

QUICK TAKE

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Oracle's Path To Collaboration Success: Around, Not Through, IBM And Microsoft

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EXECUTIVE SUMMARY

For the first time in years, the traditional groupware market is exciting, confusing, and unpredictable. One huge factor in this revival is the shift from asynchronous-only groupware to collaboration platforms that combine traditional email and scheduling features with new synchronous collaboration elements like enterprise instant messaging (EIM) and Web conferencing. The second factor injecting some welcome chaos into the market is a surprisingly capable newcomer: Oracle Collaboration Suite (OCS). Oracle has an opportunity to compete head-to-head with the big guys — IBM and Microsoft — but it must first overcome some hurdles, and the open source movement is the perfect ally for the task.

ORACLE IS A CONTENDER IN ENTERPRISE COLLABORATION PLATFORM MARKET

Though it's only a two-year-old product in a market full of ancient incumbents, the second release of Oracle Collaboration Suite is appealing to customers that want:

- **A unified offering.** OCS includes traditional groupware capabilities like email, calendaring, and contacts, as well as a document sharing system. The suite also provides mobile device support, storage of voicemails and faxes, and Web conferencing capabilities, which makes Oracle an important player in the emerging unified synchronized communications market.¹ Refreshingly, OCS delivers all of these capabilities through a single product with one simple per-user price.
- **Powerful architecture.** Oracle built OCS on the Oracle database, thereby differentiating it from Microsoft Exchange and Lotus Domino, which run on proprietary, nonrelational databases. OCS stores everything — from configuration data and account information to voicemail and faxes — in a single repository so firms can scale and manage their message repositories by adding capacity to the familiar Oracle database.
- **Low cost.** As we tested it in our TechRankings™ lab, OCS costs just \$60 per user, which is less expensive than the leading alternatives. For buyers that don't already have an investment in Oracle's database and app server, the flat fee includes licenses for all the foundation software they need. However, the product lacks a full-featured thick client, so most buyers also purchase Microsoft Outlook for each user. This dependency adds to the total cost and puts money in Microsoft's pocket.

- **A future in contextual collaboration.** During the next four to five years, Oracle will integrate OCS with the applications in its E-Business Suite. The result will be contextual collaboration; users will be able to collaborate with each other (create team rooms, view presence information, send/receive instant messages and emails) from within the applications they use to do their jobs, such as ERP, product life-cycle management, supply chain management, and CRM apps.

BUT THE VENDOR FACES CHALLENGES

Despite these strengths and opportunities, Oracle Collaboration Suite faces a number of challenges in the enterprise collaboration platform market:

- **Limited customer base.** Forrester estimates that Oracle has sold 5 million seats of OCS, compared to IBM's 110 million Notes seats and Microsoft's 120 million Exchange seats.² This limited footprint leaves Oracle with a paradox: it needs more customers in order to convince buyers that it's a serious contender so that it can acquire more customers.
- **No EIM.** While OCS is strong in some areas, it completely lacks instant messaging capabilities. The database giant has entered into a licensing agreement with Jabber, the EIM provider behind the proposed extensible messaging and presence protocol (XMPP) standard, and Oracle expects to release a product late this year or early next year. By that point, IBM and Microsoft's latest EIM products will have had a healthy head start.
- **Limited native thick client.** Oracle offers a Web client for full online access to OCS functionality, but its thick client only supports calendaring features, not email or contacts. For customers that want a rich client, Oracle provides connectivity to Microsoft Outlook or Mozilla.
- **No desktop productivity suite.** Through Windows SharePoint Services, ubiquitous presence awareness, and the Microsoft Office 2003 task pane, Microsoft is busy embedding collaboration capabilities in its desktop productivity suite.³ IBM's new Workplace Rich Client announcement hints at the opposite: embedding more productivity apps in the vendor's next-gen rich client. Oracle needs a viable response to these salvos from the two market leaders, but has no desktop productivity apps to compete with.

ORACLE MUST WEIGH STRATEGIC OPTIONS

Oracle has a number of possibilities for overcoming these weaknesses and grabbing share in the enterprise collaboration platform market. Some interesting options revolve around growing demand for open source alternatives to software from Microsoft and IBM.

Steps Oracle Must Take To Keep Its Place At The Table

Some steps are absolutely mandatory if OCS is to be successful, including:

- **Tighten integration with Microsoft Office 2003 Editions.** Cost-conscious firms considering OCS are also likely to be considering open source Office alternatives and Linux — but a simultaneous switch of server-side operating systems, collaboration platform, and productivity tools is more than most firms can handle. To help ease buyers' pain, Oracle must integrate OCS tightly with Office, so that customers can start by replacing Exchange with OCS without disrupting user productivity by swapping out Office simultaneously.
- **Add enterprise instant messaging — quickly.** OCS doesn't currently include IM capabilities, but Oracle has licensed IM technology from Jabber and announced plans to include IM capabilities in the next release of OCS. This is late: Microsoft and IBM already offer EIM products and will have a substantial head start by then. As EIM becomes a higher purchasing priority, Oracle must accelerate its IM release timeframe or risk losing the foothold OCS has won.⁴
- **Add team collaboration features.** To reach feature parity with IBM and Microsoft, Oracle needs to add team workspaces, discussion threads, lightweight project management, ad hoc workflow, and basic document management functionality, in addition to the real-time collaboration functionality already provided in Oracle Web Conferencing.
- **Treat collaboration as infrastructure, not an application.** To compete against IBM and Microsoft, which are pushing collaboration functionality down into the infrastructure, Oracle must take on this view of collaboration as infrastructure. Oracle should componentize OCS functionality or offer it as a set of services that can be called upon by Oracle and third-party applications.

The Risky Roads To Greatness Or Failure

Oracle will never dethrone Microsoft and IBM in the collaboration platform market by simply competing on price and features. To truly light a competitive fire under OCS, Oracle must take some calculated risks that change the dynamic of the whole collaboration platform market. These might include:

- **Offer “Oracle Office” productivity software based on OpenOffice.org.** The tightening ties between Microsoft Office, Outlook, Exchange, and Live Communications Server deliver collaborative horsepower that neither Oracle nor the open source office alternatives can match by themselves. But a true combination of OCS plus an Oracle-branded version of OpenOffice.org’s productivity suite could begin to tear down the reasons many companies lean toward Microsoft end-to-end. On the down side, OpenOffice.org currently has a tiny market share; an estimated 20 million people are using OpenOffice.org-derived software compared to more than 300 million using Microsoft Office. By introducing yet another open source office alternative, Oracle risks further diluting this tiny foothold in the market and strengthening Microsoft’s hand.
- **Release an open source version of OCS.** To really shake up the market Oracle should consider releasing a version of OCS to the open source community. Currently, a gaping hole exists in the open source stack when it comes to enterprise messaging and collaboration. Offering an open source version of OCS would allow Oracle to serve the growing open source demand and compete with Microsoft Exchange, IBM Lotus Notes/Domino, and IBM Lotus Workplace, on a deeper level — and grow the already-immense Oracle database installed base. However, the risk is great: Oracle could cannibalize OCS revenues and lose some of its intellectual property.

RECOMMENDATIONS

ORACLE: SHIFT FOCUS TO COLLABORATION AS INFRASTRUCTURE

- Incorporate enterprise instant messaging functionality — quickly.
- Tighten integration with Microsoft Office 2003 Editions.
- Market Oracle Collaboration Suite’s unified synchronized communications features.
- Offer a Microsoft Windows SharePoint Services alternative (team collaboration capabilities).
- Build an IBM Workplace Rich Client-enabled version of OCS.
- Componentize OCS and speed up support for OCS capabilities among Oracle E-Business applications.
- Consider creating an “Oracle Office” version of OpenOffice.org.
- Consider releasing an open source version of OCS.

ENDNOTES

- ¹ Convergence between communications and collaboration technologies will radically change the way people communicate in the next decade. Unified synchronized communications combines myriad technologies and devices in a single platform, streamlining management of communication channels and reducing end user complexity. See the February 24, 2004, Trends “Unified Synchronized Communications Arrives.”
- ² Oracle is a relative newcomer to the collaboration market, having introduced the premier version of OCS in 2002. More than 1,800 companies have purchased this product, but the vendor hasn't disclosed how many seat licenses it has sold. See the March 25, 2004, Tech Choices “Scorecard Summary: Oracle Collaboration Suite Release 2.”
- ³ Microsoft recently introduced the Information Bridge Framework, a developer tool that lets firms build custom Web service calls and interfaces directly into the Office Task Pane. This new development tightly links the vendor's collaboration tools and productivity interfaces, and further distances the Microsoft collaboration/productivity stack from competitors. See the May 24, 2004, Quick Take “Microsoft Web Services Enables Office.”
- ⁴ Enterprise instant messaging is on the minds of IT decision-makers as buyers find new uses for synchronous collaboration. See the December 16, 2003, Brief “Instant Messaging: In Demand In 2004.”