |
| Marketing Automation |
| Contact Center Infrastructure |
| Sales Force Automation |

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## Gartner's Decision Tools for Vendor Selection Cost Justification

*Enterprise Resource Planning (ERP) Selection Evaluation Services*

| | Average Product Selection Time in the Enterprise Management Market | Average Number of People Within Organization Who Consider Decision | Average Cost to Organization of Product Selection for Enterprise Resource Planning* |
|---|---|---|---|
| **Without Gartner** | **6-18 Months** | **12** | **$225,000 in labor costs** |
| **With Gartner** | **3-6 Months** | **7** | $131,250 labor<br>+$25,000 Gartner<br>$156,250 |

**Assumptions: Individual spends one-quarter of total time researching, reviewing and negotiating for selection of a prepackaged business application product. Individual is salaried at $75,000 per year.**

**Soft Dollar Savings**
$68,750

**Hard Dollar Savings**
$$$$$

| Client | "Final" Quote from Vendor | Final Purchase Price | Approximate Amount Saved |
|---|---|---|---|
| Manufacturing Company in Northeastern U.S. | $1,564,000 including manufacturing, accounting and supply chain software, services and maintenance | $915,000 | $649,000 |
| Manufacturing Concern in the Southwest | $1,640,000 including accounting and HR software, project management and maintenance | $650,000 | $990,000 |
| West Coast: CPG Services Company | $1,100,000 including software, services and maintenance | $550,000 | $550,000 |

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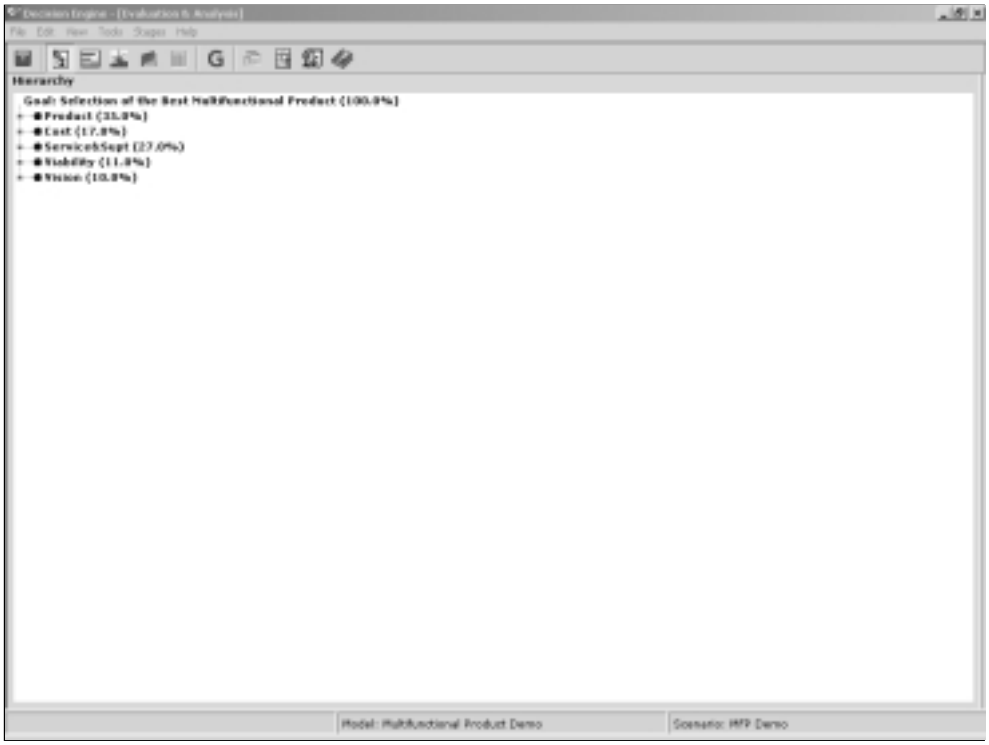
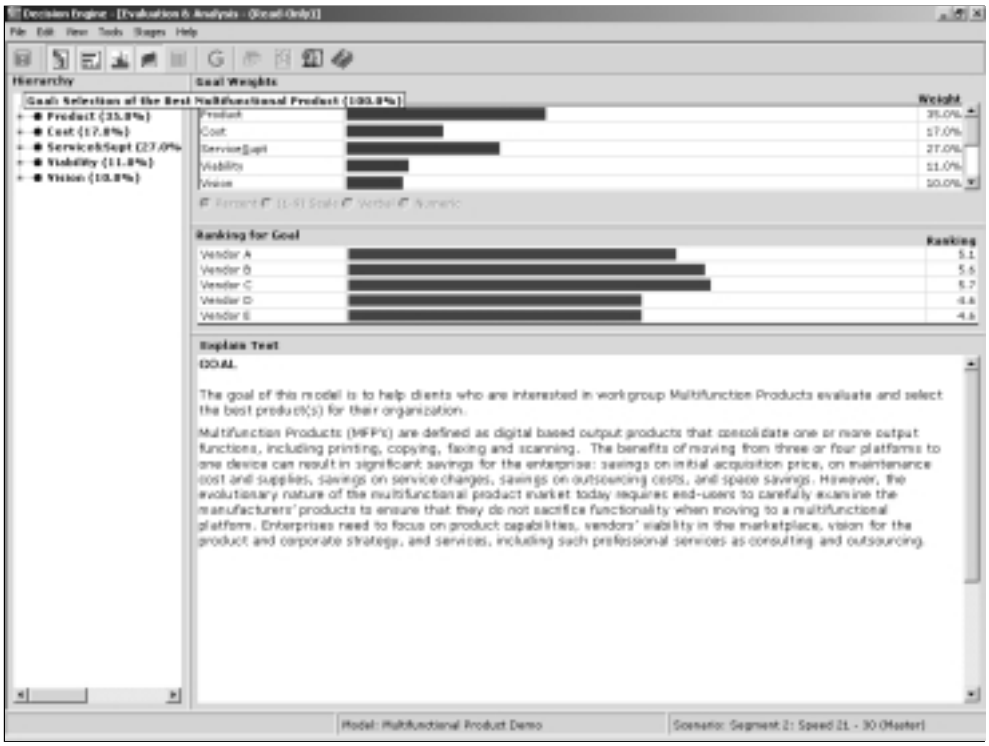
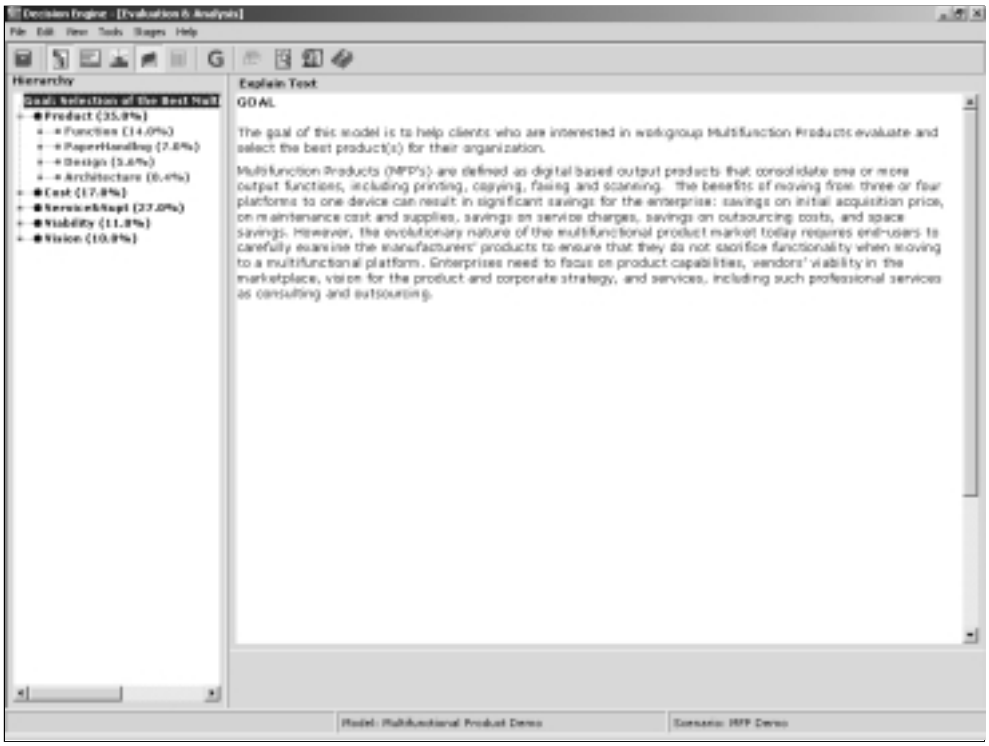
decision ENGINE
Model Portfolio
Introduction & Review
Model Search
Evaluation & Analysis
Charts & Graphs
Report Generator
Exit




On the left-hand side of the screen, you see the Decision Tools' solution to the first of project teams' major challenges: identifying appropriate criteria on which to base their evaluation. We've organized the thousands of questions within our best-of-breed MFP RFI into a Windows Explorer tree structure.

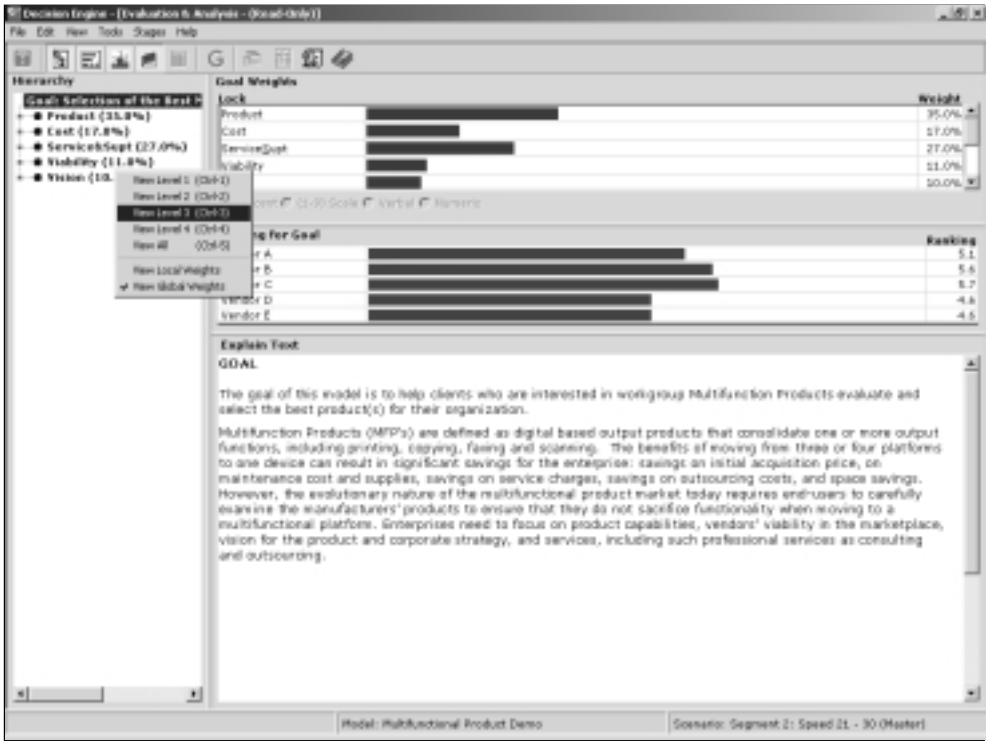
At the top of this structure, you see the "Goal" of selecting the best MFP product for a given organization. This overall selection is broken down into the high-level components you see immediately below the "Goal" node of our tree structure. They include "Product," "Cost," "Services," "Viability" and "Vision." The first of these criteria (Product and Cost) are tactical elements, while the remaining three categories (Services, Viability and Vision) are strategic elements of the evaluation.


Hierarchy
Goal Weights
Weight
Product (35.0%)
Cost (17.0%)
ServiceSupt (27.0%)
Viability (11.0%)
Vision (10.0%)
Ranking for Goal
Ranking
Vendor A
Vendor B
Vendor C
Vendor D
Vendor E
Explain Text
GOAL
The goal of this model is to help clients who are interested in workgroup Multifunction Products evaluate and select the best product(s) for their organization.
Multifunction Products (MFP's) are defined as digital based output products that consolidate one or more output functions, including printing, copying, faxing and scanning. The benefits of moving from three or four platforms to one device can result in significant savings for the enterprise: savings on initial acquisition price, on maintenance cost and supplies, savings on service charges, savings on outsourcing costs, and space savings. However, the evolutionary nature of the multifunctional product market today requires end-users to carefully examine the manufacturers' products to ensure that they do not sacrifice functionality when moving to a multifunctional platform. Enterprises need to focus on product capabilities, vendors' viability in the marketplace, vision for the product and corporate strategy, and services, including such professional services as consulting and outsourcing.




Project teams can drill down into each of these first-level criteria categories simply by double-clicking on the category within the tree. Double-click on “Product," for example, and you’ll see that the category breaks down into even more specific components: “Print," “Copy ," “Scan," “Fax” and “Task Switch."

Turning now to the right-hand side of the screen, you’ll see what we call “Explain Text.” This text supports the tree structure with definition and description. Explain Text is context-sensitive; that is, the text refers to whatever criteria category you have selected from the Explorer tree structure.


File Edit View Tools Stages Help
Hierarchy
Goal Weights
Lock
Weight
Product
Cost
ServiceSupt
Viability
Explain Text
GOAL
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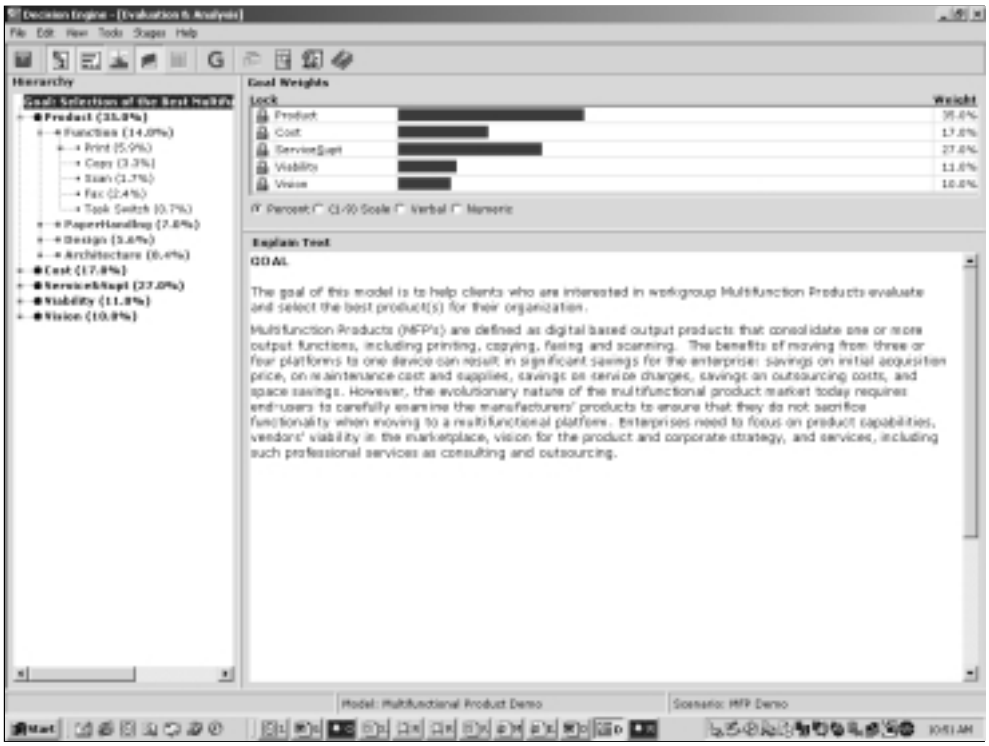
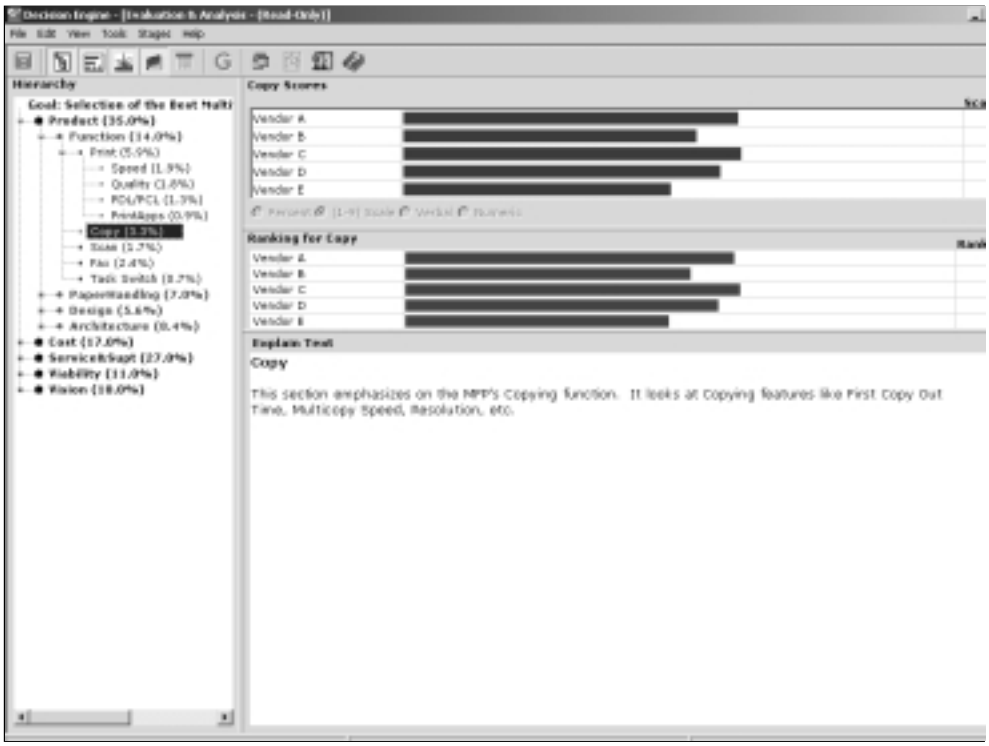



You'll notice that within the tree structure, each criteria category is assigned a percentage; this is the figure in parentheses. These percentages are actually weightings, or levels of priority, assigned to each component of the IT evaluation. As mentioned earlier, the figures you see here represent the collective wisdom of your peers and are derived from analyst interviews with project teams who've already completed an MFP vendor selection.

In the on-screen example, Product makes up 35 percent of the overall MFP application selection, Cost represents 17 percent of the selection, and so on. Every category within the tree structure is assigned a weighting, to ensure that all the criteria you've decided to include in your evaluation are given appropriate context and priority with respect to the overall selection.

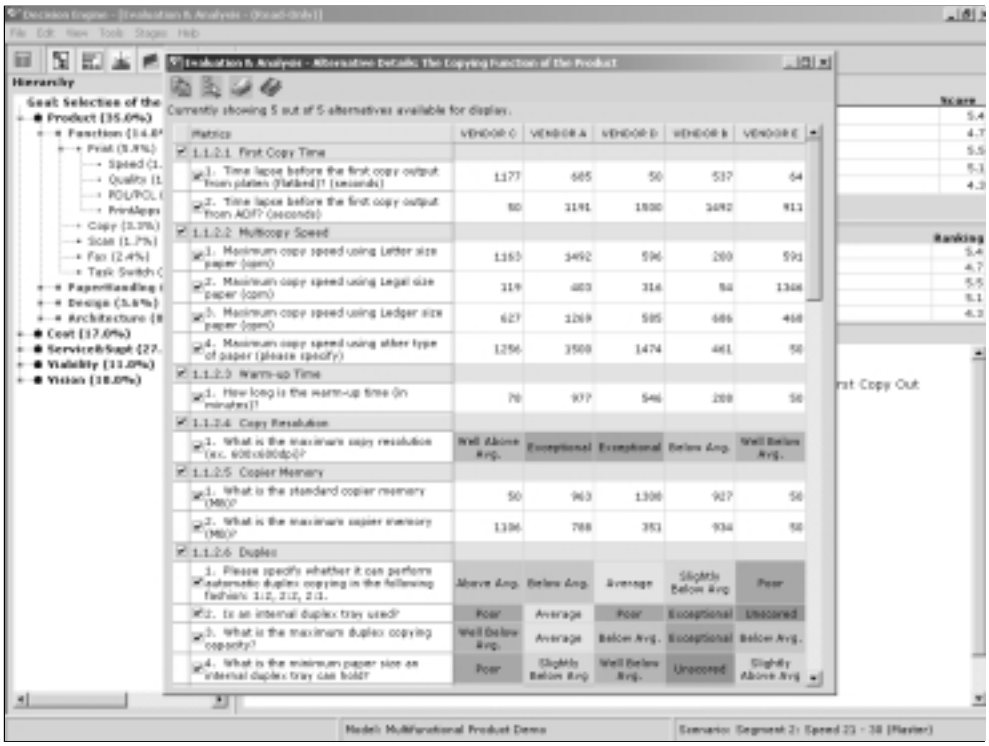
The best-practices weights as provided are a great platform for discussion within your project team. However, these weights can — and must — be modified to reflect your own organization's specific preferences and priorities.

I've just added the weighting mechanism to the screen; you can see it just above the Explain Text. To make Services a more important component within your selection, you'd simply drag the red bar associated with "Services" to the right. As you do this, you'll notice that the weights assigned to all other categories of criteria decrease proportionally to maintain the evaluation's mathematical consistency. You might decide to "lock down" a criterion weighting by selecting the "lock" icon directly to the left of that criteria category. Doing so locks in place the priority of a specific category, as you adjust the weight assigned to the remaining criteria.




At any level and for any criterion within the hierarchy, you can establish vendor performance and compare vendor results. Currently the vendor rankings reflect the criteria category that I've highlighted within the tree structure. Selecting a different criteria category allows you to view how the vendors in my evaluation compare specifically within the elements of a vendor's vision. These elements include their corporate strategy, product and service vision.

By changing the criteria weightings, you can see if, and how, the results vary. For example, if I place more emphasis on vendor viability by dragging the associated red bar to the right, you'll see the vendor rankings alter to reflect my priorities.



At the lowest level of any branch of the tree structure, you can identify the individual RFI questions that comprise that low-level category, as well as the vendors' associated capabilities.

The comprehensive knowledge base of information within our best-of-breed RFI — In this screen, you can see the specific RFI questions, embedded in the model, along with validated vendor capabilities.

If particular RFI questions are not important within your own selection, simply click the check-box next to a given question to exclude it from the evaluation process.

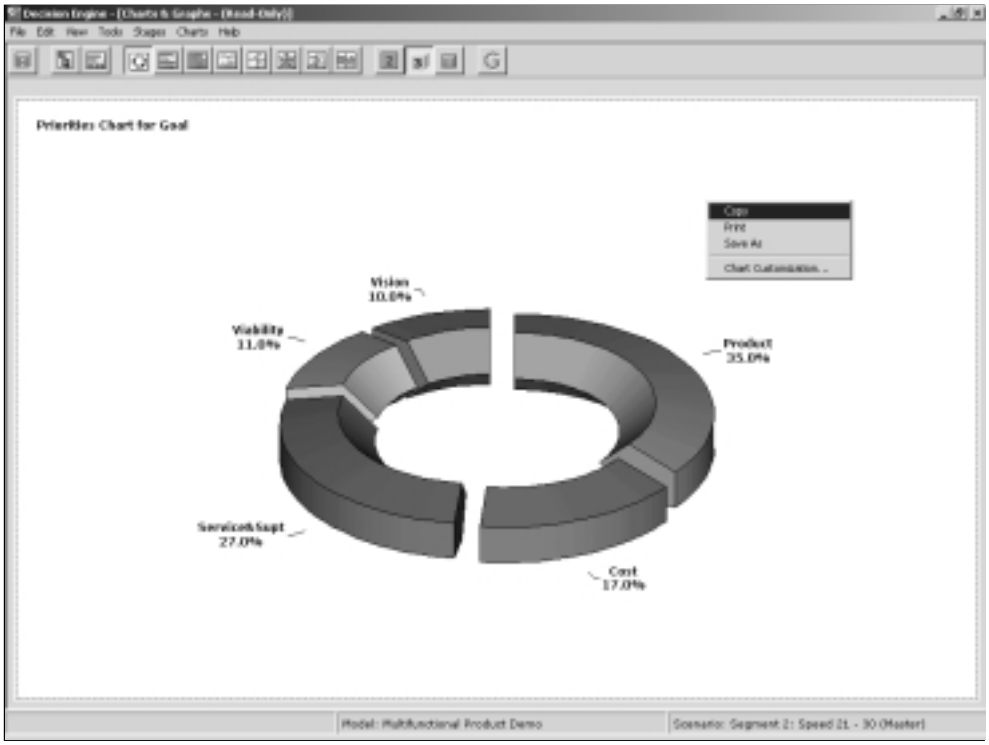
You can also view multiple vendors' capabilities side by side, by clicking the "Alternative Details" icon from the toolbar.

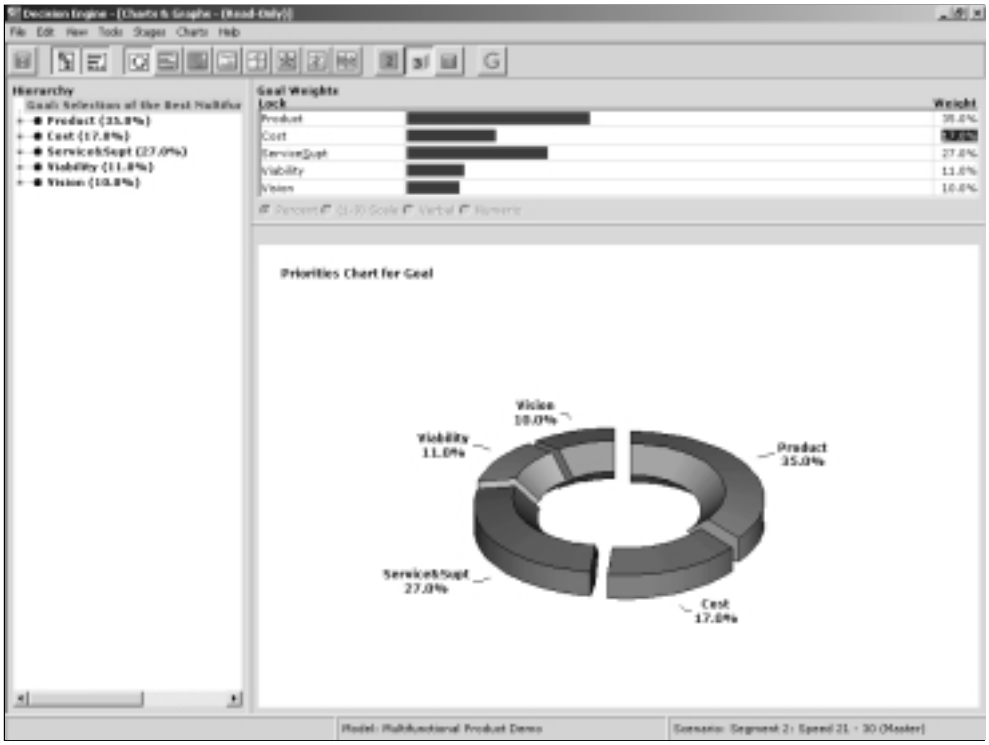

Clients who base their selection on the Decision Tools Selection Methodology will first conduct an Internal Needs Assessment, prioritizing among requirements and identifying mandatory features. Project teams can type a keyword associated with a mandatory requirement into the Decision Engine search function, and immediately search the RFI for relevant questions and associated vendor data.

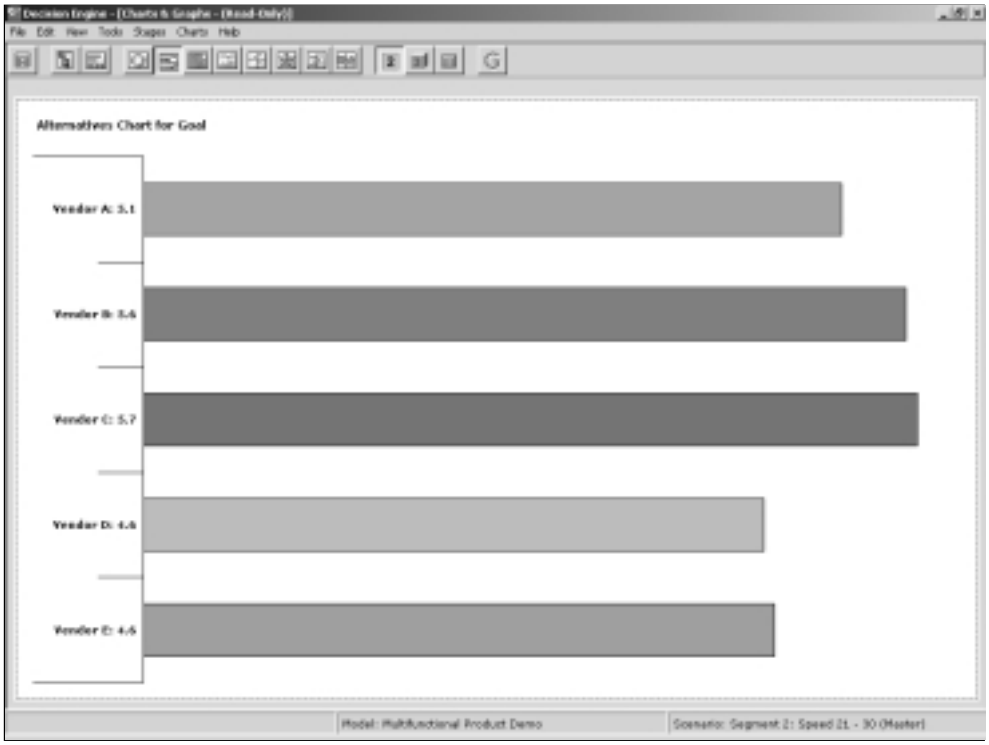
For example, I'll type in the word "speed" and hit "search." The search engine identifies a list of all the relevant RFI questions that underlie the Model and lists them on the left-hand side of the screen. If support for a certain level of speed and performance were a mandatory requirement, I might double click on that question in order to call up vendor capabilities and determine at a glance which vendors are (or are not) able to meet my specific requirement. As you can see, the vendors I'm evaluating are listed on the right-hand side of the screen, along with their ability to meet the speed and performance requirements.

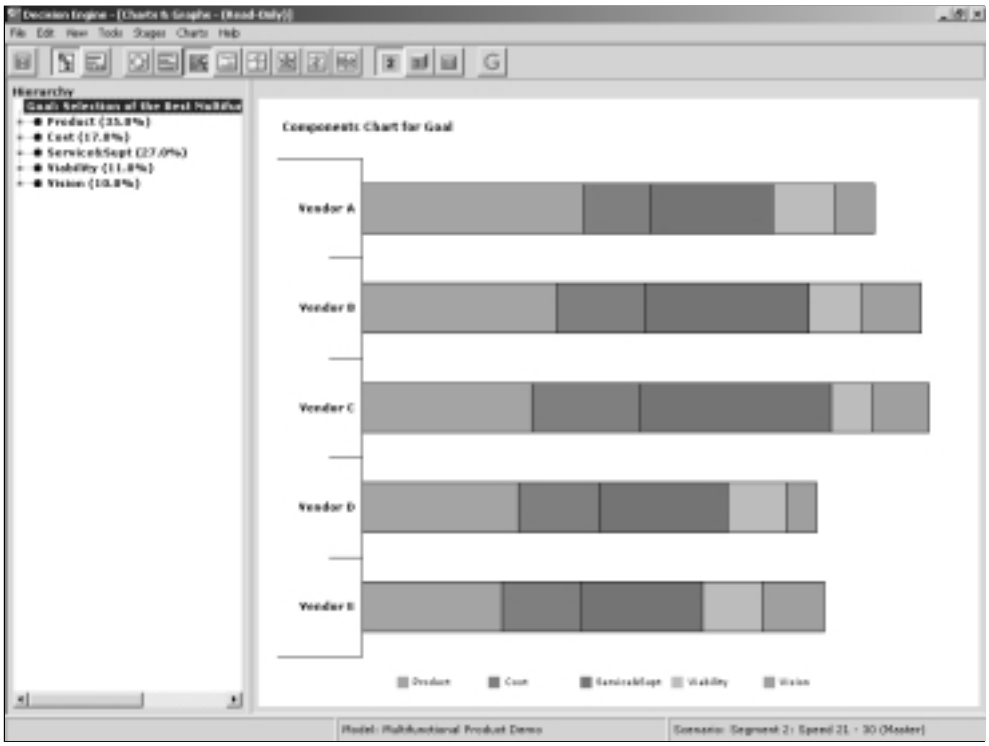
If I saw a pattern emerging, in which particular vendors were consistently unable to meet critical needs, I might hide them from view by clicking the check-boxes next to their names.

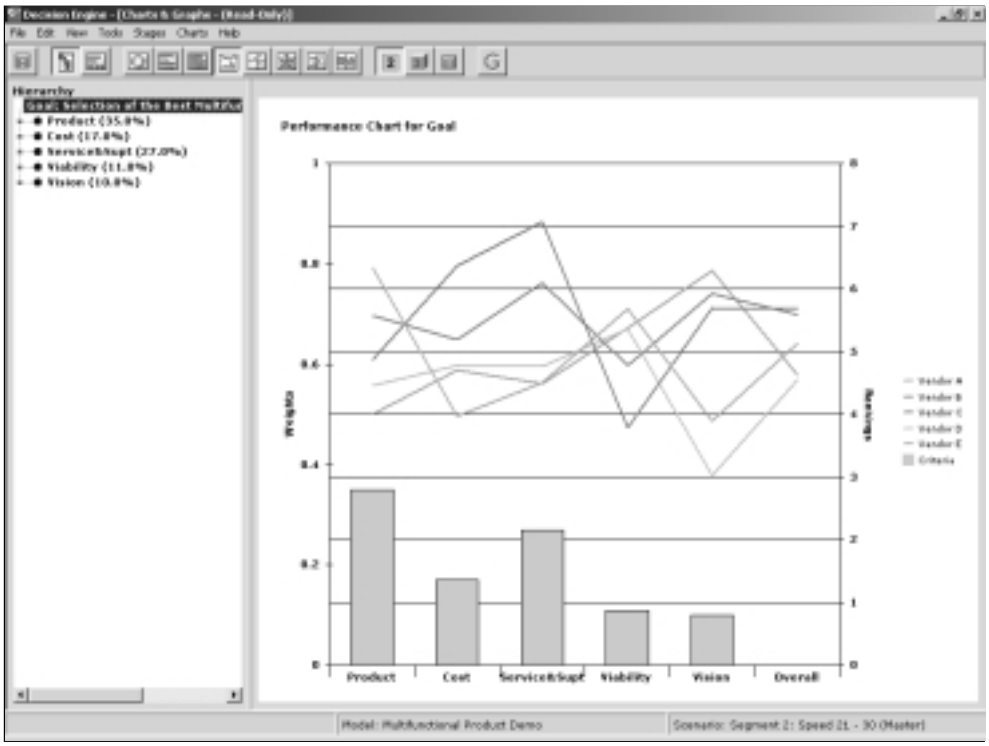
When using a live model, which might contain 12 to 15 vendors, the search functionality is an excellent of quickly paring a long list of vendors down to a shorter list of "truly viable options.


Priorities Chart for Goal
Copy
Print
Save As
Chart Customization...
Vision
10.0%
Viability
11.0%
Product
35.0%
Service&Supt
27.0%
Cost
17.0%
Model: Multifunctional Product Demo
Scenario: Segment 2: Speed 21 - 30 (Master)

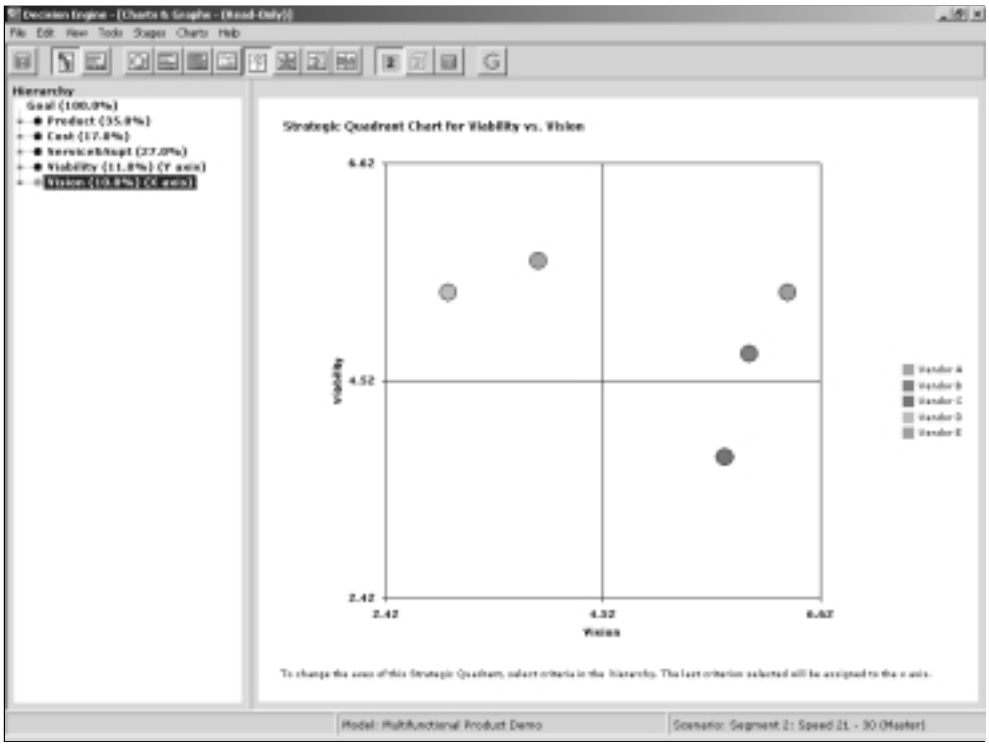

Hierarchy
Goal Weights
Lock
Weight
Product (35.0%)
Cost (17.0%)
ServiceSupt (27.0%)
Viability (11.0%)
Vision (10.0%)
Priorities Chart for Goal
Vision
10.0%
Viability
11.0%
Product
35.0%
ServiceSupt
27.0%
Cost
17.0%


File Edit View Tools Shapes Charts Help
Alternatives Chart for Goal
Vendor A: 5.1
Vendor B: 5.6
Vendor C: 5.7
Vendor D: 4.6
Vendor E: 4.6
Model: Multifunctional Product Demo
Scenario: Segment 2: Speed 21 - 30 (Master)

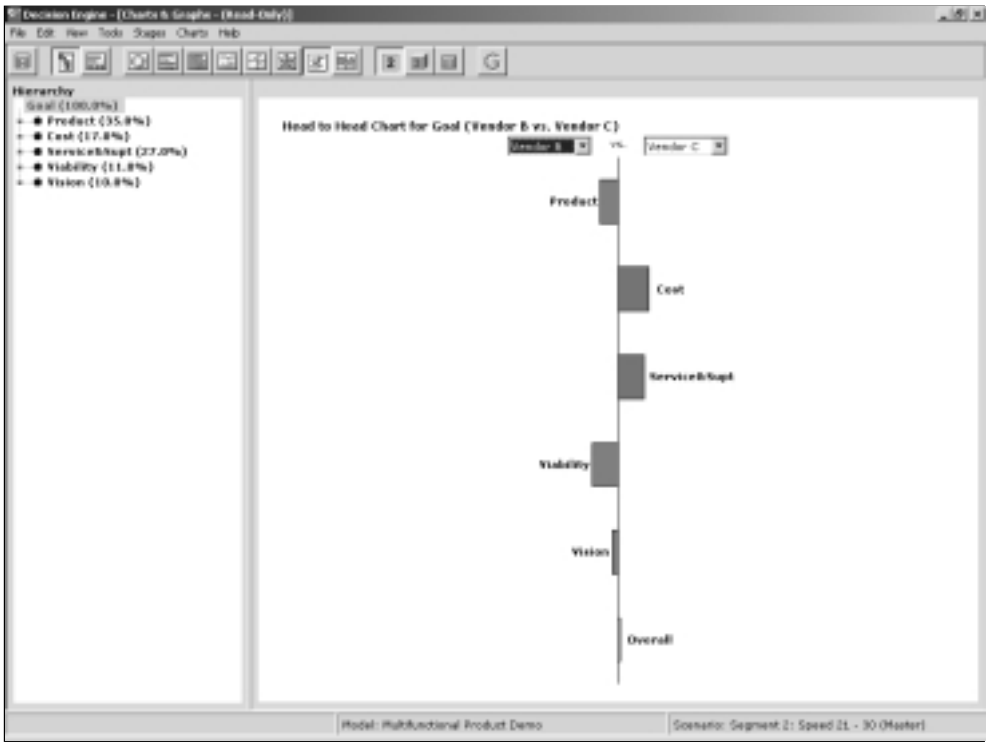

File Edit View Tools Shapes Charts Help
Hierarchy
Product (35.8%)
Cost (17.8%)
ServiceSupt (27.0%)
Visibility (11.8%)
Vision (10.8%)
Component Chart for Goal
Vendor A
Vendor B
Vendor C
Vendor D
Vendor E




The performance chart provides an “at a glance” view of the relative performance of vendors.

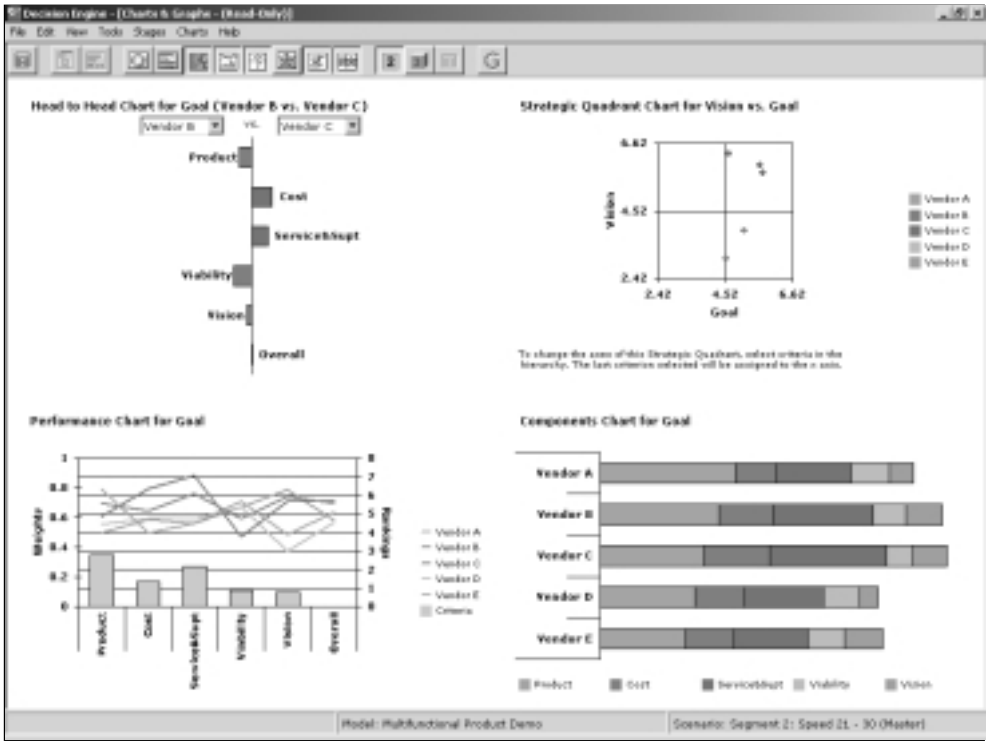



The Strategic Quadrant is like Gartner's Magic Quadrant but considers the enterprise requirements of our clients.



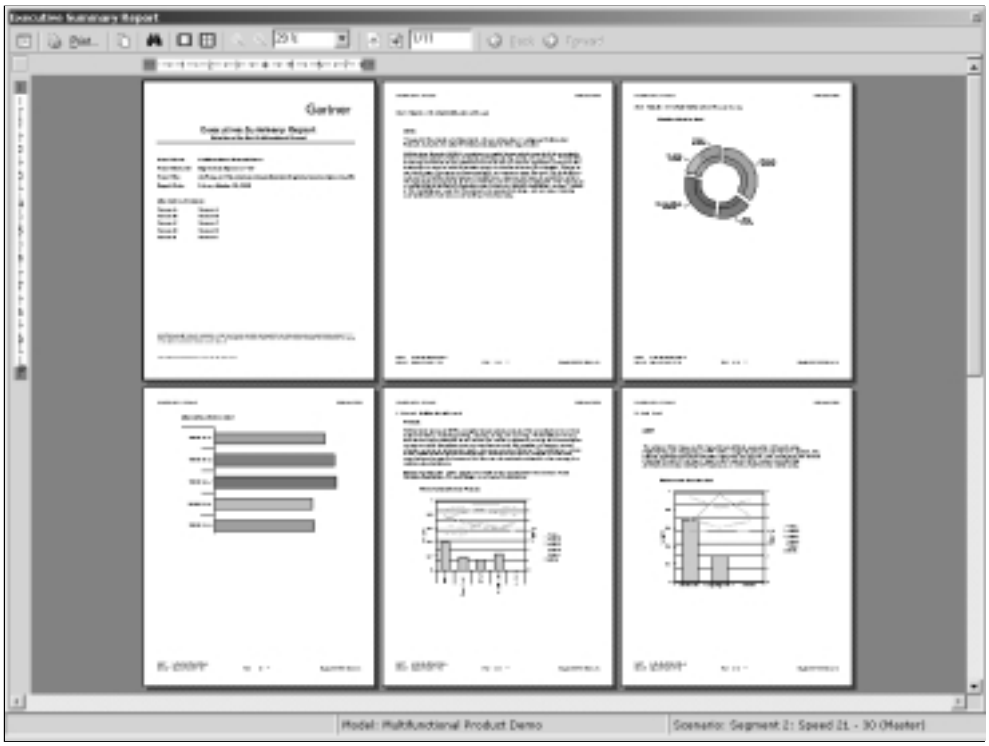

The Head-to-Head Chart is a favorite graph for our clients. In this example, we are viewing a one-on-one comparison between two solutions, as they compare at the highest level of criteria in the tree structure. Right now we're comparing Vendor B to Vendor C. Vendor B's "territory" is the left-hand of the screen, while C's "territory" is the right-hand side. The colored bars that extend into each vendor's territory represent that vendor's strength over the competition. In the example we're viewing, Vendor B has an advantage over Vendor C in the areas of Product, Viability and Vision. Vendor C, however, holds an advantage in the areas of Cost and Services.

Clients rely on the head-to-head chart to identify areas that require further investigation and have also successfully used the chart in vendor negotiations.

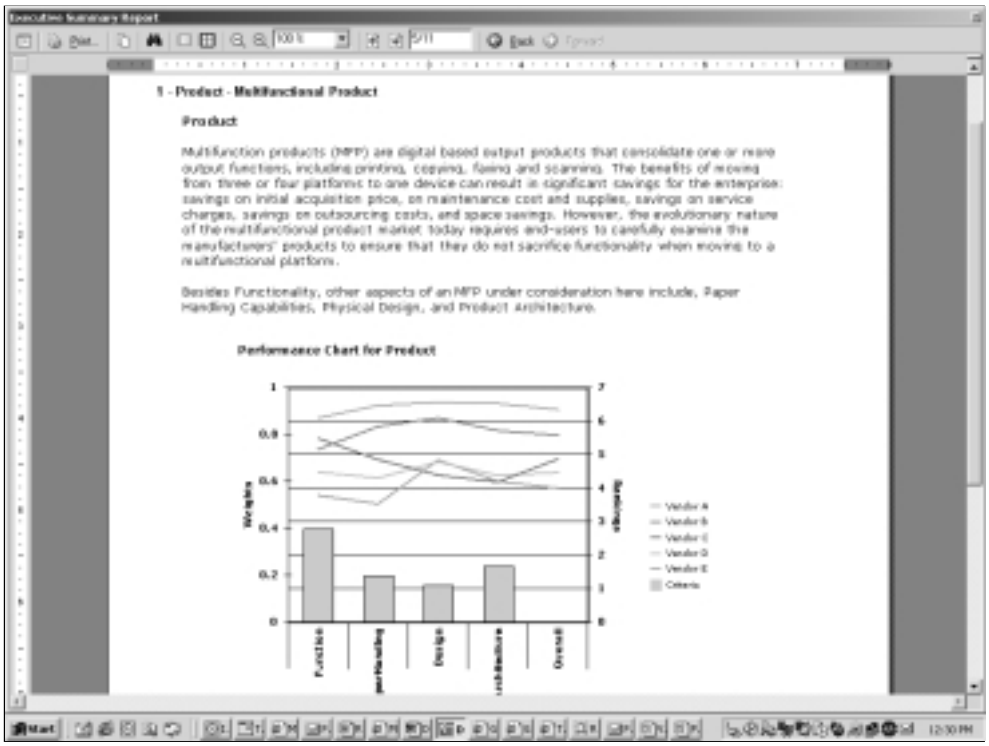



The software includes several charting and graphing options to help your project team, and others in your organization, visualize the trade-offs among vendors. Sample of the chart and graph options are shown on the screen now. Each chart offers a slightly different interpretation of the vendor data and organization-specific priorities that are contained within the model.

Each chart can be viewed individually, printed directly from the screen, and can be copied and pasted into a Word or PowerPoint document for use in reports or presentations. In addition, many clients have found the software's graphical output useful in negotiations with vendors.




The model produces powerful Executive Summary output reports.




The model produces detailed reports on any criterion comparing vendors against your requirements.

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