

Top 10 Oracle licensing & cost optimization issues in 2024-25

Description

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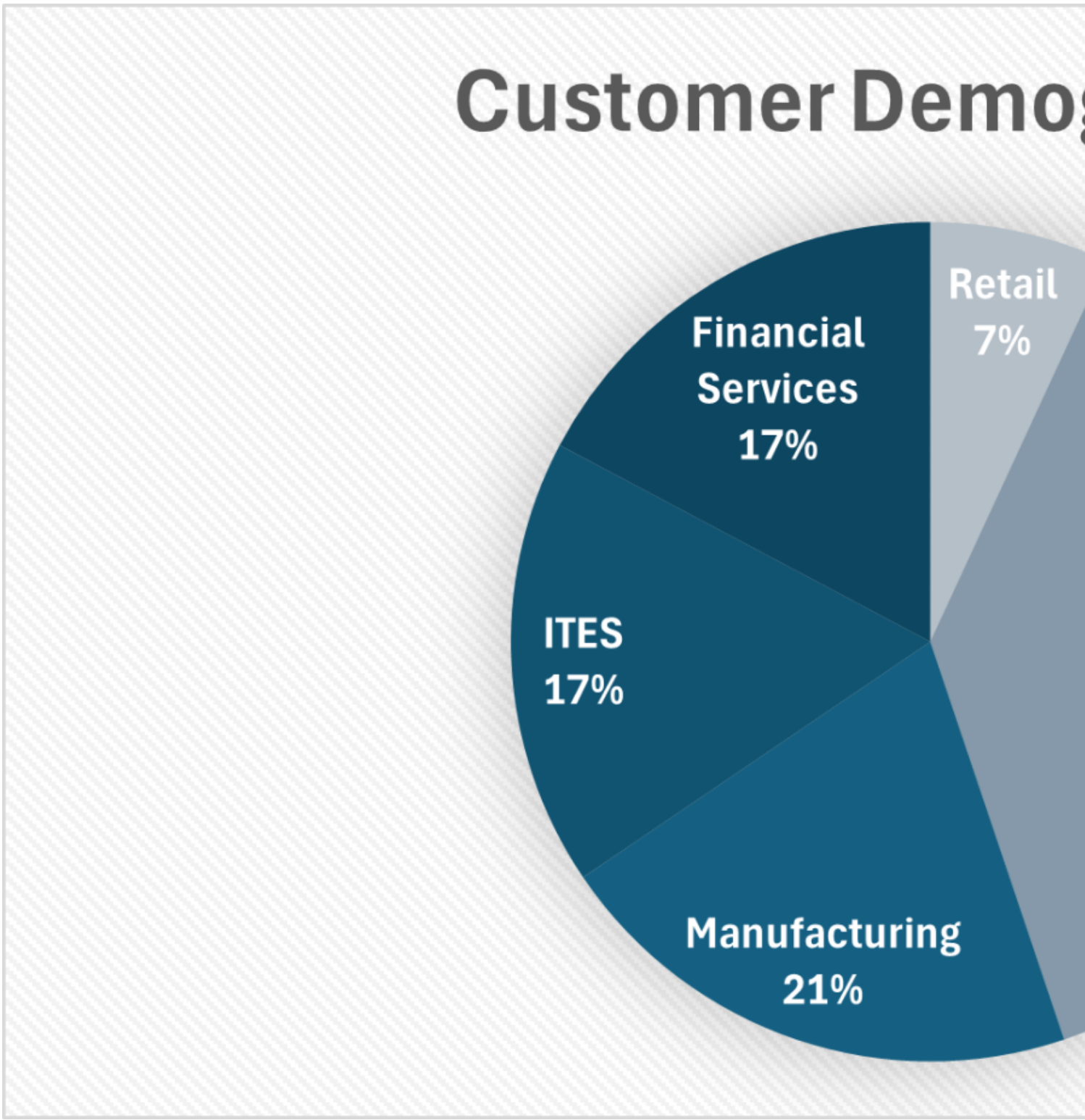
Oracleâ??s software licensing terms for both cloud and on-premises environments present significant complexity and can often be unintuitive. It is essential for sourcing, procurement, vendor management, and technology leaders to understand the top ten Oracle licensing considerations and cost optimization strategies. This knowledge is crucial to avoid unexpected expenses during renewals or initial purchases.

Background â?? how did we reach these top 10 Oracle licensing & cost optimization issues in 2024-25

We, at Rythium, worked with 39 Oracle customers between June 2023 â?? May 2024. All these customers had different challenges. We have tried to normalize the issues they faced. Many of these engagements are ongoing and give us a view into the issues customers will be facing in 2024-25.

Customer Demographics

Our customers came from different industry verticals across India, Middle East and Africa. The chart below shows the break-up of our customer verticals.



List of top 10 Oracle licensing & cost optimization issues in 2024-25

1. **Oracle not in favor of Unlimited License Agreement (ULA) Certification.**

This may not sound like a licensing challenge or concern at first view. Unfortunately, Oracleâ??s push for renewing the ULA against the customerâ??s wishes and actual needs is made possible by their creation of license non-compliance allegations.

Customers get frightened by Oracleâ??s stance, demands and end up succumbing to the costly commercial proposals for renewal.

2. **Usage of unlicensed features in Oracle Database**

This has been Oracleâ??s traditional and strongest revenue earning channel. It continues to be so in 2024-25.

Oracle DB EE gets installed with almost all the features, options and management packs. The onus of compliance is on the customer. It is the customerâ??s responsibility to purchase licenses even when they unknowingly use some of these features.

3. **Installation of the wrong edition of WebLogic**

This, like Database feature usage, has been a traditional and strong revenue earner for Oracle.

WebLogic, since 10g, has moved from multiple installers to a single installer containing software for the WebLogic Server Basic, Standard, Enterprise & WebLogic Suite editions. The recommended installation configuration allows the usage of all features. This can make the customer non-compliant immediately on installation of the purchased product.

4. **Java**

The Oracle Java license changes in January 2019 and the introduction of the the new licensing metric in January 2023 has created a new revenue stream for Oracle. And, strangely, may be on the way to being Oracleâ??s biggest revenue earner over the next couple of years.

Unless customers are very careful, it would be impossible to be compliant with the myriad contractual concepts and clause of Java licensing. The Java license changes have brought every business in Oracleâ??s crosshairs.

5. **Virtualization**

Another of Oracleâ??s traditional revenue earner. Oracle has always used their soft-partitioning and hard-partitioning definitions to hustle their customers into paying heavy license fees.

Soft-partitioning and hard-partitioning are Oracleâ??s definitions of different configurations of virtualization architectures. While these rules can be interpreted as non-contractual, Oracleâ??s salesperson insist on its implementation. The cost of non-compliance to these rules can increase license costs by 30-100x of actual usage.

6. Support Cost Reduction

Customers across all industry verticals are seeking to reduce their annual support costs. The reasons for wanting this are:

- The annual support costs have ballooned to unacceptable numbers because of mistakes made in procurement and license management over the past two decades or more.
- Customers do not see value in the money they pay. Third-party support firms are providing better support than Oracle at a fraction of the price.
- Oracle has started increasing the annual support fees by 6-8%. This will double their current annual support fees in 9 years.

Unfortunately Support Cost Reduction is not something that Oracle wants to allow for customers.

The discussion on support cost reductions sometimes moves into the areas of license non-compliance. This makes engaging with Oracle messier.

7. Increase in License Audits

We are seeing increased Oracle audit activity. And, interestingly, Oracle works on two different kinds of audits:

- **Soft Audits:**

Soft audits are engagements conducted by Oracles sales executives that give an illusion of a formal audit. The account executive will try to allege non-compliance or try to get information about deployments to generate extra revenue.

While soft audits have been a traditional activity in Oracle, there is a huge increase nowadays especially with respect to Java license demands.

- **Formal Audits:**

Oracle, like all other software companies, reserve the rights to audit the usage of their licensed software at their customerâ??s estates. This right is to ensure compliance with the licensing policies and not allow customers to use excess licenses without paying the corresponding license fees.

Formal audits always come with a notification in writing from Oracleâ??s License Management Services or from their legal counsel.

8. Compliance issues in SaaS Utilization

While many customers initially believed that cloud computing would eliminate compliance concerns, the reality has proven to be more complicated. Early adopters of Oracleâ??s Fusion Cloud Services have already faced compliance issues due to unauthorized use.

The compliance issues in Oracle SaaS range from how users are accessing the application based on their specific roles & license metrics, assignment of different roles, usage of seeded roles, double counting and third-party access issues.

9. Negotiating Rate Contracts & Price Holds

Failure to negotiate price-caps, price-holds or rate contracts leads to a potentially huge increase in costs during renewals. Usage reductions also do not allow for decreased prices.

10. Changing Sales Bundles and License Metrics

Oracle constantly changes sales bundles and license SKUs. And, especially in the SaaS application space, the metrics are also constantly changing. This leads to compliance issues and price increases.

This price-list of Oracle gives you an insight into the complexity of Oracle SaaS License Metrics

You can read more about us and our principle consultants here

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