

Call-off: demand security through framework agreement and call-off order

The call-off is a two-stage procurement procedure in which a framework agreement fixes quantities and terms for the long term and individual call-off orders trigger the specific demand on schedule. It thereby combines security through off-take quantities with flexibility in actual ordering. For technical buyers, the call-off is the central instrument for supplying series production with slow-moving, continuously required materials. The term is often used synonymously with schedule agreement or call-off contract.

Key facts

- A call-off consists of two contractual stages: the framework agreement (fixing quantities and terms) and the individual call-off orders with delivery dates.
- In practice, typical framework agreement terms range from six months to three years.
- The function of quantities is often defined in the contract only as a non-binding indication; the off-take mechanism is usually what is binding.
- Call-offs are particularly suitable for A and B items with continuous demand in series production.
- Key KPIs are delivery reliability, call-off accuracy and the share of open framework quantities.
- The call-off relieves operational processes but does not replace supplier development or strategic supplier evaluation.

Definition: call-off

The call-off is a procurement logistics procedure in which a buyer concludes a framework agreement with a supplier covering a total off-take quantity or an arrangement without a fixed quantity. The specific delivery quantities and dates are then triggered by individual call-off orders. Legally, depending on its design, a preliminary contract or a binding right of purchase exists between the framework agreement and the call-off order.

Distinction from individual contracts

In an individual contract, quantity, date and price are firmly and bindingly agreed in a single purchase order. In a call-off, by contrast, the price is fixed over the total off-take quantity, while quantity and date vary per call-off. This relieves the buyer of recurring price negotiations and gives the supplier planning security across the order landscape. A prerequisite is sufficiently reliable demand planning, for example from the MRP module of the ERP software.

Framework agreement with and without total off-take quantity

Two basic types are distinguished: in a quantity-binding framework agreement, the buyer undertakes to take up a defined total quantity within the term. In a non-quantity-binding framework agreement (off-take agreement or call-off agreement in the narrower sense), the buyer secures only the terms but has no obligation to purchase. In practice: the less binding the total quantity, the weaker the negotiating position

for price and capacity commitments from the supplier.

Methods and approach for call-offs

Setting up a call-off follows a clear sequence from demand analysis through contract negotiation to operational call-off control. Those who separate the steps cleanly avoid typical errors such as non-binding quantity indications or missing price adjustment mechanisms.

Demand analysis and structuring

First, demand is projected over the contract term from history, bills of material and planning data and classified by forecast reliability. Items with stable demand are suitable for fixed call-off quantities; fluctuating demand for flexible quantity bands. A cost-benefit analysis examines whether the call-off is worthwhile compared with individual orders — typically from regular demand with multiple orders per year.

Invitation to tender and contract negotiation

The award follows the rules of the procurement guideline: enquiry via Request for Information (RFI) for market research, followed by bid comparison using an evaluation matrix with price, quality and delivery criteria. After the award decision, framework quantities, prices, payment terms, Incoterms and price adjustment clauses are negotiated. Agreed lead times for triggering call-offs and capacity commitments from the supplier are important.

Operational call-off control

In ongoing operations, the ERP system generates call-off orders from the disposition demand, which are assigned to the framework agreement. Parameter maintenance (MRP) — disposition type, lot sizes, safety stock, lead time — must match the framework arrangement, otherwise miscontrols arise. Date-accurate call-offs are coordinated with the supplier and fixed in a delivery calendar (release schedule), often supplemented by backlog and change rules for short-term demand adjustments.

Key KPIs for call-offs

The effectiveness of call-offs can only be managed with KPI-based monitoring. Decisive is the connection of figures from operational processing with the strategic supplier evaluation criteria.

Call-off accuracy and delivery reliability

Call-off accuracy measures how closely the called-off quantities correspond to actual demand; high deviations lead to stock build-up or shortages. The supplier's delivery reliability (OTIF — On Time In Full) shows whether they fulfil the framework agreement on time and in full. Both values typically feed into the periodic supplier evaluation and support later contract negotiations.

Quantity flow and residual quantity control

The call-off coverage ratio indicates what share of demand runs through framework agreements rather than non-committed individual orders — a core indicator of procurement efficiency. In parallel, the open framework quantity must be monitored: if actual consumption permanently deviates from the agreed total off-take quantity, residual quantity risks or missed volume discounts loom. Regular consumption analyses against the procurement business plan keep planning up to date.

Economic key figures

Price stability over the term, the number of price change events and the share of secured call-off quantities show the economic quality of the arrangement. In addition, the Total Landed Cost (TLC) can be used to comparatively evaluate framework prices including transport, customs and handling costs — particularly for international sources of supply.

Risks and controls in call-offs

Call-offs reduce transaction costs but create their own risks: quantity risks, price fixing risks and dependencies on the contracting party. These can be made manageable through contractual and organisational controls.

Quantity and inventory risks

The biggest practical mistake is the binding securing of quantities that are later not taken up — whether due to programme decisions, overengineering or relocation abroad (e.g. as part of onshoring strategies). Countermeasures are quantity bands, downside clauses with minimum off-take and coupling to reliable budgeting. Conversely, shortages loom if demand develops beyond the negotiated capacity.

Supplier risks and quality control

Dependence on the framework supplier requires continuous control: supplier audit programmes, defined supplier evaluation criteria and, where necessary, second-source provisions protect against failures. For critical parts, incoming goods inspection with an AQL sampling plan secures the conformity of every batch, and traceability requirements ensure traceability across all call-offs. Contractually, rights in the event of quality violations, replacement deliveries and escalation levels should be fixed.

Contractual and legal risks

Unclear wording on off-take obligations, call-off deadlines, termination rights and transfer of risk — for example via the chosen Incoterms, including Incoterms CPT for transport at supplier's expense — frequently leads to disputes. Questions such as detention in container transport, dangerous goods management for special materials and IP transfer for co-developed parts should also be addressed in the framework agreement. Since the legal design must be assessed differently depending on the case, the contract wording should be legally reviewed on a case-by-case basis.

Anchoring call-offs in the procurement process

The call-off is not an isolated instrument but part of an end-to-end procurement process — from strategic sourcing to digital processing.

Strategic positioning

The procurement business plan derives which material groups are to be transferred into framework agreements and what supplier structure is targeted. For new parts from ongoing development projects, coupling to the pilot run is recommended: only after validated series production capability (for example measured by First Pass Yield (FPY)) should securing via the call-off take place. For complex awards, a competitive dialogue can help sharpen requirements and solution paths in advance.

Digital processing and master data

Efficient call-offs presuppose clean master data and well-maintained catalogue management so that

call-off orders can be exchanged error-free between ERP system and supplier. EDI or portal-based call-off transmission with automated date confirmations considerably reduces the coordination effort. Modern applications additionally support automatic residual quantity monitoring and alerting on plan deviations.

Internationalisation and logistics

For cross-border framework arrangements, agreed Incoterms, logistical buffers and dangerous goods management gain importance. Transport times and lead times must be taken into account in the call-off calendar so that short-notice call-offs do not fail due to long lead times. The hierarchy and distribution of rights between headquarters and plants — central framework agreements with local call-offs — must also be explicitly regulated.

Current developments in call-offs

Supply chain disruptions, raw material price volatility and digitalisation are significantly changing the design of call-offs. Static five-year contracts without adjustment mechanisms are increasingly considered outdated.

Volatility and flexible contract models

Experienced buyers combine secured base volumes with flexible bands to cushion demand peaks and slumps. Price adjustment clauses with transparent index references (for example to material and energy prices) replace rigid fixed-price commitments over long terms. In some cases, quantity bands with pre-agreed upper limits and reaction times are coupled to market fluctuations.

Resilience and dual sourcing

The experience of recent crisis years has raised the value of resilience: instead of exclusive framework agreements, companies often build up dual sourcing with two framework suppliers. This increases administrative effort but reduces failure risks and strengthens the negotiating position. Decisive here is clarity in quantity-side allocation and comparable quality assurance requirements for both suppliers.

Automation and AI support

In practice, digital tools increasingly support call-off disposition through demand forecasts and automatic suggestions for call-off quantities. AI-supported analyses can also help with enquiry and contract preparation, for example in creating tender documents for framework agreements. The foundation remains reliable master data and parameter maintenance in the MRP environment.

Typical metrics

Delivery reliability (OTIF): > 95%

typical benchmark for framework suppliers in series production

Call-off coverage ratio: > 80%

share of demand covered by framework agreements rather than individual orders

Call-off accuracy: > 90%

agreement between called-off and actually consumed quantities

Plan variance of residual quantities: < 10%

deviation of consumption from the agreed total off-take quantity

Practical example

A mid-sized mechanical engineering company previously sourced turned and milled parts via more than 30 individual orders per year from changing suppliers, with varying prices and frequent delivery problems. The purchasing department consolidated the material group to two audited suppliers and concluded framework agreements with a term of 24 months: base volume with an off-take band of $\pm 20\%$, a fixed call-off lead time of four weeks and a price adjustment clause with semi-annual index review.

- Demand consolidation across all plants and derivation of framework quantities from the MRP system
- Award via structured enquiry and evaluation matrix, supplemented by supplier audits before placement
- Establishment of a delivery calendar with EDI call-offs and automatic date confirmation
- Quarterly supplier evaluation with OTIF and incoming goods inspection according to AQL sampling

Conclusion

The call-off combines strategic security with operational flexibility and is among the most efficient procurement instruments for series production. Its success depends less on the contract paper than on realistic demand planning, clean parameter maintenance in the MRP system and a continuously evaluated supplier relationship. Clear provisions on quantities, price adjustments, Incoterms and quality assurance prevent the typical points of conflict. Companies that combine call-offs with resilience measures such as dual sourcing are better prepared against supply chain disruptions. Those who introduce the instrument in a structured way reduce transaction costs while simultaneously improving delivery reliability in production supply.

Frequently asked questions

What is a call-off in procurement?

A call-off is a two-stage procurement procedure in which a framework agreement fixes quantities and terms over a longer term. The specific delivery quantities and dates are then triggered by individual call-off orders. The procedure is also known as a schedule agreement or call-off and is particularly suitable for continuous series demand.

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

The framework agreement governs prices, total off-take quantities, terms and general conditions, but is itself not obliged to deliver in detail. The call-off order is the individual, binding order with a specific quantity and delivery date issued under the framework agreement. Legally, depending on its design, it constitutes either a preliminary relationship or a binding right of purchase, which should be legally reviewed on a case-by-case basis.

When is a call-off worthwhile?

Call-offs typically pay off for items with regular, plannable demand and multiple orders per year, such as A and B items in series production. They reduce transaction and negotiation costs and secure capacity with the supplier. For sporadic demand, strongly fluctuating quantities or short-lived products, individual purchase orders are usually the better choice.

What are the risks of a call-off agreement?

The main risks are residual quantities not taken up under a binding total off-take commitment, price fixing where procurement markets develop without inflation, and increased dependence on the framework supplier. These can be countered with quantity bands, price adjustment clauses, second-source strategies and regular supplier evaluations. Unclear provisions on Incoterms and transfer of risk are also frequent sources of conflict.

How is a call-off order processed?

The ERP system derives the call-off requirement from the disposition demand and generates the call-off order with reference to the framework agreement. The supplier confirms date and quantity, typically via EDI or a supplier portal. Delivery takes place on the agreed date, quality control for example via incoming goods inspection with an AQL sampling plan, and the open framework quantity is automatically updated.

How long does a framework agreement run in practice?

In practice, typical terms range from six months to three years, and longer for capital goods or bottleneck materials. The term should match the accuracy of demand planning: the more uncertain the demand, the shorter the term or the more important flexible quantity bands become. Price adjustment clauses also allow adaptation to market developments over longer terms.