Helping ISVs take advantage of the on demand opportunity.

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Executive summary

Independent software vendors (ISVs) have probably heard a great deal about what it means to be an on demand business. IBM defines an on demand business as an enterprise whose business processes — integrated end-to-end across the company and with key partners, suppliers and customers — can respond with flexibility and speed to any customer demand, market opportunity or external threat. But many ISVs may still be asking: "How is this relevant to my company?" This white paper answers this question by outlining the on demand market opportunity for ISVs and explaining how ISVs can team with IBM to target this opportunity and help clients become on demand businesses.

IBM did not develop the e-business on demand™ concept in a vacuum. Rather, the idea emerged from thousands of conversations with IBM clients, IBM Business Partners and industry analysts, across a wide range of industries. These discussions focused on the challenges clients face, their management priorities and their need to transform their businesses to succeed in an increasingly competitive and dynamic business environment. While specific issues and circumstances may vary from industry to industry, common challenges and priorities are driving the evolution to on demand.

The evolution to on demand can create significant opportunities for ISVs that provide applications and services to help companies make this transformation. IBM predicts that the total application revenue opportunity for solutions with on demand capabilities will exceed US$90 billion dollars by 2008.[1] A key decision factor in most solution sales situations will be the strength of the solution's business applications component, so IBM's success with on demand depends on the success of its ISV community.

IBM exited the business application market in 1999, choosing instead to team with ISVs worldwide and provide them with hardware, services and middleware offerings that can enable the delivery of on demand capabilities. IBM has made a major commitment to ISVs to help ensure their continued success. With a comprehensive set of industry-specific technical, marketing and sales resources, IBM can help ISVs capitalize on the growing on demand opportunity.

While working with IBM in thousands of client engagements, ISV Business Partners have asked the following four questions repeatedly:

- *What kind of business and industry expertise does my company need to help clients transform into on demand businesses?*
- *What kinds of infrastructure standards and technologies can my clients use to build operating environments that allow them to most efficiently deploy, customize, integrate and manage their applications?*
- *How can my company evolve its business model to provide flexible financial and delivery options for clients?*
- *Why should my company choose to team with IBM?*

This white paper is structured to address these four questions. It is intended to help ISVs understand and target the enormous growth opportunity associated with the movement to e-business on demand by offering them a clear on demand roadmap based on client spending trends.

On demand business

An enterprise whose business processes — integrated end-to-end across the company and with key partners, suppliers and customers — can respond with flexibility and speed to any customer demand, market opportunity or external threat.

The evolution to e-business on demand has begun

The beginning of the twenty-first century marks an era in which the structure of business will begin to fully reflect the changes brought on by advances in information technology. Although many businesses have adopted the tools of the information age to enhance their employees' productivity, they are now being pushed to fundamentally change their competitive and operational structures. The incremental improvements these businesses have made over the last decade or two to differentiate themselves, stay attuned to their markets, reduce costs and deliver reliable returns are no longer enough to remain competitive. The companies that will thrive in an increasingly turbulent market environment will be those that can transform themselves by connecting their businesses end-to-end with suppliers at one extreme and customers at the other, fusing the best of business and technology to accelerate value creation. IBM calls these companies on demand businesses.

In the last few years, industry analysts and competitors began to describe these same marketplace phenomena using slightly different words. Meanwhile, IBM was working with clients, helping them navigate the issues related to winning customer loyalty in times of ever-rising expectations, and helping them increase organizational flexibility in the face of volatile demand shifts. IBM helps its clients become on demand businesses that can:

- *Respond in real time to changes in an ever-evolving marketplace.*
- *Leverage variable cost structures and adapt processes.*
- *Focus on core competencies.*
- *Be resilient to internal and external interruptions—from computer viruses, to earthquakes, to spikes in usage—with consistent availability and high security.*

ISVs have likely heard a great deal about e-business on demand from IBM in advertisements, the press and other communication. Yet, many still wonder how this shift is relevant to them. In conversations and engagements with thousands of IBM ISV Business Partners, the same four questions were frequently asked:

- *What kind of business and industry expertise does my company need to help clients transform into on demand businesses?*
- *What kinds of infrastructure standards and technologies can my clients use to build operating environments that allow them to most efficiently deploy, customize, integrate and manage their applications?*
- *How can my company evolve its business model to provide flexible financial and delivery options for clients?*
- *Why should my company choose to team with IBM?*

The information in this paper is designed to help ISVs develop their own answers to these questions by learning about opportunities and customer spending trends related to each of the three primary components of the IBM on demand strategy: business transformation, on demand operating environment and flexible financial and delivery options (see Figure 1).
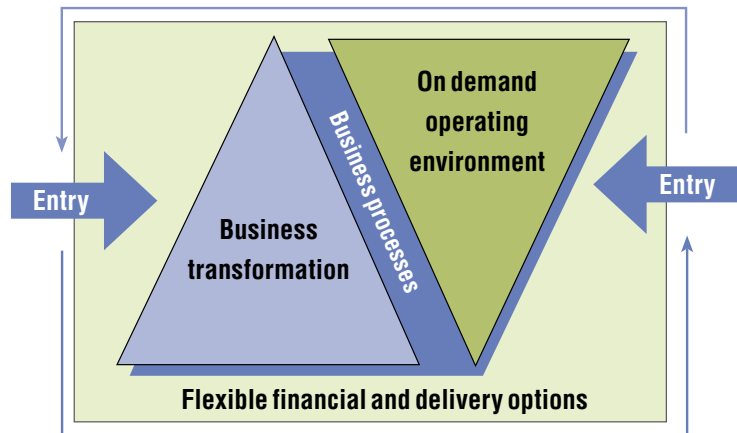

Figure 1. e-business on demand provides multiple entry points to help clients become on demand businesses.

Breakthrough business designs

Clients are responding to marketplace challenges by using IT solutions to address business issues. Consider Swets Information Services (Swets), a leader in selling published scientific and professional information, and the breakthrough the company achieved working with IBM and IBM ISV Business Partners, Actuate and Verity.

Swets had enjoyed great success with a strong customer base in the academic market, but future growth depended on breaking into the large corporate market. Effectively serving this segment required a different business model to meet the specific needs of this customer set. The company's existing business model had evolved over time as a set of unconnected processes. To be highly responsive to corporate customers, and quickly and easily deliver the information they needed, those processes had to be integrated. The solution was SwetsWise, a Web self-service platform that enhances and streamlines customer service, while continuing to leverage the company's legacy computing infrastructure. With this single, streamlined process, Swets was able to penetrate the corporate customer space and boost overall customer satisfaction.

What kind of business and industry expertise does my company need to help clients transform into on demand businesses?

Developing breakthrough business designs

The transformation to on demand begins as a business conversation with clients based on an understanding that business strategy and processes are inextricably linked with technology strategy and deployment. What makes the on demand era different from the years that preceded it is that companies not only have the opportunity to improve existing operations but also the ability to leverage advances in technology to create new breakthrough business designs. Breakthrough business designs can encompass, for example:

- *A change in objectives from eliminating inefficiencies within business processes, to eliminating the gaps between processes, functions, business units and organizations within the value chain.*
- *An expansion of scope beyond increasing efficiency within an organization to increasing productivity throughout value chains by enabling true, end-to-end integration that encompasses companies and their customers, partners and suppliers.*
- *A shift in focus from continuous improvement that leverages technology and expertise to do business more efficiently, to continuous innovation through the fusion of new business designs and next-generation technologies to actually do things differently, not once, but over and over again (see Figure 2).*
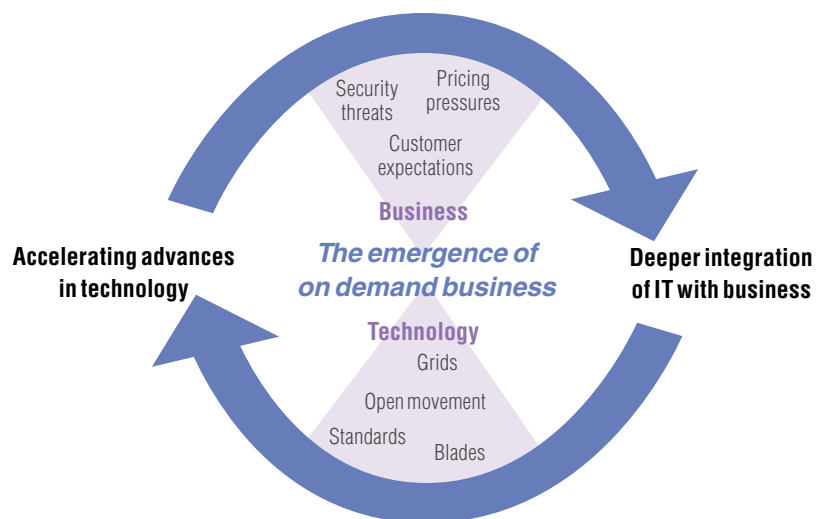

Figure 2. Continuous innovation through the fusion of business and technology

Achieving business transformation[2]

Companies now seek partners that can help them transform their businesses by developing on demand business models. ISVs can help their clients synthesize traditionally managed vertical silos by delivering applications as services that can be shared horizontally across the company. By providing applications consisting of more discrete sets of services, ISVs can help clients take the next major step toward becoming an on demand business: reassembling the application pieces into a more flexible and configurable model that consists of independent, yet interconnected, business components. All of this may well be a gradual process that is implemented across different areas of the company over time. But the end result is transformation of clients' organizations into on demand businesses that can respond, readjust or even reconfigure at the speed the market demands.

ISV business and industry expertise drives business transformation

Leading this kind of business transformation requires a thorough, expert understanding of clients' businesses, their industries and core competencies that will bring them the greatest success. Consequently, companies demand more than strong technology and applications to achieve business transformation objectives. Increasingly, they seek flexible, comprehensive technology solutions tailored to their particular industries. While business application components drive the solution sale, the most important decision factor is often the business and industry expertise of the ISVs providing the applications.

Which ISVs and IT services providers may be best able to help clients achieve breakthrough business designs? Those that have the specific business and industry expertise. This expertise allows them to identify areas of differentiation where clients can create growth or reduce costs, and figure out how clients can adapt and change their business processes — and underlying infrastructures — to accomplish their goals. As a result, clients prefer applications supported by a strong ecosystem of experienced system integrators and solution providers to help implement and customize solutions for their particular industries.[3] Working closely with IBM and its ecosystem of industry-focused IBM Business Partners, ISVs can leverage business insight, industry-specific expertise and industry-tailored solution frameworks.

What kinds of infrastructure standards and technologies can my clients use to build operating environments that allow them to most efficiently deploy, customize, integrate and manage their applications?

Build to a proven foundation — the on demand Operating Environment[4]
To become an on demand business, a company typically starts by breaking down its business into component processes and determining which core processes will differentiate its business to provide a sustainable strategic advantage. Then, it will seek to integrate these processes across heterogeneous applications and platforms, both inside and outside the company. With the IBM on demand Operating Environment, ISVs get a consistent, open and flexible platform to help on demand businesses leverage existing assets while increasing business flexibility and enabling IT simplification.

Increasing business flexibility
Applications written to the on demand Operating Environment increase business flexibility by leveraging technology capabilities designed to speed business integration initiatives. The ability to connect people, processes and information to become more flexible and responsive is increasingly critical as your clients extend their systems to more tightly integrate their partner, supplier and client processes with their business processes. By using open, industry standards and building to a services oriented architecture (SOA)[5], a framework for incorporating Web services across enterprises and between them, ISVs can more quickly and easily integrate processes that weren't originally built to work together.

Enabling IT simplification
Solutions running in an on demand Operating Environment achieve IT simplification through better infrastructure management. Most companies have complex, rigid, heterogeneous IT environments consisting of multiple kinds of hardware acquired over a span of years, running numerous operating systems and platforms. Also, very few systems operate at optimal capacity because organizations overprovision — or buy excess capacity to handle occasional spikes in system usage. Companies seeking to simplify their infrastructures and mitigate these problems can't afford to rip and replace the investments they've already made. The on demand Operating Environment makes it easier to automate and

optimize existing infrastructure by providing access to all the available resources in a client's network through a single, consolidated, logical view. By building workflows that automate the provisioning and orchestration of IT systems, ISVs can help clients simplify and optimize their infrastructures while reducing systems administration costs.

End-to-end process improvements can create significant ISV growth opportunities
Companies' desire to integrate end-to-end within their own businesses and with their customers, partners and suppliers creates exciting growth opportunities for the ISVs that can help them reach this goal. IBM research and discussions with thousands of clients indicate that companies are investing to achieve this end-to-end process integration in five primary areas.

- *IT and application consolidation*
- *Front office and people integration*
- *Business process integration*
- *Improved IT utilization*
- *Flexible delivery and variable costs*

The next section discusses each of these growth areas (shown in Figure 3) in more detail. It also highlights ISVs that have already found success capitalizing on these increasing client spending trends.
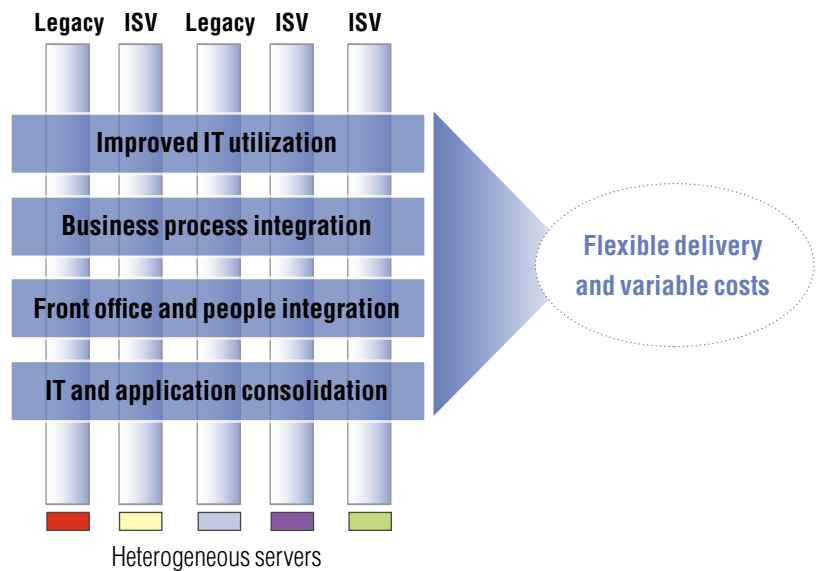

Figure 3. Customer investments in end-to-end process improvements

Opportunity area 1: IT and application consolidation

Most companies today manage legacy systems based on multiple, proprietary platforms and redundant applications operating in silos that can't be easily integrated. To gain the flexibility to integrate across multiple platforms while lowering complexity and costs through server consolidation, companies are embracing the implementation of open-standards-based applications. This movement to an open application foundation is apparent in the increasing trends in Java™ 2 Platform, Enterprise Edition (J2EE) adoption and IT spending on both Web services and Linux.[6]

Opportunity area 2: Front office and people integration

Another opportunity involves creating a dynamic user experience that integrates people and processes at the user-interface level. In many companies today, communication is inefficient, with the right information not getting to the right people in a timely manner. Companies are improving employee effectiveness with intranet and extranet portals for better information flow among employees, suppliers, partners and customers, and collaboration capabilities, such as instant messaging and teamroom workplaces. They are expanding initiatives to integrate people, information and applications and to customize the experience for each user. Over the next five years, analysts predict an 18 percent growth rate in these types of integration and customization initiatives.[7]

Opportunity area 3: Business process integration

Historically, organizations have focused on optimizing single, standalone processes, such as sales force automation or inventory management. Today, however, many critical business processes stretch horizontally across different applications and divisions both inside and outside a company. The opportunity now lies in helping companies realize real breakthrough gains by connecting horizontal processes end-to-end, across applications, within and outside of the company. This type of integration improves business manageability, efficiency and competitiveness. Analysts forecast an eight-percent growth rate in business process integration over the next four years.[8]

Opportunity area 2: Front office and people integration

Business Objects is an ISV that has been successfully providing people integration capabilities in its applications. The company combined its Crystal Enterprise application with IBM WebSphere Portal to deploy a Web-based solution for information reporting, analysis and delivery for Huntington National Bank. One of Huntington's biggest challenges was providing its managers with easy and timely access to the business information they needed to make better decisions. Managers were expected to make decisions from balance sheets and income statements delivered monthly in the form of lengthy, paper-based reports. With the Business Objects solution, Huntington can now distribute reports, customized to each user, over the Web in real time. Not only did this greatly increase managers' abilities to make effective and timely decisions, it also drove immediate cost savings by eliminating the need to print over 200,000 pages and ship 40 boxes across the U.S. every month.

Opportunity area 4: Improved IT utilization

Today, most companies rely on manually input templates and scripts to manage their IT infrastructures. Any input errors or omissions are automatically replicated throughout the system, leaving companies at risk of needless network outages. Companies are investing to improve IT utilization with applications that can sense and respond to changes in system demands and other system instabilities and automatically allocate resources based on customized business policies. IBM research shows a 15 percent annual growth rate for automation applications and middleware over the next five years.[9]

Opportunity area 5: Flexible delivery and variable costs

Today, most business applications are still only available through a license plus maintenance purchase with deployment on servers at the client's site. Companies are increasingly seeking flexible financial and delivery options so they can acquire applications and services in the way that best suits their businesses. ISVs can respond to this trend by making it easier for clients to acquire and manage applications when they need them and enabling clients to pay for only the features and capacity they use. While the opportunity in flexible financial and delivery models currently sits at US$4 billion per year, IBM research indicates heady growth at approximately a 30 percent rate over the next five years.[10] By evaluating and adopting these emerging models early, ISVs can be better positioned to benefit as this opportunity continues to grow.

Targeting the on demand growth opportunities — a prescriptive roadmap for ISVs
IBM has developed a clear and prescriptive on demand Operating Environment roadmap based on the areas of increasing client spending trends discussed previously (see Figure 4). This roadmap can help ISVs determine the discrete steps they can take to develop on demand capabilities in their applications. This roadmap is not meant to be linear in nature; instead, the steps and timeline for adoption can vary for each ISV depending on the type of applications and their clients' priorities.

Opportunity area 3: Business process integration

An example of an ISV operating in the business process integration area is IBM Business Partner Digital Union and its client Sterling Fluids, a global provider of highly engineered fluid and gas handling products and services. Sterling's aggressive acquisition strategy had resulted in a heterogeneous back-end application environment both between and within its business divisions. As a result, the company was operating at least 10 different and separate enterprise resource planning (ERP) packages, for example. This complexity severely limited Sterling's ability to conduct electronic transactions internally across business units and to integrate with channel partners. Digital Union implemented its ezMarket e-procurement solution, using IBM WebSphere Business Integration software to connect these previously siloed applications. The solution enabled customers, distributors and other Sterling business units to obtain key account information and conduct transactions in real time, providing them with faster turnaround for their transactional and informational requirements. Sterling Fluid Systems expects the solution to increase gross margins by two percent by reducing pre- and post-sales support costs.
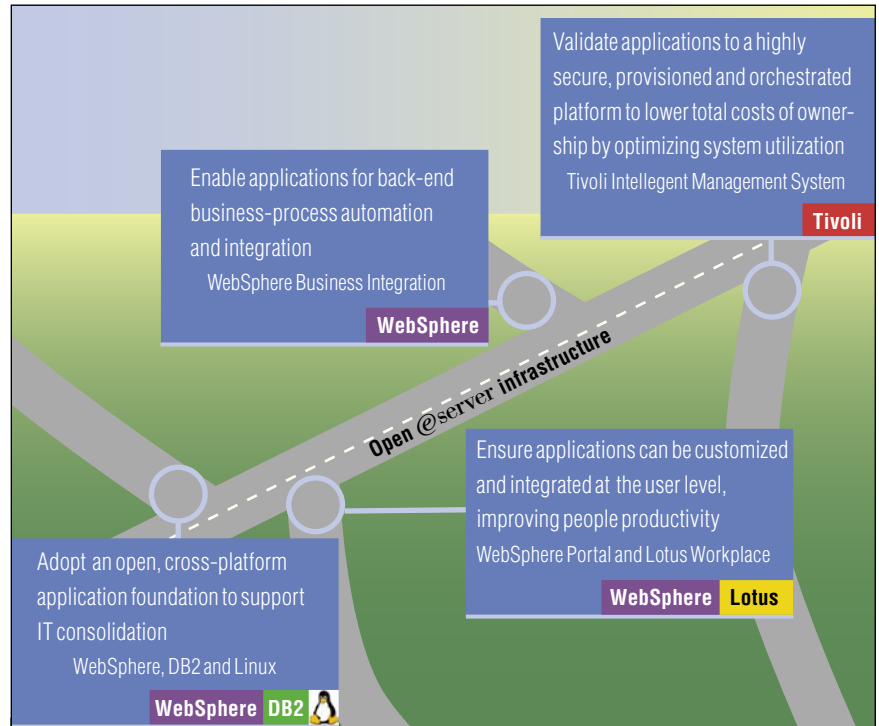

Figure 4. On demand Operating Environment roadmap

IT and application consolidation

A company can't build to an on demand Operating Environment without moving to an open, cross-platform application foundation. A standards-based approach to delivering application functionality and the underlying infrastructure is critical because it gives both ISVs and their clients the business flexibility to adopt other elements of the on demand Operating Environment over time. This entry point involves enabling applications to deploy to:

- *A J2EE technology-based application server, such as IBM WebSphere Application Server.*
- *A J2EE technology-based database, such as IBM DB2® Universal Database™.*
- *IBM @server® hardware, optimized for Linux, the robust open-source, open-standards-based operating system.*

Once ISVs have adopted an open, industry-standards-based foundation, the next steps depend on client needs and priorities. To provide on demand capabilities, the areas to be considered include:

Opportunity area 4: Improved IT utilization

Intelliden is an ISV that has successfully integrated automation capabilities with its applications. Intelliden and IBM worked with British Telecom to create a new network-management model for its BT Transform service — the U.K.'s first information and communications technology (ICT) business platform based on Internet Protocol (IP) technology.

British Telecom realized that the process of using highly paid engineers to manage hundreds of command line interface (CLI) instructions on an ongoing basis was one of the largest cost elements in managing its networks. Intelliden's automated and intelligent solution used IBM Tivoli® software to help British Telecom optimize its network resources, and reduce errors and system downtime, without the cost and risk associated with the previous manual process. The platform was designed to be supremely reliable, adept at handling the most complex IP services and capable of automatically eradicating problems traditionally associated with networks.

- *Ensuring applications can be customized and integrated at the user level.*
- *Enabling applications for back-end business process automation and integration.*
- *Certifying applications to work in a highly secure, provisioned and orchestrated environment.*

Front end and people integration

Ensuring applications can be customized and integrated at the user-interface level is a critical step in the move to on demand. ISVs with applications that require a strong, consistent user interface, customization for specific users and collaboration with other users can start aligning with this opportunity by building portlets for their applications. Users can access applications through portals in a manner that is customized and personalized to their needs. IBM WebSphere Portal and IBM Lotus® Workplace software can bring collaboration, personalization, user customization and integration capabilities to applications.

Business process integration

For ISVs with applications that work with processes stretching across and outside the company, enabling applications for back-end business process integration is a very important step. IBM WebSphere Business Integration software includes a rich portfolio of J2EE servers and tools, customizable adapters, integration brokers, workflow servers and business process management services to help your clients quickly and easily integrate their applications with other applications and business processes internally and externally.

Improved IT utilization

Applications with automated management and optimization capabilities can lower total cost of ownership for clients. Applications that help virtualize infrastructures allow clients to maximize their new and existing investments. ISVs should seriously consider adding systems optimization capabilities to their solutions by certifying their applications to a secure, provisioned and orchestrated platform. ISVs can help clients in their efforts to improve IT utilization by using IBM Tivoli intelligent management software to build reusable workflows that give applications and solutions automated orchestration and provisioning capabilities.

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Opportunity area 5: Flexible delivery and variable pricing

To reach new markets and smaller customers, Siebel Systems, a leader in customer relationship management (CRM) solutions, introduced CRM OnDemand toward the end of 2003. Siebel CRM OnDemand automatically provides customer-facing employees with comprehensive information about their customers, including embedded analytics — enabling faster and better decision making, a seamless experience for customers and more profitable business results. Siebel CRM OnDemand is delivered as a service over the Internet at a cost of US$70 per user, per month. No new hardware, software or implementation is required, and setup time is reduced to days rather than months or years. All of this significantly reduces the up-front cost and commitment for new clients. This hosted CRM solution garnered rave reviews from initial clients — with one forecasting a US$25,000 to US$50,000 annual revenue increase resulting from every subscription.

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IBM Software Development Platform — fueling your success at every step on the roadmap

The on demand roadmap can provide a vision for developing applications with on demand capabilities — and having the right tools can help ensure success in executing that vision. The IBM Software Development Platform is a single solution that combines the power of the IBM Rational Unified Process® platform — including market-leading application modeling and testing tools — with the IBM WebSphere Studio toolset and the Eclipse framework for J2EE and open-standards development. The IBM Software Development Platform gives ISVs the integrated tools and best practices to build their software assets predictably and productively. It delivers reliability and robust functionality that can't be matched by other commercial or homegrown development platforms.

How can my company evolve its business model to provide flexible financial and delivery options for its clients?

Delivering flexible financial and delivery options

Clients are looking for increased choice in how to acquire, manage and pay for applications and services that are:

- *Flexible, enabling them to respond on the fly to unanticipated changes.*
- *Variable, allowing them to convert fixed costs to variable costs.*
- *Managed, taking the responsibility from clients for ongoing maintenance, support and upgrades.*
- *Optimized, to maximize the utilization of computing assets.*

Successful transformation to an on demand business not only results in the transformation of business components and the underlying processes and technologies, but also in the transformation of the company's economic model. IBM has designed a series of flexible financial and delivery options to give clients a more cost-effective way to manage and pay for applications. Instead of investing in application licenses and the supporting hardware and infrastructure up front, clients can pay for hosted applications through usage metrics, such as named users (seats), number of transactions or data sources and resources utilized.

ISVs can provide flexible financial and delivery options by delivering software as a service over the Internet, with applications hosted on remote servers away from the client site. Different hosting options provide different degrees of flexibility for ISVs and their clients. An ISV could provide hosting services from servers and infrastructure at its own sites, or it can work with a hosting services provider like IBM, offloading the fixed costs, maintenance and risk, and increasing the ISV's flexibility.

Flexible financial and delivery models can provide great benefits for both ISVs and their customers.

- Larger potential client base

  With application delivery over the Internet, ISVs can reach geographically dispersed clients that could not be reached through traditional channels. They can also reach clients that may have been reluctant to consider their applications because of the high initial cost to purchase software, hardware and installation services.

- Improved competitive positioning

  With less time and money spent on deployment, maintenance and support for client on-site issues, ISVs can focus on the more value-added aspects of their applications. Furthermore, providing applications in a flexible manner can deliver first-mover advantage and help ISVs win new clients.

- Lower support costs

  Through a single instance of their hosted application, ISVs can support multiple organizations and subscribers within an organization. Instead of having to convince clients to migrate to new versions or releases, ISVs can release new features and applications on hosted servers and let their clients access them as soon as they are available. Also, instead of having to deploy to client machines at the client's site, ISVs can migrate all hosted clients to new releases at the same time.

- Reduced infrastructure costs

  By hosting applications through a hosting services provider like IBM, ISVs and their clients can pay only for the infrastructure capacity they need, when they need it. This results in lower fixed infrastructure costs for ISVs and clients, and greater capacity utilization.

The current market for flexible financial and delivery models is not extremely large, and consequently, this model may not yet be appropriate for all ISVs. However, the market is growing rapidly at an estimated 30 percent annually,[11] so ISVs may want to explore this area as an option for future investment, even if it isn't feasible for their companies today. When the time to make a transition to a more flexible model arrives, ISV Business Partners can team with IBM to offer superior hosting services, from basic application hosting to entire outsourced infrastructures. IBM has a number of services and offerings that can help ISVs make this transition.

- Application Enablement Program
  A valuable ISV service that offers blueprints for hosting ISV applications for clients, joint marketing programs and guidance on how to make the transition to a software as a service model.

- On Demand Hosting Centers
  IBM locations that provide processing power, storage capacity and infrastructure management for ISVs, to help ensure that applications run on a reliable, security-enhanced platform with many cutting-edge features, including customized data backup and restore. IBM hosting services can greatly improve uptime and scale to meet growth opportunities and specific client needs.

Why should my company choose to team with IBM?

Decision time—a critical inflection point
Feedback from hundreds of ISVs indicates that the decision to shift to on demand presents a critical inflection point, both financially and strategically.

From a financial perspective, the traditional packaged applications market is expected to remain flat over the next several years. Meanwhile, the market for applications with on demand capabilities, such as integration, automation and virtualization, is expected to grow significantly. IBM estimates the revenue potential for applications with on demand capabilities will increase from US$40 billion in 2003 to US$90 billion by 2008[12] (see Figure 5). ISVs that equip their applications with these on demand capabilities may be poised to expand their pool of potential clients and capitalize on this opportunity. The choice to be made is whether to continue to develop traditional packaged applications or invest to develop applications with on demand capabilities to target the significant area of growth.
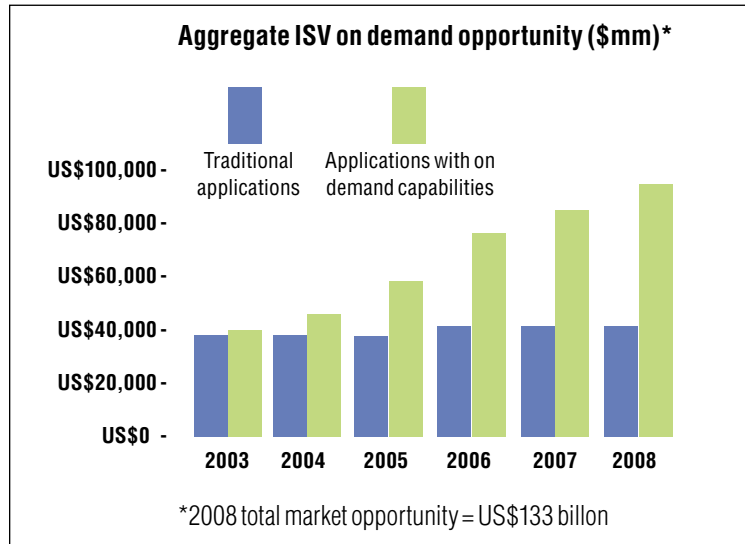
Aggregate ISV on demand opportunity ($mm)*

Traditional applications

Applications with on demand capabilities

US$100,000 -

US$80,000 -

US$60,000 -

US$40,000 -

US$20,000 -

US$0 -

2003 2004 2005 2006 2007 2008

*2008 total market opportunity = US$133 billon

Figure 5. Aggregate ISV opportunity

ISVs that have decided to develop on demand capabilities face a major strategic decision regarding the middleware platform on which they base their applications. A solid middleware platform must provide end-to-end integration and systems management capabilities, allowing ISVs to concentrate their efforts on developing the industry-specific business process expertise that will differentiate their solutions.

Many ISVs will make a decision to deploy their applications on an open, J2EE platform or the Microsoft® .NET platform over the next 12–18 months.[13] Right now, some ISVs are trying to support both platforms, but most simply won't have the resources to continue to invest in developing, deploying and supporting their applications on two disparate models. This platform decision is critical for several reasons. It not only influences all architectural decisions; it also leads to a decision about the technology company that offers the greatest long-term and near-term opportunity for the ISV's business.

Why IBM? It's about business and economic value

Of course, platform and teaming decisions will ultimately be based on what an ISV determines can deliver the most business and economic value. IBM has made a significant investment in its ISV Business Partner community and is committed to delivering maximum value and market opportunity to ISVs. Think about several key points.

- IBM provides the right architecture for today and tomorrow.

  Unlike some of its competitors, IBM is a strong proponent of open standards, like Java, Linux and Web services. IBM also supports an open implementation of these standards to support multiple operating systems and platforms and to enable integration across the value chain. This commitment gives IBM ISV Business Partners and their clients increased business flexibility by not locking them into a single operating system or platform for future expansion.

- IBM is the business integration market leader.

  The title of a May 2003 Gartner report says it all: "IBM Has Top Share in All Application Integration, Middleware Markets".[14] Industry analysts recognize IBM as the market leader in virtually all areas of middleware including application servers, business integration and portals. IBM offers a proven and mature Java middleware platform that has been powering mission-critical applications at thousands of companies for many years. Consequently, ISVs and their clients can avoid the costly migration updates and extensive patch-management systems they might encounter with some IBM competitors.

- IBM is widely recognized as a leader in industry solutions and go-to-market capabilities.

  Clients increasingly demand industry-specific application capabilities. The IBM acquisition of Price-Waterhouse Coopers consulting practice led to the formation of IBM Business Consulting Services, a team that represents some of the foremost industry experts in the world. Through its own client engagements, Business Consulting Services has developed industry expertise and business insight that is an extremely valuable resource for IBM and its Business Partners. Leveraging this new team, IBM has now established the world's largest, industry-vertical, IT solution unit. IBM has revamped its middleware portfolio with over 60 middleware industry solutions, reorganized the sales force around 12 target industries and revitalized

IBM does not compete in the application marketplace.

– Sam Palmisano, chairman and CEO,
   IBM Corporation

its ISV Business Partner programs through IBM PartnerWorld® Industry Networks, to help ISVs more effectively deliver the kind of tailored industry solutions that companies want to buy. ISVs can drive significant revenue growth by leveraging this expertise, together with leading IBM go-to-market and sales capabilities.

- IBM does not compete in the business application space.
  Unlike some IBM competitors, IBM leaves the business application opportunity for ISVs to capture. IBM exited the business application market in 1999 with the belief that collective clients are better served in a market with a thriving supply of application solutions tailored to specific industries and regions of the world. IBM works to foster a growing and economically viable ISV Business Partner ecosystem and invests over US$1 billion annually in supporting ISVs.[15]

Getting started

This is a very exciting time for businesses and their IT partners. The evolution to on demand represents a major shift in the way companies view information technology and use it to unlock massive new organizational productivity gains. IBM is focused on addressing the challenges and opportunities for ISVs by:

- *Teaming with ISVs to go to market with industry-optimized on demand solutions that help companies transform into on demand businesses.*
- *Expanding ISV opportunity by delivering an open, flexible and automated operating environment for these on demand solutions.*
- *Enabling ISVs to profit from business models offering flexible financial and delivery options.*

With the information in this white paper, ISVs can begin having informed discussions with clients about the business issues that they face and how the ISV's applications can leverage the capabilities provided by the IBM on demand Operating Environment. ISVs can be confident that working with IBM and leveraging its prescriptive on demand roadmap can best position them to capture this shift to on demand and the substantial opportunities that come with it.

IBM Business Partner Programs—the first step

IBM makes it easy for ISVs to get started by providing a comprehensive set of ISV Business Partner offerings and programs. The IBM PartnerWorld Web site at **ibm.com**/isv is a resource designed specifically to help IBM ISV Business Partners. ISVs can join ParterWorld today and opt into one of the Partnerworld Industry Networks to begin to embrace the on demand evolution.

- PartnerWorld

  IBM program to help Business Partners develop and market their software solutions. PartnerWorld provides the flexible resources ISVs need to bring their products to market faster, lower their costs of doing business and reach broader business opportunities. These resources include live and online education, technical support, financing, incentive programs and co-marketing and sales support. The Partnerworld Industry Networks allow ISVs to customize their PartnerWorld experiences and benefits according to the specific industries they serve.

- developerWorks

  Robust IBM resources for individual developers, including students, corporate and commercial developers. IBM developerWorks® provides no-charge access to a wealth of tools, code, how-to articles and education for open-standards-based development.

As their investments in and commitments to the IBM on demand roadmap progress and increase, ISVs can rely on IBM to provide the support and rewards to drive mutual success.

For more information

ISVs can start developing solutions with on demand capabilities for their clients today. To learn more about ISV opportunites with IBM, visit:

ibm.com/isv

Other ISV resources to get started

Learn more about on demand and teaming with IBM.

- *Webcast, "Expand Your Market Opportunity with IBM On Demand Solutions, a Roadmap for ISVs" – Catch the replay of this Webcast with Scott Hebner, vice president of strategy and marketing for IBM ISV and Developer Relations.*

- *Webcast, "Delivering On Demand Solutions to the Midmarket, a Roadmap for ISVs Serving the Midmarket" – Find out about the on demand opportunity in the midmarket with Debra Thompson, vice president of marketing for IBM Global Small and Medium Business, and Mark Ouellette, vice president of sales for IBM Software Group Small and Medium Business.*
- *Brochure, "How to help your customers become more on demand and reap immense rewards for your business." – Get a high-level look at the on demand opportunity for ISVs and opportunities to team with IBM.*
- *White paper, "Comparing the IBM J2EE middleware platform and the Microsoft .NET Platform."*
- *White paper, "Operating Environment essentials for an on demand breakthrough" – Providing a more detailed look at the IBM on demand Operating Environment.*
- *White paper, "On Demand Business: The new agenda for value creation"*
- *Analyst report, IDC, "Worldwide Strategic Alliance Competitive Analysis, 2003" (#30219, October 2003) Calls IBM a clear leader in its "ability to execute on their alliance strategy."*

Build on demand capabilities with IBM products and technologies.

- *IBM Innovation Centers (formerly Solution Partnership Centers) – a network of 19 facilities worldwide with experts who can assist ISVs with all aspects of porting and enablement to IBM on demand offerings*
- *IBM Virtual Innovation Center – complimentary online courses, resources and live support for Business Partners to build technical and sales skills with IBM software products*
- *IBM Innovate Now - resources and support for ISVs focused on emerging technologies and marketplaces to successfully take products and solutions from concept to market*

Team with IBM to market and sell your industry-specific solutions and on demand capabilities.

- *IBM PartnerWorld Industry Networks for ISVs – to enhance the PartnerWorld for Developers experience by providing a single place for ISVs to pursue industry-optimized programs to target customers based on industry pains. It can also help ISVs build industry capabilities, enable those capabilities to IBM industry solutions and go to market with the support of IBM industry-focused marketing and sales tools and resources.*

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1   IBM analysis utilizing forecasts from technol-
    ogy industry analysts, August 2003.

2   To learn more about how to achieve business trans-
    formation, see the "On Demand Business: The new
    agenda for value creation." white paper referenced
    in the resources section at the end of this paper.

3   IBM Marketplace Assessment, October 2003.

4   For more detail about the on demand Operating
    Environment, see the "Operating Environment essen-
    tials for an on demand breakthrough." white paper
    referenced in the resources section at the end of this
    paper.

5   Service-oriented architecture is a modular approach
    to infrastructure, including software design, devel-
    opment and execution, where every application
    and resource is treated as a service. The interfaces
    between these services are defined according to
    industry standards, enabling them to exchange struc-
    tured information and providing the flexibility to treat
    applications and their underlying infrastructures — as
    well as business processes — as components that
    can be mixed and matched at will.

6   Percent of applications developed using J2EE fore-
    casted to grow eight percent annually through 2006
    according to IBM analysis utilizing technology indus-
    try-analyst forecasts. Web services software revenue
    forecasted to grow at a 40 percent compound annual
    growth rate through 2007 according to IBM Market
    Intelligence research and analysis, 2003. Linux is
    forecasted to be the fastest growing operating system,
    increasing from 23 percent of operating system ship-
    ments in 2002 to 33 percent in 2007 according to IDC,
    "Worldwide Client and Server Operating Environments
    Forecast, 2002-2007" (IDC #30159, September
    2003).

7   Paraphrased from "Worldwide Enterprise Portal
    Software Revenue," IDC, June 2003 forecast.

8   IBM analysis utilizing forecasts from technology
    industry analysts, June 2003.

9   IBM Market Intelligence research and analysis,
    August 2003.

10 IBM Market Intelligence research and analysis,
    August 2003.

11 IBM Market Intelligence research and analysis,
    August 2003.

12 IBM analysis utilizing forecasts from various technol-
    ogy industry analysts, August 2003.

13 See the white paper, "Comparing the IBM J2EE
    middleware platform and the Microsoft .NET Platform",
    referenced in the resources section of this paper, for
    more details to help you assess this strategic platform
    decision.

14 Correia, Joanne; Natis, Yefim; Pezzini, Massimo and
    Schulte, Roy. "IBM Has Top Share in All Application,
    Middleware Markets." Gartner Research, Inc. May 7,
    2003.

15 IBM invested over US$1 billion in ISVs in 2003 and
    expects to invest even more in 2004 and beyond.

@ business on demand.