Mandatory and Desirable Criteria: Precisely Separating Requirement Profiles in the Procurement Process

Mandatory and desirable criteria are an organising principle for evaluating bids and suppliers in the procurement process. Mandatory criteria describe non-negotiable requirements, failing which a bid is excluded; desirable criteria serve for the relative evaluation and weighting of the remaining providers. A clean separation of the two categories is the foundation for comparable tenders, comprehensible award decisions and efficient supplier selection.

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Key facts at a glance

01 Mandatory criteria are exclusion criteria: if a provider fails to meet them, their bid is generally eliminated from the process.

02 Desirable criteria feed into the evaluation and weighting and determine the ranking of the qualified bids.

03 The separation should already take place in the specification and the specification document, not only at bid evaluation.

04 Typical mandatory criteria are standards, certifications, capacities or a required declaration of conformity.

05 Common desirable criteria are price, delivery time, service level, sustainability disclosures or innovation contributions.

06 Comprehensible documentation of the criteria protects against queries from competitors and strengthens compliance in the award process.

Definition: mandatory and desirable criteria

Mandatory and desirable criteria structure the requirements placed on suppliers and services into two classes with different effects on the award decision. They are typically defined in the specification document, tender documents and evaluation scheme.

Mandatory criteria as exclusion criteria

A mandatory criterion exists where a requirement, if unfulfilled, is technically, legally or commercially unacceptable. Examples include required certifications, minimum capacities, a binding declaration of conformity or specific material and process requirements such as verified process capability. Bids that fail to meet a mandatory criterion are usually not evaluated further. It is important that every mandatory criterion is objectively justified and clearly formulated in advance in order to avoid arbitrary exclusions and an unnecessarily narrow market selection.

Desirable criteria as evaluation and weighting criteria

Desirable criteria differentiate qualified providers in terms of their attractiveness. These include price, delivery times, service concepts, sustainability disclosures such as a transparent CO2 price, and additional services. They are given weights in an evaluation scheme, often scored on point scales and aggregated. Even more subjective factors such as communication or innovation management in the supplier's procurement can be mapped as desirable criteria, provided the evaluation criteria are defined transparently and applicably.

Distinction and grey areas

In practice, drawing the distinction is difficult: is a delivery time of four weeks mandatory or desirable? The rule of thumb is that anything which enables operations or production to run without an alternative has mandatory character; anything that improves the commercial value of the bid has desirable character. Without this clarification, delays in the fulfilment process and disputes in bid evaluation loom.

Methods and approach for defining criteria

The criteria should be derived and documented systematically before the market is approached. A structured process reduces queries, improves bid quality and speeds up evaluation.

Deriving requirements from the specification

The starting point is the technical and logistical requirements from development, production and quality assurance. In workshops with the specialist departments, each requirement is examined to determine whether it is essential (mandatory) or desirable. A helpful question is: could we commission a provider at all without this characteristic? In addition, a market comparison using a simple market model is worthwhile to avoid excessive mandatory criteria unnecessarily narrowing competition and driving up prices.

Setting up the evaluation scheme and weighting

For the desirable criteria, a points scheme with weights per criterion is defined – typically with price shares of around 30 to 60 per cent, depending on category strategy. Criteria and weights are fixed before bids are opened and disclosed to bidders in the tender. This increases comparability and acceptance and is frequently a prerequisite in formalised award procedures. Category Governance determines who may set which criteria as binding in which category.

Transferring criteria into the tender and contract phase

Mandatory criteria go into the technical specification and contract annexes, desirable criteria into the evaluation table. In addition, supplier requirements such as AEO status, bank guarantee/suretyship or defined complaint rates should be classified as mandatory or desirable depending on the risk situation. After the award decision, lessons learned help to refine the criteria sets for future tenders of the same category.

Key KPIs for managing mandatory and desirable criteria

The quality of the criteria is reflected in metrics along the procurement process. They reveal whether mandatory criteria are realistic and desirable criteria are effective.

Qualification and failure rates

Key metrics are the share of bids that fulfil the mandatory criteria and the exclusion rate within the bidder field. If regularly more than half of providers are excluded on mandatory criteria, this is a warning sign of excessive or incorrectly classified requirements. The supplier rating also provides pointers here, as it compares actual supplier performance with the requirements set.

Evaluation and process metrics

Further relevant metrics are the processing time of bid evaluation, bid completeness and the subsequent complaint rate of the awarded supplier. High complaint rates despite full fulfilment of mandatory criteria indicate that key quality requirements were incorrectly evaluated as desirable criteria. In day-to-day operations, metrics such as on-time delivery and Available to Promise (ATP) supplement the monitoring of whether desirable requirements that were promised are actually met.

Risks and controls in application

Incorrectly set criteria distort competition, extend processing times and create legal risks. Controls should already start with the drafting.

Typical sources of error

Common mistakes are: mandatory criteria that are in fact tailored to a single provider; desirable criteria that are not measurable and are therefore evaluated arbitrarily; missing weighting before bids are opened; and new mandatory criteria introduced retrospectively. Inconsistent documentation – for

example, differing requirements between the specification document and the tender – also leads to queries and delays throughout the fulfilment process.

Controls and documentation

Effective controls are a four-eyes principle in defining criteria, a documented justification for every mandatory criterion and a comprehensible documentation of values for desirable criteria. In formal award procedures, exclusion decisions should be justified and communicated in writing. Whether additional legal obligations apply – for example in public contracts or under competition law thresholds – must be examined on a case-by-case basis; this article does not constitute legal advice.

Mapping supplier risks

Risk topics can also be managed through the criteria structure: requirements such as financial security, for example a bank guarantee/suretyship, or customs and export competence (AEO) protect against supplier default risk and general supplier risk. How strictly these requirements are set as mandatory should be guided by the impact of default and available alternatives – not by principles.

Current developments and digitalisation

Digitalised procurement processes shift the criteria work upstream and automate the evaluation. This increases consistency and speed – but shifts the effort into the specification phase.

Digital tenders and structured evaluation

In e-sourcing platforms, mandatory and desirable criteria are created as structured fields; bids that fail to meet mandatory fields are automatically excluded from evaluation. This reduces manual checking errors and speeds up the supplier rating. Downstream processes also benefit: invoice automation and electronic documents such as packing list or bill of lading presuppose that formal requirements have already been defined as binding in the tender.

Sustainability and compliance as a new dimension of criteria

Sustainability and compliance requirements are gaining importance as criteria, for example CO2 balance disclosures, supply chain due diligence or material declarations. In practice, minimum compliance requirements are typically set as mandatory criteria, while more extensive sustainability performances are set as weighted desirable criteria. Moreover, the clear separation of criteria enables better complexity reduction in the supplier portfolio, as exclusionary requirements systematically condense the catalogue. Pilot runs and requalification close the gap between criteria fulfilment on paper and proven performance in ongoing operations.

Typical metrics

Metric	Typical value

Mandatory criteria fulfilment rate	typically > 80% of bids *Significantly lower values indicate excessive requirements*
Price share in evaluation	frequently 30–60% *Varies depending on category and strategy*
Complaint rate	usually < 2% *High values despite fulfilment of mandatory criteria indicate incorrect classification*
Bid evaluation processing time	typically 5–15 working days *Shorter times with structured, digital criteria*

Practical example

A medium-sized mechanical engineering company tenders the manufacture of a continuous-cast component with contract machining. In the first round, several bids fail due to unclear requirements: suppliers interpret temperature specifications as guidance values, while quality assurance regards them as mandatory. Only a rework with a clear separation of criteria achieves the goal.

- Mandatory criteria: material standard, process capability with evidence, certification of the quality system, acceptance of call-off orders
- Desirable criteria: unit price (weighting 45 per cent), delivery time (20 per cent), CO2 data for the material (10 per cent), additional logistics services (25 per cent)
- Before evaluation: weightings fixed in writing, exclusion decisions documented with justification
- After award: pilot run for verification, followed by inclusion of the supplier in the supplier rating

Conclusion

Mandatory and desirable criteria are the backbone of any structured bid evaluation. They determine who remains in the competition at all and who emerges from it as the best. What matters is a clean separation already at the specification stage, a justified classification of every mandatory criterion and an evaluation scheme for the desirable criteria fixed in advance. Those who maintain this discipline shorten lead times in the award process, reduce potential for dispute and sustainably improve the hit quality of their supplier selection.

Frequently asked questions

? What is the difference between mandatory and desirable criteria?

Mandatory criteria are non-negotiable requirements: if a bid fails to meet them, it is generally excluded. Desirable criteria are used to evaluate and rank the remaining bids, for example by price, delivery time or service. The separation should ideally already be made when drafting the specification.

? How many mandatory criteria should a tender contain?

There is no fixed number; in practice, a small number of clearly justified mandatory criteria has proven effective. Every additional mandatory criterion narrows the field of bidders and can drive prices up. As a rule of thumb, only requirements without which a contract cannot practically be awarded should be set as mandatory.

? Who defines mandatory and desirable criteria?

Typically this is done jointly by the specialist department, quality assurance and procurement, based on the specification. Category Governance governs who may set binding criteria. It is important that the weightings of the desirable criteria are fixed and documented before bids are opened.

? Can desirable criteria be converted into mandatory criteria retrospectively?

Yes, for example when legal requirements, safety aspects or operational experience change. However, changing them mid-way through ongoing procurement procedures is problematic and can disadvantage participants. Changes should be justified, documented and communicated transparently to all bidders; legal limits must be examined on a case-by-case basis.

? How are desirable criteria evaluated?

A points or grading scheme with weightings defined in advance for each criterion is customary, from which an overall score per bid is calculated. Price is often included with a share of typically 30 to 60 per cent. Measurable, objectively verifiable evaluation rules are essential.

? What role do mandatory and desirable criteria play in supplier selection?

They form the first and second filter stages: mandatory criteria determine admission to the bidder field, desirable criteria determine the ranking and thus the award. Together, both do not replace supplier evaluation in ongoing business, but set its benchmark. Supplier rating and complaint rate provide additional feedback for future criteria sets.

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