Measuring Supplier Performance
And What Suppliers Should Know

Dave Wetzel, Canon Solutions America
Billy Grimmett, Office Depot
Boyd Montgomery, The Toro Company
Measuring Supplier Performance

Supplier Relationship Management

Business Reviews

Supplier Ratings
University of Florida - Procurement Services

Vision:
Set a standard of excellence by creating partnerships with customers and leading innovatively in strategic sourcing, contract management, and efficient procurement processes to facilitate the UF mission and create outstanding value for the University.

Primary Goal of the Supplier Relationship Management Program (SRM):
• To maximize the value of the interactions between the University and its most strategic suppliers of goods and services through a two-way, mutually beneficial relationship.
History & Evolution of the UF SRM Program

Before:
- Inconsistent meetings with suppliers
- Inconsistently provided data \(\rightarrow\) Inconsistent validation of compliance
- Contracts tracked via spreadsheet
- Supplier-driven agenda and meetings
- No coordinator of SRM

After:
- Meet with contract suppliers on a consistent basis (quarterly, semi-annual, annual)
- Suppliers provide data on a consistent, periodic basis
History & Evolution of the UF SRM Program

After (cont’d):

• Buyer participation in business reviews
• Collaborative agenda
• eTracker for contracts (Jaggaer)
• Verify data adheres to contract transparency & trust
• Follow-up on action items arising from business reviews-University & Supplier
• Campus attendance in business reviews
• Survey campus re: supplier
• Create scorecard for supplier (spend info, trends, survey results, metrics, notable highlights)
• Will meet with 40 suppliers in FY 2019
Components of the SRM Program – Business Review

• Survey campus
• Create scorecard
• Create agenda with campus, supplier, and procurement input
• Attendance: buyers, supplier, and if applicable, campus end users
• Review old business & takeaways
• Review supplier provided data
• Create data sheet for meeting (created by Contract Analyst)
• eProcurement review
• Post-meeting: Create summary with action items and forward to all stakeholders.
Supplier Name: XYZ Company
Review Period: Q3 2016
Date: November 30, 2016

Contract Name: ITN16SN-xxx
Eprocurement Delivery Type: Punchout
Renewal: Two 1 year renewals
Contract Team: Research and Scientific
Invoicing Method: E-Invoicing
Payment Discount: 2% Net 10

Customer Satisfaction

Supplier Metrics

Contract Highlights

Supplier Performance Snapshot

Successes & Challenges

Current & Past Projects

E-Invoice Delivery 99% 100% 99% 98%
PO/Invoice Match % 99% 100% 99% 98%
Price Accuracy 99% 100% 99% 98%
On-time Delivery 99% 100% 99% 98%
Order Accuracy 99% 100% 99% 98%
Spend On Nullify % 99% 100% 99% 98%
Spend - myUFMA % 99% 100% 99% 98%

Laboratory and scientific equipment and accessories 14%
Laboratory Measuring, Observing, & Testing Equipment 18%
Laboratory supplies and fixtures 45%
Domestic appliances 23%

Campus Spend Trend

Top Commodities

Campus Spend

Savings & Cost Avoidance

Total Spend

FY 2016 FY 2017
Pcard $300,000.00 Pcard $350,000.00
AP $700,000.00 AP $750,000.00
Total $800,000.00 Total $850,000.00

Laboratory and scientific equipment and accessories 14%
Laboratory Measuring, Observing, & Testing Equipment 18%
Laboratory supplies and fixtures 45%

YOY % Change:

Gross Domestic appliances 23%

Department Total Spend

AG-Microbiology & Cell Science $241,263.86
Pharmacy - Office of the Dean $104,248.17
MD-Pathology-General $72,615.03
Engineering-Biomedical $70,305.68
MD-Pathology-Diabetes $66,484.30

Spend Savings $40,000.00
Delivery Savings $15,000.00

75th Connecting Procurement Communities
SRM → Business Reviews
Poll - Supplier Performance: Business Reviews

On average, how often do you host/conduct business reviews with your key suppliers?

A. Quarterly
B. Semi-Annually
C. Annually
D. As needed/requested on a sporadic basis
If you’ve ever heard,

“Thanks Mr. or Ms. Customer for making the time to review ‘our’ activities over the last quarter. We saved you over $50,000, reduced costs and disruptions by 45%, improved productivity by 80% and saved your campus from near collapse. Aren’t we great?”

• If so…you’ve attended a Supplier Business Review
• Let’s find out how take it to another level with better results!
Why do them?
• Measure partners performance using quantitative and qualitative data
• Allows your end users to supply feedback to your partners
• Partners have a better understanding of the value proposition and your measurements to meet and exceed expectations
• Builds strong relationships with your partners
Business Reviews - Best Practices

- Develop an agenda!
  - Focus on contract objectives and past actions of your partner
- Key Topics
  - Customer feedback
  - Performance Evaluations
  - Key updates from both organizations
  - New products offerings from Partners
  - Changes in staffing/management
  - Changes that may impact contract
  - Contract status
Business Reviews - Best Practices

• Meeting Format
  • Conversation-style format – *Jointly* lead
  • Attended by key stakeholders
  • Collaborative style focused on winning ideas for the future

• Data Used
  • Provided by both parties
  • You supply data related to who & how – purchase, performance
  • Partners supply data on what & when – billing, error rates, purchase performance

• Use KPI Metrics
  • Accuracy fill rate, spend YOY, Spend by division, Invoice error rate, delivery time, return rate, etc.
Measuring Supplier Performance
Required Skill Sets
Measurements
Reporting Tools

- Objective Scoring Metrics
- Subjective Metrics
Supplier Rating Spectrum

**Supplier**
- Supplies goods or services
- Basic Supplier duties
- Minor relationship
- Transaction-based
- Price oriented

**Tactical Supplier**
- Competitive pricing
- Efficiency processes
- Produces cost benefits & reporting
- No contract in place but earning orders
- No program goals established
- No business reviews

**Contract Supplier**
- Approved Contract Holder (Own or Co-Op)
- Builds relationship with key Purchasing Professionals
- Listed on procurement site
- Works toward defined goals
- Conducts regular reviews and planning sessions
- Contract compliant
- Satisfactory Service

**Preferred Supplier**
- Long-term contract/agreement
- Endorsed by the University
- Takes action to direct spend
- Provides impactful reporting
- Considered an asset/resource
- Works with the University to implement new solutions
- Contract Compliance Steward
- High-Quality Service

**Strategic Partner**
- Aligned with university initiatives
- Relationship invested & engaged
- Opportunity for broad impact
- Delivers value beyond price
- Included in long-term strategic planning
- Benchmark for supplier performance
Strategic Partners

- (Long-Term Contract or Agreement)
- Aligned with (my organization’s) Initiatives
- Relationship Invested & Engaged
- Opportunity for Broad Impact
- Delivers Value Beyond Price
- Included in Long-term Strategic Planning
- Benchmark for Supplier Performance
### Example: Supplier Performance Scorecard - LSU

#### Supplier Performance Scorecard

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Supplier Contract</th>
<th>Supplier Relationship</th>
<th>Supplier Contact</th>
<th>Supplier Performance</th>
<th>Supplier Quality</th>
<th>Supplier Delivery</th>
<th>Supplier Communication</th>
<th>Supplier Flexibility</th>
<th>Supplier Satisfaction</th>
<th>Year Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier A</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
<td>123456789</td>
</tr>
<tr>
<td>Supplier B</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
<td>987654321</td>
</tr>
<tr>
<td>Supplier C</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
<td>876543210</td>
</tr>
</tbody>
</table>

#### Total Points Earned and Overall Score

- **Account Management** (0-20%): [Points Earned] / [Maximum Points] (%)
- **Delivery, Packaging, and Quality** (0-20%): [Points Earned] / [Maximum Points] (%)
- **Financial/Contracting** (0-20%): [Points Earned] / [Maximum Points] (%)
- **Relationship** (0-20%): [Points Earned] / [Maximum Points] (%)

#### Additional Community Recommendations

- **Score Weighting**: 55% = A, 40% = B, 5% = C
- **Total Supplier Earned in “Relationship” Category**: 0-100%
### Supplier Performance

**Scorecard Timeframe**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Supplier Contact(s)</th>
<th>LSU Contact(s)</th>
<th>Date of Review</th>
</tr>
</thead>
</table>

**Procurement Services**

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Supplier Contact(s)</th>
<th>LSU Contact(s)</th>
<th>Date of Review</th>
</tr>
</thead>
</table>

### Account Management

<table>
<thead>
<tr>
<th>Metric</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier representatives address University concerns/issues appropriately and in a timely manner?</td>
<td>6%</td>
</tr>
<tr>
<td>Supplier understands University’s requirements? (i.e. Specifications)</td>
<td>5%</td>
</tr>
<tr>
<td>Supplier representatives meet the University’s service/support commitments?</td>
<td>5%</td>
</tr>
<tr>
<td>Supplier representatives are knowledgeable on products/services?</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Supplier Performance Breakdown

<table>
<thead>
<tr>
<th>Supplier</th>
<th><strong>Score</strong></th>
<th><strong>A (95%)</strong></th>
<th><strong>B (85%)</strong></th>
<th><strong>C (75%)</strong></th>
<th><strong>D (65%)</strong></th>
<th><strong>F (55%)</strong></th>
<th><strong>N/A</strong></th>
<th><strong>Your Score</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier</td>
<td><strong>Score</strong></td>
<td><strong>A (95%)</strong></td>
<td><strong>B (85%)</strong></td>
<td><strong>C (75%)</strong></td>
<td><strong>D (65%)</strong></td>
<td><strong>F (55%)</strong></td>
<td><strong>N/A</strong></td>
<td><strong>Your Score</strong></td>
</tr>
</tbody>
</table>

**Total % Supplier Earned in “Account Management” Category:** 0.00%
## LSU - Financial / Contracting

<table>
<thead>
<tr>
<th>Supplier’s pricing relative to competitors</th>
<th>Weight</th>
<th>A (95%)</th>
<th>B (85%)</th>
<th>C (75%)</th>
<th>D (65%)</th>
<th>E (55%)</th>
<th>F (55%)</th>
<th>N/A</th>
<th>Your Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier’s pricing relative to competitors</td>
<td>10%</td>
<td>Very Much Below Average</td>
<td>Below Average</td>
<td>Average</td>
<td>Above Average</td>
<td>Very Much Above Average</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supplier’s quotes are firm and all inclusive? (i.e. delivery charges, installation)</td>
<td>5%</td>
<td>Always Correct</td>
<td>Usually Correct</td>
<td>Occasionally Correct</td>
<td>Rarely Correct</td>
<td>Never Correct</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How long are quotations/proposals valid?</td>
<td>3%</td>
<td>60+ Days</td>
<td>31 - 59 Days</td>
<td>30 Days</td>
<td>14 - 29 Days</td>
<td>&lt; 13 Days</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reports are prepared in a timely manner as requested: quarterly, annually, or upon request</td>
<td>5%</td>
<td>Within Hours</td>
<td>Some Day</td>
<td>Two Days</td>
<td>Three Days</td>
<td>Has to be Chased</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoices are accurate and timely</td>
<td>2%</td>
<td>Always Accurate &amp; Timely</td>
<td>Usually Accurate &amp; Timely</td>
<td>Somewhat Accurate &amp; Timely</td>
<td>Rarely Accurate &amp; Timely</td>
<td>Never Accurate &amp; Timely</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are additional terms &amp; conditions submitted and have to be negotiated?</td>
<td>3%</td>
<td>Never Receive</td>
<td>Rarely Receive</td>
<td>Occasionally Receive</td>
<td>Usually Receive</td>
<td>Always Receive</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How willing is Supplier to complete our forms/negotiate with LSU?</td>
<td>3%</td>
<td>Very Willing</td>
<td>Willing</td>
<td>Occasionally Willing</td>
<td>Rarely Willing</td>
<td>Never Willing</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>How quickly does Supplier return supporting documentation?</td>
<td>2%</td>
<td>Within Hours</td>
<td>Same Day</td>
<td>Two Days</td>
<td>Three Days</td>
<td>Has to be Chased</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does Supplier offer discounts for early/prompt payment?</td>
<td>1%</td>
<td>4% + Discount</td>
<td>3% Discount</td>
<td>2% Discount</td>
<td>1% Discount</td>
<td>No Discount</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does Supplier offer rebates for annual spend?</td>
<td>1%</td>
<td>3% + Rebate</td>
<td>2% Rebate</td>
<td>1% Rebate</td>
<td>0.5% Rebate</td>
<td>No Rebate</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total % Supplier Earned in "Financial" Category: 0.00%
**LSU - Delivery, Packaging, & Quality / Relationship**

### Delivery, Packaging, and Quality

<table>
<thead>
<tr>
<th></th>
<th>Weight</th>
<th>A (95%)</th>
<th>B (85%)</th>
<th>C (75%)</th>
<th>D (65%)</th>
<th>F (55%)</th>
<th>N/A</th>
<th>Your Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products and/or services meet expectations?</td>
<td>15%</td>
<td>Always Meets Needs Expectations</td>
<td>95% - 100%</td>
<td>85% - 95%</td>
<td>75% - 84%</td>
<td>&lt; 75%</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>Supplier’s On Time Delivery (OTD) performance for the term of the contract:</td>
<td>4%</td>
<td>Always On Time</td>
<td>95% - 100%</td>
<td>85% - 95%</td>
<td>75% - 84%</td>
<td>&lt; 75%</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>Percentage of orders that ship immediately and do not become backordered:</td>
<td>4%</td>
<td>Always Ship</td>
<td>95% - 100%</td>
<td>85% - 95%</td>
<td>75% - 84%</td>
<td>&lt; 75%</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>Receives legible, detailed, and correct delivery documentation with shipments?</td>
<td>3%</td>
<td>Always Receive</td>
<td>95% - 100%</td>
<td>85% - 95%</td>
<td>75% - 84%</td>
<td>&lt; 75%</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>Does Supplier ensure products are packaged and shipped to protect against damage upon delivery?</td>
<td>2%</td>
<td>Never Damaged</td>
<td>95% - 100%</td>
<td>85% - 95%</td>
<td>75% - 84%</td>
<td>&lt; 75%</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Total % Supplier Earned in "Delivery, Packaging, and Quality" Category: 0.00%

### Relationship

<table>
<thead>
<tr>
<th></th>
<th>Weight</th>
<th>A (95%)</th>
<th>B (85%)</th>
<th>C (75%)</th>
<th>D (65%)</th>
<th>F (55%)</th>
<th>N/A</th>
<th>Your Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>The working relationship with supplier representative(s) is:</td>
<td>7%</td>
<td>Excellent</td>
<td>Above Average</td>
<td>Average</td>
<td>Below Average</td>
<td>No Working Relationship</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>Overall, the relationship with the supplier (as a company) is:</td>
<td>7%</td>
<td>Yes, Absolutely</td>
<td>Probably, Revise Pricing</td>
<td>Possibly, Needs Improvement</td>
<td>Potentially, Needs Major Overhaul</td>
<td>No, Prefer to Re-Bid / Find a New Supplier</td>
<td>N/A</td>
<td>0.00%</td>
</tr>
<tr>
<td>We would renew contract(s) with supplier:</td>
<td>6%</td>
<td>Absolutely</td>
<td>Almost</td>
<td>Reluctantly</td>
<td>Possibly</td>
<td>Definitely</td>
<td>No</td>
<td>50%</td>
</tr>
</tbody>
</table>

Total % Supplier Earned in "Relationship" Category: 0.00%

### Additional Comments/Recommendations

<table>
<thead>
<tr>
<th>Score Weighting</th>
<th>Overall Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>95%</td>
<td>A</td>
</tr>
<tr>
<td>85%</td>
<td>B</td>
</tr>
<tr>
<td>75%</td>
<td>C</td>
</tr>
<tr>
<td>65%</td>
<td>D</td>
</tr>
<tr>
<td>55%</td>
<td>F</td>
</tr>
<tr>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>
How do you currently measure Supplier Performance?

A. *We developed our own scorecard and use them consistently to rate our key suppliers*

B. *We use a scorecard designed by another organization and use them consistently to rate our key suppliers*

C. *We conduct Quarterly Business Reviews (QBR’s) and discuss performance, but don’t formalize our supplier ratings*

D. *We believe a scorecard/rating system could be helpful, but have not yet implemented due to other priorities*

E. *We do not have a formal rating system. Rather, we rely on the “No News is Good News” mantra for supplier ratings. Unless we hear from end users, it’s all good.*
Business Council White Papers & Presentations

- 2013 – We No Bid And We Will Tell You Why
- 2014 – Everybody Wins
- 2015 – Healthy Agency Supplier Relationships
- 2016 – Total Cost of Ownership
- 2017 – The Supplier Practitioner Connection – Adding Value to Procurement
- 2018 – The Procurement – Supplier End User Relationship
- 2019 – Market Volatility
- 2020 – How Unlikely Partners Can Make You Successful

Visit: https://www.nigp.org/home/find-procurement-resources/guidance/papers
Thank You!