ten tips when engaging with a software company

1. **Requirements gathering**
   Your starting point should be the preparation of a business case for the software solution. This will help you to identify your requirements and assess solutions against these. Try to avoid excessively bespoke solutions as this can add significantly to costs.

2. **Market testing**
   Consider whether it is appropriate to run a competitive procurement exercise or benchmarking exercise to ensure you are receiving value and purchasing the most suitable product.

3. **Regulatory position**
   Consider the regulatory requirements that the procurement process, contract and ongoing relationship with the provider will need to meet, and conduct a risk assessment. We recommend the Financial Conduct Authority's (FCA) finalised 'Guidance for firms outsourcing to the 'cloud' and other third-party IT services' which gives a helpful summary of good practice and applicable requirements on regulated firms.

4. **Proven product/provider**
   It is advisable not be the first customer on a new platform or an overseas provider's solution coming into the UK. Make sure the solution is a proven product in your area of business. Ask to see the product in action. Try to do a proof of concept (e.g. based on a single business line or limited user base) before committing to the solution. Ask for relevant references from customers with a similar profile or use case to your own business. Review the supplier's financial position.

5. **Cloud considerations**
   If you are purchasing a cloud solution, make sure you consider:

   • where your data will be hosted and the underlying infrastructure on which the data will reside

   • business continuity and disaster recover measures

   • security measures implemented by the provider

   • service levels offered by the provider (availability, performance, support response and target resolution times etc.)

   • how an exit from the provider would be handled.

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6. Licensing

Test the licensing model in the contract against the anticipated future development of your business and user base. Try to build in some future proofing in the licensing model. Where appropriate, try to negotiate volume benefits that will apply if usage grows.

7. Legals

your legal adviser will assist you with your software licence or Software as a Service agreement. Key considerations will be issues like:

- liability
- intellectual property
- service levels

- data protection compliance
- regulatory compliance
- adequacy of the supplier's professional indemnity insurance.

8. Data Security

This is a critical consideration in the context of increasing cyber risk. Make sure you assess the sensitivity of the data that will be processed by the software, and understand the data flows and associated security measures. Consider data protection compliance implications and take advice where appropriate (published guidance from the UK Information Commissioner will assist in this context).

9. Support

Consider what levels of support and maintenance you will require. How business critical is the software and what kind of support response would you require if it failed?

10. Migration

The migration to the new solution will be a key period of risk. Make sure that you plan your migration in detail with the relevant supplier and allow for sufficient time for user acceptance testing. Consider what remedies you would expect if there were a delay or failure in the implementation of the software.

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