Disposition in Procurement: Meeting Requirements, Managing Resources, Securing Delivery Capability

Disposition in procurement comprises the systematic determination of which requirement is covered, in what quantity, at what point in time and through which route – whether by drawing from stock, by ordering from a supplier or through internal production. It forms the link between demand planning, warehousing and procurement and is a key determinant of delivery capability, capital commitment and procurement costs. Those who organise disposition tasks in a structured manner avoid both production bottlenecks and costly excess stock.

As of October 2026 · amplifa-marketplace.ai/en/glossary/disposition-im-einkauf

Key facts at a glance

01 Disposition determines the type of requirement, quantity, date and sourcing method (stock, procurement, production).

02 Common methods include bill-of-materials-based demand planning, the reorder point method and forecast-based disposition.

03 Key metrics are delivery service level, inventory cover and order frequency.

04 In practice, a high delivery service level (e.g. above 98 per cent) is typically targeted alongside lean inventory levels.

05 Procurement disposition draws on framework agreements, call-off orders and delivery schedule calls.

06 Digitalisation via ERP, ETL processes and AI-supported forecasts is significantly changing disposition practice.

Definition: disposition in procurement

Disposition in procurement refers to the systematic determination of which material or service requirement is covered, when, in what quantity and by what means. It translates splits from production, spare-part demand and trading into concrete sourcing decisions and thus into procurement actions.

Distinction from materials disposition

In many companies, materials disposition is a dedicated function between planning and procurement: it determines gross and net requirements, checks stock levels and order proposals, and then either forwards order proposals to procurement or triggers call-offs itself. Procurement then acts as the market interface, negotiating terms and managing supplier relationships. In smaller businesses, both roles are combined; in larger organisations, separation is usual in order to decouple operational execution from market-oriented management. In both cases, a clear line of responsibility is essential: who decides on quantity and date, who on supplier and price, and who on approvals above certain thresholds?

Disposition objects and types of demand

Items to be dispositioned include raw materials, purchased parts, trading goods, packaging, auxiliary and operating supplies, but also services and capital goods. The type of demand determines the method: primary demand (customer orders, production plan) is usually derived on a bill-of-materials basis, with secondary demand resulting from this as component demand. In addition, there is day-to-day demand such as workshop or spare-part requirements, which is often handled directly via free-text orders. Service and project requirements – for example in project procurement or project purchasing – also require their own disposition logic, as quantities and dates arise less evenly than in serial production.

Methods and procedures of disposition

The choice of disposition method depends on demand structure, item value and delivery promise. Ramp-up serial parts require different mechanisms than sporadic spare-part demand.

Reorder point and stock-based methods

With the reorder point method, an order is triggered automatically as soon as available stock falls below a defined threshold. The reorder point typically consists of the expected consumption during the replenishment lead time plus a buffer; closely related is control via a minimum stock level, which serves as an alarm or order marker. The method is robust, simple and well suited to C-parts with stable consumption. Drawback: it reacts sluggishly to demand peaks and leads to stock fluctuations when demand varies. Many systems combine reorder point control with dynamic parameters that are continuously adjusted based on consumption history.

Demand planning via bills of materials and plans

In serial and order-based production, demand is derived from customer orders and sales plans via bills

of materials. The system proposal states the required quantity, required date and possible sourcing sources – stock, procurement or production. The planner reviews these proposals, corrects quantities (for example due to minimum order quantities (MOQ) or packaging units), takes residual quantities and available stock into account, and then passes the requirement on as an order or call-off. Care is crucial here: incorrect disposition parameters such as inflated lead times or artificial lot sizes systematically cause excess stock.

Call-off, framework and delivery schedule control

For serial parts with long-term commitment, procurement and the supplier agree framework contracts with total quantities and prices; the concrete requirement is transmitted at short notice via call-off orders or a delivery schedule call. The supplier holds material or capacity ready, and disposition is relieved of individual orders. Clear call-off rules are essential here: fixed call-off intervals, tolerances for quantity changes, defined lead-time tiers (e.g. binding from four weeks) and a clear agreement on delivery and delivery terms such as FAS where international procurement is involved. Without these rules, disputes arise over short-notice quantity changes.

Interfaces: production, warehouse and suppliers

Disposition never operates in isolation; its quality depends on clean interfaces with planning, warehousing and suppliers.

Coordination with production planning

Disposition needs reliable information on planned orders, lot sizes and dates – otherwise it plans past reality. Regular coordination meetings between disposition and planning, clear escalation paths for scheduling conflicts and a shared understanding of priorities are therefore fundamental prerequisites. In practice, it has proven effective to closely monitor critical parts in separate reviews, while standard parts run largely automatically. Changes to design or bills of materials must also be quickly traceable on the disposition side in order to avoid obsolete stock and incorrect purchases.

Warehouse management and inventory policy

Stock is both a reservoir and a buffer. The inventory policy – safety stocks, minimum stock levels, lot sizes – determines how much capital is tied up in the warehouse and how robust supply remains in the event of disruptions. A sound middle way is guided by item value: A-parts of high value receive lean stock levels and close date monitoring, while C-parts may be dispositioned more liberally. In addition, logistical side aspects such as palletisation and packaging specifications play a role, as they influence delivery quantities and warehouse space consumption. Regular stocktakes and inventory clean-ups keep disposition data credible.

Supplier-side reliability

Disposition depends on supplier reliability: delivery reliability, responsiveness to changes and transparent capacity notifications. Coherent agreements on notification processes, backlog information

and alarm triggering belong in supplier agreements. For critical parts, a second supplier or a validated material substitution (ESG) is recommended to reduce supply risks – the latter combining supply security with sustainability requirements. Procurement should systematically evaluate disposition risks and incorporate them into supplier assessments.

Key disposition KPIs

Without reliable metrics, disposition quality can neither be managed nor explained to management. Key KPIs measure supply, inventory management and process quality.

Supply and schedule metrics

The delivery service level (proportion of items delivered on time and in full) is the key supply metric; in practice, values well above 98 per cent are typically targeted. Also relevant are the number of late items, backlog duration and suppliers' delivery reliability. For manufacturing companies, what matters most is whether production orders come to a halt due to missing parts: the number of production stoppages caused by parts shortages makes disposition failures immediately tangible and is well suited as an escalation and improvement metric.

Inventory and efficiency metrics

Inventory cover, stock value and inventory turnover show how efficiently capital is managed. Order frequency and the average order line value reveal whether minimum quantities are overloading the process – minimum order quantities and consolidated orders help here. The proportion of automated order proposals versus manually corrected dispositions also shows how stable the disposition parameters are. High correction rates usually indicate incorrect lead times, unreliable forecasts or changed demand structures.

Process and data quality

Finally, it is worth taking stock of the disposition data itself: master data quality, accurate lead times, maintained lot sizes, cleanliness of open order over-coverage. A proven practical tool is a regular exception list with due dates, backlogs and inconsistencies, which is processed in short meetings. Anyone defining metrics should also use them consistently in discussions with planning and suppliers – only then do they have a steering effect rather than serving as a mere reporting façade.

Risks, controls and compliance

Disposition carries concrete risks: supply interruptions, value losses through excess stock and compliance breaches in procurement itself.

Supply and price risks

Delivery failures, quality problems or short-notice demand peaks can jeopardise supply. Countermeasures include safety stocks, multiple sources, alternative materials and early warning

indicators for critical suppliers. Price risks arise from market fluctuations in raw materials or energy; here, price index linkages in contracts offer a plannable, transparent adjustment mechanism instead of ad hoc negotiations under time pressure. Where price adjustments occur during an ongoing contractual relationship, a careful review of the contractual basis is required on a case-by-case basis.

Process controls and invoice verification

Every disposition decision feeds into order processes that need controls: the four-eyes principle for approvals, thresholds for reorders, clear responsibilities for framework call-offs. In the goods receipt and invoice process, among other things, the debit note in the event of defects and the substantive invoice verification ensure that only delivered and agreed services are paid for. Classic pitfalls such as unintended contract extensions through an amendment to framework agreements or unclear secondary offers in tenders can also be avoided through standardised review steps along the entire procurement process.

Data quality and internal control

Missing or incorrect master data – lead times, lot sizes, safety stocks – is in practice the most common cause of systematic disposition errors. Regular data maintenance cycles, clear ownership of disposition parameters and a change history provide a remedy. In addition, it should be defined which disposition decisions must be documented, for example when deviating from system proposals or when procuring outside established processes. This protects against queries from internal audit or external auditors and ensures traceability.

Current developments: digitalisation and resilience

Disposition is changing noticeably through automation, data integration and a heightened awareness of supply chain resilience.

Automation and data integration

Modern ERP systems generate disposition proposals largely automatically; the planner becomes an exception and strategy manager. The ETL process for procurement – i.e. the structured extraction, transformation and loading of procurement data into analytics environments – makes it possible to bring together consumption figures, supplier metrics and market data and to sharpen disposition parameters on a data-driven basis. In addition, digital catalogues and quick-process price enquiries handle the express demand channel for C-parts and indirect materials, significantly reducing manual small-volume orders. Clean master data remains a prerequisite; automation without data quality multiplies errors.

Resilience, regionalisation and sustainability

Supply chain disruptions in recent years have established resilience as a disposition objective. Approaches include greater diversification of sourcing markets, safety stocks for critical parts and regionalisation up to reshoring, where replenishment lead times and transport risks can be

forecast-reducibly lowered. At the same time, sustainability requirements are coming into focus in disposition: material substitution (ESG), recycled materials and CO2-relevant transport decisions increasingly influence what is procured and how. Planners and buyers must weigh these trade-offs – availability, cost, risk, sustainability – explicitly and document them in a traceable manner.

Collaborative disposition with suppliers

Companies are increasingly shifting disposition steps to the supplier: via shared planning systems or delivery schedules, the supplier sees the forecast demand itself and disposition ahead within agreed limits (vendor managed inventory approaches). This reduces coordination effort and response times, but requires a high degree of trust, clear rules of responsibility and robust data quality on both sides. In practice, one typically starts with a few, logistically stable A-parts and selected partners before rolling the model out more broadly.

Typical metrics

Metric	Typical value
Delivery service level	typically > 98 % *Proportion of items delivered on time and in full*
Inventory cover	item-dependent, frequently 2–12 weeks *Ratio of stock to average consumption*
Production stoppages caused by parts shortages	Target: close to 0 incidents *Direct measure of disposition failures*
Correction rate of disposition proposals	typically < 10 % *A high rate indicates incorrect parameters*

Practical example

A mid-sized mechanical engineering company with around 200 employees struggled with frequent production stoppages due to missing purchased parts while inventory levels were rising at the same time. The analysis revealed: excessive safety stocks for C-parts, outdated lead times and uncoordinated individual orders instead of call-offs for serial parts. The company restructured its disposition into three tiers – automatic reorder point control for C-parts, bill-of-materials planning with weekly review for A-parts, and framework agreements with delivery schedule calls for volume parts – and introduced monthly exception reviews.

- Disposition parameters (lead time, safety stock, lot size) systematically cleaned up for around 3,000 items
- Framework agreements with delivery schedule calls concluded for the most important serial parts
- Weekly exception list with backlogs and due dates processed in short coordination meetings

- Second sources and a validated material substitution (ESG) established for two critical single-sourced parts

Conclusion

Disposition in procurement is far more than triggering purchase orders: it determines delivery capability, capital commitment and the reliability of entire supply chains. Good disposition combines reliable master data, fit-for-purpose disposition methods and clear interfaces with planning, warehousing and suppliers, together with effective controls along the procurement process. Companies that regularly sharpen their disposition parameters and make consistent use of digital analytics achieve significantly better metrics in practice while relieving their teams at the same time. Those who also factor in resilience and sustainability aspects early make their supply robust against disruptions. Investment in disposition quality therefore pays off twice – operationally and strategically.

Frequently asked questions

? What does disposition in procurement mean?

Materials disposition in procurement refers to the systematic decision of which material or service requirement is covered, in what quantity, by which date and through which route – for example from stock, by placing an order, or through in-house production. It links demand planning, inventory management and procurement. Good disposition secures the ability to deliver while keeping capital tied up as low as possible.

? Which disposition methods are there?

Typical methods include the reorder point method with a minimum stock level, bill-of-materials-based demand planning derived from orders and plans, and forecast-based methods for fluctuating demand. For serial parts, framework agreements with call-off orders and delivery schedule calls complement the range of options. In practice, several methods are usually combined depending on the item's value and demand structure.

? What is the difference between disposition and procurement?

Disposition determines requirement, quantity and date and decides on the sourcing method; procurement selects suppliers, negotiates terms and handles orders on the market side. In small companies, both roles are often combined in one person. In larger organisations, a clear separation is usual in order to cleanly regulate audit obligations and responsibilities.

? Which metrics measure good disposition?

Key metrics are the delivery service level, inventory cover, inventory turnover and the number of production stoppages caused by missing parts. In addition, order frequency, the correction rate of disposition proposals and suppliers' delivery reliability indicate process quality. It is important to review metrics regularly and to derive concrete adjustments to parameters and processes from deviations.

? How can inventory levels be reduced without supply bottlenecks?

The foundations are accurate lead times and realistic safety stocks rather than blanket buffers. A-parts receive lean stock levels and close monitoring, C-parts pragmatic reorder point control. Framework agreements with delivery schedule calls, clear minimum order quantities (MOQ) and, for critical parts, second sources or material substitution (ESG) increase supply security while keeping stock levels leaner.

? What is a call-off order?

A call-off order releases a concrete requirement from a framework agreement: quantity, date and often the delivery location are reported at short notice, while prices and total quantities are fixed for the long term. This reduces transaction costs and gives the supplier planning security. Clear call-off intervals, lead-time tiers and quantity tolerances in the agreement are essential.

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