IBM and Lotus
Sales Assistance Program
Update

Jeff Ford
WW Channel Programs
IBM Software Group
August 11, 1999

IBM **Lotus.** **IBM**

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Agenda

- Program Overview
- Process Flow
- Worldwide Roll-out Plans
- Sustained Success
- Complementary Programs

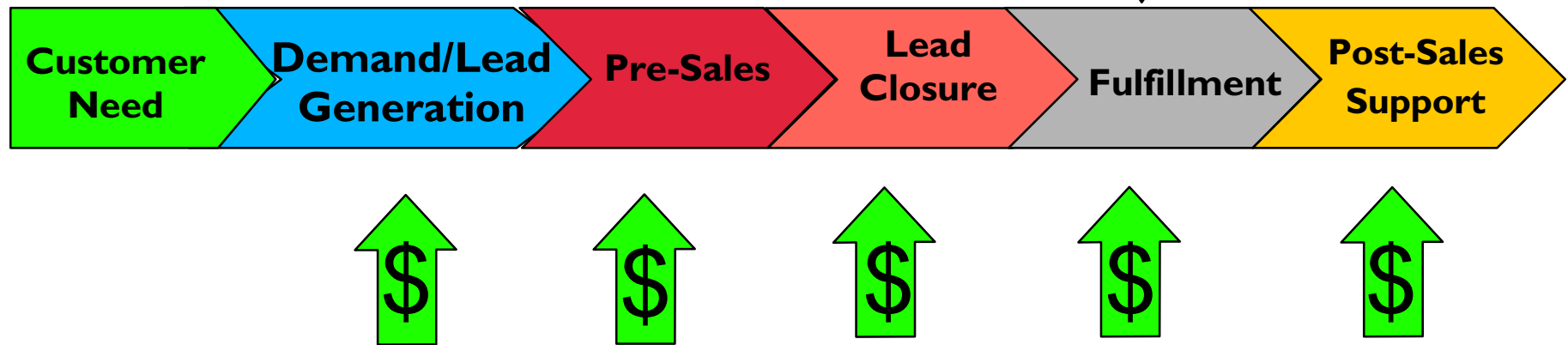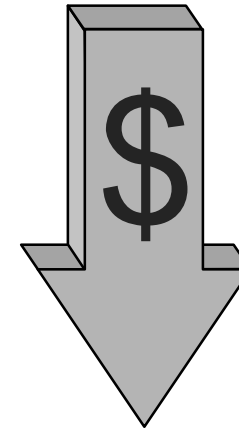# Business Partners provide value throughout the sales cycle...

Historically, all compensation has gone to the BP who fulfills.

$

| Customer Need | Demand/Lead Generation | Pre-Sales | Lead Closure | Fulfillment | Post-Sales Support |

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e-business now

Business Partners provide value throughout the sales cycle...

Historically, all compensation has gone to the BP who fulfills.

$

| Customer Need | Demand/Lead Generation | Pre-Sales | Lead Closure | Fulfillment | Post-Sales Support |

$ $ $ $ $

IBM is transitioning toward rewarding Business Partners for the specific value provided.

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The IBM and Lotus Sales Assistance Program is Focused on the First Phase of the Sales Cycle

PRE-SALES & CLOSURE 1	FULFILLMENT 2	POST-SALES SUPPORT 3
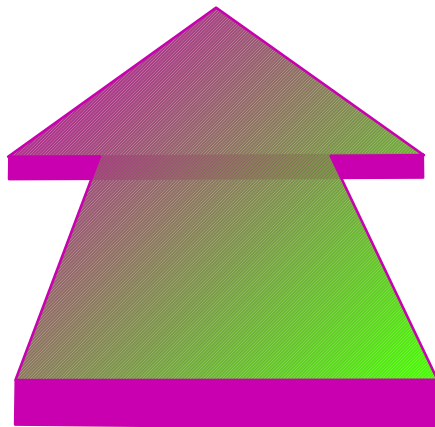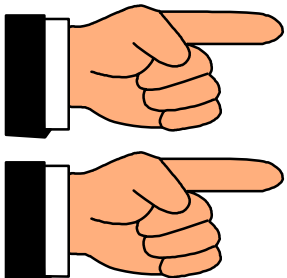
Getting the customer to say, "Yes"!

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The IBM and Lotus Sales Assistance Program is Focused on Pre-sales & Closure

PRE-SALES & CLOSURE 1	FULFILLMENT 2	POST-SALES SUPPORT 3

1. Demand Generation (Create Customer Need)
2. Understand Customer Need
3. Lead Generation
4. Pre-sales Activities (proposals, demos, pilots/prototypes, financial justification)
5. Lead Closure (Customer says, "Yes"!)

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Business Partners focus on a subset of the Sales Cycle

SOLUTION DEVELOPER →

SOLUTION PROVIDER →

SYSTEMS INTEGRATOR →

Customer Need	Demand/Lead Generation	Pre-Sales	Lead Closure	Fulfillment	Support, Service, Warranty

RESELLER/DISTRIBUTOR →

TRAINING/SERVICES →

IBM & LOTUS SALES ASSISTANCE PGM. →

SALES AGENT / TELE-ELECTRONIC →

Sales Assistance Program NA Overview

- The IBM and Lotus Sales Assistance Program rewards Business Partners for the vital role they play in "closing the business".

- Participants are rewarded between 1.5% and 15% of the price of selected IBM and Lotus Software for their pre-sales activities which lead to getting customers to say, "Yes".

- Hard Dollar and Soft Dollar Rewards (fees and expense reimbursement) are available.

- Rewards are three times greater for selling selected IBM Workstation and Lotus software products to "no touch" accounts (the small and medium size business market segment).

- The Program is "fulfillment channel neutral".

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Audience

- TODAY...Independent firms, IBM and/or Lotus Workstation Software Business Partners and Systems Business Partners, consultants, remarketers, ISVs, ISPs, educators, systems integrators...
  - "Face to face" relationships with customers
  - Perform pre-sales activities:
    - ► Conducting Custom Demonstrations
    - ► Presenting Proposals
    - ► Implementing Pilots
    - ► Many other pre-sales activities...

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Qualification Requirements

- Proof of competency in each product area for which BPs apply for rewards, in the form of
  - approved certifications (for all products with certification, typically IBM workstation (Intel & UNIX) and Lotus software) OR
  - approved education plus three customer references (for all products without certification, typically IBM S/390 and AS/400 software)
- Membership in the IBM Business Partner - Software Program and/or the Lotus Business Partner Program

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What products are included?

- Application Development
- Data Management
- Industry and Cross-Industry Applications
- Lotus
- MQSeries
- Network Systems
- Operating Systems
- Systems Management
- Telephony
- Transaction Systems

Select products across the broad, award-winning IBM/Lotus software portfolio are included!

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IBM and Lotus Sales Assistance Program Current North American Reward Structure

Environment	Reward Calculation
IBM Workstation (Intel & UNIX) and All Lotus	5% in Large Customers 15% in SMB
IBM AS/400	11%
IBM S/390 New	15% x 24 months MLC
S/390 Upgrade	3% x 24 months MLC
OS/390 New	7.5% x 24 months MLC
OS/390 Upgrade	1.5% x 24 months MLC

SMB = Small & Medium Businesses
MLC = Monthly License Charge
SVP = Suggested Volume Price
SRP = Suggested Retail Price
Rewards may vary by geography.
Effective 1/1/99.

NA S/390 & AS/400 rewards are based on list price. Passport Advantage IBM workstation/Lotus software rewards are based on Passport Advantage SVP Level C whereas shrink-wrap IBM workstation/ Lotus software rewards are based on SRP less 20%. Focus rewards vary.

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IBM and Lotus Sales Assistance Program North American Rewards Eligibility By Level *

Hard Dollars

IBM S/390, AS/400, Workstation (Intel & UNIX), and Lotus Software

IBM S/390, AS/400 and "Cross Platform" **
IBM Workstation (Intel & UNIX) Software

IBM S/390 and AS/400 Software

Soft Dollars

IBM Workstation (Intel & UNIX) and Lotus Software

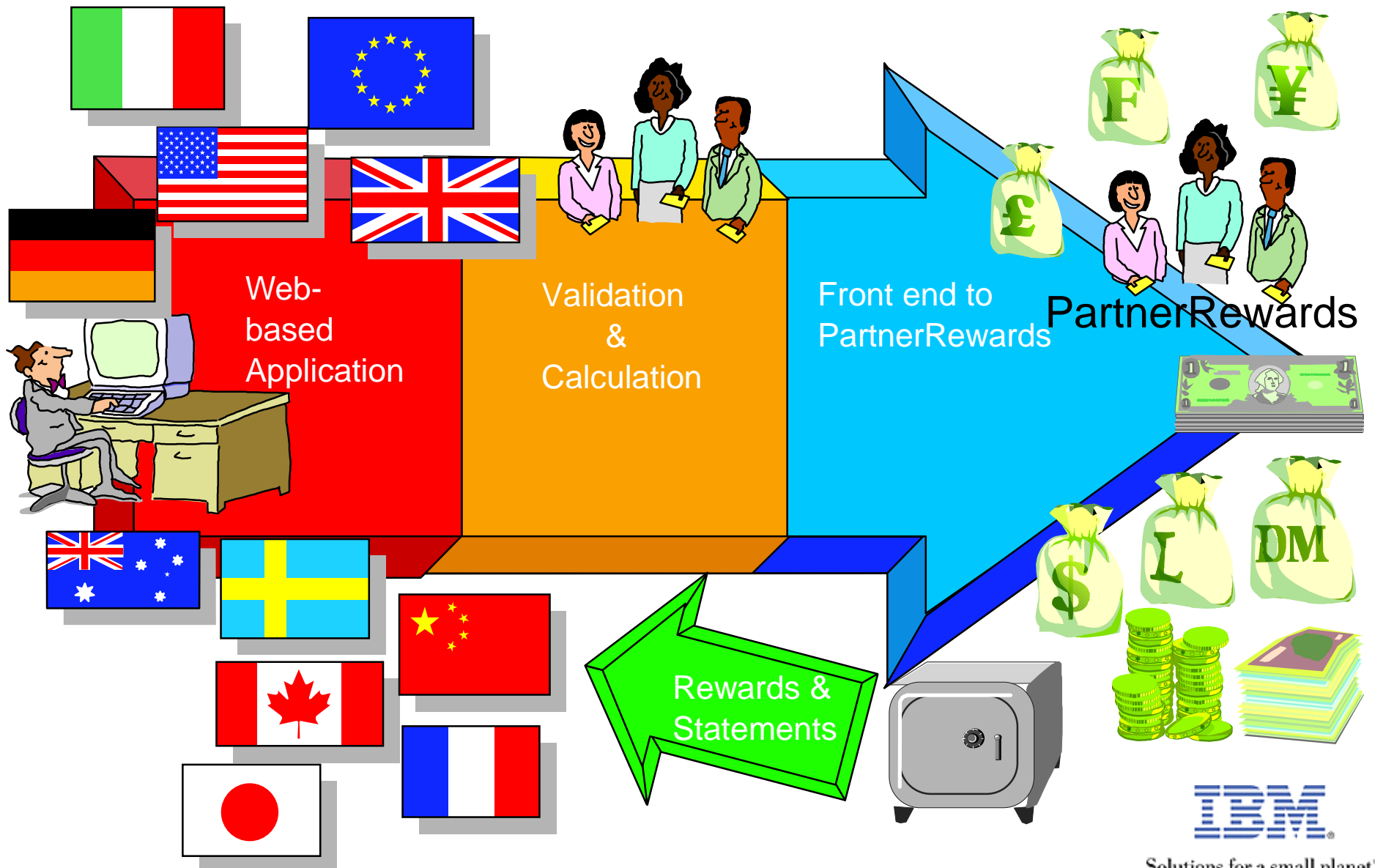IBM Workstation (Intel & UNIX) and Lotus Software

Not Eligible

Premier

Advanced

Member
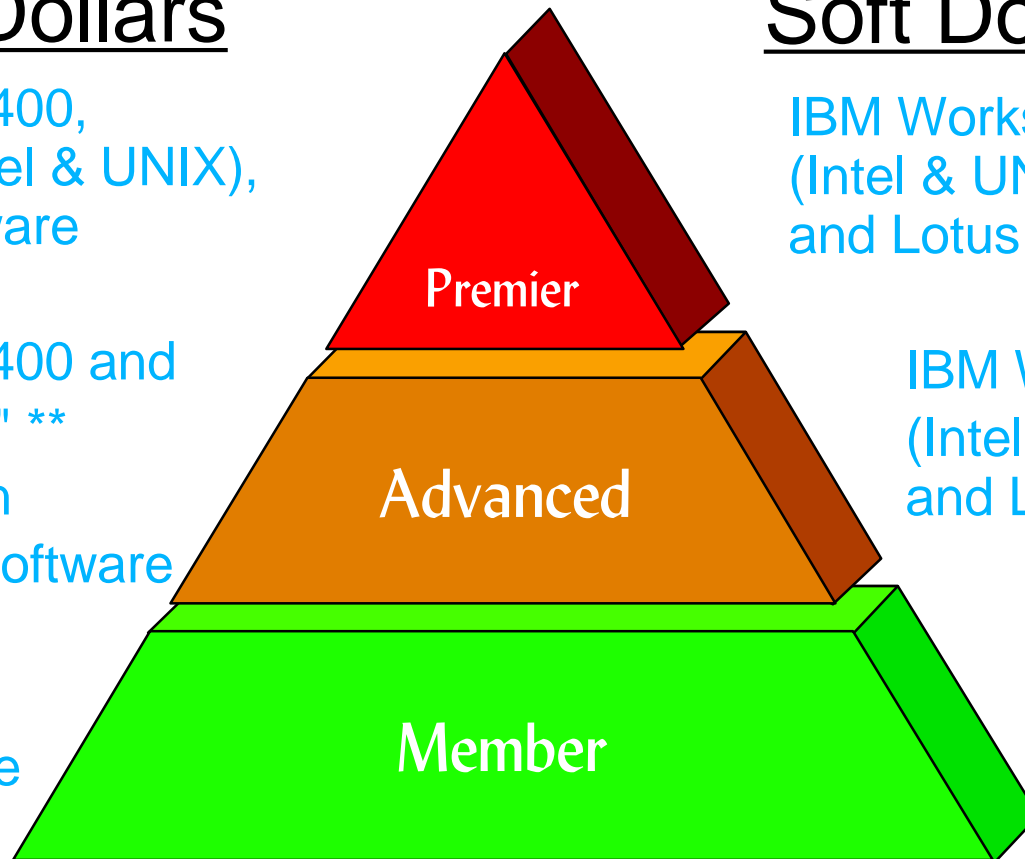
* Rewards eligibility is based on being approved for product categories.

** "Cross Platform" = certified in IBM workstation and approved for corresponding S/390 or AS/400 software product categories.

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Sales Assistance Program Process Flow

Sales Assistance Program Process Flow

IBM S/390 Software

IBM AS/400 Software

IBM Workstation & Lotus Software

Hard dollar rewards
- opportunity registration
- customer notification
- sales confirmation with proof of purchase and customer signature
- payment

Soft dollar rewards
- opportunity registration
- sales confirmation with proof of purchase (and customer signature in AP)
- dollars posted to ILSAP BDF account

Web-based Application

IBM Workstation & Lotus Software

- create PAL
- claim expense
- payment

IBM and Lotus Sales Assistance Program Process Description

Application:
The firm submits an application form with the required documentation, requesting approval for specific product categories. IBM reviews the application and either approves the firm for specific product categories or rejects the application.

Contract:
Once the firm is approved to participate in the Program, the firm is sent an Agreement to sign and return to IBM.

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IBM and Lotus Sales Assistance Program Process Description (Continued)

Opportunity Registration:
Using the ILSAP project form, the Business Partner registers each opportunity in advance. The form includes end user information, a basic forecast and other information such as a declaration of whether the participant wants hard dollar or soft dollar rewards. (IBM S/390 and AS/400 software are only eligible for hard dollar rewards. AP is only implementing soft dollar rewards.)

Customer Notification:
For hard dollar opportunities, IBM sends a letter to the customer describing the Business Partner's value and the process.

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IBM and Lotus Sales Assistance Program Process Description (Continued)

Sales Confirmation:

Once the Business Partner gets the customer to say, "Yes", the Business Partner submits a sales confirmation form. This form must be supported by required transaction information (e.g. Passport Advantage detail and in NA a purchase order or invoice are also acceptable). Hard dollar claims also require a customer signature. (In AP, soft dollar claims require a customer signature as well.)

Validation & Calculation:

IBM validates the Business Partner's eligibility to claim the sale and authenticates the sale using the supporting documentation and internal systems. IBM calculates the reward amount.

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IBM and Lotus Sales Assistance Program Process Description (Continued)

Hard Dollar Payment:
IBM cuts a check to the Business Partner for the reward amount.

Soft Dollar Posting:
IBM posts the reward amount to the Business Partner's ILSAP BDF account.

Partner Activity List (PAL):
If the Business Partner is approved for the flexible PAL process, then they must complete a PAL with their software BP sales manager. Otherwise, they use the streamlined PAL process which uses a predefined PAL.

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IBM and Lotus Sales Assistance Program Process Description (Continued)

Soft Dollar Claim:
The Business Partner submits a claim for actual expenses incurred for pre-approved activities. IBM verifies that the expenses are eligible for reimbursement. If sufficient funds are in the Business Partner's BDF account, payment is authorized.

Soft Dollar Payment:
IBM cuts a check to the Business Partner for the reimbursable amount.

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IBM and Lotus Sales Assistance Program Process Description (Continued)

Customer Satisfaction Survey:
Surveys will be conducted to ensure that Business Partner participants are providing value to customers.

Quarterly Audits:
Audits will be conducted to test payment accuracy, supporting documentation, and Business Partner involvement.

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Sales Assistance Program Soft Dollar Rewards: Streamlined & Flexible Options

For ADVANCED Level Participants

There is a STREAMLINED claim process:

No PAL process is required by the participant

- saving the participant valuable time

No approvals are needed for the PALs

- saving IBM overhead

- facilitating quicker payment to the participant

No need for the participant and BPSMs to learn the PartnerRewards tool

- saving time for both IBM and the participant

Paper claim - assisted from the Sales Assistance Program URL

The participant is unaware that the PAL process is actually used.

For PREMIER Level Participants

There is a FLEXIBLE claim capability:

More reimbursement items for the participant

The participant files a PAL

The BPSM/BPSR reviews and approves the PAL

The Business Partner uses the PartnerRewards application.

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What gets reimbursed using soft dollars?

Examples:

- IBM BP - Software Program - Value Package
- Lotus Business Partner Program Fees
- Seminar in a Box
- Selected Conference Fees (BPEC, Lotusphere)
- Education Fees (including travel & living)
- Sales campaigns and customer seminars
- IBM Demonstration Products (ThinkPads)
- IBM/Lotus promotional merchandise

Note: Eligibility will vary by a firm's level in the IBM Business Partner - Software Program and the Lotus Business Partner Program. Additional terms may apply.

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Streamlined vs. Flexible Option:
What spending categories will be available?

Category	Streamlined	Flexible
	Includes ONLY:	
Advertising	Advertising in "Solutions Now"	MORE !!
	Advertising Banner on Showcase Home Page	
	Advertising Banner on Gold Home Page	
	Insertion on Gold CD only	
	Product Showcase entry on Gold Web Site	
	Insertion of material into Gold Mailing	
	e-business now - advertising templates	
	Host Integration (Secureway)	
	Web Self-service (Websphere)	
	E-mail, messaging, and collaboration (Domino)	
	Commerce (net.commerce)	
	Business Integration (MQSeries)	
	Business Intelligence (VW & UDB)	
Associations	1999 Annual Lotus Business Partner Program Renewal Fee	
	Value Packages	
	Add'l Lotus CD Subscription	MORE!!
Communications Service	Global Services/Connectivity to IBM	MORE!!

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Streamlined vs. Flexible Option:
What spending categories will be available?

Category	Streamlined	Flexible
Custom Programs	Under Evaluation - may not be approved (Demand generation activities not included elsewhere)	MORE!
Customer Satisfaction	NO	YES!
Education/Certification	BPEC, LOTUSPHERE, e-business University, IBM Software Product Education, Lotus/IBM Camp w/one night stay or w/o one night stay, Certification test expenses, Lotus CBT New Package, Lotus CBT Technical Package, Lotus CBT Total Package, Sylvan and CATGlobal certification testing, LotusVision Broadcast Video tapes, LotusVision Subscriptions, Multi-vendor T.E.N. Business TV station subscription for 12 months or 24 months Webinar - "Partnering 101" Webinar - "How to turn your business into an e-business" Webinar - "How to put on a Seminar" e-business Advisory Class - 3 days	MORE!

Equipment	up to 3 IBM ThinkPads purchased in 1999, all
	    must be claimed at the same time. These
	    ThinkPads are to be used for demo purposes.
		MORE!

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Streamlined vs. Flexible Option:
What spending categories will be available?

Category	Streamlined	Flexible
Marketing Campaign Services	TeamPlayers campaigns (100 pieces minimum) - Host Integration - Web Self Service - E-mail messaging and collaboration - Commerce - Business Integration - Business Intelligence e-business now - Sales Kits (in volume) e-business now - Technical Kits (in volume)	MORE!
Marketing Seminars	Seminar in a Box	MORE!
Product Sales Support	NO	YES!
Promotional Merchandise	e-business now - black with a red "e" merchandise Promotional materials from the Lotus catalog	MORE!
Sales Incentives (for employees)	NO	YES!
Exhibiting at Trade Shows	NO	YES!

The following PartnerRewards categories for spending were eliminated:
Personnel, Recruiting, Launch Funds

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IBM and Lotus Sales Assistance Program Worldwide Roll-out Team Leads

- Worldwide: Jeff Ford & Donna Agee
- NA: Miles Stitt (All NA) & Flora Tang (Canada)
- EMEA: Simon Clarke, Andrew Strahan, & Jack McCarthy
- AP: David Ong (All AP) & Steve Blunt (ANZ)
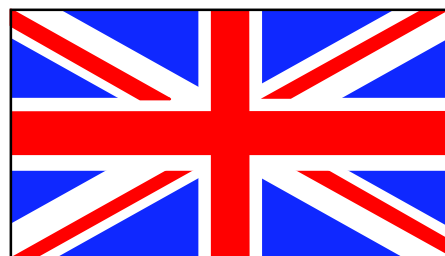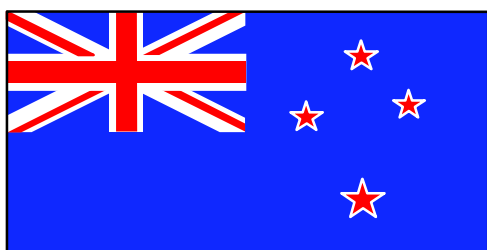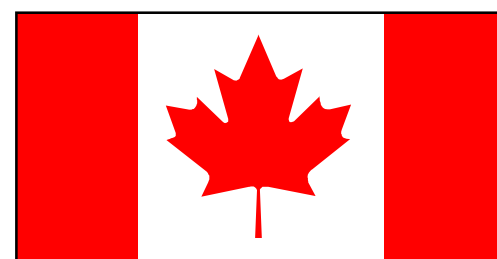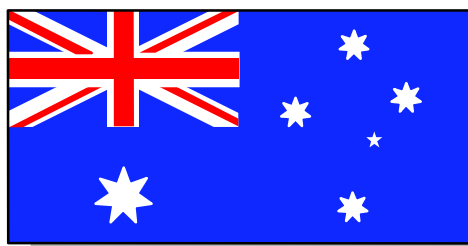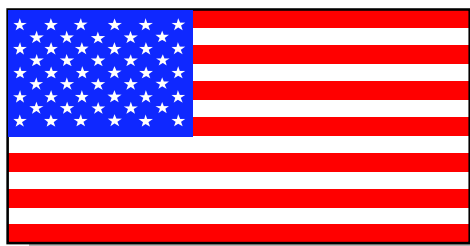
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IBM and Lotus Sales Assistance Program Key Program Elements By Geography

Geography	IBM Workstation Software	Lotus Software	IBM AS/400 & S/390 Software
NA	− Hard Dollars − Soft Dollars − Passport Advantage − Shrink-wrap (Currently) − Customer Signature (For Hard Dollars Only)	− Hard Dollars − Soft Dollars − Passport Advantage − Shrink-wrap (Currently) − Customer Signature (For Hard Dollars Only)	− Hard Dollars − Customer Signature
LA	Not Applicable in 1999	Not Applicable in 1999	Not Applicable in 1999
EMEA	Same as NA Except No Shrink-wrap	Same as NA Except No Shrink-wrap	Not Applicable in 1999
AP	− Soft Dollars − Passport Adv Only − Customer Signature	− Soft Dollars − Passport Adv Only − Customer Signature	Not Applicable in 1999

Note: In EMEA, ILSAP soft dollar rewards will only be deployed in those countries where PartnerRewards has been deployed. Currently, there are 12 EMEA countries which have deployed PartnerRewards.

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Evolution of Relationship

- 1993: US Area/Canadian pilots

- 1994: National US program launched

- 1996: Enhanced and renamed BESTeam Sales Assistance Program (BSAP)

- 1999: Worldwide Roll-out, enhancements, name change and integration of Lotus and IBM Incentive Programs

US Program Fee-Based Revenue ($M)

Over $500 Million in 1998!

Over 100% YTY Growth!
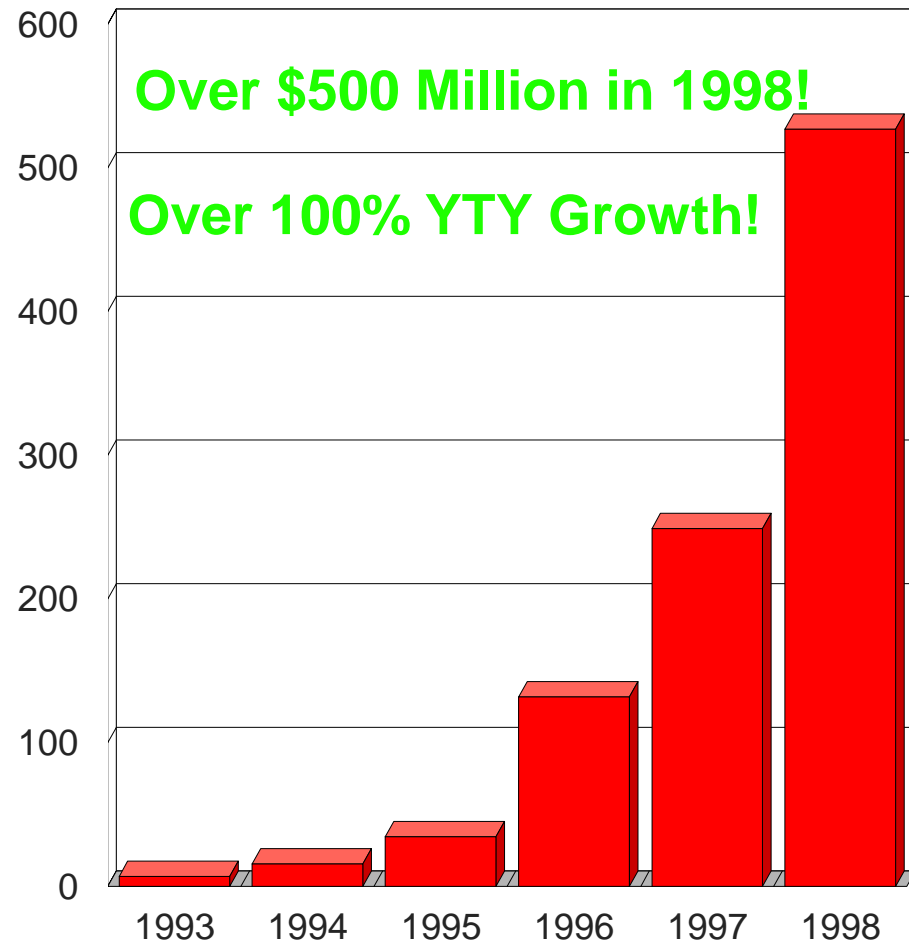
"Fee-based" Influence Revenue as of 08/02/99

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Business Partner Offerings
Making it easier to do business with IBM and Lotus...

Passport Advantage

(Product Portfolio, Skilled Partner Profitability, & IBM/Lotus Performance)

FULFILLMENT

Complementary Programs with Common Infrastructure

BP SUPPORT   BP SALES INCENTIVES

Software Business Partner Program
(Skilled Partners)

IBM and Lotus Sales Assistance Program

(Skilled Partner Profitability & IBM/Lotus Performance)

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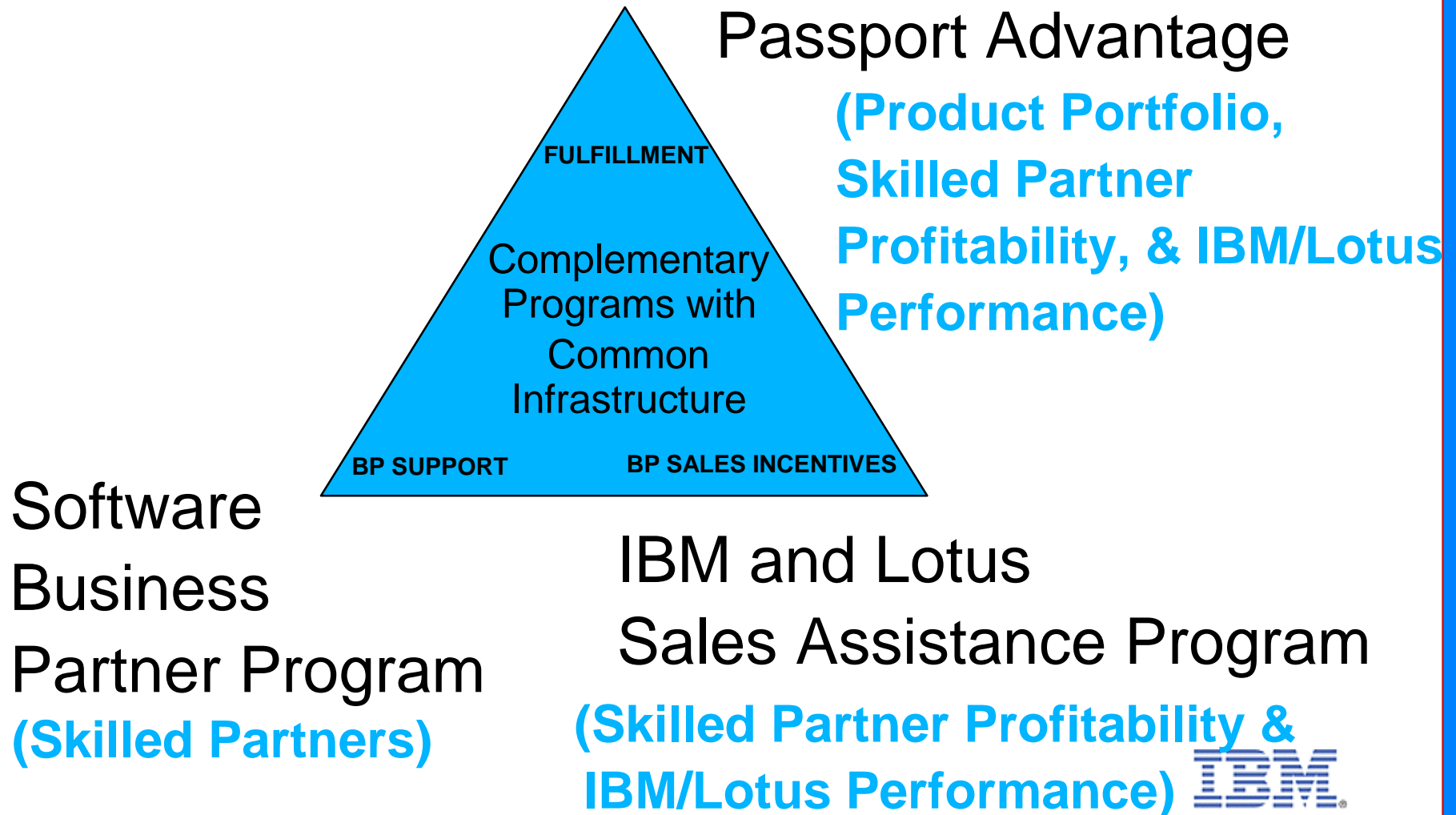
Business Partner Offerings
Making it easier to do business with IBM and Lotus...
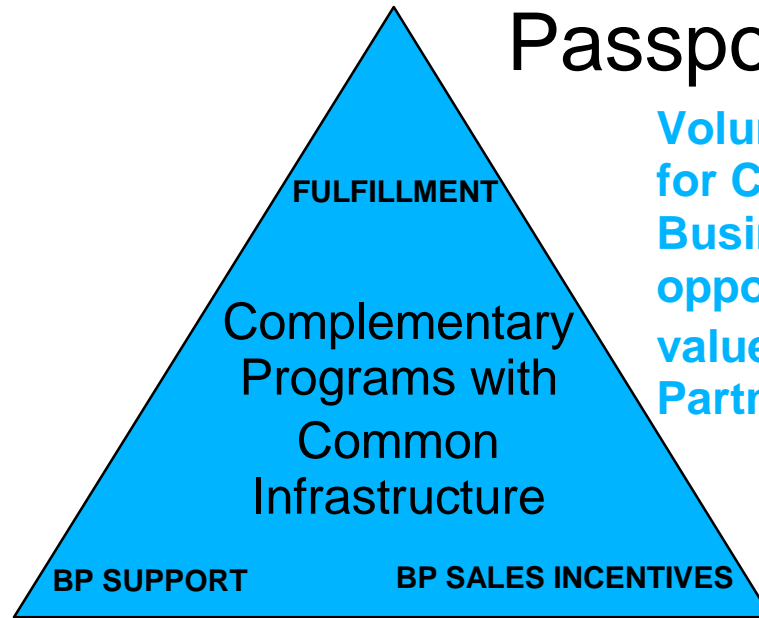
Passport Advantage

Volume Licensing Program for Customers which provides Business Partners with the opportunity to add customer value and increase Business Partner profits...Focused on a vital subset of the IBM and Lotus product portfolio...

FULFILLMENT

Complementary Programs with Common Infrastructure

BP SUPPORT   BP SALES INCENTIVES

Software Business Partner Program

Recruit, Enable, Engage and Retain Business Partners

IBM and Lotus Sales Assistance Program

Reward Business Partners for closing software sales

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To Learn More About The Program and to get an Application...

Visit the IBM and Lotus Sales Assistance Program Web Site:

http://www.ibm.com/software/
partners/salesassistance

Other Useful Web Sites:

IBM Business Partner - Software Program:
http://www.ibm.com/software/partnerweb

Lotus Business Partner Program:
http://www.lotus.com

Software PartnerInfo:
http://partnerinfo.software.ibm.com

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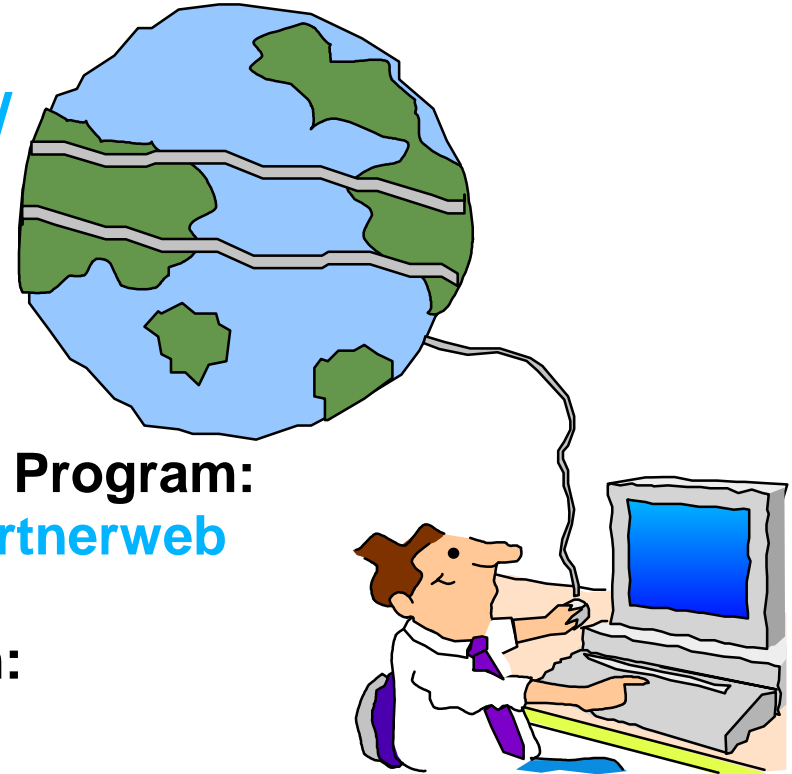
IBM and Lotus
Sales Assistance Program
Back-up Charts

IBM **Lotus.**

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IBM and Lotus Sales Assistance Program 1998 US "Fee-based" Influenced Revenue By Operating System Environment ($527 M)
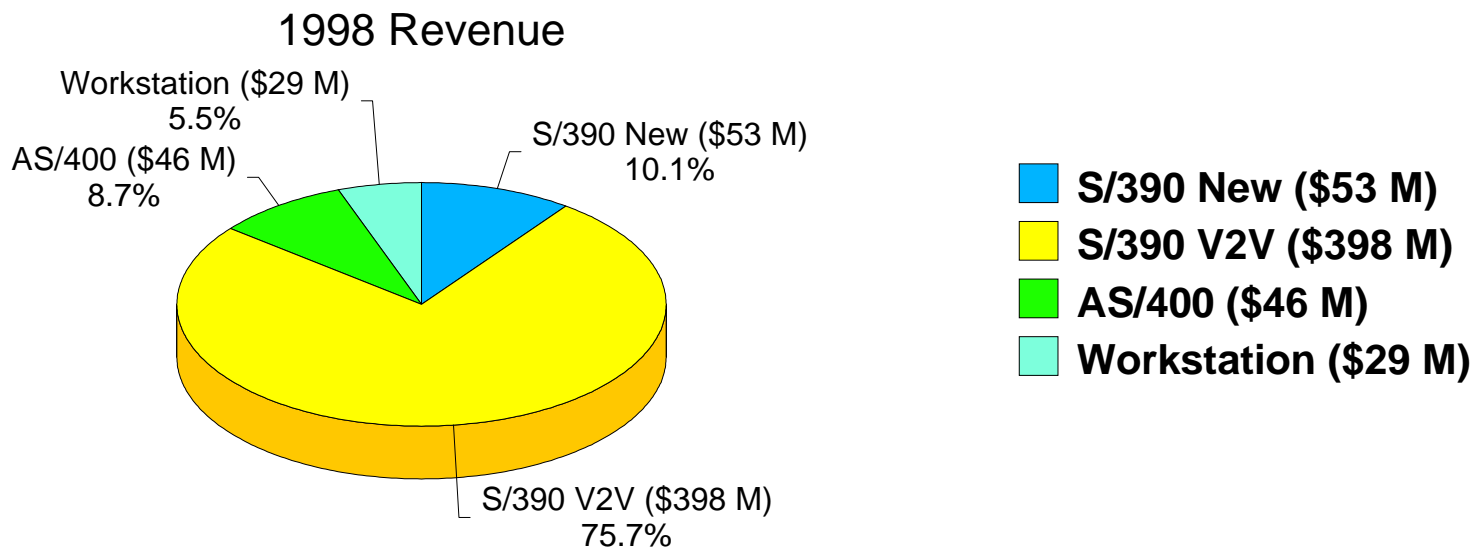
1998 Revenue

Workstation ($29 M)
5.5%

AS/400 ($46 M)
8.7%

S/390 New ($53 M)
10.1%

S/390 V2V ($398 M)
75.7%

- S/390 New ($53 M)
- S/390 V2V ($398 M)
- AS/400 ($46 M)
- Workstation ($29 M)

Data as of 08/02/99.

"Fee-based" influenced revenue reflects list price and 24-month S/390 software stream.

Actual 1998 S/390 software impact: $107 M.

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IBM and Lotus Sales Assistance Program 1999 YTD US "Fee-based" Influenced Revenue By Operating System Environment ($159 M)
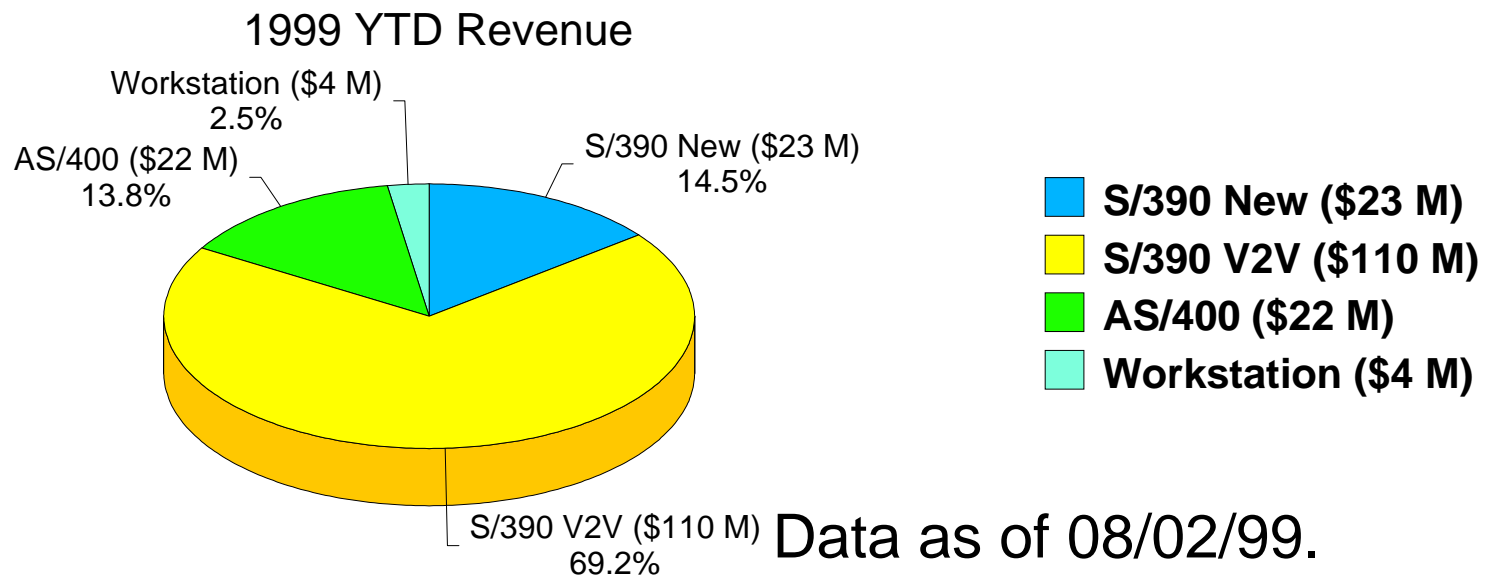
1999 YTD Revenue

Workstation ($4 M)
2.5%

AS/400 ($22 M)
13.8%

S/390 New ($23 M)
14.5%

- S/390 New ($23 M)
- S/390 V2V ($110 M)
- AS/400 ($22 M)
- Workstation ($4 M)

S/390 V2V ($110 M)
69.2%

Data as of 08/02/99.

"Fee-based" influenced revenue reflects list price and 24-month S/390 software stream. Actual 1999 YTD S/390 software impact: $47 M. There is a natural "lag" due to 4 month claiming period, 1 month processing period and 2 week posting period.

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IBM and Lotus Sales Assistance Program 1998 US IBM Workstation & Lotus Software "Fee-based" Influenced Revenue By Product Category ($29 M)

Data as of 08/02/99.

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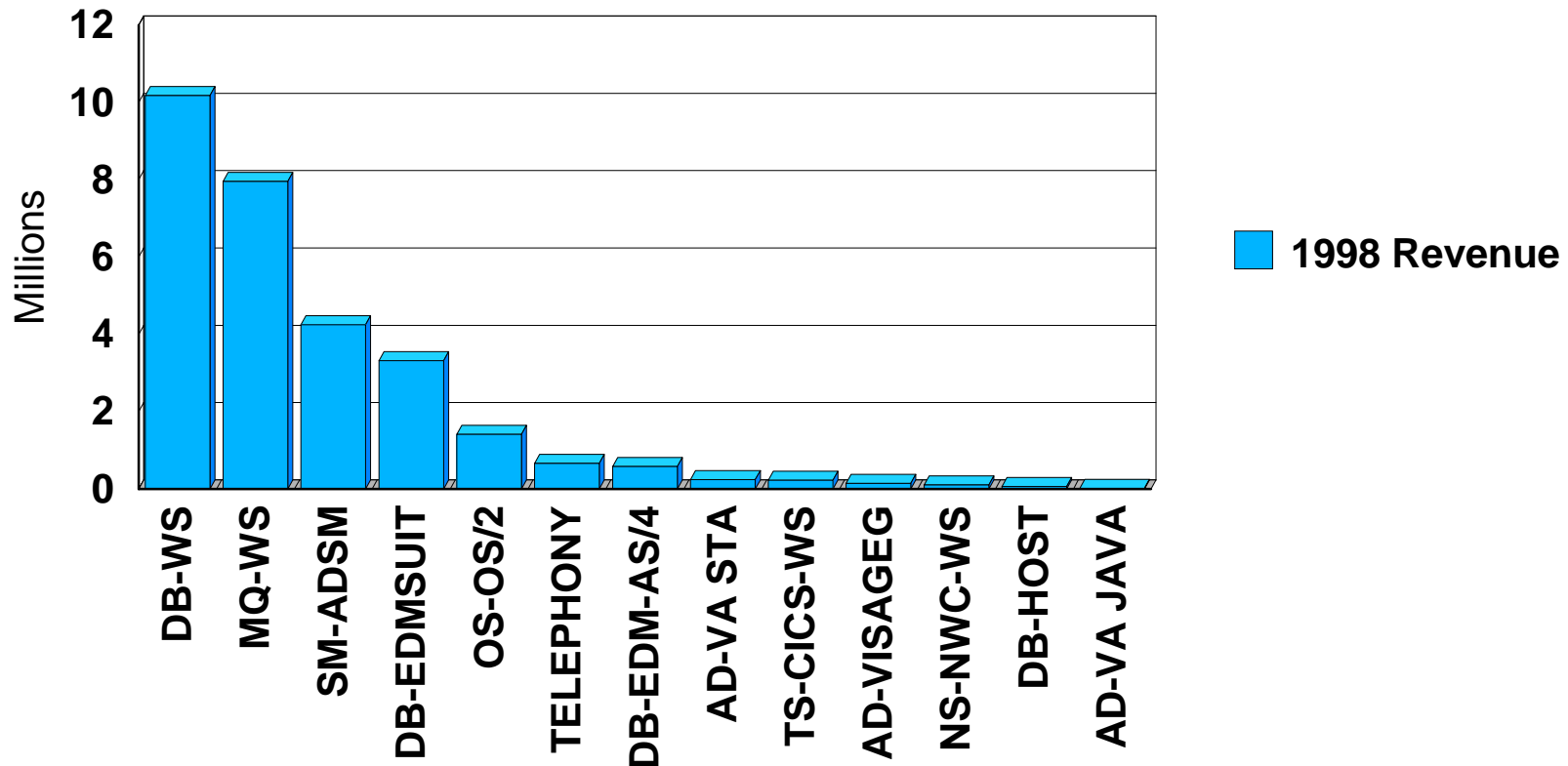
IBM and Lotus Sales Assistance Program 1999 YTD US IBM Workstation & Lotus Software "Fee-based" Influenced Revenue By Product Category ($4 M)

Data as of 08/02/99.

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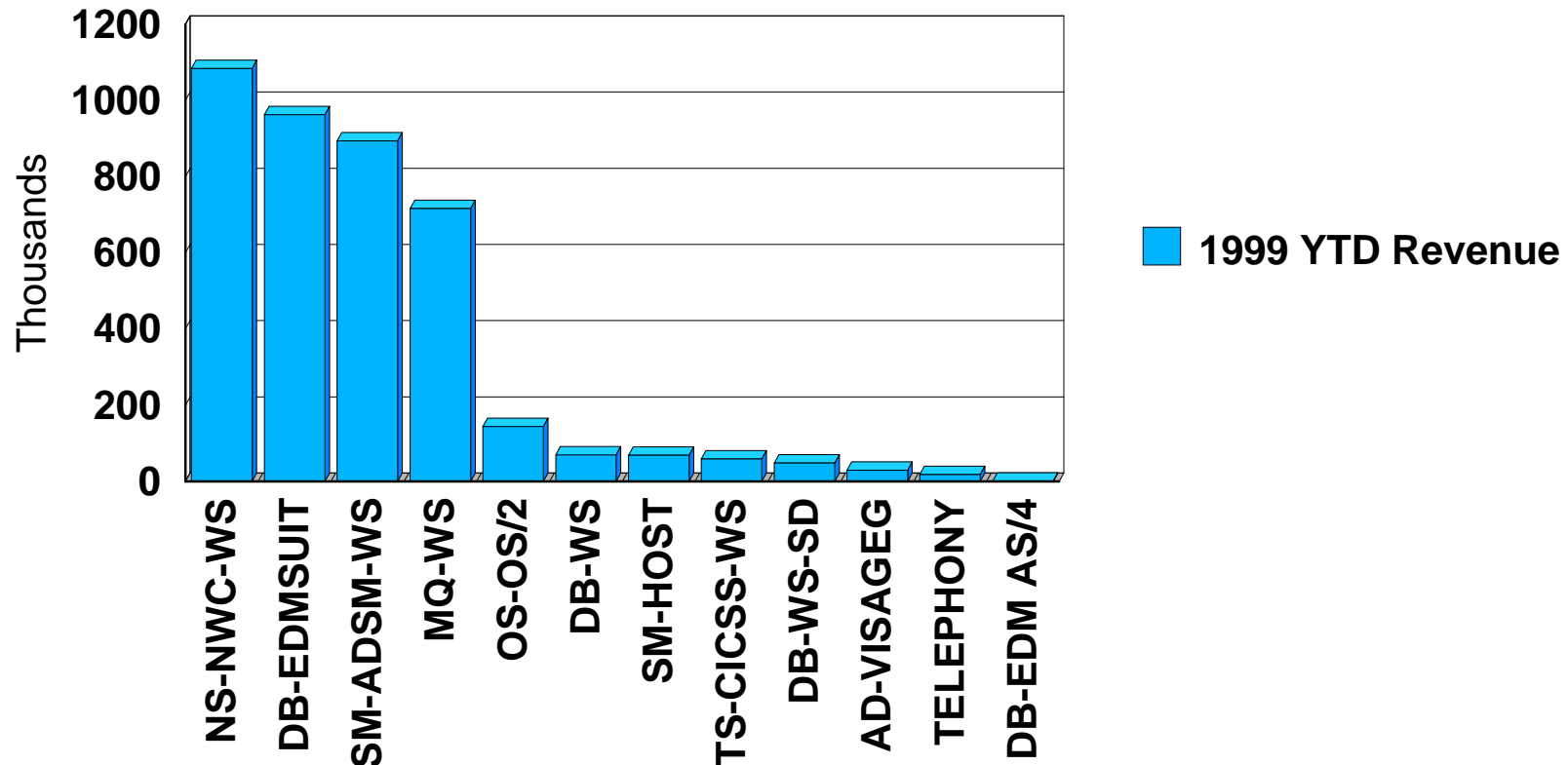
IBM and Lotus Sales Assistance Program Approved North American BP Firms

Legend:
- Lotus Approved
- Non-Lotus

X-axis labels: YE 1997 (138)   YE 1998 (211)   YTD 1999 (250+118=368)
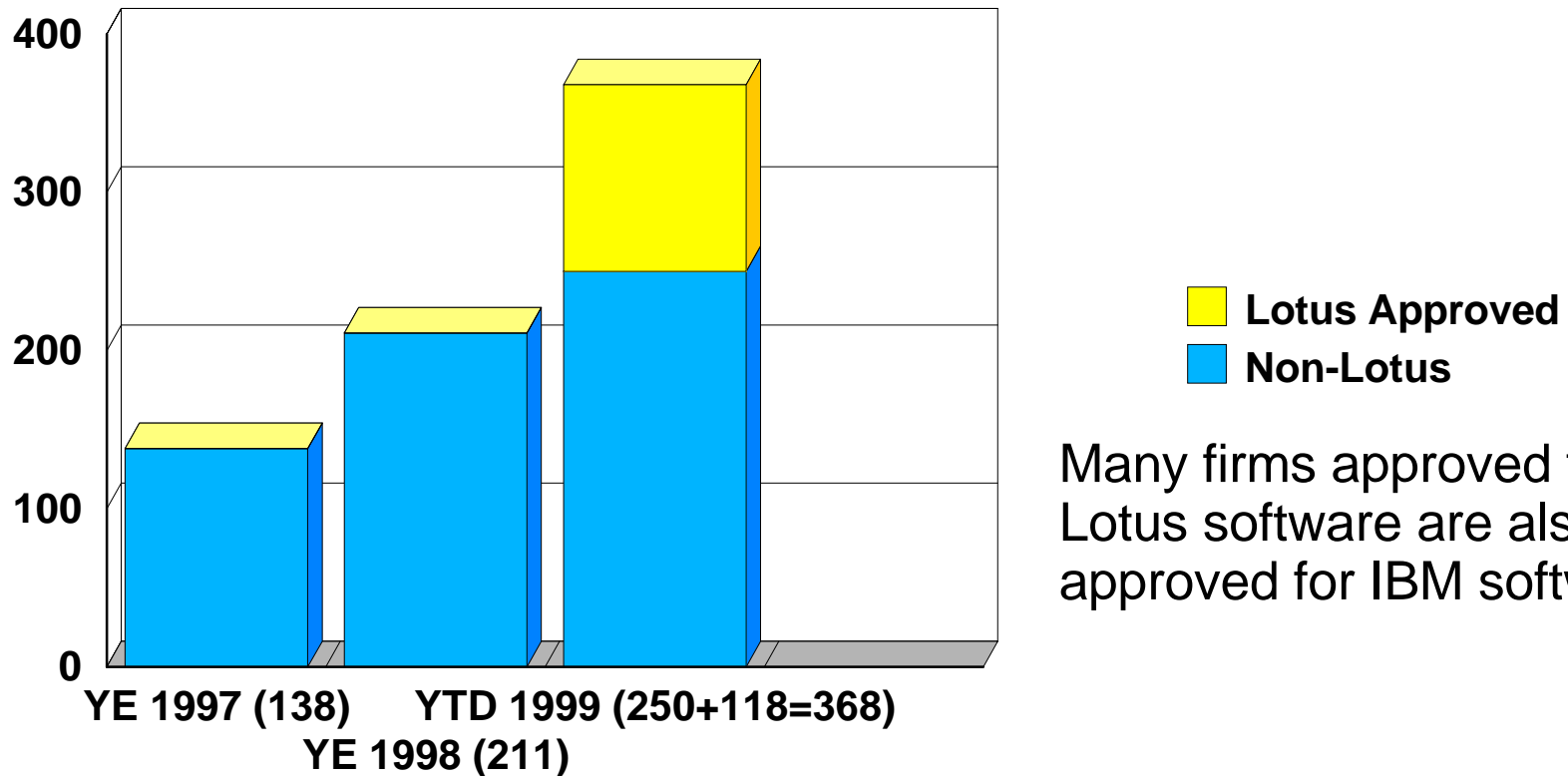
Many firms approved for Lotus software are also approved for IBM software.

Data as of 08/06/99. 1997 - 1998 is US only data.
1999 data reflects the addition of Canada as well
as Lotus products. To date, 443 applications have
been received (368 approved, 13 rejected, 62 in process).

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IBM and Lotus Sales Assistance Program Total Fee-Based Revenue Pipeline *
(NA as of 7/1/99)

Total Fee-Based
Revenue: $2.6 B

Total Project Form
Line Items: 57,312
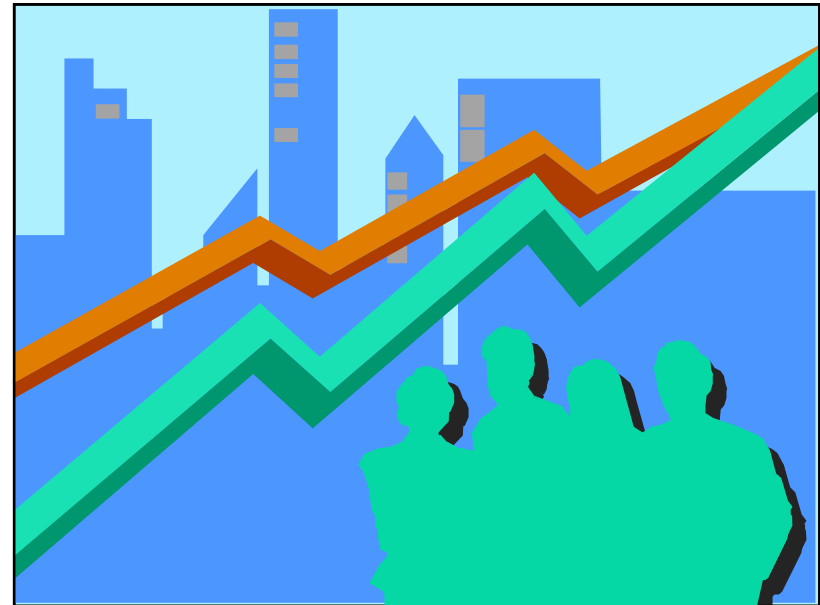
(Revenue reflects
BP forecasted odds.)

* Pipeline figures include closed opportunities.
  BPs are motivated to forecast everything,
  resulting in extremely optimistic pipeline figures.

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IBM and Lotus Sales Assistance Program Lotus Product Pipeline * (US as of 7/1/99)

Hard Dollar Rewards
Revenue: $25,582,595
(636 Project Form
Line Items)

Soft Dollar Rewards
Revenue: $1,531,796
(56 Project Form
Line Items)
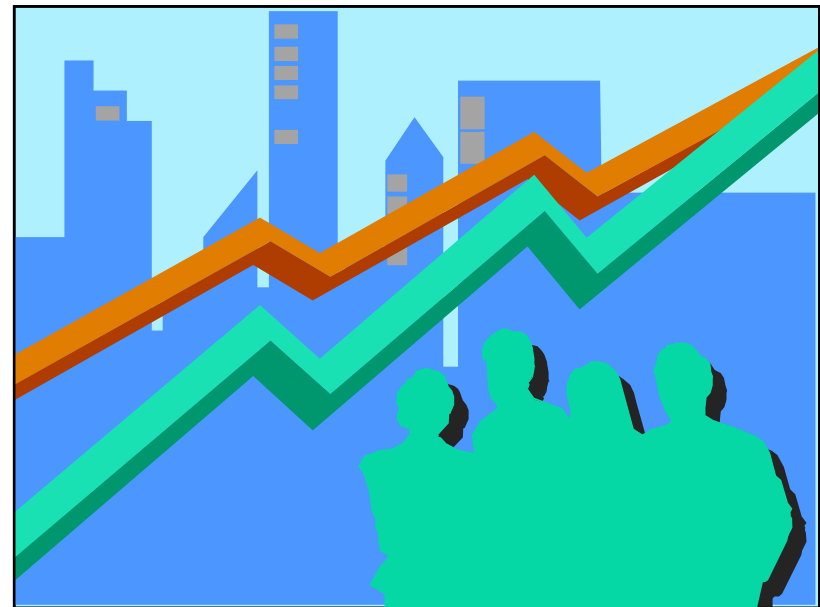
(Revenue reflects
BP forecasted odds.)

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* ILSAP participation in new Lotus Product Category is taking off!

Business Proposition

- Reward options improve BP ROI and profitability.

- Minimal operating expenses required; typically offset by hard dollar and soft dollar rewards.

- Program complements fulfillment and/or services relationships or it can stand alone.

- Complements both IBM Business Partner - Software Program and the Lotus Business Partner Program.

- Products selected from across the broad, award-winning IBM and Lotus Software portfolio.

- Reward earnings are accelerated for BP focus and success with small and medium size businesses (SMB).

- Simple and fast business processes.

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IBM and Lotus Sales Assistance Program SMB Accelerator

- Motivation for Business Partners to focus on the SMB market segment (IBM Workstation & Lotus).

- SMB Reward Calculation:
  5% Base Reward + SMB Accelerator = 15%!

- SMB customer designation will be based upon the IBM Customer Master Record (CMR).

- Business Partners will be notified of SMB Accelerator eligibility upon opportunity registration.

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Use of the PartnerRewards Infrastructure

Four Programs are using the PartnerRewards Infrastructure

Separate Accounts
Multiple PALS
Different Approvers

1) Fulfillment partners (1% BDF fund)
     CRBP approves PAL

2) IBM and Lotus Sales Assistance Program
     BPSM/BPSR approves PAL

3) PartnerRewards for Alliance Developers
     GAM approves PAL

4) ISV

     ISV REP approves PAL

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Lead Pass for IBM Support Line Pilot Offering

Participation in ILSAP will be a prerequisite for participation in the pilot.

Lead pass form will be available from ILSAP web site.

Leads that close within 6 months are eligible for 5% lead pass fee ($50K maximum fee).
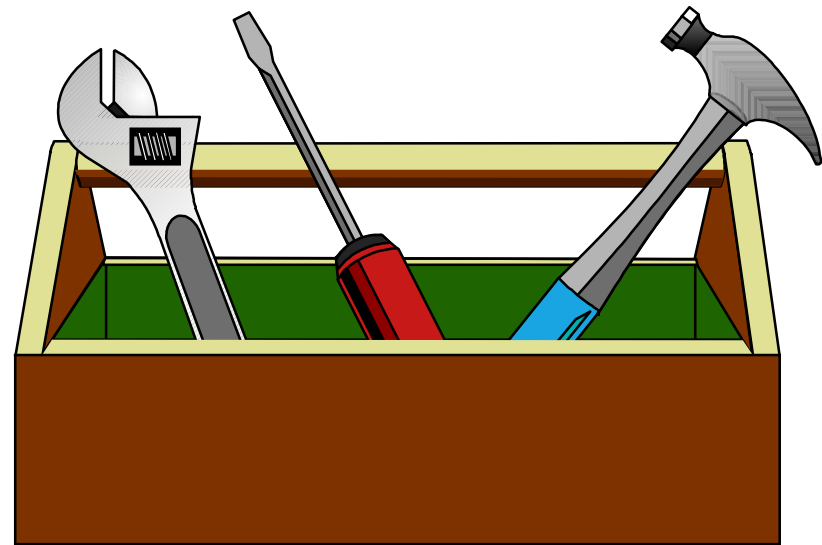
(A joint construction project of IGS & SWG.)

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Spectrum of Influencer Relationships
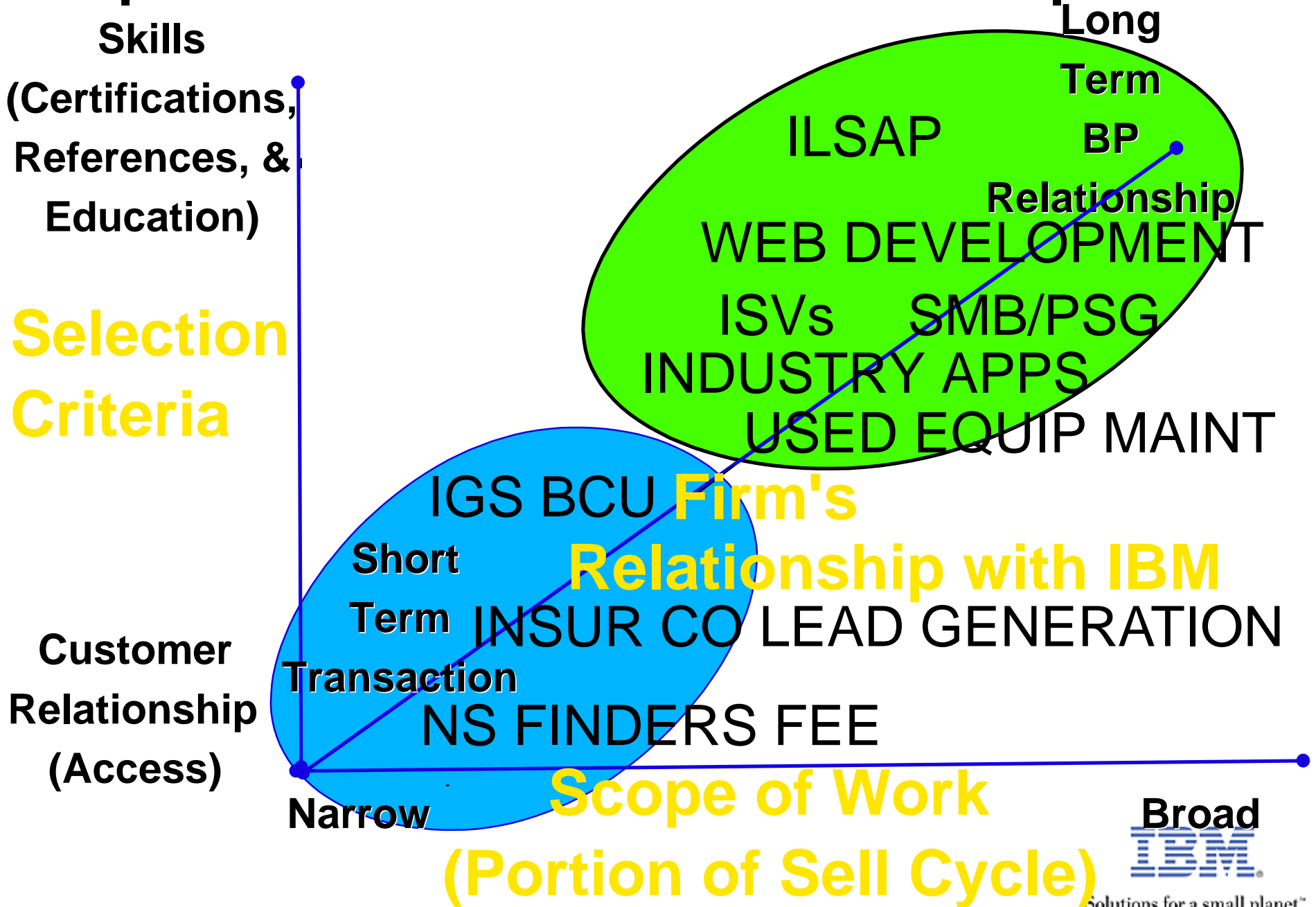
North American Communications - e-mail Blasts

The following Channel Communications letter informs IBM Business Partners - Systems, Canada, how they can earn hard- or soft-dollar rewards for performing pre-sales activities that result in the closure of IBM and Lotus software sales. Questions regarding this letter should be directed to Jeff Ford at tie line 224-5091.

IBM Channel Communications	IBM North America
Number: CC9904-33B	Interest Area: Marketing

CONTENT: North America Specific (Canada Version)

April 6, 1999

NOTICE TO: IBM Business Partners - Systems

FROM: Software Channel Marketing

THE IBM/LOTUS SALES ASSISTANCE PROGRAM:
How Business Partners Can Improve Their Profitability Through Software Sales Incentives

Increasing revenues, reducing expenses and improving the bottom line are important to all of us. The **IBM/Lotus Sales Assistance Program** is designed to help you do just that! Participating in our program can help your company earn hard-dollar and soft-dollar rewards (fees and expense reimbursement) which in turn can make a significant contribution to your profitability.

The program is available in the United States and Canada and will be made available in other countries as the supporting infrastructure becomes available. Terms and conditions may vary by country and are subject to change.

For full details on program eligibility, potential rewards and how you can apply for participation in the United States and Canada, please visit the program Web site at:
www.ibm.com/software/partners/salesassistance

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North American Communications - Flyers

Solutions for a small planet™

North American Communications - Web Sites

North American Communications - Magazine Gatefolds

SO WE'VE MADE MONEY NO OBJECT.

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