

## INSIGHT

### Oracle Announces Enhancements to Siebel CRM On Demand Product Line Along with New Private Option

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## IDC OPINION

This Insight discusses the recent announcement by Oracle regarding the new enhancements made to the Siebel CRM On Demand product line and strategy. The announcement demonstrates a clear commitment to the software-as-a-service (SaaS) model on Oracle's part. Key elements of the announcement are:

- The 14th release of product functionality, which continues the initiative that Siebel put into place and is now being supported and evolved by its new owner Oracle
- A hosted private option, which provides needed support for larger organizations
- Integration with Oracle E-Business Suite, a requirement for any organization using the SaaS delivery model to make it an integral portion of its application architecture
- A new partner licensing option allowing the inclusion of the all-important partner channel into an organization's SFA environment

## IN THIS INSIGHT

This IDC Insight discusses the recent announcement by Oracle regarding the new enhancements made to the Siebel CRM On Demand product line and strategy. The announcement includes the 14th release of product functionality, a hosted private option for larger organizations, integration with Oracle E-Business Suite, and a new partner licensing option.

## SITUATION OVERVIEW

On April 17, 2007, Oracle announced the 14th release of the recently acquired Siebel CRM On Demand product line in addition to a private option for those customers wanting a dedicated environment to run the application. Until now, the standard Siebel CRM On Demand product had been targeted to small and medium-sized businesses, whereby customers shared a database and server via the on-demand delivery model. Now, customers are given a choice as to whether they want a shared or a dedicated environment. Therefore, the private option offers customers a private database, server, and dedicated application instance. According to Oracle, the new private option will help the company address larger organizations' requirements for

more personalized services. The offering is available on a subscription basis (per user per month), similar to the Siebel CRM On Demand Standard product. Details about the pricing are still being developed at this time.

The 14th release of Siebel CRM On Demand includes enhanced CRM functionality, analytics, and four industry editions for automotive, financial services, high tech, and life sciences. The company also announced a partner licensing option for those customers that sell direct and through resellers and need to have visibility into leads and opportunities to avoid channel conflict. Partners can work through customers to subscribe and get access to basic sales force automation functionality for \$20 per partner per month.

The last key announcement from Oracle is in terms of integration. The company is now offering a Siebel CRM On Demand Integration Pack for Oracle E-Business Suite, which integrates data, the user interface, and business process levels. At a general level, integration concerns have typically been one factor impeding SaaS adoption. The availability of prepackaged integration capabilities helps address an organization's needs for integration between an on-demand CRM instance and on-premise installation as well as integration between the front-office CRM system and back-end systems for a seamless customer view.

## **FUTURE OUTLOOK**

IDC believes that Oracle continues to demonstrate commitment to the SaaS delivery model. IDC has long written that the SaaS delivery model offers customers increased choice and flexibility regarding software acquisition, and the SaaS delivery model has come to offer a viable alternative to traditional, on-premise offerings.

Along the spectrum of SaaS delivery methods, IDC tracks two types: software on demand (i.e., Siebel CRM on Demand Standard) and hosted application management (i.e., Siebel CRM On Demand Private Option and Oracle On Demand for Siebel CRM). With the private option Oracle has announced, the company continues to cover both spectrums of the SaaS model with the Siebel product line. Given the customer base that Oracle has traditionally attracted to its offerings, the company is helping satisfy customer demands for a dedicated infrastructure because of customers' internal or regulatory compliance requirements. However, the challenge for Oracle will be communicating the differences between the two delivery models and application offerings — something that customers will need to understand in terms of the differences in benefits, costs, and deployment options. IDC believes the marketplace is still confused by the terms and usage of "software on demand," "on demand," "hosting," and "software as a service." This may be a minute point for those customers who just want to know who will take care of the application, who owns the data and whether it's secure, and who to contact if something goes wrong.

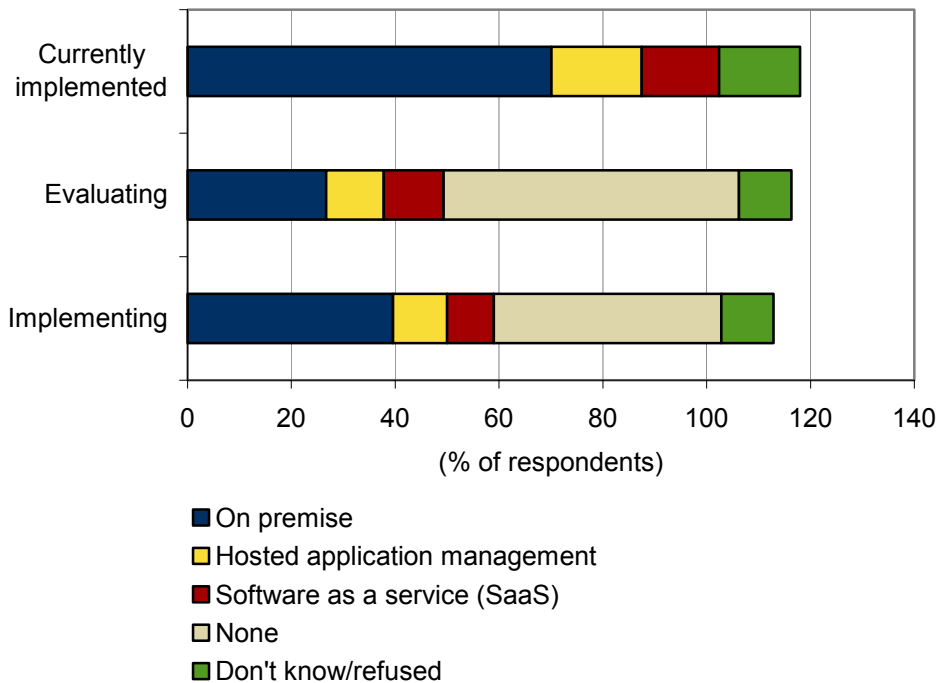
IDC believes vendors that offer multiple delivery models for CRM applications will be key to overall CRM market competition. Each deployment model has benefits depending on customers' needs and requirements. With the standard and private options, Oracle customers have the flexibility to choose the method in which to run their Siebel CRM On Demand product, with everything still managed and hosted by Oracle.

Other concerns with the SaaS delivery model have been reliability and security, which Oracle is also investing in to help quell customer concerns. If SaaS providers do not have reliable and secure offerings, customers will question the merits of the delivery model. Therefore, Oracle has also announced a \$16 million investment in grid infrastructure to help with reliability, security, and scalability and is committing 500 dedicated and shared sales professionals toward the Siebel CRM On Demand product line.

Despite these reservations, evaluation and adoption of CRM applications that are offered via the SaaS delivery model continue. Recent results from IDC's quarterly *AppStats Survey* (see Figure 1) demonstrate that end users are looking at both on-demand and managed services delivery models for their CRM implementations. While a majority of organizations have an on-premise install for their CRM application, among those that are actively evaluating or implementing CRM, both hosted application management and software on demand are an active part of the mix. IDC expects this mixed environment view will be the norm for the foreseeable future, requiring applications suppliers to offer choices to their end customers for all three delivery options: on premise, hosted application management, and on demand.

**FIGURE 1**

Status of CRM Application Delivery Models



n = 288

Note: Multiple responses were allowed; total may exceed 100%.

Source: IDC's *AppStats Survey*, 1Q07

Essential to the evolution of the SaaS model, particularly for larger organizations, is the ability to link to and from these applications into the broader application infrastructure. The on-demand model in particular offers organizations the unprecedented ability to essentially "turn on" an enterprise application to hundreds of users over night. This allows rapid implementation within departments and divisions that may have a strategic or tactical requirement for automation. However, these instances cannot remain isolated instances long term. With this announcement, Oracle is demonstrating its commitment to its on-demand product line to make it a full-fledged member of the Oracle applications family and not merely a mechanism to collect low-hanging fruit. This initiative should allay any fears that a customer has of being able to integrate its on-demand instance with other enterprise applications whether produced by Oracle or another vendor.

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### Related Research

- ☒ *Worldwide Software on Demand 2007–2011 Forecast: A Preliminary Look at Delivery Model Performance* (IDC #206240, April 2007)
- ☒ *IDC's Worldwide Software as a Service Taxonomy, 2007* (IDC #205662, March 2007)
- ☒ *Worldwide On-Demand CRM Applications 2006–2010 Forecast and 2005 Vendor Shares: On-Demand Delivery Winning Converts and Building Revenue* (IDC #204802, December 2006)

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