The Benefits of a Vendor Management System



As the business world grows more complex, and roles evolve to meet changing needs, the vendors you rely on for goods, staff, and services are becoming not just providers, but partners, in your long-term success.

Connecting with and onboarding suppliers that meet your unique needs requires a system that also enables vendor performance tracking, risk assessment and risk management, contract management, and supplier relationship management.

To accomplish all of these tasks effectively, you need a *vendor management system*, or VMS.

What is a Vendor Management System?

Taking control of the vendor management process is essential for businesses looking to compete in the modern marketplace.

Because key vendors who provide staff, raw materials, essential services, and other resources play such a pivotal role in production and profitability, it's critically important to have a VMS in place to achieve an optimal return on investment (ROI) for every dollar spent on goods and services.

At its simplest, a vendor management system is any formalized program designed to gain transparency into, and control over, vendor information, supplier relationship management, and risk exposure in your supply chain.

In creating and implementing a vendor management system, organizations aim to accomplish five primary goals:

- Collect, organize, and streamline vendor data in support of:
    - Continuous process improvements across business units.
    - Enhanced regulatory compliance.
    - Stronger vendor relationships.
    - Productivity gains across business units.
- Implement spend management across the supply chain to achieve cost savings.
- Reduce supplier risk and enhance resistance to problems such as rogue spend and invoice fraud.
- Redirect procurement away from cost savings only and toward generating value for the organization as a whole.

Vendor management systems can be created in a number of ways. But in the age of digital transformation, using vendor management software (either alone, or as part of a complete, cloud-based procurement solution) makes the most sense.

> *A poorly managed supply chain is one that's sure to snap under pressure. Invest in a reliable and comprehensive vendor management system, and you'll be ready to build effective, strategic partnerships with your suppliers while streamlining your workflows and keeping costs down.*

Benefits of Vendor Management Systems

To be truly effective, your vendor management system should follow the "ABC" rule. In an interconnected and truly global business world, a good VMS is:

- **A**utomated
- **B**uilt-to-Purpose.
- **C**omprehensive

The smartest and most versatile way to ensure your vendor management system

is “ABC” compliant is by investing in an automation-driven, versatile solution such as PLANERGY.

Beyond the convenience and clarity afforded by centralized, cloud-based data management, you’ll enjoy a host of other benefits, including:

Process Automation

Artificial intelligence, coupled with automation, can pack a powerful process improvement punch.

Many workflows, such as supplier onboarding, invoicing, and the procure-to-pay (P2P) process, contain essential but tedious and repetitive components that are susceptible to human error and costly delays when performed manually.

Automation takes the human element out of the equation, removing the need for manual cross-checking and data entry in many cases, and ensuring timely completion in others, such as approval workflows.

In addition, automating your supplier onboarding process ensures you have a complete vendor data profile for every supplier and service provider from day one, and can monitor vendor performance and compliance over time with ease.

Improved Compliance

The longer the supply chain, the greater your vendor risk exposure. But even companies with modest supply chains need to monitor and enforce compliance of various kinds—both internal and external.

Governments (local, regional, and international), industries, and internal stakeholders expect their compliance demands to be met.

Having a VMS reduces risk and improves regulatory compliance by:

- Centralizing and recording all vendor information and performance data, including related documentation and communication, to support fast and accurate due diligence and audits.
- Supporting reminder workflows and automatic alarms for licensing expirations, legal changes, etc.
- Streamlining and formalizing a closed system to eliminate rogue spend

and invoice fraud.
- Integrating your suppliers into your system for improved strategic planning on shared compliance issues.

Lower Cycle Times

Every process has a lifecycle, from purchase requisitions to invoicing.

Effective vendor management solutions keep those lifecycles as short as possible, improving cost savings through greater efficiency and building value by capturing more discounts and incentives for early payment.

Every process connected to your supply chain, from staffing temp hires to ordering raw materials for production, can be streamlined in this way, boosting your profitability, productivity, and competitive advantage.

Deeper Analytics

With all your vendor data flowing into a single cloud-based server, stakeholders with appropriate access can use the machine learning capabilities of your VMS to turn data into actionable insights.

Advanced reporting and forecasting tools can pinpoint future contract management opportunities, reveal dangerous inefficiencies and insufficiencies in your sourcing of key goods and services, and even help your team identify new markets, new products, and other potential projects to pursue with your most trusted suppliers—or new ones you've yet to land.

The net result is higher quality products, lower costs, and stronger relationships with your vendors, existing and new.

Stronger Supplier Management

Wouldn't it be great to know *every* supplier in your supply chain is ready to meet or even exceed your expectations for pricing, performance, and compliance?

With a custom-built, cloud-based vendor management program, you can create your own criteria for everything from historical delivery performance to reputational concerns.

Vendors can be reviewed, qualified, and brought into your data environment much more quickly when everyone has access to all the information they need.

Over time, vendor performance and compliance data can be used to promote, demote, rehabilitate or remove vendors as needed, ensuring your supply chain is always insulated against disaster without suffering from “vendor bloat.”

In addition, your suppliers can provide even richer data by connecting their eInvoicing systems to your VMS, making it even simpler to achieve optimal procurement process performance while capturing early payment discounts and strengthening your own reputation as a prompt and professional purchaser.

Vendor Management Helps You Mitigate Risk and Maximize Success

A poorly managed supply chain is one that’s sure to snap under pressure.

Invest in a reliable and comprehensive vendor management system, and you’ll be ready to build effective, strategic partnerships with your suppliers while streamlining your workflows and keeping costs down.

With automation, full transparency, improved collaboration, and centralized, cloud-based data management, your team will be able to break free from low-value tasks, achieve more strategic sourcing through stronger insights, and ensure your business is flexible and fleet enough to thrive in today’s competitive economy.

What’s your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We’ve helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.

- Visit our “Solutions” page to see the areas of your business we can help improve to see if we’re a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide “Preparing Your AP Department For The Future”

Download a free copy of our guide to future proofing your accounts payable department. You’ll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

download a free copy of our guide

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts