Oracle intensifies cloud competition in Australia
Ovum view

Summary

In February 2017, Oracle announced the expansion of its cloud coverage in Australia, with Oracle Cloud Platform services being made available locally. This is part of Oracle's investment expansion aimed at taking on global cloud leaders AWS and Azure at their own game of regional presence. Oracle has also been offering its suite of software-as-a-service (SaaS) in Australia, allowing it to become the only service provider that offers (its own branded) three layers of cloud services (e.g., IaaS, SaaS, and PaaS) in Australia. This comes at a time when an increasing proportion of enterprises in Australia are moving from a cloud-first to a cloud-only strategy. Demand is also growing for local data centers as data residency requirements and latency issues become more challenging. Despite the very competitive nature of the Australian market, Ovum believes there is a room for another full-fledged cloud provider with overall five-year CAGR for public cloud close to 18%, according to Ovum's IT Services Market Forecasts: Cloud Services, 2014–20.

Australia at the heart of cloud battle

Cloud data centers are capex-intensive investments, and global service providers have been very selective in the countries they are willing to place their bets on. Australia has been very successful in attracting early cloud data center investments, with AWS, SoftLayer, Azure, CenturyLink, Dimension Data, and Rackspace all having been established there for a few years now. These providers also have multiple data centers in Australia. In late 2016, Google committed to opening a data center in Australia over the next 12 months. The attraction of Australia is several-fold: It is the most mature market in the Asia-Pacific region, its domestic market is large enough to allow multiple providers to thrive, and its proximity to Asia allows it to service an extended geography.

However, several service providers have withdrawn from the Australian market as they lacked the right cloud framework and model that would have allowed them to scale. While the market is growing rapidly and is highly mature (in terms of the way buyers leverage and buy cloud), that does not give any service provider carte blanche to enter and succeed. There are many barriers and challenges, including a savvy enterprise market, pricing power erosion, and the general intensely competitive nature of the Australian market.

The Australian cloud market playbook

Entering a fast-growing and mature market like Australia is not a guarantee for success. The following are some factors new players should consider:

- **Find your market or niche.** While Oracle will attack the entire spectrum of the cloud market, its early intention and focus will be on Oracle workloads. This has largely been an untapped market with most of the early migration being new production (e.g., digital and mobile), moving away from Microsoft workloads and others. Oracle will be the natural cloud service provider for enterprises that are looking to move their Oracle software and surrounding non-Oracle workloads into the cloud. It will also attract emerging agile startups with aspirations to accelerate quickly and leverage SaaS and PaaS as required. A new player interested in entering Australia in a big way should carefully select a segment of the market where it...
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believes it has a competitive advantage – such as a vertical or certain workloads where it has a long track record of success.

- **Channels to market should be a core part of the strategy.** There is probably no such thing as "enough channels" for public cloud as scale is important for a sustainable long-term model. Oracle has an extensive partner ecosystem in Australia for its suite of products and solutions that it can tap into immediately, but it needs to retrain those partners and provide them with the proper incentives. Other new players should consider a whole range of entities, including consulting firms, system integrators, and telecoms service providers. A partner ecosystem should be core to any public cloud services strategy.

- **Seek support from the developer community in Australia.** New production (e.g., digital and mobile applications) remains the early mover into the cloud and is one of the most exciting opportunities for public cloud, especially as enterprises accelerate their digital initiatives. Australia also has a burgeoning startup scene in Sydney and Melbourne that requires an agile cloud environment for testing and development. Building a strong program that includes mentoring, boot camps, and innovation days, among other efforts, to support developers can be a competitive advantage. A PaaS offering that is easy to digest and consume would also be just the thing some developers are after.

- **Professional services capabilities for critical accounts.** While a broad and extensive channel can take care of the need to build up professional services capabilities, new service providers should consider building an organic professional services team or capabilities, especially if they want to attack the market at the top end of town. These are usually more complex and require working closely with enterprises to define a proper migration framework. Professional services capabilities should include not only consulting but possibly the entire cloud lifecycle services.

Oracle Australian cloud bet should pay off

While Australia has witnessed the arrivals, and equally hasty departures, of public cloud providers. Ovum believes Oracle has a strong chance to succeed as long as it plays its cards right in a very competitive environment.

- **A one-stop-shop approach to cloud.** While not many enterprises globally will use a single service provider for all their cloud needs, there is definitely a trend toward consolidation of service providers as enterprises look for easier manageability and integration. The ability of Oracle to offer all three layers of cloud in Australia might appeal to some enterprises, especially if they have had a satisfactory relationship with Oracle.

- **Excellent brand recognition but not yet for cloud.** While Oracle enjoys strong brand recognition with IT buyers, it doesn't have the same visibility as AWS or Azure when it comes to cloud, especially for IaaS and PaaS. While its immediate focus is on Oracle workloads, where Ovum believes it might have a natural competitive advantage, if Oracle wants to be competitive elsewhere, it would need a serious marketing campaign. This should include over-the-line marketing campaigns (e.g., industry events) and a strong digital campaign. The general IT buyer does not view Oracle as a tier-1 IaaS or PaaS provider in Australia for the moment.

- **Channel training and "conversion" must be quick.** This industry has seen so many failures because service providers do not act fast enough. One of Oracle's key assets is its
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channel ecosystem in Australia; the challenge now is to convert those partners to the cloud channel as quickly as possible. Training and support should be Oracle's top investment priority as many of the key partners will need to be retrained in executing large-scale Oracle workload cloud migration.

The cloud-only mantra Australian enterprises are slowly adopting means that Oracle and any new service provider have all to play for as the industry is poised for strong growth. It also requires a huge amount of new investment as this is an industry that has had too many casualties as a result of a half-hearted approach.

Appendix

Further reading

IT Services Market Forecasts: Cloud Services, 2014–20, PT0071-000001 (December 2015)
Cloud Strategy Snapshot: Vodafone, TE0005-000864 (November 2016)

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