

INSIGHT

Oracle OpenWorld 2011: Engineering, Innovation, and OPN Specialized

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IDC OPINION

Oracle OpenWorld 2011 was held October 2–6, 2011, at the Moscone Center in San Francisco. As Oracle has done for the past eight years, Judson Althoff, senior vice president for Worldwide Alliances and Channels and Embedded Sales, kicked off the week with the oversold Oracle PartnerNetwork (OPN) Forum. Oracle has worked hard to rid itself of a "partner unfriendly" reputation, and that is really starting to show, based on the attendance at the OPN Forum as the attendance more than doubled last year's good registration of about 2,100. Highlights of the Oracle partner announcements include:

- ☒ Independent software vendors (ISVs) and original equipment manufacturers (OEMs) heard about progress and updates to the Exastack ISV program. 100 partners have achieved an "Exastack Ready" validation since the launch in June 2011. Oracle formally launched the top-level "Exastack Optimized" validation at the partner keynote and already has a small number of key ISVs testing on this.
- ☒ Systems integrators (SIs) continue to benefit from and endorse the OPN Specialized program that validates the skills and expertise of their consultants. 3,000 partners now have one or more specializations.
- ☒ Since launching the Diamond level of the OPN Specialized program in September 2010, 10 partners have stepped up to the steep requirements to attain this highly elite status.
- ☒ Value-added resellers (VARs) have been taking advantage of streamlined incentive programs and the clearly articulated market segmentation since June 2011. These programs are starting to show traction.
- ☒ The new Oracle Database Appliance, launched in September 2011, provides a tremendous opportunity for VARs to go after the 300,000 Oracle customers not already running on Oracle hardware. It may also be a good way for software partners to begin selling hardware.

IN THIS INSIGHT

This IDC Insight reviews the partner announcements and activities at Oracle OpenWorld 2011, held once again at the Moscone Center in downtown San Francisco. Considered the largest enterprise technology conference in the industry, Oracle OpenWorld is a hub of activity for Oracle's partners, customers, developers,

and employees. Oracle's partners each year flock to Oracle OpenWorld as it is the one place where they can meet with and learn what's new from Oracle, exhibit their products and solutions for the 45,000+ attendees, and connect with other Oracle partners to expand their mutual offerings. This IDC Insight focuses on announcements for Oracle's key partner constituencies of independent software vendors (ISVs), original equipment manufacturers (OEMs), systems integrators (SIs), and value-added resellers (VARs).

SITUATION OVERVIEW

Oracle OpenWorld 2011 was held October 2–6, 2011, at the Moscone Center in San Francisco. As Oracle has done for the past eight years, Judson Althoff, senior vice president for Worldwide Alliances and Channels and Embedded Sales, kicked off the week with the oversold Oracle PartnerNetwork Forum on the Sunday before the main Opening Keynote, Larry Ellison, CEO, Oracle.

As usual, at Oracle OpenWorld, there were many announcements, activities, and excitement surrounding the partner community as well as many customer-facing announcements. We focus solely on the partner-related activity from the conference.

Oracle PartnerNetwork Forum

Oracle OpenWorld kicked off as usual with the Oracle PartnerNetwork Forum, a one-day event hosted by Judson Althoff, senior vice president of Worldwide Alliances and Channels and Embedded Sales. For 2011, the emphasis was on announcements targeted at OPN key constituencies — ISVs and OEMs, systems integrators, and value-added resellers.

As expected from the Oracle team, it was a polished and well-orchestrated event. But what was surprising and pleasing was the attendance at the OPN Forum itself. In 2010, Oracle reported that registration at the OPN Forum was about 2,100, while in 2011, that attendance more than doubled to well over 4,300. Additionally, many more watched the OPN Forum on streaming video. Adding Sun partners was a contributing factor, IDC was told, leading up to the event. But there was still big organic growth. The attendance at the OPN Forum is a very good sign that Oracle has turned a corner with its partners and should be looking forward to a very good year.

In addition to the OPN Forum, Oracle offered no-cost testing for Certified Implementation Specialists, a valuable benefit for those individuals ready to take the exams and also attending Oracle OpenWorld. There were a number of partner pavilions that provided partners a place to showcase their expertise and solutions in areas such as cloud, CRM, Hyperion, and JD Edwards. The pavilions were very popular with OpenWorld attendees. Of course, the Expo Hall, with over 450 partners exhibiting their products and solutions, was very busy. Finally, Oracle offered only four "partner only" sessions as part of the OpenWorld agenda. While these were supplemented by special interest groups (SIGs) breakout sessions during the OPN Forum, it would be nice to see Oracle offer additional partner-only sessions at this high-attendance event since Oracle does not offer a separate partner-only conference as do many of its competitors.

Independent Software Vendor and OEM Partners

In June 2011, Oracle launched a program called the Exastack ISV program, meant for ISVs that are building applications on Oracle's key hardware and software technology platform. The June announcement was more about self-validation of the applications and proving that the applications "run" on Exastack. At OpenWorld, the next level of the program — Exastack Optimized — was launched. This is a validation that the ISVs' applications "run best" on Exastack — something that is achieved only through Oracle's own engineers putting the application through its paces.

Fundamentally, the Exastack ISV program focuses on helping partners run their solutions on Oracle Exadata Database Machine and Oracle Exalogic Elastic Cloud — integrated systems in which the software and hardware are engineered to work together, freeing partners to focus their attention on their own application rather than the infrastructure. Oracle believes that ISVs and OEMs end up spending about 30% of their productive time engineering code outside of their app and that Oracle can help eliminate this cost. The Exastack platform also provides the flexibility to deploy the same code base, whether on-premise, hosted, or software as a service (SaaS).

As part of the Exastack ISV program, Oracle has put lab environments, enablement resources, and branding in place as well as made experts available for consultation with partners. It has also built the Exastack Ready program into the OPN Specialized requirements as one option to help partners attain Platinum status.

Oracle states that there are 100 ISV and OEM partners that have taken themselves through the Oracle Ready self-validation process since June 2011. However, who these 100 partners are is a bit of a mystery at this time. There is no easy mechanism for a customer to find an "Oracle Ready" partner on the Oracle Web sites (although it is easy to find Specialized partners or those with Validated Integrations). IDC assumes that Oracle will soon rectify this gap.

The Exastack program seems like a good one for Oracle's ISV community. IDC is looking forward to seeing the uptake on this program from the ISV and OEM partners, as well as an easily searchable catalog of Oracle Ready partners very soon.

Systems Integrators

Specialization Momentum

Since launching OPN Specialized in December 2009, Oracle has remained committed to and consistent in this important foundation of the overall Oracle PartnerNetwork. The partners have also shown an eagerness to step up to specialization, as now more than 3,000 Oracle partners have earned at least one specialization.

Oracle reports that there are 75 different specializations available to partners today, with a few more on the way. Though the hope is to keep that number relatively contained, some of the specializations themselves may change and evolve over time. At first glance, 75 specializations sound like too many. It's more, by a long way, than

any of the other software vendors' programs. IDC will keep an open mind on this topic. We are proponents of the fact that specializations make life easier for customers and Oracle sales reps, which is good for partners.

Perhaps more impressive is that the number of individuals earning skills accreditations is growing dramatically. It was announced that there are now 30,000 Certified Implementation Specialists, up from 9,000 a year ago. IDC asked for some more explanation on this unusually high one-year growth. It seems that Oracle has focused past Implementation certifications on the database and that a big part of the past 12 months was about validating a lot of the skills that were already out in the partner base. In addition, there was a continued, significant push of enablement from the Alliances and Channels team in the form of boot camps, road shows, and other methods where partner employees could train and earn their Implementation Specialist designations.

Thus far, Oracle has done an excellent job with its specializations, but now it's time to take it to a new level and introduce a new role of a technical architect or add some new category that crosses multiple specializations. Partners are being asked to create increasingly complex solutions for customers and need the skills to clearly articulate on Oracle's apps-to-disk solutions (sales of the entire Oracle technology stack, including servers, database, middleware, and applications). Today's specializations don't address apps-to-disk solutions overall, and they need to very soon.

Drive to Diamond

At last year's Oracle OpenWorld 2010, Oracle announced a new top tier to its Oracle PartnerNetwork program. At that time, only two organizations had stepped up to the very high requirements of 20 specializations (of which, 5 were advanced specializations), driving \$40 million Oracle business annually and building 15 highly differentiated and compelling Oracle offerings. When launched, only two partners attained this accreditation — Accenture and Infosys. Now, a year later, the Diamond level has really shown traction with the addition of Capgemini, CSC, Deloitte, Fujitsu, IBM, PwC, Tata Consultancy Services Ltd., and Wipro.

When it began, concern was voiced that the Diamond level was too high a bar, but it seems that Oracle's strategic, global partners have stepped up and seen the value in this program. IDC applauds Oracle now as it did in September 2010 for having articulated what it really means to be one of its absolutely top partners. IDC still doesn't know of another major vendor that has formalized its strategic partners in this way. With the momentum now for this accreditation, it is interesting to see who else will drive toward Diamond as a competitive differentiator. We also heard that smaller partners are looking toward Diamond as they plan out their growth with Oracle.

Value-Added Resellers

Market Segmentation

In June 2011, Oracle announced an important market segmentation — the Oracle 2000. What this means is that Oracle is specifically naming the top 2,000 Oracle

accounts that will be managed by Oracle's direct sales teams. This does not mean that these customers are completely off limits to VARs, as there may be a services opportunity or the Oracle direct sales team may choose to bring in the partner on an opportunity.

The announcement was welcome news as it brings some clarity to which customers the partners should really be pursuing in their sales opportunities. There will always be a gray area where Oracle and its partners may overlap and seem to compete for business, but it is very good to see this clear segmentation of the market.

OPN Incentive Program

Also in June 2011, Oracle announced an improved incentive program for VARs. This was also welcome news as previous incentive programs at Oracle were inconsistent and varied from region to region or across products. Oracle now offers consistent discounting on products that are resold, deal registration rebates, and strategic product rebates.

The incentive program is interesting as it really encourages partners to help Oracle meet some of its key objectives. For one, the program provides a rebate to partners if they sell outside of the top 2,000 accounts and if they sell support with the initial license sale. Support and maintenance is of course a very profitable business for Oracle. In addition, partners can increase their rebate if they sell strategic products. For software partners, this program is new ground as they didn't have rebates through Oracle in the past.

The Oracle team is also working hard to roll out some new systems and processes to make it easier to do business with Oracle. Most of these changes are in the ordering process for hardware only as well as combined software and hardware ordering. The system rollout will begin in North America and will presumably be a welcome change for the partners.

Oracle Database Appliance

The Oracle Database Appliance is an exciting new resale opportunity for Oracle's VARs. It's designed to be sold exclusively through the channel, as the Oracle Database Appliance can not only serve the needs of lower-end customers but also scale very well. It's also positioned by Oracle as a relatively simple way for software partners to get experience selling hardware. With its massive portfolio, Oracle really wants partners to consider adding other products to their own areas of expertise.

There are believed to be 300,000 Oracle customers around the world that are running their software on non-Oracle hardware. Many of these customers are not ready for the Exadata solution, so Oracle came up with the Database Appliance that provides a single price for hardware and then a "pay as you grow" price for software. The target market is primarily small and medium-sized businesses that need a simple, affordable, low-risk, high-availability platform and enterprise departmental database consolidation opportunities. IDC will be looking forward to see how well the partners do selling the Database Appliance. Early reports indicate that it will be a success.

FUTURE OUTLOOK

Missing from the partner announcements was a discussion of plans for some of Oracle's new products. For example, cloud computing, social and mobile, and applications all were the subject of major announcements, but little was said of the opportunity for partners. IDC is looking forward to hear what Oracle is planning for partners in these areas. For example:

- ☒ Oracle announced the availability of the Oracle Public Cloud that provides infrastructure and related apps services in a standards-based public cloud running on Exadata and Exalogic. This is potentially a very good opportunity for Oracle partners, but details were not yet available.
- ☒ Oracle also launched the Oracle Social Network, a social platform built on the foundation of WebCenter. This is also an interesting area for Oracle's partners and prompts a series of questions. Will partners be able to resell, provide services, and build solutions for the Oracle Social Network? What programs are being developed for partners? Is Oracle planning to roll out a Partner Social Network as a benefit of the OPN Specialized program?
- ☒ After a long development period, Oracle Fusion Applications have started to become available in 2011. Some early adopter partners have been involved in early customer implementations. But the Fusion Applications are supposed to be enterprise-grade cloud with the simplicity of SaaS (e.g., low cost, immediate value, and no hardware to buy or software to manage). How are Oracle's partner programs adapting to the shift from resale on mostly on-premise applications to SaaS applications? How are Oracle's partners going to retool their consultants to implement SaaS applications? The move from on-premise to SaaS has proven to be a big change for the partner community of vendors across the industry. What is Oracle planning to do to help its partners?

In addition, IDC foresees that partnering will have to be key for the Oracle ecosystem to thrive with so many products in the future. Yes, Oracle can only benefit from partners taking on new areas of the portfolio, cross-selling, upselling, and so forth. But partners can only take on so much. IDC believes partner-to-partner networking and collaboration are going to be critical in delivering complete solutions to customers. Except for the largest partners, it will be rare that any one company can deliver everything a customer is looking for. Opportunistic and more formal partner networks will have to play a large part in Oracle's success. Oracle stated as much in several recent briefings. This is a huge area of opportunity that needs to be taken seriously by Oracle. IDC would still rate other software vendors as more effective in promoting, and benefitting from, partner-to-partner activity.

ESSENTIAL GUIDANCE

Actions to Consider

Advice for Oracle

The Oracle team works hard to design and deliver solid programs to its partners. The stability of the program over the past few years is to be commended.

As mentioned previously, IDC recommends that Oracle add a new role or change some of the specialization categories to embrace broader cross-stack areas that align with the apps-to-disk solution. IDC also recommends that Oracle provide an easy way to find the Oracle Ready partners on its Web site or perhaps even launch an Enterprise Application Marketplace that pulls together the various "find a partner" sites. But overall, the team does an excellent job, and IDC expects Oracle is already exploring these items and will announce its plans in the coming months. As with other large vendors, the partner resources available are plentiful, and IDC recommends that Oracle continue to consider ways to help its partners come on board and utilize the most relevant resources.

Oracle should further consider its investment in promoting partner-to-partner networking and collaboration. IDC believes there is much to gain from small but strategic investments in this area. The problem is that, perhaps like "awareness" advertising, the ROI from P2P investments can be difficult to track.

Advice for Oracle Partners

Oracle's partners have also demonstrated that the programs Oracle provides them are working. The rate of adoption with the Diamond level is impressive, as is that of OPN Specialized. IDC expects that next year it will hear about the thousands of Oracle Exastack Ready and Optimized partners as well as tremendous sales by partners of the Oracle Database Appliance. So the main message to the Oracle partners is to get specialized, get ready, and get selling. If you are not willing to step up then the Oracle partners that do will very happily eat your lunch. Oracle customers will demand to work with Oracle partners that have earned their stripes and have the badges of competency to show for them.

Advice for Other Vendors

Oracle's partner program innovation and strong execution can be models to learn from. Other vendors running, or considering, specialization-type programs should consider whether or not Oracle's level of granularity makes sense for them. At a certain point, a customer will have to stop relying on its vendor to qualify a partner and will have to do some due diligence of its own. This might mean that a higher, simpler level of specialization accreditation may make more sense.

Oracle's consistency of execution over the past several years is commendable. Oracle has generally stuck to its message and hasn't had any noticeable U-turns in its plans. Oracle's execution on enablement has been critical to its success and could be a model for other vendors to consider.

LEARN MORE

Related Research

- ☒ *Oracle Posts Strong Growth and Profitability in its First Fiscal 2012 Quarter* (IDC #ICUS23055211, September 2011)
- ☒ *PwC Becomes Sixth Partner to Attain Diamond Status as Oracle Partner* (IDC #ICUS23039411, September 2011)
- ☒ *Oracle PartnerNetwork Updates: Improving VAR Incentives, Exastack ISV Program* (IDC #ICUS22933511, July 2011)
- ☒ *Oracle Delivers Special Recognition for Specialized Partners* (IDC #ICUS22677611, January 2011)

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