

EVENT FLASH

Oracle Buys Hotsip and Jumps into a Hot Market

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IN THIS EVENT FLASH

This IDC Flash discusses the announcement made at the 3GSM World Congress in Barcelona that Oracle Corp. has acquired SIP/J2EE application server vendor Hotsip AB. The move gives Oracle a key position in the rapidly expanding service delivery platform (SDP) market, which is also in turn being fueled by major industry momentum toward IMS. Here we explore the rationale for the move and Oracle's plans for leveraging the acquisition.

SITUATION OVERVIEW

Hotsip, a start-up company based in Stockholm, Sweden, offers a SIP application server for services involving fixed broadband, WiMAX, and 3G/IMS networks. Hotsip currently offers two major products. The core offering is the Multimedia Communication Engine (M2CE), a carrier-grade SIP and J2EE application server that provides off-the-shelf applications. The other is the M2CE Service Creation Environment (SCE) for new and customized applications. These products will eventually be rebranded. M2CE supports number portability, local number routing, and enhanced services such as service personalization for intelligent routing of calls along the lines of other application server vendors such as Broadsoft and Sylanro. According to the company, the core product is both 3G and IMS compliant.

Some of the available Hotsip applications include messaging, telephony, presence, and conferencing. However, Oracle says it will place more emphasis on hosted VoIP services, content delivery, and push to email. The customer base is largely in Europe and Asia. Current carrier customers include Norwegian carriers Telenor and Tussa, TeliaSonera, BellNet in Japan, and WX3 in Sweden. OEM partners include HP, Nokia, and Ericsson. The Telenor deal involves HP and Cisco and is centered on residential VoIP services. As a part of the deployment, Cisco is providing PGW 2200 softswitches and AS 5400 media gateways. HP is acting as systems integrator but is also providing some hardware.

FUTURE OUTLOOK

Like other IT suppliers, Oracle has been involved in the telecom market, but primarily from an OSS/BSS perspective, leveraging the customer segmentation and profitability analysis capabilities gained from PeopleSoft and the CRM capabilities gained from Siebel as well as its own network life-cycle management, financial management, and data integration solutions. With the acquisition of Hotsip on the heels of the Siebel acquisition as well as the smaller acquisitions of TimesTen and Sleepycat, Oracle is thrown into a complex multidimensional play in telecom.

IDC observes that the relatively quiet announcement of this deal is consistent with an equally quiet announcement by BEA of its Incomit acquisition in early 2005 and repeated moves by Microsoft in the VoIP and SDP arenas. In general, we see a major shift taking place across the telecom industry toward IT-based telecom that encompasses a variety of disruptive trends, including ATCA, NGN/IMS development, and real-time collaboration, among others. Clearly some IT players have proactively seized this opportunity as evidenced, for example, by IBM's and HP's support of IMS, SDP, and other leading-edge areas. It remains to be seen how well other players will do in capitalizing on the new opportunities as well as how the competition pain points will allocate between traditional telecom network equipment providers (NEPs) and IT system suppliers. Some software IT players, for example, may be missing their opportunity to shape the market.

The Hotsip acquisition represents an entirely new direction for the company, which has allocated significant resources to this end. In general, IDC sees increasing interest in service delivery platforms as a strong market opportunity for both IT suppliers (many of whom have also approached the market more from a systems integration or OSS role) and traditional NEPs that need to develop stronger application layer capabilities especially given the mandates and momentum of IMS. In this context, it's also important to recognize that there is a complex competitive and cooperative relationship between IMS and SDPs.

That said, SDP is perhaps even more broadly defined and interpreted than IMS. Generally there is no industry consensus regarding the definition of an SDP. (See *The Service Delivery Platform: An Introduction*, IDC #34788, January 2006, for IDC's definition of SDPs.) Some vendors position SDPs primarily as application servers or an array of application servers and other products, while others emphasize the systems integration aspects and/or other components such as network management systems and OSS/BSS. HP's SDP offering, for example, includes a third-party framework that enables secure access to the network for third-party content

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developers, a service delivery gateway, an Internet and messaging services gateway, and an access and presentation gateway and is tightly integrated with ISM, HP's end-to-end OSS/BSS product suite.

In general and given IMS' dependence on SIP, the SIP application server market is heating up, with companies such as BEA, Ubiquity Software, and others becoming increasingly involved in carrier deployment plans. (This market direction was a major reason for Cisco's acquisition of dynamicsoft in 2004.) Further, general-purpose application servers tend to lead the way toward open services development, especially when vendors have proactively energized a development community around their products.

In terms of the Oracle deal, there are several observations to make. First, it's clear that the existing relationship that Hotsip has with HP and other partners may change as Oracle's telecom strategy evolves. Second, Oracle's approach stands in contrast to those of HP and IBM in that those companies arrive at the application server piece of their SDP offerings via partnering with OEM providers such as BEA.

Acquiring an application server vendor such as Hotsip is clearly a more direct route for Oracle into the increasingly important SIP application server market (and by extension into the service delivery space). It also opens the door to establishing additional partnerships with tier 1 NEPs aside from Nokia and Ericsson that need to bolster their application-layer strategies. (However, because many NEPs are gradually developing their own SDP strategies, this is a complex proposition.) Finally, Hotsip's capability in presence will also be a plus with respect to competitors such as BEA, which do not currently have this capability.