

Why Reinvent the Wheel: How to Develop an Electronic Supplier Rating System

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Abstract. Data-based decisions are more meaningful than those which are qualitative in nature. Making faster, better and smarter decisions are critical when you are purchasing for an organization in a fast-paced industry.

We must set clear, standardized performance criteria for our suppliers globally. It is important to track and measure supplier performance against standardized criteria. Overall, we must use the supplier performance scores to make commercial decisions.

It is critical to identify parent-subsidary relationships and rate each site independently as well as providing a meaningful global score.

Background. In the past, purchasing decisions were made based upon quality, price and qualitative supplier performance information. Some suppliers delivered materials from multiple manufacturing sites, however, we had no way of tracking whether the quality and service was consistent globally.

It became apparent that if we were to maintain a competitive advantage, we must identify ways to improve our speed to market. One way to accomplish this is to identify the best suppliers and attempt to bring everyone else up to the same standard.

The Challenge. A team was identified to develop the process. We selected the measures and the point system. It was important to have a system of “smart codes” for identifying suppliers; parents and children. Obtaining buy-in from the field manufacturing locations was difficult but necessary. Our goal was to have Headquarters and field manufacturing locations “own the process”.

Each major milestone required Senior Management agreement. This often required modifications that were later reviewed with the team. Finding the right balance was difficult: did the team agree with the modifications or did we need to return to Senior Management to state our case?

Another issue which arose was that we were forced to use a “reporting tool” that is not as user friendly as we would like. The down side is that additional training is required in order to use it effectively. In addition, it’s not as intuitive as some other reporting tools may be.

Now that implementation is complete, we have some big challenges. First, we must maintain momentum with the field. This includes data collection and input into the system, which is predominantly manual. Secondly, we continue to look for improvements. Our goal is to identify additional ways to automate data inputs by utilizing existing systems.

A future enhancement is to have suppliers go directly to a secure web site to obtain their quarterly scores. We must continue the follow up with suppliers. This is especially important with suppliers with low scores. Action Plans are required and we must see improvement or be advised why scores remained the same or declined.

Conclusion. We now have data-based information and are able to make better decisions. Our suppliers are enthusiastic and continue to strive for improvement. The reports that are sent to them provide information directly related to where points were lost. This allows the supplier to have a better understanding of where improvements are required enabling them to focus on their related internal processes.