REPORT
THE BENEFITS OF IBM COGNOS SOFTWARE FOR ISVS
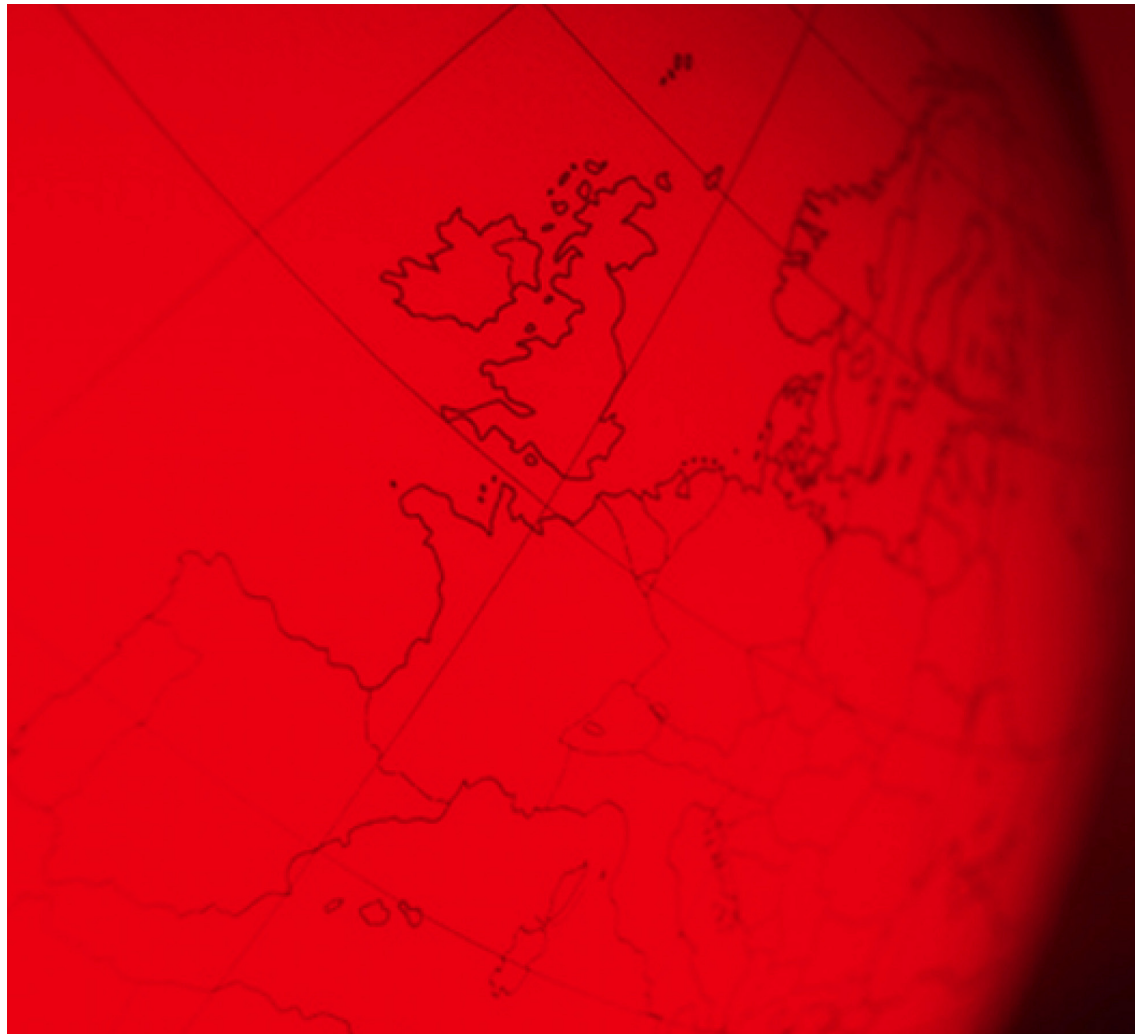
THE BOTTOM LINE

ISVs that choose to embed IBM Cognos software are able to sell additional features and functionality, as well as increase win rates, average deal sizes, and overall revenue. Because IBM Cognos software has developer-focused features and functionality such as better metadata management and reusable services, these ISVs are also able to reduce their costs.

IBM Cognos software has features and functionality in the areas of business intelligence (BI) and performance management (PM). In order to make these products available to as many types of users as possible, IBM forms partnerships with independent software vendors (ISVs). These ISVs embed IBM Cognos functionality in their own domain-specific products and services for end users with analytical or reporting needs that are department, workflow, or vertical-specific.

THE SITUATION

Companies that provide transaction-based or data-driven applications have the opportunity to increase their revenues by extending their offering with embedded IBM Cognos functionality. Almost any time a vendor provides automation to a customer, there is the opportunity to improve decision making by analyzing the data flowing through that application. For example, if a company automates scheduling workflows for retailers over the Web, there is the opportunity to analyze workers' hours and determine which managers incur the least overtime costs. Similarly, if an application is used to automate supply chain processes, the data flowing through it could be analyzed to determine vendors' on-time delivery rates.

Whatever the business model, an ISV seeking to augment its offering with BI or PM has to make significant decisions that impact its business model and cost structure. The first decision is whether or not to build such functionality internally. If it won't be built internally, the second decision is which vendor to select as a partner.

THE CHALLENGE

In making partnering decisions, ISVs should proceed carefully. When an ISV decides to embed or resell applications from a particular software vendor, it is effectively selecting and investing heavily in a new business partner. Some of the reasons that this decision will have such a dramatic effect on an ISV's business model include:

- Functionality. The greater an application's functionality and breadth, the more competitive situations an ISV will win and the larger will be the average transaction size.
- Cost. The more a vendor enables an ISV to increase developer productivity or reduce software costs, the less expensive it will be to create new functionality.
- Selling. Software vendors vary widely in how much they assist ISVs in winning new business.
- Risk. Software vendors also vary widely in their willingness to use business models that enable sharing of both risks and rewards.

This report identifies the benefits that ISVs can achieve by embedding IBM Cognos functionality instead of software from other providers. The report is based on

analysis of IBM Cognos ISVs that provide solutions in areas such as healthcare, logistics, supply chain management, and billing. These analyses focused on determining why these ISVs selected IBM Cognos software and identifying the resulting benefits. All of the ISVs that were analyzed either selected IBM Cognos software after thorough consideration of competing offerings or switched to IBM Cognos software after having embedded other BI or PM software.

IBM AND ISVS

Like many software vendors, IBM enters into relationships with ISVs in order to make its software more broadly adopted. IBM partners with ISVs that embed IBM Cognos functionality in their applications so that users in specific verticals or with particular business process needs can receive relevant and out-of-the-box BI or PM functionality. These ISVs use a variety of deployment models, including on premise, hosted, and software as a service (saas), and their deployments range in scope from project-specific to enterprisewide.

IBM Cognos enhances its ISV relationships by providing support for both business development and application development. Business development support consists of assistance with activities such as lead generation, RFP responses, pre-sales activities, pricing strategies, kickoffs, launches, and go-to-market planning. Development-related assistance includes code-level support, best practices, and training. Also provided is onsite assistance with higher-order tasks such as architecting, technical design, and the formulation of integration strategies.

IBM COGNOS FUNCTIONALITY

IBM Cognos software helps companies make better use of their data when performing tasks related to reporting, financial statements, budgeting, and analysis. The product offering includes:

- IBM Cognos 8 BI, which offers reporting, analysis, dashboard, and scorecard functionality for monitoring performance, analyzing trends, and evaluating operational or financial results. The application also offers tools for modeling how data in a business intelligence (BI) or performance management (PM) environment will be maintained, governed, and shared.
- IBM Cognos TM1, which is a business analytics application that enables companies to perform what-if analysis, operational planning, budgeting, and forecasting on large volumes of data in real-time.
- IBM Cognos Now, which is an operational BI solution that continuously monitors key performance indicators and line-of-business operational metrics.
- Department and vertical-specific PM tools, which are for tasks related to workforce analytics, financial performance analysis, and credit risk management.

BENEFITS OF EMBEDDING IBM COGNOS SOFTWARE

Nucleus found that the decision to embed IBM Cognos software enabled ISVs to increase their revenues and reduce the cost of developing their solutions.

Increased revenues

ISVs that partner with IBM Cognos are able to generate higher revenues because they have more functionality to sell and are better able to close deals. Some of the

revenue-related benefits of partnering with IBM Cognos include broader product offerings, higher win rates in competitive situations, and assistance from IBM in the sales process.

Broader product offerings

Outside of traditional BI or PM markets, application providers can increase average transaction sizes by augmenting their offerings with IBM Cognos functionality. Application providers such as saas vendors understand that since they are already interacting with their customers' data to provide a base service, they can also analyze that data to help their customers make better operational decisions. ISVs varied in whether or not they charged extra for the IBM Cognos functionality. Some used it to add new SKUs to their offering, resulting in up-sell opportunities. Others embedded the functionality in their base offering to make it more appealing.

In some highly competitive markets, it's not a question of whether BI or PM functionality will be embedded, but which BI vendor will provide it. Nucleus finds that even if most rivals in a particular solution space embed BI or PM technology, IBM Cognos ISVs tend to have higher transaction sizes because of the breadth of the IBM Cognos offering. Customers of ISVs value features such as service-oriented architecture (SOA), because it can accelerate both application development and the integration of IBM Cognos software with other applications and data sources. Customers also value deployment broadening capabilities such as mobile access, which can extend their deployment to mobile or geographically remote end-user populations. ISVs say that this breadth of features and functionality enables then to sell more software because it increases the opportunities for customers to achieve benefits:

- *"Our deal size is about 20 percent larger. Because there's more functionality, they buy more of it, and for more users. Things our clients have done include pushing analytics over the firewall to vendors and automating publication of on-time statistics to their shippers."*
- *"Because we can up-sell the IBM Cognos functionality, our deal size is about 10 percent higher when customers opt for the IBM Cognos functionality."*

Nucleus found that by adding IBM Cognos functionality to a base offering, an ISV can increase average deal size by up to 20 percent.

- *"With things like end-user driven asset creation and the ability to deploy analytics to mobile devices, customers can deploy to more end users, so we sell more seats."*

Higher competitive win rates

ISVs that embed IBM Cognos software tend to fare better in competitive situations. Nucleus finds that these ISVs are more likely to win in competitive situations because of the breadth of functionality in IBM Cognos, including BI and PM. The platform also has breadth in the range of ways data can be published to the end user, including reporting, analysis, scorecarding, dashboards, and planning. Because IBM Cognos products are based on service-oriented architecture (SOA), the tools are more readily integrated with other applications and data sources. This is important because it lowers both the cost and complexity of deploying

Cognos-based applications and makes more data available to end users. Nucleus found that ease of integration and better reporting contributed to higher win rates for IBM Cognos ISVs:

- *"We have lots of rivals who also make applications for supply chain, and a lot embed BI in their applications. But IBM Cognos BI has more breadth and depth. There's also PM, and there are more ways to expose data to the end users."*

- *"Everyone offers 'reporting' in our space. But it's really just five or six canned reports. We're offering any kind of analysis, any kind of presentation, on any data. So we always win against these other vendors."*

At least one vendor won more deals because its customers — state governments and healthcare-related institutions — tended to self identify as "IBM Cognos shops," and wanted to purchase from an IBM Cognos ISV. Some of these organizations also preferred IBM Cognos because they consider it to be more widely adopted and preferred by developers than other BI and PM applications. One IBM Cognos ISV that benefitted from this customer preference said, *"When we're working with a state or healthcare provider, or if we're responding to an RFP in one of these markets, it's likely that they'll have a stated preference for IBM Cognos, which puts us in a better position."*

IBM assistance in the sales cycle

ISVs that partner with IBM Cognos are able to win more business because IBM Cognos often collaborates in the sales process. When a company considers purchasing an application from an ISV, they perform due diligence on not only that ISV, but also the vendor providing the underlying software. IBM Cognos often participates in the sales process by talking with ISV prospects about issues such as application functionality, support, and product roadmaps. Nucleus finds that because IBM is willing to step in as a partner during the sales cycle, prospects are more comfortable choosing IBM Cognos ISVs:

- *"It's in the IBM Cognos culture to collaborate with partners in their sales process. They'll pitch in with presentations or being there in person at customer calls so that our client is comfortable with the underlying software. They're even able to come in with local staff, no matter the geography that we're selling in."*

- *"IBM is willing to be on the phone with prospects, so they understand the product they'd be buying from us and the level of commitment from IBM Cognos. IBM Cognos has also helped us with some early development."*

Collaborative pricing

IBM Cognos helps its ISVs win deals because it is not committed to per-seat pricing and often enters into collaborative pricing designed to maximize ISVs' sales of IBM Cognos functionality. IBM Cognos knows that the more broadly ISV customers deploy, the bigger a win it is for both the ISV and IBM Cognos. In order to maximize the benefits for all involved, including the end user, IBM Cognos frequently enters into revenue-sharing, risk-sharing, or royalty-based agreements with ISVs. One ISV that had such an arrangement with IBM used it to increase revenues and said, *"We have a unique engagement with IBM because pricing is based on shared risk. If we make money selling IBM Cognos software, so do they. It's a partnership based on maximizing revenues. The other vendors were more*

focused on seat volumes or straight licensing, which puts the focus on costs rather than opportunities."

An ISV which selected IBM Cognos software to replace embedded Microsoft functionality used the relationship to increase revenues. Nucleus found that several benefits led to increased revenues:

- Higher win rates in competitive situations. Because the embedded IBM Cognos functionality has greater breadth of functionality and more end-user driven tools than is available from rivals, the company is more likely to win new business.
- Higher up-sell rates. One in ten customers opts to pay extra for IBM Cognos functionality.
- Higher overall deal sizes. Up selling IBM Cognos functionality increases transaction values by an average of 10 percent.

Lower costs

ISVs that partner with IBM Cognos are able to lower their costs by increasing developer productivity and lowering software costs.

Increased developer productivity

Nucleus finds that ISVs are able to increase developer productivity by partnering with IBM Cognos. Because IBM Cognos applications are based on SOA, developers at ISVs can more rapidly create functionality they need — be it integration-related or end-user facing — from previously existing services. Asset creation is also faster because IBM Cognos is designed with core functionality that operates out of the box, which means that developers spend less time creating assets and more time fine tuning them for a particular vertical or end user, which is where the real value addition is for ISVs.

Developers are also more productive because of framework manager, an IBM Cognos functionality that enables the creation of a single metadata model for all BI capabilities in a deployment. Because an application can be built with a metadata model designed to support a customer's entire deployment, an ISV's developers can build new features and functionality into an application without making complex and labor intensive changes at the metadata layer. Developers at ISVs are also more productive because IBM Cognos is a unified environment: developers can complete tasks related to BI, PM, metadata, SOA, and integration without transitioning to another application or development tool. A manager at one IBM Cognos ISV said, "*Because developers don't have to perform modifications at the metadata layer, a project that would take a year in Microstrategy can be completed in eight months in IBM Cognos.*"

ISVs can also accomplish development tasks faster because of support from IBM, as well as a large community of users who can provide knowledge. Nucleus finds that developers at IBM Cognos ISVs can create, fine tune, and trouble shoot software faster because of the high level and quality of IBM support. Another source of support is the large community of IBM Cognos developers. Developers at ISVs seeking tips, help, or best practices can tap into this community through

direct interaction with other developers or from information posted at various online communities and forums.

IBM Cognos ISVs tell Nucleus that its developers are more productive because of more pre-built functionality, better support, and a simplified approach to metadata:

▪ *"Because so much functionality is there out of the box and developers can take advantage of SOA reuse, there's a lot less development and customization and developers are about 10 to 20 percent more productive when we build an application."*

▪ *"We're able to build assets in IBM Cognos a lot faster, because it has a unified approach to metadata, so you only need to worry about the presentation layer any time you develop something. In other applications, including Microstrategy, you have to go down to the metadata layer and modify it even for something as small as adding a column to a table in a report."*

Developers at ISVs are, on average, 15 percent more productive when they are creating IBM Cognos-based applications.

▪ *"There's a lot of support, even beyond what Cognos provides. There are a lot of open forums on the Web. So if a developer is having a problem with a development task or finishing a build, they can always get an answer, which helps us control costs and avoid costly 'nonbuild' situations."*

▪ *"IBM Cognos has more functionality that we are able to run out of the box with minimal configuration. SOA is an important factor here; it enables us to more rapidly do things like change a user interface or integrate with a new data source or application."*

Lower software costs

Because a breadth of end-user and development-related functionality is available in the IBM Cognos offering, especially in IBM Cognos 8 BI, ISVs are able to develop, purchase, and maintain less software.   Because the applications deploy with less development effort, ISV-created IBM Cognos applications also have lower ongoing support costs:

▪ *"In IBM Cognos, you can analyze both day-to-day operational data as well as trending data from big data sets. Before we switched to IBM Cognos, we had to use two separate applications to deliver this much functionality to customers."*

▪ *"One reason we use IBM Cognos a lot is the breadth, which helps us lower TCO. It's available on multiple platforms including Unix and Microsoft with SOA compatibility. It's just a unified platform with more functionality and development capability, so it lowers our costs."*

▪ *"We have Microstrategy in one of our business units and we find that building something in it requires too much custom development, so those applications are more expensive to build and maintain. We're finding IBM Cognos is designed to minimize custom development out of the box. As a result, we can build applications faster and maintain them less expensively."*

Having so much functionality in one development environment also makes tasks simpler for developers and project managers. One ISV has lower staffing

requirements because of this a user there said, "*IBM Cognos comes with the whole stack: semantics, the data engine, the reporting layer, and metadata management. Without this, we'd need other tools for things like data management and we'd have at least two additional people.*"

An ISV that provides supply-chain related applications and services for a variety of verticals decided to embed IBM Cognos software after also considering Microsoft, SAP, Oracle, and Microstrategy. This decision enabled the company to reduce costs in areas that included:

- Development. Because IBM Cognos software is based on SOA, less development is required to create commonly needed assets such as user interfaces.
- Compatibility. Because IBM Cognos software is based on open standards, it is less expensive to make applications compatible with various platforms and operating environments.
- Data. Developers at the company found they could complete data-related tasks faster because the ETL tool in IBM Cognos 8 was stronger. Because it is possible to use a single metadata model for a given client, developers were able to reduce the time required to create new data cubes or analytical assets.
- Software. Because IBM Cognos 8 BI includes both BI and PM the company did not have to separately acquire functionality in these areas.

CONCLUSION

ISVs that have the opportunity to strengthen their offering by embedding BI or PM should consider turning to IBM Cognos software. IBM Cognos ISVs are able to generate more revenues by winning more deals, selling more seats, and providing more functionality. These companies also benefit on the cost side. Access to various forms of support and the developer-focused nature of IBM Cognos tools means applications can be built faster and cheaper. Because less custom development is required — even when an application is customized for a specific vertical or business requirement — these applications are also less expensive to support and upgrade after their release.