

Document Name: Vendor Rating System Work Instructions	Level: III	Control Number: 406-002-20 TS 7.4.1, 7.4.1.2	Revision Date: 7-18-05
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Purpose:

The purpose of this **work instruction** is to

- Evaluate, **reevaluate** and select suppliers on the basis of their ability to meet customer requirements.
- Define the type and extent of control exercised by Tweddle over its vendors.
- **Perform supplier development with the goal of supplier compliance to TS-16949 using ISO9001:2000 as a first step in achieving this goal.**
- Require 100% on-time delivery performance from suppliers.
- Establish and maintain quality records of acceptable vendors.

Scope:

The scope of this work instruction is paper vendors that earn three hundred thousand dollars or more from Tweddle Litho in the period of one year and perfect binding and / or saddle stitching services vendors that earn one hundred thousand dollars or more from Tweddle Litho in the period of one year and outside printing vendors that earn three hundred thousand dollars or more from Tweddle Litho in the period of one year.

Responsibilities:

The Vice President of Purchasing has the responsibility for approving, issuing, and maintaining this work instruction.

Reference Documents and Data:

- 406-004 Acceptable Vendor List Maintenance Work Instruction
- 406-037 Supplier Cost Reduction Program
- 414-001 Corrective Action Procedure
- 414-002 Preventive Action Procedure

Records:

Work Instructions:

See Attached

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Revision Number	Date	Description of Change
3	1/7/97	Changed the procedure for Tracking Bindery Delivery; Added Guidelines by which to write a CAR for poor performance. Added Reference Documents 414-001 and 414-002; added Records 406-030, 406-032, 414-003,; deleted reference of record 406-018.
4	5/8/97	Eliminated the price guideline for writing a CAR for poor performance.
5	8/8/97	Changed the paper quality administration responsibility to estimator, corrected production assistant title to read job cost accountant, added the guideline that all paper related NCP's will be closed out within 7 months of the open date. changed name of record 502-012
6	3/3/99	Increased the points available in the quality, delivery, and service categories. Removed the price category. Added the use of a different Service Survey Form for Bindery and Paper Vendors.
7	1/2/01	Added Supplier Development and 100% On-time Delivery Requirement, Bindery Delivery Points, Quality System, Added Supplier Cost Reduction Section
8	7/23/01	Changed the wording on Page 7 to be stronger regarding Tweddle's goal of QS9000 Section 1 Compliance for all VRS vendors.
9	8/29/01	Added the following wording "All vendors are required to be certified by an accredited certification body to a current version of the ISO 9000 Quality Management Series of Standards (excluding ISO 9003) by the end of calendar year 2002." To page 7.
10	10/2/01	Rewrote the scope statement to now be a dollar limit of \$300,000 for paper vendors and specifically saddle stitch and/or perfect binding vendors for binderies.
11	5/10/02	Updated the Use of a Quality System Section to give only a pass fail score for Quality System
12	7/22/02	Removed 406-017 Paper Tracking Worksheet from this procedure; replaced with 999-008 Primac Database
13	12/10/02	Eliminated the Vendor Quality System Questionnaire, eliminated the Delivery Performance Tracking Worksheet- Bindery, eliminated the Tweddle Litho Internal Audit Report, eliminated the "use of a certified quality system" section, Changed the score weights for both paper and bindery vendors, rewrote the quality section to reflect the new points available, Completely rewrote the delivery section, added the requirement to be at minimum ISO registered to win the VRS, changed the CAR guidelines regarding delivery performance in the VRS
14	1/13/03	Eliminated the head of production from the list of individuals required to fill out the Service Survey Forms
15	7/21/03	Removed the wording "Feedback will be given immediately to any vendor that falls below the 100% requirement, and vendors will be encouraged to work toward compliance to this requirement in the supplier's corrective action system" and "The point structure below is designed to penalize vendors who are performing below the 100% requirement" from the "Delivery" section. The following wording was added to the "Delivery" section for Paper Vendors: "The delivery information will be accessed at the end of each month by the purchasing department and a Corrective Action Request will be submitted for every vendor that exhibits late deliveries in that month." Removed the following wording from the "Results" section "and is at minimum ISO registered". Removed the Quality Incident Report from the procedure
16	11-5-04	Updated all sections to include outside printers
17	2-14-05	Updated the table of values for Quality points to be given for each corrective action request
18	4/12/05	Update to TS16949 Standard and use as work instruction
19	6-23-05	Combine three service survey forms in to one form
20	7-18-05	Remove the requirements to write a corrective action, if a vendor doesn't score x number of points on page 11 of this procedure.

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Macro view of the system

The vendors will be rated in four categories: quality, delivery, service, and supplier cost reduction. The scores are weighted as follows:

Composite Score Weights for Paper Vendors

Quality	45%
Delivery	35%
Service	20%
Supplier Cost Reduction Program	N/A

Composite Score Weights for Bindery and Printing Vendors

Quality	50%
Delivery	35%
Service	15%
Supplier Cost Reduction Program	N/A

The procedures for generating the scores are detailed on the following pages.

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Quality

The quality score for each vendor will be arrived at in the following manner:

A base quality score (45 points for paper merchants and 50 points for binderies and 50 points for outside printers) will be given to each vendor at the beginning of each rating period. Each "negative quality incident" costs them between one and five points each throughout the year (paper vendors will receive one point for each incident). The guidelines for bindery and outside printer's penalty points are expressed in the following table:

Table I - Penalty Points for Each Bindery or Outside Printing Quality Incident

PENALTY POINTS	DESCRIPTION OF THE "QUALITY INCIDENT"
Two points	All quality problems that do not affect customer satisfaction
Five points	Any quality problem that affects customer satisfaction

Administered by the Total Quality Manager for bindery and outside printing quality and an estimator for paper quality, the procedure for handling a Nonconforming Product Report for paper and a Corrective Action Request for bindery and outside printing is as follows. When either report is received, the administrator will record the appropriate number of penalty points. A copy of each document produced in regard to the incident should then be given to the purchasing department for their consideration.

At the end of the fiscal year, the administrator will begin compiling the vendor's penalty points. The penalty points incurred will then be adjusted by using the system described below, and applied to the vendor's base. A copy of the final score will then be given to the purchasing department to be included in the composite score.

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Procedure for Adjusting the Quality Score

- 1) Find the mean dollar amount spent with all vendors to be rated in the industry in question (a) (therefore each vendor will be rated based on the average dollar amount spent on a vendor within their industry, i.e., paper, printing or bindery).
- 2) Take the dollar amount spent with the vendor in the past year (b) and divide it by (a).
- 3) Divide the penalty points incurred (d) by the results of the above (c), and this is the adjusted penalty points (e) to be applied against the base quality score given at the beginning of the year.

$$b / a = c; d / c = e; \text{base points} - e = f$$

For example,

- a) The mean dollars spent with all vendors to be rated during the past year - \$849,000 (a)
- b) The dollars spent with the vendor in question during the past year - \$1,068,872 (b)
- c) \$1,068,872 (b) divided by \$849,000 (a) equals 1.26 (c)
- d) Since the vendor in question incurred 5 (d) penalty points during the year, divide 5 (d) by 1.26 (c) for the quotient 3.97 (e)
- e) Subtract 3.97 from the base of 50 points for a score of 46.03 (f).

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Delivery

The requirement is 100% on-time delivery for all vendors of Tweddle Litho.

Paper deliveries will be tracked by the use of the purchasing system in the Primac Database. The purchasing department will enter the vendor's negotiated delivery date on the P.O. in the Primac Database. The date that Tweddle Litho begins to receive the paper will automatically be captured when the paper is entered into Primac's inventory system. The delivery information will be accessed at the end of each month by the purchasing department and a Corrective Action Request will be submitted for every vendor that exhibits late deliveries in that month. The delivery information will be accessed at the end of the year by the purchasing department and on-time delivery will be calculated.

The delivery score for each vendor will be arrived at in the following manner:

A base delivery score (of 50 for paper vendors; 10 for bindery and outside print vendors) will be given to each vendor at the beginning of each rating period. Each missed bindery delivery will be written up as a corrective action request by the production

scheduler, and will cost the bindery two penalty points each.

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Service

The vendor's performance in the area of service is evaluated by polling several key people with the questions listed on the Service Survey Form. The people to be polled are as follows:

Head of purchasing

Buyers

Estimators

Production Scheduler

Job Cost Accountant

Customer Service Representative

The polls will be used to generate a score, which translates directly to their composite score.

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Supplier Cost Reduction Program

Tweddle rewards suppliers for lowering our total cost. At the end of the year, the main non-production buyer will tally each vendor's percentage of dollars saved versus revenue earned per the Supplier Cost Reduction Program, and provide it to the paper, bindery and outside printing buyer. The paper, bindery and outside printing buyer will award one point for every percent saved. The supplier will also receive an additional three points for saving at least five percent.

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Results

The results of the preceding procedures will be used in the following ways, besides what is detailed in the purpose statement at the beginning of this document, and will be detailed on the Vendor Rating System Summary Worksheet. The paper vendor that earns the most points at fiscal year end will be given the "Paper Merchant Excellence Award," the bindery vendor will be given the "Bindery Service Excellence Award" and the outside print vendor will be given the "Printing Service Excellence Award". Any vendor that receives one of the titles above will receive a plaque, or some other token, to signify our appreciation, and a brief ceremony that may include a meal at the vendor's facility, or at Tweddle Litho.

The results of the procedure will be used as part of the criteria for the development of the Acceptable Vendor List, as detailed in the Acceptable Vendor List Maintenance Work Instruction.

All vendors included in the preceding years' ratings will be entitled to receive an update of their performance six months into the current fiscal year. This update will include their point totals in each category for the preceding twelve months. The vendor will

also be afforded an opportunity to talk with the bindery, paper and outside printing services buyer about their performance in a more in depth manner, at the buyer's convenience.

At the end of the fiscal year all vendors rated will be given a copy of their score in each category of the system. Each vendor will, at this time, also be afforded the opportunity to talk to the paper, bindery and outside printing services Buyer about their performance during the previous year.

Finally, the system should be continually pointed to as an opportunity for vendors to improve their performance. It will give them an indication of what is important to our customers and us, therefore, where we want them to focus their energies for improvement. In this way, Tweddle can develop a first class vendor base on which to build our world class organization.