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An In-Depth Look at Oracle's Retail Strategy: Don't Call It ERP

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“Should I go ERP or best of breed?” followed by “Should I go **Oracle** or **SAP**?” are probably the two main questions going through enterprise application buyers’ heads these days. Oracle wants to be the answer to both questions, but don’t expect to hear it trumpet the RP in ERP.

Oracle has not so secretly been putting together a go-to-market message for retail for some time, following a string of acquisitions over the past 20 months. What has been kept secret is exactly what that message will be. Oracle Retail’s senior management recently provided us their perspective on the company, the industry, and the future. Some of what we heard may surprise you.

The house that Larry built

Within Oracle, retail is managed as a completely separate business unit. This is a significant statement considering that, not too long ago, there wasn’t a retail-specific group to speak of. But that’s all changed in the past year, and as a matter of context, it’s probably worth revisiting exactly what the Oracle Retail assets include as of now:

- **Retek**—The heart and soul of the Oracle Retail suite, Retek was already positioning itself as an enterprise application when it was independent. Retek brings core merchandise and data management, demand forecasting, retail planning, store operations, multichannel order management, supply chain functionality, and—not surprisingly—the lion’s share of the current account base for Oracle.
- **ProfitLogic**—It provides Oracle some wow-factor to tout. Emerging as one of the leaders in the revenue optimization space (primarily markdowns for the soft goods segment), ProfitLogic brings a heavy dose of science and analytics to the group. Expect to see its algorithms baked into many of the core transaction systems to provide a level of analytics missing from Retek.
- **360 Commerce**—Oracle picked up a second POS system with 360. More importantly, it gained a viable product for advanced POS and incremental functionality, such as returns management, workforce management, and inventory management for Tier 1 retailers that Retek didn’t already provide.
- **G-Log**—With a strong legacy in transportation management, G-Log has a leading R&D staff in global transportation management. The logistics hub provides complementary functionality to the warehouse management system (WMS) already found in Retek.
- **Temposoft**—The former France-based workforce management software vendor complements Oracle’s Time and Labor and PeopleSoft’s HCM products, which are all aimed at creating more efficient employee lifecycle management. The intent is also to closely align demand forecasts derived from merchandise planning, markdowns, logistics, and such, with specific needs for store labor from Temposoft. This critical integration point will distinguish Oracle from its competition.

Add to that the core back-office functionality in financials and HR (Oracle, PeopleSoft, **JD Edwards**), and it looks like a classic retail ERP footprint, right?

Enterprise application provider, not ERP

One thing about Oracle’s go-to-market strategy is clear: Oracle doesn’t want to be thought of as an ERP vendor or compared to SAP in that vein. It does, however, want to be thought of as the provider of your integrated enterprise applications.

But there’s a fine line between the two, and the burden is on Oracle to prove that it can successfully deliver on the latter without getting eliminated for not being the former. Oracle’s messaging is about deep analytics and focus on retail business applications. It is an effort to distinguish itself from SAP’s single suite position and strength in the back office.

Here’s a summary of what the Oracle executives we met with had to say about that strategy.

Analytics, analytics, analytics

Oracle’s betting on the value proposition of science-based insights to fuel best-in-class applications, producing faster speed to benefit and higher return for each individual application or module. The crux of this will come via the integration and enhancements of the acquired assets.

In the merchandising area, Oracle’s primary objective is to fully integrate the ProfitLogic science with the Retek merchandising suite. While it appears Oracle will still be happy to sell you the markdown optimization functionality as a stand-alone product, the optimization will be used to enhance Retek and create a unified predictive platform (forecasting and optimization). ProfitLogic never gained much traction with the assortment and product flow optimization, but this combination will be a nice boost for Retek customers. The upgrade is planned for 2007.

The analytical focus goes beyond merchandising. The intent is to link the core supply chain (G-Log) and workforce applications (Temposoft) to this predictive platform so that each area is working from the same data and toward the same plan. If Oracle can deliver on its vision, it will find many happy business and IT leaders who will gain a single demand platform for critical business applications.

Oracle is also beefing up its business intelligence suite. Oracle BI will provide analytical reports (aided by the OLAP assets of **Siebel**), Fusion Reporting will handle all of the operational reports (more on Fusion later), and Oracle Retail Data Warehouse will be the data repository. All of these will feed integrated, role-based dashboards for cross-application workflow and process management, in addition to reporting and analytics. This is future functionality aimed at competing with vendors like **SAS** and **Teradata** more than SAP.

A few additional analytically driven applications planned for 2007 include multichannel returns policy management to help combat fraudulent returns, promotion optimization (was in the works at ProfitLogic), and workforce management via Temposoft.

Oracle’s commitment to science and intelligence is further backed up by the recent acquisition of **Sigma Dynamics**. It’s too soon to tell how and when these assets will be rationalized with Siebel and whether they will find their way into the retail product, but this gives Oracle an opportunity to get into the hot area of retail customer loyalty.

Deployment approach

While a traditional ERP (read: SAP) implementation typically starts with the back office (financials and/or HR) and moves to core data management and functional applications, Oracle is touting its ability to start anywhere and generate business benefit faster than its competition.

By positioning each application area as separate but integrated, the goal is to allow companies to start with the area of pain or need and migrate functionality around it, rather than having to follow a standard script. Although not without merit, there is a bit of marketing spin here.

The original assets have remained largely intact, so selecting a unique starting point is more a function of the application set rather than a premeditated strategy. Regardless, this message will most likely resonate with the business owner as it aims to provide more immediate value to their functional area.

Fusion

First, some clarification on Fusion: the Fusion name is applied in two areas, Fusion Applications and Fusion Middleware. Fusion Applications represents the combination and rewrite of several applications, including corporate admin and CRM, onto a new and integrated platform. An important note is that none of the retail-specific assets are included in the Fusion Applications roadmap for the next two to three years. Fusion Middleware, on the other hand, is the integration layer. It is the data hubs and service-oriented architecture (SOA) that will connect data and workflow among the various retail applications.

Continue to build and/or acquire

While pleased with its current footprint, Oracle has no intent to sit still. It will continue to purchase opportunistic functionality that can fill gaps and add to the client base. Oracle management gave no indications of the next targets, but we did some brainstorming and came up with a few ideas:

- **Product lifecycle management (PLM) for soft goods**—Oracle has a very light product data management (PDM) tool built in Java. An acquisition here makes sense, but the strong vendors in this space are horizontal and come with a lot of baggage in the form of other verticals to support.
- **Sourcing**—This is in a similar situation to PLM, but providing source planning, vendor management, QA, quote, and costing functionality will help Oracle compete with SAP’s Apparel and Footwear Solution and supply chain products.
- **Space planning**—As growth plans continue to get hashed out, you can bet that Oracle will begin to look at new segments of retail. Moving into the fast-moving goods and grocery areas would demand additional merchandising execution capabilities and allow these retailers to connect assortment to space.
- **Advertising, marketing, and promotions**—Like space planning, this functionality is a natural extension of Oracle’s planning assets. It would allow retailers to directly link into activities such as circulars, direct mail, and catalog execution.

Time to take it to the street

The retail business unit is organized, focused, and ready to do battle, but it is walking a very fine line. Most retailers consider Oracle an ERP vendor, and much of that perception comes from corporate Oracle positioning and heritage in the manufacturing and supply chain areas. The retail business unit must harmonize its message with headquarters, or risk confusing the market.

Oracle will spend the next 18 months integrating and enhancing the current assets as well as building the cross-application integration rather than rebuilding the applications into an SOA format. True SOA for retail is a few years away, and given that the jury is still out on the future of SOA, this probably isn't a bad position to take. Business leaders will gladly sacrifice this platform promise for better functionality.

It has to be said, however, that the single-vendor integrated suite approach begs comparisons to **JDA**, something Oracle doesn't want any more than it wants comparisons to SAP. Their 11-word marketing campaign would sound like this: stronger retail functionality than SAP, better integration and execution than JDA.

But the reality is JDA has the largest install base of the three. SAP is closing new deals (and getting them into the press) with increasing frequency, and the large majority of Oracle's retail customers have come through acquisition.

Oracle needs to convey the message to its acquired customers and prospects and broadcast the business value it promises under the combination of assets that now comprise Oracle Retail. If the ERP concept continues to gain traction in retail, Oracle may be forced to market itself differently. But for now, look for them to talk business value rather than platform.