



e-business



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Topics

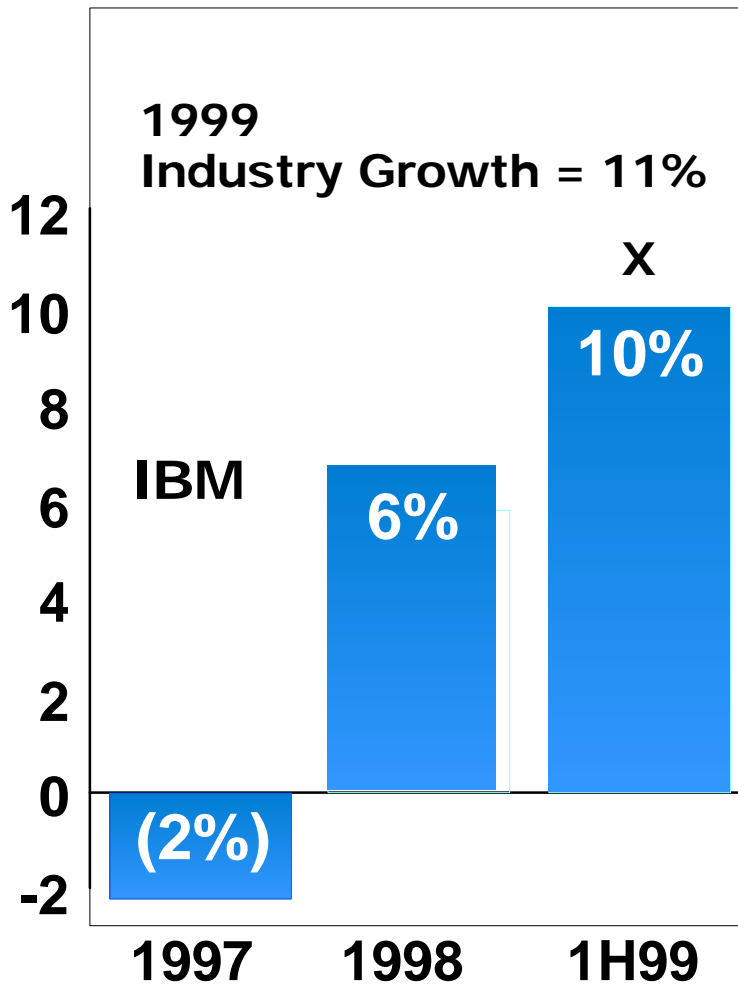
- The Software Market
- IBM Software Strategy
- Channel Directions





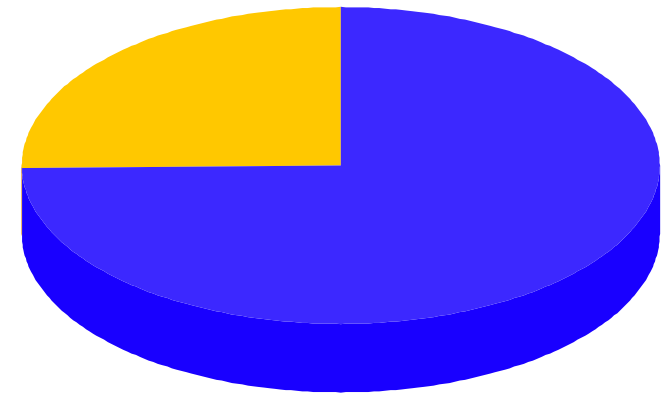
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IBM Software Revenue Growth



1H99 Software Segment Revenue Distribution

Operating Systems
1% YTY Growth



Middleware
14% YTY Growth

IBM Software Segment growth rate as reported

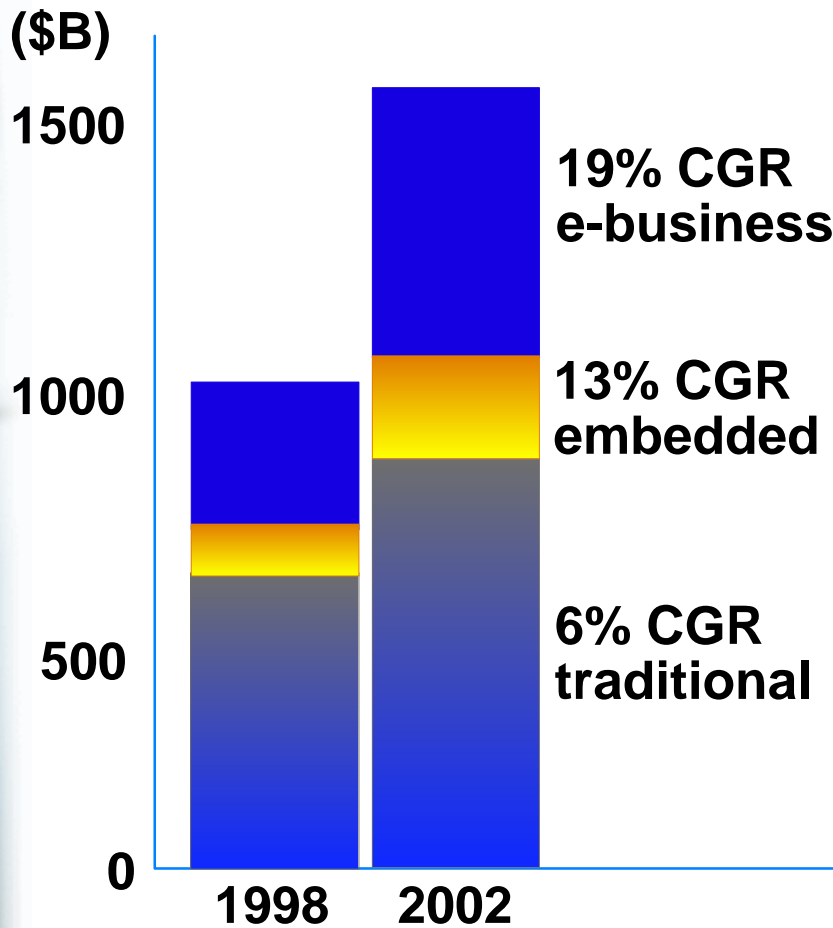




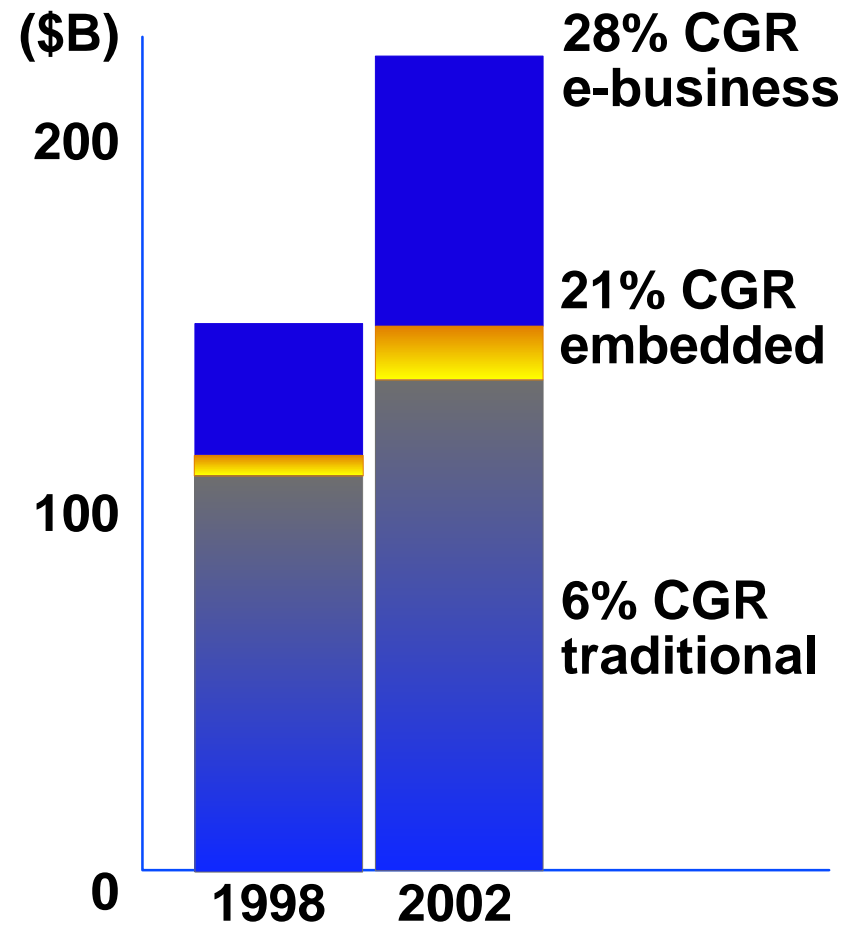
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The Future is e-business

IT Industry 11% Total CGR



Software 12% Total CGR



Source: IBM, IDC and other external consultants





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IBM Software Strategy

- **Convert e-business mindshare to marketshare**
- **Lead in creating the future of e-business**
- **Deliver leadership e-business offerings**
- **Create world-class sales and marketing**

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Customer Needs for e-business

Transformation and Integration



Web-based Transactions

Workflow/Business Integration

MQSeries

WebSphere



Leveraging Information



Web-based Collaboration

Knowledge Management

DB2



Organizational Effectiveness



Content Management

Business Intelligence



Managing IT Infrastructure



Secure Network

Systems Management

Tivoli

SecureWay





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Setting the e-business Agenda

Corporate

e-business Leadership

Cross IBM

Solution & Application Framework

IBM Category

Software

Servers

Services

SWG e-business

Soul of e-business

Customer Needs

Transformation & Integration

Leveraging Information

Organizational Effectiveness

Managing Technology

Solution Offerings

- Web Self-service
- Business Integration
- e-Commerce

- Business Intelligence
- OLTP
- Content Management

- Distance Learning
- Knowledge Management
- Collaborative Web apps

- System Management
- Connected e-business
- Trusted e-business





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Software

the Soul

of e-business





IBM Software Strategy

- **Convert e-business mindshare to marketshare**
- **Lead in creating the future of e-business**
- **Deliver leadership e-business offerings**
- **Create world-class sales and marketing**



**Channel
Directions**



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Our Priorities

- **Achieve revenue growth by**
 - Developing business partners capable of influencing and generating demand for our software
 - Deploying our sales resources more effectively,
 - Developing business partners serving the medium and small business growth markets,
 - Developing new, emerging channels.

- **Improve the profitability of software through channels by**
 - Re-balancing the financial model to align price, discount and reward to be consistent with value provided,
 - Transforming ourselves internally and externally into an exemplary e-business,
 - Simplifying our business and channel programs.

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IBM

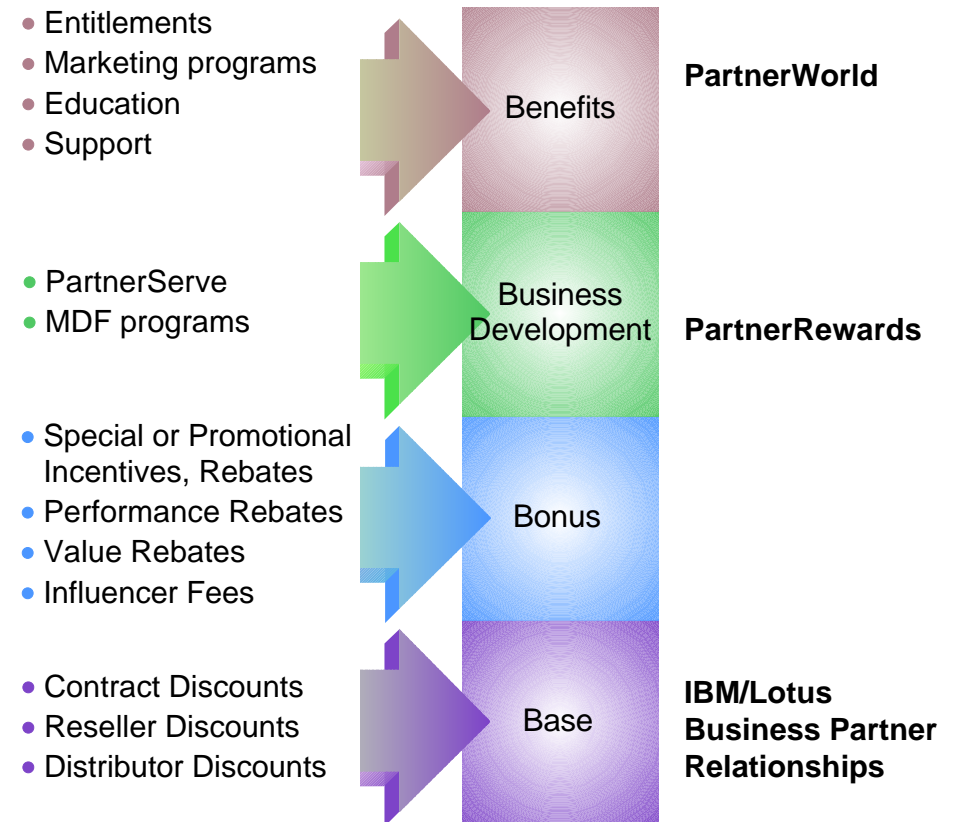


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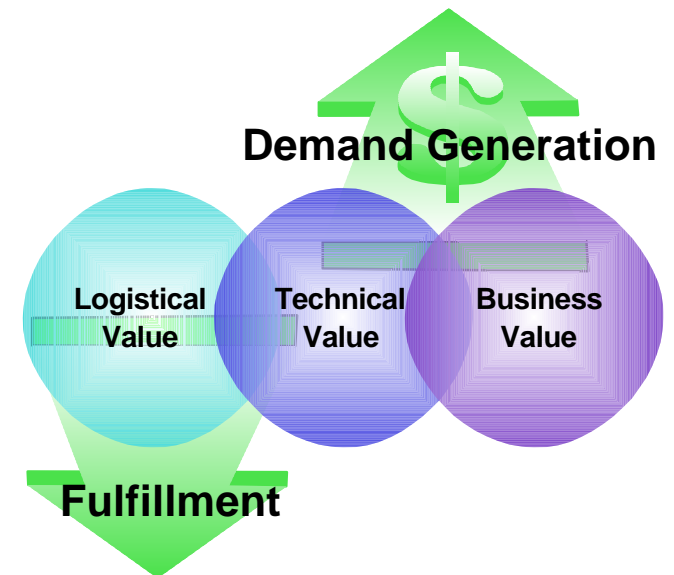
Simplify Channel Programs

- Consolidated program and support
- Consolidate across common activities
- Address needs of all partner communities
- A single electronic community for our partners



Invest in programs for key Influence channels

- Target partners who can influence and generate demand
 - Sales Assistants
 - Integrators
 - ISVs, VARs and Solution Providers
 - New channel models: ISPs, ASPs,
- Aligned rewards and incentives:
 - With e-business solutions
 - Across sales channels
 - With value provided
- Aligned with market coverage
 - For medium and small businesses
 - For sales made independently... 'No Touch'
 - To encourage 'Unstacked' coverage... 'Hybrid'
 - To recognize acquisition and retention business objectives



Deploy sales resources more effectively

- ✓ brand specialists
- ✓ technical specialists
- ✓ marketing funding
- ✓ marketing resources
- ✓ sales operations

Direct Sales

Business Partners

ISVs & Influencers



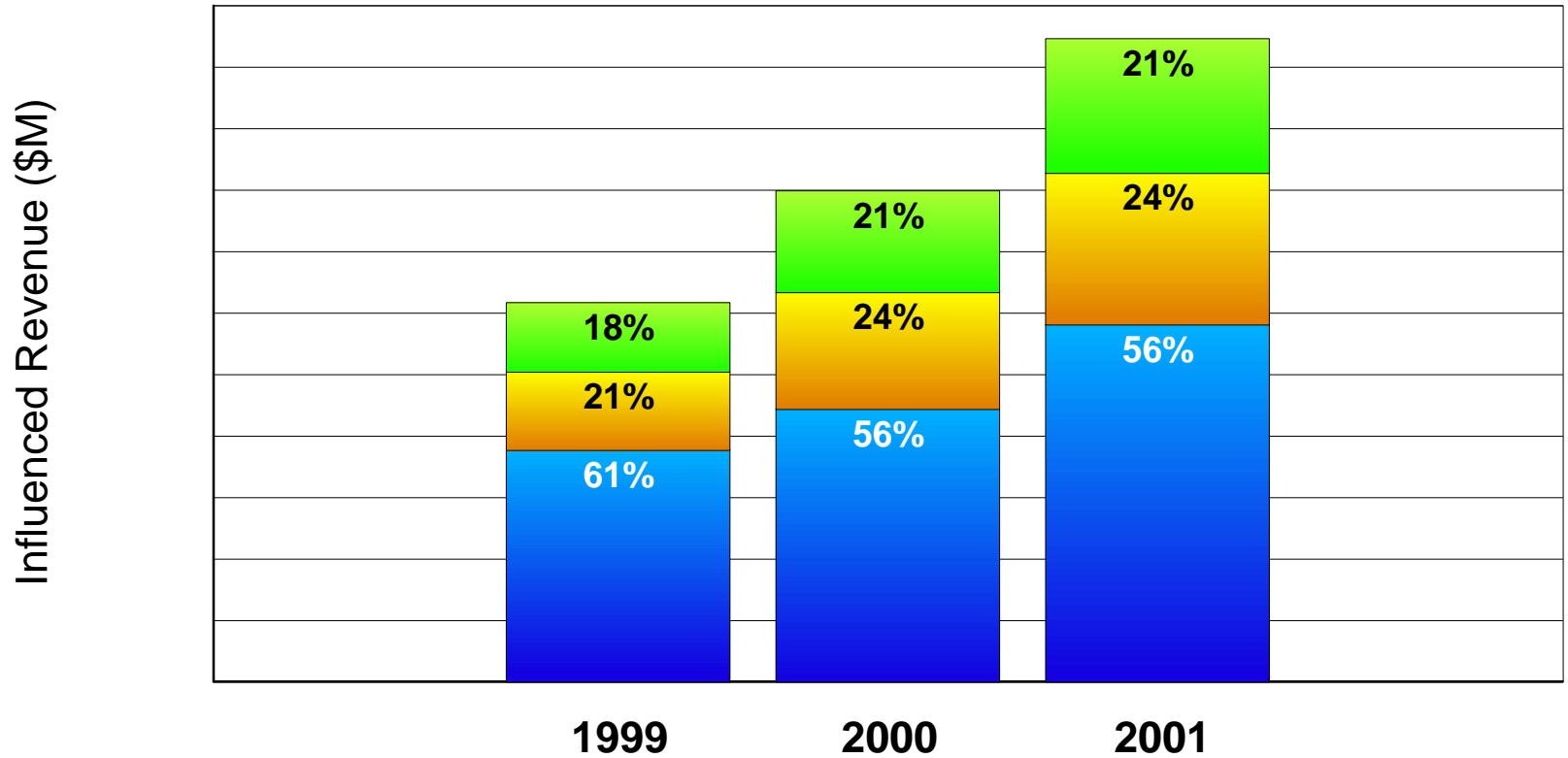


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Business Partner Participation

- Partner Influenced 'No Touch'
- Hybrid
- IBM Influenced Revenue

Workstation Software



Revenue growth

- All channels: 30% each year
- Partner influenced: 39% each year



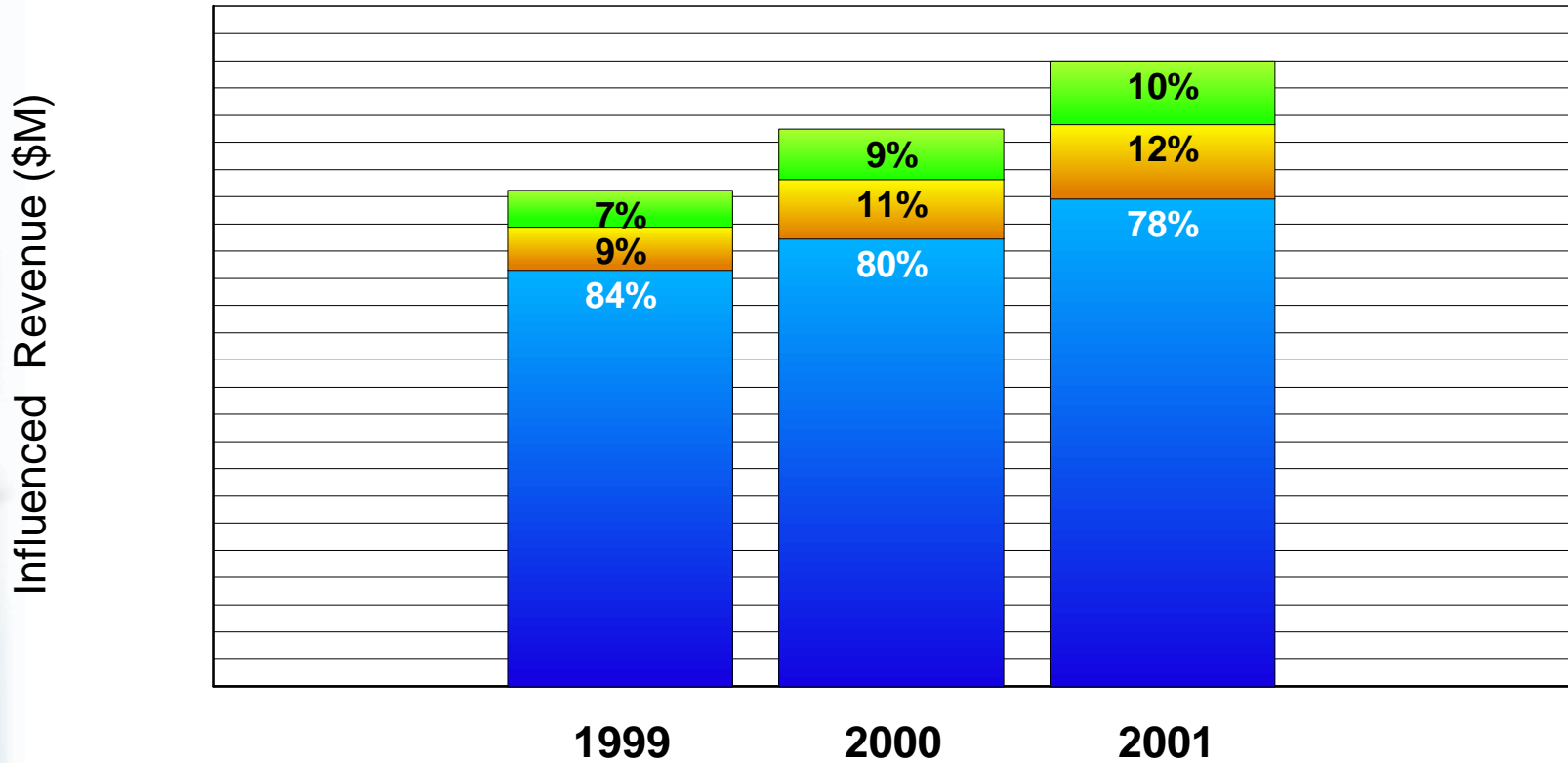


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Business Partner Participation

- Partner Influenced 'No Touch'
- Hybrid
- IBM Influenced Revenue

All Software Group Software, including S/390 and AS/400 Software



Revenue growth

- All channels: 12% each year
- Partner influenced: 32% each year





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Why we are changing

- Our strategic initiatives are clear
- We must take them to the next level of implementation through
 - Better coverage and accountability
 - Improved leverage of all our resources
 - More competitive programs
 - Focus on superior execution
 - Teamwork across the business
- We can achieve them only in concert with our Business Partners



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