Vendor Rating on GeM Framework Document

Version 2.0

Metadata

Sl No	Description	Data Values
1.	Title	Framework for Vendor Rating on GeM
2.	Drafted by	Amit Agarwal, Vice President, GeM
4.	Approved by	Competent authority of GeM
5.	Publisher	GeM
6.	Target Audience	Stakeholders of GeM including buyers, sellers, in ustry associations, partners etc.
7.	Brief Description	This Documents defines the parameters on the basis of which vendor rating on GeM Platform is calculated.
8.	Document Number	GEM/2019/SOPs/Vendor Rating/v2.0
9.	Total number of pages	7
10	Last Updated	16thMay. 2019
11	Periodicity of update	Yearly

Revision History

Version	Date	Drafted by	Reviewed by	Approved by	Revision Details
1.0	18 Jan 2018	Amit Agarwal, Vice President, GeM	Competent authority of GeM	Competent authority of GeM	Ver.1.0
2.0	16th May. 2019	Amit Agarwal, Vice President, GeM	Competent authority of GeM	Competent authority of GeM	Ver. 2.0

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1. Introduction

With a mandate to create and operate a marketplace with systems, that support procurement related decisions by buyer agencies in the government, vendor rating becomes a key component of the overall system. Government should do business with vendors who will provide the best value in terms of price, quality & reliability, hence the system should evaluate vendor's performance on a continuous basis. This will reward outstanding performers and will provide objective rationale to disqualify and black list poor performance vendor. This will cultivate competition amongst vendors and improve their performances.

In view of the above, GeM maintains rigorous criteria for recognizing vendors with a high customer satisfaction rate and continues to review/update standards for vendor rating, thus ensuring overall process improvement. In Version 2.0 of this policy, a new parameter of Incident History of the seller has been added for calculating vendor rating. This new parameter along with the existing four core parameters (coverage, timely delivery,quality and reliability) will help in measuring Vendor's performance on GeM in an effective manner. However, Vendor rating is an evolving concept and additional parameters may be added in the future.

2. Core Parameters for the Vendor Rating

2.1 Coverage (Weightage – 5%)

It depends upon the delivery places (State and zone basis) offered by the seller for the products.Pan India seller will have more coverage score than local level seller.

2.2 Timely Delivery (Weightage - 40%)

This factor monitors the effectiveness of vendor in adhering to GeM service levels. This parameter considers the capability of the seller to deliver the order within agreed contractual time limits. The rating has been calculated at each order level and average is calculated for final rating of the parameter. Only Delivered orders and Orders due for delivery, post expected delivery date (Scheduled Period) are considered for the rating. The Matrix for rating is as given on next page:

#	Conditions	Rating
1	Delivery is on or before scheduled time	5
2	Delivery after scheduled period within 10 days delay	4

#	Conditions	Rating
3	Delivery after scheduled period within 11 - 20 days delay or Delivery is due within 10 days post scheduled period	3
4	Delivery after scheduled period within 21 - 30 days delay or Delivery is due within 11-20 days post scheduled period	2
5	Delivery after scheduled period within 31 - 45 days delay or Delivery is due within 21-30 days post scheduled period	1
6	Delivered after 45 days or Delivery is due for more than 30 days post scheduled period	0

For the orders which are not due for delivery or for the sellers no order has been placed, this rating will not be applicable.

2.3 Quality of Order Fulfillment (Weightage - 35%)

This factor monitors the quality of products supplied by the vendor. It is calculated as Rejection Ratio - ratio of rejected quantity vs total ordered quantity. The rating has been calculated at each order level and average is calculated for final rating of the parameter. Only Accepted/Rejected orders have been considered for rating. The Matrix for rating is as given below:

#	Conditions	Rating
1	Rejection Ratio is 0%	5
2	Rejection Ratio is between 0% to 5%	4
3	Rejection Ratio is betwe n 5% to 10%	3
4	Rejection Ratio is between 10% to 20%	2
5	Rejection Ratio is betwe n 20% to 40%	1
6	Rejection Ratio is greater than 40%	0

For the orders which are not accepted or rejected yet or for the sellers no order has been placed, this rating will not be applicable.

2.4 Reliability (Weightage - 20%)

This factor monitors the acceptance of orders by the vendor. It is calculated as Acceptance Ratio i.e. [1 – {ratio of orders not honored by the seller (declined by the seller or cancelled due to non-delivery) vs total orders placed on the seller}]. Additional weightage is given to orders which are cancelled due to non-delivery. The Matrix for rating is as given below:

#	Conditions	Rating
1	Acceptance Ratio is 100%	5
2	Acceptance Ratio is between 90% to 100%	4
3	Acceptance Ratio is between 75% to 90%	3
4	Acceptance Ratio is between 50% to 75%	2
5	Acceptance Ratio is between 25% to 50%	1
6	Acceptance Ratio is below 25%	0

For the sellers against which no orders have been placed will not be considered for this rating.

3. Incident History

This factor considers the serious and severe incidents raised against the vendor for non-compliance to the GeM General terms and conditions (Refer GeM Incident Management Policy). Non-compliance leads to a negative impact on vendor's overall rating computed using the four core parameters described above. Each Disablement and Suspension in last 12 months will contribute to an overall negative impact as defined in the matrix below. Maximum Negative Impact of this parameter is capped to 2.5 rating points.

#	Conditions	Rating Negative Impact on Overall Rating
1	Each disablement	1 Rating Point
2	Each Suspension	1/3 (0.33) Rating Point

4. Final Vendor Rating

Final vendor rating is calculated basis the weighted average of the four core parameters and the negative impact of incident history.

Coverage Rating and Reliability Rating will remain the same across all the orders for a vendor.

As per current norms Vendor's Rating is not impacted by the amount/value of the order.

4.1 Vendor Rating Calculation without Incident Impact

Rating for a vendor who has executed five orders (with performance as shown in the table below) without any disablements/suspensions, will be calculated as the sum of simple average of each factor multiplied by the weights assigned to the respective factor.

Vendor's Rating = $(4*0.05) + (4.2*0.4) + (3.8*0.35) + (5*0.2) = 4.21$

Order No.	Coverage Rating	Timely Delivery Rating	Quality Rating	Reliability Rating
1	4	4	3	5
2	4	5	4	5
3	4	3	5	5
4	4	5	5	5
5	4	4	2	5
Simple Average	4	4.2	3.8	5

4.2 Vendor Rating Calculation with Incident Impact

Let's assume the same vendor (as considered in 4.1) with one disablement and two suspensions in last 12 months, the vendor rating will be calculated as detailed below:

	Rating Point	Count	Total Impact
Disabled	1	1	1
Suspension	0.33	2	0.66
	Total Negative Impact of Incidents		1.66

Vendor's Rating without incident impact= 4.21 (as calculated in section 4.1)

Final Vendor's Rating = 4.21 -1.66 = 2.55

5. Benefits to Sellers

1. A strong vendor rating system will reward good performance of sellers by giving them opportunity for more business.

2. Sellers will also be able to improve upon their ratings by focusing on specific areas.

3. Fake/Inactive sellers will be weeded out, hence ensuring only genuine sellers get to do business with government.

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