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the elevator pitch>>>>

'Industrial Napster' goes in search of spare parts

EDITED BY ADAM JONES

The best way to impress venture capitalists is to sell your business plan convincingly in the lift up to their offices. We invite

Internet companies to make their "elevator pitch" to

Robert Goldsmith,

technology analyst at Dawnay Day Lander (www.d2L.com), the Internet investment boutique.



"Stop buying spares; be more efficient," says David Stroud

Name: SparesFinder (www.sparesfinder.com).

What does it do? SparesFinder describes itself as the "industrial Napster". It allows companies to pool information about their available spare parts on a central database. They can then manage these assets more effectively, decreasing inventory through internal redeployment and by trading spare parts with other corporate clients of SparesFinder.

Its informal, nudge-nudge motto is: "Make your private parts more easily accessible."

Who runs it? It was founded by Brian Oxenham, David Stroud and Jan Hutchings at the beginning of 1999 with Hedley Hamilton and Webster O'Brien hired in 2000 to head the UK and US companies respectively.

Oxenham's background is as a nuclear engineer, and a consultant with Price Waterhouse; Stroud was an aircraft engineer, an IT project manager and a derivatives trader at Citibank; Hutchings was a Royal Marine and a salesman at Goldman Sachs.

Sales pitch: "Stop buying spares now, use what you have more

efficiently”, says David Stroud, chief operating officer. The company says that spares represent about 10 per cent of industrial expenditure on plant and equipment; it reckons that 25 to 50 per cent of spares inventory could be reduced, but is locked in by poor visibility.

Stroud says that two FTSE 100 companies have made substantial bottom-line savings during pilot implementations. The sparesFinder community has more than 100 companies in 40 countries.

How and when will it make money? SparesFinder receives an annual subscription fee for use of its services. It billed its customers for nearly £400,000 last year. There are also implementation and other consultancy fees. SparesFinder insists that it can avoid the need for expensive advertising because most new business comes from recommendations by existing customers.

A mix of distribution through a direct sales force, portals, agents and software vendors keeps costs low, with most leads being generated by existing users as they recommend the service to their colleagues and peer groups. It aims to be profitable next year.

Investment needed? SparesFinder has so far relied on £1.1 million. It has just raised £2 million and is hoping for a £1 million top-up; it says this will take it through to profitability.

Verdict: “Internet technology has helped companies to share their information across the enterprise quickly and easily. This has brought to light further issues such as how data from legacy applications can be made available, and how to interpret the huge volumes of data kept in these systems.

“SparesFinder is tackling both these issues with its ‘Virtual Pooled Inventory’ service and, if it lives up to its claims, it is undoubtedly a good resource for multinationals to manage their inventories. A venture capitalist will always want to see the product in action.

“Without this, it is impossible to say how good it really is at extracting data from the client’s old systems.

“For example, if parts are catalogued differently from country to country, sparesFinder may not give an accurate representation of what is actually available.

“Another crucial element is how long it takes to integrate the product with companies’ current systems. This is a big issue since it could potentially take several months to ensure that the various systems are communicating correctly.

“I am also concerned about the amount of competition. Vendors such as SAP provide modules for inventory management. A large

corporate is going to feel more comfortable implementing a system from a well-established player.

“Having said that, the big players tend to require a long implementation time and a huge licence fee.

“If sparesFinder can establish itself as a niche provider of software solutions that can be implemented in a short time-scale and for (relatively) small investment then they should be able to build their business successfully.”

Score: 7/10

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