

Suitability Criteria: The Foundation of Systematic Supplier Selection

Suitability criteria are defined minimum requirements and evaluation benchmarks against which buyers assess whether a potential supplier or service provider is suitable for a specific procurement task. They structure the bid evaluation, make comparative decisions traceable and are a prerequisite for a fair, documented supplier selection. In procurement practice, they cover technical, commercial, qualitative, logistical and increasingly sustainability-related dimensions.

Key facts

- Suitability criteria are defined minimum requirements that qualify a supplier in principle for a procurement task.
- They are typically divided into knockout criteria (exclusion criteria) and desirable criteria (evaluation criteria).
- Core areas are technology, quality, capacity, logistics, financial stability, compliance and sustainability.
- Weightings and thresholds should be fixed and documented before bid opening.
- Suitability criteria form the basis for supplier evaluation, procurement approval thresholds and risk classes in the supplier master data.
- In public tenders they are subject to statutory requirements; in industrial business they are regarded as best-practice standard.

Definition: suitability criteria

Suitability criteria are the totality of requirements that a supplier must fulfil in order to be considered in a request for quotation, tender or supplier qualification process. They are divided into knockout criteria, non-compliance with which leads to exclusion, and desirable criteria, which are used for differentiated evaluation.

Knockout criteria: exclusion before evaluation

Knockout criteria are binary test characteristics: met or not met. Typical examples are the required ISO 9001 certification, licensed equipment for a specific manufacturing process, minimum turnover as a reference for capacity capability or proof of insurance obligations. In practice, a supplier that fails a knockout criterion is no longer included in the commercial evaluation, regardless of price or sample quality.

Desirable criteria: differentiation and weighting

Desirable criteria describe desired but not mandatory characteristics such as response times to enquiries, share of in-house value added, the degree of digitalisation of order management or demonstrable delivery reliability with reference customers. They are usually scored with points and defined weightings, which must be set before bid opening in the sourcing strategy process.

Distinction from evaluation criteria and order criteria

Suitability criteria determine admission to the process; evaluation criteria determine the ranking of admitted bids. Order-specific characteristics such as delivery time or payment terms are not suitability criteria in the narrower sense, but contractual matters settled later in negotiation management.

Methods and approach for defining criteria

The definition of suitable criteria follows the requirements from the requirements specification or technical specification and the risk assessment of the procurement. A structured criteria catalogue prevents decisions from appearing arbitrary in retrospect or missing the actual requirement.

Derivation from requirements, risk classes and sourcing strategy

The starting point is the classification of the procurement: strategic components with high switching costs require significantly more in-depth examination than C-parts with a standard market situation. Companies that classify suppliers into risk classes derive the depth of examination from this: for critical risk classes, supplier audits and reference visits are included; for standard parts, documentary evidence is often sufficient.

Criteria catalogue and weighting matrix

In practice, a criteria catalogue has proven its worth, breaking down values such as quality, cost, logistics, service and sustainability into sub-criteria across several levels. Each sub-criterion is assigned a weighting, the total of which equals 100 per cent. The weighting must be agreed by the cross-functional team of procurement, engineering and quality and fixed in writing before bid opening.

Assessment throughout the tender process

In formal tenders, suitability criteria are already stated in the invitation documents so that suppliers can transparently assess whether to bid. This reduces effort on both sides and improves bid quality. If queries arise during the assessment, these are documented in the negotiation record.

Key KPIs and assessment areas in supplier evaluation

After the award of contract, suitability criteria become ongoing evaluation criteria: the supplier, once qualified, is regularly re-evaluated on the basis of operational metrics. These metrics in turn feed into the next award decision.

Quality and delivery performance

Key operational metrics are on-time delivery, the rate of faultless deliveries, the three-way match rate as an indicator of clean invoicing processes and the proportion of deliveries subject to complaints.

Complaints are often recorded under the term 'defect complaint notice' and incorporated into supplier evaluation.

Costs and price stability

Purchase price variance (PPV) shows how far the prices actually agreed deviate from the standard price or the cost calculation assumption. For raw-material-intensive products, raw material price volatility provides indications of how reliably a supplier handles index clauses and lead times. Both metrics feed into the evaluation of cost-effectiveness.

Sustainability and energy

Increasingly, suitability criteria are being extended to include sustainability characteristics, such as evidence of a measured supply chain carbon footprint (SCF), energy intensity data for specific manufacturing processes or compliance with packaging regulations. Such criteria are typically weighted as desirable criteria, but can take on knockout character in regulated markets.

Risks and controls in applying suitability criteria

Errors in defining or applying suitability criteria lead to suboptimal supplier decisions, legal disputes or the exclusion of potentially suitable suppliers. Controls already begin at the criteria definition stage.

Over-determined and discriminatory criteria

Criteria that only a single supplier can meet narrow competition and carry legal risks in public procurement. The same applies in industrial business: knockout criteria must be tied back to the actual requirement profile. An overly strict exclusion criterion can jeopardise security of supply if the pool of approved suppliers becomes too small and single-sourcing risks arise.

Documentation and traceability

Every exclusion decision and every weighting must be documented. Recognised practice is to record evaluations in a structured template and to observe procurement approval thresholds: above certain order values, a second level reviews, e.g. the technical managing director or head of department. This ensures traceability even in later audit queries or supplier disputes.

Legal classification

In public tenders, suitability criteria are subject to procurement law requirements; in private commercial transactions, general principles such as equal treatment and freedom of competition apply. The specific design must be reviewed legally on a case-by-case basis, particularly for exclusion criteria with a selective effect.

Current developments: digitalisation and sustainability

Suitability criteria are changing as a result of the digitalisation of procurement processes and regulatory requirements on supply chains. Data structures and evaluation processes are becoming more standardised, and sustainability evidence is moving into focus.

Data model and supplier master

Modern ERP and e-procurement systems map suitability criteria in the data model of the supplier master: certificates, test evidence, risk classes and evaluation statuses are maintained as structured fields. This facilitates requalification in defined cycles and evaluation across the entire supplier base. When onboarding new suppliers, structured supplier enablement helps to systematically request missing evidence.

Sustainability as a suitability criterion

Supply chain due diligence obligations and customer requirements mean that sustainability evidence such as CO data, social standards or conformity with packaging law is incorporated into criteria catalogues. The take-back and recycling obligations for electrical products under WEEE are also an important topic, for example when suppliers place spare parts or end products on the market in the EU.

Catalogue content management and standardisation

For standard and catalogue products, the suitability assessment is increasingly shifting to the level of catalogue content management: complete, standardised item data become a prerequisite for a supplier to be listed in the procurement catalogue at all. In this way, the qualification decision once taken is operationally safeguarded.

Managing suitability criteria in procurement: links to strategy and supplier risk management

Suitability criteria are not an isolated instrument but part of the overall system of supplier qualification, risk management and procurement strategy. They translate upstream decisions into operationally verifiable requirements.

Interaction with risk management and multiple sourcing

Requirements flow from risk management into the criteria: critical procurement requires demonstrable capacity reserves, dual-sourcing capability or contingency plans. Those pursuing multiple sourcing define suitability criteria so that several suppliers can clear the hurdle and a functioning competitive situation is created.

Link to production and value creation

Technical suitability criteria are derived from manufacturing requirements: process capability, machine equipment, process capability or compliance with design freeze phases in series projects. Tools such as value stream analysis help to check whether a supplier's value chain matches the required production control and lead time.

Typical metrics

Supplier delivery reliability: > 95%

Typical benchmark for a good delivery performance; critical parts often subject to stricter requirements.

Incoming quality (defect-free rate): > 99%

Proportion of faultless deliveries; significantly stricter for safety-critical parts.

Three-way match rate: > 95%

Indicator of the supplier's clean order and invoice management processes.

Weighting cap on individual criteria: 25–35%

In practice, no single criterion is usually weighted so heavily that it alone determines the decision.

Practical example

A mid-sized mechanical engineering company awards the manufacture of a new gearbox housing to suppliers. Before issuing the request for quotation, the team from procurement, design and quality defines the suitability criteria and systematically evaluates six suppliers.

- Knockout criteria: ISO 9001 certification, demonstrable experience in casting processing, reference projects in mechanical engineering
- Weighted desirable criteria: quality 30%, logistics (delivery reliability, delivery concept) 25%, price 25%, sustainability 10%, service 10%

- Verification of capacity reserves for series ramp-up, as dual sourcing is planned
- Documentation of the evaluation in a structured template with approval by the Head of Procurement

Conclusion

Suitability criteria are the methodological foundation of any traceable supplier selection. They translate technical, commercial and regulatory requirements into verifiable, weighted characteristics and thereby create transparency for suppliers and buyers alike. Their quality determines whether procurement decisions reflect the actual requirement or miss it. Companies should regularly adapt criteria catalogues to new risk situations, regulatory obligations and findings from ongoing supplier evaluation. Those who consistently maintain suitability criteria not only improve selection quality but also sustainably strengthen security of supply and negotiating power.

Frequently asked questions

What are suitability criteria in procurement?

Suitability criteria are defined minimum requirements that a supplier must meet in order to be considered in a request for quotation or tender. They typically cover technical, qualitative, commercial, logistical and compliance-related characteristics. If a supplier fails to meet a knockout criterion, it is excluded; desirable criteria serve to differentiate the evaluation.

What is the difference between knockout and desirable criteria?

Knockout criteria are mandatory exclusion criteria, such as a required certification or a minimum turnover. Desirable criteria are preferred characteristics that are evaluated using point scores and weightings. The distinction should be recorded in writing before bid opening so that the evaluation remains traceable.

Which suitability criteria are common in supplier selection?

In practice, criteria blocks have become established for quality (e.g. certifications, process capability), capacity and technology, logistics (delivery reliability, delivery concept), financial stability, compliance and, increasingly, sustainability. The specific selection depends on the risk class of the procurement. Critical components require more in-depth examination than standard parts.

How are suitability criteria weighted?

The usual approach is a criteria catalogue that assigns weightings to top-level and sub-criteria whose total equals 100 per cent. The weighting is ideally determined by a team from procurement, engineering and quality and documented before bid opening. This allows suppliers to be evaluated objectively and comparably.

Are suitability criteria legally binding in public tenders?

Yes, in public procurement they are subject to procurement law requirements, for example on equal treatment and transparency. Criteria must not be discriminatory or tailored to a single supplier. In private industry, general principles of freedom of competition apply; the specific design should be reviewed legally on a case-by-case basis.

How often should suitability criteria be reviewed?

An annual review of the criteria catalogue is common practice; for strategic procurement or after material changes in risk, more frequently. Triggers may include new regulatory obligations, findings from

supplier evaluations or changed requirements from engineering and production.