



EDB
Postgres® for the AI Generation

Oracle Aggressive Business Practices Drive Customers to Seek Alternatives

Created by Palisade Compliance
for EnterpriseDB



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Abstract

This paper is for IT leaders exploring database alternatives to Oracle in response to rising costs, audits and other aggressive business practices, along with the desire to exploit new initiatives like cloud and Kubernetes.

In it, industry leader Palisade Compliance outlines our independent observations from our years both inside Oracle and experience with over 450 Palisade clients of every size, industry group, and geography.

They discuss the barriers created by Oracle's licensing uncertainty, along with observed best practices from dozens of their clients who innovate around this obstacle.

In this paper, you will learn how others are challenging fear, uncertainty, and doubt to create new vendor relationships that increase their leverage in future negotiations. Remember, all an incumbent vendor (like Oracle) needs to do to stifle innovation is increase your team's uncertainty and resulting inertia. This paper will equip you with an understanding of Oracle's tactics so that you can navigate through them to choose the best database options for your organization.



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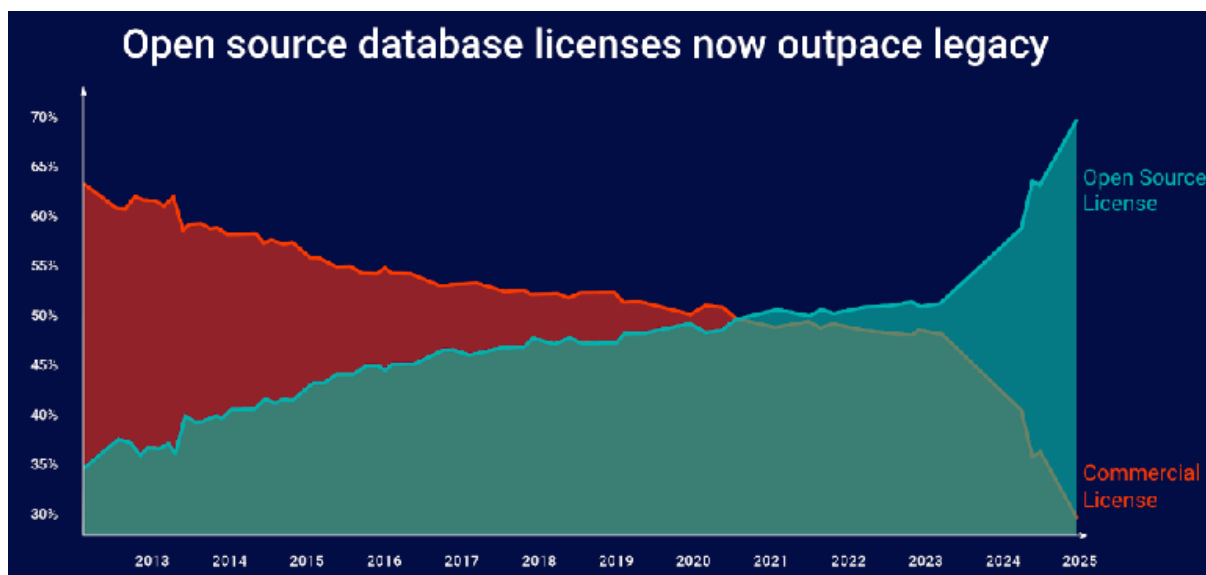
Data is exploding. "The Global DataSphere is expected to more than double in size from 2022 to 2026," Writes John Rydning, research vice president, IDC's Global DataSphere. "The Enterprise DataSphere will grow more than twice as fast as the Consumer DataSphere over the next five years." ¹The cost and complexity accompanying this growth in data will put pressure on IT staff and infrastructure. Companies need to not only take control of that data, wherever it is generated, but also demonstrate that they are transforming data into competitive advantage

This is far more than a technological issue, it directly impacts every part of the business. Data must be efficiently ordered, secured, managed, and made accessible to authorized users both inside and outside the enterprise.

Flexibility and adaptability are key. So how does Oracle support this?

Companies need solutions that are good data management solutions unencumbered by onerous business practices and rising costs. While Oracle may offer good database technology, this comes with a lot of baggage (aggressive practices, possibility of an unplanned audit, lack of customer empathy and high ongoing cost (including an 8% support cost increase announced in 2022). Oracle has even stated they want to raise your costs by 3-4x as they push you to their cloud.

For these reasons, many companies are leaving proprietary platforms for the increased flexibility and lower cost of open standards.



Source: db-engines, IDC

Locking into a single vendor for any business-critical function obviously carries risks. Companies that pursued a single vendor strategy from Oracle (or those that over-indexed on a single database vendor) find themselves suffering from vendor lock-in and technology debt as a result. This is due to a perceived lack of alternatives, compatibility concerns, and Oracle acquiring competitive and ancillary vendors over the last 2 decades. Oracle seeks to halt transformation by sowing fear, uncertainty, and doubt with their onerous business practices.

1 <https://www.idc.com/getdoc.jsp?containerId=US49018922>

Why Do Companies Want Alternatives?

A fundamental aspect of corporate procurement is that a single supplier creates risk and increases costs. We've seen this played out in the supply chain crises over the last couple of years. Companies who over-depend on a single solution or supplier lose their negotiating leverage. This is the case even when a solid historical relationship exists between the buyer and a supplier who values long-term relationships. Most of the hundreds of clients that we've advised, and thousands of trade show attendees we've met, do not believe that Oracle values their customer relationships.

Going beyond procurement 101 though, most companies seek alternatives because they need to quickly adapt to changes in technology, marketplace and other requirements. Oracle's famously opaque policies make flexibility very difficult to achieve because there can be so much uncertainty in how Oracle will interpret their own rules. Consider Oracle's policies restricting the use of third party virtualization technology – any threat of restricting customer choice will fuel the desire to seek alternatives.



In discussions with dozens of executives, we've encountered recurring themes on why they are looking to make a change.

Costs. Every IT executive needs to reduce existing enterprise costs in order to support new technologies and requirements. Some try to approach Oracle in search of options to reduce costs. They often find that Oracle's 'help' only leads to increased costs through identified noncompliance with Oracle's unpredictable business practices. The entitlement mindset at Oracle means that current Oracle customers need to consider real alternatives if they are actually going to:

- Save money on net new projects, and
- Avoid opportunity cost from failing to employ database technology based on open standards

Support. Support is an extremely high profit margin area for Oracle. This means that Oracle views their support stream as a critical part of their business model. However, as with most software vendors, they also want customers to buy the newest thing. Ideally while also continuing their high

legacy support payments. The criticality of Oracle software to most enterprise applications makes keeping up with the latest versions a risky and expensive proposition. There are things that Oracle could do to address this, but they rarely do so because they have so much legacy leverage over their longtime customers.

Modernizing Infrastructure. Oracle expects to be a part of a customer's business going forward because of that customer's long history of reliance on them. Where companies seek to modernize their enterprise infrastructure or applications, Oracle is not always the best choice. Where this is the case, Oracle does not hesitate to make threats about compliance to compel customers in Oracle's direction. Customers seek alternatives because it only takes one or two stalled modernization efforts to open their eyes to the challenges created by these aggressive practices.

Digital Transformation. For years, Oracle challenged customer efforts to move into the cloud. At first it was because of their desire to keep their high-leverage on-premise model. As moving into the cloud accelerated, Oracle began to offer their own cloud solutions. As with virtualization, they did not hesitate to use the uncertainty about their business policies to challenge moves to non-Oracle offerings (e.g., Google/Amazon/Microsoft cloud.) Once again, uncertainty about Oracle frustrated or delayed cloud projects, leading many to look for alternatives.

Finally, **Deployment Flexibility** is another often-cited reason why executives seek alternatives. Contracts negotiated years ago, coupled with vague and ever-changing internal policies, reduce confidence in using existing software in new ways. This, more than any other single factor, is where a technical alternative to Oracle for new requirements is more important than ever.





Case 1 – Stop Digging the Hole

Ultimately, Oracle's business practices limit options, increase cost, and reduce flexibility. These are features, not bugs. They create an Oracle tax that makes Oracle money and helps their loyalists (resellers and technical staff) prevent alternatives from being considered. The resulting confusion causes customers to miss opportunities, increase their technical debt, and have fewer options in a time when they need more.

Palisade Compliance is always looking for alternatives to Oracle so we can help our clients. Several years ago, our clients came to us talking about Postgres as an alternative to Oracle, and now we see all of our clients adopting it in parts of their enterprise. Based on what we've seen our clients do, here are the 4 best practices to jump off the proprietary database Oracle-lock-in merry go round:

1. Stop buying more Oracle database licenses and support by default. The best way to get out of a hole is to first stop digging.
2. Make open-source databases like Postgres with enterprise-level support the default option for new implementations, even for mission critical data and applications.
3. Consider business practices as a factor when evaluating solutions.
4. Create a pool of existing excess Oracle licenses that can be used for future hardware upgrades, must-use-Oracle initiatives, and/or reduce your Oracle software counts to lower your Oracle spend.

Avoid additional purchases based solely upon past decisions. The old expression is that the best way to get out of a hole is to stop digging. As you can see below, organizational inertia and uncertainty continue digging the hole with every new purchase and every support renewal.

Considering the size of spend with Oracle and the criticality of enterprise software, extra diligence in this area almost always pays off. Incumbent vendors often fail to see that they must earn annual subscriptions. Particularly where Oracle has stacked the deck in their favor through policies built on their legacy leverage, it makes a lot of sense to force an evaluation of spending at each new purchase - including support renewals.

Oracle's technology underlies applications across your enterprise. A common approach is to evaluate applications based on the following model:

Green Requirements

Green requirements are usually third-party or home-grown applications that can be supported by multiple underlying databases. They are not forced to use Oracle or any other legacy software. These are obvious projects to consider first for alternative databases. Successful companies require that new applications and projects either fit this model or they must explicitly justify the use of legacy vendors.

Yellow Requirements

Yellow requirements are either purchased or home-grown applications that may be supported by technologies rooted in open source standards, but the way they have been deployed historically may have used legacy technology. Trying to displace an underlying database for a legacy application may be more trouble than it is worth. That said, often it is uncertainty suggested by the legacy vendor that puts requirements into this category. Successful policies require an analysis based upon facts rather than fear, and often a requirement that was "Yellow" gets promoted to Green once the facts are known.

Red Requirements

Red requirements are either Oracle applications which specify Oracle support or third-party products that are built entirely on Oracle. These areas may be less amenable to alternatives, but where compatible solutions exist, they should be reviewed with future flexibility in mind.

In a recent client case, a Red requirement was an Oracle ERP on prem solution. Oracle approached this client with their cloud offering. This is an important inflection point where the underlying requirement could very well be met better and cheaper by alternative vendors. Oracle attempts to flip the technology debt created by legacy investment in the on premises solution towards their cloud solution, even where that cloud solution may not be backwards compatible. Successful organizations require that this type of inflection point receive substantial scrutiny.





Case 2 – Use New Requirements to Widen Vendor Pool

Understand that changing business and emerging requirements create the best opportunity for alternatives to the legacy vendors. Also, new requirements can often be better met by modern DBMS offerings than legacy software being repurposed because of licensing inflexibility. Displacing legacy software investment can be perceived as problematic. The risks can seem high and the business does not stop while the new solutions are deployed.

Our clients with success in this area attempt to meet the majority of new requirements with alternative technologies. In client cases, we've seen policies that 60%-80% of new requirements must be based upon alternatives to legacy technologies. Even when Oracle ends up being the solution, negotiating from a position of having a real alternative increases customers' forward leverage while decreasing Oracle's legacy leverage.

This is not to say that legacy requirements cannot also be met by alternatives. As with the ERP example above, major inflections create major opportunities. As new requirements are evaluated, use migration tools to quantify your cost savings for alternatives. Virtually every alternative technology provider offers cost calculators comparing themselves to Oracle. This is because Oracle is often the highest cost solution to a business requirement, relying upon organizational inertia to win.

Beware trading one restrictive technology for another - even if they are provided by new public cloud vendors. While historically, Oracle's business practices have been substantially more aggressive than their competitors.

Today, we are seeing similar aggressive tactics from other enterprise software vendors. They find it difficult to argue with Oracle's success in using their business practices to compel customers to maintain the status quo and continue to pay exorbitant fees on restrictive license renewals

While you are evaluating new technologies, make sure to question the risks and rewards of purely proprietary vendors versus those that support and build solutions built on open standards. Moving from Oracle on premise to Oracle cloud makes little sense if you are trying to escape Oracle's business practices. Similarly, moving to another proprietary enterprise software solution may create similar legacy and lock-in problems in the future.

New initiatives may benefit from a flexible non-proprietary database instead of a single corporate proprietary standard. As the initiative evolves, moving to the proprietary standard may make sense. That said, since many new initiatives do not progress past their initial phase, why spend the additional money and perpetuate the business risk?

Case 3 – Consider Business Practices as a Decision Criteria

Imagine for a moment that the terms and conditions for purchasing a parking spot in a private garage require that you must pay for every space in the garage because you might park your car there. This sounds like hyperbole, but it is an example of how Oracle tries to use virtualization policies against their customers during a software audit. "You might use our software in multiple places, so you must pay for all of them or spend the time proving to us that you aren't." Alternative vendors do not have the leverage for this type of irrational demand.

Successful organizations establish a process requirement to honestly evaluate new technology using technical, economic, and business risk indicators. Case in point if your decision abstract includes this:

Vendor	Cost	Compatibility*	Flexibility	Multi-purpose	Business Risk
Oracle	High	Medium	Low	Low	High
Alternative	Low	Medium	High	High	Low

...which is the better deal?

*A note about compatibility. Compatibility with prior purchases is a common concern raised when considering Oracle alternatives. Oracle loyalists inside your company will often state that an alternative is impossible - your only choice is to buy more Oracle because it will work with previously bought Oracle. This ignores the fact that Oracle is itself going through fundamental changes, and backwards compatibility is not always their top priority. Your decision to stay with what you know may cause a later surprise if the legacy and new requirements all must be upgraded anyway. Oracle alternatives may place more emphasis on ensuring backward compatibility both with their solutions and with older versions of Oracle.

When evaluating alternatives, focus on these key questions:

1. Do you audit your customers? If so, how and how often?
2. Do you restrict the use of your software in various cloud platforms (Amazon, Microsoft, Google, etc.)?
3. What is your licensing policy with regards to virtualization?
4. If a customer stops using software, how does support reduction work?

You know Oracle's answers, now contrast them to the alternative vendor. For an example of this, watch our webinar [How to Break Free! Migrate from Oracle to Cloud](#) where we ask these questions to Oracle alternative, EDB.

Case 4 – Use Oracle Unlimited License Agreements to Avoid Future Purchases and Fund Alternatives

The Oracle Unlimited License Agreement seems like a good deal for companies who are growing with Oracle. For a period of time, usually three years, the customer gets to deploy a list of products for a predictable price. What Oracle fails to mention is that in order to get out of this arrangement, the customer needs to count and is often challenged to justify how much software they've used.

This is a prime example of inertia being in favor of the incumbent vendor. We've seen customers who have renewed their ULA multiple times due to this counting requirement and face ruinous costs as a result. Some consider this to be like the Hotel California, where you can check out but you can never leave.

The ending of an Oracle ULA creates an inflection point that can be used to evaluate new technologies. It frees up money that was going to be spent on a new license agreement and increased support. As seen in this client example, the cost avoidance from certification is immediate:

Oracle Single Supplier Costs								
	2021	2022	2023	2024	2025	2026	2027	
Oracle License	\$ -	\$ 10,000,000			\$ 15,000,000			\$ 25,000,000
Oracle Support	\$ 5,000,000	\$ 7,000,000	\$ 7,000,000	\$ 7,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 56,000,000
								\$ 81,000,000
Multi Vendor Database Strategy Keeping All Oracle Licenses								
	2021	2022	2023	2024	2025	2026	2027	
Oracle License	\$ -							\$ -
Oracle Support	\$ 5,000,000	\$ 5,400,000	\$ 5,562,000	\$ 5,728,860	\$ 5,900,726	\$ 6,077,748	\$ 6,260,080	\$ 39,929,413
EDB	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 3,500,000
								\$ 43,429,413
Multi Vendor Database Strategy Reducing Oracle Licenses								
	2021	2022	2023	2024	2025	2026	2027	
Oracle License	\$ -							\$ -
Oracle Support	\$ 5,000,000	\$ 5,000,000	\$ 4,500,000	\$ 4,500,000	\$ 4,000,000	\$ 3,000,000	\$ 2,500,000	\$ 28,500,000
EDB	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 3,500,000
								\$ 32,000,000



Certifying out of the Oracle ULA therefore provides immediate cost avoidance along with a stable base of legacy Oracle software to be used with “Red” and “Yellow” requirements. When we help clients certify their ULAs our goal is the maximum possible number of justifiable Oracle licenses on the shelf for later use. **This immediate cost savings by not having to pay Oracle for another three-year ULA can immediately be deployed in supporting alternative technologies.**

Conclusion

The era of legacy software domination is over. While legacy databases like Oracle are required for some applications, they are being phased out completely or only running legacy applications. Palisade sees customers who take control of their Oracle licensing, create a multi-vendor database strategy, and adopt Oracle alternatives like EDB Postgres can achieve their digital transformation faster, and at a lower cost than companies that rely on a single-vendor approach centered on Oracle.

