

# Oracle Uses Cloud Computing/Social Media Acquisitions To Build Oracle Cloud

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Business software titan Oracle Corp. has been on acquisition spree over the past six months, snapping up several small- and mid-tier firms to expand its capabilities in both the cloud computing and social media markets, two areas poised to see significant-growth over the next several years.

Below, we highlight some of Oracle's recent purchases, and breakdown how these purchases can benefit the company moving forward.

- Last week, Oracle acquired San Francisco-based Involver for an undisclosed sum. Involver provides social market language and a social media development platform that enables developers to create highly-customized marketing applications for social media sites and web campaigns. Involver will provide Oracle with a powerful toolset for helping brands create custom applications as they adjust to evolving changes in marketing brought on by social sites like Facebook, Twitter, and YouTube.
- In early June, Oracle announced that it was purchasing Collective Intellect, a social media analysis firm, for an undisclosed sum. With this acquisition, Oracle is aiming to enhance its ability to analyze social media for customers. Collective Intellect's cloud-based software claims to be able to scan Twitter messages and blog posts to determine a user's intent and interests.
- In May, Oracle announced its plans to acquire social marketing platform Virtue for \$300 million. Over the past few years, Virtue has grown to become one of the most popular solutions for big companies trying to win Facebook fans and push out marketing messages to the news feed. Beyond Facebook, Virtue helps marketers manage their presences on Twitter, YouTube, Pinterest, and Instagram, among other platforms.
- In April, Oracle completed the acquisition of Taleo Corp., a provider of cloud-based talent management solutions, for \$2 billion. Taleo gives Oracle tools that help firms manage human resources, recruit employees and set compensation.
- In late March, Oracle bought ClearTrial, a cloud-based company in the business of biopharmaceutical and medical trials. This acquisition will become a key part of Oracle's closed-loop clinical trial management offering, with features guiding the client from planning to payments.
- In January, Oracle completed the acquisition of RightNow Technologies Inc. for \$1.5 billion. RightNow provides cloud-based customer services, including solutions to help companies handle customer interactions across a multitude of channels, including call and contact centers, the Web and social networks.

Looking ahead, Oracle believes that an active acquisition program is "an important element of its corporate strategy," as it strengthens its competitive position, enhances the products and services that it offers, and expands its customer base. Over the past few years, Oracle noted that it has invested billions of dollars to acquire a number of companies, products and services, and technologies that have enhanced its existing offerings and extended its addressable markets.

Moving forward, Oracle intends to continue to make acquisitions to advance its corporate strategy, and had about \$30.7 billion in its war chest at the end of the latest quarter to pursue further acquisitions.

With Oracle making several acquisitions within the cloud computing sector over the last few years, let's check-out what the company's cloud strategy encompasses moving forward. Currently, Oracle's cloud strategy offers customers a broad portfolio of enterprise-grade software and hardware products and services that are secure, scalable and reliable, while enabling interoperability and portability.

Overall, Oracle offers customers a "pragmatic roadmap" to adopt the cloud computing environment that best fits a specific customer's needs, whether that is a "private" cloud or a "public" cloud. Private clouds are basically exclusive to a single organization, whereas "public" clouds are used by multiple organizations on a shared basis and hosted and managed by a third-party service provider.

As part of its cloud strategy, Oracle introduced its "Oracle Cloud" offering in early June, which includes the company's cloud software subscription offerings such as Oracle Fusion Human Capital Management Cloud Service, Oracle Fusion Customer Relationship Management Cloud Service, Oracle RightNow Customer Experience and Oracle Taleo Talent Management Cloud Service, among others. All of these offerings provide Oracle customers with software application functionality within a cloud-based IT environment that the company manages and offers via a subscription-based model. Oracle Cloud also includes software platforms within a cloud-based IT environment that it manages and offers to customers via a subscription-based model, including Oracle Database Cloud Service and Oracle Java Cloud Service.

Within the federal market, spending on vendor-furnished cloud computing services is expected to grow from \$734 million in fiscal 2012 to \$3.2 billion in fiscal 2017 at a compound annual growth rate (CAGR) of 34%, according to a Deltek [report](#). On a global basis the numbers are even greater - the global cloud computing market expected to grow from \$40.7 billion in 2011 to more than \$241 billion in 2020, according to Forrester Research.

Looking ahead, we expect that Oracle's Cloud offering will substantially increase the company's ability to gain market share in this high-growth market over the next several years. Currently, Oracle only takes in about \$1 billion in revenue from its cloud computing solutions, so the company should be able to exponentially grow its cloud-related revenues (on both the federal and global levels) moving forward.

While potential growth in cloud market looks rosy, we also wanted to note that Oracle will face stiff competition from top-tier rivals (Microsoft, IBM, Hewlett-Packard, SAP AG and Salesforce.com) in competing for cloud computing market share over the next few years. In addition, we also believe Oracle may see some integration hurdles related to its numerous cloud acquisitions over the past year, and the weaving together of these various cloud capabilities to develop a streamlined cloud computing offering in the near-term.