

Supplier Expectations



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“The past we inherit. The future we create.”

Theo Moll



Supplier Expectations

The purpose of this presentation is to briefly clarify what is expected of all new and existing suppliers of MTD.



About MTD Products



MTD Mission Statement

Passionately create, build and deliver great products and services that consumers all over the world enjoy using to help beautify lawns and gardens.





MTD Quality Policy

Deliver product and service on time, at the highest quality level, with the best value that meets or exceeds customer expectations.

Measure results constantly for continuous improvement.



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Ethics & Confidentiality

- ➔ MTD's employees may not accept or otherwise benefit from, directly or indirectly, any gifts from suppliers or prospective suppliers.
- ➔ Suppliers are to avoid practices or situations which are or may appear to be unethical.
- ➔ Suppliers are to sign a Confidentiality Agreement with MTD as well as Supplier Relationship and Business Conduct Policy.
- ➔ When in doubt as to the confidentiality of the information, all information should be treated confidentially.

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Terms & Conditions

- ➔ MTD's standard terms and conditions can be found on the supplier website.
- ➔ MTD's terms and conditions will apply with the acceptance of a purchase order.
- ➔ Exceptions can be submitted to the Purchasing Agent but must be agreed upon before applying.

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Early Supplier Involvement (ESI)

- ➔ Select suppliers are expected to work with MTD on product development.
- ➔ Supplier must have state of the art development tools to facilitate efficient information sharing.
 - CAD
 - FEA
 - Rapid Prototyping
- ➔ Involvement in product development would typically include...

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◆ Feasibility Phase

- Provide input in concept and functional requirements
- Provide prototypes
- Assist in establishment of target costs
- Provide leading edge material and process technologies

◆ Development Phase

- Provide design, process and application ideas to improve the functionality and ease of assembly of the end product
- Provide ideas to improve the manufacturability of the component
- Submit part quotations

◆ Commercialization Phase

- Submit timely delivery of PPAP samples
- Provide timely delivery of parts for pilot runs

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Cost Management

- ➔ Suppliers are to share part/product cost structure with the Purchasing Agent.
- ➔ Pricing reviews occur during June-August of each year for Lawn & Garden, February-April for snow.
- ➔ Suppliers are expected to maintain pricing for a minimum of 1 year for both new and existing business.
 - In some cases, it may be more advantageous to adjust with the market price. This needs to be mutually agreed upon before the start of the season.
- ➔ Suppliers are to give Purchasing Agents at minimum 30 days to review any revised pricing. Any invoices adjusted prior to agreement will be paid at PO price.
- ➔ Suppliers are to maintain an on-going internal Cost Reduction Program which focuses on reducing:
 - Cost for material
 - Manufacturing cost
 - Non-value-added processes (packaging, logistics, indirect labor, etc)

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- ➔ Suppliers are to return quotes in the time allotted on the MTD supplied RFQ documents.
- ➔ RFQ's not returned on MTD documents may be rejected.
- ➔ Suppliers must agree to blanket Purchase Orders.
- ➔ Suppliers must contact the MTD Purchasing Agent regarding all pricing discussions.

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- ➔ Supplier to submit all documentation in accordance with expectations on Purchase Order.
- ➔ PPAP expectations are clearly spelled out on the supplier website.
- ➔ Supplier to notify Purchasing Agent of tooling progression on a weekly basis. Supplier to proactively inform the Purchasing Agent of late deliveries when compared to date on PO.
- ➔ Supplier to submit PPAP's at no cost to MTD.
- ➔ Supplier to pay freight associated with PPAP submittal.

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Supplier Quality

- ➔ All suppliers must establish and maintain a formal quality system which may be audited by MTD.
- ➔ The supplier must ensure parts, including all from subcontractors, consistently meet requirements.
- ➔ Acceptance includes; PPAP's and pilot runs.
- ➔ Production requires; product traceability, SPC's on key characteristics, and corrective action process.
- ➔ The MTD Supplier Quality Guide contains more detail on the specific quality requirements.

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Supplier Scorecards

- ➔ At MTD's discretion, suppliers will receive a performance scorecard. A supplier will be rated in the following:
 - Supply Management
 - Quality
 - Delivery
- ➔ The expectations of suppliers are:
 - To review scorecard internally with appropriate staff
 - To submit an improvement plan on an unacceptable section score
- ➔ MTD PA may schedule meetings with the supplier to review scores and develop action plans for improvement.

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Material Planning & Releasing

- ➔ Suppliers will receive the information via MTD portal site.
- ➔ The Portal Site will be available once a company has been established as a supplier to MTD. Training will be provided at that time.
- ➔ Suppliers must utilize the supplier Portal as designed by MTD.
- ➔ Suppliers are to plan their production accordingly based on relevant releases and the Planning and Shipping schedules in the Portal.
- ➔ Suppliers must notify MTD if they foresee any issues in their ability to meet demand immediately. The first point of contact should be the material flow group within each facility.
- ➔ Should a part become obsolete, MTD will commit to finished goods and/or raw materials as spelled out below. Unless pre-established, the commitment is:
 - 2 weeks of finished goods as shown on planning report
 - 4 weeks of WIP as shown on planning report based on actual cost incurred at supplier
 - Raw material to the supplier's quoted lead time

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*****MTD SOUTHWEST DOMESTIC SUPPLIERS ONLY*****

Review of Purchase Order Release Process for MTD Southwest

- Purchase order releases are calculated on 5 day week based on order processing time and transit time.
- MTD Southwest PO release will not account for lead times for procurement of supplier raw material or manufacturing lead-times.
- By utilizing the Weekly Planning Schedule and Shipping Schedule, suppliers should have all necessary information to plan the procurement of material, manufacturing of parts, and transit time of the parts required to MTD within the lead time established.

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MTD Expectations of Suppliers in Regard to Lead Time

Suppliers must utilize the Supplier Portal as designed by MTD and are to plan production accordingly using relevant Releases, the Weekly Planning schedule, and Shipping schedules in the Portal.

Weekly Planning Schedule:

- The purpose of the Weekly Planning Schedule report is to communicate forecasted requirements to suppliers
 -it is not an authorization to ship
- The report is issued five times a week (Tuesday – Saturday)
 - Major changes in production planning may initiate additional issues.
- Suppliers are to review the report on the Supplier Portal and plan their production accordingly
 - The supplier must notify MTD if they foresee any concerns in their ability to meet the future demand.
 - It is a supplier's responsibility to communicate and prepare MTD shipments with enough lead time to accommodate transportation planning and standard non-expedited transit times.

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Shipping Schedule (Order Releases):

The shipping schedule is the location in the Supplier Portal for information pertaining to Order Releases, Ready-to-Ship, and Advanced Shipment Notices. The below information will focus on Order Releases:

- The Order Release tab is used to retrieve all of your MTD Firmed Orders. A firmed order is a Blanket Purchase Order Release, or Spot Buy Purchase Order.
 - Releases are available through the Supplier Portal in Real-Time
 - The actual release that is provided by your respective planner is simply an approval to ship
- Each supplier is expected to Acknowledge their orders (releases) by either ‘Accepting’ or noting ‘Follow Up Required’ within 2 business days of the release being created.
- In addition, the supplier is expected to fill the release in its entire quantity prior to the due date.

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► **Suppliers are to deliver parts as indicated on MTD's material shipping schedule.**

- MTD expects quality parts, correct quantity, accurate documents, and timely receipt

► **Packaging**

- Supplier must provide packaging which ensures safe delivery to MTD
- Supplier is to comply with the use of returnable packaging when applicable
- The weight of a small parcel carton should not exceed 40lbs (when feasible) and must adhere to MTD specified pallet dimensions (48" x 40") unless approved otherwise
- Shelby Operations Pallet dimensions are 48" x 40" with a maximum of 50" in height

► **Bar-code labeling**

- Shipments are to be bar-code labeled in accordance with the MTD Bar-coding standard

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- ➔ Supplier must comply with the freight terms specified on the purchase order.
- ➔ MTD will not accept prepaid freight charges added to your invoice (unless written authorization is received from MTD in advance).
- ➔ All shipping documents must indicate:
 - Purchase Order number
 - Part number
 - Quantity
 - Release number
 - Receiving location
- ➔ Suppliers must provide all required customs documentation for international/cross-border shipments.

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- ➔ It is a supplier's responsibility to communicate and prepare MTD shipments with enough lead time to accommodate:
 - Transportation Planning
 - Standard Non-expedited Transit Times
- ➔ Supplier “Ready to Ship” (RTS) information must be entered through the Supplier Portal:
 - 48-72 hours before the date an order is ready to be picked-up.
 - Account for the amount of time needed for transit.
- ➔ With every shipment, each supplier is required to submit an ASN as well as print and attach the MTD Receiving Document (also referred to as: MTD Packing Slip/List)
- ➔ Suppliers must implement a corrective action plan for recurring delivery problems or non-compliance to our TMS routing instructions.

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Invoicing & Payment

- ➔ Suppliers are to work with MTD on establishing standard payment terms which align with business needs.
- ➔ Suppliers are to invoice at the Purchase Order price & unit of measure.
 - Each invoice must indicate the Purchase Order number, part number, piece price to 4 decimals, quantity, release number and receiving location
- ➔ Invoices must be sent to the “Bill-to” facility specified on the Purchase Order. Inquiries about payments must be directed to the accounts payable person at each “Bill-to” facility.
- ➔ Charges other than piece price are to be billed on a separate PO number.
 - This includes overtime, set up, break-ins, surcharges, packaging, etc.
 - Additional charges not having a separate PO number will not be paid and returned to supplier with a letter of non-compliance
 - Samples are to be provided at no charge to MTD

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Warranty & Service

- ➔ The supplier's warranty should meet or exceed MTD's warranty.
- ➔ Suppliers are to pay for all warranty costs due to supplier's substandard workmanship and/or material.
- ➔ Suppliers are to provide service part requirements for up to ten years after the end of MTD's production requirements.

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- ➔ Suppliers must arrange their visits in advance to reserve the proper time and availability with the Purchasing Agent.
- ➔ Suppliers must notify the Purchasing Agent prior to conducting activities with other MTD departments and facilities.

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Compliance Elements

Quality

- PPAP – On-time and Complete
- PPAP Quality
- PPM
- Corrective Action (CA)
- Priority One
- Pilot Run Compliance

Delivery

- On-time Shipment through ASN's
- Fill Rate (LFR)
- Release Acknowledgement

Logistics

- ASN Utilization
- Route Guide Compliance
- Customs Compliance
- BOL Accuracy

Documentation

- Packing List
- Bar Code Labels
- MSDS/REACH/ROHS
- Parts Master Data

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Next Steps

- ➔ Completely fill out the following documents and return to your Purchasing Agent.
 - Confidentiality Agreement
 - Supplier Self Assessment
 - Supplier Contact Sheet
 - Supplier Relationship and Business Conduct Policy

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Appendix

Monthly Performance Program Metrics

Revised 02-16-17

Category (Discr. Type)	Num	Element	Metric Details	Immediate Warnings/Penalties				Monthly Compliance Report	
				Performance Reporting Method & Frequency	Violation	Document	Penalties	Measure	Penalties
Q u a l i t y	1.1	PPAP On Time	Measurement of PPAP submissions past due based on PPAP Due date (as stated in the PPAP Portal) vs. Date PPAP was received complete (parts and paperwork received by MTD configuration management).	Monthly Report SNCM Per Violation	PPAP Not submitted on Time	SNCM Report	Assessed on Monthly Report	Number of Violations. Percent on time.	\$250 per violation
	1.2	PPAP Complete	% of PPAP's Received Complete on first submission.	Monthly Report	-	-	-	PPAP Complete %	None
	1.3	PPM	PPM Based on MTD Quality Rejections	Monthly Report	-	-	-	PPM	None
	1.4	Corrective Action Response Time	Measure days past due on Corrective Action Response time vs. due date on corrective action.	Monthly Report	-	-	-	Days Past Due	None
	1.5	Priority One	Count number of Priority one issues during the period.	Monthly Report SNCM Per Violation	Priority One - Supplier Non Conforming Material Issue	SNCM Report	Costs related to failure.	Number of Priority One Issues	Assessed on SNCM Report only.
	1.6	Pilot Run Material Compliance	Pilot Material Labeled and shipped correctly per requirements defined in Supplier Quality Manual.	Monthly Report SNCM Per Violation	Receipt of Pilot Parts without required documents/labels.	SNCM Report	\$250 per violation	Number of Violations	Assessed on SNCM Report only.
D e l i v e r y	2.1	On-time Shipment (Acknowledged Due Date vs. Receipt Date)	Measures on time delivery performance by comparing the release due date for accepted releases vs. the Receipt Date for the first shipment of a release. Acceptable on time delivery shall not be more than 3 business days prior to or 0 days after the due date.** For shipments being scheduled via the TMS system the Supplier may enter Ready to Ship information up to 30 days in advance. If MTD elects to bring ready to ship material in early, the supplier will not be penalized.	Monthly Report	-	-	-	On time Percentage of releases during the period. Number of violations per month.	Equal to 20% of the value of goods delivered late or > 10 days early. If late shipment results in the disruption or downtime at an MTD production facility additional penalties may apply. Penalties are only imposed if On-Time Shipments for the month is less than 95%.
	2.2	Order Line Fill Rate (LFR)	Compare the first receipt for each released line item to the release order quantity. Anything less than 100% or greater than 110% is unacceptable.	Monthly Report	-	-	-	Percentage of order releases filled within the acceptable quantity tolerance. Number of non compliant line items.	Equal to 20% of the value of goods not delivered to the acceptable order quantity tolerance. Penalties are only imposed if Line Fill Rate for the month is less than 95%.
	2.3	Release Acknowledgement	This is a hit/miss measurement by day. Any shipment release not acknowledged or responded to on the portal after 72 hours creates a miss for that day.	Monthly Report	-	-	-	Number of days with Unacknowledged releases.	\$100 per day for every day with unacknowledged orders over 72 hours.
L o g i s t i c s	3.1	ASN Utilization	Measure ASN issue date vs. actual material receipt dates in our system. ASN has to exist and be created prior to the material receipt date/time to be considered compliant.	Monthly Report	-	-	-	Number of shipments without ASN generated prior to receipt. Multiple order releases received without an ASN at the same MTD location on the same Day will be considered 1 shipment.	\$50 per shipment without ASN
	3.2	Routing Guide/TMS Compliance	Captures any Shipments that were not sent per the MTD Routing Guide or TMS Instructions	Monthly Report SNCM Per Violation	MTD is billed for a shipment arranged by the supplier that is not in accordance with TMS or Routing guide.	SNCM Report	Freight Cost Difference + \$125 fee	Number of non compliant shipments in month.	Per Violation only
	3.3	Customs Compliance	All parts awarded to a supplier have a Country of Origin Statement submitted to MTD via the Supplier Portal within 3 business days of a part being awarded to the supplier and renewed annually.	Monthly Report	-	-	-	Number of parts without valid documentation on file for PO's created greater than 3 days earlier.	\$100 per part per month for missing COO documentation.
	3.4	B.O.I Accuracy (weight)	Measures the accuracy of LTL shipments weights reported in TMS vs. weight billed by Freight Carrier. The Weights need to be within a 10% variance to be considered accurate.	Monthly Report	-	-	-	Percentage of shipments with weights within 10%.	\$50 per shipment with weight > 10% off.
C u m e n t a t i o n	4.1	Packing List	Exceptions reported if Supplier does not include MTD Receiving Document (Also referred to as: MTD Packing Slip>List) with shipments.	SNCM Report Monthly Report	Each shipment that does not include an MTD Receiving Document (Also referred to as MTD Packing Slip/List)	SNCM Report	Assessed on Monthly Report	Number of Violations	\$100 per violation
	4.2	Bar Code Labels	Exceptions reported if Supplier Bar Code fails to conform with MTD Barcode Standards Document	SNCM Report Monthly Report	Each shipment with non-compliant barcodes	SNCM Report	Assessed on Monthly Report	Number of Violations	\$100 per violation
	4.3	MSDS/REACH/ROHS	All parts awarded to a supplier must have part master data uploaded via the supplier portal within 5 business days.	Monthly Report	-	-	-	Number of parts missing part Master Data for parts awarded to supplier greater than 5 days prior.	\$100 per item per Month
	4.4	Parts Master Data							

- Notes:
- 1) The supplier Compliance Matrix is subject to change at any time.
 - 2) The Elements that are shaded in Grey are not being measured at this time.
 - * Calculation is based on exact ordered quantity and quantity received. For example: Order release = 100 pieces and 112 were delivered, the penalty would be calculated on the cost of 12 units over shipped.
 - ** MTD may require the receipt of certain goods to adhere to a more precise delivery window than stated in this Matrix. If so, you will be notified in by MTD in writing of that requirement.

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Growing your business with MTD



begins with meeting expectations

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