

Purchase-to-Pay (P2P): Managing the Process Efficiently from Requisition to Payment

Purchase-to-Pay (P2P) describes the end-to-end business process from the initial requisition, through purchase order and goods receipt, to invoice verification and payment of the supplier invoice. The process connects procurement, logistics and finance and thus represents one of the most important interfaces within a company. Those who consistently digitalise and standardise P2P reduce process costs, improve the data basis for supplier evaluations and minimise default risks. For technical buyers in DACH industry, P2P is the foundation for gaining transparency over order volumes, suppliers and payment flows.

Key facts

- Purchase-to-Pay covers all process steps from the requisition to payment release of the supplier invoice.
- Core components are requisition, purchase order, order confirmation, goods receipt, invoice verification and payment.
- Typical target metrics are the three-way match rate, cycle times and the proportion of invoices processed automatically.
- Digitalisation via e-procurement systems reduces manual intervention and prevents maverick buying.
- P2P creates the data basis for cash flow management, cash discount utilisation and, where applicable, supply chain finance in procurement.
- Clear rules on mandatory order confirmation and defined acceptance criteria are prerequisites for a smooth process.

Definition: Purchase-to-Pay

Purchase-to-Pay (P2P) is an end-to-end process that maps all activities from the identification of a requirement to the final payment of the supplier. It typically covers requisition, approval, purchase order, order confirmation, goods receipt, invoice verification and payment execution.

Distinction from Source-to-Pay

P2P begins with the concrete requirement and ends with payment; Source-to-Pay (S2P) additionally includes the strategic sourcing steps upstream, i.e. supplier selection, negotiation and framework agreements. In practice, P2P is often understood as the operational sub-process of the more comprehensive S2P model. For technical procurement this means: the strategic part secures the terms, while the P2P part ensures that these terms are actually applied to every single purchase order. A clearly separated understanding of the processes helps to define responsibilities between the procurement department and the requesting department.

Process participants and roles

Four actors are typically involved in P2P: the requisitioner in the requesting department, the buyer, goods receipt or quality assurance, and accounts payable. Each role requires defined authorities and system permissions. Particularly for capex procurement, such as investments in equipment, the process differs from MRO purchasing: higher approval thresholds, contractually agreed down payments or progress payments, and multi-stage acceptance criteria. A procurement manual or procurement policy should document these roles and thresholds in a binding manner so that process steps do not get lost at the boundary of responsibility between procurement and finance.

P2P in the manufacturing industry

In the manufacturing industry, P2P is closely interlinked with logistics: batch sizes, call-off orders and advance shipping notices must be coordinated with production plans. For international procurement, Incoterms such as CFR come into play, governing when costs and risks are transferred, as well as freight cost management via Air Waybill (AWB) or sea container documents. Pre-calculated lead times and order prioritisation in goods receipt determine whether material is available in time for production. P2P is therefore not merely an administrative process but a direct lever for on-time delivery and material availability.

Methods and approach in the Purchase-to-Pay process

An efficient P2P process follows a clearly structured workflow with defined system support and control points. The following steps have proven themselves in practice.

Needs identification and approval

The process begins with the requisition, ideally via an electronic catalogue or a requisition form with unambiguous specifications. A well-defined requirements specification prevents later queries and incorrect orders. For MRO items, a standard catalogue is often used; for special specifications, procurement reviews alternative sourcing options before ordering. Approval workflows are based on value and material type, with the procurement policy defining different thresholds and approval levels for MRO vs. capex. The goal is that every purchase order has a documented, budgeted and approved requisition basis.

Purchase order, confirmation and expediting

The purchase order should contain unambiguous item numbers, quantities, deadlines and delivery terms. A mandatory order confirmation requirement ensures that the supplier accepts dates and prices; deviations are clarified before delivery. For critical material, procurement actively follows up on the order through expediting, where applicable including APQP phases for quality preparation on new production parts. In the event of shortages, the buyer examines options such as dual sourcing at an early stage to avoid depending on a single supplier for supply security. Every deviation is documented and feeds into the supplier evaluation.

Goods receipt, invoice verification and payment

In goods receipt, the delivery is checked for quantity and quality against defined acceptance criteria. The digital three-way match between purchase order, goods receipt and invoice is the core of automated invoice processing; invoices with discrepancies enter structured exception management. Cash discount deadlines and payment terms are monitored by the system. For long projects with capex character, contractually agreed progress payments or a down payment may form part of the payment run.

Everything is designed so that accounts payable only has to process exceptions requiring release manually.

Key KPIs in Purchase-to-Pay

P2P can be managed with a manageable set of metrics. The combination of speed, quality and cost indicators is what matters.

Process and automation levels

Key metrics include the proportion of invoices processed automatically, the cycle time from requisition to purchase order, and the first-time match rate in the three-way match. In practice, well-organised departments achieve automated match rates well above 80 per cent; values below 50 per cent indicate structural data problems, such as missing catalogues or unclear acceptance criteria. The share of maverick buying, i.e. orders placed outside the approved process, should typically be below five per cent. Each of these metrics is only meaningful if it is collected consistently across all sites.

Financial and supplier metrics

On the finance side, cash discount utilisation, DSO/DPO shifts and supplier delivery reliability are relevant. Order date reliability is also an input to supplier evaluation. In the event of liquidity constraints, supply chain finance or reverse factoring can relieve payment flows, though contractual frameworks and supplier consent are required. Cost avoidance effects from better process controls can also be partially quantified, for example avoided dunning charges or incorrect deliveries. For reporting purposes, a monthly P2P dashboard with clearly defined target values is recommended.

Risks and controls in the P2P process

P2P carries considerable compliance and financial risks if controls are missing. The key weaknesses can be addressed with structured measures.

Compliance and fraud risks

Typical risks are duplicate or phantom invoices, unauthorised orders and price changes between order and invoice. Controls include a mandatory three-way match, segregation of ordering and payment authorisations, and a mandatory order confirmation requirement that makes manipulation difficult. Comprehensive compliance topics such as conflict minerals or EU taxonomy reporting requirements are increasingly extending the scope of review to the origin of materials. All controls and responsibilities belong in the procurement manual or procurement policy; legal and tax questions, such as VAT aspects of invoicing, should be reviewed with experts on a case-by-case basis.

Supplier and supply risks

In addition to internal controls, supplier risks must be managed in day-to-day operations. A business continuity plan (BCP) defines what happens if critical suppliers fail, for example through qualified alternative sourcing or pre-agreed emergency stocks. For high-profile awards, an e-auction with careful e-auction preparation can generate price pressure, but requires rigorous preparation and a documented negotiation protocol. Late deliveries are also a P2P risk: order prioritisation in goods receipt and reconciliation with production plans must detect when critical materials are missing before line stoppages occur.

Current developments: digitalisation and automation

The P2P field is currently changing more strongly than many other procurement processes. Drivers are automated invoice processing, platform models and AI-supported exception classification.

Automation and AI

OCR- and AI-based invoice capture, automated catalogues and machine learning-supported classification of exceptions significantly reduce manual effort. In practice, considerable automation levels can be achieved depending on invoice volume and data quality; concrete figures depend heavily on maturity. What remains crucial is data quality at the source: end-to-end e-procurement with well-maintained catalogues and master data is a prerequisite for any automation. Agile procurement approaches, in which short approval routes and iterative requirement coordination reduce cycle times, are also gaining importance, particularly for projects with high schedule sensitivity.

Marketplaces and platform models

B2B marketplaces are changing buying behaviour in technical procurement: buyers compare capacities, certificates and prices of various suppliers digitally before ordering via their P2P system. For suppliers, new sales channels open up; for buyers, transparency emerges that was previously only possible through lengthy enquiries. Interfaces between marketplaces and P2P systems reduce manual transfer of line items and prices. At the same time, requirements for supplier evaluations are rising: evidence and certification data, for example on conformity or sustainability, must be integrated into the ordering and invoicing process in a process-reliable manner in order to properly map regulatory requirements in procurement.

Implementing and improving Purchase-to-Pay

The introduction of a P2P process should proceed step by step, with clear prioritisation by volume and risk.

Implementation approach

A rollout by importance has proven effective: first, the high-volume items and recurring MRO positions are mapped via catalogues, followed by special requirements and capex processes with their own workflows. In parallel, approval policies, thresholds and mandatory fields are defined and anchored in the procurement manual. Training for requisitioners lowers the barrier to entry and significantly reduces maverick buying. A pilot area with measurable targets, such as the automation rate, provides proof of concept for the rest of the organisation.

Continuous improvement

After the rollout, optimisation continues via exception management and supplier data: frequent causes of discrepancies are systematically analysed and resolved at source, for example through better specifications, adjusted catalogue prices or clearer delivery terms. Regular reviews with top suppliers, supported by delivery reliability and quality data, secure improvement on a lasting basis. In addition, procurement should examine whether finance processes such as cash discount utilisation or supply chain finance can be adapted to the new data foundations. P2P is therefore not a one-off project but a permanently maintained standard process with clear metrics.

Typical metrics

Automated invoice processing: typically 60–90 %

Proportion of invoices processed without manual intervention; depends heavily on catalogue quality and supplier data.

First-time match rate: > 90 %

Proportion of invoices that pass through the three-way match without exception.

Cycle time from requisition to purchase order: typically 1–3 working days

Often significantly shorter for catalogue items; special requirements take longer.

Maverick buying share: < 5 %

Proportion of procurement volume outside the approved P2P process.

Cash discount utilisation: typically > 80 %

Proportion of invoices for which agreed cash discounts are actually taken.

Practical example

A medium-sized mechanical engineering company with around 250 employees had previously handled purchase orders by email and invoices as PDFs in mailboxes. Cycle times from requisition to purchase order were often several days, cash discounts were regularly missed, and maverick buying was not measurable. Introducing a digital P2P process with catalogue purchasing, electronic approval and an automated three-way match changed the picture significantly within a year.

- Introduction of a catalogue for the 100 most frequently ordered MRO items with binding prices and approval workflows.
- Mandatory order confirmation requirement for all A-suppliers, including automatic reminders for missing confirmations.
- Definition of uniform acceptance criteria for goods receipt, including documentation of quality inspections.
- Monthly P2P dashboard with automation rate, cycle time and cash discount utilisation as steering metrics.

Conclusion

Purchase-to-Pay is far more than an administrative sequence: it connects procurement, logistics and finance into a steerable end-to-end process with measurable results. Those who consistently digitalise requirements capture, ordering, goods receipt and invoice processing reduce process costs and create the data basis for strategic decisions. What matters are clear policies, defined acceptance criteria and functioning exception management rather than mere software implementation. Risks such as maverick buying, duplicate invoices and supplier failures can be effectively contained with structured controls. For technical buyers in DACH industry, a well-maintained P2P process is therefore a fundamental prerequisite for cost control, supply security and compliance.

Frequently asked questions

What does Purchase-to-Pay (P2P) mean?

Purchase-to-Pay describes the entire operational procurement process from the initial requisition, through the purchase order and goods receipt, to the review and payment of the supplier invoice. It

connects procurement, logistics and finance processes. The goal is a standardised, digital workflow with as little manual intervention as possible.

What is the difference between Purchase-to-Pay and Source-to-Pay?

Source-to-Pay (S2P) additionally covers all strategic steps upstream of the demand, in particular supplier sourcing, negotiation and framework agreements. Purchase-to-Pay, by contrast, begins with the concrete requirement and ends with payment. In practice, P2P is therefore regarded as the operational sub-process of the more comprehensive S2P model.

Which steps belong to the P2P process?

Typical steps are requisition, approval, purchase order, order confirmation, goods receipt, invoice verification via the three-way match and payment execution. For capital goods, progress payments or a down payment are added. Exceptions, such as invoices with discrepancies, are handled via structured exception management.

Which KPIs are important in the Purchase-to-Pay process?

Key metrics include the proportion of invoices processed automatically, the cycle time from requisition to purchase order, the first-time match rate in the three-way match and the share of maverick buying. Cash discount utilisation and supplier delivery reliability are also relevant. It is important to collect these consistently across all sites.

How does the three-way match work?

In a three-way match, the purchase order, goods receipt and invoice are systematically compared. If quantities, prices and line items match, the invoice is automatically released for payment. In the event of discrepancies, the invoice enters exception management and is clarified manually. This significantly reduces erroneous payments and increases process reliability.

Why is P2P particularly relevant for the manufacturing industry?

In manufacturing, material availability depends directly on the P2P process: advance shipping notices, order confirmations and goods receipt data determine whether production deadlines can be met. Delays or unclear acceptance criteria lead to line stoppages. A well-run P2P process therefore improves on-time delivery across the entire manufacturing operation in addition to cost control.