

Vendor Master Data: The Data Foundation of Supplier Accounting

Vendor master data are the master records of all suppliers in a company's ERP or financial system. They include address data, bank details, payment terms, tax information and organisational units such as purchasing organisation and company code. Without high-quality and secure vendor master data, neither automated invoice processing nor structured supplier management can function.

Key facts

- Vendor master data describe suppliers uniformly via number, address, bank details, terms and tax characteristics.
- They connect purchasing, goods receipt and financial accounting and are a prerequisite for automated invoice verification.
- Bank detail changes are the most common target of fraudsters and require strict four-eyes control.
- Typical practical targets are a duplicate rate below 1% and master data creation within one to three working days.
- Data quality directly influences early payment discount utilisation, working capital management and the company's compliance.
- Digital enrichment via external sources such as the DUNS number significantly reduces manual maintenance and error rates.

Definition: vendor master data

Vendor master data are the central, permanently maintained record of a supplier in the company system. Unlike transactional data such as purchase orders or invoices, they change only rarely but are required for every transaction.

Content of vendor master data

A complete record typically contains the vendor number, name and address, VAT identification number or tax number, bank details with IBAN and BIC, payment terms, Incoterms references, language and channel settings as well as assignments to purchasing groups, company code and payment method. In ERP systems such as SAP, these fields are organised in views that are authorised per department.

- General data: name, address, communication channels, vendor number
- Accounting data: bank details, terms, payment blocks, reconciliation account
- Purchasing data: order terms, purchasing groups, supply relationships, order texts

Distinction from customer and material master data

Vendor master data relate to the receipt of goods and services and payments to suppliers; customer master data relate to customers and incoming payments. Material master data describe goods and services and reference the vendors via supplier material numbers. All three data areas must be

consistent so that the complete process from enquiry to payment runs without errors.

Processes around vendor master data

The life cycle of vendor master data follows the supplier life cycle: creation, change, block and deletion. A controlled process prevents errors and misuse.

Creation of new vendors

Before a supplier may deliver for the first time, the master data are created. The trigger is typically the purchasing department after supplier selection, often supplemented by an onboarding form completed by the supplier. For verification, the specialist department checks commercial documents such as an extract from the commercial register and a bank confirmation; external identifiers such as the DUNS number facilitate the unambiguous assignment of corporate structures. Only after approval by a second employee are the data activated.

- Supplier provides data via a self-service portal or form
- Purchasing checks completeness against the process's requirements catalogue
- Financial accounting validates bank and tax data using the four-eyes principle
- Activation with defined initial terms and payment method

Changes, blocks and cleansing

Changes – in particular to bank details, address or terms – must be documented, authorised and logged in a traceable manner. In practice, inactive suppliers are typically blocked after twelve to 24 months without a transaction and deleted after further years. Regular cleansing with a data quality report shows progress on completeness, currency and duplicates.

Important KPIs for vendor master data

Data quality can be measured and integrated into ongoing steering committees. Good key figures relate to completeness, correctness and process speed.

Data quality key figures

Typical KPIs are the completeness rate (share of suppliers with a complete set of mandatory fields), the duplicate rate, the error rate in accounting approvals and the lead time from request to activation. In addition, the number of blocked legacy records and the rate of unused terms fields indicate potential for improvement. These values should regularly feed into a data quality report and be reported to supplier management.

Impact on financial key figures

Correct payment terms and the utilisation of all early payment discount and bonus agreements have a direct impact on liquidity and interest costs. An incorrectly maintained terms field can cause early payment discounts to lapse or payment deadlines to be exceeded or missed. Master data maintenance is therefore an often underestimated lever in working capital management and also influences the assessment of the early payment discount process.

Risks and controls for vendor master data

Vendor master data are a classic field of fraud and compliance risk. It takes a single unnoticed bank

detail change for adversaries to redirect payments.

Recognising fraud patterns

Typical attacks are fake bank detail change emails apparently from the supplier, duplicates with a minimally deviating address and fictitious vendors with neutral pooled accounts. In practice, a structured risk analysis before every change – call-back to the supplier via an already stored contact address, comparison with existing data, check of the IBAN account holder – is standard. Finance staff must be trained to recognise suspicious change requests and to establish an emergency team of purchasing and accounting for the worst case.

Organisational and system controls

Core controls are the four-eyes principle for creation and change, segregated authorisations between master data maintenance and invoice posting, and an audit trail over all field changes. Another proven rule: payments are made exclusively to accounts maintained in the system, never to new bank details stated on invoices. External checks via the commercial register, tax data and rating databases secure the identity of the business partner.

Compliance and regulatory requirements

Master data also serve to meet tax and commercial law obligations, e.g. regarding invoice information, VAT verification obligations or sanctions list screening in the context of export control. Which documentation and verification obligations apply in each individual case depends on industry, location and business model and should be coordinated with tax advisors or the legal department.

Vendor master data in supplier management

Master data are the backbone of strategic and operational procurement processes. Anyone who wants to evaluate, compare or develop suppliers needs a sound data basis.

Data basis for supplier evaluation and sourcing

Supplier evaluations, supplier portfolio analyses and negotiations presuppose that suppliers are uniquely identified and consolidated – also across sites and company codes. Only then can operational KPIs such as delivery performance per supplier be correctly assigned. With multiple sourcing strategies and category governance decisions, only the consolidated master data basis shows which suppliers are actually active in the group and how the volume is distributed.

Digitalisation and automation

In practice, master data maintenance is increasingly moving away from manual entry: suppliers enter their data via self-service portals, external data providers deliver standard attributes automatically, and rules check fields for plausibility. Close coupling to the ordering process reduces deviations between master data and invoices and accelerates the goods receipt processing time – the entire process from order to payment. AI-supported duplicate checks and field extraction from documents complement the toolbox.

Typical metrics

Completeness rate: > 98%

Share of active suppliers with a complete set of mandatory fields

Duplicate rate: < 1%

Share of duplicates among all active vendors after cleansing

Vendor creation lead time: 1–3 working days

From request to system activation

Early payment discount utilisation: > 90%

Share of invoices for which the agreed early payment discount is taken

Practical example

A medium-sized mechanical engineering company with around 2,800 active suppliers found several thousand duplicates and outdated terms during an internal audit, causing early payment discounts to lapse. At the same time, there was an attempted fraud via a falsified bank detail change, which was only discovered by chance.

- Introduction of a supplier self-service portal with digital identity verification and IBAN confirmation
- Consistent four-eyes principle for every bank and terms change with a complete audit history
- Annual cleansing of legacy data with defined blocking and deletion rules
- Quarterly creation of a data quality report as a steering instrument for purchasing and accounting

Conclusion

At first glance, vendor master data seem unremarkable, but they decisively determine how smoothly purchasing, goods receipt and financial accounting work together. They are a prerequisite for automated invoice verification, correct terms and reliable supplier analyses. At the same time, they are a central fraud risk that can only be managed with clear controls and segregated authorisations. Companies that tackle data maintenance, verification and cleansing systematically save money in practice – through early payment discounts, less error handling and a lower risk of missed deadlines. Anyone who gives supplier master data priority lays the foundation for professional supplier management.

Frequently asked questions

What is vendor master data?

Vendor master data are the master records of a supplier in the ERP or accounting system, e.g. number, address, bank details, payment terms and tax characteristics. They are a prerequisite for purchase orders, invoice verification and payment execution. Unlike transactional data, they change rarely but must be kept permanently up to date.

Which fields belong to vendor master data?

Typical fields include the vendor number, name and address, VAT ID or tax number, bank details with IBAN and BIC, payment terms, reconciliation account, payment method and assignments such as purchasing group or supply relationship. In ERP systems such as SAP, these fields are organised in views separated for accounting and purchasing. A requirements catalogue defines which fields are mandatory.

Who maintains vendor master data in the company?

As a rule, purchasing and financial accounting share the responsibility: purchasing creates the supplier and maintains the purchasing data, while accounting is responsible for bank details, terms and tax

information. Larger companies have specialised master data teams or a shared service centre. In every case, a segregated authorisation concept with dual control (four-eyes principle) is essential.

How can you protect yourself against payment fraud when bank details change?

Every bank detail change should be verified by telephone via a contact already stored in the system – never using the contact details from the change request email itself. In addition, IBAN account-holder matching, consistent application of the four-eyes principle, an audit trail and training for affected staff help. Payments are only ever made to accounts verified in the system.

How often should vendor master data be reviewed?

In practice, annual full audits of active suppliers as well as continuous checks with every change have become established. Inactive suppliers are typically blocked after twelve to 24 months. A regular data quality report makes completeness, duplicates and error rates transparent.

What does poor vendor master data maintenance cost?

The consequences are varied: missed early payment discounts, duplicate payments to duplicates, payments to wrong accounts, delays in invoice processing and effort required for clarification. Strategic disadvantages also arise when supplier analyses are based on incomplete data. The precise quantification depends on the company, but the main levers usually lie in the early payment discount process and processing times.