



Demand Innovation

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INDUSTRIES

## Do Not Compare Apples to Oranges

Often times, we find our prospects and customers overlooking important differences in the quotes they receive from suppliers that eventually end up costing time and money. Because this is more common than we thought, we believe it is important to share key details you can evaluate when comparing quotes for manufactured components.

To be fair to all of your suppliers, it is critical to collect and compare all the details before you make purchasing decisions. This holds true for purchases at work and in our personal lives.

You wouldn't buy a new TV without evaluating all the important details. You will want to look at all of the product features for each TV to be sure you compare apples to apples. You will want to compare different types of TVs, such as smart TV to a plasma or OLED TV. You will also want to compare the resolutions and HDR compatibility, along with shipping costs and warranty details to determine which TV will best meet your needs.

This critical purchasing mindset is the same when evaluating multiple quotes from potential manufacturing suppliers.

### Know Your Quote

Breaking down quotes by specific areas and or services will allow you to compare across like services. It can be helpful to use a product cost calculation tool, or a spreadsheet, to be able to compare services fairly. More than likely, the following items will be included in your quote. Be sure that you are comparing similar details.

- Raw materials
- Forming process (casting, extruding, bar stock)
- Secondary operations (bending, machining, cut-to-length, tumbling, deburring)
- Tooling (custom or standard; in-house or outsourced)
- Surface treatment (chemical or mechanical finishing)
- Packaging (custom vs. standard)
- Qualification requirements (regulatory guidelines, industry standards, certifications)
- Freight/logistics (travel distance)

### Target Pricing

In addition to identifying a price at which a product will be competitive in the marketplace, your finance department probably required an initial cost estimate before approving the project.

We understand the hesitation many designers and purchasers feel when it comes to sharing your target pricing. Some may even go as far as being offended when suppliers ask. However, there is a good reason for the question. Doing so, can help assure that your product design, and the manufacturing processes used to produce your components, are achievable. Suppliers can usually tell you if the manufacturing

processes you are looking to use are in the ballpark of your anticipated costs. Knowing this early on in the product development process can save you weeks or months of time and effort.

### **Compare Apples to Apples**

Comparing quotes will also allow you to identify any misalignment between your cost estimate and the estimates from your prospective suppliers. If pricing for a specific service falls outside +/-10% of other quotes, this is good reason to investigate if a supplier is providing different services, processes or material.

Know that some suppliers may not break down their quotes and you may need to ask for the details to assure you understand the specifics.

### **Quote Breakdown**

Now that you have established a process to compare proposals equally and fairly, you can be even more confident that you will select the best manufacturing supplier for you.

Regardless of the piece-part price bottom line, be sure to pay close attention to the overall value you get from a supplier. While soft benefits can bring you additional value beyond cost, seek a supplier who offers innovative manufacturing solutions that can enhance your product.