

Supplier Evaluation for E-Procurement

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1. Introduction
2. E-Procurement
3. Supplier Evaluation
4. Assessment Criteria
5. Conclusion

The following business environment factors influence an increasing interest towards supply management, supplier evaluation and also E-Procurement:

- General increase in competitive intensity due to globalization
- Requirement for process optimization and cost reduction
- E-Procurement tools and processes provide up to 40% cost savings
- Rising strategic importance of supply management by outsourcing
- Within E-Procurement selection of best platform provider
- Transparency in order to avoid maverick buying is essential
- Cross-departmental supplier analysis in order to reach leverage
- Overall evaluation criteria needed for selecting/educating suppliers
- Company-individual evaluation system and weighting needed

Four main objectives of E-Procurement:

- Buying leverage (company-wide amounts)
- Increasing process speed and reducing risks
- Supplier rationalization
- Process cost reduction



Cost
reduction

Assessment criteria for applicable procurement goods:

- Procurement process feasibility to be standardized
- Procurement process costs
- Total procurement value

Main objectives of supplier evaluation:

- Objectification and optimization of supplier selection
- Controlling supplier relationships
- Development and maintenance of supplier relationships
- Continuous improvement of supplier quality and relationship
- Optimization of the supplier portfolio
- Creation of a cross-division, standard data pool for the company
- Development of optimized supply chain strategies, for example, continuous optimization of the supplier structure and supplier quantity
- Increase in transparency and objectivity of all supplier-related procurement processes
- Possibility of educating suppliers (e.g. by the use of feedback processes and taking strategic decisions out of evaluation processes)

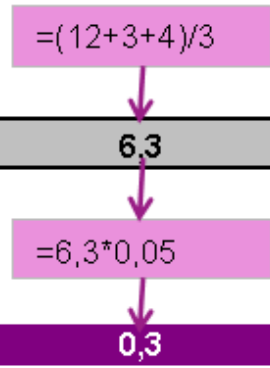
3. Supplier Evaluation

Example for an evaluation and weighting scheme in supplier evaluation:

No.	Main criterion	Sub-criterion	Evaluation (1-4) ¹	Weighting criterion (0-3) ²	Result	Average rating	
1	Project						
1.1		Please demonstrate a realistic schedule for the project.	4	3	12	$=(12+3+4)/3$	
1.2		Does your company support our project management?	1	3	3		
1.3		Describe the technical preconditions for a migration.	2	2	4		
1.4		Describe your training concept.	0	1	0		
∅						6,3	

Weighting of the main criterion: 5%

Value, by which the main criterion incorporates the overall evaluation:



¹ value 1: little / not fulfilled - value 4: maximum fulfilled

² value 0: not crucial - value 3: keen crucial

3. Supplier Evaluation

Example for a supplier evaluation scheme (*E-Procurement*):

	Total	% weighting
1.0	Company	1
2.0	Project	5
3.0	Quality Management	5
4.0	Content Management	20
5.0	Search engine	30
6.0	Safety / data security / availability	3
7.0	Document exchange	1
8.0	Customer service / service support	5
9.0	Processes	30
10.0	Pricing model	0
	Total	100
	Overall result flows by 70 percent into a proposal for solution. The remaining 30 % account for the costs.	

4. Assessment Criteria

Assessment characteristics:

- Multitude of criteria
- Different areas (finance, technical, content) with sub-criteria
- In detail difficulty of interdependencies
- Company-individual adjustments needed

1. Financial evaluation	
1.1	Set-up fee
1.2	Other non-recurring costs (internal / external)
1.3	Recurring costs (internal / external)
1.4	Special offers / conditions / discounts
1.5	What does the price model for customers look like?
1.6	What does the price model for suppliers look like?
2. Technical functionalities and preconditions	
2.1	E-Procurement tools (e.g. catalog function, tenders, bids, e-payment / e-invoicing, ...)
2.2	Support of integrity and linkage of the E-Procurement solution to various backend systems
2.3	Technical preconditions from provider's point of view for a linkage
2.4	Preconditions for the system's access
2.5	Reporting functionality (What reports about order documents, purchasing volume, turnover with suppliers, turnover per eClass / product line... can be generated?)
2.6	What kind of document-tracking options does the provider have?
2.7	Availability of document types (e.g. ASN, POR / qPOR...)
2.8	Support of variable modes of payment (invoice, collective invoices, automatic credit memo procedure...)
2.9	Process regulation for companies without backend systems
2.10	Does the provider offer a sample inspection for order documents etc.?
2.11	For services: Is the usage of standardized specifications for tenders possible?
2.12	Support of different authorizations and roles in the system (buyers, requisitioners, central and decentralized admins, revision...)
3. Content management	
3.1	Composition of the provider's content management system and processes (from upload to release and go-live of product catalogs)
3.2	Opportunity for the linkage to supplier web shops via punch out
3.3	Opportunity for workflows / multi-stage approval procedures in the tool (e.g. for the approval of catalogs or articles in a catalog)
3.4	Supported classification standards for (catalog) articles (e-class, UNSPC...)
3.5	Conversion of supplier catalog into company's required format and classification
3.6	Functions for reports about catalog data (e.g. changes of articles, prices, new and deleted items...)
3.7	Can items be deleted automatically through special settings in the system (e.g., when supplier delivers products with wrong eClasses or wrong products)?
3.8	Are a catalog and a transaction history available (10 years per law in Germany)?
3.9	Reports about the use of existing specifications for tenders
3.10	Are attachments to offers / inquiries / bids and tenders or catalogs possible?
3.11	How can services be recorded? How does the handling and checking of these services work?
3.12	Download function of catalogs, offers, attachments etc. (Excel?)

Companies in general increasingly will have to plan, inform, analyze and act in a **strategic manner** regarding their supplier management with tools such as *supplier evaluation*, *supplier selection*, *supplier education* as well as *process optimization* for example by E-Procurement in order to increase their competitiveness and sustain their market positions.

- Reaction to increasingly strategic importance of purchasing
- Rising potential to achieve competitive advantages (e.g. Apple)
- Following trend of overall supply chain integration and competition of exclusive supply chain co-operations

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**Thank you for
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