

Annual call-off: quantity planning and steering within the framework agreement

The annual call-off is a binding or informative demand notification by which a buyer communicates to its supplier the expected requirement for a year, distributed across quantities and delivery dates. It is the central steering instrument within the framework agreement and forms the bridge between the customer's production planning and the supplier's capacity planning. In practice, the quality of the annual call-off largely determines on-time delivery, batch size optimisation and, ultimately, the price achieved. A properly regulated call-off process is therefore part of the basic discipline of operational procurement.

Key facts

- The annual call-off distributes the total requirement agreed in the framework agreement across months or weeks, making it plannable for the supplier.
- Depending on its drafting, the call-off is either binding (contract of sale) or merely a demand signal; its legal effect must be clearly regulated in the contract.
- Typical structure: fixed segments for short-term periods, change windows for medium-term periods and flexible outlooks for long-range planning.
- Key KPIs are on-time delivery, call-off accuracy, and inventory and delivery readiness targets on both sides.
- The annual call-off is a prerequisite for capacity reservation, the supplier's material planning and a reliable product costing.
- Digital EDI or portal processes reduce media discontinuities and significantly increase the currency of call-off data.

Definition: annual call-off

The annual call-off is the scheduled consolidation of the requirement for a line item of a framework agreement over a period of usually twelve months, broken down by quantity and date. Depending on the contractual arrangement, it either has immediate contract-of-sale effect or serves as a planning and information basis. It is to be distinguished from short-term call-offs for individual deliveries and from long-term demand forecasts without contractual character.

Distinction from framework agreement and individual call-off

The framework agreement governs terms and conditions, prices, quality requirements and general conditions; the annual call-off specifies it in terms of time and quantity. An individual call-off, by contrast, usually triggers a single delivery. In practice, the total requirement is often split into a binding base call-off for the coming weeks and non-binding forecast segments, which serve planning purposes only. The transitions must be precisely defined in the framework agreement annex in order to avoid disputes over binding effect, return obligations and compensation claims.

Legal classification

Depending on its drafting, the annual call-off may operate as a binding contract of sale, as a call-off contract with later acceptance upon the call-off, or as a mere demand signal without any obligation effect. Decisive for the assessment are the provisions on binding effect, the obligation to accept, compensation for non-acceptance and rights of amendment. Since the assessment depends on the specific contractual wording in each case, buyers should always have call-off clauses legally reviewed and clearly regulate evidentiary issues such as receipt and confirmation.

Methods and approach: from demand to a reliable call-off

A professional annual call-off process combines demand determination, contract logic and supplier communication into a control loop. The starting point is the consolidated demand notification from the consuming departments and Supply Planning. From this, the call-off is derived, coordinated with the supplier and updated in defined cycles.

Demand determination and consolidation

Reliable call-offs presuppose sound demand determination: historical consumption, planned production orders, spare part requirements and known project volumes are consolidated and adjusted for seasonal effects. In practice, it has proven effective to segment the annual requirement into three horizons: weekly figures for the binding area, monthly figures for the medium-term area and quarterly outlooks as a trend signal. The buyer should critically question outliers in the demand notification and reconcile plausibility with production control before the call-off is sent to the supplier.

Call-off cycles and change windows

Weekly or monthly call-off cycles with a rolling horizon are common. Binding segments should be kept short so that the supplier remains flexible, but long enough to enable material procurement and batch size optimisation — in practice usually four to eight weeks. Compensation arrangements are agreed for changes within this window, for example remaining quantities subject to mandatory acceptance or adjusted on-time delivery commitments. Every change should be documented in a version-controlled manner so that it remains traceable which call-off version was valid.

Communication and confirmation

The call-off is ideally transmitted electronically via EDI (for example message types for delivery call-offs) or a supplier portal. The supplier confirms the call-off data within an agreed deadline and reports back any capacity or material conflicts. This confirmation loop is the foundation of a robust on-time delivery agreement. Unconfirmed call-offs or tacitly accepted changes frequently lead, in practice, to later friction over delivery delays or excess quantities.

Key KPIs: measures for the call-off process

Without KPIs, call-off quality remains a matter of intuition. A lean but consistent KPI set covers both sides: the reliability of the supplier and the quality of one's own demand notification.

On-time delivery and call-off accuracy

On-time delivery measures the proportion of deliveries arriving within the agreed time window; in industry, values of over 95 to 98 per cent are regarded as the usual target for A-parts. Call-off accuracy compares the original annual call-off with actual consumption and shows how realistically one's own

materials planning operates. Large deviations indicate problems in the demand notification or unpredictable market developments and should be addressed in discussions with the supplier.

Inventory and delivery readiness targets

On the customer side, coverage, inventory value and delivery readiness of the called-off material are of interest; on the supplier side, compliance with promised capacity reservations. Both parties should compare their KPIs in regular review meetings — quarterly in practice. This transparency prevents customers from protecting themselves with high safety stocks against unreliable call-offs while suppliers hold over-dimensioned capacities.

Follow-up rate and change rate

Two lesser-known but revealing KPIs are the change rate (proportion of call-off line items amended after confirmation) and the order or call-off follow-up rate, i.e. the proportion of call-offs processed without manual intervention. High change rates burden the supplier's production control and are often penalised with higher prices or lower prioritisation. Anyone measuring this systematically can also argue for improvements contractually via a benchmarking clause or price adjustment clause.

Contractual drafting: call-off rules in the framework agreement

The annual call-off is only as good as its contractual foundation. Clearly drafted call-off clauses shift points of contention from subsequent discussion to forward-looking design.

Binding effect, quantities and compensation clauses

The contract should specify which call-off segments are binding, to what extent the buyer is obliged to accept quantities, and what happens if it calls off less — for example a take-or-pay charge or the supplier's right to invoice stored quantities. Conversely, the supplier needs a delivery obligation with defined tolerances and an extension-of-deadline provision in the event of disruptions. A benchmarking clause may provide for terms and conditions to be renegotiated if call-off volumes change significantly.

Prices, changes and term

For annual call-offs spanning longer periods, a price change clause or price adjustment clause is standard practice in order to reflect material cost or wage developments — often with indexation or agreed adjustment windows. The term of the framework agreement and the question of automatic contract renewal should be consistent with the call-off logic: whoever commits to an annual call-off must know whether the contract renews automatically. Delivery terms under Incoterms CIP or other clauses, as well as provisions on customs clearance for cross-border call-offs, should also be unambiguous.

Logistics, packaging and quality

The call-off also defines logistical parameters: delivery time windows, palletising, packaging specifications and, where applicable, requirements for packaging reduction. On the quality side, a clear arrangement for goods receipt with quality inspection and for documentation of the goods receipt note (GRN) is recommended, since goods receipt data feeds the call-off statistics and invoice verification. Liability issues — for example shortfalls causing production stoppages — are typically addressed via a limitation of liability that takes account of the particularities of the call-off business.

Risks and controls: typical sources of error in the call-off business

The most common problems do not arise from ill will, but from unclear processes and poor data quality. With targeted controls, most risks can be identified early.

Risks on the buyer side

Typical mistakes are over-optimistic demand notifications, a lack of coordination between procurement, Supply Planning and production control, and unclear binding effect in the framework agreement annex. The consequences are excessive inventories, take-or-pay charges or over-procured quantities that are later not needed. Control instruments include regular call-off reviews, plausibility checks of the demand notification against actual consumption data and a clear responsibility matrix — for example documented in a procurement competence matrix.

Risks on the supplier side and in the interplay

On the supplier side, there is a risk of capacity bottlenecks with sharply rising call-offs, material shortages, or tacit changes to composition and manufacturing location, for example through offshoring of production. Confirmation obligations, advance notice periods for changes and approval requirements for manufacturing sites help counter this. For cross-border deliveries, Incoterms, customs clearance and documentation requirements must be clarified early; the preferred carrier and shipping route should be fixed contractually so that logistical responsibilities are unambiguous.

Controls and escalation paths

A three-tier control system has proven effective: automated warnings for unconfirmed or overdue call-offs, weekly exception lists for on-time delivery deviations and a defined escalation level for repeated failures. Supplier evaluations should map call-off quality and on-time delivery as a separate criterion and feed these into development measures. Suppliers' improvement proposals — for example on batch size optimisation — can be taken up and rewarded via a structured idea evaluation process.

Current developments: digitalisation and more volatile call-off conditions

The annual call-off is evolving from a static, paper-based bill-of-materials process to a dynamic data exchange. At the same time, supply chain disruptions and raw material volatility are raising the demands on flexibility and transparency.

EDI, portals and data quality

More and more industrial partners exchange call-offs via EDI standards or supplier portals, often with automatic confirmation feedback and status tracking through to goods receipt. However, the benefit depends on data quality: consistent article master data, units of measure and calendar systems are a prerequisite. The procurement maturity level of a purchasing function in organising the call-off process — from Excel to integrated supplier management — is a good indicator of the generic maturity of operational procurement.

Volatility, robustness and sustainability

Unplanned demand peaks and material shortages have led companies to make call-off logic more robust: shorter binding segments, agreed capacity reservations, decentralised buffer stocks and close coordination with production control. At the same time, sustainability requirements are entering the

call-off — for example requirements on packaging reduction, consolidated combined deliveries and optimised palletising in order to reduce transport intensity and emissions. Buyers should take these criteria into account when drafting the framework agreement, not only retrospectively.

Typical metrics

On-time delivery: > 95%

In practice, targets of 95 to 98 per cent are considered the objective for A-parts

Call-off accuracy: $\pm 10\%$

Typical tolerance between the annual call-off and actual acceptance in the binding segment

Call-off confirmation rate: 100%

All call-offs should be confirmed by the supplier within the agreed deadline

Change rate: < 5%

Proportion of call-off line items changed after confirmation; high values burden the supplier's production

Practical example

A medium-sized mechanical engineering company sourced a cast part under a framework agreement with an annual call-off, but experienced repeated delivery delays and high inventories at the same time. The analysis showed: the demand notification from the design department and the call-offs from materials planning were created without coordination, the supplier did not systematically confirm call-offs, and the change window was not contractually regulated.

- Introduction of a three-tier call-off scheme with a four-week binding segment and defined change rules
- Mandatory electronic call-off confirmation by the supplier within five working days
- Quarterly KPI review of on-time delivery and call-off accuracy with documented actions
- Addition of a price adjustment clause to reflect raw material cost changes in the framework agreement

Conclusion

The annual call-off is far more than an administrative quantity list: it is the operational backbone of the framework agreement and largely determines on-time delivery, inventories and terms and conditions. What matters is clear contractual drafting with unambiguous binding effect and change rules, a sound demand notification, and an electronic confirmation loop with measurable KPIs. Anyone who systematically manages call-off quality creates the foundation for more stable prices and a robust supply chain. Buyers should therefore review the call-off process regularly and integrate it more closely with Supply Planning and production control.

Frequently asked questions

Is an annual call-off legally binding?

That depends on how the contract is drafted. If the call-off is structured as a contract of sale, it directly creates obligations to accept and deliver; as a mere demand signal it serves planning purposes only. Clear wording in the framework agreement annex on binding effect, acceptance obligations and compensation arrangements is essential. If in doubt, the clause should be reviewed legally.

What belongs in an annual call-off?

Core components are the article number and description, total annual quantity, time distribution by month or week, delivery addresses, packaging and palletising specifications, and the requested delivery dates. In addition, the price basis, Incoterms and validity of the call-off should be stated. Segmentation into binding and forecast-related time windows is central.

What is the difference between an annual call-off and an individual call-off?

The annual call-off plans the total requirement for a year in advance and serves the supplier's capacity and material planning. The individual call-off triggers a specific delivery and is usually short-term. In practice, the individual call-off builds on the annual call-off and merely specifies it for the respective delivery.

How often should an annual call-off be updated?

Weekly or monthly updates with a rolling horizon are common, so that the supplier always receives up-to-date planning data. The binding part should only be adjusted within contractually defined change windows. Versioned documentation of every change is important in order to avoid later disputes.

What happens if the buyer calls off less than agreed?

If the call-off is binding, the contract may provide for a take-or-pay charge, reimbursement of storage costs, or the supplier's right to make part deliveries. Some contracts also provide for compensation via future call-offs or via the framework agreement annex. Buyers should negotiate these cases in advance and design the consequences symmetrically for both parties.

Which KPIs are relevant for the annual call-off?

Key performance indicators are the supplier's on-time delivery, the call-off accuracy of one's own planning, the change rate of confirmed call-offs and inventory coverage. In addition, the confirmation rate and follow-up rate provide indications of process quality. These figures belong in regular supplier reviews and supplier evaluation.