



# Oracle and Salesforce Strengthen Their Commitment to Industries

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**Author:** Barry Rabkin, [barry.rabkin@marketinsightgroup.com](mailto:barry.rabkin@marketinsightgroup.com)

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### Essence

Oracle and Salesforce, two technology firms known worldwide for creating solutions on a “horizontal” basis have decided to strengthen their portfolio to support specific verticals. Each of the technology firms chose the insurance industry as one of the selected verticals.

### Oracle and Salesforce brought the same message to Boston

During back-to-back weeks in late March / early April 2014, Oracle and Salesforce (SF) came to Boston. Each held an event for technology analysts, media, and customers. Oracle sponsored an Oracle Industry Connect event in late March. The following week, SF brought their Salesforce1 World Tour to town.

I found it interesting that one of the messages from both technology firms was the same: the critical importance of industries to the success of each firm.

### Expectations met and expanded

I had expected Oracle to discuss why and how they were strengthening their continuing commitment to supporting industries: after all, Oracle Industry Connect was the name of the event. However, SF ostensibly came to Boston to bring news of their new mobile platform – Salesforce1.

And yes, we were regaled with SF’s customers’ ability to run SF on mobile devices (a feat which I, as a non-technical person, consider non-trivial). But more than hearing about the ability of customers to run their company on a mobile device, SF also told us about the importance of supporting industries. In meetings with SF executives, sessions

throughout the day, and a just-released press release that day (April 2, 2014), SF provided us information about their new industry focus, organization, and go-to-market (GTM) approach.

**Supporting (almost) the same set of industries**

Oracle and Salesforce both plan to support a mix of intangible asset and tangible asset industries (see Table 1). I believe the intensity of the types of assets matter. Industries which have a high degree of intangible assets have different operational and competitive issues relating to economies of scale, economies of scope, and skills than industries which have a high degree of tangible assets.

Technology firms wanting to support an industry, or a group of industries, must take the degree of tangible or intangible assets into consideration when they create, deploy, and service their solution portfolio for the target industry.

Table 1: Industries supported by Oracle and/or Salesforce

(we capture the technology firm’s name for an industry if different from the first column)

Industry	Oracle	Salesforce	Degree of tangible and/or intangible assets
Communications	Yes	Communications / Media	High degree of intangible assets
Retail	Yes	Retail / Consumer Products	Moderate degree of either tangible or intangible assets
Health Care	Health Sciences	Health Care / Life Sciences	Health Care: high degree of tangible assets Life Sciences: high degree of intangible assets
Financial Services	Yes	Financial Services / Insurance	Very high degree of intangible assets
Asset Intensive	Construction / Manufacturing	Automotive / Manufacturing	Very high degree of tangible assets
Oil & Gas	Oil & Gas / Utilities	No	Very high degree of tangible assets
Public Sector	No	Yes	High degree of tangible assets

Source: Oracle, Salesforce, Market Insight Group

## **Industries are becoming increasingly intangible-asset based**

However, increasingly more industries which have been traditionally tangible asset-bound are becoming more “informed”. In short, tangible asset-based industries will have to manage a higher ratio of intangible assets. The continuing adoption of more embedded sensors in tangible assets (e.g. vehicles, buildings, road), the communication between them, and the pressing need to analyze and act on the data the sensors generate, will accelerate the profile of every industry being more intangible asset-based.

### **Context: a plethora of system types**

As you might imagine, given each technology firm’s DNA and portfolio of solutions, Oracle and Salesforce are taking different approaches to support their target industries. However, before going into the approaches of each of the two technology firms, I need to provide some context. I think this will help you understand my opinions about each technology firm’s approach.

Every company, regardless of industry, stays in business by running two or more types of systems, writ large. From my perspective as an insurance technology analyst, four of these types of systems are:

- **Systems of Record:** These are the most critical systems for insurers. Insurance systems of record include underwriting, policy administration, billing, and claims.
- **Systems of Engagement:** Systems of engagement include CRM, Customer Experience Management (CEM) systems, or Agency Management Systems/Salesforce Automation Systems. Note: Most (all?) insurers have the third type of system but it is questionable about how many insurers have CRM or CEM systems.
- **Systems of Enterprise Applications:** Systems of enterprise applications include ERM, HCM, SCM, and financial systems.
- **Systems of Information Governance, Analytics, and Reporting:** Decision-making systems (short-hand phrase) include the various applications of master data management (MDM), data repositories, and analytical systems

which are widely dispersed - with little or no enterprise governance – throughout the insurance company. The unfortunate reality is that insurance data live a lonely, nomadic, and territorial-controlled life.

## **Oracle: their DNA and industry approach**

### **Oracle's DNA**

Using my list of system types, Oracle has two strong strands of DNA: systems of enterprise applications and systems of information governance, analytics, and reporting.

I realize that Oracle is building its systems of engagement solutions and they offer insurers some systems of record solutions. However, insurers do not think of Oracle as being primarily a systems of record technology firm.

### **Oracle's industry approach**

#### **Organizational commitment**

Oracle has a separate Industry Group for each of the industries noted above. Each of the industries is incubated as a separate business and has its own R&D budget, its own sales force, and its own consulting staff. Moreover, Oracle works with what the company calls “leading enterprises” in each industry to help provide both firms with IT intellectual property (IP). Oracle then leverages the IT IP with other companies in the industry.

#### **Oracle will leverage all of its technology to bring solutions to each industry**

Mark Hurd, president of Oracle, told us, in his opening keynote and during a private session with analysts and the press, that the company:

- is motivated to solve the largest and most complex problems which industries have to solve
- has deep specific industry domain expertise
- has best-of-breed technology which is core to each (industry) business
- will leverage all of Oracle's technology to bring solutions to each industry.

#### **Will insurers be receptive to standardized or repurposed solutions from other industries?**

We believe that the last bullet item above will be the key to Oracle's success (or lack of success). Reinforcing that point, Mr. Hurd said that “businesses are increasingly leveraging technology from other industries to transform and innovate.” He further

embellished on it when he said that Oracle “wants to build once and sell many” and Oracle “wants commercializable, standard solutions.”

But I question whether insurers will purchase solutions repurposed from other industries. I believe that insurers will be receptive to IT IP Oracle creates by working with other insurers (particularly if the other insurers are from the same insurance segment or line of business). People who know me know that I do not believe that the insurance industry is like other industries except at a very high meta-process level.

## **Salesforce: their DNA and industry approach**

### **Salesforce’s DNA**

Salesforce’s DNA is based entirely on cloud-deployed systems of engagement. They have expanded their original CRM solution to now include marketing, sales, and service clouds. Additionally, Salesforce has positioned its solutions to support the Internet of Things by creatively – and correctly – noting that behind every “thing” is a customer. But as I mentioned above, the insurance industry is primarily a systems of record industry.

### **Salesforce’s industry approach**

#### **Organizational commitment**

Salesforce created an Industry Business Group aimed, as the April 2, 2014 press release states: “at accelerating the company’s growth and helping companies across key industries connect with their customers.” An industry expert with deep industry experience will lead each industry.

#### **Salesforce wants to be credible with each industry it supports**

At the Salesforce1 event, Keith Block, President and Vice-Chairman of Salesforce, told the analysts and the press in a private meeting that they know the company must be credible with industries. Mr. Block further stated that SF wants to “sell a solution rather than a product.” To help SF achieve that goal, the company will create an ecosystem of partners, make acquisitions, and build solutions internally.

Regarding the industry organization, he said that each industry group will:

- have a point-of-view for the industry
- have extensive industry experience
- create unique solutions for the specific industry

- create or support transformational solutions.

**Will insurers want transformational solutions – at all or as quickly as Salesforce is planning?**

But will insurers want transformational solutions? The obvious question is “what does SF mean by transformational solutions?” Given Mr. Block’s other statements about wanting to help each of the companies in the targeted industries become “a connected customer company” I daresay that becoming customer-connected is a crucial part of the answer.

If true, then SF will have to understand the differences between the insurance major lines of business and the varied paths involving intermediaries which insurers take to reach their markets. Specifically, the agency/broker channel is a critical component of the insurance business in the US and in many countries around the world. SF’s transformational solutions must support insurance agents and brokers to have a chance of succeeding.

**Questions which insurers should ask Oracle or Salesforce**

I realize that insurers will ask Oracle and Salesforce several questions relating to the industry solutions each technology firm offers. I suggest insurers include these questions for either firm:

- How deep is their insurance industry domain expertise?
- What is the exact nature of the insurance industry domain expertise?
- What is the exact nature of the insurance functionality which Oracle or Salesforce is building, either organically or through acquisition of insurance-specific technology firms ?
- What are the non-insurance industry solutions which Oracle or Salesforce uses for other industries and are repurposing for the insurance industry?
- How does each of Oracle’s or Salesforce’s insurance solutions differ, and in what way, for individual life and annuity, group life, personal lines property and casualty insurance, and commercial lines property and casualty insurance?
- How many, and which, insurance clients does either Oracle or Salesforce have due to the new or enhanced solutions?

- What are the financial results – revenues, profits – being generated by either technology firm’s insurance clients?
- Exactly how much is either Oracle or Salesforce investing in R&D explicitly for the insurance industry?
- What is the nature of the insurance R&D investments?

## **Implications for Insurers**

Insurers will now be asked by Oracle and Salesforce to consider the various insurance specific solutions which each firm provides. Without knowing the exact nature of each of the two technology firms’ insurance solutions, we find it impossible to articulate exact implications for insurers.

However, insurers must consider how easily each of the two firms’ solutions integrate, and/or augment the current portfolio of systems already in place in the insurance company, in its field offices, and in its agencies/broker firms.

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## **References**

- Attendance at the Oracle Industry Connect event in Boston in late March 2014
- Attendance at the Salesforce Salesforce1 World Tour in Boston in early April 2014

## **Definitions and descriptions of terms**

- ERM: enterprise resource management.
- HCM: human capital management.
- Horizontal: This term refers to a wide spectrum of industries.
- SCM: supply chain management.
- Vertical: This term refers to a specific industry, such as the insurance industry.

## **Let’s Talk**

Want to discuss the issues in this QuickNote? Please contact Barry Rabkin of Market Insight Group, Ltd. at 508 435-3136 (in the Boston, Massachusetts area) or e-mail





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[barry.rabkin@marketinsightgroup.com](mailto:barry.rabkin@marketinsightgroup.com). Click over to [www.marketinsightgroup.com](http://www.marketinsightgroup.com) to learn more about our company, our research, and how to subscribe to our research agenda, purchase single copy reports, or engage us in custom work.