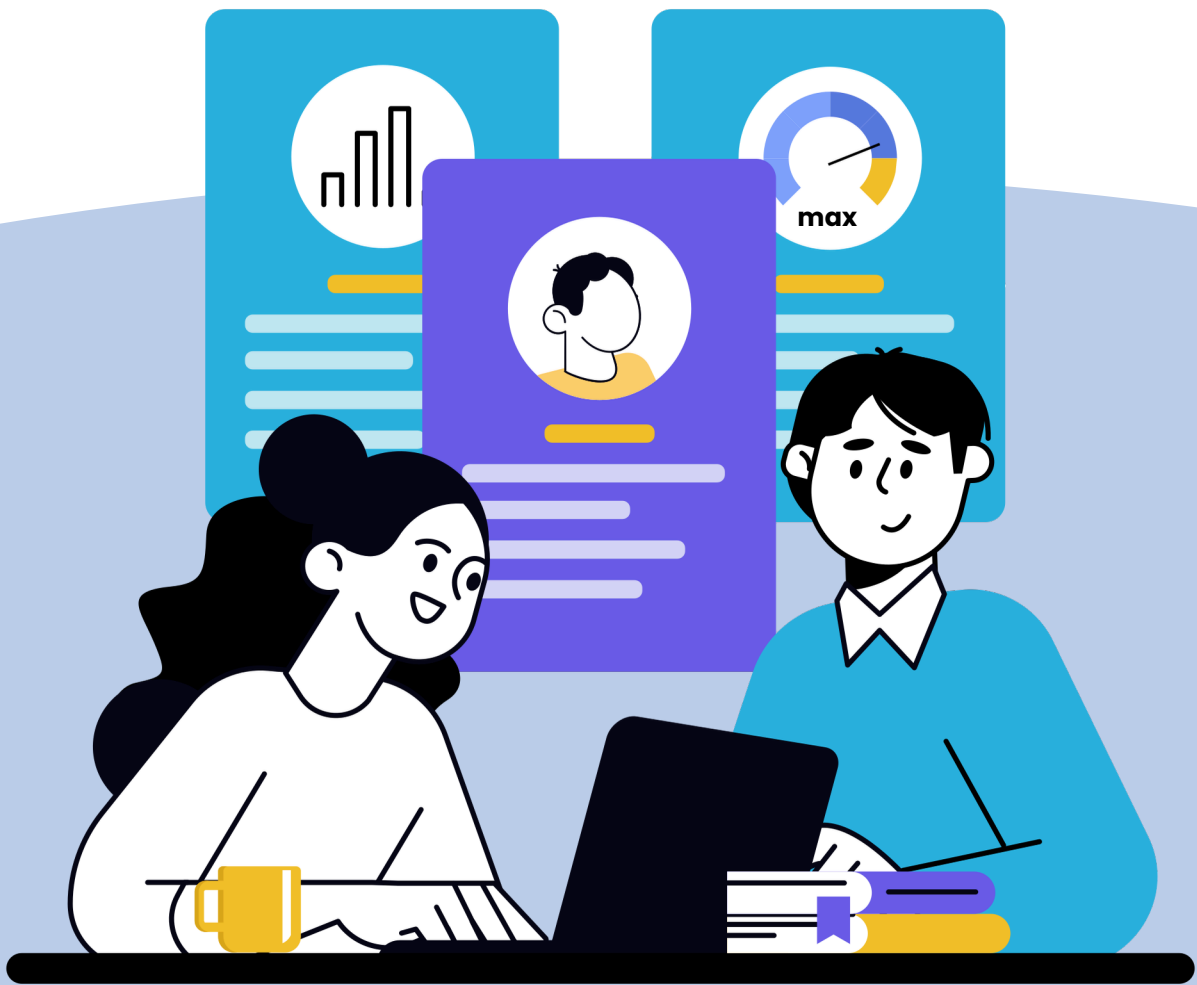


Ebook

# Supplier knowledge : Are all your ducks in a row when it comes to managing and leveraging supplier knowledge?



## Introduction



Economic and geopolitical events in the last few years have spotlighted **how vital the purchasing function is to business**. Buyers face daily challenges ranging from globalized supply chains and raw material shortages to price volatility and corporate bankruptcies.

In this ever-changing economic and regulatory landscape, **the purchasing function plays a key role in cost reduction, risk management and compliance**, which makes it a major contributor to how companies perform overall.

Extensive knowledge of the supplier base is a fundamental asset for overcoming these challenges and a pillar of any purchasing department's strategy. But it's no simple feat to manage this supplier knowledge over the long term!

Leading expense management solutions developer **Ivalua** and expert Source-to-Pay integrator **Fluxym** have joined forces to offer you the most effective drivers and best practices **for leveraging supplier knowledge to optimize your buying performance**.

Enjoy the e-book!

## Subject-matter experts



### Judith Palant [in](#)

After working for several years as a purchasing manager, Judith served as an advisor who helped build purchasing departments in over 15 countries.

She is currently **the director of the Fluxym advisory division.**



### Jarrod McAdoo [in](#)

Jarrod is **Ivalua's director of product marketing** and has over 25 years of experience as an expert in purchasing and vendor relations.

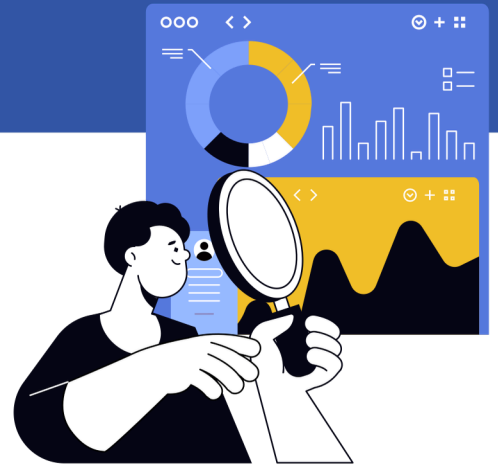
He also specializes in implementing Source-to-Pay solutions.

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# I. In-depth supplier knowledge: a pillar of purchasing performance

## Supplier data versus supplier knowledge

Let's begin by pointing out the important distinction between supplier data and supplier knowledge.



Your systems undoubtedly contain countless **data points about your suppliers**, from their contact information and the amount of their last order to negotiated rates and delivery times. But you need more than this basic information to seamlessly manage your vendor base.

We define "supplier knowledge" as an in-depth, **context-based understanding of your service providers**. Not only does this knowledge cover administrative and transactional data, but it also includes other quantitative and qualitative information:

- Financial health and capital structure ;
- Details on goods and/or services offered ;
- Market positioning ;
- Types of customers (some of which you may be competing with for buying) ;
- CSR commitments ;
- Business relationship history ;
- Spending amounts per product family and supplier ;
- Performance reviews ;



Ideally, **you'll gain a 360° view of each supplier** to identify your business partners and know how they operate.



« Lots of data doesn't necessarily mean lots of knowledge! »

*Jarrod McAdoo, Director of Product Marketing chez Ivalua*

It takes time to really know your suppliers. First, you have to cross-reference and consolidate multiple sources of information from :

- the company's internal buyers and customers ;
- the suppliers themselves ;
- external databases like Ecovadis and Dun & Bradstreet.

## A cost-cutting asset

An excellent way to identify these bargaining chips is to do a detailed financial analysis of your suppliers with a **focus on their margins and cost structures**.



### Example

If your analysis of a supplier's balance sheets and income statements shows that their margin and cash flow are low, you can offer them quicker or even cash payments in exchange for better prices or buying terms.

When you have in-depth knowledge of each supplier's goods and services, you can also **generate savings by grouping purchases** to take advantage of volume discounts and rely on fewer suppliers.

## Risk management support



From bankruptcy to fraud, quality and reputation, risks are easier to assess when the purchasing department has a large amount of information on its suppliers. When buyers have a clear view of their suppliers' financial indicators, they can avoid serious headaches by gauging financial health and predicting company failures.

Similarly, identifying second- and third-rate suppliers, as well as knowing where their production sites are located and which raw materials they process, can **provide insight into possible supply shortages**. In the most severe cases, this can disrupt production runs.

« Buyers who know their suppliers well are on the lookout; they're the company's front line when it comes to risk detection. »

*Judith Palant, Director of the Fluxym Advisory Division*

## Compliance assurance

**Regulatory compliance** is especially demanding for companies that are publicly traded and/or operate in highly regulated sectors like chemicals, pharmaceuticals, defense and banking.

There is no shortage of new regulations. For example, the Corporate Sustainability Reporting Directive (CSRD), which went into effect on January 1, 2024, instituted new sustainability reporting requirements for more than 50,000 companies in Europe.

It has made supplier management a key component of compliance monitoring. That means **all the certification and inspection data has to be centralized and routinely reviewed.**



## A competitive edge for harnessing innovation

Collaborative innovation is another advantage of knowing your strategic suppliers well. Negotiations are a chance for companies and their suppliers to discuss new products, process improvements and joint initiatives that benefit both parties.



Needless to say, the ultimate goal is to **find innovations faster than your competitors** and position yourself as your biggest suppliers' favorite client!



## II. Clearly beneficial yet hard to implement

Everyone working in purchasing agrees that it's hard to gain a **comprehensive view** of suppliers for a number of reasons:

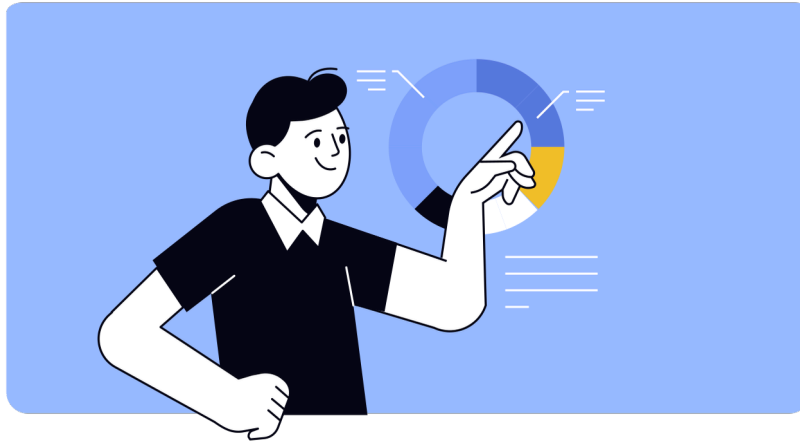
- Internal and external data coming from **several different sources**, which is even harder to manage in multi-entity groups ;
- Lack of real-time information ;
- **Problems collecting routine feedback** from internal customers ;
- Purchasing staff **turnover** and portfolio changes known to cause information loss when no relationship history has been documented ;
- **Buyers unable to accurately track** the hundreds of suppliers they manage



So, what key measures can you take to ensure long-term supplier knowledge?

# III. The three golden rules of supplier knowledge management :

## #1 Analyze spending by purchasing family



Large groups, mid-cap companies and some SMEs can easily amass several hundred suppliers for direct and indirect purchases accounting for up to 60% of their revenue. This calls for stepping up your monitoring system to **determine critical and strategic suppliers**.

The most effective way to achieve this is by cross-referencing a spending analysis, broken down by supplier and purchasing category, with the risk severity level.

After mapping this out, it is important to **schedule routine audits** to keep track of your suppliers' long-term financial health indicators, and always:

- check that their revenue and net earnings grow by at least the rate of inflation ;
- determine the economic dependency ratio: the supplier's annual amount purchased relative to their sales (ideally below 30%) ;

## #2

## Assess the supplier market

Conduct a purchasing family market analysis by reviewing publications and trade shows, and by asking directly in RFIs. These are **great ways to identify the top manufacturers and distributors in each market**, along with their location, production capacity, product ranges, and TCO by product.



Once you complete this analysis, you'll have a solid knowledge base for **establishing family-based purchasing strategies** and proactively updating your supplier list using techniques like :

- Reducing the number of suppliers ;
- Drawing up or renegotiating contracts ;
- Finding backup suppliers ;
- Creating catalogs or using marketplaces for indirect purchases ;
- Outsourcing procurement ;

### #3

## Continuously evaluate your suppliers



Regular assessments are a key component of supplier knowledge. Reviewing your internal customers throughout your business relationship allows you to verify that your suppliers are meeting their **contractual obligations** and your **quality, cost** and **time expectations**. This protects you if any disputes arise.

« Whether you're changing strategies or suppliers, making an informed decision is extremely difficult if you haven't conducted a formal fact-based supplier assessment expressed as EBIT.»

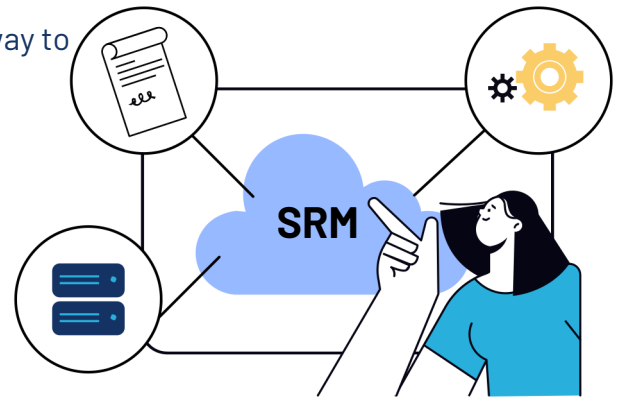
*Judith Palant, Director of the Fluxym Advisory Division*

When it comes to strategic suppliers, organizing a governance system with a **steering committee** that **meets regularly** allows you to quantitatively and qualitatively monitor the relationship, fine-tune your supplier knowledge, and get internal customers to put your purchasing policies into practice.

# IV. Expedite supplier knowledge with supplier relationship management (SRM) solutions

Tackling this mountain of information requires using SRM solutions that collect and routinely update your data. This is the best way to compile a centralized **supplier knowledge** base that can be **managed effectively over time**.

## A single point of entry for supplier data



One of the main benefits of an SRM solution is you can create master data. By linking to information systems like ERPs or MRPs and external databases such as Dun & Bradstreet and Ecovadis, an SRM acts as a **hub for supplier data, providing a 360° view of everything** from financial data, calls for tenders and order history to contracts, performance reviews and compliance audits. Gone are the days of searching through SharePoint and Excel spreadsheets because all the data is available in real time!

« « Supplier knowledge is power. Buyers can only effectively negotiate when they have all the information and background on their relationship with the supplier. »

*Judith Palant, Director of the Fluxym Advisory Division*

The process of deploying an SRM solution always starts by **cleaning up** your **current data** and **verifying its integrity**. It's a great opportunity to assess and enhance your supplier information.

## Active collaboration with all stakeholders

SRMs help build better collaborative relationships with internal customers and suppliers while ensuring data traceability.

Internal customers use the software to **share supplier assessments**, and monitor any disputes and performance plans.

Service providers are given an account on a portal where they can **upload documents, complete screening forms and share production schedules**.

Simplifying the onboarding process on a collaborative portal is also a differentiator that benefits suppliers and reduces unapproved purchases from unlisted third-party vendors.

## Proactive risk and compliance management



SRMs feature automated financial reporting, which means buyers can **track KPIs** for their strategic suppliers in **real time**.

Another major advantage of SRM tools is the option to configure alerts for different risk levels. This saves buyers time and streamlines regulatory compliance checks.

## Major efficiency gains for purchasing teams

### Professional viewpoints

« Something new about Ivalua is that it now only takes two clicks to find all the information on suppliers and sourcing by product. »

*Julien Jacomy, Purchasing Process Manager at Plastic Omnium*

SRM software is also a valuable asset for companies when onboarding a new buyer or changing purchasing families.

SRM users spend less time collecting and searching for data, which gives them an overview that empowers them to make decisions and fully **focus on core duties** like performing internal needs assessments before projects begin.

### Professional viewpoints

« We have significantly improved our supplier knowledge. We are now capable of selecting the ones that bring us the most value.

By digitizing our processes with [Ivalua](#), our buyers have more time to analyze spend and implement purchasing strategies by category. »

*Jean-François Henninger, Procurement Team Leader chez Petroineos*

## Conclusion

SRM solutions have emerged as an essential tool for boosting buyer capacity and rooting corporate strategy in the purchasing function. SRMs excel at providing a **one-stop platform for supplier knowledge**, which lays the groundwork for centralized data to play a critical role in seamless supplier relations management.

Categorizing and consolidating vital information empowers buyers to **predict market changes** and **pivot their supply strategies** to overcome new hurdles. SRM software is the key to unlocking responsive buying that's right on-point!

### About Fluxym

A Source-to-Pay expert since 2002, Fluxym helps purchasing and finance departments digitize their supplier relations.

With more than 500 projects completed worldwide, Fluxym offers a full range of services that include consulting, technical and functional implementation, support and TMA.

A partner of Ivalua since 2016, Fluxym has consultants in Europe, North America and Asia that have installed the software suite in numerous companies.

### About Ivalua

Market leader Ivalua provides an end-to-end unified platform that helps businesses effectively manage all their spending categories and suppliers. That translates to:

- higher profitability ;
- better CSR performance ;
- minimal supplier risk ;
- a more productive workforce ;