SPECIFIC-CASE

WORKSHEET 9 OF 9

Vendor Capacity Constraint — Supply Gap and Allocation Response

Scenario: your supplier of a critical component — used in your highest-revenue product SKU — informs you that their production capacity will be reduced by approximately 30% for the next two quarters due to a major equipment overhaul. They can continue to supply you but will need to prioritize orders. They have not yet indicated how they will allocate available capacity among their buyers.

Complementary worksheet for
Vendor Negotiation Playbook
by Ibrahim Anwar

READ ON GOOGLE PLAY BOOKS ›

SECTION 1

What This Is For

A vendor's capacity constraint is a negotiation under time pressure, with revenue at risk if the response is slow. Most operators respond to this scenario by calling the vendor and hoping to be prioritized. This worksheet exists to replace hope with a structured response: calculate the supply gap and revenue exposure, assess whether the BATNA alternative can cover the gap, decide what to offer the constrained vendor to secure priority allocation, and document the emergency qualification process if a second source is needed.

The urgency is real: the worksheet must be filled within 48 hours of the vendor notification. Every day without a plan is a day the safety stock window is shrinking toward zero and alternative vendors are not being contacted.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Quantifies the monthly revenue at risk from the supply gap — the number that frames all subsequent decisions including how much to spend on emergency qualification.
- Calculates how many days of safety stock remain before the supply gap affects production, establishing the actual decision timeline.
- Determines whether the current BATNA alternative can cover the gap, and if not, identifies the emergency qualification path.
- Defines what to offer the constrained vendor to secure priority allocation — typically a combination of documented payment reliability, advance PO commitment, and a partial advance payment on the constrained period.
- Produces a structured allocation request that gives the operator a stronger claim to priority capacity than an unstructured phone call.

SECTION 3

Framework To Use

Capacity Gap Response Decision Tree

A four-branch decision structure based on whether the gap can be covered by BATNA, safety stock, emergency qualification, or a combination.

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Enter the critical component, affected SKU, and current monthly volume from the supplier. Calculate the estimated volume the supplier can cover at 70% capacity (their reduced output).
2. Calculate the monthly volume gap: your monthly requirement minus the estimated available volume from the constrained supplier.
3. Calculate revenue at risk: the volume gap multiplied by the average revenue contribution per unit of the affected SKU.
4. Enter current safety stock level in units and calculate days of coverage at current sales rate. That is your decision window.
5. Enter the BATNA alternative: name, confirmed available volume per month, unit price, and lead time to first delivery.
6. Determine whether the BATNA covers the full gap, partial gap, or cannot cover. Follow the appropriate branch of the decision tree.
7. Calculate what to offer the constrained vendor to secure priority allocation: a documented 12-month payment record, an advance PO for the constrained period, or a partial advance payment (maximum 20% of constrained-period order value, with delivery guarantees).
8. If emergency qualification is needed: list the candidate vendors to contact, the timeline for RFQ and spec confirmation, and the earliest possible first delivery date.

SECTION 5

Example Use

A Jakarta consumer goods manufacturer uses a custom-formulated adhesive from a single Surabaya supplier for their primary gift-box SKU, which generates $85,000 per month in revenue. The supplier calls on a Tuesday afternoon to say their production will drop 30% for the next 8 weeks due to an equipment failure. They have 22 other buyers.

Current monthly volume: 12,000 kg at $6.20/kg = $74,400/month from this supplier.

Estimated available volume at 70% capacity: 12,000 × 0.70 = 8,400 kg/month. Volume gap: 3,600 kg/month.

Revenue at risk: the adhesive is used at 0.8 kg per box, producing boxes that sell at $18 each. Revenue per kg = $18 ÷ 0.8 = $22.50/box-equivalent. Monthly revenue at risk from 3,600 kg gap = 3,600 × $22.50 = $81,000/month. That is the number that frames every other decision.

Safety stock: 4,200 kg on hand (3.5 weeks' supply at current rate). If supplier delivers only 8,400 kg/month, the gap of 3,600 kg/month means safety stock depletes in: 4,200 ÷ 3,600 = 1.17 months = 35 days. Decision window: 35 days to resolve the gap before production is affected.

BATNA check: the purchasing manager pulls her BATNA folder. Six months ago, a Bandung adhesive specialist sent an RFQ response for a compatible formula at $6.55/kg, with a 5,000 kg MOQ and 8-business-day lead time. Confirmed capacity: 5,000–7,000 kg/month. The BATNA can cover up to 7,000 kg/month — partial coverage of the 3,600 kg gap, but not full coverage at their stated capacity limit.

Plan: (a) Call the constrained supplier and present the priority allocation request. Leverage: 18 months of consistent on-time payment, a written advance PO commitment for the full 8-week constrained period, and a 10% advance on the first constrained-period order. Request: priority allocation of 9,000 kg/month (above their 70% baseline for this account, justified by the payment and commitment offer). (b) Simultaneously contact the Bandung BATNA vendor: confirm they can deliver 3,000 kg/month within 8 business days, at $6.55/kg. Accept the MOQ premium — 3,000 kg/month at $6.55 vs $6.20 = $0.35/kg additional cost × 3,000 kg = $1,050/month premium. Compare to $81,000/month revenue at risk: the premium is 1.3% of the at-risk revenue.

Day 3 outcome: constrained supplier agrees to 9,500 kg/month (they prioritized this buyer based on the advance PO commitment and payment record). BATNA alternative covers 2,500 kg/month for the 8-week period. Total covered: 12,000 kg/month. Gap fully covered. Revenue at risk: $0.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Vendor Capacity Constraint — Supply Gap and Allocation Response

Scenario: your supplier of a critical component — used in your highest-revenue product SKU — informs you that their production capacity will be reduced by approximately 30% for the next two quarters due to a major equipment overhaul. They can continue to supply you but will need to prioritize orders. They have not yet indicated how they will allocate available capacity among their buyers.

ITEM	YOUR NUMBERS
Critical component + affected SKU	
Current monthly volume from this supplier (units / kg)	
Supplier's estimated capacity at 70% (units / kg)	
Monthly volume gap (current – 70% capacity)	
Revenue contribution per unit of affected SKU ($)	
Monthly revenue at risk from gap ($)	
Current safety stock (units / kg)	
Daily consumption rate (units / kg per day)	
Days of safety stock coverage at current consumption	
Decision window: days before production is affected	
BATNA alternative vendor name	
BATNA: confirmed available monthly volume (units / kg)	
BATNA: unit price vs current supplier ($ difference)	
BATNA: lead time to first delivery (days)	
BATNA coverage: full / partial / none	
Premium cost of using BATNA for gap volume ($ / month)	
Premium as % of revenue at risk (%)	
Offer to constrained vendor for priority allocation	
Emergency qualification needed? (Y / N)	

ITEM	YOUR NUMBERS
If Y: candidate vendor to contact + timeline	

SECTION 6 (CONTINUED)

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. Your leverage with the constrained supplier is your documented value as a buyer. Prepare these three numbers before calling: (1) your on-time payment rate over the past 12 months, (2) your total annual purchase value from this supplier, (3) a written advance PO commitment for the full constrained period. A buyer who shows up to an allocation conversation with documented payment reliability and a written commitment has a measurably stronger claim to priority than one who simply asks to be prioritized.

---

2. The capacity constraint forces a BATNA decision within 48 hours: can your qualified alternative supplier cover the gap volume at acceptable quality and lead time? If yes, negotiate the allocation split from a position of having an executable option. If no, emergency qualification of a second source is the immediate priority — not negotiating allocation terms that depend on a BATNA that does not yet exist. Calculate the premium cost of the BATNA alternative versus the revenue at risk. If the premium is less than 5% of the at-risk revenue, the cost of using the BATNA is almost always worth paying.

SECTION 7

Tips and Traps

TIPS

- Contact the constrained supplier within 24 hours of their notification, with the advance PO already prepared. Vendors prioritize buyers who respond fast and with commitment, not buyers who take two weeks to respond.
- Calculate the BATNA premium cost before the first call to the constrained supplier. If you know the BATNA costs an additional $0.35/kg on a 3,000 kg gap, you have $1,050/month of negotiating room with the constrained supplier — you can offer a modest advance payment or volume commitment within that margin.
- Document the constrained supplier's allocation decision in writing immediately after the call. 'We agreed that you will deliver 9,500 kg/month for the next 8 weeks beginning [date]' — sent by email the same day — is the evidence you need if deliveries fall short and you need to escalate.
- Use the capacity constraint as a catalyst to finally run the emergency qualification of a second source that has been deferred. Once the constraint is resolved, maintain the newly qualified vendor with a small regular order rather than letting the relationship go dormant again.

TRAPS

- Waiting more than 48 hours to respond to the notification. Every day of delay reduces your decision window and increases the probability that other buyers have already claimed the available capacity.
- Negotiating allocation without first knowing whether your BATNA alternative can actually cover the gap. If you negotiate an allocation of 10,000 kg from the constrained supplier based on the assumption that you have a backup for the remaining 2,000 kg, and then find out the backup cannot deliver within the lead time, you have committed to a supply plan that does not work.
- Offering a full advance payment on the constrained period's orders. Advance payment is working capital at zero cost to the vendor. 10–20% advance on the first constrained-period order is a significant commitment signal without full working capital exposure.
- Treating the capacity constraint as a temporary problem to solve and then forgetting about it. After the constraint period ends, conduct a formal review: did the constrained supplier deliver the agreed allocation? Did the BATNA alternative perform to spec? Update your procurement risk register with what you learned.

SECTION 8

Appendixes

Appendix A — Priority Allocation Request Email

```
Subject: Priority allocation request — [component name], [company name]

Dear [Name],

Thank you for notifying us of the capacity constraint effective
[date]. We understand this is a difficult operational period for
your team.

We are writing to formally request priority allocation of
[requested volume] [units/kg] per month for the [X]-week
constrained period beginning [date].

Our basis for the request:
  - 12-month on-time payment record: [X]% of invoices paid
    on or before due date (attached summary)
  - Annual purchase value with your company: $[X]
  - Advance PO commitment: we are prepared to issue a firm
    PO for the full [X]-week period today, covering
    [total volume] [units/kg] at the agreed contract price.
  - We are able to offer [10]% advance payment on the first
    constrained-period delivery as a commitment signal.

Please confirm the allocation you can commit to by [date,
3 business days from this email] so we can finalize our
production planning for the period.

[Your name, title, company, contact number]
```

Appendix B — Emergency Qualification Minimum Timeline

```
Day 0  : Notification received from constrained supplier.
Day 1  : Calculate gap, revenue at risk, and decision window.
         Confirm whether BATNA alternative can cover the gap.
Day 2  : If BATNA insufficient, identify 2–3 emergency candidates
         from B2B platforms, industry contacts, or supplier directories.
         Send RFQ to all candidates (same day).
Day 3  : Send priority allocation request to constrained supplier.
Day 5  : Follow up on RFQs. Request samples or spec confirmation
         from the most promising candidate.
Day 7  : Evaluate responses. Place a trial order with the best
         alternative (smallest qualifying quantity) to start
         the qualification clock.
Day 10 : Receive constrained supplier's confirmed allocation.
         Adjust the split between constrained supplier and
         emergency alternative accordingly.
Day 14 : Receive and inspect trial order from emergency alternative.
         Confirm spec fit before committing to full gap volume.
Day 21 : Decision final: constrained supplier allocation confirmed +
         emergency alternative volume confirmed = gap covered.
```

WHERE THIS WORKSHEET COMES FROM

Vendor Negotiation Playbook

The First Price Quoted Is Not the Best Price Available

by Ibrahim Anwar

This worksheet is one of nine in the *Vendor Negotiation Playbook* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

Read the source book on Google Play Books:

https://play.google.com/store/books/details?id=KEfXEQAAQBAJ

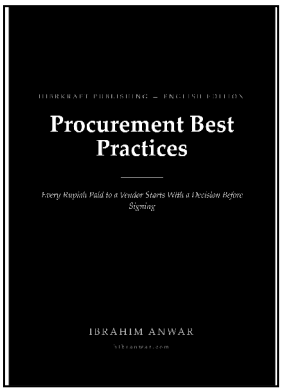
OPEN ON GOOGLE PLAY ›

PT Hibrkraft Kreasi Indonesia · Cileungsi, Bogor · hibranwar.com

CONTINUE THE SERIES

More from the Operator's Handbook

Each handbook is a 9-worksheet companion pack like this one. Tap any cover to open it on Google Play Books.

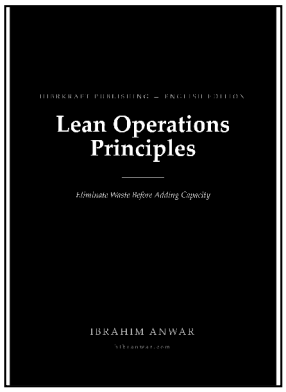


NO. 08 · OPERATOR'S HANDBOOK

Procurement Best Practices

Every Dollar Paid to a Vendor Starts With a Decision Before Signing

OPEN ON GOOGLE PLAY ›

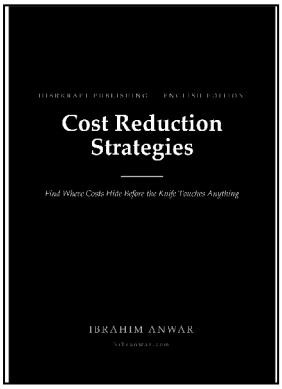


NO. 12 · OPERATOR'S HANDBOOK

Contract Negotiation Tactics

A Clear Contract Is a Healthy Relationship

OPEN ON GOOGLE PLAY ›

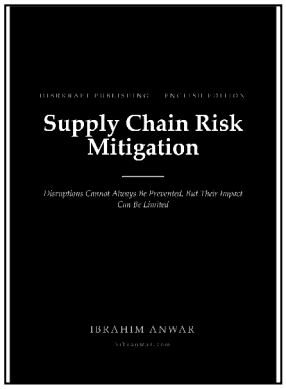


NO. 01 · OPERATOR'S HANDBOOK

Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

OPEN ON GOOGLE PLAY ›



NO. 09 · OPERATOR'S HANDBOOK

Supply Chain Risk Mitigation

Disruptions Cannot Always Be Prevented, But Their Impact Can Be Limited

OPEN ON GOOGLE PLAY ›