



**MERILLGROVE**  
PROCUREMENT & SOURCING

SUPPLIER COST CHALLENGE / ALTERNATIVE SOURCE REVIEW

# A cheaper supplier quote can still be the more expensive decision.

A worked example of how to compare an incumbent supplier against an alternative after price, freight, MOQ, payment terms, working capital, lead time and switching exposure are put on the same commercial basis.

Illustrative worked example

Buyer-side decision logic



# Unit price is only one variable.

A replacement can look cheaper without being commercially better. The first job is to put both options on a comparable basis before management creates supplier disruption.

INCUMBENT

Quoted index 100

Known quality. Established terms.  
Current lead time. No switching cost.

ALTERNATIVE

Quoted index 91

Looks 9% cheaper before the commercial differences are normalized.

## What has to be normalized?

| Driver         | Incumbent            | Alternative                | Why it matters                                            |
|----------------|----------------------|----------------------------|-----------------------------------------------------------|
| Freight / duty | Stable route         | Higher inbound burden      | EXW is not landed cost.                                   |
| MOQ            | Normal order pattern | 5x higher MOQ              | Inventory and cash exposure move with MOQ.                |
| Payment timing | Established terms    | Deposit-heavy              | Earlier cash outflow has a financing cost.                |
| Lead time      | Known                | Longer                     | More inventory may be required to protect continuity.     |
| Qualification  | Already approved     | Samples / testing required | Switching is an implementation project, not a price line. |
| Risk           | Known performance    | Unproven                   | Quality and continuity risk need explicit treatment.      |

Illustrative values only. This example demonstrates decision structure, not a client result or savings claim.

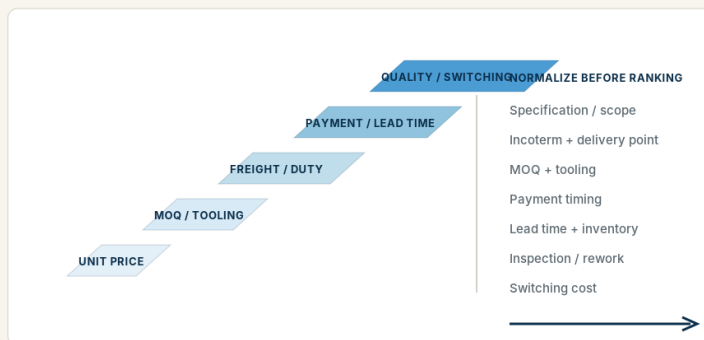
# The lower quote stops being the obvious answer.

In this illustrative example, the alternative starts at index 91 but absorbs additional freight, working-capital, qualification and switching exposure. The decision changes once the commercial basis is normalized.

## QUOTE & LANDED-COST NORMALIZATION

**The quote is a starting point.  
The commercial position  
is the decision.**

Normalize what changes cash, lead time, working capital and switching exposure.



## DECISION OUTPUT

**Like-for-like first.  
Price judgment second.**

A lower quote can still create a weaker commercial route.

ADVANCE

CLARIFY

MERILLGROVE · editorial decision system · illustrative brand graphic

01

**Current  
position**

What are we  
actually buying  
today?

02

**Normalize**

Same specification,  
route and  
commercial basis.

03

**Test  
alternatives**

Credible options,  
not random supplier  
lists.

04

**Decide**

Renegotiate, re-  
source, second-  
source or stay.

# A cost challenge is useful even when the supplier does not change.

The output is not “find something cheaper.” It is a defensible commercial position management can challenge before it acts.

## POSSIBLE OUTCOMES

- retain the incumbent;
- renegotiate;
- run a structured RFQ;
- qualify a second source;
- test an import route;
- change specification or order pattern;
- do nothing yet.

## ILLUSTRATIVE DECISION

Use the alternative as leverage. Do not switch yet.

The apparent unit-price saving does not yet clear qualification, working-capital and switching exposure. Re-open the incumbent position first and keep the alternative as a second-source candidate.

---

## HAVE A SUPPLIER PRICE DECISION UNDER REVIEW?

# Describe the buying decision.

Merillgrove can normalize the current position, test credible alternatives and show whether the rational action is to renegotiate, re-source, second-source or stay put.

[merillgrove.com/cost-review](https://merillgrove.com/cost-review)