

Supplier Rating: Systematising the Evaluation of Suppliers

Supplier rating refers to the systematic, usually periodic evaluation of suppliers based on defined criteria such as delivery quality, delivery reliability, price development and service. It creates a transparent, traceable basis for selecting, developing or deliberately replacing suppliers in the sourcing process. In practice, supplier rating is a core element of Supplier Lifecycle Management (SLM) and an important decision-making aid in quality management in procurement.

Key facts

- Supplier rating evaluates suppliers systematically based on defined criteria such as quality, delivery reliability, price and service.
- Typical evaluation categories are quality, logistics, cost, technology/innovation, and service and compliance.
- The results feed into classifications such as Preferred Supplier, Approved Vendor List (AVL) or supplier exclusion.
- Weighted scoring models are common, in practice with values from 0 to 100 points.
- Regular ratings counter dependence on problematic suppliers and support geopolitical risk management.
- Without a documented rating, evidence, audit and approval requirements in industries such as automotive or medical technology become more difficult to meet.

Definition: Supplier Rating

Supplier rating is a systematic procedure for the quantitative and qualitative evaluation of supplier performance across defined criteria and periods. It complements the one-off initial evaluation in the sourcing process with continuous monitoring of actual performance. Typically, data from goods receipt, objective invoice verification, quality reports and direct feedback from the functional departments flows into the evaluation.

Distinction from supplier selection

Supplier selection takes place at a specific point in time before an order is placed, for example as part of a tendering strategy or a review based on the Approved Vendor List (AVL). Supplier rating, by contrast, looks at the ongoing collaboration and documents how a supplier actually keeps its promises. The two tools interlock: suppliers who consistently achieve good rating results are preferred in future awards; those who decline are monitored more closely or no longer included in new tenders. In this way, a closed control loop is created between awarding and performance monitoring.

Position within Supplier Lifecycle Management

Within Supplier Lifecycle Management (SLM), the rating occupies the phase after qualification: following onboarding and initial evaluation, it monitors operational performance and provides the decision-making

basis for the supplier's further development. Typical sanction and development levels are monitoring, supplier discussions with deviation analysis and corrective actions, restriction of orders, a 5 Why procedure for root cause clarification in the event of serious quality problems, and ultimately the qualification of alternative suppliers. The rating thus gives the entire lifecycle management an objective basis instead of the gut feeling of individual buyers.

Methods and procedure in supplier rating

A practical rating begins with defining the evaluation criteria, their weighting and the data sources. It is important that the criteria are measurable and that the evaluation can be fed automatically or at least semi-automatically from system data. A uniform scoring scale, frequently 0 to 100 points or a school grading scale, enables comparison across suppliers and sites.

Evaluation categories and criteria

In practice, five main categories have become established: quality (e.g. scrap and complaint rates, Certificate of Conformity fully provided), logistics (delivery reliability, adherence to deadlines, number of advance warnings), cost (price development, compliance with offered volume tiers, effectiveness of bundling levers), technology and innovation (e.g. participation in a Supplier Innovation Day, maturity of improvement proposals) and service and compliance (response times in bidder communication, implementation of approval workflow requirements, compliance with warranty agreements). Each category is broken down into sub-criteria so that the evaluation remains traceable.

Weighting and scoring model

The weighting reflects the procurement strategy: for A-parts with high value streams, quality often dominates, while for C-parts in indirect procurement the focus is on process stability and price. Customary guidelines are 25 to 40 per cent for quality, 20 to 25 per cent for logistics and the remainder distributed across cost, technology and service. A differentiated view by material group or item from the material number system is important: a raw material supplier is evaluated differently from a contract manufacturer or a 4PL service provider. The scoring model should remain simple enough that buyers can apply it without training materials.

Data sources and system support

The measurement data typically comes from goods receipt (delivery reliability), quality management (complaints, first sample inspection), accounts payable (adherence to invoice deadlines, early payment discount process, correctly recorded items in objective invoice verification) as well as from procurement itself (price development, obtaining advance payment and contract documents). In addition, structured supplier and functional department surveys provide subjective elements, for example on accessibility or project support. Modern ERP and e-procurement systems can automatically generate a large proportion of the key figures and reduce the manual maintenance budget to the essentials.

Key KPIs and use of results

A supplier rating is only as valuable as the KPIs behind it and the consequences drawn from the results. The values must be evaluated regularly, ideally monthly or quarterly, and reported transparently to the supplier. Only then does a performance pressure arise that works through dialogue rather than through a silent exit from the business relationship.

Core metrics of the rating

At the centre are delivery reliability (typically targeted above 95 per cent within the agreed time window), on-time delivery (desired rate frequently above 98 per cent), complaint and scrap rates (often a target of below 500 ppm for series parts, set higher for smaller batch sizes), number of quality containment actions (ideally zero), adherence to deadlines for invoicing and price change proposals, and response times to enquiries and defect reports. In addition, key figures on stability are useful, for example the rate of increase in purchase prices compared with the market index. All values should be linked to targets so that the rating does not merely document but steers.

Classification and consequences

An overall score usually leads to a classification: Preferred Supplier (top rating, preference in new tenders and development projects), approved supplier (normal orders), monitored supplier (enhanced monitoring, supplier discussions) and critical supplier (qualification of replacements, deferral in new projects). The classification should be documented and incorporated into the AVL or the supplier master record. It is important that the levels are clearly defined and the transitions are linked to defined actions, for example a mandatory corrective action plan within 14 days when falling below a certain threshold.

Rating in the award process

Rating results flow directly into the tendering strategy: for a Request for Quotation, a minimum rating can be defined as a qualification criterion, similar to a minimum turnover or a certification. In bidder communication, rating results are sometimes presented to show the supplier what will matter in the next project. The rating also provides valuable data for the deviation analysis after the completion of a project, because relationships between evaluation categories and specific problems become visible.

Risks, controls and legal aspects

A supplier rating can cause damage if it is used in a one-sided, undocumented or legally sensitive manner. The evaluation is not an end in itself; it must combine fair assessment standards, a documented data situation and traceable consequences. Particular care is required when providing feedback to suppliers and in award decisions.

Data quality and subjectivity

The most common mistake in rating is mixing hard measurement values with soft assessments without a clear separation. Subjective grades from individual buyers lead to distortions when they flow unannotated into the overall result. It is advisable to limit subjective criteria, to label them clearly and ideally to have them assessed by several participants (purchasing, quality, engineering, logistics). In addition, data gaps should be made visible: a supplier for whom no delivery reliability has been measured should not simply be rated with average values.

Legal and contractual aspects

Rating results are subject to data protection if they contain personal contact data or performance data of natural persons; this is generally unproblematic for purely corporate evaluations, but must be examined on a case-by-case basis. Stricter rules on evaluation and documentation apply to public tenders than to private awards. It is also important that no impermissible coupling arises, for example if a supplier is excluded from business solely on the basis of an arbitrary criterion, although commercial law and competition law each require examination of whether the evaluation logic is reasonable and non-discriminatory. If in doubt, legal statements should remain general and a case-by-case review by

legal or compliance officers is recommended.

Controls and auditability

To keep the rating auditable, data sources, scoring logic, weightings and evaluation periods should be documented and versioned. Changes to criteria or weights must be traceable with date and justification. Regular internal audits (e.g. annually) check whether ratings are actually collected, whether consequences were drawn from the classifications and whether suppliers were treated fairly. Especially in certifications according to ISO 9001 or industry standards, the traceability of supplier evaluation is a standard audit item.

Current developments: automation, sustainability, resilience

The classic supplier rating is currently being extended. Classic performance metrics remain central, but sustainability, supply chain due diligence and resilience are moving into the evaluation system. In addition, modern IT systems enable a much closer coupling between rating data and operational processes.

Sustainability and compliance criteria

Many companies supplement their rating with criteria on sustainability, occupational health and safety, environmental and social standards, and on risk analysis along the supply chain. Such criteria often follow regional standards and legal requirements and are designed differently depending on the industry; the legal design must be examined on a case-by-case basis. In practice, pure yes/no certificates have little informative value; continuous self-declarations, audit reports and evidence such as the Certificate of Conformity are better suited to assessing actual behaviour.

Resilience and geopolitical risk

Supply chain disruptions caused by pandemics, conflicts or export controls have led to resilience being anchored as its own rating dimension: single-product risks, site concentration, transport routes, dependence on upstream suppliers and sensitivity to geopolitical risk are evaluated. Such criteria are not evaluated purely historically but partly proactively, as they reflect future risk of failure. In addition, many companies require proof of second sourcing for critical parts as an admission criterion.

Automated ratings and data integration

The trend is towards automated ratings that draw key figures from ERP, QM and logistics systems themselves, enrich them with external data sources and update them periodically. AI-based applications support pattern recognition, for example in identifying risk suppliers or predicting delivery reliability problems. What remains important is that automated models remain traceable: transparent rules are preferable, otherwise no robust explanation of the evaluation will be possible in the supplier discussion.

Typical metrics

Delivery reliability: > 98 %

Proportion of punctual, complete deliveries; typical target value for A-parts.

Complaint rate: < 500 ppm

For small batch sizes, absolute defect figures are more meaningful than ppm.

Overall rating score: $\geq 80/100$

Customary threshold for preferred supplier status; below 60 action is often required.

Response time to complaints: < 48 h

Time until the first qualified statement; typical service benchmark.

Practical example

A mid-sized mechanical engineering company with around 450 active suppliers had previously evaluated its suppliers only qualitatively, with no scale and no system. After two serious quality failures with purchased parts, the company introduced a supplier rating with five categories (quality, logistics, cost, service, risk appetite) and quarterly evaluation. After just two cycles it became apparent that 17 per cent of suppliers were permanently below the minimum threshold of 70 out of 100 points, even though they were considered unproblematic in day-to-day business. The company initiated targeted supplier discussions and in parallel began qualifying alternative suppliers.

- Introduction of a scoring model from 0 to 100 points with weighting: quality 35 per cent, logistics 25 per cent, cost 20 per cent, service 20 per cent
- Automatic integration of goods receipt, complaint management and accounts payable to capture key figures without manual effort
- Definition of four classification levels with clearly defined actions, ranging from monitoring to qualifying an alternative supplier
- Quarterly feedback to suppliers in structured meetings, including deviation analysis where anomalies occur

Conclusion

Supplier rating turns the gut feeling of procurement into a reliable, data-driven basis for decision-making. It connects supplier selection in the sourcing process with ongoing performance monitoring and provides the foundation for classifications such as Preferred Supplier or for maintaining the Approved Vendor List (AVL). Decisive for success are measurable criteria, a simple scoring model, clean data sources and consequences that are actually drawn. Those who not only collect ratings but use them in dialogue with suppliers achieve both better delivery performance and stronger partnerships. Given increasing requirements for sustainability and resilience, the rating is becoming the central steering instrument of modern procurement organisations.

Frequently asked questions

What is a supplier rating?

A supplier rating is the systematic, usually periodic evaluation of suppliers based on defined criteria such as quality, delivery reliability, price development, service and compliance. It combines hard measurement data from goods receipt, quality management and invoice verification with structured assessments from the functional departments. The result is used to classify the supplier and to steer the ongoing collaboration.

Which criteria belong in a supplier rating?

Typical categories are quality (scrap, complaints, provision of conformity documents), logistics (delivery reliability, adherence to deadlines), cost (price development, compliance with volume tiers), technology and innovation, and service and compliance. Within these categories, sub-criteria are defined and

weighted. The selection should be guided by the material group, the value of the goods and their criticality for your own production.

How do you evaluate suppliers systematically?

In practice, a scoring model with point values from 0 to 100 or a grading scale has proven effective, combined with defined weightings per criterion. The key figures are automatically drawn from ERP and QM systems, with subjective elements added through structured surveys of purchasing, quality and engineering. What matters are a documented evaluation logic, regular evaluation cycles and defined consequences when scores fall below thresholds.

How often should a supplier rating be carried out?

For active suppliers with ongoing orders, a monthly or quarterly evaluation is customary. Suppliers with low volumes or infrequent orders can be evaluated every six months or annually. For critical components or after a quality incident, shortened monitoring with more frequent cycles is advisable in order to review corrective actions promptly.

What is the difference between a supplier rating and a supplier audit?

The rating continuously assesses performance on the basis of operational data and shows actual performance over time. An audit is a one-off, on-site or remote examination of processes, systems and qualifications, often on the occasion of initial qualification or after serious deviations. The two tools complement each other: audits provide deeper insight where anomalies arise, while the rating serves as the continuous steering metric.

How does the supplier rating affect supplier selection?

Rating results are frequently incorporated as a qualification criterion in tenders and award decisions, for example as a minimum score for participation. Preferred suppliers benefit from order preferences and early involvement in development projects, while critically rated suppliers face closer monitoring or replacement by alternative suppliers. This creates a control loop that continuously aligns the supplier base with actual performance.