

JDA Shakes up Supply Chain Market with Acquisition of i2

The Goal: Single Supply Chain Planning and Optimization Solution for Entire Manufacturing Market

SCDigest Editorial Staff

After transforming its business three years ago with the acquisition of supply chain planning and optimization vendor Manugistics, JDA Software made an additional and to some extent stunning move this week with the announcement that is was planning to acquire i2. The move now brings together under the JDA umbrella two of the largest and most prominent vendors, Manugistics and i2, that were fierce competitors and critical to the rise of the supply chain software industry in the 1990s.

The move will create a company of almost \$650 million in annual revenue, and offer solutions across a broad swath of the retail, wholesale and manufacturing markets. The net cost of the acquisition is \$346 million, JDA said, and represents only a 12% premium over the average price of i2's stock in the last 30 days.

"The Manugistics acquisition was transformative for JDA," said CEO **Hamish Brewer**, since it represented the first major foray into the manufacturing sector for JDA, which traditionally had been focused on the retail sector. "After that experience, the i2 acquisition will be more incremental," Brewer added.

Brewer said the move, in addition to increasing JDA's revenue line by about 55% and "cost synergies" of at least \$20 million, has three major benefits for JDA's line-up of supply chain solutions:

 Manugistics' solutions primarily addressed socalled "process: manufacturing and consumer packaged goods industries. The i2 products add strength in "discrete" manufacturing markets such as high tech, automotive, metals and other sectors. Hamish added that over time, he expects the Manugistics and i2 product lines will be combined "to create one comprehensive solution that can address the needs of the entire manufacturing market."

- 2. The deal increases JDA's strength in transportation management systems
- 3. It also adds some additional capabilities in the retail sector

End of an Era?

"On first blush, the acquisition by JDA of i2 Technologies looks like a major exclamation mark that signals the end of an era: Manugistics and i2 tripped up and erstwhile competitor JDA jumped into fill the void," says **Andrew White**, an analyst with Gartner. "However, this acquisition bodes significantly more risk than the recent Manugistics deal. i2's business model was predicated on the long term emerging needs of users for "process innovation" whereas JDA and Manugistics were both focused on the broader, mass market needs associated with "process automation."

i2 was pursuing what Gartner refers to as an "SCM innovation partner model," said White, where an SCM vendor partnered individually with its clients to develop innovative solutions that might or might

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not become commercial offerings.

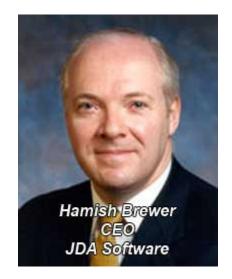
"As such, i2 consulting and services business was growing faster than its very small license business, which is expected with an innovation partner like i2," White explained. "This is the exact opposite strategy JDA is pursuing. As such, this acquisition brings two very different and naturally divergent business models together."

So, what's the likely impact of the acquisition on current i2's customers?

"i2 Customers will have to ask themselves this question: if focused on standardized, repeatable business process then expect i2 services to wane and JDA to even try to convert you over to Manugistics, due to high product overlap," White said. "If you are focused on unique, configurable, competitive SCM processes, then secure access to i2 intellectual property and services skills, and/or look elsewhere for additional support."

JDA's Hamish, however, says the product overlap "is not as much as you might imagine," due to the different markets that i2 and Manugistics largely served.

He added that the approach JDA took after the Manugistics deal worked well in terms of product



development and rationalization, and will be used again with the i2 acquisition.

"With Manugistics, we completed a detailed product road map six weeks after the transaction. We will launch the same process with the i2 acquisition," Hamish said, stating that JDA expects to again launch a product roadmap of the combined entity about six weeks after the acquisition closes in Q4 of this year.

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