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Fast Facts: Order Qualifiers versus Order Winners Survey Results

Introduction

As part of a two-year study to assess the digital tools used by supply and purchasing managers in the process of buying products and services (i.e., customer journey), we conducted a survey of US supply and purchasing managers. Rather than evaluating all the steps in the buying process (which often number 8 to 10), they evaluated two key decisions in the process – designation of order qualifiers and order winners. **Order Qualifiers** refer to those analytical findings that earn a potential supplier and its products and services a place on the “approved vendor list”. **Order Winners** on the other hand capture those analytical findings that lead a manager to purchase a product or service from a given supplier. Based on previous research, the researchers determined that order qualifiers and winners contained characteristics of suppliers as well as those of products and services. Thus, both supplier and product/service characteristics were evaluated.

Preliminary interviews with supply and purchasing managers indicated likely differences in order qualifiers and winners across various types of products and services. To simplify the research, we focused the questionnaires on two product/service categories specified by consultants Prahalad & Hamel (1992). **Strategic Products and Services** that are critical to the success and competitive advantage of an organization. **Non-Strategic Products and Services**, while often consumed in large quantities by a company, are not believed to be essential to its success.

The resulting questionnaire asked respondents to state which analyses were likely to lead to the specification of order qualifiers and order winners. A total of 17 characteristics were stated – 11 dealt with supplier capabilities and 6 with products/service features. To shorten the process, respondents were asked to evaluate either strategic or non-strategic products/services. A total of 171 purchasing and supply managers examined strategic products/services and another 171 managers scrutinized non-strategic items.

Summary of Results

Order Qualifiers. The results for both strategic and non-strategic products/services were virtually identical. Overall, supplier characteristics, particularly those associated with risk, were seen as more important than product characteristics in the order qualification process. The key results were as follows. The statistics represent the percent of respondents who rated a characteristic as important in the decision-making process. Intriguing differences appear in bold.

Supplier Characteristics:	Strategic	Non-Strategic
• Financial Risk	87.1%	79.5%
• Legal Risk	81.3%	70.2%
• Internal Vendor Scorecard on Supplier	68.4%	68.4%
• Terms & Conditions	66.1%	64.9%

Product/Service Characteristics:	Strategic	Non-Strategic
• Fit with Requirements	72.5%	71.3%
• Price of Product/Service	70.8%	57.9%
• Internal Vendor Scorecard on Product	67.3%	63.2%
• Product Quality	56.7%	64.3%

Results indicate that purchasing and supplier managers are most likely to evaluate fit with requirements when determining order qualifiers for both strategic and non-strategic offerings. Price was the second highest consideration for strategic offerings and product quality for non-strategic products/services. Respondents rated the role of price significantly lower in the case of non-strategic acquisitions. The results also indicate the importance of vendor scorecard ratings for both potential suppliers and their products/services in the order qualification process.

Order Winners. The key results were as follows. The statistics represent the percent of respondents who rated a characteristic as important in the decision-making process. Intriguing differences appear in bold.

Supplier Characteristics:	Strategic	Non-Strategic
• Price When Making Supplier Selection	74.9%	77.8%
• Reliability of Product Quality	74.3%	83.6%
• Reliability of Services	69.6%	77.8%
• Reliability of Delivery	67.3%	73.1%

Product/Service Characteristics:	Strategic	Non-Strategic
• Product Quality	75.4%	72.5%
• Total Cost of Ownership	68.4%	64.3%
• Fit with Requirements	62.0%	58.5%
• Price of Product/Service	54.4%	74.3%

There are several intriguing findings when it comes to the source of order winners. For strategic offerings, price is important when evaluating suppliers whereas total cost of ownership is key when examining products/services. On the other hand, for non-strategic acquisitions, price is an important consideration when determining the supplier and the product/service as the order winner. For both strategic and non-strategic, reliability of product quality, services, and delivery are key determinants of order winners when evaluating suppliers for both strategic and non-strategic offerings. When evaluating specific strategic and non-strategic products/services, purchasing and supply managers place considerable weight on product quality and total cost of ownership.

Overall Findings. The research has provided a number of key findings across product/service types purchasing decisions.

- Purchasing and supply managers evaluate both potential suppliers and their products/services during the buying process.
- The order qualification process pivots on a similar set of supplier and product/service characteristics in both the cases of strategic and non-strategic acquisitions.
- For strategic purchases, price appears to be most critical when evaluating potential suppliers. This may imply that purchasing and supply managers select suppliers whose prices fall within the so-called “industry price bandwidth” (i.e., average price range). Total cost of ownership appears to be more critical when determining order winners, particularly in the case of strategic acquisitions.
- “Risk” is an important consideration for purchasing and supply managers. In the case of order qualification, financial and legal risk assessments are critical. And, in the determination of order

winners, reliability of a supplier's product quality, services, and delivery are essential considerations. This is an important observation is that traditionally supplier salespersons focus on product features and benefits in their selling efforts. These results indicate that they should spend significant time discussing the risks to the customer of dealing with their companies.

- The importance of internal vendor scorecards for both supplier and product/service evaluations during the order qualification processes was underscored.