

Don't Lose Millions Because of Bad Supplier Information

How to avoid inaccurate, inconsistent, and disconnected supplier information

What's the official company name for Coke? It's not Coca Cola or Coke Corporation. It's "The Coca-Cola Company." Why does this matter? Because if The Coca Cola Company is one of your suppliers or vendors, and it's in your systems under those other names as well, the inaccurate, inconsistent, and disconnected information could be wreaking havoc on your supplier spend and risk management. And that could cost you millions.

Fasten Your Seatbelt: How Three Companies Were Losing Millions

What's in a name? Millions of dollars, if you're responsible for supply chain management, supplier relationship management, procurement, purchasing, or sourcing.

- The procurement leader at a global oil & gas company realized the company was wasting \$2 million per year. The downstream supply chain team was negotiating contracts and sourcing products from "The Coca-Cola Company" for thousands of gas stations. Meanwhile, the upstream procurement team was negotiating contracts and sourcing products for hundreds of offices around the world from "Coke Corporation," missing out on opportunities to combine contracts.
- At a global retailer with a laser-like focus on lowering operating costs to keep prices low, the merchandising leader realized the company was losing millions. The buyers for North America were negotiating contracts and sourcing products from "The Proctor & Gamble Company" for hundreds of stores and e-commerce sites in the U.S. and Canada. They had no idea that the EMEA buyers were negotiating contracts and sourcing products from "P&G" for hundreds of stores and e-commerce sites in Europe, the Middle East, and Africa.
- The finance team at a global company with 900,000 suppliers was losing millions because it wasn't able to take advantage of supplier discounts for accelerated payments — for example, a 2% discount for paying invoices within 30 days, which left \$2 million on the table for every \$100 million in orders. With supplier data spread across 430 ERP systems and 500 AP systems, procurement groups in different divisions were negotiating different payment terms with the same supplier. Because suppliers that have multiple payment terms with the same company will often choose the most advantageous terms and apply them to all billing statements, the finance team at the receiving company was forced to manually review each line item on a bill and either contest it or make deductions from the overall invoice.

Why Do These Procurement Nightmares Happen?

According to a 2012 report by the Hackett Group¹: "While companies often turn to spend analytics solutions to reduce purchasing spend, they quickly learn that accurate spend analytics ultimately depend upon the consistency and quality of the underlying supplier and product data across all relevant systems within the enterprise. Our experience also confirms that successful analytic initiatives must be based on a strong master data management foundation."

¹ Spend Management Best Practices: A Call for Data Management Accelerators," An Oracle white paper, April 2012 [<http://www.oracle.com/us/products/applications/master-data-management/best-practices-spend-management-1609745.pdf>].

But this quotation, which will be kept anonymous, sums it up more eloquently:

“Our supplier information is crap. Suppliers often don’t get paid on time. We send payments to the manufacturing plant that supplies us and not the corporate billing department. Payments get lost in the shuffle. We have paid suppliers we shouldn’t have. You can have the best processes and applications in the world but if the data is crap they are not going to work and you end up doing a lot of manual fixes.”

Bottom line: Without visibility into your company’s total relationship with global suppliers or vendors, you can’t make significant improvements in supplier spend and risk management across global operations.

The Root Causes of Inaccurate, Inconsistent, and Disconnected Supplier Information

- **Supplier information is scattered across systems:** Not all business-critical supplier information or vendor information is in one system. It’s scattered across applications such as ERP, Sourcing AP, and Supplier Relationship Management. To complicate matters, companies don’t typically have just one ERP system or AP system. One company we work with has 50 separate ERP systems and 400 separate AP systems.
- **Inconsistent supplier identities:** “The Coca-Cola Company” could be the name of the supplier in one system, while “Coke” could be the supplier name in another system. Supplier names could be in different languages.
- **Supplier information changes all the time:** According to the U.S. Census Bureau, every hour, 240 companies move and change address, 150 companies change phone numbers, 20 companies close their doors, four companies change names, and 5,769 people change jobs.
- **No automatic updates:** Updating supplier information in one system doesn’t automatically propagate the update to all other systems.
- **Mergers, acquisitions, and divestitures:** Your company could merge or acquire a company or divest a subsidiary, business unit, or product line. Your suppliers may be doing the same. The integration of data from ERP systems that hasn’t been mastered often complicates the problem.

One recent report stated that companies are spending up to \$1,000 per supplier annually to manage their supplier information across the enterprise. An average billion-dollar company spends almost 1,000 man hours every week managing its suppliers, which translates to a couple of million dollars annually in supplier management costs. Organizations looking to stabilize supply availability and costs are aggressively paying heed to the striking indications that clean, consistent, and up-to-date information about their suppliers contributes heavily in bottom line savings, end-user productivity, and working capital management.

Managing Supplier Information to Save Millions This Year

Some of the world's largest companies in the world rely on the Informatica® Total Supplier Relationship solution to better manage business-critical supplier information. Through a combination of data integration, data quality, and master data management, the solution consolidates supplier information in a central location on an ongoing basis and shares it across all operational applications that need it, as well as the data warehouse for analytics and reporting.

By deploying the Total Supplier Relationship solution, companies enable **suppliers and vendors** to:

- Register through a self-registration portal
- Update their information through the portal

They enable their **business line managers** to:

- Build and use a workflow to review, qualify, approve, and onboard new suppliers
- Track changes to supplier information, delivering visibility into what, when, and who changed supplier information over time for auditing and compliance purposes
- Analyze supplier performance, spend management, and risk management based on clean, consistent, and connected supplier and vendor information, including addresses, contacts, up-to-date corporate hierarchies (legal from DNB for example and location), contracts, and other important documents that prove suppliers meet business, legal, and regulatory requirements.

The impact of improved supplier information management cannot be understated. In a recent business valuation assessment, we estimated it could save one of the world's largest companies \$49 million annually by enabling it to:

- Negotiate corporate pricing, payment terms, and conditions across global operations
- Accelerate and reduce the costs of supplier onboarding and certification
- Organize and manage supplier information more efficiently
- Improve analysis of supplier spend management and supplier risk management
- Reduce potential noncompliance with regulatory requirements such as IRS 1099 reporting and the provisions to the 2012 Dodd Frank Act.

About Informatica

Informatica Corporation (Nasdaq:INFA) is the world's number one independent provider of data integration software. Organizations around the world rely on Informatica to realize their information potential and drive top business imperatives. Informatica Vibe, the industry's first and only embeddable virtual data machine (VDM), powers the unique "Map Once. Deploy Anywhere." capabilities of the Informatica Platform. Worldwide, over 5,000 enterprises depend on Informatica to fully leverage their information assets from devices to mobile to social to big data residing on-premise, in the Cloud and across social networks.



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