

EVALUATE VENDORS

for better products and services

by Roger Nenonen

MOST OF US HAVE HAD THE PLEASURE of dealing with suppliers who have provided great service and have met or exceeded our expectations. Broadly speaking, we expect (and anticipate in today's competitive market) many things: price, delivery, payment terms, quality, performance, warranty, reliability of supply, etc. All of these features of a great supply chain sum together to provide customer satisfaction and, if they're really good, result in customer "delight."

Reality and experience proves time and again, however, that achieving customer service to this extent is difficult. Many would say they have only a few exceptional suppliers, with the balance being good to marginal. Perhaps the supplier base is small or very specialized, making supply choice limited. Perhaps the supply chain is based only on price, leaving out other features mentioned above. Perhaps the supply chain lacks thoughtful review and, over time, has become mediocre. In this case, a low

standard or expectation becomes status quo resulting in a poor source of supply. The logical outcome is product failure in the market, as customers will go elsewhere.

For the purchaser, whether in the private or public sector, the extent of product success is absolutely linked to a high performing supply chain. It sustains viability in terms of product/service demand and, relatively speaking, job security and satisfaction. It's interesting to note how purchasing has a vital role

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in this – and a reminder that all of the products and services we use in our daily lives are derived from a supply chain. The best of these certainly come from the best supply chains. It's exciting to know that we as purchasers have an important and challenging role to play.

A key tool for the purchaser, in the quest for customer satisfaction – and therefore, excellent product – is the vendor evaluation. It underlies the quality behind products and services and serves to improve it continuously. Correct application of this tool ensures positive purchaser/vendor relationships and keeps surprises and disruptions of the supply chain at a minimum. Ongoing and systematic use keeps expectations aligned, makes improvements where needed and provides clear goals for the future. A general outline of a vendor evaluation would include the following:

- 1) **Purchasing expectations.** Does the supplier meet the perceived or expected “quality ideal”? Is the supplier qualified to meet customer (internal and external) needs?
- 2) **Mutual understanding.** Does the supplier understand your business; do you understand the supplier's business? Is the understanding higher-level, in terms of sustaining and growing business in the future? Is the understanding win-win?
- 3) **Micro review.** How is the supplier satisfying variables such as price, delivery, warranty, etc.? This is the scorecard portion. Identify strengths and weaknesses, and agree on ways to improve and

grow. Work together; grow the relationship.

- 4) **Supplier needs.** Are there any items to be addressed on the purchaser's side that will help the supplier perform better? For example, are payables on time; deliveries easy to make; expectations clear on purchase orders/contracts, etc.?
- 5) **Goals.** What goals are in place, which are measurable and achievable? Use a scoring chart, to measure against each performance goal. This helps to develop awareness and objectivity. Look to the future and anticipate growth and improvement.
- 6) **Summary.** provide positive feedback to encourage and drive improvement.


Going through the above points (and other themes, key to your specific organization) with the vendor would likely take less than one hour, at least once a year. The process is much like a performance review carried out on employees. As the points are discussed, the thought process should be constructive and positive; the very nature of the discussion is results oriented.

In summary, the following points illustrate some of the general benefits resulting from evaluation:

- 1) Better value for every dollar spent.
- 2) Better understanding of the supply chain, and the needs of buyer's and vendor's organizations.
- 3) Proactive relationship that solves issues ahead of time, before they get out of hand.
- 4) Drives continuous improvement.

5) Builds relationships that are positive and win-win.

6) Increases the value of purchasing in the organization it serves.

The end result of being close to key vendors through a good evaluation process is a higher quality product and/or service, and sustained market success. Purchasing has a key role to play in this success, without a doubt. 

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