



TenStep Supplemental Paper

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Be Wary of Vendor References, But Use Them to Your Advantage

If you are considering purchasing a software or hardware product from a vendor, you are going to perform some sort of evaluation. Of course, the amount of time you spend doing due-diligence is directly related to the investment you are making in the product.

Purchasing a simple scheduling package that costs \$2,000 may not require the same level of diligence as a Customer Relationship Management package that costs over \$100,000.

One of the activities that should be on your evaluation checklist is talking to companies that currently use the product. The purpose of checking references is to get past the marketing and sales hype and hear some real opinions. The theory is that these companies will give you a more honest picture of how the product and the vendor actually perform in the real world.

How much faith do you place in a reference?

There are obviously potential pitfalls associated with references. First of all, when you get ready to check references, the vendor is obviously going to give you the names of customers he/she already knows will give him/her a good reference. Please don't think there is anything wrong with that. Every vendor has trophy accounts that love him/her and every vendor has accounts that have experienced problems. If you were the vendor, you would not provide reference accounts from customers who have had bad experiences. That would be nuts.

Of course, no one is claiming that the reference customer would lie to you. Any reference can be expected to give you an honest opinion and perspective of the product and relationship with the vendor. It's just that these customers will always have a positive story to tell, which is why they are listed as a reference to begin with.

As a prospective customer, the first question you need to ask about references is whether you will accept the ones that come from the vendor, or whether you will try to get some unsolicited references. If you want to get unsolicited references, you have to know something about the current customer base. Sometimes the vendor will include the names or logos of current licensed companies on their websites or in their marketing brochures. One approach is to pick out some companies that you know are customers and just call them on your own.

Unsolicited customer references

This approach has advantages and disadvantages. The biggest advantage, of course, is that you may, in fact, be able to talk to someone who has had less than successful results, and it gives you an opportunity to see how the vendor has responded. Of course, it is also possible that the customer will be happy, in which case you don't get much more information that you would from an official reference account.

The disadvantage is that you have to do some research and this takes a lot more time. You have to find some prior accounts on your own. You may have to cold-call into that



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company and look for the right person, and you have to hope they will talk to you. None of this is easy.

Talking to official references

If you are going to talk to “official” company references, there are a number of questions you can ask that will help you get the most out of the discussion.

The chances are that the vendor will have a number of potential references. So, try to pick three or four. The same person can call each company, or you can split the calls up between a couple of people. If you split the reference checks, make sure that you get the people together first so that everyone follows a similar process in the reference call.

Make sure that you have a script or cheat sheet to help guide the reference discussion. You don’t want to have many great ideas for the discussion and then forget your questions. If you have multiple people making the calls, this also ensures that all of the reference checkers are asking a similar set of questions.

Try to get companies that are as similar to you as possible. This could mean different things depending on the product. For instance, this may mean that you want to find companies in the same industry as you. It might mean that you want companies that are the same size as you. It might mean that you want companies that process as many transactions as you. So, depending on the type of product, look for companies that are “similar” to you in the ways that matter.

Once you have identified the references, it is important to take advantage of the time you spend with them. Here is a guide that will help you in the reference call.

Conflict of interest. Ask the customer if he/she or his/her company receives any reimbursement or credit from the vendor for providing a reference. Normally this does not happen since it creates an obvious conflict of interest. However, if the reference customer is getting a reduced price on maintenance, or any other quid-pro-quo, you should seriously question the validity of the reference feedback.

General happiness. Ask a few general questions such as “Are you happy with the product?” to get you started, but then drill down quickly. Ask “Why are you happy?”, “How do you use the product?” and “Have you met all of your expectations?” These questions require the reference to think more and to back up their initial answers.

Business value. Most products claim to have a high return on investment (ROI). Find out what the reference customer says. Ask “Have you ever done an ROI after implementation?”, “What was your prior process and how does this product make you more effective or efficient?” and “What type of value does the product provide to you?”

Implementation. Ask specific questions about implementation. Don’t just ask “How hard was the package to implement?” Ask questions like “How long did it take you to implement?”, “What were your biggest implementation challenges?”, “What type of training was needed?”, “How easy was the product to learn to use?”, and “How did the vendor help during implementation?”



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Support. Ongoing support is where many vendors have a competitive edge, and where others fall short. Again, don't ask "How is the support?" Ask more specific questions such as "How many support calls have you placed to the vendor?", "What is the typical turnaround time to resolve your problems?", "How knowledgeable is the support team?" and "Has the product ever failed or gone down?"

If it is practical for the product you are purchasing, you might also ask if the reference customer would be willing to have you come to his/her facility to see how they are utilizing the product on an ongoing basis. This type of request may need to be made through the vendor.

Summary

There are good and bad points to relying on customer references. In fact, no purchase of a large amount should be made without talking to references. This is just a part of the diligence process, and it must be done. You know ahead of time that the reference will be positive; however, you can still learn a lot about the product by delving deeper into the customer's experience. During the discussion you want to stay away from "How do you feel ...?" questions and focus instead on the facts regarding the customer's experiences. This includes product implementation and support, as well as the business value that the product has provided. If you do this, you can gain a great deal of insight into what might happen to your company if you purchase the product. That is ultimately the purpose of the reference check to begin with.