

Supplier Scorecards: Ways to Gauge Supplier Performance

3 Ways to Use Vendor Scorecards to Gauge Your Supplier Relationships

Vendor Scorecards are not a one-size-fits-all. Scorecards are consistently used to track supplier performance based on metrics that are important to your organization and can be used for businesses of any size. The results of a supplier scorecard can be powerful in determining if your company is aligned with the right suppliers and if the goals of your supply chain are being met through your existing partnerships.

So, what are the key elements of a supplier scorecard? What do companies measure? What really matters to you?

There is no set standard in any industry on what companies should require as a measuring component. Many organizational methods of scoring evolve over time as their business needs change or if contractual obligations require additional elements for consideration. Also, a critical element to consider when developing a Supplier Scorecard is a 360-degree view. This requires input from various departments who have contacts with the same pool of suppliers in multiple capacities and filter out any redundant or repetitive supplier information.

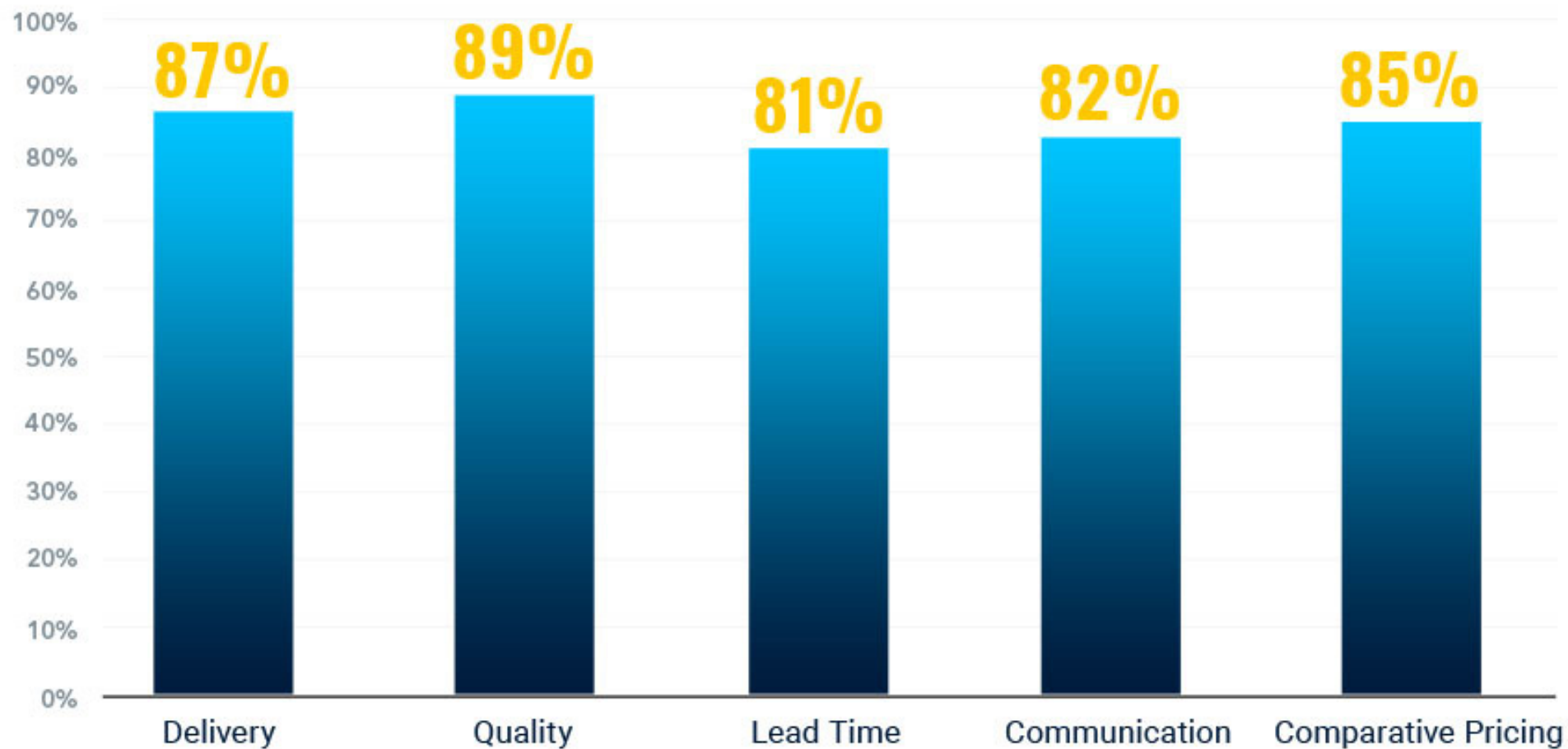
Having an integrated Supplier Relationship Management system in place will help alleviate some of the common pitfalls companies face. Here we will explore the top 3 Key Performance Indicators in developing a scorecard that will help you make informed decisions on evaluating the relationships with your supplier.

- Pricing
- Quality
- Supplier Responsiveness

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within 48 hours.

ABC SUPPLIER SCORE CARD FOR 2018-2019



Overall Rating

4.7%



Pricing

It may sometimes seem as a no brainer when companies decide to determine metrics based on pricing, right? Not necessarily. In many instances your procurement department has negotiated pricing based on quantity and established an agreement or contract that pricing will be maintained over the course of the year at said price. Therefore, having a comprehensive view of the suppliers who have adhered to and maintained the pricing over the course of the grading period is vital in determining if these suppliers will continue to receive business from Procurement in the future.

Quality

Getting a good price on your products is important for your procurement team but not the only thing that matters to your supply chain. It is just as critical as to make sure that when the product arrives, it meets all standards in place. Looking at the number of parts in total that have arrived and the percentage of those parts that made it through quality inspection process without defect is one standard methodology used by many companies. When a supplier's quality performance falls below an acceptable level, using the scorecard process will not only give visibility internally to your stakeholders that there is an issue, but also it is important to provide the supplier an opportunity to improve within a predefined time period to adhere to your company's standards. Using a quality KPI also provides a way to identify risk to your supply chain that may cause trickle-down effects like production downtime or product recalls.

Supplier Responsiveness

The third indicator is supplier responsiveness. When things are not going as planned in the supply chain, having a party on the other end who understands the critical nature of your business is important. While a supplier reacting to your needs in time of crisis is one measure, the amount of time suppliers take to respond to your pricing request, engineering questions and overall general inquiries should be taken into consideration. Responsiveness is usually measured in days and an acceptable level of time should be established across your organization for effective reporting.

Generally, an acceptable timeframe is 24 hours, but this is strictly dependent on your companies' line of business. For instance, a manufacturing facility with perishable product may not have the luxury of waiting through a 24-hour period. Whereas an electronics manufacturing company, that does not have to deal with product's shelf life or expiration dates deems 24 hours as acceptable.

Supplier Scorecards are an important part of gauging your relationships with your suppliers. The data that is used in the scorecard should not only show your supplier where they stand but also used internally to determine if your companies' goals are being met or if a realignment is needed. Scorecards do not always have to be such a daunting task. Creating a Supplier of the Quarter designation is one method where companies find their suppliers take more of an ownership in the process. Likewise using the metrics from the scorecard also will assist in creating a preferred supplier list for use by all stakeholders of your organization.

[Connect with our supply chain experts today](#) to learn more about optimization in Supplier Relationship Management (SRM).

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