

The Future runs on z.....

Americas System z Software

2H'2008 Gameplan

July 2008 Year Long Learning System Z Software
Palisades

Dot Alexander, VP Americas System z Software



Established value of the z platform – Architected from the ground up

Reliability, Availability & Serviceability
Ultra High Throughput
Infinite Scalability
Automated Management
Built-in Security

Hub for SOA
Hub for Data
Virtualization & Flexibility
Open Standards

System z Software Team Strategy for 2008 – January 2008

- **Theme: The Future Runs on System Z**
- **Focus on z as Hub for New Workload Growth**
 - ▶ **New Applications on z - Customers and ISV Application Package Vendors**
 - ▶ **Data Centric New Workloads (drives DB2 growth on zNALC and DB2 on zLinux)**
 - ▶ **SOA Enablement (includes MLC version currency)**
 - ▶ **Modern Application Development – Common Developer Toolkits**
 - ▶ **I/T Financial Management and Governance**
 - ▶ **Security Across all Software Sub-Segments**
 - ▶ **zLinux server consolidations and “Green” Initiatives**
- **Destacking our Software teams for Specialized Deep Focus**
- **Remove most CREV from Quotas = more leverage for sellers**
- **Competitive Takeout – focus on Sweet Spots (Only)**
 - ▶ **AD TOOLS remains excellent opportunity**
 - ▶ **ISV takeout engage only when clear need for IBM product functionality**
- **New Hardware Launch (end of January)**
- **zServer as best Solution/TCO for Multiple Workloads**

New as we head into 2H'2008

- **Even more new products available for z**
 - ▶ **Optim, Cognos, ACI Alliance, InfoServer, MDM, etc.**

- **USA Economy Makes for Challenging Times**

- **Customers rethinking their Server Infrastructure**

Second Half 2008 Game Plan

- **Extended Tivoli Sales Team – PA Reps join System Z Teams**
 - ▶ Leverage brand teams to embrace z (not just LUW)
- **Renew SOA focus: zITA's and renewed focus on zIAW's**
- **STG - NWL teams re-engaged**
- **Need for Doubled efforts on Websphere and Lotus Portal**
- **Cognos on Z – delivered in June 2008**
- **zLinux – Tivoli, Websphere, Information Management and Rational**
- **Governance – including Princeton, Encryption, Auditing, and Data Power**
- **End to End Performance Mgmt**
- **Industry Solutions (including ACI Alliance)**
- **Data Warehousing**
- **ISV Replace (selectively)**
- **Cross Brand Security (including zSecure)**
- **Enterprise Modernization – Rational is HOT**
- **DB2 VUE and zNALC**
- **Sector focus – Financial Services and Insurance “first up”**
 - ▶ Stress workload winback from non-IBM LUW HW platforms (\$40B HW oppty)

For our clients, the System z platform is important today for flexibility to manage growth and complexity in a cost effective manner.

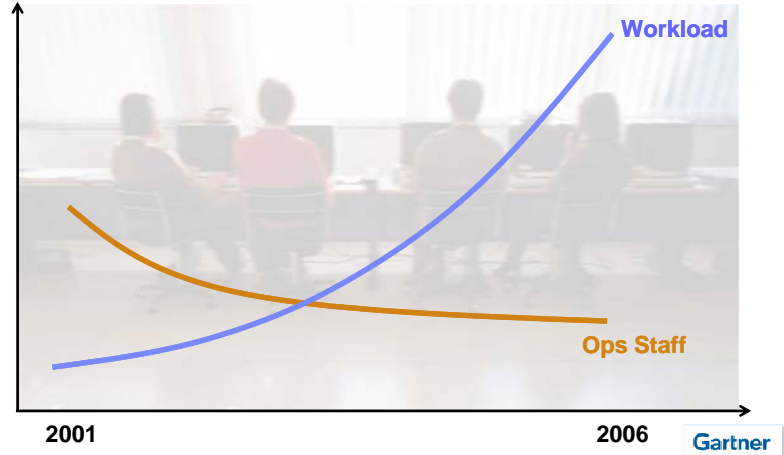
New HW / SW spending



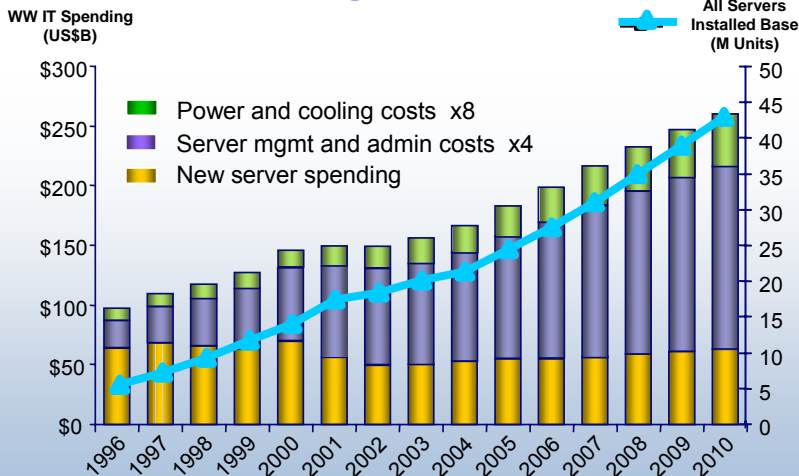
Cost of management & administration

Source: Tony Picardi, IDC
Economist.com: Make it simple. October 28th, 2004
From The Economist print edition

System z Managing Growth and Complexity

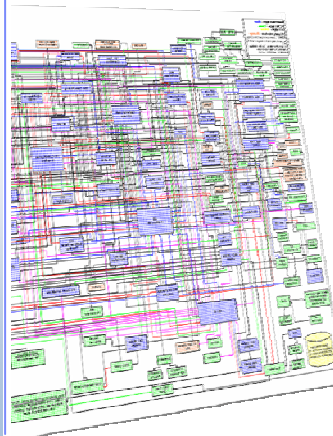


Worldwide IT Spending on Server, Power and Cooling, and Management / Administration



Source: IDC, Virtualization 2.0: The Next Phase in Customer Adoption, Doc #204904, Dec 2006

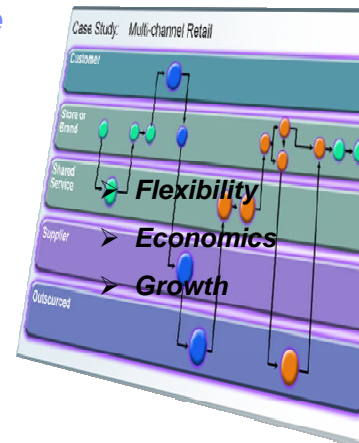
Customers want to improve this....



... to run their business like this.

System z is a unique hub for SOA

- Reuse
- Integration
- Flexibility
- Qualities of Service
- Proximity of Data



System z software drives the solutions for the future to run on z.

■ Information On Demand

- Transforming data into trusted information in business context

- **Business Intelligence & Data Warehouse** – Developing an end-to-end information infrastructure for BI
- **IBM Information Server** - Profile, cleanse and integrate information to drive greater insight at lower cost.

■ Business Flexibility and Modernization

– Transforming to a Globally Integrated Enterprise.

- **Application Transformation** – Creating an application and transaction infrastructure to deliver high-volume transaction processing for mission-critical applications
- **Business Process Management** - Build flexible, SOA-based solutions
- **Enterprise Modernization** – Evolve core IT systems towards modern architectures and technologies

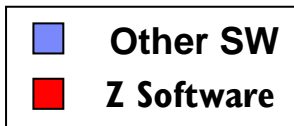
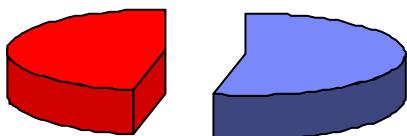
■ IT Service Management

- Managing the infrastructure more efficiently and effectively.

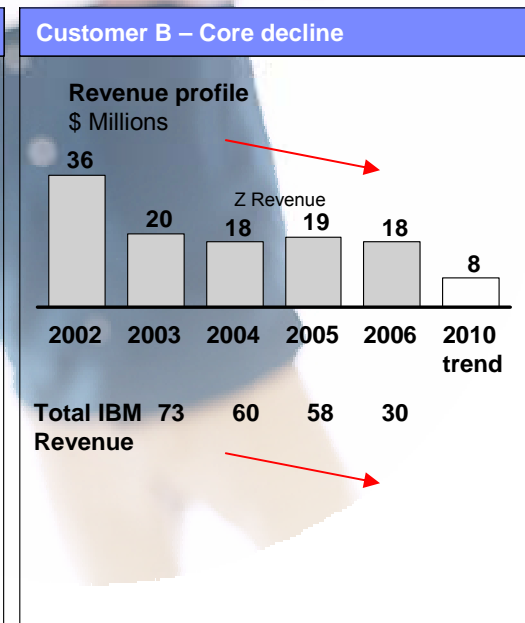
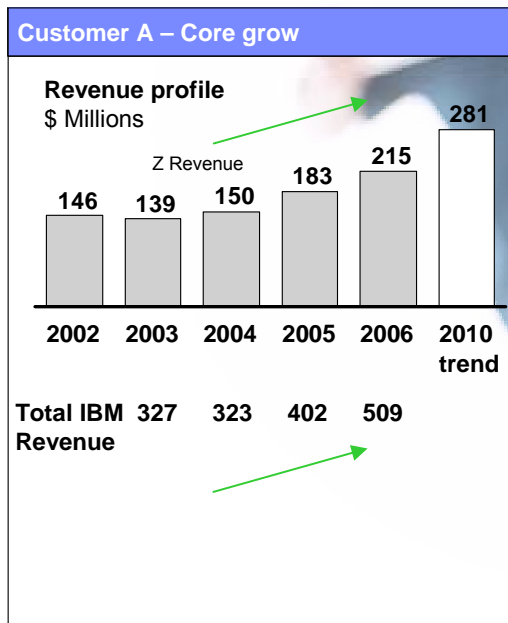
- **Financial Management** - optimize virtual environments to perform proper cost accounting and chargeback.
- **Security** - address today's prominent and growing requirements for IT governance, compliance and security.
- **Application Management** - proactively manage applications and resources to improve customer service
- **Managing Availability & Resiliency** - Ensure the health and efficient functioning of your IT environments.

As an IBM software seller the growth of z helps you attain your objectives.

Mills' Quota



- **z SW is important for IBM and SWG**
 - ▶ zSoftware drives significant revenue
 - ▶ Applications on zSoftware drives significant hardware revenue
 - ▶ Made plan for past 7 years
- **z SW is important for you:**
 - ▶ Key customer control point
 - ▶ Significant competitive edge in the marketplace today
- **z SW is important for your customer**
 - ▶ Highest quality of service in the industry - Performance, Scalability, Security, and Resiliency
 - ▶ Lowest TCO in most cases



System z customer growth drives IBM growth
 - The way that System z sales go is the way that overall IBM sales go in a given account

The key plays of z Software are the starting point for identifying new opportunities.

<h3>Business Flexibility & Modernization</h3> <ul style="list-style-type: none">• System z as a Connectivity Hub• Web Services Governance• SOA Gateway for System z• Application Development Tools for Modernizing Mainframe Applications• Consolidating Workloads	<h3>Information On Demand</h3> <ul style="list-style-type: none">• Information Server for Linux on System z• Leveraging System z for Data Warehousing• Optimized SAP Applications• Data Governance• Operational Business Intelligence
<h3>Enterprise IT Management</h3> <ul style="list-style-type: none">• IT Financial Management• Scheduling & Automation• Storage Management• Security• Application Performance• Problem Determination Tools• Operations Optimization	

Understanding the misconceptions about z will allow more doors to open for you and for IBM.

Too expensive?

- z HW, SW & labor costs decreasing 17.3% per year
- Mainframes deliver economies of scale, especially as the workload grows
- z delivers higher utilization, lower overheads and the lowest total cost-per-user of any platform.

Too rigid and inflexible?

- SOA
 - Quick reuse of existing applications
 - Common code base for new applications
 - IBM mainframe customers are ahead of other groups in SOA
- If it runs on distributed, it probably runs on z!

Lack of skills?

- IBM will train 20K new University students on the mainframe by 2010
 - 407 schools registered over 47,000 students
 - 20 Courses+ & Mastery Exam Certification
- zCommunity – Local roundtables with Client / School / ISV

No platform growth?

- 25 of the world's top 25 Banks, 23 of the 25 top US Retailers, and 9 out of the 10 of the world's largest insurance companies run DB2 on System z
- 95% of the Fortune 1000 enterprises use IMS
- 4000+ ISV applications & 1300+ ISV Developers on System z
- 1200+ Linux applications supported on System z
- 490 of IBM's top 500 customers run CICS

• IBM's CICS handles more than 30 billion transactions a day...**more than the # of page hits on the internet!**



“Top 10” values of System z

1. RAS - *True 99.999% Application Availability Requires*
2. Ultra High Throughput - **30M on-line transactions in 2hrs**
3. Infinite Scalability - **World’s largest banking benchmark records 9,445 tps for 380M+ accounts**
4. Automated Management - **Single view to monitor the entire enterprise plus grow the enterprise without adding staff**
5. Built-in Security - **to address the full spectrum of security requirements**
6. Hub for SOA - **Re-writing COBOL is inappropriate**
7. Hub for Data - **Centralized Coupling Facility Permits Efficient Lock and Cache Management in DB2 for z/OS**
8. Virtualization & Flexibility - **Virtualization creates the illusion that each user has their own private machine and enables the OS to maximize utilization**
9. Open Standards - **e-business evolution requires open standards**
10. Pre-integration – **Re-locate in 1 room, standardize, automate, consolidate and virtualize**



“So What are some Good Questions to Ask to uncover System z Software opportunities?”

- **“Do you have existing applications and data that you need to provide greater access to in order to grow your business?”**
- **“Can you easily shift application servers to run your most important work or respond to unexpected spikes in demand?”**
- **“Do you spend too much time architecting high availability into your infrastructure? Would you like to simplify your approach to resiliency and high availability?”**
- **“Have your costs to maintain point-to-point connections between applications grown to a disproportionate amount of your overall budget?”**
- **“How much could you leverage your existing investment in business applications and data to meet new business opportunities? How much could you save by doing so?”**
- **“Do you have problems keeping up with the skills needed to meet all your application interfaces?”**
- **“Would you like to standardize on an integration strategy and infrastructure throughout your company?”**
- **“Do you currently own have a large number of UNIX and Linux applications running in a Distributed environment?”**
 - ▶ **“Do you have unaffordable costs for server management and administration of Distributed servers?”**
 - ▶ **“Do you have cost (or availability) issues related to power or cooling for Distributed servers?”**
 - ▶ **“Do you have floor space issues in your Datacenter?”**
 - ▶ **“Are you moving applications to, or putting new applications on, Linux?”**
- **Do you need to establish better control of critical business information currently distributed in multiple systems across your company - to improve data quality, security, flexibility and auditability?**

System z....Call to Action

■ **Learn more about z**

▶ **z Software**

<https://w3.webahead.ibm.com/w3ki/display/zazz/Welcome+to+MyzSpace>

▶ **Z Hardware**

<http://www-03.ibm.com/systems/z/>

▶ **IBM Academic Initiatives**

<http://www-304.ibm.com/jct09002c/university/scholars/products/zseries/>

▶ **Success stories**

<http://www-03.ibm.com/systems/z/solutions/>

■ **Ask the questions to your customers**

▶ **Use previous page as a launching point to investigate the issues of**

- **Flexibility and SOA**
- **Total Costs, especially power, cooling and server management and admin**
- **Leveraging data as business assets**
- **New Products that make z more compelling as a solution**



Information Management Competitive Positioning

IBM is committed to the mainframe and z/OS

- IBM has had major investments and market success in database tools
 - **\$200M initial headline investment.**
 - **33 DB2® mainframe database tools/utilities**
 - **42 IMS™ mainframe database tools/utilities**
- Developing new technology to solve new problems
 - **Data Governance,**
 - **Data Warehousing/Information Integration/Business Intelligence**
 - **Enterprise Performance**
- Enhancing our functionality via product acquisition
 - **Integrating/Interoperating with the rest of our portfolio**

Our own score card ... Information Management

Strengths

- ▶ **Support** and exploit DB2 V8, DB2 V9, and IMS V10 today
- ▶ **Reduce TCO** by optimizing IT staff efficiency
 - **Preserve database and application investment on z/OS**
- ▶ A **comprehensive portfolio** to manage, access, integrate and analyze data
- ▶ **Trusted** vendor and developer of the databases
 - **Provide outstanding support**
- ▶ Long Term **commitment** to z
- ▶ **Developing** new solutions to solve new problems

Vulnerability

- ▶ DB2 Utilities performance
 - improved in V8
 - even better in V9 (Don't forget about zIIP engines)
- ▶ Competition willing to drop price
 - **Maintain install base strategy**
 - **Customer avoids migration**
- ▶ Competition has little to lose
 - **Willing to promise more than they can deliver**

DB2 Tools Competitive Landscape

BMC

- ▶ Major Competitor
 - **Install base tends to be loyal**
- ▶ Lower their prices to maintain customers
- ▶ Enhancing Tools & Utilities
 - **No new development efforts for new tools**
- ▶ Focused on IBM accounts with 18 months left on their ELA
- ▶ Known for their reliable technical support

CA

- ▶ Minor Competitor
 - **Lowering their pricing to keep install base where possible**
- ▶ Lack of development of their DB2 Tools (minimal z focus)
- ▶ Acquire and stabilize reputation
 - **CA will do only the absolute minimum**
- ▶ Known for inflexibility with pricing and contracts
 - **At least until IBM enters the picture**
- ▶ Reduced Sales Organization
 - **Eliminated Customer Advocates, sales and technical resources**
 - **Very limited z experience**

IMS Tools Competitive Landscape

BMC

- ▶ Still the major competitor
- ▶ Broad Portfolio of IMS Tools
- ▶ Loyal Customer Base is reluctant to change
- ▶ Add new features targeting governance issues
 - **Encryption of unload, image copies**
- ▶ Drop price to maintain customer install base



NEON

- ▶ Developing new tools
- ▶ Low Price Products (not a full portfolio of tools)
- ▶ Do not offer tools for IMS Transaction Manager
- ▶ Pushing autonomic features, GUI Interfaces, zIIP enablement
- ▶ Neon Sales team is focused on IMS Accounts

Computer Associates

- ▶ Rarely seen
- ▶ Weak competitive offerings
- ▶ Sales focus on enterprise-wide deals

Our own score card ... Problem Determination Tools

Strengths

- The IBM PDT suite has the **highest currency** with all z/OS foundation subsystems
- The suite rolls on a regular, annual, new release cycle **aligned to arrive with each z/OS** September release.
- The suite product **functionality and features** are now **first-class** with clear leadership in many areas
- Each main tool **supports multiple subsystems/language** minimizing the number of tools needed

Strengths (Cont)

- Robustness is now proven
- Comprehensive Integration
- **Software prices and license terms remain competitive**
- IBM's commitment to **long-term development** of the suite is unquestionable
- **Extensive** documentation, guidelines, red books, **training and migration assistance services**
- Support is of legendary quality

PDT Tools Competitive Landscape

Compuware

- ▶ Long established ISV. Pioneer of PDT products
- ▶ Market share leader, ranked #2 by Software Strategies in 2007
- ▶ PDT suite has 5 main product families with 38 product/feature line
 - Suite feature/functionality is very strong. Result of many acquisitions not in-house development
- ▶ Mainframe PDT tools remain a central and strategic focus
 - 40% of total company revenue comes from PDT tools
- ▶ Compuware spent 11.2% of revenues on R&D, below industry-average
 - This is their main challenge vs. competitors
- ▶ Currency and alignment with z/OS advances has been below average
 - 21 minor enhance product releases in 2007
- ▶ Compuware has adopted a mainframe workload-related pricing model
- ▶ Global market coverage is wide and support has been competent

CA

- ▶ Largest vendor after IBM
- ▶ Serious governance issues. Release from DPA in May 2007
- ▶ CA “Application Quality and Testing” suite ranked #3 tied with Macro 4 in 2007
- ▶ The suite offers 9 main product families with 17 products
 - Including the Wily technology acquisition in 2006
- ▶ CA spent 18.1% of revenues on product development/enhancements in 2007
- ▶ CA strategic positioning is on the Enterprise Information Technology Management – PDT tools are not part of EITM
 - CA still has a large and significant revenue and customer base to retain
- ▶ Solid rate of product progress
 - “First day of GA” compatibility with IBM mainframe OS and subsystems, above average currency
 - Decent functional/coverage
- ▶ CA FlexSelect licensing (includes mainframe workload/sub capacity pricing)
- ▶ Global coverage and capability to support its customers professionally

PDT Tools Competitive Landscape

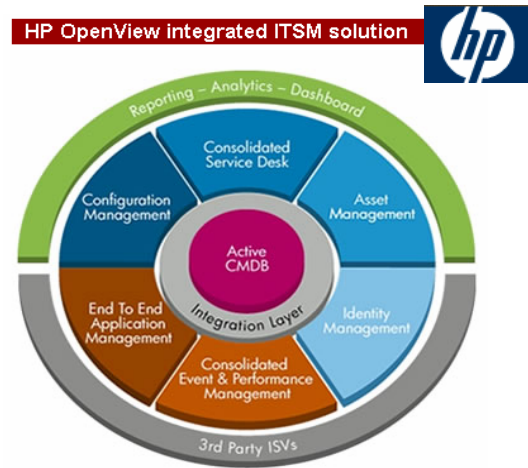
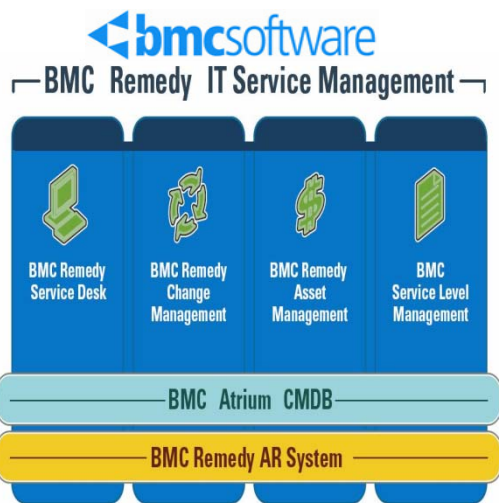
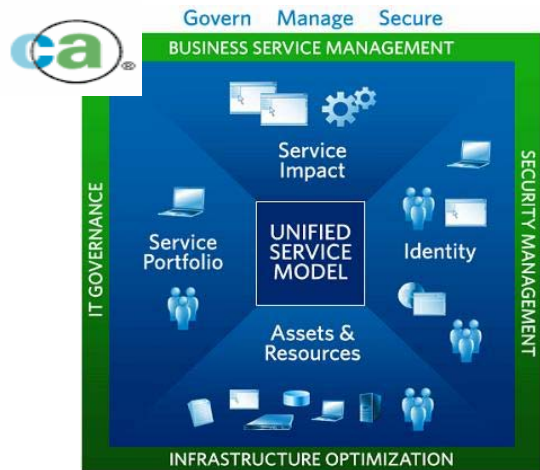
Serena

- ▶ Long established, medium-sized ISV with 26 years of experience
- ▶ StarTool suite was ranked #5 by Software Strategies in 2007
- ▶ Small customer base with only 4 main tools in the suite
 - Suite coverage and functionality is the weakest of all competitor
- ▶ Strategic focus on software lifecycle management tools not PDT tools
 - After acquisition of Merant
 - StarTool suite is in a “cash cow” status
- ▶ Currency of the StarTool suite is lagging
- ▶ Moderate, semi-global, direct coverage plus many distributors/resellers like ASG.

Macro 4

- ▶ Smallest but longest established PDT product vendor. Headquarter in the UK
- ▶ Business Application Optimization (BAO) suite was ranked #3 by Software Strategies in 2007
- ▶ The BAO suite offers seven main products and ½ of them had new releases
- ▶ Macro 4 spent 17.8% of revenues on product development last year
 - BAO accounts for just over half of the company’s revenue
- ▶ BAO tools continue to remain central and strategic business focus for the company
 - Small revenue decline over the prior year but substantially profitable
- ▶ Competent products and customer support
 - Good functionality and extended suite currency levels over the past year
- ▶ Competitive Pricing

What CA, BMC, HP do not tell you?



- Messaging ahead of the reality
- Lack of end-to-end integration (z and distributed)
- Lack innovation in ISM technology (e.g., acquisitions)
- Proprietary approach; late in moving to a standards-based model

- Common platform for Service Management but not to ISM for z
- Multiple silo UI for visualization
- New CMDB AR 7 architecture requires complete re-do of customization

- HP z ISM portfolio – non existent
- Automation is a pain
 - Has 4 Silo CMDBs
- Limited Integration
 - Peregrine SC not integrated with the Mercury CMDB
- Complex integration of Data and workflow

Common ISM Realities among these Competitors !

- Visualization requires manual scripting
- No ETE Financial and IT Asset Management
- None have an integrated workflow modeling engine
- Migration is a Rip and Replace

Only IBM provides System z inclusive and End-to-End solutions for Service Management

IBM Performance Monitoring / Workload Scheduler / Automation Tools

Provides a competitive differentiator for End-to-End z Inclusive Service Management

Performance Monitoring

Respond faster and make better decisions




30.6%
Market Share

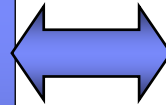


Workload Scheduler

Improve quality and reduce risk



17.1%
Market Share



Automation

Lower costs and build agility



39%
Market Share/ Leader



Strength

- **End-to-End Business Systems Dashboards**
- **Single Monitoring GUI for Enterprise**
- **Workload & Systems Automation integrated into Operations Dashboard**



Strength

- **Cross Platform Scheduling**
- **Critical path management and monitoring**
- **Direct command interface for SA, NV and TEP command execution**



Strength

- **High Availability & Disaster Recovery**
- **Interface with TBSM and TEC to give a Business Systems Impact and autonomic capabilities to react to PKIs**
- **Integration with OMEGAMON, WLM, TWS, GDPS for advanced, proactive automated HA/DR**

Performance Monitoring Competitive Landscape

ASG

- ▶ **Low cost provider** in the PA space. Their market is primarily **SMB**.
- ▶ **TMON for CICS** has about half of the CICS monitoring market place
 - in number of licenses but very little revenue associated with it.
- ▶ **TMON for CICS** significantly increase the CPU consumption of CICS. (**High TCO**)
- ▶ ASG **reduced staffing levels** in R&D, pre-sales SE and services personnel.
- ▶ TMON for DB2 – **Issues** with maintaining **currency** with new releases of **DB2**, primarily due to staffing / funding cuts.
- ▶ Event Correlation – ASG is the only PA competitor not to appear in any quadrant of the Gartner Magic Quadrant.
- ▶ TMON VTAM and IP are two separate products. USS monitoring not included in zOS monitor. **Storage monitoring not part of TMON suite.**
- ▶ They have a **consistent interface** across all **zSeries monitors**. CA and BMC do not.

BMC

- ▶ **MAINVIEW** suite is well established in the marketplace. They have **14.0% market share**.
- ▶ Their **strength** is **MAINVIEW for IMS**
 - which does not have built in Performance Automation capabilities like OMEGAMON XE.
- ▶ BMC **reduced staffing** levels in R&D, pre-sales SEs and services personnel.
 - This hurts their ability to conduct POCs and support existing customers
- ▶ zSeries **revenue** in PM tools has **dropped 10%** over last two years.
- ▶ Their strategy is to **focus on BSM** not PM tools
- ▶ **MAINVIEW suite is not integrated**
 - with Patrol or BMC PM distributed monitors except in the SIM which is like TBSM.
 - Alert consolidation point not a tool to investigate problems.
- ▶ All **MAINVIEW** data available in highly responsive 3270 interface.
 - Data also available from the same data collector repository in a Web browser.

Performance Monitoring Competitive Landscape

CA

- ▶ **Weakest suite** of products of all the competitors.
 - Some have very minimal functionality.
- ▶ They have **13.9%** PM tools **market share**
- ▶ CA competes purely on price
 - **Products are free** with (~ELA).
- ▶ The **only strong** CA zSeries monitor is **Insight/DB2**
 - Most functionally rich / difficult to displace
 - Not part of SYSVIEW suite.
 - Insight/DB2 is from their Legent acquisition.
- ▶ They have an integrated alert console for SYSVIEW and Insight.
 - The end user interfaces are different.
- ▶ CA have a strong presence in distributed monitoring w/ UniCenter
 - Not integrated w/ SYSVIEW.
- ▶ Very **little done to enhance** or **integrate the products**.
 - CA never had staffing levels in R&D, pre-sales SE and services personnel due to their acquisition strategy.
 - This **hurts** their **ability** to conduct **POCs** and support existing customers.
- ▶ All SYSVIEW data available in highly responsive 3270 interface.

Workload Scheduling Competitive Landscape

CA

- ▶ **Tied with IBM** as second in Workload Scheduling market share with **17.1%** in 2006. Growth due to Cybermation acquisition.
- ▶ They own **too many schedulers**, and this surfeit of products results in a **lack of integration**
- ▶ The company is saddled with a negative reputation in their integration capabilities
 - moving toward one scheduling engine but are trying not to alienate any of their customer base.
 - no date for final merge of products
- ▶ CA has **not improved the products** in many years
- ▶ CA has increase development effort but on integration not on innovation
 - They will incorporate the **Cybermation architecture** into all of the scheduling tools. This has caused architectural changes in the legacy products or the gradual sun setting of some of the portfolio.
- ▶ They own the **best restart package** available with CA-11
- ▶ Global coverage and capability to support its customers professionally

BMC

- ▶ **Fifth** in worldwide Job Scheduling market share with **10.1%** as of 2006
- ▶ They have a **good Business Systems Management story** in part because of the integration with their CMDB and Control-M, Control-M Claims to provide the proactive management and automation
- ▶ The latest announcement was in 2006 in the distributed product giving them Agent less scheduling capabilities
- ▶ Have **reduced investment in mainframe software**
- ▶ Reputation for slow response from support
- ▶ Must **purchase many pieces** to get and **end to end** solution
- ▶ They have products that cover a variety of platforms and applications
- ▶ Have File Transfer capabilities
- ▶ **Flexible Licensing and Pricing capability**
- ▶ They tie everything to their CMDB for a good BSM story

Automation Competitive Landscape

CA

- ▶ They have **23%** Mainframe Automation **market share**.
- ▶ They own **several** automation **solutions**, and they are **NOT integrated**
 - OPS/MVS, Automation Point, Remote Console)
- ▶ Showing some investment but still requires heavy coding by the customer
 - Most improvements are **trying to catch up** in the high availability space
 - Trying to integrate with some of the other CA portfolio still needs significant coding to get there
- ▶ Very **limited end to end function**
- ▶ Hard to get full functionality without customizations
- ▶ CA is primarily z/OS focused and does not demonstrate a common vision for other platforms
- ▶ CA ships with samples but code must be **customized** to be used
- ▶ Can integrate with the HMC but this is new technology for them and is not proven reliable.

BMC

- ▶ They have **6.25%** Mainframe Automation **market share**.
- ▶ **No significant investment** in the **last 5 years**
- ▶ They have **multiple Automation products** and have done **nothing to integrate** them
- ▶ Very **limited end to end function**
- ▶ To cover entire **z area must purchase multiple products**
- ▶ BMC is **primarily z/OS focused** and does not demonstrate a common vision for other platforms
- ▶ Hard to get full functionality without **customizations**
- ▶ Tightly coupled with Mainview product suite must look at displacing them along with the automation component
- ▶ All rules based lots of code
- ▶ **Not Sysplex aware**

IBM Security Management Strength vs Competitors Landscape

Only IBM delivers End to End Security Management across the full enterprise

Protection

Secure
your
business



Strength

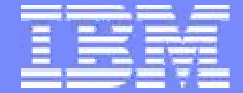
- *IBM offers security solutions that address the full range of security challenges*
- *IAM Market share leader, as of 2006*
- *Extensive auditing and reporting capabilities*
- *Stronger correlation capabilities*



- **No longer the Integrated Access Management market share leader**
- CA SiteMinder is a market leader in the Access Management space
- ACF2 and Top Secret provides significant source of revenue, cash flow and sell-up opportunities.
- CA has **weak SI channels** limiting its routes to market and ability to deliver.
- Ongoing IAM **product integrations** result in redundant and often **duplicated product functionality** as well as a general multi-vendor look and feel.
- CA **lacks a data integration** product
- **No consolidated** System z and distributed Operation **Dashboard**
- Infrastructure for managing z is distributed based

Vanguard

- Vanguard offers a wide range of add-on security products, services, and user conferences.
- They support and enhance the usage and ease the administration and reporting of z/OS RACF for their customers.
- Provider of cross platform security solutions, but their approach is to use **RACF as the administration post** for Identity and Access management.
- The brand-extending "Z" family is designed to manage Windows systems access controls, authentication, audit, and identity management via the mainframe.



The Future runs on z.....

IBM and ACI Strategic Alliance System z SW Opportunity

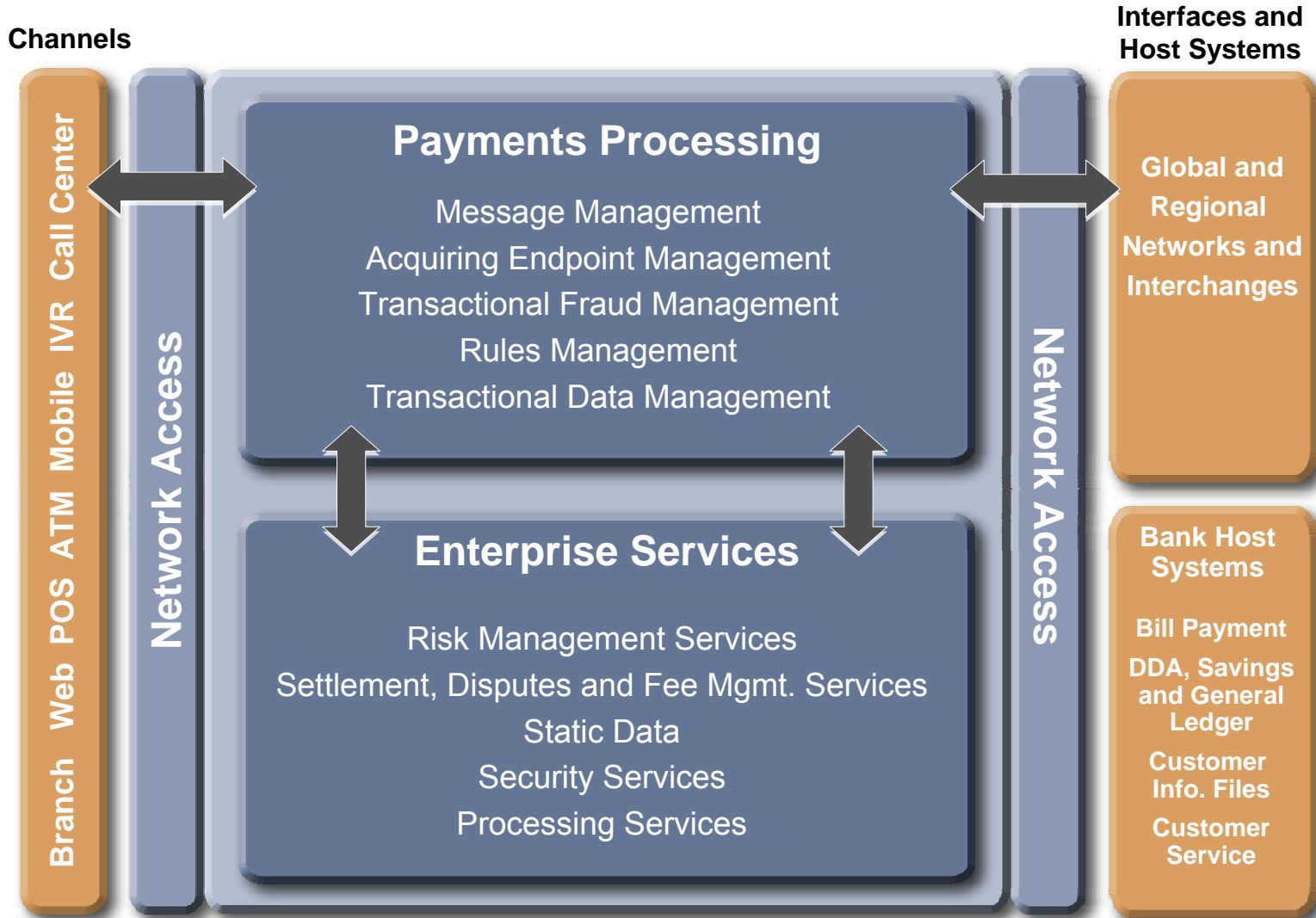


Opportunity for New Workload Growth

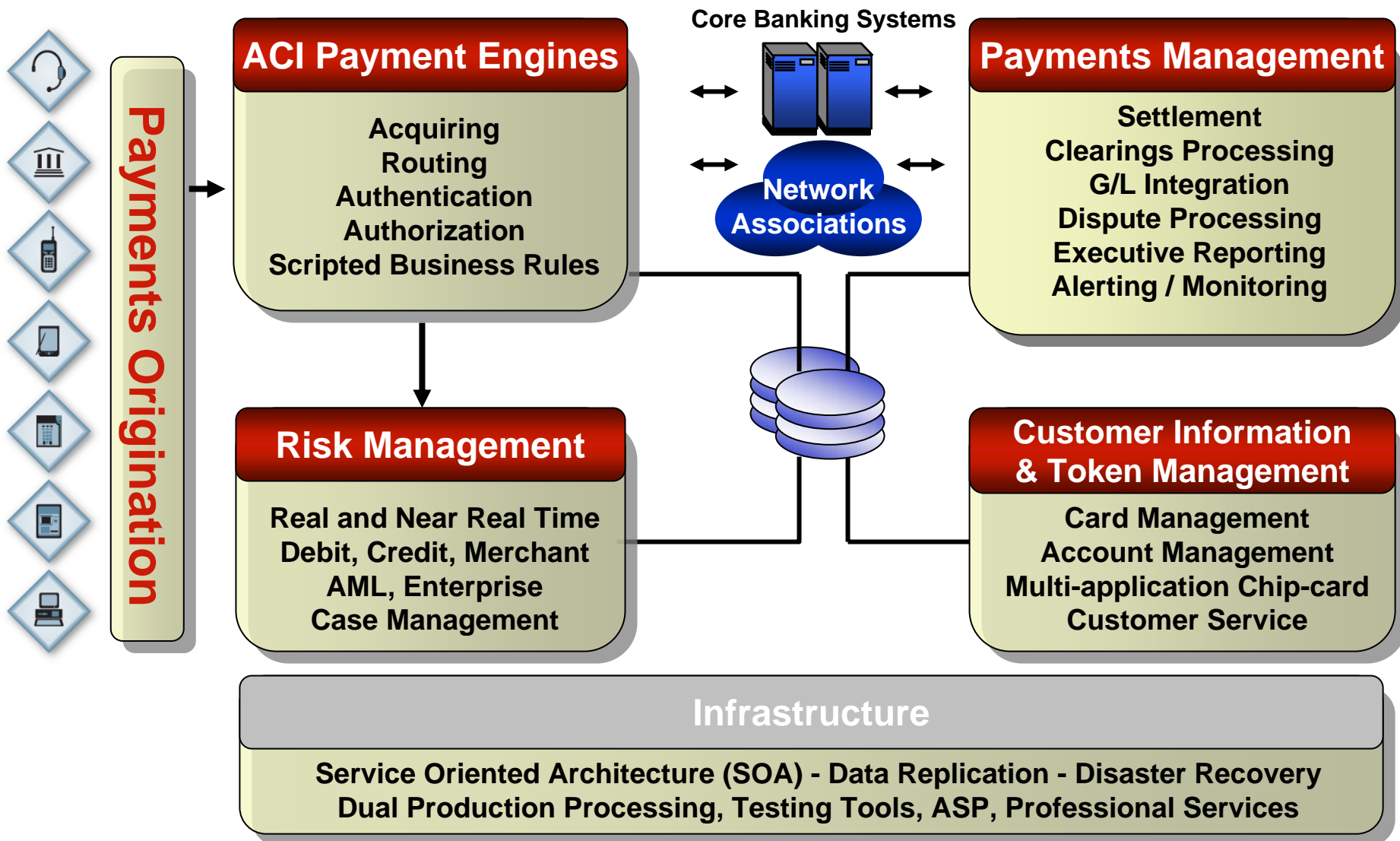
- **Compelling event**
 - ▶ **HP has announced end of life on the Tandem K-series NSK (Non Stop Kernel) Architecture 12/31/2008**
 - ▶ **ACI moving client base from BASE24 to BASE24-eps**
 - ▶ **100's of our clients are still on these old Tandem platforms with ACI**
 - ▶ **Clients have to make a decision soon to move ACI from Tandem to something else**

- **This alliance with ACI is our opportunity to**
 - ▶ **Sell Hardware (z and p)**
 - ▶ **Sell the IBM software stack (Web Sphere, DB2, Tivoli) and services offerings**
 - ▶ **Sell implementation/migration services**

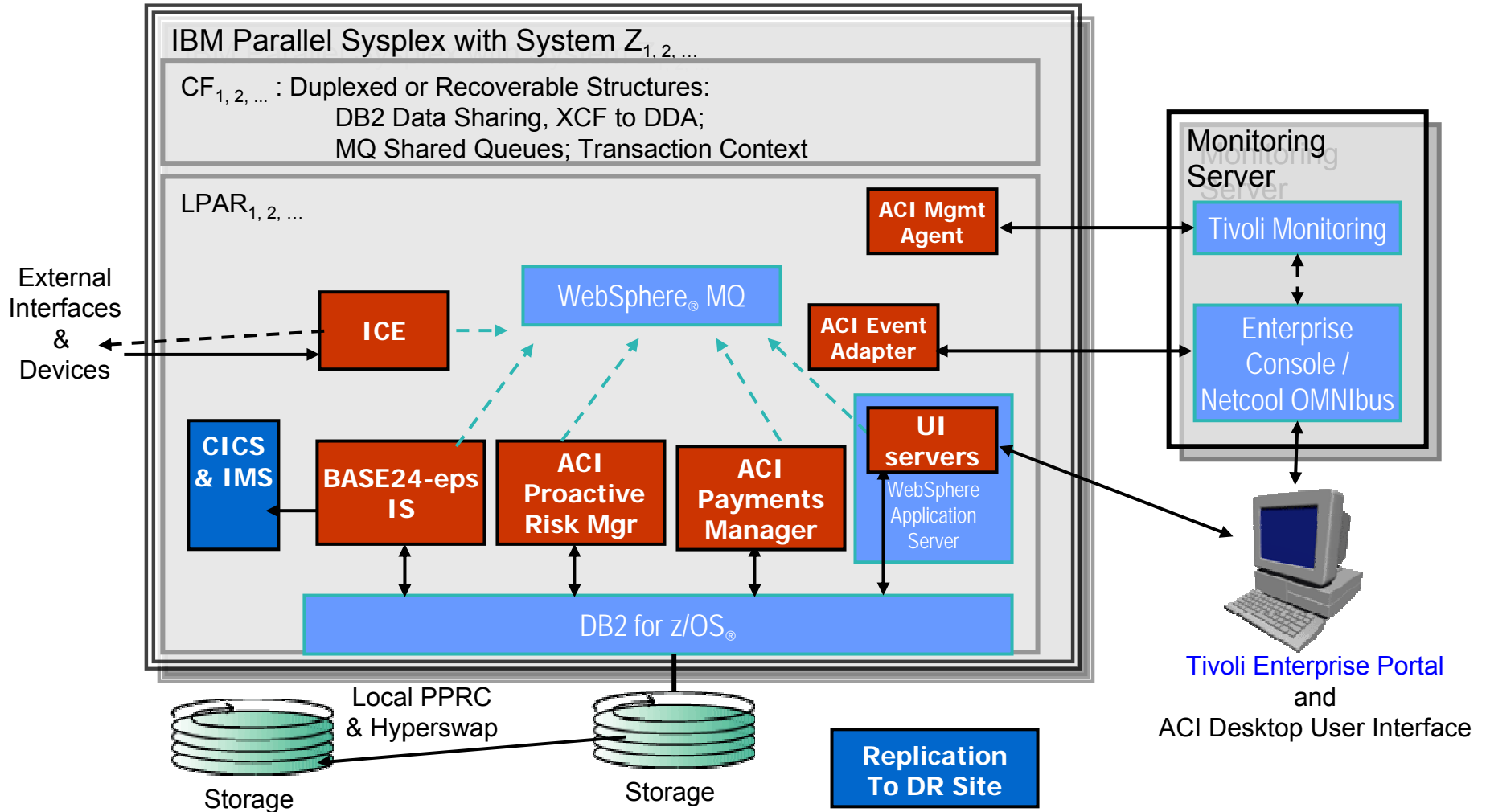
ACI Global Payments Hub framework



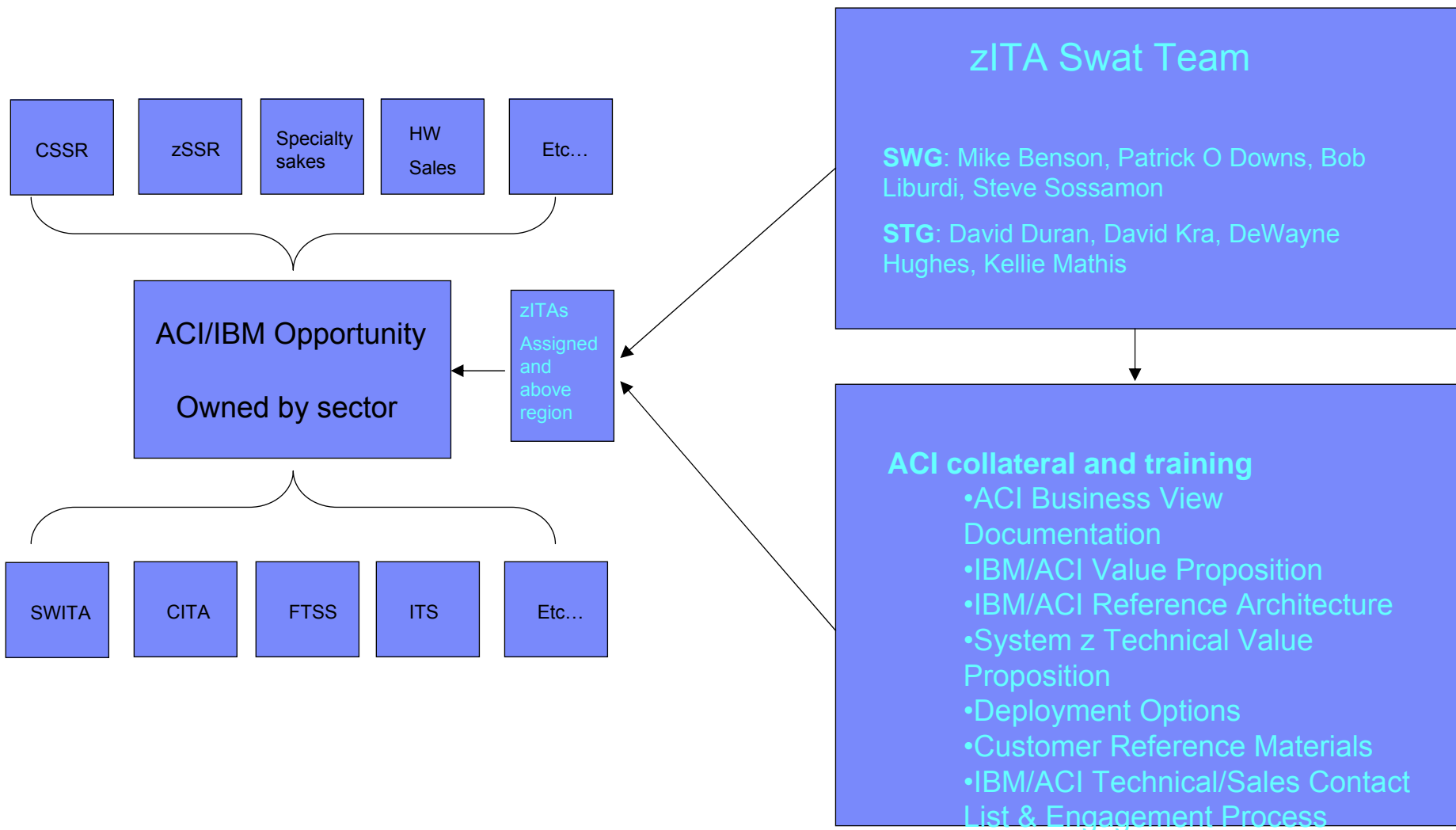
The IBM/ACI Retail Solution



ACI on System z - High Availability Continuous Operations

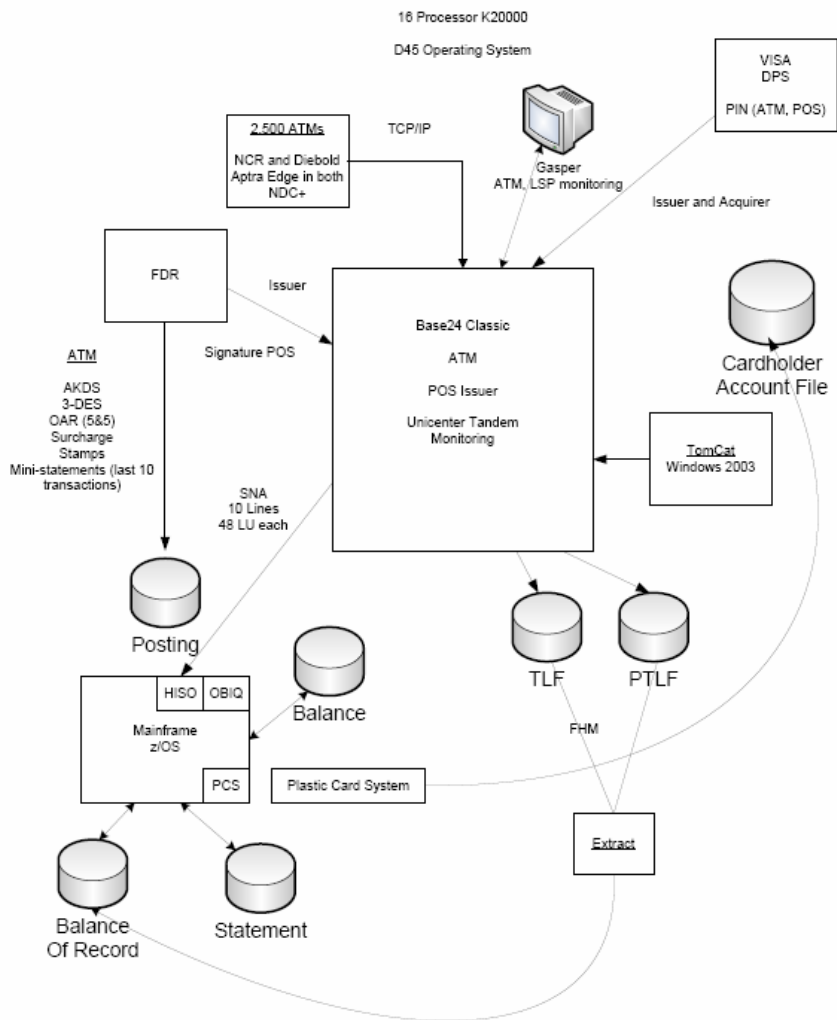


ACI Engagement model and where zITAs fit



Suntrust example (Pat Downs is the local zITA)

SunTrust Existing Tandem
ACI Classic Architecture



Options:

1. Stay where they are (ACI BASE24 "Classic") on Tandem S Series (still in support vs. K Series which goes out of support Dec. 31)
 - On Tandem S Series
 - On HP Itanium

2. Move to new version of ACI (BASE24-EPS) – note both options requires a large migration effort:
 - On System z
 - On System p
 - On HP Itanium



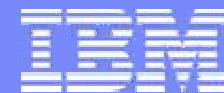
ACI opportunity mining schedule

June 2, 2008

Customer	IOT	Country	Opportunity	Decision Date	IBM Step	ACI Step	Acct Plan	Pursuit Agree Y/N	Win Plan Da	PSA Date	Deal Size	p
Citibank / Banamex	1-AG	Mexico	Payments Manager	6/1/2008	3-Validated	3-Validated	Y	Y	Y	Scheduling		
SunTrust	1-AG	US	Tandem Base24 replacement. Tandem Ks HP has extended support until Dec 2008	7/1/2008	3-Validated	3-Validated	Y	Y	Y	2/18/2008	Med	
Nacha	1-AG	US	New PRM	8/1/2008	2-Identified	2-Identified	N	N			Small	p
Redbanc (Chile)	1-AG	Chile	Replace Stratus; ON/2	8/1/2008	3-Validated	5-Cond Agree	Y	Y			Med	
Bank of Tokyo	1-AG	US	MTS	9/1/2008	3-Validated	3-Validated	Y	pending			Small	
Comerica	1-AG	US	PIM Debit for PRM	9/1/2008	2-Identified	2-Identified	Y	pending			Med	
FDC	1-AG	US	1. Consolidate ATM and Debit 2. Replace Tandem Infrastructure	9/1/2008	2-Identified	2-Identified	Y	N			Mega	
JPMC	1-AG	US	Tandem BASE24 Replacement	9/1/2008	3-Validated	3-Validated	Y	Y	Y	Start June 9	Mega	
JPMC	1-AG	US	PRM	9/1/2008	3-Validated	3-Validated	Y				Mega	
Regions Bank	1-AG	US	PRM - Enterprise version for debit card & internet banking	9/1/2008	1-Noticing	1-Noticing	Y				Med	
Union Bank of California (sub: Bank of Tokyo)	1-AG	US	MTS	9/1/2008	2-Identified	2-Identified	Y	Y			Small	
USAA	1-AG	US	Entire suite of products possible	9/1/2008	3-Validated	5-Cond Agree	Y	Y	Y		Small	
Wachovia	1-AG	US	Tandem BASE24 Replacement	9/1/2008	1-Noticing	1-Noticing	Y	N			Large	
Wachovia	1-AG	US	Payments manager for Settlement,	9/1/2008	1-Noticing	1-Noticing	Y	N			Large	
Washington Mutual	1-AG	US	B24-EPS on z	9/1/2008	2-Identified	2-Identified	Y	Y		6/16/2008	Large	
CIP	1-AG	Brazil	Bill Payment	9/1/08	1-Noticing	1-Noticing	N	N	N			
Scotiabank	1-AG	CA	Smart Card Mgmt	10/1/2008	2-Identified	2-Identified	N	N			Med	
ATH Colombia	1-AG	CO	Stratus Replacement	12/1/2008	2-Identified	2-Identified	Y	N			Med	
Bank of America	1-AG	US	Big Retail Play	12/1/2008	1-Noticing	1-Noticing	Y	N			Mega	
Bank of Nova Scotia	1-AG	CA		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
Bank of NY	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
BB&T	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
Bradesco	1-AG	Brazil	MTS Hub	12/1/2008	2-Identified	2-Identified	Y	N			Med	
Evertec / Banco Popular	1-AG	US	Base 24 EPS ; Settlement;Account Manager	12/1/2008	3-Validated		Y	pending			Small	
Evertec / Banco Popular	1-AG	US	PRM	12/1/2008	2-Identified		Y	pending			Small	
Evertec / Banco Popular	1-AG	US	MTS	12/1/2008	3-Validated		Y	pending			Small	
FDC	1-AG	US	2. ACI Payment Mgr for merchants	12/1/2008	1-Noticing	1-Noticing	Y	N			Mega	
Fifth Third Bank	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
Fiserv EFT	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N	N		Small	
Huntington Bank	1-AG	US	PRM	12/1/2008	1-Noticing	1-Noticing	N	N			Small	
JPMC	1-AG	US	MTS	12/1/2008	2-Identified		N	N			Small	
Keybank	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
M&T - Manufacturer's and Traders	1-AG	US	PRM Opportunity	12/1/2008	1-Noticing	1-Noticing	Y	Y			Small	
M&T - Manufacturer's and Traders	1-AG	US	Replace ATM system with Base 24 EPS Opportunity	12/1/2008	1-Noticing	1-Noticing	Y	Y			Small	
M&T - Manufacturer's and Traders	1-AG	US	MTS Opportunity In-house wire system currently - looking at ACI/IBM wholesale and retail. Client Team involved	12/1/2008	1-Noticing	1-Noticing	Y	N			Small	
MasterCard	1-AG	US		12/1/2008	1-Noticing	1-Noticing	Y	N			Med	
Merrill Lynch	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	
New York Life	1-AG	US		12/1/2008	1-Noticing	1-Noticing	N	N			Small	

ACI and SW opportunity

- Given **compelling event of Tandem going out of service**, this is a great chance to initiate consolidation and new workload discussions with our clients
 - ▶ Although, the initial move of BASE24-EPS to System z will result mostly in HW and services opportunity, this is a good “foot in the door” for SW discussions
 - SOA
 - TCO of consolidating BASE-EPS onto System z as well as other applications/infrastructure
 - Explain the current monitoring approach for EPS and how can easily move to Tivoli: Makes good business sense from an enterprise perspective
 - etc
- Recommendations on what System z sellers can do
 - ▶ Align System z sellers to the ACI clients (as we did with zITAs)
 - ▶ From there connecting with the assigned zITA to discuss SW opportunity
 - ▶ Good opportunity for zITA and System z sellers to work more closely and identify and work on future SW opportunity
 - ▶ Education to zSSRs



The Future runs on z.....

FSS Software Summit

August 4 to 6
Las Vegas NV



Summit Overview and Objective

- Objective: to educate all our client teams on the IBM software strategy, products and delivery capabilities, resulting in identifying high quality opportunities in our territories for these software "hot" areas.
- FSS Industries: Banking, Financial Markets, Insurance
 - ▶ 2008 revenue quota: \$9,967M; Software quota: \$2,675M or 27% of total
 - ▶ Total attendance approximately 500

Financial Services Sector, Americas

- FSS Regions:





The Future runs on z.....

zGrowth in Insurance Sales Playbook Discussion Document



Summary

- **We must discuss “future state of IT” with our customers**
 - ▶ And get them going to put foundational infrastructure enablement in place

- **Growth of z/OS use is the strategic imperative for IBM and zSoftware**
 - ▶ zLinux and Specialty Engines are Tactical

- **zSSRs/MLC specialist must be able to present a vision for z to clients**
 - ▶ Must understand portfolio componentry
 - ▶ Key is Helping IT Mgmt to have “right” discussions
 - ▶ You need to learn how to sell in the new landscape

- **Current Environment is “the perfect storm” for System z**
 - ▶ Don’t let anyone else tell you otherwise...

- **I’m counting on YOU to Learn, Engage, and Lead**

Q&A

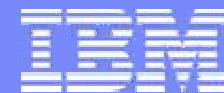
■ Questions?



The Future runs on z.....

BACKUP CHARTS





The Future runs on z.....

zGrowth in Insurance Sales Playbook Discussion Document



We believe five key functional component areas will be critical differentiators for insurers to develop in 2008 and beyond

Component Business Model

Distribution Servicing 1

- Leverage across new distribution channels
- Blended channel messages and branding
- Efficient servicing to attract star producers

Product Flexibility 2

- Product tailoring for markets and segments by business users
- Training and expert referral to manage product distribution
- Generalized product model for all core systems

Customer Intelligence 3

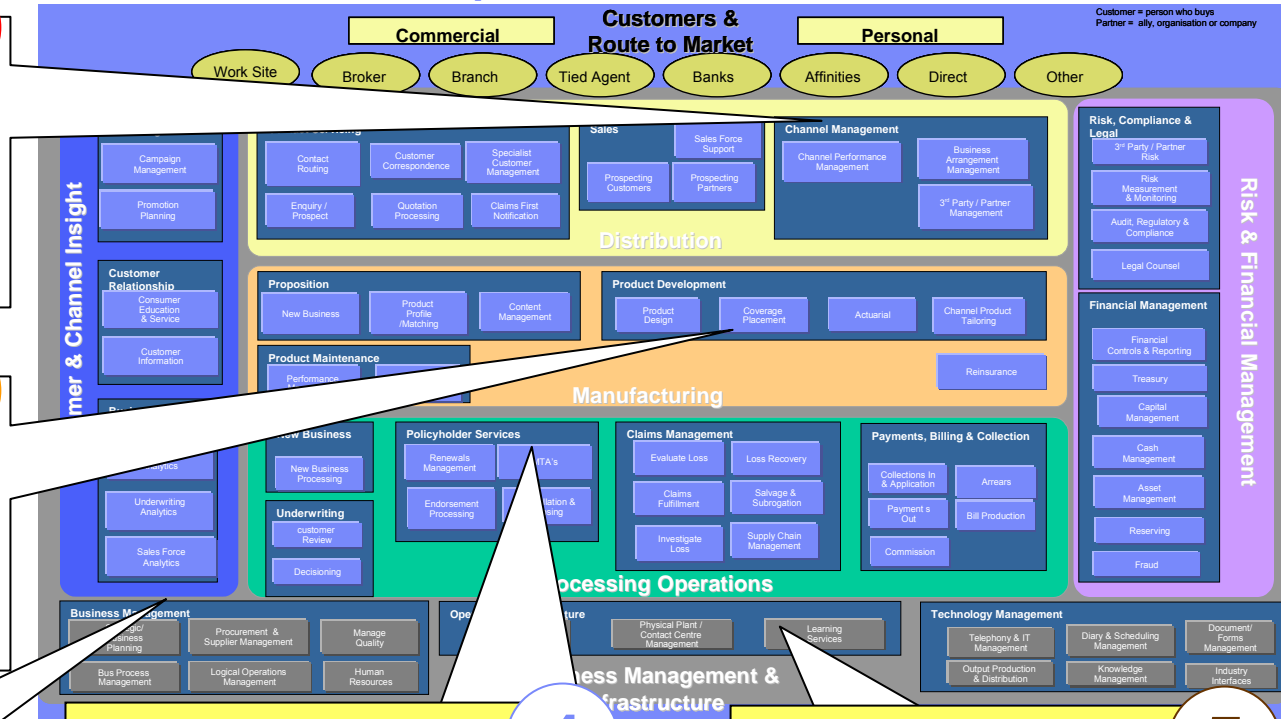
- Deep customer understanding made actionable
- Common customer view across the enterprise
- Effective identification and management of insurer risks

Core Agility 4

- Core systems modernization to improve process flexibility
- Process automation to control costs and increase process speed
- Effective expert handling to drive efficient customer responsiveness

Infrastructure Efficiency 5

- Modular and flexible architecture to support key insurance applications
- Technology base with high direct and indirect efficiency
- Autonomic disaster recovery to manage operational risk



How we will execute ?

FSS Sales Playbook for Insurance - Life and Annuity New Business STP

IBM has developed an approach to simplify life and annuity STP in a cost effective and incremental fashion. To demonstrate IBM's proven capabilities we have constructed a real and functional Annuity Straight Through Issue process that provides a best practices solution and roadmap to get there.



The IBM annuity STP solution will enable carriers to increase sales by removing many of the bottlenecks that currently slow the new business process. This solution will also enable carriers to attract new agents, many of whom are increasing placing "ease of doing business" as a top selection criteria.

In order to remain competitive and respond to industry pressures, insurers selling annuities should convert their existing business processes and systems to Straight Through Processing within the next 18 months.

Sales Play at a glance

1.	Executive Overview - IBM Point of View	June 2008
2.	Executive Overview - Market Forces Driving Investment in STP	June 2008
3.	Business Problem	June 2008
4.	Solution Definition	June 2008
5.	Solution Definition - Essential Set of Service Offerings	June 2008

Executive Corner

 [Mark W. Lewis](#)
GM, Global Insurance Industry, IBM Sales & Distribution, Finance Sector


Experts on this topic


 [Patrick J. Wiltshire](#)
Sr. Business Solutions Professional, Global Business Services

 [Kimberly S. Minor](#)
Insurance SME - Senior Managing Consultant, Global Business Services

 [Philip F. Proudfoot](#)
Insurance Solutions Development Manager, IBM Sales & Distribution, Finance Sector

 [David Sterner](#)
Life Insurance Segment Manager/ Insurance Solutions Manager - Core Life and Risk & Compliance, IBM Sales & Distribution, Finance Sector

 [Pawel A. Stefanski](#)
Business Partners Executive - Insurance, IBM Sales & Distribution, Finance Sector

 [Mark Carter](#)
Manager, Brand Synergy and Innovation, IBM Sales & Distribution, Finance Sector

Targeted Seller Education Program

- W3 Launch
 - W3 Feature Article
 - [W3 On-Line Sales Play Live Click Here](#)
- Live and Recorded Sales Education via Web Conference with MP3
- Client Ready Material
- Newsletter with eMail Branding (eMail Alert from Mark Lewis)
- Targeted Client Teams Diagnostic Validation
 - Building Virtual Teams
 - Client Specific Workshops
 - Sales Engagement with Selected Clients
- FSS Software Summit
- Defined by Marketing (Linkage Between S&D, GBS, SWG, Solutions Marketing)

The screenshot shows the W3 Sales Support Information (SSI) website. The main content area is titled "Overview Sales Guidance" and contains the following text:

Overview
Insurance carriers will require Straight Through Processing (STP) capabilities to compete in the growing wealth management product segment. The conversion of wealth from growth to income instruments can lead and erode Insurance Company organic growth. Compounding the problem are the manual processes and disparate legacy systems of the insurance companies. The competition, mutual funds, are aimed at automated self service with very quick turnaround for investing. On the forefront of other global markets is the creation of new wealth in emerging markets and the ongoing pension reform in many markets including Europe to shift responsibility from the government to individuals. In all, the communication of policy status between carrier and the producer is also difficult.

Value proposition
IBM and its Business Partner solutions for Straight Through Processing for Pension and Annuity New Business includes one or more of these potential benefits:

- Time to Issue - Eliminates manual follow-up
- "Not in Good Order" (NIGO) - The industry can save \$200M annually (U.S.)
- Sales Voids - Potentially a 60% to 70% reduction
- Contract Packages and Forms - (paper) Industry spends \$200 annually on preprinted forms
- Taking out costs
- Equalize the customer experience
- Improve "Not Taken Rate" - Loss of premium, no payback on initial issue process
- Customer Experience - Retention of customer
- Agent Satisfaction - Repeat Business

Target audience
Who is the business owner of this problem? LOB Executive (Annuities, Wealth Management, Pension) of the division where the products are developed, marketed and services.

Executive Overview – IBM Point of View

- In the U.S., the insurance industry is facing tough competition with the banking and mutual fund industries for retiree funds, as the wave of baby boomer retirement crests in 2011. Industry sales of annuities were \$230 billion in 2007, with retiree wealth distribution growing to \$3 trillion in three years. The current process of issuing an annuity is cumbersome, while traditional life insurance revenues are flat and require cost reductions and efficiencies to maintain profitability.
- STP is defined along three components. First, it most commonly involves processing new business. Second, it involves electronic capture of data or turning existing data into electronic format. And third, it does NOT eliminate the need for manual touch points but reduces the amount of human intervention.
- IBM has developed an approach to simplify life and annuity STP in a cost effective and incremental fashion. To demonstrate IBM's proven capabilities we have constructed a real and functional Annuity Straight Through Issue process that provides a best-practices solution and a roadmap to get there.
- NAVA (National Association of Variable Annuities) provides critical industry leadership in addressing regulatory and legal issues, enabling annuity new business STP. Their work paves the way for a new stage of change for the industry, today and the years to come.
- These capabilities will enable insurance carriers to compete in the growing wealth management product segment and in the low margin traditional product lines, resulting in increased revenue and reduced cost. With an improved infrastructure and ease of doing business, an insurer can focus on building a competitive advantage and adapting to changing consumer demands.
- The IBM annuity STP solution will enable carriers to increase sales by removing many of the bottlenecks that currently slow the new business process. This solution will also enable carriers to attract new agents, many of whom are increasingly placing "ease of doing business" as a top selection criterion.
- The existing state of the industry leaves a big performance gap that the first movers can take advantage of.
- Twelve members of the STP Council have already earmarked budgets to implement Phase One of STP by December 2008.
- In order to remain competitive and respond to industry pressures, insurers selling annuities should convert their existing business processes and systems to Straight Through Processing within the next 18 months



The annuity industry is facing a tremendous opportunity to provide retirement solutions critical to the needs of millions of aging baby boomers....we are currently disadvantaged by an increasingly aggressive regulatory environment and a protracted sales process that can greatly constrain this growth potential.



Source: NAVA 2007

[Table of Contents](#)

Executive Overview – Market Forces Driving Investment in STP

1. Distribution Channels

- Producers find it difficult to process new business with many carriers
- Non-traditional distribution channels have varying requirements
- Delays in processing new business impact not-taken rates

2. Competitive Pressures

- Reduced speed to market for new products results in competitive disadvantage
- Inefficiency of operations and high costs are a result of non-streamlined and non-integrated business functions

3. Regulatory Compliance

- Regulatory risk with high degrees of scrutiny over product suitability
- More regulatory focus on methods carriers use to drive producer behavior

4. Overall Market

- Changing competitive environment
- Dramatic shift in population demographics and customer expectations

5. Customer Interaction

- Policy holders increasingly interact directly with insurance companies and expect higher level of service
- Self-service requirements for distributors
- Visibility into the process

“*Insurers will need operational efficiency to enable customer loyalty and profitable operations. The use of straight through processing and electronic forms and documents will be critical in obtaining results.*”

– Kimberly Harris, Gartner Research

[Table of Contents](#)

Business Problem

Currently, 85% of applications are processed manually from paper or fax

- The cost of process applications could be reduced by half by moving to a fully automated process
- Insurance carriers lag behind others in the financial services industry in STP adoption
- Extensive manual intervention provides increased exposure to compliance issues

Nearly 45% of manually processed applications are received with errors and/or omissions or “Not in Good Order” (NIGO)

- Applications received NIGO are approximately 4-5 times as costly to process (\$300 per NIGO application) and can take days or weeks to resolve
- Multiple contacts with the customer to correct incomplete applications negatively impact consumer trust and increase the drop out rate, negatively impacting revenue
- Applications may be abandoned by the consumer due to long correction cycles and can account for a 30% “Not-Taken Rate”

Acquisition expenses can drive costs higher than product pricing can support

- Lack of automated processes drives inconsistency, exceptions and errors
- High percentage of effort allocated to non-value-adding activities

Solution Definition – Essential set of service offerings

IBM Services offerings that support solution elements at different phases of the implementation life cycle.



GBS/ GTS	Component Business Modeling Services™ Business Pilot Workshop IBM SOA Consulting Services	IBM SOA and Integration Services GBS Process Modeling Community	IBM Application Infrastructure Services	Application Management Services
HW			STG Servers (System z, p, and x) STG Storage (Disk, Tape, SAN)	Tivoli Systems Director Active Energy Manager
SW	WebSphere Business Modeler	Rational Software Architect WebSphere Integration Developer Rational Application Developer	WebSphere Process Server/ ESB WebSphere Transformation Extender (WTX) WebSphere Business Services Fabric WebSphere Portal Server IBM Lotus Forms FileNet	Tivoli Enterprise Monitoring Tivoli Access Manager WebSphere Service Registry and Repository (WSRR)
Sample ISV's			Silanis (signatures) Thunderhead (doc creation) AdminServer (policy admin) MapInfo (marketing campaigns)	

Value Proposition - Client Benefits

Key Metrics	Current State	Desired State
Time to Issue (Sales Process)	3-60 days	45 minutes - once and done
NIGO - Not in Good Order	45% of all applications	Less than 5%
Sales Visits	2 - 6 per application	1 per application
Contract Print and Mailing	\$30 - \$50 per contract	None unless requested
Not-taken Rate	25% - 30%	Less than 10% based on once and done
Customer Experience Rating	Approximately 50% positive	Above 85% positive
Agent Satisfaction Rating	Less than 50% positive	Above 85% positive

Potential Benefits per Contract

\$800 per customer sale
 \$50 manual processing per application
 \$300 in application resolution expense
 1.8% percentage point margin increase
 (based on \$65,000 average annuity contract value)

Increased Revenue Growth

Reduction in "not taken rate", improved competitiveness versus mutual funds and other capital market products, and higher productivity among producers and back-office staff

Reduced Regulatory Risk

Fully electronic process leverages business rules to monitor transactions for potential suitability issues

Improved Customer and Agent Satisfaction

Streamlined process eliminates the need for multiple call backs required to fix NIGO applications; enables agents to serve more clients; and provides a high tech experience analogous to online banking and fund trading applications

Value Proposition – Why IBM?

IBM has developed an approach that helps to simplify, implement and manage life and annuity new business STP in a cost effective and incremental fashion

IBM delivers measurable business benefits while reducing implementation risk and providing a hedge against a continually evolving business and regulatory environment

- **The only STP solution that covers business, technology and infrastructure**
 - ▶ **Based on IBM's modern and flexible Service-Oriented Architecture, using Business Process Choreography, Composite Business Services as well as open standards and proven industry models**
 - ▶ **Includes all aspects of architecture, business process design, component development and infrastructure deployment**
 - ▶ **Improves the agility of the infrastructure to stay current with new requirements over time**
- **Utilizes IBM's proven methodologies, best practices, accelerators, and skilled people worldwide. Competitors include ISV's and consulting firms/systems integrators: CSC, Sungard, Accenture, CapGemini**
- **Ability to drive down to detailed levels of acceleration from Component Business Model (CBM), to Service-Oriented Architecture (SOA), Infrastructure, and everything in the middle**
- **Future-proofed through the use of industry and technology standards – NAVA, ACORD, xForms**
- **Easily customized to fit specific needs of each client**
- **Delivers best-in-class user experience for customers and agents by utilizing integrated middleware**
- **To demonstrate IBM's proven capabilities we've constructed a real and functional Life Straight Through Issue process that provides a best-practices solution and roadmap to get there**

Virtual IBM Team

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