

# 5 VENDOR MANAGEMENT CHALLENGES FACED BY PURCHASING PROFESSIONALS

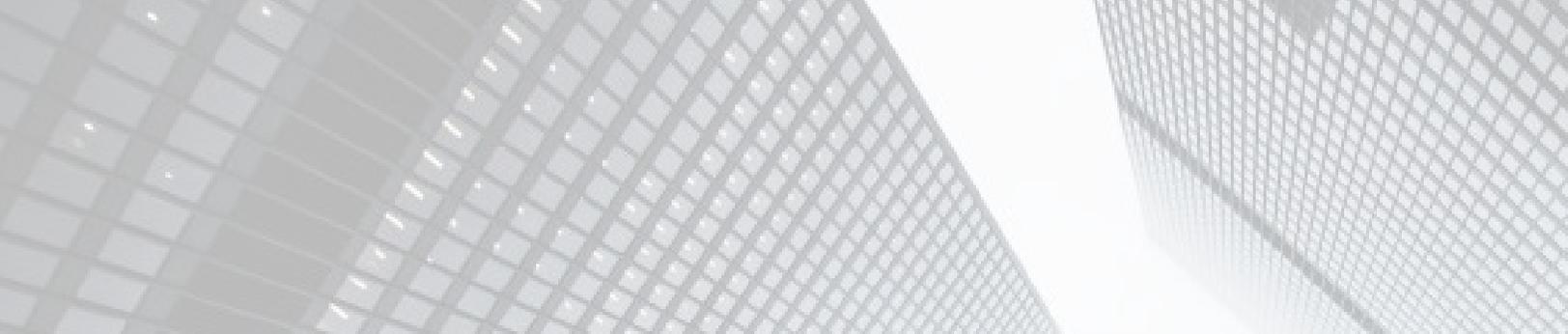


Presented by



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## OVERVIEW

Chances are, you've heard at a purchasing association meeting or from a peer in the local government space about solutions that help purchasers manage vendors online. These types of solutions are often wrapped into a larger ERP system, which can be expensive or, worse, complicated to implement.

Traditionally, vendor management software has required large up-front costs and lengthy (and often complicated) implementations, but with an average local government bidders list consisting of almost 800 vendors, effective vendor management is key to organizational efficiency and must be carefully considered by purchasers.

Today, cloud-based applications and Software-as-a-Service (SaaS) pricing models have changed the game. World-class applications for a reasonable monthly fee (some even with a free version) are now readily available. These "GovTech" SaaS applications can be tailored to address the specific challenges faced by local government purchasing professionals still using paper or spreadsheets to manage vendor registrations and documentation.



# **CHALLENGES FACED BY PURCHASING PROFESSIONALS**

### OUTDATED AND MISSING VENDOR INFORMATION

Whether on paper or in a spreadsheet, vendor information starts to become stale as soon as it's recorded. Processes that involve paper or spreadsheets also require vendor documentation to be manually collected and maintained. With 90,000 U.S. local governments largely managing registrations independently, vendors are more engaged with those registrations that are online or automated. Given that paper-based registrations are difficult for vendors to maintain, it's likely that a good portion of manually-processed vendor information is dated and incomplete.

### TIME SPENT CHASING VENDORS FOR PAPERWORK

From W-9s to Certificates of Insurance, local governments are required to collect and maintain a large amount of documentation for every registered vendor to be compliant. That burden increases through the RFP and contracting phases. In addition, most if not all of required documents expire and, thus, need to be updated on a regular interval. When documentation is collected manually, purchasers are forced to spend time chasing down vendors to collect or update necessary documentation.

### DIFFICULTY FINDING LOCAL OR SPECIALIZED VENDORS

Many services local governments need are best delivered by local businesses, but unfortunately, manual registration creates a burden on those businesses. Given the time- and resource-constrained nature of local businesses, they lack the time to complete manual registrations and keep that information up-to-date, and they often choose not to participate because the process is too time-consuming. Thus, the administrative burden of manual registrations prevents local governments from easily identifying and working with qualified local businesses.

### **INABILITY TO REPORT ON SMALL BUSINESS AND MINORITY VENDOR PARTICIPATION**

Whether using federal funds, meeting small and minority business goals or responding to a FOIA request, demand on local governments to report on their vendor population is steadily increasing. Paper files and disconnected spreadsheets make it nearly impossible to respond to these reporting requests, much less in a timely manner.

### **TOO FEW BIDDERS AND HIGHER COSTS**

Ultimately, the above challenges lead to fewer participating vendors, which, in turn, results in fewer, less-competitive bids and higher costs for local governments. If too few bids are received or responding vendors are not qualified, the government may be forced to re-bid the RFP, consuming even more time and expense.



## **BENEFITS OF ONLINE VENDOR MANAGEMENT SYSTEMS**

“...a discipline that enables organizations to control costs, drive service excellence and mitigate risks to gain increased value from their vendors throughout the deal cycle.”

Gartner's definition, Vendor Management

SaaS solutions that facilitate more efficient vendor management processes allow local governments to realize operational improvements in a number of areas.

### **SAVE TIME WITH VENDOR OWNERSHIP OF INFORMATION AND DOCUMENTATION**

With most online registrations, vendors create a profile for their business that requires indication of critical information, including all necessary documentation. Vendors are motivated to keep information up-to-date because it's a simple, easily accessible process and they want access to bid opportunities. Shifting the burden of data entry and document collection to a motivated vendor gives hours per week back to purchasing professionals to be used for more valuable efforts.

### **GET MORE COMPETITIVE PRICING AND VENDOR DIVERSITY WITH INCREASED VENDOR PARTICIPATION**

By making vendor registration and compliance easier, more businesses are likely to participate in the bidding process. Greater participation increases the number of competitive bids as well as the diversity of vendors, especially smaller, local businesses.

### **MAINTAIN ALL PAPERWORK IN ONE PLACE**

With paper- or spreadsheet-based registrations, purchasers take on the daunting task of organizing paperwork in filing cabinets or file folders or creating online “filing systems” with spreadsheets and scanned documents from vendors. With an online vendor registration tool, vendors can self-register and upload appropriate documentation into one, consolidated, indexable database.

### **PROVIDE INCREASED VISIBILITY WITH EASIER REPORTING**

When vendor information is collected via an online database, reports can be created quickly and easily and shared with appropriate stakeholders within or outside of the purchasing department.

### **ENSURE INTEGRITY OF RFP PROCESS WITH AUDITABLE RECORDS**

With electronic notifications of solicitations to vendors, an online vendor management system can create an audit record of how and to whom the notifications were delivered. If emailed, an online vendor management system can even record which vendors opened the notification. This audit record can be used to defend a government from any fairness of opportunity complaints.



## **HOW TO EVALUATE AND SELECT THE RIGHT VENDOR MANAGEMENT SOLUTION**

There are a plethora of vendor management platforms available, and most are web- (or cloud) based, enable self-servicing by vendors, have basic reporting capabilities and offer monthly pricing options. However, not all systems are created equal.

When evaluating vendor management systems, many attributes and characteristics should be considered. Use the following section as your checklist to ensure you choose the most effective and efficient vendor management solution for your agency.

### ☑ Built specifically for local governments

Most vendor management platforms are built with state or federal agencies in mind, so be sure to choose a solution that is built specifically for local governments. Cities, counties, utilities, higher education and school districts often have very different needs and workflows than corporations, state and federal agencies, or even large cities. Thus, ask the solution provider how it got started, who its priority customers are and if its current customer base reflects a focus on local governments.

### ☑ Created with information security in mind

Confirm that government and vendor information is maintained in high availability geo-redundant storage and encrypted during transmission and at rest using the latest standards. In addition, if the vendor management solution offers value-added services to vendors for a fee, ensure that payment information is PCI compliant.

### ☑ User-friendly for both government staff and vendors

This is the crux of why governments migrate from spreadsheets to online solutions. The more complicated the tool, the less likely adoption and long-term use will be. Furthermore, the adage “garbage in, garbage out” holds true with vendor management systems. If it’s not easy for vendors to provide their information and for governments to access that information, then the quality of data will be lacking and incomplete.

### ✔ A common vendor database shared among peer governments

Vendor information collected online but stored in a data silo (like with accounting and ERP systems) is really no better than a spreadsheet. Effective vendor management systems have a common, shared vendor database. Thus, if a vendor subsequently registers with another government with new information, all previously registered governments will get access to the latest and greatest vendor information. In addition, an expansive, common vendor database enables governments to identify and recruit specialized vendors that may not be registered with them, especially for smaller governments.

### ✔ Availability of a free version

Moving from paper or spreadsheets to an online vendor management system can be a big step for local governments, but needn't also be costly. Providers that offer a free, basic version give you the opportunity to test the waters without an expensive, long-term commitment. More importantly, it allows many users to implement a vendor management solution and demonstrate value to the government (and the business community) prior to seeking the funding for more advanced features.

### ✔ Effortless implementation

Seek a solution that can be implemented same-day and without a site visit. In addition, before a decision is made, ask about a training session. If training on the vendor management system takes more than 60 or 90 minutes, it's probably a fairly complicated solution. Easy implementation and an intuitive user interface should carry through to the vendor's registration process as well.

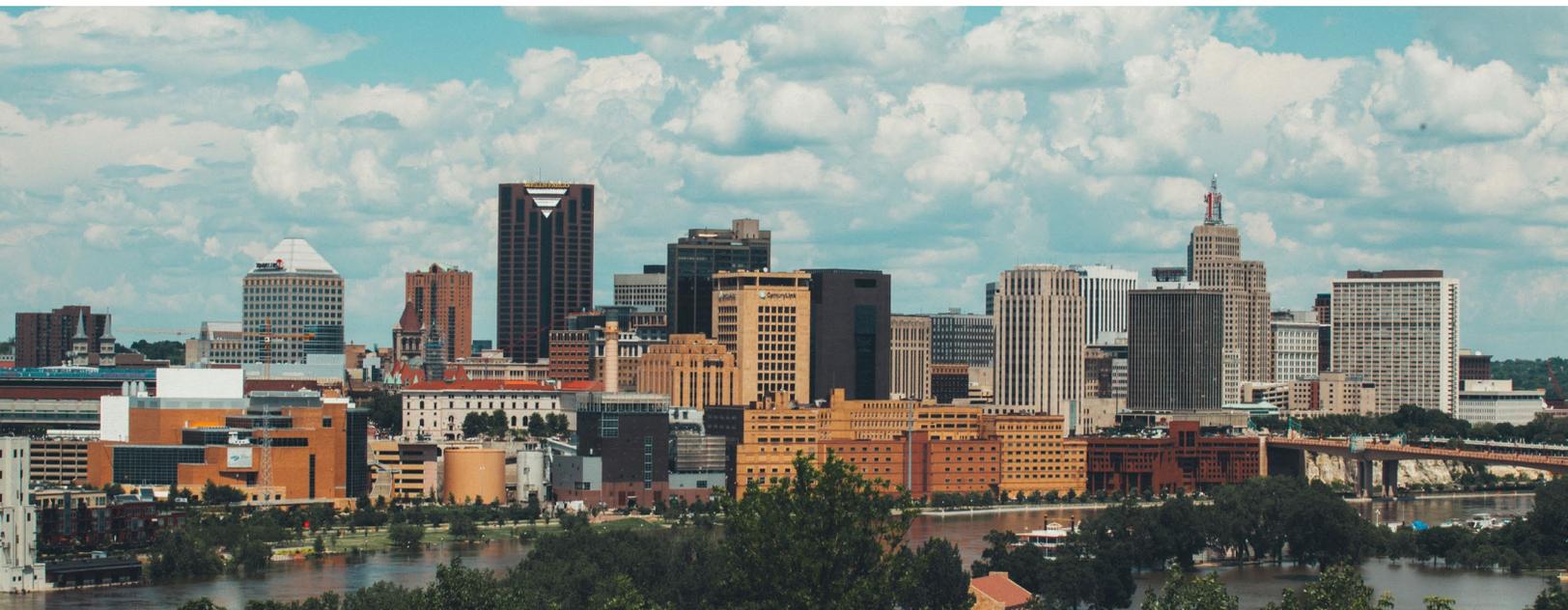
## 5 VENDOR MANAGEMENT CHALLENGES

### ☑ Proactive and responsive support for both the government and its vendors

No matter how effortless and intuitive a vendor management solution may be, organizational change always requires support. A vendor management solution provider should offer live- and email-based support for both government purchasing staff and their vendors. In addition, a vendor management solution loses significant value if vendors aren't provided support by your provider. Make sure the provider you choose offers phone and online chat support for vendors to help them through the registration process.

### ☑ A la carte features

Many vendor management solutions actually are part of a larger procurement management system. Connecting vendor management to other workflows like bid management, bid evaluation and contract management can create significant efficiencies and value for a government. However, if you're not ready to move these other workflows online, then make sure the procurement management solution you choose provides a la carte (or modularized) tools to allow you to purchase only the features and modules that you plan on using.





## VENDOR REGISTRY, INC.

IS A CLOUD-BASED SAAS PLATFORM THAT CONNECTS LOCAL GOVERNMENTS AND VENDORS BY SIMPLIFYING TRADITIONALLY MANUAL PURCHASING PROCESSES TO HELP GENERATE MORE ACCESS TO VENDORS AND SUPPLIERS, DECREASE COSTS FOR GOVERNMENT AND INSTITUTIONAL PURCHASING DEPARTMENTS AND SAVE VALUABLE TIME FOR ALL PARTIES INVOLVED. HEADQUARTERED IN KNOXVILLE, TENNESSEE, VENDOR REGISTRY WAS FOUNDED BY CHRIS VAN BEKE AND BRIAN STRONG IN 2013. FOR MORE INFORMATION, VISIT THE COMPANY'S WEBSITE AT [WWW.VENDORREGISTRY.COM](http://WWW.VENDORREGISTRY.COM).

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