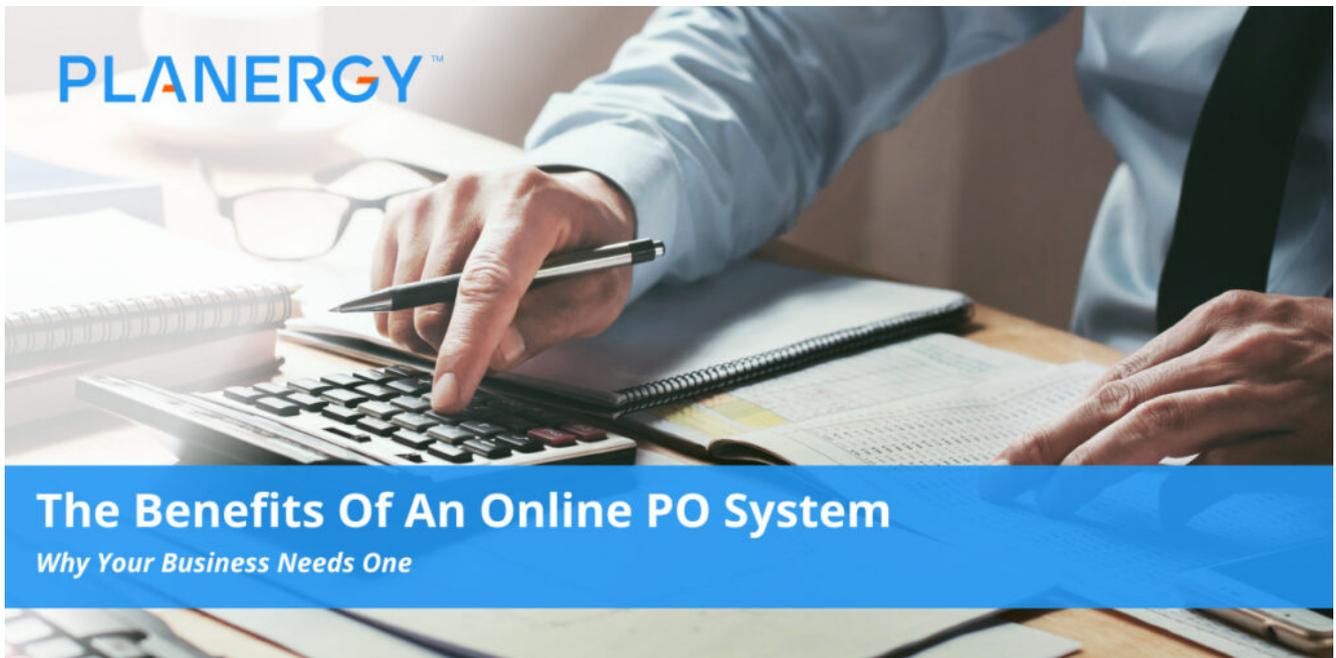


# The Benefits of an Online PO System



## The Benefits of an Online PO System

In the early days of your small business, it was likely easier to just purchase something and keep a record of it than to invest in a purchase order system to keep track of all it for you. But, as your business has grown, purchasing has grown too - and not keeping an eye on it could spell major disaster for your company in the long run.

An online PO system allows you to digitally create and submit purchase orders, track them and pay the invoices all from a central location. This makes it much easier to see who is spending what and where, and how well the company is sticking to the budget. Investing in purchase order software is an expense, but in the end, it's an investment that will pay for itself and help boost productivity because it helps to save time.

Let's take a look at some other benefits to your company.

## **Improved Accountability**

With an electronic purchase order system, every employee who will use the system has their own login information. Each user can be given the necessary permissions as dictated by business needs and the current approval process. Every action taken on a purchase requisition, purchase order, or invoice is recorded with a date and time stamp in an audit trail. This ensures that if and when a problem arises, it can be traced to the person or people who took action on that particular order. This accountability ensures people follow all the procurement process policies and procedures to keep things running smoothly.

## **Better Spend Visibility**

When you're just getting started, maintaining the appropriate cash flow is critical, yet can be difficult if your accounts receivable terms aren't in line with your spending. With purchase order software, you can get an instant look at where the money is going. This allows you to spot trends in the purchasing process so you know when you should look for different vendors, or when you have the leverage to negotiate better contract terms.

Consider this scenario: The accounts payable department receives a \$25,000 invoice from a vendor for sales and marketing spend. They had no idea the expense was coming in. Other departments, however, had been working with the vendor for the past three months, and it fell within their budget.

In this situation, finance would likely require the invoice to be approved before payment. And because of its amount, someone in the c-suite may also need to approve it. That's where having an online PO system proves beneficial.

Using the system would ensure that both finance and management of the expense. This not only helps them prepare to pay it when the invoice arrives, but also assists with budget forecasting. It also helps the company manage expenses proactively, rather than reactively, and promotes collaboration between departments.

## **Reduced Error Potential**

A paper-based purchase order and invoice system has a great potential for error.

They take longer to print, fill out, and approve, which eats up time that could be better spent on tasks such as negotiating better contract terms with suppliers. Not only this, but these papers can be misplaced, overlooked, and contain errors.

With an electronic PO system, everything remains digital so there's no risk of losing vital files. Approval workflows can be automated, and approval itself takes only a few seconds and clicks. When someone is out of the office, their approvals can be rerouted to another employee who's covering them, so that things keep moving smoothly.

If the system catches duplicate orders or invoices, you'll get flagged so you can resolve the issue, instead of making double payments and creating cash flow issues.

*Procurement errors cost money and waste time. Too much of this can wreak havoc on the profit margin.*

## **Access from Anywhere**

Because the purchasing system is online, you and your team can access it from anywhere there is an internet connection. This means no one is tied to their office, which makes things like purchase order approval much easier. As long as you have access to a web browser, you can use the procurement system from a computer, tablet, or mobile phone while you're on the go.

The ability to access the system from anywhere gives your company a great deal of freedom and flexibility, especially because you'll be able to access information in real-time, so you don't have to worry about duplicating tasks.

## **Better Supplier Relationship Management**

Procurement software does more than purchase order management. It also serves as a document management system where you can store contracts and other data for each of your suppliers.

Because supplier invoices are automatically associated with their corresponding purchase orders, your accounts payable department can ensure fast payment in accordance with contract terms. It's also possible that because you're no longer

dealing with the possibility of losing invoices, your vendors will be happier with you, and when you can pay the invoices early, you may be able to capture discounts to save the company even more money.

A purchase order system also makes it easier to identify and eliminate bad vendors. Using a poor supplier is not good for your long-term business health. The software makes it easier to see vendor patterns and determine whether the relationship is worth continuing.

## **Central Hub for Multiple Departments**

Your online purchase order software system provides a great deal of information about what's going on in your company. The C-suite can use it to get a quick look at financials. Other departments can use it to look at the goods and services coming in vs. what's going on out for better inventory management. The accounts payable department can quickly match purchase orders to the goods received, to the invoices, to make sure they're only paying what's approved and what's received. The procurement department can store important vendor information, such as catalogs of items with the best deals, contacts, and more. Everything syncs in real-time, so the information remains accurate across the board. Ultimately, it fosters departmental collaboration, which is essential for success.

A study by the non-profit Institute of Finance Operations revealed companies that use a digital purchase order management system experience a decline in invoice and payment errors, the majority also see a decline in fraud, and PO-based invoice vendors have increased by nearly 53%. Delaying your investment in e-procurement solutions could be more costly than working to establish a standardized digital purchase order process in your company.

## **What's your goal today?**

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