

FORRESTER®

# The Total Economic Impact™ Of Magnit Integrated Workforce Management Platform

Cost Savings And Business Benefits  
Enabled By Magnit Platform

**JANUARY 2023**

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## ABOUT FORRESTER CONSULTING

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## Executive Summary

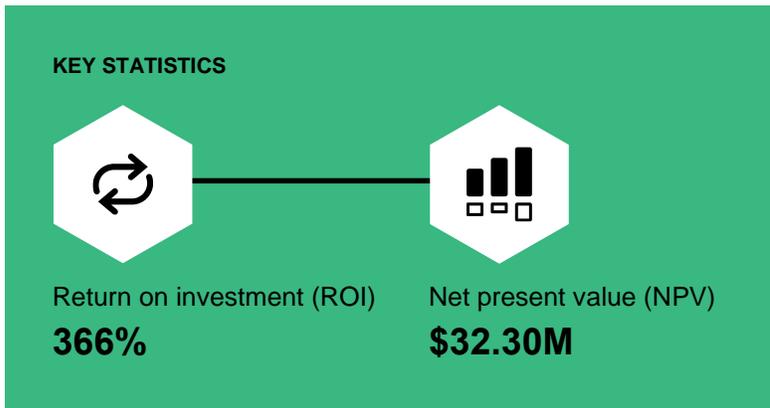
With the combination of current labor demand shifts and the labor supply issues, there is a greater need than ever to have a contingent labor program that is versatile, cost-effective, and full service. Talent-acquisition organizations need a partner with labor-market data, real-time dashboards, supplier and rate analyses, and thought leadership to develop worker sourcing processes that control costs while meeting demand. Magnit provides a full-service program in support of that.

The [Magnit Integrated Workforce Management Platform](#) includes a full suite of offerings that address the totality of an organization's extended workforce. In addition to its vendor management system (VMS) and a knowledgeable, dedicated talent-acquisition team, Magnit has major differentiators of note: vendor-neutral sourcing; market rate, salary, and talent data; real-time performance dashboards; analytics supporting rate setting and performance analysis; strategic guidance services; a payroll services program; and a direct-sourcing offering.

Magnit commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying Magnit Platform.<sup>1</sup> The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Magnit Platform on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed seven representatives with experience using Magnit Platform. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single [composite organization](#) that is a global company leveraging 1,000 contingent workers per year.

These interviewees noted that prior to using Magnit Platform, their organizations were typically unaware of whether they were paying too much for resources



and had little negotiating power with contingent worker suppliers or staffing agencies. Attempts to obtain labor benchmark data or to obtain quality analysis from VMS data on existing workers was limited, leaving the organizations with inadequate knowledge to control costs, ensure regulatory compliance, prevent renegade internal sourcing, and effectively meet internal talent demands.

The interviewees said that after the investment in Magnit Platform, their organizations have contingent workforce programs with significant savings, effective market-rate analysis to locations and skill-detail levels, suppliers providing better service, better manager engagement, compliance improvements, and more versatile strategies. Key results from the investment included market rate analysis and supplier scoring that enabled significant savings through rate negotiations, volume discounts, duration discounts, and supplier competition. Interviewees' organizations were able to utilize Magnit Employer of

Record and Direct Sourcing services to further reduce costs while utilizing new knowledge about existing workers to convert more quality workers to employees.

### KEY FINDINGS

**Quantified benefits.** Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **Supplier cost savings due to market pricing, volume discounts, duration discounts, and negotiated savings of \$20.5 million over three years.** The composite organization was previously at a reasonable maturity level with use of internal resources and workforce managed service providers (MSPs) for contingent worker acquisition and management. Transitioning to Magnit's VMS, using Magnit as a vendor-neutral MSP, and utilizing Magnit Total Talent Intelligence (including real-time dashboards and labor-market data and analytics) and Magnit Strategic Advisory and thought leadership leads to significant savings through right-pricing workers, having proper supplier selection, and receiving various discounts.
- **Cost avoidance by shifting contingent workers to Magnit Employer of Record payroll services of \$11.2 million over three years.** The composite organization successfully sources new contingent workers from internally connected sources and transitions supplier-sourced contingent workers to Magnit Employer of Record payroll services program. This leads to additional savings.
- **Cost avoidance by sourcing contingent workers directly via Magnit Direct Sourcing of \$1.3 million over three years.** The composite organization further reduces contingent costs by utilizing Magnit Direct Sourcing to source and engage workers directly. Use of Magnit Employer of Record payroll services program further increases payroll services utilization when

workers would historically be sourced through staffing suppliers.

- **Cost savings by reducing statement of work (SOW)-sourced workers to contingent workers at \$5.3 million over three years.** By identifying workers under SOWs that could be sourced as contingent workers, the composite organization saves significant costs per worker.
- **Cost savings of converting contingent workers to full-time employees at \$1.9 million over three years.** The composite organization reduces costs by expanding a common practice of hiring contingent workers by gaining better visibility to contingent-worker data such as length of service.
- **Procurement and talent-acquisition team labor savings of \$984,800 over three years.** Magnit provides the composite organization with labor savings within the talent-acquisition and procurement organizations, transitioning some workload to Magnit. Furthermore, Magnit takes on workload associated with a shift in priorities such as diversity expansion.

**Unquantified benefits.** Benefits that provide value for the composite organization but are not quantified in this study include:

- **Having Magnit as a business partner and team member.** Magnit's team members work closely with talent-acquisition team members, and they have good relationships with both suppliers and managers who consider members of Magnit's extended team as partners.
- **Exceeding expectations about business-manager adoption.** Adoption of the talent-acquisition processes under Magnit by the composite organization's managers is successful for many reasons besides cost reductions. These include:

- **Effectively communicating about talent-acquisition changes from the onset.** During implementation, Magnit follows a communications plan that prepares managers for what is coming. Managers appreciate the transparency and the appropriateness of the communications on an ongoing basis.
- **Having real-time status and detailed reasons.** Managers appreciate the availability of real-time statuses as well as the explanations of good or bad staffing situations.
- **Seeing one view for the entire workforce.** HR system integration allows managers to view employees and contingent workers in one place.
- **Having better guidance and structure.** Managers appreciate having the well-structured and well-defined approach that Magnit provides to the entire contingent management life cycle.
- **Reducing onboarding time.** The composite organization's onboarding time is reduced by a week (or 50%).
- **Having better-quality workers.** Metrics, such as more full-time workers, a higher percentage staying the entire length of their contract, and more conversions, support the conclusion by the talent-acquisition team that better quality workers are now in place.
- **Conversion savings beyond labor costs.** Increasing contingent worker conversions provides a reduction in recruiting costs, onboarding costs, and management effort while ensuring quality.
- **Holding other MSPs to Magnit standards.** The composite organization works with multiple MSPs

and realizes additional savings by expecting matching performances from them.

- **Numerous compliance improvements.** These include the following:
  - Supplier audits to verify correct employment, correct pay, and worker legitimacy.
  - Ensuring independent contractor status.
  - Providing compliance training to managers.
  - Identifying noncompliant managers.
  - Complying with international regulations.
- **Improving talent-acquisition team confidence about paying appropriate rates.** The composite organization's talent-acquisition management is confident that it is paying the market rate.
- **Supporting initiatives such as expanding diversity.** Utilizing machine learning (ML) capabilities, Magnit has helped increase engagement of DE&I candidates. The composite's diversity initiatives exceed expectations.

**Costs.** Three-year, risk-adjusted PV costs for the composite organization include:

- **Magnit costs of \$8.8 million over three years.** Implementation costs of \$50,000 were the composite organization's only internal costs. On average, program costs are approximately 2.5% of the cost to the composite organization per contingent worker. Most of the costs associated with the Magnit Platform are available at a \$0 direct cost to clients (when a supplier-funded model is selected).

The representative interviews and financial analysis found that a composite organization experiences benefits of \$41.12 million over three years versus costs of \$8.82 million, adding up to a net present value (NPV) of \$32.30 million and an ROI of 366%.



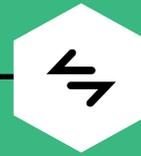
ROI  
**366%**



BENEFITS PV  
**\$41.12M**

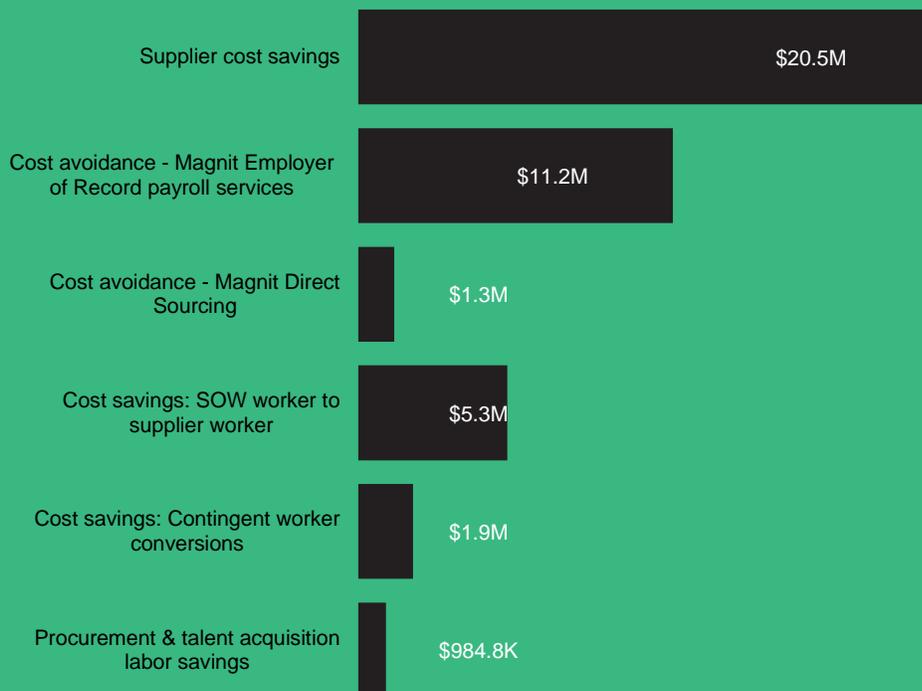


NPV  
**\$32.30M**



PAYBACK  
**<6 months**

**Benefits (Three-Year)**



**“[Magnit] has everything under one roof. [It has] all of the technology stacks integrated together and provides excellent service and client focus, talent intelligence, and reporting capabilities.”**

— Contingent labor manager, pharmaceutical

## TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in the Magnit Integrated Workforce 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 the Magnit Integrated Workforce Management Platform can have on an organization.

### DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Magnit 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 study to determine the appropriateness of an investment in Integrated Workforce Management Platform.

Magnit 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.

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



### DUE DILIGENCE

Interviewed Magnit stakeholders and Forrester analysts to gather data relative to the Magnit Integrated Workforce Management Platform.



### INTERVIEWS

Interviewed seven representatives at organizations using the Magnit Integrated Workforce Management Platform to obtain data with respect to costs, benefits, and risks.



### COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' 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 interviewees.



### CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

# The Magnit Platform Customer Journey

## ■ Drivers leading to the Magnit Platform investment

Interviews			
Role	Industry	Region	2021 Billed Headcount
HR director	Manufacturer	Global	4,500
Contingent labor manager	Pharmaceutical	Global	1,300
Senior workforce solutions manager	Pharmaceutical	Global	6,300
Contingent workforce program director	Internet software	Global	600
SVP of talent acquisition	Financial services	Global	500
Talent-acquisition manager	Manufacturer	Global	2,900
Contingent labor category leader	Healthcare	United States	500

### KEY CHALLENGES

The seven interviewees' organizations had mixes of doing their own contingent-worker sourcing and using a workforce MSP. Their abilities to access reporting and analyze their own contingent workforce data was limited. There was minimal knowledge of market rates, especially at the location and skill levels. The ability, time, and data to optimize their environments — including negotiating discounts — was limited or nonexistent. Internal resources were not able to keep up with increasing demand and growing expectations for assistance. Compliance to more demanding regulations was harder to analyze and more difficult to comply with.

The interviewees noted how their organizations struggled with common challenges, including:

- **Lack of market intelligence and benchmarking data.** Interviewees spoke of an inability to know what fair rates were and an inability to respond to changes in market conditions until their organizations were short-staffed. For example, the interviewees' companies had trouble filling positions at specific

skill levels that previously were easy to fill at a certain rate, either through new demand for those skill levels or a reduction in the number of workers for those skill levels.

- **Lack of real-time visibility to the organizations' VMS data.** Interviewees spoke of a lack of data and a lack of visibility into their organizations' existing contingent workforces. This included start dates, end dates, pay rates, compliance, etc.
- **Talent acquisition was out of control.** Some interviewees described their organization's talent acquisition as manual, chaotic, and decentralized. Managers were ignoring the central teams via SOWs or direct purchase orders (POs). Processes such as procurement activities were very manual.
- **Increasing internal consultative requirements.** Interviewees described that hiring managers sometimes asked on a daily basis for advice to meet staffing needs.

- **Compliance challenges.** Interviewees spoke of clearly determining workers' independent contractor statuses. Assessments were required from a legal and a tax perspective. Maintaining evaluation expertise was also a problem.
- **Diversity, equity, and inclusion (DEI) became a priority.** Interviewees' organizations were trying to expand their DEI placements with no market intelligence locally or broadly.

### COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the seven interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

**Description of composite.** The composite organization is global, and it uses an MSP in some regions while sourcing and managing contingent-workforce suppliers completely internally in others. There is some form of VMS per region. Talent-acquisition teams are regional and have varying success in controlling the sourcing of contingent workers, with some managers cutting their own POs to directly source workers. SOW projects are not managed through the talent-acquisition organization, so many projects have workers that could be easily sourced through the less-expensive, supplier-based contingent-worker sourcing.

There are 1,000 contingent workers engaged per year, all through a set of staffing suppliers. There is little data available to understand and evaluate the supplier's performance nor to provide a thorough understanding of key attributes related to the contingent workers themselves.

### Key Assumptions

- **1,000 contingent workers per year**
- **Regional talent-acquisition teams**
- **Blend of MSP and self-service sourcing**
- **No control of SOWs**

# 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	Supplier cost savings	\$8,230,500	\$8,230,500	\$8,230,500	\$24,691,500	\$20,468,035
Btr	Cost avoidance: Magnit Employer of Record payroll services	\$3,635,875	\$4,544,844	\$5,453,813	\$13,634,531	\$11,158,940
Ctr	Cost avoidance: Magnit Direct Sourcing	\$102,000	\$510,000	\$1,020,000	\$1,632,000	\$1,280,556
Dtr	Cost savings: SOW worker to supplier worker	\$1,097,031	\$2,194,063	\$3,291,094	\$6,582,188	\$5,283,223
Etr	Cost savings: Contingent worker conversions	\$792,370	\$805,369	\$739,492	\$2,337,231	\$1,941,522
Ftr	Procurement and talent-acquisition labor savings	\$396,000	\$396,000	\$396,000	\$1,188,000	\$984,793
	Total benefits (risk-adjusted)	\$14,253,776	\$16,680,775	\$19,130,898	\$50,065,449	\$41,117,069

## SUPPLIER COST SAVINGS

**Evidence and data.** Although interviewees' organizations had varying maturity levels, each obtained significant savings by switching to Magnit. Each of the interviewees described how their organization gained intelligence on market rates, which led to rate and rate-range adjustments that provided both savings and increased confidence in rate setting. Interviewees spoke of obtaining an increase in volume and duration discounts, as well as having previously unavailable information to negotiate other additional savings.

- Magnit's real-time dashboards and analytics provided information on market rates by role, skill level, and location as well as supplier analysis, current contingent-worker analysis, and other insights to help make decisions on rate setting, supplier selections, supplier negotiations, etc.
- Interviewees described Magnit's MSP team as very knowledgeable and focused on doing what is best for their organizations. Interviewees said the team members provide guidance, have been

**“[Magnit’s] rate intelligence capabilities have identified significant overspending in programs bases on transacted rates vs. market rates. We are definitely saving between 8% to 12% compared to before.”**

*Senior workforce solutions manager, pharmaceutical*

effective at their assigned roles, and are considered part of the talent-acquisition teams by suppliers, internal managers, contingent workers, and the talent-acquisition teams themselves.

- Magnit provides a combination of monthly reviews, quarterly reviews, and client-initiated

thought leadership projects. Interviewees shared that Magnit provides insights into market direction and opportunities for improvements, and it proposes strategy adjustments as considered appropriate.

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization has 1,000 supplier-sourced contingent workers.
- The cost reduction of supplier-sourced workers is 7.75%.
- The ratio of higher-pay workers to lower-pay workers is 40:60.
- The average cost per supplier-sourced contingent worker is \$118,000 per year.

**Risks.** Risks that could impact the realization of this benefit include:

- Base labor costs.
- The ratio of higher-pay to lower-pay workers.

- The extent of market rate knowledge, volume discount, duration discounting, etc.

**“We hold our vendors accountable to certain metrics. If they aren’t performing, they go on probation. If they don’t improve, we get rid of them. We are getting golden-glove service while saving money.”**

*SVP of talent acquisition, financial services*

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$20.5 million.

### Supplier Cost Savings

Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Supplier contingent worker count	Composite	1,000	1,000	1,000
A2	Cost reduction percent	Interviews	7.75%	7.75%	7.75%
A3	Average annual cost per worker	Interviews	\$118,000	\$118,000	\$118,000
At	Supplier cost savings	A1*A2*A3	\$9,145,000	\$9,145,000	\$9,145,000
	Risk adjustment	↓10%			
Atr	Supplier cost savings		\$8,230,500	\$8,230,500	\$8,230,500
<b>Three-year total: \$24,691,500</b>			<b>Three-year present value: \$20,468,035</b>		

### **COST AVOIDANCE: MAGNIT EMPLOYER OF RECORD PAYROLL SERVICES**

**Evidence and data.** Interviewees said utilizing Magnit Employer of Record payroll services provides savings, helps source high-quality workers, and provides a means to keep high-quality workers. Payroll services enrollees are primarily higher-pay workers.

- Interviewees described enrolling retirees and people known to managers or other internal employees.
- Interviewees described transitioning quality supplier-based workers to enroll in Magnit Employer of Record payroll services when they sought extensions and conversions were not possible.
- Interviewees shared that the payroll services program was well received by managers of higher-pay workers and that the program grew in popularity over time.

**“[Magnit] is very good at educating managers about contingency service lines. The markup is a lot lower for a payroll worker as opposed to [for] staffing via suppliers, so this has provided huge savings.”**

*Senior workforce solutions manager, pharmaceutical*

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization has 1,000 supplier-sourced contingent workers.
- Most workers who are enrolled in Magnit's payroll services are higher-pay workers.
- Worker enrollment in Magnit Employer of Record payroll services is 200 in Year 1, and this increases by 50 workers in each future year.
- The average cost per supplier-sourced higher-pay worker is \$145,000 per year.
- The additional cost reduction per worker is 14.75%.

**Risks.** Risks that could impact the realization of this benefit include:

- Base labor costs.
- The ratio of higher-pay to lower-pay workers enrolled in Magnit's payroll services program.
- The ability to identify workers who are a good match for the payroll services program.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$11.2 million.

<b>Cost Avoidance: Magnit Employer Of Record Payroll Services</b>					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Contingent worker count	Composite	1,000	1,000	1,000
B2	Payroll worker (% of total)	Interviews	20%	25%	30%
<b>B3</b>	<b>Payroll worker count</b>	<b>B1*B2</b>	<b>200</b>	<b>250</b>	<b>300</b>
B4	Average higher-paid worker cost	Interviews	\$145,000	\$145,000	\$145,000
B5	Cost reduction percent below Magnit managed service	Composite	14.75%	14.75%	14.75%
Bt	Cost avoidance: Magnit Employer of Record payroll services	B3*B4*B5	\$4,277,500	\$5,346,875	\$6,416,250
	Risk adjustment	↓15%			
Btr	Cost avoidance: Magnit Employer of Record payroll services (risk-adjusted)		\$3,635,875	\$4,544,844	\$5,453,813
<b>Three-year total: \$13,634,531</b>			<b>Three-year present value: \$11,158,940</b>		

**COST AVOIDANCE: MAGNIT DIRECT SOURCING**

**Evidence and data.** Interviewees described gradual adoptions of Magnit Direct Sourcing at their organizations, which is a direct channel to contingent workforce leveraging their organizations’ brands. Interviewees said that direct sourcing works best for enrolling lower-pay workers and prior interns and co-ops who could not be hired directly.

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization has 1,000 supplier-sourced contingent workers.
- Most workers who engage via Magnit Direct Sourcing are lower-pay workers.
- Additional worker enrollment in Magnit Employer of Record payroll services due to Magnit Direct Sourcing is 10 in Year 1, 50 in Year 2, and 100 in Year 3.
- The average cost per supplier-sourced higher-pay workers is \$100,000 per year.

- The additional cost reduction per worker is 12.75%.

**Risks.** Risks that could impact the realization of this benefit include:

- Base labor costs.
- The ratio of higher-pay to lower-pay workers engaged through Magnit Direct Sourcing.
- The use cases for enrollment.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 20%, yielding a three-year, risk-adjusted total PV of \$1.3 million.

**Cost Avoidance: Magnit Direct Sourcing**

Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Contingent worker count	Composite	1,000	1,000	1,000
C2	Direct Sourcing worker (percent of total)	Interviews	1%	5%	10%
<b>C3</b>	<b>Direct Sourcing worker count</b>	<b>C1*C2</b>	<b>10</b>	<b>50</b>	<b>100</b>
C4	Average lower-paid worker cost	Interviews	\$100,000	\$100,000	\$100,000
C5	Cost reduction percent below Magnit managed service	Composite	12.75%	12.75%	12.75%
Ct	Cost avoidance: Magnit Direct Sourcing	C3*C4*C5	\$127,500	\$637,500	\$1,275,000
	Risk adjustment	↓20%			
Ctr	Cost avoidance: Magnit Direct Sourcing (risk-adjusted)		\$102,000	\$510,000	\$1,020,000
<b>Three-year total: \$1,632,000</b>			<b>Three-year present value: \$1,280,556</b>		

**COST SAVINGS: SOW WORKER TO SUPPLIER WORKER**

**Evidence and data.** Interviewees described identifying opportunities to transition workers sourced through SOWs that could be sourced through the much less-expensive talent-acquisition program. Interviewees’ organizations had varying degrees of success based upon SOWs being outside their control, managers purposely avoiding the talent-acquisition programs, or a lack of awareness of sourcing workers of varying skill levels through the talent-acquisition teams.

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization uses 250 SOW workers per year.
- The composite organization can shift to contingent workers each year, reducing the number of actual SOW workers to 225 in Year 1, to 200 workers in Year 2, and to 175 workers in Year 3.
- The additional cost reduction per worker is 35%.

- The average annual cost of an SOW worker is \$147,500.

**“Some managers try to circumvent the staff-augmentation program by onboarding contractors through SOWs. [Magnit] analyzes our SOW engagements to identify noncompliance, reducing costs significantly.”**

*Senior workforce solutions manager, pharmaceutical*

**Risks.** Risks that could impact the realization of this benefit include:

- The amount of SOW work.
- Previous utilization of the talent-acquisition team for SOW projects.

- The amount of SOW work that can be appropriately done by contingent workers.
- The average cost of SOW workers.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$5.3 million.

**Cost Savings: SOW Worker To Supplier Worker**

Ref.	Metric	Source	Year 1	Year 2	Year 3
D1	Projected SOW worker	Composite	250	250	250
D2	Actual SOW worker	Estimate	225	200	175
D3	Subtotal: Shift from SOW worker to supplier worker	D1-D2	25	50	75
D4	Cost savings: supplier vs. SOW	Estimate	35%	35%	35%
D5	Average annual cost of SOW worker	Interviews	\$147,500	\$147,500	\$147,500
Dt	Cost savings: SOW worker to supplier worker	D3*D4*D5	\$1,290,625	\$2,581,250	\$3,871,875
	Risk adjustment	↓15%			
Dtr	Cost savings: SOW worker to supplier worker (risk-adjusted)		\$1,097,031	\$2,194,063	\$3,291,094
<b>Three-year total: \$6,582,188</b>			<b>Three-year present value: \$5,283,223</b>		

**COST SAVINGS: CONTINGENT WORKER CONVERSIONS**

**Evidence and data.** All interviewees recognized the value of hiring contingent workers, lowering labor

costs, eliminating recruiting costs, lowering onboarding costs and compliance risks, and having the ability to hire a known entity. Magnit helped to set the \$0 conversion period and provided the visibility to length of service data for existing workers so timely decisions could be made.

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization’s available supplier-sourced contingent workers eligible for conversion are 790 in Year 1, 700 in Year 2, and 600 in Year 3. This is the difference between the 1,000 contingent workers less workers that support the organization via Magnit Employer of Record payroll services.

**“Our lack of visibility into contractor length of service meant that we had people working in contract positions for upwards of five to 10 years. In addition to lost money, we had compliance risk.”**

*SVP of talent acquisition, financial services*

- Supplier-sourced contingent worker conversions previously took place at a rate of 8% per year.
- With Magnit, supplier-sourced contingent worker conversions grow to 12% per year.
- Supplier-sourced contingent worker conversions provide a cost reduction of 25%.
- The average cost per supplier-sourced contingent worker is \$118,000 per year.
- The composite organization's Employer of Record payroll services and Direct Sourcing workers for conversion are 210 for Year 1, 300 for Year 2, and 400 for Year 3.
- Magnit Employer of Record and Direct Sourcing worker conversions do not take place in Year 1, and they take place at a rate of 3% per year in the next two years.
- Magnit Employer of Record and Direct Sourcing worker conversions provide a cost reduction of 13%.
- The average cost per supplier-sourced worker is \$103,840 per year.

**“We look on [contingent labor] as a three to four month interview. We get to view how they work, how they act, how they collaborate, and how they fit in. The decision to convert them is typically very clear.”**

*SVP of talent acquisition, financial services*

**Risks.** Risks that could impact the realization of this benefit include:

- The number of previous conversions.
- The previous visibility to contingent workers' length of service.
- The average cost of contingent workers.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 15%, yielding a three-year, risk-adjusted total PV of \$1.9 million.

**Cost Savings: Contingent Worker Conversions**

Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Actual supplier-sourced contingent worker count	B3–C3	790	700	600
E2	Percent previously converted	Interviews	8%	8%	8%
E3	Percent currently converted	Interviews	12%	12%	12%
E4	Percent savings employee vs. supplier	Composite	25%	25%	25%
E5	Average supplier-sourced worker cost	Interviews	\$118,000	\$118,000	\$118,000
E6	Subtotal: supplier-sourced worker conversion savings	$E1*(E3-E2)*E4*E5$	\$932,200	\$826,000	\$708,000
E7	Employer of Record and Direct Sourcing worker count	B3+C3	210	300	400
E8	Percent currently converted	Interviews		3%	3%
E9	Percent savings employee vs. payroll	Composite	13%	13%	13%
E10	Average annual cost per Magnit Employer of Record payroll services worker	Interviews	\$103,840	\$103,840	\$103,840
E11	Subtotal: Magnit Employer of Record payroll services FTE conversion savings	$E7*E8*E9*E10$	\$0	\$121,493	\$161,990
Et	Cost savings: Contingent worker conversions	E6+E11	\$932,200	\$947,493	\$869,990
	Risk adjustment	↓15%			
Etr	Cost savings: Contingent worker conversions		\$792,370	\$805,369	\$739,492
<b>Three-year total: \$2,337,231</b>			<b>Three-year present value: \$1,941,522</b>		

**PROCUREMENT AND TALENT-ACQUISITION LABOR SAVINGS**

**Evidence and data.** Interviewees shared that Magnit provided support that eliminated workloads within their companies’ procurement organizations, reduced workloads within talent-acquisition teams, and provided support of areas requiring additional resources within the talent-acquisition teams. Procurement savings were due to eliminating POs associated with individual workers. The labor reduction for talent acquisition was due to the transfer of numerous activities to the Magnit team. Interviewees described avoiding adding staffing within the talent-acquisition team due to additional work requirements, such as meeting diversity requirements of the contingent worker population and responses to labor shortages.

**Modeling and assumptions.** To calculate the value of this benefit, Forrester assumes the following about the composite organization:

- The composite organization reduces its procurement workload by 0.5 FTEs.
- The composite organization reduces its talent-acquisition team’s workload by 2.5 FTEs.
- The composite organization’s talent acquisition team avoids adding 1.0 FTEs to cover additional workload.
- The average fully loaded cost of a procurement and talent acquisition worker is \$110,000.

**“Our business is bigger and far more complex than when we started with [Magnit]. It would be a nightmare to go back to how we were managing contingent labor. We would need many more people.”**

*SVP of talent acquisition, financial services*

**“We went down to one PO with [Magnit]. There were two people in accounts payable services that we didn’t have to use anymore.”**

*HR director, manufacturer*

**Risks.** Risks that could impact the realization of this benefit include:

- The level of PO workload and PO processing automation.
- The level of work transition to Magnit.
- The level of new demands on the talent-acquisition team.
- The average cost of procurement and talent-acquisition employees.

**Results.** To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$1.0 million.

**Procurement And Talent-Acquisition Labor Savings**

Ref.	Metric	Source	Year 1	Year 2	Year 3
F1	Procurement FTEs reassigned	Composite	0.5	0.5	0.5
F2	Talent-acquisition FTEs reassigned	Composite	2.5	2.5	2.5
F3	Talent-acquisition FTE avoidance (e.g., diversity and other new initiatives)	Composite	1.0	1.0	1.0
F4	Average fully loaded cost of a procurement and talent-acquisition staff member	TEI standard	\$110,000	\$110,000	\$110,000
Ft	Procurement and talent-acquisition labor savings	$(F1+F2+F3)*F4$	\$440,000	\$440,000	\$440,000
	Risk adjustment	↓10%			
Ftr	Procurement and talent acquisition labor savings (risk-adjusted)		\$396,000	\$396,000	\$396,000
<b>Three-year total: \$1,188,000</b>			<b>Three-year present value: \$984,793</b>		

## Dashboards And Analytics

Interviewees spoke about the Strategic Advisory team as a differentiator for Magnit. They said:

“We had a [major] external auditor come in and validate [Magnit’s] reporting [on cost savings]. The auditor validated that [Magnit is] doing a good job.”

– *Contingent labor manager, pharmaceutical*

“I’ve worked with and for MSPs. [Magnit is] running circles around what I’ve seen others MSPs do, from supplier scoring to client dashboards. They produce incredible, actionable insights.”

– *Contingent workforce program director, internet software*

“I like to work in real time, and [Magnit’s] dashboards are real time. I currently work with four MSPs globally, and I must say that [Magnit’s] reports are cleaner, neater, and better organized.”

– *Senior workforce solutions manager, pharmaceutical*

“[Magnit’s] data analysis far exceeds our other MSPs’ reporting. Our external workforce cost savings methodology and definitions are based upon [Magnit reporting]. We use it to drive cost savings from all MSPs.”

– *Contingent labor manager, pharmaceutical*

## Thought Leadership

Interviewees cited Magnit’s knowledge of the space and partnering towards meeting their organizations’ goals and needs. They said:

“I have not seen anything like this labor market in my 30 years doing this. If we didn’t have [Magnit’s] knowledge and focus, then I might not be here anymore.”

– *SVP of talent acquisition, financial services*

“Our CEO tasked us to attain significant savings, so we sought advice. [Magnit] presented several different strategies and ideas. We saved \$12 million in our first year, beating expectations.”

– *Senior workforce solutions manager, pharmaceutical*

“We have a robust co-op and internship program, but [we] can’t hire all that we like. [Magnit] helped us set up a contingent role to bridge them to when there is an opening.”

– *Talent acquisition manager, manufacturer*

“We have a lot of internal projects related to cost optimization with various internal stakeholders. [Magnit] has been a partner with us in aligning to their objectives, showing a strategic commitment and capability.”

– *Contingent labor manager, pharmaceutical*

### UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Having Magnit as a business partner and team member.** Interviewees shared that Magnit team members work closely with their organizations' talent-acquisition team members and that they have good relationships with both suppliers and managers. They also consider Magnit's extended team members as partners. A senior workforce solutions manager in the pharmaceutical industry said: "I would say that [Magnit is] a strategic partner. They are more than just a supplier in the sense that they help us develop and drive our strategy."

- **Having real-time status and detailed reasons.** Interviewees noted that managers appreciated the availability of real-time statuses as well as the explanations of good or bad staffing situations.
- **Seeing one view for the entire workforce.** HR system integration allows managers to view employees and contingent workers in one place.
- **Having better guidance and structure.** Interviewees shared that most managers appreciate having the well-structured and well-defined approach to the entire contingent management life cycle.
- **Reducing onboarding time.** Interviewees shared that onboarding time frequently was reduced by a week, or 50%.
- **Having better-quality workers.** Interviewees noted that metrics in support of better-quality workers have all improved, such as more full-time workers, a higher percentage staying the entire length of their contract, and more conversions.

**“My [Magnit] team is excellent [and is] truly an extension of my team. [Magnit team members] know their craft and treat our clients as if they were their own.”**

*SVP of talent acquisition, financial*

- **Exceeding expectations about business-manager adoption.** Interviewees shared their concerns about managers accepting the change to Magnit for contingent workforce staffing. Besides cost reductions, they saw the following benefits affecting managers:
  - **Effectively communicating about talent-acquisition changes from the onset.** Magnit followed a communications plan that prepared managers for what was coming. Managers appreciated the transparency and the appropriateness of the communications.

**“Our managers love [Magnit]. I don’t go a week without getting compliments on the [Magnit] team.”**

*Contingent workforce program director, internet software*

- **Conversion savings beyond labor costs.** Interviewees shared that increasing contingent worker conversions provided a reduction in recruiting costs, onboarding costs, and management effort while ensuring quality.

- **Holding other MSPs to Magnit standards.** Interviewees’ organizations working with multiple MSPs obtained additional savings by expecting matching performance. A contingent labor manager at a pharmaceutical organization said, “We want to measure results and match performance globally based upon what [Magnit] has done for us.”
- **Numerous compliance improvements.** These include the following:
  - **Supplier audits to verify correct employment, correct pay, and worker legitimacy.** Interviewees described annual audits of suppliers to ensure that their organizations are in compliance with contract-worker regulations and to confirm they are treating contractors appropriately.
  - **Ensuring independent contractor status.** Interviewees shared that Magnit ensures that workers’ independent contractor statuses are maintained and provides means to resolve issues when they arise. Magnit provides a proactive analysis at a level that legal and procurement organizations can’t do themselves. Interviewees also noted that Magnit provides insight into changes or potential changes to laws, such as California Assembly Bill 5 (AB5).
  - **Providing compliance training to managers.** Magnit provides training to the managers of contingent workers. Interviewees shared that both team members and the managers themselves appreciate this.
  - **Identifying noncompliant managers.** Interviewees shared that Magnit helped their organizations identify managers who were trying to bypass approved contract workforce processes as well as managers who were performing other risky actions such as compliance with contract-worker regulations.

**“[Magnit does] a lot for us related to compliance and risk mitigation. They educate our managers on what compliance requirements are and how to abide by them — the do’s and don’ts of contractor management.”**

*Senior workforce solutions manager, pharmaceutical*

- **Providing compliance internationally.** Interviewees’ organizations using Magnit in multiple regions said Magnit’s knowledge of compliance and compliance changes around the world is very reassuring.
- **Improving talent-acquisition team confidence about paying appropriate rates.** Interviewees described feeling confident that their organizations are actually paying the market rate, and they said that’s reassuring. The senior workforce solutions manager in the pharmaceutical industry said: “We want the workers to earn what they should earn. We want to pay fair margins to our suppliers. I am confident that we are paying what is correct. I am where I want to be.”
- **Supporting initiatives, such as expanding diversity.** Benefiting from ML capabilities, interviewees share that their organizations’ diversity initiatives are exceeding expectations.

**Example diversity as percent of spend**



## FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement Magnit Platform and later realize additional uses and business opportunities, including:

- **Reduced supplier dependencies, leading to better quality and lower costs.** With better supplier-performance reporting, interviewees said their organizations were able to focus on suppliers based on cost, sourcing capabilities, and quality of service. A contingent workforce program director with an internet software company said, “Our market data insights enabled us to expand and identify quality Tier 2 and Tier 3 sites, saving us significantly over Silicon Valley contracting rates.”
- **Ramping up and ramping down projects more quickly.** Interviewees shared that their organizations were able to staff new projects and initiatives faster while also shutting down projects faster.
- **Adjusting to COVID 19 pandemic-related changes.** Interviewees described how Magnit team members provided process and associated communications for contractor COVID-19 testing, assisted with the shift to meeting remote-worker requirements, and performed market-rate analysis to identify rate shifts required to staff effectively.
- **Adjusting to labor-shortages.** Interviewees spoke of Magnit’s ability to help their organizations because of the great retirement or pockets of labor demand changes. Their companies were able to adjust rates proactively to minimize fill-rate issues or to recover from having to raise rates during labor shortages by skill and locations.
- **Magnit filling roles to improve efficiency or effectiveness.** Interviewees shared that Magnit supplied nonstandard services that filled holes or

alleviated internal challenges. A contingent labor category leader at a healthcare organization said: “[Magnit] solved two problems that we had with a single solution by providing a medical professional to match requirements to available workers and directly extending offers. This returned valuable time to our clinical managers while getting offers in quickly when time is of the essence.”

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

# 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	Internal implementation cost plus annual licensing costs	\$57,500	\$3,529,048	\$3,525,053	\$3,514,225	\$10,625,826	\$8,819,282
	Total costs (risk-adjusted)	\$57,500	\$3,529,048	\$3,525,053	\$3,514,225	\$10,625,826	\$8,819,282

## INTERNAL IMPLEMENTATION COST PLUS ANNUAL LICENSING COSTS

**Evidence and data.** Interviewees said the only implementation costs associated with bringing in Magnit were the internal costs within their organizations. The majority of the costs associated with Magnit Platform are available at a \$0 direct cost when a supplier-funded model is selected.

- The annual costs of Magnit's VMS and services are approximately \$3.5 million per year.
- The composite's program costs are approximately 2.5% of the cost per contingent worker.

**Risks.** Risks that could impact implementation and licensing costs include:

- Implementation effort, which will vary per prior state and per application integration requirements.
- Whether or not Magnit's implementation cost will be waived based on the size of the contingent workforce and scope of the Magnit services provided.
- Negotiated prices.
- The mix of services, which will change the average Magnit cost per contingent worker.

**Results.** To account for these risks, Forrester adjusted this cost upward by 20%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$8.8 million.

**“Our transition to [Magnit] went very smoothly. They really rolled out the red carpet for us. We were very sensitive to a fair amount of things because it was new to all of us, but they were good.”**

*SVP of talent acquisition, financial services*

**Modeling and assumptions.** To calculate this cost, Forrester assumes the following about the composite organization:

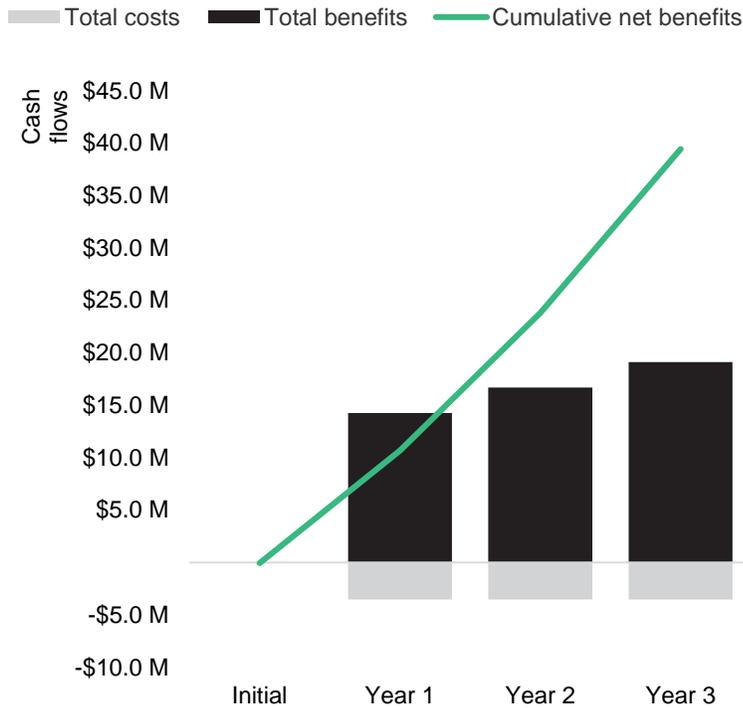
- IT, talent acquisition, HR, and procurement labor within the composite organization costs \$50,000.

<b>Internal Implementation Cost Plus Annual Licensing Costs</b>						
<b>Ref.</b>	<b>Metric</b>	<b>Source</b>	<b>Initial</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
G1	Internal implementation cost		\$50,000	\$0	\$0	\$0
G2	Licensing cost		\$0	\$3,068,737	\$3,065,263	\$3,055,848
Gt	Internal implementation cost plus annual licensing costs		\$50,000	\$3,068,737	\$3,065,263	\$3,055,848
	Risk adjustment	↑15%				
Gtr	Internal implementation cost plus annual licensing costs (risk-adjusted)		\$57,500	\$3,529,048	\$3,525,053	\$3,514,225
<b>Three-year total: \$10,625,826</b>			<b>Three-year present value: \$8,819,282</b>			

# 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 Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$57,500)	(\$3,529,048)	(\$3,525,053)	(\$3,514,225)	(\$10,625,826)	(\$8,819,282)
Total benefits	\$0	\$14,253,776	\$16,680,775	\$19,130,898	\$50,065,449	\$41,117,069
Net benefits	(\$57,500)	\$10,724,728	\$13,155,722	\$15,616,673	\$39,439,623	\$32,297,787
ROI						366%
Payback						<6 months

# 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.

## Appendix B: Endnotes

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<sup>1</sup> 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.

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