ORACLE

Oracle International, Inc.

HQ: 500 Oracle Parkway | Redwood City, CA 94065 | http://www.oracle.com

Founded: 1977

Funding/Key Investors: Oracle is a public company and listed as ORCL

Number of Employees: 120,000

Company Background

Oracle, Inc., has long been a leader in databases, storage, and enterprise applications, among other areas. With the acquisition of Sun in 2010, Oracle added advanced hardware along with Java device software and related backend systems. These are important for M2M solutions for storage, cloud, and analytics. Most of Oracle's products and applications can be cloud based and the company has focused on IP to increase differentiation and integration to ensure ease of use for customers. With 390,000 customers worldwide, including all of the Fortune 100, Oracle is at the core of many IT systems today. Oracle has cash and marketable securities of more than $32B and can make and has made bold moves through acquisitions and internal investments as needed.

Solution at a Glance

Oracle has one of the broadest portfolios globally relevant to M2M devices, systems, and services. From device software with Java to cellular connectivity with ecosystem partners to the cloud, data center, storage, enterprise IT systems, application middleware, analytics, and applications, Oracle has products that are often in market-leading positions.

Ultimately, M2M solutions are about situational awareness. This means collecting the data generated by M2M systems, analyzing it for understanding, integrating it with IT and cloud systems including applications and advanced services, and making decisions that lead to greater productivity and revenues among other factors. The intelligence of M2M solutions is highly valued because it can be used in so many ways. Oracle's leadership with storing, analyzing, and integrating with IT and cloud systems along with enterprise applications is directly applicable for M2M.

M2M Portfolio and Technical Capabilities

Starting with the device and connectivity, Oracle is focusing on its Java Embedded software platform with chip companies, cellular module makers, and related players to get Java into as many M2M devices as possible. Additionally, Oracle introduced the Java Platform Integrator program for companies that provide on-device software or services, system integration, or value-added services for embedded markets enabling them to port and integrate Oracle Java Embedded product code to meet their specific device and market requirements. Java offers a large developer ecosystem, a wide range of capabilities, and can be sized for differing processors and memory sizes.

Once the data is in either the cloud or IT systems, a number of Oracle products come into play. These include Exadata servers and storage, Exalytics for analytics to make sense of the data, and a number of business intelligence applications such as Oracle's Fusion line for ERP, CRM, sales and marketing, financial management, procurement, sourcing, and inventory, and related areas. With more than 80 business intelligence applications, a large number will benefit from and also integrate with M2M data either directly or indirectly.

Oracle has invested in event-driven M2M platforms for around a decade, although the early days were more for R&D and less for products. The database and analytics products are designed to handle all data types, including M2M, and analyze this data in a variety of ways to suit the customer's needs. Oracle has unveiled an event-processing product for embedded devices, extending this functionality to devices, providing reduced latency for faster critical decision making, remote operation for more effective use of network resources, as well as dynamic online application updates for more rapid time to market.

Among the many important capabilities for enterprise-grade solutions are reliability, workload consolidation, total cost of ownership, risk, TTM, flexibility, interoperability, scalability, and performance. Managing this infrastructure is important for most of these attributes, and Oracle has developed a management infrastructure to do much of this, including lifecycle management, provisioning, monitoring, and diagnostics.

Oracle has a large number of important IT and cloud applications including ERP, CRM, human capital management (HCM), talent management, sales and marketing, financial management, and governance, risk, and compliance. Several of these can be offered as SaaS. The company focuses on cross-platform integration to ensure its applications run on its platforms, with its database, in its cloud, with its analytics and fusion platforms, and more. Oracle has brought its Enterprise Software Portfolio to the cloud.

While some companies may want to build, integrate, and operate this type of end-to-end system themselves, there are numerous technical and business reasons why this is complex. It's rarely a company's core competency and the risk, operational expense, upgrades, and other demands are all challenging. An integrated system supporting M2M along with other data types, devices, and applications offers more value than disparate systems.

Business Model

Oracle's business model starts with its database heritage and recurring software revenues. With more than 300,000 customers for databases alone, they have a very strong base. For the past few years, about 55% of all Oracle software revenues have been recurring. Roughly 35% of software revenues are from new software licenses with the remaining 10% from first-year support. Software made up 87% of Oracle's margin in 2012.

For many years, Oracle has built up related areas, including hardware and software integration, capitalizing on its Sun acquisition for data warehousing, cloud, servers, storage, and big data analytics, among other areas. Java gives Oracle a strong entry point into embedded devices, and its Fusion Middleware is a leading application infrastructure foundation. Oracle is aiming to be the top player in end-to-end databases, high-end computing, storage, and IT among other areas such as cloud. More than 90% of the company's approximately 10,000 new hires the past two years have been in sales and R&D to drive new business and increase Oracle's IP and innovation.

Service and Support

Oracle has roughly 18,000 support personnel and another 18,000 consulting experts, or approximately 30% of Oracle employees, to help customers design, optimize, integrate, train, and support their products and systems. The company has a large number of service and support offerings from online support, patches and security alerts, documentation, and best practices up to Premier Support with Platinum Services, which includes 24/7 Oracle remote fault monitoring, short response times, patch deployments, and related capabilities for high-availability/high-performance systems. Oracle can help customers from devices to networks to clouds to applications, along with Oracle Financing for customer payment solutions and Oracle University for training and certification courses. The Oracle Support Portal includes health checks, monitoring and resolution, knowledge management, and similar features. Professional Services is approximately 4% of Oracle's total revenues and first-year support is approximately 10% of all software revenues.

Industries Served

Oracle serves a number of industries including automotive, communications and media, industrial automation, energy, financial, high tech, insurance, health care, life sciences, public sector, travel, transportation, and more.

Ecosystem and Supply Chain

Oracle has the largest developer community worldwide with 15 million developers. With more than 25,000 ecosystem partners, Oracle continues to put major effort to ensuring all types of IT systems, applications, devices, and clouds interwork with Oracle systems. For one M2M example, Oracle has partnered with Qualcomm and Gemalto to include Java on millions of M2M cellular modules. Experienced Java developers can program the modules, including setting configurations, business rules, and monitoring. The market forecasts hundreds of millions of cellular connected modules which could more seamlessly integrate into the broader Oracle products, systems, and services along with other systems. In another example, Oracle and Salesforce.com, traditionally rivals, have agreed to ensure their leading products will interwork for the M2M, enabling their customers to gain interoperability and allowing both companies to grow their businesses.

Competitive Positioning

Because Oracle has many components of the M2M value chain, it competes against a number of large- and medium-sized players. Traditionally, these include: Microsoft, IBM, HP, EMC, Salesforce.com, VMware, Dell, SAP, Teradata, Red Hat, Cisco, Amazon, and others. Oracle is a leading vendor of databases, Java, middleware, as well as in additional enterprise application categories. The combination of assets acquired from Sun with Oracle's existing hardware-software integration competencies has helped form the optimized database and analytics products Exadata and Exalytics, respectively.

Java gives Oracle a strong entry point into embedded device software. The traditional resource constraints on many embedded devices that once precluded the use of Java are eroding. These market changes, combined with Oracle's recent efforts to update and integrate its embedded Java offerings, are leading to much higher levels of Java adoption in the embedded domain. And although there were some issues with Java security raised by the US Department of Homeland Security early in 2013, they were applicable only to Java running in a browser and have been addressed.

VDC Opinion

Oracle's position as a top-tier IT, cloud, database, middleware, analytics, computing, and application player will serve it well as M2M adoption accelerates. A growing number of M2M devices will include Java as part of their software stack. The data collected from M2M devices will often be stored on Oracle servers, analyzed with Oracle analytics, integrated with other systems with Oracle middleware into Oracle enterprise applications and cloud services. Of course, most companies will not have each product, but the level of pre-integration, support, and TCO will continue to be attractive. As companies move to more sophisticated M2M solutions and big data, the complexity to pull the pieces together effectively and on budget is high. They need strategic partners that can address key issues quickly, while controlling risk and complexity.

Oracle's annual revenue was nearly flat from its fiscal 2012 to fiscal 2013 at slightly more than $37.1B, although it has risen by more than $10B since 2010. With cash and marketable securities of more than $32B available, 390,000 customers, and a broad and solid product portfolio largely applicable to M2M, Oracle is well positioned. Still, it will not be an easy path with competitors such as IBM, Microsoft, Cisco, HP, SAP, and others going after much of the same business.