

# Blanket Order: Using offtake and call-off contracts in a structured way in industrial procurement

A blanket order, often referred to in German as an Abnahmevertrag, Abrufauftrag or Rahmenabnahme, is a framework agreement covering a fixed total quantity or a value envelope from which the buyer draws partial quantities over an agreed period. It is the classic instrument for combining planning certainty for the supplier with flexibility for the buyer. In the DACH region it is particularly widespread for C-parts, standard components and recurring materials. The following article explains the structure, management, KPIs and risks of this order model.

## Key facts

- A blanket order fixes total offtake quantities or values for a defined period; the individual order only arises through the call-off.
- Typical terms in practice range between six months and two years.
- Prices, terms and Incoterms are negotiated once; the operational ordering process is significantly simplified.
- Call-off quantities are often estimates; binding and non-binding quantity shares must be clearly separated.
- Key metrics are forecast accuracy and the call-off realisation rate.
- Suppliers benefit from plannability and often accept more favourable terms or preferred payment targets in return.

## Definition: Blanket Order

A blanket order is a framework purchase contract in which buyer and supplier agree a total quantity or total value for a defined period without each individual delivery having to be negotiated separately. The concrete delivery takes place via individual call-offs or releases, referred to as a release order or call-off. This creates a clear two-part structure between strategic terms agreement and operational execution.

## Distinction from the classic individual purchase order

With a single purchase order, quantity, delivery date and price are fixed anew in each document. With a blanket order, these elements are already contractually anchored; the call-off merely activates partial amounts. In practice, this significantly reduces administrative effort: individual quotation handling is often no longer required, and order approvals can be simplified because the price range and terms have already been reviewed. Clean documentation of the overall terms remains important, as later disputes usually hinge on unclear contract wording.

## Typical use cases

Blanket orders are suitable for materials with a high frequency of recurrence and well-plannable

demand: standard parts, fasteners, raw materials, packaging, operating supplies or services with a regular scope such as maintenance. Blanket call-offs are also used in the context of plant/service orders when standard services recur. Less suitable are project business, prototypes and strongly fluctuating or speculative demand.

### **Relationship to framework agreement and call-off order**

The terms are sometimes used synonymously, sometimes differently. The common reading is: the framework agreement is the overarching terms agreement, the blanket order is the purchase order reflecting it in the ERP system, and the call-off is the individual draw-down. In practice, the respective system landscape determines the terminology; what matters is that all parties use the same interpretation.

## **Structure and contractual design of a blanket order**

The value of a blanket order stands or falls with the quality of its contractual design. In addition to quantities and prices, in particular the call-off mechanics, on-time delivery and change scenarios must be precisely regulated.

### **Quantities, period and call-off logic**

The contract should define a total quantity or a minimum and maximum offtake corridor, a term and rules for call-off deadlines and minimum call-off quantities. In practice, staggered call-off windows have proven effective: short-term call-offs with smaller quantities within a fixed delivery cycle and long-term call-offs with larger volumes. Those working with a delivery schedule can map the binding and non-binding quantity shares there and reference them to the blanket order.

### **Pricing and terms**

Prices are fixed for the term or linked to indices, raw material clauses or volume tiers. Payment terms, early payment discounts and instruments such as dynamic discounting can be added in order to trade supplier liquidity for discounts. Incoterms, in particular common clauses such as Incoterms CIF for overseas deliveries, also belong bindingly in the contract, as does the treatment of packaging, freight forwarder selection up to the preferred carrier and any air freight cost components in express cases.

### **Changes, quantity deviations and termination clauses**

Clauses on quantity changes and contract termination are critical. Tolerance bands within which no adjustment is necessary are common, as are offsetting rules for minimum quantities not called off, for example where the supplier has held material or capacity. Change management processes, for example for technical changes to the product, should be defined so that call-off-ready stock does not suddenly become worthless. Provisions on the warranty for delivered parts and on the deadline for requesting documents such as supplier certificates also belong in the contract text.

## **Methods and approach: setting up blanket orders systematically**

Set-up follows a proven sequence: demand consolidation, supplier selection, negotiation, system set-up and operational management. Anyone who works through these steps in a disciplined manner avoids the most common mistakes such as excessive quantities or missing exit rules.

## **Determining and consolidating demand**

The starting point is reliable demand data from ERP, bills of materials and historical consumption values; the sales forecast additionally provides indications of future programme volumes. For newly developed parts with uncertain demand, the blanket order should deliberately be kept small or replaced with an option for later increases. A supplier landscape analysis shows how many suppliers are eligible for the part and whether consolidation into one blanket supplier makes sense or second sources are required.

## **Supplier selection and tender management**

Award of terms should take place via structured tender management, and for larger volumes also with a formal tender including sanctions list screening and review of the supplier's compliance documentation. Quality assurance requirements, such as agreed Cpk/process capability values for critical characteristics, also belong in the request for quotation. The award maturity of one's own organisation should be honestly assessed: without reliable call-off discipline, you risk price concessions that the supplier recovers through early adjustments or prioritisation.

## **System set-up and operational execution**

In the ERP system, the blanket order is set up as a contract or framework order; call-offs then do not trigger new negotiations but only releases. An advance shipping notice (ASN) should be transmitted with every partial delivery in order to automate goods management and invoice verification. Coordination with the supplier frequently takes place via regular delivery schedule reconciliations, supplemented by a parts catalogue documenting valid articles, materials and standard interfaces.

## **Key KPIs for managing blanket orders**

Blanket orders can be managed well if a few core metrics are tracked continuously. They show whether call-offs and deliveries remain within the contractually agreed framework and whether the model is economically viable.

### **Call-off and delivery metrics**

Central metrics are the call-off realisation rate (called-off quantity relative to contractually possible quantity), the supplier's LTA on-time delivery and the forecast accuracy of one's own demand notifications. If these values deviate systematically, either planning or the contract is at fault. Compliance with the defined offtake quantities per period should also be measured in order to avoid disputes over minimum offtake quantities at an early stage.

### **Economic metrics**

Further useful metrics are the realised price advantage compared with individual orders, the share of unplanned express deliveries and their air freight cost components, as well as the utilisation of agreed payment incentives such as dynamic discounting. Regular contract renewal dates should be combined with an evaluation of these metrics before the term is extended.

## **Risks and controls in blanket orders**

The greatest risks arise from quantity risks, commitments to suppliers and technical changes. They can be controlled if contracts and processes provide for corresponding controls.

## **Quantity and capacity risks**

If the buyer overestimates demand, there is a risk of offtake commitments without sales; if he underestimates it, the call-off framework collapses and expensive additional orders arise. Controls are realistic tolerance bands, transfer clauses in cases of force majeure and ongoing reconciliation with the sales forecast. For unusual demand spikes, an outsourcing analysis is helpful in checking whether capacity is tied up externally.

## **Supplier and quality risks**

Anyone consolidating volume increases their dependency on the selected supplier. In addition to second-source options, regular supplier evaluations and, where necessary, a supplier development workshop help to address weaknesses in processes or quality in a structured way. Mandatory information such as the supplier certificate for each delivery or batch and, in export business, ongoing sanctions list screening must be anchored in the process.

## **Compliance and legal controls**

Legally, blanket orders are usually contracts of sale with framework character; details such as governing law, place of jurisdiction and liability are agreed individually and should be reviewed by legal counsel in each case. Changes to the product require a defined change management process including customer approval and, where special tooling is involved, clear rules on ownership and tooling deposit. Sustainability requirements, such as the internal application of a CO2 price in procurement decisions, can also be anchored contractually.

## **Current developments relating to blanket orders**

Digitalisation, volatility in procurement markets and sustainability requirements are noticeably changing the handling of framework orders.

### **Automation and digital call-off processes**

EDI and API integration of call-offs, automatic ASN processing and digital parts catalogues reduce processing effort and error rates. More and more companies manage blanket orders via integrated planning systems in which demand and call-off data are reconciled in real time. This increases forecast accuracy and reduces disputes over verbally agreed call-offs.

### **Volatility, resilience and price flexibility**

Based on the experience of recent years, many buyers are building more rigid blanket structures more flexibly: shorter terms, indexed prices, defined flexibility bands and deliberate second sources. In overseas procurement, reliable Incoterms provisions and an agreement on air freight cost components in the event of disruption are gaining in importance. Price-reopener clauses for raw material or energy fluctuations have become more common in practice.

### **Sustainability and supply chain topics**

CO2 data, proof of origin and supply chain due diligence obligations are increasingly finding their way into framework agreements. Emissions-related metrics are frequently taken into account in supplier evaluations in a manner analogous to the CO2 price, and evidence such as certificates must be submitted as standard with every delivery. Anyone renegotiating blanket orders should negotiate these topics from the outset, as amendments later on are costly.

## Typical metrics

### **Call-off realisation rate: 90–100 %**

called-off quantity as a proportion of contract volume; under-consumption indicates planning errors

### **Forecast accuracy: > 80 %**

Typical benchmark for reliable demand notifications; varies by industry and horizon

### **On-time delivery (LTA): > 95 %**

Share of on-time call-off deliveries as a core quality measure

### **Express delivery rate: < 2 %**

High values indicate insufficient call-off discipline or capacity bottlenecks

## Practical example

A medium-sized mechanical engineering company previously ordered fasteners and standard bearings via several hundred individual orders per year. Following a supplier landscape analysis, it consolidated these parts with two suppliers and concluded blanket orders of twelve months each with defined minimum and maximum quantities. Price tiers, payment incentives via dynamic discounting and a binding ASN process were contractually fixed.

- Consolidation of around 800 individual orders into two framework orders with monthly call-offs
- Binding call-off bands and tolerance rules to safeguard against demand fluctuations
- Agreement of Cpk values for critical fit characteristics and a certificate requirement for every delivery
- Quarterly evaluation of forecast accuracy and on-time delivery as the basis for contract renewal

## Conclusion

The blanket order is a proven instrument for handling recurring demand efficiently and in a binding manner. Its value arises not from the document itself but from sound demand planning, precise contractual provisions and ongoing management via a few key metrics. Anyone who limits quantity risks through tolerance bands, provides for exit and change rules and monitors supplier performance measurably reduces administrative effort without creating new dependencies. The combination of framework agreement, structured call-offs and regular contract renewal reviews makes the model robust even under volatile market conditions.

## Frequently asked questions

### **What is a blanket order?**

A blanket order is a framework purchase agreement covering a fixed total quantity or a value envelope for a defined period. Actual delivery takes place via individual call-offs that specify quantity and delivery date. The model combines once-negotiated terms with flexible operational execution.

### **What is the difference between a blanket order and a framework agreement?**

The framework agreement governs the overarching terms such as prices, term and quantity corridors. The blanket order is the purchase order that reflects it, from which individual call-offs are generated. In practice, many companies use the terms synonymously; what matters is a consistent internal definition.

### **What advantages does a blanket order offer?**

Buyers save negotiation and administrative effort, gain price stability and accelerate the ordering process. Suppliers gain planning certainty and often offer better terms in return. In addition, volume discounts and simplified approval processes can be utilised.

### **What risks does a blanket order have?**

The main risks are poorly forecast offtake quantities, increased supplier dependency and problems with technical changes during the term. These can be controlled through tolerance bands, second sources and a defined change management process. Unclear contractual provisions on minimum offtake quantities are also a frequent point of dispute.

### **How long does a blanket order typically run?**

In practice, terms of between six months and two years are common, and shorter where there is raw material or price volatility. The choice of term should take account of demand plannability, price commitment and the availability of alternative suppliers. Regular reviews before renewal are standard good practice.

### **How does a blanket order differ from a delivery call-off?**

The blanket order is the overarching framework order with total quantities and terms. The delivery schedule or call-off is the individual draw-down from this framework, specifying a concrete partial quantity and a concrete delivery date. Only the call-off actually triggers a delivery.