

## JDA Tries Again for i2, Reducing Choice in SCM Market

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JDA Software has made another deal to acquire i2 Technologies. This latest attempt might be good for stockholders, but not necessarily customers or the supply chain management marketplace.

### Event

On 5 November 2009, JDA Software Group announced that it had signed a definitive merger agreement to acquire i2 Technologies, a global provider of supply chain solutions, for \$556 million. JDA is financing the deal with \$266 million in debt, \$130 million in JDA shares, and \$160 million in cash from i2's balance sheet. i2 shareholders are getting a 10% premium based on a JDA share price of \$20.70. The deal is expected to close in 1Q10.

### Analysis

Gartner's view of the planned acquisition reflects our original assessment of the deal in 2008 — that it was perhaps good for stockholders, but not necessarily good for customers or the supply chain management (SCM) marketplace. JDA has not yet announced a product road map beyond its commitment to supporting all product lines. Details, timing and the management of other integration issues remain unspecified. JDA expects to save \$20 million from staff reductions and other cost cuts in 2010, which indicates a modest cost reduction effort that will not significantly impact customers.

This is JDA's second attempt to acquire i2, having pulled out of a similar deal in late 2008 due to a decline in the stock market, which cost JDA \$20 million to terminate. This time, JDA is more cautious and has two financing agreements in place, making this acquisition more likely to reach completion. On completion, JDA would gain customers and market share, particularly in discrete manufacturing.

But rationalization issues remain. JDA cites its successful 2006 Manugistics acquisition as evidence to the contrary, but Gartner believes the planned i2 acquisition is different. Manugistics was mainly a complementary acquisition with minimal overlap with other JDA products and industries. With i2, there are significant product overlaps (demand planning, supply planning, inventory optimization, sales and operations planning [S&OP], network design, production scheduling, and transportation planning) and two competing technology platforms (i2 Agile Business Process Platform and JDA Enterprise Architecture). Both are Java-based, but the fundamental approach of the platforms is different (application integration versus process composition). JDA and i2 customers have a 50/50 chance of backing the go-forward solution or being left on a limited development solution.

Further, the corporate cultures of the two firms differ significantly. Integrating the two business models will take significant management focus. i2 is known for its innovation and engineering capabilities, which clashes with JDA's high-volume, commodity-sales-driven business model. For example, since acquisition, the Manugistics product set has seen less innovation. Gartner believes the same fate awaits i2 solutions. Ultimately, we believe that this acquisition will reduce SCM innovation in the market and for customers.

### Recommendations

- **JDA customers:** Continue with existing projects. Longer-term JDA users may be impacted by product rationalization if i2 solutions are favored. This is more likely in the innovation areas such as S&OP and inventory optimization.
- **i2 customers:** Continue with existing projects, although initial staff losses could impact implementations and support. In the longer term, expect speed of innovation to diminish as the i2 model is replaced with the JDA model. i2 users are most likely to be impacted

by product rationalization efforts for core solutions such as demand planning. Users of fringe i2 products are the most likely to suffer in the near term.

- **Prospective JDA and i2 customers of overlapping products:** View JDA and i2 deployments as tactical and not strategic until the product road map is clear and definitive. Consider alternatives from other vendors focused on industry/process-oriented innovations.
- **All users:** Plan on JDA supporting existing solutions for several years. Complete existing projects, but evaluate new investments tactically, based on a clearly identified return on investment, until JDA clarifies the combined product road map.

## RECOMMENDED READING

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- “JDA/i2 Merger Termination Preserves i2 Innovation Partner Option” — i2 Technologies says its merger agreement with JDA Software has been terminated. Gartner believes i2 will likely not continue as an independent public company, but may not necessarily be acquired by another software vendor. **By C. Dwight Klappich and Chad Eschinger**
- “JDA's Planned i2 Buy Marks the End of an Era in SCM” — JDA Software's planned acquisition of i2 Technologies may create a vacuum for enterprises seeking SCM innovation and closes out an era in the SCM market, but the deal offers comparatively few synergies. **By Tim Payne, C. Dwight Klappich and Andrew White**

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