

Purchase Orders (PO)

The First Step Towards Smarter
Buying and Better Inventory Control

By Raoshan Kumar



INTRODUCTION

Buying inventory is one of the biggest investments for any fashion retailer. Every purchase you make affects your cash flow, stock availability, customer satisfaction, and ultimately your profitability. Yet many retailers still place orders over phone calls, WhatsApp messages, or handwritten notes. While this may seem convenient, it often leads to incorrect deliveries, pricing disputes, duplicate purchases, and excess inventory.

A Purchase Order (PO) is a simple but powerful document that brings structure and accountability to the buying process. It clearly communicates what is being ordered, from whom, at what price, and when it should be delivered. More importantly, it creates a written record that both the retailer and the supplier can refer to whenever required.

In this eBook, you'll learn why Purchase Orders are essential for fashion retailers, how they simplify inventory management, and how they help prevent costly buying mistakes.

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Chapter 1: Understanding Purchase Orders

What Is a Purchase Order?

A Purchase Order is a formal document issued by a retailer before purchasing goods from a supplier. Think of it as an official buying instruction. Instead of verbally explaining your requirements, you document everything in one place so that both you and your supplier have complete clarity.

Unlike a quotation, which is prepared by the supplier, a Purchase Order is prepared by the retailer. It clearly communicates:

- What products are being ordered
- Style numbers or SKU details
- Colour and size breakup
- Quantity required
- Purchase price
- Expected delivery date
- Delivery location
- Payment terms
- Special instructions

Once the supplier accepts it, both parties have a clear understanding of what will be delivered.

For fashion retailers, this is especially important because every product has multiple variations. A single kurti may be available in four colours and six different sizes. A shirt may come in slim fit and regular fit. Without proper documentation, mistakes become almost inevitable.

Purchase Order at a Glance

Item	Description
Prepared By	Buyer
Sent To	Supplier
Purpose	To confirm what needs to be purchased
Created Before	Goods are dispatched
Main Benefits	Eliminates confusion and improves buying accuracy

A Purchase Order is therefore not just a buying document—it is the starting point of a well-controlled procurement process.

Why Purchase Orders Matter in Fashion Retail

Fashion retail is different from many other businesses because inventory is highly diversified. A single style is available in different colours, sizes, fabrics, and price ranges. Managing this complexity without proper documentation can quickly create inventory problems.

Imagine ordering 100 kurtis. You intended to purchase:

- 40 Medium
- 35 Large
- 25 Extra Large

However, the supplier sends:

- 20 Medium
- 60 Large
- 20 Extra Large

Although the total quantity is correct, the size mix is completely different from your requirement. Medium sizes sell quickly while Large sizes remain unsold. This creates dead stock and lost sales opportunities.

This type of mistake usually happens because there was no detailed Purchase Order specifying the exact size-wise breakup.

A properly prepared Purchase Order leaves very little room for misunderstanding.

What Information Should a Purchase Order Contains?

A Purchase Order should provide enough information for the supplier to deliver exactly what has been requested. Missing even one important detail can lead to confusion later.

The following table shows the essential sections of a Purchase Order.

Section	Information Included
Supplier Details	Name, GST Number, Contact Information
Purchase Details	PO Number, Date, Delivery Date
Pricing	Purchase Rate, GST, Discount
Delivery Details	Delivery Address, Store Location
Payment Terms	Credit Days, Payment Method
Approval	Authorized Person’s Signature

The more detailed your Purchase Order is, the easier it becomes to verify deliveries and resolve any future disputes.

Retail Tip: In fashion retail, always mention the style, colour, and size-wise quantity in your PO. Getting the total quantity right is not enough—the right product mix matters just as much.

Chapter 2: How Purchase Orders Prevent Costly Mistakes

Benefits of Using Purchase Orders

Many business improvements begin with something as simple as documenting purchases properly.

The table below summarizes how Purchase Orders improve day-to-day retail operations.

Without Purchase Orders	With Purchase Orders
Verbal instructions	Written confirmation
Frequent delivery mistakes	Accurate deliveries
Pricing disputes	Approved purchase prices
Duplicate purchases	Controlled buying
Difficult inward verification	Easy stock checking
Vendor disagreements	Clear documented reference
Poor purchase tracking	Complete purchase history

Over time, these improvements lead to better inventory accuracy, healthier cash flow, and stronger supplier relationships.

A Case in Point— Leela's Fashion

Many retailers believe Purchase Orders are useful only for large businesses. In reality, even a single-store retailer benefits from maintaining a proper PO process.

Consider the example of Leela's Fashion.

The buying team prepared a Purchase Order for a festive collection, clearly mentioning style numbers, colour combinations, size ratios, quantities, and delivery dates.

When the shipment arrived, the staff compared the delivery with the Purchase Order before accepting it. They immediately noticed that the supplier had shipped 40 extra pieces of a slow-moving design that had never been ordered.

Since everything was documented in the Purchase Order, the excess stock was returned immediately.

If there had been no Purchase Order, those extra garments would have entered inventory, blocked working capital, and eventually become dead stock.

This simple verification process saved both money and storage space.

The Purchase Order Process Step by Step

A Purchase Order is only one part of the overall buying process. Understanding the complete lifecycle helps retailers appreciate why each step is important.

It usually begins when inventory reaches its reorder level or when seasonal buying is planned. After reviewing sales data and current stock levels, the buying team finalizes purchase quantities and prepares the Purchase Order.

The supplier reviews the order, confirms availability, and dispatches the goods. Once the shipment reaches the store, the receiving team verifies every item against the Purchase Order before updating inventory.

Finally, the supplier invoice is matched with the Purchase Order before payment is processed.



Skipping any of these steps increases the chances of inventory errors.

Retail Tip: Never accept a vendor delivery based only on the invoice. Compare the physical stock with the PO before updating your inventory.

Chapter 3: Common PO Mistakes and How to Avoid Them

Mistakes The Retailers Make

Many inventory problems are not caused by suppliers—they begin with weak purchasing practices.

Some retailers place orders over phone calls and never send written confirmation. Others forget to specify colour or size details. Sometimes different employees unknowingly place duplicate orders with the same supplier.

These mistakes may appear small, but they often lead to excess inventory, delayed deliveries, billing disputes, and blocked cash flow.

The following comparison highlights the difference.

Common Mistake	Possible Business Impact	Recommended Fix
Placing orders verbally or over chat without a follow-up PO	Wrong products delivered	Treat every vendor order as incomplete until a formal PO is issued and acknowledged.
Omitting size-wise breakdown	Unsold inventory	For every style, always mention the size ratio along with total quantity
Vague delivery dates ("before Diwali")	Delayed stock arrival	Use exact dates, with buffer days built in for peak-season congestion.
No approval step before sending to vendor	Invoice disputes	Route every PO through a designated approver to prevent unauthorised or duplicate orders.
Skipping inward verification against the PO	Difficult vendor discussions	Make PO-matching a mandatory step at goods receipt, not an optional check.
Not tracking PO status after issue	Overstock and blocked cash	Maintain a simple register or system log of open, part-delivered, and closed POs.

Most of these issues can be avoided simply by making Purchase Orders a compulsory part of every purchase.

Digital Purchase Orders: A Better Way to Buy

As your business grows, manually maintaining Purchase Orders becomes difficult. Hundreds of suppliers, thousands of products, and multiple store locations make manual tracking almost impossible.

An inventory management system or ERP simplifies this entire process.

Instead of creating Purchase Orders manually, retailers can generate them in a few clicks. The software automatically records vendor history, tracks pending deliveries, compares ordered quantities with received quantities, and updates inventory after verification.

Digital Purchase Orders also reduce paperwork, improve accuracy, and provide complete visibility into the procurement process.

For growing fashion retailers, moving from manual Purchase Orders to an ERP-based system is an important step toward building a scalable business.

Best Practices Every Fashion Retailer Should Follow

A Purchase Order is most effective when it becomes part of your daily business routine.

Before placing any order, always review current inventory and recent sales trends. Prepare Purchase Orders with complete product details, including style numbers, colours, and size ratios. Share the document with the supplier and obtain confirmation before dispatch.

When the goods arrive, never update inventory immediately. First compare the physical stock with the Purchase Order and supplier invoice. If there is any mismatch, resolve it before accepting the shipment.

Maintaining digital records of all Purchase Orders also helps during audits, vendor reviews, and future purchase planning.

Businesses that consistently follow these practices usually experience fewer inventory issues, better vendor coordination, and stronger financial control.

Quick-Reference PO Checklist

Use this checklist before issuing any purchase order to a vendor.

- Vendor name, contact, and GSTIN confirmed
- Style code(s) and design name(s) specified
- Colour and fabric details included
- Size-wise quantity breakdown provided
- Rate per unit and payment terms agreed in writing
- Exact delivery date set, with seasonal buffer if applicable
- Delivery location clearly stated
- PO reviewed and approved internally before sending
- Vendor acknowledgement received
- PO number recorded for tracking through to goods receipt

Retail Tip: Never accept a vendor delivery based only on the invoice. Compare the physical stock with the PO before updating your inventory.

Conclusion

A Purchase Order may look like a simple document, but its impact on retail operations is significant. It creates clarity between retailers and suppliers, improves inventory accuracy, prevents unnecessary purchases, and protects working capital.

For fashion retailers dealing with multiple styles, colours, sizes, and seasonal collections, a structured Purchase Order process is not just good practice—it is an essential part of successful inventory management.

Whether you manage one store or a growing retail chain, every purchase should begin with a properly prepared Purchase Order. It is one of the simplest ways to reduce errors, improve efficiency, and build a stronger retail business.

A disciplined PO process is a small habit with an outsized payoff — cleaner vendor relationships, accurate billing, and full control over what actually reaches your stores.

About the Author



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For over two and a half decades, Raoshan Kumar has been at the forefront of revolutionizing the retail business landscape, providing cutting-edge software solutions that empower retailers to thrive in an ever-evolving market. With a deep-rooted passion for retail operations and an unwavering commitment to technological excellence, Raoshan has become a trusted name among more than 500 retailers across the country.

About zOrder

zOrder was founded with a vision to revolutionize the way businesses manage their operations. Over the years, we have grown to become a leading provider of ERP solutions, catering to the unique needs of the retail, wholesale, chain of stores, and manufacturing industries. Our journey is marked by continuous innovation and a deep commitment to helping businesses achieve operational excellence.

Need help managing your inventory? Let the zOrder team help you!

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