Why Enterprises Are Rethinking Their Oracle Relationship and Cloud Strategy

Survey finds Oracle licensees choose to break free from vendor lock-in and take back control of their IT roadmaps.

Rimini Street®

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Executive Summary

Oracle licensees are seeing a disconnect between the realities of running IT environments day to day and the ever-increasing demands on 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 its people, funds, and processes.

Oracle's proposed fix for these problems is to migrate licensees to the Oracle Cloud. However, according to Rimini Street research, most licensees 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 Oracle licensees to gather data on and insight into 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 Oracle Licensee Survey

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

- The top 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

Oracle Licensee Survey Key Takeaways

Oracle licensees are:

1. Identifying their top priorities as optimizing costs and increasing productivity using existing resources, and funding digital transformation

2. Facing issues with ongoing maintenance and support and are dissatisfied with the level of innovation

3. For the most part, continuing to maximize use of their existing licensed Oracle applications, with half planning to lift and shift to hosted cloud environments over time

4. Not choosing Oracle IaaS or Oracle SaaS even if they plan to migrate to the cloud

5. Planning to reduce spending with Oracle.

CIOs and IT Are Taking Back Control

Oracle licensees have options for re-evaluating their current Oracle relationship status and future direction as they create their strategic roadmaps for the next decade. They 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 that Oracle provides.

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

While organizations are not planning to remove all of their Oracle environments, when it comes to ERP software, more than 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 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.)
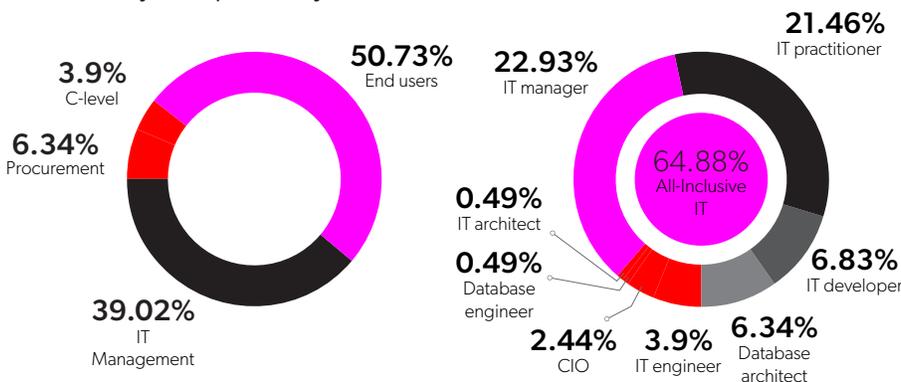
Rimini Survey Methodology

Turning to the Rimini Street survey, respondents comprised 205 professionals, including IT, finance, and procurement roles (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.
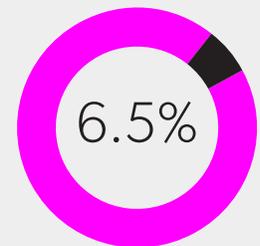
6.5%

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["Oracle slides as JPMorgan cuts rating on business lost to Amazon, Microsoft," June 2018]

What is your primary role?

- **3.9%** C-level
- **6.34%** Procurement
- **50.73%** End users
- **39.02%** IT Management

64.88% All-Inclusive IT

- **22.93%** IT manager
- **21.46%** IT practitioner
- **6.83%** IT developer
- **6.34%** Database architect
- **3.9%** IT engineer
- **2.44%** CIO
- **0.49%** Database engineer
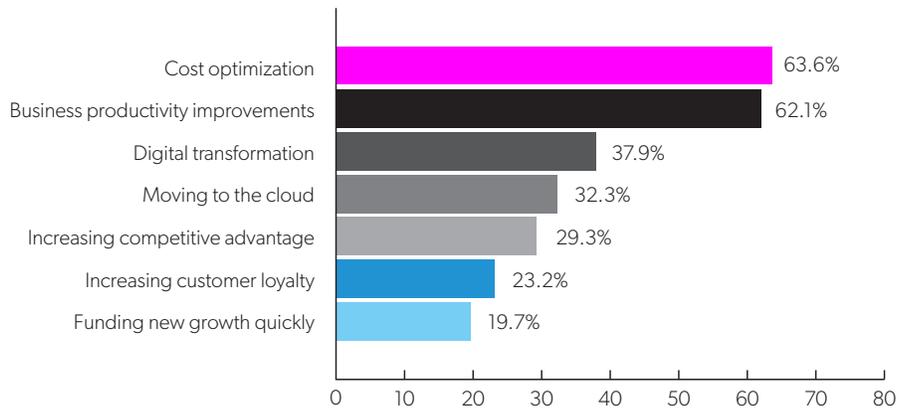- **0.49%** IT architect

Summary of Survey Results

Results from the Rimini Street survey reveal five top takeaways:

TAKEAWAY #1: *Oracle licensee IT organizations identify their top priorities as optimizing costs and increasing productivity through 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 Gartner survey of CIOs who identified growth as their top priority in 2019.[2]
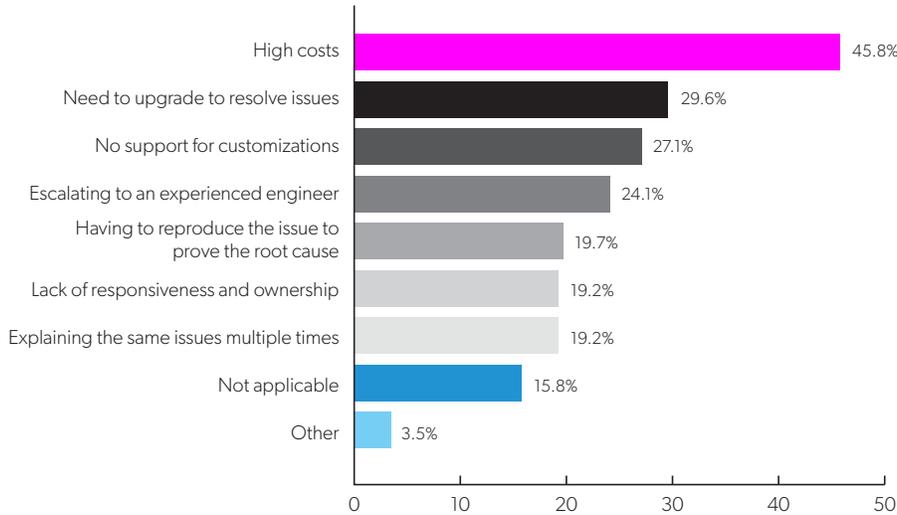
What are your top 3 mission-critical priorities?

Priority	Percentage
Cost optimization	63.6%
Business productivity improvements	62.1%
Digital transformation	37.9%
Moving to the cloud	32.3%
Increasing competitive advantage	29.3%
Increasing customer loyalty	23.2%
Funding new growth quickly	19.7%

To create capacity, agility, and flexibility in 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 IT spends on ongoing Oracle maintenance and support — in terms of both cost and time commitment — and comparing this with the new value it is actually getting in return.

TAKEAWAY #2: *Oracle licensees are facing significant challenges with ongoing maintenance and support, and they are dissatisfied with the level of innovation offered.*
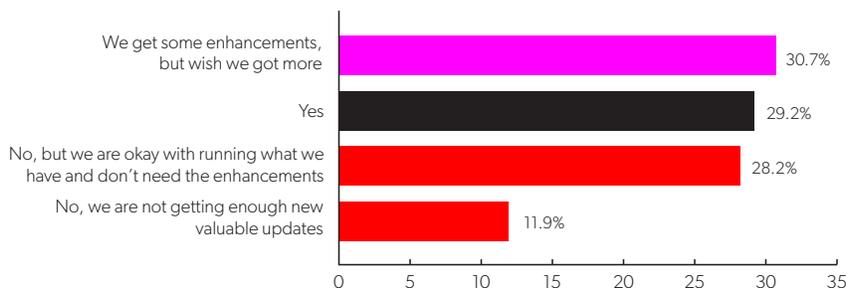
What are your 3 biggest challenges with Oracle software maintenance today?

Challenge	Percentage
High costs	45.8%
Need to upgrade to resolve issues	29.6%
No support for customizations	27.1%
Escalating to an experienced engineer	24.1%
Having to reproduce the issue to prove the root cause	19.7%
Lack of responsiveness and ownership	19.2%
Explaining the same issues multiple times	19.2%
Not applicable	15.8%
Other	3.5%

In the Rimini Street 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?

Response	Percentage
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%

Oracle licensees 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
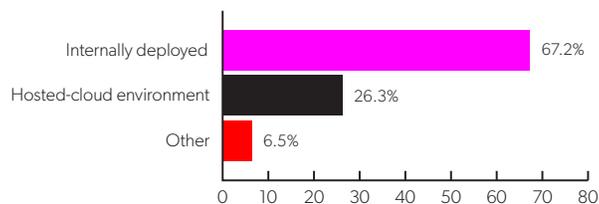
As Oracle licensees face increased costs and less new value, this can create a strain on the relationship with the vendor over time and create impetus for change and even decreased future investment.

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.*
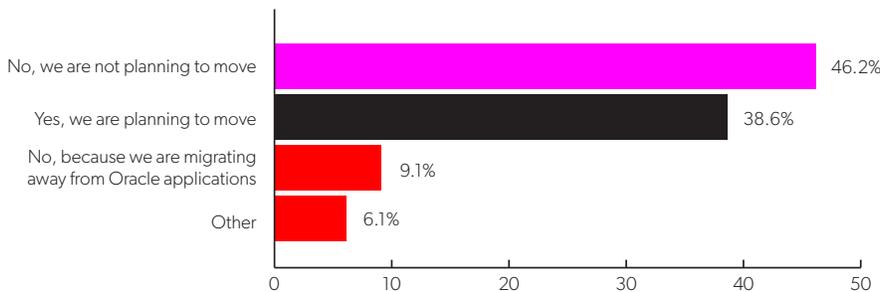
The main strategy presented by Oracle today is to move to the Oracle Cloud, particularly Oracle Cloud SaaS applications. The vendor claims it will reduce costs and simplify ongoing maintenance and support. However, the majority of respondents have not or do not plan to migrate to Oracle Cloud SaaS applications (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?

Category	Percentage
Internally deployed	67.2%
Hosted-cloud environment	26.3%
Other	6.5%

In a 2020 Survey of E-Business Suite licensees, of EBS 12.1 and earlier releases considering an upgrade, only 15% said new features or functionality enhancements were drivers for the upgrade.

Survey Report: Licensees' Insights into the Future of Their E-Business Suite Roadmaps

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 or move away from Oracle applications. 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 figure indicates a trend among companies to continue to maximize use and value of their current Oracle applications, which are often heavily customized, whether they are internally deployed or lifted and shifted to a hosted cloud environment.

If you are currently running your Oracle applications internally deployed, do you intend to move any of them to a hosted cloud environment?

No, we are not planning to move	46.2%
Yes, we are planning to move	38.6%
No, because we are migrating away from Oracle applications	9.1%
Other	6.1%

TAKEAWAY #4: *The majority of Oracle licensees moving to or leveraging the cloud are not choosing Oracle IaaS or Oracle SaaS.*

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]

Oracle Licensees Are Choosing Other Industry Leaders Over Oracle IaaS

Rimini Street's survey aligns with J.P. Morgan's results, showing that 73% of Oracle licensees who are moving to 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.

In a survey of Oracle Database licensees, 69% are considering or moving to open source and other non-Oracle Cloud options.

Survey Report: Licensees' Insights into the Value of Oracle Database and Support

If you are planning to move to a hosted cloud environment, which provider are you planning to use?

| Provider	Percentage
AWS	27.9%
Oracle Cloud	27.2%
Other	21.1%
Azure	17.7%
Google	6.1%
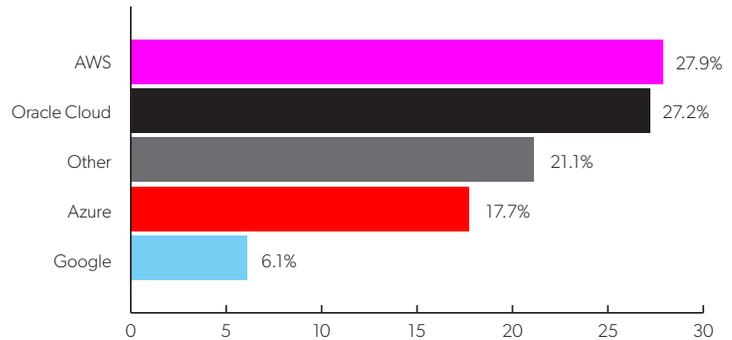
Respondents Are Not "Ripping and Replacing" ERP for Oracle SaaS

The survey shows similar results with regard to SaaS, with 80% of respondents not planning to move or unsure about migrating to Oracle SaaS offerings.
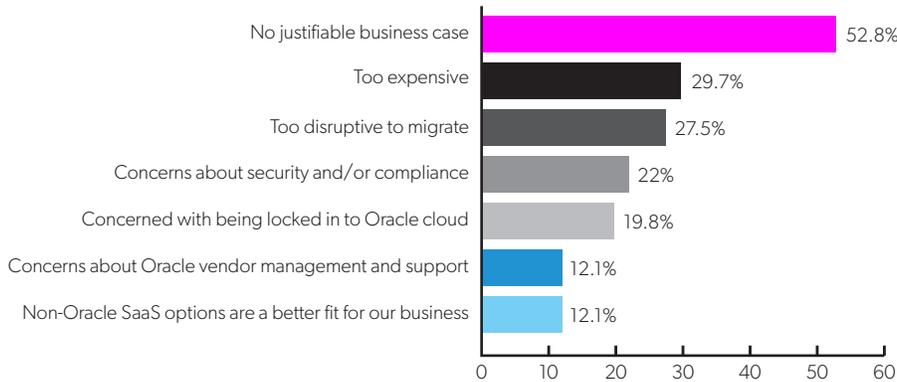
In the experience Rimini Street has had, such a move would equate to "ripping and replacing" licensees' stable Oracle application environments to move to Oracle SaaS.

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

Response	Percentage
No	47%
Unsure	33%
Yes	11%
Already migrated	9%
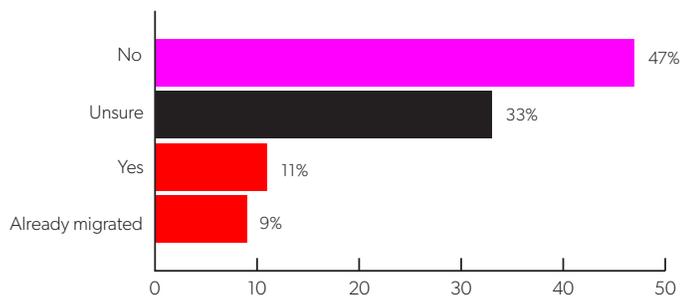
Several reasons are given for this: 53% cite the lack of a sound business case for moving to Oracle SaaS, 30% believe it will be too expensive, and 28% say it would be too disruptive to migrate.

If you are not planning to migrate to Oracle Cloud SaaS, what are the top reasons?

Reason	%
No justifiable business case	52.8%
Too expensive	29.7%
Too disruptive to migrate	27.5%
Concerns about security and/or compliance	22%
Concerned with being locked in to Oracle cloud	19.8%
Concerns about Oracle vendor management and support	12.1%
Non-Oracle SaaS options are a better fit for our business	12.1%

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 its installed base.[4]

Cost issues also factor into licensees' decisions, with 30% finding Oracle's offering too expensive. Oracle has even stated in investor calls that licensees who move to Oracle's SaaS will typically pay three times more than they pay before doing so.[5]

In a 2020 PeopleSoft survey of those respondents evaluating, actively moving, or already having replaced some of their Oracle ERP with SaaS, nearly 70% are choosing to include non-Oracle SaaS in their cloud strategy, indicating a preference for a best-of-breed approach rather than a single-vendor approach.[9]

Respondents Are Also Worried About Oracle Cloud Lock-In

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

Other vendors now focus on open-source software and open application programming interfaces (APIs), which allow licensees to choose the technology they require for their specific business needs. By contrast, Oracle builds its underlying hardware systems to optimize only the software that is running on those systems.[7]

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

Of those surveyed at the C-level, VP/Director of IT, and procurement roles, more than 50% said they are currently reducing or planning to reduce spending on Oracle. They cited a variety of issues around the cost of doing business with Oracle, as well as the quality of their current support and overall health of their relationship with the vendor.

Oracle's Underlying Lock-In Strategy for the Cloud

Oracle's cloud approach poses a direct contrast to that of other cloud vendors who offer open source software and open APIs, so their licensees can choose the best tool for the job, according to industry analyst Jason Bloomberg:

"In fact, customer lock-in is one of its [Oracle's] explicit strategies ... Engineering underlying hardware systems to optimize for the software running on them is the reverse of what most other vendors do."[6]

In a survey of Oracle Database licensees, 41% of respondents are actively reducing their Oracle Database footprint, a fivefold increase since 2017; high cost and license compliance are noted as top Oracle Database pain points among this group.[10]

Many Licensees Don't Like Working with Oracle

Jeff Lazarto of UpperEdge has been asking his clients how they feel about the vendors they've been using and finds few positive responses from Oracle licensees.

"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."[8]

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

Yes	53%
No	47%
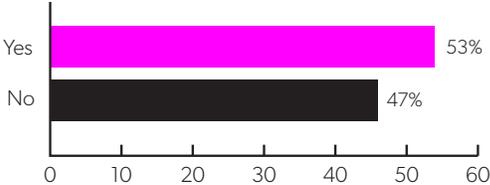
Survey respondents considering reducing their Oracle spend cited the top three reasons as:

- ■ 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?

High cost of software and features	60.6%
High cost of annual maintenance and support	57.7%
Aggressive sales tactics and audits	21.1%
Poor quality of maintenance and support	17.7%
Fewer new features being provided that help my business	14.9%
Difficult to do business with as a vendor	14.3%
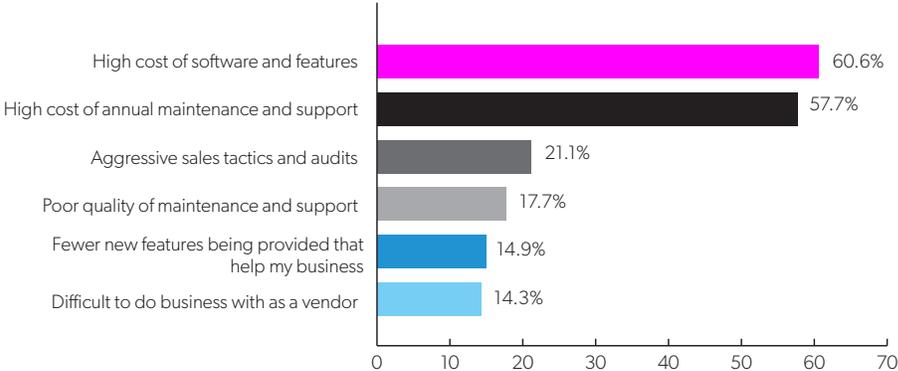
Reclaiming the Roadmap:
Five Key Recommendations

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. Determine the value received

Carefully analyze the cost of Oracle annual maintenance and support and compare it to the net-new innovation and value received. Rimini Street has discovered that licensees often feel that they are not getting 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 growth and competitive advantage. The primary challenge is to ensure that it is possible to build and deliver a roadmap that makes a difference to the 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 already paid for and to avoid the risk of vendor lock-in.

4. Realize that it's not the vendor's roadmap

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 the organization's timetable, terms, and in support of its strategy.

5. Carefully Choose 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 Oracle delivers today. That means substantially reducing the time and cost of resolving issues and quickly gaining access to highly qualified engineers. Also, make sure that a vendor is financially transparent, is able to scale globally, and can act as a trusted advisor to support the decisions that keep a Business-Driven Roadmap on track.

Conclusion

Oracle licensees have options. There's no need to limit strategic planning and roadmap to Oracle's policies, service practices, and timetables. Savvy third-party support vendors are available to help organizations efficiently, intelligently, and cost-effectively maintain their ERP systems, while also providing the clarity to shape their roadmaps in their best interests, not Oracle's. High-quality independent support and guidance are key to navigating today's complex enterprise landscape and achieving IT and business success.

Compare the Options

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

Support Features	Rimini Street	Oracle Premier and Extended	Oracle Sustaining
Support Services			
Application and documentation fixes	■	■	No new fixes
Operational and configuration support	■	■	
Installation and upgrade support	■	■	No new upgrade scripts
Named, regional primary support engineer with an average of 15 years of experience	■		
Account management services	■		
10-minute guaranteed response SLA for P1 critical cases with 2-hour update communications	■		
Full support with no required upgrades	■		
Customization support	■		
Performance support	■		
Interoperability and integration support	■		
Full support of current release for at least 15 years from contract date	■		
Strategic Services			
Technical, functional, and application roadmap advisory services	■		
Cloud advisory services	■		
License advisory services	■		
Security advisory services	■		
Interoperability and integration advisory services	■		
Monitor and check advisory services	■		
Impact on Resources			
Significant reduction in operating costs (budget, people, time)	■		
Independence from vendor-dictated roadmap	■		

Rimini Street provides Oracle and SAP licensees an alternative support model to help them take control of their roadmaps 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. Rimini Street helps 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 support 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 that drives competitive advantage and growth.
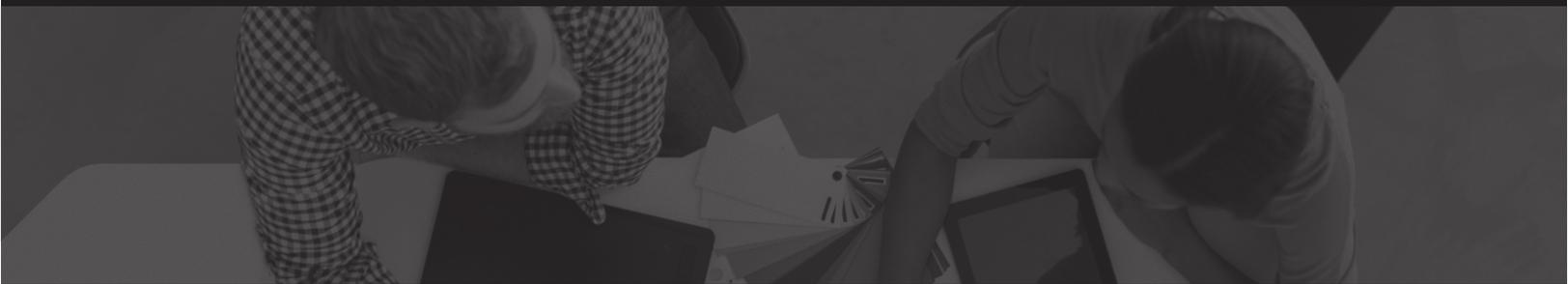
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9   Survey Report: Licensees' Insights into the Future of Their PeopleSoft Roadmaps

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Rimini Street®

riministreet.com
info@riministreet.com
twitter.com/riministreet
linkedin.com/company/rimini-street

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