

A Forrester Total Economic Impact™  
Study Commissioned By SPS Commerce  
July 2017

# The Total Economic Impact™ Of The SPS Commerce Solution

Cost Savings And Business Benefits To  
SHOP.COM FromThe SPS Platform

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# Executive Summary

## Quantified Benefits



Cost savings — acquiring new suppliers: **\$1,268,295**



Incremental gross profit due to SPS Commerce: **\$152,841**



Customer service support savings: **\$89,527**

**Total quantified benefits:**  
**\$1,510,662**  
(risk- and PV-adjusted)

SPS Commerce, Inc. provides supply chain solutions for retailers. Its solutions help facilitate onboarding new and existing vendor communities, outsourcing electronic data interchange (EDI) management, supply chain analytics, vendor score-carding, item management (MDM), point of sale analytics and sourcing new vendors. SPS Commerce commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and objectively examine the potential return on investment (ROI) enterprises may realize by deploying its supply chain solutions for retailers. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of SPS Commerce's supply chain solutions for retailers on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed SHOP.COM, a customer with two and a half years of experience using the SPS Commerce solution to help suppliers integrate product assortment and be able to display products on SHOP.COM. Before investing in SPS Commerce, SHOP.COM did some large vendor integrations, each of which was uniquely complicated. For each new vendor, it created a project team, developed business requirements documents, and identified the myriad of business dependencies with SHOP.COM's existing systems. With its investment in SPS Commerce, it eliminated that long, complicated onboarding process and allowed all suppliers to come through one gateway.

## Key Findings

**Quantified benefits.** SHOP.COM experienced the following risk- and present value-adjusted quantified benefits (see the Financial Analysis section for more details):

- › **Cost savings — acquiring new suppliers (\$1,268,295).** Previous to deploying SPS Commerce, SHOP.COM acquired suppliers via referral-based personal contacts. Costs avoidance savings includes: labor and travel to attend trade shows and do one-on-one visits, costs of qualifying each supplier's business and technical capabilities, managing the relationship courting process, negotiating the contract details, and finally onboarding the supplier. Today, SPS is responsible for sourcing 80% to 85% of new SHOP.COM suppliers at an average cost savings of \$42,500 per supplier.
- › **Incremental gross profit due to SPS Commerce (\$152,841).** SHOP.COM wanted to grow the business by expanding into more profitable product categories and was able to do this quickly with its SPS Commerce investment. Average gross profit margins associated with new business through SPS Commerce suppliers increased 15 percentage points.
- › **Customer service support savings (\$89,527).** With SPS Commerce, SHOP.COM can provide customers with more accurate shipping and order status details (from drop ship vendors), resulting in a 20% reduction in customer service call volumes.

**Unquantified benefits.** SHOP.COM experienced the following benefits, which are not quantified in this study:

- › **The SPS Commerce platform allows SHOP.COM to track vendor performance.** Improves business collaboration between them and their vendors. Previously, only returns and customer service responses were tracked, and all of this was done manually. SPS provides a dashboard that tracks many variables that measure and monitor supplier performance.
- › **SPS Commerce has improved customer loyalty at SHOP.COM by providing more accurate notifications.** Customer service representatives are now able to answer questions or address issues in real time. In a study done in late Year 2, SHOP.COM found that customers of its drop ship products had a customer return/repeat rate of 23% more than before using SPS.
- › **With SPS Commerce, SHOP.COM can perform line item reconciliation of vendors' invoices.** This process has identified overcharges such as double charging for packing fees. SHOP.COM was unable to exactly quantify this benefit, but it estimates a savings of \$15,000 per year.

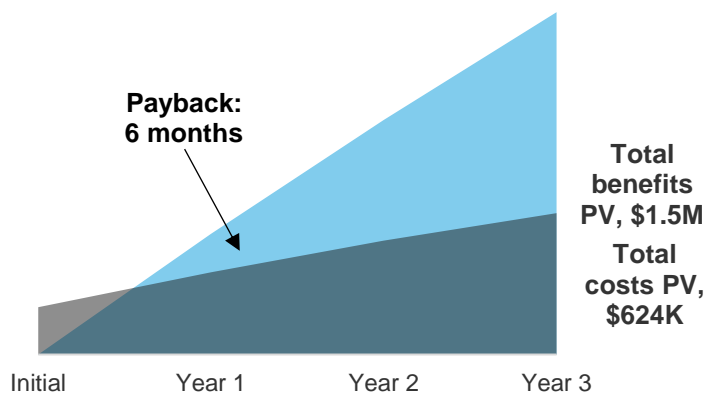
**Costs.** SHOP.COM experienced the following total costs at a present value of \$623,883:

- › **Labor to deploy and maintain the SPS Commerce solution.** Costs include labor for vendor selection, technical development, pre-planning including executive strategy inputs, implementation, and support and maintenance of the SPS Commerce solution.
- › **SPS Commerce fees.** These costs include the initial fees to set up distribution, fulfillment, and EDI and the monthly fees for SPS Commerce management of EDI documents/transactions (purchase orders, shipping notices, etc.).

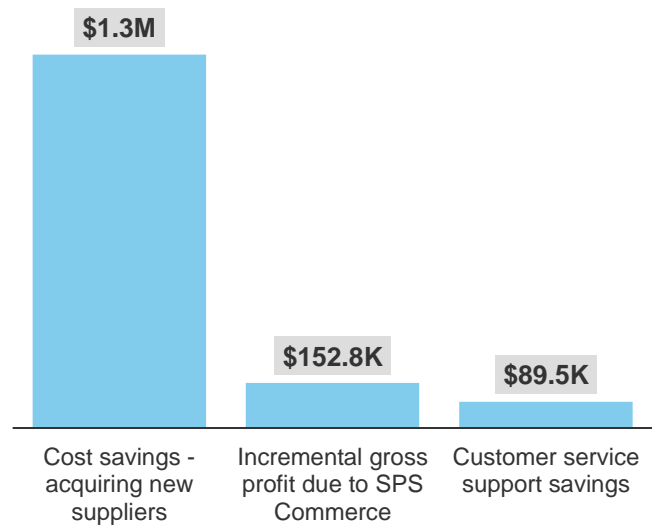
**Financial results.** Forrester's interviews and subsequent financial analysis found that SHOP.COM experienced benefits of \$1,510,662 over three years versus costs of \$623,883, equaling a net present value (NPV) of \$886,779, with a payback period of six months and an ROI of 142%.

If risk-adjusted costs, benefits, and ROI still demonstrate a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as "realistic" expectations, as they represent the expected value considering risk. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

### 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 interview, Forrester has constructed a Total Economic Impact™ (TEI) framework for those organizations considering investing in the SPS Commerce supply chain solutions for retailers.

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 the SPS Commerce supply chain solutions for retailers can have on an organization:



### **DUE DILIGENCE**

Interviewed SPS Commerce stakeholders to gather data relative to the supply chain solutions for retailers.



### **CUSTOMER INTERVIEW**

Interviewed the executive with SHOP.COM who lead the SPS investment initiative to obtain data with respect to costs, benefits, and risks.



### **FINANCIAL MODEL FRAMEWORK**

Constructed a financial model representative of the interview using the TEI methodology and risk-adjusted the financial model based on issues and concerns of SHOP.COM.



### **CASE STUDY**

Employed four fundamental elements of TEI in modeling the impact of SPS Commerce's supply chain solutions for retailers: 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 SPS Commerce 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 the SPS Commerce solution.

SPS Commerce 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.

SPS Commerce provided the customer name for the interview but did not participate in the interview.

# The Customer Journey Of SPS Commerce For Retailers

## BEFORE AND AFTER THE INVESTMENT IN SUPPLY CHAIN SOLUTIONS FOR RETAILERS

### Interviewed Organization

For this study, Forrester conducted in-depth interviews with SHOP.COM, which is an SPS Commerce customer that has been using the solution for two and a half years.

- › SHOP.COM is a new kind of shopping comparison site that offers a comprehensive shopping experience on the web. SHOP.COM's shopping experts have drawn on industry experience and insider connections to bring its customers the best collection of stores, all in one place.
- › SPS Commerce's solution helps SHOP.COM source new vendors, facilitate outsourcing EDI management, onboard its vendor community with EDI. It also helps with item management, POS analytics, and vendor compliance.
- › Forrester conducted in-depth interviews with Eddie Alberty, vice president of strategic partnerships for SHOP.COM.

### Key Challenges And Goals

SHOP.COM's vice president of strategic partnerships shared the following issues, drivers, challenges, goals, and opportunities:

- › SHOP.COM did not support EDI. With SPS Commerce, it now has a partner to accommodate the many suppliers that rely on EDI.
- › Previous to deploying the SPS Commerce solution, SHOP.COM acquired suppliers via referral-based personal contacts. Suppliers still had to be qualified from a business and technology standpoint. Also, relationships had to be built, contracts had to be uniquely negotiated, and integrations were time consuming and complex.
- › Before investing in SPS Commerce, SHOP.COM did some large vendor integrations, each of which was uniquely complicated. For each new vendor, it created a project team, developed business requirements documents, and identified the myriad of business dependencies with SHOP.COM's existing systems.
- › Prior to SPS Commerce, it took four to six months to onboard each unique supplier. Today, each new supplier is already linked with SPS Commerce, and it takes only two to six weeks for the supplier to match SHOP.COM's requirements and certifications.

"After a comprehensive selection process, we chose SPS Commerce based on its favorable integration fees, low monthly costs and transaction fees, and strong bandwidth of suppliers. SPS Commerce had several different solutions for suppliers, whether they joined through a full integration or they onboarded using a web form integration."

*Eddie Alberty, vice president of strategic partnerships, SHOP.COM*



## Key Results

Forrester's interview revealed several key results attributed to SHOP.COM's investment:

- › The SPS Commerce solution streamlined SHOP.COM's vendor sourcing process by leveraging the SPS Commerce network to identify vendors that align with their assortment growth strategy which accelerates the onboarding process and helps SHOP.COM meet its aggressive growth goals.
- › With SPS Commerce, SHOP.COM has a standard agreement and a standard compliance guide that facilitates the getting-to-know-you phase of the relationship. The contract agreement works for all suppliers with some minor revisions.
- › SHOP.COM estimates that the SPS Commerce solution was able to bring 150,000 new SKUs from over 50 new vendors into SHOP.COM's business, significantly increasing electronics and toys SKUs, which represent specific targeted categories of growth.
- › With its investment in SPS Commerce, SHOP.COM eliminated its long, complicated onboarding process and allowed suppliers to come through one gateway. This helped its other departments be more transparent with what was going on in the supply chain; for example, customer service is much better equipped to see the status of all orders and provide better service to customers and vendors.
- › SHOP.COM reported savings in its customer service function. With SPS, it's able to provide customers with more accurate shipping and other details (from drop ship vendors), resulting in a 20% reduction in customer service call volumes.

"The pre-screening of vendors allowed our merchandisers to focus on suppliers that met our merchandising, supply chain, and financial growth requirements. And SPS was a strategic part of that growth to move into new markets with compelling brands and just overall improve the SHOP.COM customer experience."

*Eddie Alberty, vice president of strategic partnerships, SHOP.COM*



"SPS does have vendor-friendly tools and services for the smaller, less-technical vendors, especially those not already using an EDI solution. These vendors now have a few different options to integrate into SHOP.COM's platforms requirements, including web forms services."

*Eddie Alberty, vice president of strategic partnerships, SHOP.COM*





# Financial Analysis

## QUANTIFIED BENEFIT AND COST DATA

### Total Benefits

REF.	BENEFIT	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Atr	Cost savings — acquiring new suppliers	\$510,000	\$510,000	\$510,000	\$1,530,000	\$1,268,295
Btr	Incremental gross profit due to SPS Commerce	\$39,150	\$62,100	\$87,750	\$189,000	\$152,841
Ctr	Customer service support savings	\$36,000	\$36,000	\$36,000	\$108,000	\$89,527
<b>Total benefits (risk-adjusted)</b>		<b>\$585,150</b>	<b>\$608,100</b>	<b>\$633,750</b>	<b>\$1,827,000</b>	<b>\$1,510,662</b>

### Cost Savings — Acquiring New Suppliers

Previous to deploying the SPS Commerce solution, SHOP.COM's acquisition of suppliers was done via referral-based personal contacts. Suppliers still had to be qualified from a business and technology standpoint. Also, relationships had to be built, contracts had to be uniquely negotiated, and integrations were time consuming and complex.

With SPS Commerce, SHOP.COM has a standard agreement and a standard compliance guide that facilitates the getting-to-know-you phase of the relationship. The contract agreement works for all suppliers with some minor revisions.

**Cost savings – acquiring new suppliers.** According to SHOP.COM's vice president of strategic partnerships, the old referral process of finding, recruiting, and qualifying suppliers and signing contracts cost between \$35,000 and \$50,000 per acquired supplier. Costs included the labor time and effort and travel costs to attend trade shows and do one-on-one visits, along with costs of qualifying the supplier, managing the relationship courting process, and negotiating the contract details.

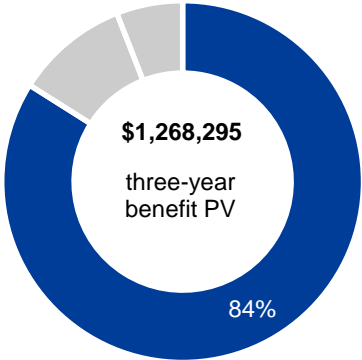
**Modeling and assumptions.** SPS is responsible for sourcing 80% to 85% of the 55 new suppliers (45 suppliers) at an average cost avoidance savings of \$42,500 each, or \$1,912,500 in savings over the three years of our analysis.

**Risks.** Forrester considered the following potential risks when assigning a risk adjustment:

- › SHOP.COM reported a wide range of cost avoidance savings; hence, Forrester risk-adjusted the benefit.
- › Other customers may experience slower rollout and adoption of the functionality of the SPS Commerce solution.

To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year risk-adjusted total PV of \$1,268,295.

The table above shows the total of all benefits across the areas listed below, as well as present values (PVs) discounted at 10%. Total benefits increase each year and SHOP.COM expects risk-adjusted total benefits over three years to be a PV of more than \$1.5 million.



Cost savings — acquiring new suppliers — 84% of total benefits

## Cost Savings — Acquiring New Suppliers

REF.	METRIC	CALC./SOURCE	YEAR 1	YEAR 2	YEAR 3
A1	New suppliers acquired through SPS	Interview	15	15	15
A2	Savings per SPS-acquired supplier	Interview	\$42,500	\$42,500	\$42,500
A3	Total annual savings	A1 * A2	\$637,500	\$637,500	\$637,500
At	Cost savings — acquiring new suppliers	A3	\$637,500	\$637,500	\$637,500
	Risk adjustment	↓20%			
<b>Atr</b>	<b>Cost savings — acquiring new suppliers (risk-adjusted)</b>		<b>\$510,000</b>	<b>\$510,000</b>	<b>\$510,000</b>

## Incremental Gross Profit Due To SPS Commerce

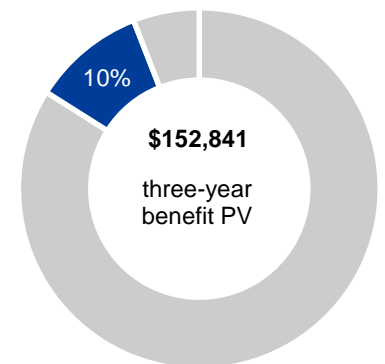
**More profitable business with SPS Commerce.** Previous to investing in SPS Commerce, SHOP.COM's partnerships (sellers, suppliers, or vendors) produced average profits. SHOP.COM wanted to grow the business by expanding into more profitable product categories, and it was able to do this by tapping into SPS Commerce's vast network of suppliers. Average gross profit margins associated with new business increased 15 percentage points, and this was attributed to SPS Commerce. SHOP.COM indicated that there was an increase in revenue of \$1.4 million (total of Row B1 below).

**Modeling and assumptions.** SHOP.COM reported incremental revenue of \$1.4 million at a gross profit margin difference of 15 percentage points attributed to SPS Commerce. Gross profit margin is calculated by subtracting a product's costs of goods sold from its net revenue amount.

**Risks.** Forrester considered the following potential risk when assigning a risk adjustment:

- › Other organizations may have lower revenue or pre-SPS Commerce gross margin history, resulting in lower profit benefits.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$152,841.



Incremental gross profit due to SPS Commerce — 10% of total benefits

Impact risk is the risk that the business or technology needs of SHOP.COM 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.

### Incremental Gross Profit Due To SPS Commerce

REF.	METRIC	CALC./SOURCE	YEAR 1	YEAR 2	YEAR 3
B1	Incremental revenue	Interview	\$290,000	\$460,000	\$650,000
B2	Gross profit margin (15 percentage points)	Interview	15%	15%	15%
B3	Incremental gross profit	B1 * B2	\$43,500	\$69,000	\$97,500
Bt	Incremental gross profit due to SPS Commerce	B3	\$43,500	\$69,000	\$97,500
	Risk adjustment	↓10%			
<b>Btr</b>	<b>Incremental gross profit due to SPS Commerce (risk-adjusted)</b>		<b>\$39,150</b>	<b>\$62,100</b>	<b>\$87,750</b>

### Customer Service Support Savings

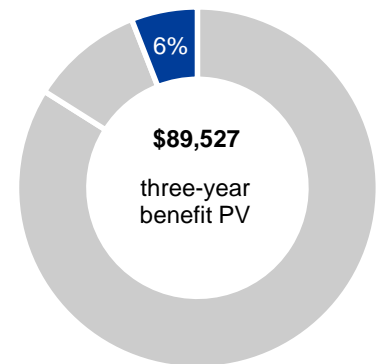
SHOP.COM reported savings in its customer service function. With SPS, it's able to provide customers with more accurate shipping and order status details (from drop ship vendors), resulting in a 20% reduction in customer service call volumes.

**Modeling and assumptions.** This equates to a reduction of one customer service representative. The industry average fully loaded cost of a customer service representative is \$40,000 annually.

**Risks.** Forrester considered the following potential risks when assigning a risk adjustment:

- › There may be a delay in reassigning this customer service representative to another position in the organization.
- › Readers of this study may have different savings outcomes, including variable fully loaded costs.

To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year risk-adjusted total PV of \$89,527.



Customer service support savings: 6% of total benefits

### Customer Service Support Savings

REF.	METRIC	CALC./SOURCE	YEAR 1	YEAR 2	YEAR 3
C1	Customer service representatives saved	One FTE	1	1	1
C2	Average fully loaded cost of customer service representative	Industry average	\$40,000	\$40,000	\$40,000
Ct	Customer service support savings	C1 * C3	\$40,000	\$40,000	\$40,000
	Risk adjustment	↓10%			
<b>Ctr</b>	<b>Customer service support savings (risk-adjusted)</b>		<b>\$36,000</b>	<b>\$36,000</b>	<b>\$36,000</b>

## Unquantified Benefits

SHOP.COM experienced the following benefits, which are not quantified for this study:

- › The SPS Commerce platform allows SHOP.COM to track vendor performance to improve business collaboration between them and their vendors. Previously, only returns and customer service responses were tracked, and all of this was done manually. SPS provides a dashboard that tracks many variables that measure and monitor supplier performance.
- › SPS Commerce has improved customer loyalty at SHOP.COM by providing more accurate notifications. Customer service representatives are now able to answer questions or address issues in real time. In a study done in late Year 2, SHOP.COM found that customers of its drop ship products had a customer return/repeat rate of 23% more than before using SPS Commerce.
- › With SPS Commerce, SHOP.COM is able to perform line item reconciliation of vendors' invoices. This process has identified overcharges such as double charging for packing fees. SHOP.COM was unable to exactly quantify this benefit but estimates a savings of \$15,000 per year.

## Flexibility

The value of flexibility is clearly unique to each customer, and the measure of its value varies from organization to organization. There are scenarios in which a customer might choose to implement SPS Commerce's solution and later realize additional uses and business opportunities. There are three future flexibility options that SHOP.COM is considering:

- › SHOP.COM can envision using SPS Commerce to help manage the supply chain of inventory for products it decides to bring into its warehouses.
- › The SPS Commerce platform will be used in the future to expand into Canada and the UK and, in the longer term, into Asia Pacific.
- › SHOP.COM is always reviewing additional SPS Commerce solutions including Omnichannel functionality for possible future use.

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

Forrester question: "Did SPS Commerce help you find drop ship suppliers?"

SHOP.COM answer: Yes, of our 55 suppliers, 80% to 85% of them came directly from SPS, with each meeting SHOP.COM's business growth strategy and technical capability requirements."

*Eddie Alberty, vice president of strategic partnerships, SHOP.COM*



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.

## Total Costs

REF.	COST	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total	Total Costs: SPS Commerce fees and labor to deploy and maintain the SPS Commerce solution	\$208,500	\$169,000	\$170,654	\$160,666	\$708,820	\$623,883

### Labor To Deploy And Maintain The SPS Commerce Solution

This cost includes the labor for vendor selection, technical development, pre-planning, implementation, and support and maintenance of the SPS Commerce solution:

- › **Vendor selection process.** Two staff, including SHOP.COM's vice president of strategic partnerships, were involved in the due diligence assessment vendor selection process. Each spent 10 hours per week over four weeks (80 hours total).
- › **Labor to plan and deploy SPS Commerce.** A broader involvement of 10 resources (IT and the business) collaborated over three months to plan the deployment of SPS Commerce. The average cost for each resource is \$12,500 per month. Each of the 10 resources spent about 50% of their time planning the deployment over the three-month period.
- › **Ongoing labor to onboard and manage suppliers.**
  - Labor includes a pricing analyst at 80% capacity (0.8 full-time equivalents [FTEs]).
  - Once supplier agreements are signed, an administrator and facilitator (one FTE at \$55,000) works with the internal onboarding team to coordinate EDI and fulfillment connections with SPS Commerce.

**Risks.** Forrester did not risk-adjust the labor costs, as these were actual costs incurred by SHOP.COM.

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, SHOP.COM expects risk-adjusted total costs to be a PV of \$623,883.

Forrester question: "What was the value of having a single provider, SPS, deliver the full value chain of solutions instead of multiple software vendors doing it?"

SHOP.COM answer: SPS is our single point of contact, and we've learned the business parameters and relationships with which to operate with SPS. I don't think that we could have managed multiple software vendors doing this."

*Eddie Alberty, vice president of strategic partnerships, SHOP.COM*

**Modeling and assumptions.** The costs were confirmed by SHOP.COM and are represented in the table below. 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.

## SPS Commerce Fees

According to SHOP.COM, it incurred SPS Commerce fees in the following categories:

- › **Initial setup enablement fees.** These were fees for enablement activities performed by SPS Commerce to set up distribution, fulfillment, and EDI.
- › **Monthly fees.** These were fees for SPS Commerce's management of EDI documents/transactions (purchase orders, shipping notices, etc.) and analytics and reporting activities.
- › **Sourcing.** No cost to SHOP.com as a result of on-boarding all vendors through SPS Commerce.
- › **Training.** No cost to SHOP.com as a result of on-boarding all vendors through SPS Commerce.

**Modeling and assumptions.** The fees were confirmed by both SHOP.COM and SPS Commerce and are represented in the table below. Year 3 fees were reduced to reflect lower document transaction volumes in years 1 and 2.

**Risks.** Forrester did not risk-adjust the SPS Commerce fees, as these were actual fees charged.



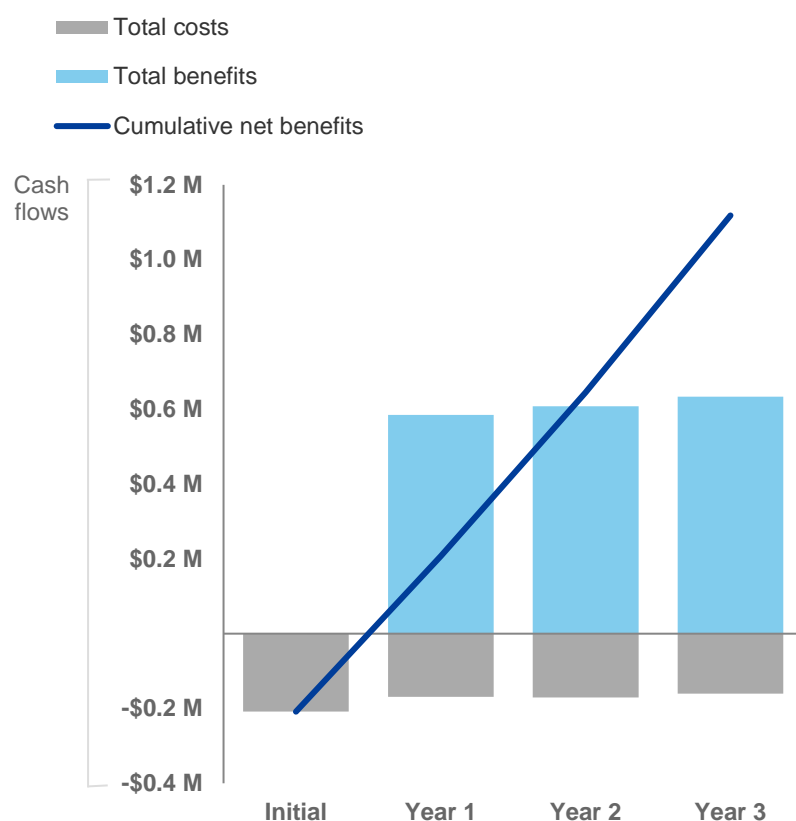
**57%**

The SPS Commerce solution helped SHOP.COM achieve a 57% growth in drop ship orders during Year 2.

# 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 SHOP.COM'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 Table (Risk-Adjusted)

	INITIAL	YEAR 1	YEAR 2	YEAR 3	TOTAL	PRESENT VALUE
Total costs	(\$208,500)	(\$169,000)	(\$170,654)	(\$160,666)	(\$708,820)	(\$623,883)
Total benefits	\$0	\$585,150	\$608,100	\$633,750	\$1,827,000	\$1,510,662
Net benefits	(\$208,500)	\$416,150	\$437,446	\$473,084	\$1,118,180	\$886,779
ROI						142%
Payback period						6 months

If risk-adjusted costs, benefits, and ROI still demonstrate a compelling business case, it raises confidence that the investment is likely to succeed because the risks that threaten the project have been taken into consideration and quantified. The risk-adjusted numbers should be taken as "realistic" expectations, as they represent the expected value considering risk. Assuming normal success at mitigating risk, the risk-adjusted numbers should more closely reflect the expected outcome of the investment.

# SPS Commerce Supply Chain Solutions For Retailers: Overview

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

- › SPS Commerce is a supply chain solution for retailers and their trading partners. Its programs are designed for a retailer's unique business needs.
- › Programs for fulfillment, compliance, vendor onboarding, POS analytics, or item management.
- › Access to the SPS Commerce network with more than 70,000 retail members.

## SPS Commerce Solutions For Retail Organizations

- › Onboard new and existing vendors for EDI, item management, or analytics programs.
- › Outsource EDI.
- › Find new vendors and products.
- › Make smart decisions with retail analytics.
- › Manage product information, including item descriptions, dimensions, images, regulatory attributes, product category-specific attributes and shipping criteria.
- › Monitor vendor performance and compliance.
- › End-to-end supply chain visibility.

## How SPS Commerce Helps Retailers

When SPS Commerce talks about retail vendor onboarding, it's describing a process and a methodology. Whether your business is trying to on-board vendors quicker, make purchase-to-pay changes (such as updating EDI transactions or requirements) or starting a new initiative like automating warehouse operations with ASNs, or drop-shipping products directly to your customers by your vendors, or shared sales analytics to ensure the right product is at the right place and right time, or streamline product content management, you will benefit from SPS Commerce's time-tested methodology. You'll gain visibility, efficiency, and a proven process for change management. SPS Commerce will help your vendors reach compliance with your program quickly, regardless of their current EDI situation or systems.

## Vendor Sourcing

SPS Commerce works with retailers to identify their new vendor product needs that align with their assortment growth strategies, including supply chain requirements. We mine data from our network of 70,000 retail members, identify and interview potential vendor candidates matching your strategy, connecting retailers with only those suppliers who meet their merchandising and supply chain requirements. These trading relationships are rapidly executed with SPS Commerce's onboarding solutions.

## EDI Compliance

SPS Commerce helps you define your requirements and then lead your entire vendor community through an EDI onboarding process. At the end of the program, your vendors will be set up to receive electronic orders and send



return documents back. Our program is non-exclusive, thus accommodating suppliers that are new to EDI as well as those that already have an EDI solution in place.

## Item Management

SPS Commerce trains and onboards your vendors to share their item catalogs and attributes using its product content management solution. This solution supports both customer-facing product attributes (such as description, image, size, color, and price) and supply chain, regulatory and shipping information (such as units per crate and weight).

## Change In Supply Chain Requirements

As your business evolves, you may decide to change your EDI requirements. For example, you might decide to require the 860 document for a purchase order change or 846 document for inventory visibility. SPS Commerce will design a program to help you efficiently roll out a change in EDI requirements to all of your suppliers.

## Retail Analytics

Roll out interactive dashboards of POS and inventory analytics to better collaborate with your vendors. With same store sales declining and e-commerce on the rise, SPS vendor portal helps retailers, distributors and grocers provide vendors sell-through by channel while allowing buyers, planners and vendors to collaborate on forecasting, re-allocations, sales plans, slow sellers, OTB, ladder management and more to drive profitability thus eliminating the need to run one-off reports and operationally expensive processes. With buyers and planners being crunched for time, it puts the responsibility on vendors to analyze trends and provide specific fact-based recommendations that explicitly align with retailer's growth initiatives, which is proving to be one of the most effective points of differentiation for retailers to grow their business.

# 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.