3 Big Financial Benefits of a Clean Vendor Master

And technology solutions that can help you unleash them

You Need Solid Data You Can Trust

Your vendor master is the backbone of everything that happens in your procure-to-pay process—from who you do business with to when and how you pay them. So when your vendor master contains duplicates, errors and vital information gaps, the impact can ripple throughout. It can affect your productivity, the effectiveness of your controls, the accuracy of the information you use to make strategic decisions, and the health of your bottom line.

When your vendor master contains solid data you can trust and use with confidence, though, you can unlock significant financial benefits. Here are three great examples of the positive impact a clean and rich vendor master can have on your bottom line.

01 A Reduction in Risks

Poorly vetted vendor records can mask fraudulent companies and a host of other risks—leaving you open to losses and fines. Among the proof points: 84 percent of executives surveyed for the *2017-2018 Kroll Global Fraud and Risk Report* said their company fell victim to at least one instance of fraud in the past 12 months and nearly one in four said their fraud losses totaled 7 percent or more of revenues. About a third said that the primary perpetrator was a vendor.

84%

Percentage of companies that fell victim to at least one instance of fraud in the past 12 months.

But fraud isn't the only supplier risk companies face. Here is just one real-world example. When a well-known specialty biopharmaceutical company decided to analyze its vendor master data, experts discovered that 82 of the firm's vendors appeared on "prohibited entity" lists. Since the fine for a single Office of Foreign Assets Control (OFAC) violation in the US can exceed $1 million, it's easy to understand the magnitude of the global financial risk. Auditors also found nearly 6,000 vendors with incorrect tax identification numbers—risking B-Notice violations and additional global fines and penalties.

02 A Reduction in Duplicate Payments

Recovery audit experts at apexanalytix say nearly 30 percent of the duplicate payments they uncover are triggered by vendor master errors, including coding mistakes, multiple records for the same firm and inconsistent data entry. The risks can be especially high if you experience an influx of new data from a merger or an acquisition.

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You may think your ERP controls will back you up and prevent duplicate payments triggered by vendor master errors. But don't be fooled. The experiences of a global research and manufacturing company prove the point. When the firm adopted new accounts payable software specifically designed to protect disbursements, they uncovered thousands of historical duplicate payments—errors that were missed by the company's ERP platform. Their new controls also helped them proactively prevent more than $134 million in duplicate payments over a three-year period.

03 Better-Informed Decisions

The information you capture in your vendor master can be an important tool for decision making and for powering strategic initiatives that benefit your bottom line. It can help you produce a wide range of insightful reports and analytics—from vendor and invoice stratification to days payable outstanding. You can use the information to help you manage spending, improve working capital, negotiate better contract terms and monitor compliance with both government regulations and internal controls.

If your vendor records contain errors and omissions, though, it can impact your efforts to understand your current state and to launch successful new strategies. That was the issue faced by a safety certification testing firm with operations in more than 100 countries around the globe. Company executives wanted to make fundamental changes in how they dealt with suppliers—increasing the use of purchase orders and contracts, standardizing on more advantageous payment terms, automating key procurement and payment processes and reducing calls to the company's accounts payable help desk.

As a first step, they knew they needed to assess the quality of the supplier data held in more than two dozen corporate systems and databases. They used newly available AI-enabled vendor master cleansing software to review more than 35,000 supplier records. The software uncovered and remediated a wide range of issues:

- Nearly **1,000** duplicate supplier records

- More than **1,200** inactive suppliers

- **5,700** suppliers with invalid banking information

- Nearly **700** invalid tax identification numbers

- More than **6,000** missing SIC/NAISC codes

- Nearly **100** suppliers plagued by negative publicity

- **15,000** incorrect addresses

- **2,000**-plus records without current phone numbers and email addresses

1,000

Number of duplicate supplier records that were uncovered when using vendor master cleansing software.

Once the cleanup process was complete, the company had a solid foundation for the new initiatives it wanted to launch to improve profitability—including suppler segmentation, strategic sourcing and development of preferred relationships.

"We now know if we're using the same supplier across multiple countries so we can combine our purchasing power," the company's finance transformation director says.

Despite the Powerful Benefits of a Clean, Rich Vendor Master, Most Companies' Vendor Records Are Riddled with Gaps and Errors

When apexanalytix partnered with Shared Services Link to survey leaders of Global 2000 shared services about their vendor master data, we discovered that the issues are pervasive. And they typically begin at the time of supplier onboarding.
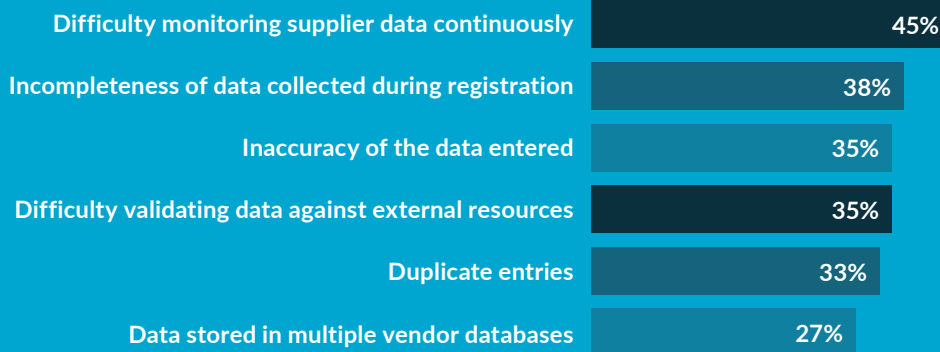
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Nearly 90 percent of the executives surveyed use manual registration processes that are prone to gaps and errors, while nearly 40 percent even lack a standard form for collecting data at the point of registration—leaving them open to unauthorized vendor relationships, maverick spending and a host of compliance issues.

When we probed further and asked the same global executives about their vendor master management challenges, they identified six factors that keep them from establishing and maintaining a clean vendor master.

90%

Percentage of executives that said they use manual registration processes.

What Keeps Companies from Having a Clean Vendor Master?

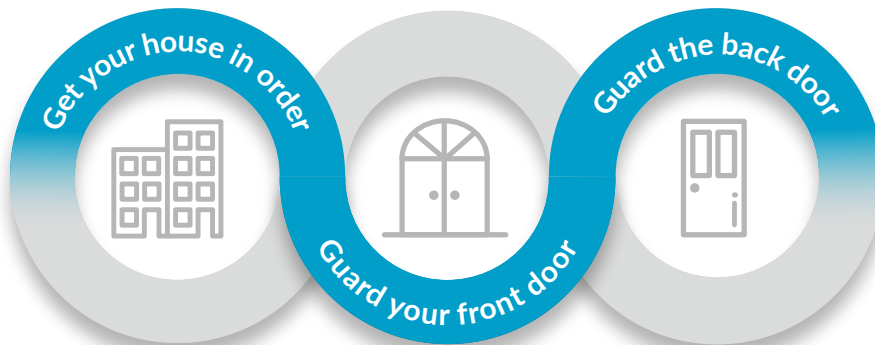|	
Difficulty monitoring supplier data continuously	45%
Incompleteness of data collected during registration	38%
Inaccuracy of the data entered	35%
Difficulty validating data against external resources	35%
Duplicate entries	33%
Data stored in multiple vendor databases	27%

Technology Simplifies Vendor Master Management

Today there are new vendor master cleansing and monitoring technologies that can help you mitigate risks and reap the financial benefits of a clean vendor master. You can eliminate errors, close information gaps and actually improve your supplier records over time.

The best solutions leverage big data analysis, artificial intelligence, predictive analytics, robotic process automation and trusted external data sources to make vendor master management simple, seamless, touchless and compliant.

apexanalytix recommends a three-layer protection framework. "Get your house in order" by scrubbing your vendor data so it is in pristine condition. "Guard your front door" by ensuring each new record or change to an existing record is error-free. And "guard the back door" by continuously monitoring for changes in vendor status, regulatory issues and fraud risks.

3 Layers of Protection

Get your house in order

Guard your front door

Guard the back door

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Here are a few powerful examples of what you can do better and faster with vendor master cleansing and management technologies:

- **Scrub and Validate.** To build that strong foundation you need, you can uncover and purge duplicate records, standardize addresses and phone numbers based on various global criteria, and automatically validate addresses, tax identification numbers and banking information for accuracy. It couldn't be easier.

- **Enrich and Classify.** You can compare each field in your vendor master to billions of records from hundreds of global government, regulatory and third-party data sources—including millions of scored "golden records" for suppliers to the Global 2000. You can automatically locate missing contact names, phone numbers, email addresses, mailing addresses, DUNS numbers, parent-child relationships, SIC/NAIC codes and diversity ownership status. You'll have richer records with important data you need to power strategic initiatives.

- **Analyze and Alert.** To protect against costly losses and fines, you get immediate alerts if any of your suppliers are on government watch lists. And you can make certain that new suppliers who represent an unreasonable risk will never be added to your vendor master.

- **Continuously Protect.** Once your vendor master has been thoroughly cleaned, vetted and updated, built-in robotic process automation helps you keep it that way. Your software continuously monitors and improves your supplier database by notifying you when suppliers hit government watch lists, go out of business, change addresses, add new industry codes, add or change points of contact—and more. You can rest assured you have the most up-to-date vendor records available at all times.

To Find Out More

It is clear that maintaining a clean vendor master makes good business sense. When you adopt the right vendor master management solution, you can reduce your duplicate payment exposure, uncover fraud and other supplier risks, improve the accuracy of your spend analytics, make better-informed business decisions and boost your bottom line. Contact apexanalytix today at +1 800-284-4522 for help in getting started.

About the Author

Danny Thompson is Senior VP of Market and Product Strategy at apexanalytix and is responsible for defining, communicating and leading our company's software product strategy and roadmap. He works closely with our customers to ensure that each solution helps them meet their business objectives. Danny has a proven track record in the procure-to-pay arena, with a strong background in ERP implementation, process automation and financial shared services. He previously was VP of product management at Tungsten Network, a global business-to-business e-invoicing firm. He also is a former global process driver for invoice-to-pay at Pfizer. Danny earned his B.A. degree from Harding University.

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