ceCMG zPricing-Arbeitsgruppe
13. März 2020

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IBM Z - Priorities

- Supporting mission critical workloads
- Modernization, Standardization and Innovation
- Data & AI
- Integration into Hybrid & Multicloud
- Data Protection and Privacy
Support Mission Critical workloads on IBM Z
IBM z15

With key technologies engineered in the Böblingen Development Lab

Encryption everywhere  Cloud native development  Instant recovery
Hybrid and Multicloud is a reality in the enterprise

Private Clouds

$438B in 2020
18-20 CAGR 15%

Public Clouds & SaaS

$609B in 2020
18-20 CAGR 18%

Dedicated Clouds

$640B in 2020
18-20 CAGR -9%

Traditional IT

Sources: IBM MD&I; BCG and McKinsey research
IBM + Red Hat – industry’s only true hybrid multicloud platform

**Public Cloud**
- IBM + Red Hat
- AWS
- Microsoft
- Google

**Private Cloud**
- IBM Public Cloud
- AWS
- Azure
- Google Cloud

**Traditional on-premises**
- IBM Private Cloud
- AWS Outposts
- Azure Stack
- Google Anths

**Features**
- Extensive multicloud governance/mgmt.
- Limited feature support
- Connectivity confined to Microsoft products
- No connectivity

**Connectivity**
- Limited connectivity in storage/data movement

**Traditional workloads**
Today, IBM offers clients *the first six Cloud Paks*...
Transforming our IBM Z (z/OS) 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
Tailored Fit Pricing – Announced May 14th

BROADCOM
Read Broadcom Press Release

Dillard’s
Enhancing customer experiences with Tailored Fit Pricing
Fashionable shoppers can’t wait to get their hands on the latest styles and Dillard’s provides premium fashion experiences both in-store and online at www.dillards.com. Like most fashion retailers, a large part of Dillard’s sales volume occurs during the busy holiday period. Often, to clear the way for the newest must-have items, retailer Dillard’s refreshes its inventory through periodic clearance sales events. To accommodate the surging technology demands on these days and during other peak demand periods, Dillard’s is taking advantage of IBM Tailored Fit Pricing to cost-effectively scale IT resources.

Forbes
Read BMC Blog

IBM Makes The Mainframe More Accessible With New 'Tailored Fit Pricing' Program

IBM (FINALLY) Addresses the Mainframe Pricing Issue

Fiducia & GAD IT AG
Saves time, boosts performance and gains flexibility with Tailored Fit Pricing for IBM Z
Facing unpredictable workload peaks on an IBM Z landscape that support over 30 percent of Germany’s banks, Fiducia & GAD wanted to maximize cost efficiency and reduce capacity constraints. By adopting new Tailored Fit consumption-based pricing from IBM®, the organization increased performance, saved time and effort, and boosted development agility.
An evolution of pricing

1970 - 1999
PAST
Full Capacity

- Simple way to charge for z SW

1999 - 2019
PRESENT
Sub-Capacity
(R4HA)

- Modeled 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
And ALL growth at highly competitive pricing

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
Announced May 14, 2019  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.

Learn more at www.ibm.com/it-infrastructure/z/software or contact your IBM Sales representative
Tailored Fit Pricing for IBM Z for the Enterprise

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 or z15
- 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
Enterprise Consumption Solution

Current Scenario

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

Future Scenario

- No notion of peaks or white space
- Use ALL of available capacity
- Carry unused MSUs into following year.
- Committed baseline calculated on 12 months previous workload
- No penalty for peaking/spiking
- Highly competitive price on growth

Applicable to MLC + IPLA software
No capping required > 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**
## Example Consumption Charges:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous 12 months’ MLC costs:</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>Previous 12 months’ MSU consumption:</td>
<td>12,000,000 MSUs</td>
</tr>
<tr>
<td>Effective price per MSU for committed base:</td>
<td>$1 per MSU</td>
</tr>
<tr>
<td>Variable price for all growth:</td>
<td>60c per MSU</td>
</tr>
</tbody>
</table>
One Time Charge software in a Consumption Solution.

Two choices

1. Transitioning MSU entitlement to MSU Hours
   - Software is still sold in value units
   - A ratio between R4HA MSUs and consumed MSUs is established
     - Ratio is 1:5000 (i.e. 1 R4HA MSU becomes 5,000 consumed MSUs)
     - Logic is that z is 57% used on average
     - 24 hours x 365 days = 8,760 MSU hours in a year x 57% = 4,993 MSUs

2. Transitioning MSU entitlement to Full Capacity.
Future scenario

Before

Existing: R4HA

Entire Enterprise

After

DevTest
Fixed Capacity
(1+ LPARs)

Entire Enterprise

Production
Consumption
(1 + LPARs)
Saving MSUs with COBOL applications

- **Automatic Binary Optimizer** uses advanced optimization technology to generate code targeting the latest HW without the need for recompilation. Real customers had between 5% and 21% saving. **Application Performance Analyzer** to analyze and optimize application performance. **IZ Table Accelerator** in memory accelerator to improve application performance.

Saving MSUs with CICS systems and applications

- **CICS Performance Analyzer** is a reporting tool which provides a full support to tune CICS systems and applications effectively.
- **CICS Interdependency Analyzer** is a run time tool providing a specific support for the thread safe analysis.

Saving MSUs with IMS systems


Saving MSUs with Db2 Tools

- **D2 Performance Solution Pack**, **Db2 Sort**, **Db2 AI** improve performance of SQL queries, reduce in CPU usage through more efficient sorting, optimize data access and data maintenance. With Db2 AI you can see up to 25% saving.