

Award Criteria: The Evaluation Benchmark for Supplier Selection

Award criteria are the attributes defined in the award or procurement process on the basis of which bids are evaluated and the contract is awarded. In addition to price, they typically include technical quality, adherence to delivery dates, service performance and sustainability aspects. For technical buyers in mechanical and plant engineering, they are the central steering instrument for making supplier decisions traceable, comparable and aligned with the procurement strategy.

Key facts

- Award criteria define how bids are evaluated and the contract is awarded.
- Frequently used criteria are price, technical quality, delivery reliability, capacity, service and sustainability.
- In public procurement, award criteria in the open procedure and other procedure types are legally required to be disclosed.
- A fit-for-purpose weighting and a transparent evaluation scheme prevent subjective decisions.
- Criteria should be adapted to the requirement specification and the procurement strategy of the respective requirement.
- The lowest price principle and the most economically advantageous offer are the two common award models.

Definition: Award Criteria

Award criteria are the evaluation benchmarks defined in advance of a tender against which bids are assessed and ranked. They are part of the RFX in procurement and must be fixed before the opening of bids so that all bidders have equal opportunities.

Distinction from Selection and Minimum Criteria

Selection criteria check whether a supplier can be considered at all, for example certifications, references or minimum turnover. Only after passing the selection check do the award criteria apply, which select the most economically advantageous or cheapest bid from the remaining pool of qualified bids. In practice, the two levels are frequently mixed, which can lead to decisions prone to dispute.

Award Models: Lowest Price and Most Economically Advantageous Offer

Under the lowest price principle, the cheapest bid that is technically compliant receives the award. Under the most economically advantageous offer, price and other criteria are combined into an overall score; the weighting is typically in percentages. For complex technical services such as manufacturing supply, the total cost of ownership mindset, which goes beyond the pure unit price, predominates in practice.

Methods and Approach for Defining Award Criteria

The definition process begins with the requirement specification: only what is technically and commercially relevant belongs in the evaluation. Subsequently, criteria, sub-criteria and weightings are defined and documented in the enquiry preparation process.

Typical Criteria Catalogues in Supplier Procurement

A proven framework comprises price and total landed cost (TLC), technical quality and manufacturing competence, dates and capacities, service and communication, as well as sustainability and risks. Additionally, quality audits, experience values from complaint reports or results from network analysis can be included as a data basis. For new parts involving prototype procurement or a pilot run, the ability to achieve a quick design freeze and initial sampling also counts.

- Price, price band/price corridor and landed cost components
- Technical competence, FMEA capability, FAI quality
- Delivery reliability, capacity reserves, inventory coverage
- Service, response times, delivery note data quality

Weighting and Fit-for-Purpose Scales

Criteria are set in relation to one another, usually with percentage weightings, which in practice can range between 40 and 70 per cent for the price block. For qualitative criteria, procurement teams often use scales from 0 to 5 or 0 to 10 with defined point descriptions so that multiple evaluators judge consistently. Uniform evaluation sheets and a four-eyes assessment increase objectivity.

Fixing Before the Opening of Bids

Criteria and weights must be finalised before bids are received, otherwise bidders face disadvantages and legal challenge. In public procurement under the open procedure, they must be disclosed in the notice texts. In the private sector, binding criteria are primarily a matter of internal traceability and supplier relationships.

Key KPIs and Metrics in Award Evaluation

Award criteria live on measurable quantities. Whoever cannot measure anything evaluates by gut feeling. Important supplier metrics can be stored directly as sub-criteria with point values.

Delivery and Quality Metrics

The fill rate and delivery reliability quantify a supplier's supply performance. Scrap and complaint rates, results from quality audits and the acceptance rate of the First Article Inspection (FAI) demonstrate process quality. These figures come from supplier evaluation and are carried into the tender as a historical reference.

Cost Metrics Beyond the Unit Price

The total landed cost (TLC) aggregates purchase price, freight, duties, warehousing and handling. In addition, inventory coverage, minimum order quantities and the cost of interfaces such as complaint handling or call-off order administration provide the full picture. Price levels can be mapped via a price band/price corridor model with bonuses or surcharges, for example as a bonus agreement when targets are exceeded.

Process and Sustainability Metrics

Response times to enquiries, adherence to deadlines for prototypes and the quality of catalogue buying data (e.g. completeness of catalogue data and PO-flip capability) describe the operational collaboration. Sustainability criteria such as energy intensity, CO2 data or audit results are increasingly being included in the catalogue with low weightings.

Risks, Legal Framework and Controls

Faulty or unclear award criteria lead to legal risks, poor supplier quality and more expensive procurement. Controls begin with criteria selection and end with the documented award decision.

Legal Requirements in Public Procurement

With public contracting authorities, award criteria must be disclosed to the competition and must be designed clearly, traceably and without discrimination. Bidders can initiate review proceedings if criteria are subsequently changed or evaluated arbitrarily. Whether weightings must be disclosed or merely announced in the individual case depends on the procedure type and should be examined on a case-by-case basis.

Typical Pitfalls

Too many criteria dilute the result and slow down the evaluation; in practice, around five to eight main criteria are considered manageable. Ambiguous formulations, subjective scales without point descriptions and changing weights between tenders undermine credibility. A monopolistic position or scarce competition for individual components also requires adapted criteria, because pure price pressure then has little effect.

Control Instruments and Governance

Standardised evaluation templates, a second evaluation instance, minutes of the criteria definition and a subsequent calculation of the impact on procurement success are helpful. Subsequent bonus or penalty rules via bonus agreements in the contract must no longer alter the award decision, but only take effect in the ongoing collaboration. Regular reviews as part of procurement marketing keep the criteria catalogue up to date.

Current Developments in Award Criteria

In many industries, award criteria are shifting from a pure price comparison towards holistic assessments including supplier risk, sustainability and digital process capability.

More Sustainability and Supply Chain Transparency

Security of supply, CO2 data, social standards and supply chain due diligence are being managed as separate criteria blocks in more and more tenders. Weightings of five to twenty per cent for sustainability are not unusual in practice. Those who systematically collect certifications, audit results and energy metrics have a clear advantage in evaluation.

Digitalisation and AI Support

RFX platforms enable automated scoring models in which historical supplier data such as fill rate or complaint rates feed directly into the evaluation. AI approaches support criteria design and the evaluation of free-text answers, but leave the final award decision to the buyer. Procurement platforms

with marketplace character also allow rapid bid comparisons along defined criteria.

Separating Criteria for Strategic and Operational Requirements

For catalogue buying and C-parts, a slim criteria set of price, availability and delivery time is often sufficient, controlled via price band or price corridor logic. For strategic suppliers, qualification, innovation capability and partnership criteria dominate. This separation reduces effort and increases the precision of selection.

Typical metrics

Price weighting in the criteria set: typically 40–70 %

depends on requirement complexity and competitive situation

Number of main criteria: typically 5–8

more criteria increase effort and dilute the result

Sustainability weighting: frequently 5–20 %

as a separate block in a growing number of tenders

Fill rate (as a sub-criterion): > 98 %

usual target value for delivery reliability of dependable suppliers

Practical Example

A mid-sized mechanical engineering company put out the manufacture of a precision-forged component internally via an open procedure. In advance, procurement jointly defined the award criteria with design engineering and quality: 45 per cent price and total landed cost, 20 per cent technical competence including FMEA and FAI experience, 15 per cent delivery reliability and capacity, 10 per cent service and responsiveness, and 10 per cent sustainability. Evaluation was carried out using uniform scales with a documented four-eyes assessment.

- Criteria and weights fixed in writing before the opening of bids
- Historical supplier metrics (fill rate, complaint rate) included as evaluation basis
- Uniform evaluation sheets with defined point descriptions used
- Result documented with a two-person protocol and transparently explained to the unsuccessful bidder

Conclusion

Award criteria are the backbone of any structured supplier selection, and every investment in their quality pays off through better terms and lower risks. What matters is aligning criteria with the requirement specification and the procurement strategy rather than using a one-size-fits-all questionnaire. Clear weights, measurable sub-criteria and fixing them before the opening of bids create transparency for bidders and internal stakeholders. In the public procurement context they are additionally legally binding; in the private sector they are at least a trust anchor vis-à-vis suppliers. Whoever aligns evaluation, contract initiation and ongoing supplier management with a single criteria set makes procurement plannable and traceable.

Frequently asked questions

What are typical award criteria in tenders?

Typical criteria are price or total landed cost, technical quality and manufacturing competence, adherence to delivery dates and capacity, service and communication, and increasingly sustainability and supply risk. The weighting varies depending on the requirement; in practice the price block is often between 40 and 70 per cent. It is important that all criteria are measurable and fixed before the opening of bids.

What is the difference between award criteria and selection criteria?

Selection criteria check whether a supplier is qualified at all, for example through certifications, references or minimum capacities. Award criteria then evaluate the qualified bids and produce a ranking. The two levels should be formulated separately to avoid confusion and review proceedings.

How are award criteria weighted?

Percentage weightings are commonly used, summing up to 100 per cent; main criteria can be broken down into sub-criteria. For qualitative attributes, buyers usually use scales from 0 to 5 or 0 to 10 with defined point descriptions. The weights must be fixed and documented before the bid comparison.

Do award criteria have to be disclosed in public procurement?

Yes, in the open procedure and comparable procedure types, award criteria must be disclosed to the competition, in some cases including the weighting, depending on the procedure type. Subsequent changes or unclear evaluations can lead to review proceedings. The exact disclosure obligations depend on the individual case and should be legally reviewed.

How many award criteria are sensible?

In practice, around five to eight main criteria have proven effective, with a maximum of three to five sub-criteria per main criterion. Too many criteria dilute the result and significantly increase the evaluation effort. The catalogue should be based on the requirement specification and the purchased item.

Can price be decisive among award criteria?

Yes, under the lowest price principle, the cheapest bid that is technically compliant receives the award. Under the most economically advantageous offer, price is only included with a partial weighting in an overall evaluation. The choice of model depends on the complexity, risk and budgetary significance of the requirement.