Gabriel CONSULTING GROUP

Survey: What's Oracle's REAL Reason for Dropping Itanium?

One of the biggest bombshells to hit the server business in recent memory happened in late March when Oracle announced that they would no longer port new versions of their software to Intel's Itanium processor. The announcement by Oracle caught the industry by surprise and caused an immediate uproar with vendors and customers alike.

Hewlett-Packard is the highest-profile system vendor affected by this move, since their Unix variant (HP-UX), NonStop, and OpenVMS operating systems depend on Itanium-based servers. Although these systems aren't necessarily household words with the general public, they're the servers that host mission-critical, back-office functions for a wide array of mid-sized and large organizations. Oracle's database and application packages running on these servers are what many customers depend upon to make their businesses operate smoothly, efficiently, and reliably.

So why is Oracle dropping Itanium such a big deal? It's mainly because Oracle, with their 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 and 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 would say that it's just business as usual in a dog-eat-dog industry.

We wanted to find out how real-world customers view Oracle's Itanium decision, 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 on our **"What's Up With Oracle?"** survey. (Survey demographics and methodology are available here.) In this document, we're showing results from the "Oracle Motivation" section of the survey.

The first questions ask customers who they believe in the "He said, she said" back-and-forth between Oracle on one side and Intel and Hewlett-Packard on the other….

"I believe Oracle - Intel is end-of-lifing Itanium"

% resp.	Disagree	Not Sure	Agree
	48%	23%	29%
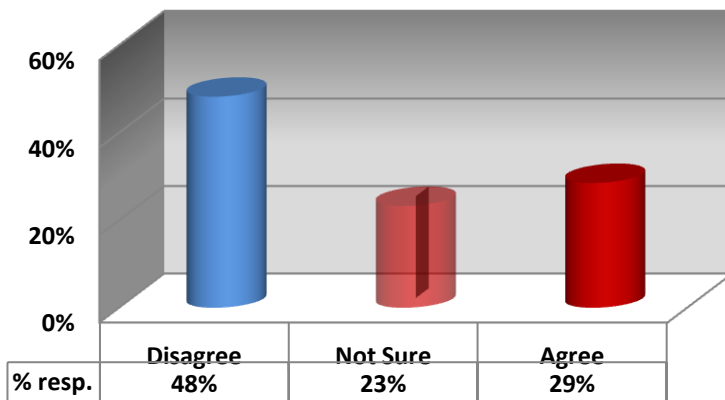
In their announcement, Oracle said that Intel management told them that Itanium wasn't Intel's focus moving forward and that Intel considers Itanium an 'end of life' processor.

Intel denied Oracle's account, which prompted Oracle to double down and say that neither Intel nor HP are being straight with their customers. As you can see from the graph at left, a large majority of customers aren't buying Oracle's version of the truth.

"I believe Intel - they know their own roadmaps"

|	Disagree	Not Sure	Agree
% resp.	16%	34%	50%
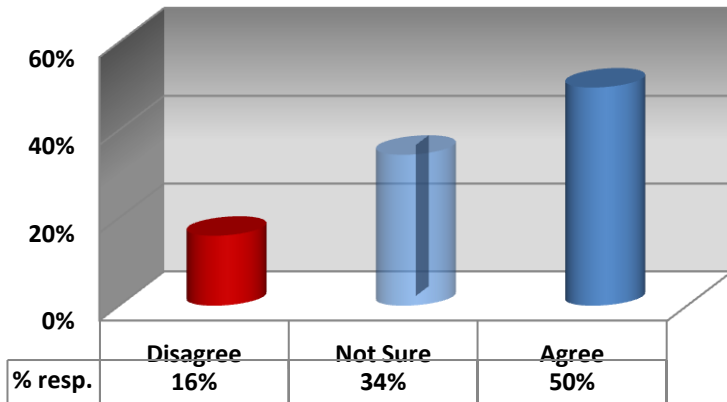
Half of those surveyed believe Intel when they say that they're standing behind Itanium. Some of this is probably due to Intel starting to pull the covers off the next version of Itanium (dubbed Poulson), which is due next year. Intel has also disclosed a bit of information about the Kittson follow-on that should come out in 2014.

A third of our respondents aren't totally sure, and only 16% say that Intel isn't telling the truth about their future Itanium plans and products.

There has been a lot of speculation about Oracle's true motives in dropping Itanium support for new versions of their software products. In this next set of questions, we run a number of possible reasons past customers and ask which ring most true.

"Oracle wants to reduce the number of platforms they support"

|	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
% resp.	14%	25%	12%	34%	15%
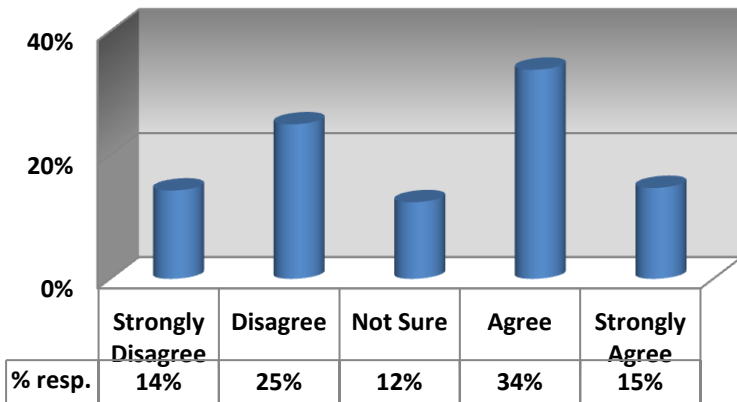
This is the most obvious – and most understandable – reason behind Oracle's move. It's also the reason that customers believe carried the least weight with Oracle.

Even though almost half of our survey respondents agree that saving money on porting and support for Itanium was a factor for Oracle, they see other reasons as much more important to the company, as we'll see...

We also asked whether the personal (and public) grudge that Oracle CEO Larry Ellison and Oracle President Mark Hurd have against HP played a role in the decision. The numbers were slightly higher than in the question above, but not significantly. We saw roughly the same result when we asked if Oracle wanted Intel and/or HP to hand over some 'pay for port' money. Again, it's not like these aren't factors; more than half of survey respondents believe they are. It's just that none of these is thought to be the key driver for Oracle's decision.

So if customers don't think that saving money, carrying out a grudge, or collecting 'pay for port' dollars are the major reasons behind Oracle's move against HP and Intel, what **do** they think are the main factors?

"Oracle will use as a justification to raise license/support costs for Itanium customers"

| % resp.	Strongly Disag...	Disagree	Not Sure	Agree	Strongly Agree
	3%	11%	22%	44%	20%
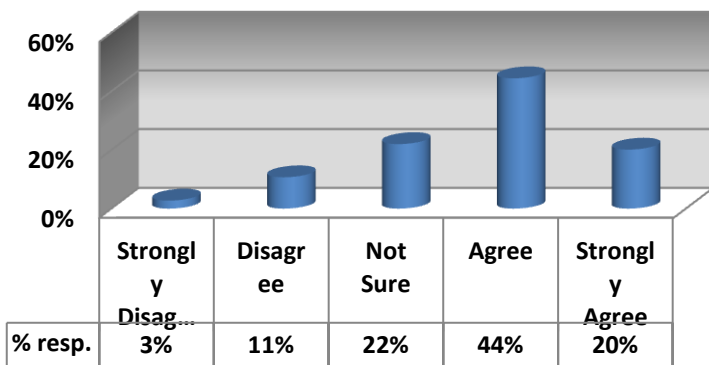
Almost two out of three respondents see Oracle's desire to raise license/support costs for Itanium customers as a motivating factor.

When an ISV app supports an important or mission-critical workload, it puts the customer at the mercy of the vendor – at least in the short term. The workload can't simply be moved to another application; the risk of disruption is too great. Customers believe that Oracle will raise prices in order to take advantage of this situation.

While the reasons we've discussed so far all played a role in Oracle's decision, it's the next two factors that were most important according to the enterprise customers we surveyed.

"Competitive move to kill HP's HP-UX and NonStop products"

% resp.	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
	2%	8%	13%	44%	33%
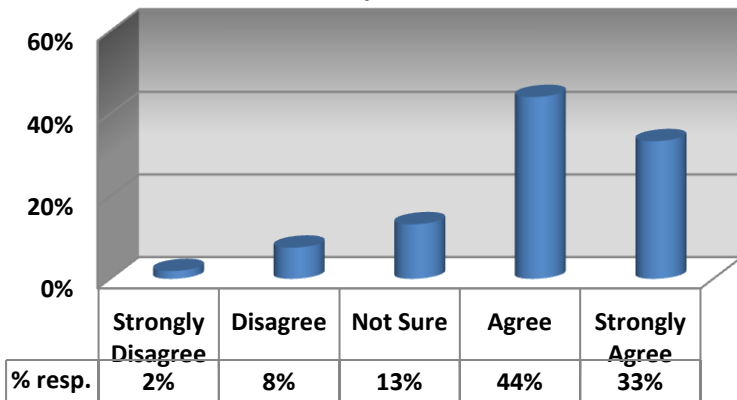
A massive 77% of our survey respondents say Oracle did it to kill HP's Itanium server product lines. The rationale: if Oracle software isn't available on these systems, the workloads would naturally migrate to Oracle's Solaris Unix variant.

This isn't unprecedented. In the 90s, several Unix vendors gave up on the business when Oracle either withdrew support or made them second-tier ports. However, it's a vastly different world today, and customers have many more options.

"First step in Oracle plan to put all competitors at disadvantage vs. Oracle HW products"

% resp.	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
	3%	7%	11%	37%	42%
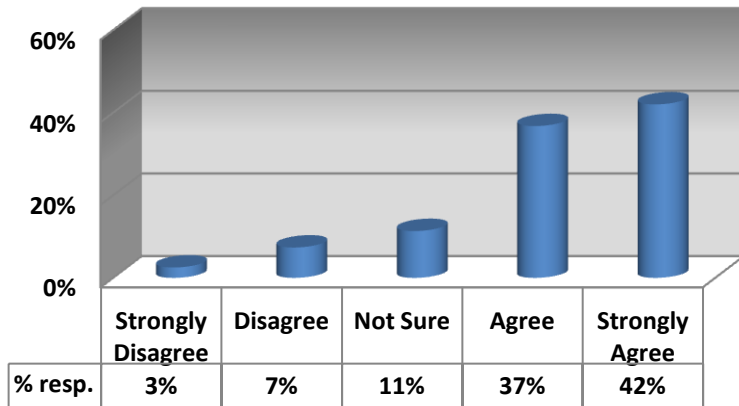
Customers overwhelmingly see Oracle dropping Itanium as a first attempt to use their power in enterprise software to drive Oracle hardware sales. It's interesting to note that the largest number of respondents "Strongly Agree" with this statement, while only 10% disagree.

The qualitative responses show that customers are basing their opinions on Oracle's recent statements and actions – and on the relationship between Oracle and their own organizations.

It's clear that customers believe Oracle dumping support for Itanium isn't just 'business as usual.' In their minds, Oracle has a much more ambitious agenda, and this move against HP is just the first (or latest) step.

We also asked customers what they think Oracle might do next. We'll be releasing those results soon, so stay tuned.

If you're interested in finding out more about this survey (demographics, expanded results, detailed GCG analysis), click here.

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