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SmartSpend™ Bulletin

5 Tactics to Optimize and Reduce Enterprise Oracle Spend

It's a complicated time to be an Oracle customer. As the vendor pressures enterprises to move to its cloud offerings, many are still navigating complex purchases and renewals for on-premise solutions. Non-compliance is a real threat as customers struggle to keep up with changing licensing programs and product use rights. The result is an Oracle sourcing environment where overspending, overbuying and suboptimal terms are commonplace – and it's only getting riskier.

Many Oracle loyalists are finding themselves in a tough position. The vendor may be overwhelmingly focused on cloud adoption, but Oracle's cloud evolution has been rocky. The vendor has been a laggard in the race to the cloud, especially within its core ERP and database product categories.

Meanwhile, on-premise licensing revenues continue to decline year-over-year. Growth in cloud revenues has yet to neutralize this threat and some indicators suggest Oracle still has a long way to go before it can claim success. In certain markets, the renewal rates for cloud services are less than 50 percent.

These dynamics are changing the way Oracle does business with enterprise customers. Oracle is focused first and foremost on getting customers on board with its cloud vision, and customers are feeling this pressure. Those that aren't ready to move to the cloud are also feeling the heat as Oracle sales teams are under orders to increase the revenue and margin of every on-premise purchase and renewal. The vendor is also using licensing audits as a tactic to recoup lost on-premise revenues and "motivate" non-compliant customers to increase their spend or move to the cloud (often in exchange for lower penalty fees).

5 TACTICS TO REDUCE ORACLE SPEND

NPI predicts that the Oracle sourcing environment will get riskier as the vendor pushes forward on its cloud-first journey. Companies that want to mitigate these risks and eliminate overspending need to take a 360-degree approach to optimizing their Oracle estate, including legacy on-premise investments and cloud purchases as well as software asset management processes.

Here are five Oracle optimization tactics that can yield big savings for Oracle customers:

1. Hard partition – but make sure it meets Oracle's nuanced requirements. Most of Oracle's on-premise applications are licensed according to the number of server processor cores where the program is installed. With this in mind, customers should deploy Oracle applications on as few licensable cores as possible. One way to do this is "hard partitioning." This is when a physical server is segmented so that Oracle's programs are limited to a certain set of the server's cores. Be careful, though – Oracle has very strict definitions and requirements around hard partitioning, and only recognizes it when it's performed in conjunction with a short-list of certified partners.

   Another way to reduce Oracle license counts is to use hardware that runs fewer, but more powerful, processor cores. Oracle publishes a Processor Core Factor Table that determines the number of licenses required for specific server models. The higher the core factor, the more licenses are required.

2. Don't invite Oracle to a VMware party. Oracle and VMware do not play well together – and the combination of the two in a single IT environment will most likely lead to an audit. Oracle requires customers to license all VMware servers across their IT estate even if the customer only plans to run Oracle's technology on a certain number of machines. Oracle's rationale is that customers could run Oracle across all servers and cores if they wanted to, and should therefore ante up. VMware is not listed as one of Oracle's approved hard partitioning partners.

3. There are two types of shelfware – get rid of them both with the right leverage. The biggest cost waste offender within many companies' Oracle estate is shelfware – those unused or underutilized licenses on which maintenance fees are paid year after year. It's important for companies to distinguish between the two and hunt them out accordingly. Unused licenses (the more obvious of the two) are common when a company overbuys at the onset or experiences a downsizing or divestiture. Underutilized licenses are a little less conspicuous. These licenses may be in use, but aren't being used optimally. For example, companies often buy a professional or premium user license when they could get buy with a limited user license.

   Companies need visibility into what's actually being deployed across their Oracle estate. Ideally, this is achieved with a combination of Oracle's monitoring tools (to determine what is being used), third-party monitoring tools (to determine areas of underutilization), and a deep understanding of Oracle's evolving licensing programs (to handle remediation and negotiation). While Oracle has historically taken a punitive approach to customers that try to drop support on portions of their Oracle footprint, the vendor is showing more flexibility these days – especially for customers who are willing to invest in their cloud offerings, which leads us to our next point…

Don't deploy Oracle alongside VMware. Despite spending an estimated $100M over a three-year period with Oracle, the vendor wanted Mars to more than double that spend to achieve compliance in their VMware environment.

Moving to the cloud? There are deals to be had for customers that understand Oracle's motivations and flexibility. Those that don't could find themselves in dangerous territory.

4 Take advantage of the cloud. If you're planning on moving part of your Oracle footprint to the cloud – now is the time. There are deals to be had for customers that understand where to apply leverage based on Oracle's motivations and points of flexibility. Conversely, customers lacking this intel could fall victim to suboptimal pricing, discounts and terms. It's also possible for some customers to "swap" on-premise software for cloud services. In the past, Oracle has allowed customers to convert their on-premise maintenance spend to SaaS subscriptions for some of its most popular cloud services.

5 Consider third-party support. "Third-party support" is the typical term used for support provided by companies other than the OEMs (original equipment manufacturers – in this case, Oracle). Options range from hybrid offerings that combine support from OEMs and their certified partners, to independent third parties that are not certified partners and provide support services in direct competition to OEMs.

The most tangible benefit of third-party support is cost savings – and that's certainly the case for Oracle customers who have taken this route. It's not uncommon for companies to see a 50 or even 75 percent reduction in their support spend by working with a third-party provider. But cost savings aren't the only benefit. Third parties often provide more responsive service and more experienced staffing (e.g. senior engineers fielding tier one calls).

LEVERAGING ORACLE'S VULNERABILITIES IN A TIME OF CHANGE

Oracle's customers will feel the growing pains of the vendor's cloud transformation for years to come. Yet it's important to remember that the Oracle sourcing environment has always been a complicated one. On one hand, the vendor has historically demonstrated consistent and fair pricing (especially when compared to other enterprise IT providers). But the complexity of its licensing programs has always promoted overbuying, underutilization and difficult software asset management.

Oracle's cloud journey has magnified these challenges, while underscoring the vendor's vulnerabilities as it executes on two parallel (and often conflicting) revenue strategies. Customers that have the licensing, pricing and negotiation intel to navigate this sourcing environment have an opportunity to reduce costs across all facets of their Oracle estate.

ABOUT NPI

NPI is an IT sourcing consulting company that helps enterprises identify and eliminate overspending on IT purchases, accelerate purchasing cycles and align internal buying teams. We deliver transaction-level price benchmark analysis, license and service optimization advice, and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. For more information, visit www.npifinancial.com.

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