

Supplier Evaluation Criteria: Systematic Standards for Assessing Suppliers

Supplier evaluation criteria are the defined standards against which procurement professionals assess the performance and reliability of suppliers. They typically cover quality, delivery, cost and service aspects and form the basis for scorecards, supplier selection and development measures. A clear criteria catalogue makes supplier decisions transparent, reduces risk and strengthens value creation across the entire procurement process.

Key facts

- Supplier evaluation criteria in practice frequently cover quality, delivery reliability, prices, service and sustainability.
- Evaluations are typically carried out periodically, e.g. monthly or quarterly, based on objective operating data.
- A weighted scoring system or scorecard is the most common instrument for consolidating individual criteria.
- Evaluation results feed into supplier strategy, risk classification and supplier management.
- Sustainability and compliance criteria are gaining importance due to regulatory requirements such as the CSDDD.
- Without defined criteria and data sources, any supplier evaluation remains subjective and of little practical relevance.

Definition: supplier evaluation criteria

Supplier evaluation criteria are standardised assessment features used to evaluate the suitability and performance of a supplier. They are usually consolidated in a criteria catalogue with weighting factors and regularly compared with collected actual data.

Distinction from supplier selection

The criteria serve two purposes: the one-off qualification of new suppliers and the ongoing evaluation of existing suppliers. In selection, potential and certifications take centre stage, whereas in day-to-day operations hard actual data such as complaint rates and delivery reliability dominate. Both perspectives should build on each other methodologically.

Position within supplier management

The evaluation criteria are the heart of supplier management: they determine which suppliers are preferred, developed or removed from the supplier pool. The results also feed into procurement controlling and create transparency across the entire procurement volume, distributed across one or a few core criteria such as price alone.

Methods and approach to criteria selection

A practical criteria catalogue is not created at a desk but derived from the specific requirements of the procured commodity groups and the company's risk profile. A multi-stage approach that defines criteria, weights them and underpins them with data sources has proven effective.

Core criteria and weighting

Typically, five to eight main criteria are defined, each subdivided into sub-criteria. Weighting is often carried out by pair comparison or expert estimation and should align with the strategy of the respective commodity group. A one-size-fits-all tool for all goods rarely suffices: for C-parts, price dominates, while for critical components quality and security of supply take precedence.

Data sources and evaluation cycle

Assessable criteria require reliable data: incoming goods inspections, complaints, order processes and payment history provide the basis. Quarterly cycles have become established in practice, with monthly evaluations for critical suppliers. KPIs automatically derived from the digital supply chain significantly reduce manual effort and increase objectivity.

Qualification of new suppliers

Before the first order, different criteria are in focus: certifications, financial figures, references, capacities and sample approvals. A structured pilot project with suppliers – for example via a defined trial batch followed by an evaluation – sensibly combines selection and ongoing evaluation.

Key supplier evaluation KPIs

The individual criteria are operationalised through measurable KPIs. These KPIs make evaluations comparable, traceable and automatable.

Quality KPIs

Complaint rate, proportion of rejects in incoming goods inspection and process capability (Cpk values for critical characteristics) are the classic quality indicators. Audit results such as Layered Process Audit (LPA) or certification status are included as supplementary factors. It is important that the measurement is defined uniformly between supplier and customer.

Delivery and logistics KPIs

Delivery reliability (OTIF: On Time In Full) measures how many orders arrive complete and on time. In addition, lead times, response times to enquiries and the reliability of information such as Available to Promise (ATP) in the order confirmation are considered. In international procurement, Incoterms such as FOB and the associated logistics performance can also be included.

Cost and profitability KPIs

Beyond the purchase price, total cost aspects count: price stability, index linkage for example to a commodity index, payment terms and rework costs. The supplier's financial stability, for example indicated in a limited way by the supplier credit limit or its creditworthiness, is increasingly evaluated as a criterion.

Risks and controls surrounding supplier evaluation

Evaluation systems carry their own risks: incorrect weighting, data gaps, manipulation and pseudo-objectivity. Controls and clear governance are therefore essential.

Typical sources of error

Common mistakes include missing data availability, too many criteria with a diluting effect and weights that do not match the procurement strategy. Subjective individual judgements without operating data also lead to conflict-hardening discussions. It becomes critical when evaluation results are documented but do not feed into decisions on remedial, development or exit measures.

Supplier risks and compliance

The evaluation should reflect risk factors such as dependencies, financial difficulties or compliance violations. Traceability of materials and origin information are key criteria here. Regulatory obligations – for example under the Corporate Sustainability Due Diligence Directive (CSDDD) – expand the criteria catalogue to include supply chain due diligence duties, which should be legally reviewed on a case-by-case basis.

Consequence management

An evaluation without consequences is useless. Proven instruments include escalation levels, improvement agreements with fixed deadlines and contractual anchors such as an escalation clause, which triggers defined responses in the event of sustained underperformance. The results feed into an action pipeline that tracks development steps in a structured manner.

Sustainability and regulatory requirements as criteria

Sustainability criteria have moved from an optional add-on to a regular component of evaluation. They concern the environment, human rights and supply chain transparency.

Life cycle assessment and emissions data

A Life Cycle Assessment (LCA) provides data-based information on the carbon footprint and resource consumption of products. For procurement, this becomes an assessable criterion, for example the share of suppliers with a validated environmental footprint or verified emissions data per product.

Social standards and traceability

Criteria such as codes of conduct, audit reports and the traceability of materials back to upstream stages are increasingly demanded contractually and in evaluations. This applies particularly to critical commodity groups; even seemingly simple areas such as the sustainable commodity group packaging require documented standards and verifiable evidence.

Current developments: digitalisation and integrated evaluation

Supplier evaluation is shifting from an annual Excel ritual to continuous, data-driven processes. Automated interfaces and AI-supported analyses are changing both the approach and the pace.

Automated scorecards

Modern systems automatically extract KPIs from ERP, quality and logistics systems and update

scorecards continuously. This reduces effort, increases timeliness and enables early warning indicators, for example when delivery reliability declines or complaints rise. The digital supply chain turns evaluation from a retrospective into a steering instrument.

Linking with tenders and strategy

Evaluation results increasingly flow directly into the tendering strategy: only qualified and well-rated suppliers are invited to tenders. Conversely, tender results provide initial evaluation impulses for new providers. A well-maintained contract repository documents agreements and makes commitments verifiable.

Supplier development rather than just grading

The trend is moving from pure grading to partnership-based development: joint improvement projects, structured supplier ramp-up management for new products and coordinated annual call-off planning strengthen performance on both sides. Evaluation thereby becomes a steering instrument for the entire value creation partnership.

Typical metrics

Delivery reliability (OTIF): > 95 %

Usual target value for reliable suppliers; frequently > 98 % for A-parts.

Complaint rate: < 1 %

Guideline value in series production; deviates depending on industry and criticality.

Timeliness of quotation and order confirmation: > 90 %

Measures service quality and reliability of supplier communication.

Supplier score: >= 80 out of 100 points

Common threshold for A-supplier status; escalation measures apply below defined limits.

Practical example

A medium-sized mechanical engineering company previously evaluated its suppliers annually using a questionnaire, without sound operating data. After repeated delivery delays on critical purchased parts, the company introduced a weighted scorecard system that is automatically fed with ERP and quality data on a quarterly basis.

- Introduction of a criteria catalogue with the five main criteria: quality (30 %), delivery reliability (25 %), costs (20 %), service (15 %) and sustainability (10 %).
- Automated calculation of OTIF and complaint rate per supplier directly from goods receipt and complaint data.
- Escalation process with binding improvement agreements and a contractual escalation clause in the event of sustained underperformance.
- Linking of evaluation results to the tendering strategy: invitations issued only to suppliers meeting a minimum score.

Conclusion

Supplier evaluation criteria transform supplier performance from a gut feeling into a measurable, steerable characteristic. What matters is a lean, strategy-compliant criteria catalogue, reliable data

sources and clear consequences based on results. Sustainability and compliance aspects are no longer an optional extra but a regular component. Anyone who consistently feeds evaluation results into selection, development and contract management reduces risks and measurably improves their own delivery capability.

Frequently asked questions

Which criteria belong in a supplier evaluation?

In practice, five core areas have become established: quality (complaint rate, certifications), delivery reliability (OTIF), costs and price stability, service (response times, project support) and sustainability and compliance. Depending on the commodity group and risk, further criteria such as financial stability or innovative strength are added. What matters is a clear weighting aligned with the procurement strategy.

How often should suppliers be evaluated?

The evaluation cycle depends on the criticality of the supplier. For A-suppliers and critical components, monthly to quarterly evaluations have proven effective, while C-suppliers are often reviewed half-yearly or annually. Automated systems now enable continuous updating of KPIs without manual effort.

What is the difference between supplier selection and supplier evaluation?

Selection assesses the suitability of a new supplier on a one-off basis using certificates, references and samples. Evaluation continuously assesses the actual performance of existing suppliers based on operational data such as complaints and delivery reliability. Ideally, both steps use compatible criteria and feed into a unified supplier management process.

How do you weight supplier evaluation criteria correctly?

The weighting should be based on the procurement strategy of the respective commodity group, not on a generic template. Proven methods include pair comparisons or consensus workshops involving procurement, quality and engineering. Regular review is important, as weightings may shift when market conditions or priorities change.

Which sustainability criteria are relevant for suppliers?

Typical criteria include CO emissions or Life Cycle Assessment (LCA) data, certifications, traceability of materials and social standards along the supply chain. Regulatory requirements such as the CSDDD increase the scrutiny required for larger companies. Specific obligations should be legally reviewed on a case-by-case basis.

How do you implement supplier evaluations in practice?

A step-by-step start has proven effective: define a criteria catalogue with weightings, clarify data sources, run a pilot project with suppliers in the critical segment and then roll out the scorecards. Binding consequences are important – ranging from improvement agreements to escalation – as is incorporating the results into tenders and supplier development.