IBM

Moderator: Kevin O'Leary
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Coordinator: Welcome and thank you for standing by. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question and answer session. To ask a question, please press star then 1. Today's conference is being recorded. If there are any objections, please disconnect at this time.

I'd now like to turn the meeting over to the first presenter for today's conference, J.R. Nelson.

J.R. Nelson: Thank you and good afternoon, good morning, and good evening to all of you. Thank you for joining us on today's call, particularly because we are so close to the end of the quarter. I am J.R. Nelson, and I will be hosting today's call. For those of you who do not know me, I'm the Worldwide Channel Sales Leader for WebSphere Appliances - DataPower, WebSphere CloudBurst, the XC10, and Cast Iron.

We appreciate your time and your support for the DataPower family of appliances. Our objectives of today's call are to help you close 3Q DataPower deals and to build 4Q pipe. We will do this by updating you on enhancements we have made to the WebSphere Appliances Business Partner Channel Program by providing details about a specific DataPower play to help you identify new opportunities and increase your customer base by discussing updates for the PartnerWorld Sales Kit to provide information to help you close business, and by reviewing a very valuable asset you can use that is focused on ROI.

So to get started, let me introduce the team that will be presenting on today's call and the agenda. Scott Krynock will be our first speaker; Scott is my teammate, and the WebSphere Appliances Leader from our Worldwide Business Line Management Team. Scott will discuss the expanded Loaner Program he has been developing that will make more appliances accessible to the business partner channel for enablement and demand generation through sales closing processes.

Another team member is Sandy Bickett, who is the Worldwide WebSphere GB Sales Leader focused on North America. Sandy will discuss a competitive win-back opportunity and cover the enhancements to the DataPower Sales Kit housed in PartnerWorld.

Our final presenter is Steve Sayer, who is the IBM WebSphere America Sales Executive responsible for leading the Business Value Assessment practice for the East IMT. Steve will discuss the BVA Program and review the results of a DataPower focused assessment to convey the types of use cases DataPower addresses and the value DataPower creates.

If we have time, we will take some questions at the end of the call. So let's get started. Scott please take us through the program you have created to help identify, progress, and close appliance sales.

Scott Krynock: Thanks JR. Unlike most of the Passport Advantage products that can be acquired through the Software Access Catalog on PartnerWorld for non-production use, it's important for our business partners to gain access to the WebSphere appliances.

The WebSphere Appliance Worldwide Network Access is a remote access program where business partners regardless of their location and time zone can access a WebSphere DataPower appliance for non-production use for enablement, development, test, and presales activities.

Now this comes with a number of benefits. Number one there's no charge. It also provides remote access around the globe. It has a secure remote access infrastructure, enabling business partners to use their access for training purposes, develop and test activities in the same manner as a physical device in their own office. And it can also be used in a sales capacity for demos and POCs. The infrastructure supports multiple users, so when you get set up on the network we will provide you a number of access IDs.

Also, some goals we hope and expect you will achieve. Number one is to grow your appliance skills within your practice, and to develop, test and demonstrate your applications. These are two examples of where the multiple IDs will benefit as you would have your team engaged with this network.

The remote access adds value to our WebSphere appliance for business partners offering by helping you validate your solution as a "Ready for WebSphere DataPower" or "Ready for WebSphere CloudBurst" appliance. This is a new lab-based initiative that I will discuss further in a moment, but another area where remote access and the interaction with WebSphere Appliance Business Partner Technical Professional Team can prepare partners to offer and sell solutions and applications with the WebSphere appliances.

And then finally from a sales perspective, the remote access can be used for functional POCs to help close sales opportunities.

These appliances actually reside within our Dallas IBM Innovation Center, usually referred to as an IIC, and the devices will be supported there. They include the XI50, the XI50B, which is the blade offering, the XB 60, the XC10 caching appliance, and the WebSphere CloudBurst appliance.

If you are looking to gain access to this network, we ask business partners to be authorized WebSphere appliance resellers and participating in the "WebSphere Ready for" Initiative which I will discuss more in a minute.

In terms of a specific focal point, please contact me, Scott Krynock. I have my email there and then we can talk to understand your needs, your skill levels, and the amount of IDs needed if this is a fit for you.

Let's move to slide 5. I will just take a minute to describe our Ready for WebSphere DataPower and WebSphere CloudBurst initiatives. This is a new initiative, which we are excited about. Based on feedback from various ISVs and SIs around the globe, there is a need to validate their applications and solutions with either WebSphere DataPower or WebSphere CloudBurst appliances.

Through interaction with WebSphere appliance technical specialists, the WebSphere CloudBurst or DataPower business partner application, and our own team, this is a great way to actually leverage the remote worldwide access that I described on the prior slide. This initiative was designed to actually design, test, and validate your existing application or new solution as Ready for the WebSphere DataPower or WebSphere CloudBurst appliances.

It allows our partners to do a number of things. It allows you to market your application or solution with proven performance. It also allows you to reduce costs through efficiency, especially during the evaluation and purchasing

cycle. And it drives customer satisfaction due to the fact that through this validation and this Ready For process, you will be following some criteria, which will also be allowing your team to gain skills around the WebSphere appliances for design, test, and validation efforts.

There are a number of partner benefits available for exposure of the "Ready For" Program, which would vary by GO due to the fact we would expect these benefits to be centered around your participation in certain events or announcements of your "Ready For" application in various internal or external communications.

We have WebSphere technical appliance consultants available for assistance and also this is another area where there's no cost for business partners to participate. If you have any additional questions or you are looking to get started, please contact me. I'm happy to start the dialogue on how to move forward.

So as we move to Slide 6, I will briefly discuss the WebSphere Appliance Physical Loaner Program. So as we were discussing before, we're excited about the Remote Network Program that we have in place and we expect that to be used for the larger WebSphere appliance business partner community, but also realize there is a need, specifically a sales need, for partners to use physical devices to close their business partner-led opportunities.

We've recently made some investments to launch a loaner program to help close business partner engaged opportunities. As our devices are limited for this loaner program, the requirements will be more specific and definitely handled on a more case-by-case basis.

The use of the WebSphere appliance loaners will be very sales driven, as you would expect. Number one, it's prioritized to close business partner engaged opportunities. The primary activity we would expect for the loaner devices would be delivering POCs to end clients, but keep in mind this could also be used for demos, POTs, and application development and test to help position the business partner to close on these immediate opportunities.

Please keep in mind that these appliances are not for resale and not for try and buy. Also, they are not a part of the business partner's property. And for each case that gets approved for the loaner device, a time duration and revenue generation objective will be established within the loaner agreement.

Requirements will expand further to understand the current opportunity, but some general requirements are that the business partner be an authorized WebSphere appliance reseller, and also that the partner must be active in utilizing SVI with current approved opportunity identification and also opportunity ownership entries within GPP.

So, to expand on the presence of Software Value Incentive or SVI for the WebSphere appliances, I will pass the mic back over to JR Nelson, the Worldwide WebSphere Appliances Channel Sales Leader, as move to the next slide. Thanks for your time. JR ...

J.R. Nelson: Thank you, Scott. Great job and we're excited by the enhancements you've made to increase the appliances available for our business partners.

I'd like to reemphasize one of the areas Scott touched on …the reseller's use of SVI. It's very important that we increase the use of SVI and we will use this program to help prioritize the BP's access to appliances. We need our resellers identifying new opportunities and progress them through it to close.

Sandy Carter and other software executives have talked about the need for our channel community to do this. That to meet our revenue objectives requires this contribution from our resellers. That is why the Software Group Business Partner Channel Program has been expanded so significantly in 2010 as Sandy has discussed with us numerous times.

DataPower is in SVI in North America, Latin America, across all the Europe IOTs, in Australia and New Zealand, in India and South Asia, and in ASEAN. SVI pays a reseller for identifying new opportunities when they close and for influencing the sale. The payments of 5% for OI and 5% for influencing the sale in integrated and aligned accounts, and 10% for OI and 10% for influencing the sale in general business accounts. Please focus on this important program. Thank you.

Our next speaker is Sandy Bickett. Sandy, please take us through the Win-Back Program and the Sales Kit enhancements.

Sandy Bickett: I sure will. First of all, let me talk about the fact that I want to welcome you this morning. My name is Sandy Bickett as JR said, and I'm on the Worldwide Sales Team for WebSphere.

For the next few minutes, I'm going to ask you to think competitively. I don't know about you, but I've always thought of selling as a hunting expedition. You know the feeling; interviewing the customer to find that secret business problem that you only have the best set of tools to resolve. Over the next few slides, we're going to talk about all the tools and resources we have available to help you execute a successful DataPower hunt, and implement a solution that the customer will be glad you dropped by to fix.

Next slide please. There's my slide. I was looking for that to begin with. So as you can see, we are on the hunt. Next slide please.

As you may or may not know, Cisco has publicly announced end of life for their ACE XML Gateway. We believe this is an opportunity for you, our partners, to approach Cisco ACE install base and ask if they own any of these devices and what are their plans for replacing. One of our competitors, Layer 7, has already targeted this market and is actively promoting their migration capabilities, but you should know that several of those companies are already coming to us as an alternative to Layer 7.

So we're asking you to get in the hunt and to rest assured that even if your customers don't have ACE installed hardware, there's always an opportunity for DataPower in any company, and IBM is here to arm you with the best value propositions and compelling reasons for your customers to buy from you now. Next slide please.

This is to show you that Cisco has publicly announced the end of life for the XML Gateway, and we believe this is an opportunity for you, our partners, to approach Cisco and say, "As of January 30, 2010, Cisco is no longer going to sell this product. And we're asking how long your maintenance contract is? What are your plans for end of maintenance on this product? Perhaps we may be able to help you." Next slide please.

Now let's talk about who wins this hunt. Who wins this hunt? The correct answer is everybody does. Our customers win because with one simple DataPower appliance we can secure, simplify, and govern their environment. Our customers are able to slash their application maintenance charges with fast and flexible application integration. This frees up that all-important mighty IT budget and resources for new IT projects.

With DataPower, customers can create new low-cost services by seamlessly bridging new Web 2.0 technologies to the backend in core applications. All this using an ESB messaging and enrichment solution that gives our customers ROI within as few as six months. Let's take a look at how you, our partners, win.

First of all, this is an $11.6 billion industry in 2010 - nice opportunity for all of us. And since IBM had acquired DataPower a couple of years ago, we've grown this business by 800%. And out of the 800%, our partners are participating at 30% of that 800%, so there's quite an opportunity for you to grow there.

We've been proven to reduce sales cycles. If you take advantage of our loaner program, we've seen customers buy within three days of one of our loaner boxes going in and being placed on site. And last but not least, this gives you the chance to up sell to other IBM and WebSphere products within your customer base. Next slide please.

So why are WebSphere appliances gaining so much traction in the IT industry? Because DataPower is a purpose-built, fine-tuned consumable hardware platform designed to solve specific business problems. DataPower delivers a rich set of functions in a single device, including service level management to manage the volume and complexity of inbound and outbound transaction messages.

It supports dynamic routing and low distribution to handle high volumes of traffic. DataPower delivers edge-based security with a deep rich set of standards and capabilities at high performance rates. It enforces enterprise application and security policies and it delivers transport and messages

transformation. DataPower deploys in a simplified management model. It's a drop-in appliance form. It secures traffic for our customers quickly. It's easily maintained and updated as requirements expand, and it integrates with existing operations and your current operating environment.

We support high-level certified security assurance. DataPower continues to gain recognition for certifications such as SIPS, 140-2 Level 3, and common criteria ELA 4. Government based standards proving the hardened security aspects of our DataPower solutions conform to some of the strictest security standards ever. Next slide please.

So how do you motivate customers to move from Cisco ACE to WebSphere? Well here are a few steps that you can take. First of all, I am looking into purchasing Cisco lease expiration information, and what that means is I can go out to some of these UCC list security suppliers and say, "I'd like to know what customers have Cisco technology that are coming off lease in the next six months. And I need their names, addresses, and hopefully emails, and telephone numbers," so I can help you put together a targeted list to go after.

We also have updated and put out on PartnerWorld something called the DataPower PartnerWorld Sales Kit. I want you to go take a look at it, and I have some links that I will show you at the end of this presentation - some things that you want to take advantage of. For example, we have emails that you can send to this targeted set of customers. We have brochures, we have the value proposition, we have lots of reasons to get Cisco customers excited about what IBM is doing in this space.

We also encourage you to leverage Scott Krynock's loaner program. If you are a partner and you have opportunities and you want to put hardware in front of

a customer so that they can put their hands on it and buy from you now, please don't hesitate to contact Scott.

We also have ISSW (IBM Software Services for WebSphere); they are willing to help our business partners with qualified customers in terms of helping with migration plans and implementations. So I ask that here in the U.S. you connect with me and my name is right there, sandybickett@us.ibm.com, and let me know that you may be interested in that kind of assistance with your customer and we're happy to supply. Outside of the U.S., we ask that you connect with your IOT DataPower leader.

Last but not least, we've also put together, since this is coming into Q4, some compelling reasons for your customers to buy from you now. First and foremost is the IBM 0% financing for the first 12 months and competitive rates for years two and three. Please contact using this live link IBM's Global Financing. I know that it's available in the U.S. and it's dependent upon other IOTs and how they are approaching the market, but take advantage if it's applicable in your geography.

Also, ask your channels reps about free customer education cards or Impact tickets - for Impact tickets for your customers to attend Impact next year. That's another great reason for your customers to buy from you now. Next slide please.

So let's hit the target with the DataPower Sales Kit. Next slide please.

So let's take a look at what is out there. As you will see, each of the assets has their own link. Please make sure that you copy this down and keep this with you. We have customer-facing presentations, conversation starters, client brochures, datasheets, test and development activities, and we help you get

started in the DataPower business in terms of how do you qualify to resell. Next slide please.

So we ask that you use these assets and benefits to broaden your opportunity in your customer base. Introduce your customers to DataPower's lifecycle information management. Introduce your customer to security and how well DataPower integrates into their environment. Be sure to use these links throughout the sales cycle to help you identify, help you progress, and help you close. Next slide please.

I just want to say thank you very much and JR will you introduce the next speaker please.

J.R. Nelson: Thank you, Sandy. We look forward to working with our resellers to help identify and displace Cisco ACE customers with DataPower, and we hope that you find the updates to the sales kit to be beneficial in closing 3Q activity and identify opportunities in the fourth quarter.

At this time, our final speaker is Steve Sayer. I know you will find Steve's discussion interesting and very valuable. Steve, take it away.

Steve Sayer: Thank you, J.R. I am Steve Sayer, and I am part of the Americas WebSphere Value Assessment team, and I would like to talk to you about our WebSphere Business Value Assessments (BVAs) around the DataPower appliance. I will talk about our methodology for doing value assessments and give you what I think is a typical result in a real BVA that we did for a large international bank.

I'd like you to be aware that we have a team in the Americas, and I will have a slide on this to help you do follow up contacts towards the end of the

presentation as well as worldwide resources to help you do business value assessments for our WebSphere solutions.

We also have teams in the Rational, Lotus, Information Management, and other software brands and indeed in our hardware brands to also help you build strong business cases to augment your sales efforts. All WebSphere solutions have a strong value proposition compared to their competition and compared to where most customers are today, but DataPower represents an incredibly strong business case with very low acquisition cost and very high efficiency compared to typical alternatives like commercial software packages and custom code.

Let's move on to Slide 19 in your deck please. This is just a quick overview that you can share with clients if you'd like on what a WebSphere value assessment is about. It's a no fee typically one to three day workshop on site with clients where we develop a comprehensive business case and a detailed - typically a five-year cash flow model that captures the costs in terms of their timing and the benefits also in terms of their timing when you implement one or more IBM solutions.

The activities involved working with clients again in workshop mode to identify a high value project or a business process that they'd like to enhance with the WebSphere solution. We define customer objectives, opportunities, and pain points. We align the solution capabilities that our solutions bring to the table. We align them with the pain points and we define the benefits of implementing our solutions in an actual customer environment.

And the key to this is we work with the customer to quantify the value those solutions bring to those areas of customer need. And we capture fixed costs like the costs of required hardware, or education, or training along with

variable costs like the size of a project over time and we identify key cost drivers like the cost of the license, the cost of annual maintenance, and those kinds of things that most customers don't typically put together. So what you end up with is a better business case than most customers would develop on their own, and you at IBM have led the way in providing this value leadership.

So the deliverables typically are a three to five-year cash flow model, and we're flexible there. You know if a customer says, "I need a seven-year or a ten-year cash flow model, we will do that as well," but we define the business case to support annual funding. And again, we tend to look at things over a longer period of time than most clients would. Most clients tend to think, "I'm going to go acquire this thing, so what's the impact on my budget this year?" This gives us the ability to look at the customer's environment and sell over multiple years, so kind of lock in a commitment to the sale, to a maintenance stream, to a services contract to perhaps bring along other IBM solutions along with it.

So this workshop can help you capture the value leadership to augment the technical leadership that you've worked so hard to establish. Customers frankly expect this work from their vendors. Microsoft, Oracle, SAP, and most of your other competitors do this too. So if you don't do it -- if you don't do strong value selling -- you are typically going to get beaten to the punch by your competitors. Let's go on to Slide 20 please.

This is an interesting IBC study from 2008 that I want to represent here because I think it's a good surrogate for what's going on in the IT industry in general. And I label this Challenges Facing Businesses Today - IT challenges. So let's go through a couple of these statistics because I want to make a point with how DataPower can impact these things and how you can use a BVA or

a Business Value Assessment to help identify how DataPower can help address many of these issues the customers are facing.

So incredibly, the data the customers deal with and manage is doubling every 18 months according to this IBC study. Server processing capacity is doubling every three years. That's an incredible growth rate. While hardware costs per capacity unit are declining, the cost to manage these systems has doubled since 2000 and frankly, it doesn't show much sign of diminishing, so operational labor costs are increasing dramatically.

Power and cooling costs have doubled since 2000. Interestingly, the devices that are connected to networks are doubling every two and a half years, so sensors, handhelds, and all kinds of mobile communication devices are being added to networks at a very rapid pace.

I will let you read the rest of these things on your own, but two conclusions I would draw your attention to at the bottom here is application innovation, that which really drives client value, is being squeezed between IT budgets that have declined over the last couple of years and increasing maintenance costs because of these factors that I've identified here.

So customers are really being squeezed with how to innovate, how to add technical capabilities that will make a difference in their business. So customer demand for solutions deliver better efficiency than these traditional approaches like commercial software packages and custom code is increasing, and DataPower of course can deliver some solutions that really affect that dramatically.

So let's go on to Slide 21 please. If you take nothing else away from this presentation than this slide, I'd like you to really understand what I'm trying to

depict here. This is a value proposition defined for DataPower, and it's from an actual BVA workshop that we did in 2009 for a large international bank. And there are three categories that we looked at in this Business Value Assessment.

One was around the development of assets, and I will share with you some details about the ten use cases that we looked at here in just a moment. The second one was what we called maintenance, but what it really relates to is change to meet the dynamic needs of the business. So once you build components whether they are routing components, security components, and in this case B2B connections, et cetera, you can't just build them and forget them. They are subject to change as the customer's business environment changes, so this middle category is what I refer to as change.

And the final category on the right is what we call administration or really daily support and break/fix. So once you build these connections, likewise you have to implement small enhancements. Not just major change, but also you have to fix them when they break and when something goes astray.
So there are three main areas of client cost in development and maintenance of these assets that we're talking about defining in a DataPower environment, and it's depicted here in this chart. The maroon color represented in this case what the customer's actual costs were on a relative basis with the tools that they had in place at the time, and I will talk more about that as we go on.

And the blue towers represent the estimated costs over the next five years in comparison using DataPower devices to do what the customer had been doing with commercial and customer packages. So DataPower has an incredible value proposition in terms of reducing the amount of time it takes to do development, the amount of time it takes to implement change in a dynamic business, and the amount of time it takes support personnel to implement the

daily break/fix and support issues that all customers face when they build custom assets.

So at the bottom again take this away from this presentation please. DataPower indeed delivers selectable best practices commonly used functions in a fraction of the time of traditional custom programming or commercial packages. Actually, if you do the math here and we will share that with you in just a minute, it's about 10% of the cost of traditional approaches, that which your customer is probably doing today. So DataPower is equally agile for changes as well as development and for ongoing support.

So if we look at this over a five-year lifecycle cost, the cost for each artifact that we built -- and I will share more details on that in a moment -- were about $2300 over a five year period -- that's development and ongoing support -- with DataPower compared to about $21,000 for custom coding in this large international bank's environment. So that's about a 10% cost over a five-year period for DataPower. As a value proposition, that's very hard to beat.
All right, let's go on to Slide 22.

So what a Business Value Assessment itself can help you quantify is the value proposition of DataPower appliances in your actual customer's environment for a particular project that they need to implement. It will help you focus attention on value rather than on cost, help you close deals faster, and help you avoid discounting because the customer thinks your price is too high or because negotiating prices is a normal part of their business.

All right, so we deliver in a Business Value Assessment a very robust, typically a five-year cash flow model that compares costs for instance in their current environment compared to implementing with a DataPower environment. We look at things like investment breakeven, ROI, annual

investment expenses, annual benefits, et cetera, and key is we look at this labor cost comparison that we just went through. So a BVA does all these things for you in a very short period of time in a very efficient way, and we do it with your customers so that it's not just our report, it's the customer's report. So let's move on to the next slide, Slide 23 please.

So let me get into the details of this particular study that we did in 2009 with a large international bank. So the customer identified the following pain points. They had two commercial B2B packages installed and one that the customer had built in a custom way to manage their business partner communications. Right away, when you've got three B2B solutions, it's a pretty good indication that none of them is meeting their needs very effectively.

So they found that the cost to deploy solutions using these three choices was very high and indeed the cost to maintain and change these assets once they built them was really prohibitively high. They really had determined them to be budget busters and they knew they needed to make a change. And indeed, the time to add new partners was approaching six months each, and that just became an unacceptable alternative.

Further, they had an emerging requirement for security to control access and internal and external threat protection that became a critical factor. Of course DataPower does very well in that environment, and the lines of business in this large bank had lost faith in IT's ability to deliver productive solutions you know evidenced by the fact that the commercial packages weren't meeting their needs and the custom package wasn't either. They needed ESB functions, B2B functions, as well as these emerging security capabilities.

So the team proposed DataPower XB60s to meet these needs in a very robust way that gave the customer a significantly lower cost and higher functionality than any other solution they could define.

So let's go on to Slide 24. The customer defined ten different use cases. And I won't go through all of these with you today; I will let you go through these at your leisure, but we've got two slides that define these ten use cases. Let me feature four of them.

The first was B2B protocol handling. So they needed to provide a secure and scalable gateway, et cetera. So the customer anticipated that using their current environment, it would take them about 200 development labor hours for each B2B enabled application in their current environment. With DataPower, conservatively we could do that in 20 labor hours, so again one-tenth the labor hours. And as you will see, that efficiency for development continued through future changes and future support requirements.

Let me go to the second from the bottom here - what they called Security AAA or authentication authorization and auditing. So DataPower does that very well. The XB 60 has got best practices, security implemented. You've just got to go in and specify it.

So the customer found that to build that functionality with their current solutions would take them about 360 development labor hours, but 18 labor hours we estimated again conservatively in a DataPower environment. They needed to do that for each B2B-enabled application.

Let's go on to the next slide and let me feature two more that they needed ESB kind of functions, the first being routing. So they needed to provide service virtualization of identity via dynamic content and content-based routing, so

basically content-based routing here. The customer thought it would take them 140 labor hours in their current environment, and about 20 hour's worth of development hours in DataPower. Likewise, they needed to do message transformation. About 120 labor hours in their current environment, 40 for DataPower.

Let's go on to just quickly slides 26 and 27. So this was a way to say, "Okay, over the next five years starting in 2010, how many of these B2B-enabled applications were B2B partners or whatever the driver was of the development effort do we need to implement?" So the customer made some estimates of how much they needed to build in the next five years.

We captured that here and implemented it in a BVA model that multiplied these events - how many assets do I need to build by the labor hour estimates. And we included things like implementing reuse and other efficiencies that further drove down DataPower's development time and ongoing maintenance and support time.

So let's go on to Slide 28. So here's the punch line - here's what the BVA delivers in a very short period of time using a very nice methodology. The customer looked at hardware acquisition costs, the first one on Slide 28, and they were considering about $1.2 million - I'm sorry, $1.1 million worth of DataPower devices. The alternative was for them to buy general-purpose servers for about $1.2 million, so there was a savings there for DataPower, but a much bigger savings for software because of course those general-purpose severs require software like WAS, for example. And their annual power consumption we also looked at, which was an advantage for DataPower.

We looked at data center floor space requirements, annual operating costs, those kinds of things, and we determined that the five-year operational costs

for DataPower in this environment were about $146,000 compared to general-purpose servers with software of about $841,000, so a huge operational cost savings for DataPower.

Let's go on to Slide 29 please. So given the same number of developer resources -- they had three internal developers to do this work -- it was going to take about 3000 hours over a five-year period to develop these assets that we defined using DataPower and almost 51,000 hours using these commercial and custom applications they had developed.

It was about a 93% savings in development using the reuse factors we established for DataPower, so about ten labor hours on average to build each asset with DataPower. About 166 hours to build them in their current environment, and a dramatic savings in ongoing daily administration and ongoing change, 60% savings in daily administration, daily break/fix, and about a 96% savings in the ability to change to meet the dynamic needs of the business.

Go on to Slide 30 please. So in quick summary if we will focus down towards the bottom here, the five-year lifecycle cost for the average artifact that's development and ongoing support over a period of time was about $2200 in DataPower, about $21,000 in their current environment, about an 85% savings for DataPower.

The TCO or the Total Cost of Ownership over five years for these two approaches - less than $2 million for DataPower, almost $9 million in their current environment. It represented about a 78% savings.

Now an important note here is as BVAs go, this is unusually strong savings. We normally show a 30% or 40% savings for the average WebSphere solution

and generally 30% to 40% savings in a project is compelling. Most customers would agree to do that kind of in a heartbeat. 78% savings really represents an incredible value proposition for the DataPower family of solutions, and it's because of that initial chart I showed you where DataPower simply has a dramatically efficient development environment, dramatically efficient ongoing support environment compared to any other alternative.

So the five-year ROI for this solution was over 500%. The investment breakeven was less than nine months. This was a solid winner and this really was an unusually strong value proposition, and that's what we typically find with DataPower.

Let's move on to Slide 31 please. So this is the five-year cash flow model that comes out of a BVA. So you see across the top - I'm sure this is a challenge to read, but if you can, this is five year's worth of future projected costs. At the top is the WebSphere DataPower environment. At the bottom is the client's current environment. So we projected costs to build these assets in the current environment compared to DataPower. And again, what we show is categories for software acquisition, hardware acquisition, start up like education and training. We might have some consulting services. We focused on design, build, and testing, and the development environment that goes over a five-year period.

We focused on things like ongoing annual software maintenance. In this case, we didn't have any hardware that we defined in the DataPower environment. We called the DataPower device the software, and we had software maintenance. We had code maintenance and that notion of administration that we talked about earlier - that daily break fix area. So we compared the two and we came up with $6.8 million of savings for DataPower over five years

on a net present value basis for a 78% savings compared to their current approach.

Next on Slide 32 is an investment breakeven. The BVA comes with a variety of graphics to help you graph and show graphically the impact of these investments. Typically on the slide as in this one, the WebSphere solution is going to start out being more expensive than the alternative because of course you've got an investment in acquiring the solution - in this case, the DataPower appliances. But very quickly and in this case, in less than nine months, the DataPower cost breaks even with or becomes less expensive than their current projected costs in their current environment, so this is a very again powerful value proposition.

Okay, wrapping up, let's go to Slide 33. Here's a typical BVA timeline. So if you are interested in doing a Business Value Assessment, the key to this is we're leading up to this onsite workshop of one to three days with a client. Some of these can be done over the telephone by the way, but we like to do this because it's a great sales call. It's a great selling opportunity for us to be with the customer face to face, understand his needs, and share with him how our solution will do things more efficiently for him.

We typically need a couple of weeks of planning, and the customer does too, to lead up to that workshop, and we typically need a week or so after the workshop to pull together a summary PowerPoint deck or perhaps to iterate the BVA model we've built with some what if scenarios that the customer might have. So just to recap, this is a joint client and IBM team effort; we don't want to do these without the client's involvement. We want the client to have confidence in the numbers and take this forward as something that they believe they can deliver.

All right, going on to Slide 34, this is the Americas Business Value Assessment Team for WebSphere, so reporting to Kim Overbay in the East, we have (Glenn Ritchie) and Tom Cangelosi. Tom is a new IBM employee that we recently hired from Independence Blue Cross and he brings a lot of very valuable customer focus to these BVA efforts, and he's a very strong new IBMer and we think he will really help. So he's responsible for the Northeast, (Glenn Ritchie) for Southeast and mid-Atlantic and anything related to WebSphere Virtual Enterprise. In the West, Lisa Yanker's team consists of (John Connectsus) and (Paul Stefonage). So we've got four resources in the East to do these things.

Let's move on to slide 35. From the Worldwide Team, we have a lot of resources. I've highlighted four of them for you – Mary Etta Cope, Billy Parker, and Hans Skalle report to (Tom Robertson), the Business Integration Tiger Team BUE. We also have (Jack Ship) who reports to the BPM Worldwide WebSphere Tiger Team, but we have another of additional resources that are available. But my suggestion is if you are in the U.S. or Canada, contact one of the people on the previous slide - Tom Cangelosi, (Glenn Ritchie), or (Paul Stefonage). If you are outside the U.S. and Canada, contact one of these worldwide resources and they will focus help on wherever we can provide it the best and from whichever team is most appropriate.

And so that concludes my presentation. JR, back to you.

J.R. Nelson: Thank you Steve very much. I wanted to make a couple of points here on what Steve has presented. Obviously, the example he used with us is extremely compelling. And even if you use the 30% to 40% return that he said is more typical, that's compelling, but what he has looked at what he has shown us here are cost comparisons with and without DataPower.

The other thing we need to take into consideration and discuss is what is the value of having those applications up and running sooner? What is the value for the IT organization to be looked at by lines of business as responsive and capable of helping them do their job better to promote profit in the line of business?

So there are some additional things you can be looking at and discussing. Think of it in terms of if you can go to a line of business executive and say, "Say if we could get your applications up and running, and enhanced, and doing it in 30 days instead of three months, wouldn't that provide value to you?" And you will start to get interest on the part of the line of business executives so that you can pull them into the conversations as well to help solidify the sale.

One of our future presentations -- and we're going to try and do it in the mid-October timeframe -- is to have Hans Skalle who Steve referenced here go through the same type of a thing here with the Rapid Value Assessment Tool, which is basically the -it is the same concept as the BVA, but it's a tool that the business partners and the IBMers can use where they don't want to get into the formal BVA. They don't have the capacity or they want to handle it on their own. That's another tool that's available to us. Many partners have seen it before, but we're going to review that again in the future.

So I wanted to also say this is the first of what we hope will be more webinars on the appliances, and I would appreciate your input on other subjects that you'd like to have covered during some of these webinars. For instance, if we do one in mid-October with Hans, and that's 20 to 30 minutes of the time, what other subjects would you like to hear?

So with that, we've got some time for questions. So operator, could you review again the process for the folks to ask questions and then turn it over? Thank you.

Coordinator: Yes, thank you. At this time, if you would like to ask a question, please press star then 1. You will be prompted to record your first and last name. To withdraw your request, press star 2. Once again, to ask a question, press star then 1 now.

Our first question comes from Pat Phillips. You may ask your question.

Pat Phillips: Hey JR and team. Great Job! Good morning.

Question for you guys on the remote access - network access for the appliances. Are there going to be any software options loaded on any of those appliances? Or is there an opportunity to have them loaded on them if there's a special need or request?

J.R. Nelson: If you are referencing the DataPower appliance, the software options will be included - AO, ODBC. I'm not sure if TIBCO is on there or not, and TAM is on there.

Patrick Phillips: Okay.

J.R. Nelson: In reference to CloudBurst and the XC10 where the server and the hypervisor function is needed, that's one of the reasons we are using the IICs where that other equipment does exist and can be utilized.

Pat Phillips: Thank you.

J.R. Nelson: You are welcome. Thanks Pat.

Coordinator: At this time, we have no additional questions.

J.R. Nelson: All right again, thank you all for your time. Good selling the rest of the
                  quarter and we hope this has been a value to you. Again, my ID if you want to
                  send me an email is jrnelson@us.ibm.com. I'd appreciate any feedback you
                  have and ideas for future subjects for webinars. Thank you.

Coordinator: Thank you for joining today's conference. That does conclude the call at this
                  time. All participants may disconnect. Presenters, please stand by.

                                        END