System z Software Rationalisation

IBM System z Roadshow – November 2008

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Agenda

- System z software costs and ISV pricing

- Strategies to lower ISV software costs

- Why rationalisation your software?

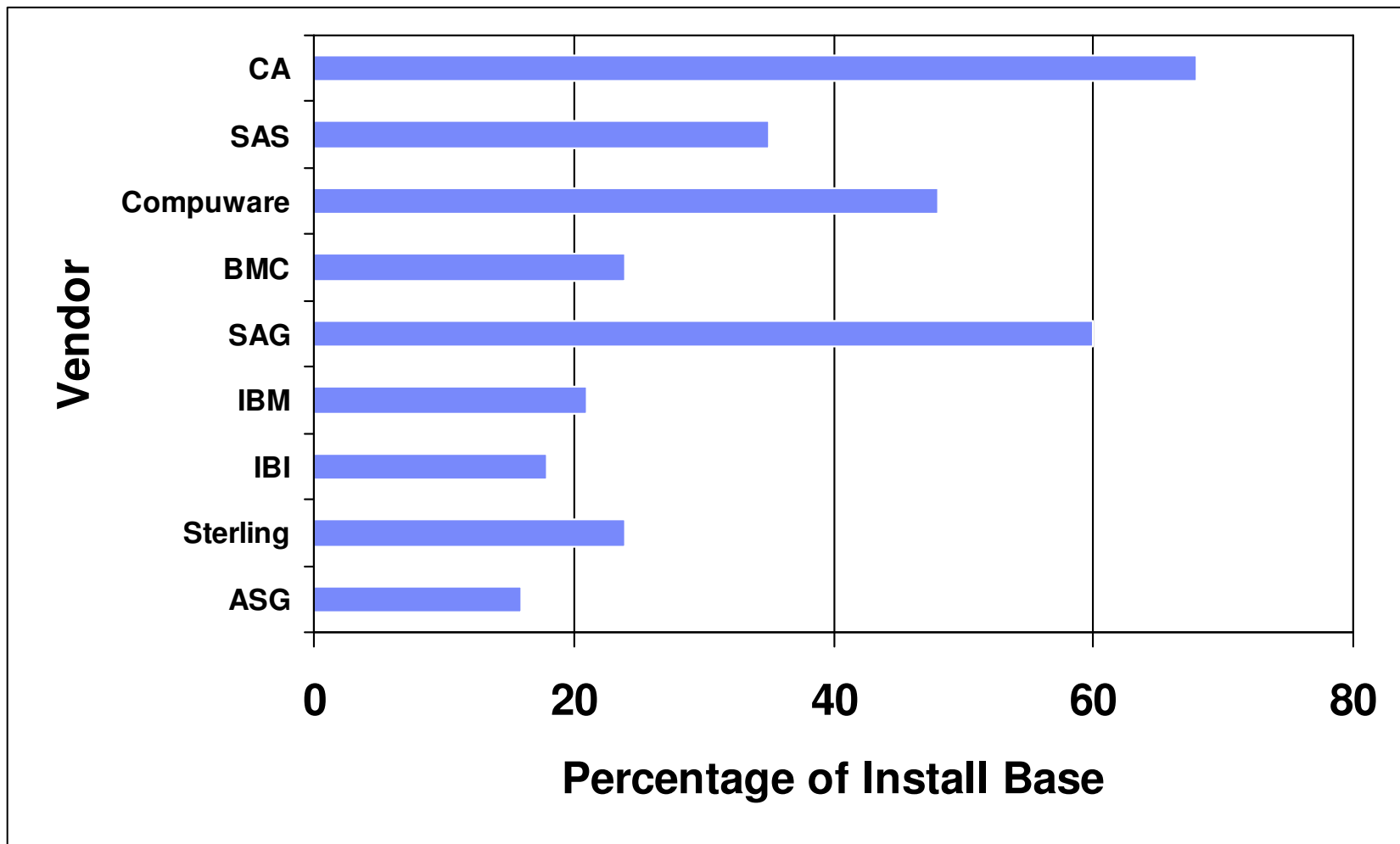- The migration process

- A customer example

Mainframe Total Cost of Acquisition

Inversion of Mainframe Hardware/Software Costs

Hardware **Software**
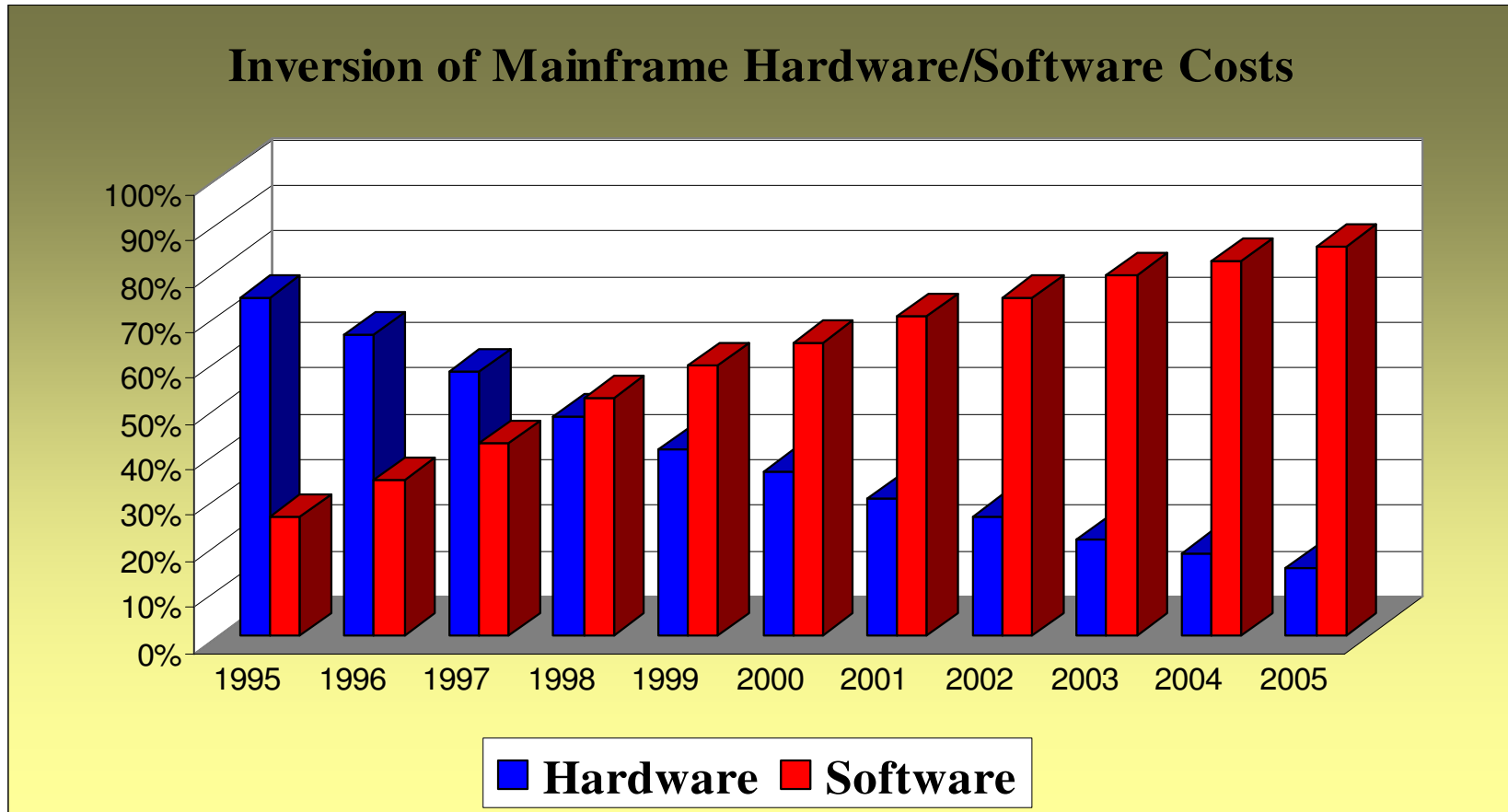
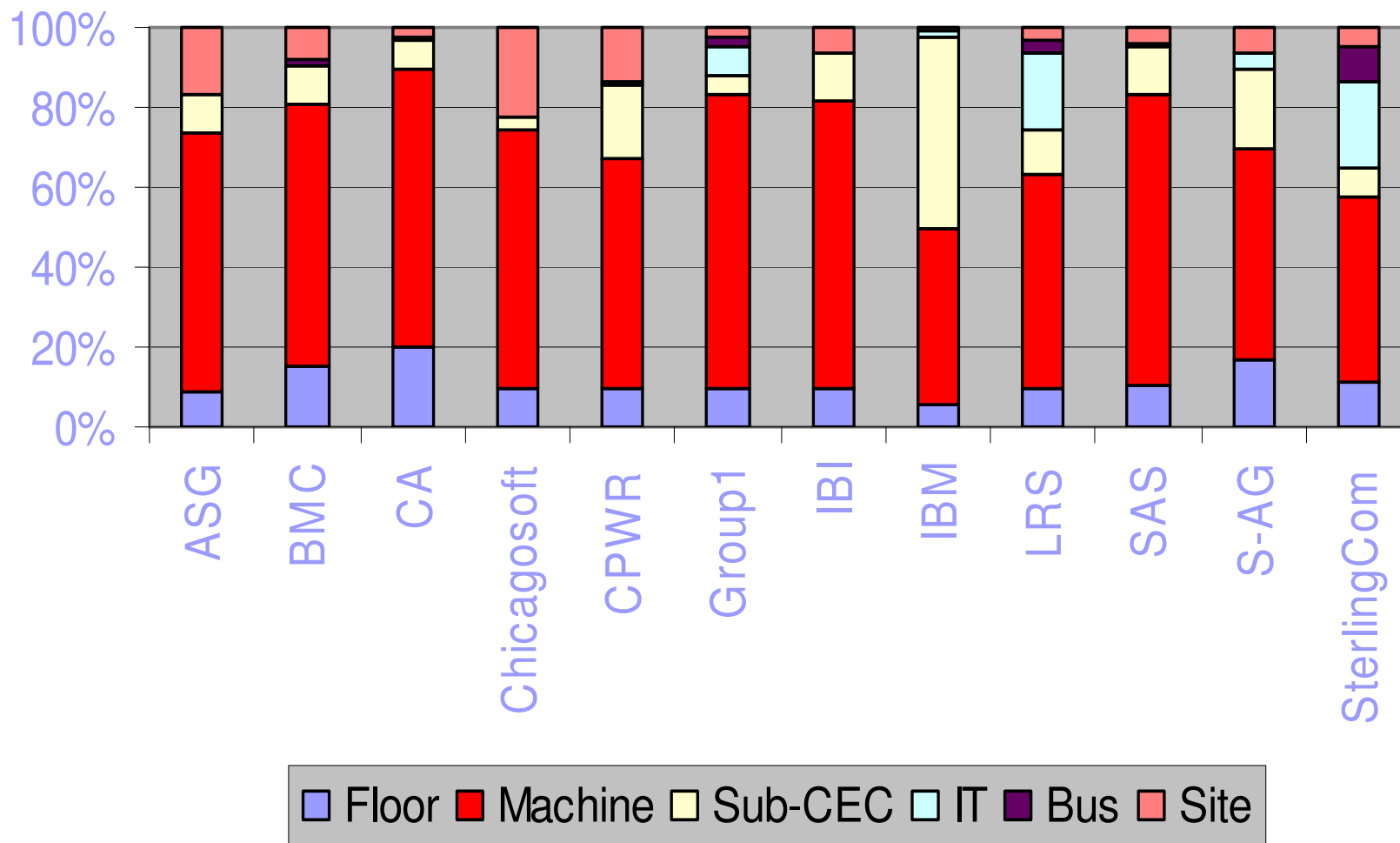*Source: Giga Information Group, Inc.*

2008 IT Budgets: • 25% HW and SW
• 75% IT Staff

Which mainframe ISVs are giving you the greatest concerns about affordability?

Source: IBM client mainframe survey – Feb/07

Most Common Licensing Metric, By Vendor

Source: IBM client mainframe survey Feb/08

Third Party Software Costs Kill The Mainframe

For four years running, attendees at the Gartner conference listed third-party software costs as the No. 1 inhibitor to mainframe growth, according to Gartner analyst Mike Chuba. He said:

"This is the tail that wags the dog on mainframe procurements, In many situations, customers make decisions on what hardware they're going to buy based on their existing software contracts."

Source: SearchDataCentre.com, January 2007

ISVs - The **Good**, The Bad and The Ugly

Strategic vendor

Flexible contract negotiations

Technical Support has been very good

Willing to work with us to negotiate a fair price

Good value and service

Very Flexible

Very helpful, open comms, good prices

Easy to do business with

Proactive in working with our budget constraintsh

Source: IBM client mainframe survey Feb/08

ISVs - The Good, The **Bad** and The Ugly

The worst pricing model

Don't listen in contract negotiations

Cheap, and the support shows it

Difficult vendor but the only game in town

7 figure penalty fees

Inflexible pricing

Poor documentation, support mediocre, few product enhancements

Predatory and uncompromising

Way too overpriced

Source: IBM client mainframe survey Feb/08

ISV's - The Good, The Bad and The **Ugly**

They totally stink !

Dishonest sales rep won't abide by the contract

Lying, cheating and stealing seem to be part of the company motto

Suck us dry !

Absurd pricing

Ugh …. Poop

Worst software support in the universe, not even close to professional

Arrogant inflexible thieves

Irritating saleswoman

Source: IBM client mainframe survey Feb/08

Strategies to Lower ISV Software Costs – The 5 R's

- **Retire**

  Remove software which is installed but not used

  Review software which no longer meets its business case (e.g. MIPs savings)

- **Reduce**

  Reduce low usage products with a view to retirement

  Remove new access to products planned to be sunset

- **Rehost**

  Isolate low use and high cost products and consolidate to one machine

- **Renegotiate**

  Work with your vendor to find the best pricing mechanism for your usage

- **Replace** / **Rationalise**

 Migrate to more affordable and better software from another vendor

  Remove duplicate function by standardising on a single product

Replacing ISV Software:
IBM Value Proposition   -   Complexity and Capability

IBM Value Proposition - Components

- Improved System z TCO

- IBM vision for the mainframe platform

- IBM's comprehensive portfolio of z/OS based tools

- z/OS tools that help reduce operational costs and increase efficiency

- Earliest support and exploitation of operating systems and middleware

- Minimise points of contact for tools, software, hardware, databases and service

- Enterprise integration strategy

- + migration skills to reduce risk

Lower · · · · · · · · · · · · · · · Higher

Difficulty of Displacement
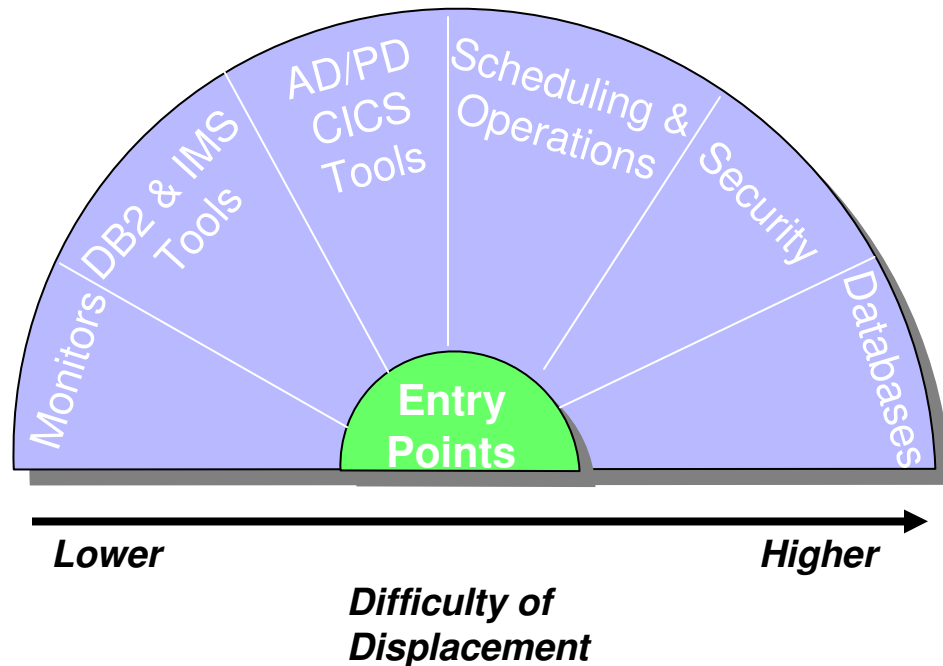
Why Rationalise ISV Software?

- The primary reason is that the IBM replacement SW, including Service & Support, costs less than the installed ISV SW
  - New IBM one time licence + Service & Support < Existing Service & Support
  - Payback period is typically 1-5 years
  - Typical reductions
    - 10% on chargeout to Lines of Business
    - 25% saving on total z/OS software bill

- But there are many other reasons for migrating
  - Strategic drivers
  - Generic benefits giving tangible savings

Strategic Drivers for Software Rationalisation

- Simplify the infrastructure to be managed

  Improve application stability

  Re-align resources to business projects

  Consolidate environments from mergers and acquisitions

- Enable roll out of global applications, running on a common platform

  Global branding

  Speed of delivery of new business function

- Develop strategic alliances with key software vendors

Summary of Generic Benefits of Rationalisation

	Benefit	**Cost Benefit (£)**
Vendor Rationalisation	Contract management hc	100K
	SW Bill	10% of SW bill
Common SW Platform	Systems programming hc	200K
Installation and Testing	Systems programming hc	100-200K
Maintenance	Systems programming hc	100-200K
Vendor Longevity	No forced migration	1000K
Strategic direction	Reduced IT costs	100K
Integrated Product set	Reduced operations costs	200K
ISV Relations	Longer term stability	10% of SW bill
Skills availability	Reduce recruitment costs (x2)	100K
TOTAL		**£2000K + 20% SW bill**

Project or Program ?

	Project	Program
Timescales	Short	Longer
Vendors / Products	Fewer	Many
Environments	Few	Multiple
Customisation	Limited	Extensive
Resource Availability	Shorter	Longer
Payback period	Short	Longer

- Reality is that a mixed approach is often optimum:

  Some short sharp replacements to maximise early payback

  Some longer term replacements form a strategic framework

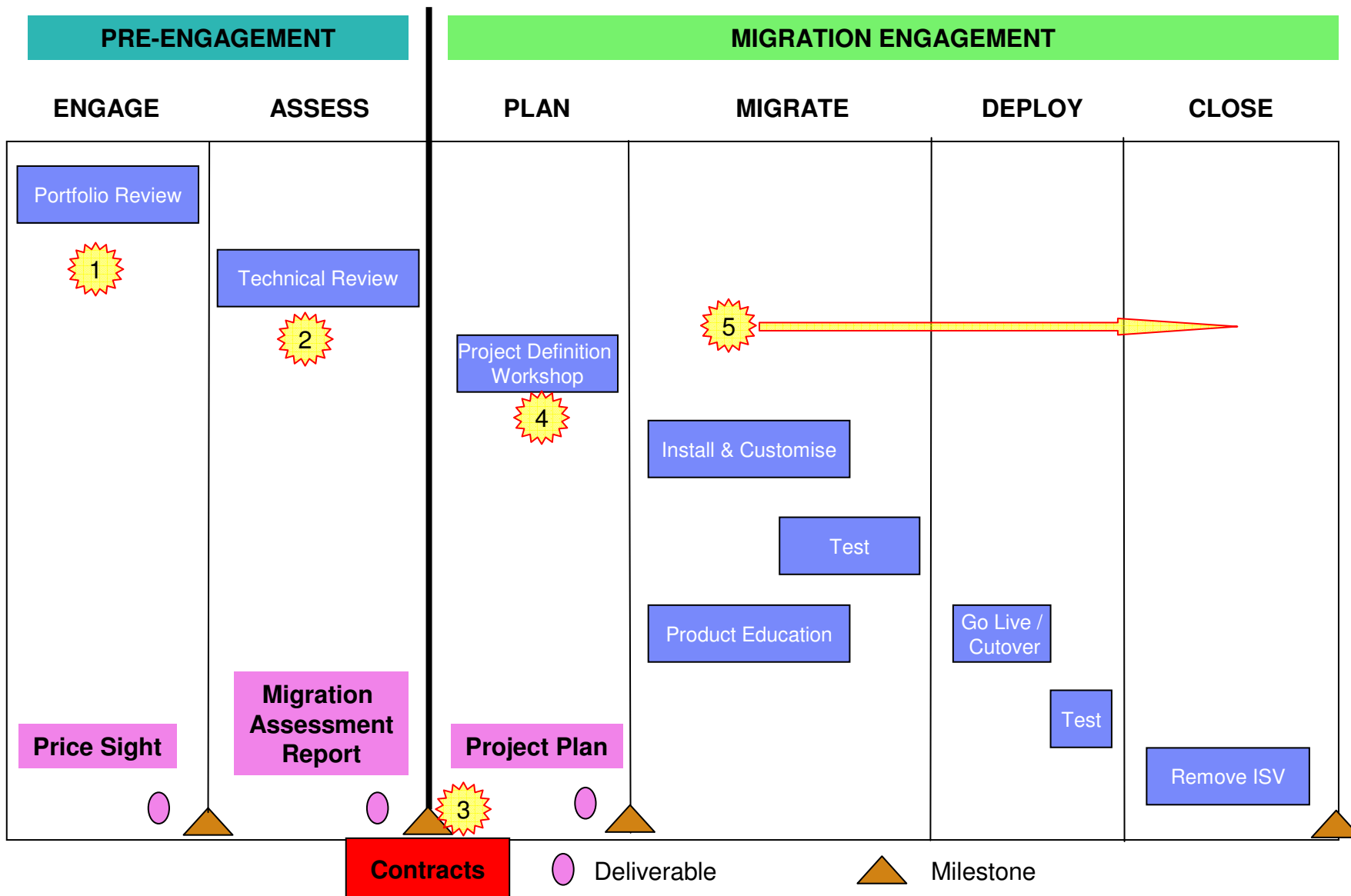# Typical ISV Software Migration Phases

- **1** ▪ Phase 1 – Software portfolio review and analysis   *(1 day to 1 week)*

- **2** ▪ Phase 2 – Migration feasibility assessment   *(1 week to 2 months)*

- **3** ▪ Phase 3 – Commercial discussions and contracts   *(1-2 weeks)*

- **4** ▪ Phase 4 – Formal project definition   *(1-2 weeks)*

- **5** ▪ Phase 5 – Software migration and decommissioning   *(3-9 months)*

Total: 4 – 12 months
Ensure sufficient time for all the process
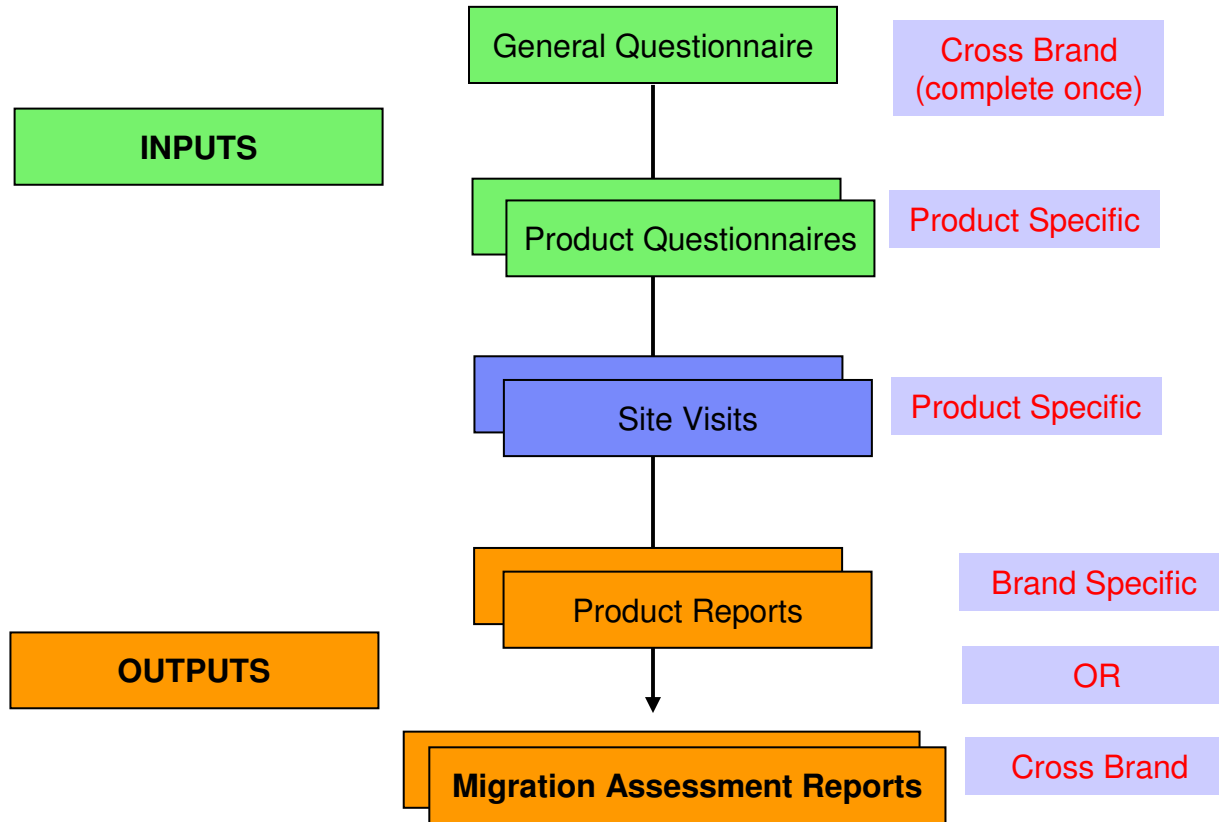
Migration Engagement Model – Phases Overview

PRE-ENGAGEMENT		MIGRATION ENGAGEMENT			
ENGAGE	**ASSESS**	**PLAN**	**MIGRATE**	**DEPLOY**	**CLOSE**

Portfolio Review — **1**

Technical Review — **2**

Project Definition Workshop — **4**

5

Install & Customise

Test

Product Education

Go Live / Cutover

Test

Remove ISV

Price Sight

Migration Assessment Report

Project Plan

3

Contracts

⬭ Deliverable   🔺 Milestone

1

Phase 1 - ISV SW Portfolio Review

- Map IBM products and functions to existing ISV products

- Understand ISV contract renewal dates and costs

- Prioritise target ISVs and Products for replacement

- Rough rule of thumb migration effort and time

- Basis for a 'go/no go' decision to the next phase

Phase 2 - Migration Assessment Process

- **Technical Fit**

  - Does the IBM solution meet our functional and non-functional requirements?

  - Should we migrate 'as-is' or use new or advanced features of the IBM products?

- **Migration Feasibility**

  - Can we migrate to the IBM solution in the time available?

    When is the ISV contract up for renewal?

  - What IBM and Customer resources are required?

  - What are the key assumptions and risks?

Assessment Phase - Process Flow

General Questionnaire

Cross Brand
(complete once)

INPUTS

Product Questionnaires

Product Specific

Site Visits

Product Specific

Product Reports

Brand Specific

OUTPUTS

OR

Migration Assessment Reports

Cross Brand

What A Migration Assessment Report Covers

- New software required:
    - Detailed mapping of new products to existing products
    - Current product functions used
    - Current product functions *not* used
- Migration considerations:
    - Identification of users of the software
    - Technical migration considerations
    - Non-technical migration considerations
    - Operational criticality and impact on other areas such as DR
    - Resource estimate for migration
    - Training and documentation requirements
- Assumptions and risks
    - Technical and business risks
    - Assumptions and follow up work to confirm them

3

Phase 3 – Commercials and contracts

- Migration assessment will ensure all products and pre-requisites are included

- Need to be complete as early as possible to give sufficient migration time

- Needs to consider all cost elements;

    Software

    Services

    Internal resources

    Migration Tools

4

Phase 4 – Project Definition Outputs

- A high level migration plan covering all products to be migrated

- Sub project plans for migration of individual products or product sets, including detailed task breakdown

- Identification of key dependencies between products

- Project controls and management structure

- Documented assumptions, constraints and risks – with mitigation plans if identified

- Refined resource estimates and timescales

- Resources required from IBM and Customer

- Other resources, if required, including network, capacity, sign-on ids, desk space, phones, etc

Phase 5 - Product Migration Phases

- Discovery
  - Understand usage of the current product
  - Use discovery utilities and tools where available
  - Determine scale and size of conversion effort
- Conversion
  - Automate and use tools where possible
  - Remediate manually where automation is not possible
- Test
  - Run IBM products in test mode
  - Test critical jobs - or everything
- Verify
  - Compare output 'before and after'
  - Parallel run where possible or appropriate
- Promote
  - Move new products into production
  - Remove access/rename/remove existing products

A Customer Case Study - Overview

- Energy company in the UK migrating to IBM

- Completely replacing BMC, Compuware and CA:
  - Existing Costs:

    £8M ISV costs for Support and Services over the business case period
  - Replacement Costs:

    £5M new licences

    £650K IBM services for deployment

    £350K customer personnel costs
  - Saving:

    £2M+ savings to the customer

    Ongoing savings of £1M per year beyond the business case period

- Followed a six month period evaluating IBM product function and strategy

- Licences ordered in May of Year 1, deployment complete by November Year 2

  18 Month Replacement project

  Three phases to coincide with ISV contract termination

ISVs and Products Removed
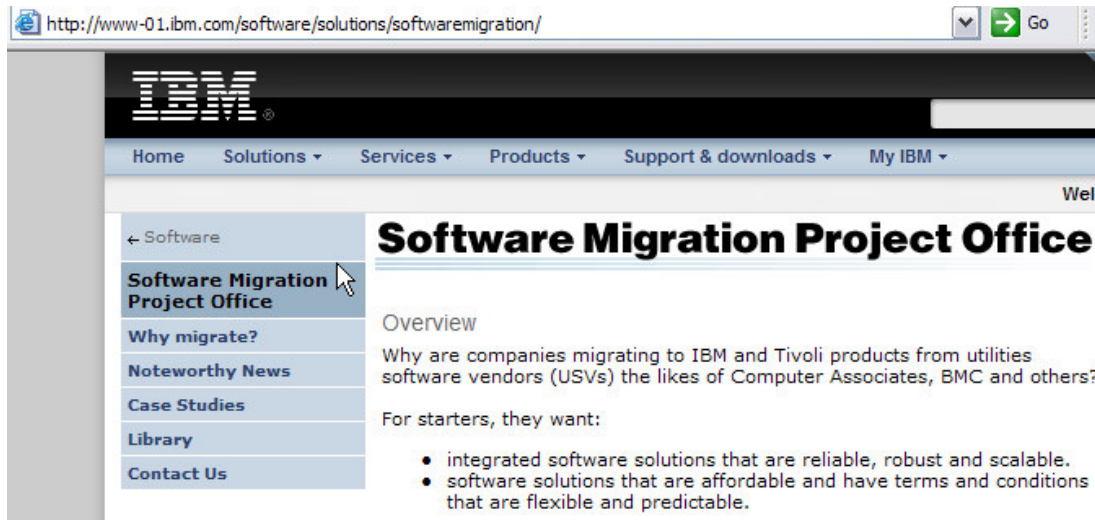
ISV	ISV Product	IBM Replacement
BMC	Apply Plus DB2 and OS/390, Logmaster for DB2	DB2 Log Analysis Tool
	UnloadPlus	DB2 High Performance Unload
	Application Performance DB2, Apptune, SQL Explorer	DB2 SQL Performance Analyser
	Application Performance DB2, Apptune	DB2 Query Monitor
	DASD Manager	DB2 Automation Tool
	Change Manager	DB2 Object Comparison
	Admin Assistant for DB2, Catalog Manager, Database Admin DB2	DB2 Admin Tool
Compuware	Abend-Aid for MVS, CICS, DB2, CICS/DB2	Fault Analyser
	Xpediter/TSO, CICS, Code Coverage	Debug Tool Utilities
	File-Aid MVS, DB2	File Manager
	QA Hiperstation	Workload Simulator
CA	CA-11, CA-7	Tivoli Workload Scheduler
	CA-1	RMM
	CA-MIM	GRS
	Endevor	SCLM AE
	Easytrieve	IBM Migration Utility
	XCOM	FTP

More Information and Help

- Software Migration Project Office :

  http://www.ibm.com/software/solutions/softwaremigration/

  Or Google 'IBM SMPO'

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Questions ?