

## Siebel Sale Highlights Split Between IT and Business Buyers

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This deal will be a positive move for Oracle in the longer term. But it raises serious questions for Siebel Systems customer relationship management (CRM) customers planning to use Microsoft or IBM technologies.

## NEWS ANALYSIS

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### Event

On 12 September 2005, Oracle announced its intent to acquire CRM vendor Siebel for \$10.66 per share, or \$5.85 billion in cash and stock. The deal is expected to close in 1Q06.

### Analysis

By accepting Oracle's deal, Siebel has conceded that businesses will find it difficult — in the longer term — to justify the decision to buy deeper stand-alone CRM suites, especially when they are measured against suites from enterprise application vendors such as Oracle and SAP. Oracle now has a much stronger case to make for its application.

The CRM market is splitting between:

- Large-enterprise vendors selling technology stacks and architecture to CIO-level executives
- Vendors of simpler systems (such as salesforce.com and NetSuite) and best-of-breed vendors (such as Amdocs (telecommunications), Unica and Aprimo (marketing automation) that are selling business value.

Siebel has been caught in the middle, despite its proven functionality.

Buyers now face even fewer independent choices for industries such as telecommunications, utilities, pharmaceuticals and consumer goods. Support for Siebel applications will continue until 2012, but Siebel customers now unexpectedly face a substantial shift in the product and technology platform they use to support their CRM needs (as this platform is incorporated in Oracle's Project Fusion.)

Oracle's development organization is not known for good support of CRM applications, and will require changes to keep Siebel's worldwide user base. Additionally, the timing of Oracle's Fusion project is now more complicated. Siebel's offerings will emerge as the blueprint for at least 80 percent of Oracle's next-generation CRM functionality by 2008 (0.8 probability). JD Edwards EnterpriseOne, Oracle E-Business Suite CRM and PeopleSoft CRM customers can expect less focus on new functionality before then.

### Recommendations

- **Siebel customers running version 7.5 or later versions:** Continue running current deployments.
- **Siebel customers using earlier versions (pre-v.7.5):** Weigh the implications of moving off of support within the next three years.
- **Siebel OnDemand customers:** Consider alternative products until there is a definitive explanation of future development, sales and support plans for OnDemand.
- **All other Siebel customers and prospects:** Do not plan on running on IBM WebSphere or Microsoft .NET until details (including financial penalties) regarding the new architecture are available.

### Recommended Reading and Related Research

- "PeopleSoft CRM: When to Invest and When to Disengage" — Review your PeopleSoft competencies, commitment to Oracle's technology stack and overall strategic direction to determine whether PeopleSoft CRM is best for your business. **By Kimberly Collins, Robert DeSisto and Michael Maoz**
- "Oracle's Project Fusion: Application Questions" — Consider Oracle's Fusion road map, the future of its PeopleSoft and JD Edwards products, and migration issues when determining whether to implement Fusion applications. **By James Holincheck and others**

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