

VENDOR NEEDS AND STRATEGIES

Oracle + PeopleSoft + Siebel: What Does the Combination Mean for BI, Analytics, and Performance Management?

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IDC OPINION

Oracle's acquisitions of PeopleSoft and Siebel give it a more significant footprint in business intelligence (BI), analytic applications, and performance management. Though improving Oracle's market position in analytics was not the driving factor for the acquisitions, important side effects are the following:

- ☒ Now Oracle has more products to sell to access the data stored in its databases and/or managed via its growing set of applications — over and above preacquisition products such as Discoverer and Enterprise Planning and Budgeting.
- ☒ There is a clear market trend for companies that have standardized on an ERP vendor to consider integrated performance management solutions. It makes sense for Oracle to continue with the Oracle and PeopleSoft Enterprise Performance Management (EPM) product lines, and merge the best of both over time with Fusion.
- ☒ Siebel is the category leader for customer relationship management (CRM) analytic applications and has a significant analytics business, which has thrived since its acquisition of nQuire. Newly announced capabilities related to "real-time decisioning" (RTD) show a clear understanding of the direction of the next wave of decision-oriented BI and analytics.

IN THIS STUDY

IDC considers the impact of Oracle's acquisitions of Siebel and PeopleSoft on its business for BI tools, analytic applications, and business performance management software.

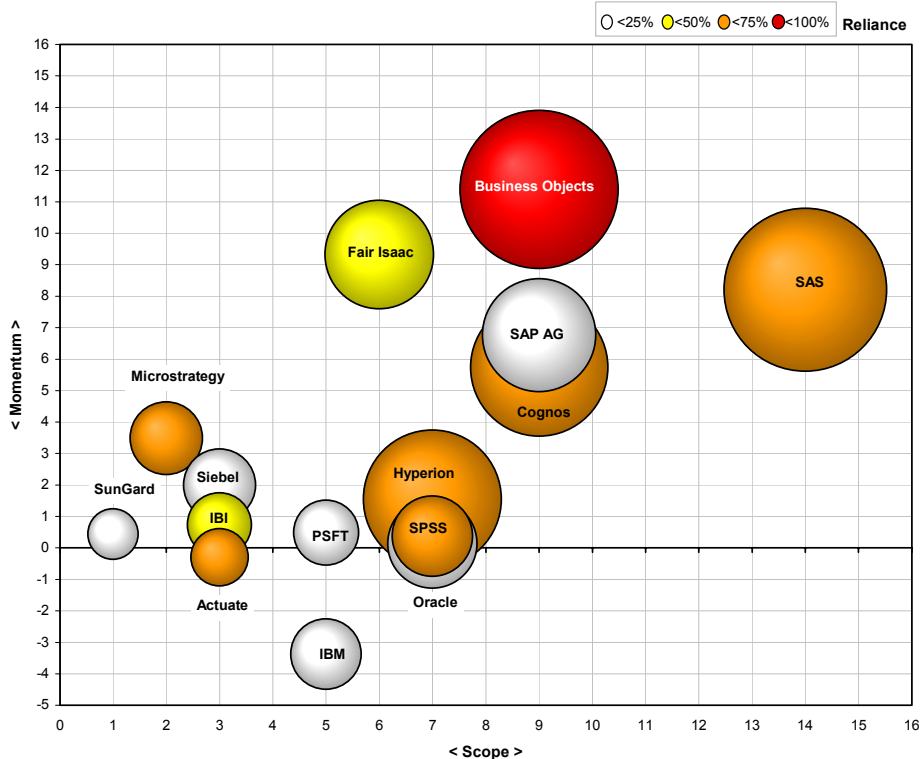
SITUATION OVERVIEW

Oracle is the market share leader in the overall market IDC calls "business analytics." This market encompasses tools and applications to integrate, manage, and access data for analysis. However, most of Oracle's business analytics revenue is attributable to its database revenue in support of data warehousing — an infrastructure software rather than an end-user software play. Oracle has not been as prominent in the fastest-growing segments of business analytics: BI tools and analytic applications (including business performance management software).

Figure 1 shows the competitive position of vendors for business intelligence tools and analytic applications in 2003. Oracle's market position was similar to SPSS' in terms of overall revenue in these markets (size of the bubble), growth (annual revenue times year-over-year growth rate), and scope (presence across market segments).

FIGURE 1

Worldwide BI Tools and Analytic Applications Competitive Market Map, 2003



Note: Data is as of the end of 2003.

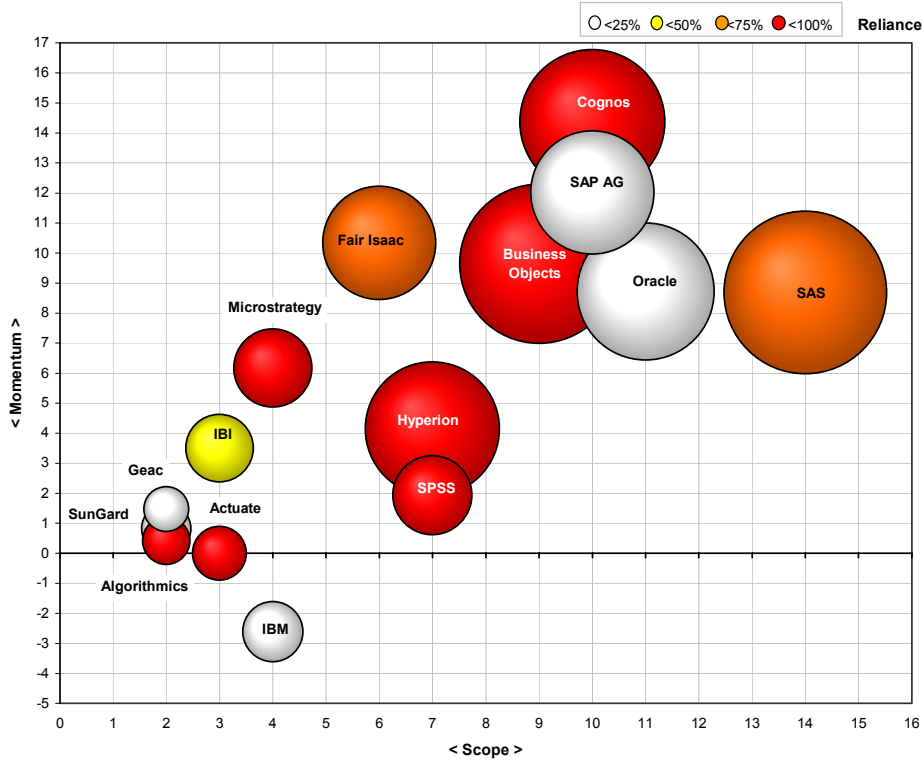
Source: IDC, 2005

With the acquisitions of PeopleSoft and Siebel (assuming the latter acquisition is approved), Oracle brings in significant investments in end user-oriented BI tools and analytic applications that increase its share of these growing markets. Figure 2 shows the pro forma position of Oracle based on 2004 revenues, combining Oracle, PeopleSoft, Siebel, ProfitLogic, and Retek. The chart represents business analytics software, but excludes data warehousing infrastructure (data warehouse generation and management) and spatial information management. Specifically, it does not include the embedded online analytical processing (OLAP) and data mining in Oracle's DBMS or Oracle Daily Business Intelligence (DBI) that is built on Oracle's applications.

Oracle's position and presence in the market are significantly enhanced and are closer to those of SAS Institute, the vendor with the greatest scope in the market.

FIGURE 2

Worldwide BI Tools and Analytic Applications Competitive Market Map, 2004



Notes:

Data is as of the end of 2004.

The figure shows combined data for Oracle, PeopleSoft, Siebel, ProfitLogic, and Retek.

Source: IDC, 2005

Oracle in BI and Analytics

Oracle brought developers from its Express OLAP and Darwin data mining teams into the database server group in order to build embedded analytics in the database. This multiyear plan came together in Oracle 10g, making it a stronger platform for analytics. But a platform requires the tools and applications to leverage that platform. Significant progress was realized both on the tools and applications fronts:

- ☒ **Discoverer:** Oracle's end-user query, reporting, and analysis tool was enhanced to be able to access both the relational and multidimensional data stores in 10g. This was a critical missing link in Oracle's BI portfolio. Other enhancements, notably spreadsheet support, showed continued investment in Oracle's lead BI product.
- ☒ **Enterprise Planning and Budgeting:** The first application to leverage the new analytical capabilities of the 10g server, the product was a long-anticipated successor to Oracle Financial Analyzer (OFA), which dated from the Express acquisition almost 10 years ago. Since Enterprise Planning and Budgeting was introduced in 2004, Oracle has continued building out a broader suite of performance management applications built on 10g, notably a balanced scorecard application.

Though these investments are significant, there is clearly more room to grow — both in the breadth of products and in the penetration of these products, especially among Oracle's database and application customers.

PeopleSoft and EPM

PeopleSoft Enterprise Performance Management includes both BI tools and analytic applications closely integrated with PeopleSoft applications. EPM comprises a suite of business performance management applications: planning and budgeting, balanced scorecard, financial consolidation, and activity-based management.

PeopleSoft has continued development across the EPM suite, and a key step has been simplifying the infrastructure with standardized ETL and metadata management. The solution is gaining momentum with key successes in financial consolidations, focusing on global statutory requirements as well as functional analytic warehouses such as finance and HR, which deliver packaged analytic content to get customers up and running quickly. Development continues on the planning and budgeting solution, with early adopters automating spreadsheet-based processes and looking forward to increased features and functions in future releases. Clearly the current and future versions of EPM are designed to optimize the ability to deploy EPM quickly and cost effectively to PeopleSoft ERP customers.

EPM has been innovative. It was one of the first performance management suites to include vertical-specific functionality — specifically funds transfer pricing and risk-weighted capital analytic applications aimed at financial services and developed in consultation with Danske Bank. Oracle's products in financial services-specific analytics now include these EPM products, the i-flex Reveleus set of products, and previously acquired technology from Treasury Services Corp. (TSC).

EPM reached hundreds of PeopleSoft customers, though it achieved a penetration rate into the PeopleSoft application base of less than 20% (including JDE customers). It's important to note that the number of EPM customers of the packaged data warehouse (such as the financial warehouse) is equal to the number of applications customers. This makes sense because many successful performance management projects also deal concurrently with detailed analytical reporting needs. A clear opportunity exists to grow on the packaged data warehouse side, where the ERP vendor is in a favored position to provide integrated reporting and analysis. There is room for growth on the business performance applications side as well, keeping in mind that the competition for these applications (scorecard, planning and budgeting, and financial consolidation) is stiffer, coming mainly from BI and analytics specialist vendors.

IDC research shows that about 70% of companies consider purchasing analytic solutions from their enterprise software or database vendor. The tight integration between EPM and PeopleSoft applications is very attractive to customers that want a single, standard platform for information. Current EPM customers have communicated confidence in the support strategy of Oracle/PeopleSoft and indicated a belief that the Fusion road map for EPM will meet their needs in the future.

Siebel Analytics

Siebel is the category leader in customer-related analytic applications. In fact, the analytics division (which was formed after the acquisition of nQuire) is now the second-largest division in the company, surpassed only by the call center/customer service division.

Siebel has continued to invest in this area, unveiling real-time decisioning at the Siebel user conference in Boston. Real-time decisioning tightly integrates analytics with Siebel operational applications, such as call center. Siebel RTD contains a decision center that acts as a rules repository, a decision studio to establish connectivity to data inputs, and a decision server that feeds the recommendations where and when they are needed. The decision server can incorporate new data and re-score measures such as the probability of attrition on the fly based on real-time input.

In addition to links to the Siebel operational CRM applications, Siebel analytics over the last year has begun to broaden its offerings to other areas of analytic applications, from supply chain to financials. In addition, it has supplied BI technology for those companies that seek to develop their own analytic applications.

Vertical-Specific Analytic Applications

A hot area in analytic applications involves packaging analytics specific to a vertical industry. Oracle's acquisitions of Retek and ProfitLogic bring in major assets in support of retail-specific processes such as merchandising. In addition, Oracle's taking of a controlling interest in i-Flex brings in the Reveleus analytic application suite for banking. What is significant here is the addition of critical expertise via personnel knowledgeable on the unique requirements for analytics.

FUTURE OUTLOOK

The PeopleSoft and Siebel acquisitions will have an impact on Oracle's presence in the broader business analytics market, enhancing Oracle's position in end user-focused tools and applications. This is a net gain to Oracle and is significant because these are fast-growing markets.

Oracle will face opportunities and challenges. At the end of the day, the company's success depends on its execution:

- ☒ **Opportunities:** Oracle can sell BI tools and applications into the expanded customer bases it has acquired. This is an opportunity for the products Oracle had before the acquisitions as well as for the tools and applications it has acquired. This will likely include cross-selling, such as selling Siebel CRM analytics into the PeopleSoft and Oracle CRM application bases.
- ☒ **Challenges:** Oracle should complete the integration across potentially popular combinations of analytics and operational applications to enable cross-selling opportunities. This goal is certainly achievable in the near term. In addition, Oracle needs to assess where there is product overlap with an eye toward future fusion. This is especially important where the markets are most competitive, enabling buyers to shop for the most attractive set of features and functions to meet their needs.

ESSENTIAL GUIDANCE

Oracle's acquisition of PeopleSoft and planned acquisition of Siebel are important from the perspective of BI, analytic applications, and performance management. IDC offers the following guidance:

- ☒ Oracle should communicate its plans for BI and analytics that account for its current products as well as the acquisitions. These plans should include what is available today and guidance on the company's strategy for a future fusion of best features. Customers will evaluate this strategy, seeking specifics on its relevance to their industry.
- ☒ Competitors should expect a renewed effort by Oracle in BI, analytics, and performance management in recognition of the market opportunity and as a concerted effort to derive value from its new acquisitions.

LEARN MORE

Related Research

- ☒ *Beyond Transactional CRM: Leveraging the Heavy Lifting to Support Business Objectives* (forthcoming)

- ☒ *Worldwide Business Analytics Software 2004 Vendor Shares* (IDC #33756, July 2005)

- ☒ *Worldwide Business Performance Management and Financial Analytic Applications 2005–2009 Forecast and 2004 Vendor Shares* (IDC #33620, June 2005)

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