The Mainstream
An article from the IBM @server zSeries software newsletter

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New zSeries pricing: Lowering the cost of mainframe ownership

from The Mainstream, Issue 6 - 2004
The IBM @server zSeries and S/390 software newsletter

"Lower total cost of ownership." It's become a mantra for budget-minded organizations around the world—organizations looking for ways to maximize their IT investments at minimal expense.

It's with total cost of ownership in mind that IBM® has recently developed several creative new pricing initiatives for zSeries® software, all designed to help customers get the greatest price/performance from their mainframe investment. That price/performance translates to greater overall value—and lower bottom-line costs.

The Mainframe Charter: Solidifying a commitment

IBM's recent pricing initiatives are indicative of a larger, heightened commitment to mainframe customers. Our commitment is spelled out in IBM's Mainframe Charter, which highlights three specific ways in which IBM intends to deliver ongoing value to zSeries customers:

- Innovation. We're developing new technologies to enhance the use of zSeries, supporting integrated and flexible processes for on demand business.
- Community. We're providing more skills, expertise and support to zSeries customers through initiatives such as our University Programs.
- Value. We're enhancing the value of the zSeries solution while lowering the total cost of computing, in a way that's compelling, clear and consistent with the industry.

Stemming directly from the "Value" leg of the Mainframe Charter, IBM's recent pricing initiatives for zSeries present a compelling proposition to customers like you.

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Sub-capacity pricing: Pay only for what you need

The first major initiative is called "sub-capacity pricing." Simply put, it reduces the charge for software that occupies less than the full capacity of a mainframe. A response to customer requests for more affordable software, sub-capacity pricing bills for software based on a mainframe's LPARs, or logical partitions, that a given application occupies. That's a departure from the traditional pricing method, which is based on a machine's total MSUs, or "millions of service units."

An example: Consider a mainframe rated at 100 MSUs, with one LPAR running CICS® software and one LPAR running IMS®. The CICS LPAR may utilize 50 MSUs, while the IMS LPAR may utilize only 30 MSUs. Sub-capacity pricing means paying for only 50 MSUs of CICS and 30 MSUs of IMS, rather than 100 MSUs of each.

> *Sub-capacity pricing lets you pay for software based on the utilization of the LPAR(s) where the product executes, rather than full machine capacity.*

In short, sub-capacity pricing gives you more control and flexibility over what you pay for software. It enables you to pay for software based on the utilization of the LPARs where a product executes, rather than full machine capacity. It also lets you choose to manage the utilization of your LPARS, and therefore control your software charges.

Sub-capacity pricing in practice: Three great offers

The concept of sub-capacity pricing is brought to bear in three core IBM offerings: Workload License Charges (WLC), Entry Workload License Charges (EWLC), and Sub-Capacity Pricing for select WebSphere products on z/OS®.

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Workload License Charges, introduced in 2000, is a monthly license pricing program that supports today's on demand business needs for larger enterprises. It can be applied to IBM @server z900 or z990, or a z800 participating in a fully qualified Parallel Sysplex.

Entry Workload License Charges, introduced last October, brings sub-capacity monthly license pricing to smaller businesses—namely, businesses running a standalone IBM @server z800.

Recently, IBM made WLC more attractive by lowering the entry point to just 3 MSUs and by making z/OS price reductions for WLC customers with environments under 300 MSUs. IBM will continue enhancing the WLC and EWLC offerings based upon customer feedback and market-place needs. The only requirements to qualify for Sub-Capacity WLC/EWLC pricing: a z800, z900 or z990 running the z/OS operating system in 64-bit mode and submission of monthly Sub-Capacity Reports to IBM.

The third sub-capacity offering, announced last September, is focused specifically on select WebSphere® products for z/OS. For any organization with Sub-Capacity WLC or EWLC, one-time charges on 14 WebSphere products—including WebSphere Application Server, WebSphere Host Publisher, WebSphere Portal, WebSphere MQ Integrator, and WebSphere MQ Integrator Broker, WebSphere Studio Application Monitor and WebSphere Studio Simulator, among others—are now eligible for sub-capacity pricing. IBM's one-time-charge products have an upfront license fee and an ongoing (optional) subscription and support agreement.

What makes this offer so compelling? It lets businesses run WebSphere Application Server in a very small LPAR and conduct a proof-of-concept for less that US $7,000. That's hard to pass up.

New Application License Charge: Shaving 80% off e-business costs

Another key IBM pricing initiative is a recent enhancement of a popular program: the New Application License Charge (NALC).

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First introduced in 1998, NALC allows an organization doing e-business on a mainframe to enjoy significant savings on the z/OS or OS/390® operating system, or on Lotus® Domino® Version 5. The offer is this: If your mainframe is currently dedicated to running key e-business applications such as SAP®, PeopleSoft®, Java® or WebSphere, you qualify for less expensive NALC price for z/OS, OS/390 and Domino V5. That can dramatically lower your cost of doing e-business.

And now the NALC offering is even better—80% better, in fact. Recently, IBM announced reductions in NALC costs for z/OS—down from US $191 per MSU, now just US $36 per MSU. NALC is designed for larger enterprises, and NALC z/OS is approximate 90% less than traditional z/OS pricing!

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Smaller companies with z800 servers can also realize an 90 percent savings on z/OS, too, via a reduced function version of the z/OS operating system, called z/OS.e. z/OS.e shares a code base with z/OS but the execution of certain workloads, such as CICS and IMS, are restricted.

Affordable Tools Initiative: Altering the competitive landscape

A few years ago, IBM wasn't in the software tools business. Then a funny thing happened: Customers, frustrated with the stagnant functionality and rising costs of non-IBM software tools and utilities, asked IBM to enter the market. And in 2000, the IBM Affordable Tools Initiative was born, with more than 800 developers assigned to developing high-performance, highly affordable software tools for the mainframe platform.

Immediately upon IBM's arrival, the competitive landscape was altered, and the costs of purchasing tools and utilities—and thus, total cost of owning a mainframe platform—began declining. And today, IBM is a leading provider of a broad and deep suite of tools for DB2, IMS, CICS,

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WebSphere, system management, and application development. This portfolio of offerings from IBM continues to grow in both breadth and depth, with frequent announcements of new tools and new/enhanced functionality in existing tools.

It's a classic example of a win-win for IBM and our customers, who can choose to either purchase IBM-developed tools or negotiate from a position of power with existing tool providers. At the end of the day, more choices for tools and utilities are now available to IBM mainframe customers at much lower cost than was available before IBM's entry into the software tools market.

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Software Asset Management: Making software assets more efficient

One of the best ways for an organization to minimize total cost of ownership is by keeping a close eye on how its IT assets are being deployed. Are software licenses under-utilized? Can purchases be consolidated across enterprise locations? Can upgrades or migrations be managed more cost-effectively?

Every day, IBM is helping customers to monitor their software assets in order to keep costs down. One way is via the Portfolio Review and Analysis (PRA) engagement, in which we assess an organization's current software portfolio and recommend ways to make it more cost-efficient.

The objective of the PRA is to help companies understand how their current portfolio and its cost structure will change over a 36- to 60-month period based on multiple growth scenarios. With this information in hand, an organization can proactively manage its portfolio to drive down costs.

In essence, the PRA makes long-term budget projections based on multiple growth scenarios; compares client portfolio cost structure with those of other companies; analyzes client portfolio

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to identify redundant or underutilized software products; identifies product alternatives and their cost/benefit impact; and provides negotiation leverage with incumbent product vendors.

Where to get more information

As IBM continues to focus on e-business on the zSeries mainframe platform, we also focus on lowering the cost of conducting e-business and deploying new workloads on the platform.

Could your organization benefit from IBM's new pricing initiatives for zSeries? To learn more, about IBM's Software Portfolio Strategies group or the Portfolio Review & Analysis (PRA) Engagement, please visit the web site at http://www-3.ibm.com/software/solutions/softwaremigration/sps.html.

If you would like to have someone speak to you about IBM's Software Portfolio Strategies group or the Portfolio Review & Analysis (PRA), please register your interest by completing a brief form:

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