Purchase Order

A **purchase order (PO)** is a mainly commercially used document that gets issued by a buyer to a seller. On a PO the buyer indicates the type of products he, she or the company wants to buy besides the quantities to the specified price and the agreed purchasing terms and conditions. These terms and conditions generally also include payment terms as well as transport details and minimum ordering quantities. In the automotive industry there are different types of purchase orders:

- **Closed purchase order (Closed PO)**. These are purchase orders generally used during the product development phase as prices can easily change from one product development stage to another.
- **Open purchase order (Open PO)**. Once a product has passed the final development and moves into serial production stage and prices for serial production are fixed, companies tend to send Open POs to their suppliers. These Open POs generally are valid until new price agreements have been made which then would be a change to the already agreed pricing. An Open PO allows the customer to regularly transfer the quantities needed without sending each time a completely new PO which saves time and resources for both, customer and supplier.

Today **purchase orders** will usually be placed electronically over the internet. This is much faster than writing papers and saves effort on both sites, buyers and sellers.

The invoice is the following document of a purchase order from the seller to the buyer. An invoice is needed to pay for the recieved goods or services. Also these documents are mainly distrubuted online today.

References:

- Book: Ehap H. Sabri; Arun P. Gupta; Michael A. Beitler, ´PURCHASE ORDER MANAGEMENT. Best practices: Process, Technology, and Change Management`, J Ross Pub Inc, 2006 External Link
- Personal experience working for Eagle Ottawa Germany Holding GmbH External Link

— *Thomas Lamparter* 2011/04/17 09:23

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Last update: **2012/05/09 18:38**