

MCA Brings SaaS Spare Parts Software to the Mid-Tier

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This week marks the official release of MCA Solutions' on-demand service parts planning software, part of an effort by MCA to provide mid-market customers with a tool to help reduce their parts inventory levels and increase customer service. The best-of-breed vendor, which has sold its products primarily to large companies with revenue in excess of \$1 billion, is looking to cash in on a largely untapped market of companies with as much as \$30 million in spare parts to manage — or roughly \$400 to \$500 million in sales, said Bob Salvucci, president and CEO of MCA Solutions, in an interview with Managing Automation.

MCA's OnDemand software features three modules. Service Business Design helps companies model the financial implications of their service strategies and provides recommendations that balance risk avoidance and profit concerns. The Strategy module helps companies predict demand for their spare parts and establish the best possible mix of parts at various locations. The Tactics module "generates and prioritizes optimal new buy, repair, trans-shipment, and allocation orders to meet service-level objectives at the lowest possible order cost," according to the company.

MCA OnDemand also offers "a unique 'what-if' functionality that helps manufacturers anticipate unforeseen logistical challenges and understand how it impacts their spare parts network and existing service level agreements," according to a spokesperson.

Through the use of best practices templates that MCA has developed in consultation with its large on-premises customers, the company is offering configurable variations on the base product for aerospace and defense, high-tech, and capital equipment manufacturers. MCA said it can have the software up and running within 30 days of receipt of the customer's data.

With MCA's on-demand model, the software is hosted in a secure data center, and customers pay a monthly subscription fee that varies based on the amount of assets under management and includes hosting services, ongoing maintenance, and the software license.

On-demand software, or software-as-a-service, is becoming increasingly popular, according to research firm Gartner. The firm recently predicted that through 2011 SaaS would grow at a rate of 22.1%, on a compound annual basis for the aggregate enterprise application software markets.

Salvucci said MCA's business plan calls for the mid-market to account for 15% to 20% of the private company's sales in 2008. "We will still depend on the largest enterprises for most of our business, but we'll close many more deals with those on-demand offerings," he predicted.

The service parts planning (SPP) and optimization market, including licenses, services, and maintenance, reached \$120 million in 2006, according to a November AMR report (subscription required). AMR anticipates that the market will grow roughly 7% per year in 2007 and 2008. The study, titled "Service Parts Planning and Optimization Landscape: Saving Millions Through

Inventory Reductions and Increased Service Levels," noted that typical buyers of SPP applications are companies with annual revenue of \$1 billion or more. Clearly, MCA is looking to attract a different breed of buyer with its on-demand offering.

Vendors selling SPP software have been facing increased competition from supply chain and ERP vendors, which have been adding spare parts management functionality to their product suites, AMR notes in its report. MCA, an SAP partner, has noticed that SAP rival Oracle has added more spare parts functionality to its offerings and has gained a somewhat larger market presence, according to Salvucci. He countered that MCA enjoyed 70% sales growth last year and in 2008 is looking to capitalize on its SAP relationship, increase sales in Europe, and "ratchet up the number of customers we have with the OnDemand offering."

AMR also said industry consolidation in the spare parts space is likely, as supply chain and ERP vendors seek to acquire best-of-breed vendors. Thus far, Salvucci hasn't seen much in the way of acquisitions. "Nobody has approached us directly," he said. Nor, for that matter, is MCA looking to buy another company. "We're not looking to expand our footprint beyond spare parts. There is additional functionality that can still be put into the product," Salvucci said.

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