

# Supplier Rating System (SRS)



**Pratt & Whitney Rocketdyne (PWR)  
Canoga Park and West Palm Beach  
November 15, 2010**

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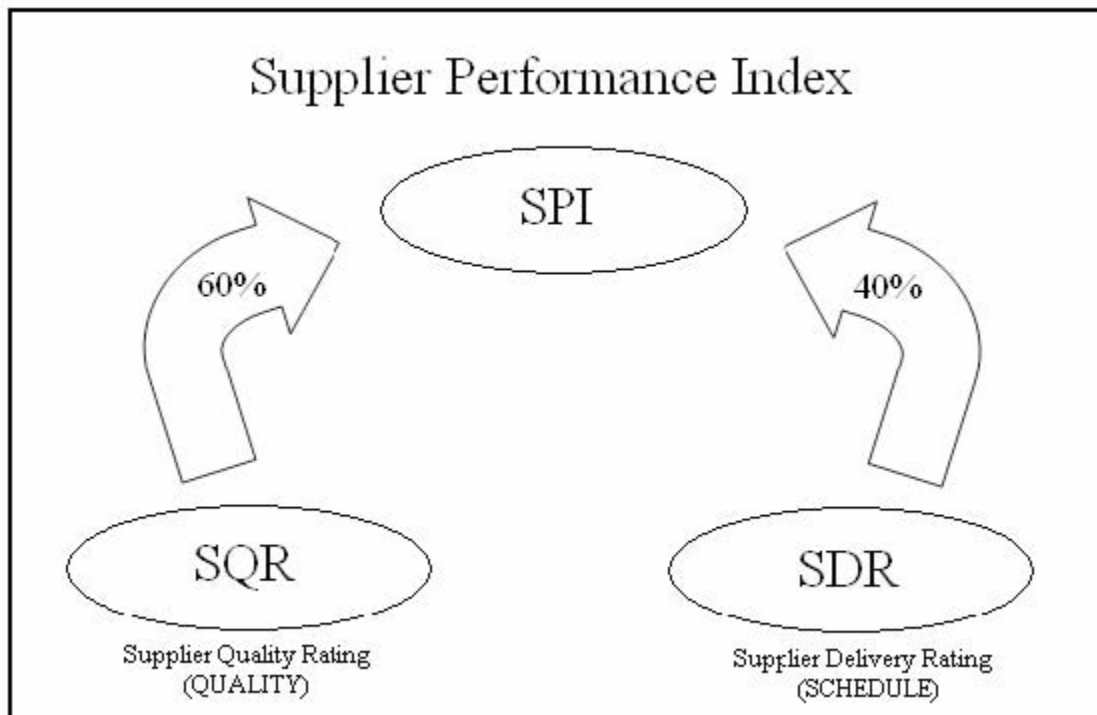
As a supplier to Pratt & Whitney Rocketdyne, you should know about our supplier rating system. To provide you with a better understanding of this program, we have prepared this pamphlet to answer many frequently asked questions about the program.

Our Supplier Rating System formula is being revised as of November 15, 2010. We will now use one common set of evaluation factors for Purchase Orders placed from either Canoga Park or West Palm Beach.

Your performance will be expressed in terms of a Supplier Performance Index (SPI).

### **What is the SPI?**

The supplier quality rating and the supplier delivery rating are combined as shown in the chart to develop the Supplier Performance Index (SPI).



Suppliers may access their Supplier Profile from the PWR Supplier Portal monthly and view their 12 months history of Quality and Delivery Performance. Sufficient back up information shall be provided to allow suppliers to review their ratings.

**As a first time PWR supplier, how do I obtain my SPI?**

Supplier ratings are calculated monthly and are derived from performance data for a 12 month rolling period. A supplier’s SPI will be used to evaluate proposals:

After 3 or more receipts within a 12 month period **OR**  
 After receipts have totaled \$5,000 or more.

Here are some sample calculations:

$$2 - \frac{(SQR * .60 + SDR * .40)}{100} = SPI$$

**SUPPLIER A 2 – (0.588 + 0.400) = 1.012**

**SUPPLIER B 2 – (0.582 + 0.388) = 1.030**

**SUPPLIER C 2 – (0.528 + 0.352) = 1.120**

**How is the SPI used?**

PWR buyers use the SPI as the primary factor in their evaluation of supplier proposals for inspected items. **Please Note: This proposal evaluation process will continue to utilize the previous supplier quality and delivery rating formulas until end of March 2011 (Q12011). Until such time, the quality and delivery rating formulas described below will be used internally only to make decisions on Supplier Corrective Actions.**

The example below illustrates how it works.

	<u>SUPPLIER A</u>	<u>SUPPLIER B</u>	<u>SUPPLIER C</u>
QUOTED PRICE	\$1,035.00	\$1,050.00	\$1,023.00
Multiplied by SPI	1.012	1.03	1.12
EVALUATED PRICE	\$1,047.42	\$1,081.50	\$1,145.76

Supplier A could be selected for the award, even though their quoted price was not the lowest. The closer a supplier’s SPI is to 1.000, our experience indicates, the more likely they will meet PWR’s quality and delivery requirements.

**What data makes up the Supplier Quality Rating?**

Supplier requests for Nonconformance, rejections found during Source / Receiving Inspection, Electronic Certificate of Conformance Review, Major Audit Findings, Line rejections or Customer escapes adversely affect the Supplier Quality Rating. Note: Line Rejections are based upon the rejection being found post receipt.

**How the Supplier Quality Rating (SOR) is calculated:**

The measure of receipts accepted divided by the number of receipts in the 12 month reporting period including Supplier Requests for Non-Conformance (S/S), Source and Receiving Product Acceptance rejections, Line Rejections found on the shop floor, [any rejection found after delivery to the end item customer](#) and major audit finding detected by a PWR Quality Audit. This calculation contains a weighting factor based on the severity of the rejection, based upon when in the Supply Chain process it is detected. To be included in the calculation, the event must have occurred during the 12 month window that is being assessed.

FORMULA:

$$100 \left[ 1 - \frac{\#S/S \times .1 + \# \text{ of Rec/Src/Ecofc/ Rej. } \times .2 + \# \text{ of Line Reject. } \times .4 + \# \text{ of Maj. Audit Find. } \times .4 + \# \text{ of Cust. Esc. } \times 1.0}{\# \text{ of Deliveries}} \right]$$

**Timeframe: October 2009 – September 2010 (Reported in November 2010)**

**Example:**

	<i>Events</i>					
<b>Supplier A</b>	Supplier Submittals	Source or Rec. Rejects	Line Rejects	Maj. Audit Findings	Customer Escape	<b>Sum Total</b>
# of Supplier Responsible Events	3	7	1	0	1	
Factor	(*x .1)	(*x .2)	(*x .4)	(*x .4)	(*x 1)	
Formula	<b>3 *.1= 0.3</b>	<b>7 *.2 = 1.4</b>	<b>1 *.4 =.4</b>	<b>N/A</b>	<b>1 *1 = 1.0</b>	
Sum Total	<b>0.3 +</b>	<b>1.4+</b>	<b>.4+</b>	<b>N/A</b>	<b>1</b>	<b>3.1</b>

**# of Deliveries is:** 8

**Sum Total 3.1 Divided by Deliveries =** 0.3875

**1- the Sum Total = New Supplier Quality Rating =** 61.3%

**How does the Rejection Data Process work for the Supplier Quality Rating?**

Supplier Quality Ratings are derived from inspection data for inspected hardware purchase orders. Nonconformance reports from Supplier Submittals, Receiving, Source or Line Inspection begin a process where responsibility is determined and data is entered into the Purchase Order Database.

**Rejection Liability Coding:**

These are the liability assignments used in assigning rejection liability codes:

<b>Supplier Responsibility</b>		<b>Not Supplier Responsibility</b>	
C:	Electronic Certificate of Conformance	R:	PWR Rocketdyne
I:	Supplier initiated Supplier Submittal	M:	PWR Line Rejection
L:	Line Rejection		
S:	Supplier responsibility		
X:	Customer Rejection		

**Liability Determination**

The determination of responsibility for rejection is made by the product acceptance inspection process. Only Supplier Submittals attributed as supplier responsibility will be part of the formula for that adversely affects the supplier quality rating. PWR Rocketdyne responsibility does not adversely affect a supplier’s quality rating.

**Liability Reversal**

Suppliers may seek a liability reversal through the PWR buyer for the affected purchase order. Suppliers may dispute a rejection liability by submitting documentation to the Buyer within one year from the original rejection liability. When this information is presented to the PWR Quality Assurance analyst, a review will be performed and the database corrected accordingly, if required. If the dispute request is not granted, the request for reversal of liability may be presented to Supplier Quality management for arbitration. Reversals are reviewed and analyzed regularly to determine if PWR corrective action is required.

**Corrective Action**

All nonconformances are assessed to determine the need for supplier corrective action. Corrective action requirements are processed in separate correspondences.

**Management Review**

Disagreement about liability assignment, initial or reversal is resolved by Supplier Quality. Comments from suppliers and questions may be directed to (818) 586-7566.

**How is the Supplier Delivery Rating (SDR) calculated:**

The supplier delivery rating (SDR) is obtained from this formula:

$$\text{Number of Pieces Received on Time} / \text{Number of Pieces Scheduled} = \text{SDR}$$

A supplier may deliver up to 30 days prior to the scheduled purchase order delivery date and five days late. The only exception to late delivery is when the delivery terms are noted as Freight on Board (FOB) Supplier's Facility on the purchase contract, and then 7 days are added to the P.O. delivery schedule date before any penalty is assessed. Otherwise, the P.O. delivery date is based on the date that the shipment is delivered to its destination.

**Early Delivery**

Any accelerated delivery will be at no additional expense to Buyer or the Buyer's Customer and must be coordinated with the buyer. Notwithstanding anything to the contrary elsewhere in the purchase order, the payment-due date for deliveries made in accordance with the terms of the PO shall be computed from the latest of Buyer's scheduled delivery date (as stated in the PO), the actual delivery date, or the date of receipt of a correct invoice (if applicable).

**Behind Schedule Delivery**

If 10 pieces are scheduled for delivery on a given date and only 9 are delivered, the supplier will be given credit for the partial delivery. The one remaining piece will be counted as "behind".

**Sample calculations:**

- A. **60 pieces received on the purchase contract schedule date:**

$$60 \text{ Pieces on time} / 60 \text{ pieces scheduled} = 100\% \text{ SDR}$$

- B. **60 Pieces received 5 days after the purchase contract schedule date, FOB Seller's Plant:**

$$60 \text{ Pieces on time} / 60 \text{ pieces scheduled} = 100\% \text{ SDR}$$

- C. **59 pieces received on time, 106 pieces due on the purchase contract schedule:**

$$59 \text{ Pieces on time} / 106 \text{ scheduled} = 56\% \text{ SDR}$$

- D. **13 pieces received on time, 49 pieces due on the purchase contract schedule, 1 piece**

**delivered more than 30 days early:**

13 Pieces on time / 49 pieces due = 27% SDR

### **How does the Schedule Review Process work?**

Supplier delivery ratings are derived from the purchase order schedule and receiving data for purchase orders for inspected items. Data will be collected monthly for each supplier.

### **Data Verification**

At the end of each month, a report will be generated for each supplier, which will show for each scheduled delivery during the month, the actual receipt or non-receipt of the item. It will also show any additional receipts during the month and the actual schedule for that receipt. It will also reflect how many days late or early a given delivery is. These reports will be visible through the secure PWR Supplier Portal.

Suppliers will have one week to review the information and inform the buyer if any problems are discovered. If there are instances in which schedule relief should have been granted, the buyer shall institute a change notice. If agreement on schedule relief cannot be reached, the buyer shall refer the information to the buying manager or upper management for resolution. Suppliers will be notified of the final disposition of their request.

### **Management Review**

Disagreement about early/late deliveries or issues related to the purchase order schedule will be resolved with the buyer, the final authority being the Manager of Small Business and Supplier Development. The Manager of Small Business and Supplier Development welcomes comments from suppliers and may be contacted by phone at (561) 796-4314.