Oracle is making the right moves, but will that be enough for it to gain market dominance?

Ovum view

Summary

When it comes to building an adaptable enterprise, digital transformation has established the fact that IT is the game changer. Conversations have moved away from IT as a means to reduce operating costs, to IT as a major weapon in an enterprise's arsenal that enables it to be disruptive and nimble, and more competitive. At Oracle OpenWorld San Francisco, Oracle made several significant announcements that highlighted the company's commitment to building an end-to-end cloud business.

Oracle has its eyes set on winning a larger share of the cloud-ERP market

Oracle and SAP have been competing for this market for the last 15–20 years, and though SAP is currently the market leader, Oracle's recent additions to its cloud enterprise resource planning (ERP) platform pose a clear challenge to SAP's dominance. Oracle has added several features and upgrades that will improve productivity and efficiency, enhance business insight, and guide decision making in customer organizations. Some of the features announced include:

- **Digital assistants that use a conversational interface:** We saw a demo of this technology and there was a remarkable difference in Oracle's Digital Assistant's ability to understand the context of the conversation versus Siri, Alexa, and Google Assistant. An intuitive conversational interface, the Digital Assistant was able to automate many mundane tasks such as expense filing, time-sheet submission, and tracking project status, and could preempt the next logical step in the conversation based on past context (e.g., it could help an employee automate expense filing based on a question that was asked around the auto-approval limit for a team lunch). Oracle has implemented Digital Assistant in its own organization and will be taking it to more customers. From what we saw, this technology has the potential to significantly enhance user experience and improve business efficiency.

- **Intelligent document recognition:** We saw a demo of this in conjunction with the Digital Assistant, and the system was able to recognize and process invoices and has self-learning abilities that enable it to adapt to changes in invoice formats over time. This feature can greatly reduce manual errors, and time taken in filing invoices, thereby increasing efficiency and productivity.

There were some vertical-specific capabilities that were also added to the Oracle ERP Cloud to give it further appeal. These include:

- Vocado Student Financial Planning for higher education institutions that automates financial aid planning and enables real-time synchronization with federal data sources. This reduces time taken for processing academic financial aid applications and disbursement for students, and helps higher-education organizations meet compliance requirements.

- Labor Distribution for higher education, healthcare, and the public sector that allows for better cost transparency and analysis by enabling the distribution of payroll costs, reducing errors related to labor schedules, and improving audit and reporting.

- Joint Venture Accounting for oil & gas that aims to provide real-time visibility into the financial state of joint ventures by automating transaction processing and introducing role-based tools to manage exceptions. The end goal is to help improve transparency and collaboration between joint venture partners.

Other features include using analytics to derive insights using operational and financial data patterns, and solutions to monetize data from IoT devices. Customer conversations showed that interest in Oracle's cloud ERP platforms is increasing, and this is further evident in the 33% year-on-year increase in cloud ERP revenue that was reported in the last quarterly earnings release.

Other of Oracle's suite of cloud applications also saw upgrades. While its supply chain management (SCM) system got Oracle Business Network to link and simplify doing business with other companies on the same platform (taking on SAP Ariba), its customer experience (CX) platform has been given new B2B sales capabilities, while human capital management (HCM) got a link to import profiles and connect with recruiters on LinkedIn. Oracle is rolling out the red carpet to include something for each business function in a bid to attract as many enterprises as possible away from competing platforms.

Oracle is taking partnerships seriously

Oracle revamped its partner program to make it more cloud relevant

In a significant announcement at the event, Oracle stated that it has completely overhauled the Oracle PartnerNetwork (OPN) framework, doing away with the old tiering model in favor of a new one that emphasizes technology, domain, geo specific skillsets, knowledge, and expertise. The revamped OPN framework doesn't have any tiers for partners, and instead focuses on partners building certain capabilities, and on delivering business outcomes to qualify for being in a specific pillar. This new model aims to emphasize partner skills around delivering Oracle's Cloud products and Oracle has added 46 new badges (26 around SaaS and 20 on platforms) that partners can earn. This not only serves as a partner program, but also provides a framework for customers to leverage to select the right partner.

Oracle is phasing out the old tiers over the next year, and partners have the opportunity to migrate to the new pillars and "earn their badges" when they are ready. Oracle is also committing to support the partners on their journeys by providing them with tools for building the required capabilities by measuring and mapping their progress on a continual basis, and will apply previous certifications onto the new credentials. The revamped OPN provides a highly simplified and consistent framework that both allows partners the choice on whether to specialize in one area or build more of a hybrid approach that is consistent with their organizational aspirations, and also offers customers a clear set of metrics that they can use to select and find the right partner to support their move to the cloud. By doing this, Oracle has essentially leveled the playing field for small- and mid-sized partners, and by eliminating the tiers that promoted pay-to-play they will be able to bring the best-of-breed partner for specific customer needs.

Oracle announced a key partnership with Deloitte to deliver faster and more secure Oracle Cloud migrations

Oracle and Deloitte announced a collaborative sales and delivery program called ELEVATE which brings together industry, technology, and cloud expertise from both organizations to offer customers:

- a combined delivery model, governance structure, executive sponsorship, industry, and technology capabilities
- access to tools and pre-packaged vertical solutions that automate modernization and migration of applications, data, and workloads to Oracle, non-Oracle, or hybrid cloud
- baked in security, regardless of existing/desired customer infrastructure and application ecosystems.

This partnership is tied into Oracle's push to establish itself as the most secure, open, autonomous cloud platform for customers across the globe. By stitching together Oracle's ability to automate large portions of the cloud migration process and Deloitte's ATADATA cloud discovery and automation platform, ELEVATE can greatly minimize time-to-market for customers migrating core Oracle applications to the cloud.

Oracle is deepening partnerships with Microsoft, VMWare, and Box

Oracle announced that it is extending its partnership with Microsoft to include integration between Microsoft Teams and Oracle Digital Assistant which will enable enterprise customers to query various Oracle cloud applications through a text chat facility. This is an extension of the cloud interoperability partnership that was announced in early July, which originally included interconnection between the two vendors' clouds in East US and London. The extended partnership brings interconnections in West US, Europe, and Asia, as well as for government customers in the US. This interconnection agreement allows enterprises to seamlessly connect Azure services, like Analytics and AI, to Oracle Cloud services, like Autonomous Database and Digital Assistant, to derive greater depth of business through a highly optimized, best-of-both-clouds experience.

Oracle also announced that it will support Oracle workloads running on VMware, and will also allow customers to run VMware workloads in its cloud while retaining full administrative access. Many large enterprises run massive amounts of on-premises workloads on VMware and would eventually want to port these to the cloud in the fastest, simplest, and most secure way possible, and this is where Oracle is planning to win these customers over to Oracle Cloud Infrastructure (OCI).

Oracle announced that it will offer integrations for its own and third-party applications (both cloud and on-premise) and workflows to use Box's cloud storage services. Through this integration, enterprise customers will be able to leverage Box's unified content management layer to enable secure collaboration and workflows around multiple business processes' content in the cloud.

Oracle is committed to becoming a digital enterprise

One thing that stood out during the course of the event is the fact that Oracle is going all out to pivot the business from being a product-oriented to a services-oriented one. Conversations with key management across the consulting, delivery, and partner organizations reinforce this message – each

part of Oracle is transforming itself to support the wider organizational vision. Conversations with customers and partners showed that this pivot is resonating with the market. Oracle also introduced an Always Free tier of its Oracle Cloud Infrastructure (OCI) and autonomous database to attract students, start-ups, small businesses, and developers into the Oracle ecosystem, and the company expects to gain further momentum as it bakes in more elements (such as AI, autonomy, and analytics) into an integrated cloud-based offering spanning hardware, software, and services.

Oracle has also pivoted its business to the cloud – in essence transformed itself into an agile, cloud-based business. Oracle is hoping that its reinvigorated portfolio and partnerships will allow it to find a way to stem the decline and bring back robust growth. Oracle is pulling out all the stops to attract customers and partners to its products, and is taking a long-term approach to establish itself as a dominant player. However, Oracle's cloud services and license support revenue grew by a modest 4% in Q1, and overall growth was dragged down by underperformance from the cloud and on-premise license, hardware, and software units. With competition growing at a much faster clip, Oracle needs to step up its game and look at raking in some large wins in the short term, especially if these are customers that port over from competitor platforms.

Oracle's transformation in itself makes for a fascinating case study on transformation, and the vendor is rightly leveraging that story and the learnings from the exercise to woo customers. Oracle needs to provide more use cases and customer success stories to corroborate its claims around the ease, effectiveness, and significantly lower cost of moving to its platform. Many large enterprises find the proposition of replacing core systems and the resident data and business rules and moving them to the cloud daunting, if not downright scary. If Oracle can "convert" a handful of very large SAP customers, it will be able to provide references that can help tip those on the fence over to its side, but until then it needs to find a way to stem its declining revenue and profitability.

Appendix

Further reading

Framework: Service integrator transformation – how SIs meet their own digital challenges, ENS002-000094 (September 2019)

Cloud providers seek friends for their enterprise IP VPNs, ENS004-000071 (September 2019)

Advances in Customer Engagement Platforms: 2019–20, INT001-000158 (September 2019)

"Backing up enterprise software offerings with a robust services portfolio is key to differentiation," ENS002-000089 (July 2019)

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