According to results from IDC's 2016 CloudView Survey, more than 56% of all large organizations expect that within two years the majority of their IT capabilities will be delivered through some form of cloud service — public, private, or hybrid. And 87% of large organizations expect to allocate at least 10% of their IT budget to a public cloud. To meet this anticipated demand, every complex technology vendor has already made, or is currently making, the choice about how to "service operationalize" its offerings. For Oracle, this demand creates the challenge of operating and growing the company midway through a major shift while at the same time remaining nimble among much smaller competitors in the same transition to cloud-dominated IT. Further:

- IDC believes that reaching an efficient degree of cohesive operation during this shift across Oracle's cloud, hardware, enterprise software, and services is necessary to keep customers on the same edge of innovation as the technology giant. Just as importantly, it is necessary to understand how corporate and consumer buyers are choosing to source, pay for, and consume technology.

- At the Oracle OpenWorld 2016 event, various technologies, plans, and services were either introduced, expanded upon, or made more fully known to customers, partners, and analysts. IDC believes that with this momentum, Oracle is in a far better position than before to capitalize on its portfolio and help customers transition to cloud.

IN THIS INSIGHT

This IDC Insight highlights a list of Oracle cloud developments and offerings of which readers may not be completely aware. Short descriptions of maturing service lines and strategies at Oracle and capabilities in cloud, some completely new and introduced at Oracle OpenWorld 2016 as well as others in the early stage of market consideration are discussed in the sections that follow. Together, they showcase the scale of $5.2 billion in cloud investments over the past year and a series of market moves that Oracle is making to both grow share and retain its customer base. Collectively, these cloud developments at Oracle should be instructional to other large tech vendors as they work to take customers on a pivot to cloud and reorient product development and product line executives to face the massive change.
SITUATION OVERVIEW

Figure 1 shows IDC's cloud economy view. The cloud economy describes at a high level the various paths for IT and services vendors that participate in the IT value chain for cloud. There are major ways vendors participate in the maturing portion of the cloud economy:

- By building and selling cloud services
- By building and selling physical or virtual components to enable the delivery of cloud services (software, services, and hardware)
- By providing professional and management services to enable strategies, adoption, integration, delivery, and consumption of cloud services (business consulting, network consulting, systems integration [SI], etc.)

Firms with a broad set of assets like Oracle's need to find inroads to "service operationalize" their software as cloud services, focus on retooling hardware and other components as cloud-ready appliances, and orchestrate their organic professional services and SI partners around the transforming opportunities.

FIGURE 1
The Cloud Economy

Source: IDC, 2016

Cloud Strategy

Oracle has spent the past 10 years rewriting all database and enterprise software for the cloud, with the view that it's not a matter of "if" but "when" customers move a majority of IT assets to the cloud. IDC believes that the next three to five years represent a huge inflection point where customers begin moving massive amounts of data, production applications, and developer activities to provider-based clouds, and Oracle has built the data tier, application hosting capability and, with the Java Developer Cloud and Application Builder Cloud, the PaaS tier to support that activity.

To match this inevitability, Oracle is producing a complete stack of cloud services from infrastructure to platform to SaaS applications to data as a service. The cloud's mission is to architect, optimize, and secure everything from datacenter design to hardware (including the chips in the hardware) through all levels of the hardware, software, and data technology stack in a way few others can. Oracle's bet about the future value of owning the datacenter of the company's production services means it has had
to invest heavily in datacenter buildout and colocation services for which it cannot see profit until every dollar is spent. With the innovations and announcements from Oracle OpenWorld 2016, IDC sees the outlines of a complete cloud platform, which will continue to pay dividends to Oracle:

- Oracle's recently announced next-generation cloud infrastructure platform and advanced infrastructure-as-a-service (IaaS) capabilities for the first time position the Oracle Cloud as a modern self-service cloud destination for the enterprise segment, on which 100% of PaaS and most of the SaaS application services are built. With the choice of deployment modes (e.g., Oracle Engineered Systems, Oracle Cloud at Customer, and Oracle Cloud – public cloud) knit together by Oracle enterprise asset management systems, Oracle will be well positioned to support and manage multicloud and hybrid customer choices (e.g., local cloud, Oracle Cloud, and third-party provider-based clouds) for easier deployment, migration, and management of workloads across multiple datacenter and infrastructure options.

- Oracle Cloud Platform is designed to integrate and extend the Oracle application suite, as well as third-party applications, by allowing customers, third-party software publishers and developers, and systems integrators a place to build, test, and host life-cycle applications, objects, mods, and extensions. IDC believes there is a natural gravity that accrues to the PaaS tier, as increasing amounts of data are colocated for easy analysis and incorporation into new web services and customer activity focuses more and more on migrating its custom code. Especially for vendors with a significant application estate like Oracle, the infrastructure is table stakes, the applications are sticky, and the opportunity in the PaaS tier to consistently develop, consume, and manage the whole stack will prove very enticing for many customers.

The sections that follow discuss 12 services, products, or innovation investments from Oracle, all of which underscore its opportunity as outlined in the aforementioned bullet points and many of which are just becoming widely known.

**ERP Cloud**

In a little over two years, the Oracle ERP cloud has advanced with 2,800 customers of which 1,000+ are live and represent all sizes of organizations, cross-geography, and cross-industry. Oracle's ERP cloud has positioned Oracle as a leader in the ERP cloud market. It would be safe to state that the focus of Oracle's ERP cloud is now on extending the company's pace of innovation to encompass industry-specific functionality (e.g., higher education and healthcare), target country localizations (e.g., Brazil and India), and strong investment in the adaptive intelligence area.

Oracle understands that the ERP suite and other enterprise applications must be more dynamic and informative, utilizing systems of intelligence. Oracle demonstrates this with a focus on adaptive intelligence, which integrates computing capability with ERP and enterprise applications so that practitioners have real-time information and actionable insights. Oracle's analytics and pattern recognition research is enabling quicker information streams and more value at practitioner's fingertips, improving the practitioner's system interaction and increasing the adoption of cloud-based systems. Oracle's breadth of commitment to intelligent systems is within the scope of not only ERP processes but also IT processes, such as intelligent data preparation. The newly announced "Adaptive Intelligent" applications currently under development are planned as a distinct layer of software to be offered with Oracle Data Cloud components for the customers of Oracle's Commerce and Sales Cloud.

HCM Cloud customers say that at enterprise levels, Oracle Cloud HCM (full stack) is attractively priced against the competition. Clients also agree that it is easier to buy from Oracle now, thanks to the automation of smaller (<$300,000) purchase. "The turnaround time for getting a quote for new modules or for changes to quotes is now less than an hour where it used to take days."
**Marketing Cloud**

Since being announced in 2014, the Oracle Marketing Cloud (OMC) has completed more than 20 integrations within its product family and with other Oracle solutions. The integrations enable customer attributes, events, and/or content created in one system to be transferred into another system (or referenced from the other system). At the same time, multiple OMC products are integrating with common Oracle technologies, such as Oracle Business Intelligence and Integration Cloud Service. In sum, a powerful portfolio of technologies is coming together to transform marketing.

**CX Cloud**

At a reported 5,500 worldwide clients, Oracle CX Cloud Suite now represents an integrated set of application and platform services. Positioned as a suite, CX Cloud contains application destinations in marketing, sales, commerce, service, social, industry-unique solutions, and a cloud marketplace.

**Data Cloud**

Oracle’s “intelligence” starts with curated data sets approaching 5 billion records in the Oracle Data Cloud, coupled with a large community of data scientists across the company to build out the algorithms. Data plus algorithms are the keys to realizing value – for both Oracle and its customers. Oracle’s Data Cloud is the beachhead to a potentially very large and strategic market (value-added content providers or data as a service). By providing a data licensing model, a vendor-agnostic approach to data syndication, and a horizontal alignment to potentially span all its application and vertical pillars, Oracle has harnessed a strong set of marquee financial services, technology, and media partners, and the combined behavioral, social graph, and purchasing data provides invaluable consumer and business buyer portraits. Today, Oracle Data Cloud is focused primarily on marketing automation and will have an impact powering the Oracle Adaptive Intelligent applications across the customer engagement, fulfillment, and support models.

**Big Data**

Oracle Big Data SQL supports data access across Apache Hadoop, NoSQL, and Oracle Database. Other data access options are planned in the next several quarters.

**Cloud Security and Data Privacy**

Cloud security for Oracle starts with software-in-silicon features for software protection, performance, compression, and data encryption. When you run an Oracle database and cloud stack on top of SPARC M7, Oracle provides database data protection and access control features as a middle tier of security, shipped in the on position, taking control out of the application layer and delivering end-user data security (adds 2% performance premium). Memory locking is offered for in-memory database applications.

Oracle Database Cloud Service encrypts data by default and supports a hybrid key management and audit collection with on-premises key and audit vaulting server features. Data stored on the Oracle Database Cloud Services and the traffic between enterprise datacenters and cloud services is encrypted. Finally, at the very top, Oracle Identity Cloud Service provides user access management, identity administration, cloud directory, provisioning, and governance policy features to the security administrator.
**Enterprise Collaboration**

Oracle Cloud (financial, HR, and sales cloud) customers get Oracle Social Network (OSN) for “free.” Customers just need to turn it on as it is shipped dormant. Oracle is not known as a company that gives away functionality for free, but using OSN can provide powerful results like collaboration in the context of business processes and reduction in wasted user time in redundant operations.

**Oracle for Small Business**

The best-kept secret is that 75% of Oracle cloud customers are organizations with 1,000 or fewer employees. And the company has board-level commitment to grow that business. At Oracle OpenWorld 2016, Larry Ellison, Mark Hurd (chief executive officer of Oracle), and Safra Catz all highlighted how Oracle will leverage its $5.8 billion software rewrite investment to drive net-new business with a largely untapped market segment.

**Oracle Digital**

Oracle Digital is clearing a path to becoming a services consultancy optimized for Oracle’s cloud, data, and analytic offers. Together, Oracle Insight, Cloud EA (an account marketing team), and Global Client Advisors under the Oracle Digital brand, Oracle Digital engages with customers directly and through a set of lead Oracle Solutions Group (OSG), digital agency, and marketing firms including DigitasLBi and SapientNitro, with others in the pipeline.

**Improved Customer Buying Experience**

Oracle has transformed the buying experience for customers making smaller (<$300,000) orders by making buying an order of magnitude easier. The Oracle Accelerated Buying Experience (ABE) project used process delayering, standardization, and automation inspired by competitor Amazon Web Services (AWS) to take friction and the delay of back-and-forth negotiation out of smaller, routine buying decisions by autogenerating contracts and allowing customers simply to “click to accept.”

**Better Journey to the Cloud**

Oracle’s ambitious cloud migration strategy is underpinned by a renewed focus on the IT project services required to take customers successfully to the cloud, a customer journey that is clearly (at least, when it’s done right) much more of a business process transformation than “just” a product migration. To ensure this really is done right, the Oracle PartnerNetwork has significantly strengthened its training and certification of implementation partners for its cloud offers and has developed new offers. The hope is that clients will get continuous improvement support and Oracle will get a closer relationship with its customers – revenue that is assumed to be recurring actually do recur.

**Design Tech High School**

Design Tech High School (d.tech) is a free public charter school open to residents of California. The school was founded in 2014, and the first class of seniors will graduate in 2018. The Oracle Education Foundation recently selected d.tech (to be opened in Oracle Parkway in Redwood City during the 2017-2018 school year) to become the first public high school to have a new state-of-the-art campus funded by a Silicon Valley company.
FUTURE OUTLOOK

At OpenWorld 2016, Oracle CEO Mark Hurd made a set of predictions for 2025 that reflect how Oracle expects enterprise IT functions will look and work in 2025. Through Oracle’s lens:

- Corporate datacenters will only exist to run databases and applications that are not commercially viable for the cloud.
- IT spending growth on cloud assets and capabilities will be geometric, not linear.
- 80% of IT budgets will be spent on cloud, not traditional systems.
- CIOs will spend 80% of IT budgets on cloud and innovation, not maintenance.
- 100% of development/test activities will be run on cloud platforms.

Each one of these predictions is true in spirit, though IDC analysts would find something to quibble about with the timing. IDC believes that reaching an efficient degree of cohesive operation during this shift across Oracle's cloud, hardware, enterprise software, and services is necessary to keep customers on the same edge of innovation as the technology giant and to understand how corporate and consumer buyers are choosing to source, pay for, and consume technology. At the Oracle OpenWorld 2016 event, various technologies, plans, and services were either introduced, expanded upon, or made more fully known to customers, partners, and analysts. Sometimes, this took the form of previously announced products finally going GA, and sometimes, it was an announcement about broader acceptance among marquee customers or sales milestones set. IDC believes that with this momentum, Oracle is in a far better position than before to capitalize on its portfolio and help customers transition to cloud.
About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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