

# Call-off order: flexibility and planning certainty in series supply chains

A call-off order is an order in which the buyer does not specify delivery quantities and dates immediately, but draws down the requirement over a framework period as soon as it becomes concrete. It is the central steering instrument of series and framework procurement in German-speaking industry, for example in mechanical engineering, the automotive industry and the electrical industry. The call-off order links long-term framework agreements with short-term detailed planning and creates planning certainty for both parties while retaining flexibility. Those who organise call-off processes cleanly reduce inventories, avoid production sprints and lower the risk of supply failures.

## Key facts

- A call-off order rests on a framework or contract agreement that specifies quantities, prices and terms for a longer period.
- The call-off typically takes place in two stages: a non-binding quantity forecast and a binding release.
- Common systems such as ERP or MES automatically convert call-offs into order and delivery dates.
- Call-off orders reduce transaction costs, as no new order with negotiation effort is required per call-off.
- Key risks are forecast errors, call-off jumps, residual quantity issues and insufficient lead times at the supplier.
- Fixed rules on call-off timeframes, tolerance bands and change options are decisive for the instrument to function.

## Definition: call-off order

The call-off order is one element of a staggered ordering architecture: a framework agreement with a total off-take quantity is followed by individual call-offs, which transmit concrete quantities and dates to the supplier on a binding or non-binding basis. It therefore counts among the so-called open orders, which are only given operational effect by the call-off.

## Distinction from framework agreements and standard purchase orders

The standard purchase order contains quantity, price and date in one step and is suitable for discontinuous demand. The framework agreement, by contrast, governs terms and off-take quantities over typically twelve to twenty-four months without naming delivery dates; it is only the call-off order that implements these. The call-off order is thus legally and logistically an execution act, with the procurement framework sitting above it. Important for buyers: the framework agreement should precisely formulate what makes a call-off legally binding and which acceptance deadlines apply, in order to avoid disputes over delivery-obligating declarations. This review belongs in every tender questionnaire for series parts.

## Typical use cases

Call-off orders dominate wherever parts are needed repeatedly in high volumes: series components, purchased parts, raw parts, packaging and indirect procurement with constant consumption such as operating supplies or gases. Even with system suppliers who deliver complete module sets just-in-sequence, communication in practice takes place via call-offs. Conversely, call-off orders are hardly suitable for one-off parts, prototypes or demand with strongly fluctuating, hard-to-forecast requirements; in these cases, individual orders or stock management methods such as consumption-based call-offs are the better choice.

## Single-stage and two-stage call-offs

In practice, two patterns have become established. With a single-stage call-off, the call-off is immediately binding and replaces the individual order; the method is simple but carries risks in the event of short-notice changes in demand. With a two-stage call-off – internationally often known as a delivery schedule or forecast/release concept – the buyer first transmits a rolling forecast over several months and then, weekly or daily, a binding release. The two-stage model gives the supplier the opportunity to plan tooling capacity, personnel and material over the longer term, and is the series standard in the automotive industry and mechanical engineering.

## Methods and approach: organising call-offs cleanly

A functioning call-off process depends less on the document itself than on the rules surrounding it. It must be integrated into detailed planning of purchasing capacity and run in synchronisation with production programme planning.

## Rolling forecasts and call-off timeframes

A rolling schedule is common in practice: the call-off contains a binding zone (usually 1–4 weeks) in which changes are only possible by mutual agreement, a somewhat less binding lead time (typically 4–12 weeks) for quantity tolerance bands and a rough forecast zone spanning several months. If these timeframes and tolerance bands are enshrined in the framework agreement, the supplier can plan its production and upstream procurement on a calculable basis. The reliability of the forecast – the forecast accuracy – should be measured regularly and discussed in supplier reviews; deviations below an agreed level have consequences, for example regarding the stocking of upstream products.

## Call-off procedures in the ERP system

In modern ERP systems, call-off orders are managed as a separate document type with entries along timelines: the framework agreement forms the coverage umbrella from which the call-off draws down quantities; the supplier ideally receives call-offs via EDI (for example EDIFACT or VDA standards) rather than as PDFs. Automated call-offs significantly reduce manual effort and minimise transmission errors. The prerequisite is clean vendor master data creation with unambiguous assignments of material, supplier master and date transmission, so that call-offs do not run into the void or are generated twice.

## Consumption-based call-offs and valuation adjustments

With a consumption-based call-off (a pull method, frequently combined with Kanban or VMI), the message is generated automatically from the actual withdrawal in production. The supplier fills an agreed rack or consignment stock, and consumption triggers the call-off. This method largely eliminates forecast uncertainty at the level of the individual message and is the most efficient variant for C-parts and small parts with stable consumption. Important for accounting: consignment stock does not

economically constitute a liability until withdrawal; the reconciliation of call-off and consumption messages with the supplier should take place periodically.

## **Key KPIs in call-off management**

Without key figures, call-off management remains guesswork. A compact set of KPIs shows whether forecast, release and delivery capability are running in step and where the real cost drivers lie – cost driver analysis can derive direct levers from this.

### **On-time delivery and call-off stability**

Supplier on-time delivery (OTD) is typically measured as the proportion of fulfilled call-offs; in well-run series supply relationships, values in practice are frequently at 98% or above. Its counterpart is the buyer's call-off stability: how often are releases changed or cancelled within the binding zone? Both key figures belong in a joint report, because one-sided blame otherwise poisons the collaboration. Those who only measure on-time delivery overlook the fact that their own call-off jumps may be the real cause of the failures.

### **Forecast accuracy and inventory impact**

Forecast accuracy is typically measured via the deviation between forecast and actual offtake, for example as a percentage deviation per line item and period; in practice, values from around 85–90% at monthly level are a common target, depending on industry and demand structure. It has a direct effect on inventory and total landed cost (TLC): every percentage point of inaccuracy creates safety stock at supplier and buyer that ties up capital and costs warehouse space. In addition, measuring call-off lead time compliance – the proportion of call-offs transmitted within the agreed lead time – has proven its worth as an early warning indicator of upcoming capacity conflicts.

### **Residual quantities and residual value risk**

Framework agreements with call-off orders that reach the end of their term frequently leave behind residual quantities that were neither called off nor offset. The proportion of non-drawn residual quantities relative to order value is a figure that should be reviewed regularly, particularly for elaborate, customer-specific parts. Clean residual quantity management avoids unresolved valuation adjustment questions at the end of the term and protects against unintended liabilities from call-offs that continue to be interpreted as binding.

## **Risks and controls in the call-off order**

Call-off orders create flexibility but shift risks between the parties. Without clear contractual and procedural controls, conflicts arise that manifest themselves as short deliveries, price renegotiations or capacity bottlenecks.

### **Call-off jumps and capacity bottlenecks**

The most frequent dispute in series supply relationships is the short-notice quantity jump: demand doubles within the binding zone and the supplier cannot keep up. Countermeasures include contractual quantity tolerance bands with defined surplus-quantity prices, agreed capacity reserves at the supplier – ideally with documented verification, for example via a run at rate before series start-up – and an escalation process with clear response times. The risks in sourcing decisions such as offshoring or outsourcing also intensify under call-off pressure, because long transport and customs times leave

hardly any buffer.

### **Forecast errors and cancellation risks**

Faulty forecasts hit both sides: the buyer risks excess stock or parts shortages, the supplier faces upstream product and capacity risks. Contracts should therefore differentiate which call-off zone can be cancelled and on what terms – for example compensation for upstream products or a share of completed units. From a compliance perspective, every call-off must be checked for currency: anyone who automatically continues existing contracts easily circumvents supplier sanctions screening and supply chain due diligence obligations; call-off management should therefore be linked to the ongoing review of the supplier master.

### **Contractual and operational controls**

Control instruments range from periodic call-off reconciliation with the supplier and reasonable ramp-up plans for new parts through to contractual provisions on force majeure and its impact on call-off obligations. Within the procurement process, a clear separation is advisable: whoever triggers call-offs (typically purchasing planning) should not simultaneously define the contractual limits. Major changes – such as new order quantity sizes, changed call-off timeframes or relocation of production – belong in a renegotiation of the framework agreement, not in a unilateral change to a call-off.

## **Current developments: automation and sustainability**

Call-off processes are undergoing structural change: manual schedules are giving way to data-driven systems, and sustainability requirements are changing the demands placed on delivery communication.

### **Automation and real-time reconciliation**

EDI communication is well established in the automotive and mechanical engineering industries; the trend is towards greater integration via supplier portals and API interfaces, in which suppliers acknowledge call-offs directly, confirm dates or report deviating delivery dates back. This shortens response times to hours rather than days and makes detailed planning more robust. At the same time, pressure is growing on smaller suppliers to build up the necessary system capability – buyers should therefore assess the digitalisation capability of their suppliers as a selection and development criterion in their sourcing strategy.

### **Volatile demand and scenario planning**

Demand fluctuations and supply chain disruptions have increased the importance of robust call-off processes in recent years. Instead of fixed point forecasts, more and more companies are relying on scenarios, tolerance band control and closer reconciliation cycles with strategically important suppliers. Early warning indicators – such as rising release change rates or increasing partial deliveries – are taken seriously earlier and lead to alternative procurement paths if the call-off basis falters.

### **Sustainability and return processes**

Sustainability requirements are also reaching call-off management: CO2 data per call-off line item, traceability and documented emissions along the supply chain – from the supplier's Scope 1 emissions through to upstream stages – are increasingly becoming part of reporting. In parallel, take-back and circular economy topics are gaining weight: take-back agreements and remanufactured components require their own call-off and quantity logic that cannot easily be fitted into classical schedule formats.

## Typical metrics

### **On-time delivery (OTD) on a call-off basis: $\geq 98\%$**

Proportion of punctual and complete call-offs; varies by industry and part.

### **Forecast Accuracy: 85–90%**

Common target figure at monthly level; strongly dependent on demand structure and industry.

### **Call-off lead time compliance: $> 95\%$**

Proportion of call-offs transmitted within the agreed lead time.

### **Release change rate: $< 5\%$**

Proportion of releases changed within the binding zone; early warning indicator of instability.

## Practical example

A mid-sized mechanical engineering company with around 300 employees supplies its customers with custom-built special machinery. For standard purchased parts such as motors, cast housing parts and packaging, order processes had previously run as individual orders: around 1,200 purchase orders per year, high administrative effort and recurring parts shortages in assembly. The company introduced two-stage call-off orders with a rolling 12-month forecast for the 40 most important C- and B-parts, combined with a binding release zone of two weeks. Within one year, on-time delivery among the relevant suppliers stabilised noticeably, the number of order documents fell significantly, and assembly reported far fewer material shortage requests.

- Conclude framework agreements with an 18-month term, fixed quantity tolerance bands and defined surplus-quantity prices.
- Introduce call-off transmission via EDI with automatic date confirmation by the supplier.
- Measure forecast accuracy monthly and jointly assess deviations in supplier reviews.
- Contractually fix residual quantity arrangements and cancellation terms for each call-off zone.

## Conclusion

The call-off order is more than an order form: it is the linking element between long-term safeguarding through framework agreements and short-term operational steering in series production. Its value only arises through clearly defined rules – call-off timeframes, quantity tolerance bands, forecast zones and cancellation arrangements – and through reliable compliance on both sides. Those who automate call-offs, jointly measure forecast accuracy and on-time delivery, and have supplier capacities verified turn the instrument from an administrative burden into a genuine lever for inventory, cost and supply security. For buyers, it is worth looking at the overall structure: the best call-off order does not compensate for an unstable framework agreement – and vice versa.

## Frequently asked questions

### **What is a call-off order?**

A call-off order is an order that builds on a framework agreement and specifies concrete quantities and delivery dates for individual points in time without renegotiating each delivery separately. In ERP systems, it is usually a separate document type that "draws down" quantities from a contract. Typical applications are series-produced and purchased parts, packaging and operating supplies with recurring demand.

## **What is the difference between a call-off order and a framework agreement?**

The framework agreement governs terms, prices and a total quantity or quantity range over a longer period, but does not yet commit to concrete deliveries. The call-off order converts this framework data into concrete delivery dates and quantities and is usually the operationally binding step. The two belong together: without a robust framework agreement, the call-off lacks its economic and contractual basis.

## **How does a call-off order work in an ERP system?**

In the ERP system, a contract is first created that serves as the coverage framework. Purchasing or material planning then generates call-offs from it with item periods and quantities, which are typically transmitted to the supplier via EDI. The supplier confirms the dates, and at goods receipt the call-off is settled and the quantities are written off against the contract. Prerequisites are clean master data and reliable call-off transmission.

## **What is a consumption-based call-off?**

With a consumption-based call-off, the actual withdrawal in production or in the warehouse triggers the call-off message, often combined with Kanban or vendor-managed inventory (VMI). The supplier maintains an agreed stock profile, and consumption determines the replenishment quantity. This method significantly reduces forecasting errors and is particularly suitable for C-parts and parts with a stable consumption pattern.

## **How far in advance must a call-off order be with the supplier?**

In practice, staggered timeframes have become established: a binding zone of usually one to four weeks, a lead time of approximately four to twelve weeks for quantity adjustments and a rough forecast zone spanning several months. The specific timeframes and tolerance bands should be agreed individually per part and supplier in the framework agreement and depend on the supplier's procurement and production lead times.

## **What are the risks of a call-off order?**

The main risks are call-off jumps that the supplier cannot accommodate, forecasting errors with inventory or parts-shortage effects, disputes over cancellations and residual quantities, and the reconciliation of consignment stock. In addition, there are compliance risks if ongoing contracts are not reviewed regularly. Countermeasures include quantity tolerance bands, verified capacity reserves, joint KPI reviews and periodic contract reviews.