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## RedPrairie JDA acquisition shakes up supply chain software landscape

The recent acquisition of JDA Software by RedPrairie signals the birth of a new supply chain behemoth that could rival giants SAP and Oracle, industry experts said.

Like all mergers of this magnitude, the path ahead for the combined supply chain management software company won't be without challenges. But if done right -- and experts said there is every reason to believe it will be -- the union could result in a supply chain planning and execution powerhouse, offering an expanded product portfolio neither company could offer alone with minimal redundancies.

"We see this as a good move," said Kevin Sterneckert, a research vice president at Stamford, Conn.-based Gartner Inc . "The merger takes two sub-$1 billion companies and creates one $1 billion company."

And a $1 billion company, Sterneckert said, can expand its research and development program to be more innovative than ever before, and attract top tier talent.

## RedPrarie-JDA acquisition to birth new company

On Nov. 1, RedPrairie, backed by private equity firm New Mountain Capital LLC, and JDA Software announced the two companies had entered into a $1.9 billion merger agreement. The deal is expected to close by the end of the year and current JDA CEO Hamish Brewer will lead the unnamed combined company.

The merger of a supply chain planning company like JDA with a supply chain execution company like RedPrairie adds value up and down the supply chain -- from suppliers upstream to store operators downstream.

"That's why they came together so beautifully," said Leslie Hand, research director at Framingham, Mass.-based IDC Retail Insights. "From a 'go to market' perspective, the reach [of the combined company] becomes much greater." The merger allows the company to address the needs of high tech and automotive manufacturers, as well as provide services to store operations, including workforce, inventory management and collaborative shelf-level planning, she said.

The new company will have 87 of the top 100 consumer goods manufacturers, and 82 of the top 100 global retailers as customers, according to an IDC report.

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The combined forces of JDA and RedPrairie create a large and varied portfolio of products, said Dwight Klappich, also a Gartner research vice president. "I see the move as more of a portfolio approach and less of a strategic one," he said. The breadth of offerings will expand and solidify their combined customer base, but delivering a wide variety of products without a common platform poses challenges, Klappich cautioned.

"This creates an even larger and more fragmented application portfolio … but this takes both companies even further away from having a common platform, which both were struggling to achieve before the merger," Klappich said.

"The business value the new entity can deliver to its customers will increasingly come from how well it can integrate and rationalize the discrete parts of its expansive product portfolio and multiple architectures," Klappich and Sterneckert wrote in a Gartner report.

## Combined forces of JDA, RedPrairie may rival Oracle, SAP

If managed properly, the merger provides significant scale for the new company, which could help it expand faster and more internationally where Oracle and SAP have the advantage today, Klappich said. "We believe within the next five years that Oracle and SAP will control 50% of the ERP market. This merger positions JDA and RedPrairie against that," he said.

Perhaps the greatest challenge ahead will be delivering an integrated set of products in a timely fashion. "Customers will be asking how the products they use now will be integrated," Hand said. JDA set out a realistic roadmap when implementing the 2010 i2 merger, she said. "Their philosophy was, 'We don't want to do this overnight.' And I think customers understand that."

Experts agree that existing customers needn't be concerned about the merger.

For most, this will be business as usual, Klappich said. "If I were a RedPrairie customer, I wouldn't be panicking, because they've done a good job of supporting legacy products in the past," Klappich said.

Hamish Brewer, future CEO of the company, has been through acquisitions before and understands the challenges and will likely not fumble this one, Sterneckert noted.

Of course, there are always risks involved with mergers. "Brand new customers should factor in risks," Klappich said. "We don't expect large-scale defections [of employees] from either firm, but it does happen." Klappich explained that the types of problems like this arising from uncertainty usually sort themselves out within six months to a year.

It's too early to speculate on what new technology may come from the union, Sterneckert said. For now, a main focus will be bringing the assets that each represent into a fully integrated suite of products, while protecting the customer base by continuing to address their current needs, he said.

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