

# IBM

## Systems & Technology Group

### Overview

In April, IBM reported that net income was up 3% to \$1.4B. Revenue for the quarter came in at \$22.91B, up 3.3% from last year's first quarter, but below estimates.

Particular weak spots came from within IBM's Global Services group, where revenue was up 6% to \$11.7B year-on-year, but short-term signings for the quarter were down or flat in four out of six groups within IGS, including a 14% decline in the Integrated Technology Services business.

While it had a good start to the quarter, IBM said that March shortfalls significantly impacted the first-quarter growth rate. Specifically, the past two weeks of March is when the company saw a big slowdown in contract signings and sales closures. He also attributed the muted results to elongated sales cycles for certain products and to the late availability of the company's newest storage offerings. Emerging markets such as China continued to show growth, and IBM vows to focus its efforts heavily in such places, while reorganizing its operations in flagging Europe.

IBM Software Group had a 2% increase in revenue, most of that found within the WebSphere family with 11% growth, and Tivoli, with 15% growth.

Hardware revenues were essentially flat to \$6.7B in the first. Revenues from the Systems and Technology Group totaled \$3.9B, up 2% on eServer increases. This includes a 12% increase in pSeries UNIX servers and an 8% increase in xSeries servers. Revenues from the zSeries mainframe product were down 16%. Storage Systems and Technology OEM was up 5% and 2%, respectively.

The company also recently announced a decision to OEM storage products from Network Appliance. The move gives IBM a branded product line that includes NAS and iSCSI SAN appliances.

Solution providers with customers who have IBM IT infrastructures will definitely see business grow once IBM-branded appliances from NetApp become available mainly because it will have a true NAS offering for the first time.

IBM's PartnerWorld program parallels with the way Partners do business. Membership criteria, benefits and offerings, value packages and options are now consolidated and aligned with the three major business models: Consultant and integrator, independent software vendor, and reseller. Under the program, the membership levels are Premier, Advanced, and Member.

In the PartnerWorld program, a common set of criteria is used to determine the Business Partner's membership level. The criteria are based on the Business Partner's total achievement across all IBM products and services - in skills, solutions, revenue, and customer satisfaction.

PartnerWorld now provides a unified Web experience for Business Partners. Through a single entry point, Business Partners access all the information they need according to their unique requirements with a single ID.

In the Americas, there are approximately 3000 Business Partners who are now categorized as resellers authorized to market servers and storage products. There are over 6400 worldwide. To purchase directly, the minimum annual purchase requirement for Business Partners is \$1M. The company has about 380 Advanced Business Partners in North America who buy hardware & services directly from the company. There are also 197 companies that qualify for Premier Partner status

## **Other Channels of Distribution**

### **Distributors**

The company has 9 Distributors today who sell to Business Partners. Distributors receive discounts of 24% to 40%, and up to 2% of their revenue in Market Development Funds. Distributors must presently sell a minimum of \$30M annually with quota mixed depending on the product lines they market. For example, some distributors may have a minimum of \$5M in printer sales and a \$15M minimum of the pSeries. The total will be \$30M, however. They must also have a relationship with at least 50 resellers. KeyLink, Avnet/Hall-Mark, Bell Microproducts, Kyrus Corp, Pioneer Standard, ScanSource, SupportNet, Tech Data and Arrow Enterprise Storage Solutions are a few of the companies participating in this program.

IBM's enterprise distribution partners provide a host of support services for partners, including rebates from their own pockets. Tech data, for example, has a 1% kicker for all IBM sales.

### **ISVs**

IBM has been courting ISV partners for nearly two years now, counting third-party applications companies as key drivers of its own middleware and hardware platforms sales. Its latest incentive is a facilitator for SMB-oriented ISVs. The company has launched a pilot program that connects ISVs with solution providers with the goal of aiding them to build an indirect channel for their applications.

Twenty software companies in IBM's ISV Advantage program are participating in the initial IBM "teaming workshops," which essentially serve as networking and educational sessions between ISVs, resellers and/or services partners, and IBM staffers. The goal is twofold: to

introduce the channel distribution model to ISVs, many of whom have only sold direct, and to help resellers add new types of software solutions to their repertoire.

Since the announcement, more than 1,500 ISVs from 43 countries opted to participate in the Industry Networks. They can sign up for as many as four, and it now offer networks in nine industries: automotive, banking, financial, government, healthcare and life sciences, insurance, retail, and telecommunications, with more industries to come.

## **Program Support**

The Americas Channel Strategy and Management Organization, located in White Plains, New York, is responsible for providing administrative and creative marketing programs for Business Partners. This group works closely with the Product Divisions to ensure that the distribution strategy aligns with product direction and that channel conflict is minimized. The Product Divisions set discounts and fund any financial incentive programs that promote platform sales. Product Divisions are attentive and very aggressive in providing support programs, creating product demand and ensuring that resellers have what they need in the field. Vertical industry groups are also providing resources for particular market penetration.

There is also a Global Business Partner Channels Group responsible for the synergy between geographies as well as product groups, which oversees PartnerWorld and some of the more general program features. This group owns PartnerRewards, Business Partner Connections, Campaign Designer and other features that are used across boundaries. It is this group that has recently overhauled the program.

In January, IBM's named a new vice president, Business Partners, IBM Americas, reporting the general manager, IBM Americas. The VP is also the Americas business partner executive for the general manager, IBM Global Business Partners.

In other business partner team appointments, a new position of vice president of Global Business Partner Sales was named and will serve as the global sales leader, providing functional direction to geography business partner sales leaders in the Americas, Asia Pacific and Europe/Middle East/Africa.

Also a new vice president of Global Channels Marketing and Management was appointed to set the direction for the worldwide organization.

In the field, there are 300 local territories worldwide. In each are: Territory Partner Managers, Territory Marketing Managers and Industry Marketing Managers focused on partners business. There are over 80 Partner representatives in North America. There are also geographic and solution specialists for each product line. There are Sector Partner Managers who support particular industries.

## Program Entry Requirements

Business Partners can now enroll at the introductory Member level by completing an online registration at the PartnerWorld Web site and accepting the PartnerWorld Agreement. To progress to the Advanced or Premier levels Business Partners will earn points by developing skills, driving IBM revenue and achieving customer satisfaction.

Additionally, there are minimum skills requirements, which are described below. A total of 7 points is required to qualify for the Advanced level and 25 points for the Premier level.

The table below outlines qualification criteria and Business Partners who develop solutions that are associated with IBM products can earn additional points.

Criteria	Points
<b>Skills or solutions (mandatory)</b>	
For each approved sales or technical skill, earned:	1
Approved ISV Solutions	7
<b>Revenue*</b>	
<b>Total</b>	
For every \$250K of Server and Storage (excluding xSeries) earned:	1
For every \$75K of PC, xSeries, Printer and Retail Store Solutions, earned:	1
For every \$75K of Software, earned:	1
For every \$150K of IBM Services, earned:	1
<b>SMB</b>	
For every \$75K of Server and Storage (excluding xSeries), earned:	1
For every \$25K of PC, xSeries and Printer, earned:	1
For every \$25K of Software, earned:	1
<b>Customer satisfaction</b>	
For conducting a Customer Satisfaction Survey via a designated 3rd party, earned:	1
Achieved Net Satisfaction Index (NSI)	
For an NSI score of 79-85, earned:	2
For an NSI score of 86-100, earned:	4

### Qualification Criteria

\*\* Includes reseller and validated influencer revenue

To attain Advanced or Premier membership, Business Partners must also meet mandatory skills requirements, as specified below.

## **Advanced**

Minimum of 3 IBM skills:

- Minimum of one (1) IBM sales skill
- Minimum of one (1) IBM technical skill
- Additional skill can be IBM sales or technical skill
- No more than two (2) skills per individual can be applied towards Advanced qualification

## **Premier**

Minimum of 6 IBM skills:

- Minimum of two (2) IBM sales skills
- Minimum of two (2) IBM technical skills
- Additional 2 skills can be IBM sales and/or technical skills
- No more than two (2) skills per individual can be applied towards Premier qualification

OR

Solutions

- Advanced minimums can alternately be obtained with one Approved ISV Solution
- 1 Approved ISV Solution installed at a customer site running on IBM hardware with IBM software

## Skills Points

- Certification– Validates an individual’s breadth of skills, knowledge and experience required to perform a defined job role, through one or more tests in a formal, monitored environment. Measures skills and knowledge determined to be critical to IBM’s strategic business needs.
- Mastery test– A test that validates a defined set of skills, usually attained through an individual’s participation in multiple educational events related to strategic IBM products, solutions or services. Measures the individual’s mastery of a body of knowledge determined by IBM to be strategic and therefore to warrant tracking.
- Approved skill – Validation of an individual’s knowledge and comprehension of content covered in a specific educational event. Usually measured through passing a test after participation in a single education or training course related to selected, strategic IBM products, solutions or services.

## Revenue Points

Business Partners who sell IBM hardware, software and/or IBM services will get credit for all revenue streams as noted below. Points are earned for sales in SMB are additive to the total points. For Business Partners, such as consultants and integrators, who influence the sale of IBM products, but do not fulfill directly to the client, the influenced revenue will be included to the extent that IBM can validate it.

## Total Revenue

Total revenue represents IBM revenue from all clients – small, medium and large.

- Server and Storage– Eligible revenue from IBM server and storage products purchased directly from IBM or as reported through an IBM Distributor. Excludes xSeries.
- PC, xSeries, Printer and Retail Store Solutions– Eligible revenue from IBM PC, xSeries, Printer and Retail Store Solutions products purchased directly from IBM or as reported through an IBM Distributor.

- Software– IBM Software, excluding operating systems software. Includes workstation middleware measured via Passport Advantage and Product Lifecycle Management (PLM) software.
- IBM Services– Eligible IBM Global Services revenue sold by the Business Partner, either directly from IBM or as reported through an IBM Distributor.

#### SMB Revenue

SMB revenue represents IBM revenue generated from clients who are small and medium businesses.

- Server and Storage– Eligible revenue as per the server and storage definition above that is sold to end-user clients in small and medium businesses. Excludes xSeries.
- PC, xSeries and Printer– Eligible revenue as per the PC, xSeries and Printer definition above (excluding Retail Store Solutions) that is sold to end-user clients in small and medium businesses.
- Software– Eligible revenue as per the Software definition above that is sold to end-user clients in small and medium businesses.

#### Influenced Revenue

- Business Partners who provide consulting and integration services and/or application solutions can obtain credit for IBM hardware, software and services purchased by the client, as a direct result of the Business Partner's recommendation or solution requirements. To receive credit, it must be tracked through IBM's opportunity management system and the resulting sale validated by IBM.

#### Customer Satisfaction

IBM is committed to the quality of the customer experience. To earn points for demonstrated success in customer satisfaction, Business Partners conduct a customer survey through an IBM designated research company. The survey results are then reported to IBM by the research company as a Net Satisfaction Index (NSI) score on a scale of 0 to 100. Business Partners earn one point for conducting the survey and additional points based on the survey results. An NSI score in the range of 79-85 will earn two additional points, while a score in the range of 86-100 will earn four additional points. For qualification to Advanced and Premier, all points associated with the customer satisfaction survey are valid for one year from the date of the survey.

The following guidelines apply to the customer satisfaction process:

- The list of clients submitted to the designated research company must include ALL clients for whom the Business Partner has installed either an IBM hardware or software product or IBM Services solution in the past 24 months. Only one contact name may be submitted per installation. IBM reserves the right to review the client list submitted and request that more clients be included.
- Business Partners must have a minimum of 10 clients for whom they have installed an IBM product in the past two years to be eligible for the survey process.
- Business Partners must submit 30 clients or more for the satisfaction survey to be eligible for the additional points awarded for high NSI scores.

- The survey company is not responsible for the validation of contact information, so please ensure that the client data provided to them is valid and current.

To qualify for the Premier level, a Partner needs to complete PartnerPlan, a marketing plan.

## Value package/Value Options

Business Partners who resell and/or influence the sale of IBM products have access to both no-cost benefits and a bundle of fee-based benefits known as the "PartnerWorld Value Package". This optional fee-based Value Package bundles a variety of high value benefits at an annual fee of \$2,000 USD, or an approximate local currency equivalent.

Upon purchase of the Value Package partners are entitled to all of the benefits listed below:

Benefits	Member	Advanced	Premier
Access to sales and marketing centers			1 briefing
Executive Assessment tool	•	•	•
We pay offering for software	\$6,000 cap	\$15,000 cap \$6000 per individual	\$50,000 cap \$6000 per individual
Software downloads and CDs	•	•	•
Run your business software	•	•	•
One Click Software for demos		•	•
Middleware critical implementation support			2 instances
Middleware integration and implementation support	•	•	•
Solutions assurance assistance (available in limited countries in AP)		•	•
Middleware technical sales consultancy (technical mentoring)		2 instances	4 instances
Technical sales support (electronic/voice)	•	Available without Value Package	Available without Value Package

## Demonstration Requirements

IBM encourages its Business Partners to buy demo/development systems. They receive discounts of 40% off list price on both the system and peripherals for products they are approved to market. Partners may buy up to 10 pSeries, 4 zSeries and 4 iSeries. The

systems also come with selected software that is discounted at 100%. Business Partners that purchase through distribution receive the same terms. A development system lease is available with monthly payments of 1% of list price for a twelve-month term.

The Personal Systems Technology Access Program (TAP) for IBM Business Partners provides two levels of discounts based on system unit volumes that are purchased. The first 6 system units, of which there can be no more than 2 xSeries Server units, will qualify for a 40% discount. An additional 40 units, of which there can be no more than 10 xSeries Server units, will qualify for a 20% discount.

A demo/development system must be retained for one year after installation. Systems purchased under this program are not eligible for PartnerReward dollars or credit revenue towards the Business Partner's annual quota.

The Solution Trial Program provides Business Partners with the opportunity to offer end users an on-site evaluation of the Business Partner's approved Value Added Enhancement in conjunction with the IBM products they are approved to market. Trials can be for two, three or up to a maximum of six months. Business Partners have the flexibility of fulfilling requests for trial equipment from the conventional trial process, where IBM retains title, or from the Business Partner's own inventory, where the Business Partner retains title.

A dedicated pool of selected IBM eServer iSeries, pSeries, zSeries and Retail Store systems and associated software products are available on a loan basis to eligible U.S. Business Partners. This equipment is made available to support demand generation activities, such as trade show demonstrations, benchmarking and competitive evaluations. Loaner equipment is available for a period of 60 days, and there are cost recovery and shipping expenses that are charged to the Business Partner. Business Partners who acquire products directly from IBM are eligible for this program.

IBM has DEMOpkgs that provide tools for product and solution demonstrations, skills building and business shows. Packaged on CDs, the DEMOpkgs are designed for easy installation and integration. The DEMOpkg Systems are full-function, stand-alone demonstration systems built to run on IBM hardware platforms. They include the latest operating system, strategic software, demos, storyboards and tools. New versions of DEMOpkg Systems are automatically shipped to subscribers. IBM DEMOpkgs are available to Premier Business Partner firms at no charge.

## **Contract Terms and Conditions**

IBM's Business Partner Agreement supports eight IBM relationships: Distributor, Business Partner, Systems Integrator, Reseller, Sales Agent, Solution Developer, Training Provider, and Services Provider. Business Partners receive only the Agreement documents that apply to their specific relationship(s).

There are Exhibits that contain specific terms for the products the Business Partner is approved to market. Examples of the information included in the Exhibits are prices/discounts/fees; inventory adjustment and price protection terms, and terms used for internal use, development, demonstration and/or evaluation purposes.

Additional documents may be needed, such as a Project Form or Territory Supplement to approve a Business Partner under Complementary Marketing Terms.

Highlights of the Business Partner General Terms are:

Business Partners must agree to identify all customers' names and addresses; participate in customer satisfaction surveys.

Ensure that compensation for reseller sales people is fair and does not establish unfair advantage for one product over another.

Business Partners cannot export IBM hardware or software.

IBM selects the method of transportation and pays all associated charges.

There is a stated price increase and decrease protection. If prices decrease, Business Partner may be eligible for credit on inventoried items for up to 6 months from the date the order was placed.

There is no charge for installation.

While there is a provision for cancellation charges, that amount is set by product line.

Business Partners have a 30-day termination clause if they want to end the relationship. IBM can terminate the VAR with 3 months written notice with or without cause. Some examples of VAR termination causes are brokering and not meeting minimum revenue goals.

Business Partner may copy and distribute software programs that they are eligible to remarket. If requested, IBM will distribute directly to their customers.

The agreement is for two years with annual review.

Besides the Business Partner Agreement, which defines the resale relationship, Partners must also sign a PartnerWorld Agreement. The purpose of PartnerWorld is to provide marketing, technical and development support related to IBM products and services. It is the fundamental channel program support agreement designated for a location or an enterprise as specified in the PartnerWorld Track Guides.

Terms of the agreement include the requirements for fulfillment of any obligations due as part of a program level, the definitions of what IBM constitutes its obligations and the partners. It is a fairly simple contract, but it is comprehensive in detail.

## Discount Schedule

IBM's products are discounted by each product group on a volume basis. Discounts range from 12 – 40%. The company then has focused incentives to drive quarterly business goals.

The Value Advantage Plus incentive is offered to Business Partner participants for either reselling or referring IBM software in a SMB sale. Participants are eligible for 30% from a distributor

Double Your Discount with Linux Incentive is for partners that are enrolled in the Value Advantage Plus program. It gives them double discount (60%) for using the Linux platform.

Know Your IBM (KYI) is a global, permission-based interactive marketing and selling resource designed to help Business Partners potentially increase productivity, sales and profits. It is only available to Regional System Integrators in the US, today.

Benefits of Know Your IBM:

- Customized on-line education modules requiring minimal time to complete
- Increased understanding and awareness of the key features and business benefits of IBM products, solutions and offerings
- Incentives to motivate Business Partners to complete modules, and rewards for performance

Know Your IBM has been designed to have a measurable impact to the bottom line of a Business Partner. The education modules have been developed, tested and proven to help sales teams better understand the unique features, key selling points and customer benefits of specific IBM products, solutions and offerings. KYI offers meaningful incentives to motivate Business Partners and reward their selling performance. Tracking individual and company sales, and rewarding individual success completes the KYI cycle.

IBM has competitive rebates that add 10% to the bottom line for replacing or winning against an HP or Sun system. They can receive up to 3% adders for specific industry penetration. Partners who are certified to remarket Category S4 Storage Products can receive a \$5,000 incentive payment when they submit, for an End User, a customer reference for a qualifying IBM TotalStorage SAN Volume Controller (SVC) or IBM TotalStorage SAN Integration Server (SIS). Eligible IBM Business Partner — Distributors can receive a \$1,500 incentive payment when their reseller submits a customer reference that qualifies for an incentive payment.

Business Partners can choose to sell software only, giving the direct hardware sale to IBM's sales force. In this sales assistance case, IBM will automatically pay a 5% of the net hardware invoice amount for large customers and 15% for mid-market customers and 10% on services. Up to 50% of the IBM revenue will be recognized towards the Partners annual quota.

There are also increased fees available under the Complementary Marketing Terms Attachment for working with and/or under a State contract. IBM will provide another 5% under the new CMTA fee offering.

IBM has a compensation program for all US Business Partners who are authorized to resell IBM Personal Computer Products to End Users. This includes IBM Business Partners – Resellers and System Integrators. End-users buying on the Web can refer to their reseller and the reseller will get compensated accordingly.

The fees available under this program are calculated based on a percentage of the net price charged by IBM to the End User, for each eligible Product purchased. The fees are as follows:

<b>Product</b>	<b>Percentage</b>
Commercial Desktop Systems	3%
Network Stations	3%
ThinkPads	3%
Visual Product	3%
Netfinity Servers (xSeries)	5%
IntelliStations	5%
Options by IBM	5%

Additional Fee if entire order is sold at List Price is 1%

For Partners that purchase through Distributors, a quick check provides insight as to the flexibility of pricing.

<b>Product Description</b>	<b>MSRP</b>	<b>Partner Cost</b>	<b>Discount</b>
IBM eServer 325 8835 - Rack - 1 x Opteron 250 2.4 GHz - RAM 1 GB - HD - CD - LAN EN, Fast EN, Gigabit EN - Monitor: none	\$2,819	\$2,474.08	14%
IBM eServer xSeries 440 8687 - Rack - 2 x Xeon MP 1.5 GHz - RAM 2 GB - HD: none - CD - LAN EN, Fast EN, Gigabit EN - Monitor: none - 4 U	\$18,099	\$16,761.99	8%
IBM eServer xSeries 365 8862 - Rack - 2 x Xeon MP 2.8 GHz - RAM 2 GB - HD: none - CD - LAN EN, Fast EN, Gigabit EN - Monitor: none - 3 U, English	\$15,599.00	\$13,811.61	13%

### **Distributor Pricing (single unit)**

The company has a host of incentives available monthly. The following are some examples.

End Users of eligible IBM Business Partners can receive a rebate of up to \$68,000 (\$85,000 CAD) if they acquire a qualifying new ServerProven Solution that includes: an eligible new IBM iSeries, i5, pSeries, or xSeries server; or an eligible upgrade to an installed IBM iSeries or i5 server; and an eligible IBM or non-IBM ServerProven software solution for the eligible server or server upgrade acquired.

Eligible IBM Business Partners who are approved to remarket IBM xSeries, BladeCenter, and/or IntelliStation products can receive a quarterly incentive payment if they: have achieved Premier level membership in PartnerWorld no later than the end of the prior quarter, and reported a minimum of \$25,000 in End-User sales revenue for eligible IBM xSeries, BladeCenter, and/or IntelliStation products invoiced during the prior quarter, and meet a defined quarterly EDI or Web-based reported End-User sales revenue target for eligible IBM xSeries, BladeCenter, and/or IntelliStation products.

For eligible IBM Business Partners each eligible on-site private training class or combination of eligible on-site private training classes that they purchase at the same time from IBM IT Education Services with a net tuition price of at least \$25,000, the instructor travel and living expenses for the class (es) will be waived, up to a maximum of \$1,450.

Partners can receive a rebate of up to \$5,000 if they acquire an eligible new IBM TotalStorage product and an eligible new TotalStorage Proven solution. The amount of the rebate will depend upon the IBM TotalStorage product acquired. Only one rebate will be paid per eligible TotalStorage product machine type/serial number acquired under this offering. Invoices for the eligible TotalStorage products must have a date of on or after September 21, 2004. Invoices/bills of sale for the eligible TotalStorage Proven solutions can have a date that is up to 90 calendar days before or after the invoice date for the eligible TotalStorage product. The invoice/bill of sale date is the purchase date.

For a limited time only, Partners can receive a rebate (from \$5,000 to \$25,000) if you acquire an eligible new TotalStorage Productivity Center Standard Edition minimum configuration. All components that comprise the TotalStorage Productivity Center minimum configuration must be acquired as part of the same order (appearing on the same invoice or lease contract). The rebate will be equal to the lesser of either: - the invoice price, or amount financed, of the eligible new TotalStorage Productivity Center Standard Edition minimum configuration acquired, or - the rebate amounts for the eligible new TotalStorage Productivity Center Standard Edition minimum configurations

In April, IBM formally unleashed its SystemSeller program—aimed at beating rivals Dell and Hewlett-Packard to the punch with 29 aggressively priced server, blade and storage SKUs.

The effort, undertaken to help resellers avoid special-bid scenarios that often reduce profit margins, is being backed by IBM's multimillion-dollar investment in tools and advertising aimed at helping partners sell higher volumes of the selected SKUs. The preconfigured SKUs include xSeries servers and Blade Center models, OpenPower Linux systems and TotalStorage disk and tape products.

**Member Level VAR Program Reseller Bonus Program**

--Sell \$25K of ThinkCentre Desktops and ThinkPad notebooks in a given month, receive \$1000

**Advanced Level VAR Program Quarterly Target Bonus Program**

Participate in the Member Level program and:

--Earn a 4% rebate on reported end-user sales of IBM ThinkCentre desktops, ThinkPad notebooks, ThinkVision monitors, TFT displays, and Think Accessories (non-Server options) for a given quarter.

#### Premier Level VAR Program Quarterly Growth Bonus Program

Participate in the Member and Advanced Level VAR Programs and:

--Earn up to 1% of published list price of eligible ThinkPad notebooks based on achieving quarterly growth targets

--Achieve target 1, receive .25% rebate

--Achieve target 2, receive 1.0% rebate

--Maximum payout not to exceed \$50,000 per quarter.

### **Credit and Payment Terms**

IBM's Global Financing Group (GFG) provides financing tools on the Web. Business Partners are able to obtain lease rates and credit approval in real time. The Global Financing Group is very aggressive and streamlined its pricing structure to significantly lower its financing rates. While its financing rates are based on the prime, financing charges will fluctuate according to a couple of variables. Best-credit customers of Business Partners can obtain software and services financing rates at prime for terms of 36 months or less. Partners can finance transactions up to a maximum of \$250,000 of software and I/T services without any hardware content and larger amounts of software and services financing, in conjunction with hardware financing. The product groups have also added incentives. Some of the iSeries and pSeries software and services financed under the Preferred Rate Financing programs will continue to be eligible for lower rates.

IBM PartnerChoice also has agreements with two new third party financing companies. Now, in addition to offering financing through IBM Global Financing (IGF), PartnerChoice also accepts unsubsidized third party financing through Deutsche Financial Services and Finova Capital Corp. These two new financing alternatives provide Business Partners the ability to leverage existing relationships with either Finova or Deutsche.

IBM has reduced rates for its premier Low Rate Financing offering on a wide range of IBM products. The below-market financing rate, as low as 3.25%, is available to qualified customers in the United States, Canada and select Latin American countries through GFG.

IBM has a Business Partner version of its "Lease versus Purchase" analysis tool. This tool quantifies the actual dollar savings of leasing versus purchasing IBM hardware on a fair market value (FMV) lease. It populates fields such as customer pre-tax borrowing rate, salvage value, and weighted average cost of capital, with reasonable default values (which can be over-riden), so it is easy for people without a financing background to use. The output is a customer-deliverable summary quantifying all assumptions and showing "the bottom line". In one actual example, the tool showed how a \$63K eSeries on 36-month lease costs just \$55K, for a savings of nearly 15%.

In November, Global Financing rolled out a plan that will pay Business Partners when their customers contract with IBM to dispose of used PCs, monitors or printers, regardless of brand. The new rebate plan, part of its Asset Recovery Solutions, starts Nov. 8 and is expected to run indefinitely.

Under the program, IGF will pay Business Partners a 3% fee based on the recovery value of notebooks, desktops, Intel servers, monitors or printers. The program also will spur customers to replace their current systems and buy new equipment, she added. IBM estimates that as many as 500 million PCs worldwide will become obsolete by 2007.

The Account Management Tools (AMT) is an integrated suite of advanced online functions based on IBM WebSphere, DB2 and MQ technologies that allow customers to manage accounts as never before. The Account Management Tool replaces the legacy Commercial Financing Internet Tools.

ValuePlan Line allows Partners without an IBM Global Financing Commercial Financing relationship to use IBM Global Financing as their leasing partner. Business Partners can submit their customers to the PartnerChoice program, who will work with IBM Global Financing to gain credit approval for the end-user. The ValuePlan Lease is a contract designed for mid-sized customers with between 100 - 999 employees. ValuePlan Lease is a two-page agreement that provides a reduction in rates by including only those features that mid-sized customers typically request

SuccessLease is designed for small and growing businesses with fewer than 100 employees, and for IBM Business Partners selling to them. SuccessLease features a Web-based credit application, with decisions available in just minutes. IBM Authorized Resellers can request SuccessLease financing on behalf of their customers (via the Partner Financing Tool) for acquisitions of IBM or other vendor hardware, software and services worth up to \$50,000 per transaction. SuccessLease is offered and administered in the US, Canada, and other countries by third party Partners of business financing approved by IBM Global Financing

The Large Scale Financing Option (LSFO) allows resellers to pay interest on large corporate or institutional sales. The deals can also include a mix of other vendor's hardware, enabling Business Partners to use one source funding.

A Flexible Payment Plan (FPP) allows companies to use accounts receivable, rather than inventory, to collateralize purchases. Companies are also eligible to receive cash advances under this program.

One very important point is that IBM Global Financing will compensate a Business Partner for bringing a deal to them. Business Partners can receive from 12% to 15% of the finance charges.

## **Sales Support**

IBM has a territory-based model so that in the mid- and small market has more focus. Under this plan, some 700 IBM territory managers worldwide are charged with identifying Business

Partner skill sets in specific regions, allowing IBM and its partners to zero in on sales opportunities. Many of the managers were deployed from direct sales. IBM has over 80 field channel reps across the United States whose compensation is absolutely tied to the success of its partners. The focus of those reps is on the midmarket and a list of close to 6,000 accounts that it wants its partners to crack open. As IBM shifts its sales model away from brand-specific product pitches to a system that emphasizes solutions for vertical industries, it has hired 1000 new sales specialists who will work alongside partners in one of 12 solution areas to tailor deployments for customers.

Additionally, partners with expertise in the vertical industries that IBM is going after will play a pivotal role in the sales process going forward. The emphasis on solutions that tap a range of IBM products will also help liberate partners from a particular brand niche.

In February it announced programs to connect Business Partners and create and close new opportunities industry by industry and across geographies. Building on the success of its Industry Networks, it is providing Business Partners with sales, marketing and technical resources for four new industries including Fabrication and Assembly, Wholesale Distribution, Media and Entertainment and Education and Learning.

The company introduced new initiatives to help ISVs connect with other Business Partners to help them go to market jointly and meet customer requirements. Based on feedback received through the pilot, IBM has tailored and refined the co-marketing and sales support to help ISVs better target working relationships within IBM's partner ecosystem and direct opportunities with IBM's customer base. These new initiatives include worldwide connection events, online forums designed to facilitate relationship building and information sharing between Business Partners, financial support for worldwide co-marketing activities and one-on-one mentoring sessions with IBM and third-party experts.

IBM is helping Business Partners expand their worldwide presence by providing comprehensive resources to help them sell outside of their domestic markets. This includes funding for demand generation activities -- including worldwide co-marketing campaigns and deeply discounted advertising rates in 130 international publications -- and connection tools and events that match Business Partners with the IBM sales force across geographies and in new industries. Last year, these connection events helped drive nearly 5,000 new customer opportunities for IBM and its Business Partners.

To continue this momentum, IBM also launched the Business Partner Application Showcase, a new tool that allows customers to locate and select ISVs and their solutions according to industry and geography requirements. Customers can quickly search for and find an application, and through a "Contact Me" button, directly connect with the corresponding Business Partners to speed the sales cycle. The Showcase will be available in nine languages on IBM Web sites around the globe, further extending Business Partner reach into new and emerging markets.

Clearly, IBM has installed resources to identify the appropriate partners. Among IBM's matchmaking resources is Business Partner Connections, an online database that helps the

company's partners find each other. Using the Web-based tool, Partners can search through a worldwide database of Business Partners, either by solution needed or by examining a Business Partner's attributes. Online self-assessment tools are available to determine if a partner is ready to team with another firm. In addition, one can update the Business Partner profile on the Business Partner Connections database by describing solutions and firm attributes, thereby maximizing exposure to other Business Partners. And, now it is making ISVs able to connect with Partners that may leverage industry sales opportunities

All Business Partners are eligible to participate in IBM's Lead Management Programs. In the Lead Management selection process, however, when more than one Business Partner has the same skills, customer satisfaction rating and other qualifications, the Advanced or Premier Business Partner will be selected to receive the lead. The highest priority consideration will be given to Premier. The company has spent some energy making this system easier in which to work, with better and tighter results.

The Web portal, PartnerWorld, serves as the information source for Business Partners and includes registration, profiling and entitlement functions. There are secure sub-sites, providing contracted Business Partners with tailored technical marketing and program information based on their specific relationship with IBM and the products and services they are authorized to sell. PartnerWorld has several main areas: Partner Programs -- focuses on programs that Partners can access to facilitate relationships with IBM and its subsidiaries. It contains North American Channel Communications, including announcement letters, Channel Communication letters and Channel News. Products -- sales and support information about IBM hardware, software, networking and services offerings. Business Tools -- applications and tools available to Business Partners to support specific activities, such as configuration, order tracking, product availability, and warranty claim management. Business Solutions -- information about industry-specific solutions, which leverage IBM and Business Partner hardware, software, networking and services, offerings for markets that include banking, finance, securities and higher education. Financing -- financing alternatives for Business Partners and their customers. Business Services -- includes sales and support information about IBM services such as Professional Services, Product Support Services and Network Services. Company Info -- information about IBM and its subsidiaries, including financial data.

IBM recently integrated the IBM PartnerWorld News: Hardware and Software edition e-newsletters into one—IBM PartnerWorld News.

The company began regional Internet e-meetings, with audio conferencing, to provide an opportunity to share teaming needs and find compatible Business Partner firms. An IBM moderator manages the e-meeting by passing the "virtual microphone" to participants who then briefly describe their teaming needs. Other participants can begin a "chat" session with the presenter to determine the firms' compatibility and exchange initial contact information.

The company has campaigns designed to help partners market their skills in delivering e-business on demand. There is an interactive Sales Pack designed for Partners to use as they sell e-business on demand. There are five tools the suite: Opportunity Mining, a framework

that guides teams through the sales cycle; Competitive Advisor identifies validated leads by walking customer executives through a four-step process using benchmarks; the IBM Profiler, give a customer an assessment of the benefits of enhancing their e-business capabilities; e-business Collaboration (ebC) is a diagnostic tool that ranks the effectiveness of the customer's business processes compared to other companies of the same size and industry, and identifies opportunities for ROI in ERP, SCM, CRM, PLM and HCM; an Automation Assessment tool assesses the maturity of existing autonomic computing capabilities.

IBM Business Partner ROI Tool for Linux is tailored to specific business environments and addresses the needs of different types of partners to evaluate the process for building a Linux practice. The tool walks the Partner through a number of questions to collect information about their business such as size, revenue, average selling price of their solution, and average sales cycles, allowing the tool to determine what the investment needs are for the Business Partner and the potential return on investment over a specified time.

Each product group implements sales programs to generate demand and interest. The Partner Rewards program is the foundation for a series of soft dollar programs. It enables business development funds to be earned and used in various creative ways. Performance Bonuses, as well, are now initiated for selling products within terms that IBM identifies, like good performance on Customer Satisfaction surveys or becoming certified. Accrual percentages are from 1/2 to a point after the Business Partner reaches \$500K in sales.

PartnerPlan is IBM's process for creating a joint marketing plan to drive incremental revenue. It provides a collaborate tool to simplify the market planning process and links to a programs available to develop joint go-to-market strategies. As an example, direct links to Campaign Designer can enable a Partner to quickly identify the best campaigns to incorporate into the marketing plan. The entire PartnerPlan process is designed to support the IBM Signature Selling Method (SSM) sell-thru version. SSM was created to integrate sales execution across IBM and its Business Partners. It consists of a 7-step framework, corresponding to the customer's purchase decision process. PartnerPlan directly supports Step 2 of SSM, "Developing Plans Linked to Business Initiatives". The Signature Selling Method Course is available to all Partners and is highly recommended by the company. The course is online and free.

Innovation Centers for On Demand is a new resource designed to support Business Partner recruitment, enablement and demand generation for on demand offerings and technologies. Business enablement facilities such as the IBM Solution Partnership Centers, that provide porting, testing and education services, the WebSphere Innovation Centers and TotalStorage Solution Centers are now available for Partner use at a fee.

Business Partners now can also leverage IBM's executive centers located around the world to help identify and win business. This is also fee-based.

There is a SMB initiative called Solutions Builder Express that delivers a blueprint for Business Partners selling on demand solutions, industry-by-industry, to medium-sized businesses. It combines Express products, aligned by both solution area and industry, to

enable partners to build repeatable SMB solutions. Each solution consists of pre-defined customer scenarios delivered as Solution Starting Points, the core technical asset onto which Business Partners add customization and services.

Solution Starting Points are available across multiple solution areas such as: business integration, business intelligence, content management, e-commerce, infrastructure, portal/workplace. In addition, each Solution Starting Point is designed to meet industry-specific SMB customer needs, focusing on automotive, banking, electronics, finance, insurance, retail, wholesale and consumer/package goods. Solution Starting Points feature detailed information on solution implementation and deployment, including solution architecture, hardware and software specifications, reusable installation and integration instructions and demo toolkits.

In addition, IBM announced its IBM Workplace Services Express, a real-time collaboration and portal offering to improve data sharing across companies. Accessible via a standard Web browser, the Workplace Services Express will be available later this year.

IBM's sales compensation plan motivates the direct sales force to do joint marketing with partners. The plan is channel neutral. The commission is also given in real dollars rather than just credit towards sales goals. This is helping to develop a closer working relationship between the direct and indirect channels.

## **Technical Training**

To encourage more investments in employee training, all Business Partners receive access to IBM's public classes and conferences at up to a 25% discount. Business Partners in the United States are also able to invest in education for their employees using the IBM Education Card, which provides unlimited education for one year for a single purchase price.

IBM's certification program ensures that its Business Partners have developed the sales, installation and support skills customers need to deal within an increasingly complex and computer-based marketplace. IBM North America requires IBM Business Partners to maintain a minimum number of sales and technical certifications on relationships. The Partner Certification Web site is the Business Partner's source of information on selected IBM products in support of each of the firm's IBM Business Partner on current platform and VAE certification requirements, plus information on professional certifications from IBM, Lotus and Tivoli. It provides: certification requirements and reporting process, guidance on preparing for certification, program summary information, and direct links to announcements relating to certification, and a contact list with e-mail and phone access for IBM's certification support organizations.

The newly designed IBM Certified for On Demand Business professional certifications begin with two key certified for on demand business roles: Solution Advisor and Solution Designer. Passing the Solution Advisor certification validates that as a sales professional, partners have the right skill set to engage clients, develop effective on demand business strategies, and translate clients' requirements into viable opportunities. Passing the Solution Designer certification validates that as a technical professional, partners have the skills to

successfully translate a client's business requirements into an effective on demand business solution.

Each product group has defined a road map of the skills necessary to install and support its products and rolled-out the courses to acquire them. The courses are specifically related to the strengths of their product features enabling Business Partners to learn feature and function sales techniques in particular application areas. Partners have 6 months to complete Certification, once they're signed up. They also have 6 months to replace skills that they may have lost.

Business Partners can nominate their employees for an International Technical Support Organization (ITSO) Residency. IBM's ITSO conducts hundreds of residencies each year in which more than 1,000 professionals participate. The residencies are based on market needs and product plans and include instruction in product implementation, interaction and integration. They are used to build the well-respected IBM Redbooks and other skills transfer material. Acceptance is competitive, based on nominee skills and relevant experience. Participants receive in-depth information on a product set and become IBM Redbook authors. Residencies are conducted at key IBM development sites.

## **Technical Support**

Techline is IBM's pre-sales Technical Sales Support organization that offers support to Premier and Advanced Business Partners to help design, propose and configure customer solutions based on IBM products and services. It also offers validation assistance, solution assurance and performance benchmarking.

TotalStorage provides a post-sales resource center for servers and storage products where partners can track fixes, download drivers, etc, find manuals, and get answers to difficult problems. The site is by product line, so it is fairly individualized with resources per product.

ServiceSuite is a single umbrella contract for small and medium-sized businesses. It covers all IBM's annuity services — including hardware maintenance and software support — and all major hardware and software platforms. With ServiceSuite, Partners get new IT tools for immediate access to price quotations, proposal information and contracts.

Partners are offered ServicePacs, shrink-wrapped IBM services that are pre-packaged and pre-priced for ease of distribution. ServicePacs can include maintenance, end user support, technical support and recovery services.

The CBUs have product specialists available to assist on-site, if required. This local support is free to all Partners.

For post-sales support, IBM has SupportLine. SupportLine is a billable technical support resource. Business Partners are eligible for discounts between 25% to 30% off IBM's flat hourly service charge. This service provides Partners with technical back-up 24 hours a day,

7 days per week. Benchmarking and consulting support are also available through a service called ConsultLine, but there is a fee for the service.

PartnerWorld hosts a number of services that provide partners with technical information, benchmarks, white papers, downloads, and knowledge bases.

The SAR Trigger Tool is available for a Partner's personnel to aid in the planning of customer solution. It has been updated with the latest Solution Assurance information from the various IBM product and solution groups. Solution Assurance is part of the value-added selling portfolio, and including the tool report output should be part of pre- and post-sales planning. In IBM-targeted accounts, IBM will route service opportunities to business partners where IBM is unable to provide the services. In collaborative accounts, those identified as less strategic to IBM, the company will route opportunities to business partners when IBM chooses not to or is unable to participate. The company will route accounts it defines as "other"-those outside IBM competencies-to its business partners.

IBM eServer xSeries Systems Management Business Partner Program allows Business Partners to better monitor and fix their customers' computer systems as they focus on transforming into on demand businesses. This program includes training and marketing materials for Business Partners on IBM Director software, a breakthrough technology that automates tasks such as inventory, monitoring and alerting, event actions and system health checks.

## **Conversion Support/Global Services**

Resellers are encouraged to remarket IBM's Global services to their users and are offered up to a 20% fee, depending on brand, from the company to bring them contracts. Business Partners also receive a 30% discount on IBM maintenance for their own systems.

The company encourages its distributors to provide porting centers for its resellers.

The company has a growing Industry Solutions Portfolio designed to deliver applications to midsize companies that IBM Business Partners can sell to these companies (see sales support).

IBM will sign Partners for the Industry Solutions Portfolio based on their ability to meet the needs of a specific type and size of business in a given geographic location, and their ability to work with local business partners to deliver the solution and support the customer. Managed hosting offerings from IBM Global Services, part of IBM's e-business on demand portfolio of services, will be sold by IBM Business Partners in the United States and include the latest in Internet security, network access and bandwidth services.

Global Services recently reintroduced a series of Business Partner incentives in conjunction with IBM Small and Medium Business Advantage. Global Services offers incentives in all European, Middle Eastern and African (EMEA) countries: Business Partners earn an extra 5% base discount for resale transactions with SMB customers.

## **Promotional Support**

Within PartnerWorld Business Partners can obtain product specifications, prices, contracts, order entry, order tracking, product availability, incentive programs and marketing campaigns. All brands are represented as well as all geographies. PartnerWorld provides solid communications links to IBM, with listings of Business Partner Solutions, sales kits, and even enables Business Partners to set up links to their own home page. Sophisticated search tools are incorporated into the site and make it possible to find the information or applications needed from an enormous amount of data. The web site is full with resources.

Premier Business Partners are given an opportunity to produce and place an advertisement at economical co-marketing costs in any one of three demand generation advertising offerings. They can have a one-page, double-sided customer success story printed on a choice of pre-designed templates. Or, they can have an ad developed from a template and featuring the Premier Partner's solution. Lastly, a Premier Partner can participate in a multi-page ad insert featuring several Premier Business Partner customer success stories.

Campaign Designer is a Web-based resource that enables Partners to plan customized demand generation campaigns and creates high quality marketing materials using a company logo and messaging. Campaign Designer can help identify top prospects for solutions and assist in determining the appropriate tactics to use in reaching these prospects. Campaign execution services help with response management, lead tracking, and reporting through a Campaign Designer Marketing Link.

There is a new interactive demo that proves how easy it is to create and manage integrated marketing campaigns using Campaign Designer.

The IBM Business Partner and Professional Certification Brochure is the latest campaign template from Campaign Designer and is designed specifically for IBM Advanced and Premier Business Partners.

The company has a third party, OlgivyOne, provide the Routes to Market Channel Advantage Process for partners. It is a workshop consulting process that enables partners to build a market plan and the steps toward successfully getting there.

IBM has also negotiated a contract with Information Resource Group (IRG) in which Premier Business Partners can purchase prospect profiles and mailing lists at 40% discount. In addition, IRG has agreed to waive the \$2,500 minimum order requirement for Premier Business partners utilizing these services.

Business Partner Events provides an opportunity for Partners to exhibit at key trade shows while leveraging the power of the IBM brand. Business Partner Events will help Partners gather new leads while exhibiting at handpicked shows targeted to their specific markets. IBM will select from the list of Business Partners who sign up for any given event, first Premier, then Advanced and finally Member partners. Business Partner Events takes care of

all the details for the Partner who only has to show up, plug-in and start presenting to prospects. A third-party vendor, Peak Events, manages the events.

The IBM Business Partner Emblem package is available to all IBM Business Partners -- Systems. The package includes: the IBM Business Partner Emblem Usage Guidelines and emblem camera-ready artwork.

PartnerRewards, a worldwide program, provides Business Partners with two types of incentives -- business development funding based on a percentage of IBM revenue generated by selling products and performance bonuses. The PartnerRewards' clear goal for its business development funding is to help Business Partners pay for market development activities that benefit both Business Partners and IBM. To smooth the program's administration, an assigned contact works together with Business Partners to develop approved activity plans. The approved spending categories are very broad. They include advertising, association memberships, education and training, marketing campaign services, marketing seminars, promotional merchandise, trade shows, sales incentives, product support--virtually any creative idea to generate IBM demand. Clearly, the goal is to increase mutual sales. Any approach that accomplishes that goal will be considered. The program awards Business Partner Members, .5% of their net IBM revenue, depending on product. Advanced Partners receive .75% and Premiers receive 1.2%. Unused funds expire 6 months into the year following their award.

Product Groups fund performance bonuses when targets are met or specific activities are accomplished. Targets may include: objectives to increase IBM revenue or unit volumes purchased or sold. An activity target (good performance in a customer satisfaction survey, getting a specified number of employees certified on an IBM product line within a specified time frame, etc.) There are no restrictions on how Business Partners can spend performance bonuses.

IBM has developed a lead distribution process that is available on the PartnerWorld web, enabling partners to get access to leads quickly, while they are still warm. Partners have 24-hours to respond. There is also a tracking process so IBM can monitor what happens with the lead. IBM has vowed to increase the number of qualified leads in the Small to Medium Sized Business market.

Premier Business Partners may also purchase a variety of marketing services directly from Harte-Hanks, a business-to-business marketing firm, at the same discount IBM receives -- 25%.

IBM is committed to sharing news on the current state of the business with Business Partners by delivering complete, consistent and timely Channel-related information by electronic or Web-based vehicles. The objective is to provide effective communications to Partners so they can leverage IBM's resource and investments. Some of the vehicles are:

- Announcement Letters - documents to notify Partners about new, revised or withdrawn products, terms and conditions, services, promotional offerings and Business Partner programs.
- Business Partner Library - repository for administrative, program and other information supporting the Partner relationship with IBM.
- iSource – email which focuses on channel program offerings/changes, upcoming events and other marketing information.
- Channel NewsWatch - weekly communications summary for Advanced and Premier Partners
- Channel Communications Letters - executive letters, which focus on, channel program offerings/changes, upcoming events and other marketing information.
- Channel Communications Calendar - lists upcoming IBM and non-IBM events, such as conferences, business shows and key education event of interest to Business Partners.
- Business Partner Call-in NewsLine – monthly conference call for Advanced and Premier Partners
- Business Partner Directions is the new quarterly interactive e-magazine designed to inform Business Partners about IBM's strategic direction in the marketplace.

## **Summary**

There is no other vendor in the technology industry that cares more about the success of its partners. Yet, the company president could not take the time to attend the main event with his troops. How does it sit with partners that focus solely on seeing IBM's logo installed on every one of their customers' systems, take time from their busy schedules to meet with IBM and the senior executive can't make it because of scheduling problems? Very poor form.

It appears that the new talent installed in the Global Channels Group will go a long way towards increasing the quality of the deliverables and honing the message. Experienced executives are IBM's best strength. Focusing them on its channels is a big plus for Business Partners worldwide.