Oracle fills out the Cloud at Customer portfolio
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Ovum view

Summary

Oracle just passed another milestone in expanding its cloud business with the filling out of its Cloud at Customer portfolio to achieve equity with its public cloud offerings. The product set, built around Oracle engineered systems, replicates the Oracle Public Cloud behind the customer's firewall. While Oracle does not yet match Amazon's breadth of cloud services or global footprint, Cloud at Customer fills a gap unserved by Amazon, addressing demand for the operational and economic model of cloud from customers whose policies require data to be maintained on premises.

Productizing the private cloud

While "private clouds" were initially considered an oxymoron, demand for cloud-based solutions that can exist within the four walls of the enterprise is real. In many sectors, regulatory constraints, especially around customer (or in healthcare, patient) privacy, for now preclude public cloud deployment where the data is deemed sensitive. Admittedly, the boundary between data that must be kept on premises and that which can be stored in public clouds will be subject to change, as public cloud providers document their security measures and relevant certifications and extend their physical presence to more countries. Compliance with mandates such as General Data Protection Regulation (GDPR) will prove a moving target as regulations become formalized in each of the EU member states.

That was the genesis of Oracle's Cloud at Customer portfolio, built around appliances branded Oracle Cloud Machine. (Our take is that Oracle should not have to brand the machines in its Cloud at Customer, because it gets confusing.) The operable concept is that Oracle Cloud Machines deliver the same environment as the Oracle Public Cloud. In effect, it delivers the equivalent of what Amazon calls "Virtual Private Cloud (VPC)" with an advantage that goes beyond that of private networking: the hardware is also identical to what runs in the Oracle Public Cloud.

Filling the gaps

Up until now, Oracle offered most of the core software-based services of its public cloud in the Cloud at Customer portfolio. To recap, those offerings spanned:

- infrastructure-as-a-service (IaaS) – elastic and virtual compute with elastic block storage
- platform-as-a-service (PaaS) – the Java, Database, Integration, SOA, and Exadata Clouds
- software-as-a-service (SaaS) – spanning the later generation of Oracle applications addressing ERP, supply chain management, human capital management, and customer experience.

What's new is that Oracle has plugged the hardware gaps. The biggest gap being addressed is a new Object Storage offering based on 128TB nodes that is Amazon-compatible; as object storage has become the de facto standard for large-scale data storage in the cloud, this was the most conspicuous gap in Oracle's initial private cloud offering. Other additions include new 40-core compute nodes (comprising 22-core Intel Xeon chipsets with 12TB of NVMe Flash storage); a new 30TB block storage increment with RAID redundancy; and new all-flash block storage that Oracle
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claims outperforms AWS for random and sequential IO performance. (Note: we take benchmarks with a pinch of salt, in that they represent snapshots in time that are only valid until the vendor’s next refresh cycle.)

There are new software offerings in the Cloud at Customer refresh that bring it to parity with Oracle Public Cloud. They include MySQL to round out the database cloud; Container and WebCenter Portal for application development PaaS cloud; Big Data Cloud offerings (to be discussed in a separate research note); Event Hub and Analytics Clouds; Identity Cloud; and GoldenGate, Data Integrator, and Internet of Things (IoT) for rounding out the Integration Cloud. The advantage for customers is obvious: they can take advantage of the Oracle cloud service of choice regardless of where they deploy.

It is difficult to mention Oracle Cloud without mentioning its chief rival, Amazon. As we have previously noted, the comparison is that Oracle is currently in build-out mode compared to its rival, which has had nearly a decade head start. It has made impressive progress given that, in the latest reporting quarters, Oracle’s cloud business has grown to nearly one-third of Amazon’s. Cloud at Customer is a good example of how Oracle differentiates itself from Amazon. While Amazon has some limited on-premises support with Greengrass (a compute appliance designed primarily as an aggregator and pre-processor of IoT data) and VPC (which virtualizes the customer’s on-premises networking environment to the Amazon cloud), Cloud at Customer now provides a full-on alternative to having Oracle manage your cloud physically within the four walls of your enterprise. While we believe that the range of data types and use cases that cannot go to the cloud will dwindle over time, there will always be some residual requirement that is necessitated by policy and/or regulation requiring data to remain on premises, and this will prove especially pertinent as organizations begin to cope with GDPR. While Amazon has offerings transcending Oracle’s (e.g., in breadth of managed databases), filling out Cloud at Customer increases Oracle’s cloud differentiation.

Appendix

Further reading

SWOT Assessment: Oracle Bare Metal Cloud Services, IT0022-000961 (May 2017)

"Oracle Adaptive Intelligent Apps translate data advantage to business value," IT0014-003262 (April 2017)

The Cloud-First Strategy of Oracle Database 12c Release 2, IT0014-003194 (January 2017)

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