

## EVENT FLASH

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### Oracle Confirms Commitment to Sun Storage Solutions

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#### IN THIS EVENT FLASH

This IDC Flash analyzes how Oracle's acquisition of Sun will affect the storage solutions previously offered by Sun.

#### SITUATION OVERVIEW

While the uncertainty of Sun's acquisition by Oracle lingered throughout the latter part of 2009, in the storage industry, there was greater speculation during this time on whether Oracle intended to invest, sustain, or divest Sun's storage assets, in particular, Sun's StorageTek tape assets.

Resulting from the recent European Union's (EU's) approval of the acquisition along with approvals from Russia and China, Oracle was finally able to articulate its intentions with respect to Sun.

As it relates to storage, Oracle indicated the following:

- ☒ A commitment to Sun's portfolio of storage solutions, with Charles Phillips, copresident of Oracle, indicating in his opening keynote that Oracle intends to "reenergize Sun products" and make Sun servers and storage the "gold" standard for IT buyers
- ☒ An intention to keep Sun's existing tape assets and to continue its investment in unified storage (leveraging the Sun 7000 ZFS storage appliance as the prime example)
- ☒ A continued and large focus on developing innovations in Flash
- ☒ A commitment to simplify enterprise storage management and the integration of the Oracle software stack

In Oracle CEO Larry Ellison's closing comments at the Oracle + Sun Strategy Update event on January 27, Ellison commented that he expects to take share in storage, servers, and tape through the enforcement of Oracle's direct-to-customer, high-touch approach toward Sun's top customers.

#### FUTURE OUTLOOK

At the Oracle + Sun event, Oracle made it clear in no uncertain terms that it sees IBM and IBM's partners and customers as Oracle's primary target. This makes sense for Oracle. IBM is the only server vendor outside of Oracle to have a well-regarded and widely adopted database technology.

What was surprising was Oracle's aggression against NetApp (an IBM partner). Over the past several years, NetApp has promoted Oracle as one of its leading customers. By increasing its investment in unified storage, one avenue for Oracle to grow its storage presence and market share profitably is by leveraging internally developed software with commodity hardware as is the case with the Sun 7000 series unified storage systems, the Sun Fire X4000 series storage servers, and the Sun Storage F5100 Flash Arrays.

Another area that will increase margin for Oracle is the move from a supply chain perspective, from a build-to-stock model to a build-to-order model, augmented with a significant reduction in product permutations and 100% direct ship for all products. In doing so, Oracle would have great flexibility to change software loads as necessary and update products on an as-needed basis.

Oracle's commitment to the Sun storage portfolio is commendable. While Sun has struggled over the years in developing a coherent and sustainable storage strategy, primarily since it was more hardware than solutions focused, Oracle is not likely to repeat the same mistakes. In fact, the Sun Oracle Database Machine is an example of the synergies that can be obtained through the combination of Sun's cost-effective hardware, augmented with Oracle's integration and software portfolio.

Oracle did not make any comments regarding the storage products that it currently remarkets and OEMs from LSI and HDS at the close of the acquisition. Although IDC does not expect any immediate changes to the strategy, we do note that Oracle is now in a position of developing a scaled-down version of the Exadata solution as well as scaled-down versions of its storage appliances. The combination of its storage servers with JBOD disk shelves should create a very competitive, supportable, and sustainable storage strategy that provides consistency and compatibility as well as improved margins from the low to high end of the storage spectrum.

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With respect to the tape portfolio, the storage industry is no doubt breathing a sigh of relief to know that Oracle will not be abandoning but instead investing in this area. Despite the slowing growth, tape still plays a vital role for data protection, recovery, and archive in many large companies. It continues to serve a very active role in the lower tiers of storage and still presents itself as one of the most economical ways of long-term storage and archival of data. At the time of the announcement, Oracle did not divulge any further details other than its commitment, except to say that it intends to invest in both drive and library technologies and create integration points and synergies that would leverage Oracle software. IDC believes that is a "shot across the bow" against IBM.

In the high-end tape automation market, there are essentially only two contenders, somewhat equally poised against one another — IBM and (now) Oracle. However, IDC research shows that IBM has won a number of strategic deals against (then) Sun while Oracle's acquisition of Sun languished. Oracle, with its newly acquired tape portfolio, will need to continue to invest in its homegrown, high-end drive and library platforms to woo back customers lost to IBM. If successful, Oracle will reinvigorate this high-margin, high-touch tape business that has suffered from lack of focus under Sun. We believe the tape business fits the Oracle business model very well. Oracle's crisp execution on a definable tape drive and automation road map is necessary to reap the long-term benefits.

IDC's annual assessment of vendors shows that by acquiring Sun, Oracle has moved from a nonstarter in storage to commanding fifth position in vendor shares overnight. To move up the vendor share rankings into fourth position, Oracle would have to almost double its storage business. With a larger, specialized, and more motivated sales force (through improved compensation), a clear focus on taking share from IBM, and a very comprehensive hardware, software, and services portfolio, this could become a reality for Oracle within the next 24 months.

Under Sun, the storage portfolio was good but poorly marketed, and its strategies were badly executed. IDC expects that with Oracle's services capabilities, complete stack approach, and motivation, the storage industry will see new opportunities and a renewed vigor throughout 2010.