

ARAVO SUPPLIER PERFORMANCE MANAGEMENT



Control Relationships As Well As Metrics

Whether as part of cost of goods sold for direct materials or operating expense for indirect product and services, supplier spend is the largest single expense for most companies, typically representing 60-80% of total cost. As a result, maximizing supplier performance is a make-or-break proposition. Yet a 2007 Aberdeen survey of executives at more than 210 companies showed less than half of the companies have implemented supplier performance measurement procedures or systems. Why the disconnect? Because supplier performance tracking and measurement across multiple enterprise ERP, procurement, sourcing and payables systems is nearly impossible without common, centralized supplier information. And for the “less than half” of companies that actually have implemented supplier performance measurement procedures or systems, most of them are only getting part of the performance picture. Qualitative measures are often not considered. Performance metrics like product cost accuracy and on-time delivery are easy to gather. Collecting information on damaged goods, responsiveness to rush orders, design innovation, regulatory compliance and a host of other subjective measures is simply not in the purview of current enterprise systems. The result: incomplete or missing supplier performance visibility and management.

> SOLUTION SUMMARY

Aravo Supplier Performance Management is the industry’s leading SaaS solution for collecting, tracking and managing both quantitative and qualitative supplier performance. With Aravo’s library of cross-department metrics and KPIs from simple fulfillment rates and per unit pricing, to non-traditional measures such as number of hazardous material disposal events and hours spent resolving supplier issues, you can create the optimal set of performance criteria for each supplier relationship. Aravo Supplier Performance Management gathers and normalizes performance data from your existing enterprise systems, and combines it with user-configured supplier self-reported and survey information to help you separate suppliers that contribute to your success, from those you should develop or replace. And using workflow-managed updates of cross-functional performance data and scoring, Aravo presents leading indicators to identify potential performance issues before they impact your business. With Aravo Supplier Performance Management you give your business and your suppliers the most complete and interactive solution for improving supplier performance.

“To develop and subsequently maintain a positive supplier-buyer relationship, organizations should periodically address compliance, conduct, and strategic financing concerns with their business partners.”

Sharon Ireton, Manufacturing and Logistics IT

KEY BENEFITS

- > Reduce supplier costs by optimizing performance
- > Identify and eliminate poor performers
- > Combine qualitative and quantitative measures for true performance measurement
- > Monitor and correct supplier-buyer processes
- > Provide a predictive view of performance with leading indicators
- > View weighted, objective scoring of suppliers at nearly any level or criteria
- > Strengthen supplier relationships with performance visibility and communication

> ARAVO BEST PRACTICES: PROCESS EXAMPLES

Aravo Supplier Performance Management is a core component of Aravo's market-leading Supplier Information Management (SIM) platform. By collecting both qualitative and quantitative metrics from your enterprise systems as well as directly from suppliers, *Aravo Supplier Performance Management* allows you to improve supplier performance, strengthen preferred supplier relationships, and eliminate poor performers.

PERFORMANCE MANAGEMENT

Aravo Supplier Performance Management combines Aravo's project management, KPI library, workflow, supplier surveys, and dynamic scoring capabilities to facilitate the process of collecting, measuring and managing supplier performance. Performance process steps can include:

1. Define targeted performance metrics and related information to be gathered from enterprise systems and suppliers.
2. Specify calculations— from Aravo KPI library to scoring based upon answers to a set of questions – to create scores covering targeted metrics.
3. Define how scores are to be weighted and rolled up into a total performance score.
4. Identify internal participants and suppliers to participate in performance management and drive email communication to begin collection of required performance information.
5. Internal participants and suppliers complete dynamic online surveys.
6. User-defined workflows manage review, approval, escalation and validation of collected data.
7. Configure alerts tied to specific performance conditions and thresholds.
8. Use performance dashboards to highlight suppliers that require remediation.
9. Automatically trigger corrective action based upon the performance criteria.

KEY FEATURES

- > Performance KPI library
- > User-defined scoring factors
- > User-defined qualitative performance surveys
- > Supplier self-reporting
- > Configurable data collection workflows
- > Dynamic score calculation at multiple business levels
- > Weighted scores with roll-up into total performance measures
- > Configurable alerts
- > Performance dashboards
- > Supplier performance communication
- > Workflow-based improvement actions



450 Sansome St, 13th floor
San Francisco, CA 94111

Tel: 415.835.7600
Fax: 415.835.7610
www.aravo.com

About Aravo

The world's best-run businesses utilize Aravo's SaaS Supplier Information Management platform to reduce the cost of managing suppliers by up to 72% and to transform their supplier on-boarding, compliance, enablement, and risk management challenges into competitive advantage. General Electric, Goldman Sachs, Accenture, and Deutsche Bank rely on Aravo to manage information and processes for over 1.5 million global suppliers. Aravo is based in San Francisco, with offices in Chicago, New York, and Ahmedabad, India, and is backed by over \$50 million in investment from Cisco Systems, Big Sky Partners, and the Charles Schwab family. For more information regarding Aravo's award-winning solutions please visit <http://www.aravo.com> or view our blogs at <http://www.2sustain.com> and <http://atrisk.net>

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