BANF-PO lead time: getting from requirement to purchase order faster

BANF-PO lead time refers to the period between the approval of a purchase requisition and the initiation of the associated purchase order (PO). It is one of the most important indicators of the efficiency of operational procurement and has a direct impact on the production's ability to deliver. Long lead times lead to expedited purchases, higher prices and missing parts in the plant. This article explains the definition, measurement, influencing factors and improvement approaches for this KPI.

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Key facts at a glance

01 BANF-PO lead time measures the time from the approved purchase requisition to the dispatched purchase order.

02 In practice, typical benchmarks range from a few hours for catalogue-based purchasing to several days for an approved free-text order.

03 Key influencing factors are approval levels, the data quality of the requisition, delivery note formats and the availability of framework agreements.

04 A high BANF-PO time typically causes additional costs through rush orders, missing parts and inadequate scheduling.

05 Automation, catalogue solutions and clear approval rules are the most effective levers for shortening it.

06 The KPI should be evaluated regularly and viewed segmented by material groups, plants and purchasing organisations.

Definition: BANF-PO lead time

BANF-PO lead time describes the elapsed time between the final approval of a purchase requisition and the point in time at which the purchase order derived from it is transmitted to the supplier. It thus

reflects the internal processing performance of procurement – not the supplier's delivery time. Measurement is usually in working days or hours and is read out from ERP or e-procurement systems.

Delineation from other lead times

Do not confuse: BANF-PO time ends at the transmission of the purchase order. The subsequent delivery time until goods receipt belongs to the delivery lead time, and the entire span from requirement to availability is the total lead time. The processing of changes via a change order also falls outside this KPI. A clean delineation is a prerequisite for meaningful comparisons between plants and periods.

Define start and end points cleanly

In practice, companies often argue about whether the starting point is at creation or at final approval of the requisition. The finally approved point in time is recommended, as only this measures pure purchasing performance. The end point is the dispatch of the purchase order to the supplier – for electronic transmission, the point in time of sending; for paper-based processing, often the approval in the system. This definition must be documented uniformly group-wide.

Influencing factors on lead time

BANF-PO time is determined by a number of structural and procedural factors. Those who know these can target the bottlenecks specifically instead of indiscriminately planning more staff.

Approval and authorisation processes

Multi-stage approval chains are the most common time-waster. Typical problem areas: approvers are on holiday or not represented, thresholds are set so low that almost every requisition requires several signatures, or approvals are only granted on paper. Clear deputy rules, graduated value thresholds and digital approval workflows with reminder functions provide a remedy.

Data quality and completeness of the requisition

Incomplete purchase requisitions – missing material numbers, unclear specifications, incorrect units of measure, missing required date or cost centre reference – lead to queries and repeated processing. Free-text orders are particularly susceptible, where the requisitioner describes the requirement freely and the buyer must first search for the material and supplier. Standardisation via material masters, catalogues and binding entry forms demonstrably reduces lead time.

Availability of contracts and suppliers

If a framework contract with terms and suppliers already exists, the requisition can be converted into a purchase order largely automatically. If a contract is missing, a complete tender begins, including a request for quotation – with a correspondingly long duration. A systematic ABC-XYZ analysis helps identify which material groups can be standardised through framework agreements or catalogue solutions and which must be handled individually.

Methods and approach for shortening

Shortening BANF-PO lead time follows a proven sequence: measure, identify bottlenecks, redesign in a targeted manner. What is decisive is not to address individual exceptions but to improve structurally.

Process analysis and bottleneck identification

First, the current process is recorded along the stages of requirement capture, review, approval, supplier assignment and purchase order transmission. A process step analysis shows where waiting times – not processing times – dominate. In practice, typically more than two thirds of lead time is spent on idle time between the stages, not on active work.

Automation and touchless processing

For standardised catalogue items with an underlying contract, the purchase order can be generated fully automatically from the approved requisition – the goal is so-called touchless ordering. Automatic supplier assignment via contract link, electronic purchase order transmission and rules for small values also reduce manual intervention. What is important here is a clear exception logic: deviations from the contract must remain recognisable and controllable.

Organisational levers

Alongside technology, simple organisational measures work: fixed processing times and service level agreements within procurement, consolidation of requisitions into blanket orders, clear handling of urgent requirements and training of requisitioners. Tender management can also be brought forward: ongoing tenders for recurring requirements significantly shorten the subsequent individual processing.

Key KPIs around BANF-PO lead time

Lead time should never be viewed in isolation. Only in conjunction with quality and cost KPIs does it show whether acceleration is coming at the expense of diligence.

Key KPIs at a glance

Alongside the average and median BANF-PO time, particularly relevant are: the share of automatically processed requisitions, the share of purchase orders within 24 hours, the share of queries and cancellations, and the rate of contract-based purchase orders. Segmentation by material group, plant, requisitioner and value band is more important than the global average.

Interaction with other KPIs

BANF-PO time directly influences missing-parts management, as late purchase orders destabilise production scheduling. Conversely, rushed purchase orders can increase total costs of ownership if rush-order surcharges arise or contract prices go unused. Sustainability KPIs such as CO2e data for transport are also indirectly affected, because express shipping increases the emissions footprint. A balanced KPI dashboard prevents misdirection.

Risks and controls

Accelerated processes carry control risks. Anyone shortening lead time must simultaneously ensure that approvals, compliance and documentation are not neglected.

Compliance and audit risks

Risks lurk in approval thresholds that are too low, a lack of separation between ordering and invoice verification, and colloquially granted approvals in urgent cases. Regular sample audits, system rules for value and organisational limits, and complete logging of all approval steps are mandatory. Audit-relevant topics such as AEO certification requirements for documentation and traceability should also be included in process design.

Supplier and service risks

When long lead times mean that purchase orders reach suppliers at short notice with an urgent character, prices and error rates rise. Binding framework agreements, clearly communicated ordering rhythms and joint forecast processes with strategic suppliers help against this. For critical suppliers, a Business Continuity Plan (BCP) can additionally be agreed so that delays in the ordering process do not lead directly to production downtime.

Current developments and digitalisation

The digitalisation of the ordering process is advancing rapidly in industry. Modern e-procurement platforms, AI-supported enquiry analysis and connected supplier portals are fundamentally changing BANF-PO lead time.

Digital platforms and AI support

AI-supported systems can automatically classify free-text requirements, suggest suitable material numbers and derive suppliers from historical data. This significantly shortens the processing of free-text orders in particular. Digital contract management additionally ensures that valid contracts automatically flow into requisition processing and that outdated terms are not applied.

Marketplace and standardisation approaches

B2B marketplaces for manufacturing services and supplier parts significantly shorten the path from enquiry to purchase order by bringing together standardised enquiry formats and qualified providers. This relieves internal supplier sourcing, particularly for small-batch production and individual mechanical components. In parallel, internationally uniform standards such as the Incoterms EXW and other delivery clauses are establishing themselves as a reliable framework for fast, unambiguous order processing.

Typical metrics

Metric	Typical value
Average BANF-PO lead time	1–3 working days *typical benchmark for contract-based standard requirements; free-text orders significantly longer*
Share of touchless purchase orders	> 60 % *target value for catalogue- and contract-based C parts in mature organisations*
Purchase orders within 24 hours	> 80 % *useful service KPI for standard requirements with a contract link*
Contract coverage rate	> 70 % *share of requisitions with a contract link; a high rate correlates with short lead times*

Practical example

A medium-sized mechanical engineering company with around 400 employees determined an average BANF-PO lead time of 6.5 working days. The analysis showed: over 60 % of the time was spent on idle time in the two-stage paper-based approval process, with further delays arising from free-text orders without a contract link. Within nine months, the lead time was reduced to 1.8 working days.

- Introduced digital approval workflows with value-based tiers and automatic deputy arrangements
- Built a supplier catalogue with touchless ordering for C parts and consumables
- Replaced free-text orders with structured entry forms and AI-supported material assignment
- Established monthly reporting of BANF-PO time by plant and material group

Conclusion

BANF-PO lead time is a precise indicator of the responsiveness of operational procurement. It can be measured reliably, clearly delineated and significantly reduced through a combination of process standardisation, automation and contract coverage. What is decisive is never to view acceleration in isolation: compliance, data quality and supplier retention must be preserved. Companies that evaluate the KPI systematically and in segments identify bottlenecks early and thereby also stabilise production scheduling. Investing here not only lowers process costs but also avoids expensive rush orders and missing parts.

Frequently asked questions

? What does BANF-PO lead time mean?

It is the period between the final approval of a purchase requisition and the transmission of the associated purchase order to the supplier. It measures only internal purchasing performance, not delivery time. It is typically measured in working days and evaluated in segments by material group, plant and value band.

? How long may a requisition take until the purchase order?

There are no universally applicable target values, as the duration depends on complexity, approval levels and the contractual situation. In practice, benchmarks apply of a few hours for catalogue-based purchasing, roughly one to three working days for contract-based standard requirements, and longer for individual tenders. What matters is comparison with your own current figure and with the trend over time.

? How can the BANF-PO lead time be shortened?

The most effective levers are digital approval workflows with clear deputy arrangements, automated purchase order creation from contract-based requisitions, and reducing free-text orders through catalogues. In addition, service level agreements within procurement and the consolidation of requirements help. First, the current process should be analysed to identify genuine idle-time bottlenecks.

? What is a BANF (purchase requisition)?

BANF stands for Bedarfsanforderung (purchase requisition) – an internal document in the ERP system with which a requisitioner requests materials or services. After review and approval, the requisition is converted by procurement into a purchase order (PO). The requisition does not yet create any obligation towards the supplier; this only happens with the purchase order.

? Which KPIs belong to the ordering process?

Alongside BANF-PO lead time, the key metrics are: the share of automatically processed purchase orders, the contract coverage rate, the number of queries per requisition and the delivery reliability of the subsequent delivery. In addition, the number of urgent orders and the cancellation rate provide indications of process quality. All KPIs should be reviewed in segments and over time.

? What is the difference between a requisition and a purchase order?

The requisition is an internal demand document with no external effect, whereas the purchase order is a legally binding document towards the supplier. Only with the transmission of the purchase order do contractual claims and delivery obligations arise. BANF-PO lead time describes precisely the period of this transformation from requirement to binding purchase order.

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