IBM

Moderator: Kada Sigl
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Coordinator: Welcome and thank you for standing by. At this time all participants are in listen only. During the question and answer session, please press star 1 and record your name to ask a question. Today's conference is being recorded. If you have any objections you may disconnect at this time.

Now I'll turn the meeting over to Larry Bowden. Sir, you may begin.

Larry Bowden: All right. Thank you very much. So today's topic is going to center around exceptional Web experiences specifically because they have been elevating themselves more and more in the overall importance ranking for a company realizing that the face of the company, or the interaction that they provide to their customers, to their parties, is becoming paramount in their overall strategy for success long-term.

Now an exceptional Web experience, you know, a lot of the attention that's in the market right now is serving customers and citizens but also, that same exceptional Web experience for productivity for enabling employees within the company to interact with customers or to, you know, make better business decisions based on the content, the applications they have access to is also

within the scope of what we'll talk about today but it's going to be very much geared towards the business results.

Okay. What kinds of results have people been seeing when they actually make investments to try and be the very best at what they're exposing to the customers out there?

So there's no better place to really start here. And we'll take a look at the global effects - put it that way, or the macro effects. We all feel these. We see tidbits of information of course, talking about how large the population is using the Internet out there. But when it comes to an exceptional Web experience, the fact that there's a lot of people, there's a lot of companies vying for peoples times and attention, we do see that, you know, a quarter of the world's population is now Internet users and distributed as the chart shows here.

But that's one fact is that there's a large number and it's growing and it's expected to be over 2 billion users by 2011.

As we also look at the upper right hand part of this chart, what people are doing out on the Internet is changing a lot because what's becoming enabled. New technologies coming along allow us to do more and more important and valuable things for a company, and as well as the communities of people that are interacting moving from the Web 1.0 to 2.0 world, et cetera.

But on there you can see one column that's in 2000. How did people actually use the Web and then there's another column to 2009. You can see both the adoption of more and more people performing certain types of tasks out there; looking for products and buying them, et cetera, but some just were not possible back in 2000.

Things that were much more social oriented, ratings, watching videos - the technology wasn't there. And so the key is if you look at from 2000 to 2009, a significant change has occurred, the number of people that have come online and you think what will the next 3 - 5 and even 10 years, if you have that much foresight, look like within the next set of technologies that are coming along.

And what will the definition really be of a Web experience that someone wants to come back to, it is memorable, it's their preferred sites or what they select as their communities and personal favorites, et cetera. And with that the new technologies will, as well as these trends of not only what they're doing on the Web, but how they're interacting with it.

Of course, the Web now can be delivered to a screen TV in your home. It also, of course, is on many think pads and laptops throughout the world and, of course, the lower right hand corner here just talks about the fact that the smart phones or handheld devices are becoming by far the prominent means of interacting with the Internet. And 27% of all households no longer have a wired line into them. They are using mobile as their primary communication technique.

So no one of these that overwhelms the others, but a lot of people, doing different things, very quickly migrating to the next - or moving to the next level of interaction and doing it with whatever device that they prefer to interact with; so all macro effects that are coming into effect the way that the Web is being utilized and presented to customers and to employees.

This chart gives you a little view of just the needs that have emerged that IBM has been engaged with with providing support for groups. You know, groups

can be both internal or external. You can have groups obviously within your company. And then there's external communities but they're usually geared towards retail or commerce. Or even within a government, site there are issues that are coming up that you want to have people communicate about to work through what the community's view on that is because you could ultimately end up changing a law or how a particular community evolves over time.

You also can see that it's not always just groups but there are individuals. Not everything is done in a group when you're looking at your payroll or perhaps your personal benefit. It's a much more personalized and a much more secure environment. So having the needs that drive the usage characteristics of both being able to provide that kind of an individual experience or being able to solicit the group input all being needs that come back into what we need to be able to have as a set of capabilities moving forward to exploit these new trends.

Also, external - internal. Pretty self-explanatory. But the way that customers sell service and the kind of statistics I'll show you in a little bit. What customers are seeing when they have a very effective customer sales (unintelligible) and the loyalty changes, the interaction ratings and customer satisfaction that they get back could be obviously significantly influenced by what did that experience feel like. Did they get what they wanted quickly? Were they able to navigate effectively? Was it a pleasing experience?

And at the same if they wanted to come to a particular environment and just learn did they get what they wanted. They might have spend many - even hours on the Web researching something; especially in the medical area where they could be a new issue with someone's health and it's not how quickly they can get in and get out but did they find the relevant information, be able to get other people's inputs, understand what the ramifications are to them.

So lots of different characteristics as to what an external site and what satisfaction can mean. But those needs come back in again. What this base is that the Web is beginning to provide to the entire structure across industries and across lines of business.

So I thought I'd give you a little view of what we're starting to see from an IBM perspective. We clearly see some common business drivers surfacing. These business drivers are put more in the project category and then there are also companies who are looking at entire strategic initiatives because they view that the battle for the future is, perhaps, on the Web.

More and more a driving of customers to that lowest cost interaction with them being able to, you know, grow, attract, maintain, keep satisfied, et cetera, the customers (unintelligible).

So you think the four project (orient) was ingrained - driving revenue, brand loyalty and simply enhancing that online experience. We do find a lot of executive, many, many of them now on the Web. Sixty percent of all executives say the Web is their primary source of information about competition and others.

Also, we know that 74% of all of the marketing priorities in 2010 - or 74% of the companies say that acquiring new customers is their primary objective. Also, 40% really is about improving customer retention. So this online experience is becoming absolutely the battle ground.

The second one is providing online self-service, customer satisfaction and reducing cost. We obviously see that there are lots of opportunities when you look at the sometimes proliferated environment and many properties that a

company has - more effective ways of managing those in a cohesive manner that provide not only the self-service but also coming back into benefit on the cost.

Another one - increasing flexibility. Flexibility literally being can you add more and more agility to the particular environment you have and still be able to reduce the cost. As you can tell, a lot driving towards external on revenue and then coming back to say can I control my cost with it being the two common drivers that we see.

And the last one is build a next generation Web experience with native social and local capabilities. Truly trying to catch the wave of where a tremendous amount of interest is at this particular point in the market. We do see that again from some of the studies that we have done - 98% of all companies right now consider the Web as their primary outreach to customers, 76% of them are planning to do more on the Web in 2010. And the reason this one's important is 61% of customers expect 2010 to be the year where they use social networks as part of their overall value to their particular customer sets and employee sets.

On the bottom is the strategic initiatives and you can see they're just somewhat more global; really stepping up to becoming more customer intimate by delivering comprehensive personalized, you know, optimized multi-channel experience, as well as across the branding and segmentation of Word properties.

And then influencing needs or behavior to drive the interactions to the lowest cost channel. So again, always cost plus revenue coming into play.

So I thought we'd give you a little spectrum here of what we're seeing and what's driving I'd say the middle part, the heart of the demands that we see tend to land in these type of projects at this particular point.

Now each of them have a particular goal. They don't want to be average out there. They don't want to provide an experience to the customer and not be able to register with them to make sure that it is memorable and make sure it is something that they would tell others about.

So when you look at this exceptional Web experience, what's always on the tips of everyone's tongues as to what they want to accomplish and so it comes down to what really - what is that? And we see that this need to generate that strong customer affinity tends to play very high in the overall priority list of those customers.

The other one is there needs to be, and there's a plan within the leading companies, to have their site be compelling enough so that it's memorable. It's not just simply they came to, you know, the task was performed but they want to get more of a resource to the customer. Even if they aren't going to do a transaction on a particular visit, they still want to be a particular environment that the customer will come back to as a trusted partner and have loyalty to them where they know that that particular facility is being provided to them is both fresh, it has depth to it, they know it's going to be evolving effectively with the latest technologies, as well as capabilities that they need.

And so it's not just a one-time thing where hey, this particular site was really cool for a week or two. It is that long-term memorable kind of effect that is the exceptional Web experience.

And, of course, what that means if you're going to keep that experience and that fashion is adaptable to the changing markets here, making sure that the ability to create with the latest capabilities becoming available to the Web. This is a lot - you saw on one chart there there were zero, you know, video in 2000 (unintelligible) or more using video in 2009.

Just imagine five years from now the amount of media, the amount of demand people will have to be much more visual, to be much more - have much more ability to navigate and find exactly what they want within a very digitally rich type of experience rather than, of course, a traditional text.

Also, we're already well along that path. Right. There does not appear to be an end to the veracious appetite of customers to have better and better experiences from a visual perspective driving, you know, obviously to the end result that they'd prefer.

But creating, targeting and then optimizing; making sure that we're learning from what people are doing here. All important elements of the overall exceptional Web experience definitions.

So I have the title of this particular session that very clearly called out the business results. We should take a look at why are people spending so much time on this? Why do we have the stats that I mentioned so high as to how much money, as well as the interest levels of energy that's going to be put into the Web experiences and customer sites. And a lot of it comes down to as you start to see and customers have finished their first projects or, you know, moving up through even the multiple projects across the platform, you're starting to see the actual benefits get documented and share with people just what it can mean when you invest in being the absolute best at that experience for your customer.

So obviously some of the key statistics that we see here but some big numbers in there as far as abandonment rates of dropping because the customer views that particular experience above what else they can find on the Web. And remember everything's always relative. Right. You differentiate versus what else is available there, so if you are viewed by those customers for a period of time as being the one that's leading, really trying to provide the maximum experience, you obviously are getting some of the benefits that you see on this page; especially the loss to competitors is actually something that has been measured out there - a rate of 15% fewer customers fewer customers tend to go to competitors if they are being satisfied by the environment that they have.

And, of course, if you're from the (plumber)'s perspective, the 14% repeat purchases from interest by customers - if you have a brand halo effect I call it - if you like a particular portion of an experience, that halo effect can carry through to future purchasing patterns.

The bottom of this chart is where it turns into a little more return on investments; not just what the stats of the customer experience has but what were people able to accomplish even including the cost effectiveness of the environment.

So, you know, some of the key ones here that I have pulled out. We did a lot of work with the health industry. We saw 33% of patients are less likely to even cancel appointments when they actually use an online service. They're able to stay up with the service more effectively. They've made the appointments themselves versus even through the clinic.

We saw the prescription refills - you can look there at some of the field support calls. The net being is we're starting to see these 20%, 30%, even you

know 50% kinds of reductions in time which obviously you can calculate back to savings and cost reduction in the operations. If you can save money in your operations then of course you can roll that savings back into even more exciting deliver of capabilities from the customer interaction perspective.

So it's just self-fulfilling prophecies so to speak here of saving them moving and directing it towards more productive environments than just maintaining the existing flow that you have - which in the software industry sometimes is a very shameful number; just how much - what percentage of a organization's resources go into just maintaining what they have versus investing that money into, you know, moving the company forward, moving the experience for the customer forward.

So a lot is accomplished by our customers here but the other that we've observed is that this is now instead of being a single line of business per se, it is a collaborative effect within a company. We see that in order to look at a true and full customer and grand halo type of effect, we'll see that there's an owner of various stakeholder sites that is involved in the decision making. You know, the VP online marketing customer support many times is the type of deployment that we see.

Obviously the CFO has been involved. And of course IT is there at the table all looking at how do we maximize our impact for our business through each of those areas of operations.

But this comes back to help us with is understanding what they're trying to achieve, how they are achieving in the market and are they actually reaching those goals of being able to differentiate themselves versus all their other competition.

And so what you're look at now is those customers who have been able to design and construct, deploy exception Web experiences where their peers within their industries look at what they've done and say this is the absolute best. So these are, you know, kind of the wall of winners.

And I just wanted to share with you this quick view of these particular companies because it is certainly possible in the midst of the many, you know, hundreds of millions of people, and a couple billion people on the Internet as we said, interacting to provide an experience for them where not only are you capturing a greater share of them but actually making sure that when they see and experience that particular Web deployment, they would rate that as being one of the very best in the world and we have - many of them have used IBM capabilities to do this. This is quick view for you of that.

Those customers, of course, are a very few of the rest of the family. The reason I wanted just to show this picture of, you know, the number of customers I've been working with is all of this comes into feeding the requirements, feeding the kinds of actions and getting a trend and input from both the customers on this call who we're currently doing business with, or other customers who we're meeting with now. It tells what do they want in the future and how do they want IBM to construct and provide value to them as they want to deliver that exceptional Web experience within their context, for their particular industry.

So in here you can see we have lots of leading technologies that come to bear and certain levels of scalability, reliability. You know, the up times, et cetera that gives a confidence we hope to customers that there's a certain level of requirements that you don't have to worry about.

We've proven ourselves with thousands and thousands of customers as to how our software runs and so, you know, you can focus your attention on that differentiating factors that you want to provide to your users, your customers and your employees.

As a matter of fact, you can see at the bottom here that even the - you know, if you just take IBM's WebSphere portal customers, it sums up to be one in every six people with internet access right now is a named user and a WebSphere portal application. This really helps us with hardening, scalability, you know, having customers that now have - some of our telco customers - over 100 million users subscribing through their network really helps harden the software for all others that user it in different fashions.

So we've been the leader in the states here for a while. I thought I'd give you a quick rundown as to why we think that's true. I'm always interested in what our customers or potential customers have to say also. But one thing - we try to focus in on partnering with our customers on development.

I mentioned that, you know, what our customers want to see us do. There's always IBM also trying to look at, you know, the latest technologies, flashing them into something that's consumable for our customers to bring to them for things that we're doing that we're researching.

You know, the leading edge kind of technologies that when you really look at it, our partners and our customers are nicely vocal, I'll put it that way, in making sure that we know what they want. And we think that that's one of the reasons that we haven't just been a leader in the space of Web creation and management, et cetera, for a year or two.

It's been, you know, continual here for the last eight year where we've ranked the top in the industry.

Our customers creating the leading Web experiences - we value that. We are very honored with the fact that they've been able to take the technology. And, of course, you can take technology and do wonderful things with it, or you can take technologies and have it sit there and not be of tremendous value; the net being that these are great proof points that you can take the technology, add your own creativity to it, your own design elements to it and absolutely be recognized amongst all your peers and to your customers as the very best at what you do.

So we like to make sure that we use those as proof points again as to why do we have sustaining leadership.

Delivering the agile platform - make sure you can change things quickly because Web years are very different than normal years as we all know. Also, putting in new technologies into our platforms - our strategy has been that we continually update with whatever the latest technology are. We don't split things off into, you know, many different fractionated products. We have a single Word platform from WebSphere that provides that base.

We have been able to drive down the cost of ownership which we've got a lot of advice from and many proof points as to how that has come down over time.

And the last thing is a sustained strategic investment in this area. IBM has invested over the course of the last year here over a billion dollars in the Web and exceptional Web experience technologies. We think that's very important from the perspective of we've been able to construct, either through

acquisition or through direct development from IBM, along with all the patents, to prepare for this next era of what we see as exceptional Web experiences that will be a leapfrog forward in overall capability in what we've had in the past.

Technologies of course have been evolving. We've been - as you know can see on this chart up through 2010 adding lots of new functionality to our overall core platform but, as you look to that trend - those trends or those indicators I had on the first chart, you can have technologies come on that were at zero use just a few years ago and be heavily used within a few years.

And what we're doing now is really looking at that next three to five years of what's going to be needed within the Web experiences and casting our plans. It's an excellent time for, you know, customers to influence us here too but we are constructing what we're going to have as our next ten years of improvement.

Now the nice thing is, of course, while our customers are evolving, making sure that they are providing the Web experience to their customers, they think it differentiates them, we are seeing that this entire Web experience is a high priority within the customers' agenda. I would say it is making the cut list because it's customer facing and therefore it's very interesting for them to make sure that it is protected even more than an internal facing kind of project.

And you can see here about 84% of the organization is retaining or growing their Web experiences. That's one part of it.

The other parts are can you help me move faster? In other words, you know, I know I need to have a, you know, an exceptional Web experience. There's a

battle ground out there. I know what my competition is up to. They're moving fast. Can you help me deploy things faster? Can you help me get out capabilities and functionality faster? Can you help me move from these weeks and weeks for me to do things down to hours?

And that's exactly the type of investments that we have - that we've applied over the last couple of years to give the type of examples that you see here on this page. And all that comes because of the capabilities that we've been providing, the focus that we've had on everything from performance analytics and content management.

We provided some deeper social integration, various cloud experiences, more and more process integration and our strategy of having one core that we build from in IBM and then expanding that into areas that simplify and speed your ability to deploy and get to an exception Web experience.

I'd say one of the key ones - one of the keys have been that we not only have - today in the market we try to give an indication of where we're looking at extending our Web experience platform. The areas - there's about seven of them on this chart that you can see here. What content, multi channel, obviously continuing to focus on our cost of ownership.

We think social is a fundamental. It's not something that, you know, here in a few years you're going to think about whether you need it or not. It's just going to be how will you be exercising it? How will you be able to - how will you be leveraging it and it will just be a normal anti into an exceptional Web experience without a lot of debate we think within it.

Same thing for analytics and tuning what's there and the value and rapid application development, of course, which is part of what speed is. But we're

investing in each of these areas to make sure we have the core for you to build from.

And then we wanted to apply one additional layer of simplicity and hopefully speed. We have created industry toolboxes. These toolboxes are across a selection of industries but in reality what we've done is put together both the best practices, as well as assets, meaning prebuilt templates that allow you to take them.

And of course that means you don't have to, you know, start from scratch. We have used our best practices for hundreds of engagements that we've done in government and hundreds of engagements that we've done in healthcare, et cetera, and you get a good feel for what customers want, at least at the core.

You know, almost everyone - all customers tend to use these 50% of the elements, 60%, 70% - we can put that in a template already and then leave the remaining portion for our customers to customize to their particular unique needs for each deployment and segment that they're addressing.

So this particular set of toolboxes is best practices. It's case studies. The templates as I said - it even has demonstrations in there. And it has code assets such as dashboards or prebuilt forms from particular industries, et cetera, and all there for customers to take and help accelerate their ability to deploy an exceptional Web experience.

So there's both the impact external as I said, as well as the speed and the cost at which you can get there. And we think that the industry toolboxes will help you speed that deployment.

And what it - to give you a little view of what's inside, it's not just speeding it up but knowing why you're trying to get there so, you know, how does the actual set of templates help your business. What would it look like? So there's the mock ups so that you can explain to people if we were to pursue this exceptional Web experience project, here's what it's going to look like to your employees or to our partners, and specifically to our customers and, of course, then everybody then asks well what's the return on investment.

If we do this, what kind of impact will I get? There's support within the toolboxes and the talent that we have supporting it but help you with that.

And then, of course, there's also, you know, what does IBM have to help you build the case for the value? So this is the extra so to speak surroundings around just software per se but how you do it, what's the impact going to be that we think is valuable.

One key I would be remise if I didn't make sure everybody on the call heard about the WebSphere Portal now project. We have a number of deployments where we have been able to take an out of the box ready solution - this is one of the prebuilt templates for Intranet, as well as one for an Extranet. It's very well defined services. It removes a lot of the variables from a complex environment down to one that's a more simple environment, content rich portal. And the net of it is that you can deploy this - it's like a three week time period.

We hear lots of discussions about how portals take, you know, take weeks and weeks or months and months but it all comes down to what scope you would like to have for a project. If your scope is a content rich portal, then I would just recommend take a look at this portal now? We've done a lot of work to

simplify it, to reduce variables within it and we have a lot of customers willing to share their experiences here with others as to the impact of that has been.

The other area that we have just finished quite a bit of work along is the user experienced optimization. Obviously, if you have an exceptional Web experience that you've deployed out there, the next question is how can you improve it? What are the metrics for you to follow it with? And we have a number of partners that are listed here that we have been working with and we have a plan to continue to work with the partners who happen to be installed in our customers' base.

So if you are WebTrends, Armature or (Yanka), as well as Prometrics, you have - and they're using those particular partners today. We intend to make sure that you can leverage those investments and we have worked with them to instrument and actually shift pre-integration for analytics with WebSphere Portal 6.15 which is offered today - so across those particular partners.

Another quick comment I wanted to make is sometimes you may want to take a look at how the cloud is coming in and impacting the ability for portal and mashup centers and other kinds of technologies. We actually have the entire set that you see here out on the Amazon Web Services environment today.

So portals, content, mashups, forms, et cetera and what we're doing is allowing customers of course to go out - you don't have to buy hardware. You don't have to install software. You can simply pay by the hour and if you want to develop an app and see what it looks like, get a feel for how the environment work, et cetera, you can do that or you can actually run your entire finished application out on the Amazon and not cloud.

So you can buy on site license and you can simply bring it and run it out on the cloud. So we're trying to give customers more and more options because an exceptional Web experience is first facing customers but also, you ability to have flexibility.

When we talk about flexibility and agility, everything from the cloud to on premises, to being able to run your licenses where you feel you should, giving you those type of flexibilities we think here allow you to maximize your plan.

So I'll spend one minute on futures. This is a pictorial. When you think about an exceptional Web experience, some of the examples I've given you up to now are where customers compete. When going underneath that umbrella of the exceptional Web experience, we see an evolution of several technologies coming together in a seamlessly (unintelligible) fashion over this next three to five years.

What you see hear from an analytics perspective, social and unified communications, also Web content and rich media, the entire portal platform, mobile, commerce. If you look at these in concert and all of them being viewed as one single entity, one single set of capabilities, that could be called (As) services, as needed, to be able to modify and enrich a Web experience.

We see some trends in the marketplace where many of these are going to form the next generation of platform. Across the spectrum, there's a lot of pieces out in the general marketplace out there. IBM has already started to make the moves. Our Web content and portal platforms are essentially becoming seamless here. We have combined the capabilities into one I'll say master set of services so that we have a common navigation and a common structure to it, as well as we think that mobile - there's not the need to have mobile be

separate across the social or analytic or commerce or portal but a single mobile view and mobile strategy across it.

So if you looked at 2011, 2012 and 2013 - and from IBM what will you be seeing more and more of is how these particular set of capabilities come together to give you the same value from a cost perspective of driving cost out of your organization, that you don't have to do integration between the various functions here but also making sure that you can completely differentiate and use these more effectively to be more agile in differentiating yourself on your particular Web experience to your customers.

There's lot of additional things coming out from our research area as I mentioned. They'll be technologies that we'll keep adding into the basis here. One of them - some new advances on Web accessibility that you can expect us to begin to talk about and bring forward as - you know, we continue to test these in the marketplace to see how customers want to receive them. So these are the phases that we're in with this right now; looking for really best fit.

There's also this immersive viewer experience. More and more as I talk about video and multimedia, the ability to actually immerse yourself into an environment and be able to navigate through a new navigation pattern being a key force, as well as I mentioned, the Web is now within the big screen TV that you may have within your house.

The interesting thing is you can now integrate not only the television, your mobile, your PC, but all of your social networks so that you can share your, so to speak, your YouTube, et cetera, with various family members, different parts of the globe, be able to store those videos, be able to manage them as a family. Which is a microcosm I guess as what you might think of a community, but all off of your television and be able to watch a family event

and things of this nature and a really social application way, as well as all your gaming and tooling interactions and things that come with it.

So there's additional leading edge cut and projects that are going but it does open it up from everything from a, as I mentioned, your handheld to, you know, to your laptop, on into the largest screen TVs that we have there.

So with that I did want to just sum up by saying I know I recognized a few customers on the call who have come in and have been working with us for some years. I just wanted to spend that opportunity - or to spend this opportunity to say thank you. Thank you for your business. We know that we have been working very hard to make sure that we're delivering what you want for your next phases but we do believe that we are at a precipice at this point.

We believe that not only have we been able to, you know, position and help customers get to those - the apexes of those award winning kind of sites, but in two years and three years from now, those sites will be considered old. And what we've got to be able to do is make sure that we have - we're outstretching and outpacing the rest of the market with the capabilities within our platforms for you and so we remain committed to that.

We remain committed to making sure that what you have today not only is differentiable and accomplishing your return on investment and your business objectives, but that we're investing heavily to make sure that we're there for you over the next years too.

So with that I'll stop and I believe we have an open Q&A portion of the talk here. I'll turn it back to the organizers.

Coordinator: Thank you. To ask a question, please press star 1 and record your name. And to ask a question, please press star 1 and record your name. One moment. At this time there are no questions.

Larry Bowden: All right. In that case, I appreciate you spending some of your valuable time with me today. If you do have any other follow-up questions, please let us know. Also, you know, you can contact me directly. I'm more than interested to hear what your views of the current and future states would be but I do believe this whole area of the exceptional Web experience is going to be the hotbed for the next few years and we'll be talking a lot to each other about it. So with that, thank you all very much. Have a great day.

Coordinator: Thank you for participating in today's conference call. You may disconnect at this time.

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