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Best Practice
eXensys – Vendor Performance Management

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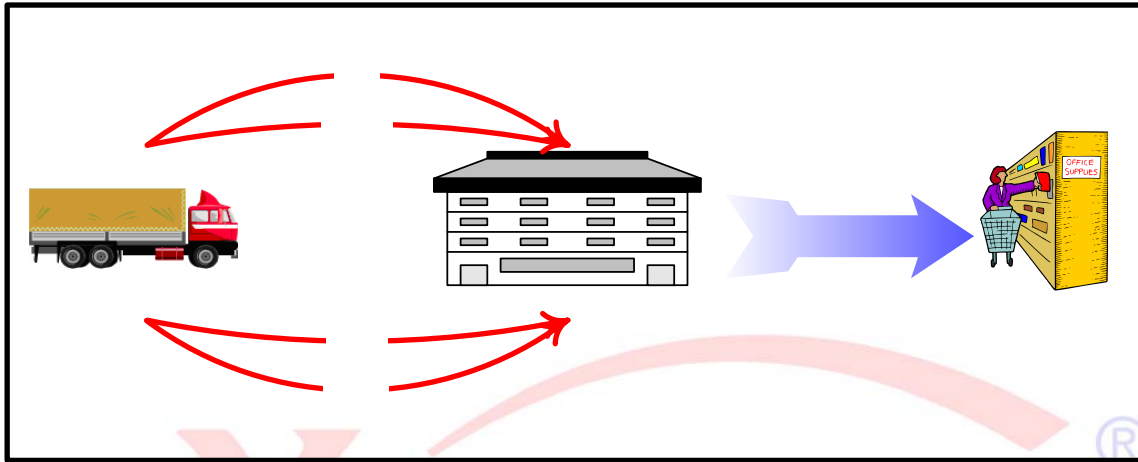
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Introduction:

Organizations across the globe are adopting advanced supply chain practices for increased competitive advantage in terms of price, delivery, flexibility, quality and service. To achieve optimization of these parameters an organization has to manage both its inbound and outbound processes in conjunction to the internal practices.



For a trading enterprise to persistently meet its customer expectations, it must efficiently manage its procurement processes. One of the key operational decision-making areas in procurement is vendor selection. An effective vendor selection process can be carried out only if evaluators are empowered with real-time accurate information. Implementation of a successful vendor performance management system ensures relevant information availability and streamlining of the above process.

Price

Delivery

Many companies using eXensys have been successful in effectively managing and tracking their vendors' performance. eXensys has helped them to evaluate their vendors on a host of quantitative and qualitative measures. This has helped them in satisfying not only their internal stakeholders but also their external customers.

This paper presents information regarding how to utilize the Best Practice eXensys – Vendor Performance Management to ensure optimization of price, quality and delivery of purchases through retention of consistently performing vendors and weeding out the below par ones.

Vendor

Trading En

Overview:

Quality

With eXensys – Vendor Performance Management organizations can continuously monitor their vendors on a periodic but continuous basis by evaluating them on multiple automatic and/or manual criteria and then obtain automatic ranking on the overall scores.

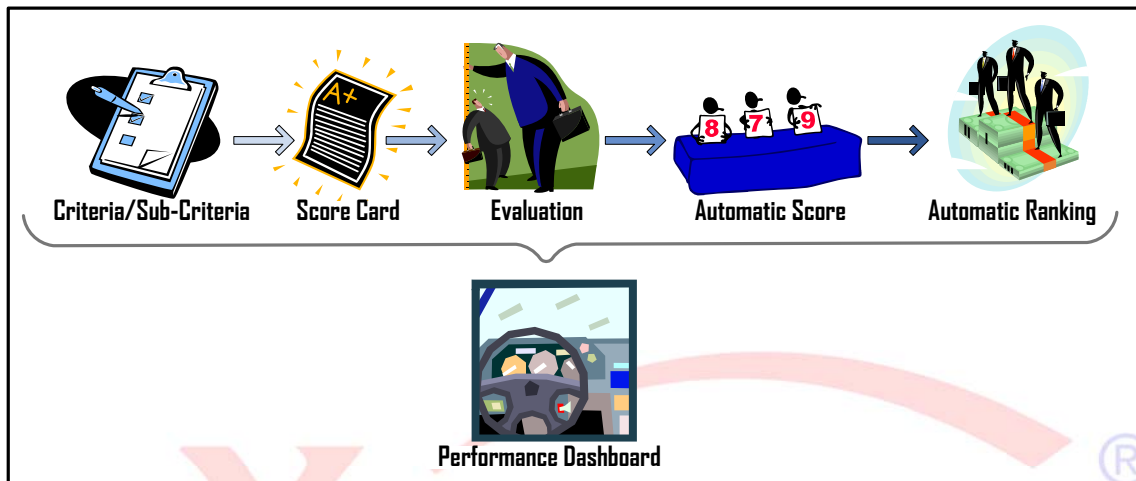
Service

eXensys – Vendor Performance Management comprises of the following key components:

Vendors Performance

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- Criteria/Sub-Criteria
- Scorecard
- Vendor Evaluation
- Ranking
- Performance Dashboard



**eXensys - Vendors Performance Management
Key Components**

Criteria/Sub-Criteria:

Criteria and sub-criteria are the parameters on which an enterprise rates its vendors. eXensys provides for a host of automatic criterion & sub-criterion which have been incorporated in the system through in-depth industry research & analysis. In addition to the predefined parameters, a purchase manager can define his own criteria & sub-criteria. The automatic criteria/sub-criteria are as follows:

- Price
 - Price Level - This sub-criterion evaluates a vendor based on the price offered by him in comparison with the market prices. This comparison allows a purchaser to identify whether a vendor is supplying an item above or below the market rate.
 - Price History - This sub-criterion evaluates the vendor based on the change in vendor item price in comparison with the change in market price. Thus assisting a purchaser identify the trend in price change and allowing for timely negotiations to keep the price at acceptable levels.

- Delivery
 - On-Time Delivery – This sub-criterion evaluates a vendor based on adherence to delivery schedules. Thereby assisting an enterprise to plan inventory levels by issuing orders as per the vendor’s delivery reliability.

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- Quantity Reliability - This sub-criterion evaluates a vendor based on the quantities delivered against quantities expected. Thus assisting an enterprise to plan inventory levels by issuing orders as per the vendor's quantity reliability.
- Quality
 - Rejections – This sub-criterion evaluates a vendor based on the quality of items delivered. The evaluation is based on the number of acceptable items delivered to the enterprise's premises. Thus assisting the enterprise not only to determine the quality of goods supplied but also to plan its inventory levels based on the vendor's quality performance by releasing orders accordingly.
 - Shop floor complaints - This sub-criterion evaluates a vendor based on the number of returns made by the customer in terms of quality. Thus directly linking vendor's quality performance to customer satisfaction, a critical factor in any business environment.
- Service
 - Timeliness of Service – This sub-criterion is available by default and it allows the user to rate a vendor based on his experience of vendors service on timeliness.
 - Quality of Service - This sub-criterion is available by default and it allows the user to rate a vendor based on his experience of the Quality of service provided.

Score card:

A score card is an evaluation sheet comprising of multiple criteria/sub-criteria on which an enterprise can monitor and evaluate its vendors over a specific period of time. eXensys - Vendor Scorecard allows raters to define multiple score cards at a given point of time. This easy to use component allows for selection for multiple criteria. A single score card can contain both automatic and user-defined criteria. It supports allocation of weights both at the criteria and sub-criteria levels. Allocation of weights allows for incorporation of proportional relevance of each criteria leading to effective decision-making.

Vendor Evaluation:

eXensys - Vendor Evaluation facilitates a purchase manager to monitor the performance of a group of vendors for a given period of time against a score card. Moreover, if the score card comprises of manual sub-criteria then he can identify multiple raters who can provide scores for sub-criteria. On receiving the scores from each rater this component calculates the scores for each criterion and then consolidates and calculates the total score for each individual vendor.

This component is a completely automated tool in terms of automatic score calculation and can prove to be any purchase manager's delight.

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Ranking:

Vendor ranking is a listing of vendors in the order of their overall performance/score and assigning them a rank in the sequence. Once the total scores for each vendor is calculated through vendor evaluation, eXensys – Vendor Ranking is activated and the purchase manager can proceed with generating ranks for all the vendors.

Vendor ranking displays the rank, vendor code and name, the overall vendor score, main and sub-criteria and the scores.

Vendor Performance Dashboard:

eXensys – Vendor Performance Dashboard is a configurable component specifically designed to meet the requirements of a purchase manager. It facilitates vendor performance monitoring by making available useful information such as graphical representation of comparison of scores of the top vendors; comparison of prices offered by vendors for top items purchased in terms of value, etc.

Benefits:

By adopting the best-in-class eXensys – Vendor Performance Management an enterprise can gain the following benefits:

- Continuous vendor performance monitoring
- Proactively identify poor performers
- Improve operational efficiencies
- Reduce stock levels
- Optimize price, delivery and quality
- Gain competitive advantage through continued customer satisfaction
- Accurate vendor scores through automatic score calculation
- Performance comparison through automatic ranking

Conclusion:

- eXensys – Vendor Performance Management comprises of components Criteria/Sub-Criteria, Scorecard, Vendor Evaluation, Ranking and Performance Dashboard
- eXensys – Vendor Performance Management includes industry benchmarked evaluation criteria on price, delivery, quality and service
- eXensys – Vendor Performance Management supports automatic score calculation ensuring accurate performance measurement
- eXensys – Vendor Performance Management incorporates automatic ranking ensuring accurate performance comparison
- eXensys – Vendor Performance Management includes performance dashboard ensuring continuous performance monitoring

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- eXensys – Vendor Performance Management facilitates minimum and easy data entry options for manual parameters to increase data accuracy and reduce errors in data entry.

