

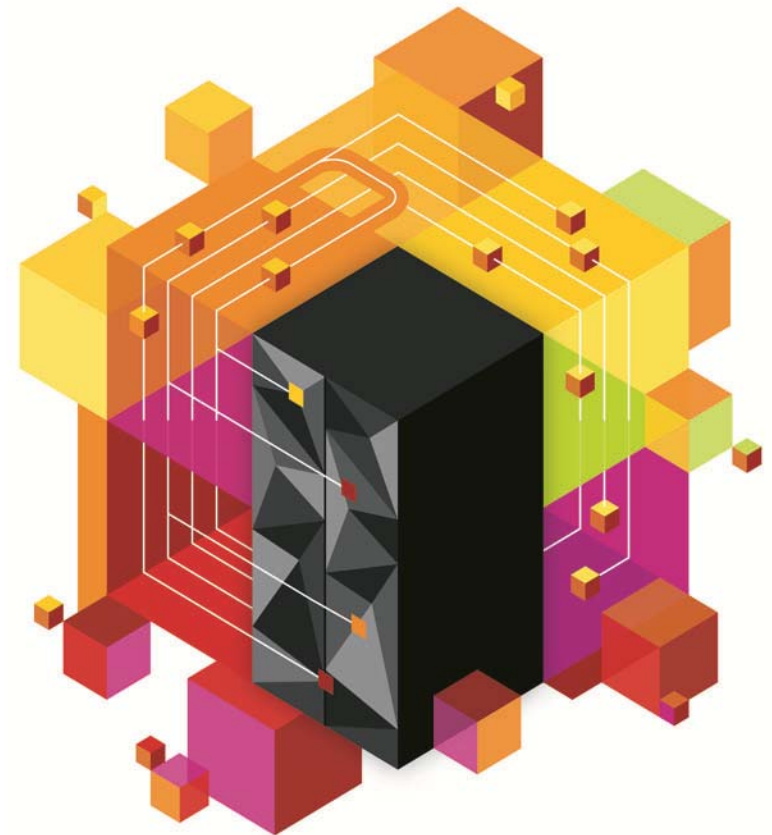


Lowering IT Costs and Complexity through Optimized Software Management

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Outline

- **Software Rationalization**
- **Leveraging Portfolio and Financial Studies**
- **Architectural Strategies**

Why should companies look to ISV Migrations?

Business Reasons:

Customer Challenges/Issues

- ISV Business Practices
- Pricing Issues
 - ƒ Upgrade Fees
 - ƒ Rising Maintenance Fees
 - ƒ Unplanned budget overages
 - ƒ Long Term Contracts

Technical Reasons:

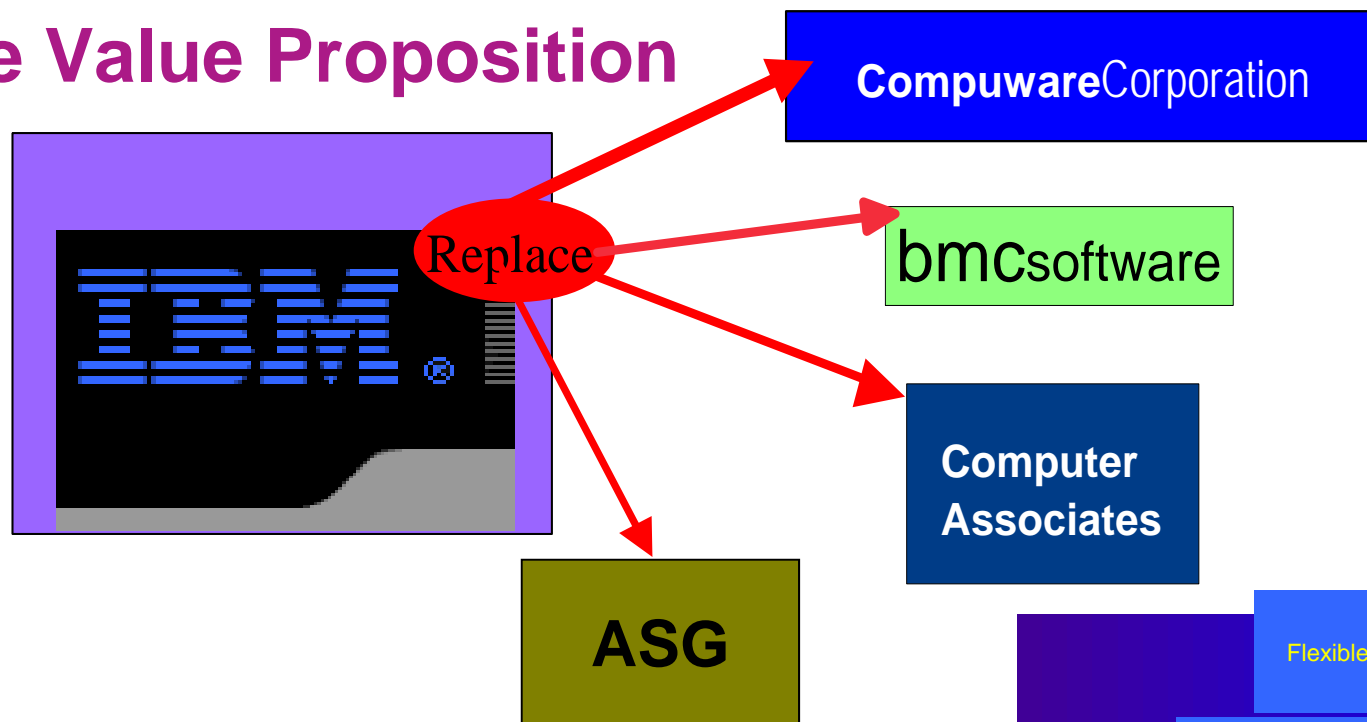
Product and Support Issues

- Ongoing Enhancements
- Integration With Other Products And Hardware Enhancements
- Product Support
- Maintainability

Enable z Inclusive Dynamic Infrastructure

- Host New Application Workloads
- Reuse traditional assets in the SOA world
- Demand for more sophisticated tools to develop and deploy workload runtime like WebSphere & Analytics
- Take advantage of Autonomics

The Value Proposition



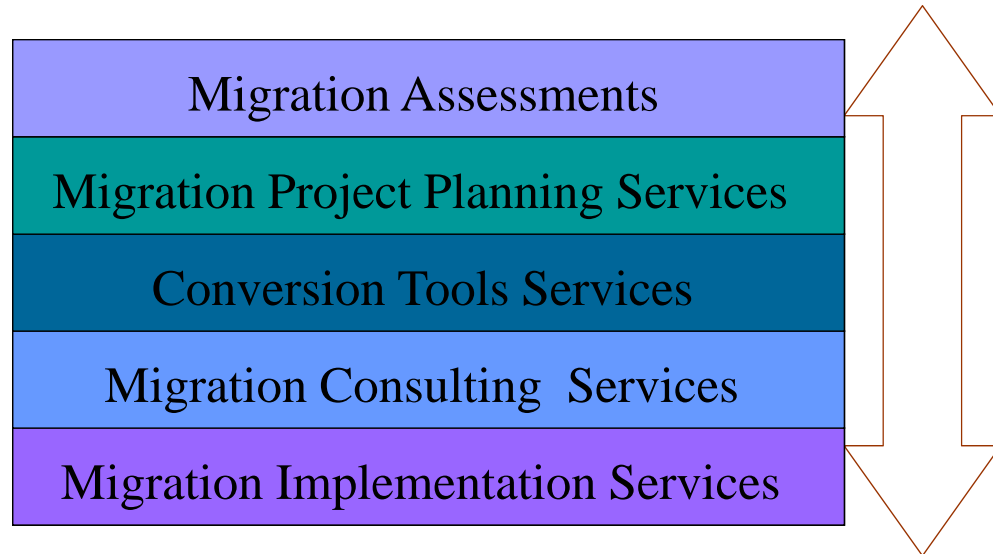
1. *Financial Savings - Long Term and Ongoing*
2. *Equal or Better Functionality*
3. *Migration performed with minimal impact/risk*





IBM zEnterprise Migration Team: Repeatable, Consistent Success

- **Founded in 1993**
- **Dedicated Migration Experts**
- **Thousands of Migrations completed**
- **Over 95% Client Satisfaction Rating**
- **Multiple Offerings**
- **Affordable, Robust Solutions**
- **Flexible Terms and Conditions**




<http://www.ibm.com/software/solutions/softwaremigration>



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When running a business, nothing matters more than knowing how much something costs.

You can't manage what you don't measure!



What is a Portfolio Review and Analysis (“PRA”)?

- **Background of PRA**
 - ISV software costs
 - Needed team of experts to help customers find ways to cut zEnterprise software cost
- **A consultative service study designed specifically for C-level exec**
 - Develops a 5 year predictive cost model
 - Identifies area’s for potential savings in zEnterprise environment
 - Similar studies cost \$100,000
- **PRA team is not on a sales team, goal is to aid customers in saving on mainframe software costs to help maximize the platform efficiency**
- **Have delivered 150+ PRAs world wide**





The PRA Process

- **Project current portfolio's 60 month costs with customer provided growth estimates and ISV costs**
 - ✓ separate non disclosure if needed
 - ✓ Time frame- 3 to 4 weeks from receipt of input data

- **Position cost metrics against collected benchmark data**

- **Suggest suitable replacement products**
 - ✓ Replace
 - ✓ Renegotiate
 - ✓ Remove
 - ✓ Rehost

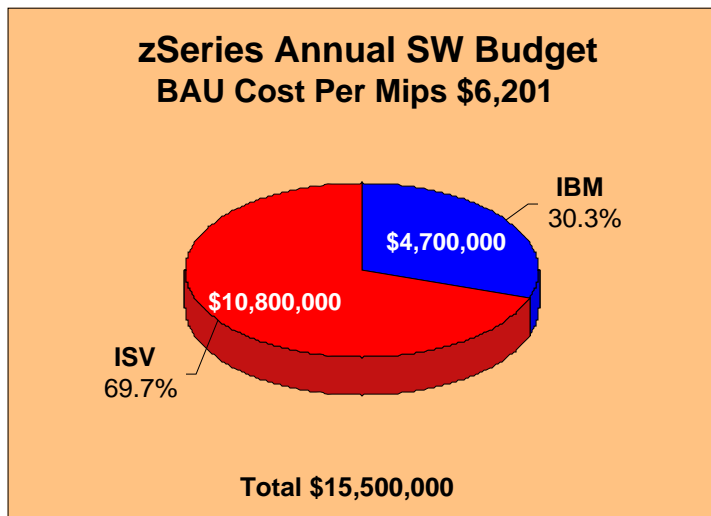
- **Re-project 60 month costs based on revised portfolio**

- **Run ITLCMz to determine ISV list and compare to customer expectation list- 3 to 4 weeks**

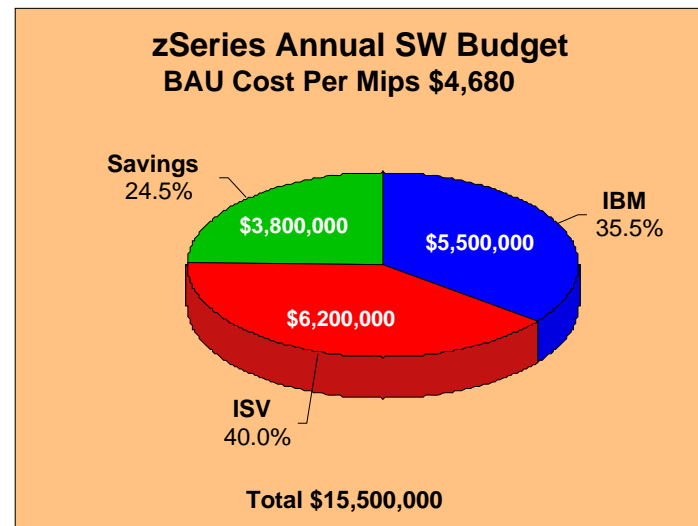


PRA Example Charts

PRA - Financial services customer with approximately 2500 MIPS



Before PRA



After PRA



IBM PRA System z Customer Comments

" I wanted to express my thanks to IBM and the PRA team for the analysis they did of our software portfolio. Initially we had some misgivings about opening our portfolio to one software vendor, but we were totally impressed with the professionalism and confidentiality with which it was handled. Perhaps most importantly, the process itself made us look carefully at our portfolio so we could evaluate what benefits we were getting from our software investment. I wouldn't hesitate to have the PRA team look at our portfolio again in the future to gauge our performance."

Alex Podressoff I.T. Information and Financial Svcs - Salt River Project

"Thank you for the very thorough job on the Portfolio Review & Analysis. The Bank's history of mergers and acquisitions has resulted in a very complicated portfolio of installed software. The IBM team helped us sort it out and develop a strategy for simplifying it, which will produce important cost saving over the next 3 years."

VP Software Business Management-Top Banking and Global Financial Services Co

"The PRA was key to our going forward with any further analysis. With the PRA, we had knowledge of other deals, an idea of how the other players would react, and an estimate of our savings that told us this was worth pursuing further. The PRA also provided a good matrix of competing products. Having you and your partner onsite, with the graphs, specific knowledge and reports that you generated was essential. "

Bob Venable Manager of Enterprise Systems - BlueCross BlueShield of Tennessee



Financial Management & Accounting Workshop “FMA”



“IBM’s “Secret Sauce”,
has provided us with
several ways to cut
costs and show
savings to the Lines of
Business”



What is a “FMA” Workshop?

- **A onsite workshop to provide you, the customer with best practices in a FMA methodology.**
- **A High Level Analysis of your current FMA methodology**
 - Identify what resources i.e.: HW, SW, Manpower, Facilities and procedures you have on the floor today.
 - How much of those resources are actually being consumed.
 - Who is consuming those resources?
 - Does that align with your stated business goals.
- **An analysis of the “do’s” and “don’ts” of a FMA process**
- **Customer focused workshop to promote the benefits of Cost Transparency in your IT environment**



FMA Workshop Cost Savings Results

Customer stated they “had no money to buy anything” FMA team was onsite for 2 hours and identified a 2 million dollar savings for the customer due to their backing up of users IPOD collections from their home directories.

Customer stopped the purchase of a SAN upgrade and purchased other items that they had been putting off.

- Large Insurer

Set up a methodology to utilize SCCM (Smart Cloud Cost Management), Asset Management, as well as a provisioning tool in order to allow for the virtualized “Takeout Menu” approach to Test/Dev environments. This will allow for an ROI of 4 million dollars over 3 years. This will also significantly reduce the time it takes to stand up a Test/Dev environment.

-Insurance and Financial Product Broker

The State Government is implementing zLinux and ITFM policies to reduce its dependence on highly distributed Intel servers which is helping achieve positive ROI after cutting costs by an estimated \$400,000 each year.

-State Government



z Total Cost of Ownership “zTCO”



“Without reliable data, you are just another person with an opinion”



What is a zTCO Analysis?

- **zTCO Analysis is a study that will show customers what platform is most cost efficient to run their workloads on.**

- **Two primary reasons a customer typically requests a zTCO Study**
 - Pressure to move off of the mainframe to save money
 - Pressure to move to the mainframe to save money



How it can help – Understanding Distributed Costs

- **The cost of running additional workload on distributed servers goes up linearly**
 - Labor is now the highest cost element in distributed environments
 - Administrative staff costs increase in proportion to the number of servers
 - New workload requires additional servers
 - Cost of additional servers is linear
 - Cost of software licenses is linear
 - Electrical and air conditioning costs also increasing

- **Result – scale out strategies do not reduce the cost per unit of work as the workload grows**



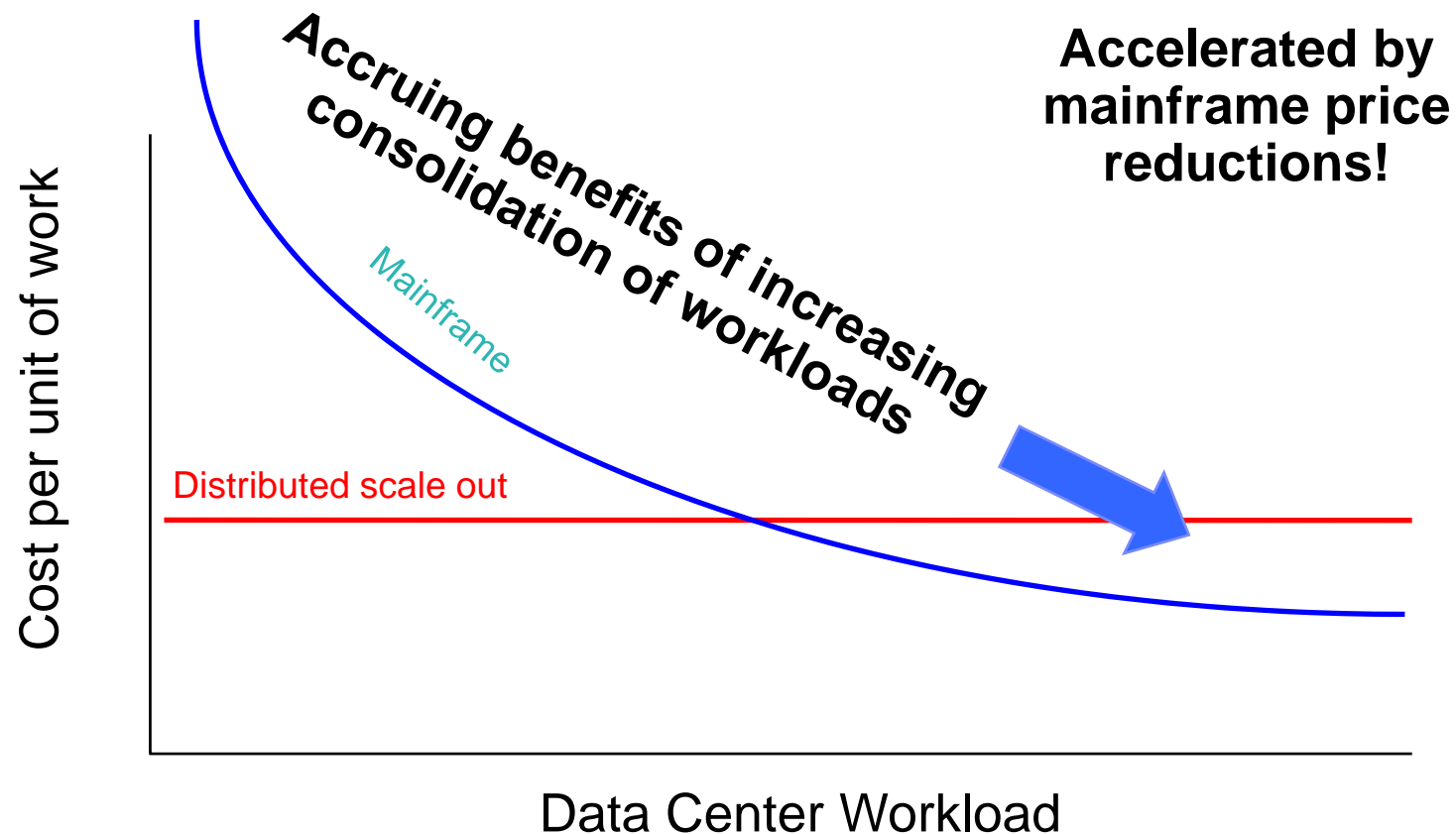
How it can help – Mainframe Costs

- **The cost of running incremental workload on the mainframe goes down as the total workload grows**
 - Labor costs hold steady as workload grows
 - IBM pricing policies designed to favor the addition of more workload
 - Special hardware pricing for new workload types
 - Lower software costs per transaction as workload grows
 - Lower electrical and air conditioning consumption than server farms
 - Trade-in value is recoverable for growth customers

- Customers have learned that mainframes running high workloads are the most cost efficient platform



Mainframe Cost Per Unit of Work Goes Down as Workload Increases





The Process

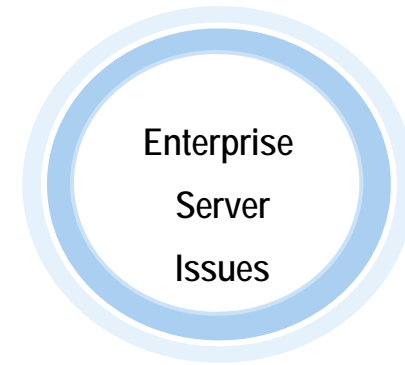
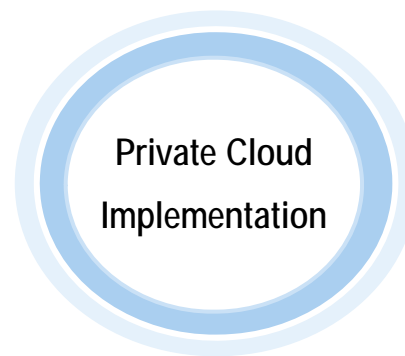
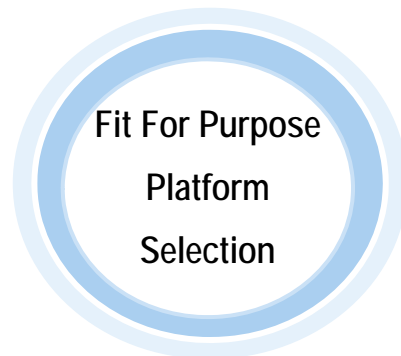
- **Offered by IBM Software Group z Project Office**
 - Costs and risks analysis on mainframe vs distributed servers
 - Costs and risks analysis on server consolidation with Linux on z
 - TCO analysis tailored to customer needs

- **A Typical Study Focusing on TCO**
 - Project preparation
 - CPO team works with local IBM team
 - On-site information gathering (1 day)
 - Business information such as business goals, growth strategies, costs and pricing information, etc
 - Technical information such as IT infrastructure, applications, workloads, quality of service requirements, etc
 - Report prepared offsite by IBM (2 weeks)
 - Customer available for phone/email consultation and clarification
 - Presentation of report



Eagle TCO Engagements

- **Free of Charge** total cost of ownership study that helps customers evaluate the lowest cost option among alternative approaches. The study usually requires one day for an on-site visit and is **specifically tailored to a customer's enterprise**.
- The study can be focused on at least one of the areas below :



- **We conduct Eagle studies for System z, POWER, and PureSystems accounts**
- **Over 300 customer studies since the formation of the TCO Eagle team in 2007**
- **Engage our Eagle-Eyed TCO Experts!**
 - Start by sending an email to: eagletco@us.ibm.com



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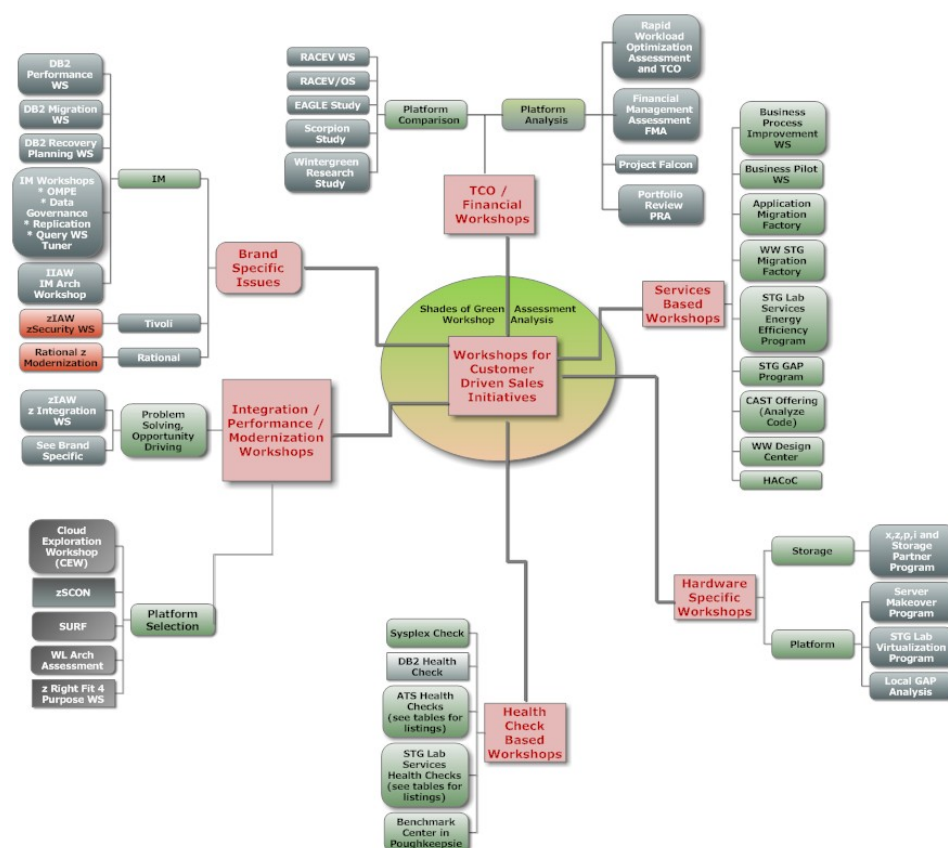


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z Client Architects

- Partners with you to create zEnterprise Hybrid architectures in support of business objectives
- zSoftware and zHardware
- Focused on client success
 - Tailored for you business
- Impactful focal point for z IBM
 - Leverage deeper technical teams, labs, and research
- Navigates the wealth of offerings





z Efficiency Architectural Exploration Assessment

- **Virtualization practices**
 - Is your organization maximizing virtualization
 - Consolidating and automating to save time and labor
- **Workload Optimization and Deployment**
 - Knowing where workloads run most efficient saves
 - Smart placement will optimize systems and labor costs
- **Cloud Computing**
 - Expands Workload Optimization and Deployment to effectively consider private and public cloud capabilities
- **Rationalization**
 - Software and Hardware strategies to maximize the efficiency of portfolios
- **Energy Efficiency**
 - Helps to identify and plan for continued energy and cooling requirements

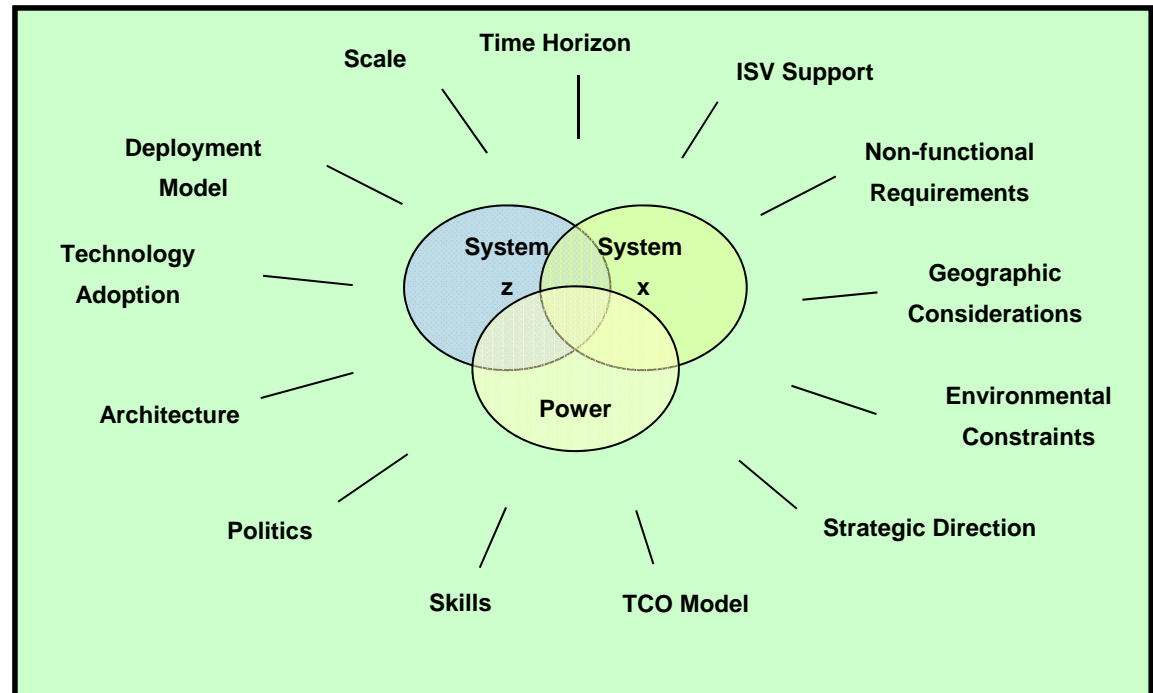


Fit for Purpose Architectural Workshop

The **Fit for Purpose** approach is based on the fundamental principles that “one size does not fit all” and that “local factors matter”. When looking at an application, there are many factors that can help to determine where an application should would best fit. Factors include operational environments, workload characteristics, and other local factors that are evaluated on a case by case basis.

Testimonials: The Fit for Purpose Architectural Workshop has led to:

- Identification of a z Cloud architecture at a major hotel chain
- Consolidation of Oracle database servers to Linux on z at a major lender
- Development of a hybrid architecture for enterprise modernization at a distribution company



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Modern Application Development Strategies

- **IBM Integrated Solution for System z Development**
 - Flexible and modern
 - Multi-platform development environment includes:
 - Collaboration, unit test, analysis, software change and configuration management
- **IBM Rational Team Concert**
 - Unify disparate teams across multiple platforms
 - Lower TCO by deploying software in a common team infrastructure
 - Enables collaborative application lifecycle management for all platforms
- **Clients are experiencing:**
 - 15% - 20% decreased development time
 - 50% reduced testing time
 - Reduced time to market of 9 months down from 14 months