

Oracle's Bid for PeopleSoft Won't Alter Its CRM Position

Oracle, SAP and Siebel Systems will benefit from Oracle's proposed acquisition of PeopleSoft. PeopleSoft CRM prospects and customers will likely find the acquisition unsettling.

Core Topic

Customer Relationship Management:
Creating Business Value for CRM

Key Issue

How can enterprises control the investments and quantify the benefits of CRM?

On 6 June 2003, Oracle announced an unsolicited offer to acquire PeopleSoft for \$5.1 billion in cash. PeopleSoft's management gave an extremely negative initial response, accusing Oracle of pursuing nothing more than a marketing ploy.

From a customer relationship management (CRM) application perspective, Oracle's plan to acquire PeopleSoft is a pure market share and financial (for example, maintenance stream) move. It is not an attempt to close functionality gaps, because the two companies' CRM suite application components overlap nearly 100 percent. Where Oracle has failed to show substantial market presence, so has PeopleSoft (for example, partnership relationship management, mobile field sales and service).

Even if Oracle accomplished a seamless acquisition, the deal would not allow Oracle to overtake Siebel Systems or SAP in the CRM market: Oracle's and PeopleSoft's combined market share (8.5 percent), based on 2002 new license revenue, would still be smaller than that of Siebel (25 percent) and SAP (16 percent). Any significant difficulties or disruptions in product delivery caused by the acquisition would further lessen the impact on market share. The strategy, therefore, from a CRM perspective, is to sharply reshape customer choice as an option between Oracle, SAP and Siebel for large-enterprise CRM suites.

Impact

The effects of a merger of the two development organizations will likely delay Oracle's attempts during the next 18 to 24 months to add a vertical dimension to its CRM offerings for banking, government, healthcare, brokerage and other industries. Gartner believes that prospective Oracle customers that cannot wait for new offerings from Oracle should look to alternative vendors (for example, Siebel, Pegasystems, Onyx Software and WebTone

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Technologies) that offer specific CRM solutions in their industries. Removing PeopleSoft from the competitive mix would make prospective PeopleSoft CRM customers more receptive to Siebel and SAP.

Bottom Line: Based on user references that Gartner has contacted, enterprises that have made a significant investment in SAP Enterprise Applications and have invested in PeopleSoft CRM are unlikely to consider Oracle CRM. However, enterprises that have deployed PeopleSoft and want a single source for database, enterprise resource planning, supply chain management, human resources and customer relationship management should consider the Oracle CRM offering, if the deal goes through.

It is unclear whether Oracle will consummate this deal. Customers and prospects of Oracle, J.D. Edwards and PeopleSoft CRM products should prepare for different scenarios outlined in "How Oracle's Bid for PeopleSoft Affects Customers."