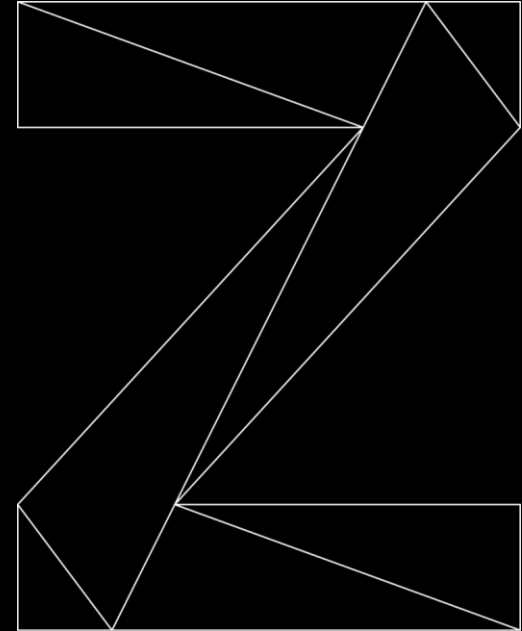


Tailored Fit Pricing for IBM Z

Andrew Mead
WW BUE, IBM Z Enterprise Solutions Sales
Tel + 44 7917 750587

Andrew.Mead@uk.ibm.com



What was effective ...

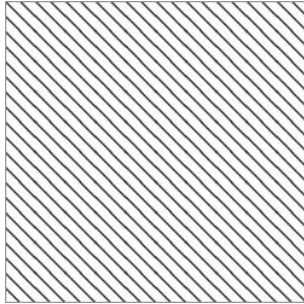


An evolution of pricing

1970 - 1999

PAST

Full Capacity

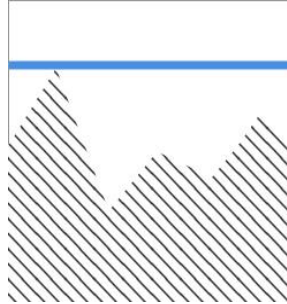


- Simple way to charge for z SW

1999 - 2019

PRESENT

Sub-Capacity
(R4HA)

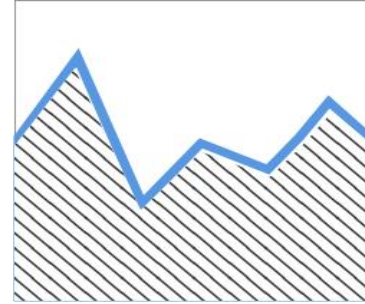


- Modelled on 90% utilization
- As system size increases, align product value to less than full capacity

2019 - 20 + years

FUTURE

Tailored Fit Pricing



- Remove R4HA
- Align value to the workload for the amount of system resources it consumes
- The most significant IBM Z Pricing announcement in 20 years



Announced May 14 Tailored Fit Pricing for IBM Z

New pricing models support your journey to cloud with **IBM Z®**

Tailored Fit Pricing provides predictability, simplicity, and flexibility

IT requirements continue to evolve with new apps, new technology, and the need for faster time to market for new cloud services. How do you better predict and manage the costs? With Tailored Fit Pricing for IBM Z software, you can adapt pricing to your specific growth and needs, while maintaining speed, scale, and predictability.

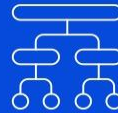
Flexible options including:



Enterprise Consumption Solution

Agile usage based

Unlock the power of the platform with consumption pricing.



Enterprise Capacity Solution

Full capacity, max flexibility

Achieve maximum flexibility to blend workloads: dev and test, z/OS, Linux, and more.



DevTest Solution

3X growth, no caps

Grow modern, unrestricted devtest environments with no additional monthly license charge.



NewApp Solution

Now with consumption-based pricing

Launch new applications with predictable costs, directly tied to business value, for new z/OS-based applications.

Designed with our clients, for our clients



“With Tailored Fit Pricing, we don’t have to worry about predicting demand any more. Instead, we can leave on capacity—and pay only for what we use.”

Terry Glover, Director of Infrastructure, Dillard’s [Read the full story](#)



“Thanks to Tailored Fit Pricing, we have significantly reduced the planning work, eliminated capping, and ensured that our costs are less influenced by peaks, which offers greater value overall.”

Thomas Heitlinger, System Planner, Fiducia & GAD IT AG [Read the full story](#)



“Tailored Fit Pricing gives us a simple and predictable cloud pricing model that can reduce operational overhead, so we can deliver cost-effective, client-centric services with our private cloud.”

Waldemar Ruggiero Júnior, Infrastructure Director, Bradesco

- In total, over 20 clients signed pilot deals for Tailored Fit Pricing, ensuring these offerings are a win-win for both parties.

Announced with support from the IBM Z ISV ecosystem



[Read Ross's Blog](#)



[Read Broadcom Press Release](#)



[Read BMC Blog](#)



- Launched by IBM Z GM, Ross Mauri, alongside executives from Broadcom, BMC and Compuware at Gartner EA Summit, May 14th 2019.



Previously announced offerings > Tailored Fit Pricing for IBM Z

DevTest Solution solves capping challenges

- Extremely popular price offering that delivers a low-cost, high-capacity development environment
- With a DevTest solution, you can build modern, healthy DevTest environments, without worrying about MLC costs

NewApp Solution adds consumption pricing

- Highly competitive stand-alone prices for new z/OS-based applications
- With a NewApp solution, you can launch new applications, with predictable costs that relate directly to business value



Business challenge
Eager to meet customer needs for convenient digital services, Wüstenrot wanted to remove the barriers preventing its developers from creating cool new web and mobile apps powered by the mainframe.

Transformation
Wüstenrot worked with IBM to implement IBM® z/OS® Connect Enterprise Edition in combination with innovative Container Pricing for IBM Z® to leverage mainframe applications and data via RESTful APIs.

Walter Svoboda
CEO
Wüstenrot Datenservice GmbH

Business benefits:

- Enables** developers to build modern APIs using business systems and data on the mainframe
- Boosts** the agility of application development, cutting time-to-market for new services
- Lowers** the cost of running test and development workloads on the mainframe substantially

Wüstenrot
Cutting dev costs with Z Container Pricing while serving a new generation of customers with RESTful APIs

Wüstenrot is a leading financial services provider based in Salzburg, Austria. For more than 90 years, the group has delivered mutual savings and insurance services to Austrians. In recent years, Wüstenrot has expanded operations to Slovakia, Slovenia, Hungary and Croatia. Today, the group serves over 2.2 million customers across Central and Eastern Europe.

Wüstenrot Datenservice GmbH provides IT services throughout the Wüstenrot group and is responsible for managing its IT applications, clients, data centers and network.

"This new competitive pricing option was a game-changer for us and we are very happy with this cost-efficient offering."

Walter Svoboda
CEO
Wüstenrot Datenservice GmbH

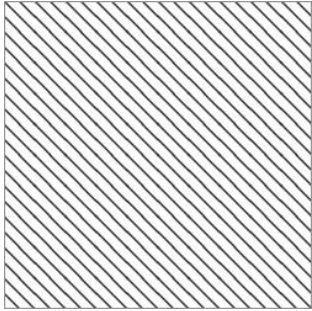
Share this

“This new competitive pricing option was a game-changer for us and we are very happy with this cost-efficient offering.”

-- Walter Svoboda, CEO, Wüstenrot Datenservice GmbH

Tailored Fit Pricing for IBM Z

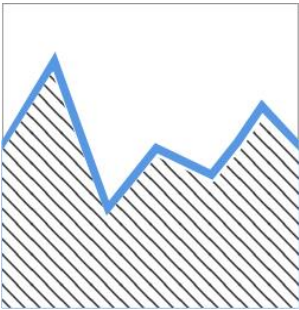
1. Enterprise Capacity Solution



Tailored full capacity licensing model

Designed for clients with substantial workload growth, requiring operational simplicity & **complete cost predictability**

2. Enterprise Consumption Solution



Tailored usage-based licensing model

Designed for clients with unpredictable workload patterns, requiring predictable, **usage based costs for all workload growth**

Eligibility

- IBM z14 Model ZR1 and upwards
- Minimum Growth commitments
- (Outsourcers excluded)

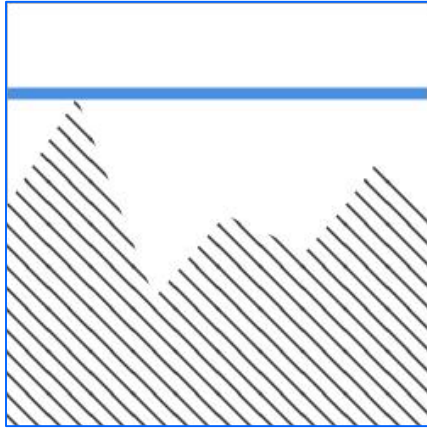
Common Themes

- No R4HA
- Focus shifts to business outcomes
- Aggressive growth pricing
- Pricing predictability
- Using ALL of client-owned infrastructure



1. Enterprise Capacity Solution

Existing



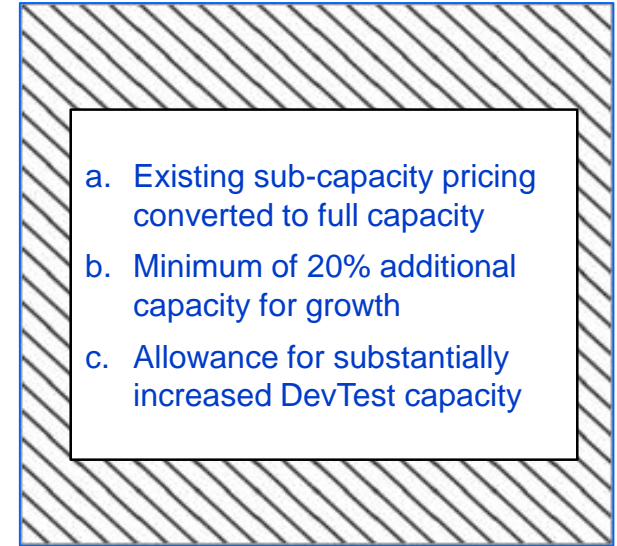
Eligibility:

1. zHW Currency: z14 Model ZR1
2. Minimum Growth Commit: 20%

Applicable to MLC + IPLA software

- Lack of cost predictability
- Machines managed/ architected to billing
- R4HA offering and contract complexity

Future

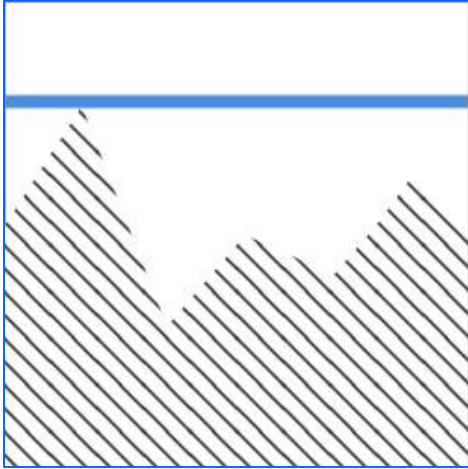


- a. Existing sub-capacity pricing converted to full capacity
- b. Minimum of 20% additional capacity for growth
- c. Allowance for substantially increased DevTest capacity

- Maximum price predictability
- Maximum client flexibility to utilize their licensing & infrastructure as they choose
- Aggressive pricing on growth
- Use ALL of available infrastructure capacity

2. Enterprise Consumption Solution

Current Scenario

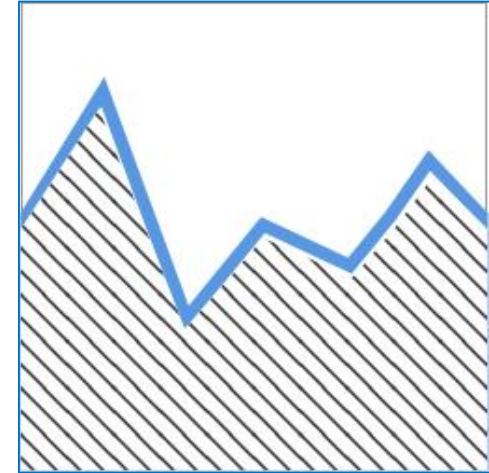


Eligibility:

1. zHW Currency: z14 Model ZR1
2. Minimum Growth Commit: 2% PA

Applicable to MLC + IPLA software

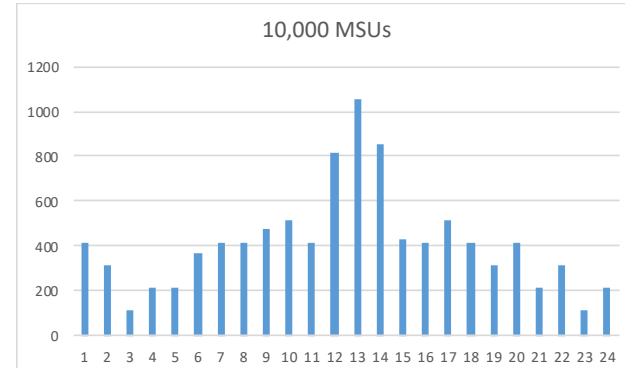
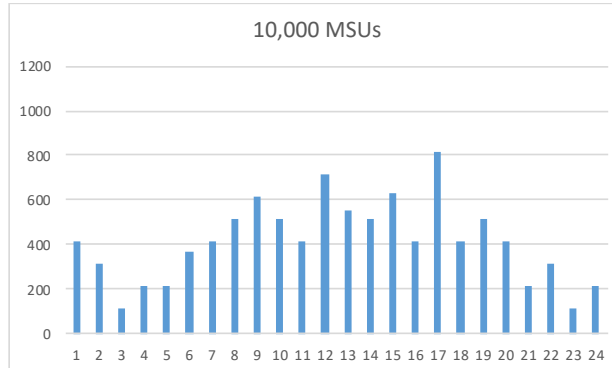
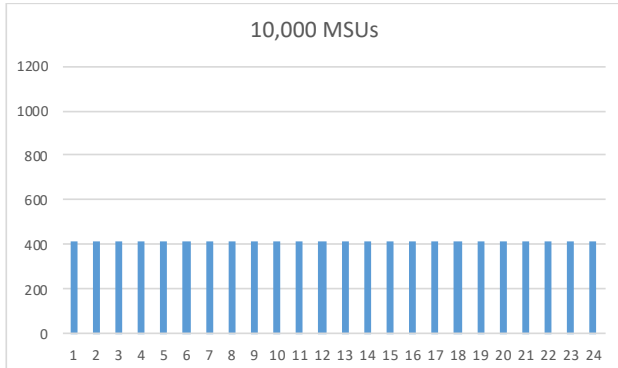
Future Scenario



- Significant whitespace or IT Wastage
- Lack of cost predictability
- Machines managed/architected to billing
- R4HA offering and contract complexity
- Disproportionate impact on R4HA from spikes

- No notion of peaks, no notion of white space
- Use ALL of available infrastructure capacity
- Carry forward unused MSUs into following year.
- No penalty for peaking/spiking
- Highly competitive price on growth

Evolution of our client's workload profiles



Same amount of work ...

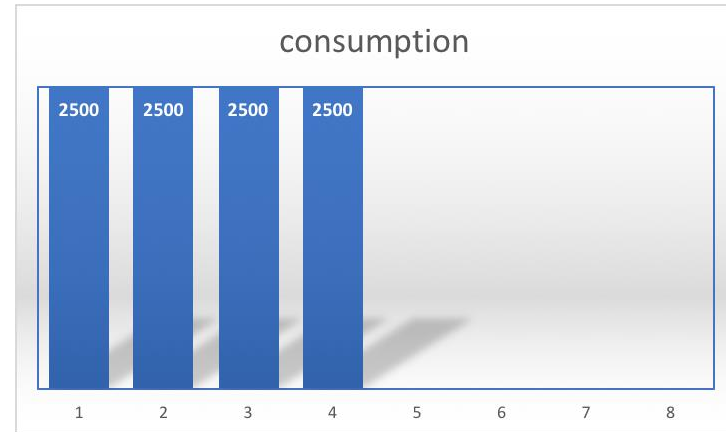
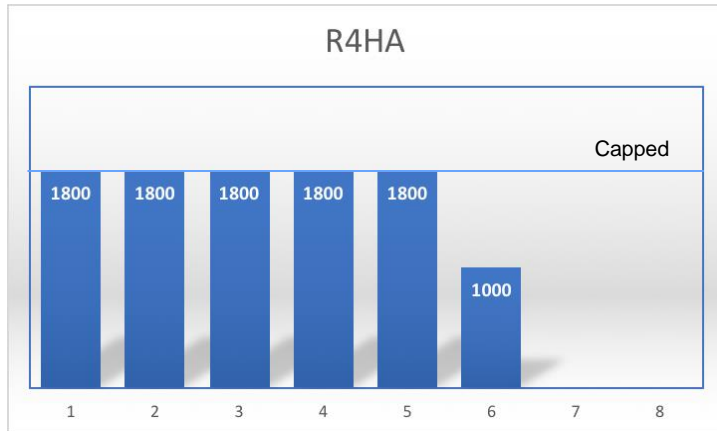
A transition to an increasingly spiky workload profile:

- where peaks are rising (or need to rise to deliver required business outcomes)
- and where utilization rates are lowering.
- Demands a more appropriate pricing model

No capping required, and use all of the active infrastructure

Maximize the hardware, minimize the batch window:

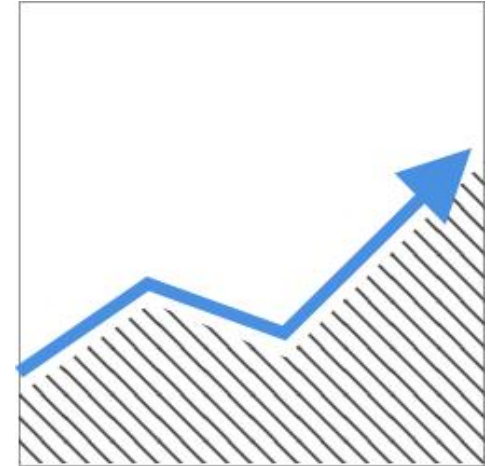
- Let's assume the nightly batch requires a total of 10,000 MSUs to complete
- Let's assume the machine is rated at 2,500 MSUs, but capped at 1,800 for the R4HA
- **By removing unnecessary soft caps, batch windows can be dramatically reduced**



And ALL growth at highly competitive pricing

Highly competitive growth rates - for ALL growth

- Preferential pricing, for all growth, new and existing workloads
- All MSUs above what was previously processed MSUs qualify
- No additional approval process, and no “tagging” required



Growth: Consumption
- all growth -

Baselining



Example Consumption Charges:

Previous 12 months' MLC costs:

\$12,000,000

Previous 12 months' MSU consumption:

12,000,000 MSUs

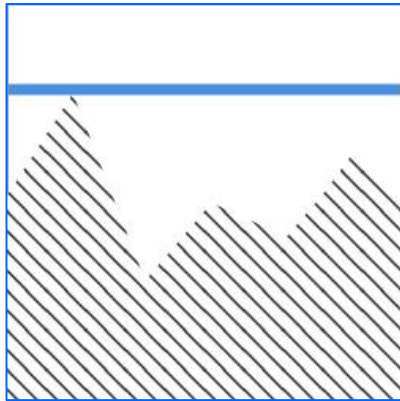
Effective price per MSU:

\$1 per MSU

Variable price for all growth:

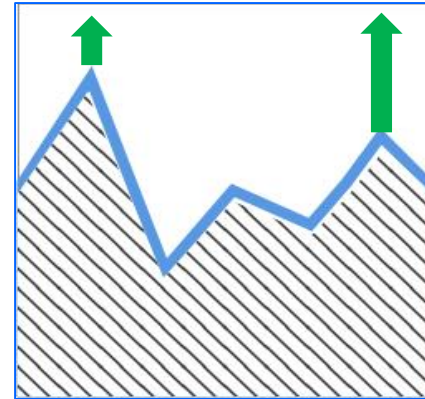
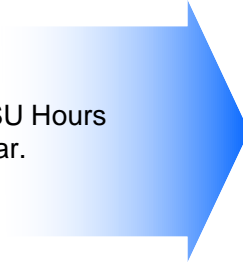
50c per MSU

IPLA software in a Consumption Solution



E.G. CICS VUE
1000 MSUs

MSU entitlement x 5000 MSU Hours
= MSU Hours in a year.



1000 MSU
entitlement x 5000
MSU Hours
=
5 million CICS VUE
MSU hours per
year

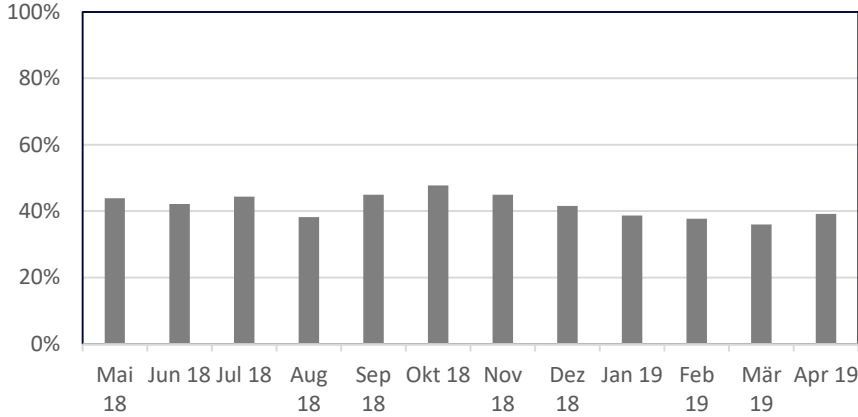
IPLA in a Consumption model. Value:

- All capping can be removed.
- IPLA products can be used in environments larger than their entitlement.
- Full value of Consumption is realized.
- Annual true-up of MSUs consumed.

Applicable to all IPLA Capacity-Based Software. IPLA licensing at full capacity of Consumption Container also available.

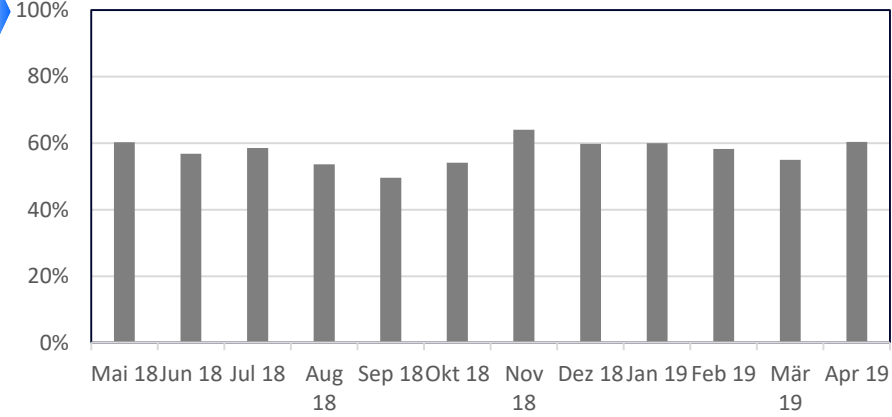
Client example

Utilization of available machine capacity (average of 44%)

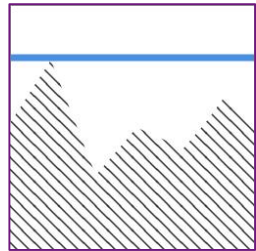


Utilization of machines under R4HA (average of 57.5%)

MLC
Bill



(Production environment)



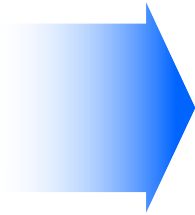
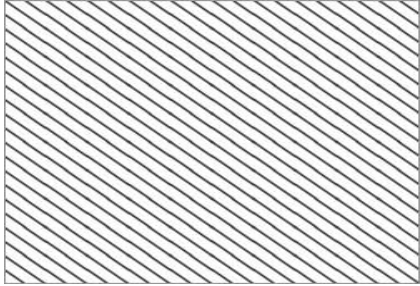
Current
billing on
xxxxx's
workload
profile

(Production environment – capping in place at 70% capacity)

- Current pricing model NOT optimal
- Encourages capping such that 30% of machine is unreachable
- Client paying for white space of 42.5%
- Machines & workloads managed to billing

Potential future scenario

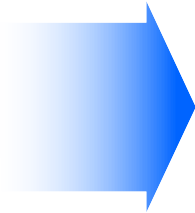
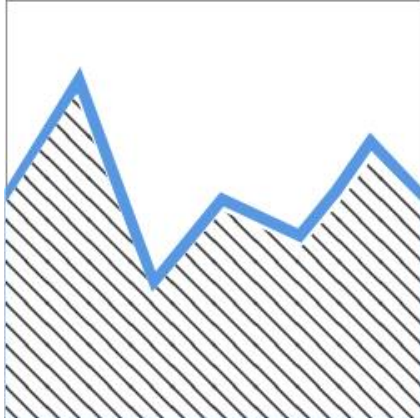
DevTest Environment



Fixed Capacity:

- Expanded, protected & reserved for Development + test work
- No evicting of developers at peak times
- Completely predictable pricing
- Achieved through unique & highly competitive pricing

Production Environment



Consumption-based model:

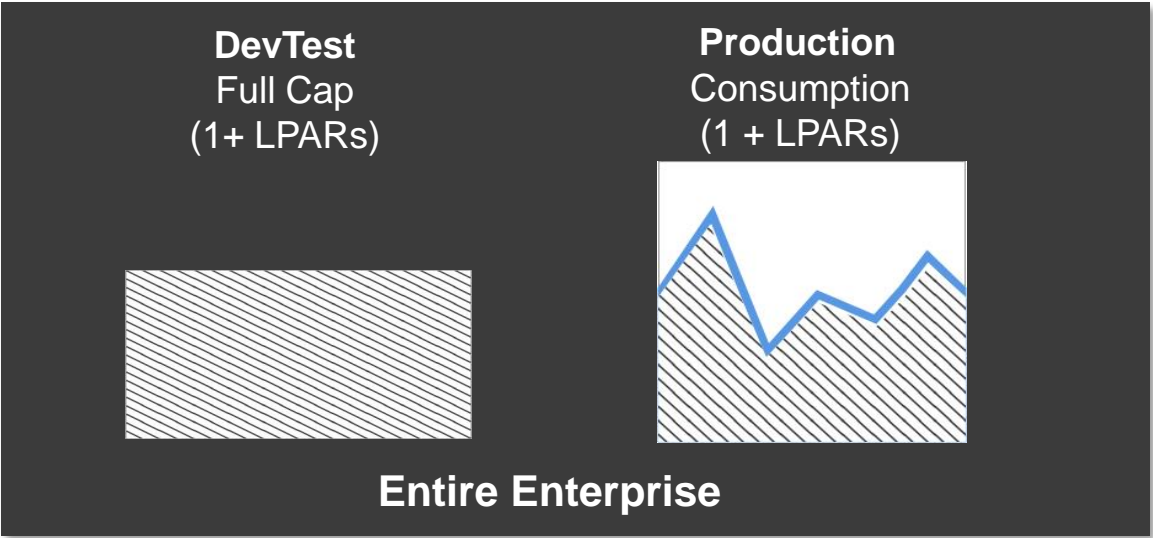
- Paying for what they've using.
- Use ALL of available infrastructure capacity
- Carry forward unused MSUs into following year.
- Peak & spike as the business needs, WITHOUT PENALTY
- Highly competitive price on all growth

Potential future scenario

Before



After



Next steps
in progression

SCRT Data gathering > Analysis > Recommended Model

In conclusion



Transforming our IBM Z Software pricing to:

- ❑ Assist clients in their Digital Transformation & Hybrid Cloud journeys (new workload dynamics require new pricing metrics)
- ❑ Reward growth at highly competitive pricing
- ❑ Increase pricing predictability & transparency
- ❑ Facilitate clients using ALL of their infrastructure
- ❑ Facilitate clients to re-direct resources away from managing R4HA to focus on optimal business outcomes



Thank you

Andrew Mead
BUE, WW Enterprise Solution Sales

—

Andrew.Mead@us.ibm.com
+44-7917 750587
ibm.com

Legal Notices

Copyright © 2019 by International Business Machines Corporation. All rights reserved.

No part of this document may be reproduced or transmitted in any form without written permission from IBM Corporation.

IBM, the IBM logo, and ibm.com are trademarks of International Business Machines Corp., registered in many jurisdictions worldwide. Other product and service names might be trademarks of IBM or other companies. A current list of IBM trademarks is available on the web at “Copyright and trademark information” at ibm.com/legal/copytrade.shtml.

Product data has been reviewed for accuracy as of the date of initial publication. Product data is subject to change without notice. This document could include technical inaccuracies or typographical errors. IBM may make improvements and/or changes in the product(s) and/or program(s) described herein at any time without notice. Any statements regarding IBM's future direction and intent are subject to change or withdrawal without notice, and represent goals and objectives only. References in this document to IBM products, programs, or services does not imply that IBM intends to make such products, programs or services available in all countries in which IBM operates or does business. Any reference to an IBM Program Product in this document is not intended to state or imply that only that program product may be used. Any functionally equivalent program, that does not infringe IBM's intellectual property rights, may be used instead.

THE INFORMATION PROVIDED IN THIS DOCUMENT IS DISTRIBUTED "AS IS" WITHOUT ANY WARRANTY, EITHER OR IMPLIED. IBM LY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR NONINFRINGEMENT. IBM shall have no responsibility to update this information. IBM products are warranted, if at all, according to the terms and conditions of the agreements (e.g., IBM Customer Agreement, Statement of Limited Warranty, International Program License Agreement, etc.) under which they are provided. Information concerning non-IBM products was obtained from the suppliers of those products, their published announcements or other publicly available sources. IBM has not tested those products in connection with this publication and cannot confirm the accuracy of performance, compatibility or any other claims related to non-IBM products. IBM makes no representations or warranties, express or implied, regarding non-IBM products and services.

The provision of the information contained herein is not intended to, and does not, grant any right or license under any IBM patents or copyrights. Inquiries regarding patent or copyright licenses should be made, in writing, to:

IBM Director of Licensing
IBM Corporation
North Castle Drive
Armonk, NY 1 0504- 785
U.S.A.

IBM