Oracle reaching critical mass with SaaS business
Ovum view

Summary

The crowding of the cloud platform and services market reflects the fact that cloud deployment is moving to the front burner for most organizations. Ovum's ICT Enterprise Insights research shows that roughly 40% of enterprises plan to increase their cloud spend over the coming year. Against that backdrop, Oracle's cloud business has displayed important strength, especially with its software- and data-as-a-service (SaaS and DaaS) businesses, which have grown in less than a couple years from a handful of clients to well over a few thousand. More to the point, Oracle's functional strengths in its mix of SaaS, PaaS (platform-as-a-service), and DaaS businesses are distinguishing it from better-known players like Amazon and Microsoft, and from rivals such as Salesforce.com and SAP, whose mix of cloud offerings is more similar.

Apples and oranges

We don't believe that the cloud is a monolithic market, but instead a new option for software deployment. So we don't believe in looking at cloud as a horse race for who has the biggest raw number of customers. Instead, the more meaningful criterion is which provider offers the most breadth and depth of capability at the right price. Does your organization simply want a test/development sandbox; a standalone cloud application that supports a new or expanded function such as tracing customer engagement; or is it looking for a new home for deploying core mission-critical systems?

So, on one hand, there is little question about the market reach of Amazon Web Services (AWS), which offers core IT infrastructure services (e.g., infrastructure as a service, or PaaS), including a broad data platform stack. That is useful for IT organizations that are simply trying to avoid the lag or burden of new capital investments, but does not necessarily impact staffing. At the other end of the scale, does your organization want the flexibility of SaaS, where the application provider places all the cloud plumbing inside a black box that it manages, and in turn guarantees your organization consistent access to the latest version of the software – without the traditional hassles of upgrades? What about if you want to use the AWS cloud to provide application, business process, or data integration? The answer is the same in all three cases: it would have to be through specific third parties that offer bespoke solutions.

That's where Oracle differentiates – it offers pure IaaS, but it also provides PaaS, SaaS, and DaaS offerings that address higher levels of the value chain. The most comparable rivals are providers like:

- Salesforce.com, which offers SaaS for its CRM and related analytics applications, a menu of PaaS services, and a long tail of third-party SaaS solutions via the AppExchange;
- SAP – Oracle's closest SaaS rival – which offers specialized analytics, marketing, and a wide range of ERP-related offerings in HR, finance, sourcing, sales, service, and inventory planning, plus its next-generation S/4HANA ERP system (although that is not necessarily apparent on SAP's website); and
- Microsoft, which offers an extensive IaaS offering that has become multi-platform, and SaaS for its ERP and CRM applications.
The strength of the Oracle Public Cloud is that it complements the breadth of its ERP, HCM (human capital management), SCM (supply chain management), and CX (customer experience) applications with a PaaS offering built around its extensive middleware portfolio. There is also the recently introduced data-as-a-service offering that for now provides personalized marketing data, but in the long run could also cross-fertilize the SaaS offerings. The combination of enterprise cloud applications and middleware is what differentiates the Oracle Public Cloud from each of its rivals.

Oracle SaaS now gaining critical mass

The differentiation would be nothing more than curiosity if the offerings had scant market presence. That's where Oracle's recent growth becomes relevant; from a standing start a couple years ago, the SaaS offerings are now numbering well north of a few thousand clients. Significantly, much of the business is from midsize enterprises that weren't part of the traditional Oracle customer base; in other words, much of the ERP and supply chain management cloud business is greenfield. Ironically, Oracle's challenge may be the pace at which its current enterprise applications installed base is ready to migrate to cloud. The key will be with application upgrades; here, the advantages of the cloud are more than obvious: the vendor does it transparently, and the upgrades are more frequent, which if you eliminate the headaches of upgrade, should be a good thing. The fly in the ointment with upgrades is dealing with customizations; with its cloud applications, Oracle is taking the classic design pattern of modular architecture to modern practice by abstracting changes through configuration and APIs, which are now termed "personalization." As to the question of whether enterprises are ready to allow data to flow off-premise, Oracle is now coming out with its answer: the Oracle Cloud Machine, which is a fancy name for private cloud.

Appendix

Further reading

Oracle continues to strengthen cloud-based integration services portfolio, IT0022-000551 (December 2015)

Oracle's Public Cloud Portfolio Expansion: Nearly Complete, IT0022-000505 (September 2015)

SAP S/4HANA is a next-generation platform for the networked digital enterprise, IT0020-000136 (July 2015)

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