

IBM Global Financing Support for IBM and Business Partner Software

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September 21, 2000

Agenda

- Who we are
- Role of Financing in I/T
- Software and Services Financing Trends
- Benefits of Software and Services Financing
 - ▶ Customer
 - ▶ Vendor
 - ▶ Sales
- IBM Global Financing Competitive Advantages
- Examples
- How to Use Financing Most Effectively
- Contact Information

IBM Global Financing

Who We Are

- A unit of IBM
- The world's largest IT financing organization
 - ▶ Over 40 countries
 - ▶ Over \$40 billion in assets
 - ▶ More than 500 Customer Financing Advisors ww
- 75,000 clients ww and 95 of the top 100 US firms are clients
- Comprehensive I/T financing
 - ▶ Customers: IBM/Business Partner/ISV/OEM/3rd party service provider hw, sw, svcs, solutions
 - ▶ Business Partners
 - Extremely attractive terms for IBM equipment for development/marketing, eg SW Developer/BP Lease Program (Hardware Mall)
 - Commercial financing: A/R and Inventory based

Role of Financing in I/T

- A recent IBM Global Financing survey showed how important financing is for I/T customers
 - ▶ About 50% of customers ww finance all or part of their I/T
 - ▶ More than 50% of these customers consider financing an important factor when selecting an I/T vendor

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Software and Services Financing Trends

- Software and services financing growing very fast
- Main drivers of growth
 - ▶ Year 2000 impact on budgets
 - ▶ Large \$ value of integrated solutions
 - ▶ Software vendor growth requirements
 - ▶ Evolving accounting rules
- Estimate is that in 2000, 25% of software and services will be financed (in 1997 5% of software and services was financed)

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■ Customer benefits

- ▶ Enable the customer to implement needed solutions now!
 - 38% of Americas financing customers say financing can speed up e-business or enterprise solution implementation
- ▶ Spread large upfront purchases over a longer period of time to meet budget req's.
- ▶ One-stop financing of total solutions
- ▶ One low monthly payment for a total solution
- ▶ Customized payment structures so customer can begin to reap benefits without having to make large upfront investment
- ▶ Competitive market rates
- ▶ Preserve existing sources of credit for other opportunities
- ▶ Evolving accounting ruling "requiring" capitalization of software and related services means financing can help match cash flows to accounting

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■ Vendor Benefits

- ▶ Sell more product up front
- ▶ Close bigger deals faster
- ▶ Close more follow on business and close it more easily
- ▶ Influence customer behavior via financing promotions
- ▶ Revenue recognition
- ▶ Cash flow management through reduced A/R
- ▶ Minimize credit risk

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■ Benefits to Sales

- ▶ Make sale easier -- overcome objections, e.g. need for large upfront outlay, affordability
- ▶ Additional revenue and profit
- ▶ Sell more product upfront
- ▶ Follow on sales through enhanced account relationship
 - For four IBM product lines, customers who financed bought 15 -- 137% more over two years than customers who didn't!
- ▶ Revenue recognition
- ▶ Minimize credit risk
- ▶ One packaged price reinforces bundling concept
- ▶ Financing is an indispensable competitive weapon
- ▶ IBM Global Financing can improve sales productivity, eg by prequalifying credit

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■ Benefits to Sales (continued)

- ▶ Can buy down rates
 - Involving IBM Global Financing early enables trading off between rates and purchase price to provide acquisition alternatives (try a "trial close" rather than just discounting) to shorten sell cycle and ease discounting
 - Below market rate financing
- ▶ Building financing options into sales activity can strengthen the partnership with the customer's IT organization
- ▶ IBM Global Financing soft financing specialists will provide financing expertise to sell to customer financial execs
- ▶ **Those who finance more buy more -- think cars!**

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- IBM Global Financing Competitive Advantages
 - ▶ IBM financial strength
 - ▶ WW IBM/BP relationships
 - ▶ WW IBM Global Financing account coverage and relationships in place
 - ▶ BP financing organization
 - ▶ Relationship based business model
 - ▶ Existing relationships allow aggressive soft financing
 - ▶ Breadth and depth of available financing solutions
 - ▶ Simple contracts and easy paperwork
 - ▶ One-stop shopping for all IT financing requirements
 - ▶ Flexible terms and conditions

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- Example 1-- Don't Let Budget Get in Your Way
 - ▶ \$500K deal for Best + customer
 - ▶ June 1, 2000 install
 - ▶ Customer has budget constraint and can only pay \$72,000 this year
 - ▶ Proposal: 36 month term with 6 payments @ \$12,000 and 30 payments @ \$16,865

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- Example 2-- Offer the Customer a Customized Payment Structure
 - ▶ \$1.0M deal for Best + customer
 - ▶ June 1, 2000 install
 - ▶ Customer would like to defer payments for 3 months, then begin a 24 month financing term on 9/1 with quarterly payments in advance
 - ▶ Proposal: 3 month deferral followed by 8 quarterly payments of \$141,700

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- Example 3 -- Help a Small or Medium Business Conserve Capital
 - ▶ \$250K deal for Best customer
 - ▶ July 1, 2000 install
 - ▶ Customer would like to match payments with benefits over 36 month period
 - ▶ Proposal: 36 payments at \$8,098

How To Use Financing Most Effectively

- IBM Global Financing will provide the financing expertise!
- Involve us early in the sell cycle -- before the price goes out
 - ▶ Have us prequalify your customer
 - ▶ Determine the payment schedule or interest rate needed to close the business
 - Can buy down rates
 - "Interest free financing"
 - ▶ Enables packaging price, discount, payment structure and interest rate to structure the most attractive, competitive deal
- Sell the deal, NOT merely the rates

Contact Information

- IBM reps: w3.ibm.com/igf/software
- Business Partners: www.ibm.com/financing
- Commercial Financing (US), 1-800-422-1539