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Maximising Cost Savings with Procure-to-Pay

Seven reasons purchase orders matter, and how procure-to-pay in Axolt ERP turns them into control, visibility and savings across procurement.

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ABOUT THIS WHITEPAPER

This whitepaper explains why purchase orders are central to cost control, compliance and supplier relationships, and how procure-to-pay in Axolt ERP connects requisitioning, sourcing, inventory, invoicing and payables in one process.

WHO IT IS FOR

Procurement, finance and operations leaders, and the teams that manage suppliers, inventory and accounts payable.

Executive summary

Effective procurement can save a company significant amounts of money, through higher productivity, less idle time and efficiency gains along the value chain, from logistics and inventory management to order fulfilment and delivery.

In a competitive global marketplace, with more orders fulfilled across borders, businesses need tools that let them serve a diverse customer base across multiple projects, reliably and at any time.

Seven reasons purchase orders matter

An effective procure-to-pay (P2P) approach combines technology with operations management to produce purchase orders that deliver seven benefits. Select a reason to read more.

Purchase orders...	What the purchase order provides	Who benefits
01 Prevent duplicate orders	A unique identity for every order: PO number, materials, delivery date and SKU	Procurement and finance teams
02 Support audits	Evidence auditors use to verify reported operational data	Finance teams and auditors
03 Avoid surprise price rises	A record of prices across a contract's validity period	Procurement managers
04 Show incoming orders	Advance sight of demand to plan work and manufacturing	Suppliers and their customers
05 Keep invoices in check	A reference for amounts owed and order accuracy	Accounting teams, vendors and customers
06 Foster clear communication	Shared, unambiguous terms for every order	Buyers, suppliers and all stakeholders
07 Serve as legal evidence	Documented price, shipping conditions and materials	Both parties to the agreement

Enterprise resource planning applications such as **Axolt ERP** help organisations manage purchase orders and gain strategic visibility into procurement. They support teams across the value chain as they negotiate and work with suppliers, customers, logistics providers and other stakeholders.

01 The procure-to-pay cycle

Purchase orders are integral to the corporate value chain. They help organisations optimise order-to-delivery processes while safeguarding critical operational data for work streams as varied as sales, finance, legal and human resources.

Procure-to-pay covers the whole journey from identifying a need to paying the supplier. When every stage is connected in one system, each purchase order stays accurate, traceable and linked to the steps before and after it.

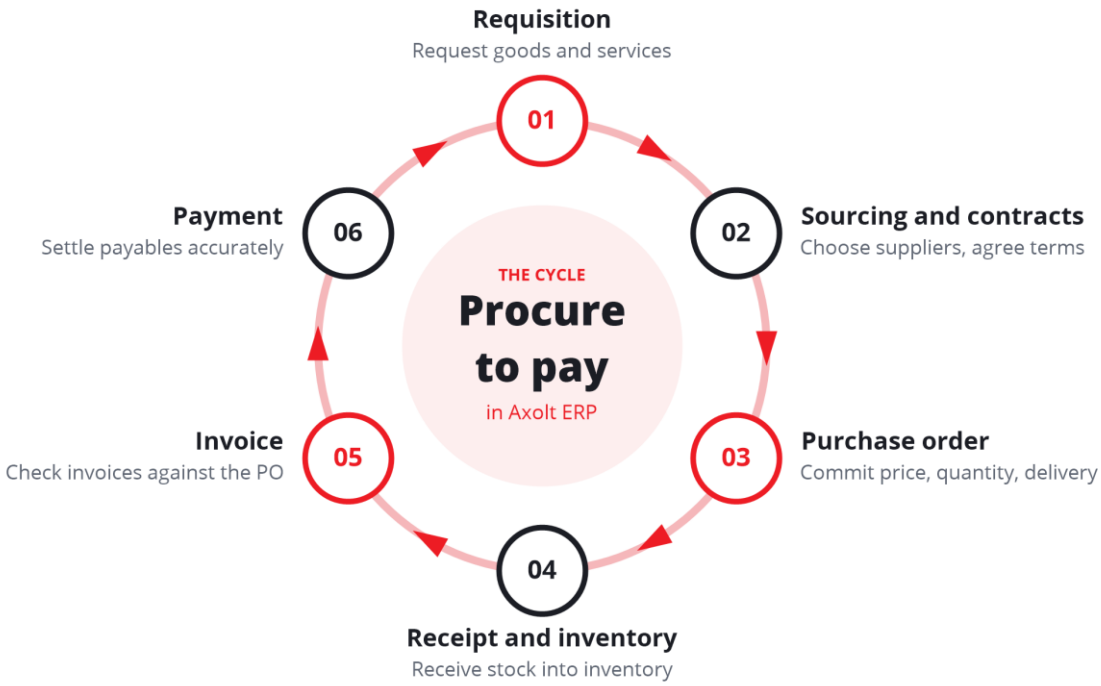


Figure 1. The six stages of the procure-to-pay cycle. Section 03 shows how Axolt ERP supports each stage, from requisitioning to e-invoicing and payables.

02 Seven reasons purchase orders matter

1 Purchase orders prevent duplicate orders

Each purchase order carries details unique to a specific procurement, such as the PO number, materials ordered, delivery date and SKU number. Together, these give every order its own identity.

Procurement teams record purchase order data in the ERP, which stores and archives it for future use. When someone enters details that closely match an existing order, the system can raise a duplicate-order flag before the order goes out.

Weak procurement processes are costly. Writing in *The New York Times*, Clay Johnson and Harper Reed argued that US federal technology purchasing rules allowed wasteful spending and did too little to make projects succeed.[1]

2 Purchase orders support the financial audit process

Transparency is now expected of every business. Organisations need effective internal controls and sound processes to produce complete and accurate financial statements.

Internal and external auditors rely on purchase orders, among other documents, to verify the operational data that teams report. An ERP helps an organisation track, store and archive the procurement information it needs to comply with regulatory guidelines and accounting standards.

3 Purchase orders help avoid surprise price increases

Many organisations plan operations around long-term contracts. Some depend on stable commodity and service prices, along with master services agreements for specific projects.

Purchase orders give procurement managers a framework for tracking price trends over a contract's validity period. Managers can check the price on each PO and compare costs across similar or related orders to identify differences. ERP archiving and search make it practical to track several variables, such as price, quantity and discount, across many orders.

4 Purchase orders provide visibility into incoming orders

By reviewing the purchase orders they receive, suppliers gain strategic visibility into incoming demand and can plan work streams and manufacturing accordingly. The result is a better procurement process, quicker delivery, less idle time and higher returns on logistics investment.

Procurement Leaders magazine has reported that effective purchase orders help suppliers and their customers streamline work along the value chain, from identifying and tracking raw materials to delivering finished products.[2]

5 Purchase orders help keep invoices in check

Accounting teams and sales managers can use purchase orders to confirm amounts owed, check the accuracy of each order, and see how costs vary for specific purchases over time.

An ERP lets accounting staff review current data and retrieve historical records, helping them meet regulatory requirements while tracking costs. By bringing full transparency to procurement, purchase orders create a win-win for vendors and customers.

6 Purchase orders foster clear communication

At a panel discussion organised by *Purchasing B2B* magazine, procurement experts identified clear purchase orders as a key element in building long-term buyer–supplier relationships.[3]

Transparent purchase orders are one of the most effective tools for avoiding misunderstandings, which can cause anything from business friction to financial loss. Clear purchase orders support clear communication, which in turn supports quicker delivery and better customer service. Beyond the buyer–supplier relationship, an effective procure-to-pay process brings transparency to the whole value chain, giving every stakeholder a clear view at each step.

7 Purchase orders serve as legal evidence

Business relationships sometimes break down, and partners may need to settle disputes through arbitration or the courts. In either case, a purchase order provides the evidence needed to clarify the terms of a procurement. Transparent purchase orders protect both parties, documenting everything from price and shipping conditions to the materials ordered.

The Law Society Gazette, the UK legal publication, has reported that technology and documentary evidence such as purchase orders and shipping slips protect business partners, not only in legal proceedings but also in everyday dealings.[4]

03 Procure-to-pay in Axolt ERP

Axolt ERP gives you new ways to manage and administer purchase orders effectively. This centralised application combines procurement visibility with operational flexibility, helping you negotiate better contracts and use your full purchasing power.

To gain a competitive edge, you need to do three things, all of which Axolt ERP is designed to support:

GOAL 1
Cut costs

GOAL 2
Foster compliance

GOAL 3
Accelerate and automate procurement

What Axolt ERP helps you do

Through its streamlined interface and flexible portals, Axolt ERP helps you:

CORE PROCURE-TO-PAY	
Simplify procure-to-pay	Simplify core procure-to-pay processes, from requisitioning to e-invoicing.
Optimise inventory and shipments	Optimise inventory levels and aggregate shipments.
Improve vendor management	Maintain high levels of vendor and customer satisfaction.
SOURCING AND CONTRACT MANAGEMENT	
Manage the contract lifecycle	Manage contracts effectively from start to finish and reveal opportunities for savings.
Standardise contract authoring	Adopt a standardised contract-authoring approach that meets your company's needs.
Combine sourcing and contracts	Combine and optimise sourcing and contract management in a way that adapts to your needs and keeps up with change.
OPERATIONAL PROCUREMENT	
360-degree supplier visibility	See supplier relationships, performance and risks in one place.
Optimise core processes	Optimise procure-to-pay, source-to-contract and spend analysis processes.
Track spending	Identify opportunities for savings and improve spend tracking.

INVENTORY AND WAREHOUSE MANAGEMENT	
Faster procurement	Accelerate the procurement process with intuitive user interfaces.
Faster material flow	Speed up material flow with greater transparency across end-to-end outbound logistics.
Simpler catalogue purchasing	Improve catalogue administration and simplify the purchase of goods and services.
INVOICE AND PAYABLES MANAGEMENT	
Faster invoice processing	Speed up invoice processing.
Streamlined payables	Streamline your payables options, invoice management and accounts payable processes.
Payables data in purchasing	Embed all accounts payable data within your purchasing system.

Where Axolt ERP supports the cycle

Stage (Figure 1)	How Axolt ERP supports it
Requisition	Simplified procure-to-pay processes, from requisitioning onwards
Sourcing and contracts	Sourcing and contract management, including contract lifecycle and standardised authoring
Purchase order	Operational procurement, with supplier visibility and spend analysis
Receipt and inventory	Inventory and warehouse management, with aggregated shipments
Invoice and payment	Invoice and payables management, with e-invoicing and payables data embedded in purchasing

04 Conclusion

Purchase orders are far more than paperwork. They prevent duplicate spending, support audits, protect against unexpected price rises, give suppliers visibility, keep invoices accurate, keep communication clear and provide evidence if a dispute arises.

Managed in an ERP such as Axolt ERP, purchase orders also connect procurement with sourcing, contracts, inventory, invoicing and payables, so savings can be found and tracked across the whole procure-to-pay cycle.

See procure-to-pay in Axolt ERP

Talk to our team about cutting costs and automating procurement in one system.

www.axolt.com ›

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About Axolt

Axolt supplies enterprise applications and services that help businesses align and improve their manufacturing, servicing, supply, shipping, inventory, finance and human resource operations, and drive growth across numerous industry sectors. To learn more, visit **www.axolt.com**.

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