

# Supplier Scorecard: systematically measuring and steering supplier performance

The supplier scorecard is a structured assessment tool with which procurement departments regularly record supplier performance based on defined metrics. It makes quality, delivery reliability, cost and service objectively comparable and forms the basis for supplier segmentation and development measures. In practice, it serves as a shared data basis for reviews with the supplier and as an early warning system for supply risks.

## Key facts

- The supplier scorecard regularly assesses suppliers against defined KPIs such as delivery reliability, quality and cost.
- Typical assessment cycles range from monthly for critical parts to quarterly for standard material.
- The results feed into supplier segmentation, for example the classification into A-, B- and C-suppliers.
- Poor scores trigger defined measures in practice, for example a clarification round or a supplier development plan.
- Effective scorecards use only a few, reliably available metrics rather than as many as possible.
- The evaluation should be communicated transparently to the supplier, ideally as part of a Quarterly Business Review (QBR).

## Definition: supplier scorecard

A supplier scorecard (also supplier evaluation or supplier score) is a standardised reporting format that measures a supplier's performance over a defined period using metrics and criteria. It translates operational data from ERP, quality management and logistics into a compact, comparable overall rating. This distinguishes it from one-off audits or pure price analysis: the scorecard looks at the actual collaboration in day-to-day operations.

## Distinction from the supplier audit

The audit examines, in a process-oriented way and usually before the contract is concluded, whether a supplier is fundamentally suitable. The scorecard, by contrast, continuously assesses the performance delivered and is suitable as a steering tool during the ongoing business relationship. The two tools complement each other: the audit describes the potential, the scorecard the lived reality.

## Use in the procurement process

Scorecards are used in direct procurement as well as in project procurement and project purchasing. For contract manufacturing and services, adherence to deadlines, documentation quality and response times are additionally assessed. It is important that the criteria match the respective category – a uniform scorecard for all commodity groups rarely produces meaningful results.

## Methods and approach for creating a scorecard

The structure usually follows a multi-step approach: define criteria, set weightings, connect data sources, collect assessments automatically or manually and discuss results in the supplier meeting. It is decisive that procurement functions, quality and logistics jointly define the criteria so that the assessment is accepted.

### Criteria and weighting

Common criteria blocks are quality, delivery performance, cost, service and compliance. Typical weightings in practice are around 30–40 % quality, 25–30 % delivery performance, 20–25 % cost and the remainder for soft factors. The weighting should follow the strategy of the respective commodity group: for critical components quality dominates, for standard parts cost and adherence to delivery dates.

### Data sources and automation

Robust scorecards draw on system data: goods receipt and inspection reports, complaint notifications, defect notifications, order processing data and stock analysis results. A supplier portal can support data collection, for example by allowing suppliers to maintain transport data or quality-related feedback themselves. The fewer manual interventions required, the higher the acceptance and timeliness of the assessment.

### Scales and grading

Assessment is usually on a scale of 1 to 10 or 1 to 100 points, often with thresholds for green, yellow and red. An comprehensible calculation logic is important: a high share of on-time deliveries is of no use if late deliveries of position-critical parts block production. In practice, it has proven worthwhile to weight critical individual cases separately rather than letting them disappear in averages.

## Key KPIs in the supplier scorecard

The selection of metrics determines the benefit of the scorecard. Proven practice is a small number of automatically available KPIs that are directly linked to courses of action. Typical blocks are quality, delivery performance, cost and responsiveness.

### Quality and process capability

Core metrics are the defect rate (PPM, i.e. parts per million), the scrap and rework rate and the number of effective complaint notifications. The first-pass yield for new parts and the result quality from gauge management also provide relevant signals. Frequently, the response time to a defect notification or 8D reports is also included in the assessment.

### Delivery and schedule reliability

Delivery reliability is usually measured as OTIF (On Time In Full) – i.e. delivered on time and in full. Additionally considered are the deviation from the due date in days, the number of shortfalls and metrics for incoming quality such as smooth dock-to-stock. For framework delivery schedules, reliability in call-off quantities and call-off dates also counts.

### Cost and service

The cost block assesses price development, volume deviations from the calculation, cost breakdown

transparency and willingness to hold annual price negotiations. The service block focuses on response times, the quality of solutions in claim management and participation in improvement projects. Soft factors such as communication and proactivity can be captured through standardised ratings by procurement and the user department.

## **Risks and controls in supplier evaluation**

Scorecards are only as good as their data basis and their consistency. Common mistakes are overloaded criteria catalogues, manipulable input data and assessments without consequences: the supplier never sees the score, or actions are not followed up. Controls and clear governance prevent the tool from becoming an end in itself.

### **Data quality and fairness**

Incorrectly recorded goods receipts, duplicate complaints or faulty master data significantly distort the picture. Regular plausibility checks and the option for suppliers to respond within a defined period (clarification round) are therefore standard. Transparency about the calculation logic creates acceptance and avoids disputes in the review meeting.

### **Defining consequences**

A score without a sanctioning or incentive mechanism fizzles out. Tiered models are common: A-suppliers receive volume and preferential positions, B-suppliers development targets with deadlines, C-suppliers volume reduction or qualification of alternatives. Contractual anchoring – such as performance tiers or escalation procedures – should be reviewed legally on a case-by-case basis.

### **Governance and accountability**

Responsibilities must be clear: who assesses, who communicates, who decides on consequences? Proven practice is monthly reporting to the procurement team and a Quarterly Business Review (QBR) with the supplier in which the score is discussed jointly. To counter the risk that departments weight only their own criteria highly, a moderated annual revision of the criteria catalogue helps.

## **Current developments and digitalisation of the scorecard**

Static spreadsheets are increasingly being replaced by integrated, automatically updated assessments. Supplier portals, connected ERP and quality management systems and standardised data interfaces enable up-to-date scores instead of quarterly snapshots. At the same time, sustainability, resilience and supply chain transparency are coming into focus as new assessment dimensions.

### **From static to real-time assessment**

Modern approaches combine system data with event-based assessments: a spot purchase with a quality violation immediately affects the score, not just at the end of the quarter. Dashboards enable buyers to monitor risks per supplier and material on an ongoing basis. The challenge lies less in the technology than in data hygiene and clear process ownership.

### **New criteria: sustainability and resilience**

Increasingly, supply chain due diligence requirements, CO2 assessments and supply risk indicators (such as geographic concentration) are included in the assessment. Financial stability and certifications are also often maintained as separate criteria blocks. Legal requirements in this regard depend on the

industry and design and should be reviewed on a case-by-case basis.

## Integration into procurement strategy and category management

Scorecard results feed into supplier segmentation, budgeting and the category intelligence of a commodity group. They provide arguments for make-or-buy considerations, for choosing dual sourcing or for price transparency via cost breakdown. In this way, the scorecard becomes a strategic steering lever rather than a reporting tool.

## Typical metrics

### **OTIF (delivery reliability): > 95 %**

Usual target value for A-suppliers; higher requirements apply for critical parts.

### **Defect rate (PPM): < 500 PPM**

Industry-dependent; considerably stricter target values are common in series production.

### **Response time to complaints: < 48 hours**

Time until the first qualified response, typical guideline value.

### **Score thresholds: e.g. >= 85 / 70 / < 70 points**

Green-yellow-red levels; the specific limits are defined individually by each company.

## Practical example

A medium-sized mechanical engineering company had previously assessed its roughly 200 active suppliers only on an ad-hoc basis, for example after complaints. After introducing a monthly scorecard with five criteria blocks and automated data transfer from ERP and quality management, systematic weaknesses quickly became apparent at two key machining suppliers. In the QBR, development targets with deadlines were agreed, while procurement in parallel qualified alternative suppliers.

- Criteria catalogue covering quality, delivery reliability, cost, service and compliance, weighted by commodity group
- Automated data transfer from ERP and inspection reports instead of manual entry
- Monthly reporting plus quarterly QBR with binding actions
- Escalation steps up to volume reduction in case of repeatedly insufficient scores

## Conclusion

The supplier scorecard is the central steering tool for supplier management in operational and strategic procurement. Its value arises not from the number of criteria but from reliable data, clear weighting and defined consequences. Those who communicate scores transparently and consistently implement them in QBRs and development plans noticeably improve quality, delivery reliability and cost. At the same time, a regular revision of the criteria catalogue is needed to keep the assessment strategically relevant. Combined with audits, supplier segmentation and category intelligence, the scorecard forms the backbone of a performance-oriented supplier strategy.

## Frequently asked questions

### **What is a supplier scorecard?**

A supplier scorecard is a standardised assessment tool with which companies measure the

performance of their suppliers against defined KPIs. Typical criteria are quality, on-time delivery, cost and service. The results are used for supplier segmentation, steering development measures and preparing supplier review meetings.

### **Which KPIs belong in a supplier evaluation?**

Proven metrics are the defect rate (PPM), OTIF as a measure of delivery reliability, price development and response times to complaints. In addition, the number of effective defect notifications, dock-to-stock quality and contribution to improvement projects are assessed. What matters is a small number of automatically available KPIs with a clear calculation logic.

### **How often should suppliers be evaluated?**

In practice, monthly evaluations have become established for critical and A-suppliers, while C-suppliers are frequently assessed quarterly or annually. The cycle should be based on criticality and volume. In addition, a quarterly QBR is recommended in which the score is discussed with the supplier.

### **How is delivery reliability calculated?**

The usual metric is OTIF: the share of deliveries that arrived both on time and in full, measured against the agreed dates and quantities. A tolerance window of a few days before and zero days after the due date is often applied. In addition, the average deviation from the due date in days is often reported.

### **What are the consequences of a poor supplier score?**

Typical escalation steps are: mandatory development plans with deadlines, reduced volume allocation, tightened incoming inspection or the qualification of alternative suppliers. With repeatedly insufficient results, downgrading from A-supplier status often follows. Contractual sanctions should always be reviewed legally on a case-by-case basis.

### **How does the scorecard differ from the supplier audit?**

The audit examines selectively and process-oriented whether a supplier generally has suitable structures and capabilities – usually before the first order. The scorecard, by contrast, continuously measures actual performance in ongoing operations based on operational data. The two tools complement each other and should both be integrated into supplier management.