SPECIAL REPORT EXTRACT

Oracle Application Customer Satisfaction, Attitudes, and Plans

November 2010

Abstract

Customers of Oracle's business applications face crucial decisions as the vendor seeks to substantially increase its applications, hardware, and service footprint within its accounts. To assist in those decisions, this study assesses customer satisfaction with Oracle support, plans for migration to Fusion applications, and forecasts for Oracle's share of IT budgets. We present survey results for E-Business Suite, PeopleSoft, JD Edwards, and Hyperion. We conclude with recommendations as to how customers should move forward with Oracle applications. This report is a special extract of our full report, *Go Forward Strategies for Oracle Applications Customers*, available from Computer Economics.

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Oracle Application Customer Satisfaction, Attitudes, and Plans

Please Note: This publication is an extract of our special report, *Go-Forward Strategies for Oracle Application Customers.* The full version of this report includes additional analysis of Oracle customer plans for Sun hardware, a detailed analysis of IT staffing ratios that Oracle customers experience in supporting E-Business Suite, JD Edwards, and PeopleSoft, and other topics. To purchase the full version of this report, or for other IT spending and staffing ratio reports, please visit our website at www.computereconomics.com, or contact us for more information.

With roots in the 1970s as a developer of relational database management systems, Oracle has grown to become one of the world's largest and best-known technology companies. Over the past decade, Oracle has been on a major acquisition spree, building its portfolio of business software, middleware, tools, and computer hardware to complement its iconic database offerings.

As a result, many organizations have found themselves Oracle customers. This is particularly the case for users of PeopleSoft, JD Edwards, Siebel, Hyperion, Retek, and a host of other business systems that Oracle acquired in addition to its internally developed E-Business Suite. Such customers may have been users of Oracle's databases or tools, but they now find themselves reliant upon Oracle in a much bigger way—for systems that may be critical to their organization's IT strategy.

Many Oracle application customers, therefore, are considering how to best continue their relationship with Oracle or in some cases whether the relationship should continue. Such considerations include the following:

- How well does Oracle support our application systems?

- Should we plan for migration to Oracle's next-generation Fusion applications or stay on our existing Oracle systems under Oracle's Apps Unlimited program? Or should we migrate to a competing vendor's applications?

- Should we consider using the services of third-party maintenance providers, instead of, or in addition to, Oracle support?

- Should we increase our use of Sun Microsystems technology or move to other platforms following Oracle's acquisition of the system vendor?

- Are we comfortable giving Oracle an even larger share of our IT budget, or should we be looking for ways to reduce our reliance on this single IT provider?

- What does it cost us to maintain our Oracle applications in terms of internal support staffing? Are we in line with what other customers experience?

These same questions are not only of interest to Oracle customers, but also prospective customers. To help organizations address these considerations, Computer Economics surveyed Oracle customers in August and September 2010 to assess their satisfaction with Oracle support, plans for migration to Oracle's next-generation Fusion applications, use of Sun hardware, consideration of third-party maintenance services, and forecasts for Oracle's share of their IT budgets.

We present survey results for each Oracle application, including E-Business Suite, PeopleSoft, JD Edwards, and Hyperion. In addition, we provide application support staffing ratios for each application, which can be used for benchmarking and planning purposes. We conclude with recommendations for how customers should move forward with Oracle applications.

Oracle declined to comment on the study findings.

The Survey Participants

About three-quarters of the 109 respondents to this survey are based in North America, and 90% use Oracle maintenance and support programs.

As shown in Figure 1, 38% of the survey respondents use Oracle's traditional E-Business Suite applications. JD Edwards is the next most popular system, running within 32% of our respondent organizations, followed by PeopleSoft at 30%. Hyperion is used by 23% of the organizations and Siebel by 11%. Primavera, Agile, or other Oracle applications are running in approximately 30% of the surveyed organizations.

Percentage of Respondents with Each Oracle Application

Application	Percent
E-Business Suite	38%
JD Edwards	32%
PeopleSoft	30%
Hyperion	23%
Siebel	11%
Primavera	7%
Agile	6%
Other	17%

Percent of Respondents

Source: Computer Economics, 2010   Figure 1
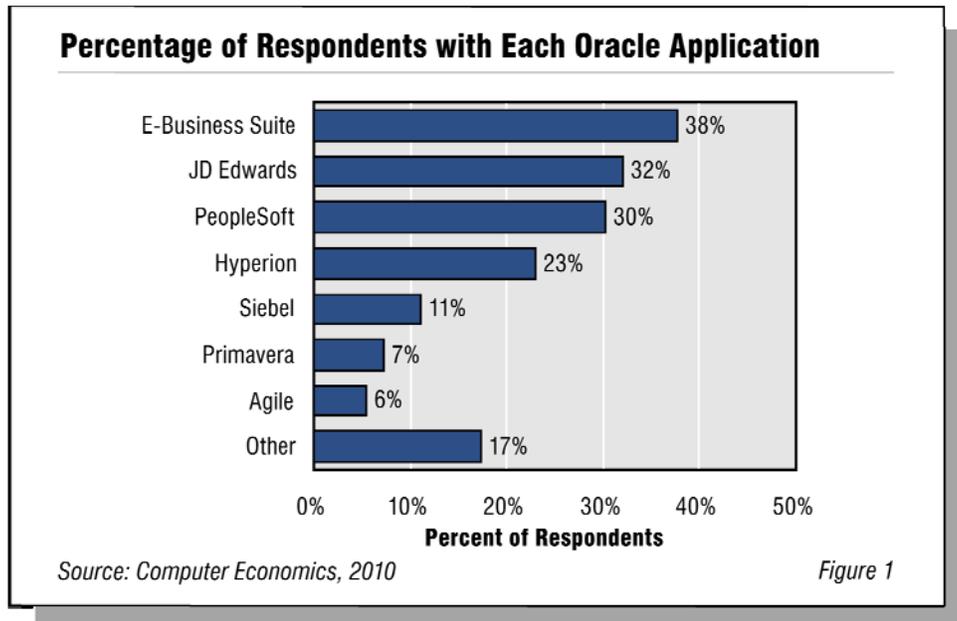
Please note that the percentages in Figure 1 total more than 100% because many organizations are running more than one Oracle application. Hyperion—Oracle's acquired business intelligence offering—in particular has a high degree of overlap. Nearly every survey respondent running Hyperion is running at least one other Oracle application.

Additional information on the survey sample and methodology is available in the appendix of this report.

Customer Satisfaction with Oracle Support

Any discussion of the options for Oracle application customers starts with their current experience with Oracle's maintenance and support programs. Maintenance and support fees are a major component of the total cost of ownership for any commercial software product. In addition, satisfaction with the day-to-day relationship with the vendor is based largely on the experience with its support organization. In this section, we examine Oracle's relationship with its customers, which the study shows can be problematic at times.

In Figure 2 we see that 90% of our survey respondents are paying Oracle for ongoing software maintenance and support. These services include access to patches and fixes for licensed products, access to Oracle's support organization for help desk requests, and the rights to download new releases of those products.

Percentage of Oracle App Customers Paying Oracle for Support

Yes, 90%   No, 10%

Source: Computer Economics, 2010   Figure 2
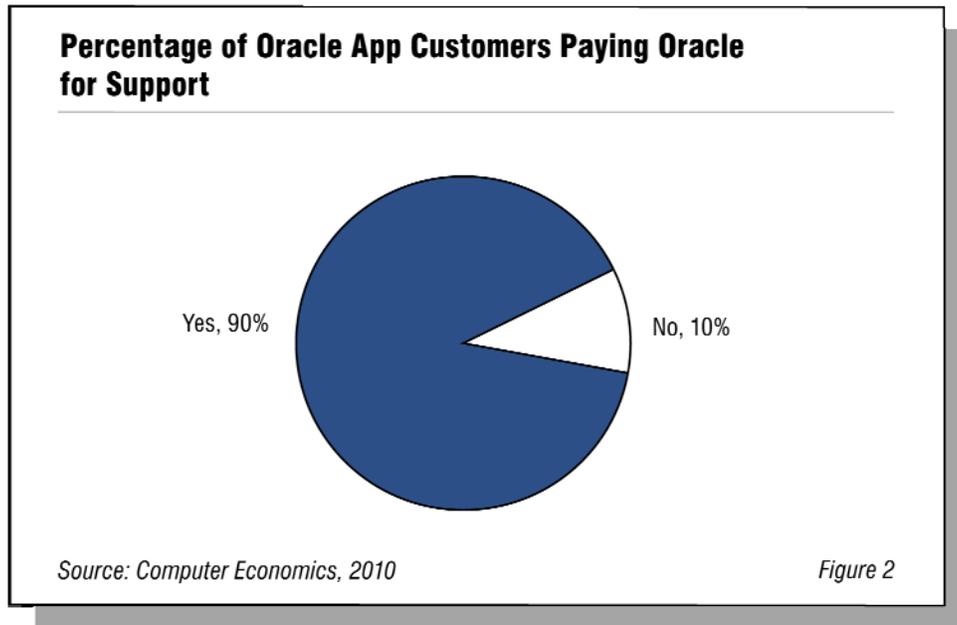
Interestingly, the percentage of customers paying for support does not vary much by the number of years since the customer first installed the application: 94% of respondents who installed their first Oracle application five years ago or less are paying for maintenance. The percentage drops slightly to 85% for customers six to 10 years old, and then rises to 92% for customers more than 10 years old, as shown in Figure 3.
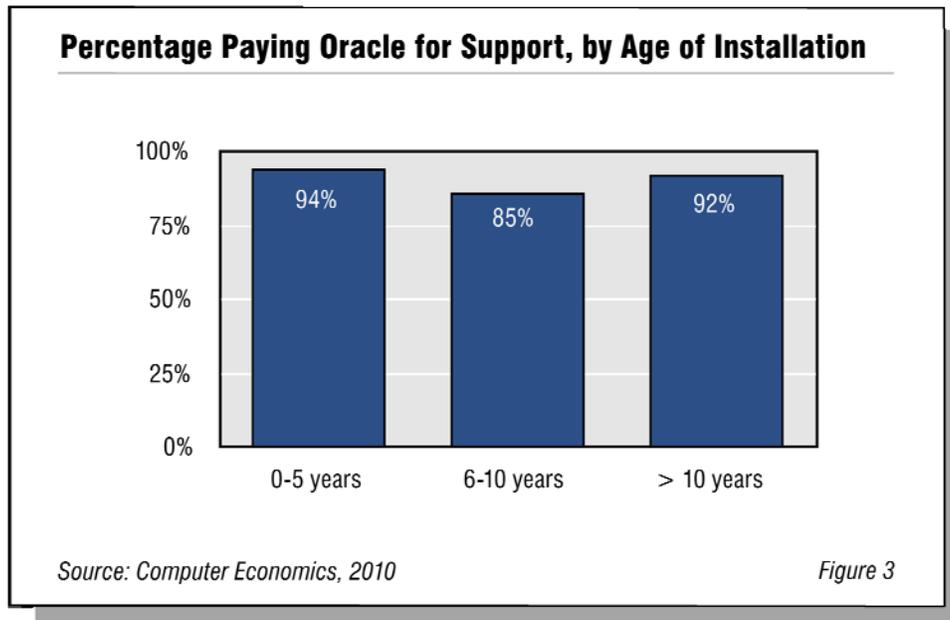
Percentage Paying Oracle for Support, by Age of Installation

Source: Computer Economics, 2010   Figure 3

Please note that the "age" of the customer is counted from the date of the original application installation, even if that product was acquired by Oracle after the date of installation.

Customer Satisfaction with Quality of Support

Figure 4 shows the majority (58%) of Oracle application customers are satisfied or very satisfied with the quality of Oracle's maintenance and support programs for its business applications. At first glance, it appears satisfaction with Oracle support overall is positive.

Satisfaction with Quality of Oracle App Maintenance and Support

Very Dissatisfied: 7%
Dissatisfied: 35%
Satisfied: 54%
Very Satisfied: 4%

Source: Computer Economics, 2010

Figure 4
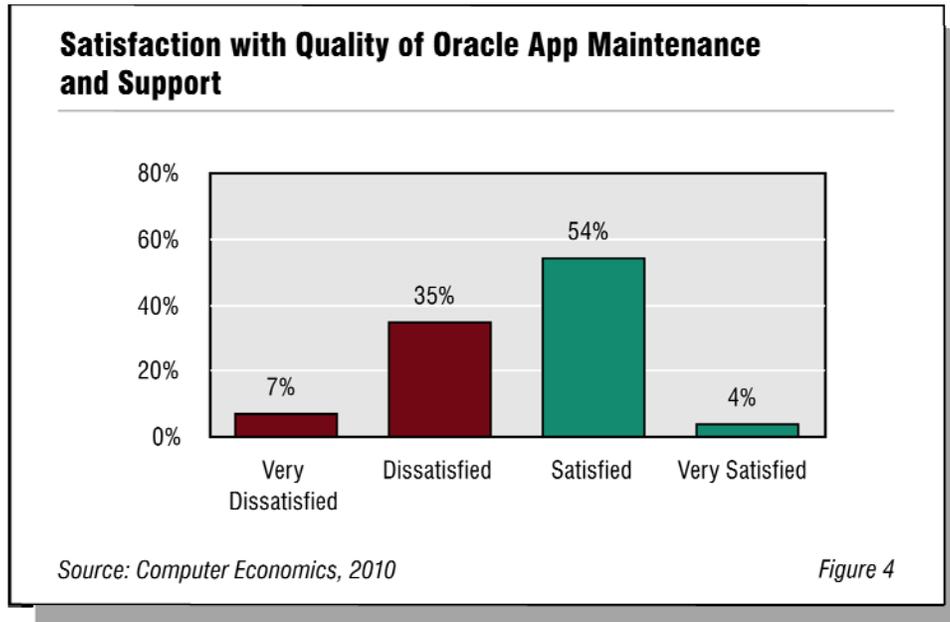
However, the comments that accompanied responses to this question are enlightening and show that even those who are satisfied with the quality of Oracle support are not entirely satisfied:

- One E-Business Suite customer rated himself as satisfied, but gave Oracle a mixed review. "Oracle's help desk process can be very frustrating and time-consuming," he wrote. "However, Oracle's willingness to engage development resources and other internal resources on our behalf has been impressive."

- A respondent who described his organization as a heavy user of PeopleSoft and JD Edwards wrote: "On a tactical [product] basis Oracle deals very well. But on a strategic [account] basis Oracle compares badly to other vendors."

- A customer running E-Business Suite, Siebel, and Hyperion commented: "Oracle's ongoing support is mediocre. But the recent experience of our R12 EBS upgrade and the superb support we got from the critical account support team really offsets that."

- A PeopleSoft and Hyperion customer, who felt getting Oracle's attention can be frustrating, wrote: "Oracle's support system is not flexible enough to recognize conditions truly critical to the customer but may not necessarily look like it to Oracle after a ticket is filled in accordance with Oracle's standard questionnaire. We've gotten hurt by it more than once." He concluded, "Once you get their attention, though, they provide quality service."

- One E-Business Suite customer in the satisfied category summed up his view: "It is not the worst vendor relationship, but it is not the best either. We would like a more proactive approach from Oracle to ensure we know what services we have with maintenance."

Comments from the 35% who are dissatisfied and 7% who are very dissatisfied provide further insight into the problems customers encounter:

- An E-Business Suite and Hyperion customer wrote: "At times, the Oracle support organization is very difficult to understand and to maneuver through. It's often difficult to understand how to escalate a problem/need for resolution."

- Another customer was annoyed by a recent experience in resolving a production issue. "The entire process takes too long," he wrote. "We had a major system outage of a critical business application. The opening of the support ticket and the method of posting and retrieving information was horrific. We had to [repeatedly] contact our local sales rep for assistance in escalating the ticket."

- An E-Business Suite/Siebel customer expressed similar frustration. "Too many times you have to produce the same troubleshooting data over and over again for the same problem," he wrote. "It takes too long to leave Level 1 when that person does not have the resolution."

- An E-Business Suite/PeopleSoft/Hyperion customer wrote that he receives "no commitment from Oracle to deliver a working solution for specific problems, identified on our Oracle instance."

- "Response is slow and they tend to push off actually listening to the issue, while they follow their script," wrote an E-Business Suite customer. "They make you run senseless queries and gather reams of information over the course of several days before actually asking intelligent questions." She concluded, "Support has tremendously degraded over the past two to four years."

- One JD Edwards customer complained that the quality of support had degraded since the Oracle acquisition. "The Oracle Support web interface is not user-friendly and is difficult to search," she wrote. "Sometimes the assigned advisor does not have sufficient knowledge of the application in question, so you need to spend a great deal of time bringing them up to speed so they can even understand the question. JD Edwards support (back in the day) was easier to use, speak with, and would more effectively resolve issues."

- A PeopleSoft customer had a similar complaint. "Resolving issues takes way too long," he wrote. "Before Oracle's takeover of PeopleSoft, service response and overall quality of service were far better. In addition, Oracle is very reluctant to send out 'hot' fixes. Instead, they always want you to go to the next bundle or patch, which is not so easy for our company."

- "Oracle's online knowledge base is difficult to work with," wrote another PeopleSoft customer. "And it is hit-or-miss when working with a support analyst as to whether they can assist."

- One large PeopleSoft and Primavera customer mentioned that support requests often need to be escalated. "Oracle's recommendations made the issues worse with their direction," she wrote.

Dissatisfaction with Oracle support also extends to other applications that Oracle has acquired. For example, one Retek customer complained: "Oracle seems to be simply redistributing the software they acquired with Retek rather than analyzing the product and fixing/improving it. The Retek code is very bug-ridden and inconsistent. Furthermore, the user installation and related documentation appears not to have been either proofread or tested for accuracy. It is highly inaccurate. Nearly every page has hand-written corrections, revisions, and omissions."

Customer Satisfaction with Cost of Support

When it comes to the cost of support, the warning signs are even greater, as shown in Figure 5. Here, the majority (59%) express dissatisfaction—including 15% who indicate they are very dissatisfied with the cost of Oracle support.

Satisfaction with Cost of Oracle Apps Maintenance and Support

Source: Computer Economics, 2010

Figure 5
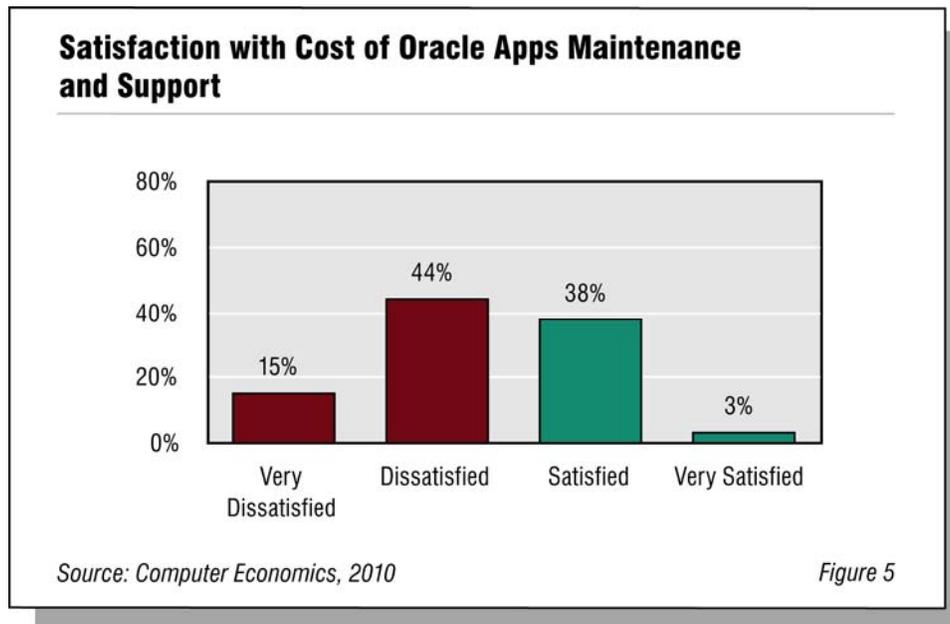
Again, comments from Oracle customers provide context for the responses:

- A real-estate developer running JD Edwards reported satisfaction with the quality of support but unhappiness with the cost. "Response is very good and research of issues is good," he wrote. "But it is very expensive for full maintenance, and there is very little product enhancement for the real-estate sector."

- One customer in the government sector complained about the cost of travel for skilled resources from Oracle, commenting: "When interfacing work is needed, local resources are not available and we have to pay for travel from around the United States."

- An E-Business Suite customer in the manufacturing industry said of Oracle's support: "It is very expensive, and the terms and conditions are in favor of Oracle only."

- An E-Business Suite customer in the entertainment industry sounded a similar note. "The maintenance is very expensive, and there is little benefit derived from it," she commented.

- A PeopleSoft customer in the manufacturing sector indicated that Oracle maintenance is "very expensive" and that there is "not much room to reduce based on the maintenance support structure."

- A small JD Edwards customer in the process manufacturing industry wrote, "The cost of adding users has become prohibitive for a rapidly growing company."

- To some customers, paying for maintenance seems unnecessary. For example, an Oracle customer in the life sciences industry wrote, "We pay for the maintenance but have not had to use it."

- A JD Edwards customer in the industrial sector itemized his dissatisfaction. "Maintenance should pay for three areas: support, bug fixes, and new releases," he wrote. "Oracle support is terrible, bug fixes are marginally okay but take forever to get through the Oracle bureaucracy, and new releases are horrifically expensive to implement."

- Another customer in the life sciences sector is running JD Edwards but is in the midst of a migration to E-Business Suite. His firm also runs Hyperion. "Costs are very high but we wouldn't consider dropping maintenance during our migration to E-Business Suite," he wrote. "Once stable, we will consider alternatives; but they seem limited for E-Business Suite."

- A JD Edwards customer in the automotive industry complained about the level of support compared to the cost. "Cost is extremely high," he wrote. "Contact with support staff is primarily limited to email."

- A PeopleSoft customer in the hospital sector referenced the cost pressure her organization is under. "With the health-care environment facing extreme challenges it becomes more and more difficult to support Oracle within its environment," she wrote. "When given an option for a database, we now have a tendency to shy away from Oracle due to the high cost of ownership."

That Oracle customers would express dissatisfaction with the cost of support is not surprising, inasmuch as Oracle's ratio of maintenance fees to original license cost is among the highest in the enterprise software industry. As one large Siebel customer wrote, "At 22% of purchase price, they are consistently the highest around."

Customer Satisfaction by Geography

Turning to the geographic dimension, we see a difference by region when dividing the sample into North American responses and the rest of the world. As shown in Figure 6, there is a greater level of dissatisfaction with Oracle support in North America, where 44% are unhappy with the quality of support and 62% are unhappy with the cost. For the rest of the world, the percentages are 36% and 52%, respectively.

Customer Dissatisfaction: North America vs. Rest of World

Source: Computer Economics, 2010   Figure 6
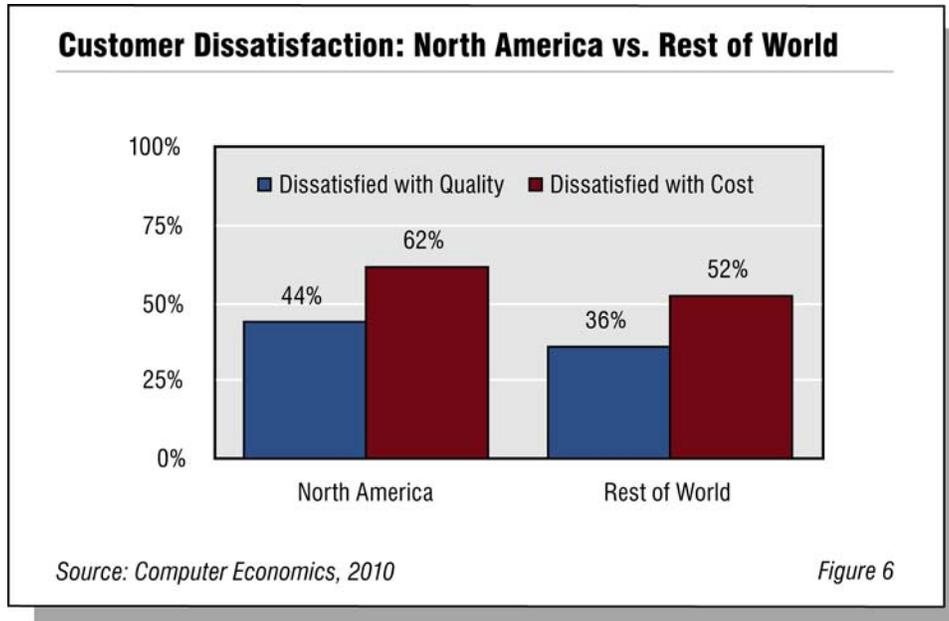
Customer Satisfaction by Age of Installation

The length of time a customer has been using Oracle applications also plays a role in customer satisfaction. Generally, the older the customer, the greater the level of dissatisfaction with Oracle's maintenance and support services.

As shown in Figure 7, for customers that first installed an Oracle application within the past five years, 33% express unhappiness with the quality of Oracle support. This percentage rises slightly to 38% for customers six to 10 years old, but it jumps to 53% for customers greater than 10 years old.

Customer Dissatisfaction by Age of Installation

■ Dissatisfied with Quality   ■ Dissatisfied with Cost

	0-5 Years	6-10 Years	> 10 Years
Dissatisfied with Quality	33%	38%	53%
Dissatisfied with Cost	57%	55%	68%

Source: Computer Economics, 2010   Figure 7
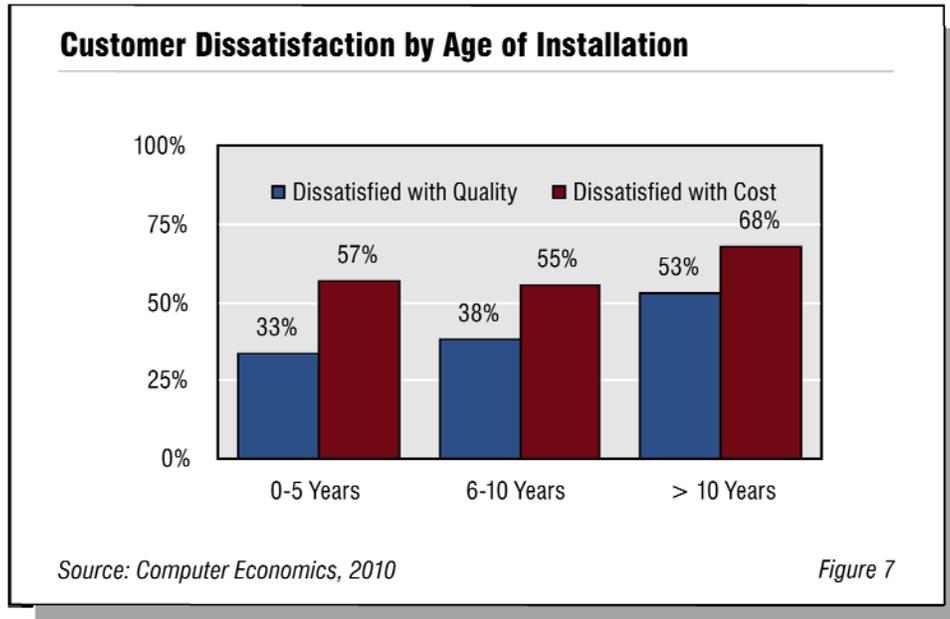
The trend holds true as well on the cost side, where 57% of customers zero to five years old say they are unhappy with the cost of Oracle support. This percentage is basically unchanged (55%) for customers six to 10 years old, but it rises to 68% for customers more than 10 years old.

Once again, please note that the "age" of the customer is counted from the date of the original application installation, even if that product was acquired by Oracle after the date of installation.

These results are not surprising. When customers first install a new application, they tend to draw more heavily on a vendor's support organization for bug fixes, patches, and general help desk support. Hence, they are likely to see value in the vendor's support offerings. But older customers, especially those more than 10 years old, tend to be on a stable release of the software, are familiar with it, and are less likely to draw on help desk support. In fact, in-house experts on the system may often know more about the application than the Oracle support person on the other end of the call. Thus, they are more likely to express dissatisfaction with the quality of the support as well as the cost.

For example, one small customer that first installed JD Edwards 11 years ago wrote:

> *It is truly unfortunate that Oracle has chosen to make growing our organization with Oracle applications so difficult. The constant changes in the licensing model (e.g. eliminating concurrent users, and attempting to force*

> *us to increase license numbers by giving up modules and upgrade rights) make planning for expansion nearly impossible. Tripling maintenance fees to add 75% more licenses does not help either. Plus, taking advantage of more current versions of applications requires staff additions and changes to skill sets that are difficult to absorb.*

Another customer, a government contractor, first installed PeopleSoft 13 years ago. His comment expresses a feeling of being taken for granted by Oracle:

> *Oracle has tried to live in the past with the model that says, 'Once you've hooked them, you've hooked them for life.' With SaaS [Software-as-a-Service] options out there, they need to be more interested in pleasing their installed base or they will lose us, guaranteed.*

The difference in the needs of older customers vs. newer customers lends credence to the concept of tiered support, where customers can opt for different levels of service, depending on their needs. For example, newer customers might opt for high levels of online and phone support desk services during their initial implementation but scale back to online support once they are a year or two into production. Older customers might forgo support desk services altogether, opting for access to the online knowledge base, as they rarely, if ever, need to speak with anyone in Oracle's support organization. As long as they have access to regulatory updates and bug fixes, they have enough support. The cost paid, of course, would depend on the level of service.

But customers are frustrated by Oracle's one-size-fits-all approach. "[The cost of] support programs are too high," wrote one E-Business Suite/PeopleSoft customer in the nonprofit sector. "Oracle discourages and/or hinders customers from reducing licensing costs and support." He suggested that Oracle "needs a better mechanism to reduce or eliminate licenses due to improved deployment strategies."

Another customer, a PeopleSoft and Primavera user in a public utility organization, indicated how difficult it is to contract with Oracle for some flexibility in managing costs. "The Oracle maintenance and support program is inflexible," he wrote. "It is impossible to scale down during hard economic times, which forces us to look for complete alternatives. A more dynamic contracting framework [that] would allow us to increase and decrease our application footprint would allow us to make a long-term commitment to Oracle. As it is, Oracle is presenting us with an ultimatum: all in or all out."

Oracle has so far resisted the concept of tiered support. It is not difficult to see why: maintenance and support is a huge cash cow for Oracle and funds its research and development efforts, acquisition strategy, and above-average shareholder returns of the past several years. Oracle is unlikely to acquiesce to customers' desire for lower-cost support options as long as customers continue to give Oracle a larger share of their IT budgets, as we will see later in this study.

Customer Satisfaction with Support by Application

Breaking down the sample further, we find that the level of dissatisfaction varies significantly by product. In Figure 8, we measure the percentage of customers that are dissatisfied or very dissatisfied with Oracle support, segmented by the applications installed in their organization. The applications include E-Business Suite (EBS), PeopleSoft (PSFT), JD Edwards (JDE), and Hyperion.

Dissatisfaction with Quality and Cost of Oracle Support, by Oracle Product

Source: Computer Economics, 2010   Figure 8
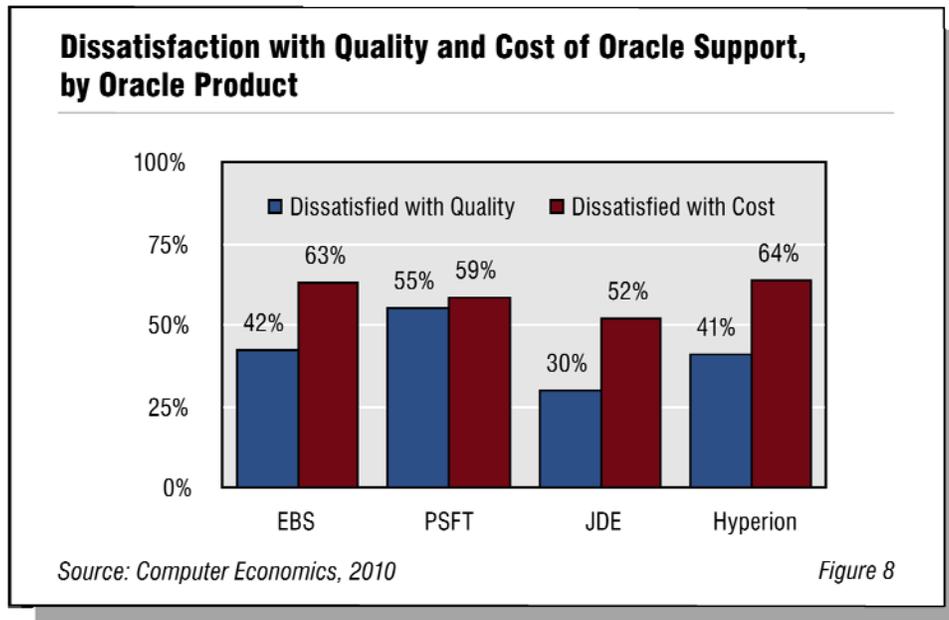
In reviewing Figure 8, note that many organizations run more than one Oracle application. This is especially the case for Hyperion, which nearly always is present along with another Oracle application. Therefore, there is some overlap in the ratings for each product.

Interestingly, PeopleSoft customers have the highest rate of dissatisfaction of any customer group with the quality of support. In fact, at 55%, it is safe to say that "most" PeopleSoft customers are dissatisfied with support quality. In addition, the majority (59%) are dissatisfied with the cost of support.

In contrast, only 30% of JD Edwards customers show dissatisfaction with the quality of support. This is arguably still a poor outcome, but it is substantially better than the outcome for other applications. At the same time, the majority (52%) of JD Edwards customers are dissatisfied with the cost of that support.

E-Business Suite customers are somewhere in the middle in their opinion of the quality of support: 42% express dissatisfaction. However, they are near the top in terms of unhappiness with the cost of support: 63% express dissatisfaction.

The numbers for Hyperion are close to those for E-Business Suite: 41% are dissatisfied with the quality of support, while 64% are dissatisfied with the cost. However, most of the Hyperion respondents, as noted earlier, are running other Oracle products as well, which influences their satisfaction level.

Customer Plans for Oracle Fusion Apps

As a result of Oracle's acquisitions over the past six years, the company's application portfolio comprises many separate products. As such, it has been investing a significant portion of its R&D budget in building a new generation of applications, which it calls Fusion applications, taking the best design features from each of its products and building a new suite of applications using its latest middleware technology and tools.

Developing the next-generation Fusion applications is an ambitious endeavor, and it raises the question of whether customers will be willing to undergo a migration to what is clearly a completely new suite. Oracle is addressing this problem by allowing Fusion applications to co-exist with recent versions of existing applications so that there is no need for a big-bang migration. Rather, the new functionality can be phased in alongside existing Oracle products. This is also necessary because Fusion applications are not being released all at once. Rather, they will be released in phases as they are completed and moved into beta testing and general release. As of this writing, the first Fusion applications are now in beta testing with a few customers and will be released to a broader set of customers sometime in the first half of 2011, according to Oracle's public statements.

As shown in Figure 11, more than half (56%) of Oracle application customers today have no plans for Fusion. This is not surprising in that Fusion has not been released and has only been shown to customers recently in a limited way in public presentations. Oracle's sales force is not yet demonstrating Fusion or encouraging migration plans. As a result, only 10% of Oracle customers have Fusion applications in their IT application strategy today; a mere 4% plan to adopt Fusion when it first reaches general availability, and 6% say they will begin migration within three years.

Customer Plans for Oracle Fusion Apps

Source: Computer Economics, 2010   Figure 11
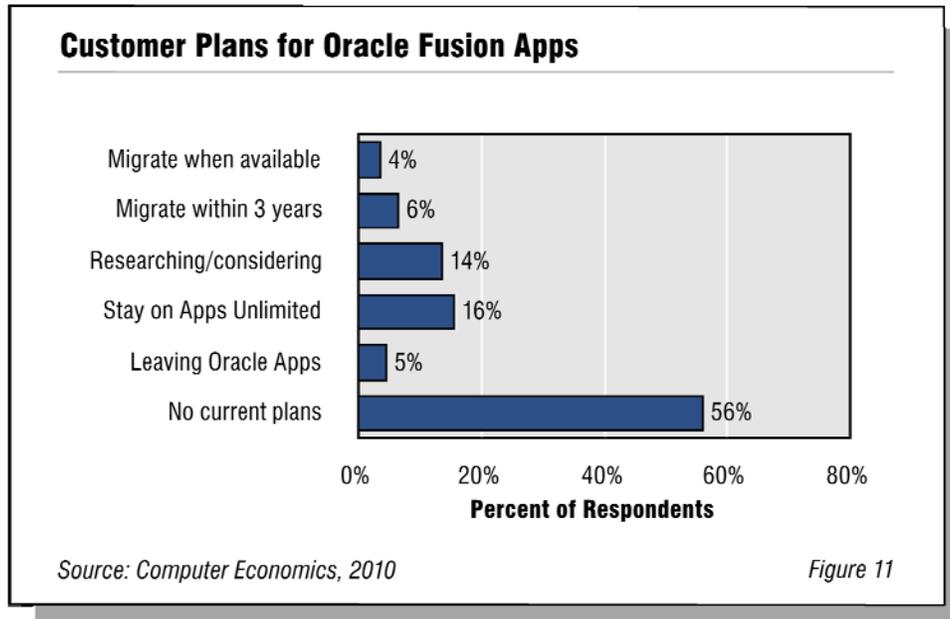
Another 14% are researching and considering their plans for Fusion, but 16% are planning to *not* migrate to Fusion, choosing instead to stay with their current products under Oracle's Apps Unlimited program. Finally, a small number (5%) of our respondents are planning to leave Oracle and move to a different vendor's products.

Things really become interesting, however, when we break down plans for Fusion by the respondents' current Oracle product, as shown in Figure 12. Here we see that the greatest attraction to Fusion is among E-Business Suite customers, of which 32% are considering or planning a Fusion migration. E-Business Suite customers appear more committed to Oracle than those picked up through acquisitions. However, even among E-Business Suite customers, there is a great deal of ambivalence: the majority (56%) do not have any plans for Fusion, one way or the other. They simply have not addressed this option.

Fusion Plans by Oracle Product Installed

■ Considering Fusion   ■ Staying on Apps Unlimited
■ May leave Oracle   □ No current plans

Product	Considering Fusion	Staying on Apps Unlimited	May leave Oracle	No current plans
EBS	32%	10%	2%	56%
PSFT	21%	27%	6%	45%
JDE	26%	23%	11%	40%

Percent of Respondents

Source: Computer Economics, 2010   Figure 12
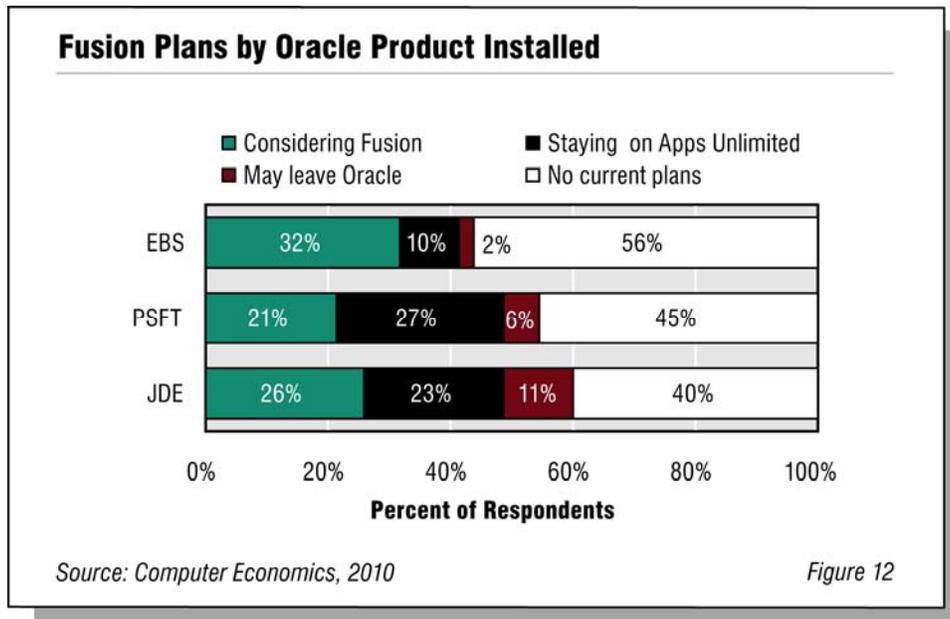
In contrast, only 21% of PeopleSoft customers and 26% of JD Edwards customers are considering or planning a migration to Fusion. JD Edwards customers, in particular, appear most at risk for Oracle: 11% are already stating that they may leave Oracle for another vendor. The PeopleSoft and JD Edwards customers, in contrast to E-Business Suite users, are also most likely to stay on their existing products. We omit Hyperion users in this analysis as they are nearly all running at least one other Oracle product.

This analysis shows that Oracle will need to spend considerable time and effort to convince its installed base of the value of Fusion applications. This picture should improve, however, as customers get a look at the new user interface and capabilities of Oracle's latest generation of applications. There is much there that is attractive, such as built-in business intelligence, improved ease of use, and collaboration functionality, and the value of these features will only be understood when customers are able to feel and touch the new applications.

Oracle's Prospective Share of the IT Budget

We asked respondents to look three years into the future and predict whether they envision Oracle having a larger or smaller share of their organization's overall IT budget.

Interestingly, despite widespread dissatisfaction with the quality and cost of Oracle support, the majority of Oracle application customers expect to spend the same or more of their IT budget with Oracle three years from now. The largest percentage (38%) expect to spend about the same with Oracle, while 37% expect to spend more, as shown in Figure 18. Only 25% expect to spend less with Oracle.

Source: Computer Economics, 2010   Figure 18
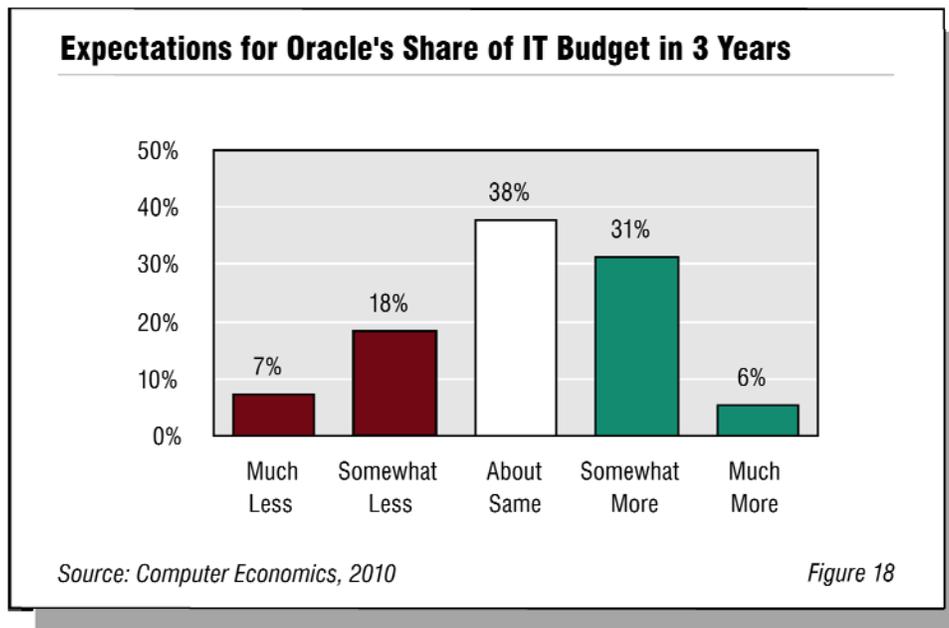
Responses of customers for each Oracle application provides additional insight, as seen in Figure 19. The E-Business Suite customers are more likely to see Oracle's share of their IT budget growing: nearly half (46%) say they will spend a greater percentage with Oracle, with only 24% expecting to spend less. The PeopleSoft and JD Edwards customers are quite close in their expectations: 30% of PeopleSoft customers and 31% of JD Edwards customers expect Oracle to have a greater percentage of their IT budgets in three years.
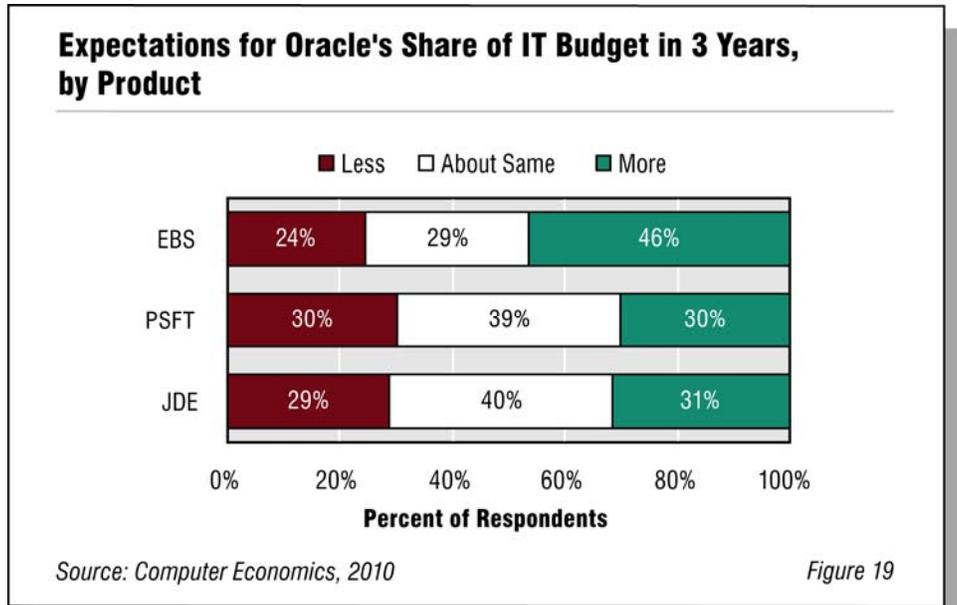
We do not show the results for Hyperion as nearly every Hyperion customer is running at least one other Oracle application product. The results for Hyperion are very close to the composite results in Figure 18.

Reasons for Reducing IT Spending with Oracle

Reviewing the open-ended comments provides insight into why some respondents see Oracle's share of their IT budgets declining over the next three years.

Customers who plan to reduce or eliminate use of Oracle applications made these comments:

- "We will drop support," wrote one electronics manufacturer. "There are no other products that our company will purchase." He added, "I do plan to look at other ERP systems."

- "We are migrating to a newer application, which is Microsoft-based," wrote one public sector customer.

- A government contractor wrote that "less-expensive applications from other vendors" were the reason he sees Oracle's share of his organization's IT budget declining in the future.

- A manufacturing industry respondent wrote, simply, "I expect to migrate away from Oracle as much as possible because they are not very helpful."

- A large health-care provider wrote, "Since our growth requirement is in the clinical area, we should not expect Oracle's share increase. ... It would be a total mismanagement if so."

- A small process manufacturer wrote, "The odds are good that within three years we will migrate from JDE to a SaaS alternative."

- A housing industry supplier commented: "JD Edwards is being phased out in favor of internally developed tools. ... These systems cost so much to put and embed into an organization that you feel trapped and incapable of considering the alternative. We ... [decided] to develop an application tailored to our needs, which slowly eats away at our dependence on JD Edwards."

- Another sees his organization's spending with Oracle increasing over the short term, but declining long term. "In three years, Oracle will raise costs so we will pay more," wrote this public utility customer. "But we will be using an alternative vendor in four to five years, so the Oracle costs will be significantly less looking beyond three years out."

Others indicated dissatisfaction with Oracle's service and support as the reason for scaling back their spending with Oracle:

- We have "dissatisfaction with [Oracle's] products, support, and account teams," wrote one wholesale distributor.

- An industrial suppler wrote, "I am strongly considering either third-party maintenance or simply dropping maintenance completely."

- Another distribution industry customer was more expansive in his explanation. "Expensive maintenance with marginal value equates to questions for the future," he wrote. "Oracle is the big guy and wants to claim customer service, but in reality it is all about how much they can make and very little about customer loyalty." He continued, "I hope their model works for them, but I'm not sure midtier customers are enamored with the model."

Reasons for Increasing IT Spending with Oracle

On the other hand, the open-ended comments also provide insight into what is driving the expectations for many customers to increase Oracle's share of their IT budgets.

For some, it reflects a willingness to increase the scope of Oracle applications deployed:

- "We are currently looking at PeopleSoft accounting," wrote one insurance industry respondent.

- "We are considering implementation of additional Oracle applications," wrote one customer in the energy sector.

- An organization in the entertainment industry pointed to a planned migration to Fusion applications. "The cost for implementation of Fusion and the conversion of our system to SOA will mean significant cost," she wrote. "That said, we'll probably end up paying much of that to partners, but the new licenses are guaranteed to be pricey."

- "We continue to license and deploy additional Oracle application modules, including Image and Process Management and CRM," wrote another respondent in the natural resources sector. "We expect this trend to continue, possibly with a migration to Hyperion Financial Manager."

- "Since we went live … we have been continuously building the team and the infrastructure to support our installation," wrote one high-tech manufacturing respondent. "I envision us adding modules and other capabilities over the next several years."

- A respondent in the life sciences sector pointed to a "companywide initiative to implement JD Edwards at new locations."

- An IT manager in the automotive industry pointed to "consolidation of accounting functions on Oracle E-Business Suite and expansion of modules utilized" as the reason for Oracle gaining a larger budget share in his organization.

Other customers see standardization on Oracle technology as driving a higher percentage of spending with Oracle:

- A customer in the energy sector sees his shop standardizing on Oracle's technology stack. "Because of the proliferation of Oracle products within our company, they have a very good chance of becoming our source for middleware and business process automation solutions," he wrote.

- "Oracle seems to be continuing to try and consolidate many technologies under one umbrella," wrote another respondent in the life sciences sector. "I do not expect this to stop and thus a higher percentage of our IT spend will be likely directed toward Oracle." He added, "As we look to provide additional automation capabilities, we will explore Oracle solutions first due to expected integration advantages."

- Likewise, a nonprofit organization wrote, "We are moving toward an Oracle-centric environment, with completion targeted in 2013."

Finally, for others, expected increases in support costs and organic growth of the business are why Oracle will own a larger budget share:

- ■ "We expect the maintenance and other ongoing costs to continue escalating as that appears to be Oracle's strategy," wrote an automotive industry CIO.

- ■ Likewise, a process manufacturing customer says his organization is "expecting to buy more [Oracle] products, requiring more maintenance dollars."

- ■ A manufacturing customer indicated that his organization may return to Oracle's maintenance program. "We are planning to migrate from PeopleSoft to JD Edwards," he wrote. "If we do, we will go back on annual support with Oracle."

- ■ "Oracle databases are our database of choice and preference. We go this route even on products that are not from Oracle," wrote one respondent in the services sector. Even though his organization "does not anticipate adding any more Oracle applications in the near future at this time," he indicated that Oracle would be gaining a larger share of his firm's IT budget because of its standardization on Oracle technology.

Overall, the results for this question on "share-of-budget" are positive for Oracle. As indicated earlier, Oracle application customers may express dissatisfaction with Oracle, but the pain is not great enough for the majority of them to think of switching.

Nevertheless, it is easy to see that Oracle may be missing an even greater opportunity. If Oracle could improve the quality of its service, it might negate much of the dissatisfaction with the cost of that service. If it could also provide more flexibility for customers by offering tiered pricing for support services, it could potentially move an even greater percentage of customers willing to spend more of their IT budgets with Oracle. This would have the additional benefit of making third-party maintenance providers less attractive, from a cost perspective, and keep a greater percentage of customers on Oracle maintenance.

Computer Economics Viewpoint

This study provides insight into the current situation among Oracle customers relative to a number of important issues. With these findings in mind, what should Oracle customers do in moving forward? This section provides several recommendations:

- **Inventory your Oracle application portfolio and related service contracts.** Do you have multiple Oracle applications installed? Do you have multiple contracts for different business units? If so, resist Oracle's efforts to bundle contracts. Bundling multiple contracts into a single agreement may appear attractive in terms of discounts or other incentives, but be aware that you lose negotiating power with Oracle in the future.

- **Develop a plan for each Oracle application**. Consider whether there are some Oracle applications that can simply be discontinued, consolidated, or migrated away from in favor of a newer, more cost-effective vendor. SaaS alternatives are now appearing for many applications where they did not exist just a few years ago.

- **Rationalize the need for maintenance.** Determine whether Oracle support is really needed for older products. Do you plan to upgrade these applications in the future, or are you considering a migration to other vendors? Investigate how many support calls your organization really makes for these applications and whether Oracle support is really worth the price. Be aware, however, that Oracle sometimes threatens customers who drop maintenance that if they ever want to return to the fold they will need to pay back-years of maintenance plus penalties. Nevertheless, Oracle's position may change when the customer actually offers to come back to Oracle support. Oracle has been known to not follow through on such threats when the opportunity to regain a customer presents itself.

- **Look at reducing the number of licensed users**. Another approach that may be particularly relevant under current economic conditions is to reduce the number of users for certain Oracle products. If it is not desirable to drop Oracle support, there may be a way to reduce the size of the contract. Many organizations purchased software when business conditions were stronger and now find themselves with service contracts that cover a greater number of users than are actually needed. During contract renewal negotiations for such products, consider reducing the number of users and thus reduce the associated contract maintenance fee. If business conditions improve and the number of users needs to be increased, it is unlikely that Oracle will refuse to consider it.

■ **Consider a two-tier application strategy, where appropriate.** Most organizations recognize the advantages of standardizing on a single application platform, such as Oracle's E-Business Suite. Nevertheless, it is important to realize that such an approach puts a great deal of power in the hands of a single provider. In some cases, having two providers is a better strategy. For example, E-Business Suite may be appropriate for corporate financials and for major business units, but smaller business units may be able to get by with a smaller ERP system from another vendor. Such an approach gives you greater negotiating power, especially if the smaller vendor is seen as a potential competitor for the centralized functions.

■ **Review third-party maintenance possibilities.** Likewise, think about whether third-party maintenance is a viable alternative to Oracle support. This may be especially true in cases where a future migration from these products is planned or where the application code has been highly modified and therefore difficult to upgrade. In many cases, third-party support may be more attractive as the organization may also provide support for the modified code, something Oracle does not offer under its own support plans.

■ **Prepare your negotiation strategy.** Where Oracle support is needed or desired, understand where Oracle may be willing to make concessions. As seen in some of the comments in these survey results, Oracle often takes an aggressive stance in contract negotiation. Therefore, you should become familiar with what concessions Oracle has made with other customers in situations similar to yours. Networking with other Oracle customers through Oracle user groups is also a good means of gaining insight into what tactics to take in negotiating with Oracle.

■ **Consider outside help.** Realize that when you come to the table with Oracle, you may be outgunned. The typical Oracle customer only negotiates contracts once a year, at most. But the Oracle team on the other side of the table does this week in and week out. Therefore, bringing in a consultant experienced in dealing with Oracle in contract negotiation can be money well spent if it results in a contract more favorable to your interests.

Finally, as much as Oracle maintenance and support costs are a focus for cost reduction, customers should realize that internal support costs typically outweigh maintenance fees. The staffing ratios provided in the full version of this study, or in other Computer Economics reports, are a good starting point for evaluating whether there are opportunities to improve productivity of support personnel. Selective outsourcing of some Oracle support functions may also be a good strategy for lowering the overall cost of internal support while improving the quality of service to end users. Computer Economics provides benchmarking services that can provide comparisons with typical staffing ratios and outsourcing levels experienced by peer organizations. Contact us for more information on these services.

Appendix: Survey Respondents and Methodology

This appendix provides information on our survey respondents and methodology. Figure 27 shows that 74% of our 109 survey respondents is from North America. The remaining 26% is from other parts of the world.


Geographic Location of Respondents

North America, 74%

Rest of World, 26%

Source: Computer Economics, 2010
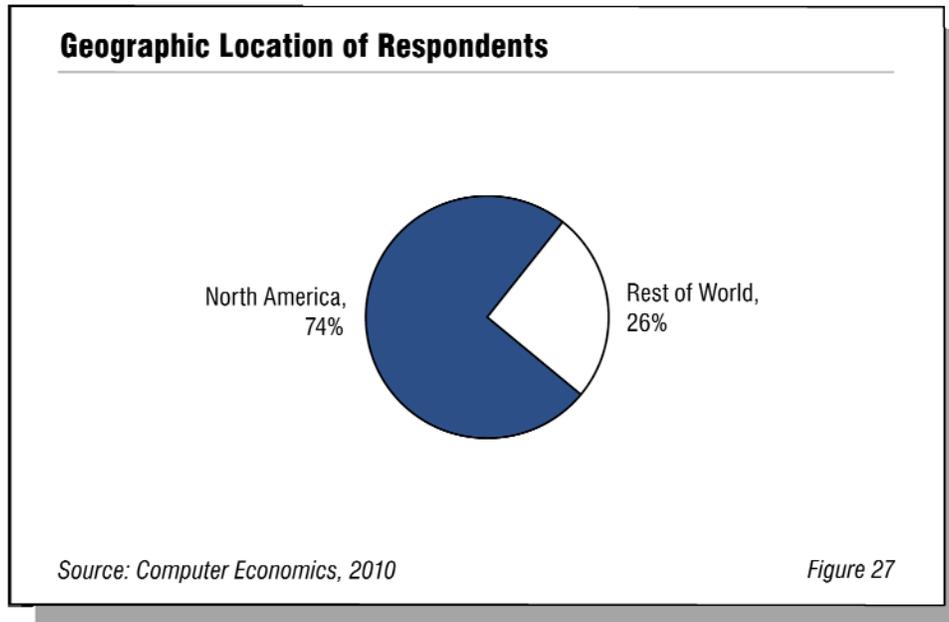
Figure 27

The majority of our survey respondents are not from large companies. The median number of Oracle application users is 300, rising to 1,025 at the 75th percentile, Figure 28 shows. At the 25th percentile, respondents have 195 users. However, there are a few very large organizations in our sample: the largest has more than 300,000 users.

Number of Oracle App Users per Respondent

Source: Computer Economics, 2010   Figure 28
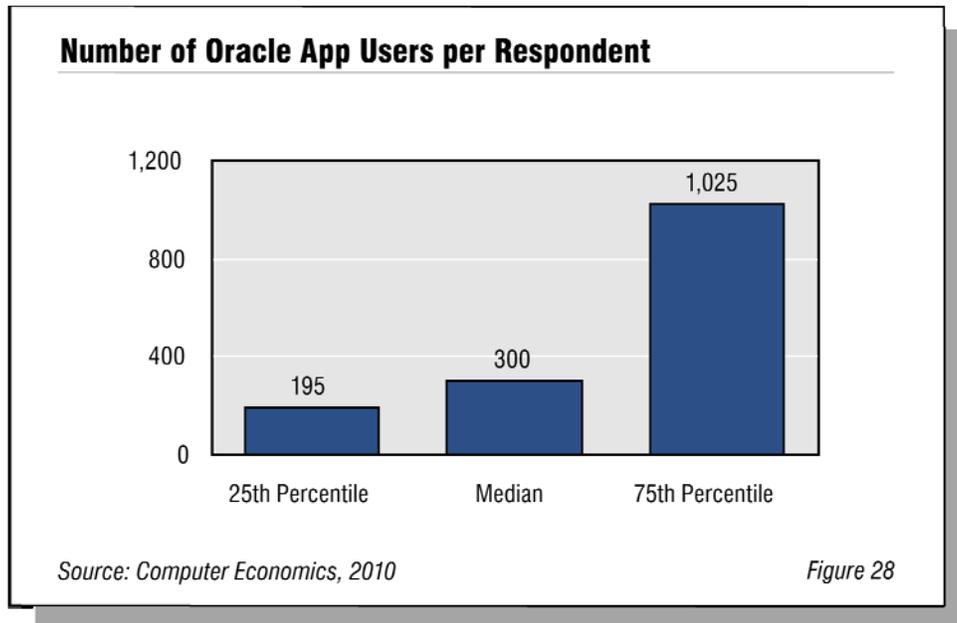
The sample is well-distributed in terms of the number of years since an Oracle application was first installed (whether or not that application was an Oracle product at the time of first install). About one-third of the respondents had their Oracle application installed within the past five years, one-third between six and 10 years ago, and one-third more than 10 years ago.

Respondents by Age of Installation

Source: Computer Economics, 2010   Figure 29
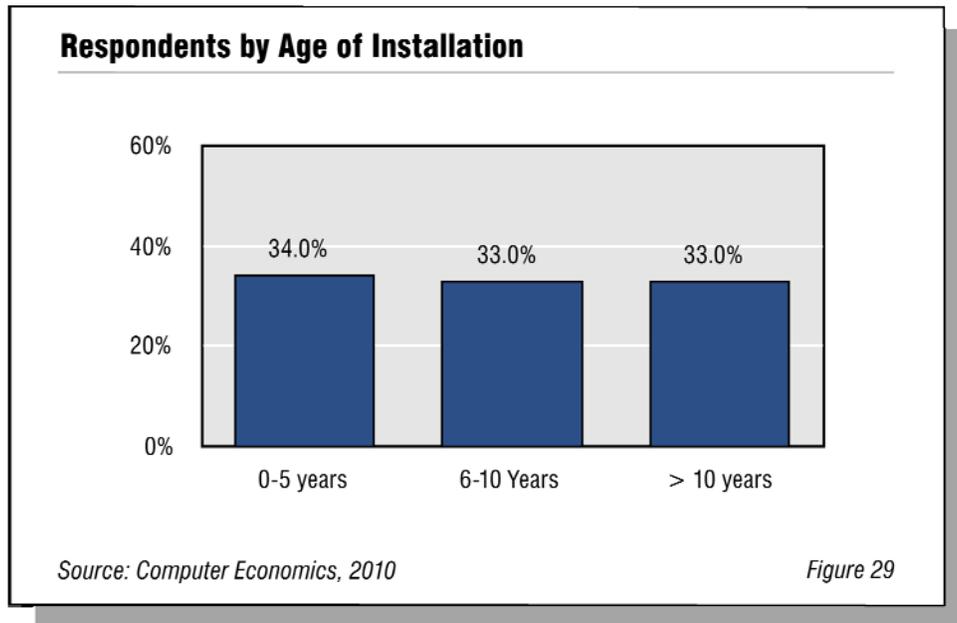
We deployed several methods to solicit survey respondents, as shown in Figure 30. The majority (71%) responded to the survey as the result of an email campaign to a specially selected subset of our opt-in list of Computer Economics email subscribers. We solicited another 14% by direct contact, being known to us as customers of Oracle. Another 8% clicked on a web link on one of our websites, soliciting survey respondents. A small number (4%) were specifically solicited from their past participation in other Computer Economics surveys. Finally, a handful of participants (4%) responded to a solicitation made through Twitter.

Sources of Survey Respondents

Source	Percent
Email solicitation	71%
Personal contact	14%
Web links	8%
Past respondents	4%
Twitter solicitation	4%

Percent of Respondents

Source: Computer Economics, 2010

Figure 30
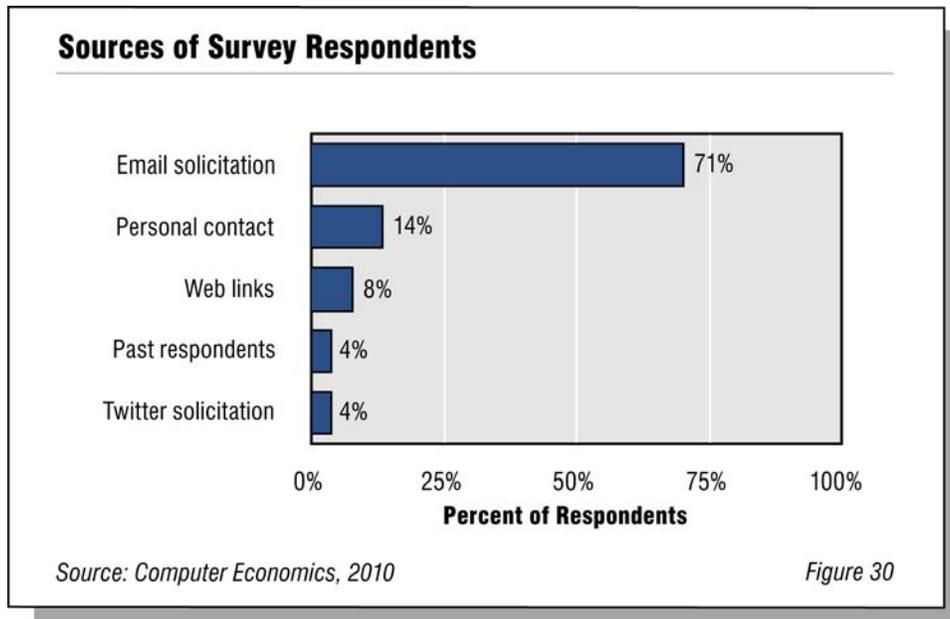
All participants and responses were validated by a number of internal and external validation methods to ensure the integrity of the survey. To eliminate one potential source of bias in the responses, we only allowed pure end-user organizations to participate—all software vendors, system integrators, vendor partners, and consulting firms were eliminated from the sample, even if they also happened to be users of Oracle applications.

In cases where survey responses were inconsistent or we otherwise had reason to question the validity of the response, we attempted to directly contact the respondent for clarification. If we were unable to make contact, we discarded the survey response.

About Computer Economics

Founded in 1979, Computer Economics provides research and advisory services on the strategic and financial management of information technology. The firm's clients include IT end-user organizations and major consulting firms in North America. Its monthly newsletter, the *Computer Economics Report*, delivers timely insights into the management of information systems to IT decision-makers. Its *IT Spending and Staffing Benchmarks* study, published annually since 1990, is the definitive source for IT benchmarking. For further information on our custom benchmarking services, subscription-based benchmarking data, or technology advisory reports and services, please contact our office or visit our website at www.computereconomics.com.

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