IBM®

The future runs on System z

Best Practices for Managing your Software Assets and Reducing your IT Software Costs

Portfolio Review and Analysis "PRA",

Financial Management and Accounting Workshop "FMA", &

z Total Cost of Ownership "zTCO"

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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!

Portfolio Review and Analysis "PRA"

What is a "PRA"?

- **Background of PRA**
  - ISV software costs
  - Needed team of experts to help customers find ways to cut zSeries 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 zSeries 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 maintain the platform**

- **Have delivered 150+ PRAs world wide**
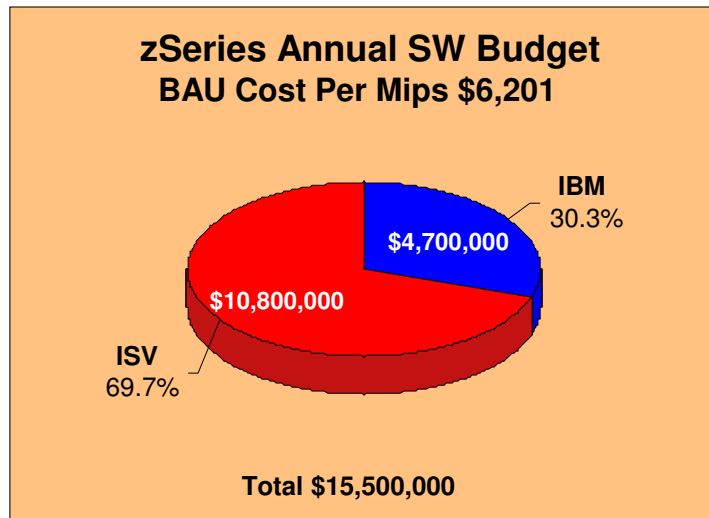
Portfolio Review and Analysis "PRA"
The Process

ƒ **Project current portfolio's 60 month costs with customer provided growth estimates and ISV costs**

  ƒ separate non disclosure if needed
  ƒ Time frame- 3 to 4 weeks from receipt of input data

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

ƒ **Suggest suitable replacement products**

  ✓ Replace
  ✓ Renegotiate
  ✓ Remove
  ✓ Rehost

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

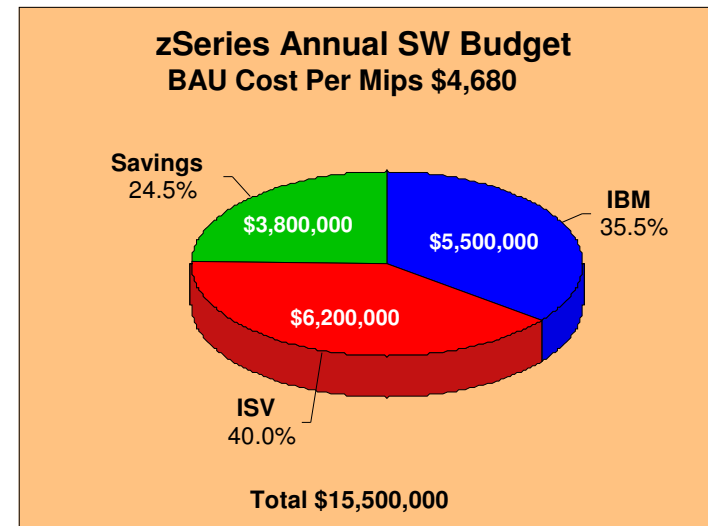ƒ **Run ITLCMz to determine ISV list and compare to customer expectation list- 3 to 4 weeks**

Portfolio Review and Analysis "PRA"
Example Charts

2007 PRA -Financial services customer with approx 2500 MIPS

zSeries Annual SW Budget
BAU Cost Per Mips $6,201

IBM
30.3%

$4,700,000

$10,800,000

ISV
69.7%

Total $15,500,000

zSeries Annual SW Budget
BAU Cost Per Mips $4,680

Savings
24.5%

$3,800,000

IBM
35.5%

$5,500,000

$6,200,000

ISV
40.0%

Total $15,500,000

Before PRA

After PRA

Portfolio Review and Analysis "PRA"
IBM System z customers- 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

Portfolio Review and Analysis "PRA"

How the PRA can help

Helps identify areas for zSeries software savings!

✓Identifies the potential financial impact of ISV replacement at a strategic high level

✓Shows you how you compare to other customers in terms of average cost per MIPs, number of vendors and number of products

✓Identifies your duplicate function software

✓The PRA can be used as a negotiating tool

✓You will get a sample of what ITLCMz can do.
- ✓**- Discovers low or no usage software**
- ✓**-Discovers Inventory loaded on the system**
- ✓**- Identifies all software running on system**

Financial Management and Accounting Workshop "FMA"

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

Financial Management and Accounting Workshop "FMA"
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**

Financial Management and Accounting Workshop "FMA"

The Process

- **Pre-Work**

  - Pre-workshop meeting to set expectations
  - Complete FMA Questionnaire

- **On-Site Workshop**

  - FMA Overview Presentation
  - Interview and open dialogue about questionnaire
  - In depth discussion about client's current environment
  - Review of common pitfalls

- **Deliverables**

  - Best practices methodology
  - Recommendations document

Financial Management and Accounting Workshop "FMA"

Who Should participate in the FMA Workshop?

- CIO-CFO as appropriate

- IT Finance Managers and their direct reports that are responsible for setting and maintaining internal rates

- Line of Business (LOB) leaders responsible for budgets that are tied to internal IT rates

- IT Capacity Planners

- IT Budget and Forecast Planners

Financial Management and Accounting Workshop "FMA"

Workshop Cost Savings Recommendations

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 from a competitor and purchased other Items that they had been putting off.

- Large Insurer

Set up a methodology to utilize TUAM, 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

Financial Management and Accounting Workshop "FMA"

How the FMA Workshop can help

- A better understanding of the Financial Management and Accounting process

- A comparison of their environment to move to current Best Practice models and other companies

- A list of common pitfalls customers face in developing or implementing a IT cost process

- Recommendations for improving current IT cost allocation process

- Techniques to assess the affordability of new applications on various platforms for Business reasons

- Overview of other customer focused service offerings from IBM

Z Total Cost of Ownership "zTCO"

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

z Total Cost of Ownership "zTCO"

What is a zTCO Analysis?

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

z Total Cost of Ownership "zTCO"

How it can help – 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

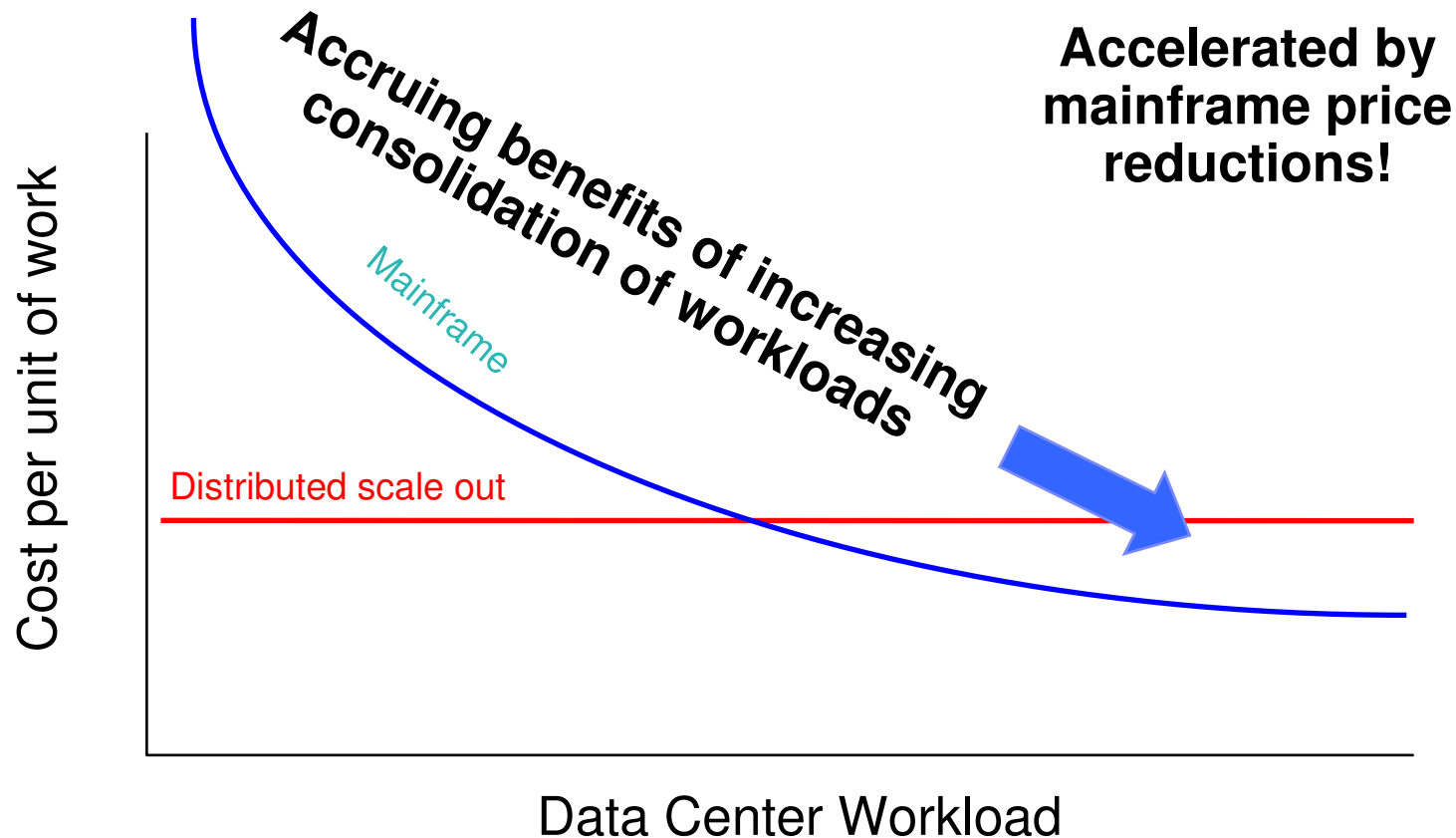- Result – scale out strategies do not reduce the cost per unit of work as the workload grows

z Total Cost of Ownership "zTCO"

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

z Total Cost of Ownership "zTCO"

Mainframe Cost Per Unit of Work Goes Down as Workload Increases

Accruing benefits of increasing consolidation of workloads

Accelerated by mainframe price reductions!

Cost per unit of work

Mainframe

Distributed scale out

Data Center Workload

z Total Cost of Ownership "zTCO"

Scenarios to support the Mainframe

- **Three scenarios where the mainframe is typically the lowest cost option**

  – **Mainframe extensions**

    - Extend existing mainframes with new business capabilities
    - Large mainframe customers
    - One half the cost of distributed scale out

  – **Consolidation**

    - Consolidate Linux workloads onto the mainframe
    - Medium to large customers
    - Significant operational cost savings pay back initial investment

  – **Offload proposals**

    - Offload produces a proliferation of processors and costs
    - Incomplete financial analyses obscure the issue

z Total Cost of Ownership "zTCO"
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

Contact Information

PRA

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zTCO

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