Best Practices for Managing your Software Assets and Reducing your IT Software Costs
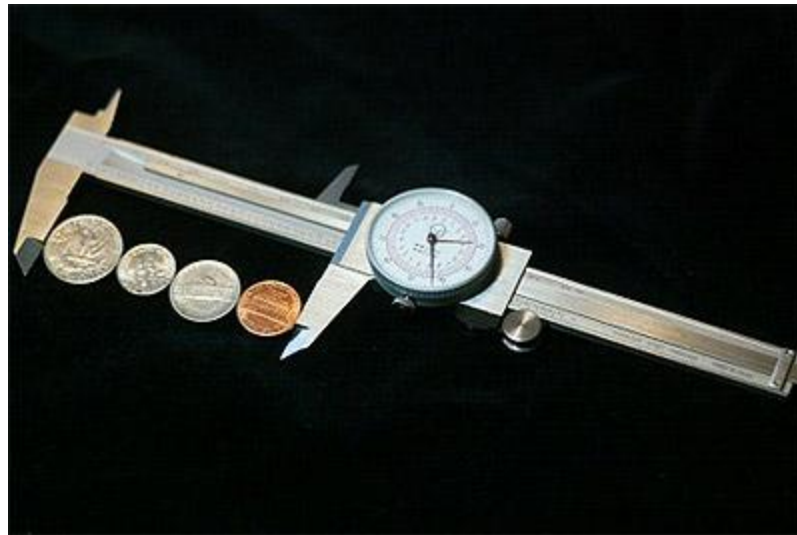
Portfolio Review and Analysis "PRA",

Financial Management and Accounting Workshop "FMA", &

z Total Cost of Ownership "zTCO"

The future runs on System z

Linda Beckner
PRA Team Lead (SMPO)

When running a business, nothing matters more than knowing how much something costs.

You can't manage what you don't measure!

Portfolio Review and Analysis "PRA"

What is a "PRA"?

- **Background of PRA**
  – ISV software costs
  – Needed team of experts to help customers find ways to cut zSeries software cost

- **A consultative service study designed specifically for C-level exec**
  – Develops a 5 year predictive cost model
  – Identifies area's for potential savings in zSeries environment
  – Similar studies cost $100,000

- **PRA team is not on a sales team, goal is to aid customers in saving on mainframe software costs to help maintain the platform**

- **Have delivered 150+ PRAs world wide**

Portfolio Review and Analysis "PRA"
The Process

ƒ **Project current portfolio's 60 month costs with customer provided growth estimates and ISV costs**
- ƒ **separate non disclosure if needed**
- ƒ **Time frame- 3 to 4 weeks from receipt of input data**

ƒ **Position cost metrics against collected benchmark data**

ƒ **Suggest suitable replacement products**
- ✓ **Replace**
- ✓ **Renegotiate**
- ✓ **Remove**
- ✓ **Rehost**

ƒ **Re-project 60 month costs based on revised portfolio**

ƒ **Run ITLCMz to determine ISV list and compare to customer expectation list- 3 to 4 weeks**

Portfolio Review and Analysis Deliverables

ƒ **Executive Summary**

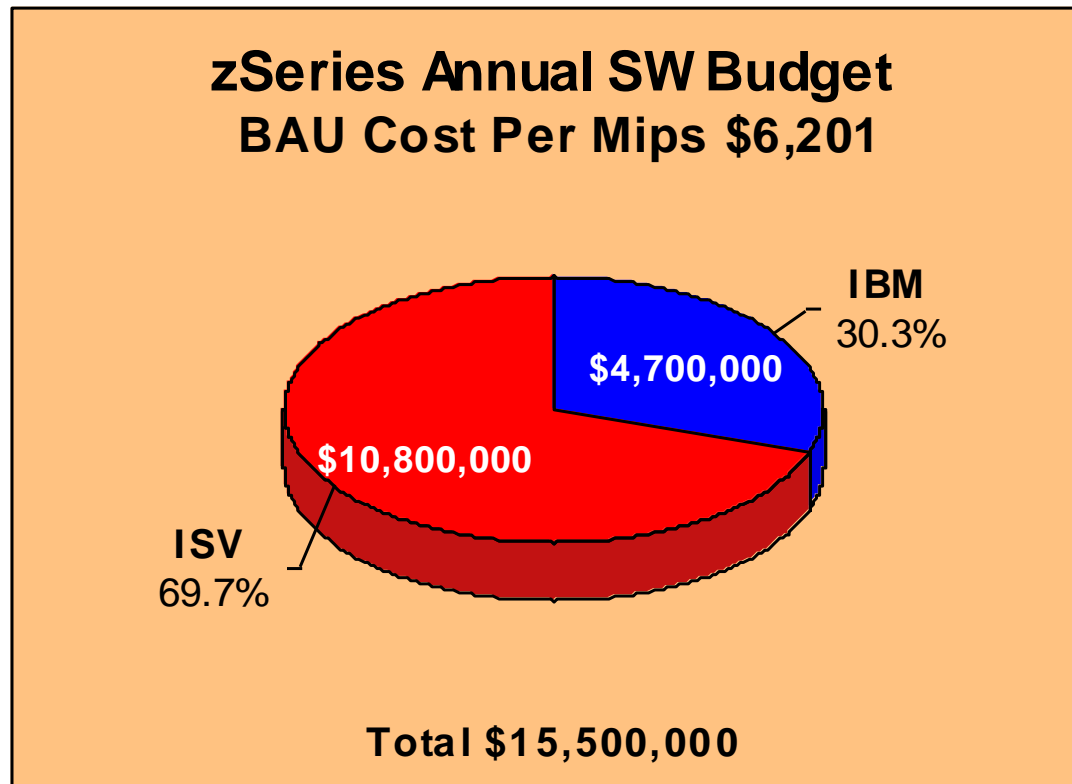   **PowerPoint presentation displaying results of PRA**

ƒ **Product Detail Book**

   ƒ **Document Delivered in hard and softcopy containing detail sheets on each recommendation**

      ✓**Product overview**

      ✓**Feature Highlights**

      ✓**Function comparability %**

      ✓**Average migration costs and durations**

      ✓**Available training and education**

Portfolio Review and Analysis "PRA"
Example Charts

2007 PRA -Financial services customer with approx 2500 MIPS

zSeries Annual SW Budget
BAU Cost Per Mips $6,201

IBM
30.3%

$4,700,000

$10,800,000

ISV
69.7%
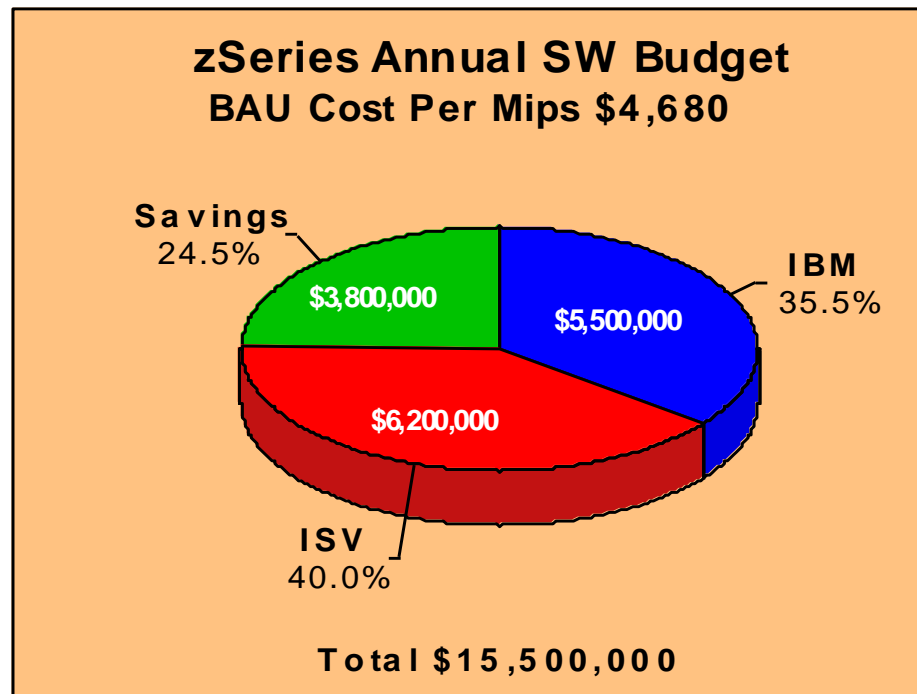
Total $15,500,000

Before PRA

Portfolio Review and Analysis "PRA"
Example Charts

2007 PRA -Financial services customer with approx 2500 MIPS

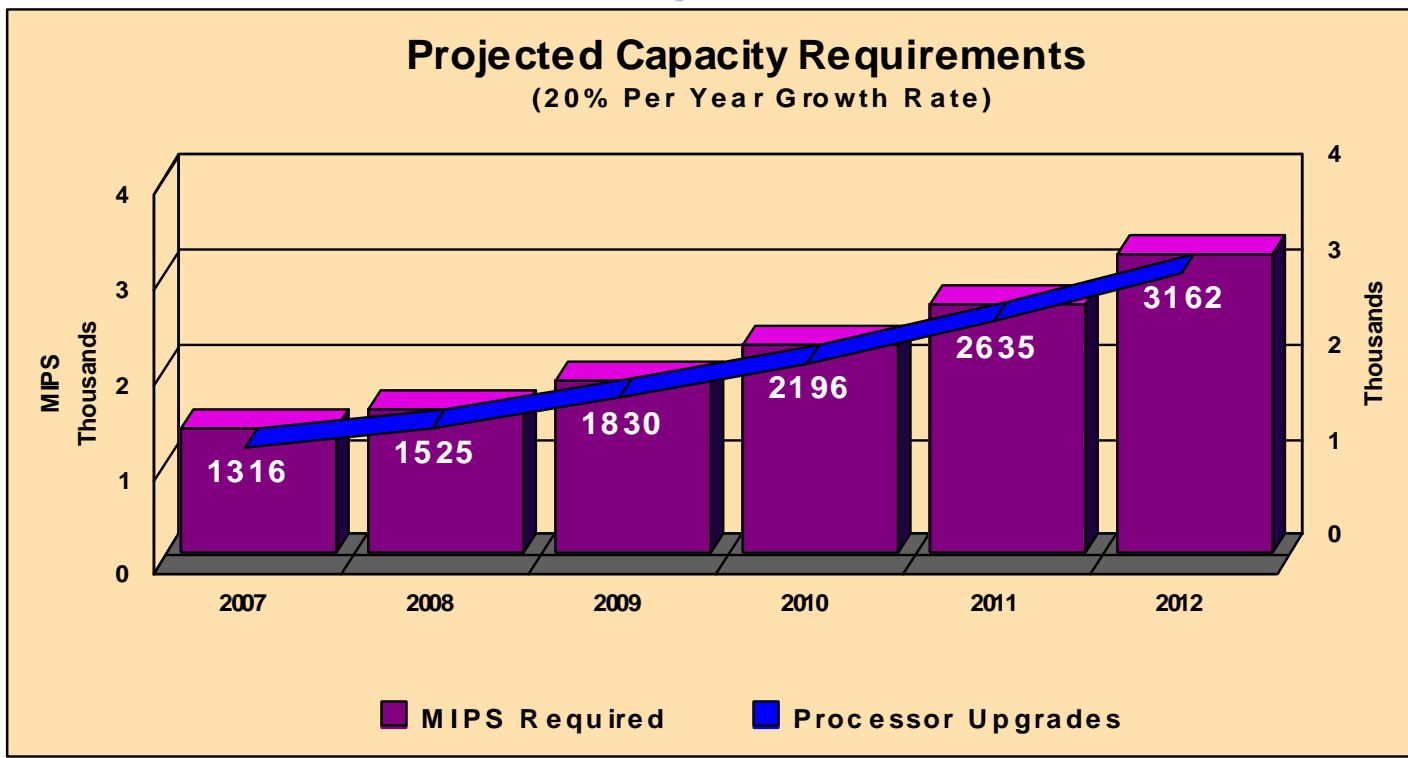After PRA

Portfolio Review and Analysis
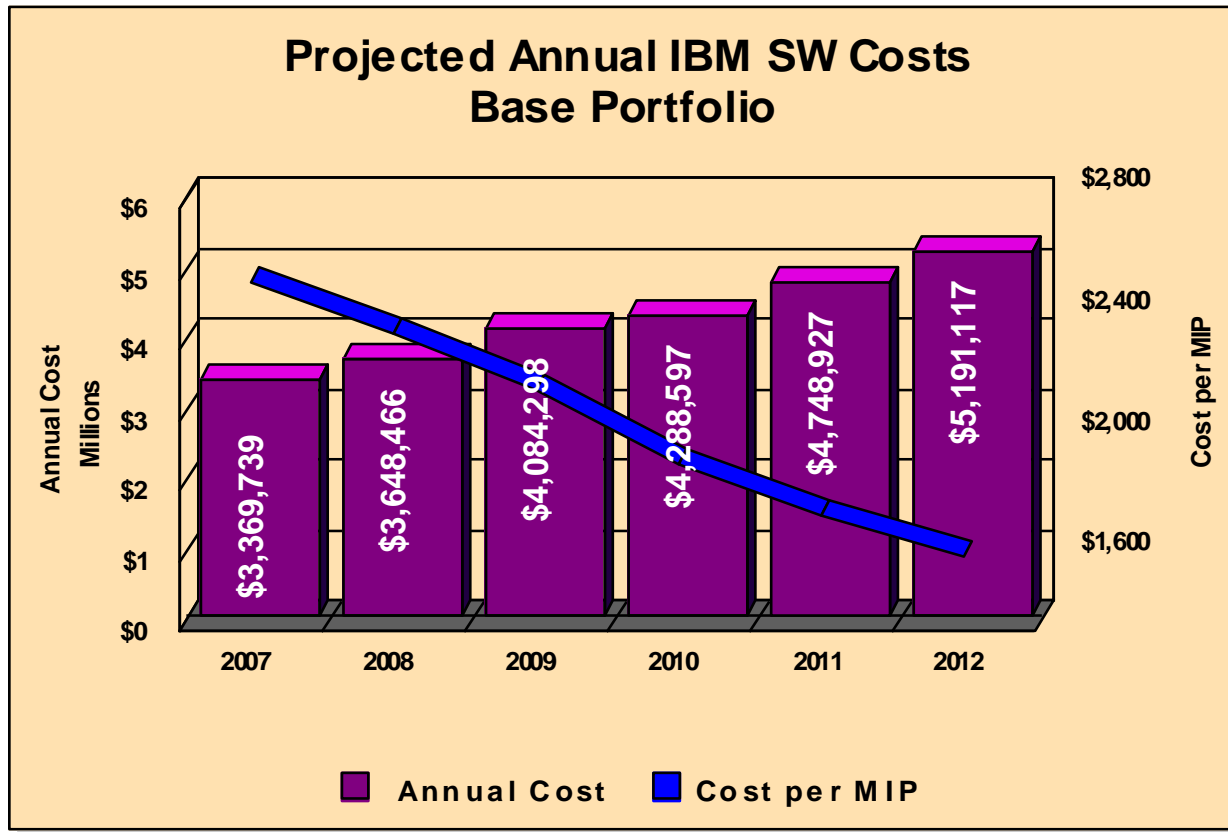# Capacity Requirements

Shows a 5-Year growth projection for capacity requirements

Portfolio Review and Analysis
Base Portfolio - IBM Costs

Projected Annual IBM SW Costs
Base Portfolio

Annual Cost Millions

Year	Annual Cost
2007	$3,369,739
2008	$3,648,466
2009	$4,084,298
2010	$4,288,597
2011	$4,748,927
2012	$5,191,117

Cost per MIP

■ Annual Cost   ■ Cost per MIP
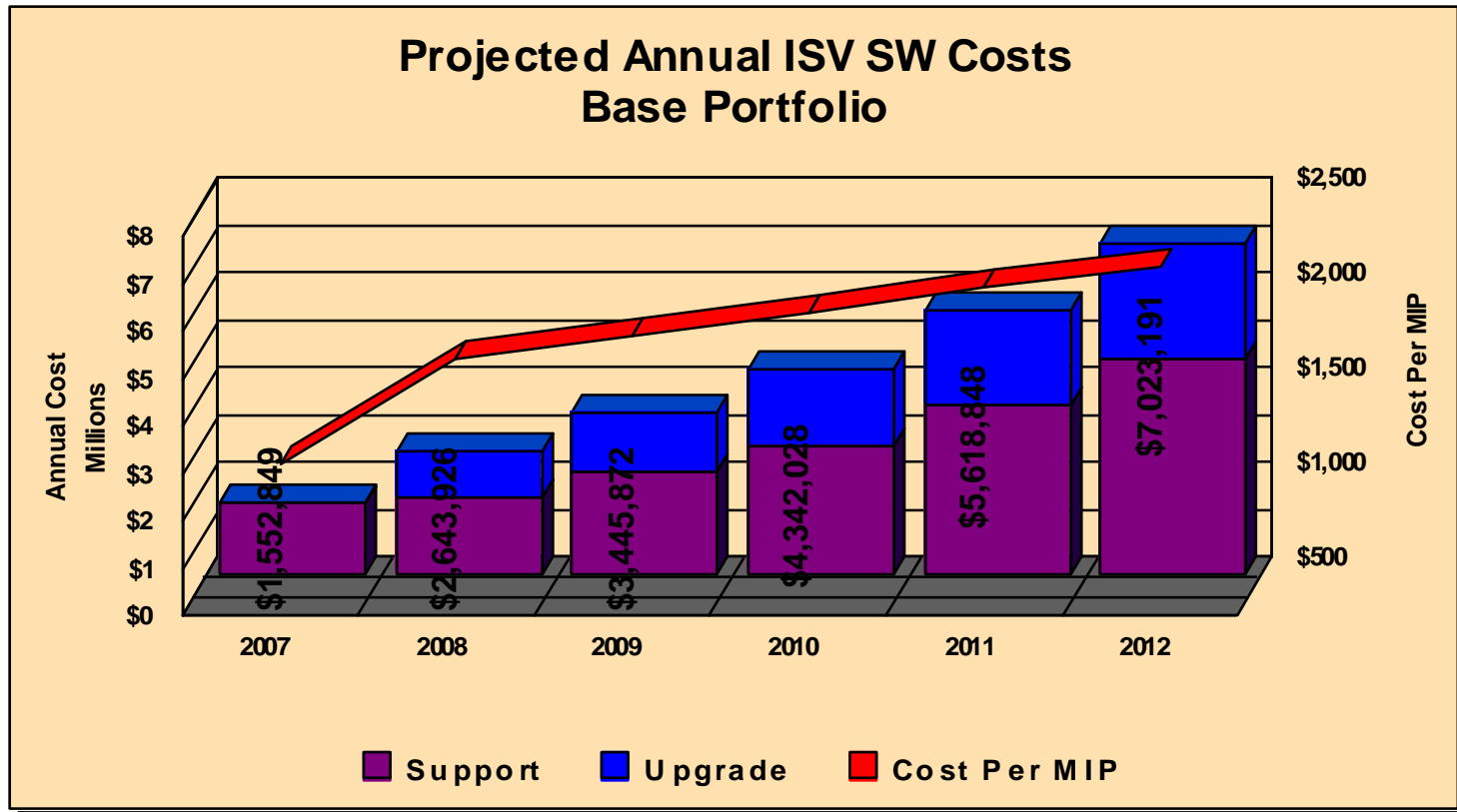
✓Favorable IBM pricing model with decreasing Cost per MIPS

Portfolio Review and Analysis
Base Portfolio - ISV Costs

Projected Annual ISV SW Costs
Base Portfolio

- 2007: $1,552,849
- 2008: $2,643,926
- 2009: $3,445,872
- 2010: $4,342,028
- 2011: $5,618,848
- 2012: $7,023,191

Legend: Support | Upgrade | Cost Per MIP
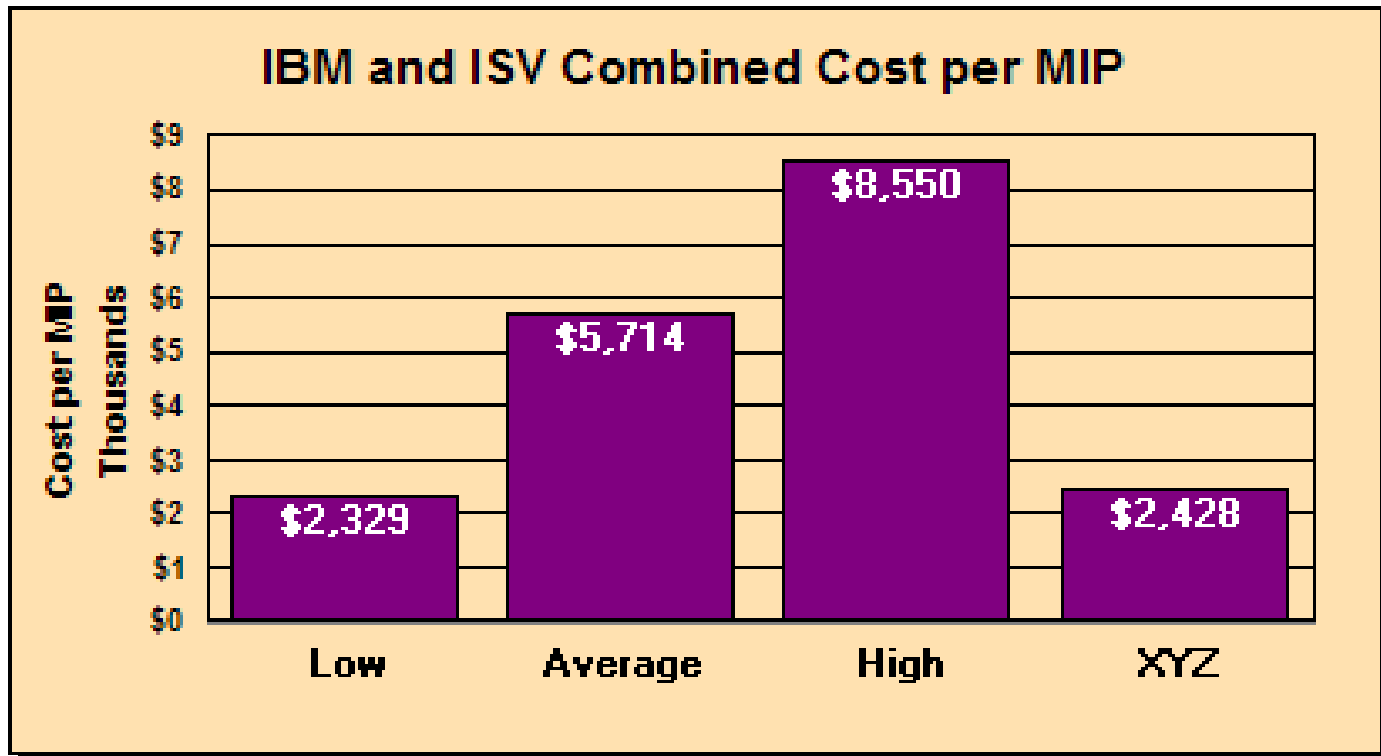
✓Unfavorable ISV pricing model with increasing Cost per MIP

Portfolio Review and Analysis
Cost Structure Comparison

IBM and ISV Combined Cost per MIP

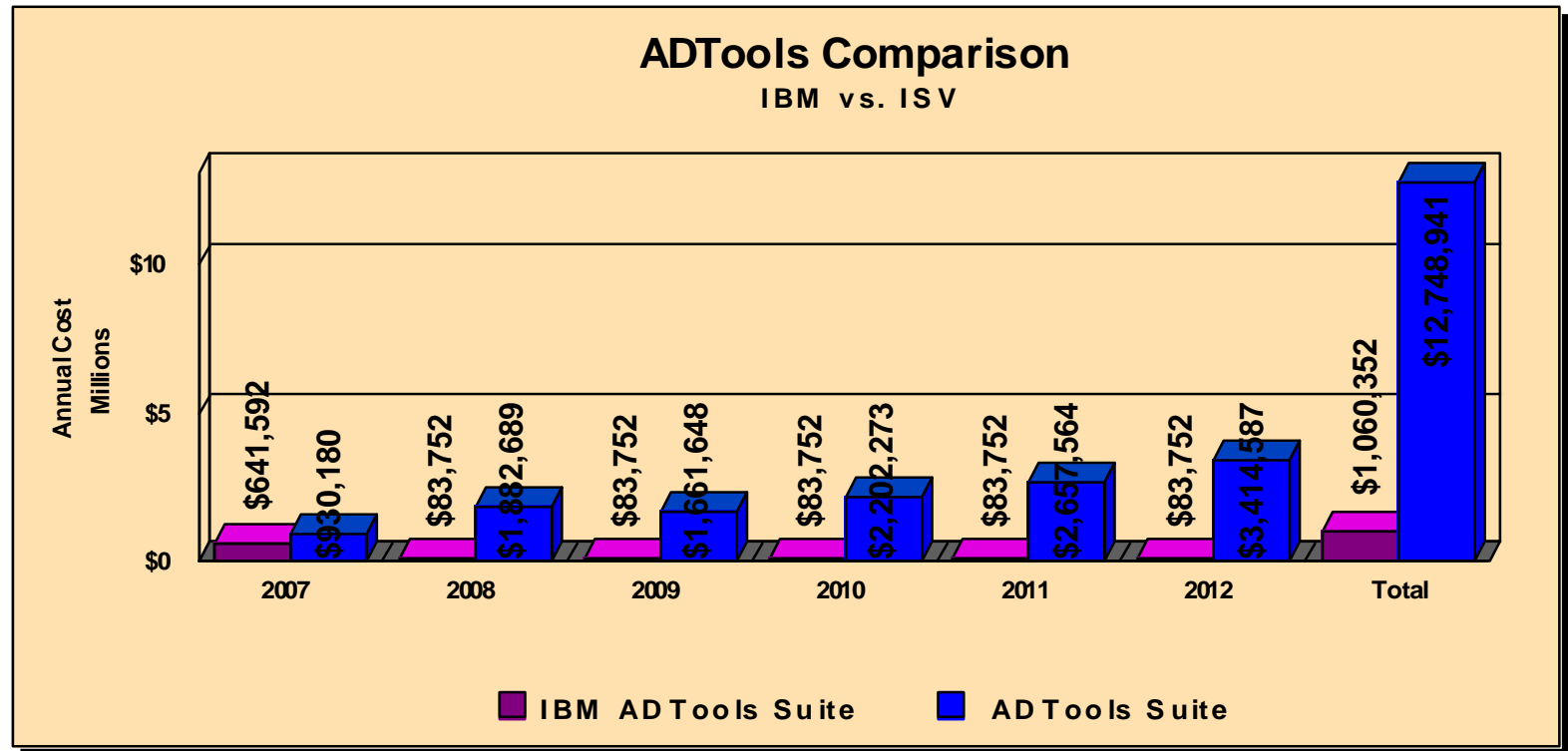✓Benchmark results from PRA statistical database

Portfolio Review and Analysis
Product Replacement Opportunities

Incumbent Product	Replacement Product
Compuware AbendAid Suite	IBM Fault Analyzer for zOS
Compuware FileAid Suite	IBM File Manager for zOS
Compuware Expediter Suite	IBM Debug Tool Utilities
CA Easytrieve/Plus	IBM Migration Utility for zOS
CA JCL Check	Segus SmartJCL
Serena Comparex	Super C option of ISPF or IBM Merge Tool for OS/390

Portfolio Review and Analysis
Product Replacement Opportunities

✓One year projected Return on Investment

Portfolio Review and Analysis
Product Replacement Opportunities

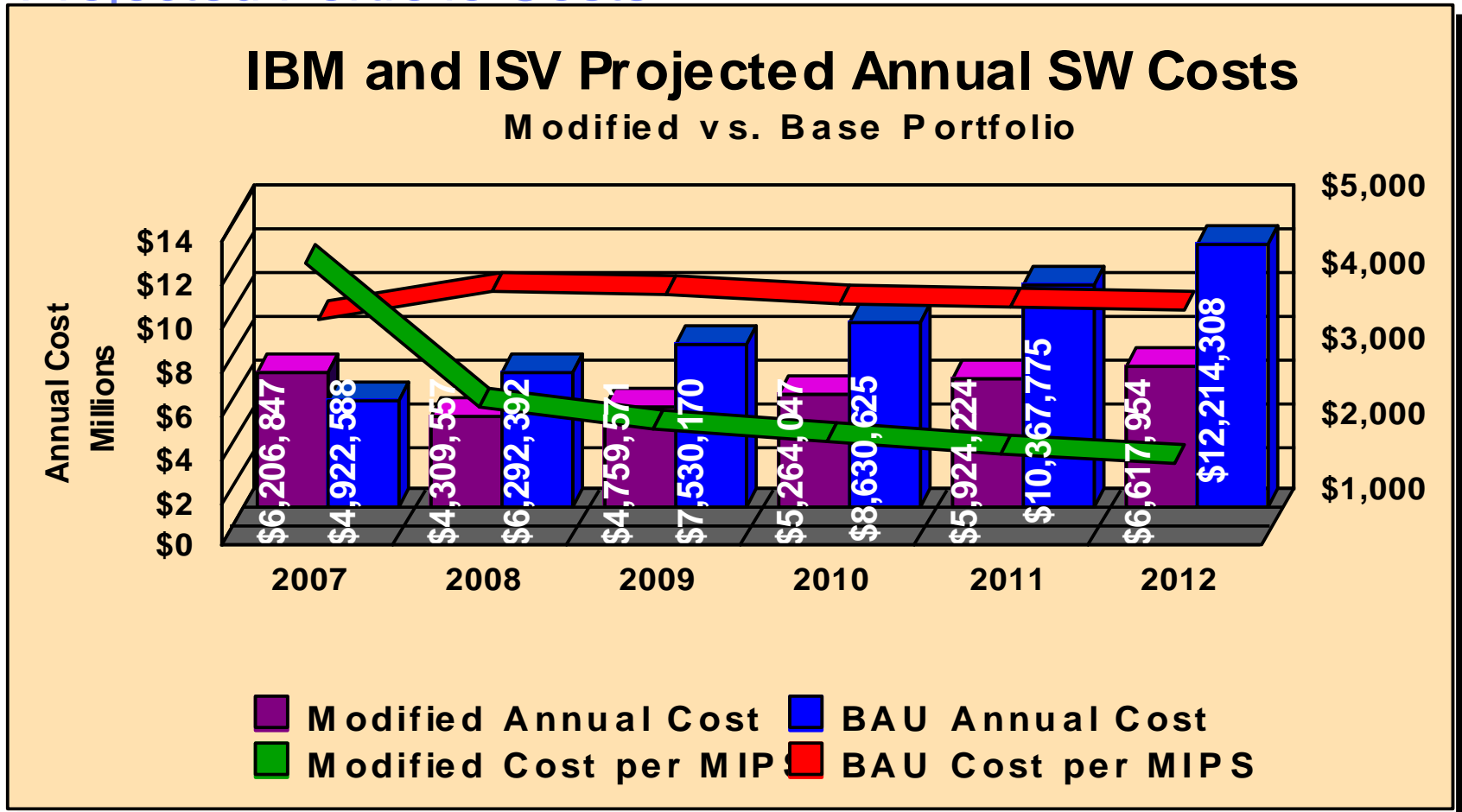| Incumbent Product	Replacement Product
BMC Alter/DB2	DB2 Admin Tool for z/OS
BMC BMCDSN/DB2	DB2 Admin Tool for z/OS
BMC CATMAN/DB2	DB2 Admin Tool for z/OS
BMC Copyplus/DB2	DB2 Utilities Suite
BMC Loadplus/DB2	DB2 Utilities Suite
BMC Reorg Plus/DB2	DB2 Utilities Suite
BMC Unload Plus/DB2	DB2 HP Unload
BMC DASD Man/DB2	DB2 Automation Tool
BMC Resolve - Log master	DB2 Log Analysis Tool
BMC Datapack/DB2	Compression Tool added to DB2 base product

Portfolio Review and Analysis
Product Replacement Opportunities

Incumbent Product	Replacement Product
CA Endevor	IBM SCLM Advanced Edition
CA ACF2 CA TopSecret	IBM Security Server RACF
CA JCL Check	Segus SmartJCL
CA - 1	IBM DFSMS/rmm
CA OPS/MVS	IBM Tivoli System Automation
CA Multi-Image Allocation	IBM Automated Tape Allocation Manager
CA Easytrieve Plus	IBM Migration Utility
CA - 7 & 11	IBM Tivoli Workload Scheduler

Portfolio Review and Analysis
Projected Portfolio Costs

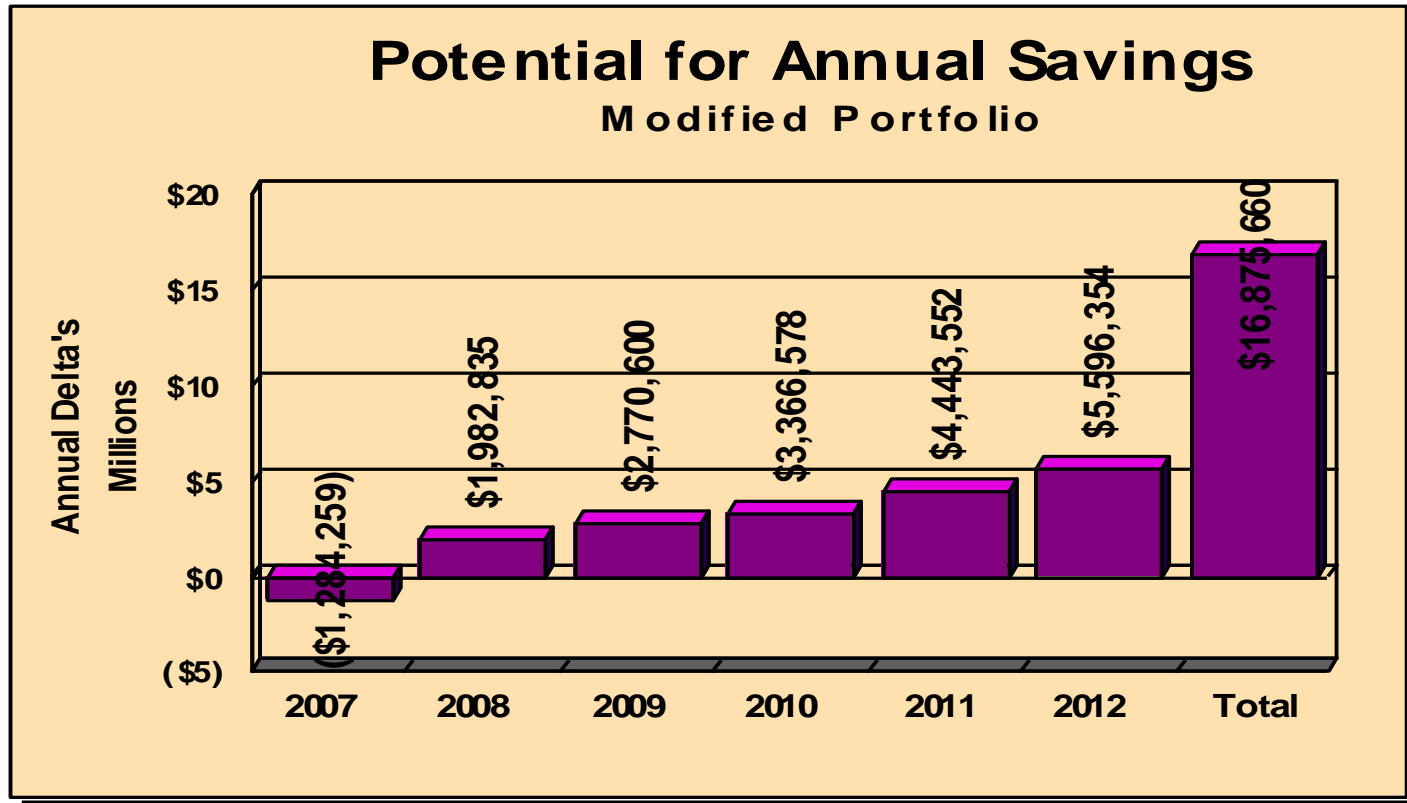## IBM and ISV Projected Annual SW Costs
Modified vs. Base Portfolio

Legend:
- Modified Annual Cost (purple)
- BAU Annual Cost (blue)
- Modified Cost per MIPS (green)
- BAU Cost per MIPS (red)

✓Significant potential reduction in total cost of ownership

Portfolio Review and Analysis
Return on Investment

Potential for Annual Savings
Modified Portfolio

- 2007: ($1,284,259)
- 2008: $1,982,835
- 2009: $2,770,600
- 2010: $3,366,578
- 2011: $4,443,552
- 2012: $5,596,354
- Total: $16,875,660

Y-axis: Annual Delta's Millions ($20, $15, $10, $5, $0, ($5))

✓ Savings are based on strategic view and does not take into account implementation costs and timing of change

Portfolio Review and Analysis "PRA"
IBM System z customers- comments

" I wanted to express my thanks to IBM and the PRA team for the analysis they did of our software portfolio. Initially we had some misgivings about opening our portfolio to one software vendor, but we were totally impressed with the professionalism and confidentiality with which it was handled. Perhaps most importantly, the process itself made us look carefully at our portfolio so we could evaluate what benefits we were getting from our software investment. I wouldn't hesitate to have the PRA team look at our portfolio again in the future to gauge our performance."

Alex Podressoff   I.T. Information and Financial Svcs - Salt River Project

"Thank you for the very thorough job on the Portfolio Review & Analysis. The Bank's history of mergers and acquisitions has resulted in a very complicated portfolio of installed software. The IBM team helped us sort it out and develop a strategy for simplifying it, which will produce important cost saving over the next 3 years."

VP Software Business Management-Top Banking and Global Financial Services Co

"The PRA was key to our going forward with any further analysis. With the PRA, we had knowledge of other deals, an idea of how the other players would react, and an estimate of our savings that told us this was worth pursuing further. The PRA also provided a good matrix of competing products. Having you and your partner onsite, with the graphs, specific knowledge and reports that you generated was essential. "

Bob Venable Manager of Enterprise Systems - BlueCross BlueShield of Tennessee

Portfolio Review and Analysis "PRA"

How the PRA can help

Helps identify areas for zSeries software savings!

✓Identifies the potential financial impact of ISV replacement at a strategic high level

✓Shows you how you compare to other customers in terms of average cost per MIPs, number of vendors and number of products

✓Identifies your duplicate function software

✓The PRA can be used as a negotiating tool

✓You will get a **sample** of what ITLCMz can do.
- ✓**- Discovers low or no usage software**
- ✓**-Discovers Inventory loaded on the system**
- ✓**- Identifies all software running on system**

Financial Management and Accounting Workshop "FMA"
*W*hat is a "FMA" Workshop?

- **A onsite workshop to provide you, the customer with best practices in a FMA methodology.**

- **A High Level Analysis of your current FMA methodology**
  - Identify what resources i.e.: HW, SW, Manpower, Facilities and procedures you have on the floor today.
  - How much of those resources are actually being consumed.
  - Who is consuming those resources?
  - Does that align with your stated business goals.

- **An analysis of the "do's" and "don'ts" of a FMA process**

- **Customer focused workshop to promote the benefits of Cost Transparency in your IT environment**

z Total Cost of Ownership "zTCO"

What is a zTCO Analysis?

- **zTCO Analysis is a study that will show customers what platform is most cost efficient to run their business on.**

- **Two primary reasons a customer typically requests a zTCO Study**
  - Pressure to move off of the mainframe to save money
  - Pressure to move to the mainframe to save money

Contact Information

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zTCO

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