SUPPLIER SEGMENTATION ASSESSMENT

Presentation of the powerful ASRT tool (Excel-based) – for Assessment of Supplier Relationship Types
The ASRT tool uses MS Excel, and this presentation is the description and explanations of it.

You may apply the ASRT tool on all your suppliers and thereby conclude preferred Relationship Type for each supplier – you get your supplier segmentation and strategy efficiently sorted out.

ASRT is a very useful tool when making decision on what suppliers to select for SRM programs or enhanced collaborative relationships. A buying manager may short-list his/her core or strategic suppliers and do the ASRT assessment on each of them. The highest scoring 1-2 suppliers may be the “horses you will bet on” for partnership programs or strategic joint development.

Please refer to the SRM 4-Step Process on MySourcingLeader.com, to learn more about SRM and Supplier Segmentation.
Summary page of the ASRT tool

Your analysis done one several work sheets is summarized in one page, with automatic recommendations

- The ASRT model is based on the relevant M.O.I.S.T.E.R. criteria (explained in the appendix of this presentation), that are evaluation parameters supporting the segmentation of suppliers

- By evaluation of each criteria by the buyer the scores will be summarized on this tab. The criteria are described on the following pages – showing the exact content that you will in the Excel tabs in the ASRT tool

- The ASRT tool calculates all input and gives (in the yellow field) automatically a recommendation on Supplier Relationship Type for the supplier that is assessed!

On the left is the summary sheet of the (copied from Excel)

<table>
<thead>
<tr>
<th>Supplier Name:</th>
<th>[Supplier Name]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier Completed by:</td>
<td>DD.MM.YYYY</td>
</tr>
</tbody>
</table>

**BUSINESS VALUE CRITERIA**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying Company's View of Category</td>
<td>4</td>
</tr>
<tr>
<td>Value Creation Impact</td>
<td>5</td>
</tr>
<tr>
<td>Innovation Capability</td>
<td>5</td>
</tr>
<tr>
<td>Economical Strength</td>
<td>3</td>
</tr>
<tr>
<td>Market Position</td>
<td>4</td>
</tr>
</tbody>
</table>

**BUSINESS VALUE SCORE (of 25)**

21

**MUTUAL MATCH CRITERIA**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier View of Buying Company</td>
<td>4</td>
</tr>
<tr>
<td>Strategic Match</td>
<td>5</td>
</tr>
<tr>
<td>Operational Excellence</td>
<td>4</td>
</tr>
<tr>
<td>Trust</td>
<td>3</td>
</tr>
<tr>
<td>Relationship Chemistry</td>
<td>4</td>
</tr>
</tbody>
</table>

**MUTUAL MATCH SCORE (of 25)**

20

**ASSESSMENT OF SUPPLIER RELATIONSHIP TYPE**

(building on the MOISTER model)

**SUPPLIER SCORE**

<table>
<thead>
<tr>
<th>BUSINESS VALUE SCORE (of 25)</th>
<th>21</th>
</tr>
</thead>
<tbody>
<tr>
<td>MUTUAL MATCH SCORE (of 25)</td>
<td>20</td>
</tr>
</tbody>
</table>

Based on the assessment, recommended relationship type is:

- COLLABORATIVE
- PARTNER

**Business Value Points**

- 0-12 Points
- 13-17 Points
- 18-21 Points
- 22-25 Points

**MUTUAL MATCH Points**

- 0-13 Points
- 14-17 Points
- 18-21 Points
- 22-25 Points

**Total Business Value Score**

21

**Total Match Score**

20

MOISTER is a concept developed by MySourcingLeader.com, supporting the supplier segmentation process and decision on appropriate relationship types (i.e. how to manage each supplier)

Note: The scoring values will populate on this summary through automatic formulas. The total score of the Business Value and the Mutual Match scores will calculate and recommend the type of relationship with which you will manage your supplier. For better visualization of the recommended Relationship Type you may move the yellow star to the appropriate place on the graph.

The ASRT tool is based on the MOISTER model which is an integral part of Supplier Segmentation in the SRM 4-Step Process. Please refer to the tab "MOISTER Explanation" for a short tutorial.
Criteria 1 – The buying company’s view of the category
How important or strategic is the product or service the supplier provides?

1 - BUYING COMPANY’S VIEW OF CATEGORY:

**Question:**

Is the purchased material or service category important or strategic enough justifying a strong supplier relationship?

**Supportive information to answer the question:**

- Is the category critical for our success on the market?
- Do the customers/consumers experience (feel, touch, see) the product/service bought from the supplier?

- Which quadrant in the Category Positioning Matrix represents how the buying company views the category?
  - Category is Strategic for the Buying Company (high spend, high complexity)
  - Category is Leverage for the Buying Company (high spend, low complexity)
  - Category is Bottleneck for the Buying Company (low spend, high complexity)
  - Category is Non-Critical for the Buying Company (low spend, low complexity)
Criteria 2 – Value creation impact

Will mutual efforts on cost reductions or value creation make the difference for the buying company?

2 - VALUE CREATION IMPACT:

Question:

Will efforts on "value in" or "cost out" with this supplier make a difference on the buying company’s business?

Supportive information to answer the question:

• Does the mutual work with the supplier significantly impact our business needs? (see model below)
• Are efforts on value optimization projects critical for our financial results and market success?
• Does the supplier have a low-cost position, i.e. more competitive than competitors?

Degree of Value

<table>
<thead>
<tr>
<th>Low impact</th>
<th>High impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>X</td>
</tr>
</tbody>
</table>

Type an "X" in the box under the selected score.

Value creation with suppliers fulfilling business needs

GET THE EXCEL-VERSION OF THE ASRT TOOL!
Criteria 3 – Innovation capability
To what degree is the buying company dependent on the supplier’s innovation capabilities?

3 - INNOVATION CAPABILITY:

Question:

Is the innovation level of the buying company dependent on the supplier’s capabilities?

Supportive information to answer the question:

- Is the supplier a leading player concerning new product/technology development?
- Are the buying company’s specifications unique for competitive advantages on market?
- Does the supplier invest in R&D, more than its competitors?
- Does the supplier own many patents/IP?
- Are new ideas and solutions considered important for the success of the supplier?
- Are innovative development from the supplier critical for the buying company?
- Is the supplier’s know-how outstanding on the supplier market, and desired for customers?

MOISTER definition:

Research and innovation capability; Intellectual properties; Project execution; Core competencies; Product development
Criteria 4 – Economical strength
Has the supplier the financial muscles and assets to secure supply, manage risks and deliver value?

4 - ECONOMICAL STRENGTH:

Question:
Does the supplier have the assets and economical strength to secure supply and deliver the value needed?

Supportive information to answer the question:
• What credit risk rating has the supplier (according to Dun&Bradstreet, Moody's, etc)
• Is the supplier profitable and what is the profitability of the past 3-5 years?
• Does the supplier have a strong balance sheet (solidity, assets, debts, etc)?
• In what life-cycle stage is the supplier's industry, growing or declining?
• Has the supplier up-to-date assets and production capacities vs competitors?
• Is the supplier strong enough to manage seasonality and upstream market risks?

MOISTER definition:
Cost structure; Financial performance; Ownership structure; Risk exposure; Profit centers; Credit rating

Degree of Value
Weak - High risk
Strong - Low risk

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>

type an "X" in the box under the selected score
Criteria 5 – Supplier’s market position
What’s the supplier’s relative position in the market they are competing?

5 - MARKET POSITION:

Question:

What is the supplier's relative position in the industry they are competing?

Supportive information to answer the question:

• Is the supplier an industry leader - in terms of market share, brands, quality, capabilities?
• Does the supplier attract and supply to market leading customers?
• Does the supplier have capacity to manage demand fluctuations (also from other customers)?
• Is the quality of the suppliers products or services outstanding on the market?
• Is the supplier an important customer for their suppliers (securing feedstock, input materials/services)?

MOISTER definition:

Commercial position; Industry leadership; Customer portfolio;
Commercial approval; External relations; Customer reach
Criteria 6 – Supplier’s view of the buying company

Is the business with the buying company important for the supplier?

**Question:**

- Would the supplier be interested in enhancing the relationship to more collaborative partnership?
- Does the buying company's share of supplier's capacity/turnover large vs other customers?
- The supplier wants to increase their business with the buying company
- Ask your supplier how they view their business with you

Supportive information to answer the question:

- Is the buying company's share of supplier's capacity/turnover large vs other customers?
- Would the supplier be interested in enhancing the relationship to more collaborative partnership?
- Does the buying company purchase strategic or core products/services from the supplier?
- The supplier wants to increase their business with the buying company
- Ask your supplier how they view their business with you

In the Supplier Preference Matrix below, which quadrant is most representative

- Nuisance - low interest due to either low value or attractiveness for the supplier
- Development - suppliers wants to increase their business as it is attractive (low value today)
- Exploitable - supplier looks for harvesting or milking the business with the buying company
- Core Business - highly attractive and high value for the supplier, profitable and strategic

<table>
<thead>
<tr>
<th>Degree of Value</th>
<th>Low - Nuisance</th>
<th>High - Core Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative value of business with buying company</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>Attractiveness of business with buying company</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>

**GET THE EXCEL-VERSION OF THE ASRT TOOL!**
Criteria 7 – Strategic match
How well are the strategies of the buying company and the supplier fitting?

7 - STRATEGIC MATCH:

Question:

How well are the strategies of the supplier and the buying company fitting?

Supportive information to answer the question:

- Are the supplier's business objectives and strategic plans consistent with those of the buying company?
- Are the supplier and the buying company playing in similar markets?
- Does the supplier's geographical footprint match the supply needs of the buying company?
- Is the supplier able to enter new markets where the buying company would have need for new supply sources?
- Does the supplier have a solid strategic plan with historically successful track record?
- Is the supplier mainly focusing on the buying company's industry, or concentrated on other sales areas?
- Is the supplier willing to walk the extra mile to drive down cost without compromising on quality?
- Does the supplier's structure and operations model match the way of working of the buying company?

MOISTER definition:

Business structure; Management approach; Strategic direction; View toward buying company; Corporate governance
Criteria 8 – Operational excellence

What’s the overall level of the supplier’s operational performance?

8 - OPERATIONAL EXCELLENCE

Question:

What's the overall level of the supplier's operational performance?

Supportive information to answer the question:

• The supplier delivers right quantity of right quality at right time
• The service level and responsiveness of the supplier is world-class / average / poor
• Process and tools used at the supplier are state-of-the-art, modern and efficient
• The supplier shows good service within ideation, planning, compliance, etc
• Is the supplier's systems and IT-platforms compatible with the ones of the buying company
• Does the supplier have quality systems in place?
• The supplier is well positioned in terms of adequate human resources and sub-suppliers

MOISTER definition:

Manufacturing and Service capabilities; Quality systems;
Logistical capability; Human resources; Supply base

Degree of Value

<table>
<thead>
<tr>
<th>Poor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
</tbody>
</table>

type an “X” in the box under the selected score
Criteria 9 - Trust
Is the trust level high enough to build the relationship on and develop into true partnership?

9 - TRUST:

Question:

To what degree have both companies developed trust that would characterize a true partnership?

Supportive information to answer the question:

- Is sensitive information exchanged, such as strategic plans, financial information and new product development?
- Are benefits from optimization programs shared between both parties?
- Is the supplier’s management interested in a collaborative partnership as part of core strategy?
- Is the supplier experienced with successful partnerships with other customers, currently or in the past?
- Do the two companies express objectives and what they really want from each other?
- The outlook for the common relationship goes beyond the short- or medium term horizon
- Is time spent together not only on pure business matters, in order to build relationships?

MOISTER definition:

Strategies and sensitive information sharing; Team building;
Common objectives setting; Efforts based on mutual benefit
10 - RELATIONSHIP CHEMISTRY:

Question:

How is the personal chemistry between individuals interacting across the companies?

Supportive information to answer the question:

• Is the quality of personal relationships between the two companies good?
• Are efforts on projects and improvements mutual and done collaboratively?
• Is the power-balance healthy, not one party dictating and the other obeying?
• To what degree do both companies share similar organizational structure and ways of working?
• Is the inter-company cooperation across the different functions smooth and efficient on individual levels?
• Is feedback shared openly?
• Is the communication across the companies straightforward and efficient?

Criteria 10 – Relationship chemistry

How is the personal chemistry between the individuals who are interacting across the companies?

Degree of Value

<table>
<thead>
<tr>
<th>Poor chemistry</th>
<th>Good chemistry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>X</td>
</tr>
</tbody>
</table>

shared values and expectations; relationship effectiveness on all levels/functions; communication and collaboration climate.
The ASRT is available for you just around the corner
Contact us, and get this powerful Supplier Management tool today!

We can provide you the ASRT tool in Excel-format!

Please contact us via email:

info@mysourcingleader.com

Copyright 2015 © MySourcingLeader.com. All rights reserved.
Assessment of suppliers using “M.O.I.S.T.E.R.” (1/2)

MOISTER is an easy and powerful tool for evaluating if suppliers fit and meet business needs.

**MOISTER**

- **Market Position**
  - Commercial position; Industry leadership; Customer portfolio; Commercial approval; External relations; Customer reach
- **Operational Excellence**
  - Manufacturing and Service capabilities; Quality systems; Logistical capability; Human resources; Supply base
- **Innovation Capability**
  - Research and innovation capability; Intellectual properties; Project execution; Core competencies; Product development
- **Strategic Match**
  - Business structure; Management approach; Strategic direction; View toward buying company; Corporate governance
- **Trust**
  - Strategies and sensitive information sharing; Team building; Common objectives setting; Efforts based on mutual benefit
- **Economical Strength**
  - Cost structure; Financial performance; Ownership structure; Risk exposure; Profit centers; Credit rating
- **Relationship Chemistry**
  - Shared values and expectations; Relationship effectiveness on all levels/functions; Communication and collaboration climate
**Assessment of suppliers using MOISTER (2/2)**

Example on MOISTER applied on spend category showing analysis and relationship plan per supplier

|M.O.I.S.T.E.R. is a practical tool for assessing if your suppliers fit your company and fulfill your business needs. The tool is easy to use and makes a powerful visualization of your plan with each supplier and the analysis that justifies your proposal/decision.|

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Market Position</th>
<th>Operational Excellence</th>
<th>Innovation Capability</th>
<th>Strategic Match</th>
<th>Trust</th>
<th>Economical Strength</th>
<th>Relationship Chemistry</th>
<th>Supplier Relationship Plan</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Keep as COLLABORATIVE; improve operations, limit innovation</td>
<td></td>
</tr>
<tr>
<td>Supplier 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Run SRM program; create value; enhance to PARTNER</td>
<td></td>
</tr>
<tr>
<td>Supplier 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EXIT supplier; shift volume to New supplier and the Partner</td>
<td></td>
</tr>
<tr>
<td>Supplier 4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>REGARDED; maintain and work on Relationship Building</td>
<td></td>
</tr>
<tr>
<td>New supplier</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Develop; start out as REGARDED</td>
<td></td>
</tr>
</tbody>
</table>

**High or Very High Level** - Good fit, supplier's level meets the business needs (no or positive gap)

**Medium Level** - On track with improvement potential (some gap exists, work to be done with supplier)

**Low or Very Low Level** - No fit, supplier's level is clearly below the business needs (significant gap)