

A Forrester Total Economic Impact™  
Study Commissioned By Specright  
January 2020

# The Total Economic Impact™ Of Specright

Cost Savings And Business Benefits  
Enabled By A Specification Data  
Management Platform

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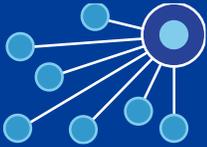
## ABOUT FORRESTER CONSULTING

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## Executive Summary

### Benefits And Costs



Material cost savings:  
**\$1,751,890**



Margin from incremental sales:  
**\$1,174,878**



Licensing fees:  
**\$534,558**

Consumers are demanding more and more specialized products to meet their unique tastes, nutritional needs, and desires for self-expression. Today's buyers, especially the younger ones, expect more transparency, sustainability, and social responsibility from brands, as well as a constant stream of innovation and change. Finally, more frequent product recalls have resulted in increased regulatory pressures. The proliferation of products, flavors, ingredients, line extensions, and packaging variations has generated a cloud of data, specifying and describing products for audiences ranging from anxious regulators to curious consumers.

Specright brings order to the chaos with a cloud-based Specification Data Management platform that helps its customers digitize, map, and take informed action across a supply chain. Specright commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying its Specification Data Management platform. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Specright on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five customers with years of experience using Specright. These organizations had previously dealt with a variety of issues related to their specification data. Some had the information dispersed throughout the organization, or relied on suppliers to maintain it, making it time-consuming for them to access. Several had tried to solve these problems with a platform, which was not designed for housing specification data and, so, it was not performing as needed.

The organizations we interviewed found that the Specright platform not only saved their supply chain executives time and frustration, allowing them to spend more time on value-added activities, but it also drove tangible businesses outcomes to improve both the top and bottom line of their business.

### Key Findings

**Quantified benefits.** The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the companies interviewed:

- › **Material cost savings from better supplier collaboration totaled over \$1.4 million.** Easy access to complete and validated specification data allowed procurement professionals to field RFPs more frequently, taking advantage of technology advances and market competition, and to confidently compare bids. New, sometimes smaller, vendors were able to bid on these organizations' needs because they could review accurate specifications instead of trying to reverse engineer the hundreds of items that might be on any given RFP. This cycle continuously brings new suppliers and more competitive pricing into the pool.



**ROI**  
**469%**



**Benefits PV**  
**\$3.1 million**



**NPV**  
**\$2.6 million**



**Payback**  
**<3 months**

- › **Material cost savings from order consolidation impacted 10% or more of purchased items.** With specifications housed in a single source of truth, these organizations were able to quickly identify items that were very close to identical, allowing them to eliminate a number of those items and increase their order size for the remaining items. They could also flag individual items which could be ordered in combination for quantity discounts. This type of order consolidation reduced costs by over \$302,153 over three years.
- › **Incremental sales from accelerated new product development added \$839,313 in margin.** Making complete and up-to-date specification data available to everyone in the organization gives new product development teams the ability to construct a bill of materials using as many existing items, ingredients, and packaging as possible in order to maximize speed-to-market and odds of success. Teams can even simulate product ideas to understand profitability and screen out products that wouldn't ultimately be successful. Finally, Specright allows companies to respond to market trends almost immediately, by tweaking existing products and packaging.
- › **Increased sales from enhanced customer responsiveness added \$335,725 to the bottom line.** Because of its access to complete specification data and related supply chain documentation, the organization was able to respond more quickly than competition to new business opportunities, such as customer-specific products and packaging, promotional participation, and other customer RFPs.
- › **Savings from improved product and package management productivity freed up over half the time spent manually tracking projects.** By capturing detailed information associated with specifications, including revision history, pending changes, and approval status, Specright reduced the need for manual trafficking and management to keep the growing number of product and packaging changes on track. This time savings allowed the organizations to avoid \$191,354 in additional headcount.
- › **Savings from improved supply chain professionals' productivity.** The increase in savings created 3 hours per week for supply chain professionals to focus their talents on value-added projects. Freeing up supply chain staff from chasing down specification-related paperwork not only allowed their employers to benefit from \$70,485 of their time turned to higher value, it also improved job satisfaction among those managers by allowing them to spend more time doing what they love and are trained to do.

**Unquantified benefits.** The interviewed organizations experienced the following benefits, which are not quantified for this study:

- › **Security of critical specification data.** Virtually every interviewee told Forrester that an important benefit of moving to the Specright platform was the knowledge that specifications are no longer scattered around the organization, in various plants, corporate offices, and file cabinets, or that they are not subject to the catastrophic failure of an outdated, unsupported software system.

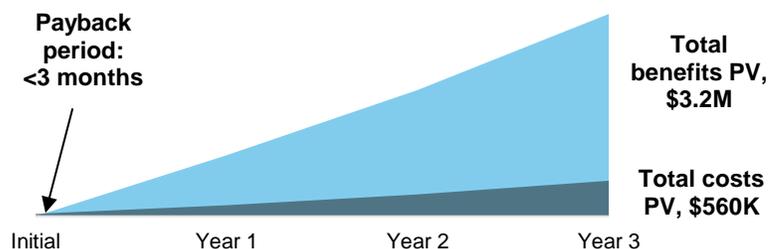
- › **Visibility and traceability into the supply chain associated with each specification.** One executive in the prepared food industry pointed out: “There are other systems out there for storing supplier documentation, but they don’t give you visibility into how your supply chain operates. If I click on one of my suppliers, I have all that documentation right there, but I can also see which distributors have bought chicken from that supplier and see the lanes of supply. It’s critical for food safety.”
- › **Preventing recalls with a proactive approach to quality.** All interviewees agreed that this benefit, although difficult to quantify, can be invaluable in a case where a recall is avoided. Interviewees told Forrester that many recalls are the result of simple failure to print an updated ingredient or allergen statement on a package. With Specright as a single source of truth, any item with a specification change since its last production can be “red-flagged” for the vendor to ensure it is not run again until the appropriate changes have been made.

**Costs.** The interviewed organizations experienced the following risk-adjusted PV costs:

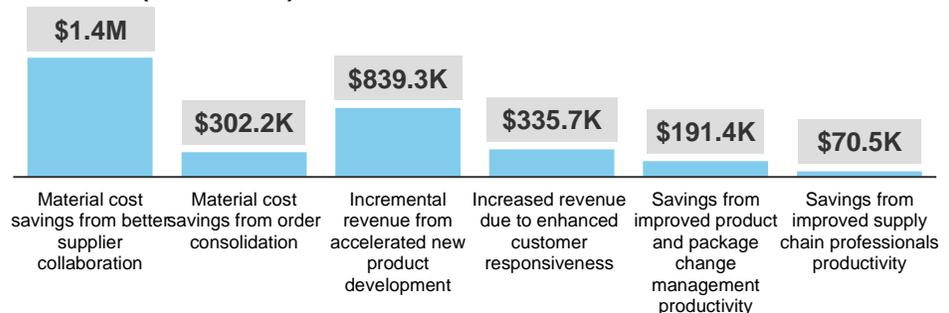
- › **Fees paid to Specright of \$534,558 over three years.** Licensing was by far the bulk of the cost for these customers. It varied depending on the number of users able to access the specification data (both internal users and those at key suppliers identified by the organizations), as well as each user’s authorization level to create or revise data in the system.
- › **Internal training costs of \$25,664.** This covers 5 hours of training for all users on the Specright system, as well as training for new users based on a 10% turnover rate.

Forrester’s interviews with five existing customers and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$3.2 million over three years versus costs of \$560,222, resulting in a net present value (NPV) of \$2.6 million and an ROI of 469%.

### Financial Summary



### Benefits (Three-Year)



The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## TEI Framework And Methodology

From the information provided in the interviews, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering implementing Specright's Specification Data Management platform.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that Specright's Specification Data Management platform can have on an organization:



### **DUE DILIGENCE**

Interviewed Specright stakeholders and Forrester analysts to gather data relative to Specification Data Management.



### **CUSTOMER INTERVIEWS**

Interviewed five organizations using Specification Data Management to obtain data with respect to costs, benefits, and risks.



### **COMPOSITE ORGANIZATION**

Designed a composite organization based on characteristics of the interviewed organizations.



### **FINANCIAL MODEL FRAMEWORK**

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewed organizations.



### **CASE STUDY**

Employed four fundamental elements of TEI in modeling the Specright Specification Data Management platform's impact: benefits, costs, flexibility, and risks. Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

## DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Specright and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in Specright Specification Data Management.

Specright reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Specright provided the customer names for the interviews but did not participate in the interviews.

# The Specright Customer Journey

## BEFORE AND AFTER THE SPECIFICATION DATA MANAGEMENT PLATFORM INVESTMENT

### Interviewed Organizations

For this study, Forrester conducted five interviews with Specright Specification Data Management customers. Interviewed customers include the following:

INDUSTRY	SIZE	INTERVIEWEE	USAGE DETAILS
Prepared fresh foods	\$2B, 10,000 employees	Corporate director, supplier compliance	120 users; 4,000+ specifications
Packaging products	\$4B, 15,000 employees	Senior automation engineering manager	300 users; 30,000 specifications
Packaged fresh foods	\$2B, 8,000 employees	Director, materials management	150 users; 1,000+ specifications
Packaged baked goods	\$4B, 9,000 employees	Vice president, purchasing – packaging	25 users, projected to grow to 100
Beauty products	\$30M, 125 employees	Chief innovation officer	30 users

### Key Challenges

The interviewed executives faced several challenges in responding to their company’s market-driven, increasing demand for specification-related information.

- › **Increasing time spent responding to information requests involving specifications.** The realities of today’s marketplace put increasing pressure on those in the supply chain to provide information to each other and to those in other areas of the organization. Requests come from internal teams, such as sales, marketing, and procurement, as well as directly from customers, regulatory agencies, and third-party auditors. Responding to those requests can claim a significant portion of supply chain professionals’ time.
- › **Opportunities to profit from improved supplier collaboration.** Because interviewed companies sometimes relied on vendors and suppliers to hold their specification data, it was awkward and difficult to request that information for the purposes of soliciting competitive bids or judging the quality of parts delivered. The specifications held by the interviewed companies were often different from one plant to another, or from one purchasing group to another, or between the company and its suppliers, leading to inefficiency and confusion.
- › **Concerns about vulnerability due to ineffective specification data storage.** Interviewees described an ongoing, underlying level of stress related to their concerns that critical specification data may be lost or compromised, either with the departure of a specific employee or through the failure of an outdated software system.

“Our specification documents were housed on eight to 10 different local servers. We probably get 25 different items from one vendor, so that’s 25 specs living at eight different places — and all in the vendor’s format.”

*Corporate director, supplier compliance, prepared fresh foods industry*



## Solution Requirements

The interviewed organizations searched for a solution that could:

- › House and organize specification data in a secure, easy to maintain platform that allows users to track and make connections all along the supply chain based on a single source of truth.
- › Provide a configurable out-of-the-box solution that minimizes the amount of customization required by the organization.
- › Lend itself to expansion across divisions, plant locations, suppliers, and other stakeholders in supply chain management.

Interviewees had all been searching for a platform with these characteristics for some time, with varying degrees of success.

- › Two of the interviewees had a solution in place that was sub-optimal, either relying on out-of-date software and internal IT resources, or involving extensive customization by the vendor, with the associated costs and timing delays.
- › One organization had no software solution in place at all, relying on vendors and hard copy files distributed throughout the organization to house specifications.
- › After learning about Specright, one interviewee expressed his reaction, “I’ve been in supply chain management for over 15 years, and this is the system I’ve had in my head all that time.” They proposed and received approval to purchase and begin deployment of the platform.

## Key Results

The interviews revealed that key results from the investment include:

- › **Instant access across the organization to up-to-date specifications.** Information requests that used to take supply chain professionals days or even weeks to respond to can now be completed in a matter of minutes, often even by the party requiring the information (e.g., product development, sales, or marketing), with no involvement from the supply chain management team at all. This has led to better response times to support sales opportunities, new product development, competitive bidding, and similar activities.
- › **Enhanced ability to respond to regulatory changes and mitigate supply chain risk.** Because Specright supports the storage of all compliance-related documentation, along with the specifications involved, users can retrieve or automatically be notified when regulatory documents need to be renewed. One executive stated that his organization went from 29% compliance to 95% compliance in less than a year.
- › **Better communication and collaboration with suppliers.** Since everyone in the supply chain is working with the same complete specification information, miscommunication about the most recent updates or other specification-related confusion is almost eliminated. Working off the same specification ensures suppliers are less likely to be charged for shipping incorrect product or misprinting labels, for example.

“I’ve been in supply chain management for over 15 years, and this is the system I’ve had in my head all that time.”

*Senior automation engineering manager, packaging products*



“Before Specright, each of our bakeries maintained their own documentation, or else somebody in a corporate office had a piece of it and somebody else was trying to figure out who’s got that piece. If we did nothing else than fix that, it would be a useful tool.”

*Vice president, purchasing – packaging, packaged baked goods industry*



› **Smoother, accelerated product and packaging change process.**

One executive recalled: “Our process was inefficient, with a lot of emailing back and forth. There were times when we missed something and it got all the way to the customer. Now, I can just click a button and see what was approved when and by whom.” Speccright documents all changes associated with a specification and automatically notifies approvers and other stakeholders as input is needed and submitted.

This makes it much easier for all involved to know where their product, packaging, or graphics changes stand and to identify potential bottlenecks.

## Composite Organization

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organization is representative of the five companies that Forrester interviewed and is used to present the aggregate financial analysis in the next section. The composite organization that Forrester synthesized from the customer interviews has the following characteristics:

## Composite Organization

**Description of composite.** A global, \$2 billion company — the organization manufactures, packages, and sells a range of products to consumers through a network of distributors and retailers. It employs 5,000 people.

**Deployment characteristics.** The organization has grown primarily through acquisition over the past 10 to 12 years and it, therefore, comprises 50 geographically dispersed plants and distribution centers, which operate in a largely decentralized manner. The resulting proliferation of local practices, vendors, and record keeping makes it increasingly challenging to effectively manage its supply chain, despite the existence of an aging database that had been manipulated to manage their specifications.

“Our process was inefficient, with a lot of emailing back and forth. There were times when we missed something and it got all the way to the customer. Now, I can just click a button and see what was approved when and by whom.”

*Senior automation engineering manager, packaging products*



### Key assumptions:

- \$2 billion annual revenue
- 300 users, both internal and external
- 5,000 specifications maintained

# Analysis Of Benefits

## QUANTIFIED BENEFIT DATA AS APPLIED TO THE COMPOSITE

Total Benefits						
REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Material cost savings from better supplier collaboration	\$360,000	\$540,000	\$900,000	\$1,800,000	\$1,449,737
Btr	Material cost savings from order consolidation	\$121,500	\$121,500	\$121,500	\$364,500	\$302,153
Ctr	Incremental revenue from accelerated new product development	\$337,500	\$337,500	\$337,500	\$1,012,500	\$839,313
Dtr	Increased revenue due to enhanced customer responsiveness	\$135,000	\$135,000	\$135,000	\$405,000	\$335,725
Etr	Savings from improved product and package change management productivity	\$76,946	\$76,946	\$76,946	\$230,839	\$191,354
Ftr	Savings from improved supply chain professionals' productivity	\$28,343	\$28,343	\$28,343	\$85,030	\$70,485
	Total benefits (risk-adjusted)	\$1,059,290	\$1,239,290	\$1,599,290	\$3,897,869	\$3,188,767

## Material Cost Savings From Better Supplier Collaboration

Because Specright allowed the interviewed companies to centrally maintain the most accurate, complete, and up-to-date specifications in a purpose-built platform for specification data management, they have been able to work more closely with their supplier community to manage and reduce material costs. One executive in the packaged fresh food industry told Forrester, "What really got me excited about it was the ability to validate and take ownership of our specifications, not be dependent on suppliers, and take our buy to market in a way that makes responding easy for our present supplier community as well as people that might have wanted to participate, but weren't able to under our previous approach to RFPs."

The Specright platform brought in new, often smaller, and more specialized suppliers to the vendor pool, making the bidding process more competitive and allowing the organization to take advantage of advancing technology in the supplier community. As a result, one of the interviewed companies was able to save twice what they had projected (based on previous RFPs) in their first RFP using Specright.

For the composite organization, Forrester assumes that the company:

- › Puts \$20 million worth of materials out to bid every other year.
- › Has been saving 2% each time they carry out the exercise.
- › Is able to put an additional \$10 million worth of items out to bid in the interim because specifications have been brought in house, validated, and made available to the procurement team for an easier RFP process.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total benefits to be a PV of almost \$3.2 million.

"What got me excited was the ability to take our buy to market in a way that makes responding easy for the supplier community."

*Director, materials management, packaged fresh foods*



Benefits to the organization may be impacted by several factors:

- › Other companies may not experience the same doubling of cost savings as the composite.
- › Other organizations may not be able to field additional RFPs to the same extent as the composite.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1,449,737.

Impact risk is the risk that the business or technology needs of the organization may not be met by the investment, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for benefit estimates.

### Material Cost Savings From Better Supplier Collaboration: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
A1	Annual spending on materials put out to bid (RFP)		\$20,000,000	\$10,000,000	\$20,000,000
A2	Projected savings through RFP (2% biannually)		\$400,000	\$200,000	\$400,000
A3	Actual savings through RFP (4% biannually)		\$800,000	\$400,000	\$800,000
A4	Incremental savings annually with Specright-driven process		\$400,000	\$200,000	\$400,000
At	Material cost savings from better supplier collaboration		\$400,000	\$600,000	\$1,000,000
	Risk adjustment	↓10%			
Atr	Material cost savings from better supplier collaboration (risk-adjusted)		\$360,000	\$540,000	\$900,000

### Material Cost Savings From Order Consolidation

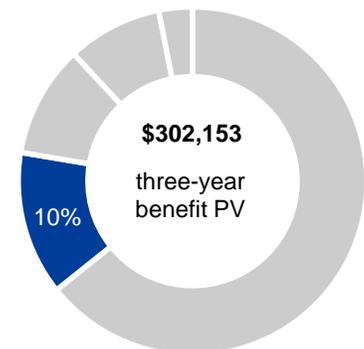
Several of the interviewed organizations found they were able to consolidate orders for many of the items they procure. By housing their specifications in Specright, they were able to rationalize their packaging skus (easily identify nearly identical items being ordered by different teams or plant locations and eliminate all but one), and benefit from price reductions in the resulting larger order sizes. Similarly, they were able to reliably identify items that suppliers can run in combination for quantity discounts. In the past, interviewees estimated that one-third to one-half of these combination run opportunities were missed. Because Specright prompts the order generator to consider ordering relevant parts in combination, one company has been able to routinely benefit from lower costs on 350 different packaging items.

For the composite organization, Forrester assumes that:

- › It manages 3,000 specifications in Specright, and it orders an average of 150,000 pieces of each of those items annually.
- › Ten percent (10%) of those items could run in combination, and 40% of those opportunities would be missed without Specright.
- › A conservative 2% of items it currently purchases could be eliminated because they are similar to other items it purchases.
- › They could save \$5 per thousand on each item as a result of ordering in larger quantities.

The material cost savings for an organization will vary with:

- › The overall number of items purchased and maintained on the Specright platform.
- › The proportion of those items that can be consolidated.



**Material cost savings from order consolidation: 10% of total benefits**

- › The level of price reduction that can be achieved by ordering in larger quantities.

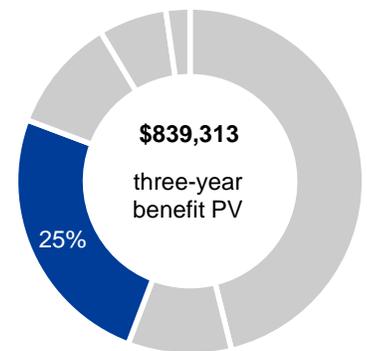
To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$302,153.

Material Cost Savings From Order Consolidation: Calculation Table					
REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
B1	Number of specifications maintained		3,000	3,000	3,000
B2	Number of items able to run in combination for quantity discounts	=B1*10%	300	300	300
B3	40% of combination run opportunities missed without Specright	=B2*40%	120	120	120
B4	2% of specifications eliminated by rationalization	=B1*2%	60	60	60
B5	Number of each item purchased annually		150,000	150,000	150,000
B6	Average cost savings per thousand with larger quantity discounts		\$5	\$5	\$5
Bt	Material cost savings from order consolidation	(B3+B4)*B5* (B6/1,000 pieces)	\$135,000	\$135,000	\$135,000
	Risk adjustment	↓10%			
Btr	Material cost savings from order consolidation (risk-adjusted)		\$121,500	\$121,500	\$121,500

## Incremental Revenue From Accelerated New Product Development

Several of the interviewed organizations quickly found that having a complete and reliable source of specifications available was a boon to their innovation efforts. According to an interviewee in the beauty industry, “We have been able to increase our annual new product introductions by over 25%.” Organizations found they were able to develop and commercialize new products more quickly because they could consult Specright for similar products and find regulatory-compliant ingredients and packaging from approved suppliers. This allowed them to build a bill of materials quickly and easily, as well as to use existing agreements or inventory to get the product to market fast without concerns about regulatory issues or recalls. One interviewee stated that Specright has helped them identify slower moving inventory and tweak the marketing strategy of those items in ways that better respond to recent consumer trends, so that they can be turned into fast-moving inventory. This is particularly important for companies competing in today’s consumer goods market, where there is a real advantage to being able to respond consistently to rapidly evolving dietary, fashion, and health trends. Specright also helped the interviewed organizations to introduce new products more efficiently. For example, a chief innovation officer in the beauty industry explained: “It’s not just a matter of introducing lots of new products; it’s important to understand which will be successful. The information in Specright allows us to do simulations to understand whether it’s worth the investment to launch a specific product. As a result, we don’t launch about twice as many products as we do launch, saving us from costly failures.”

The composite organization in Forrester’s model is not necessarily involved in a “fast innovation” category. Like all consumer goods manufacturers, though, it maintains a healthy innovation pipeline.



Incremental revenue from accelerated new product development: 25% of total benefits

Forrester assumes the organization:

- › Launches approximately one new product per quarter, including line extensions of existing products or brands.
- › Experiences average revenue of \$4.5 million annually from these new products, at an industry-average 10% net margin rate.
- › Increases its rate of new product introductions by 25%, or one additional new product per year.

In the area of new product innovation, in particular, success may vary quite a bit from one company to another. Any individual organization may find:

- › They do not have the human or financial resources to introduce additional products as quickly as in the model.
- › Their innovation processes may not be as adept at identifying trends or translating them into new products that generate revenue at the rate projected (although Forrester has used a cross-consumer goods industry figure for the first full year of new product sales).

To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV of \$839,313.

“Specright allows us to do simulations to understand whether it’s worth the investment to launch a specific product. As a result, we **don’t** launch about twice as many products as we do launch, saving us from costly failures.”

*Chief innovation officer, beauty products*



#### Incremental Revenue From Accelerated New Product Development: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
C1	Historical new product introductions per year		4	4	4
C2	New product introductions after Specright		5	5	5
C3	Annual revenue per new product		\$4,500,000	\$4,500,000	\$4,500,000
C4	Incremental new product revenue	(C2-C1)*C3	\$4,500,000	\$4,500,000	\$4,500,000
C5	Average net margin percent		10%	10%	10%
Ct	Incremental revenue from accelerated new product development	C4*C5	\$450,000	\$450,000	\$450,000
	Risk adjustment	↓25%			
Ctr	Incremental revenue from accelerated new product development (risk-adjusted)		\$337,500	\$337,500	\$337,500

## Increased Sales Due To Enhanced Customer Responsiveness

The interviewed executives unanimously agreed that customer demands for detailed product and packaging information are increasing exponentially. In many cases, organizations are creating customized products for major retail and food-service customers, and they need to be able to respond to those opportunities rapidly and with complete safety, sustainability, and ethical responsibility documentation before their competitors do.

One interviewee in the packaged fresh foods business put it this way when talking about private label sales: “You must be able to turn a product over to meet a sales expectation because you don’t get those opportunities every day. Somebody else has filled that need if they’re able to respond more quickly than you are, speed to market is critical.”

On a more day-to-day basis, brands are more frequently auditing their partners, suppliers, and co-manufacturers’ supply chain processes. One executive in the prepared food industry stated: “A lot of our customers who come in, we’re putting their brand name on the package. They can just walk away from a supplier for not having effective programs in place to manage their supplier base, so Specright makes it easy to demonstrate that we’re actively managing our supply chain.”

Finally, these organizations and their customers are investing heavily in differentiating their brands through product claims, ingredient lists, and targeted messaging. They need partners that can manage that complexity for them. One director of materials management told Forrester: “Once upon a time you might have had the same label for years, but now we’re all investing in trying to use the package to message the consumer better and increase sales, so now we have more than a thousand packaging SKUs we’re managing. Being able to easily access that information for customers, auditors, and our own sales team is a huge advantage.”

For the composite organization, Forrester assumes that:

- › They have three customer-specific or other new business opportunities per year that they would otherwise lose.
- › These opportunities involve distribution of a single item through a moderately sized retail chain.
- › Average annual revenue for the product is \$500,000, delivering a net margin of 10%.

The benefits of increased customer responsiveness will vary for each organization based on:

- › The number of incremental opportunities that can be captured each year.
- › The average price and breadth of distribution of the item.
- › The organization’s net margin on these kinds of products.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$335,725.

“You must be able to turn a product over to meet a sales expectation because you don’t get those opportunities every day . . . speed to market is critical.”

*Corporate director, supplier compliance, packaged fresh foods industry*



With Specright, three opportunities each year are no longer lost to more responsive competitors.

**Increased Revenue Due To Enhanced Customer Responsiveness: Calculation Table**

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
D1	Incremental new business opportunities won per year (otherwise lost)		3	3	3
D2	Annual revenue of average new business opportunity		\$500,000	\$500,000	\$500,000
D3	Average net margin per cent		10%	10%	10%
Dt	Increased revenue due to enhanced customer responsiveness	D1*D2*D3	\$150,000	\$150,000	\$150,000
	Risk adjustment	↓10%			
Dtr	Increased revenue due to enhanced customer responsiveness (risk-adjusted)		\$135,000	\$135,000	\$135,000

## Savings From Improved Product And Package Change Management Productivity

Several interviewees pointed out that, once they began using Specright, the platform quickly lent itself to managing activities related to the data it houses. Today's consumer demands increasing product customization, leading to rapid product innovation and proliferation.

The executives interviewed lead teams that manage and track the constant stream of product, packaging, and graphics changes behind these marketing activities. An executive in the packaged fresh foods industry was able to avoid hiring additional project managers despite a near tripling of the team's workload. He explained: "Right now we have close to 300 product changes going on. We have people from all functions involved, and external partners like third-party marketing agencies and pre-press houses. Keeping track of all those moving pieces and all those participants is very, very challenging."

Several of the interviewed organizations found that they were able to use the functionality of the Specright platform, where they already stored the specifications for these new products and promotional packaging, to accelerate workflow and facilitate interdepartmental collaboration much more efficiently than before Specright.

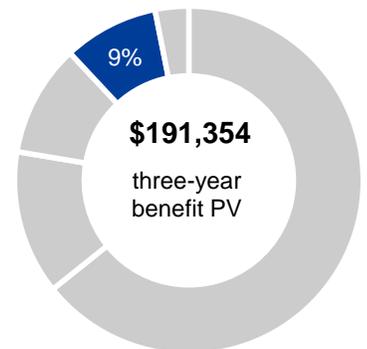
To model this type of project management productivity improvement, Forrester assumed the composite organization:

- › Spent 100 hours per week trafficking and managing projects related to specification changes before using Specright.
- › Managed the same volume of projects in 40 hours per week with the assistance of Specright.
- › Captured 85% of that time to be used on other value-added work.

Savings from improved project management productivity will be affected by several factors:

- › The volume of projects related to the specifications which will be maintained in the Specright platform.
- › The salary of project management personnel in the organization.

To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$199,008.



Savings from improved product and package change management productivity: 9% of total benefits

## Savings From Improved Product And Package Change Management Productivity: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
E1	Hours per week managing product changes before Specright		100	100	100
E2	Hours per week managing product changes after Specright		40	40	40
E3	Supply chain manager annual salary		\$71,000	\$71,000	\$71,000
E4	Percent captured		85%	85%	85%
Et	Savings from improved product and package change management productivity	$(E1-E2)*52 \text{ weeks}^*$ $(E3/2,080 \text{ hours annually})*E4$	\$90,525	\$90,525	\$90,525
	Risk adjustment	↓15%			
Etr	Savings from improved product and package change management productivity (risk-adjusted)		\$76,946	\$76,946	\$76,946

## Savings From Improved Supply Chain Professionals' Productivity

For many interviewees, the original impetus to find a solution to their specification data issues was improving the productivity of their supply chain teams. Across these organizations, there was a critical need for information about specifications, and the amount of time and energy supply chain professionals were spending on searching for this information was frustrating and wasteful. As a senior automation engineering manager in the packaging industry explained: "With our old system, there was no easy way to pull reports. If we wanted anything, we had to go to that one IT guy and ask for help. It was a lengthy process that could take up to a week, just trying to pull information so procurement can go out to bid for new suppliers. Now it takes minutes, and it can usually be done directly by the party that needs the information, not involving my people at all."

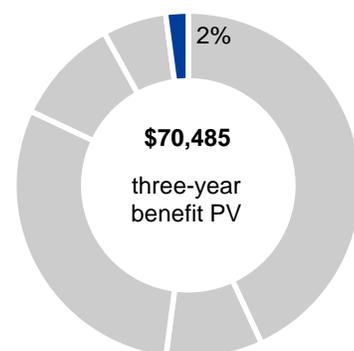
To model the financial benefit of these productivity savings to a business, Forrester assumes that the composite organization:

- › Employs five supply chain executives involved in specifications, earning an average of \$90,000 annually.
- › Each professional saves 3 hours per week on low value-added tasks related to specification data management.
- › The organization captures 85% of that time for higher value engineering tasks.

The financial benefit of supply chain productivity may vary from one organization to another based on two factors:

- › The number of executives in the organization involved in interacting with product or packaging specifications.
- › The amount of time each spends on specification reporting activities under the current data management system.

To account for these risks, Forrester adjusted this benefit downward by 5%, yielding a three-year, risk-adjusted total PV of \$70,485.



Savings from improved supply chain professionals' productivity: 2% of total benefits

"If we wanted anything, we had to go to that one IT guy and ask for help. It was a lengthy process that could take up to a week just trying to pull information."

*Senior automation engineering manager, packaging products*



## Savings From Improved Supply Chain Professionals' Productivity: Calculation Table

REF.	METRIC	CALC.	YEAR 1	YEAR 2	YEAR 3
F1	Supply chain professionals affected		5	5	5
F2	Average hours saved per week per supply chain professional on specification data requests		3	3	3
F3	Percent captured		85%	85%	85%
F4	Supply chain professional salary		\$90,000	\$90,000	\$90,000
Ft	Savings from improved supply chain professionals' productivity	$F1*(F2*52 \text{ weeks})*F3*$ ( $F4/2,000$ hours annually)	\$29,835	\$29,835	\$29,835
	Risk adjustment	↓5%			
Ftr	Savings from improved supply chain professionals' productivity (risk-adjusted)		\$28,343	\$28,343	\$28,343

## Unquantified Benefits

The organization also realized a number of benefits that have not been quantified in this study.

- › **Security of critical specification data.** Virtually every interviewee told Forrester that an important benefit of moving to the Specright platform was the knowledge that its specifications are no longer scattered around the organization, in various plants, corporate offices, and file cabinets, or that they are not subject to the catastrophic failure of an outdated, unsupported software system or the retirement of a long-time supply chain employee.
- › **Visibility into the supply chain associated with each specification.** One executive in the prepared food industry pointed out: "There are other systems out there for storing compliance documentation, but they don't give you visibility into how your supply chain operates. If I click on one of my suppliers in a Specright chicken specification, I have all that documentation right there, but I can also see which distributors have bought chicken from that supplier and see the lanes of supply. It's critical from a food safety standpoint." This type of visibility is also critical to organizations that make and sell chemicals, personal care products, cosmetics, and other products where consumer safety is a key consideration.
- › **Preventing recalls with a proactive approach to quality.** For interviewees, the impact of a recall is easily quantifiable *after* it occurs. They told Forrester that, when it does happen, it can cost an organization millions of dollars and has even put some of their competitors out of business. There is heightened risk in today's environment of frequent formula, regulatory, and packaging changes, along with stricter labelling requirements. An interviewee in the beauty business estimated that over half of recalls on FDA records are due to faulty ingredient claims labelling. Another, in the packaged baked goods business, related, "we used to send emails when we had a new nutritional panel or graphic change, relying on suppliers to remember to use that information in the next package run. With Specright, those changes get automatically red-flagged in the platform and the next time the supplier goes to production, they can see that there is a change they need to incorporate. In the worst case, not making that change could have caused a recall for us."



Improved visibility into the supply chain enables safer food distribution and retailing.

## Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are multiple scenarios in which a customer might choose to implement Specright's Specification Data Management platform and later realize additional uses and business opportunities, including:

- › **Enabling improved cooperation among multiple parties in a decentralized organization.** Because many of the interviewed organizations have grown through acquisition, they face heightened challenges with plants and teams that have their own processes, suppliers, and management styles. Many organizations, however, have moved to a more decentralized or matrixed structure that is meant to empower employee decision making. Standardizing the format and content of specifications gives the whole organization a common language and approach to this basic building block of the supply chain.
- › **The ability to measure and report on products in previously unforeseen ways.** For instance, interviewees told Forrester that their organizations are putting more emphasis on sustainability, and on being able to communicate their progress to the marketplace. Specright allows them to easily report on factors such as how much of their packaging is made from recycled materials so the organization can track, improve upon, and communicate that information.
- › **More efficient and effective supplier visits.** The relational nature of the Specright platform lets users combine their data in unexpected ways. While traveling for supplier visits, one executive told Forrester they use the app on their phone to find other nearby suppliers, review their audit and other documentation in the app, and make additional visits. They estimate a 20% increase in number of supplier visits as a result.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for a future additional investment. This provides an organization with the "right" or the ability to engage in future initiatives but not the obligation to do so.



Specright ensures measurement and reporting on progress in sustainability initiatives.

# Analysis Of Costs

## QUANTIFIED COST DATA AS APPLIED TO THE COMPOSITE

Total Costs							
REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Gtr	Total fees	\$37,500	\$134,400	\$201,600	\$277,200	\$650,700	\$534,558
Htr	Internal training costs	\$0	\$15,220	\$7,496	\$7,496	\$30,213	\$25,664
	Total costs (risk-adjusted)	\$37,500	\$149,620	\$209,096	\$284,696	\$680,913	\$560,222

### Total Fees Paid To Specright

All of the interviewed executives agreed that the cost of the Specright platform is quite predictable and consists almost entirely of the annual licensing fee for the software, along with a smaller upfront fee for loading and validating data in order to onboard the system. There are a number of user types and associated fee levels, based on the user's ability to view and edit the specifications. Companies can identify both internal and external (supplier) users that can view limited or complete data, as well as users who have authority to create and/or edit the specifications. The number and type of users determines the licensing fee for the organization.

Forrester's financial model uses the following assumptions to develop the project fees for the composite organization.

- › The organization ramps up usage of the platform from 200 users in Year 1 to 300 in Year 2 and beyond.
- › Two-thirds of users are external to the organization and one-third are internal, including supply chain users, packaging engineers, product developers, quality assurance experts, procurement teams, and IT professionals.
- › The organization incurs a one-time onboarding fee of \$37,500.

These costs may vary based on a number of factors, including the following:

- › The organization may decide to include more or fewer users than projected in any given year.
- › The mix of highly involved (more expensive) and less involved (less expensive) users may vary.

To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year, risk-adjusted total PV of \$534,558.

The table above shows the total of all costs across the areas listed below, as well as present values (PVs) discounted at 10%. Over three years, the composite organization expects risk-adjusted total costs to be a PV of more than \$560K.



Annual per user fees vary based on access to and ability to edit specification data.

Implementation risk is the risk that a proposed investment may deviate from the original or expected requirements, resulting in higher costs than anticipated. The greater the uncertainty, the wider the potential range of outcomes for cost estimates.

### Total Fees: Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
G1	Total users			200	300	400
G2	Blended per user license fee			\$640	\$640	\$660
G3	Onboarding fees		\$37,500			
Gt	Total fees	$G1 * G2 + G3$	\$37,500	\$128,000	\$192,000	\$264,000
	Risk adjustment	↑5%				
Gtr	Total fees (risk-adjusted)		\$37,500	\$134,400	\$201,600	\$277,200

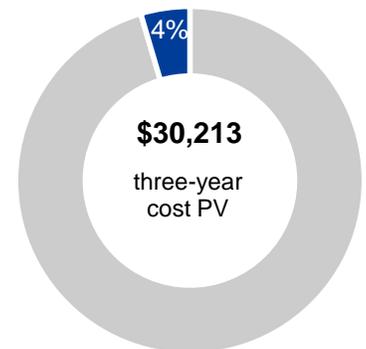
## Internal Training Costs

Internal costs associated with the platform are minimal and primarily involve users learning to use the software. The interviewed companies did not have employees dedicated to maintaining or managing the platform, and they did not have ongoing consulting or maintenance fees from Specright.

For its training cost projections, Forrester assumes the composite organization:

- › Pays to train only its internal users as they come on board each year.
- › Experiences an average training time of 5 hours per user and a blended user salary of \$90,000.
- › Has an annual turnover rate of 10%, requiring additional training of the new employees.

These costs may vary based primarily on the number and salaries of the proposed users. To account for these risks, Forrester adjusted this cost upward by 5%, yielding a three-year risk-adjusted total PV of \$30,213.



Training for Specright platform users accounts for only 4% of annual costs.

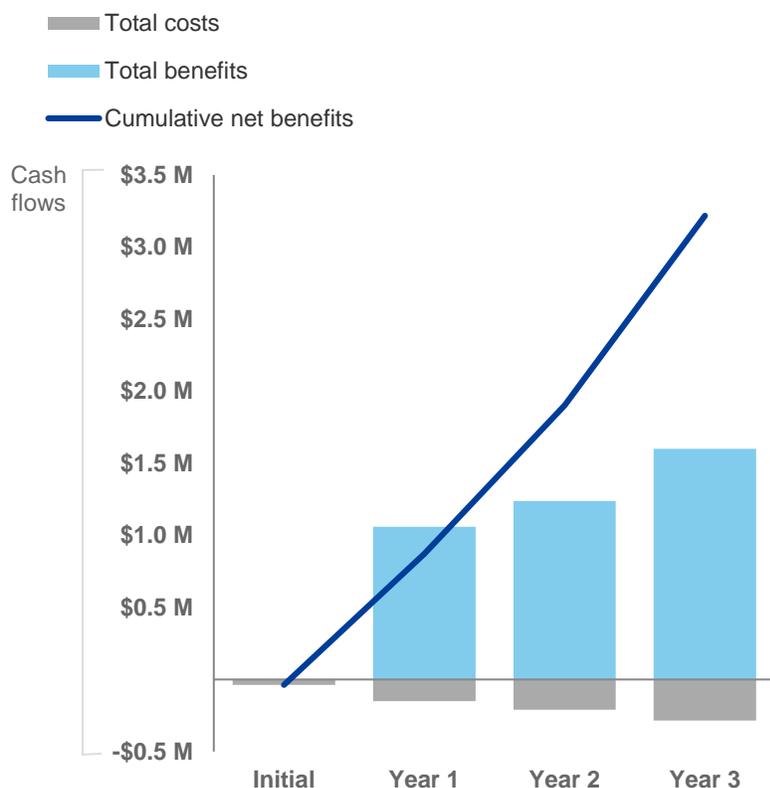
### Internal Training Costs : Calculation Table

REF.	METRIC	CALC.	INITIAL	YEAR 1	YEAR 2	YEAR 3
H1	Number of executives training			67	33	33
H2	Average hours training per executive			5	5	5
H3	Supply chain executive salary			\$90,000	\$90,000	\$90,000
Ht	Internal training costs	$H1 * H2 * (H3 / 2,080)$		\$14,495	\$7,139	\$7,139
	Risk adjustment	↑5%				
Htr	Internal training costs (risk-adjusted)		\$0	\$15,220	\$7,496	\$7,496

# Financial Summary

## CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

### Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.



These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

### Cash Flow Analysis (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$37,500)	(\$149,620)	(\$209,096)	(\$284,696)	(\$680,913)	(\$560,222)
Total benefits	\$0	\$1,059,290	\$1,239,290	\$1,599,290	\$3,897,869	\$3,188,767
Net benefits	(\$37,500)	\$909,670	\$1,030,193	\$1,314,593	\$3,216,956	\$2,628,545
ROI						469%
Payback period						<3 months

# Specright Specification Data Management: Overview

The following information is provided by Specright. Forrester has not validated any claims and does not endorse Specright or its offerings.

## Specification Platform for Supply Chain Professionals

Stakeholders Across the Supply Chain  
Need Accurate, Up-to-Data Specification Data



Packaging



Procurement



Quality &  
Traceability



Product  
Development



Manufacturing  
& Logistics

Specright is the first purpose-built platform for Specification Data Management™ and a fundamentally different approach to bringing products to market by starting with DNA-level specification data. 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.

Specright enables critical supply chain stakeholders such as Packaging, Procurement, Quality & Compliance, Product Development, Operations & Manufacturing to better collaborate and bring products to life. For too long, professionals have been forced to use systems that weren't designed to manage a deep level of product and packaging data. At Specright, we reject band-aid solutions like ERPs, PLMs, spreadsheets, and shared drives that address the symptom but not the problem.

In addition to being a single-source-of-truth, Specright's Specification Data Management Platform has built-in intelligence. For example, Specright prevents users from creating duplicate or similar specifications to limit the impact of SKU proliferation. This intelligence extends to quality, enabling users to prevent certain specifications from being linked to products due to regulatory incompatibility. Users can easily consolidate SKUs and unlock tremendous savings with Specright's recommendations engine that analyzes specifications and provides substitutions to reduce costs or make products and packaging more sustainable.

With a Specification-First Approach, Companies Can:

- › **Accelerate Speed-to-Market:** Bring products to market faster than ever by leveraging existing specifications or products. With spec-level data, companies can perform pricing simulations on product ideas to greenlight the most profitable products.
- › **Optimize Packaging:** Leverage or clone existing packaging specs, sub-assemblies, and bill of materials and understand how packaging components are interconnected.

- › **Take a Proactive Approach to Quality & Risk Management:** Take quality to the next level by associating quality issues to specs for visibility and traceability. Quickly initiate SCARs and other quality records, instantly access and share the latest spec across facilities or with co-mans, co-packers, and suppliers
- › **Better Collaborate with Suppliers:** Easily share and access specifications with suppliers and include suppliers in critical approval and notification workflows.
- › **Drive Smart Procurement:** Accelerate time to bid by easily searching and selecting specifications. Ensure bid accuracy and purchase fewer specs in higher volumes for savings with Specright's recommendations engine.
- › **Report on Sustainability Efforts:** The DNA-level data in Specright's platform creates a foundation to measure, analyze and take action on sustainability goals.
- › **Create Digital Asset Maps:** By digitizing and linking machinery, product lines, and facility specifications, companies can create a digital asset map of their production facilities and gain visibility into how those lines operate and what they produce.

# Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

## Total Economic Impact Approach



**Benefits** represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.



**Costs** consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.



**Flexibility** represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.



**Risks** measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



### Present value (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



### Net present value (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



### Return on investment (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



### Discount rate

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



### Payback period

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.