

Approved Vendor List (AVL): Managing approved suppliers in a structured way

The Approved Vendor List (AVL) is the central register of all suppliers approved for procurement within a company. It documents which providers are qualified for which material groups, materials or manufacturing processes, and under what conditions they may be procured from. For technical buyers and manufacturing companies, the AVL is therefore both a management tool, a quality gate and the foundation of audit-proof procurement processes. Without a well-maintained AVL, companies risk opaque sourcing, quality fluctuations and a lack of traceability towards customers and certification bodies.

Key facts

- The AVL lists only audited and approved suppliers with valid approval for defined material groups or parts.
- It is frequently required as documentary evidence under quality management standards such as ISO 9001 and industry standards such as IATF 16949.
- Approval, monitoring and, where applicable, blocking of a supplier typically follow a fixed audit and requalification cycle.
- In ERP or e-procurement systems, the AVL is usually stored as the authoritative source list and controls purchase order release.
- Distinction: the ASL (Approved Supplier List) is largely equivalent in content, whereas the AMPL (Approved Manufacturer Parts List) additionally maps approved manufacturers and parts of a product.

Definition: Approved Vendor List

The Approved Vendor List (AVL) is the official register of all suppliers approved by the company, organised by supplier, material group, product category or part number. It defines which sources may be procured from and is therefore the counterpart to non-approved or blocked providers.

Contents of an AVL in detail

A practical AVL contains far more than names and addresses. Typical fields include the supplier number, approved commodity groups and materials, applicable framework agreements and price arrangements such as a volume rebate, agreed delivery terms such as FCA or FAS, and contacts for ordering and complaints. Quality data such as the documented fill rate or the agreed backorder rate is also increasingly included, as are details of warranty agreements and preferred payment terms.

- Supplier data: number, location, contacts, certifications
- Approval scope: material groups, part families, manufacturing processes
- Contractual data: terms and conditions, payment terms, delivery terms (Incoterms)
- Quality and performance commitments: fill rate, complaint rate, response times

AVL, ASL and AMPL: keeping terms clearly apart

In practice, the abbreviations AVL and ASL (Approved Supplier List) are used synonymously. The AMPL (Approved Manufacturer Parts List) goes further: it assigns approved manufacturers and manufacturer part numbers to each component of a product and is particularly relevant in electronics and automotive development projects. Separating terminology and system logic early on avoids later coordination effort between engineering and procurement.

Why the AVL is a mandatory instrument

Certification and customer audits require traceable criteria for how suppliers are selected, monitored and excluded. The AVL provides this evidence and also protects the buyer: anyone procuring outside the list is frequently acting in breach of the rules. The AVL is therefore also an element of category governance, which defines responsibilities and decision-making authority per procurement category.

Structure and maintenance of the Approved Vendor List

An AVL is only useful if it is kept up to date, hierarchically structured and system-supported. Its set-up typically follows a standardised approval process, and its maintenance is an ongoing task.

Supplier qualification and approval process

Before being admitted, a supplier undergoes a structured qualification process: self-disclosure, certificate verification, a works audit where applicable, and sample approval for critical parts. Only then is approval granted with a defined scope. For initial price determination, total cost of ownership calculations and a transparent freight cost breakdown prove their worth, as they reveal hidden costs before a framework agreement is concluded.

Grading, alternative sources and dual sourcing

Many companies classify approved suppliers, for example as preferred, approved with restrictions, or for emergency procurement only. For critical parts, at least two approved sources are recommended to enable a rapid switchover in the event of failures. Where single sourcing is unavoidable, for example in toolmaking procurement or specialised outsourced manufacturing, risks should be mitigated through early-warning indicators and contractual escalation mechanisms such as an escalation clause.

System support and lifecycle maintenance

In ERP and e-procurement systems, the AVL is stored as a source list per material master; purchase orders outside the approval typically trigger a blocking or approval workflow. Lifecycle management is key: after certificate expiry, deterioration in delivery performance or changes of ownership, requalification follows, otherwise blocking. Contractual pitfalls such as automatic contract renewal can also be managed centrally in the AVL if contract end dates and notice periods are documented per supplier.

Key KPIs for supplier monitoring

The AVL is not a static register but the basis of continuous supplier evaluation. Measurable metrics determine whether a supplier remains preferred, is requalified or is blocked.

Delivery reliability and availability

Key metrics are on-time delivery, the fill rate for quantities delivered to customers and the backorder rate

for items not immediately available. Anyone measuring these values continuously per AVL supplier will detect performance slumps before they jeopardise production or delivery, and can trigger supplier escalation in good time.

Quality and complaints

Standard metrics include the complaint rate, the number of relevant 8D reports and first-run capability for new parts. For critical materials and manufacturing processes, process and product audits supplement the metrics. Certain evidence, such as a supplier energy audit, is gaining additional importance as customers' sustainability requirements feed into supplier evaluation.

Commercial metrics

In addition to performance indicators, commercial factors matter: development of purchase volume per supplier, achieved price movements, early payment discount utilisation and the cash flow impact of payment terms. Anticipated credit risks, for example in the context of forfaiting in international business, can also be included in the evaluation. A balanced scorecard approach weights quality, logistics, cost and service differently per material group.

Risks and controls around the AVL

Even a formal AVL carries risks if it is not actively maintained: outdated entries, unauthorised third-party sourcing or apparent compliance without real capability. Effective controls are therefore part of the process.

Shadow purchasing and circumvention of approvals

Procurement outside the AVL, often referred to as shadow purchasing, bypasses qualification and agreed terms. Countermeasures include purchase order blocks in the ERP system, clear exception rules with deviation approval and regular analyses of supplier master data. Anyone wishing to act quickly during shortages should have a pre-defined emergency process rather than simply ordering outside the approved sources.

Dependencies and single-source risks

The longer a supplier has been on the AVL, the greater dependencies can become, for example through tooling investments, knowledge transfer or inventory coverage agreements. Early-warning indicators such as increasing lead times, supplier payment default or quality drift help to identify critical developments early. Where advance payments are made for services, or where the supplier subcontracts to sub-tier providers, contractual provisions should specify which control and recourse rights apply.

Legal and documentary requirements

The AVL is part of the documented supply chain and may be invoked in audits, product liability cases and recourse claims. In international procurement, export controls, sanctions list screening and industry-specific certificates must be observed. As approval arrangements differ by industry and contractual setup, contractual and legal questions should be reviewed by legal counsel on a case-by-case basis.

Current developments: digitalisation and sustainability in AVL maintenance

The AVL is evolving from a static register into a dynamic management tool linked with platforms, AI-supported market analysis and sustainability data.

Automation and e-procurement integration

Modern e-procurement systems link the AVL directly with catalogues, ordering workflows and requests for quotations in tender management. In this way, new sources arising from structured enquiries automatically enter the qualification process, and price comparisons are made only among approved providers. AI-supported analytics help to propose candidates for new qualifications based on market data, performance history and risk indicators.

Sustainability and supply chain transparency

Sustainability and supply chain due diligence requirements shift additional verification areas into supplier approval: labour and human rights risks, CO2 data, circular economy and energy efficiency of suppliers. Many companies extend their AVL with sustainability scores and link them to repeat audits. This also affects procurement strategy, as approved sources are increasingly assessed on overall impact rather than unit price alone.

Resilience and strategic dual-sourcing strategy

Supply chain disruptions have heightened awareness of resilience: companies systematically review critical material groups for alternative sources and deliberately add regionally diversified suppliers to the AVL. The combination of a second source, increased safety stocks with defined inventory coverage and clear fallback logic makes the AVL the linchpin between operational procurement and risk management.

Typical metrics

On-Time Delivery: typically $\geq 95\text{--}98\%$

Define a threshold per material group; falling below it triggers requalification

Complaint Rate: often $< 1\%$ of delivery items

varies depending on industry risk; assess critical parts more strictly

Backorder Rate: typically $< 5\%$

proportion of items not deliverable by the agreed date

AVL Coverage: Target: $> 95\%$ of purchase volume from approved sources

Proportion of procurement spend outside the AVL as a control metric

Practical example

A medium-sized mechanical engineering company with around 350 active suppliers discovered during a customer audit that some machined parts had also been sourced from non-approved providers because the AVL had been incompletely maintained in the ERP system. The company subsequently rebuilt its source list, defined approval levels and introduced quarterly supplier assessments with fixed KPI thresholds. In addition, dual sourcing was established for critical clamping parts and toolmaking procurement in order to limit supply failure risks.

- Complete requalification of all active suppliers with documented approval scope in the ERP

- Automatic purchase order block for non-approved sources with a defined deviation approval process
- Quarterly scorecards on on-time delivery, complaint rate and commercial metrics per supplier
- Establishment of second sources for single-sourced parts, including tool duplication for critical injection-moulded components

Conclusion

The Approved Vendor List is far more than a supplier list: it is the central management tool for quality, risk management and cost efficiency in technical procurement. It only delivers its full effect if approval criteria are transparent, maintenance processes are binding and evaluations are continuous.

Companies that systematically integrate the AVL with ERP, e-procurement and supplier performance management gain audit-proof processes and faster responsiveness in the event of disruptions. Those who, by contrast, fail to maintain a list once created risk shadow purchasing, quality risks and dependencies on unverified sources. Investment in AVL quality therefore regularly pays for itself through lower complaint costs, more stable supply chains and negotiable purchase volumes.

Frequently asked questions

What is an Approved Vendor List (AVL)?

The Approved Vendor List is the official register of all approved suppliers of a company, organised by material groups, parts or manufacturing processes. Only providers who have completed a defined qualification process may be procured from. In ERP systems, the AVL acts as a source list controlling purchase order release.

What is the difference between AVL and ASL?

AVL (Approved Vendor List) and ASL (Approved Supplier List) are used interchangeably in practice and refer to the same approved supplier list. The AMPL (Approved Manufacturer Parts List) goes further and specifies, per component, the approved manufacturers and manufacturer part numbers, particularly in electronics and automotive projects.

How does a supplier get onto the AVL?

Typically, the provider goes through a structured qualification process: self-disclosure, certificate verification (e.g. ISO 9001), a works audit where applicable, and sample approval for critical parts. Only after a documented assessment is approval granted with a defined scope. This is followed by continuous monitoring with recurring requalifications.

Is an AVL mandatory under ISO 9001?

ISO 9001 requires, in Clause 8.4, the control of externally provided processes, products and services, including selection criteria, evaluation and re-evaluation, without explicitly prescribing an AVL. In practice, the approved list is accepted as standard evidence of this. Industry standards such as IATF 16949 place significantly stricter requirements on documented supplier approval.

How often should an AVL be updated?

Best practice is an annual re-evaluation of all active suppliers, plus event-driven updates in the event of quality problems, certificate expiries or changes of ownership. Critical suppliers are often assessed quarterly. It is important that blocks and approval levels are updated promptly in the ERP system.

What risks arise from procurement outside the AVL?

Procurement from non-approved sources bypasses quality, compliance and commercial controls and can be documented as a non-conformity during audits. Typical consequences include material defects, lack of traceability in recourse claims and lost negotiating leverage. Countermeasures include ERP blocks, a clear deviation approval process and a pre-defined emergency procurement process.