

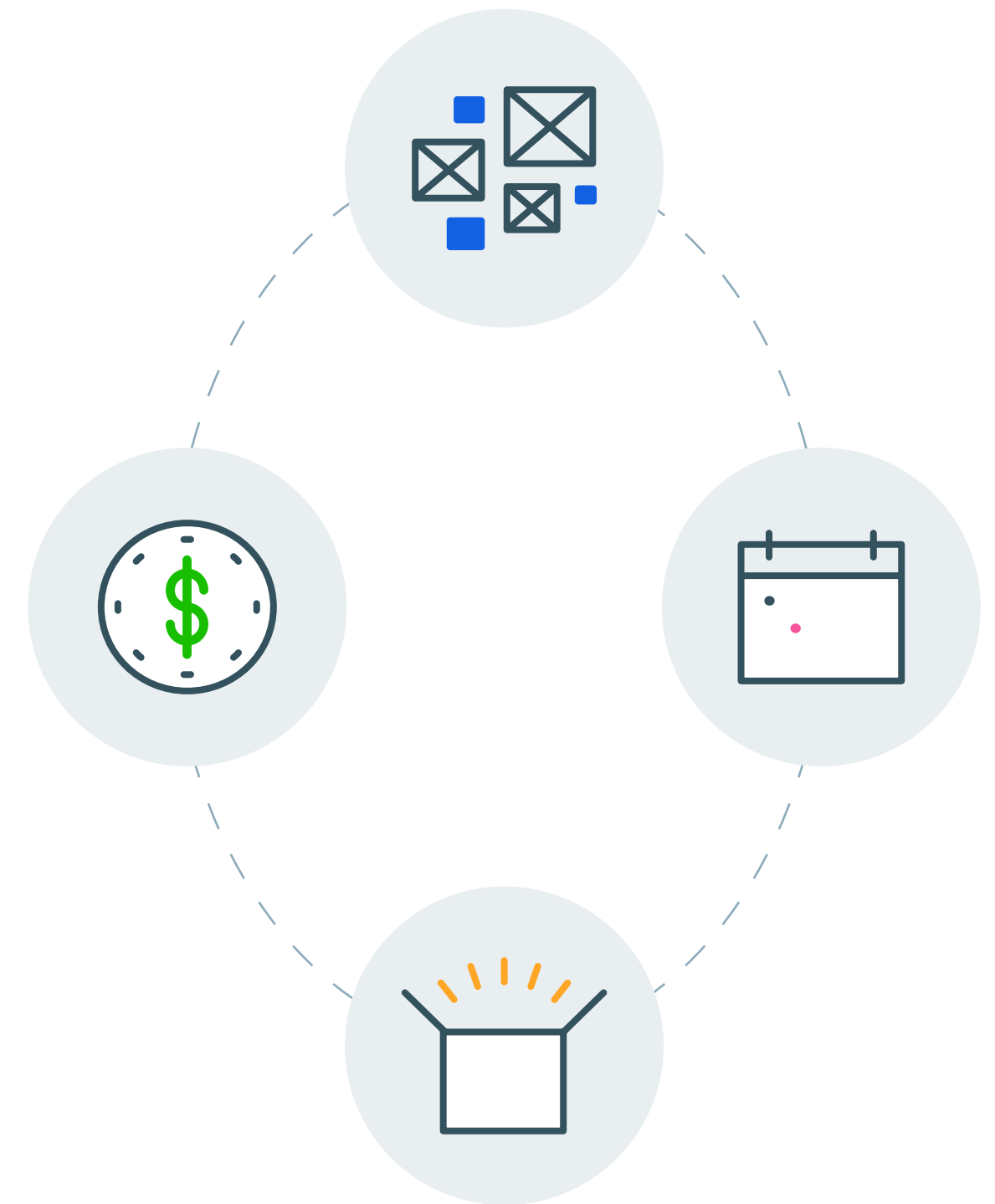


WHITEPAPER

The Risky Business Of Poor Supplier Collaboration

The Four Biggest Risks Hiding In Your Supply Chain. And What To Do About Them.

SourceDay



Today's business world is full of risks that are outside of your control including labor shortages, geopolitical strife, and tariffs.

So, the best thing you can do to protect your business is to ensure your own operations run with as little risk as possible. Yet, modern supply chains are complex and riddled with opportunities for errors and curveballs that can make or break a business. Failure to manage all this risk can erode margin, limit a company's ability to meet customer commitments, and even threaten its survival.

In this white paper, we will address the 4 biggest risks that originate with your direct spend suppliers:

ON-TIME DELIVERY

OVERPAYING SUPPLIERS

INVENTORY MANAGEMENT

EMPLOYEE PRODUCTIVITY

We'll also break down new approaches to mitigate these four risks, and share some examples of companies that have streamlined supplier collaboration and improved their supply chains as a result.

When customers don't receive their orders on time, it's easy to blame the last mile of your supply chain. Because a carrier picking up the order and delivering it to your customer is a visible outcome. But often, late shipments to your customers are actually caused by hidden errors in the [first mile](#) of your supply chain—when you order the parts you need to build your products. And in most cases, these first mile errors are caused by poor collaboration between your buyers and your suppliers.



In most businesses, communication with suppliers happens over emails, calls and even faxes. While Purchase Order (PO) updates to price, lead times, due dates, and quantities are stored in spreadsheets. And that means every single PO faces dozens of opportunities to fail.

Changes to POs are constant, so maintaining a reliable supplier relationship is crucial. But keeping track of all those PO updates—and conveying them back to your ERP system—is a full-time job for most buyers on procurement teams.

Risk Starts with the First Mile

It's far too common for PO updates to get lost in transmission or never get input back into your ERP. And when your ERP data isn't accurate, every part of your business is at risk. Receiving teams don't know to expect a big delivery and scheduling teams unknowingly create production runs that result in idle capital equipment and labor resources. Sales teams commit to customers only to find out later the customer delivery dates will be missed. Finance ends up overpaying a supplier or chasing a mismatched invoice. Inefficient collaboration and inaccurate PO data can even cause the worst-case scenario: shipping to a customer late.



SourceDay is a modern supplier portal designed to stop misses at the source. Our SaaS platform is built to improve collaboration between buyers and suppliers, ensure PO data accuracy, and ultimately prevent late orders.

1ST HIDDEN SUPPLY CHAIN RISK

On-time Delivery

Production delays caused by inaccurate PO data can leave your business scrambling to deliver. Inaccurate lead times, quantities, and delivery dates can cause orders to arrive late to your customer. While paying hefty transportation costs to ship an order at the last minute erodes your profit margin.

Maintaining accurate PO data on lead times and delivery dates has an enormous impact on your ability to deliver on time. Without accurate inventory, production shuts down and manufacturers start missing ship dates.





In order to ensure on-time delivery, manufacturers often order parts well in advance of demand. However, ordering too soon or buying too much buffer stock ties up working capital. And, ordering too close to due dates when a part is actually needed presents too much risk of late-delivery if a supplier is delayed.

Accurate lead times are as important as accurate quantity, pricing, and delivery dates. With sometimes hundreds of open orders, manufacturers don't have time to verify that the lead time is accurate for each part. Often, they just have to trust that their supplier is going to deliver and stay true to their commitment. If the supplier's lead times are inaccurate, you risk holding too much inventory, or worse, missing a delivery date and upsetting your customers.

Excessive transportation costs are another drain on cash. Industry experts estimate that inaccurate freight bills and a failure to comply with established routing guidelines alone can add an estimated 6% to annual shipping costs. These inefficiencies may be outside of a manufacturer's ability to control, but paying for expedited shipping to ensure an on-time delivery commonly the last resort.



Mitigating The Risk Of On-time Delivery

Ensuring that your procurement team orders the necessary parts with the appropriate amount of lead time and delivery dates and that your supplier delivers the correct quantity are difficult tasks. Especially when they're tracking information through disparate emails and spreadsheets.

You can reduce the risk of not meeting on-time delivery by consolidating and streamlining the methods of communication between buyers and suppliers. Collaboration is key. With greater transparency and accountability, you can recognize delays before they hit and adjust accordingly.




Eliminate Inaccurate Quantity and Lead Time Data

Universal Electric Corporation, a manufacturer of commercial strength, customizable electrical power distribution products, struggled with on-time delivery because of inaccurate lead times and delivery dates. Their products required their procurement team to work on POs containing hundreds of parts. UEC's buyers spent a significant amount of time adjusting production timelines because of delays.



You shut down your customer if you don't get a part... If a supplier loses a PO or fails to acknowledge one, the clock starts ticking all over again. We make sure we get parts well in advance since late receipts create huge manufacturing inefficiencies.

BRIAN MADEN, GLOBAL SUPPLY MANAGER
UNIVERSAL ELECTRIC CORPORATION



Using SourceDay, UEC was able to meet on-time delivery without spending their profit margin on expedited shipping costs. With improved supplier collaboration, a single platform for communication, and transparent PO data, UEC's buyers were able to avoid costly surprises and decrease the number of orders that need to be expedited.

SourceDay offers a centralized location that makes vendor updates easily accessible, promoting users to be accountable for ensuring data is up to date and accurate.

BRIAN MADEN, GLOBAL SUPPLY MANAGER
UNIVERSAL ELECTRIC CORPORATION

2ND HIDDEN SUPPLY CHAIN RISK

Overpaying Suppliers

What's your largest category of spending? Vendor payments are probably at the top of the list. Overpaying suppliers based on inaccurate invoices can pose a huge risk. Thinner profit margins and less cash on hand means your business is more exposed. Plus, mismatched invoices means your accounts payable department has to take the time to chase down and resolve discrepancies. With your accounts payable team stuck chasing invoices, they're unable to take advantage of 2-3% early payment discounts from suppliers. Your business doesn't get the best deal possible on orders, and your suppliers are paid slower than they want to be.





Mitigating The Risk Of Overpaying Suppliers

Once a PO is created and emailed to a vendor, all communication and any changes are recorded manually—or worse, not tracked at all. Details can easily get lost in the shuffle. When PO changes are not recorded in the ERP, the AP department unknowingly receives an incorrect invoice. In fact, nearly 88% of manual AP documents have erroneous data-entry occurrences.

Instead of treating the symptoms of overpayment, you need to look to the source: mismatched invoices caused by inefficient supplier collaboration. You need a dependable way to track PO changes, receipt data, and check the accuracy of your invoices.




Eliminate Mismatched Invoices

Napoleon Products, North America's largest privately-owned manufacturer of outdoor living products and heating & cooling products, struggled to maintain customer satisfaction and avoid product margin erosion in the midst of high growth. Their AP department dealt with thousands of incorrect invoices per year, ultimately driving higher labor costs.

Napoleon's Accounts Payable department was unable to process invoices quickly in order to earn discounts from suppliers. And, their procurement team struggled to make decisions without accurate supplier pricing, quantity, and lead-time data.

SourceDay's all-in-one PO and AP Collaboration solution helped Napoleon decrease the number of mismatched POs and invoices by 90% using real-time data and 3-way vouchering. By automatically comparing POs, receipts, and invoices to identify and resolve discrepancies, SourceDay enabled Napoleon to unlock supplier discounts, and improve the accuracy of their PO data.

88% of manual AP documents have erroneous data-entry occurrences.



Automatic 3-way match compares invoices to purchase orders to receipts, so accuracy is always confirmed. Plus, matched invoices are instantly vouchered in your ERP, which means you can take advantage of early payment discounts.

For us, the critical issue was to streamline and error-proof the communications and acknowledgment process across our procurement, accounts payable and vendors... SourceDay provides us a platform where communication is all orchestrated in one place.

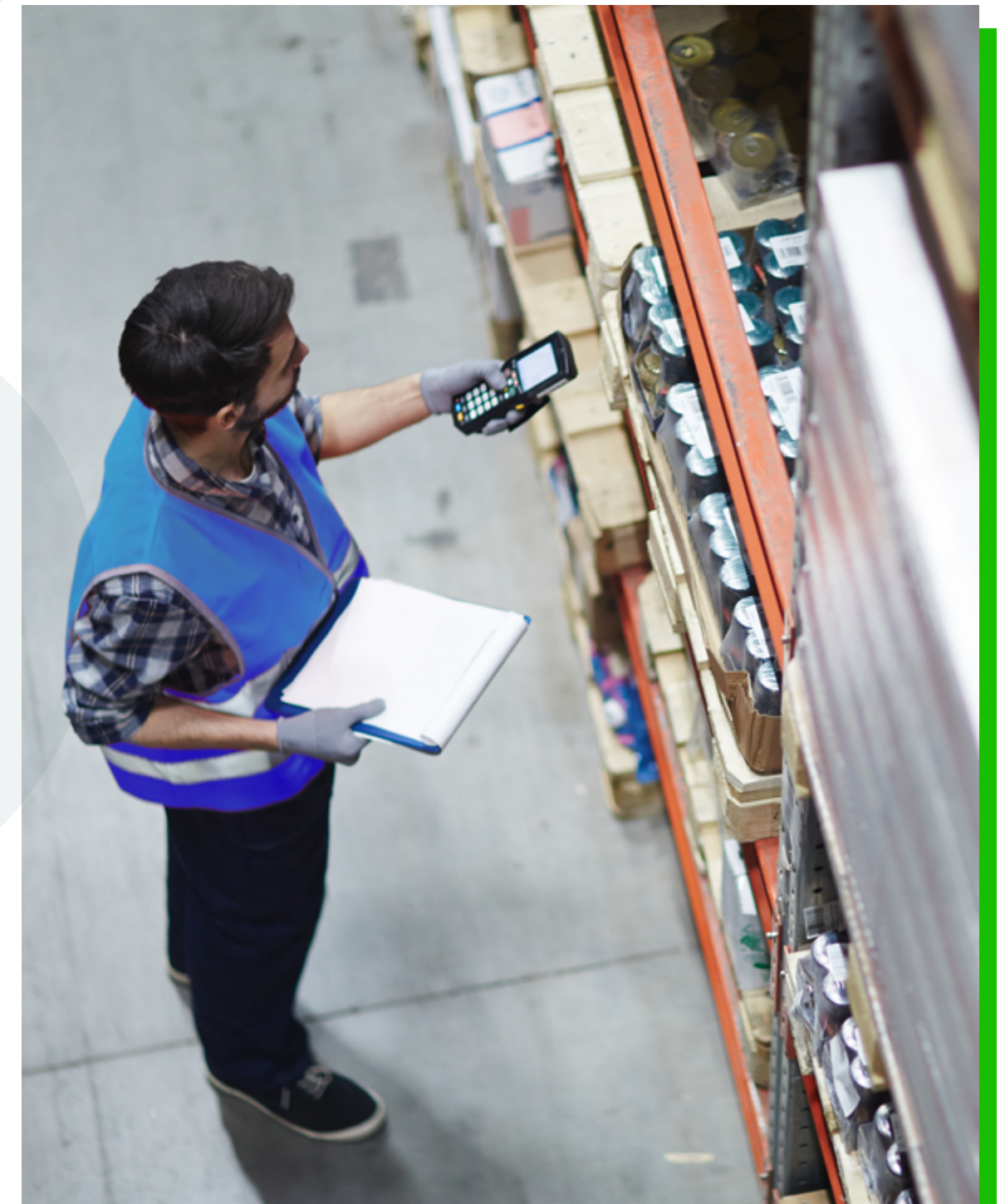
LOUISE MAYER, ERP IMPROVEMENT MANAGER
NAPOLEON

3RD HIDDEN SUPPLY CHAIN RISK

Inventory Management

Holding the right amount of safety or buffer stock is a tricky balancing act. Carry too little and your business risks being unprepared for supplier shortages or the unexpected. Should something happen to one of your suppliers, you'd be unable to meet customer demand. However, with too much safety stock, your business can be left strapped for resources—stuck with extra inventory and all of the costs associated with managing it.

Experts estimate that it costs an average of \$120 to \$150 per purchase order to manage inventory errors, track down missing paperwork, incorrect pricing, paying incorrect invoices, inventory delivery delays through manual receiving processes, and more. Putting out these fires is hugely time-consuming for AP departments and distracts them from more strategic projects.





Mitigating The Risk Of Inventory Management

Reducing risk around inventory starts with improving your supply chain's reliability. In order to prevent stock-outs, procurement teams order parts based on expected lead times, actual lead times, forecasts, work orders, and customer demand. Without a tool to track and manage supplier performance, it's nearly impossible to accurately manage material demand.

It's not good enough for just your procurement team to have accurate PO data in an email. Your ERP needs accurate PO data entered in a timely manner so your entire business can make informed decisions with up-to-date details on price, quantity, and lead time. Plus, your demand planning engine (Materials Resource Planning / MRP) needs accurate information to plan with.

Knowing which suppliers you can rely on and being able to trust the supplier fulfillment data in your ERP is the winning combination you need to avoid over- or under-buying.



Increasing Accountability and Visibility


Rocore, a manufacturer of heat exchange products and services, must regularly grade their suppliers on pricing, on-time delivery, responsiveness, and quality in order to be ISO 9000 compliant. They depend on SourceDay's supplier scorecard to ensure that their suppliers can meet their commitments.

“We can see shipping dates, shipping confirmations, what orders are hot and which vendors need a prompting—all in one place.”

TINA GROW, IT DIRECTOR

ROCORE

Rocore also uses SourceDay's Advance Shipping Notices to print a standardized barcode with every shipment, shortening receiving time and reducing errors. Meaning Rocore's work centers receive their orders the day it hits the dock, instead of a typical 24-hour turnaround. ASNs provide transparency around shipments and allows buyers and suppliers to manage shipping information in real-time.



SourceDay seamlessly connects with all standard ERP systems. So, every update throughout your entire procurement process is instantly visible to your entire organization. With accurate, real-time data, your ERP can plan optimal inventory levels. The platform also enables you to hold suppliers accountable with Supplier Scorecards that measure the metrics that matter most like price variance, on-time delivery, quality, and responsiveness.

It's very difficult and very expensive for us to have late products. We needed something that was going to give buyers more visibility.

TINA GROW, IT DIRECTOR
ROCORE

4TH MAJOR SUPPLY CHAIN RISK

Employee Productivity

Employee productivity and turnover have a direct impact on company revenue and profitability. Procurement teams have to deal with the same tedious and seemingly never ending tasks of checking open orders and chasing down PO changes each and every day. The constant fire drills often lead to burnout and errors. And when an employee leaves, order details are often lost in inboxes and notes are indecipherable to the co-workers left to pick up the pieces. Valuable relationships with supply chain partners are impacted. And your business is forced to hastily rehire to keep orders moving.





Mitigating The Risk Of Employee Productivity

The countless hours spent manually chasing down changes to pricing, quantities, lead times, and delivery dates can be draining for even the most dedicated employees. The sheer volume of updates and the lack of a consistent process for communicating and tracking them can feel overwhelming.

Empowering your procurement team with modern collaboration tools can help your employees be more efficient and feel more fulfilled in their jobs.

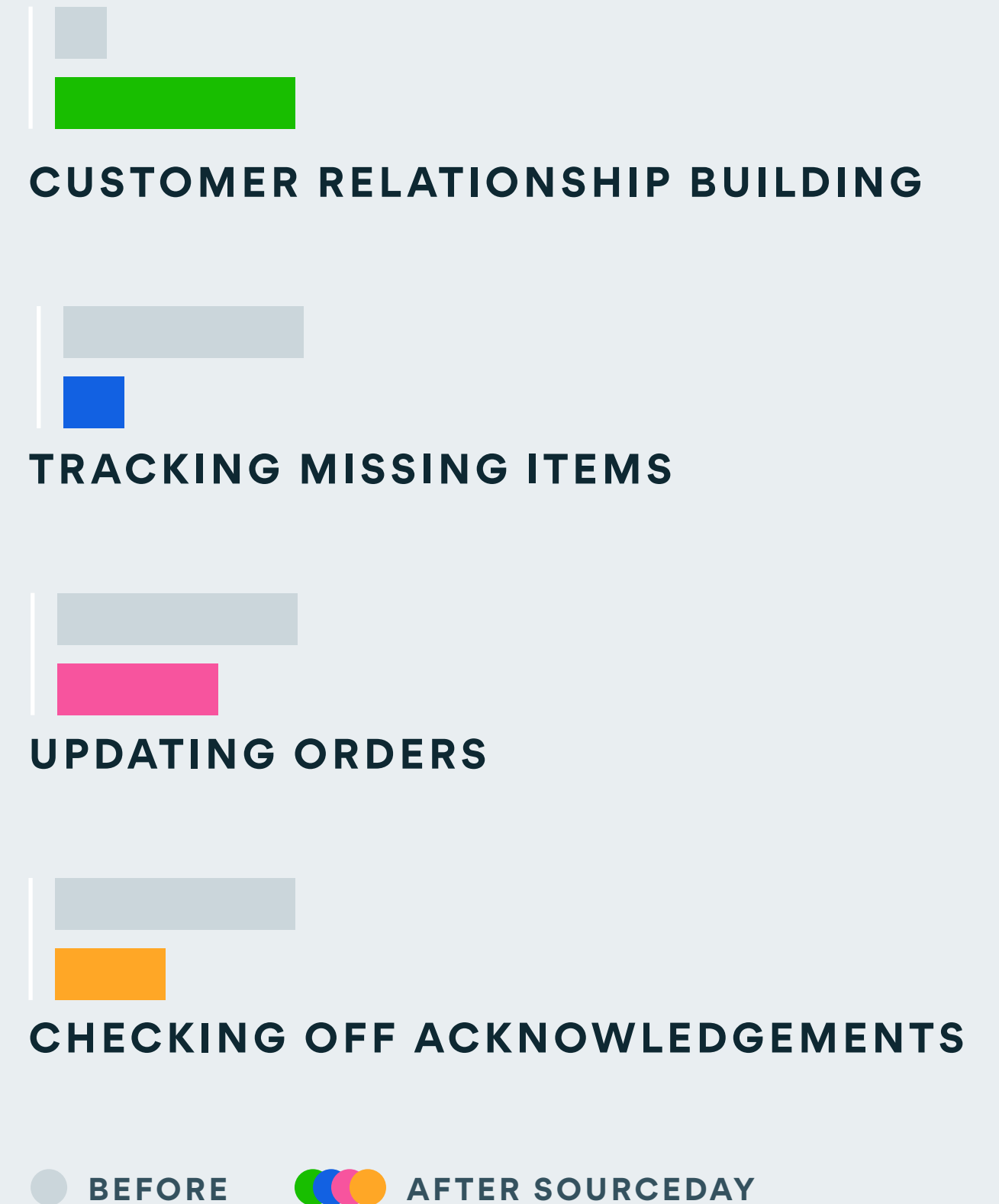



Empowering Procurement Teams

SourceDay digitizes and standardizes communication between buyers and suppliers to reduce delays, errors, and frustrations. By eliminating the need to constantly chase down changes, SourceDay enables employees to focus on more strategic initiatives.

SMC Corporation specializes in pneumatic control engineering to support industrial automation. They've seen a renewed sense of purpose and fulfillment from their employees since adopting SourceDay's modern supplier collaboration engine.

Workload with SourceDay





Manually managing POs was a time-consuming and error-prone process. With the purchase order processes transformed, Zielinski estimates he saves at least one hour per day, which allows him to dedicate more time to customer relationship building.

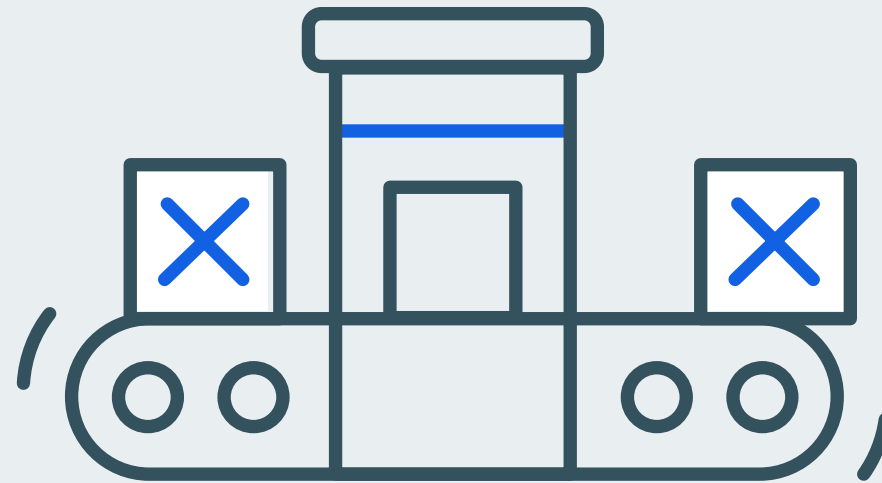
The first thing I do every morning is check order updates and in the past, this cross-checking process was tedious but necessary. With a single click, SourceDay helps me keep track of which orders are open and which need to be closed.

KENNY ZIELINKSI, ACCOUNT REPRESENTATIVE
SMC CORPORATION

Removing Supply Chain Risk Starts with Building Trust

The cliché that 'change is the only constant' is certainly true in procurement. Order details are constantly changing and it's practically impossible to keep up with emails and spreadsheets. And manually updating ERP systems is prone to errors and wastes time.

Your buyers and suppliers need a better way to communicate. And your entire organization needs accurate data on every line of every supplier PO. A modern approach to supplier collaboration is the key to reducing risk and unlocking a healthy and transparent supply chain.



What if everyone had access to accurate, real-time information about your purchase orders and the ability to act on it? When you can trust your PO data, you can trust your supply chain.



6 Ways To Minimize Supply Chain Risks & Streamline Supplier Collaboration

The inefficiencies and resulting risks in today's supply chain seem unavoidable. So, what can you do about them? There's no need to feel stuck using manual processes, email, and phone calls to manage your orders. You can modernize how you collaborate with your suppliers in the same way you update other parts of the business - through technology and managed services. As you start your search for the right technology-based solution, we've determined six requirements your solution must have.

1. Adopt a portal that's purpose-built for direct spend.

Procurement has unique and specific requirements, since it's tied to a company's MRP system, demand planning, and cost of goods sold (COGS). So, it's important to use a solution that takes those needs into account and streamlines communication between buyers and sellers for consistency and tracking.

2. Manage exceptions using prescriptive workflow.

Implementing a centralized platform that surfaces exceptions and uses prescriptive workflow to drive behavior ensures that nothing falls through the cracks. So, no one wastes time chasing email and spreadsheets.

3. Embrace the Cloud and abandon 'on prem' solutions.

Using a cloud-based solution means you can be more agile. It's important to look for a solution that doesn't put a burden on your IT department. Finding a software solution that requires minimal IT resources and helps you innovate without having to upgrade is key.

4. Fully Integrate with any ERP (or more than one).

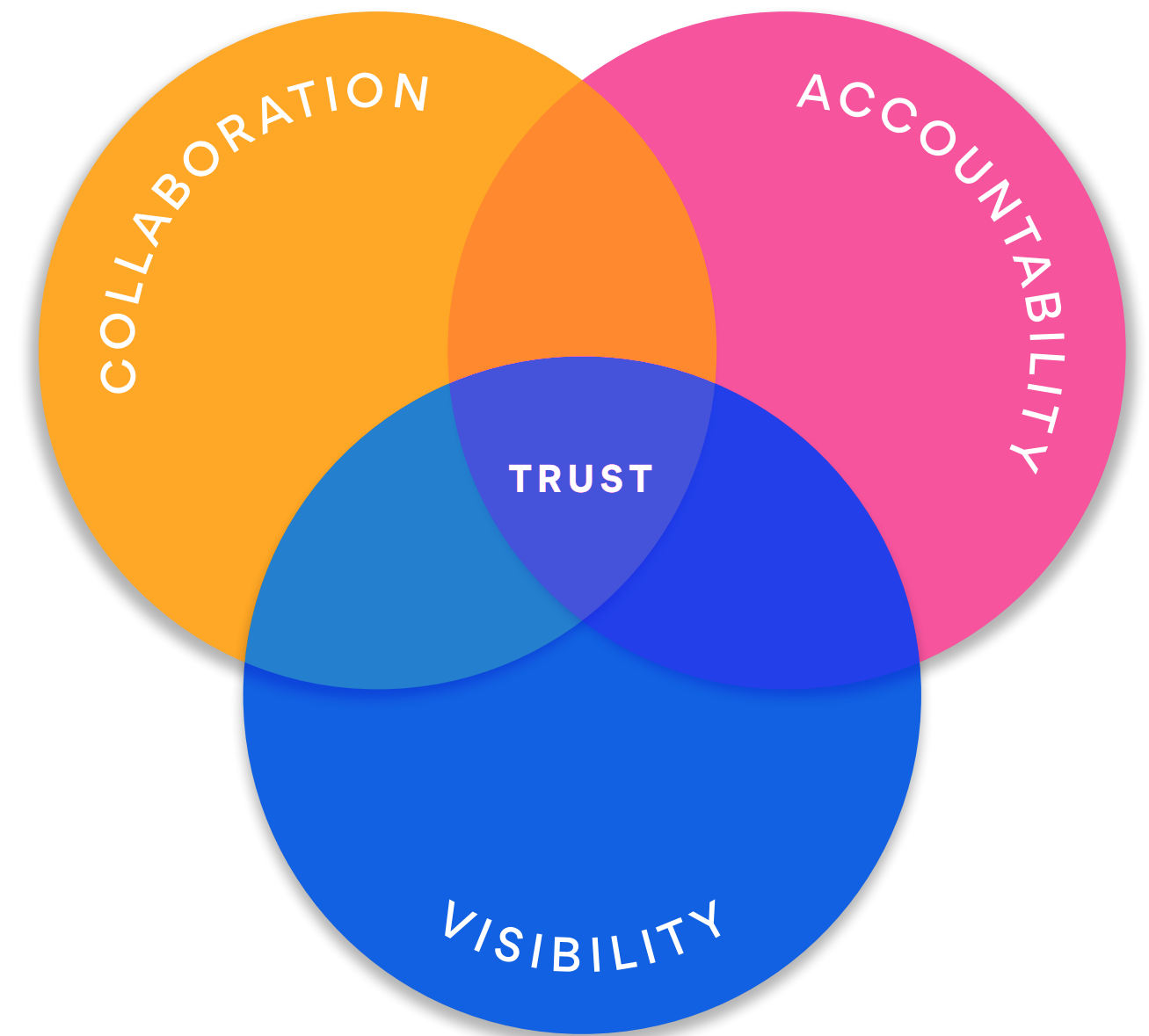
Improving communication between buyers and suppliers is only half the job. From RFQ, to POs, to invoice processing and vouchering, transmitting all that data back to your ERP lets everyone from your planning, purchasing, scheduling and finance teams know what to expect on every order.

5. Guarantee supplier adoption.

The best technical solution isn't any good if everyone isn't using it. Improving supplier adoption often means an increased burden on IT departments. So, driving supplier adoption through a software solution that offers training and support while providing a smooth user experience is paramount. Most importantly, finding a solution that provides unlimited support for both buyers and suppliers can help ensure smooth adoption.

6. Gain insight from real-time reporting and supplier scorecards.

Adopting a centralized platform with baked in analytics would not only help improve decision-making; it'd build mutual visibility that allows everyone to hold each other accountable. The ability to rate and review supplier performance would also improve responsiveness.



Who Benefits The Most From Modernizing Supplier Collaboration?

Supplier collaboration is the backbone of a healthy supply chain. The ability to develop prescriptive workflows between buyers and suppliers directly impacts a company's ability to deliver to their customers and turn a profit.

Working more collaboratively with suppliers can have advantages for planning, scheduling, production, warehouse receiving, finance and accounts payable, sales, customer service, and ultimately your customers because your company is able to deliver on-time more reliably.

Modernizing supplier collaboration is the most efficient and effective means of reducing supply chain risk. With accurate and real-time data, you can prevent overpaying, reduce inventory, increase employee productivity, and meet more commitments.

PROCUREMENT & OPERATIONS

- ▶ Prevents misses
- ▶ Improves on-time delivery of inventory
- ▶ Lower inventory costs
- ▶ Reduces safety stock
- ▶ Guaranteed supplier adoption
- ▶ Saves time

FINANCE

- ▶ Prevents overpayments to suppliers
- ▶ Cuts expedite fees
- ▶ Frees up working capital
- ▶ Accelerates revenue

IT DEPARTMENT

- ▶ Integrates with all ERP systems
- ▶ Supplier PO data the whole company can count on
- ▶ One solution for RFQ, POs, Quality, and AP
- ▶ Cloud software + managed service = low IT effort to implement and maintain



About SourceDay

SourceDay is the collaboration engine that brings people, information, and processes together to modernize how companies work with their suppliers. The company's cloud-based solution and managed services drive collaboration to prevent all the reasons companies miss and helps them ship orders on-time. From Fortune 100 companies to mid-size manufacturers, thousands of companies use SourceDay to connect their teams and vendors/suppliers, centralize order data, and drive their businesses forward.

WANT TO KNOW MORE?

Browse our case studies and videos.

[View Resources](#)



SEE IT IN ACTION.

Schedule a free demo with a member of the SourceDay team.

[Schedule a Demo](#)

