Why Enterprises Are Rethinking Their Oracle Relationship and Cloud Strategy

Survey finds Oracle customers choose to break free from vendor lock-in and take back control of their IT roadmaps.
About Rimini Street, Inc.

Rimini Street is a global provider of enterprise software products and services, and the leading third-party software support provider for Oracle and SAP products. The company has redefined enterprise support services since 2005 with an innovative, award-winning program that enables licensees of IBM, Microsoft, Oracle, SAP and other enterprise software vendors to save up to 90 percent on total maintenance costs. Clients can remain on their current software release without any required upgrades for a minimum of 15 years. Over 2,700 Global Fortune 500, midmarket, public sector and other organizations from a broad range of industries currently rely on Rimini Street as their trusted, third-party support provider.
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Executive Summary

Oracle customers are seeing a disconnect between the realities of running IT environments day to day and the ever-increasing demands for their business teams to roll out game-changing innovation. While the executive team lays out priorities for fueling growth and improving competitive advantage, IT is all too often committed to a vendor technology stack and roadmap that ties up their people, funds and processes.

Oracle’s proposed fix for these problems is to migrate customers to the Oracle Cloud. However, according to our research, most licensee respondents are either not choosing to migrate to the cloud at all, or they are migrating but not choosing Oracle Cloud. Reasons cited include cost, business disruption and lack of a business case to justify the change.

Rimini Street recently conducted a survey of customers to gather data and insight on their relationships with Oracle. The survey results identify three major challenges that are causing them to rethink their Oracle relationship: high cost of Oracle maintenance and support, the complexity of upgrades and the lack of value with regard to the enhancements Oracle provides.

Rimini Street 2019 Oracle Customer Survey

Rimini Street’s survey took a closer look at some of these issues, with the objective of gathering data on:

» The top 2019 priorities of licensees and how those align with the current health of their relationships with Oracle
» Details on their overall satisfaction with Oracle maintenance, support and new features, as well as their plans regarding future investment with Oracle
» Whether they have moved or plan to move their Oracle applications to the Oracle Cloud or to other cloud offerings and the reasons behind their decisions
CIOs and IT Are Taking Back Control

Customers have options for re-evaluating their current Oracle relationship status and future direction as they set their strategic roadmaps for the next decade. Customers should feel empowered by the fact that they have a choice: they can execute a roadmap driven either by what the business requires or follow the narrowing path along the roadmap their current ERP vendor provides.

Many enterprises are choosing to focus on vendors that support their business needs, particularly when it comes to Oracle customers.

While organizations are not planning to remove all of their Oracle environments, when it comes to ERP software, over 50% of total responders among C level executives, VPs/directors of IT, and procurement roles said they are currently reducing or plan to reduce their spend on Oracle, broken out below:

» C-Levels (78%)
» VPs/Directors of IT (47%)
» Procurement Roles (54%)

(The number of individuals in each group may vary. The percentages are based on ratios of the number of individuals in each role.)

A survey by J.P. Morgan last year found that only 6.5% of CIOs currently consider Oracle a key vendor as they move toward the future.¹ (This figure is down from 11% in previous surveys.)

Rimini Survey Methodology

Turning to the Rimini Street survey, respondents comprised 205 professionals, including IT, finance and procurement professionals (C-suite to management levels) throughout North America. Collectively, the organizations involved in the survey used the full spectrum of Oracle products, including E-Business Suite (EBS), PeopleSoft, JD Edwards, Siebel, Hyperion, Agile, Retail and ATG Web Commerce. More than 50% of respondents currently run the Oracle Database.

A survey by J.P. Morgan last year found that only 6.5% of CIOs currently consider Oracle a key vendor as they move toward the future.

[“Oracle slides as JPMorgan cuts rating on business lost to Amazon, Microsoft,” June 2018]
Summary of Survey Results

Results from the Rimini Street survey reveal five top takeaways:

TAKEAWAY #1: Oracle customer IT organizations identify their top priorities as optimizing costs and increasing productivity using existing resources, rather than funding growth and competitive advantage.

Cutting costs and improving productivity tend to be the top priorities of IT teams, who rank growth last, from a list of priorities. The Rimini Street Survey results contrast sharply with a recent Gartner survey of CIOs that identified growth as their top priority in 2019.²

To create capacity, agility and flexibility within their roadmap process, IT leaders need to explore proven methods for cutting costs and redirecting precious expertise (both in-house experts and consultants) to higher value IT initiatives. One prime area to focus on is evaluating how much they spend on ongoing Oracle maintenance and support – in terms of both cost and time commitment – and comparing this with the new value they are actually getting in return.
TAKEAWAY #2: Oracle customers are facing significant challenges with ongoing maintenance and support, and they are dissatisfied with the level of innovation offered.

In our survey, the top five challenges that respondents identify with Oracle maintenance and support are as follows:

1. High costs (46%)
2. Need to upgrade to resolve issues (30%)
3. No support for customizations (27%)
4. Escalating to an experienced engineer (24%)
5. Having to reproduce the issue to prove the root cause (20%)

Do you feel you are still getting valuable, new enhancements for your internally-deployed Oracle software you are currently licensing?

- We get some enhancements, but wish we got more: 30.7%
- Yes: 29.2%
- No, but we are okay with running what we have and don’t need the enhancements: 28.2%
- No, we are not getting enough new valuable updates: 11.9%
Customers are also questioning the value and innovation they are receiving for their annual maintenance and support spend, which can be about 22% of their license fees on average.

Among respondents, 70% are dissatisfied with the value they receive from Oracle software enhancements:

» 40% feel they are not getting new and valuable enhancements from Oracle
» 30% say they do get some valuable enhancements but wish they received more

As customers face increased costs and less new value, this can create a strain on vendor relationships over time and drive impetus for change and even decreased future investment.

Of those survey respondents considering reducing spend with Oracle, the primary reasons cited were high costs of software, features and annual maintenance and support.

**TAKEAWAY #3:** The majority of respondents continue to maximize use of their existing licensed Oracle applications, with half planning to lift and shift to hosted cloud environments over time.

The main strategy presented by Oracle today is to move to the Oracle Cloud, particularly Oracle Cloud SaaS applications. The vendor claims it will reduce costs and simplify ongoing maintenance and support. However, the majority of respondents plan have not or do not plan to migrate to Oracle Cloud SaaS applications (see chart in Takeaway #4), but 26% of respondents have already chosen to lift and shift their Oracle applications to a cloud-hosted environment.

**Are you currently running your Oracle applications in an internally deployed or hosted cloud environment?**

![Chart showing distribution of responses]

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internally deployed</td>
<td>67.2%</td>
</tr>
<tr>
<td>Hosted-cloud environment</td>
<td>26.3%</td>
</tr>
<tr>
<td>Other</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Of those respondents still not running Oracle in a hosted cloud environment, the majority stated that they plan to continue to run their Oracle applications internally deployed or make a shift off of Oracle applications, but nearly 40% plan to move to a hosted cloud environment eventually. This brings the total percentage of respondents that have moved or plan to move to a hosted cloud environment to...
approximately 50%. This shows a trend among companies to continue to maximize use and value of their current Oracle applications investments, which are often heavily customized, as a foundation for their business, whether internally deployed or lifted and shifted to a hosted cloud environment.

**TAKEAWAY #4:** For those Oracle customers moving to the cloud or leveraging cloud, the majority are not choosing Oracle IaaS or Oracle SaaS.

Recent statements by J.P. Morgan analyst Mark Murphy reflect this waning interest in Oracle’s cloud offering. In his survey, only 2% of CIOs identified Oracle as the “most integral” vendor for cloud computing, versus 27% for Microsoft and 12% for Amazon.³

**Customers Are Choosing Other Industry Leaders Over Oracle IaaS**

Rimini Street’s survey aligns with J.P. Morgan’s results, showing that 73% of Oracle customers who are moving to Infrastructure as a Service (IaaS) environments are not choosing to do so with Oracle. Rather, they are going with Amazon Web Services (AWS), Microsoft Azure, Google or other options. These decisions are in line with a recent Gartner analysis of the Oracle Cloud Infrastructure, stating it “remains a bare-bones ‘minimum viable product,’ and it is arguably too minimal to be viable for a broad range of common cloud IaaS use cases.”⁴
Research Report

According to a 2018 TechRepublic article:

It "remains a bare-bones ‘minimum viable product,’ and it is arguably too minimal to be viable for a broad range of common cloud IaaS use cases."[^5]

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**Respondents Are Not “Ripping and Replacing” ERP for Oracle SaaS**

The survey shows similar results with regard to Software as a Service (SaaS), with 80% of respondents not planning to move or unsure about migrating to Oracle SaaS offerings.

In our experience, such a move would equate to “ripping and replacing” licensees’ stable Oracle applications environments to move to Oracle SaaS.

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**Are you planning to migrate any of your applications to Oracle Cloud SaaS?**

Several reasons are given for this: 53% cite a lack of a sound business case for moving to Oracle SaaS, 30% believe it will be too expensive and 28% stated it would be too disruptive to migrate.

[^5]: If you are planning to move to a hosted cloud environment, which provider are you planning to use?

<table>
<thead>
<tr>
<th>Provider</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AWS</td>
<td>27.9%</td>
</tr>
<tr>
<td>Oracle Cloud</td>
<td>27.2%</td>
</tr>
<tr>
<td>Other</td>
<td>21.1%</td>
</tr>
<tr>
<td>Azure</td>
<td>17.7%</td>
</tr>
<tr>
<td>Google</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Are you planning to migrate any of your applications to Oracle Cloud SaaS?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>47%</td>
</tr>
</tbody>
</table>
This makes sense in light of the fact that migration to Oracle SaaS requires a full "rip and replace" for the modules impacted, essentially making it a reimplementation. In addition, Oracle has stated that its own Soar cloud migration ERP program does not apply to 93% of their installed base.6

Cost issues also factor into customer decisions, with 30% finding Oracle's offering too expensive. Even Oracle CEO Mark Hurd has stated in investor calls that customers who move to Oracle's SaaS will typically pay three times more than they pay before doing so.7

Respondents Are Also Worried About Oracle Cloud Lock-In

Finally, of those considering migrating to the cloud, over 63% of respondents point to concern over being locked in to the Oracle Cloud should they choose to migrate.

Other vendors now focus on open source software and open application programming interfaces (APIs), which allow customers to choose the technology they require for their specific business needs. By contrast, Oracle builds their underlying hardware systems to optimize only for the software that's running on those systems.9

TAKEAWAY #5: Many customers are planning to reduce spending with Oracle.

Of those surveyed at the C-Level, VP/Director of IT and Procurement roles, over 50% said they are currently reducing or planning to reduce spending on Oracle. They cited a variety of issues with the costs of doing business with Oracle, as well as the quality of their current support and overall health of their relationship with the vendor.
CIOs Are Spending Less with Oracle

In a recent note to clients, J.P. Morgan analyst Mark Murphy stated, based on a survey of CIOs, that "Oracle is losing its significance in enterprise IT." This is consistent with a 2017 survey by Arete Research Services, which reported that 74% of CIOs plan to reduce their spending with Oracle.

Many Customers Don’t Like Working with Oracle

Jeff Lazarto of UpperEdge has been asking clients how they feel about the vendors they’ve been using and finds few positive responses from Oracle customers. “Over the past 13 years, when I speak with a client for the first time about a particular vendor, I ask them about their relationship with that vendor – if they like the vendor and feel they are receiving the expected level of value. I am yet to find one client who has said they liked Oracle.”

Are you currently reducing or planning to reduce your spend on Oracle?

Survey respondents considering reducing their Oracle spend cited the top three reasons as:

» The high cost of software and features (60%)
» Cost of maintenance and support (58%)
» Oracle’s aggressive sales tactics and audits (21%)

What are some of the top reasons you would consider reducing spend with Oracle?

How to Reclaim Your Roadmap: Five Key Recommendations

As CIOs plan their future roadmap and prioritize the vendors and technologies best suited to drive the business forward, Rimini Street recommends the following steps:

1. Figure Out What You’re Getting for Your Budget and Resources

Carefully analyze what you are paying for Oracle annual maintenance and support and compare it to the net new innovation and value you are receiving. In our experience, licensees often feel like they are not getting the equivalent value in return.
2. Prioritize Game-Changing Initiatives

Identify projects that lack funding and/or are on hold due to cost constraints, and determine which would have the greatest impact on your growth and competitive advantage. It will be your primary challenge to ensure you can build and deliver a roadmap that makes a difference to your organization.

3. Conduct Heavy Due Diligence if Considering Oracle Cloud

Seek the counsel of trusted advisors to analyze the true costs and potential business disruption of ERP vendor cloud solutions and incentive programs. Compare this to the potential, more rapidly delivered benefits of a hybrid IT strategy leveraging industry-leading IaaS providers to maximize use of existing ERP software assets you have already paid for and avoid the risk of vendor lock-in.

4. Realize That It’s Your Roadmap, Not Theirs

Discover the innovative ways third-party support can reduce the costs of annual maintenance and support for Oracle products by up to 90% and free up time and budget to fund a business-driven roadmap executed on your own timetable, on your own terms and in support of your strategy.

5. Carefully Choose Your Third-Party Software Support Vendors

All support is not created equal. Partner with a vendor that delivers a significantly higher quality of service – well beyond what you receive from Oracle today. That means substantially reducing the time and cost of resolving issues and quickly gaining access to highly qualified engineers. Also, make sure they provide financial transparency, offer the ability to scale globally and can act as your trusted advisor, helping you make the right decisions that keep your roadmap on track.

Conclusion

As an Oracle customer, you have options. There’s no need to limit your strategic planning and roadmap to Oracle’s policies, service practices and timetables. Savvy third-party support vendors are available to help you efficiently, intelligently and cost-effectively maintain your ERP system, while also providing the clarity you need to shape your roadmap in your best interest, not Oracle’s. It pays to get high-quality independent support and guidance for navigating today’s complex enterprise landscape, so you can find the path to success in the IT realm and in your business.
Compare Your Options

Take a look at the side-by-side comparison chart below to see how third-party Rimini Street support offerings compare to Oracle support.

<table>
<thead>
<tr>
<th>The Rimini Street Advantage</th>
<th>Rimini Street</th>
<th>Oracle Premier &amp; Extended</th>
<th>Oracle Sustaining</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Support Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application, repository and documentation fixes</td>
<td>□</td>
<td>□</td>
<td>No new fixes</td>
</tr>
<tr>
<td>Global tax, legal and regulatory updates</td>
<td>□</td>
<td>□</td>
<td>No new updates</td>
</tr>
<tr>
<td>Operational and configuration support</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Installation and upgrade support</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Named regional primary support engineer with a minimum of 10 years of experience</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Named global account manager</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>15-minute guaranteed response SLA for urgent cases</td>
<td>□</td>
<td>□</td>
<td></td>
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<tr>
<td>Customization/add-on support</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Integrated performance support</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Interoperability support</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Full support of current release for at least 15 years from contract date</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical, functional and application roadmap advisory services</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Cloud advisory services</td>
<td>□</td>
<td>□</td>
<td></td>
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<tr>
<td>License advisory services</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Security advisory services</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td>Advanced technology advisory services</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
<tr>
<td><strong>Impact on Resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Significantly reduce operating costs (budget, people, time)</td>
<td>□</td>
<td>□</td>
<td></td>
</tr>
</tbody>
</table>

Rimini Street provides Oracle and SAP licensees an alternative support model to help take control of their roadmap and align their IT spend and initiatives with business priorities. Today, thousands of clients leverage Rimini Street to power their Business-Driven Roadmap strategy to support competitive advantage and growth. We help IT teams extract the greatest value from their business applications by delivering ultra-responsive support and services that reduce their total support and maintenance costs by up to 90%.

By trusting Rimini Street to run their mission-critical systems, IT teams can break free from vendor-dictated roadmaps to secure, future-proof, manage and modernize their existing software, design IT roadmaps driven by business priorities and liberate IT resources to fund innovation to drive competitive advantage and growth.
1 "Oracle slides as JPMorgan cuts rating on business lost to Amazon, Microsoft," June 2018.
3 "Oracle shares drop after JP Morgan downgrades on lost business to Amazon and Microsoft," Tae Kim, CNBC.com, June 2018.
4 Gartner IaaS MQ report, April 2018, as quoted in TechRepublic
5 Gartner IaaS MQ report, April 2018, as quoted in TechRepublic
7 "Oracle’s Cloud Strategy: Ruthless or ‘Byzantine’?” Jason Bloomberg, Forbes, July 2017
8 "Oracle’s Cloud Strategy: Ruthless or ‘Byzantine’?” Jason Bloomberg, Forbes, July 2017
9 "Oracle’s Cloud Strategy: Ruthless or ‘Byzantine’?” Jason Bloomberg, Forbes, July 2017
10 "Amazon, Microsoft, Stealing Oracle’s Business: JP Morgan”
11 "Four Common Mistakes in Understanding Oracle’s Cloud Troubles," Forbes, October 29, 2018
12 "What Oracle Doesn’t Want You to Know," Jeff Lazarto, upperedge.com, June 2017