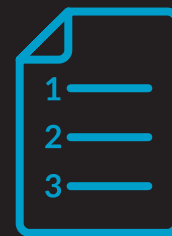# How to Manage Your Vendor Master

A Three-Step Plan for Getting Your Vendor Master in Tip-Top Shape—and Keeping It That Way

The Struggle Is Real

Vendor masters are the foundation of all that happens in procure to pay. They define approved business relationships, capture critical trading partner data and help you determine who gets paid, how and when. They also help you make well-informed decisions about strategic sourcing and steps for reducing costs and improving your bottom line.

Unfortunately, though, most of us struggle to manage our vendor master data and keep it up to date. One overriding issue is the sheer volume of information. Most organizations have tens of thousands or even hundreds of thousands of supplier records. For example, with data sets that large, it can become a real challenge to identify inactive, duplicate or fraudulent records. That's especially true if you maintain multiple ERP platforms, if you lack rigorous global controls, or if you experience a sudden influx of new data from a merger or acquisition.

The Business Imperative for Pristine Vendor Master Data

There is no doubt that maintaining a clean vendor master can be a real chore, but the business imperative is clear. One example: apexanalytix audit teams have found nearly 30 percent of all duplicate payments they uncover are the result of duplicate vendors or coding issues in a company's vendor master database.

Unvalidated records can mask fraud and other risks—leaving you open to costly losses and to hefty fines for using unsanctioned vendors. Out-of-date vendor master records compromise the accuracy of reports you use to manage spending, negotiate contract terms and determine compliance with both government regulations and internal controls.

So how do you tackle the seemingly impossible task of cleaning your vendor master and then keeping it that way? Try this three-step approach.

Fast facts about vendor master files.[1]

57%
of companies surveyed have more than 10,000 suppliers in their vendor master file.

48%
manage more than one vendor master.

57%
struggle to get all the documents needed to complete a vendor record.

45%
say the vendor setup process takes too long.

[1] *sharedserviceslink and apexanalytix research.*

01 Get Your Current House in Order

Your first point of focus should be validating your existing vendor records, flagging exceptions and filling in any blanks. Depending on the size of your vendor master and the resources you have to devote to the project, you may be able to tackle the task manually. But the reality is that few companies have the time and resources to do so. Many choose to work with an expert service provider who can provide supplier information management knowledge and "big data" analytics you may not have at your disposal. They can validate entries, analyze and isolate issues, append missing data, and use software to automatically update your vendor master.

Regardless of whether you get your own house in order or hire expert help, there are a several critical steps to be followed.

- **Scrub.** Consolidate all your vendor data across all your systems, standardize company names, addresses and other identifying information based on global standards and identify duplicates.

- **Validate.** Validate addresses, tax identification numbers, banking information and other critical data with government, regulatory and authoritative external sources to ensure accuracy. The best service providers complement these resources by leveraging their own rich supplier database—some with millions of independently verified records.

- **Enrich.** Go beyond basic name and address information to add missing contact names, phone numbers and email addresses, corporate linkages and linkages among various supplier locations and divisions.

- **Classify.** Add any missing D&B D-U-N-S numbers, SIC/NAIC codes and information on female/minority ownership status to support your strategic procurement initiatives.

- **Alert.** Identify potentially fraudulent suppliers in your vendor master or companies that are on a government watch list, then alert the appropriate contacts inside and outside your business so immediate action can be taken to protect your operations.

- **Analyze.** Get a comprehensive vendor risk analysis by Certified Fraud Examiners.

The best providers have automated all of these steps to deliver the quickest time to value.

Signs that you need to clean your vendor master

Payment errors linked to inaccurate or missing vendor files.

Fines, penalties or warnings related to vendor files are received.

Changes have been made to your vendor master process.

ERP changes or multiple ERP platforms in use.

Mergers, acquisitions or divestitures have taken place.

A year has elapsed since your last cleanup.

Source: apexanalytix research.

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Step 2: Guard the Front Door

Once you have cleaned your vendor master file, you certainly want to keep it that way. And that means making certain any vendor record you add or change is entered fully and validated for accuracy.

Many companies have discovered that self-service supplier information management portals are invaluable in helping them keep their vendor master pristine—providing a cost-effective alternative to time-consuming and error-prone manual processes. Capture vendor data at the source by having suppliers enter the comprehensive registration information you need, online, through a portal configured for your company's unique needs and for the countries where you do business.

Supplier information management tools offer several especially important vendor master protections:

They enforce compliance. Best-in-class solutions allow you to specify certain fields that must be completed or important documents that must be uploaded before a supplier is added to your database and payment can be issued. Examples include W-9/W-8 forms, insurance certificates and important certifications. So once you've established the controls important to your business, your registration software can make certain they are enforced. They can also enforce company policy around payment methods and payment terms.

They validate critical data. The most effective supplier registration solutions will check important data fields in real time, including tax numbers, postal addresses and banking information. The supplier must resolve any discrepancies before the data can be recorded in your vendor master.

They are configurable. Best-in-class tools let you customize by country, region or business unit—enabling you to accommodate various controls, languages, currencies, tax identification numbers, bank routing numbers, address formats, payment terms and more.

They restrict access. Each supplier sets up login information and access rights, which restricts who can make changes to company information. The same login information is used for an audit trail of what information was entered or changed and when.

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Step 3: Guard the Back Door

Even if you make every effort to clean your vendor master file and to verify new entries, business conditions change, sometimes without the supplier's knowledge—there is always a fraudster lurking around the corner waiting to test your controls in new and unexpected ways. To add an additional layer of protection, simply add continuous monitoring against external databases including proactive fraud and risk management software. These automated tools run 24/7 in the background to continually validate, monitor and enrich your vendor records:

- They tap into global and dynamic data sources in real time to analyze and score your data for previously undetected risks.

- They establish real-time, bidirectional communication with your ERP so your records are immediately updated when new suppliers are entered or changes are made, with no rekeying involved.

- They route information automatically for approvals using predetermined rules that you establish to ensure segregation of duties.

- They trigger smart alerts when issues are uncovered.

By adopting proactive, automated controls, you will reduce fraud and risk, eliminate manual touchpoints and continually improve the quality of your data.

Build Your Business on a Sound Foundation

Cleaning, enriching and continuously monitoring your vendor master can be simple when you have the right partnerships and tools. Look for a vendor master provider with the software and expertise needed to quickly get your file in tip-top shape. Automate supplier registration to protect your master file from duplicate entries, errors and other risks. Finally, add continuous, proactive monitoring to improve your vendor master day by day. When you follow this three-step plan, you will reduce duplicate payments and fraud and turn your vendor file into an increasingly valuable business asset.

To Find Out More

If you would like to learn more about how to manage your vendor master and keep your business protected, please contact apexanalytix at +1 800-284-4522.

Why proactive data monitoring matters.

According to the Association of Certified Fraud Examiners 2018 Global Fraud Study, *Report to the Nations on Occupational Fraud and Abuse,* **the typical organization loses 5% of annual revenues to occupational fraud**. The report indicates that proactive data monitoring and analysis can reduce median losses by half.

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.