INSIGHT

Vision, Process, Infrastructure: Oracle's Take on Digital Transformation

Jan van Vonno  Lorenzo Veronesi
Francesca Ciarletta

IDC OPINION

Oracle is not only transforming its portfolio of solutions – it is also continuing to redefine its relationship with customers. One of the key pillars of this strategy is the Oracle Digital team dedicated to help the company tap into new digital opportunities. Oracle does this by engaging with business stakeholders, taking on a technology-agnostic perspective, and then looks for use cases relevant to the business. Through this initiative, it is taking increasing ownership of this transformation by encouraging creative thinking and exploring new horizons with its customers and prospects. Although this is a powerful move for the company, IDC believes some existing partners may feel threatened as a result. However, Oracle argues this will strengthen existing partnerships, and it has even allowed it to widen its partner ecosystem to better support those with digital expertise. Early evidence seems to back this claim – the partnership with SapientNitro around the Siemens KAIROS initiative is a good example.

It is important to realize that digital transformation is not limited to delivering a unique customer experience or designing new business models. It will often require an organization to change the way it executes its physical and IT processes in order to integrate and scale the digital capabilities across the organization. IDC believes Oracle's value proposition of cloud-based supply chain management applications and infrastructure solutions can resonate with a broad range of organizations undertaking a transformation journey.

IN THIS INSIGHT

This IDC Insight looks at Oracle's approach to digital transformation and discusses how its cloud-based supply chain management tools and infrastructure services can support the organization in evolving operations.

SITUATION OVERVIEW

Oracle embarked on a major journey almost a decade ago, developing its cloud products from the ground up and relying exclusively on its internal capabilities. Throughout these years, a bimodal approach has been retained between the company's old and modern portfolio of solutions, which has guaranteed continuity of service and enhanced capabilities for customers with IT legacy systems. Oracle's approach has also been to provide an easy and appealing transition between old and new generation portfolios, as customers' business strategies and goals dictate. The recently launched Accelerated Buyer Experience for Oracle products is a good example of how the company itself is changing how it interacts with customers. Today, Oracle is not only transforming its portfolio of solutions – it is also aiming to redefine its relationship with customers. Its goal is to become a strategic partner as organizations set digital transformation at the center of their business agendas.

June 2016, IDC #EMEA41476816
Neil Sholay, VP of Oracle Digital in EMEA, explained that the company first started noticing signs of digital transformation in Europe three years ago, as IT budgets were shifting toward lines of business (LOBs). Amid its own journey of transformation, Oracle established a team called Oracle Digital to define a strategy and market approach that will help the company tap into these new digital priorities.

It is important to point out that Oracle Digital was not set up as an independent business unit with its own revenue responsibility, but as a collaborative team that went through a cycling process to involve skilled people from various parts of the organization. The team typically consists of strategists with a digital background, UX designers, digital architects, and storytellers. The investments in Oracle Digital are considered opportunity costs necessary to increase the company’s presence and penetration into existing and new customers. More importantly, the team engages with enterprise stakeholders, particularly LOB executives. Oracle Digital conducts research and develops insight into prospects before approaching them, which means that the team takes on a technology-agnostic perspective. It develops Points of View (POVs), which demonstrate the art of the possible, and then looks for relevant industry patterns. It develops seven to eight potential use cases or customer journeys and maps the patterns to the journeys using business capabilities. These POVs and use cases are then shared with the customer, setting the basis for a dialogue based on experience rather than technology. The hope is that the POVs go viral within the customer – and once it comes to the attention of the executives, Oracle Digital comes in to host design thinking and digital mapping workshops.

Oracle’s mission is to be a strategic partner for organizations moving through the digital transformation journey. These types of engagements put Oracle on the borderline of its own partner ecosystem. The company has traditionally relied on business and technology partners that encourage creative thinking around digital opportunities. And although it would seem like Oracle Digital is taking opportunities away from its partners, the company argues this approach is doing the exact opposite: it is introducing new opportunities that the IT services providers can benefit from. Oracle has also invested in augmenting its partner ecosystem, working not only with the IT practices of the major SIs but also with their digital practices. Oracle’s partnership with Accenture Digital is proof of this, as well as its strengthening partnerships with digital agencies such as SapientNitro and DigitasLBi.

Siemens KAIROS: Exhibiting Digital Transformation

All industries are undergoing digital transformation, but the manufacturing industry in particular is being exposed to rapid change. Digitalization is driving a profound rethink in the way business processes are run: business-to-consumer (B2C) industries such as consumer packaged goods have already realized the impact of digital transformation on their processes. But this applies to business-to-business (B2B) companies as well, as they are trying to rethink completely the way they manage customer relationships. An example of how Oracle is leveraging its partner network to help B2B companies embracing the digital transformation is in the B2B commerce portal Siemens is working on with Oracle Digital and SapientNitro.

In partnership with SapientNitro, Oracle Digital worked with Siemens to develop a platform currently called KAIROS. The primary challenge Siemens needed to overcome was improving its abilities to monitor the customer experience at each stage of the buying journey (via a multitude of touch points both online and offline). Oracle discovered through a customer survey of B2B respondents that there is a growing appetite for procuring Siemens equipment and services online if it were possible. Using the industry patterns taken from the retail sector, Oracle Digital and SapientNitro introduced a solution that would not only deliver products and services in an ecommerce context, but could also provide new insights and revenue streams from third parties on the platform.
The first stage of the implementation (KAIROS release 1) will go live in 2017 and is primarily focused on getting the ecommerce platform operational. The following releases support the integration of the enterprise applications and the smart network Siemens is building in parallel. In essence, besides being a B2B ecommerce platform, KAIROS will function as a collaborative environment between sales, resellers, and customers. It will enable the business to do predictive maintenance, identify failures before they do any damage, and provide relevant recommendations and pricing to customers.

To Siemens, KAIROS is a very strategic initiative, and it expects that half of the investments it spends will be paid back by the first year. Since SapientNitro and Oracle are the vanguards of this initiative, Siemens has decided to launch the core platform on a full stack of Oracle cloud products and allow SapientNitro to support the implementation. The key to this partnership is that it introduces a range of new opportunities for both companies. In particular, Siemens recognizes that in order to optimize its investments in KAIROS, the company will need to evolve its business processes using supply chain management tools and infrastructure.

**Oracle IT Capabilities Supporting Digital Transformation**

It is rare to find organizations making the type of investments similar to that of Siemens: the majority of businesses start small, looking for projects that have an immediate impact on operations. IDC's 2016 European Digital Survey (n = 308) shows that 48% of organizations identify "operational efficiencies" as the key investment priority for their digital transformation strategy, compared with 28% for "customer experience" and 23% for "new products and services" (see *Digital Projects in Western Europe, 2016, #EMEA41271216, May 2016*). IDC believes Oracle's new portfolio of solutions can tap into this trend and help organizations pursue their digital transformation strategies by evolving their business process and IT infrastructure first.

**Moving the Supply Chain to the Cloud**

Like Siemens, organizations going through transformation, both big and small, will recognize an urgency to renew the solutions they use. Supply chain management tools need to be ready to connect a range of new data sources coming from either internal or external information systems. Oracle's new cloud supply chain solutions are being designed in the right way to support this. When it comes to process execution, cloud is a real game changer, and the benefits are not in the deployment mode, which favors operational over capital expenses, but in the business capabilities it enables. The move to software as a service (SaaS) translates into more flexibility, and it allows users to move their operations to the latest standards and connect to more relevant data sources. This is the capability most manufacturing firms lack today.

Oracle is not the first company to address the cloud-based supply chain application market, but when the giant in Redwood City, California, moves with its scale, effort, and focus in this direction, the market perception will be significantly changed. This is making the cloud the de facto deployment model for supply chain applications. Oracle's cloud value proposition is not restricted compared with the on-premise application stack, and it includes the complete spectrum of supply chain functionalities such as production planning, supply planning, manufacturing, transportation management, product life-cycle management, all the way through to commercialization, with a consumer-grade UI. Oracle's supply chain suite primarily targets high-tech and industrial manufacturers, which makes sense considering discrete assembly has traditionally been its sweet spot. Oracle will continue to support existing customers using on-premise tools, but going forward the company's long-term product and innovation strategy is openly cloud-centric.
Facilitating the Move Toward Infrastructure as a Service

Organizations undergoing digital transformation like Siemens can benefit from utilizing all cloud stacks (SaaS, PaaS, and IaaS). Considering most digital transformation strategies are being driven by the business, it often becomes very SaaS-focused with little regard for IT infrastructure. A focus on SaaS, however, often only improves the experience of a single user group and limits an organization's ability to scale digital across the business. IDC believes organizations need to support their digital transformation initiatives by adopting solutions that can help evolve the existing IT environment.

Oracle’s infrastructure offerings include a range of public, private, and hybrid deployment options. The public cloud IaaS solutions offer a range of compute (elastic and dedicated), network, and storage services, allowing users to benefit from performance and scale enhancements without any up-front investments. More interesting is Oracle’s latest offering named Cloud at Customer, which proposes to solve on-premise/public cloud dilemmas faced by many organizations.

Cloud at Customer software enables organizations to move their data and systems from their own datacenters to Oracle Public Cloud services seamlessly, creating an environment where both models can coexist. It can be run into the customer’s own datacenter behind the firewall at the same price of Oracle Public Cloud and without the inconvenience for the enterprise to own and maintain the hardware, letting Oracle act as a service guarantor with the additional benefit of having it delivered at the same cost of an Oracle Public Cloud offer.

Oracle wants to facilitate the migration onto cloud of those organizations that have yet to commit by addressing and removing two major impediments: workload portability and security. Companies which operate in highly regulated sectors and deal with sensitive data may see this as a good way to start scaling their digital transformation initiatives across the broader organization.

FUTURE OUTLOOK

Oracle has defined an aggressive expansion strategy across Europe. The company recently announced it will be growing its “dedicated-to-cloud” sales force by 1,400 and increase the investments in cloud products and services for the European market. Specifically it is committed to drive cloud adoption across EMEA by focusing on security concerns. Yet, Oracle is going beyond simply selling cloud software: the proposition is to become the strategic partner of choice of organizations embracing digital transformation strategies.

Oracle Digital is a great example of this as it challenges the paradigm of customer engagements. It focuses on building a business relationship, understanding digital transformation challenges and goals, and supporting by looking outside Oracle’s standard list of offerings. Realistically, this approach would not be feasible for all customer types, but gaining customer insights in terms of their digital transformation maturity and goals is a good way to start.

IDC believes Oracle’s current value proposition would resonate with these three digital maturity classifications:
• **Digital innovators.** Organizations that have taken a digitally enabled customer-centric and innovation approach to digital transformation will need to facilitate operational process agility and employee engagement. Take, for example, a company in the industrial machinery sector that develops connected products. The goal could be, besides collecting data for Big Data initiatives, to improve its customer relationship by guaranteeing machine uptime. However, this will require more than merely applying sensor technology to the equipment. Remotely detecting an anomaly in machine behavior and predicting the imminent failure have no value when the supply chain process—with the maintenance crew and sourcing of spare parts—is not agile enough to respond to a sudden request. In addition, relevant and timely information on machine behavior needs to be available to business leaders who are at the forefront of customer interactions. They need timely information that is scripted at their right level to be able to fulfill their tasks. Most of the time, companies do not have the right business application to run these processes in the "new way." As such, these companies need a way to rapidly implement business applications to be able to reap the full potential of their digitally enabled customer experience strategies.

• **Incremental innovators.** To reiterate, for most businesses, the digital transformation journey starts small in terms of scope and objectives. Sometimes it is initiated as a cost reduction effort; other times as a means to empower a specific business function. Oracle’s cloud proposition caters to both scenarios and can support customers looking for a quick way to revamp operations or add new cloud capabilities to the existing technology stack. In particular, this can apply to midmarket customers looking for a cheap and innovative way to revamp their supply chain and operations portfolio, as well as to bigger enterprises that want to add new cloud capabilities to their existing on-premise stack. Another situation is when enterprises want to proceed with a two-tiered approach, looking at cloud to provision specific local branches, business divisions (e.g., one specific product line), and operational processes (e.g., supplier relationship management) while retaining application consistency, maintaining common business practices, and standardizing reporting. Oracle can support these organizations to understand which business objectives are feasible and how technology can help. More importantly, it is critical these organizations realize that a siloed approach to digital transformation is likely to fail. Educating customers on best practices and the importance of a companywide information strategy (with the appropriate infrastructure) can help Oracle position itself as a strategic partner for the future.

• **Digital laggards.** IDC has found that one in five European organizations can be classified as digital resistors (see [IDC MaturityScape Benchmark: Digital Transformation in Europe, IDC #DTS03X, August 2015](https://www.emid.com/)). We believe this is not only a matter of leadership but also due to technical barriers created by a massive number of customizations in legacy systems. Oracle’s value proposition can be extremely relevant to these companies, regardless if they are Oracle customers or not. Rip-and-replace will be one of the first great undertakings for these organizations in order to reset the IT landscape, which may ultimately end up in giving Oracle the responsibility for maintaining IT operations, leaving customers focusing their IT money on value-added activities. Key for Oracle is the capability to (re)build these customer relationships from the ground up, concentrating on understanding ambitions, identifying stakeholders, partnering with internal champions for change, setting expectations, and making them easy to understand.

---

**LEARN MORE**

**Related Research**

- *Digital Projects in Western Europe, 2016* (IDC #EMEA41271216, May 2016)
- *Where Should Vendors Position Services Capabilities to Win in Digital Projects in Europe?* (IDC #EMEA41226916, May 2016)
• Aviva’s Digital Transformation Journey to Become a Digital Insurer (IDC #EMEA40394915, March 2016)


• IDC MaturityScape Benchmark: Digital Transformation in Europe (IDC #DTS03X, August 2015)
About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

IDC Benelux (Netherlands)

Transformatorweg 80
1014 AK Amsterdam
The Netherlands
0031.20.4089.500
Twitter: @IDC
idc-community.com
www.idc.com

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or Web rights.

Copyright 2016 IDC. Reproduction is forbidden unless authorized. All rights reserved.