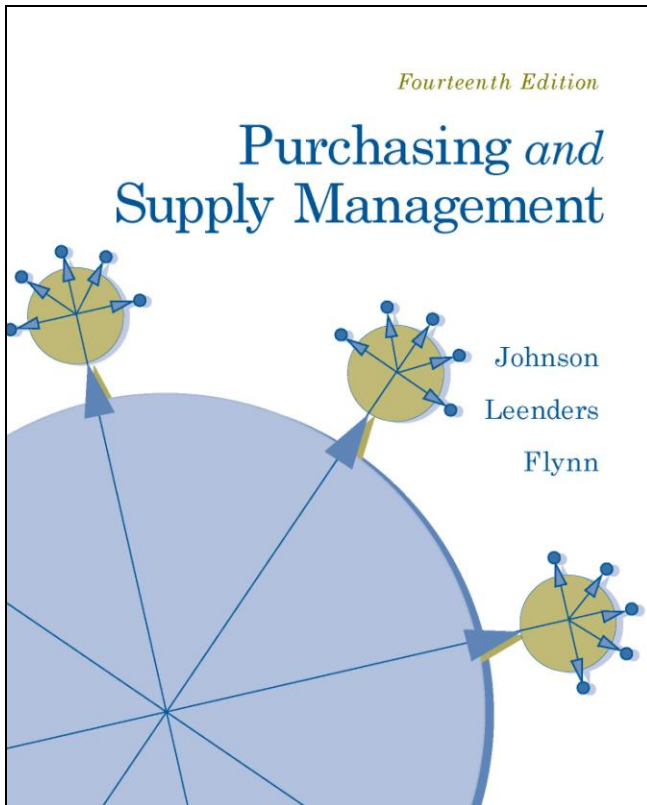




Chapter 13



Supplier Evaluation and Supplier Relations



Example of a Formal Supplier Evaluation Rating System

Excellent:	<i>a.</i> Meets delivery dates without expediting.
	<i>b.</i> Requested delivery dates are usually accepted.
Good:	<i>c.</i> Usually meets shipping dates without substantial follow-up.
	<i>d.</i> Often is able to accept requested delivery dates.
Fair:	<i>e.</i> Shipments sometimes late, substantial amount of follow-up required.
Poor:	<i>f.</i> Shipments usually late, delivery promises seldom met, constant expediting required.



Weighted Point Evaluation Systems

- Identify suppliers
 - Important suppliers and/or critical goods and services
- Identify factors or criteria for evaluation
- Determine the importance of each factor
- Establish a system for rating each supplier on each factor

Customer Satisfaction and Supplier Performance

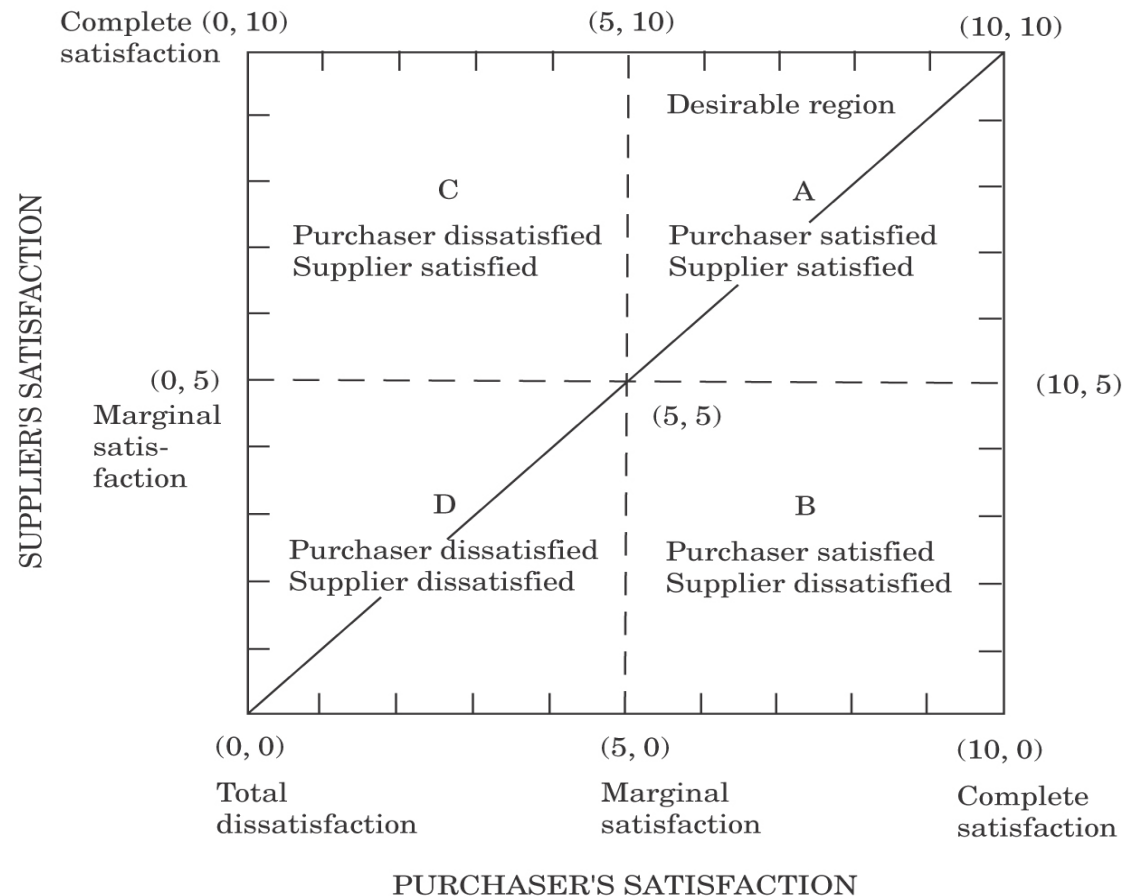




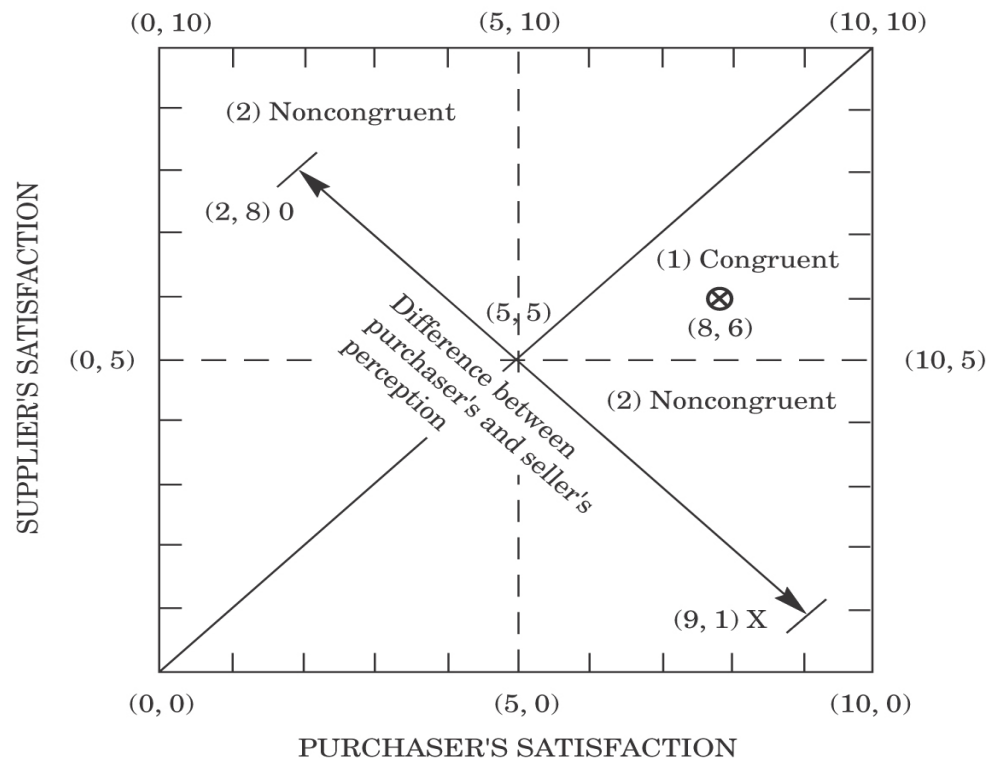
Simplified Supply Chain Perspective: The Three Core Links



Purchaser-Supplier Satisfaction Model



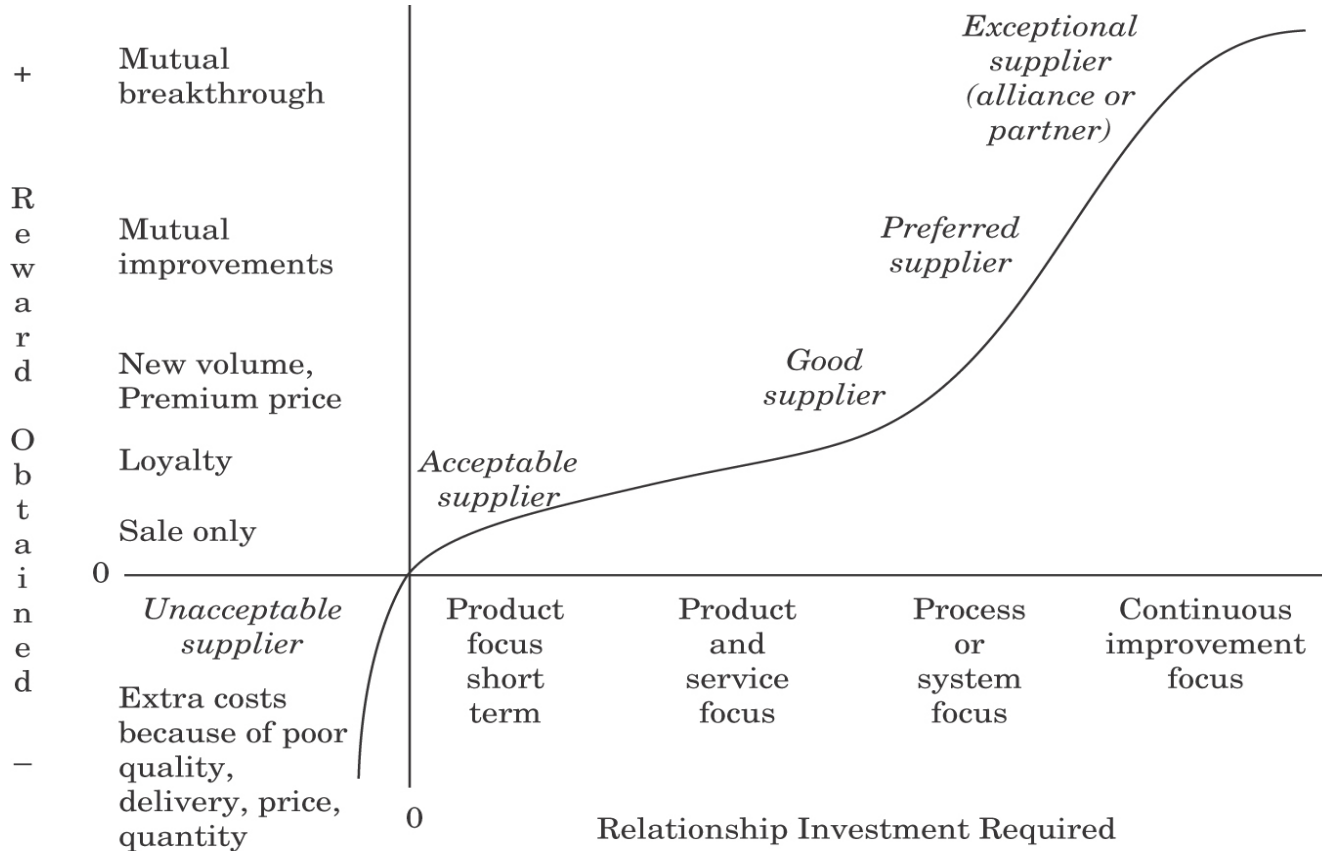
Purchaser-Supplier Satisfaction Model: Congruent and Noncongruent Perceptions



0 = Purchaser's perception of position of both parties.

X = Seller's perception of position of both parties.

Buyer-Supplier Relationship: Investment Versus Rewards Obtained





View of Buyer-Supplier Relationships

Traditional

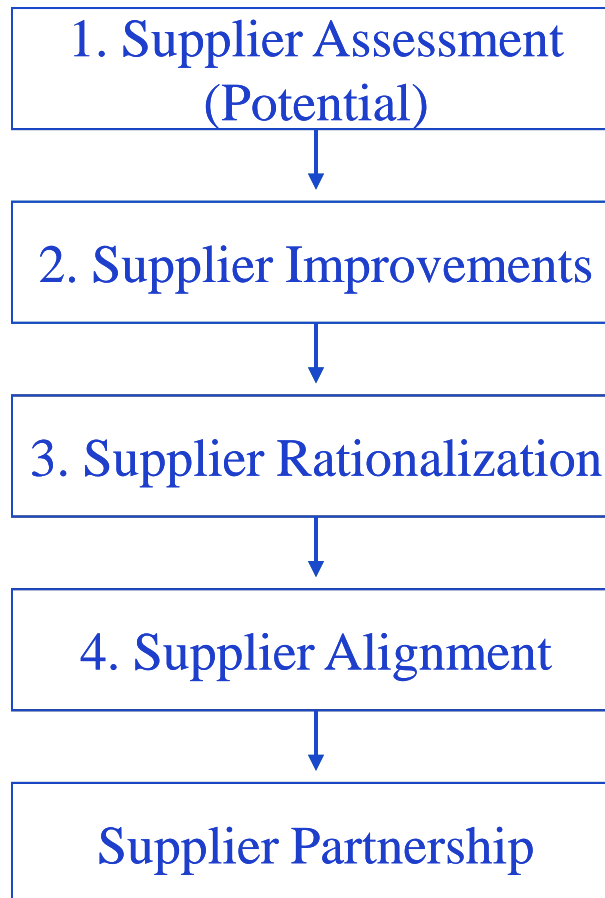
- Lowest price
- Specification-driven
- Short-term, reacts to market
- Trouble avoidance
- Purchasing's responsibility
- Tactical
- Little sharing of information

Partnership

- Total cost of ownership
- End-customer driven
- Long-term
- Opportunity maximization
- Cross-functional teams and top management involvement
- Strategic
- Both supplier and buyer on both sides share short- and long-term plans
- Shared risk and opportunity
- Standardization
- Joint ventures
- Share data



The Deployment Path to Partnership





Partnering Strategies and Outcomes

Strategies

- Decrease average delivery lot size
- Decrease total number of suppliers
- Decrease average number of sources used per purchased item
- Increase average contract/ agreement length
- Increase average frequency of delivery to the plant
- Increase supplier involvement in quality certification programs

Outcomes

- Improve quality of the supplier's operations/processes
- Improved quality of oncoming goods
- Decreased supplier's total costs
- Decreased buying organization's total cost
- Improved supplier's ability to handle buyer-initiated changes to the agreed-to delivery date
- Improved buyer's ability to handle supplier-initiated changes to the agreed-to delivery date

Source: T. Scott Graham, Patricia J. Daugherty and William N. Dudley, "The Long Term Strategic Impact of Purchasing Partnerships", *International Journal of Purchasing and Materials Management*, Fall 1994..



Some Indicators of a Successful Partnering Effort

- Formal communication processes
- Commitment to our suppliers' success
- Mutual profitability
- Stable relationships, not dependent on a few personalities
- Consistent and specific feedback on supplier performance
- Realistic expectations
- Employee accountability for ethical business conduct
- Meaningful information sharing
- Guidance to supplier in defining improvement efforts
- Non-adversarial negotiations and decisions based on total cost of ownership