

Oracle Invests in O&G Customers

By Robert Mick

Summary

One of the effects of the many Oracle acquisitions has been to build strength in a number of industries that were not the company's traditional strength. In fact, Oracle's top management has made it clear on a number of occasions that filling industry solution gaps was an important considera-

Traditionally, Oracle had an image of being more oriented toward discrete manufacturing industries than process industries. However, acquisitions and investments in industry solutions have been changing the reality. The Oracle Oil & Gas Industry Team recently updated ARC, describing their strategy along with solid examples of value.

tion for most of their acquisitions - the most obvious exception is the acquisition of general-purpose technologies.

However, strengthening a specific industry presence on an Oracle scale requires more than just products. It also requires an executive team, with a global perspective, industry expertise, partners, support, and a roadmap for creating and delivering industry solutions. Oracle has been building up its process industry group and the Oil & Gas team recently updated us about their strategy and recent progress.

How Does Oracle Fit into the Oil & Gas Industry?

Many still think of Oracle as a technology company (database, integration, security, portals, etc.) with applications that have a discrete orientation, but that is a bit too simplistic. The company's oil & gas industry presence is a good example.

In general, SAP has a dominant "ERP" market share in the oil & gas industry and this is not going to change in a big way. When looking for new solutions, most IT organizations would rather first check out SAP application offerings. Furthermore, "ERP" has evolved well beyond just financials and human relations, and SAP has many solutions for the company's oil & gas customers.

Then how does Oracle fit into the oil & gas industry? Of course, Oracle's continuing technology market strength, such as the Oracle Database, gives



the company an oil & gas industry presence. Beyond the technology, Oracle's acquisition strategy also gives the company a presence in oil & gas in several non-ERP applications. For example, Oracle Siebel CRM, Primavera for project portfolio, Oracle Crystal Ball for risk management, G-Log for logistics management, Mantas for trade surveillance, and Hyperion for strategic and capital planning. Oracle's web site (<http://www.oracle.com/us/industries/oil-and-gas/index.html>) states the company's presence in terms of the number of oil & gas companies using Oracle Applications, but since ARC does not research all the included market segments, we cannot transform that into market share. In any case, it does mean that Oracle has some level of contact with lot of big and small oil & gas companies.

I must note that not all of Oracle's process industry offerings are from acquisitions. Oracle E-Business Suite has considerable process industry capabilities and is used in oil & gas.

Investing in an Oil & Gas Strategy

Having products for an industry is the first step in strengthening an industry presence, but oil & gas customers want more. For example, in addition to normal functional requirements, customers want industry specific solutions that can be tuned for their business. They want products used by industry peers so suppliers can afford to enhance them. They want a forum to collaborate with their peers. They want input to product and service planning. They want support that knows their industry needs and priorities. And there are others. Overall, and perhaps most importantly, customers want to be confident that suppliers are interested in and intend to invest significantly in their industry.

Little of this comes along with acquisitions at a level needed for a company the size of Oracle. The Oracle Oil & Gas team agrees that this is what they are building. One observation is that the Oracle Oil & Gas team size has been growing, bringing in people from the industry to help formulate strategies, solutions, and priorities in collaboration with partners and customers. Oracle's membership on the National Petroleum Council gives it a prominent position in the industry and is a good indicator of Oracle's industry interest.

Partnering

Oracle addresses partnering from two perspectives. First, Oracle has a large third-party partner community and tools to support it. The Oil & Gas team is identifying partners that provide industry-specific strengths to enable customers get help quickly, as well as build an industry community.

The second perspective deals with Oracle's interaction with its oil & gas customers. An Oracle key account program is already in place, through which the Oil & Gas team engages customers, providing customers a private setting for providing Oracle with input. Oracle is also establishing the foundation for a Global Oil & Gas Council, in which customers can collaborate with Oracle in collective ways.

Strategic Solutions

Overall, the Oracle Oil & Gas team segments the industry into the familiar upstream, midstream, and downstream areas, and is developing specific solutions for each area. For example, one solution is the Digital Oil Field, leveraging Oracle Site Hub, Oracle information management, analytics, business process management, and other components. Customers have already deployed this solution. Another is the Trading Platform of the Future, intended to modernize existing trading platforms.

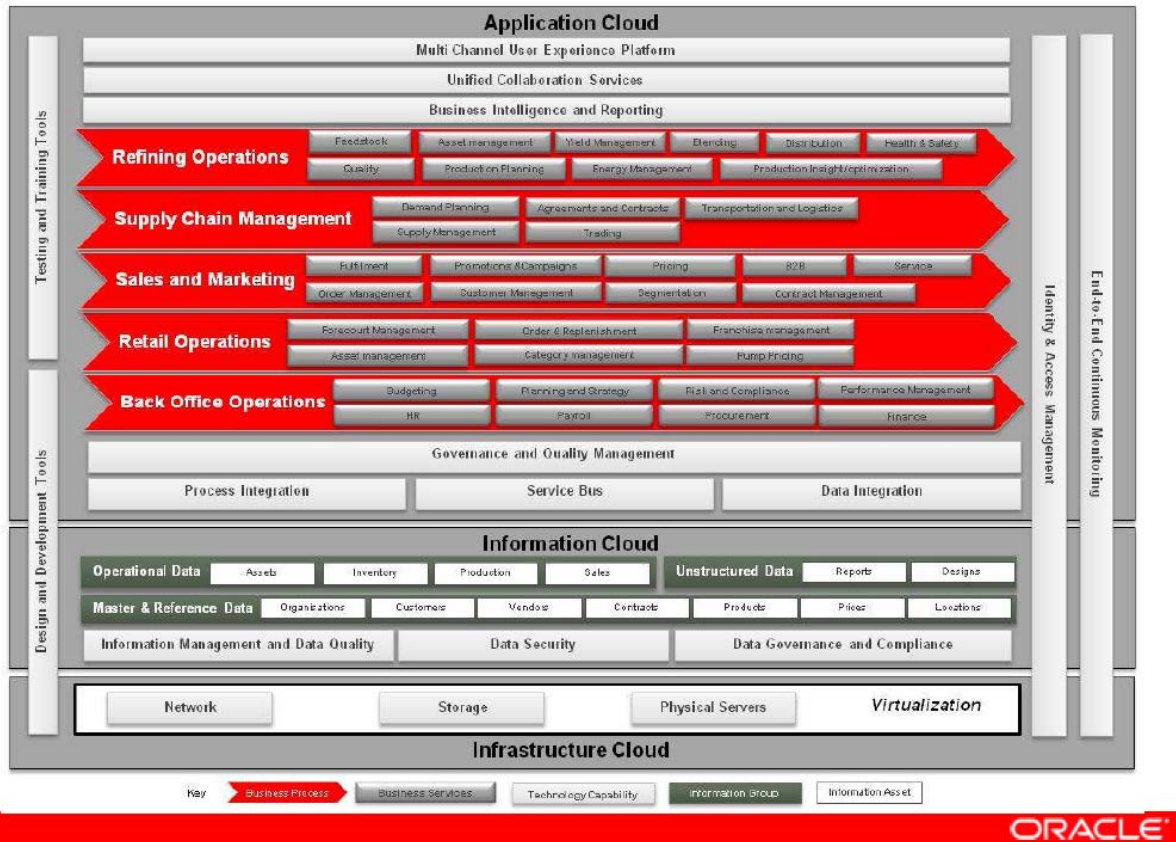
Importantly, the team reports that these solutions are more than just collections of generic products. They include specific business processes, configurations, and other elements that capture industry best business processes and save customers implementation cost and time.

Industry Reference Architectures

To facilitate industry engagements, Oracle's Oil & Gas team is also creating reference architectures that map Oracle solutions onto industry segment needs. While not easy to read in this report, the example on the next page gives you an idea of what an Oracle Industry Reference Architecture contains.

These architectures serve multiple purposes. For example, they provide a tool for Oracle to overview solutions consistently for the industry. They also provide a context for interacting with customers at a macro level, identifying customer priorities and needs before diving into product details. In a final example, they provide a context for high-level discussion in industry councils and other user meetings where solution roadmaps are discussed.

Downstream Oil & Gas Reference Architecture



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Conclusion

The oil & gas industry is a challenge for Oracle because of SAP's large ERP market share here. However, acquisitions have increased Oracles activities in the industry and now the company is being very clear and visible about its plans for supporting and engaging the industry. From our perspective, this increased visibility and investment in the industry is important for Oracle and, of course, good for customers.

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