

PURCHASE ORDER WORKFLOW /PO KPI'S METRICS

Digitize PO lifecycle with AI/analytics

Step 1: Requisition & PO Creation

Trigger: Inventory thresholds (auto-generated via AI) or manual request.

Inputs:

Item details (, quantity, specs).

Supplier data (pre-approved vendors, contracts, sustainability metrics).

Automation:

AI suggests suppliers based on either pre selected KPI'S or other factors e.g
Current market trends , past performance etc.

Then once approval is complete instead of manually entering the Po on the system the AI automatically inputs this and send PO for approval -reducing time and , manual entries, errors etc

System auto-populates PO template with terms (INCOTERMS- FOR NOW WE USE FOB AND CIF, payment terms)

Step 2: Approval Workflow

There should be an approval workflow based on amount the individual company's purchasing policy and guidelines

- **Visibility:** Dashboard shows PO status (Pending/Approved/Rejected) with audit trail.

AI should be able to monitor market tends and suggest suppliers , reasons for price spikes/changes,

Then once approval is complete instead of manually entering the Po on the system the AI automatically inputs approved RFQ,QUOTES BOM OR ANY other information based on Org process and procedures and send PO for approval - reducing time and , manual entries, errors etc

Step 3: PO Dispatch & Supplier Acknowledgment

Automation:

PO sent via /Email/whatsapp to supplier.- Any channel preferred by ORG

AI tracks acknowledgment (e.g., supplier confirms or flags discrepancies).

Notifications: Alerts if supplier misses SLA (e.g., no response in 24h,- whatever time period based on PO urgency and expected lead times.)

Step 4: Invoice Matching & Payment

Three-Way Match: PO ↔ Delivery Note ↔ Supplier Invoice.

AI Role: Detects invoice discrepancies (e.g., overbilling) via historical data.

Payment: Auto-triggered upon approval (integrated with AP software).

Step 5: Analytics & Supplier Performance

Data Captured:

Lead time variance, defect rates, compliance scores.

AI Insights: Supplier scorecards, suggested alternatives for underperformers.

1. Key Features to Dashboard

Unified PO Tracker:

Visual timeline (from approval to delivery)

Supplier Collaboration Portal:

Secure portal for suppliers to confirm POs, upload ASNs (Advanced Shipping Notices).

Automated Alerts:

Customizable (e.g., "Notify warehouse if delay >say after 4 hr").

Inventory Sync:

Real-time stock updates post-GRN (highlight shortages for reorder).

AI-Powered Insights:

"Top 3 suppliers by on-time delivery" .

Predictive reorder suggestions (based on sales trends).- This notifies both Warehouse team and Purchase Dept

ADDITION- Look into integrating the following Procurement KPI'S to the PO dash board

1. **Cost-Saving KPIs → Vendor Metrics**

Goal: Assess cost efficiency and financial impact of suppliers.

Procurement KPI	Vendor Assessment Metric	Calculation	Target
Procurement ROI	Vendor Cost-Saving Contribution	(Annual savings from vendor contracts) / (Procurement costs to manage vendor)	ROI > 3:1 (High-value vendors)

Cost Reduction	Price Reduction Compliance	(Old price - New price) / Old price × 100	≥5% reduction (negotiated)
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Cost Avoidance	Inflation Mitigation Rate	(Planned price increase - Actual price) / Planned increase × 100	≥80% avoidance
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Spend Under Management	Maverick Spend by Vendor	(Non-compliant spend with vendor) / (Total spend with vendor) × 100	<5% maverick spend
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Key Vendor Insights:

High ROI vendors = Strategic partners.

Low cost-reduction compliance = Renegotiate or replace.

2. **Quality KPIs → Vendor Metrics**

Goal: Measure reliability and adherence to standards.

Procurement KPI	Vendor Assessment Metric	Calculation	Target
Compliance Rate	Contractual Adherence Score	(Number of compliant deliveries) / (Total deliveries) × 100	≥95% compliance

Supplier Defect Rate	Defective Units Rate	(Defective units received) / (Total units inspected) × 100	<2% defect rate
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Purchase Order Accuracy	PO Error Rate	(POs with errors) / (Total POs) × 100	<5% error rate
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Key Vendor Insights:

High defect rates = Quality audits or penalties.

Low PO accuracy = Vendor training/automation .

3. Delivery Procurement KPI

Vendor Assessment Metric	Calculation	Target
Purchase Order Cycle Time	Avg. Vendor Fulfillment Time	(PO approval to delivery receipt time)
		Industry benchmark (e.g., <4 days for critical items)
Emergency Purchase Ratio	Emergency Order Fulfillment Rate	(Emergency orders fulfilled by vendor) / (Total orders) × 100
		<10% emergency orders
Supplier Lead Time	On-Time Delivery (OTD) Rate	(On-time deliveries) / (Total deliveries) × 100
		≥90% OTD
Vendor Availability	Stock Availability Rate	(Orders fulfilled without backorders) / (Total orders) × 100
		≥95% availability

Key Vendor Insights:

Long lead times = Prioritize alternatives for time-sensitive orders.

High emergency reliance = Risk of cost spikes (penalize or diversify suppliers

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