

Oracle OpenWorld 2006 A Truly Overwhelming Event

This years Oracle OpenWorld event in San Francisco was overwhelming by almost any standard:

- 41,000 attendees (the largest event ever held at the Moscone Center)
- 1,600 sessions by customers, partners, and Oracle experts covering the full spectrum themes including Oracle Fusion Middleware, Oracle Applications, and Oracle Database and Grid infrastructure software
- 420 partner exhibits and pods covering a broad range of Oracle, PeopleSoft, and Siebel products
- Keynote addresses from the top Oracle executives including Charles Phillips, Chuck Rozwat, Thomas Kurian, John Wookey, and Larry Ellison
- Keynotes by top executives from industry leaders like AMD, Cisco Systems, Dell, HP, Network Appliance, and Sun Microsystems
- A customer appreciation event featuring several well-known entertainers like Sir Elton John, Joan Jett & the Blackhearts, DEVO, and Berlin

Oracle OpenWorld was so large, with so many concurrent sessions, attendees had to decide early on what they wanted to learn and plan their schedule accordingly. ARC focused its time on presentations and meetings related to Supply Chain Management and Logistics. Below are some of the highlights. Overall, the event was very productive and informative. We heartily recommend that users attend future Oracle events.

Supply Chain Management

Discrete – A leading automotive manufacturer provided an interesting presentation of how they are using Oracle eBusiness Suite to improve their Vehicle Order Management. This covered 7 processes used to manage the sales, order management, and delivery of almost 1 million new autos per year (64% produced across various European plants, 36% imported) that are sold through various National Marketing & Sales Companies (NMSCs) covering Western and Eastern Europe. “Pull” strategies were reflected in their use of standard Feature Models to capture the most popular customer preferences. These were then used to drive efficient manufacturing and



minimal inventories that were shared across all NMSCs. Shorter delivery times and sales compensation programs encouraged dealers to promote these configurations and provided the “push” portion of their strategy. Reported Savings were significant in terms of lead time reductions (1-3 weeks) and better retailer visibility. Better sharing of inventory was a major change (accounting for 7 days reduction in lead time) and contrasted sharply with the “protected, pre-allocated” inventory practices that were the previous norm. Some of the key Oracle products they are using include Trading Community, Advanced Product Catalog, Advanced Pricing, Inventory, Order Management, Configurator, and Incentive Compensation.

Process – A leading Pharmaceutical manufacturer participated in a joint presentation with Oracle about Advanced Planning for Process Manufacturing. Oracle provided a brief overview of their comprehensive solution set for process manufacturing. The manufacturer followed with comments that supported the capabilities of these products to satisfy some very challenging requirements. The pharmaceuticals are manufactured in different global regions and are sold globally. Their SCM challenges involved complexity (product, network, and frequent new product introductions) and extreme capacity and supply crunches. Their strategy for SCM includes 3 principles – Local Excellence in Execution, Global Information Visibility, and Integrated Processes. They are in the process of rolling out an Oracle Advanced Supply Chain Planning (ASCP) solution in two separate implementation programs – as part of an overall ERP rollout and before the complete ERP is implemented (i.e., integrating Oracle’s products within their legacy systems). They reported success with both approaches. Their program includes Demand Planning, Sales & Distribution Planning (S&DP), S&OP, Strategic Production Planning, Production Planning, and Material Planning. While their project is still underway, they are already seeing benefits in terms of better service levels (a key goal), faster response (50% improvement internally, production cycle reduced by 40%), and better use of resources.

TMS and LSP Customer Meetings and Presentations

Oracle’s acquisition of G-Log last year provided the company with a best-of-breed Transportation Management System (TMS), as well as an established base of Logistics Service Provider (LSP) clients. Considering that Oracle’s previous TMS solution was relatively basic, there was considerable

pent-up demand for a TMS among Oracle's installed customer base, which has fueled sales in 2006. The company has also continued to win significant business from non-Oracle accounts too.

ARC's Adrian Gonzalez met with four Oracle Transportation Management (OTM) clients to discuss their experience to date with the solution. These clients represent different industries (Consumer Goods, Grocery Retail, Home Appliances, and Logistics Services), but they all share a common trait: they are leveraging OTM to enable new and more streamlined business processes. For example, Kraft Foods is an early adopter of Cooperative Routing (CR), a relatively-new OTM module. Simply stated, CR takes in shipment history and forecasts, along with region definitions and route parameters, and processes this information through an optimizer to identify compatible lanes with sufficient, repeatable volume. These continuous move routes are then submitted to carriers for bidding or assigned to the company's private fleet. Kraft's shipping volume and network are so large, initial implementation of CR has resulted in significant cost savings opportunities. ARC plans to follow up on this topic in the future.

Case New Holland (CNH), a \$13B supplier of farm and construction equipment, processes about 300K outbound shipments annually and over 1 million inbound shipments to 38 manufacturing plants around the world. The most fascinating part of the case study was the company's decision to bring all of its worldwide transportation management activities, which was fully outsourced to third parties, back in house. This decision created the need for a TMS; it also required the company to hire over 200 people to plan and manage transportation. CNH expects to save \$100 million worldwide in transportation operations. The TMS selection process began in November 2005. The final three vendors included CNH's ERP provider and a best-of-breed supply chain execution vendor. CNH selected Oracle in February 2006 because Oracle fulfilled most of its requirements, including a single integrated platform; proven experience in global, multi-mode projects; and innovation leadership. The first phase to go live, scheduled for next month, is North America inbound, followed by other phases in 2007.

BDP International is a leading freight logistics and transportation management firm, and Michael Loup, BDP's CIO, discussed the role and importance of IT within BDP and the LSP industry in general. He was joined at the podium by Mike Reigler from Oracle, who highlighted the key

trends, challenges, and opportunities facing the LSP industry and how Oracle's solution suite (not just OTM, but other applications like WMS, CRM, Financials, and Human Capital Management) can bring value to the industry. His message was well aligned with what ARC has been communicating to the market the past couple of years (see Strategic Guide for Logistics Service Providers) and in our recently published report "*Are Logistics Service Providers at the IT Tipping Point?*"

Finally, ARC met with various Oracle OTM, LSP, and GTM team members. The entrepreneurial and high-energy spirit that was present at G-Log certainly continues within Oracle. Priorities in the near term include enhancing their fleet management and global trade management capabilities, as well as growing their presence and value proposition in the LSP segment.

Some Notable Keynotes

There were numerous keynotes by Oracle executives and some of their major partners. Following are two that we found particularly interesting:

John Wookey, Senior VP of Application Development, Keynote Address

Wookey underscored Oracle's commitment to provide ongoing innovation and support for all of its existing application lines, namely Oracle E-Business Suite, PeopleSoft Enterprise, JD Edwards EnterpriseOne, JD Edwards World, and Siebel. These application lines have dedicated development teams and roadmaps, and customers continue to drive their direction. ARC spoke with a PeopleSoft client to get his perspective on how things have changed since the acquisition. There was a lot of stress and uncertainty during last year's conference, he said, because his company (a large discrete manufacturer) had just implemented PeopleSoft. Today, however, they have a much clearer and more positive outlook about their investment and product direction, so this year's conference was much more enjoyable and productive.

So if Oracle is continuing to support these application lines, why are they developing Fusion Applications? Wookey highlighted several compelling reasons, including the fact that employees entering the workforce today expect their work environment to mimic how they use technology and collaborate outside of work. As an example, Wookey highlighted how

employees will expect to use search engines and applets as a mechanism to trigger business processes; use chat sessions to collaborate with colleagues and external partners; and depend on role-based analytics to make faster and smarter decisions. Briefly stated, by incorporating these technologies from the ground up, Fusion Applications will enable more efficient, “desktop-driven” workflows. Other benefits include increased flexibility, faster deployments, and zero-downtime upgrades.

But Wookey emphasized, again, that customers will decide when (and if) to migrate to Fusion Applications based on their own business objectives, not on some timeline established by Oracle.

Unbreakable Linux — A Major Announcement by Oracle

One of the most important, and controversial, announcements at OpenWorld was made by Larry Ellison, the CEO of Oracle, in his keynote. Oracle is now offering Unbreakable Linux, a range of support programs for users of Red Hat Linux source code. And, this support is not limited to Oracle application or infrastructure customers. A big differentiator between Red Hat’s service and Oracle’s is support for non-current versions of Linux. According to the prices presented in the keynote, Oracle’s service will be substantially less expensive, and they are offering a 50% discount for 90 days. Red Hat will likely respond to Unbreakable Linux and we expect some creative countermoves as maintenance revenues are a key element in their business model. There are other Linux distributions and support sources that will also be affected by Oracle’s announcement.

Oracle provided two reasons for entering the Linux support market — the market needs it and Oracle can provide it. Oracle has invested a lot in Linux to support their grid computing architecture and companies who adopt this philosophy need guaranteed, 24/7, enterprise-level support. Oracle has been working on Unix and Linux platforms for many years and has developed a large group of people who can provide the necessary support.

Conference attendees queried by ARC after the event see this announcement as a positive development. But, many also wondered if this is just the first step in Oracle becoming an Operating System supplier. We will all be waiting to see if there is a next step.