Washington State
Liquor Control Board
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Best Practice in Supply Management: Supplier Scorecards

Background

In 2006, the Washington State Liquor Control Board (WSLCB) recognized a need to establish more clear performance expectations for its supplier community. Serious problems were evident in several areas including deliveries to the Distribution Center, out of stock incidences, and extensive lead times for special orders. This drove significantly lowered operational efficiencies and customer service levels as evidenced by lower order fill rates.

It was decided to implement a proven approach that was adopted from the private sector called a supplier scorecard. The WSLCB collaborated with the supplier community in the development of this program, completed a pilot and has now expanded into a full "production" model of this management tool. The results are proving the program to be very effective.

The following Q&A provides more insight to the program, its challenges, and its results.

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What is a supplier scorecard?

The supplier scorecard is a report that is published on a quarterly basis to provide the suppliers with feedback on their success relative to meeting established standards of performance. It is largely objective in nature and includes multiple areas of focus, each with their own weighting based on the priorities of WSLCB (the customer). Points are calculated and added together to establish a supplier classification and total cost multiplier (TCM). This provides an objective way to differentiate suppliers based on their actual demonstrated abilities.

What are the principles behind Washington State Liquor Control Board's program?

- Accountability
- Collaboration
- Continuous Improvement
- Competing on Value

What is the purpose of the supplier scorecard?

- To clearly define WSLCB key areas of interest for supplier accountability.
- To provide timely and objective feedback to suppliers on their performance against established targets.
- To identify those suppliers who offer greater value as defined by WSLCB.
- To award business on the basis of value, and not brand alone.

How was the supplier scorecard program developed?

- A carefully selected cross section of spirit and wine producers and distributors of varied size were invited to participate with WSLCB staff to form a Pilot Team.
- The Pilot Team held round table meetings over several months to discuss the framework and establish the measurement system.

What are the key performance indicators within the scorecard program?

- *In-bound Logistics*: measures how a supplier and their carrier are conforming to the established standards of performance for product delivery.
- *Product Sales and Profitability*: tracks the volume of gross sales and profitability in terms of both dollars and cases.
- *Special Orders*: monitors suppliers on time delivery for special order items as well as their participation in the electronic order submission program and advanced pricing.
- *Inventory Management*: measures frequency and duration of out of stock incidents.
- *Display Compliance*: reports on the percentage of assigned displays that the supplier successfully setup.
- *Customer Service*: tracks problem incidents and how well the supplier proved to be responsive and effective in problem resolution.

What are examples of decisions influenced by a supplier's scorecard performance?

- Product listings
- Product de-listings
- Display allocation
- Product promotional opportunities
- Product line extensions
- Participation in program development

What are the key challenges associated with such a program?

- Capturing timely and accurate data.
- Managing the scope of the program to ensure its large enough to make a difference but not so big that the details can't be properly maintained.
- Educating the supplier community on the purpose and value of the program and how they can use it to create a competitive advantage in the marketplace.

What have been the results during the first year of the program?

- Out of stock instances have reduced by 55%
- The number of suppliers contributing to out of stocks have been reduced by 45%
- Special Order lead time has improved by 26%
- "No Shows" have been reduced by 44%
- Total Cost Multiplier has improved by 44%
- Suppliers are trying harder and getting better.
- Store order fill rates continue to improve. (3% improvement for the quarter ('07 vs. '06)