

MCA scores deal with Navy to manage jet parts stock

By Peter Key
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A Philadelphia software company started by a University of Pennsylvania professor has landed a multiyear, multimillion-dollar contract to help the Navy manage the parts inventory for its fleet of F/A-18 Hornet strike fighter jets.

"It's a very big deal, and I believe it will distance us from our competitors in aerospace," said Bob Salvucci, the CEO of MCA Solutions.

MCA won the contract last month as a subcontractor of CACI International Inc., the big information-technology company based in Arlington, Va.

The contract calls for the company to install its Service Planning and Optimization software at the Navy's inventory control points. MCA also will provide consulting services to help the Navy integrate its software into its inventory control system for the F/A-18 fleet.

The Navy has a little fewer than 3,000 F/A-18s and 100,000 types of parts for them in 100 locations across the globe, Salvucci said. It has \$10 billion worth of spare parts, an amount Salvucci is confident that MCA can help it reduce.

MCA won the contract largely by showing the Navy that it could maintain its level of aircraft readiness on the USS Eisenhower with 5 percent less on-board inventory.

MCA's chairman and co-founder, Morris Cohen, once compared the military's problem stocking and locating spare parts to Wal-Mart's problem getting the right number of red dresses to each of its stores by Christmas. The difference, Cohen said, is that while the military has the equivalent of 300 stores, it doesn't know where they are, where they're going to be, or when Christmas is.

Cohen is the Panasonic professor of manufacturing and logistics and a professor of operations and information management and systems engineering at Penn's Wharton School of Business. He founded MCA in 1999 along with Vipul Agrawal, who then was a Wharton graduate student and now is MCA's executive vice president of products.

The company has become a leader in providing software used to support performance-based logistics, which involves having the right parts at the right places to enable products to be up and running a specified percentage of time.

"What you're buying ... is the performance of the product rather than the product and a service contract with it," said Mark Hillman, a research director in the supply chain research group of AMR Research, a Boston-based technology consulting firm.

The concept is big with the Department of Defense and defense contractors and is catching on among other buyers and suppliers of expensive, complex, critical equipment such as generating turbines. It may be most difficult to apply in defense because of a number of factors.

For one thing, the wear and tear on parts in planes is different depending on where they are. It's obviously greater in a war zone than on a base in the United States, but it's also different for Hawaii than it is for

Greenland. Also, there likely are higher readiness standards for planes used in combat than there are for planes used in training.

"You have to take into account failure rates, how the parts will be used, how long it takes to produce parts and ship them to where they'll be needed and the turnaround time for preparing a part," Hillman said.

"It's massively complex, massively daunting and MCA is one of the few [companies] that actually does this," he said.

By all indications, MCA does it pretty well.

Bethesda, Md.-based defense contractor Lockheed Martin Corp. has rolled out MCA's software to support the performance of two of its military aircraft and is rolling it out to support the performance of the rest over the course of this year and into early 2008.

The Boeing Co.'s Integrated Defense Systems unit, which is based in St. Louis, also is rolling out MCA's software to support the performance of its aircraft.

"I will have the two largest defense contractors that will have implemented my software for all their major programs by 2008, and also by 2008, I will have the Navy up and running on my software," Salvucci said.

MCA also will be going after more industrial customers thanks to an agreement it signed last year with German business software giant SAP AG, whose North and South American operations are based in Newtown Square. Under the agreement, SAP will offer MCA's software to customers of its Service and Asset Management software.

"SAP has 14,000 manufacturing customers, I've got about 20 customers, so I look at that, and I say, 'Wow,'" Salvucci said.

MCA, which employs more than 50, has taken \$10 million in venture capital to fuel its growth to this point, but Salvucci thinks it will be able to fund its own expansion from now on.

As for whether the company's future involves a sale or initial public offering, he said he doesn't know.

"We don't think anything's going to happen in our space, at least to us, over the next two years or so," Salvucci said.

"Our thing is to grow and grow profitably and then see what happens."

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