**Supplier and Supply Chain Report Cards**

In the last article we discussed why suppliers are important, the role they play in accomplishing the value proposition or market strategy. Also covered were factors that allow us to objectively evaluate suppliers.

In this article a method to evaluate suppliers via a “report card” will be covered. After that, an overview of how to integrate all of these report cards so they provide insights as the overall strength of the company’s entire supply chain.

**Detail Set Up of the Report Card**

To start, select a category of product to buy and start a spreadsheet for the report card. Select 5 items from your key supplier factors, such as:

* + Product quality
  + Delivery replenishment cycle or lead times
  + On-time delivery percentage
  + Responsiveness to your needs
  + Pricing competitiveness

Next, weight these according to their importance, the total weighting is 100%:

* + Product quality – 30%
  + Delivery replenishment cycle or lead times – 20%
  + On-time delivery percentage – 30%
  + Responsiveness to your needs – 10%
  + Pricing competitiveness – 10%

Next, set a scoring scale for the overall scorecard, like a scale of 1-5. If you cannot do this, use good subjective data *from people affected outside of purchasing*.

* Score of 5: 98% on time or better,
* Score of 4: 95%-97.99%,
* Score of 3: 92% to 94.99%,
* Score of 2: 88% to 91.99%,
* Score of 1: 84% to 87.99%,
* Below 84% is a score of ZERO.

Set an overall score for the supplier based on these categories. Cover scores under a “4” with your counterparts at the supplier so they understand where they need to improve to be a better supplier for your company. In the example below, a supplier scored an overall 76; the on-time delivery and pricing scores were under a 4, so these are discussion points. If you want, have an overall rating for the entire score, such as 90 or above is Exceptional, 80-89 is Very Good, etc. and show the ranking to the supplier. Most company’s want the best rating. Help them get there.

Now, score this supplier for all of the categories. See the example below for Supplier XYZ:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Supplier XYZ Report Card** | | | |  |
|  |  | Weight | Score | Wtd. Score |  |
|  | Quality | 30% | 4 | 12 |  |
|  | Replenishment Cycle | 20% | 5 | 10 |  |
|  | On-time Delivery | 30% | 3 | 9 |  |
|  | Responsiveness | 10% | 4 | 4 |  |
|  | Pricing | 10% | 3 | 3 |  |
|  |  |  |  | 38 |  |
|  | Total Possible |  |  | 50 |  |
|  | Overall Score |  |  | 76% |  |
|  |  |  |  |  |  |
|  | Annual Category Purchase Volume | |  | $500,000 |  |

Now, let’s say there is one other supplier (Supplier ABC) in this category that we buy $1,500,000 from annually. This supplier scores a 96%. The category score then is 91% calculated this way:

|  |  |  |  |
| --- | --- | --- | --- |
| Overall Category Supply Chain Strength | | | |
|  | SCORE | PCT OF TOTAL VOLUME | WTD SCORE |
| Supplier XYZ | 76% | $ 500,000 | 19% |
| Supplier ABC | 96% | $ 1,500,000 | 72% |
| Total Category Buy |  | $ 2,000,000 |  |
| Category Supply Chain Score | |  | 91% |

You can set up scoring for each supplier within each category and look at the strength of the supply chain by category and using a graph, plot the strength of every supply chain category for the entire company. If this is done objectively, you have depicted on one page the supply chain picture for the entire company.

**Summary**

The strength of the supply chain is the responsibility of your procurements group. These various report card metrics are a much better way to evaluate overall and individual supplier performance than the traditional Purchase Price Variance. In what ways would your company’s performance differ if you had an overall supply chain score for each category of over 95? Set aggressive scoring goals. The more unreliable your suppliers are, the less money you make. Make sure the suppliers you pick are the right ones. This report card system is another way to evaluate your supplier partners.

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**About the Author:** Bob Krausert is the owner of STRATE***X***, a Twin Cities based firm that works nationwide. Bob is the author of the book, ***Extreme Lean***, published in 2018. Bob has worked with over 60 printing companies, mostly mid-sized companies, but also with larger companies like Jostens and Banta, now part of RR Donnelly. During his career, Bob has trained over 12,000 people at both public and private events. Bob has been working with PIM since 2010, periodically providing educational seminars for its members. Bob can be reached at [stratexlean20@gmail.com](mailto:stratexlean20@gmail.com) or by phone at 612-743-8706. If you would like to have a specific question or topic covered in one of the articles, feel free to make the suggestion.