



## Oracle Blends Managed Services With OnDemand Pricing

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**Oracle** is rolling out managed services offerings for **PeopleSoft** and **Siebel** in addition to the existing services for Oracle E-Business Suite. The managed services called Oracle PeopleSoft Enterprise On Demand and Oracle On Demand for Siebel CRM and are now generally available.

While Oracle planned to offer an Oracle-hosted service for Siebel shortly after the acquisition, this news helps solidify the company's position on hosted applications within the broader portfolio and makes good on earlier promises. But the release may also confuse some buyers with the incumbent multitenant Siebel CRM On Demand offering.

While Siebel had already built the multitenant Siebel CRM On Demand service through a prior partnership with IBM, Oracle stated its intent to also host the on-premises Siebel CRM suite in its own hosting environment. While it has taken three quarters to get the service to market, for their wait, customers got a two-for with the addition of a service for PeopleSoft.

To clarify, the two new Oracle products are not multitenant software-as-a-service (SaaS) subscriptions, but are managed applications, closer to the traditional application service provider (ASP) model. Although this is not true SaaS from a deployment standpoint, the pricing is much like the SaaS model. There is no startup fee outside of standard professional services for business consulting, and customers pay a monthly subscription priced by the number of users.

To make this work from a business standpoint (since there are setup costs to Oracle to add new customers), the company has instituted a \$300K minimum annual fee. With base pricing at \$150 per user per month for each product, the offering is really appropriate for instances of more than 200 users. For buyers looking to smaller or departmental deployments, quicker implementations, and more basic functionality, the SaaS service is more appropriate, and has no minimum annual fee.

Especially when evaluating CRM, companies should pay less attention to architecture, and more attention to features and usability. Oracle Siebel CRM certainly doesn't lack either; this just comes down to an issue of scale. True SaaS can scale down to just a few users, or up to thousands at the same monthly user fee. The new Oracle On Demand set really just targets hundreds or thousands of users, given the costs associated with deploying a new instance for each customer. While Oracle doesn't charge an upfront setup fee, the costs are rolled into the monthly fee.

The biggest challenge for buyers in this case may actually be the on-demand nomenclature. For example, the true multitenant SaaS CRM On Demand product acquired from Siebel is now called Siebel CRM On Demand, while the single-tenant managed applications in this announcement are called On Demand for Siebel CRM and PeopleSoft Enterprise On Demand. The naming conventions lack consistency, which can be particularly challenging for an emerging delivery model still somewhat cryptic to many prospective buyers.

While customers may need a glossary to decipher product names, Oracle has done a good job of describing the best fit for each. This new managed service finds some middle ground in terms of cost, while reducing deployment as well as risk—the most frequently cited benefits to true SaaS. The model also overcomes any lingering apprehension organizations may still have about sharing their data on the same instance as other companies.

As with any emerging technology, SaaS is seeing a definite divergence in strategy, architecture, and marketing terms between and sometimes within a software company. The way the market has evolved software buyers should put no preconceptions into the term *on demand*; it carries little consistency in meaning from one vendor to the next. Even SaaS, which has attained something closer to a standard meaning, still differs from vendor to vendor in terms of pricing, delivery, and architectural models.

Like almost every other large software vendor, Oracle is riding the on-demand wave. However, it is betting that multi-tenancy SaaS is really more appropriate for smaller enterprises, or enterprises requiring less breadth in functionality. While SaaS has seen the greatest adoption in smaller enterprises to date, companies like **salesforce.com** and **RightNow** are seeing increased success and demand for SaaS applications within large enterprises. But the reality is SaaS and on-premises applications will frequently work side-by-side in many organizations, and Oracle is positioning itself well for that future.