

# Episode 71 -Inspectorio

**Tom:** [00:00:00] Welcome to the industry insights by SAP podcast series. I'm delighted to host this podcast and share key trends and innovations for each of the 25 industries we serve at SAP. We like to say that we speak the language of our customers. And this language is industry. We've been supporting all industries for more than 50 years now.

And it's exciting to launch this podcast and discuss with industry experts, that business value that they get from our solutions.

Hi, everyone. Welcome to the industry insights by SAP podcast. My name is Tom Raftery. And with me on the show today, I have my special guest David David. Welcome to the podcast. Would you like to introduce yourself?

**David:** Yes. Thank you, Tom. Um, my name's David Klein, I'm the co-founder and president of inspectorio.

What that means in practice is I oversee, uh, product development. Nice to meet you, Tom. And thank you everybody for listening.

We are a digital platform that focuses on quality management, production management and compliance management. We're built as a network platform. So we allow factories, suppliers, and brands, and retailers collaborate across those three activities by digitizing that production process, providing automation, actionable insights, and a machine learning and AI for a lot of predictable.

**Tom:** Okay, so prior and you came to us, we became aware of you through the SAP IO accelerator program.

Is that correct?

**David:** That is correct.

**Tom:** Indeed. Yes. Okay. Super. So, so David, what kind of problems were you seeing there that you had to solve for yourself? And now, that you're solving for?

**David:** . Yeah. So when we look at production chain, again, there's three main pillars, there's quality management, production management and [00:02:00] compliance management.

And then within each of these different activities, there's a lot of inefficiencies, a lot of manual work it time. To get any form of reporting or actionable insights takes a lot of time. It's very hard to collaborate across the different stakeholders within a production chain that is factories and suppliers.

And once you do have that information and you're turning it into reporting, it's very hard to make that report. Actionable, um, managing corrective actions across all of this, a massive supply chain also becomes very hard. Um, so, so we looked at the problem in a way where we wanted to replicate that interconnected nature of supply chains, which means building a solution that is a platform where factories, suppliers, and brands and retailers are all part of that network.

One instance, right? Softer is you install it. You custom adjusted to your own operations [00:03:00] here. It's a platform that means everybody has one instance you connect. So you don't have to input data in multiple different places. And we've digitized all of those operations as the foundation. Right? And once you digitize those operations, Then you can start bringing a lot of automation so that you can start moving your activities from manual to a lot more value added activities.

And once your automated. That's when then you can start using that data to bring a lot of actionable insights, right? Understanding trends, understanding benchmarks, really being able to identify where do I need to put my focus? And then, because we had built that infrastructure in a way where we knew that data was ultimately the.

They're the greatest asset we started using, um, algorithms proprietary algorithms to start then predicting. Where are you going to have quality issues where you might have production delays, where you might have other environmental or social risk [00:04:00] with the ultimate goal of having a platform that allows you to manage all of these different activities?

Really bite by exceptions. Okay.

And how long ago was this? Uh, we started five years ago.

Okay. Okay. So prior and what stage are you at now? I mean, you mentioned you've, you've come through the SAP IO accelerator. Uh, have you got, for example, customers, you can speak of Wood's outcomes. You can talk

. Yes. So a first in terms of where we are as of today, we started with quality, right.

Addressing the quality management aspect of, of the production chain. Um, and that is our most mature offering. Um, then we moved to compliance management aim. That was just the natural evolution. And very recently after we announced. Our series A just before announcing our series B, we have launched only a month and a half [00:05:00] ago, a production tracking a solution.

It's our third offering. So you can track a production at any stage of the, of the production chain. Think of it as a time and action calendar, eh, just digitized and. The way you know, we work with three out of the five largest brands and retailers in the world. Some of them are the largest in the U S and in Europe.

Um, and the level of adoption. For these large brands and retailers that started with quality that then have moved to compliance are now moving into, into production tracking. Overall, we work with a more than 8,000 companies because a lot of these large brands and retailers have a, um, you know, thousands of suppliers and thousands of factories.

And in terms of outcome, you know, if we look at digitization as a journey, right, we've digitized all of those [00:06:00] operations, right. Thanks to the automation. Things can be done a lot more efficiently. By leveraging AI, a lot of predictability. So what that means is we've seen on the quality space, a significant improvements when it comes to defective rates.

Um, we've seen a, a lot of improvements, eh, on defective rates overall for the whole supply chain of, of suppliers and factories and doing that with a reduction in cost, which is a formula that in the past was very hard to even conceive because. Typically, when you want to approach factory compliance issues, it's we need to add more money, more oversight, and that naturally it turns out into more money.

But when you actually look at the bottom line, quality doesn't move and then compliance. Doesn't get better here. We were able to prove that you can improve. Compliance and you can improve quality while reducing [00:07:00] your budget. Why? Because you're just using those resources a lot more

efficiently. You're maximizing those resources by taking action only when it's needed only where there's risk.

**Tom:** Okay. Interesting. Now obviously 8,000, uh, people on board, some very large retailers. How do you do that as a startup? Because very often large organizations are hesitant to work with startups because of the inherent risk. So how do you, how do you get over.

**David:** , well, a couple of things, I think that large companies, enterprises in particular are starting to realize that them trying to do it themselves doesn't work.

Right. They have massive teams of engineers and they've tried to innovate internally by building their own solutions. And you know, they're not a technology company and the speed in which they need to innovate the speed in which they need to be able to deliver value. Um, it's just not worth [00:08:00] it. Tried, they con some of them continued to try and they continue to fail and service companies that have been providing the service of quality and the service of, of, of outlets and complaints.

It's the same. A lot of them have tried to add their own technology branch to it, and they continue to fail. We are a technology company at heart. That's what we do. That's why we specialize and eh, you know, brands and retailers, enterprise companies in general are starting to realize. You know, that's that the specialists work in what they do best, um, and find ways to address the potential risks.

What are those risks? Right. Security and data privacy. Right? So for us as a company from day one, We recognize that we needed to Bulletproof everything connected to security and data privacy rights. So we have, uh, a very robust program and we go through very rigorous evaluations, um, across, you know, our contracts with these large enterprise companies.

So. [00:09:00] That's something that we knew from the beginning second, we also knew that we needed to be able to scale the operation also very, very fast and very, very well because you need to deliver value quickly. These are supply chains that are all over the world. So a working really well on making sure that our product is very easy to implement.

Right. Very flexible when it comes to adapting to the different production processes, because. There's many variations within one company, but even more across multiple companies. Right. So making the product extremely easy to use and obsessing over understanding the user. Right. Um, and I think that is what

companies, enterprise companies are realizing that just technology product companies do better.

**Tom:** Okay, very good. And obviously any kind of platform play is very subject to the network effect. So how do you so far for people who are listening, who might not understand what the network [00:10:00] effect is?

**David:** Basically, when you invent, for example, Say Alexander Graham bell invented the phone by itself. It was useless because there was no one he could ring because he had the only phone in the world.

So then you get you, you invent a second phone and suddenly, you know, the two phones are relatively valuable, but once we started getting four phones and 10 phones and a million phones, New phone adds value to the network because it's one more node that can contact everybody else and exponentially the value starts to increase.

**Tom:** So in a, in a platform play like yours, David, how, I mean, when you start out, you are a startup with very, with, with one, one, one, one phone as it were. How do you, how do you, how do you get that platform to be more valuable for every.

**David:** Yeah, so good question. Dumb. And actually, I'll answer it in two parts.

First of all, how do you, how do you build a network [00:11:00] and then second what's the value of the network? Right? So I think point number one is. When, when you look at again, that that interconnected nature of supply chain is that does a supplier that produces a shirt for brand or retailer. A also is a supplier that produces a very similar shirt a for, for, for brand or retailer B.

Right? So in essence, Brands and retailers have many supply, common suppliers and factories. And so our strategy was to first go to the, what we call power users, right? Large brands and retailers understanding their pains really, really well. And understanding also what are the pains for the suppliers and the factories.

And a lot of those pains were that they had to operate in multiple different systems, right. They were purchasing just software. And so they were logging in. To, um, you know, disclose X, Y, and Z information or manage the operations for one client, one system, they would go and do the exact same thing [00:12:00] for the other client on the other system.

And when you sit on the chair of the supplier, if you want to evaluate quality to give an example, you're having to then kind of export and then paste the data. From all of these different systems for you to understand how I might perform overall, where do I have more issues? Right. Where am I having problems that I can focus on to improve my quality, which ultimately improves the quality for, for my client.

That was impossible. Right? So, um, we started approaching first the brands and retailers, because then they would naturally manage. Their suppliers and their factories to start using inspector you. And as soon as the suppliers and the factory started realizing value of this, then they start operating inspector for their own operations.

And then inviting, there are other brands and there are other retailers to also. And so that's how the network started expanding. Now where's the value of this network. And, you know, if you don't build a solution from the [00:13:00] get-go with this, with the right data infrastructure and the right data pipelines to manage.

You know, impossible to, to realize upon that predicted that the value that you're, you're hoping to achieve and then just technically it doesn't work. Um, and so because we have the right data pipelines, the right, that the infrastructure, what we do is we take all of that information, right. We anonymize it and then we're able to assign, uh, through our own proprietary algorithm.

What is the risk associated for a particular supplier or a particular factory. And based on that risk, that it is being, it's being defined by data that is being generated by the whole network. So what that means is every single activity. That takes place makes everybody else smarter. Everybody else is benefiting [00:14:00] without you necessarily, to your point about security in that a privacy disclosing that this particular activity was done for client A or client B, right.

That gets completely anonymized. So the model. Any person uses any user uses the platform. Everybody else benefits by being able to have a much more accurate and effective way of understanding risk and not only at the facility level, but also at a particular product category or style level as well. And that's where it becomes a very, very, a powerful, interesting, I mean, I can understand in the, in the quality space, but compliance is a very different animal.

Um, there are different compliance rules and regulations in every different region. So how are you helping customers with. Yeah, very good point. So

when we look at complaints, there's two parts, right? There's all of these regulatory expectations that governments have, and they're only [00:15:00] becoming more and more strict.

And then you have your own internal codes of conduct with your own programs that you're evaluating on a continuous basis to be able to then compare against your own standards, right? So you have your own code of conduct, then you have, let's say government quote, unquote. Codes of conduct and the data that you're generating from your own proprietary outfits, or even third-party outlets that you're using for your own evaluation of the standards of your facilities against your own codes of conduct or against the regulations of the governments.

This is, these are all data points that provides you. Very interesting insights of potential areas of risk when it comes to. You know, social standards or environmental standards. But when we look at social standards and environmental standards, besides this data that you're capturing yourself directly through your proprietary outlets or through third party, a [00:16:00] standard.

This is data that exists publicly. Right? You can understand, um, you know, to what extent do we have law that is mature enough, that you can have greater confidence that X, Y, or C policies are being implemented effectively in one particular region to the other there's intrinsic risks. On social standards or environmental standards depending on the region.

So then that's the third component. Let's think of it as an external component that you're bringing in. So once you have these three and you have the right algorithms to look at that and evaluate that information, then you're able to also assign risk when it comes to compliance. Right? So there's those three of.

And, and simple things like, you know, certificate or a particular document is about to be expired. That's a risk. Why? Because if it gets expired, then I won't be compliant to a particular [00:17:00] regulation. Right. So being able to centralize that information in a very efficient way, being able to quickly identify what is, what are potential areas of risk of noncompliance.

And what are potential areas of risk of not meeting particular standards against my own code of conduct is how an inspector you, we provide a lot of value, but then more so ultimately if you do find an area of improvement, you need to be able to actually take action, right? Like what are those corrective actions?

And if you don't have a mechanism to manage those corrective actions, that scale and effectively. Then you're never going to be able to actually move beyond compliance. And I think that's a very important point, right? Compliance just for the sake of compliance is one thing. But ultimately what, you know, more and more brands and retailers are recognizing is we need to move beyond compliance.

And for that you need the ability to, you know, Centralize the data, make sure that the data [00:18:00] has the right levels of integrity that you're able to collaborate effectively and that you have the right tools and mechanisms to be able to, you know, manage those corrective actions. Everybody seeing information as a single source of truth.

**Tom:** Yeah, it makes sense. So where to, from here, what are, what are your plans, you know, apart from global domination, what are your plans for the next five to 10 years?

**David:** Yeah. So, um, very recently I'll speak what are our immediate plans and then what our, what our goal for five, 10 years. So immediately, you know, we, we just raised our series B a very important to raise \$50 million.

And thank you so much. And with that, eh, well, first, you know, w we're we're putting a lot of efforts on continuing to grow. Our production tracking a solution, right? The COVID situation or disruptions in supply chains made it clear that many companies don't have the finger on the pulse of what's that status of production.

And you need that in [00:19:00] order to become a lot more resilient in how you react in the future. Right. Having. Clear understanding of where your supply chain is at all times makes you resilient and makes you able to be agile and pivot and move quickly. And so we're, we're, we're doubling down on that going all the way down into the shop floor of, of factories, uh, help them digitally.

Effectively in getting them prepped for the future. Right. They recognize that more and more demands are going to come from brands and retailers that require them to have the right digital infrastructure. So that's one point. And because we work with, you know, thousands of factories, we understand really well, their pains and, and, and, and the considerations that we need to take into account when we build product second is traceability.

You know, I think again, to the point of regulations becoming more and more straight, we have the, you know, the German law. WRL in the United States, we have new laws coming in in France and, you know, our, our compliance module has always been built with the goal of, of, you know, [00:20:00] helping companies achieve their sustainability goals.

So. And traceability is a component of compliance that is becoming more and more important. So we're, we're also a very active in building a solution for, for traceability. It's still a hot topic. Companies are still trying to understand what is the best way to achieve that. And there isn't yet a solution that is.

To, to, to provide a, you know, uh, the, the, the solution that is solving all of those problems and more so how to do that effectively. Right? So we're, we're doubling down on that. And, and naturally, when you look at traceability and you have that ability to map your whole supply chain, understand product all the way at the origin, Then it becomes a very interesting that connection that we already have, you know, with quality, you want to do lab tests at particular points on your supply chain.

You want to do fabric inspections. [00:21:00] You want to validate some of those documents. So it's very complementarity to our other solutions. And then lastly, We also know that the world is moving towards carbon neutrality. So our natural evolution of, of our traceability offering is to be able to map a carbon footprint and then have the mechanisms to set thresholds and try to set targets and therefore work towards reducing that.

So what does that mean for the future? As we see inspector you as that one-stop shop that one platform where you're able to manage all of your quality. Production compliance and this extending of course, to traceability and carbon monitoring, right? Sane space targets, monitored doing. And what that means is, you know, our goal is to become the de facto operating system for companies to manage their suppliers.

**Tom:** Lovely. Very nice. Super David we're coming towards the end of the podcast. Now, is there any question that I have not asked [00:22:00] that you wish I did or any aspect of this we haven't touched on that you think it's important for people to be aware of things?

**David:** Um, no, I think we've, we've covered it all. And if anybody.

Wants to know more about inspectorio or wants to know to whom to reach out to. I welcome you all to visit our web page. There's more information and in a

lot more layman terms perhaps than, than what you've heard me explain today. So, you know, take your time to review all of offering. Um, and that is [www.inspectorio.com](http://www.inspectorio.com).

That would be the best place to know more about, uh, inspector. And if people would want to know more about. Eh, you can find me on LinkedIn. I will be a little crazy for me to give bit the exact URL, but yeah, if you go to the, on LinkedIn to inspect area, um, and then, uh, you can find me David Klein, co-founder and president at inspector, and shoot me a message and more than happy to, to speak to your directly.

**Tom:** Cool. And we'll put a link to your LinkedIn, [00:23:00] uh, account on the notes of this podcast. So great. Super David, thanks a million for coming on the podcast. Yeah, thank you so much, Tom. And just the brother SAP team for the invitation and you know, for the inspect inspector, the SAP IO program, and you know, we're in the SAP start.

**David:** Uh, so for all of you that already have an SAP, a system implemented a for any parts of your supply chain, Just know that if you find us on your SAP store, we already have out of the box integrations to make that potential implementation of inspector a lot more seamless. Um, so again, thank you so much for the invitation.

Always a pleasure and all the best. Super thanks, David. Thank you for listening to the industry insights by SAP podcast. If you want to explore our industry portfolio, to find the solutions you need to run your business better, faster and simpler. Please visit us at [sap.com/industries](http://sap.com/industries). [00:24:00]