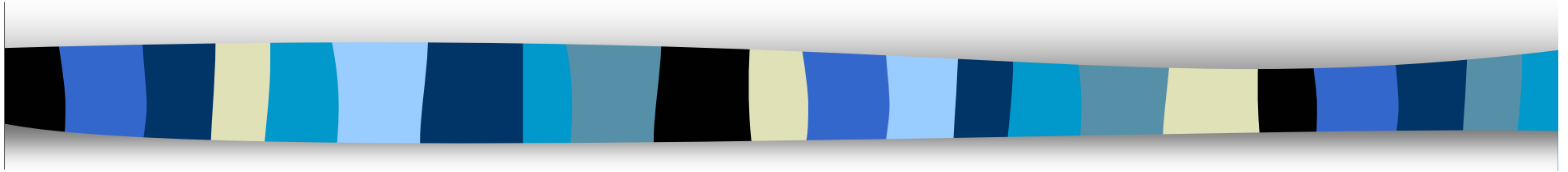


# TOTAL SUPPLIER MANAGEMENT PROCESS



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# Agenda

- Total Supplier Management Process
  - Reason for TSMP Development
  - Objective of TSMP
  - Business Partnerships
  - Discussion of the TSMP Model and Expanded Selection Criteria
  - Supplier Evaluation Process
    - Measurement Tools
    - Supplier Scorecard
- Summary

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# Reason for TSMP Development

- Provide PING with a process for objectively choosing suppliers
- Develop a methodology to give suppliers ongoing feedback
- Create a process for long-term business partnerships with key suppliers

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# Total Supplier Management Process

## Objective:

- To assure the optimum supplier value for PING on a long term basis

The TSMP will enhance PING's ability to:

- Provide all customers with zero defect products
- Provide 48-hour delivery to all customers on all products
- Achieve a 9-month or better lead time on all new products

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# Total Supplier Management Process

## Evolve PING's supplier base

### FROM

- Relationship based
- Technological capabilities
- Meeting short term needs

### TO

- Partnerships built on a business relationship
- Current and future technological and development capabilities
- Long term supply of the best quality, service and price value

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# Total Supplier Management Process

## **Business Partnerships**

Some of the numerous benefits that are derived from developing business partnerships include:

- Improved quality
- Improved service
- Improved manufacturing efficiencies
- Quicker competitive response time
- Reduced time to introduce new products
- Reduced Supply Chain costs
- Gaining the advantage of “best in class” expertise

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# Total Supplier Management Process

## **Business Partnerships**

- Business Partnerships focus on the operational, strategic and financial needs of both parties
- Selection of partners should be based on suppliers who share PING's values, goals, and objectives
- Partnership meetings provide a business forum for discussions designed to improve quality and service and eliminate non-value added activities

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# Total Supplier Management Process

## TSMP Model:

- Provides an objective framework for both the selection of new suppliers and the evaluation of existing suppliers
- Utilizes an expanded set of criteria to select new suppliers
- Develops a Supplier Scorecard which is an objective measure of a supplier's ongoing quality, service and technical capabilities

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# Supplier Selection Process

- All potential suppliers are sent a Supplier Survey
- A cross functional group (Engineering, Purchasing and Quality Assurance) makes a site visit to where the product will be made. The purpose of this visit is to review the Supplier Survey by seeing on site examples of design capabilities, quality systems, customer service capabilities and other systems
- A meeting is held once the group returns to PING for the purpose of deciding whether to proceed with this supplier

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# Total Supplier Management Process

## Supplier Selection Process

### Expanded Criteria

- Quality and quality systems
  - ISO or other systems
- Service history
- Technical capabilities (existing technologies and future innovations)
- Capacity analysis
  - Short term flex capacity and long term expansion capabilities
- Cost value
  - Do they have a continuous improvement process?
  - How do they control costs in their supply chain?

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# Total Supplier Management Process

## Expanded criteria

- Process controls and capabilities to reduce variation
- Financial stability
  - D&B Report
- Labor history
  - Have there been or are there likely to be labor issues that might impact supply?
- Data interchange capabilities
  - Can they be linked to PING's systems?
- Supplier managed inventory capabilities
- Global sourcing options
- Environmental issues/history

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# Supplier Survey

Date: \_\_\_\_\_

**PING, Inc.**  
2201 West Desert Cove Avenue  
Phoenix, Arizona 85029  
Phone: 602 687-5000  
Fax: 602 687-4491

## GENERAL INFORMATION

1. Name of Company: \_\_\_\_\_  
Address: \_\_\_\_\_  
City, State, Zip, Country: \_\_\_\_\_ Website: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ E-mail: \_\_\_\_\_
2. List all key management people in this facility:  
President:  
Quality:  
Engineering:  
Manufacturing:  
Outside Sales:  
Inside Sales:  
Environmental and Safety:
3. What year was the company founded:
4. Plant Personnel  
Total Employees: \_\_\_\_\_ Full Time: \_\_\_\_\_ Part Time: \_\_\_\_\_ Total QA Employees: \_\_\_\_\_
5. Are any of your plants unionized? If so, which plants and with what unions? When do the contracts expire?
6. Do all your facilities and contractors comply with all local, state, and federal laws?
7. What products do you manufacture?
8. What is the age of your manufacturing facility (facilities)? What is the square footage of each plant?
9. Who are your major customers?
10. What were your annual sales dollars last year?
11. What is your company's mission statement?

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# Supplier Survey (continued)

12. PING, Inc. is interested in developing long-term relationships with our suppliers. Please describe what you feel are three major milestones which must be satisfied in order to enter into a long-term relationship.
13. If applicable, please briefly describe any legal rulings or violations, past or pending against your facility or your contractors (if known) with respect to all federal, state and local laws including Security and Exchange Commission, Product Liability, Environmental laws and regulations, Department of Labor, OSHA, Zoning and Fire Codes.
14. If applicable, please briefly describe any legal rulings, penalties or violations, in the past 5 years or pending against your facility or your contractors (if known) with respect to all federal, state and local laws including Security and Exchange Commission, Product Liability, Environmental laws and regulations, Employee Safety, Land Use/Zoning and Local Fire Codes.
15. List all environmental permits required by the local or national government that are applicable to your facility(ies) (i.e., Hazardous Waste (ID number), Garbage/Solid Waste, Air Pollution Permits, Wastewater, Storm Water, etc.).
16. Identify and list any Environmental Pollution Prevention Programs at your facility, such as recycling, waste reduction, chemical substitution, water recycling, reduced energy usage. Please list any Environmental Awards received or external programs that your company is involved in.
17. Fair Labor Association  
Are you currently, or have you ever been a member of the Fair Labor Association?  
If yes, provide dates of membership.  
If no, would you be willing to join the FLA or regularly certify compliance with its Code of Conduct and submit to required audits as a condition or providing service to PING?  
Are you in compliance with the current FLA Code of Conduct and its implementing guidelines, which can be viewed at [www.fairlabor.org](http://www.fairlabor.org)?

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# Supplier Survey (continued)

## INTERNATIONAL SUPPLIERS (Where Applicable)

1. Do you have a United States office? Where? Do you have English speaking contacts at your manufacturing facility?
2. What quotas do you have when shipping to the United States?
3. Do you have warehousing operations? Do you currently have the ability to drop ship to customers? Explain your procedure.
4. How do you account for currency fluctuations?
5. What are your standard payment terms?
6. List the various duties/tariffs and approximate percentage we would be expected to pay shipping product to the United States?
7. What are the harmonized tariff codes for your products?

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# Supplier Survey (continued)

## QUALITY INFORMATION

1. Briefly describe your calibration or verification program with respect to the manufacturing, testing and measuring departments.
2. What is your company's current measurement of its out-going quality? What techniques are used to measure it?
3. Do you use SPC charts in the manufacturing process? If so, please supply a sample.
4. How are defective materials isolated and controlled?
5. How long are inspection records maintained?
6. What is the customer return rate, expressed in units returned/units shipped?
7. Describe your personnel training program.
8. Briefly describe your quality improvement goals for the future.
9. What certifications do you have (ISO 9001, ISO 14001, etc.)?

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# Supplier Survey (continued)

## SERVICE INFORMATION

1. What is the annual turnover rate for each employee category (the percent of employees leaving the company per year)?  
Engineering: \_\_\_\_ Quality: \_\_\_\_ Manufacturing: \_\_\_\_ Administration: \_\_\_\_
2. What is your overall on time delivery performance?
3. What are your future goals and the timing and plans to achieve these goals?
4. What is your definition of on time delivery?
5. Please describe your consignment and turnkey capabilities.
6. Are inventories maintained and controlled by a MRP system? What computer system?
7. What percent of capacity in this facility is currently being utilized?
8. Do you calculate capacity on a 365-day/year basis? If not, how is capacity calculated?
9. When was your last work stoppage?
10. Are your key suppliers union or non-union?
11. What are your current inventory turns?
12. What methods and criteria are used to qualify, monitor, and certify your suppliers?
13. From initial start up to completed product (considering no raw materials in the pipeline) what is your standard lead time?

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# Supplier Survey (continued)

## TECHNICAL INFORMATION

1. Describe your rapid prototype capabilities.
2. How many patents have been issued to you in the past three years?
3. How many new products have you brought to market in the past three years?
4. How many degreed engineers do you have on staff and what degrees to they have?
5. How many of the engineers are dedicated to PING? What is the turnover rate?
6. Describe your joint development capabilities.
7. How much is spent on R&D as a % of sales?
8. How many CAD stations do you have?
9. Do you have ProE files or capabilities to link with our systems?
10. Do you have a formal (published) development process? If so, please include a copy.
11. What design tools do you use (i.e. Promanufacturing)?
12. What specific technical expertise do you have and how many people have it?
13. How do you verify your designs?
14. Do you have an asset base that ties you to one type of technology?
15. What is the procedure to handle out of specs? Do you break it into causes?  
Equipment related  
Process design  
Operator error
16. Are there any technical affiliations that you can pull into the process?
17. What are your future capabilities to explore improved/new technology?

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# Supplier Survey (continued)

## FINANCIAL INFORMATION

1. Do you have a continuous improvement process?
2. How do you control costs in your facility?
3. How do you control costs in your supply chain?
4. What percent of sales dollars are allocated for capital investment?
5. What are your short-term flex capacity capabilities?
6. What are your long-term expansion capabilities?

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# New Supplier Evaluation Summary

		BELOW EXPECTATIONS		MEETS EXPECTATIONS		EXCEEDS EXPECTATIONS
QUALITY		1	2	3	4	5
SERVICE		1	2	3	4	5
TECHNICAL		1	2	3	4	5
PRICE VALUE (FINANCIAL)		1	2	3	4	5
OVERALL RATING		1	2	3	4	5

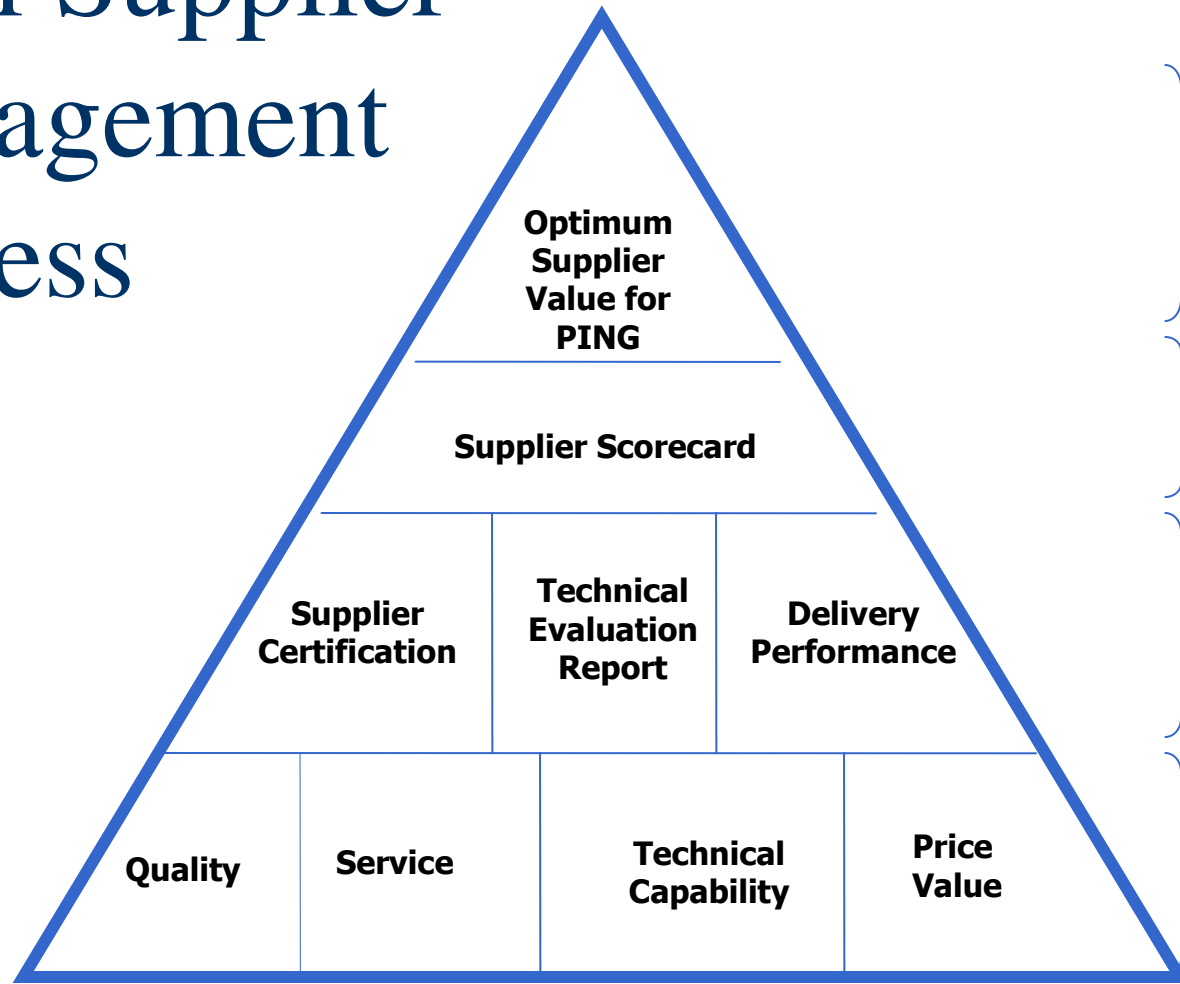
- Attach a Dun and Bradstreet, if available
- What are the best attributes of this supplier?
- What areas do they need to improve?
- Do you recommend using this supplier? Yes No

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# Total Supplier Management Process

Supplier Evaluation Process

Supplier Selection Process



Optimum Value for PING

Decision Making Tools

Measurement Tools

Foundation Criteria

Support Criteria

- \* Process Capabilities To Reduce Variation
- \* Environmental

- \* Labor History
- \* Supplier Managed Inventory Capabilities

- \* Data Interchange Capabilities

- \* Capacity
- \* Financial Stability
- \* Global Sourcing Options

# PING



# Total Supplier Management Process

## **Supplier Evaluation Process**

- The Measurement Tools that will be used are:
  - Supplier Certification Report (Quality)
  - Delivery Performance Report (Service)
  - Technical Evaluation Report (Technical)
- The Supplier Certification Report and Delivery Performance Report already exist
- The Technical Evaluation Report is a value analysis process that is based on the technical information in the Supplier Survey

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# Total Supplier Management Process

## Supplier Evaluation Process

### Supplier Scorecard

- A quarterly feedback mechanism on a supplier's overall quality, service and technical performance
- A decision making tool to reallocate current volume percentages based on objective measures of performance

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# Supplier Scorecard

SUPPLIER NAME:

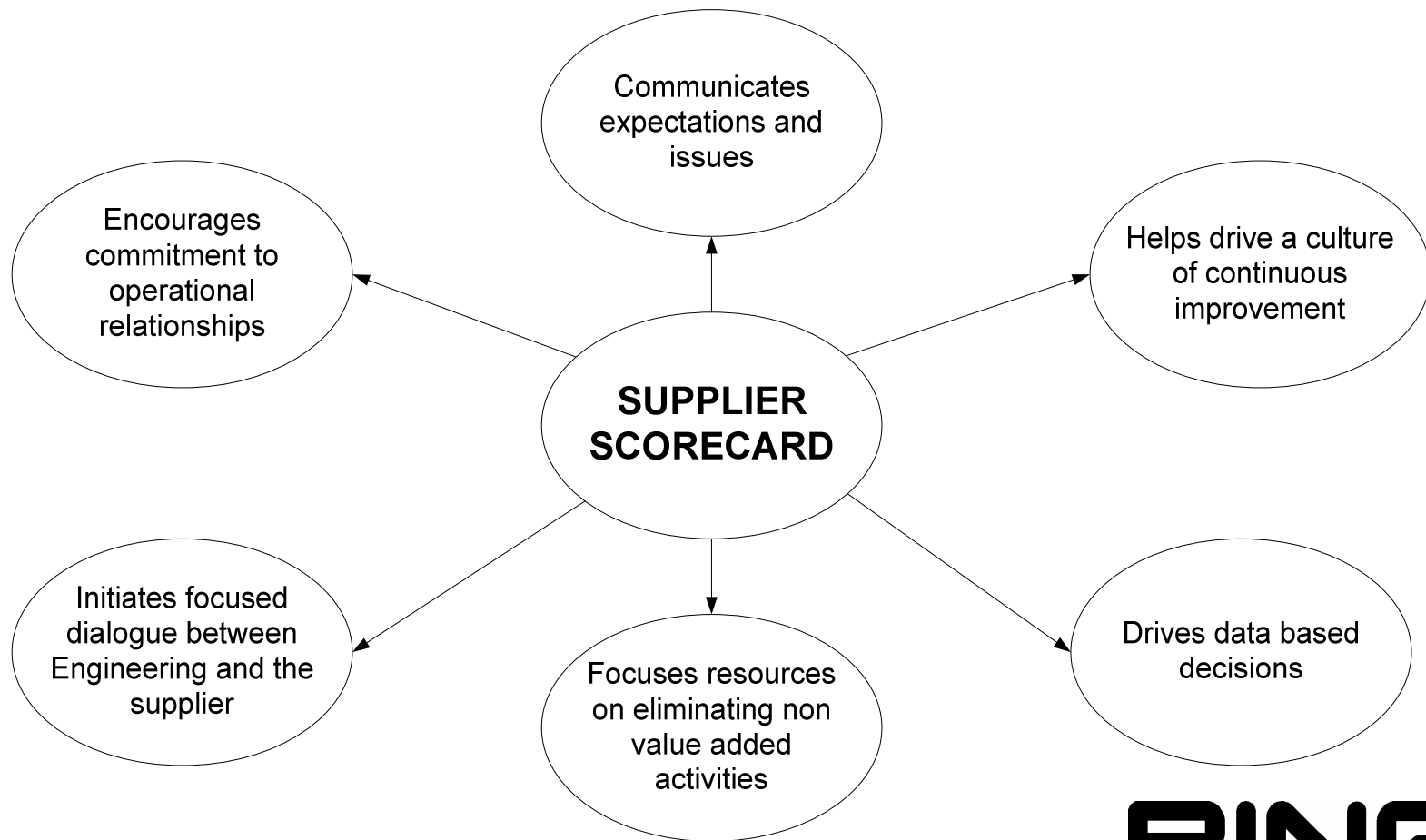
YEAR:

	Weighting	1st Qtr %	Rating	2nd Qtr %	Rating	3rd Qtr %	Rating	4th Qtr %	Rating	Annual Rating
Supplier Certification	50%		0.0%		0.0%		0.0%		0.0%	0.0%
Delivery Performance	40%		0.0%		0.0%		0.0%		0.0%	0.0%
Technical Performance	10%		0.0%		0.0%		0.0%		0.0%	0.0%
<b>TOTAL</b>			0.0%		0.0%		0.0%		0.0%	0.0%
Comments:										



# Total Supplier Management Process

## SUPPLIER SCORECARD BENEFITS



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# Summary

- Developing effective supplier relationships:
  - Must balance the business needs of the company and the supplier – each party must view it as a “win/win”
  - Decisions need to be based on data not subjectivity
  - There must be cross functional ownership and involvement with this process
  - There should be “no sacred cows” in the ongoing discussions with suppliers
  - There needs to be both “a carrot” and “a stick” for the supplier
  - TSMP is an ongoing process – it’s not just selecting a supplier one time and then sending out a scorecard once/quarter – it’s building long term relationships

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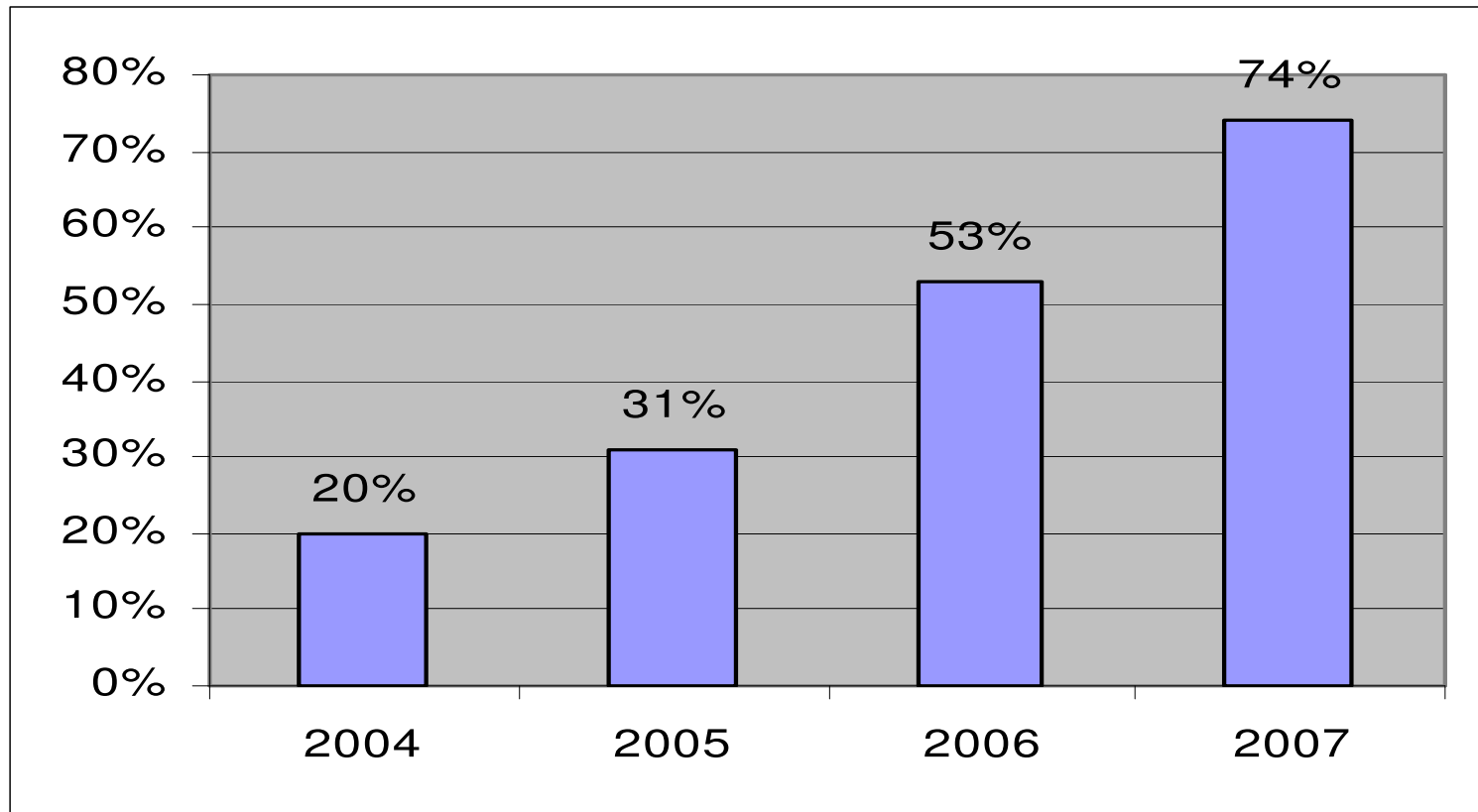


# PING's Goal

Have all suppliers achieve a rating of 95%  
or better

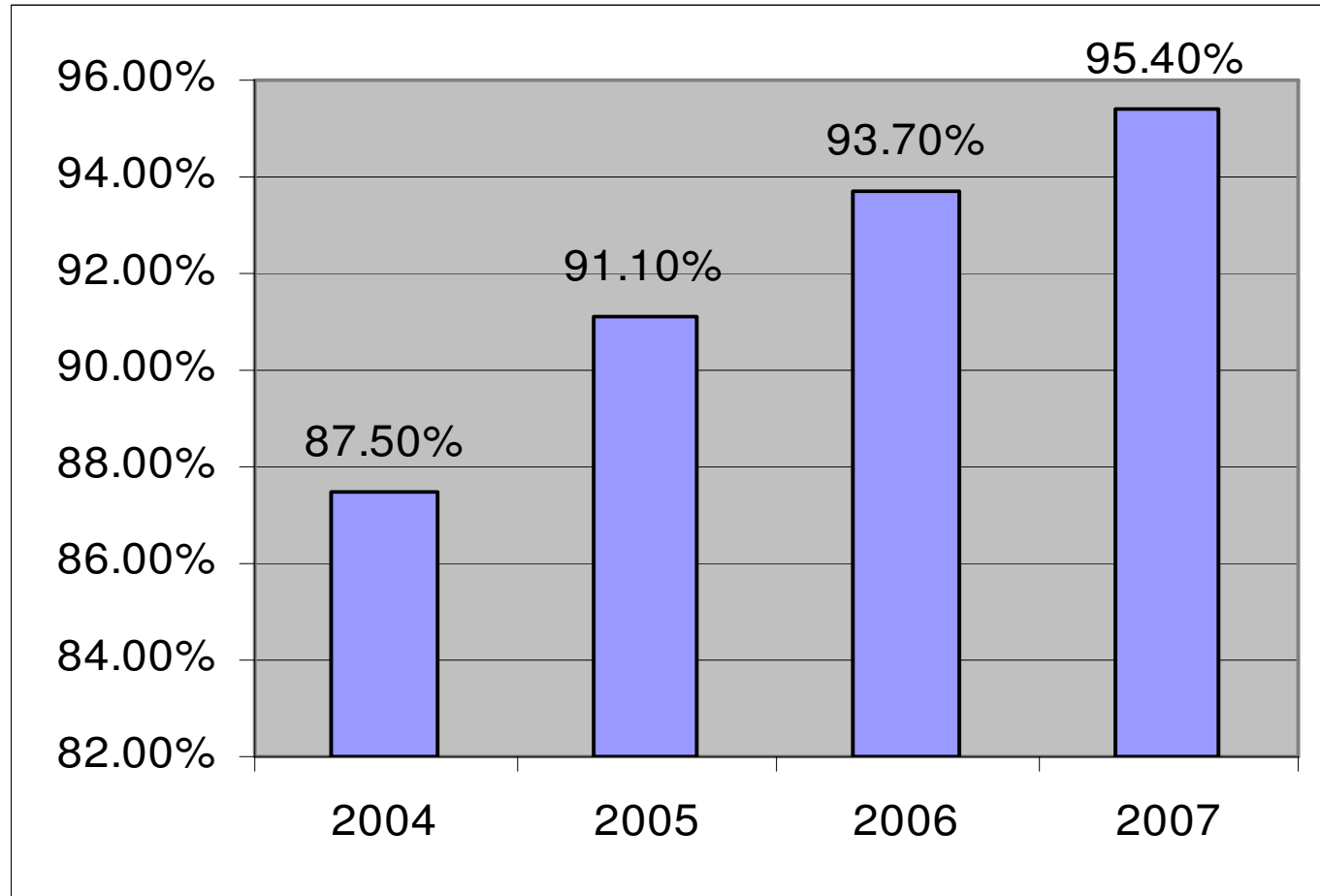
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# Percentage of Suppliers at or above 95%



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# Average of Supplier Ratings



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