

What is an Electronic Purchase Order?



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Streamline Your Purchase Orders

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An electronic purchase order is the same as a traditional purchase order, except that it is not placed on paper. It is a digital document that outlines the line items in an order, the terms and conditions both the buyer and seller must adhere to, pricing, delivery, and other information you'd expect to find on a PO. The paperless process saves time and money, when properly. A common used for electronic purchase orders is Electronic Data Interchange (EDI), a PO document in this format is an EDI 850.

Purchase orders are an essential part of running your business, keeping everyone accountable, and tracking spending. Using an electronic system compared to a paper one keeps everyone accountable because it alerts staff before they can spend over their budget. The system also helps to avoid duplicate invoices and addresses other discrepancies in real-time, helping to greatly reduce, or even eliminate fraud.

The Planergy purchase order system integrates with your enterprise resource planning (ERP) platform. You'll be able to use your existing purchase requisition

and approval process with granular control at the user level – ensuring people only have access to the suppliers and items they have the authority to request and authorize. You'll have complete control over the purchase order process based on your business and industry needs, with automatic approval routing and an audit trail that shows who took what actions and when.

The system will transmit all of your purchase orders electronically to all of your suppliers in real-time. This way they can easily access all your POs online to acknowledge your orders faster and send advance shipment notices in an instant.

Suppliers can also convert your purchase orders into invoices with the data you provide. This reduces the chance you'll be billed for items you didn't order or receive, which in turn makes things easier for your accounts payable department.

Save Manhours and Reduce Costs

Removing paper from your procurement process can help you achieve significant cost savings, but the problem isn't just paper. Manual processing takes time and compounds the issue. When you use electronic POs in your ERP, your supplier needs to have a way to receive them. If your buyers have to export the PO from your ERP and send it to the supplier via email, you've gotten rid of the paper, but are still relying on a manual process.

Planergy combines e-procurement with e-invoicing to let you maximize the benefits of the paperless process and ERP. It makes for easier supplier management because there's a user-friendly way for suppliers to transmit invoices for processing. Because Planergy gives you a centralized location to store all your purchase order requests, invoices, contracts, and more, inventory management, contract management, spend analysis, and accounts payable automation all becomes more efficient and effective.

You'll save money because you'll no longer have to pay your purchasing department and accounts payable department employees to work on the time-consuming business processes. Instead, they will be able to get more done because they will be able to focus their time and effort on other important tasks such as supply chain management and negotiating better terms with vendors. You'll be able to control costs a bit better because your costs for order processing and order management will be more manageable. And because the purchasing

workflows run smoother, you may even find that you'll save money because you'll be able to make early payments and better manage your cash flow.

Beyond this, you'll be able to set department budgets and spending limits for each transaction. This ensures an entry-level employee won't be able to approve purchases above a certain threshold without first getting approval from a supervisor or manager. You can also set budgets on a monthly basis, so you can give your team the freedom to purchase more during busier seasons when more inventory or supplies is needed. By budgeting and preventing procurement from exceeding that budget, you'll better be able to control costs.

Eliminating paper-based invoicing and turning to purchase order software will pay for itself much faster than you may realize.

How it Works

Planergy is flexible and customizable so it fits any business. With it, you create purchase orders, setup automatic approval routing, and supplier delivery. Your suppliers get access to an online supplier portal to access your purchase orders so they can send order acknowledgments and convert your POs to invoices.

1. An employee (buyer) will generate a purchase requisition which will then be sent to the appropriate staff member for approval, unless that person has the authority to approve it themselves.
2. When approved, the purchase requisition converts to a purchase order, which is then sent to the supplier immediately.
3. The supplier acknowledges receiving the PO.
4. Once the order is fulfilled, the supplier converts the PO to an invoice.
5. The invoice is matched to the original PO and Receipt of Goods in a process known as three-way matching. This ensures you're only paying for goods that you've both ordered and received.
6. Once matching is complete, the invoice goes straight into the ERP for payment.

The entire process is handled through automation, so there's no possibility of lost invoices or data entry errors that lead to incomplete or delayed payments. With this digital and automated system, suppliers get fast payment and buyers can capture discounts.

What's your goal today?

1. Use Planergy to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Purchase Order Software page to see how Planergy can digitize and automate your purchase order process saving you time and money.
- Learn about us, and our long history of helping companies just like yours.

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2. Download our guide “Indirect Spend Guide”

Download a free copy of our guide to better manage and make savings on your indirect spend. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

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