



# Executive Briefing: Accelerating SKU Rationalization

At Specright, we get the opportunity to speak with executives across the supply chain. Regardless of industry - Consumer Goods, Food & Beverage, Beauty, Heavy Industry and others - there's a common theme in terms of what's keeping executives up at night: SKU proliferation and the need to rationalize SKUs.

In this Executive Briefing, we'll break down the cause of SKU proliferation and lay out the steps for how leaders can start to execute on SKU Rationalization programs to drive value across brands and company portfolios.

### What is SKU Proliferation?

At its core, SKU proliferation is the expansion or growth of SKUs that a company offers to its customers. While the term isn't new, the impact of SKU proliferation on supply chains has started to take a toll as business leaders look for new ways to drive efficiencies and cost optimizations.

Before we dive into creating a holistic SKU rationalization program, it's important to understand how we got here. In the past decade or so, multiple trends have converged and made it difficult for companies to control SKUs: changing consumer tastes and the desire for variety, globalization, sustainability efforts, and retailer influence have all contributed to an increasing number of SKUs that serve new market segments and demand.

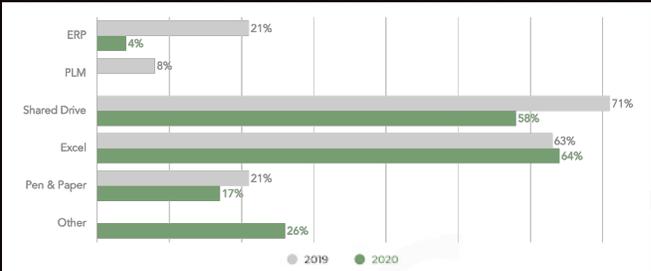
### The Origins of SKU Proliferation

If SKU proliferation started as an answer to market demands, why is it wrecking such havoc on the bottom line? The answer is simple: methods of managing SKUs - and the underlying specifications needed to make them - haven't been updated. As a result, the synergies that companies should have been able to realize as they offered more products have not come to fruition.

For too long, supply chain professionals have been forced to use systems that weren't designed to manage specifications. The reality is that specifications are typically spread across the supply chain, across internal departments and external suppliers and partners. So what are the methods that companies are using to manage the underlying specifications of SKUs? The reality is that legacy systems like ERPs or PLMs were configured to manage Bill of Materials level data. They fundamentally lacked the DNA-level data and underlying relationships of how products and components parts are related to one another.

This is supported by our research, which has revealed that beyond ERPs and PLMs, a majority of operators are using spreadsheets, shared drives - and even PDFs to manage specifications.

"How were you managing specifications before Specright?"



### Top Responses in 2020

- Spreadsheets: 64%
- Shared Drives: 58%
- Other: 26%
- Pen & Paper: 17%

As a result, this lack of visibility into relationships across products - and what specifications and components are shared - has led to duplication and SKU proliferation.

For example, one of our customers, Pactiv Reynolds, had over 30,000 specifications stored in Lotus Notes. Because the specifications weren't searchable or linked, each time a new product request came in, engineers created a new specification. This led to further downstream problems, such as purchasing teams unable to efficiently buy raw materials at volume. The Pactiv team realized that the only way to solve their SKU proliferation problem was by better managing specifications.

## The Answer to SKU Proliferation: Specification Data Management™

Specification Data Management™ is the platform for companies to centrally manage the specifications needed to make, buy, and sell products, and collaborate with external suppliers and partners to bring those products to market. Specifications are the DNA-level of products and packaging and include things like: raw materials, formulas, ingredients, packaging, bill of materials and finished goods, and even machinery.

With a Specification Data Management platform, individual specifications are linked to corresponding components. For example, a raw material specification is linked to a packaging specification or an ingredient is linked to many corresponding formulas.

By linking live, digital specifications, companies automatically eliminate net-new proliferation of specifications and resulting SKUs.

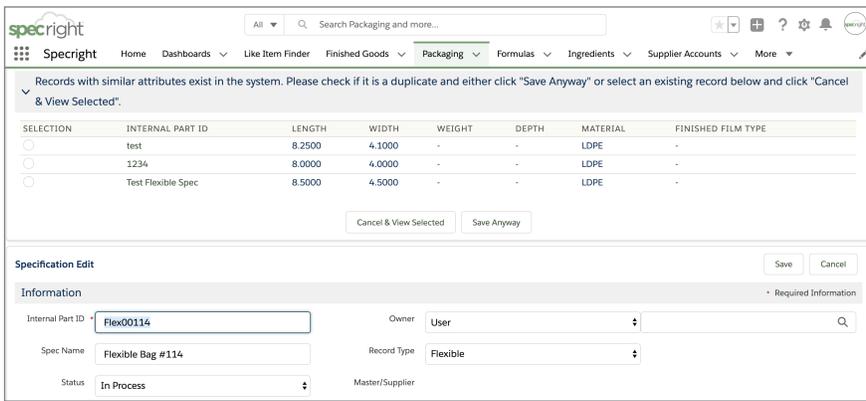
Furthermore, the relationships and linkages between specifications creates a digital thread through a company's supply chain.

For example, Specright enables product development teams to easily find existing specifications or components before creating new ones. For procurement teams, it helps them easily consolidate specifications or find new, efficient ways to purchase across brands. Specright's Like Item Finder enables supply chain professionals to quickly identify similar specifications - be it packaging, formulas, ingredients, etc. - and add tolerances to quickly narrow down results.

*Specright's Like Item Finder enables companies to easily consolidate any type of specification - the example here shows opportunities to consolidate flexible packaging.*

| Object           | Internal P... | Mil  | Length | Width | Gusset | Material | Web | Cutoff |
|------------------|---------------|------|--------|-------|--------|----------|-----|--------|
| Packaging        | F1018         | 1.25 | 16     | 7     |        |          |     |        |
| Record Type      | F1019         | 1.25 | 17     | 7.33  |        |          |     |        |
| Flexible         | F1020         | 1.25 | 16     | 7     |        |          |     |        |
| Internal Part ID | F1021         | 1.25 | 16     | 6.25  |        |          |     |        |
|                  | F1022         | 1.25 | 17     | 7.33  |        |          |     |        |
| Mil Tolerance    | F1023         | 1.5  | 17     | 8     |        |          |     |        |
| Length Tolerance | F1025         | 1.25 | 16     | 7     |        |          |     |        |
| Width Tolerance  | F1026         | 2.5  | 15     | 30    |        | PET      |     |        |
|                  | F1029         | 1.3  | 15.13  | 8     |        |          |     |        |
| Gusset Tolerance | F1030         | 1.25 | 16     | 6.25  |        |          |     |        |
|                  | F1031         | 2.5  | 15     | 30    |        | PET      |     |        |
| Material         | F1036         | 1.25 | 16     | 7     |        |          |     |        |
| Web Tolerance    |               |      |        |       |        |          |     |        |

Once SKUs and their underlying specifications are rationalized, the next step is to prevent proliferation from happening in the future. When new specifications are created in the Specright platform, Specright can automatically flag a potential duplicate specification based on a company's desired tolerance.



*Specright's Similar Spec alert prevents duplicate specifications from being created in the first place.*

### Implementing a Scalable, Ongoing SKU Rationalization Program

The reality is, many executives leading the charge on SKU rationalization initiatives typically assemble teams and spreadsheets for a months-long numbers crunching exercise. But once these manual SKU rationalizations are complete, the results are temporary as new products and specifications are constantly being created and updated. To create a scalable, ongoing approach to SKU rationalization, organizations must deal with the root cause of the problem: a lack of specification management.

At Specright, we're helping challenger brands and Fortune 1,000 companies accelerate SKU rationalization efforts and prevent ongoing duplication through our Specification Data Management platform. To help companies get up and running quickly, we leverage our proprietary Specification Blueprint approach to help digitize, map and operationalize their specifications.

[Contact us](#) to learn more about how Specright can help make your SKU rationalization program a reality.

### About the Authors



Matthew Wright is the founder & CEO of Specright. Prior to founding Specright, he spent more than 25 years in the packaging industry, holding leadership positions at International Paper, Temple Inland, and rightPAQ — a packaging company he cofounded. He has been involved in leading multiple M&A deals in the packaging industry and sits on the Packaging Advisory Board at Cal-Poly San Luis Obispo.



Laura Foti leads marketing and inside sales at Specright. Prior to Specright, she led advertising and analytics at GE Digital, GE's Industrial Internet software business. Before that, she was a consultant at Deloitte Digital working in enterprise digital transformation. She was named to the Forbes 30 Under 30 list for marketing and advertising and is a graduate of Syracuse University's S.I. Newhouse School of Public Communications.



Mike Gaffney is Chief Operating Officer at Specright, responsible for sales and customer success. Gaffney began his enterprise software career at Oracle where he sold database and Enterprise Resource Planning (ERP) software to the public sector. He then joined Salesforce (NYSE: CRM) as their 20th employee, where he spent seven years in leadership positions.

### About Specright

Specright is the first purpose-built platform for Specification Data Management™. Whether it's packaging, raw materials, formulas, products, or machinery specifications, Specright helps companies digitize, map, and take action across their supply chain to reduce costs, increase profitability, and drive sustainability. For more information, visit: [www.specright.com](http://www.specright.com)