The Vendor Master Problem:

How robotics and smart technology can transform your vendor master

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About the Author

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Danny Thompson is the SVP, Market & Product Strategy at APEX Analytix and is responsible for defining and leading APEX Analytix's software product strategy and roadmap. As the world's leading provider of supplier portal software and AP recovery audit services, APEX Analytix has been at the forefront of AP technology for over 30 years, working to safeguard over $4.6 trillion anually.

Their SmartVM database of 20 million—plus proprietary, scored supplier records was revolutionary, and APEX Archimedes cognitive technology continues to move APEX Analytix towards the future.

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The Foundation of P2P:

Without an accurate and up to date VM, P2P organizations cannot function effectively or create strategic impact.

The typical organization's vendor master has accurate email addresses for less than 5% of its vendors, and phone numbers for less than 40%. Absences, inaccuracies and inconsistencies in the vendor master are a major issue for P2P organizations. Without accurate data, organizations are unable to run detailed spend analysis or execute strategic processes or working capital optimization.

<5%

<40%

For the typical organization, <5% of email addresses and <40% of phone numbers in its vendor master are accurate.

For P2P professionals, aspirations of better spend analytics, greater efficiencies, reduced risk of fraud, better compliance, and a greater ability to discharge strategic initiatives are high on the target list. Yet these goals frequently prove challenging, or near impossible.

Here at APEX Analytix, we know these ambitions rely on high-quality vendor master data, and **the reality in many organizations is that vendor master data is of relatively poor quality.** Businesses have captured the data that they need to place orders and make payments, but aspirations beyond that call for a level of quality that organizations are struggling to achieve and maintain.

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Gaps in vendor master data leave important information missing. Records are often duplicated, making it unclear which data should be used for procurement and payment. Addresses are incomplete or inaccurate, and the phone numbers and email addresses of contacts are in short supply. **Contact information is stored in a distributed fashion,** often on cell phones and in personal contacts; and data is held for suppliers which have long since been acquired, or gone out of business.

Unreliable vendor data exposes an organization to a greater risk of fraud, makes it more difficult to carry out meaningful spend analysis, impedes their ability to carry out strategic initiatives, and exposes the business to compliance risk. Quite simply, **reliable vendor master data is the bedrock upon which much in P2P depends**, governing who you do business with, how you do it, and how and when you pay them.

> Vendor master data is the foundation of P2P. The quality of the vendor master drives the quality of P2P.

Our research shows many organizations find it challenging to cleanse and enrich their vendor master data as frequently as necessary. For instance, our Financial Leaders' Benchmark Survey reveals that **33% of organizations don't have a regular process for cleaning vendor master data,** and even fewer are performing such process frequently enough.

How often do companies cleanse their data?

8%
less than once a year

26%
once a year

21%
quarterly

9%
monthly

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What Are The Challenges:

Reducing the risk of fraud and streamlining vendor master management; improving accuracy at every stage

The risks presented by poor-quality vendor master data are very real. According to the Association of Certified Fraud Examiners, **Global 2000 organizations lose up to 5% of revenue to fraud annually**. 22% of the fines levied under the Office for Foreign Assets Control 'prohibited parties' regulations are for over $1 million. And from our own extensive work in the area, we know that **vendor master data errors account for a significant proportion of duplicate payments.**

It is not difficult to see how these problems exist. 51% of organizations carry out their vendor onboarding and registration processes through paper or PDF-based standard registration forms, a means of vendor data capture that carries **no guarantee of either validity or completeness. Even worse, a further 37% lack a standard form altogether, capturing only the minimum data possible to place orders and make payments.**

30%
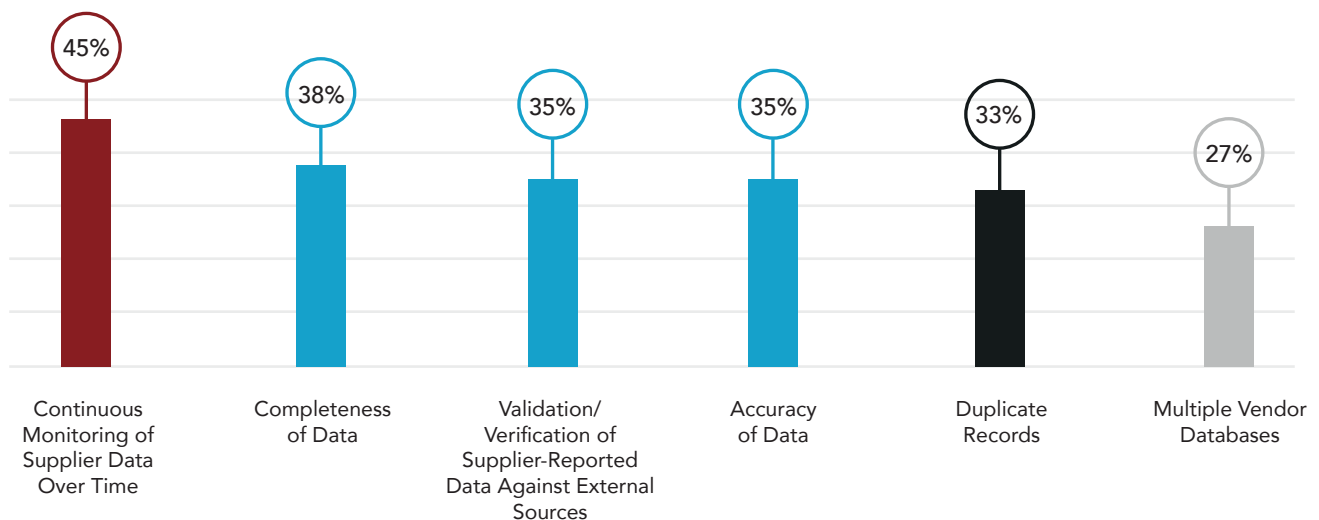of all duplicate payments stem from vendor master errors

$1.6T
lost globally due to billing and payment fraud and P2P corruption

>$1M
22% of the fines assessed for OFAC violations against organizations

What are your challenges with vendor master management?

Continuous Monitoring of Supplier Data Over Time	Completeness of Data	Validation/ Verification of Supplier-Reported Data Against External Sources	Accuracy of Data	Duplicate Records	Multiple Vendor Databases
45%	38%	35%	35%	33%	27%

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This leaves them open to risks such as unauthorized vendor relationships, maverick spend, and vendors which are in reality 'fronts' for fraudulent employees. Put another way, that leaves **only 12% of organizations with a robust standard vendor registration process** that not only captures an appropriate set of vendor data, but enforces minimum standards of completeness and accuracy.

It's no wonder that so many organizations report that they face significant challenges with vendor master data. Our research shows the biggest challenges are complete, accurate data, and continuously monitoring it to maintain the accuracy of the vendor master. Significantly, almost half of organizations acknowledge that however desirable the continuous monitoring of vendor master data might be, they find it difficult to deliver that vision.

37%

No standard form
Prone to unauthorized vendor relationships, maverick spend, etc.

51%

Paper or PDF Form
No guarantee of validity or completeness; internal fraud risk

88%

Highly manual, prone to gaps and errors

Many organizations find barriers to accurate vendor data at the point of capture. Issues with onboarding and vendor registration stem from a lack of process, manual data capture and much of it in paper form. In fact, 51% of companies capture vendor data in paper or PDF form, with no guarantee of validity or completeness.

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Automation and Artificial Intelligence:
Harnessing smart technology for a smarter approach to vendor master management

At APEX Analytix we describe a three-pronged approach: get your house in order, guard your front door, and guard your back door. First, it's necessary to compare your vendor master data with authoritative sources of correct data in order to identify gaps and errors, and then actually amend and correct your data as flaws are found. Secondly, it is necessary to ensure every captured record is complete and accurate as it is added. Finally, continuously monitor vendor master data for regulatory risks, fraud and vendor changes. These are complicated and labor-intensive tasks, leading many organizations to either give up, or set themselves a simpler task for instance, maintaining reliable vendor master data for strategic vendors or limiting the scope of cleaning exercises to only a few fields and cleansing only infrequently.

Get your house
in order

Guard your
front door

Guard your
back door
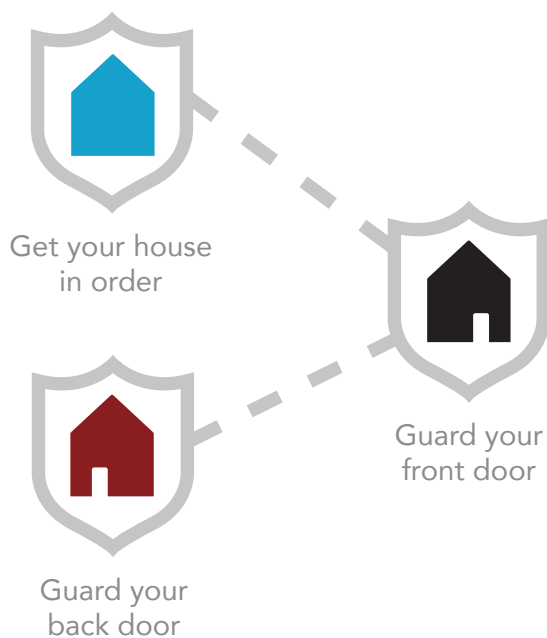
Companies find it difficult to find authoritative sources of data they can trust. And, even if they have that data, they see the task of updating and maintaining it as laborious.

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New technology provides a way to overcome these problems. Harnessing the power of automated technology and robotics allows you to leverage data from authoritative sources, evaluate it for accuracy, and automatically update your vendor records. APEX Analytix's SmartVM® API, for example, uses over 650 government, regulatory and other third-party databases, including 240 individual country address books, to cleanse and enrich records; and enhances the vendor master with data routinely captured from suppliers as part of our normal business processes preventing and recovering over payments and fraud, and onboarding suppliers. APEX Analytix clients and partners who have access to the SmartVM® API use it to update vendor data and identify high-risk vendors.

Not only does this smart technology help with the identification of highly granular opportunities to correct, update and enrich an organization's vendor master data, **it also makes it easier to implement those opportunities,** automatically applying corrections and updates to vendor master data.

The speed of automated technology and robotics makes these essential improvements possible

Smart technology not only identifies but also implements opportunities in your vendor master

In short, technology makes it possible to carry out—in an accelerated timescale—dramatic improvements to the quality of an organization's vendor master data, achieving levels of improvement far exceeding the capabilities of human-based vendor master projects to improve data quality, and in timescales equally superior to what can be achieved through manually based improvement efforts.

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Real-Life Results

A recent client case study of a global business services company is a good illustration of the impact of SmartVM® API automation. Of its 35,192 vendor records, 862 were found to be duplicates, 1,227 were inactive, 682 had invalid tax IDs or VAT registration numbers, and 5,760 had invalid IBAN or SWIFT bank details. We also corrected 15,000 street addresses, added 2,062 telephone numbers, added 10,493 email addresses, and applied over 6,000 SIC and NAICS industry classification codes. Not only would a manual programme that attempted the same level of improvement have taken many months to complete, but the resource cost would have been prohibitive.

Of 35,192 Vendor Records

Data Innacuracies

862
Duplicate Vendors

1,227
Inactive Vendors

682
Invalid Tax IDs/ VAT Registration Numbers

5,760
Invalid IBAN or SWIFT Bank Details

Data Corrections

15,000
Street Addresses Corrected

2,062
Phone Numbers Added

10,493
Email Addresses Added

>6,000
SIC & NAICS Codes

In another case study, harnessing the SmartVM® API meant a $10 billion healthcare provider considerably enriched its vendor master data by adding critical data that had been lacking. It held useable and relevant email addresses for only 2.2% of its vendors—a figure that we were able to increase to 84%. And it held useable and relevant phone numbers for only 36.5% of its vendors, a figure that we improved to 93%—doing so all in one automated step.

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That said, it is important to note that APEX Analytix's smart technology does not make changes to an organization's vendor master data without human oversight. While the actual application of updates are automated, decisions as to whether a particular record should be updated are based on a rules-based framework. The organization chooses which updates are applied automatically, which are reviewed first, and which are disregarded.

To aid in the determination of which updates should be automatically applied and which should be reviewed, APEX Analytix uses a combination of human and automated analysis and enrichment to allocate a 'trust score' to every field. Each field of each record is given a 'trust score' based on quality and quantity of sources, and the score deteriorates over time.

These 'trust scores' form the basis of any automatic updating of vendor master data that takes place, with organizations able to choose to automatically update any data with a trust score higher than a given value, review changes at a middle range, and disregard records with a low trust score.

APEX Analytix's database constantly scores and updates data points, verifying and validating each record automatically.

The SmartVM® API not only reviews and updates data in your current vendor master but the integration with our supplier portal means vendor data can be monitored at the point of onboarding, and in real time. As a result, the addition of high-risk vendors or incorrect data is prevented.

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Continuous Improvement:

Harnessing smart technology for an industry-leading VM

> Smart technology-based VMs have unprecedented capability in validating, cleansing and enriching vendor data in real time

Organizations utilizing a smart technology-based VM see significant advances in updating their vendor data, outperforming both manual approaches and approaches that attempt to place the burden on vendors.

It is a capability that is not only very largely touchless, but which is also available continuously: vendor master data quality assurance that is not just periodic, but built around periodic cleaning and validation exercises.

By integrating with supplier portals, these smart technologies allow continual monitoring and updates of vendor data from onboarding and beyond. It provides a streamlined process of getting your house in order, guarding your front door, and guarding your back door.

Once more, new technologies and robotic process automation have improved and simplified a labor-intensive and often neglected process, leading the way in supplier information management.

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About APEX Analytix

APEX Analytix is the world's leading provider of AP recovery audit services, FirstStrike® AP audit and overpayment prevention software, and supplier portal software for a hyper-optimized and compliant P2P. APEX Analytix is fluent in languages covering 98% of global trade and is the first to bring cognitive technology, including IBM Watson®, to the supplier portal and AP recovery audit industry with APEX Archimedes. This innovative full-spectrum artificial intelligence system has been designed to drive smarter recoveries, controls, analytics and working capital.

Leverage the latest in cognitive computing and an extensive proprietary database of scored supplier records to recover and prevent overpayments, improve processes, ensure compliant supplier relationships and optimize working capital.

- Global 2000 clients on 6 continents, in virtually every country in the world

- Safeguarding $4.6 trillion in disbursements each year

- Proprietary global supplier and supplier contact database of over 20 million suppliers to the Global 2000 and built on 10 million supplier communications each year

- Fluent in languages covering 98% of global trade

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