

Survey: Implications of the 'New Oracle'

Oracle's surprise announcement last month that it wouldn't port new versions of its software to Intel's Itanium chip has caused an uproar in the enterprise server segment of the industry. Why is Oracle dropping Itanium such a big deal? It's because Oracle, with its purchase of Sun Microsystems, is now a head-to-head competitor with former partners IBM, HP, Dell, and other server vendors.

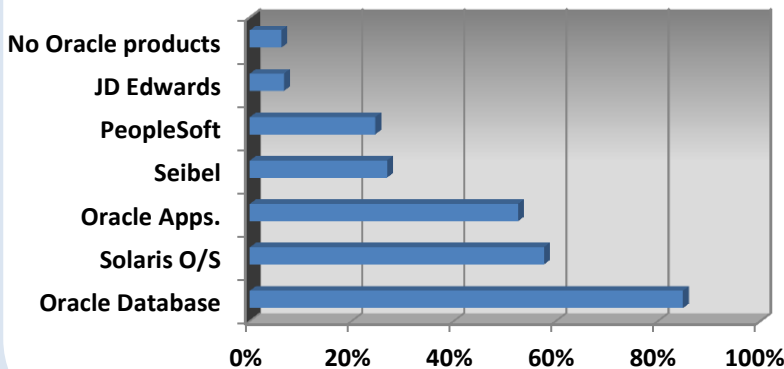
This "New Oracle," as a major ISV and system vendor, could potentially use its power as a key software provider to give unique advantages to its own hardware products while disadvantaging competitors. Many argue that Oracle is already doing this with their software pricing, while others say that it's just business as usual in a dog-eat-dog industry.

We wanted to find out how real-world customers feel about Oracle's move, the motivations behind it, and its implications for the industry and their own organizations. More than 450 enterprise IT customers shared their thoughts with us in our **"What's Up With Oracle?"** survey. (Survey demographics and methodology are available [here](#).)

Our [first set of results](#) discusses what customers think about Oracle's motivation. In the [second set](#), customers tell us what they believe Oracle will do next. The [third](#) shows which potential Oracle moves customers think would pay off for the company – or not. What we've found so far is pretty clear: customers strongly believe that Oracle dropping Itanium was a competitive move against HP, and that it's just the first move in a strategy to put other platform competitors (IBM, HP, RedHat, and others) at a disadvantage.

Now, we're releasing results on the last and perhaps most important section of the survey. We ask customers whether their opinion of Oracle has changed; if it's changed, in what way; and where their level of satisfaction with Oracle as a vendor stands. Essentially, we're trying to figure out whether Oracle's aggressive moves have put them in a better or worse position with customers...

"Are you a current Oracle customer? If so, which products do you have?"

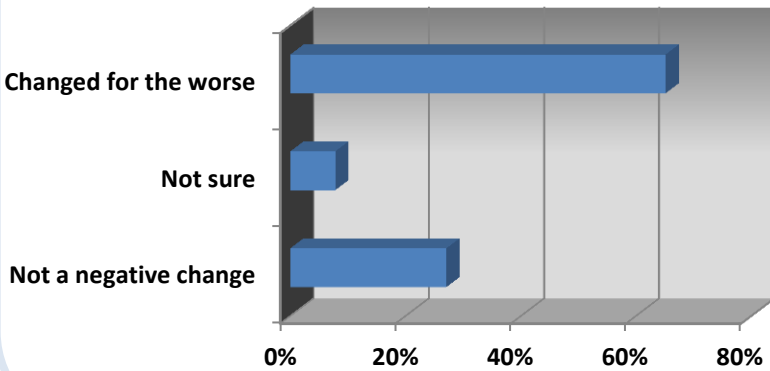


First, how many of our respondents are current Oracle customers? Overall, 94% of our respondents have at least some Oracle products in their data centers. The largest percentage have Oracle's database products, while almost half have at least some systems running the Solaris o/s.

We saw a large proportion of customers relying on Oracle's business management products, ranging from just over half with Oracle Apps to 7% running Oracle's JD Edwards software.

Our next question asks if any of Oracle's statements or actions over the past several months have changed their opinion (and their organization's opinion) of Oracle...

"Have any of Oracle's recent actions changed your opinion of the company? If so, how?"

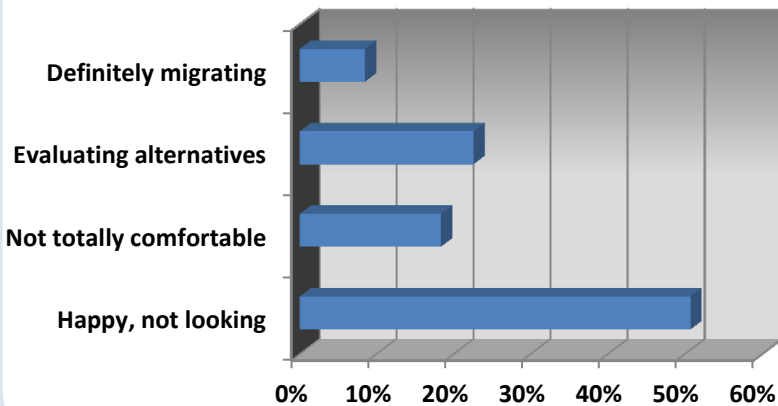


This question wasn't couched in terms of the recent Itanium move – the majority of respondents aren't affected by it. Still, 65% report a more negative opinion of Oracle over the past several months.

What's worse is that a significant number of 'Not sure' and 'Not a negative change' respondents (15% and 20%) used the comment box to say that their opinion of Oracle hadn't changed because it was already negative.

A customer not 'liking' a vendor isn't unusual – although the level of dislike and distrust we're seeing with Oracle these days is much higher than we've seen before with any vendor. But what really matters is what, if anything, customers do about it. If it gets bad enough, customers will find alternatives. Given this, what are customers thinking about major Oracle products these days? Starting with the more specialized first...

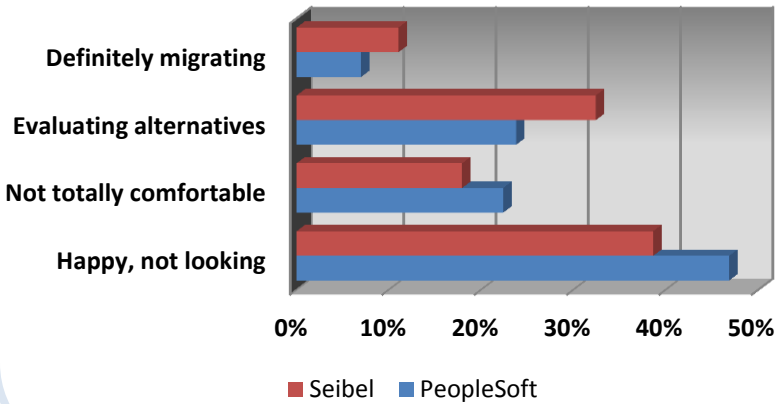
Current Status: JD Edwards



We had only a small number of respondents using JDE (a little less than 50), but it's a large enough sample to provide credible and interesting data.

As can be seen on the chart, about half are happy and not looking to make a move at this time. This seems a little low to us, but it stands out as the highest ranking among the Oracle products we asked about.

Current Status: PeopleSoft & Siebel

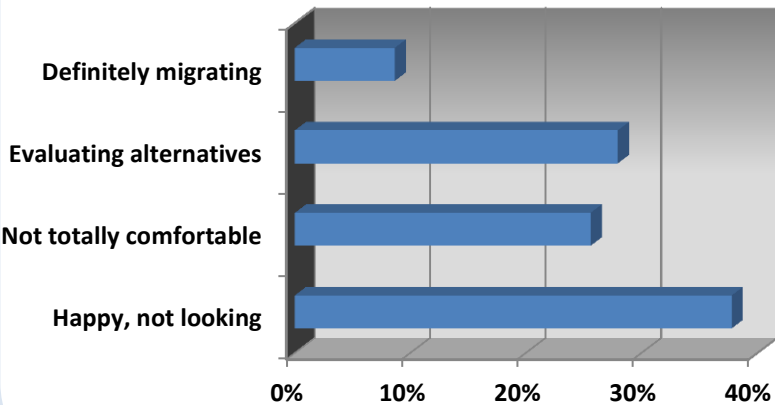


Our survey brought in more than 150 users each for Oracle’s PeopleSoft and Siebel packages. Customer commitment to PeopleSoft is a bit stronger, with 47% in the ‘happy’ camp vs. 39% for Siebel.

However, both packages have significant ‘Danger Zone’ numbers (‘definitely migrating’ + ‘evaluating’ responses) of 31% for PeopleSoft and 42% for Siebel – which should be troubling for Oracle.

We also saw more than 250 Oracle Applications users in the survey. We didn’t drill down into whether they were using Financials, HRMS, CRM or any of the other wide range of functional and vertical modules.

Current Status: Oracle Apps.

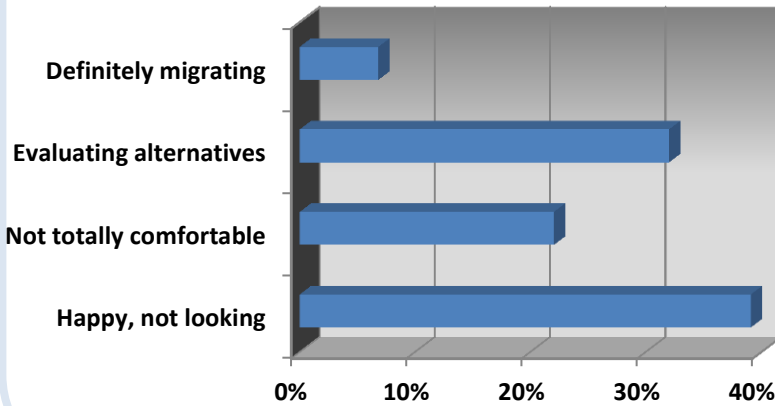


There’s more weakness in the Oracle Apps business than we would have anticipated before running the survey. Only 38% of these customers report they are ‘Happy’ and not looking at alternatives.

More than a third (37%) are in the Danger Zone, where they’re either actively looking for a substitute or have made the decision to migrate away.

While applications are definitely an important component in Oracle’s software empire, it’s still their database and associated middleware that provide the bulk of their revenue and profits. According to their latest full year financial results, database and middleware accounted for 72% of new license software revenue compared to 28% for application software.

Current Status: Oracle Database

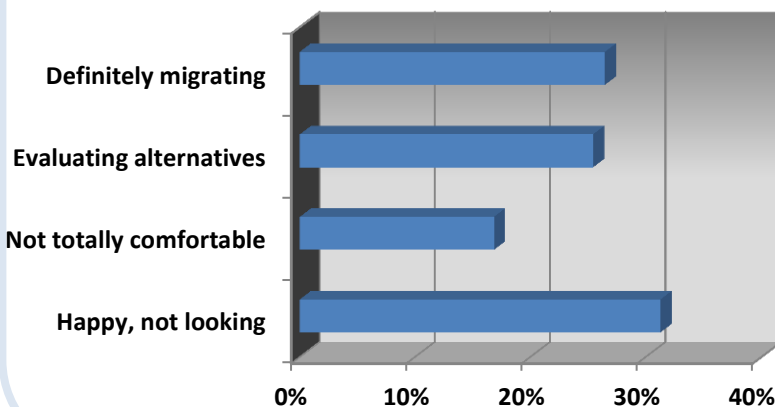


39% of our survey respondents say that they're happy with Oracle's premier product and aren't looking to replace it. It's surprising that this number isn't higher.

But it's more surprising that another 39% of these respondents are in the Danger Zone of actively searching for alternatives (32%) or migrating away from Oracle (7%). While moving from one database to another isn't trivial, it isn't the frightening task that it used to be, either. These numbers should be cause for concern at Oracle.

Software still provides the lion's share of Oracle's revenue and margins in their post-Sun 'New Oracle' configuration. But the hardware that Oracle bought with the Sun purchase seems to be the key piece driving Oracle's strategy. In other words, Oracle's statements and actions are geared toward getting customers to adopt integrated all-Oracle solutions, with platforms (hardware and o/s) at the base, then database, middleware, and Oracle application software completing the stack. So how are customers viewing Oracle platforms these days?

Current Status: Solaris, Solaris x64, Oracle Linux



Operating systems are by far Oracle's weak link; a stunning 51% of our respondents say that they're either actively looking at alternatives (25%) or definitely migrating (26%). These results correspond to what we're seeing in our soon to be released 2010-11 Unix Vendor Preference Survey.

Are they truly going to lose 51% of their o/s installed base in the near future? Probably not, but a very significant portion of that base is certainly at risk.

We believe that the charts above go a long way toward explaining Oracle's strategy and recent actions. Even though Sun's hardware business was the weakest of the major system vendors, there is still a huge installed base of Solaris systems in the field. Oracle has a set of dominant enterprise software that they believe is incredibly sticky. If they could use that software to lever customers into their hardware, their deal size and wallet share goes up substantially. But the key is: how to do it?

What customers see so far is all stick and no carrot. Dumping Itanium is a huge stick across the back of HP's Integrity Unix customers. Oracle, and many industry observers, would naturally assume that these customers will take the route of least resistance and simply migrate those Oracle workloads over to Oracle Solaris-based systems. There are very few Unix customers out there who have standardized on only one flavor of Unix – so where customers have HP-UX, they typically have Solaris somewhere as well. So what are the HP-UX customers in our survey going to do? We asked them.

First, it's important to note that this survey was taken only days after the Oracle announcement. Most customers have 18 months or more before they need to act. Making decisions about enterprise-level software is serious business, and it can take quite a bit of time for the customer to evaluate their needs and desires and weigh all their options. So asking them what they're going to do now – days after they first found out that they'll need to do something – isn't very fair of us.

That said, we can say one thing for sure: they're not looking to move to Solaris or Oracle hardware. The number of customers who said they'd do that rounded to zero. That's right – zero. Some are thinking they might migrate the workload to x86; a small number may move to an AIX platform; but a large number – the majority on every Oracle product except the database – said they were going to migrate to a non-Oracle software solution.

So at this point at least, it looks like Oracle isn't going to get the results it's anticipating from dropping Itanium. Not only are HP-UX customers not going to move to Oracle systems, but Oracle looks to have significant satisfaction problems inside their existing customer base. Customers not only don't "like" Oracle, they also don't trust Oracle as a vendor or partner. Judging by what we're seeing today, Oracle is going to experience a customer backlash that will shake it to the core.

If you're interested in finding out more about this survey (demographics, expanded results, detailed GCG analysis), you can find it all on [GCG's Recent Research](#) web page or use the contact information below to reach out to us.



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