**Explaining figure 5.3 in the prescribed book**

The weighted point method (also known as the weighted average method) is used to evaluate different alternatives based on different criteria in order to choose the most appropriate one or to eliminate the poor performers. This method can be used in many ways, e.g. when selecting (or evaluating suppliers), choosing a suitable marketing communications method, appointing a new employee, or deciding upon different job opportunities; in fact, this is a rational way of choosing among more than one alternative when several criteria are important. If only one criterion (e.g. price) was important the choice would simply be to choose the alternative with the lowest price (and therefore not use this method in fig 5.3), BUT usually several criteria are important, which can complicate the decision. In such complicated cases, the method in fig 5.3 is a possible method for making the best possible decision. This method can help decision-makers to choose the best alternative (or identify best/worst performers) systematically. It should be noted that although the process is rational, the final decision would not guarantee success.

Let’s look at figure 5.3. When evaluating the performance of Suppliers A, B and C different criteria are important (e.g. quality, cost, delivery, service and technology). Since these criteria are not equally important weights are assigned (40, 25, 15, 10 and 10, respectively). The individual weights are also defined in terms of more specific weights, e.g. the weight of 40 allocated to quality consists of different weights allocated to different aspects related to quality, adding up to 40. The weights assigned to all criteria should always add up to a total of 100. Also note that the different main criteria are ranked from highest to lowest (quality as number one and technology as number 5). The weights allocated are decided upon by management, which is actually a subjective part of this objective, rational process!

Once the weights have been decided upon, a specific supplier is “put under the microscope” to evaluate (or rate) that specific supplier on a scale of 1 to 5 on the different sub-sections of the criteria, e.g. Supplier A gets 3 out of 5 for after-sales service and 2 out of 5 for future capability, etc. After evaluating the first supplier, the other suppliers are evaluated individually in the same way. At this stage the weights are not considered – many students wrongly think the rating should be based on the weight allocated. Therefore, note that the rating (in the column called scale in fig 5.3) is on a scale of 1 to 5, without considering the weight.

Next the score is determined for every supplier on every subsection of the evaluation criteria. The score is calculated by multiplying the rating (scale) for a specific supplier on a specific criterion:

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| --- |
| **Weight x Scale = Score** |

In table 5.3 the score for supplier B on fill-rate would be 20 (4 as the rating on a scale from 1-5 for fill-rate multiplied by the weight of 5 allocated to fill-rate initially).

Eventually, the scores of every supplier is added to reach a total for every alternative supplier (e.g. total for Supplier C = 395 when adding all the scores).

The alternative with the highest score would be the most appropriate choice or would have performed the best. In this case, when all evaluation criteria are concerned to evaluate three suppliers, supplier B seems to be the best option (with the highest score of 405).

Note that if only selected criteria are used, e.g. you are asked to evaluate the three suppliers based *only* on cost and delivery, the calculation should only focus on cost and delivery as evaluation criteria (therefore, ignoring quality, service and technology). New totals should then be calculated. (Do the calculation and see how the picture changes to Supplier C being the best option if only selected criteria are used.)