

Business Partner Seminar

# Application Specific Licencing (ASL)

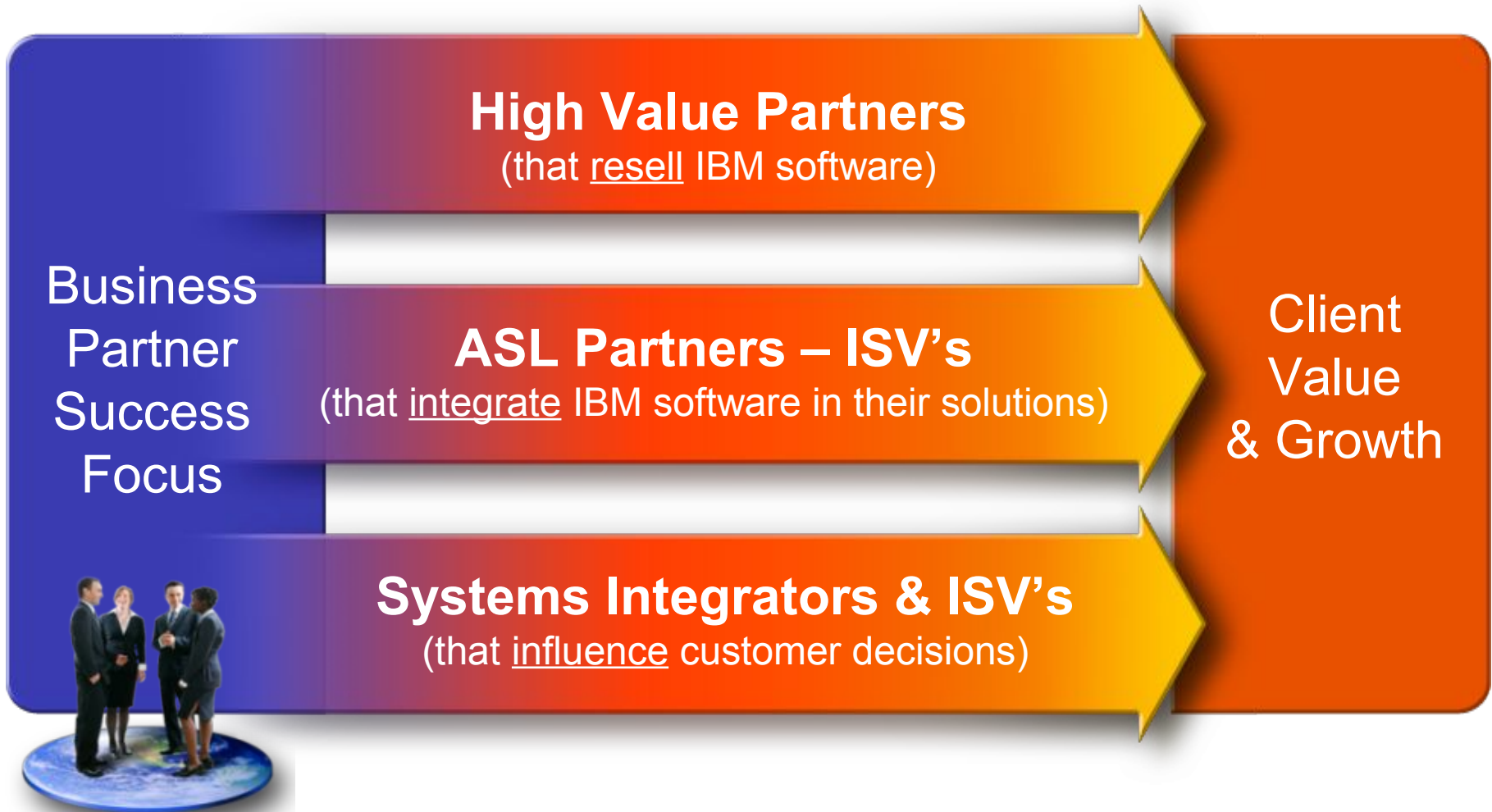
IBM Software Group



# Agenda

- **Overview IBM SWG Channel Strategy**
- **OEM/ASL Basics**
- **Why Partners Choose OEM/ASL**
- **OEM/ASL Market Opportunity**
- **ASL Distributor Program**
- **OEM/ASL Positioning**

# 2011 Software Sales Drivers



# IBM Software Business Partner Strategy



**1 Deliver Greater Client Value**

**ASL**



**2 Drive Incremental Growth**

**ASL**



**3 Focus on Industry**

**ASL**



**4 Embrace New Delivery Models**

**ASL**

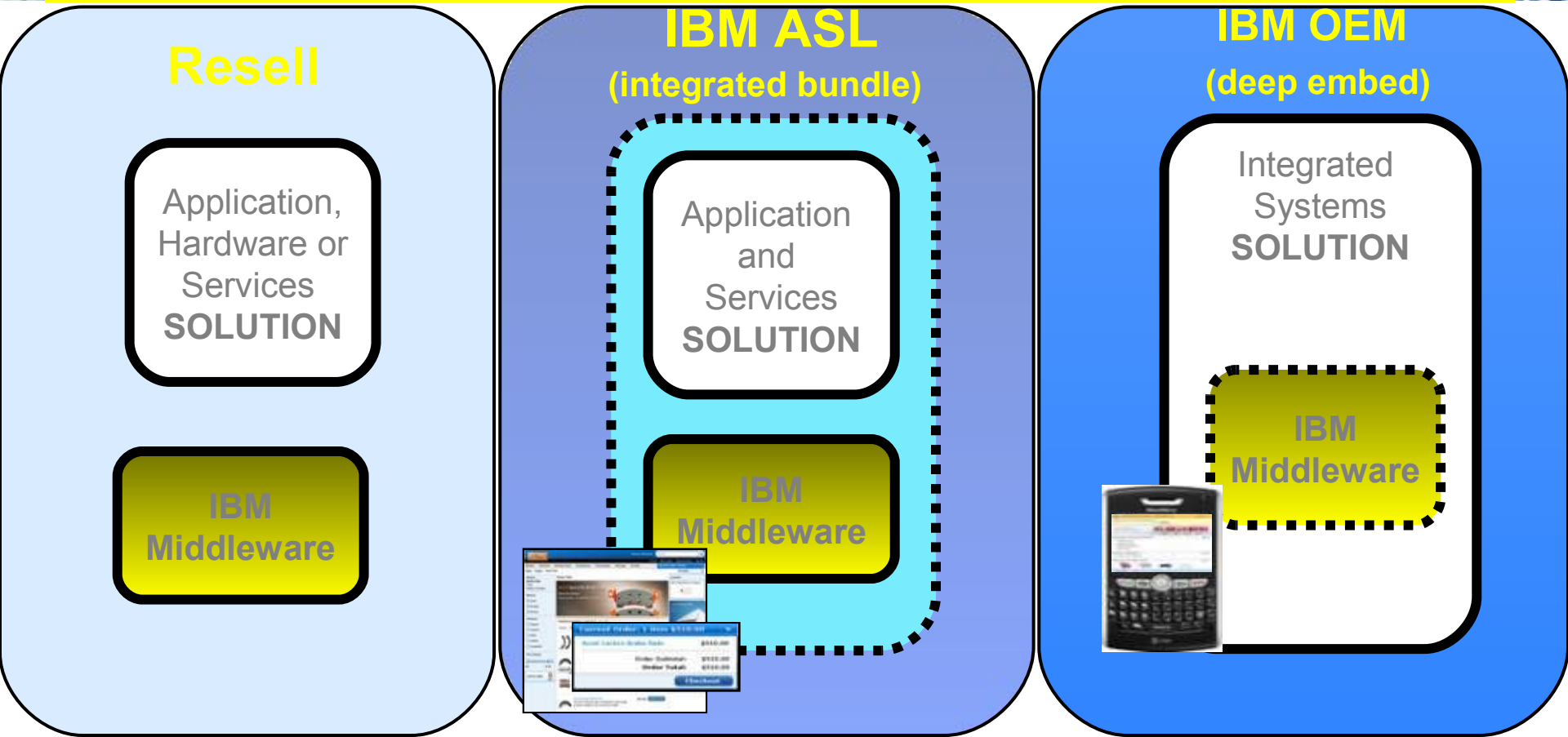


**5 Leading Vendor of Choice**

**ASL**



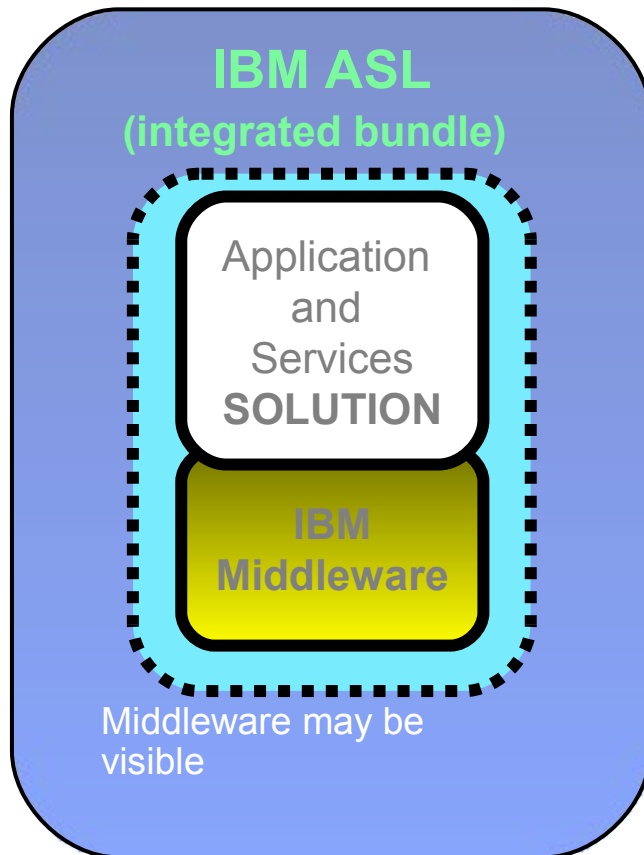
# Different Software Group Business Models



..... to deliver Client Value

# Application Specific Licensing ..... .....What is it?

## ASL is a Business Model



### Software & Services integrated bundle

One price for complete solution

Partner offering + IBM Middleware

Middleware 'hidden' or 'visible'

Restricted license transferred

ASL Partner owns license

Renewals 'protection'

L1/2 support by ASL partner

Marketing with ASL partners

# Application Specific Licensing .....

## .....Why Good Business for ISV's

### The Market

- fastest growing software channel
- aligned to solutions oriented buying behavior
- profitable business model

### IBM's drive to solutions sales

- increased industry focus
- Integration of middleware with ISV applications

### IBM's drive to capture the ASL market opportunity

- 10% of overall Middleware market
- \$10 Billion revenue



# Application Specific Licensing .....

..... What is IBM doing !

Agreement on new focused ASL strategy

supported by SWG senior executives

Additional investments in sales resources

strengthened sales teams around the world

Increased Marketing and Press focus

dedicated resources assigned – **first time**

Key Sales Plays defined

to drive joint growth

Improve operational support

centralize support systems



# Application Specific Licensing .....

# ..... The Sales Plays

## **Strengthen & Expand Current ASL Partnerships**

Revitalize & Up-sell current/old ASL contracts

## **Recruitment of new ASL Partners**

Team with IBM (SWG, IDR, GB)

Leverage ASL Distribution Partners

## **Deploy New Market Models**

SaaS, PaaS, IaaS, Cloud, etc

## **Selected Brand Plays**



## IBM Software OEM/ASL Basics

- **OEM/ASL is an alternative purchase contract**
- **Enables Partner to embed/bundle IBM middleware as an integral part of their application/hardware and go to market with a total solution**
- **End-customer may / may not know IBM middleware embedded/bundled**
  - IBM Middleware price is not visible to the end-customer
- **End-customer may / may not be given a choice of vendors to bundle**
- **ALL solution support and maintenance provided by ISV**
- **OEM/ASL license owned by the Partner**
  - Provides end-customer restricted use of IBM middleware only as required for the solution



## Why Partners Choose an OEM/ASL Contract Its not just about the discount!

- **Easier way of doing business**
  - Single contract arranged between Partner and or Distributor
  - Fixed software price to Partner for life of OEM/ASL contract
    - Price not based per end-user
    - No initial purchase or volume commitment necessary
  - OEM/ASL contract allows partner to ship their solution into multiple countries

## Why Partners Choose an OEM/ASL Contract

- **Partner owns end-customer relationship**
  - Customers want to purchase an integrated solution with a single point of contact
  - Partner views the end-customer as their customer, not as IBM customer
  - Partner provides solution bundled with IBM middleware on a single contract
    - They don't want to offer a Passport contract in addition to their application contract
  - Partner provides all support and maintenance for solution
    - They don't want their customer to call IBM for help

## Ideal Partner for ASL – ISV

### Develops application/solution

- linked and dependant on IBM middleware to run
- Solution sale drags IBM middleware

### IBM middleware typically bundled with application/solution.

- may offer customer a choice of vendor's product

### ISV vendor decision criteria

- |                     |                     |
|---------------------|---------------------|
| ▪ Technical fit     | Market demand       |
| ▪ Cost of Licence   | Cost of maintenance |
| ▪ Technical support | Relationship        |

### May generate own leads

- driving additional market share / sales for IBM software



# Ideal Partners for ASL – System Integrator

Provide integration services

- among IBM systems/solutions
- disparate vendor systems/solutions

Sales of IBM middleware with services engagement.

- Generate revenue from services as result of their own sales team activities

May have a repeatable solution

- That can sell with additional benefit via ASL



# ASL Distribution Program

**Drive ASL revenue growth by extending market reach in collaboration with Distributors**

*Goal*

## *Key program initiatives*

- *Extend relationships with Business Partners, Integrators, and ISVs*
- *Enable Business Partners around ASL marketplace*
- *Enhance go-to-market collaboration between Distributors and partners*



# IBM ASL Distribution Program

## What is it?

- ASL contract offering to ISVs through Distributors
- Provides ASL terms/pricing to Business Partners, allowing them to bundle/embed IBM Middleware with their solution
- *IBM provides IBM middleware support to Business Partners*

## Target Market?

- Value Add partners, ISVs, and System Integrators
- Do not or cannot work directly with IBM
- Have an existing distributor relationship
- In countries without IBM channel coverage
- Sells in more than one country

## Who Gets What?

### ASL Partner gets:

- The IBM license
- The entitlement to 12 month maintenance for each license
- Local defect support in countries where they have physical support sites
- Opportunity to purchase ongoing maintenance renewal for each IBM license
- Opportunity to offer for their solution
  - upgrade protection
  - their own support

### End Customer gets:

- The ASL partner's restricted-use license
- No entitlement to IBM maintenance
- If provided by the partner, support and upgrade protection for the partner's solution

## ISV Fulfillment Option Positioning

**Pricing is partner based**

**Partner sells a repeatable solution, needing to integrate middleware**

**Partner is first line of support to their customers for their solution**

**Partner does business in more than one country**

**Partner requires little / no IBM assistance in selling their solution**

**Partner prefers not to bring a vendor contract to their customer**

**Pricing is end-user based**

**Partner sells solution needing to resell middleware**

**Partner is linked to the IBM sales organization and depends on sales assistance from IBM**

**Partner would prefer IBM provide first line of support for the middleware**

**Partner is selling into already established IBM accounts where PPA agreements already exist**

***ASL***

***PPA***

## ASL Relationship Positioning

**No commitment level**

**Discount is set; can be based on volume**

**No IBM Credit Check for Partner**

**Special bids**

**Individual transactions**

**Protected fix pricing**

**PPA part numbers only**

**Full product only**

**Typically requires a commitment level from partner**

**Discounts determined by annual volumes and upfront purchases**

**Flexibility in contract T & C's for significant revenue commitments**

**Components of IBM PPA software may be licensed separately**

**Obsolete software available**

**ISV  
Distributor**

**IBM Direct  
ASL Contract**

## How does IBM do ASL Software business?

- Partner Contracts with IBM
  - ASL Agreement between IBM and BP. No direct agreement between IBM and end customer
- Partner pricing terms obtained from Distributor
  - Pricing based on volume with a higher margin opportunity for ASL than a regular BP
- Invoicing
  - Direct invoicing by IBM to Distributor
- What we sell
  - All PA products;
- What we supply
  - Distributor Gold Software Master for BP
- How we track
  - BP reports licences and pays royalty fees to Distributor

## Discussion on fulfillment of IBM middleware

### .....fundamental points to ponder.....

- How is the IBM middleware fulfilled when my solution is sold today?
- Do I have a SaaS/Cloud strategy for deploying my solution?
- Do I earn a sales referral fee or a margin on that middleware sale?
- How can I get predictable, world-wide pricing for the middleware?
- Does my customer call me for all support issues with the solution?
- Do I see value in working more closely with IBM offerings?
- Am I prepared to take a more proactive stance in recommending IBM middleware?



Thank  
YOU

# 2011: The Year of the Business Partner



# 10 Benefits of Application Specific Licensing

## Developing Solution

1. Leverage IBM's significant investment in software
2. Well integrated partner solution & IBM software
3. Shorter time to market

## Sales Cycle

4. Sale is focused on Application
5. Shortened sales cycle
6. IBM reps can assist (and be paid) in the client sale
7. Improved margins – upfront license & annual renewal
8. Ongoing account control

## Customer Benefits

9. Lower installation & support costs
10. Improved customer satisfaction

## Benefits of ASL ISV Distributor to Partners

ASL provides avenue for partner to buy middleware vs. build

- lowers the cost of development
- helps improve speed to market

Partners purchase IBM software from trusted distributor

- Existing relationship
- Benefit from Distributor's expertise and resources

Partner does not have to pass IBM credit check

Partner based pricing allows fixed discount off SRP

- Enables partner to effectively price their solution