Survey: What's Oracle's Next Move?

Oracle's surprise announcement last month that it wouldn't port new versions of its software to Intel's Itanium chip has caused an uproar in the enterprise server segment of the industry. Why is Oracle dropping Itanium such a big deal? It's because Oracle, with its purchase of Sun Microsystems, is now a head-to-head competitor with former partners IBM, HP, Dell, and other server vendors.
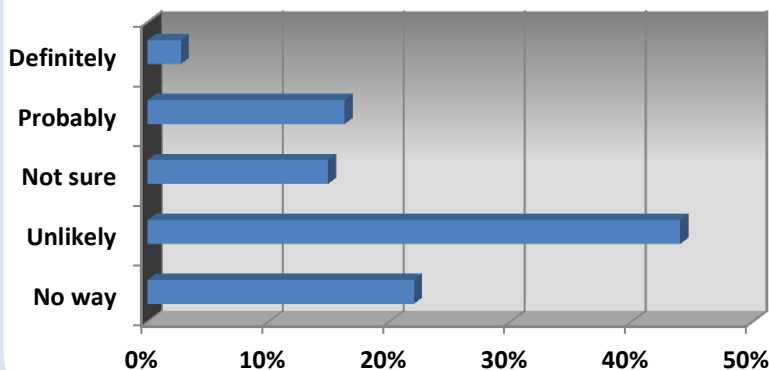
Oracle, as a major ISV <u>and</u> system vendor, could potentially use its power as a key software provider to give unique advantages to its own hardware products while disadvantaging competitors. Many argue that Oracle is already doing this with their software pricing, while others say that it's just business as usual in a dog-eat-dog industry.

We wanted to find out how real-world customers feel about Oracle's move, the motivations behind it, and its implications for the industry and their own organizations. More than 450 enterprise IT customers shared their thoughts with us in our **"What's Up With Oracle?"** survey. (Survey demographics and methodology are available here.)

Our first set of results discussed what customers think about Oracle's motivation – was it just business as usual or part of an Oracle strategy to use their software franchise to push their hardware? The results were pretty clear; close to 80% of our respondents believe Oracle was making a competitive move against HP and, furthermore, that it's just the first move in Oracle's plan to capture a much larger share of IT spending.

In this installment, we're showing results from the next section of the survey, in which we asked customers what moves they're expecting from Oracle in the future. This first question asks whether this is just business as usual for Oracle – an isolated action – and not part of an overall strategy…

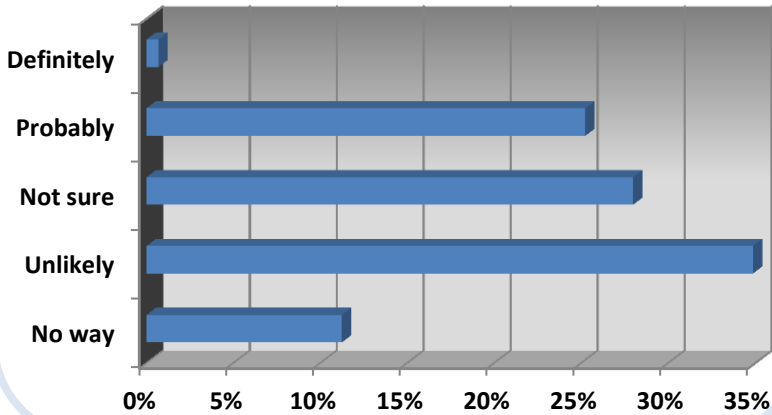### Oracle Next Step: "Business as usual - it's not a grand plan"

As can be seen from the graph, a large majority of our enterprise survey respondents think that Oracle's Itanium decision was not an isolated business move.

66% say that Oracle 'probably' or 'definitely' has some sort of grand plan, and that the Itanium card they recently played is a step along that path. Only 3% say that Oracle is definitely not pursuing an overall plan, while an additional 16% say they're probably not.

One thing that customers definitely don't expect is for Oracle to change its mind and port to Itanium again...

Oracle Next Step: "Resume Itanium ports (with HP/Intel $$")

Category	Value
Definitely	~1%
Probably	~26%
Not sure	~29%
Unlikely	~35%
No way	~12%

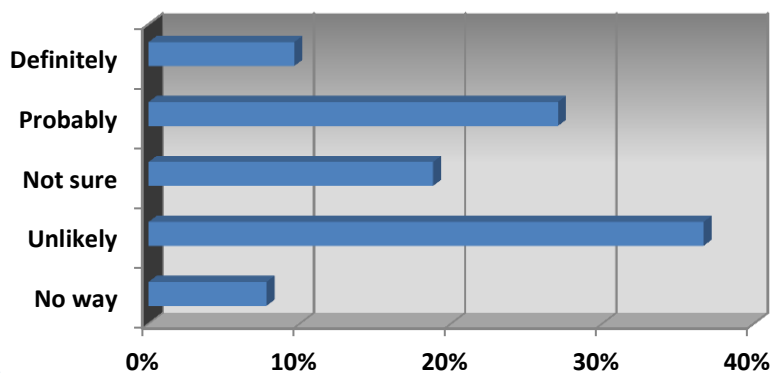(Horizontal axis: 0%, 5%, 10%, 15%, 20%, 25%, 30%, 35%)

Barely a quarter of our respondents believe that Oracle will change its mind on Itanium and resume porting to it. A much larger number, 46%, don't see Oracle relenting – even if they received compensation from HP or Intel for the effort.

Even if Oracle, in the face of customer anger, did flip-flop on this, would it really make a difference? The way that they suddenly pulled support sets a precedent; it's impossible to believe that it couldn't happen again.

As we mentioned before, earlier results from this survey show that the vast majority of customers (79%) believe that Oracle is pursuing a strategy that uses their clout in enterprise software to give their hardware products an advantage over those of competitors. Almost 80% also believe that Oracle's Itanium decision was a competitive move designed to cripple HP's Unix and NonStop server products. Given this, do customers expect Oracle to strike out at other competitive targets?
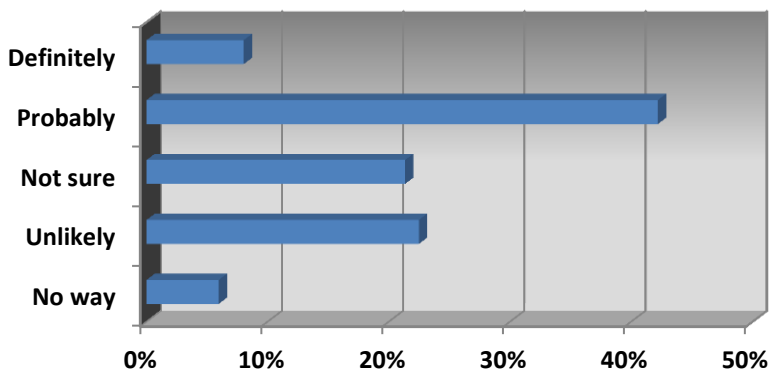
Oracle Next Step: "Eventually increase costs for customers running Windows environments"

Category	Value
Definitely	~10%
Probably	~28%
Not sure	~20%
Unlikely	~37%
No way	~9%

(Horizontal axis: 0%, 10%, 20%, 30%, 40%)

Most of our respondents (45%) don't see Oracle taking actions that would make things more costly for their Microsoft-using customers. But they're somewhat divided on this point; 37% say that it will probably or definitely happen in the future.

Microsoft has a very large o/s installed base, and their SQL Server database competes with Oracle's mainline database and lower-end MySQL products. Oracle may see MySQL as their main competitive tool vs. Microsoft.
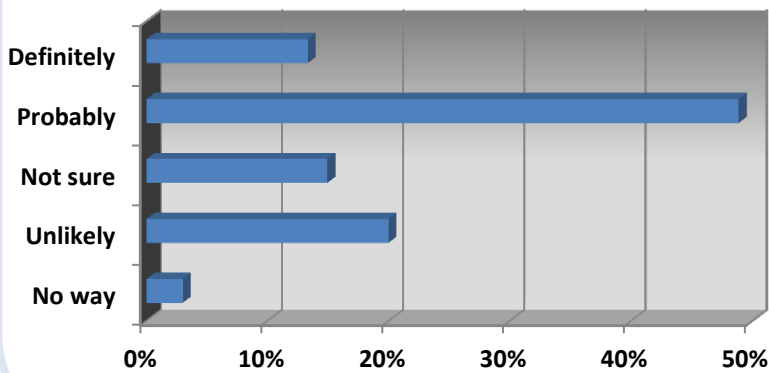
Oracle Next Step: "Eventually withdraw support for IBM's AIX and POWER processor"

Definitely	
Probably	
Not sure	
Unlikely	
No way	

0% 10% 20% 30% 40% 50%

IBM competes with Oracle in a number of different areas these days and is the leading vendor of Unix systems with their Power line. Half of our respondents believe that Oracle will eventually withdraw support for these IBM systems, while less than 30% think it won't happen.

As the owner of the DB2, IBM is well-positioned to withstand an Oracle boycott – at least as far as the Oracle database is concerned. Is an all-out war against IBM in the offing? Time will tell…

Oracle Next Step: "Eventually increase costs for RedHat and other non-Oracle Linux users"

Definitely	
Probably	
Not sure	
Unlikely	
No way	

0% 10% 20% 30% 40% 50%

Customers see Linux, and RedHat specifically, as Oracle's next target of opportunity. More than 60% believe that Oracle will take steps to drive up costs for non-Oracle Linux customers.
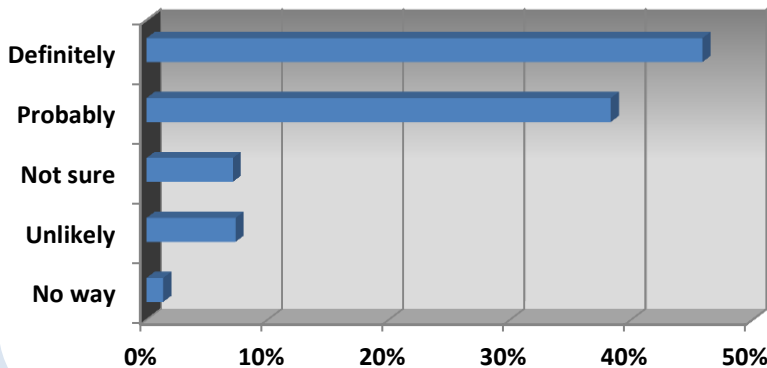
Technically, Oracle software will probably always run on Linux. We don't expect Oracle to fork their code to the point where it breaks completely away from base Linux. But that doesn't mean that Oracle's hands are tied competitively.

The questions above asked customers about targeted measures Oracle may take against particular competitors. In separate questions, we asked about general steps Oracle may take that would have much the same effect:

- "Add 'Secret Sauce' to their software products to advantage Oracle platforms vs. competitors"
- "Release new software versions on Oracle platforms first"
- "Adjust License/Support Costs to Advantage Oracle Platforms vs. Competitors"

On each of these questions, a very large majority of customers believe that Oracle will 'Definitely' or 'Probably' take the respective action. In fact, the results from these questions look very much like the results from the final question we asked in this section of the survey. Here it is…

Oracle Next Step: "Do everything possible to persuade/force customers onto all-Oracle solutions"

85% of customers surveyed see Oracle pulling out all the stops in order to get customers to move to an all-Oracle stack. What's particularly noteworthy is that the "Definitely" responses outweigh all of the others, adding an exclamation point to this wrap-up question.

Very few customers **don't** see this in the cards – only 8% to be precise.

According to the vast majority of our enterprise respondents, there's a new server war on the horizon. They see Oracle moving very aggressively against competitors and doing everything in their power to prompt customers to adopt top-to-bottom Oracle-fueled infrastructures.

While it's certainly a valid strategy, is it the right strategy for Oracle to pursue? In the next section of the survey, we ask customers which of the moves above will help or hurt Oracle. We'll be releasing those results very soon.

If you're interested in finding out more about this survey (demographics, expanded results, detailed GCG analysis), you can find it all on GCG's Recent Research web page or use the contact information below to reach out to us.

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