System z: 2007 Channel Strategy
Parma, February 2nd

Together we can win!

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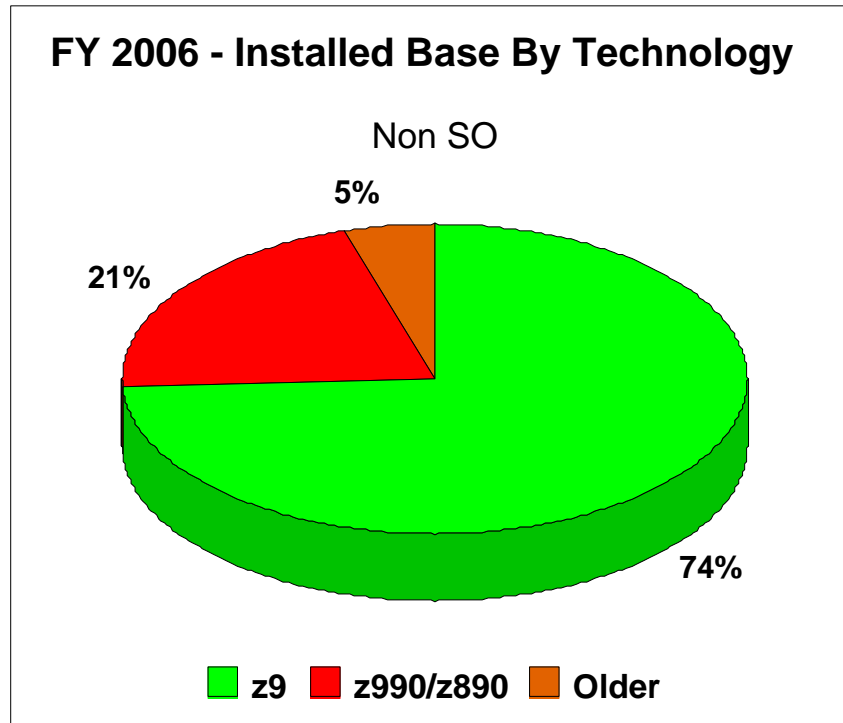System z Channel Mgr - Italy
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Meeting Agenda
"Together we can win!"

- ➢ 2006 Picture

- ➢ 2007 Strategy: Together we can win!

- ➢ SWG News

- ➢ Tools for an outstanding 2007

- ➢ SAP & System z

- ➢ System z SW Ecosystem

- ➢ Q & A session

2006 Picture: Greatest Year Ever
"Together we can win!"

FY 2006 - Installed Base By Technology

Non SO

5%

21%

74%

■ z9 ■ z990/z890 ■ Older

Quarter	Non_SO_MIPS	Qly Inv Growth	YoY Growth
2003 Q4	281,0		
2004 Q1	284,0	1,1%	
2004 Q2	287,0	1,1%	
2004 Q3	290,0	1,0%	
2004 Q4	293,0	1,0%	4,3%
2005 Q1	299,0	2,0%	5,3%
2005 Q2	305,0	2,0%	6,3%
2005 Q3	322,1	5,6%	11,1%
2005 Q4	333,2	3,4%	13,7%
2006 Q1	344,2	3,3%	15,1%
2006 Q2	360,4	4,7%	18,2%
2006 Q3	380,5	5,6%	18,1%
2006 Q4	415,1	9,1%	24,6%

➢ **2006 SVL revenue is 12% of 2006 FY System z revenue**

➢ **87% of z9 BC boxes have been sold through BPs**

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2007 Strategy
"Together we can win!"

Red Space

Existing Systems - running on non-IBM platforms

A – Decision taken sometime ago to buy from competition

B – Strong Customer support for the decision to use Competition

C – Zero or small IBM revenue today

Today's problems encountered

Complexity caused by:
- too many Servers
- too many inter-connections between systems
- too many SCPs to manage

Operational Risks encountered:
- poor availability
- poor performance
- low security

Attack!

White Space

Planned new systems - the platform is not yet selected

A – What are the new applications under development or planned?

B – Who is involved?

C – How can we influence the decision?

D – What does customer know about IBM's capabilities?

E - How do we get IBM on the short list?

Today's application's requirement

Low Costs:
- to own
- to operate
- to manage

Simplicity:
- the smallest number of servers
- minimum interconnections

High Service levels:
- affordable Performance, Availability and Security

Flexibility:
- start small and grow fast
- move between diverse platforms

Explore!

Blue Space

Existing Systems - running on IBM platforms

A - major System z Customer - with competitive UNIX

B - major Sysetm z and major pSeries customer

C - major pSeries customer and no Mainframe (no System z)

Today's application's requirement

High Service Levels:
- Reliability
- Availability
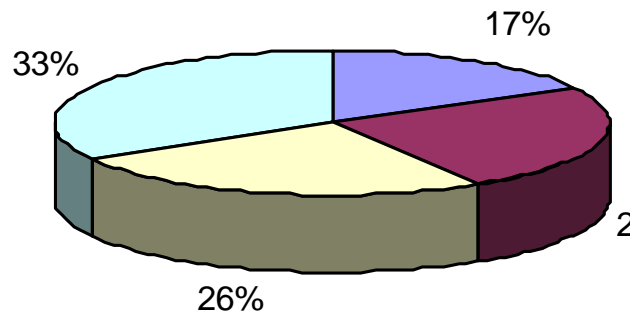- Security

High Performances:
- Response time
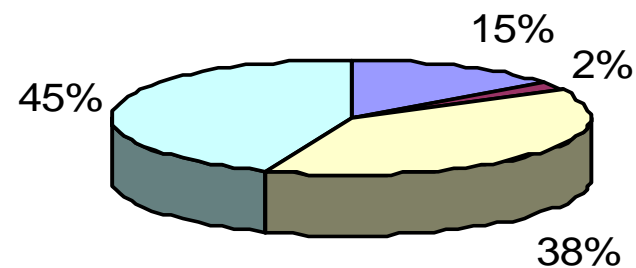- multiple transaction management

Defend and Growth!

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2007 Strategy: (HW Migration)
"Together we can win!"

MIPS by Technology Distribution
(Customers < 1000 MIPS)

17%

33%

2

26%

Defend and Growth!

% of customers by technolgy
(Customers < 1000 MIPS)

15%

2%

45%

38%

□ z9BC ■ z990 □ z890 □ older

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2007 Strategy: (New Workload)
"Together we can win!"

- **60% of revenue driven by new workloads**

- **Java**

- **Linux**

- **Database**

- **SOA**

Explore!

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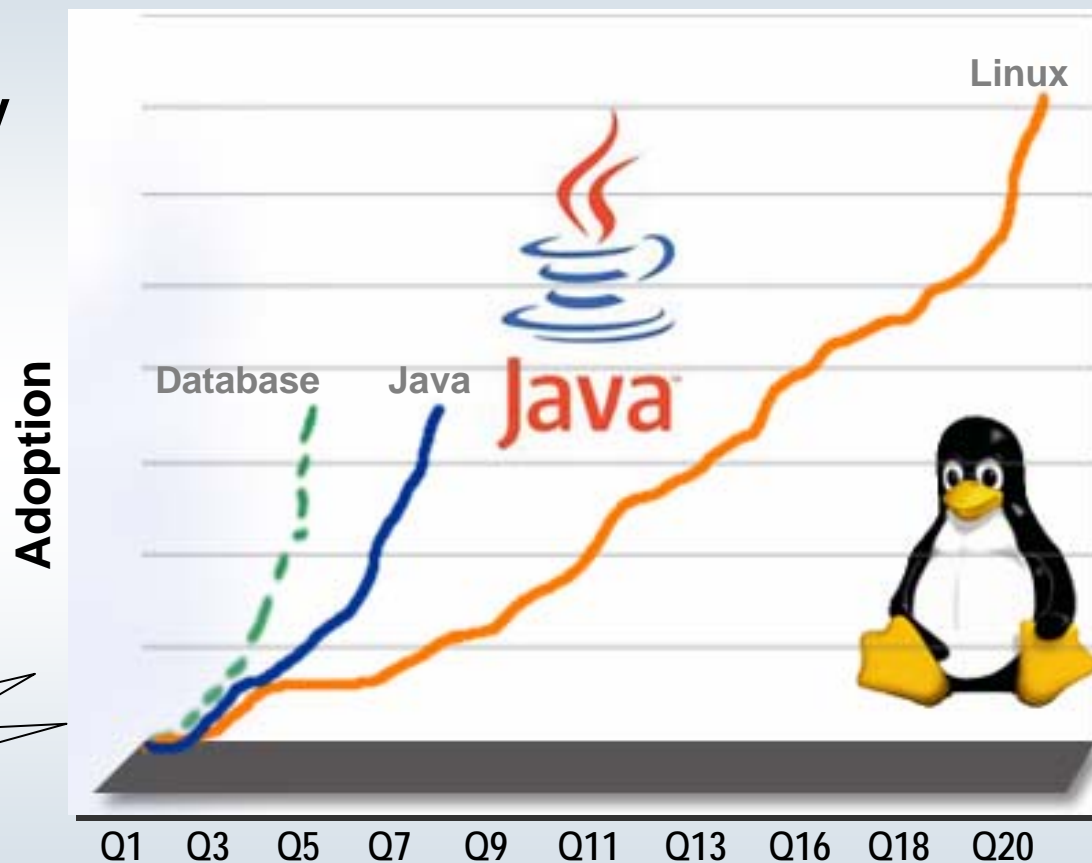
2007 Strategy: (New Mainframe Customers)
"Together we can win!"

> *"It's interesting when Solaris and Windows are the legacy, and mainframes are the new big thing."*
>
> Mark Snodgrass,
> Vice President Global Technology & Services,
> Merrill Lynch

➢ **Server Consolidation (Server Farm "in a Box")**

➢ **SAP Consolidation**

➢ **Application Porting**

➢ **…**

Attack!

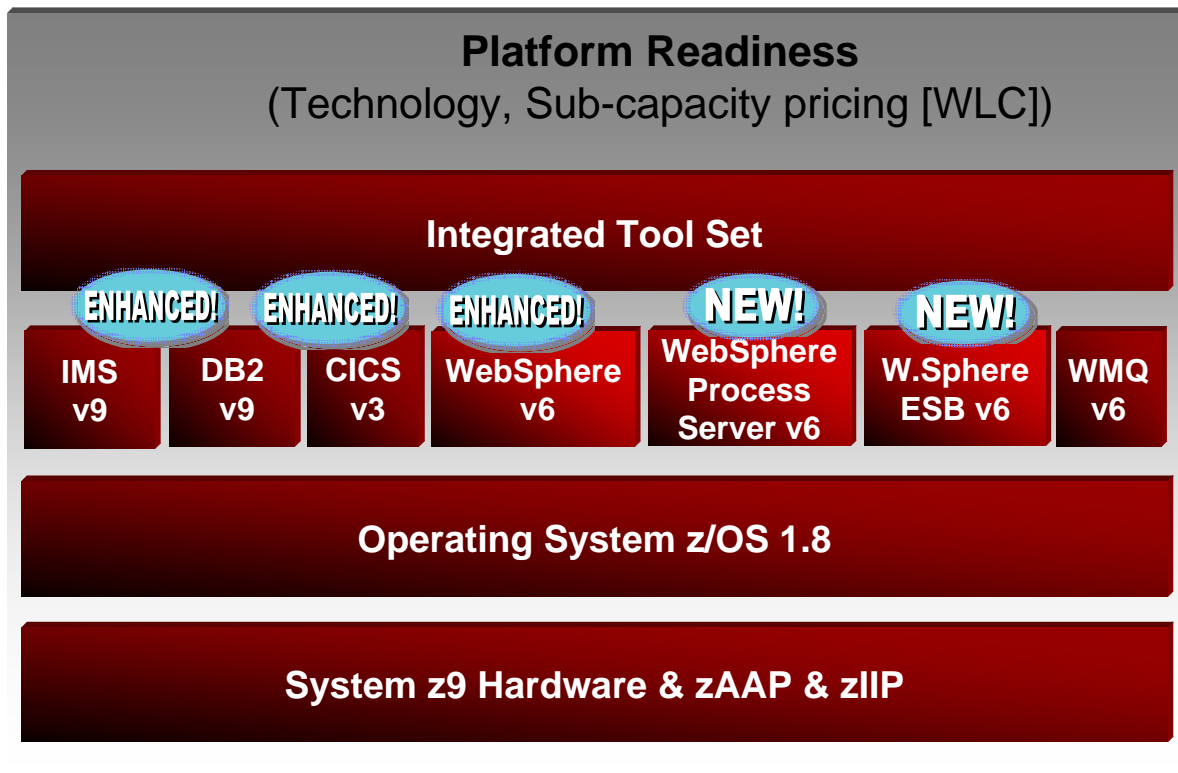**ON DEMAND BUSINESS**™

SWG News
"Together we can win!"

Agenda:

- **Z SW Strategy**

- **New System z™ New Application License Charges (zNALC) Price Metric for z/OS®**

- **z/VSE™ V4 Announcement Overview**

- **New Midrange Workload License Charge (MWLC) Price Metric for z/VSE V4**

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Z SW Strategy

To handle new workloads and to manage workload within a complex infrastructure, complete platform readiness is an important step

Platform Readiness
(Technology, Sub-capacity pricing [WLC])

Integrated Tool Set

ENHANCED!	ENHANCED!	ENHANCED!		NEW!		NEW!	
IMS v9	DB2 v9	CICS v3	WebSphere v6	WebSphere Process Server v6		W.Sphere ESB v6	WMQ v6

Operating System z/OS 1.8

System z9 Hardware & zAAP & zIIP

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Modernizing the mainframe

- DB2 9 for z/OS - **GA 1H 2007**   *NEW !*

  – Enable high-volume transaction processing for next wave of Web applications

  – Extend the lead in transaction processing availability, scalability and performance

  – Reduce cost of ownership and System z-specific skill needs

  – Improve data warehousing and OLTP reporting

- IMS V 10 - **GA 2H 2007**   *NEW !*

  – New technology to integrate into an SOA

  – Integration with other products across the internet

- CICS Transaction Server V3.2 - **GA 2H 2007**   *NEW !*

  – Enhanced performance and webservices support

  – Significant core value enhancements across the product

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Optimized for IBM Service Management

Monitoring

- Globalization of OMEGAMON XE's *NEW !*

- Tivoli OMEGAMON XE for z/OS V4 **- Now** *NEW !*
  - The new versions for z/OS, CICS, DB2 Performance Expert and Performance Monitor, IMS, Mainframe Networks, Storage

- OMEGAMON XE for z/VM and Linux **- Now** *NEW !*
  - Comprehensive information about z/VM operating system and Linux operating system - workloads plus real and virtual resources

- Tivoli OMEGAMON XE on z/OS - **GA Jan '07**
  - In-depth monitoring of z/OS and with other OMEGAMON XE monitors
  - zAAP/zIIP Reporting

- OMEGAMON z/OS Management Console V4.1 **- GA Jan '07**
  - New metrics added for resource availability

Application Management

- Tivoli Composite Application Manager (ITCAM)
  - Integrated end-end management tool for application environment
  - Management of resource and transaction view single, support for MQ Broker– 2Q07

Automation *NEW !*

- Tivoli System Automation
  - TEP Integration -1Q07

- Tivoli Workload Scheduler – **1H07**
  - Critical path, event triggering, TEP integration

- Tivoli Decision Support **– 3Q07**
  - Web reporting, TEP integration, performance. Becoming a very competitive product

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zNALC – Enhanced Pricing for New Workloads! NEW !

- **System z New Application License Charges - GA Mar '07**

- **zNALC replaces NALC and z/OS.e – it's better!**
  - LPAR-Level Granularity (sub-capacity)
  - Announced 'New Workload' Criteria replaces Fixed Application List
 - Incremental Price/Performance improvements including Aggregation

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zNALC provides 'new workload' z/OS pricing

- **zNALC provides 'new workload' z/OS pricing with improved terms and conditions, granularity and flexibility.**

  - zNALC provides
    - Sub-capacity pricing
    - Incremental Price/Performance improvements
    - Parallel Sysplex aggregation
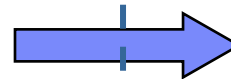
  - NALC provides
    - A flat per-MSU price for z/OS
    - No Parallel Sysplex aggregation

  - z/OS.e provides
    - Sub-capacity pricing
    - A flat per-MSU price for z/OS.e
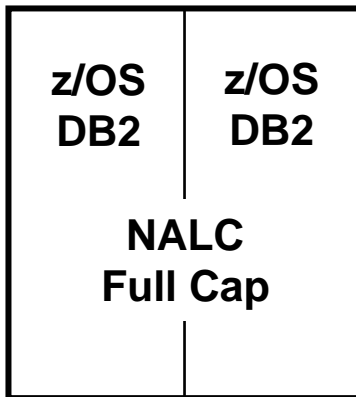   - No Parallel Sysplex aggregation

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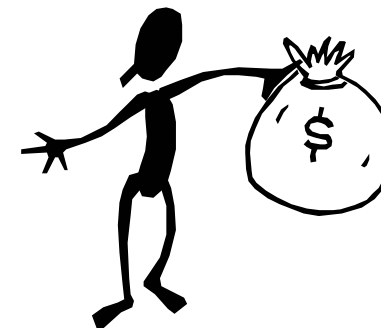
NALC to zNALC Aggregated – Example

"Before zNALC" → **"After zNALC"**

z9 EC Model 710
640 MSUs

z/OS DB2	z/OS DB2
NALC Full Cap	

z9 EC Model 710
640 MSUs

z/OS DB2	z/OS DB2
NALC Full Cap	

z9 EC Model 710
640 MSUs

z/OS DB2	z/OS DB2
zNALC Full Cap	

z9 EC Model 710
640 MSUs

z/OS DB2	z/OS DB2
zNALC Full Cap	
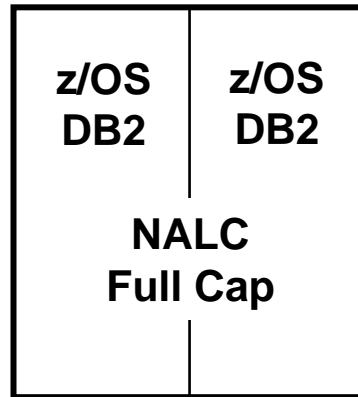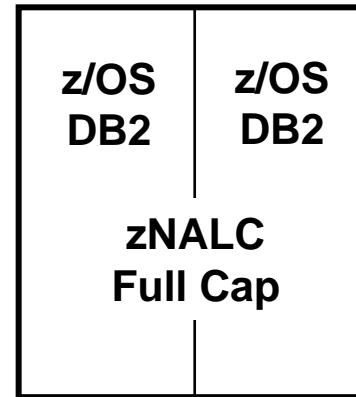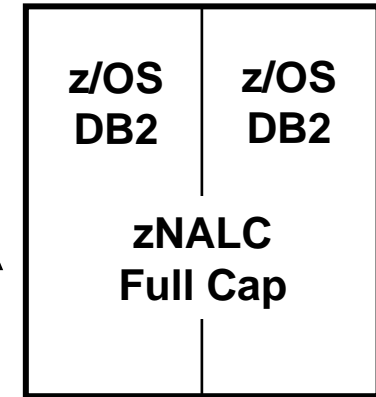
Product	Pricing	$USD
z/OS	NALC	$46,080
DB2 V8	WLC	$120,694

Product	Pricing	$USD
z/OS	zNALC	$37,770
DB2 V8	WLC	$120,694

*Prices subject to change without notice; all prices shown in USD

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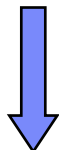
z/VSE Version 4 Release 1

- **Announce 1/9/2007 (Preview 4/29/2006)**
- **General Availability 3/16/2007**
- **z/Architecture (64-bit) mode <u>only</u>**
  – Up to 8 GB real processor storage
  – System z9 EC *and* z9 BC
  – zSeries 990, 890, 900, 800
- **New MWLC pricing metrics (z9 <u>only</u>)**
  – Low full capacity price points
  – Sub-capacity option
- **Encryption enhancements**
  – CPACF enhancements (AES-128)
  – Crypto Express2 (configurable)
  – TS1120 encrypting tape
  – SecureFTP
- **SOA and interoperability**
  – VSE connectors and Web services
  – IBM middleware

Web

Linux on System z (IFL engines)

Connectors

z/VSE V4 (std CP engines)

CICS Transaction Gateway ECI
HOD/HATS
DB2 Connect™ / DB2 Universal Database™ DRDA®
WebSphere MQ
VSE e-business connectors
VSE SOA Web services

IBM System z9

z/VM V5.2+

LPAR or z/VM

Clients	Business Services	Tran/Data Services

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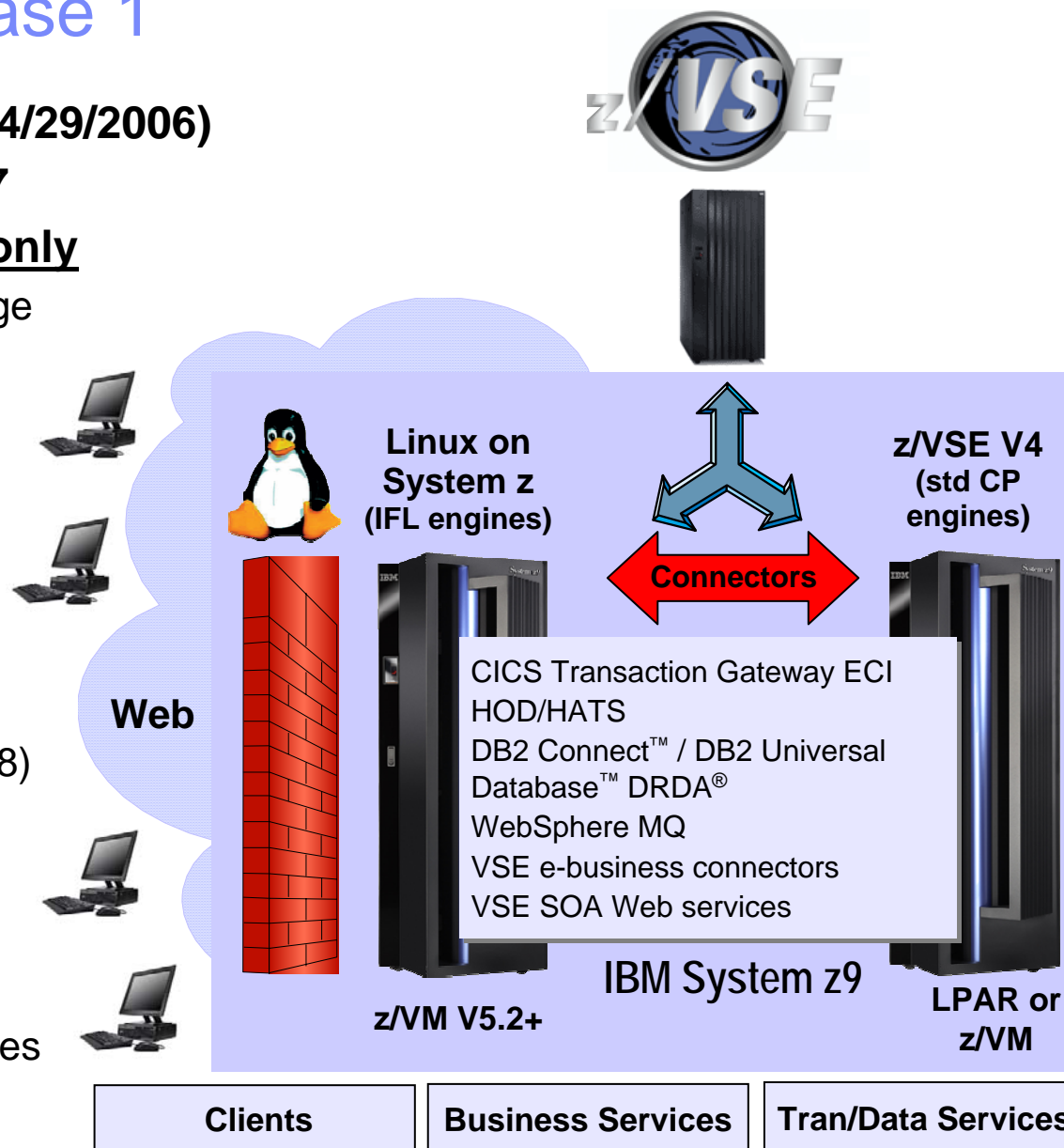
z/VSE V4 – New Pricing Metric & Sub-Capacity!

- **z/VSE Price/Performance Through New Pricing Metric**

  – Midrange Workload License Charges – MWLC

- **Additional Price/Performance Through Sub-Capacity**

  – Some hardware footprint consolidations more attractive now

- **MWLC requires current HW (z9 EC / z9 BC**[*]**) and z/VSE V4**

  – Presence of z/VSE V3 or VSE/ESA™ forces full-capacity pricing

- **Announce: January 9, 2007**

- **Available: March 16, 2007**

[*] z9 BC A01 is priced zELC, not MWLC

z/VSE – New Pricing Metric & Sub-Capacity!

- **Midrange sample customer software stack
Price/Performance over Time**

32 MSUs VSE Stack 9672 GMLC	32 MSUs VSE Stack z800 zELC	32 MSUs VSE Stack z890 TWLC	32 MSUs VSE Stack z9 BC MWLC	32 MSU z/VSE V4 Stack z9 BC MWLC with 30% White Space
$240K/yr	$120K/yr	$96K/yr	$76K/yr	$71K/yr
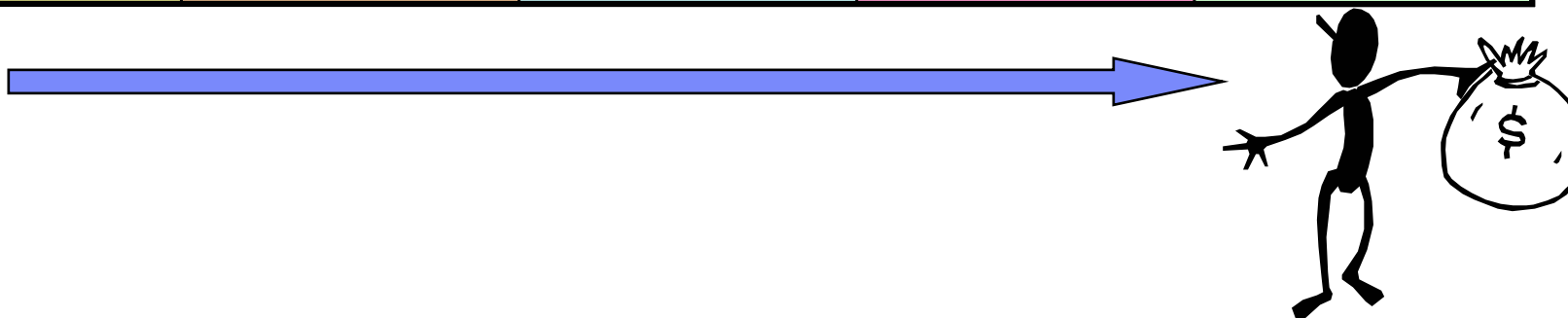
*Sample software stack includes: VSE CF V8, HLASM, VTAM, DITTO, COBOL
*Prices subject to change without notice; all prices shown in USD

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Tools for an outstanding 2007
"Together we can win!"

➢ **1Q07 Playbook**

➢ **BP Incentive Plan**

➢ **Competitive Team**

➢ **System z Workshops**

➢ **Marketing Initiatives**

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1Q 07 Playbook: what's new? (1 - Display)

➢ **Easier to use**:

    ➢ Index

    ➢ Short version (20 pages)

    ➢ Clear instructions to request Plays

    ➢ Most frequently used 2006 Plays only

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1Q 07 Playbook: what's new? (2 - Strategy)

- ➢ **Hardware Migrations:**
  - ➢ System z9 Technology
  - ➢ MLC SW Waiver
  - ➢ Aggressive z9 BC Entry Pricing

- ➢ **New Workload Adoption:**
  - ➢ NALC (zNALC)
  - ➢ zINGER
  - ➢ Aggressive Specialty Engine Pricing

- ➢ **New Accounts:**
  - ➢ First Mainframe Aggressive Pricing
  - ➢ Linux Only Server Aggressive Pricing

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BP Incentive Plan

➢ **SP1 Annual Performance Program**

➢ **Opportunity Advantage Program**

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SP1 Annual Performance Program

PERFORMANCE

➢ **Annual Target**

➢ **Quarterly payment is for current plus any previous unpaid quarters**

➢ **FY Bonus is not capped**

		Rebate %
1Q	15%	4.0%
2Q	30%	4.0%
3Q	60%	4.0%
4Q	80%	4.0%
HY	40%	+1%
FY	100%	+1%

+ z9 BC Box (units) target.
Pays 5% of z9 BC quarterly revenue

Example: BP receives an annual target of $5m in January

End of Q1 achieves YTD 10% .	Payment is $0k	(failed to achieve the YTD target level)
End of Q2 achieves YTD 40%	Payment is $80k	(40 x 4%)
End of Q3 achieves YTD 50%	Payment is $0k	(failed to achieve the YTD target level)
End of Q4 achieves YTD 100%	Payment is $120k	(100 x 4%)

As BP achieves HY target, an additional payment is paid of $20k (1% x 40)
As BP achieves FY target, an additional payment is paid of $50k (1%x 100)

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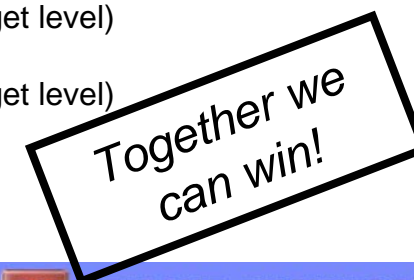
Opportunity Advantage

TRANSACTION

➢ Objective

➢ Provides <u>enhanced discounts</u> to Solution Providers for:

  ➢ (Cat. A) SMB and Public Sector
  ➢ (Cat. B) New or Dormant or Retention Customer
  ➢ (Cat. C) New Workload or Competitive Replacement

	Opportunity Advantage Discount*	
Criteria	SMB and Public Sector	5% **
	Customer is New or Dormant or Retention	5%
	New Workload or Competitive Replacement	5%
Eligible Products	z9 BC only	

*   Note: All percentages are calculated off the list price the final approved end-user price
**   5% SMB adder is available for OA transactions as well as for Special Bids

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Competitive Team
"Together we can win!"

> ➢ **A 6 people team**

> 2 HW Sales
>
> 2 HW Pre-Sales
>
> 2 SW Pre-Sales

> ➢**2006 Activities**

> Customer Set Scouting
>
> Business Drivers Identification
>
> TCO Studies
>
> Offering Proposals
>
> Awarness Activities

> ➢**Challenging Targets**

System z Workshops
"Together we can win!"

➢**Flexible Structure**

➢ **Contents**

➢ **Highly Skilled Speakers**

Depending on the

customer involved

Mainframe Values, TCO,

Specific Solutions, …

Distinguished Engineers

Champions

Professionals

58 WORKSHOPS

IN 2006

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Marketing Initiatives
"Together we can win!"

➤ **zCircle for BPs**

➤ **IBM Forum Totem**

➤ **Webinar**

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Back Up Charts

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SVL Simulation – 2007 vs 2006 – BP On Target

1000

	Simulation based on 2007 Performance Bonus					Simulation based on 2006 Performance Bonus				
Qtr	**Clip Level**	**YTD Tgt**	**YTD Achiev.**	**Rebate %**	**$ Margin**	**YTD Tgt**	**Qtr Tgt**	**Qtr Achiev.**	**Rebate %**	**$ Margin**
1Q	15%	150	150	4,0%	6,0	150	150	150	2,5%	3,8
2Q	30%	300	400	4,0%	10,0	300	250	250	2,5%	6,3
HY	40%	400	400	1,0%	4,0	400				
3Q	60%	600	600	4,0%	8,0	600	200	200	2,5%	5,0
4Q	80%	800	1000	4,0%	16,0	800	400	400	2,5%	10,0
FY	100%	1000	1000	1,0%	10,0	1000		1000	5,0%	50,0
Total					**54,0**					**75,0**

Margin	
=	5,4%

Margin	
=	7,5%

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SVL Simulation – 2007 vs 2006 – 120% BP Attainment

1000

Simulation based on 2007 Performance Bonus

Qtr	Clip Level	YTD Tgt	YTD Achiev.	Rebate %	$ Margin
1Q	15%	150	180	4,0%	7,2
2Q	30%	300	480	4,0%	12,0
HY	40%	400	480	1,0%	4,8
3Q	60%	600	720	4,0%	9,6
4Q	80%	800	1200	4,0%	19,2
FY	100%	1000	1200	1,0%	12,0
Total					**64,8**

Simulation based on 2006 Performance Bonus

YTD Tgt	Qtr Tgt	Qtr Achiev.	Rebate %	$ Margin
150	150	180	5,0%	8,3
300	250	300	5,0%	13,8
400				
600	200	240	5,0%	11,0
800	400	480	5,0%	22,0
1000		1200	5,0%	60,0
				115,0

Margin	
=	5,4%

Margin	
=	9,6%

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SVL Simul. – 2007 vs 2006 – 120% BP Att. with high 1H skew

1000

Simulation based on 2007 Performance Bonus

Qtr	Clip Level	YTD Tgt	YTD Achiev.	Rebate %	$ Margin
1Q	15%	150	450	4,0%	18,0
2Q	30%	300	1200	4,0%	30,0
HY	40%	400	1200	1,0%	12,0
3Q	60%	600	1200	4,0%	0,0
4Q	80%	800	1200	4,0%	0,0
FY	100%	1000	1200	1,0%	12,0
Total					72,0

Simulation based on 2006 Performance Bonus

YTD Tgt	Qtr Tgt	Qtr Achiev.	Rebate %	$ Margin
150	150	450	5,0%	8,3
300	250	750	5,0%	13,8
400				
600	200	0	0,0%	0,0
800	400	0	0,0%	0,0
1000		1200	5,0%	60,0
				82,0

Margin	
=	6,0%

Margin	
=	6,8%

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SVL Simulation – 2007 vs 2006 – 80% BP Attainment

1000

Simulation based on 2007 Performance Bonus

Qtr	Clip Level	YTD Tgt	YTD Achiev.	Rebate %	$ Margin
1Q	15%	150	120	4,0%	0,0
2Q	30%	300	320	4,0%	12,8
HY	40%	400	320	1,0%	0,0
3Q	60%	600	480	4,0%	0,0
4Q	80%	800	800	4,0%	19,2
FY	100%	1000	800	1,0%	0,0
Total					**32,0**

Simulation based on 2006 Performance Bonus

YTD Tgt	Qtr Tgt	Qtr Achiev.	Rebate %	$ Margin
150	150	120	1,0%	1,2
300	250	200	1,0%	2,0
400				
600	200	160	1,0%	1,6
800	400	320	1,0%	3,2
1000		800	0,0%	0,0
				8,0

Margin =	4,0%

Margin =	1,0%

System z Programs - Definitions

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SMB and Public Sector

- **IBM will identify and recognise customers as eligible for the SMB and Public Sector Adder as follows:**
    - 1. Where the customer name and address location are identified within IBM systems as holding an ISU code (Industry Solution Unit code) beginning 34 (SMB) 40 (Education) or 28 (Local Government)
    - 2. Where the IBM customer record (as denoted by the IBM customer number if known and given by the BP) is holding an ISU code beginning 34, 40 or 28.
    - 3. Where the customer name and address location are unknown to IBM systems and installation records, and therefore no IBM customer number record exists, the assumption will be that the customer is deemed to be 'new' and therefore seen as a prospective new SMB account to IBM.'34'

New Customer

- **A legal entity (it has its own registration number in the country's Company Register) that does not own or lease a IBM System z server.**
    - Company mergers or consolidation of existing data centers are not eligible.
    - Previously outsourced customers who in-source System z platforms are not eligible.
    - System z purchases to provide an outsourcing service for existing System z end-users are not eligible.

Dormant Customer

- **A customer enterprise whose most modern IBM System z installed system (leased or purchased) is one of the models listed: MP2000, MP3000, G1-G4, G5, G6 and older S/390 systems**

Retention Customer

- **A customer enterprise who most modern IBM System z installed system (leased or purchased) is in one of the categories listed: z800 and z900 systems**

New Workload

- **An application that is one of the solutions listed below:**
    - zNLAC: Any application eligible to the System z New Application License Charges (zNALC) that is listed as approved zNALC qualifying applications on the following Web site: http://www.ibm.com/zseries/swprice/znalc
    - ISV: Any ISV application ported to an IBM System z that is listed on the IBM Solutions Connections Web site: http://www.ibm.com/servers/solutions/finderConsolidation

Competitive Replacement

- **Products invoiced to the customer by IBM, where such products are installed as a replacement for non IBM servers as specified: Sun Servers, HP Servers, Eligible non-IBM Mainframe Servers (Fujitsu Siemens, Bull, Unisys, Tandem) and non-IBM Intel Servers (> 10 two-way)**

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Hoplon Infotainment

Mainframe Cost Per Unit of Work Goes Down
…. As Workload Increases

**Most TCO benchmarks
compare single applications**

**Most businesses
operate here**

Cost per unit of work

Mainframe

Distributed scale out

Workload