Oracle’s Cloud Partner Evolution Continues
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IDC’s Quick Take
Oracle’s cloud go-to-market success, especially in its push for SMB market share expansion, will be dependent on the strength of its partner strategy. To that end, the vendor’s OpenWorld conference in San Francisco held October 1-4 was an opportunity for Oracle to lay out more of its partner cloud engagement strategy and attributes as well as provide an update on progress over the past year.

Event Highlights
Oracle is providing access to universal credits and Bring Your Own License (BYOLicense). The former is one contract of a pool of credits that provides access to all current and future IaaS and PaaS services. The latter provides for the mobility of on-premise Oracle licenses to the cloud. Both provide benefits to Oracle cloud partners.

Oracle is also focused strongly on cloud implementation as a key partner attribute. Its importance to the vendor is evident in the release of a new program, the Cloud Excellence Implementer Program, to support partner capabilities in this area.

One final area of focus is Oracle SaaS in the SMB market. For the past five quarters, Oracle has been testing and succeeding at selling direct to this market through its Oracle Digital inside sales organization. This is a low-cost, high-volume model that will require a complementary partner strategy.

IDC’s Point of View
Oracle’s cloud go-to-market success, especially in its push for SMB market share expansion, will be dependent on the strength of its partner strategy. This includes the ability of the vendor to attract, enable – through appropriate marketing, sales, and technical resources – and manage its partners to cloud growth.

To that end, the vendor’s OpenWorld conference (including the preceding Oracle Partner Network [OPN] day) in San Francisco held October 1-4 was an opportunity for Oracle to lay out more of its partner cloud engagement strategy and attributes as well as provide an update on progress over the past year.

Oracle’s partner cloud strategy evolution extends from the vendor’s corporate cloud strategy announced in earnest at last year’s OpenWorld, which was preceded by the launch of its Partner Cloud Program. The key partner cloud strategy announcements or updates this year have the potential to contribute to an increase in partner engagement with the Oracle cloud stack and to attract new partners into the fold. So far, according to Oracle, partner cloud resale revenue has grown 105%, and the vendor is looking for much more engagement and activity from partners moving forward.

Oracle shared its cloud story consistently across the event with both customers and partners. The vendor used the "6 Journeys to the Cloud" that describes customers making choices as they migrate to
the cloud and utilize hybrid and more on-premise-like capabilities such as Oracle's Cloud at customer. Oracle's cloud platform, encompassing its IaaS, PaaS, SaaS, and DaaS offerings, is the foundation on which the journeys are described.

Partner cloud growth is a relative term, especially with many partners still transitioning from on-premise business models; however, Oracle has had good traction in partners gaining cloud specializations across the Oracle cloud stack, which can be considered a leading indicator for cloud growth. Oracle says it has had a 20% increase in cloud specializations this year and that specialized partners are registering twice as many opportunities and closing 60% more and bigger deals than their nonspecialized counterparts. Granted, partners seeking out and gaining specializations are usually better run businesses than those that don’t, but it's still a reflection of Oracle’s cloud value proposition and messaging resonating in the ecosystem.

Oracle has recognized that most of its cloud partners are performing multiple activities, including implementation, integration, application development, managed services, and resale. This is no different than the trajectory of the ecosystem as a whole, that is, toward IP-driven businesses, which is why it’s crucial for Oracle (and other vendors) to focus partner strategy across the spectrum of activities. This was evident at OpenWorld on a number of fronts but perhaps more importantly around driving development on the Oracle cloud platform and successful implementations of cloud at the customer.

Oracle is squarely focused on gaining traction with ISVs through lift and shift/migrate of apps onto the Oracle cloud platform or through new app development. Inderjeet Singh, EVP global ISV OEM, outlined Oracle’s IaaS and PaaS technical and financial differentiators but stressed the value of the vendor’s go-to-market reach for ISVs via its own channel and marketplace for SaaS. This is potentially a compelling value prop with millions of users logging into Oracle SaaS apps daily. That's not necessarily a ready-made market, but marketplaces are good marketing and purchasing tools, if not specifically lead generators. However, Oracle has 4,500 apps in the marketplace, 1,500 participating cloud ISVs, and 95% year-over-year growth in that business.

For ISVs, and other partners (and end customers), Oracle is also providing access to universal credits and BYOLicense. The former is one contract of a pool of credits that provides access to all current and future IaaS and PaaS services, simplifying the Oracle cloud buying experience (no separate SKUs) and the flexibility of its use. A longer commitment period does provide better pricing/more credits. The latter provides for the mobility of on-premise Oracle licenses to the cloud, which also improves ease of transition to the cloud for customers. Both of these new pricing models were seen as big changes by Oracle partners, and interest was high to learn how they could leverage with customers.

Oracle is also focused strongly on cloud implementation as a key partner attribute. It’s importance to the vendor is evident in the release of a new program, the Cloud Excellence Implementer Program, to support partner capabilities in this area. Oracle cloud partners will be required to certify consultants as implementers for its SaaS offerings (to be extended to IaaS and PaaS in the future), and implementations will be tracked.

The reason for this focus is tied to customer outcomes and experience; that is, successful implementations lead to increased customer adoption, expansion, and renewal of a cloud stack, and renewals will be the number 1 measure of partners. In addition, customers will be able to choose specific implementer partners, a bit of incentive for partners to make this work.
One final area of focus is Oracle SaaS in the SMB market. For the past five quarters, Oracle has been testing and succeeding at selling direct to this market through its Oracle Digital inside sales organization, which has grown to 350 SaaS-focused sellers across five hubs within the United States (it also includes 2,800 sellers on the technology side of the business). The market itself has also expanded from customers with up to $500 million in revenue. This is a low-cost, high-volume model that requires a complementary partner strategy. Oracle is currently identifying a cadre of partners interested in investing in this market with consulting, implementation, and solution development skills. Channel leaders indicated that they believe the close rate of Oracle Digital leads is higher when a partner is involved. This is yet to be proven but is being analyzed.

Oracle is making very deliberate and positive moves in expanding its partner engagement strategy relative to cloud. Execution, of course, is always critical, but the growing ubiquity in cloud — in combination with Oracle’s corporate strategy and investments — should go a long way in easing partner engagement on all levels of activity.

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