Oracle takes on IBM and HP with hardware, software and services triple play

by Arif Mohamed

This has been a landmark year for Oracle, the technology company headed by the charismatic and staggeringly wealthy Larry Ellison. Ellison, who is 65, has been chief executive officer since he founded Oracle in June 1977.

He was listed the sixth richest person in the world in 2010. And his personal wealth of $27bn is a clear indication of Oracle's success as an IT supplier.

Oracle began the year by completing its $7.4bn acquisition of Sun Microsystems. The deal transformed Oracle from a software and consulting company, into a company able to compete on software, hardware and services.

The deal gave Oracle Sun's MySQL database, Sparc/Solaris servers, plus Sun's storage hardware and flagship Java portfolio of tools and technologies.

2010 also marked the conclusion of an aggressive spending spree that has seen Oracle buying over 66 technology companies since 2002. These include CRM suppliers Siebel and PeopleSoft, middleware giant BEA Systems and storage specialist StorageTek.

Six years on, Oracle has announced the fruits of its integration work, which began in 2004 when it bought PeopleSoft, which owned JD Edwards. Although Oracle has integrated the suites of applications from each subsequent merger to some degree, but it has now revealed a suite of software, Fusion Applications, which promises to unite them all for the first time through a common middleware layer, and run on optimised hardware from the Sun acquisition.

Its Fusion Applications range of enterprise products, due out in January, will also give an upgrade path to enterprise users of Oracle's legacy CRM and other business packages including PeopleSoft, Siebel and JD Edwards.

So, at the end of 2010, Oracle, in many ways resembles its older competitor IBM, incorporated back in 1911. IBM's market capitalisation is around $175bn; with Oracle's at a very respectable $140bn. Oracle's other major rival, HP, is worth $93bn.

But it's the new product line that reveals the extent of Oracle's similarity with IBM. Oracle's product range now spans high-performance and mid-range server hardware, storage and networking, databases and middleware, operating systems, enterprise applications, licenses, services and consulting.

As IBM has in the past, Oracle now supports a number of open-source projects, most notably the Apache web server and Linux operating system. And, like IBM, Oracle now has cloud computing technologies, with the arrival of the Sparc-based Exalogic Elastic Cloud high-capacity server, an example of Oracle optimising its software to run on hardware it gained from Sun.

"Our goal is to be the world's most complete, open and integrated enterprise software and hardware company," Oracle said in its last financial report.

The company has already showed that it is determined to deliver. In September, just prior to the Oracle user conference, OpenWorld 2010, the company wowed Wall Street by reporting a 48% year-on-year jump in revenues. It reported record profits of $1.4bn on total revenues of $7.5bn in the first quarter of its 2011 financial year.

"Our software business grew strongly in all regions, with new license sales up 25%," said

Oracle president Safra Catz. "Our hardware business also grew faster than we expected with Sun Solaris servers and [Oracle's database appliance] Exadata leading the way."

Oracle's Exadata database machine continued to win new customers in the first quarter, the company said, with $1.5bn of orders in the pipeline for the full financial year.

Adding hardware

Before Oracle acquired Sun, the bulk of its revenues came from software and services. In 2009, software accounted for around 80% and services 20% of total revenues.

Post acquisition, 9% of Oracle's revenues came from hardware. Software, services and hardware systems businesses represented 77% and 14% respectively.

Oracle has matured significantly across the years, leaving far behind its reputation as "the database company".
With its middleware, enterprise applications and hardware acquisitions, the company has successfully fleshed out its product strategy to gain credibility and dominance in many enterprise markets.

The next challenge for the company will be to win its customers over to its new product integration strategy, while protecting its licensing revenues and keeping on board legacy Sun and Java users.

Integrated systems

The big message from the Oracle OpenWorld 2010 user conference in San Francisco, which drew more than 40,000 attendees in September 2010, was that Oracle can now offer its enterprise customers integrated hardware and software systems.

Alan Hartwell, vice-president, technology solutions and channels at Oracle, says that the strategy is the culmination of three five-year projects.

The first is the Exadata X2-8, a top-of-the-range database machine which packages together the Oracle database with highly efficient storage and processing hardware from Sun Microsystems.

It comes with Oracle Enterprise Linux or Oracle Solaris 11, with the former boasting Oracle's high-performance Unbreakable Enterprise Kernel, a fast and reliable kernel optimised for Oracle software and hardware.

The second of the five-year projects is Fusion Applications, modular ERP, CRM, HR, SCM and other business applications based on products that Oracle has acquired over the past five or six years.

With Fusion Applications, Oracle promises a modern, consistent user interface, and a service-oriented architecture. It promises to make it easier for IT departments to integrate Oracle components and to upgrade from legacy enterprise software systems.

Overview

The company was founded in 1997 by Larry Ellison, who was contracted to develop a relational database for the CIA codenamed Oracle. The company saw its revenues grow when IBM adopted the technology in 1981. But it had mixed fortunes up until 1990 when it faced bankruptcy.

However, Oracle hit its stride with the Oracle Database in 1992, and eventually took the business into middleware and applications. Between 2004 and 2010, the company acquired 66 technology businesses including PeopleSoft, Siebel, BEA Systems and, more recently, Sun Microsystems.
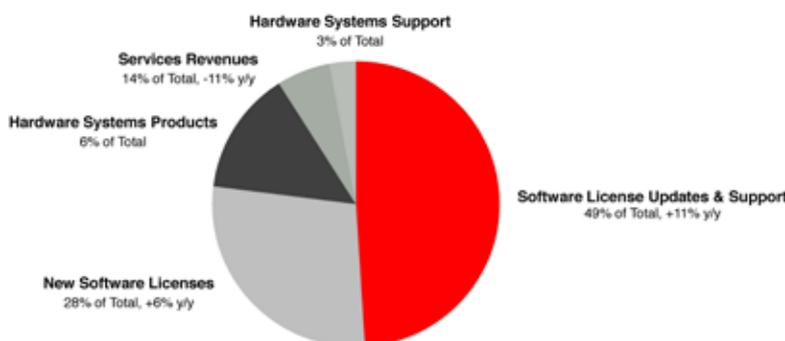
The purchases have helped Oracle to increase its market share massively across enterprise applications such as CRM, HR, BI, supply chain and project management. The company has a growing services organisation, Oracle Consulting, and is also expanding its software-as-a-service offerings.

Oracle specialises in enterprise applications, middleware, databases, servers and storage, and has 370,000 enterprise and SMB customers across the world.

Total revenues for fiscal 2010 were $26,820bn with an operating income of $9,062bn. These were both significantly up from the previous year, despite the economic downturn.

In 2010, Oracle's software, services and hardware systems businesses represented 77%, 14% and 9% of its total revenues, respectively.

Revenue
FY2010 Line of Business Distribution and Growth

Hardware Systems Support
3% of Total

Services Revenues
14% of Total, -11% y/y

Hardware Systems Products
6% of Total

Software License Updates & Support
49% of Total, +11% y/y

New Software Licenses
28% of Total, +6% y/y

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Y/Y growth rates FY 2010 vs. FY 2009 in USD.

The applications can be installed on-premise or hosted as software-as-a-service.

Tesco, L'Oréal, Accenture, and Lexis Nexis have advised Oracle on the development of its Fusion Applications. Barclays, HBO, Volvo, Nestlé, DHL, Coca-Cola and Kodak, are among the companies that have assisted Oracle with its design.

The third big announcement from OpenWorld 2010 is the hardware that will run Fusion Applications. This is what Oracle is pinning future revenues on.

This is the Exalogic Elastic Cloud server, a high-performance hardware and software product that can run all the middleware applications that an enterprise requires, plus images (snapshots of the software on a hard drive, used for backup and restoration purposes).

It supports the Linux and Solaris operation systems, Oracle VM, JRocket and HotSpot virtual machines, and the WebLogic Java application server.

With a starting price of just over $1m, the Exadata cloud server packs a huge amount of processing power. It is designed to integrate with the Exadata database server so it can store and process the huge amounts of data that the enterprise middleware produces.

"Everything you need is in that box, and everything about it is big," says Hartwell. For example, the Exalogic box supports up to 360 processor cores, has 2.8TB of DRAM memory and a 960GB solid-state disk. It has an integrated storage appliance with 40TB of disk space, a 4TB read cache, 72GB write cache and 40 Gb/sec Infiniband (a high-performance, high-bandwidth internal communications switching architecture).

The server marks Oracle's entrance into cloud computing, something that Larry Ellison had avoided. "Previously Larry has been a big naysayer about the cloud," says Hartwell. "But we have defined what we mean by the cloud: We will enable enterprise cloud computing. We don't anticipate being the new Amazon – pubic cloud – but will enable cloud to be built internally, or for companies in a sector."

Oracle's big argument in favour of adopting Fusion Applications is that the company has already integrated all the applications and the hardware for the customer. "Previously, before we bought all these companies, if you wanted that stack of software and hardware in your organisation you had to buy all the bits and put them all together and make them work. If one of those vendors changed one of those items, you had to retest it all," says Hartwell. "You don't sell all the component bits of a car and ask the customer to put it all together. That's not how it works. [Integrating software and hardware is] our vision for the future."

However, although Oracle would like to see many customers migrating to Fusion Applications, Larry Ellison said he only expects 50 to 100 to migrate in the first half of 2011, with many observing how things go before making a decision.

Market strength

Commentators argue that Oracle's purchase of Sun, and subsequent integrated hardware/software strategy puts Oracle in an even stronger position than before.

In fact, the European Union investigated the planned acquisition in September 2009, despite an all-clear from the US Justice Department. The EU was concerned that Oracle would gain unfair advantage in the database market, operating both its Oracle database management system (DBMS) and Sun's MySQL.

Ovum senior analyst Tony Baer says, "Clearly one of Oracle's strengths is its market share. There's an old saying in real estate: 'location, location, location'; and in Oracle's case, it's 'market share, market share, market share'. They have acquired a lot of companies, and market share, under [former Oracle president] Charles Phillips' watch. He came from investment banking and helped to increase Oracle's value."

Martin Mutch, CEO at Edinburgh-based Rocela, an independent Oracle consultancy, says Oracle enjoys an ever-more dominant market position. "Its increasing portfolio of products underpins the very core of contemporary enterprise level computing. From its database supremacy to its middleware strengths and applications market position, and now the Sun infrastructure and datacentre position, most large enterprises rely on Oracle technologies to run their businesses."

He believes that Oracle's real strength is that it has created "commercial stickiness" with high-value clients. "Support and maintenance fees dominate Oracle's bottom line profitability and earnings predictability. This cash cow is extremely robust, as clients rely on new product updates and bug fixes to sustain the value from their investment in Oracle."

However, Mutch warns that Oracle's strengths could turn into weaknesses. "At the pursuit of world domination, what can be considered an arrogant corporate DNA could blindside Oracle to a backlash from the very clients it depends on, as they resist over-dependence on Oracle in a rapidly consolidating market place."

Farhan Mirza, principal of IT at management consultant AT Kearney, says, "Oracle's strengths include an installed base, technology that spans the architecture from database layer to applications and financial resources as evidenced by its recent acquisitions."

But he says that Oracle "lacks a clear roadmap to integrate its acquisitions and leverage their capabilities fully" and that it has yet to satisfactorily articulate its cloud strategy.

Competition

To a large extent, Oracle has knocked out a lot of its software competitors by acquiring them.

Cult of personality

No analysis of Oracle would be complete without mentioning the personalities at the top of the company, most notably the founder, Larry Ellison, who has been Oracle's one and only CEO since the beginning.

The media is fascinated by Ellison for a number of reasons, not least his personal fortune and Oracle's impressive growth. His love of sailing has made the news, and in 2010, Oracle's yacht, USA 17, achieved a historic win at the 2010 America's Cup.

Ellison is a licensed pilot and owns several unusual aircraft, as well as exotic cars and a $70m Californian estate. To give a flavour of his home comforts, Wired magazine reported that Ellison has a $1m entertainment system that includes a rock concert-sized video projector at one end of a drained swimming pool, using the pool itself as a giant subwoofer.

But in August 2010 it was reported that Ellison was one of the 40 billionaires to sign Bill Gates and Warren Buffett's Giving Pledge.

"Many years ago, I put virtually all of my assets into a trust with the intent of giving away at least 95% of my wealth to charitable causes," said Ellison. "I have already given hundreds of millions of dollars to medical research and education, and I will give billions more over time. Until now, I have done this giving quietly – because I have long believed that charitable giving is a personal and private matter."

Ellison is not the only member of the Oracle executive team to have gained media interest. In January 2010, former president Charles Phillips admitted having an affair after billboards mysteriously appeared in New York, Atlanta and San Francisco, publicising the relationship.

Then in September 2010, Oracle hired Mark Hurd as president to replace Phillips. This followed Hurd's high-profile exit as CEO of HP, after an investigation of a sexual harassment allegation which found inaccurate expense reports filed by Hurd, or in his name.

Hurd had been a tremendous force at HP, tripling profits by cutting costs and expanding beyond the company's core business of computers and printers into services. He had also overseen a $20bn acquisition strategy. Consequently, many analysts have lauded Ellison's move in hiring his friend.

Martin Mutch, CEO at independent Oracle consultancy Rocela says, "Despite clear focus on succession planning at its top table, the sheer potency of Ellison as a leader should not be underestimated and his eventual mortality will mean his withdrawal from the business at some point leaving the next generation, such as Mark Hurd, with a big job to do."

One of Ellison's strengths is his ability to adapt. Ovum's senior analyst Tony Baer says, "Larry is willing to listen, and is open to essentially changing the market positioning when conditions dictate it. I am not sure I could say the same for [Ex-Sun CEO] Scott McNealy." His move beyond databases, bold company acquisitions, growth into hardware, and eventual embracing of cloud computing, are all evidence of this.

It is now focused on beating its two main rivals: IBM, from a hardware, software and services perspective; and HP, with its enterprise systems, software and storage.

Rocela's Mutch says, "As Oracle publicly positions itself to take on the likes of IBM and HP head on, the relative maturity and depth of client trust that they enjoy could be a formidable obstacle if such vendors continue to play to their own strengths and consolidate the market in their own way."

But Mirza also sees other rivals. "Oracle is challenged on the enterprise side by SAP and also by Microsoft on a general technology play. It does face new rivals in areas such as advanced analytics, mobile computing, and SaaS/PaaS providers," he says.

In its end-of-year report, Oracle admits that it is facing competitors and competitive technologies across its entire range of operations.

For example, its Java technology platform faces competition from Microsoft's .NET programming environment, with Microsoft also offering the competitive SQL Server DBMS.

Then, in operating systems, Sun Solaris and Oracle Linux face competition from Microsoft's hugely popular Windows Server, as well as different brands of enterprise Unix, including HP-UX and IBM's AIX.

Competition also comes from commodity server, storage and microprocessor vendors, as well as software on-demand, and cloud services firms. And Oracle considers open source alternatives to its commercial enterprise software as a threat to its market share. In particular, the enterprise-class open source database PostgreSQL.

Open source competition also comes from MuleSoft's Mule Enterprise Service Bus (ESB) software integration platform, Red Hat's Linux operating system and JBoss middleware, SOPERA's Advanced Service Factory (ASF) integration tool, SpringSource's enterprise Java development suite, the Spagic middleware platform, and WSO2 ESB integration platform.

Open Source

For Oracle, open source offers both an opportunity and a threat, says Gartner distinguished analyst Massimo Pezzini. "Sun had a very aggressive, although not very effective, strategy regarding open source," he says.

Sun made available to the open source community many of the technologies underpinning its software products, including GlassFish Enterprise Server (which hosts Java applications), GlassFish ESB (which integrates them), Mural (which manages Master Data), Liferay, a web portal project, the NetBeans Java environment and development tools, and OpenSSO, a web access management server platform.

Some observers, including Gartner, thought that Oracle would continue to maintain some degree of commitment to these open source products, with the aim of building an "open source stack" that would primarily compete against application infrastructure middleware suites from open source specialists MuleSoft, Red Hat, SOPERA, SpringSource and WSO2.

But instead, Oracle adopted a more pragmatic approach. Only certain products play a significant role in its strategy, says Pezzini. This is because they may have a sizable installed base and proven business model, such as MySQL, the database Oracle inherited from Sun.

Alternatively they may have specific technical merits or strategic relevance for Oracle, an example being GlassFish Enterprise Server, which is an important reference project for the Java community, and by extension for Oracle.

"All the others essentially have been put into a sort of limbo and have to prove to be able to stand on their own two feet to survive in the long term," says Pezzini.

"Such an attitude is, in part, a reflection of Sun's ineffectiveness in executing on its Open Source Software (OSS) vision. It is also a consequence of Oracle's down-to-earth attitude: a product is either technically sound or not, it either sells or it doesn't, irrespective of its open- or closed-source nature."

For Oracle, it does not want to jeopardise revenue streams from its profitable closed-source products, like WebLogic Server or Oracle Service Bus, by backing much-less-profitable open-source equivalents, such as GlassFish Enterprise Server or GlassFish ESB.

As for the open source community itself, they are largely in favour of Oracle's open source prospects, according to a poll of 130,000 open source developers and enterprise users.

Some 43% believe MySQL development and innovation will improve under Oracle. In addition, 80% believe the Java process will improve or stay the same. Most large organisations said they planned to use more Java than before.

Brian Gentile, CEO of Jaspersoft, which carried out the research, says, "It's clear that our enterprise customers and community are prepared to give Oracle the benefit of the doubt. And it's likely that the software industry may see a resurgence in the use of Java, which is good news for the massive investments made by many organisations and professionals in this programming language."

"It was a misconception to think Oracle would kill off MySQL," says Michael Fauscette, group vice-president of software business solutions at IDC. In fact, Oracle has reorganised and established a separate MySQL business unit from its traditional relational database management system (RDBMS) business. It includes separate and dedicated engineering, professional services, sales and marketing.

Fauscette adds, "Oracle is not new to open source software with projects like InnoDB, Unbreakable Linux, Berkeley DB, etc. and with the addition of Sun's portfolio of OSS, Oracle arguably became the world's largest OSS vendor."

"Oracle continues to target MySQL to areas of the market where it is a good fit over Oracle's database products, small and medium businesses, for example. What's interesting now is seeing if Oracle can improve transparency and openness and foster stronger communities, something Sun was consistently criticised for."

Licensing criticisms

Another area where Oracle has frequently been criticised across the years is licensing.

In 2002, Oracle released a 40-page software licensing guide for users, designed to answer up to 90% of the questions users had about the company's pricing models. They were generally finding them complex to understand and manage.

Then in 2005 when multi-core processors began to hit the mainstream, Oracle responded to user criticism of its policy of licensing software per processor core. The company had previously counted each core as a full processor, but changed its rules to count each core of a multi-core chip as three-quarters of a processor, lowering licensing costs a little. The move followed both Microsoft and IBM making licensing concessions for multi-core chips.

Software License Updates & Product Support Have Grown

- Up to 22% of New License Revenue Added to Support Installed Base Each Year
- Renewal Rates Have Been >90%

$7.0B	$8.5B	$10.5B	$12.0B	$13.2B
FY06	FY07	FY08	FY09	FY10

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Figures above presented in billions and based on non-GAAP results. GAAP to non-GAAP reconciliations are available at www.oracle.com/investor.

Oracle timeline of events

September 2010: At its annual user conference, Oracle OpenWorld, Oracle announces a hardware/software strategy, which includes Fusion Applications, a cloud computing server, and high-performance database appliance.

HP's ex-CEO Mark Hurd joins as president and member of the board of directors, replacing Charles Phillips.

January 2010: Oracle has bought 66 companies in six years, including Sun Microsystems in January 2010.

The Sun acquisition takes Oracle into hardware for the first time, giving it Sun servers and storage, Sparc processors, Java, Solaris and the rival MySQL database.

2009: Among other firms, Oracle buys Primavera, a portfolio management software specialist, popular in engineering and construction, aerospace and defence, utilities, manufacturing and the public sector.

2008: Oracle acquires enterprise application infrastructure firm BEA Systems.

2007: Oracle buys BI software provider Hyperion Solutions.

2005: Oracle acquires competitor Siebel Systems for $5.85bn, massively expanding the company's CRM market share.

2004: Ellison embarks on strategic acquisitions to broaden Oracle's marketshare. The company invests more than $25bn in three years to buy a range of companies, large and small. These include software specialists in retail inventory and logistics, CRM, data management and identity.

Oracle buys PeopleSoft at the end of 2004 for $10.3bn. It then acquires retail software developer Retek.

2000: Oracle releases its integrated application suite, Oracle E-Business Suite11i.

June 1997: Oracle announces the Oracle 8 Database, designed to work with Oracle's network computer.

1992: Oracle releases a new version of the database program, Oracle 7. It makes Oracle the industry leader in DBMS software. The company's stock regains much of its previous value.

Oracle gains customers including many US banks, airlines, car companies and retail giants.

1990: The company posts its first losses. Oracle's market capitalisation falls by 80 percent and the company appears to be on the verge of bankruptcy.

Larry Ellison becomes chairman of the board until 1992 (again from 1995 to 2004). He replaces many original senior staff members with more experienced managers.

1987: Oracle creates and applications division, initially with seven employees.

1986: Oracle goes public, raising $31.5m with its IPO. Oracle revenues reach a record $55.4m.

1985: Oracle reaches $23m in revenues.

1981: IBM adopts Oracle for its mainframe systems. Oracle's sales double every year for the next seven years.

Ellison renames the company Oracle Corporation, after its best-selling product.

1980: The company has only eight employees, and revenues are less than $1m.

1978: Ellison's company finishes the project a year ahead of schedule, and uses the extra time to develop their system for commercial applications.

Larry Ellison serves as president of Oracle until 1996.

1977: Ellison and two of his colleagues found Software Development Labs with Ellison as chief executive officer. They win a two-year contract to build a relational database management system for the CIA. The project's code name is Oracle.

Oracle Invests More In Development
Robust R&D Investment

Figures above presented in in billions.

In 2010, Oracle's licensing revenues rose 25% on the previous year. Its two primary software licensing models remain licensing per named user, and processor-based licensing.

But the company recently began to offer the Unlimited Licence Agreement (ULA) to its larger customers, and is facing criticism again.

The ULA aims to be a convenient "all you can eat" option where enterprises pay a single up-front fee to gain an unlimited licence for a pre-identified list of Oracle products for a limited term, which is typically three years.

At the end of this period, enterprises must document the deployment of all products obtained under the agreement, as these quantities determine the number of licences they get at the end of the ULA term. Then, on expiry of the agreement, enterprises must provide a signed document to Oracle that describes how many products have been installed along with data used to licence the Oracle software, such as number of processors.

However, the ULA carries risks, says Patrick Gunn, EMEA sales director at software license management firm Flexera Software. He says that the ULA is most attractive when enterprises expect to see significant growth in their use of Oracle products over the term of the contract. They typically get an attractive discount.

But he warns that the first risk is that enterprises may not, in fact, grow as much as they predicted and could therefore overpay for their licences.

The second area of risk occurs after the agreement expires. Enterprises may make less use of Oracle software, but are still required to pay the same maintenance as they did during the ULA.

Making a final account to Oracle after the ULA expires is complex. It requires IT departments to calculate processor-based licences where they use server virtualisation. Another problem is tracking all Oracle deployments and usage. Developers and database administrators may have made installations outside the data centre, for example.

The fact remains that licensing is a huge money maker for Oracle. "In terms of licensing, they have had a lot of shifts over the years and they have been very aggressive. To Wall Street it's a strength. To customers it's a weakness," says Ovum's Tony Baer.

Winning over the users

Oracle has created a strong position from which to fight IBM and HP in hardware, software and services. Many Oracle customers will now be considering their options as the company introduces Fusion Applications, the Exadata database appliance and Exalogic cloud server.

Mark Wilkinson, vice-president of applications at Oracle, says, "Customers want more integration, and ultimately all customers want more for less. We are trying to deliver this through Fusion Apps, Exalogic and Exadata: a more pre-packaged solution that will enable them to get a faster return on investment."

Customer list

• UK customers include:
Argos, inventory management
Bayer Business Services, database, security automation
BT – BI, CRM, Fusion Middleware, Oracle On Demand
BUPA, PeopleSoft HR
Centrica, business efficiencies
Comet, CRM
Comic Relief, just-in-time intelligence
Costain Group, collaboration
Fujitsu Telecoms Europe, BI
GE Healthcare, CRM
Her Majesty's Prison Service, stock control
Imperial College London, BI, analytics
Lawn Tennis Association, CRM
Manchester Airports Group, BIA
Ministry of Justice, database security
Nationwide, business processes
Newport City Council, CRM
NHS Connecting for Health, data management
North Lanarkshire Council, load testing
npower, automated scheduling
Phones4u, retail apps
Sainsbury's CRM, SCM
South West of England RDA, BI
Suffolk Police Authority, Financials
TGI Friday's, UK
University of Hertfordshire, CRM
Virgin Media, BI
VocaLink, WebLogic Server
Vodafone, communications
Wellcome Trust, Oracle Database 11g
William Morrison's, Oracle Data Integrator
Yorkshire Water, SOA

Source: Oracle

The UK region continues to grow, with Oracle's UK team standing at 5,000 people, (3,500 before the Sun acquisition) with no job losses through the downturn.

Retail, financial services, transportation, communications and media, commercial services, and the public sector are profitable for Oracle in the UK, although its database business cuts right across the spectrum.

Oracle's consulting services arm is also healthy in the UK, says Wilkinson. "We have got a sizable consulting business within Oracle. What we have seen in recent years is that customers want the vendor to have some skin in the game."

"But we would never profess to be able to deliver change management to a customer. If it is pure implementation, then Oracle Consulting is a very good option. But we would never profess to be a soup-to-nuts services organisation."

Wilkinson cites BI, CRM, financial applications, SaaS, HR (particularly in banks, to deal with regulation), and supply chain products (that can deliver efficiencies for businesses). He is confident that users will respond positively to Oracle's new integrated IT approach. And in general, analysts have welcomed Oracle's integrated hardware/software strategy.

"Oracle wants organisations on its complete infrastructure, DBMS, middleware and application stack, and will provide the modernisation approaches, particularly in conjunction with partners, to get them there," says Gartner research vice-president Dale Vecchio.

"Despite Oracle's success selling its DBMS into IBM Linux for System z environments we expect the company to become more interested in moving customers to its complete stack."

But Rocela's Mutch warns, "The very complexity of growth by acquisition, and the monumental engineering requirement of developing such a wide portfolio, could see it struggle to deliver future product generations while retaining goodwill from its existing client base."

"People are leery about having their fate tied to a single vendor, and Oracle has a reputation for being very aggressive in its sales and pricing, " says Ovum's Baer.

However, he recognises that Oracle may well find success with its Fusion/Exadata/Exalogic strategy. "Exadata has a billion dollar sales pipeline and that's pretty serious stuff. The future is in major optimised systems and Oracle has been showing some pretty impressive performance figures [with Exadata]. Software alone will only get you so far when it comes to scaling."

As to whether Oracle customers will rush to embrace Fusion Applications, Exalogic and Exadata, the jury is still out, says Jeff Woods, Gartner research vice-president.

Many Oracle users are looking at the announcements to determine what the overall strategy means for them, says Woods. In general, they feel the announcements are positive and that Oracle is making progress.

Some enterprises will want to avoid Fusion Apps, seeing them as "a disruptive path", that requires a major IT re-implementation, says Woods.

Many will approach Fusion as an "augmentation strategy", adding components and dealing with the larger chunks of Fusion Apps later on. Others will fear supplier lock-in as Oracle talks about providing the whole IT stack.

But for most Oracle users, it will be business as usual as organisations take a wait-and-see approach. For now, Oracle is signalling that it will continue to support the vast majority of the applications and technologies it has gained over the past few years.

Meanwhile, with its new, integrated cloud and database platforms, modular apps, and continued investment in Java and Sparc, Oracle is giving a clear message that it's here for the long term – and it's a message that may even appeal to IBM or HP stalwarts looking to switch suppliers.

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Source: Oracle