

Non-Binding Offer: Correctly Assessing Non-Binding Offers in the Industrial Procurement Process

The Non-Binding Offer is a non-binding offer that states price, quantity and delivery terms without legal effect. In industrial procurement, it serves primarily for market sounding, budget planning and comparing potential suppliers before binding contract negotiations begin. For buyers, it is crucial to document the level of bindingness, validity and dependencies of such offers cleanly and to clearly distinguish them from a binding contractual offer.

Key facts

- The Non-Binding Offer is legally non-binding and is regularly marked with a reservation such as “non-binding” or “subject to confirmation”.
- It is typically used in the offer phase before contract conclusion, for example in RFQ processes, budget calculations or tenders evaluating large volumes.
- Core contents are the price basis, quantity structure, delivery time, Incoterms and period of validity, in each case without any delivery obligation.
- The level of bindingness must be clearly communicated to suppliers and internal stakeholders in order to avoid misplanning.
- Only the order confirmation or a framework agreement generally creates the legal obligation; the Non-Binding Offer does not replace this.
- Prices from non-binding offers may change at order placement; this should be mapped via agreed condition logics such as Freight Surcharge or index clauses.

Definition: Non-Binding Offer

The Non-Binding Offer denotes an offer that its creator expressly does not intend to be bound by. It describes services, prices and terms on a non-binding basis and serves as a basis for discussion and calculation.

Distinction from the binding offer

Legally, the non-binding offer differs from a binding contractual offer primarily through its declaration of intent: the supplier reserves the right to change or reject terms. In everyday industrial practice, this shows in wording such as “non-binding”, “without obligation” or “subject to availability”. Buyers should not dismiss such wording as mere boilerplate but should examine which elements actually remain open – for example price, delivery time or material availability. Only once key terms are to be firmly agreed is it advisable to switch to a binding offer or go straight into contract negotiations with defined terms of purchase.

- Identify the non-binding wording

- Document open terms
- Flag the level of bindingness internally

Typical use cases

Buyers encounter Non-Binding Offers mainly in early enquiry phases, for example in the context of a technical specification, when it is still unclear whether and to what extent procurement will take place. For long-term capital goods, custom-made components or new product categories, they likewise provide an initial cost estimate. In budget planning, they serve as a benchmark without suggesting binding commitments to senior management. Frequently, the non-binding offer is also the first response to a non-committal enquiry – for instance for market sounding, without a concrete procurement project having been decided.

- Budget enquiry and cost forecast
- Market sounding for new product categories
- Preliminary assessment within a technical specification

Methods and approach for obtaining and assessing offers

Handling non-binding offers essentially follows the standardised procurement process, but requires additional care in documenting reservations and assumptions.

Structuring the enquiry

To keep non-binding offers comparable, the enquiry should be precise: an exact quantity structure, a technical specification, required standards such as RoHS or a Restricted Substances List (RSL) for relevant materials, as well as clear Incoterms. The more openly the enquiry is worded, the greater the scatter of the offers and the more difficult the comparison. In practice, it has proven worthwhile to note in the enquiry itself whether a binding offer or an indicative price quotation is expected – this manages supplier expectations and speeds up processing.

- Clearly define the quantity structure and specification
- Specify Incoterms and delivery destination
- State the expected level of bindingness of the offer

Comparing and validating offers

Non-binding offers are suitable for an initial price and performance competition, but not for final award decisions. A structured comparison scheme is useful, making visible the price components, surcharges such as a possible Freight Surcharge, payment terms or discount structures such as 2/10 net and Rebate agreements. Deviations from the specification are systematically recorded and clarified as in Exception Management before they are transferred into a binding offer or a contract. This keeps the comparison fair and traceable.

- Comparison scheme with condition components
- Record deviations as Exception Management
- Factor in additional costs such as freight surcharges

From the non-binding to the binding offer

After the exploratory phase comes concretisation: the buyer asks the favoured suppliers for a binding offer with a firm price, fixed validity and defined terms of purchase. Detailed issues are also fixed at this stage – for example payment modalities including Dynamic Discounting, agreed logistics terms or

quality requirements up to and including sample inspection in incoming goods control. Documented Non-Binding Offers serve as evidence of price transparency and as a reference should prices change later.

- Request a fixed price and validity
- Fix payment and logistics terms
- Document reference prices from the exploratory phase

Key KPIs and assessment criteria for non-binding offers

Even though Non-Binding Offers do not create a contract, process quality and price levels can be measured in a demonstrable way.

Process and quality indicators

Relevant indicators include the offer response rate (proportion of enquiries that received a response), the average supplier response time and the proportion of non-binding offers that are later converted into binding offers or orders. These indicators show whether market sounding is working efficiently or whether enquiries are worded too vaguely. In addition, the price deviation at order placement can be considered: if binding prices deviate significantly from the benchmark figures previously obtained, this indicates insufficient clarification of terms or speculative offers.

- Offer response rate and response time
- Conversion rate from non-binding to binding
- Price deviation at order placement as a control metric

Commercial assessment in category management

In category management, non-binding offers serve as input for budget planning, the category roadmap and supplier portfolios. Comparing the benchmark prices obtained with the savings later realised – often recorded as Savings Realized – makes it clear how reliable the market sounding was. For strategically relevant categories, it is advisable to obtain several non-binding offers in parallel in order to establish a robust price basis. In practice, the significance of such benchmark figures varies; depending on market and product, they are often noticeably above or below later contract prices.

- Derive the budget basis from benchmark prices
- Reconcile Savings Realized against forecasts
- Obtain several offers for a robust price basis

Risks and controls when working with Non-Binding Offers

The biggest risk factor with non-binding offers is false expectations – on both sides of the business relationship.

Risks for buyers and internal stakeholders

If a Non-Binding Offer is interpreted internally as a binding commitment, misplanning looms: budget figures based on fragile prices, unrealistic delivery commitments made to sales or premature customer communication. The reverse risk also exists: suppliers who deliberately quote aggressive benchmark figures under non-binding offers may catch up later – for example through surcharges that show up as a price deviation at order placement. Buyers should therefore question the origin of the price components and check offers for plausibility.

- Enforce internal labelling as “non-binding”
- Check price plausibility
- No customer or budget commitments based on benchmark figures

Risks for the supplier relationship

On the supplier side, costs arise for preparing offers and calculations; frequent non-binding enquiries without follow-up strain the relationship. Care is also required when non-binding offers contain technical detail information that is passed on. Clear communication discipline – for example the commitment to submit enquiries with a realistic probability of procurement – protects the buyer's reputation in the market. For sensitive product requirements such as a Restricted Substances List (RSL) or certifications including AEO Status, confidentiality should be agreed.

- Manage enquiry frequency and follow-up discipline
- Maintain confidentiality of technical data
- Limit supplier effort through precise enquiries

Controls and documentation

Effective controls start with documentation: every non-binding offer should be filed with date of receipt, validity, scope and reservations. Observe the company's right of audit and procurement policy: in many organisations, benchmark prices too must be subject to the four-eyes principle before they are used in budgets or approval requests. Individual legal questions – for example whether individual clauses exceptionally have binding effect – should be reviewed by legal counsel in case of doubt.

- Filing with validity and reservations
- Four-eyes check before budget use
- Clarify legal questions on a case-by-case basis

Current developments: digitalisation and market dynamics

Digital procurement platforms, AI-supported enquiry tools and volatile markets are noticeably changing the handling of non-binding offers.

Digitalised enquiry and offer processes

Digital enquiry workflows make it easier to obtain non-binding benchmark prices in a structured manner and in a short time. Standardised formats improve comparability, and automated checks verify, for example, the Catalogue Compliance of line items or the completeness of master data such as the supplier's DUNS number. At the same time, the effort for suppliers decreases, which increases willingness to submit offers. Clean maintenance of disposition parameters and consistent master data remain prerequisites so that enquiries are not delayed by ambiguities.

- Use standardised enquiry formats
- Ensure master data quality
- Deploy automated completeness checks

Volatility and reservations in price formation

In markets characterised by price volatility – material costs, energy, freight rates – reservations in offers are increasingly being formalised. Clauses for surcharges such as a Freight Surcharge or index escalation clauses are widespread; Non-Binding Offers often expressly point out that such items remain open. Buyers are well advised to assess these mechanisms early and to convert them into reliable,

plannable terms in negotiations. In addition, dynamic payment models such as Dynamic Discounting are gaining importance as a means of creating counterpart value for reliable planning.

- Assess surcharge and index clauses early
- Plannability through terms rather than the illusion of fixed prices
- Use payment models as a negotiating lever

Typical metrics

Offer response rate: typically 60–80%

Proportion of enquiries that received a response; low figures indicate vague enquiries or low supplier relevance.

Conversion rate from non-binding to binding: often 30–50%

Proportion of Non-Binding Offers that are converted into binding offers or orders.

Price deviation at order placement: typically < 5%

Deviation of binding prices from the benchmark figures obtained during the exploratory phase.

Supplier response time: often 5–10 working days

Average time until receipt of an offer after the enquiry.

Practical example

A mid-sized mechanical engineering company is planning to introduce a new product-line module and needs reliable cost forecasts without committing the market launch already. The procurement department issues a structured enquiry to six pre-qualified suppliers, including a quantity structure, a technical specification and an explicit request for a Non-Binding Offer. Within two weeks, benchmark prices are available, which serve as the budget basis for management.

- Four suppliers with plausible cost breakdowns are invited to submit binding offers
- Deviations from the specification are documented and clarified through Exception Management
- After fixed-price negotiations, noticeable savings are achieved compared with the benchmark phase, which are reported as Savings Realized
- Reference prices from the exploratory phase are transferred to the price history in category management

Conclusion

The Non-Binding Offer is a proven tool for market sounding, budget planning and supplier comparison, but it does not replace a binding contractual basis. What matters is clear communication of the level of bindingness, precise enquiries and systematic documentation of reservations. Those who assess non-binding offers in a structured manner and consistently convert them into binding offers establish robust price bases and avoid costly misplanning. In combination with well-maintained terms of purchase and modern digital enquiry processes, the non-binding offer becomes an efficient entry point to every procurement project. The transition to bindingness should be designed deliberately and documented – with a legal review on a case-by-case basis in case of doubt.

Frequently asked questions

Is a Non-Binding Offer legally binding?

No, it is expressly non-binding and as a rule creates no contractual obligation. The supplier reserves the right to change price, quantity or delivery capability. Exceptions may arise if individual clauses are exceptionally drafted as binding; this should be reviewed legally on a case-by-case basis.

When should you request a non-binding offer?

Typically in early project phases: for budget planning, feasibility studies or market research, when it is not yet clear whether or to what extent procurement will take place. For new product categories, it also provides benchmark figures for the category roadmap. As the procurement decision approaches, a binding offer should be requested.

How does a Non-Binding Offer differ from an RFQ response?

A response to an RFQ (Request for Quotation) is generally understood to be a binding offer with fixed validity and a firm price. The Non-Binding Offer, by contrast, serves as a benchmark figure without any delivery obligation. The enquiry should clearly state which level of bindingness is expected in order to avoid misunderstandings.

Can I use non-binding offers for budget planning?

Yes, that is a key use case. It is important to clearly flag internally that these are benchmark figures and to build in a buffer for price deviations. In practice, subsequent contract prices deviate from benchmark figures; documenting the offers helps to justify this in a traceable manner.

How should I handle price changes after a non-binding offer?

Price changes are permissible and common with non-binding offers, for example due to fluctuations in material or freight costs. It makes sense to ask about the price structure already in the enquiry, including possible surcharges such as a Freight Surcharge. With the binding offer, surcharge mechanisms should then be contractually fixed.

What should be included in a Non-Binding Offer?

Typical contents are the price basis, quantity structure, delivery time, Incoterms, payment terms and the express designation as non-binding with a statement of validity. Additionally useful are the assumptions underlying the calculation and references to possible reservations. The more transparent the offer, the more robust the later negotiating position.