NEDA Guidelines for Distributor Assessment of Manufacturer Performance

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NATIONAL ELECTRONIC DISTRIBUTORS ASSOCIATION

Industry Guidelines
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GUIDELINES FOR DISTRIBUTOR

ASSESSMENT OF

MANUFACTURER’S PERFORMANCE

1.0 INTRODUCTION

In order for distributors to continue to comply with the increasing quality and on-time delivery requirements and expectations of the end-customers, it is becoming increasingly important that products supplied by manufacturers comply with distributors’ requirements and expectations. It is also important to manufacturers that they receive, from distributors, accurate, timely, and consistent feedback on performance to use in improving quality and on-time delivery performance.

Clearly defined rating and reporting criteria are critical for both the manufacturer and distributor to ensure that data is effectively used to drive improvement efforts and thereby better service the end-customer.

2.0 SCOPE

This document establishes guidelines for the reporting of various performance measurements (Quality, On-Time Delivery, Corrective Action Requests) from the distributor to the manufacturer. These measures are to be used as a basis for continuous improvement, improved customer satisfaction, and to satisfy the requirements of ISO 9000.

3.0 REFERENCE DOCUMENTS

ISO 9000 Series of Standards

4.0 DEFINITIONS
Corrective Action Requests

Corrective Action Requests are formal requests from distributors to manufacturers requiring an investigation into the root cause of a specific quality problem and an implemented corrective action by the manufacturer to prevent recurrence of the problem. Corrective Action Requests must be responded to in writing by the agreed upon due date.

Corrective Action Request Responsiveness

Measure of manufacturer’s performance on timeliness and adequacy of responses to Corrective Action Requests.

Due Date

Actual date order is expected to be received at distributor. The due date may be one or more of the following:

- distributor request (required) date - date provided by distributor to manufacturer on when order can be expected to arrive on distributor’s dock
- original manufacturer’s commitment (acknowledged) date - date originally provided by manufacturer to distributor on when order can be expected to arrive on the distributor’s dock
- latest manufacturer’s commitment (acknowledged) date - the latest or most up-to-date commitment date provided by manufacturer after changes have been made

On-Time Delivery

Measure of manufacturer’s performance of delivering orders within distributor’s on-time delivery window.
On-Time Delivery Window

Range of days before and after due date for which orders received will be considered on-time.

- On-Time  - order received within delivery window
- Early    - order received before delivery window
- Late     - order received after delivery window

Quality- Product

Measure of manufacturer’s performance on visual/mechanical and electrical quality of the product, based on returns from distributor customers.

Quality-Receiving/In-Process

Measure of manufacturer’s performance on the quality of order based on receiving and in-process inspections performed by distributor.

5.0 GUIDELINES

5.1 GENERAL

Distributor assessment reporting systems are categorized as follows:

1) Quality - Receiving/In-Process
2) Quality - Product
3) On-Time Delivery
4) Corrective Action Request Responsiveness

Distributor’s rating criteria guidelines in each of these categories are summarized below. These guidelines specify recommended requirements for distributor reporting systems. Additional measurements may be reported as agreed upon by the distributor and manufacturer.
In all cases the rating criteria and measurements must be clearly defined by the distributor and communicated to the manufacturer. These definitions may be included as part of the reports or in a separate handbook.

Report format may vary among distributors, but both summary and detail reporting should be provided as described below.

5.2 QUALITY- RECEIVING/IN-PROCESS

This measure is based on the distributor’s receiving and in-process inspection of the manufacturer’s product.

Recommended information to be included as follows:

SUMMARY REPORTING

- manufacturer’s name
- time period measured
- number of line items received/inspected
- number of line items rejected
- percentage of line items rejected or rejects per line items received
- pareto chart of reject reasons

DETAIL REPORTING

- specific P.O. numbers rejected
- date P.O. is received
- part number rejected
- quantity rejected
- reasons for rejections
- descriptions of rejections

NOTE: Reasons for rejections may include, but are not limited to, the following:

- wrong parts
- mixed parts
- short shipment
- over shipment
- damaged product
- improper packaging
- no packing slip
- improper labeling
- duplicate shipment
- old date code
- no documentation
- incorrect documentation

OPTIONAL REPORTING

- PPM data
- supplier’s trend data
- supplier ranking
- manufacturer’s sales order number
- manufacturer’s lot number

5.3 QUALITY- PRODUCT

This measure is based on manufacturer’s performance for the visual/mechanical and electrical quality of the product on returns from distributor’s customers.

Recommended information to be included is as follows:

SUMMARY REPORTING

- manufacturer’s name
- time period measured
- number of manufacturer’s line items shipped to distributor customers
- number of line items returned due to customer-reported errors
- percentage of line items returned or returns per line items shipped
- pare to chart of reject reasons

DETAIL REPORTING

- part numbers returned
- quantity returned
- distributor RMA number
- date RMA issued
- reasons for returns
- descriptions of returns
NOTE: Reasons for returns may include, but are not limited to, the following:

- DOA
- functional/electrical failure
- solderability
- cosmetic defect
- tolerance defect
- wrong/mixed parts in manufacturer’s sealed package
- wrong/mixed date codes
- improper manufacturer’s packaging

OPTIONAL REPORTING

- manufacturer’s RMA number
- PPM data
- end customer names
- sales order numbers
- purchase order numbers
- supplier trend data
- supplier’s ranking

5.4 ON-TIME DELIVERY

This measure is based on manufacturer’s delivery performance to the distributor on-time delivery window.

Recommended information to be included is as follows:

SUMMARY REPORTING

- manufacturer’s name
- time period measured
- number of line items received/expected
- number of line items received "on-time"
- percentage of line items received "on-time"

DETAIL REPORTING

- number of line items early, late, and on-time
- percentage of line items early, late, and on-time
- additional detail on specific P.O. numbers, part numbers, and quantities
OPTIONAL REPORTING

- separate on-time delivery percentages for original commitment date, latest commitment date, and distributor’s request date
- number of manufacturer/distributor changes (push-ins, pull-out, quantities, etc.)
- "ranges" of manufacturer’s deliveries (e.g.: X% 0-3 days late, Y% 4-6 days late, etc.)
- number/percentage of open orders and delinquencies
- supplier trend data
- supplier’s ranking

As the criteria used to measure manufacturer on-time delivery performance is generally different among distributors and more complex than the quality measurements, the distributor must define and communicate the following to the manufacturer (see paragraph 5.7):

- on-time delivery "rules", i.e. which date (original commitment, latest commitment, distributor’s request) is used to determine measurement
- what factors will affect the date used (push-ins, pull-outs, "split" orders, ASAP orders)
- distributor’s delivery window (days early/days late)
- whether date used is distributor’s "on dock" date or manufacturer’s "ship" date
- what constitutes delinquencies and how they are measured
- how orders with multiple manufacturer’s commitment dates are factored into the rating
- how partial shipments will be measured

These definitions should be contained within the reports or summarized in a separate handbook.

5.5 CORRECTIVE ACTION REQUESTS
Corrective action requests may be generated by distributors and issued to manufacturers as a result of quality problems or sub-standard performance. The manufacturer is required to investigate the reported quality problem, identify the root cause of the problem, and implement an applicable corrective action (containment, short-term, and/or long-term) to prevent recurrence of the problem. A formal, written response on the distributor form (see sample form in Figure 1) is required by the agreed-upon due date. If the final response cannot be provided by the due date, then an interim response must be provided that includes a milestone plan and/or expected date for the final response.

Corrective action requests should include the following fields:

**TO BE COMPLETED BY DISTRIBUTOR**

- manufacturer’s name
- date issued
- corrective action request number
- description of problem
- P.O. number(s), manufacturer’s part number(s), date codes/lot numbers (as applicable)
- response due date
- name of person and return address for completed form
- fax number and/or E-MAIL address
- copy of packing slip and/or other supporting documentation to further detail the problem attached
Corrective action request responses should include the following fields:

**TO BE COMPLETED BY MANUFACTURER**

- root cause of problem
- corrective action implemented
  - containment plan
  - short-term
  - long-term
- effectivity dates
- name and title of person completing corrective action request, with their signature
- date completed

The manufacturer should identify the individual to whom the distributor should send the corrective action request. This individual should generally have the assigned responsibility and authority to ensure that the corrective action is implemented.

Responses to corrective action requests should be reviewed by the distributor and, if adequate, should be logged and closed by the distributor. Manufacturer’s responses that are not adequate or are past due are reported as detailed in paragraph 5.6.

Corrective action requests disputed by the manufacturer need to immediately be communicated to the agreed-upon distributor’s contact and satisfactorily resolved. If the corrective action request was, in fact, not required, then the distributor should immediately close the corrective action request.

### 5.6 CORRECTIVE ACTION REQUEST RESPONSIVENESS

This measure is based on timely and adequate responses by manufacturers to distributor’s formal requests for corrective action.

Information to be included is as a minimum as follows:

**SUMMARY REPORTING**

- manufacturer’s name
- time period measured
- number of corrective action requests issued
- number of corrective action requests responded to adequately by the manufacturer in respect to the due date
- number of open corrective action requests open
- number of late corrective action requests responses
- average response time

**DETAIL REPORTING**

- specific corrective action request number
- specific P.O. numbers to which corrective action requests were issued
- specific part numbers and quantities
- the reason that the corrective action request was issued

Distributors must define and communicate the following to manufacturers:

- under what conditions a corrective action request would be generated and sent to the manufacturer
- reason for specific corrective action requests
- due date for manufacturer’s response

### 5.7 REPORTING

Though the measures described in paragraphs 5.2 through 5.6 may be generated by different groups within the distributor, they should be communicated to the manufacturer at the same time in one combined report.

Summary reports should be prepared on a monthly basis and sent to the agreed upon manufacturer’s management representative(s). Details on any "nonconforming" orders should also be provided with these reports.

The complete detail (and optional, if applicable) reports do not need to be sent to the manufacturer, unless specifically requested by the manufacturer. When requested, they should be provided to the manufacturer in a timely manner.

Sample reports are shown in Figure 2.

### 5.8 PERFORMANCE IMPROVEMENT
Upon receipt of the distributor’s assessment report, the manufacturer representative(s) should review the results with appropriate management personnel, within their organization, and correlate with internal measurement systems and feedback from other distributors. The assessment reports should be used for identifying which internal processes need to be improved and as a tool to develop action plans to improve these processes.

Disputed data should be communicated to the agreed-upon distributor’s contact within a reasonable amount of time (30 days recommended) and satisfactorily resolved. If a reporting error is confirmed, then the distributor should re-calculate the measure and re-issue the report.

Periodic review meetings between manufacturer’s and distributor’s management personnel provide an excellent forum for discussing quality and on-time delivery performance and applicable improvement plans.