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Oracle Leads In Enterprise Apps Software Licensing And Pricing

The Forrester Wave™ Vendor Summary, Q4 2007

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EXECUTIVE SUMMARY

The Forrester Wave™ evaluation of enterprise apps software licensing and pricing assesses vendors against two distinct requirement sets: small and medium-sized business (SMB) licensing requirements that favor user-based pricing, and large enterprise licensing requirements that value a choice of licensing metrics. Oracle's recent efforts to simplify pricing and increase consistency across the JD Edwards, Oracle E-Business Suite, PeopleSoft, and Siebel product lines has paid off. Oracle is one of two vendors that earned a leadership position in both the SMB and large enterprise editions of the survey. Oracle offers a wide range of user-based and usage-based metrics that meet the most complex customer requirements. From a strategy perspective, Oracle came in second with strong showings in general rules of engagement, selection policies, and maintenance policies. Oracle should be considered by enterprises of all sizes for its leadership position, policy openness, and strong support for the enterprise software licensee bill of rights (LBoR).

ORACLE LEADS FOR BOTH SMBs AND LARGE ENTERPRISES

Redwood Shores, California-based Oracle has grown its applications division through a combination of organic growth and acquisition of 30 companies including Hyperion, JD Edwards, PeopleSoft, Retek, and Siebel to become the leading enterprise applications vendor in North America.

Forrester evaluated Oracle's current offering and strategy for enterprise apps software licensing and pricing against 97 criteria (see Figure 1). Oracle is an especially good fit for buyers that:

- **Seek a wide variety of user and usage-based metrics.** Oracle supports single named user, multiple named user, site license, and enterprise wide licensing. Users do not have the option of concurrent user pricing; a key requirement of SMBs. Oracle also provides usage metrics such as revenue, employees, orders, cost of goods sold (COGS), and a multitude of predetermined industry-specific usage metrics. Many customer references cite Oracle's fairness in determining mutually acceptable options.
- **Require flexibility in pricing models.** Oracle offers three new pricing models that enable customers to choose among any one of Oracle's major product lines and combine multiple product lines into a single deal and single pricing model. Component licensing delivers à la carte product licensing based on users and transactions. Metrics remain specific to each product. Custom Applications Suite licensing provides customers with the flexibility to create their own customer bundles based on their needs and specific vertical requirements. Metrics tie to a custom suite user. Enterprise-level licensing enables customers to connect internal and external users and use metrics like annual revenue, employee, operational budget, COGS, and funds under management.

- **Uphold the provisions of the enterprise software licensee’s bill of rights (LBoR).** Oracle earned a top three finish among evaluated vendors for support of the LBoR. Top scores come from a strong showing in general rules of engagement, selection policies, implementation policies, and maintenance policies.
- **Deliver on strong overall licensing and pricing strategy.** Oracle leads with consistency of policy across all product lines, flexible pricing models, freedom of choice in usage models, simplified pricing models, tailored pricing models, and forecasting capability.
- **Expect a wide range of delivery and financing mechanisms.** Oracle tied for first in both the large enterprise and SMB editions of the survey. Perfect scores in hosting options, lease to buy, financing options, and delivery options contributed to its success. Oracle delivers software-as-a-service (SaaS) for a select number of applications.

To see how Oracle stacks up against 11 other competitors, see the Forrester Wave evaluation of the enterprise apps software licensing and pricing market.¹

Figure 1 Oracle Enterprise Apps SLP Evaluation Overview

CURRENT OFFERING	
User based metrics	Oracle offers a wide range of user-based metrics. However, the vendor does not offer concurrent user licenses.
Usage-based metrics	Usage-based metrics apply to enterprise applications licensing scenarios. Oracle has many usage basic metric options for the sophisticated enterprise such as revenue, order lines, order, and cost of goods sold (COGS) to name a few.
Hardware-based metrics	Oracle offers processor-based licensing and a conversion scheme to account for dual core processing.
Usage types by tiered intensity models	Oracle provides this option upfront. One example of tierings includes self-service and read-only for human capital management applications. Not all applications have this kind of tiering.
License terms	Oracle ties for first in offering license terms that include perpetual, term, and packaging simplicity.
Delivery and financing mechanisms	Oracle ties for first in providing delivery and financing mechanisms.
Software life-cycle ownership costs	Oracle scored among the bottom three in software life-cycle ownership costs. Oracle’s 22% maintenance is one of the pricier maintenance options among evaluated vendors, but includes free license upgrades.

Source: Forrester Research, Inc.

Figure 1 Oracle Enterprise Apps SLP Evaluation Overview (Cont.)

STRATEGY	
General rules of engagement	Oracle scores the highest among vendors evaluated for general rules of engagement.
Selection policies	Oracle provides upfront policies for written definition of user and usage metrics, availability of the standard contract, pricing structure, discount rationale, and vendor financials. Areas for improvement include software escrows, disclosure of known and unknown defects, and commitment to deliver functionality gaps.
Implementation policies	Oracle provides above-average implementation policies. Providing service-level agreements (SLAs) upfront represents one area for improvement.
Utilization policies	Oracle provides upfront policies including the support of permitted users, license transferability for hardware, speech restrictions on contract, speech restrictions on product, combination, and IP indemnification. Areas for improvement include documented policies upfront for term protection, shelfware termination, bundling programs, and fair treatment in a merger or acquisition. Current prospects and customers may negotiate such policies on a case by case basis.
Maintenance policies	Oracle leads among the vendors in overall maintenance policies.
Overall licensing and pricing strategy	Oracle leads in overall licensing and pricing strategy.
MARKET PRESENCE	
Installed base	Oracle ranks among the top two enterprise resource planning vendors based on revenue, customers, and employees.
Revenue	Oracle's FY 2006 revenues for applications were \$6.3 billion. Oracle's overall FY 2007 ending May 31, 2007, showed revenue of \$18 billion.
Systems integrators	Oracle relies on more than 10 system integrators.
Services	Oracle relies on more than 2,500 employees dedicated to implementation.
Employees	Oracle employs more than 74,000 employees.
Global sales presence	Oracle is a worldwide provider of enterprise applications with a strong foothold in North America and a growing Asia Pacific market. EMEA is the second largest contributor to revenue.

Source: Forrester Research, Inc.



Go online to download additional in-depth data and scores for this vendor and other vendors included in this Forrester Wave evaluation.

SUPPLEMENTAL MATERIAL

Online Resource

The underlying spreadsheet for Figure 1 is available online. The spreadsheet includes more detailed data and scores for this vendor.

This detailed data and scores for this vendor are also available online through an Excel-based vendor comparison tool that provides detailed product evaluations and customizable rankings.

The Forrester Wave Methodology

We conduct primary research to develop a list of vendors that meet our criteria to be evaluated in this market. From that initial pool of vendors, we then narrow our final list. We choose these vendors based on: 1) product fit; 2) customer success; and 3) Forrester client demand. We eliminate vendors that have limited customer references and products that don't fit the scope of our evaluation.

After examining past research, user need assessments, and vendor and expert interviews, we develop the initial evaluation criteria. To evaluate the vendors and their products against our set of criteria, we gather details of product qualifications through a combination of lab evaluations, questionnaires, demos, and/or discussions with client references. We send evaluations to the vendors for their review, and we adjust the evaluations to provide the most accurate view of vendor offerings and strategies.

We set default weightings to reflect our analysis of the needs of large user companies — and/or other scenarios as outlined in the Forrester Wave document — and then score the vendors based on a clearly defined scale. These default weightings are intended only as a starting point, and readers are encouraged to adapt the weightings to fit their individual needs through the Excel-based tool. The final scores generate the graphical depiction of the market based on current offering, strategy, and market presence. Forrester intends to update vendor evaluations regularly as product capabilities and vendor strategies evolve.

ENDNOTES

- ¹ Forrester evaluated the licensing and pricing strategies of leading enterprise applications vendors across 97 criteria. Oracle and Agresso were found to have established early leadership among large enterprises thanks to their ability to accommodate complexity and choice in licensing metrics and support for the enterprise

software licensee bill of rights (LBoR). Microsoft, QAD, Sterling Commerce, Epicor Software, Lawson, and Infor are Strong Performers but lack breadth in usage-based metrics. SAP provides strong usage-based metrics but could improve on provisions in the LBoR. Microsoft, Oracle, QAD, Agresso, and Epicor Software lead in delivering on small- and medium-sized business (SMB) requirements like choice in user-based metrics and support for the LBoR. Sterling Commerce, Lawson, Sage Software, SAP, Infor, and Deltek are Strong Performers that offer competitive options but could improve support for SMB requirements in the LBoR. IFS's licensing and pricing models leave SMB customers with limited choices but offer a simplified, easy to understand approach. See the October 15, 2007, "[The Forrester Wave™: Enterprise Apps Software Licensing And Pricing, Q4 2007](#)" report.