



Delivering Value in a New Decade
IBM Software Global Business Partner Profitability
Study FAQ's



2009 IBM Software Global Business Partner Profitability Study

Q. What are the key findings from the Business Partner Profitability study?

A. IBM Software's recent Business Partner Profitability study surveyed top tier middleware Business Partners (BPs) from IBM and key competitors for their opinions on the value of authorized distribution, vendor certifications and skills, and general profitability drivers as they relate to the health of their businesses.

Key findings show that IBM BPs clearly value the move to authorized distribution and investments in developing skills that will positively impact their profitability. Additionally, the research validates the areas of highest importance to our BPs for on-going profitability today and in the future.

Q: Do middleware Business Partners see value in authorized distribution and investments in vendor certifications and skill development?

A. 65% of IBM's high skilled BPs expect increased profitability from authorized distribution and the investments they are making in IBM Software certifications.

The IBM Software Business Partner certification rate among top BPs averages 20% higher than competitors' top BPs, with the higher level of certification and competitive gap consistent across all markets evaluated. 80% of IBM Software BPs plan continued investment to grow skills and increase profitability, and certification is particularly strong in growth markets such as China with 93% of IBM Software BPs investing in certification over the next 6 months.

Top certification drivers for IBM Software BPs are increased customer satisfaction and deal wins they can realize with certifications.

Q: How profitable are IBM Software Business Partners?

A: According to the study, IBM Software's top tier BPs make more profit and revenue on middleware deals than competitors' top tier BPs. Specifically, our high value BPs make an average of 36% more profit than competitor top BPs, and they realize 60% more associated revenue (hardware, software, services) than competitors' top BPs on middleware deals.

Additionally, BPs that participate in IBM high value programs – Software Value Incentive (SVI) and Value Advantage Plus (VAP) – are more profitable than non-participants, with SVI/VAP participating BPs 50% more likely to report high gross profit margins (greater than 20%) on middleware deals than non-participants.

The higher gross profit margins are consistent for both Midmarket and Enterprise focused SVI/VAP participants, and with the new simplified SVI payment request process, BPs will no longer be required to submit sales documentation for small deal transactions of \$50K USD or less, resulting in higher gross profit margins for Midmarket focused BPs.

Our top skilled IBM Software BPs are also more profitable – 20% more high skilled BPs report higher gross profit margins on middleware deals than low skilled BPs, and high skilled BPs also enjoy faster payback on their initial investment. IBM's new Software Value Plus (SVP) program recognizes the value placed on skills by both our clients and BPs, and the contribution that skills make to our BPs' bottom line.

The costs associated with IBM's program are competitive, and while Oracle charges top tier program enrollment fees, IBM will continue to offer free enrollment to BPs. Start-up program costs for top-tier IBM BPs are 30% less and ongoing costs are 34% less than those reported by our closest competitor's BPs. Nearly 50% of IBM BPs recoup their startup investments in less than a year, and SVI program

enhancements will further reduce administrative and operational costs for even greater positive margin contribution.

Q. What are the top profitability drivers identified by top tier middleware Business Partners?

A: IBM BPs ranked lead passing and technical education as the top two elements of middleware Business Partner Programs that most contribute to BP profitability.

IBM Software's focus on greater discipline for high quality lead passing to proven successful BPs – including an increased focus on Small Deals – aligns with the top profitability driver for our BPs.

Additionally the announcements for Software Value Plus (SVP) directly support technical education, a top driver cited by 36% of our BPs. SVP focuses on recognizing the value our clients and BPs put on skills, including increased enablement investments in Cloud and Appliances that directly support the technical education driver.

The study validates that IBM Software is focused on the areas of most importance to our BPs and their financial health.

Q. What key areas do IBM middleware Business Partners view as new sources of growth and profitability in the future?

A. Top profitability growth areas identified by IBM BPs are Wireless, SaaS/Cloud Computing, Hardware/Software Appliances, and Unified Communications. More than 50% of IBM's top-tier BPs report that our Cloud offerings will be a leading driver of their profitability over the next 2 years. IBM Software's Business Partner strategy is nicely aligned with strategic focus and increased investments planned for Cloud and Appliances, supported by our market leading integrated middleware portfolio and solution capabilities – Next Generation Collaboration, Information on Demand, Service Management, Business Process Flexibility, and Software Lifecycle Management.

Q. What are a few key takeaways for current and prospective IBM Business Partners?

1. Business Partner investments in IBM skills and high value programs like Software Value Plus clearly result in increased profitability, higher customer satisfaction and more middleware deal wins.
2. IBM Software top tier Business Partners are more profitable and realize more associated revenue on middleware deals than competitors' top tier middleware Business Partners.
3. IBM is clearly aligned with areas of most importance to Business Partners, including top profitability drivers (lead passing and technical education) and key future growth areas such as Cloud Computing and Appliances.

Q. How does IBM Software conduct Business Partner studies?

A: IBM Software periodically surveys our Business Partner community to understand the health of their businesses, and Business Partner wants and needs. In 2009, IBM Software partnered with RONIN Corporation to conduct this Global Software Business Partner Profitability Study. As a strategic research partner for IBM over 23 years, RONIN is a global market research and consulting firm that specializes in IT industry research. RONIN operates from two offices - a corporate headquarters and research center in Princeton NJ and an operations center in London, England from which it conducts research into over 50 countries from a 24x7 Global Call Center and web farm for web-based surveys. RONIN has undertaken over 1,500 engagements for IBM over the past 23 years working with every business unit and every geography, and is well known to IT decision makers and Business Partners worldwide.