

Free-Text Purchase Order: Procurement Without Catalogue Constraints – Opportunities, Risks and Control

A free-text purchase order is an order that the requester enters directly as free-form text in the procurement system, without a predefined catalogue, contract or item reference. It is typically used for one-off purchases, services or materials that are not stored in the material master or supplier catalogue. Because it bypasses standard governance via catalogues and material classes, it represents one of the biggest levers for Maverick Buying and requires clear processes and controls.

Key facts

- Free-text purchase orders are entered directly in the system as free-form text without catalogue constraints.
- They are suitable for one-off requirements, services and materials with no material master record.
- Frequent use can indicate Maverick Buying and insufficient contract coverage.
- Cost-centre posting, approval stages and master data control are central control points.
- A typical benchmark for the free-text share in operational procurement is below 20–30 % of order volume.
- Consolidated free-text requirements can be transferred into framework agreements through negotiation procedures.

Definition: free-text purchase order

A free-text purchase order is an order item consisting solely of text formulated by the requester, without reference to a catalogue item, a material number or an existing contract. It comprises at least an item description, quantity, unit, requested date and cost centre.

Distinction from catalogue and contract orders

In a catalogue order, the requester selects from approved supplier catalogues with stored prices and master data; in a contract order, they draw from a framework agreement, so terms and supplier are already fixed. The free-text purchase order bypasses both governance levels: price, supplier and specification are only defined at the moment the order is entered. This maximises flexibility but reduces automation and comparability. In practice, the rework in the invoice verification process for unstructured free-text items typically amounts to a multiple of the cost of structured orders.

Typical use cases

Free-text purchase orders are used where no structured requirement exists. The advantage lies in short time-to-market for the requirement, as no master data maintenance is required upfront.

- One-off purchases such as spare parts, tools or consumables without item maintenance
- Services such as maintenance, engineering services or small maintenance jobs
- Materials from new suppliers not yet onboarded in the system
- Project and special requirements whose specification only emerges during the request process

Process and methods of free-text procurement

The process of a free-text purchase order follows the classic requisition and order cycle, but differs through additional manual steps in requirement clarification and master data post-processing.

Requirement capture and approval

The requester enters the requirement in the procurement system as a free-text item and assigns cost centre, budget and, where applicable, a project. Approval follows a role model: in practice, approval usually involves the line manager or budget owner and, above defined thresholds, the department head or procurement director. Common benchmarks are thresholds from around EUR 1,000 for specialist departments and from EUR 10,000 for procurement management, although the limits are set individually by each company. Ideally, the approval logic should run automatically via cost centre and budget to avoid media discontinuities and delays.

Sourcing and supplier selection

Since the supplier is not predefined in the free-text item, the requester or buyer decides on its allocation. For low-value requirements, a direct price comparison with two to three providers is often sufficient; for larger volumes, structured negotiation procedures or short inquiries via marketplace and e-sourcing logic are advisable. It is important to register the supplier including relevant information such as supplier certificate, tax number and compliance clearance – ideally embedded in Supplier Lifecycle Management (SLM), so that supplier risks do not only become visible after the order.

Post-processing and data quality

After repeated orders for identical free texts, migration into the material master or supplier catalogue must be examined as a matter of course. Free-text items can additionally be classified retrospectively via material class allocation, so that reporting and strategy work are based on consolidated data. Without this consolidation, procurement remains blind to accumulations in specific material classes.

Key KPIs for managing the free-text share

The free-text order share is a central control metric of operational procurement and shows how well catalogues, contracts and master data cover the requirements.

Share and volume

The free-text share is derived from the ratio of free-text purchase orders, or their volume, to the total number of orders. In practice, a share below around 20 % of procurement volume is considered good; significantly higher rates point to catalogue gaps, missing contracts or insufficient discipline in the demand process. The ratio should be reported separately by cost centre, material class and supplier in order to derive targeted measures.

Cycle time and processing effort

Further metrics are the average cycle time from requisition to order transmission and the effort involved

in clarification cases in the invoice verification process. Free-text items typically show longer cycles and higher processing costs than catalogue-based transactions. If the value is not measured, the savings potential from catalogue migration remains invisible.

Contract coverage rate

The contract coverage rate indicates what share of procurement volume is handled via framework agreements. It can be compared directly with the free-text share: where contracts do not exist, free text is often the consequence. The goal is the systematic migration of recurring free-text requirements into negotiated contracts.

Risks and controls in free-text purchase orders

Free-text purchase orders open the door to errors, misconduct and opacity. Opting out of system governance therefore requires a significantly higher degree of process control than catalogue-supported procurement.

Maverick Buying and price transparency

Maverick Buying – i.e. procurement outside approved channels and terms – is the main problem with free-text purchase orders. Price comparisons are omitted, discounts from framework agreements do not apply, and discrepancies between order and invoice items lead to rework and discussion around the debit memo. Countermeasures include sourcing levers such as catalogue expansion, minimum order quantity rules and a threshold-based requirement for procurement involvement above defined order values.

Budget discipline and compliance

Without catalogue constraints, the requester can freely choose quantities and providers. Risks include budget overruns, payment obligations in tight monopoly positions where substitute sources are lacking, and compliance pitfalls in supplier selection. Clear approval stages, system-based budget checks and a documented right to audit suppliers create accountability. Management approvals are particularly relevant for services, because service delivery is difficult to verify.

Documentation and traceability

Every free-text purchase order must be traceable: who ordered, on which cost centre, with what justification and with what comparison price. Clean traceability not only creates audit-relevant documentation but also the data foundation for later consolidation. In regulated industries such as aerospace or medical technology, material traceability via tracking documentation is mandatory anyway; free-text purchase orders must be integrated into the existing documentation systems there.

Free-text purchase orders in supplier and sustainability management

Because free-text purchase orders often involve new or unusual suppliers, they touch on supplier strategy, risk management and sustainability topics.

Supplier evaluation and risk assessment

Every supplier commissioned via a free-text purchase order should undergo at least a basic check: creditworthiness, compliance-relevant evidence, insurance cover and, where applicable, certifications.

Supplier Lifecycle Management (SLM) can define the order values at which in-depth checks or a short audit become necessary. For critical goods that may originate from high-risk regions, Supply Chain Mapping is also advisable to bring upstream tiers into view.

Sustainability and regulatory requirements

Regulatory requirements also apply to free-text purchase orders: packaging law (VerpackG), duties under supply chain legislation and evidence of recyclability play a role for packaging and consumables. Free-text purchase orders tempt users to neglect sustainability criteria, since the specification is freely formulated. A simple rule helps: text modules with minimum requirements (e.g. packaging specifications, declarations of conformity, supplier references) are automatically inserted into every free-text purchase order by the system.

Leveraging innovation through free text

Free-text requirements are also a sensor for innovation: when a requirement is repeatedly handled as free text with new providers, there is potential for alternative sourcing. A Supplier Innovation Challenge can systematically address such recurring requirements and catalogue them with vetted providers. This turns free text from a control problem into a driver of innovation for procurement.

Current developments: digitalisation and automation

The classic free-text purchase order is increasingly falling out of favour, as modern systems reduce its disadvantages through automation and assistance functions.

Assistance systems and automatic classification

Modern procurement platforms support requesters with text suggestions, automatic category assignment and AI-assisted requirement clarification. Search-based catalogues that also offer non-catalogued items via marketplaces and supplier search narrow the scope in which free text is necessary. The result: less Maverick Buying, shorter cycle times and cleaner data.

Process automation and invoice processing

Fully automated invoice processing, including electronic invoice formats, significantly reduces rework in the invoice verification process. Here it is worth deploying modern procurement systems that map packaging requirements, signature rules and approval stages directly. Integration with the ERP system is a basic prerequisite, so that orders and invoices remain consistently debit-memo capable.

Strategic perspective: from free text to contract structure

Free-text purchase orders are not an end in themselves, but a signal. Where they recur, procurement should respond with negotiation procedures and regional strategies. In practice, an annual clean-up pays off: the systematic migration of recurring free-text requirements into catalogues, framework agreements or material classes with defined terms.

Typical metrics

Free-text order share: typically < 20 %

Share of total procurement volume; higher values indicate catalogue or contract gaps

Cycle time from requisition to order transmission: typically 2–5 working days

In practice, free-text items show longer cycles than catalogue orders

Invoice verification clarification cases: typically < 2 %

Share of invoices with discrepancies between order and invoice items

Contract coverage rate: > 60–70 %

Target metric; inversely correlated with the free-text order share

Practical example

A medium-sized mechanical engineering company with around 400 employees found that over 40 % of its order volume was processed as free-text purchase orders – predominantly small parts, spare parts and services. Every order caused rework in invoice verification, and discount reconciliations were not taking place. Procurement launched a two-stage programme: first, the 500 most frequent free-text items were analysed and the 80 % with the largest volume were catalogued; in parallel, recurring services were transferred into framework agreements via structured negotiation procedures.

- Systematic analysis of free-text orders by material class and cost centre
- Cataloguing of top items and establishment of a procurement-ready supplier master
- Introduction of budget-based approval stages with automatic cost-centre checks
- Half-yearly migration of recurring free-text requirements into framework agreements

Conclusion

The free-text purchase order is an indispensable valve for one-off, non-catalogued requirements – but it is also the most common cause of Maverick Buying, price opacity and rework effort. Companies should not ban it but control it: through clear approval stages, budget binding, documented traceability and structured post-processing. The free-text share is one of the most telling indicators of operational procurement maturity, because it reveals how well catalogues, contracts and master data cover demand. Those who consistently analyse free text and migrate recurring requirements into negotiated structures reduce process costs and strengthen their negotiating position. The free-text purchase order thus turns from a disruptive factor into a data source for strategic improvement.

Frequently asked questions

What is a free-text purchase order?

A free-text purchase order is an order placed without reference to a catalogue item, a material number or a framework agreement. The requester formulates the item, quantity and specification themselves as free text. It is typically used for one-off purchases and services that are not maintained in the material master.

What is the difference between a catalogue order and a free-text purchase order?

In a catalogue order, the requester selects from approved catalogues with stored prices, suppliers and master data. In a free-text purchase order, they define specification, quantity and supplier themselves, which offers more flexibility but less price and process control. In practice, free-text orders incur higher processing costs and a higher risk of Maverick Buying.

When is a free-text purchase order appropriate?

It makes sense for one-off requirements, small quantities, new suppliers without an existing system connection, and services for which no material master record exists. As soon as the same requirement recurs, it should be migrated into a catalogue, framework agreement or material master record. Permanently recurring free-text orders indicate gaps in the procurement process.

What risks are associated with free-text purchase orders?

The main risks are Maverick Buying, lack of price control, budget overruns, inadequate documentation and compliance violations in supplier selection. Because specification and supplier are freely chosen, the usual control mechanisms do not apply. Approval stages, budget checks, documented procedures and audit rights help to limit these risks.

How can the share of free-text orders in procurement be reduced?

Success comes primarily from systematically analysing free-text orders by material class, supplier and cost centre. Frequently ordered items are migrated into catalogues or framework agreements, while less critical requirements are served directly from catalogues via search and assistant functions. In addition, clear thresholds for procurement involvement and requester training help.

Is the free-text order share a procurement KPI?

Yes, the share of free-text orders in total order volume is an established key control metric. In practice, values below around 20 % are considered a good benchmark; significantly higher rates indicate insufficient catalogue or contract coverage. The ratio is generally measured together with cycle time, contract coverage rate and invoice clarification cases.