

## SUPPLY CHAIN TECHNOLOGIES AND SERVICES

July 2009

# Servigistics and Click Commerce SNS Merge and Shakeup the SLM Market

by William McNeill

**B**efore the ink was even dry on the announcement from **Marlin Equity Partners** that it had acquired several divisions of **Click Commerce**, the private investment firm announced it also acquired Click Commerce's fierce rival **Servigistics**. These acquisitions have profound implications for the service parts planning (SPP) market, where both companies got their start, along with the broader service lifecycle management (SLM) market.

Marlin Equity Partners acquired most of Click Commerce back in May 2009, including the Service Network Solutions (SNS), Research and Healthcare, and Contract and Service Management (CSM) divisions. (The channel management product remained with **Illinois Tool Works**.) Marlin rolled the CSM product into **Emptoris**, another of its holdings, and is now merging the SNS division with Servigistics to form a new SLM company.

### What does this mean for the companies?

The combined company will go to market in the near term as Servigistics, but it may revisit the name in the longer term. Don't let this name choice fool you as a value judgment, though. Click Commerce as a company was broken up into its individual parts, so that name didn't make much sense as an option, even though the SNS division is adding several key applications to the suite.

The new company will have approximately 240 customers, making it one of the largest, if not the largest, SLM vendors in terms of number of customers. The list of blue-chip clients is impressive: **Motorola, Sun, Dell, Jabil, Celestica, Subaru, Volvo, Honda, Toyota, BMW, PACCAR, CNH, Komatsu, Delta, U.S. Air Force, Eurocopter, GE Aviation, American Airlines**, and many more with more than \$100B in inventory managed. This merger gives the combined entity a chance to dominate in its core verticals of A&D,

automotive, high tech, industrial, and medical device, as well as break service wide open into more consumer-facing industries, such as retail and home services.

Although the companies' origins are in parts management, Click Commerce SNS followed a more asset-centric approach (e.g., performance-based logistics, warehousing, and reverse logistics), while Servigistics focused more on customer-centric applications (e.g., field service, pricing, and service knowledge). The combination provides a good product suite covering both, along with broader global support.

### What does this mean for the market?

With two of the leaders in service parts planning merging, what are the implications for the market? Is it truly a market now, or just a product or function of bigger suites? The way we see it, this move marks the beginning of additional consolidation in the SPP space, with the end result being service parts planning becoming a key feature in SLM, ERP, and supply chain management (SCM) software.

Regarding the SLM market, this merger creates a large, financially solid software vendor that can offer a broad suite of applications. The company has the potential to be the de facto choice in service lifecycle management, with other best of breeds filling in the gaps. ERP vendors that were patiently waiting for both companies to fade away now have to face the reality that they're not going anywhere. Service needs to be taken seriously again.

## What are the risks?

Customers of both companies may be concerned about the upgrade path for their individual products. Although the new entity didn't release its exact plans, it said it would have something formal in place announcing how long and the product versions that would be supported. Because there is only overlap in service parts management, there shouldn't be much of a conflict. All current products should feature prominently in the suite.

Even though this all makes sense conceptually, there is still risk in terms of the integration of the two companies, both technologically and culturally. On the technology side, Servigistics had rewritten each application it acquired onto a common platform, and if it plans to rewrite any applications as a result of this merger, it could take a few years. In the meantime, all current products will be maintained. The company will continue to invest in enhancements and new features as well as make strategic acquisitions to further broaden and deepen the suite. Combining the products onto a common codebase will be necessary to execute on their value proposition of offering an integrated service suite. Otherwise, the advantage over a mixed vendor set or even ERP products is diluted. Ideally, the company should be using service-oriented architecture and web services for all its applications to ease integration.

On the people side, these two companies have been locking horns for years, so how well the employees work together in an efficient manner remains to be seen. Learning each other's products will require a learning curve for engineers, sales, marketing, and others. Cross-selling the individual products is by no means a slam dunk. Sales teams will need to be brought up to speed on all products; several of the products have traditionally had separate operational buyers rather than one strategic buyer. The built-in advantage to Servigistics will be the large captive audience in its combined current customer base, but opportunities also abound in the bottom half of the Fortune 500 and with midmarket companies.

Prospects shouldn't delay purchases for fear of a product being discontinued. Again, there is only overlap in one product, but purchasers should feel assured of a well-defined upgrade path post implementation.

## The long and the short

This is good news for customers of both companies. Financial viability as a concern has essentially been taken off the table with the backing of Marlin Equity Partners. And prospects no longer have to go through lengthy debates when the product selection process comes down to Servigistics versus Click Commerce SNS. Additionally, customers and prospects alike will now have additional service applications to help them run their businesses along with improved global support. Now the company will have to execute the merger in a timely manner and deliver on the promises this deal has to offer service companies.