Award scenario: scenario-based award decisions in technical procurement

An award scenario describes, in procurement controlling, the simulated or planned variant of how contract volume is to be distributed among suppliers in a tender or framework agreement. Buyers use scenarios to work through different award variants – such as single sourcing, split allocation or price tiers – before making a decision. The term is therefore one of the central tools of strategic award management and links bid evaluation, risk and capacity planning.

As of October 2026 · amplifa-marketplace.ai/en/glossary/zuschlagsszenario

Key facts at a glance

01 An award scenario defines which supplier receives which volume on which terms.

02 Typical scenario types are single award, split by shares, split by material groups and price-tier variants.

03 Evaluation is usually carried out using weighted criteria catalogues with price, quality and risk factors.

04 Scenarios are simulated before the actual award decision and documented in the award record.

05 In public procurement, documenting the scenarios is part of accountability; in industrial purchasing, it serves traceability.

06 Scenario calculations strengthen security of supply by mapping failure risks through multiple sourcing.

Definition: award scenario

An award scenario is a defined variant of volume allocation that is worked through as part of a tender or supplier evaluation and reconciled with the award objectives. It describes which suppliers are commissioned in which combination and with what expected effects on price, supply capability and risk.

Distinction from the award decision

The scenario is the planning and simulation stage before the actual award. While the award decision documents the binding outcome, the award scenario compares several possible outcomes. Only the comparison of scenarios – for example in terms of total cost of ownership, risk concentration and implementability – leads to the final decision. In practice, three to five variants are often evaluated in parallel.

Typical scenario types

In technical procurement, recurring scenario patterns have become established. They differ above all in their allocation logic and the number of suppliers commissioned.

- Single award (single sourcing): the total volume goes to the most economical supplier.
- Proportional split (multiple sourcing): for example 70/30 or 60/25/15 across two to three suppliers.
- Split by material groups or plants: award depending on assemblies, technologies or plant proximity.
- Price-tier scenario: volume-dependent prices are combined with graduated purchase quantities, similar to an economic order quantity (EOQ) analysis.
- Innovation or development scenario: a share is deliberately awarded to a supplier holding a preferred position in the supplier innovation roadmap.

Relation to tendering procedures

Award scenarios usually arise from a structured tender. In the public sector, a distinction is made between the open procedure and the non-open procedure; both require a traceable award logic. In industrial purchasing, the tender – whether as an RFQ or a structured request with a specification of requirements – serves as the data basis for the scenario calculation. The more complete the bids are in terms of price, capacity and risk data, the more robust the scenarios will be.

Methods and approach for scenario building

Creating award scenarios follows a multi-stage process: objective definition, data preparation, scenario construction, evaluation and preparation of the decision. It is crucial that all scenarios are evaluated with the same criteria and the same data so that they remain comparable.

Defining the criteria catalogue and weighting

Before the scenario calculation, a weighted criteria catalogue is defined that goes beyond the procurement price. Typical criteria are unit price, tooling and set-up costs, logistics costs, quality history, delivery reliability, capacity reserves, innovative capability and sustainability requirements. Typically, the price share in technical procurement lies between 40 and 70 per cent, with the remaining weighting allocated to performance and risk criteria. The weighting is set before the opening of bids and applied unchanged.

Data basis: bids, capacities and dependencies

The basis is the bids received, including a breakdown by items of the specification of requirements, plus the suppliers' capacity information. A supplier capacity check verifies whether the offered quantity can actually be produced in the required delivery rhythms. Switching costs, existing framework agreements, tooling commitments and lead times are also included. For critical materials, a stock-out analysis supplements the safeguarding during the transition phase.

Comparison and preparation of the decision

The scenarios are then compared – ideally as an evaluation matrix with key figures per variant. Additional effects that are not directly reflected in the price are often included: bundling effects across material groups, reduction of transport routes, negotiating leverage through two remaining suppliers. The results presentation for the award decision contains the recommendation, an alternative scenario and the justification for deviating from the pure price optimum.

Key KPIs for evaluating award scenarios

Scenarios can only be compared if the same key figures are calculated for each variant. In technical procurement, a number of KPIs have established themselves as standard, mapping both monetary and risk-oriented dimensions.

Monetary key figures

The focus is on total cost considerations. The total cost of ownership over the term includes procurement prices, tooling costs, logistics, initial quality costs and project engineering effort. In addition, the annualised saving compared with the current purchase price, the purchasing leverage as the ratio of volume to the total purchasing volume of the material group, and price corridors over the term are evaluated. For the inventory dimension, the economic order quantity (EOQ) is often included in order to compare volume-tier and stockholding variants.

Risk and supply capability indicators

In addition to costs, risk indicators show how robust a scenario is. Core metrics are supplier concentration (the largest supplier's share of volume), security of supply as the probability of on-time delivery, and dependence on individual plants or regions. Flexibility in the event of volume changes is also evaluated, for example via agreed flexibility bands in the call-off order. In practice, a scenario with slightly higher costs but significantly better risk diversification frequently wins.

Implementation and process indicators

Finally, buyers assess how quickly and reliably a scenario can be implemented. Relevant metrics are the ramp-up time to series supply, the proportion of items without an interim solution, the bid response rate of the participating suppliers and the dispersion of ratings in the criteria catalogue. These key figures reveal whether a scenario that is favourable on paper can actually deliver reliably within a reasonable timeframe.

Risks and controls in award scenarios

Award scenarios are only as good as their data and their governance. Errors in bid evaluation, underestimated switching costs or an unbalanced weighting lead to wrong award decisions – with long-term consequences for costs and security of supply.

Common sources of error

Typical weaknesses are incomplete cost breakdowns in bids, missing capacity checks and an overemphasis on unit price. Informal prior preferences that only seemingly lend objectivity to the scenario calculation are also problematic. For complex components, more realistic scenarios often only become apparent later through proof-of-concept procurement or sample deliveries, long after the award has been decided. For this reason, a pilot stage should be built into the scenario for high volumes.

Governance and documentation

Every scenario examined – including rejected ones – belongs in the award documentation, with evaluation matrix, justification and sign-off. In public procurement, the documentation requirements are binding; in industrial purchasing, the documentation serves internal control and preparation of negotiations. For cross-border supply chains, the requirements of supply chain due diligence legislation must also be observed, for instance when selecting new suppliers. Legal and tax details – such as competition-law limits on allocation agreements – must in principle be reviewed on a case-by-case basis.

Control instruments in ongoing operations

After the award, regular reviews check whether the selected scenario delivers what it promises. Delivery reliability, complaint rates and price index clauses are compared against the scenario assumptions. A structured annual meeting with the suppliers provides the framework for addressing deviations and preparing scenario adjustments. In the event of significant deviations, a re-bid or a re-evaluation of the material group strategy can be triggered.

Current developments: digitalisation and risk management

Award scenarios are increasingly created digitally and linked with enterprise-wide data models. At the same time, the focus is shifting from pure price optimisation towards resilient, multi-stage award models.

Digitalised scenario calculation

Modern e-procurement and SRM systems support automatic scenario calculation based on structured bid data and price perspectives. Linking with invoice automation and end-to-end purchase order processes creates a closed data chain from tender to invoice processing, from which scenario assumptions can be continuously validated. The optimal order quantity per item can be incorporated into the scenario calculation using the economic order quantity (EOQ).

Resilience instead of pure price optimum

Supply chain disruptions in recent years have changed the evaluation: buyers deliberately accept moderate premiums for greater security of supply in critical material groups. Scenarios with multiple sourcing, regional diversification and safety stocks therefore often rank above the pure TCO optimum. The supplier capacity check thereby becomes a standard review before volume is committed.

Scenarios within supplier development and acquisition

Award scenarios are increasingly used strategically to steer supplier acquisition and supplier development. A small scenario volume serves as a test order for new suppliers; convincing performance is rewarded with a higher share in subsequent tenders. Conversely, established suppliers can be substantiated through value analysis arguments, retaining continuous volume shares. In this way, the scenario links the award decision with long-term supplier strategy.

Typical metrics

Metric	Typical value
Supplier concentration (largest share)	typically max. 60–80% *Risk indicator for dependence on the largest supplier in the scenario*
TCO saving versus current price	commonly 3–8% p. a. *Annualised cost saving of the selected scenario compared with the status quo*
Bid response rate	> 70% *Proportion of invited suppliers submitting a complete bid*
Delivery reliability after award	> 95% *Mirror of the scenario assumptions in ongoing supply*
Ramp-up time to series supply	typically 3–6 months *Period between award and full volume supply*

Practical example

A mid-sized mechanical engineering company tenders an annual volume of around €2.4 million for precision-forged components across two material groups. Three suppliers submit comparable bids; however, the cheapest has only limited capacity reserves and a single production plant. The purchasing department works through three award scenarios and decides against the pure price optimum.

- Scenario 1: 100 per cent to the price leader – lowest TCO calculation, but high plant dependency.
- Scenario 2: 70/30 split with capacity matching of the supplier and an agreed flexibility band in the call-off order.

- Scenario 3: 80/20 with a test order for a new supplier from the ongoing supplier acquisition as a build-up option.
- Decision in favour of scenario 2 with annual review in the annual meeting and defined escalation levels if delivery reliability falls below the target value.

Conclusion

Award scenarios make award decisions transparent, comparable and defensible. They combine bid evaluation, cost calculation and risk analysis into a structured basis for decision-making and prevent unit price alone from determining the award. The prerequisite is a clean data basis of complete enquiries, realistic capacity information and consistent weighting criteria. Anyone who consistently documents scenarios and reviews them continuously after the award can detect deviations early and justify adjustments. For technical buyers, they are therefore among the most effective levers of a sustainable supplier strategy.

Frequently asked questions

? What is an award scenario?

An award scenario is a simulated variant of contract award that is worked through before the award decision is made. It shows how volume could be distributed among one or more suppliers and what cost and risk effects each option would produce. Only the comparison of several scenarios leads to the final award decision.

? How many award scenarios should be compared?

In practice, three to five variants have proven effective: the pure price optimum, one or more split variants, and at least one alternative scenario with a risk focus. What matters more than the number is consistency – all scenarios must be evaluated using the same criteria and data. Rejected variants also belong in the documentation.

? How do single sourcing and multiple sourcing differ in award scenarios?

With single sourcing, the total volume goes to one supplier, which maximises price and bundling advantages but increases dependency. With multiple sourcing, the volume is distributed among several suppliers, typically in a 70/30 or 60/25/15 ratio. This increases security of supply and negotiating leverage, but causes higher interface and qualification effort.

? Which criteria go into an award scenario?

In addition to unit price and total cost over the term (total cost of ownership), typically quality history, delivery reliability, capacity reserves, innovative capability and sustainability aspects. The criteria are weighted before the opening of bids and applied unchanged. For critical materials, supply chain and failure risks are added as a separate evaluation dimension.

? Do award scenarios have to be documented?

In public procurement law, a traceable documentation of the award decision is mandatory, including the variants examined. In industrial purchasing, the documentation serves internal control, preparation of negotiations and accountability to management and auditors. Individual legal detail requirements must always be reviewed on a case-by-case basis.

? How does an award scenario help with supplier selection?

It makes the advantages and disadvantages of every supplier visible in a shared matrix, instead of viewing individual figures in isolation. This allows bundling effects across material groups, capacity limits and risk diversification to be weighed against one another. Small award shares can also serve as a test order for new suppliers and systematically support supplier acquisition.

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