

Tooling Up for Mainframe Competition

By James Governor

BMC, Computer Associates (CA), Compuware and other mainframe ISVs had better watch their backs - IBM is systematically going after these firms with a strategy of controlled aggression, offering a set of competitive mainframe management tools at price points intended to make replacement strategies a no-brainer for customers.

This strategy is very well timed. After all, in today's economy datacenter managers are under intense pressure to slash costs any way they can. Even if they decide not to replace their existing tools with IBM offerings, mainframe shops now have a useful tool to force prices down when it comes to license renewal time with their incumbent suppliers.

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IBM is systematically targeting the ten thousand odd large System 390 and zSeries customers around the world and claims to be gaining significant traction with its new tools in these shops. From pretty much a standing start two years ago, IBM claims two thousand of these organizations are now in the process of migrating to IBM tools as replacements for existing tools on an end-to-end, rather than a point solution, basis.

Unshackling the Mainframe

Why is IBM bothering to develop and sell new mainframe management and software development tools into a mature market? There are a couple of compelling reasons:

For one thing, the mainframe market is growing. IBM's venerable IMS transaction processing platform, for example, grew 8% in 2002. For the first time in many years the IBM mainframe is finding entirely new customers, rather than just increased workloads within the existing customer base. This growth is largely because the mainframe has proven itself as an ebusiness workhorse. According to Big Blue, 70% of its current single digit growth in MIPS [Millions of instructions per second, IBM's measure of mainframe capacity] represents new workloads such as Linux apps, SAP or WebSphere.

The other major driver for IBM's targeted tools strategy is that it will underpin and almost certainly accelerate the current mainframe renaissance. The cost of third party tools, which can account for up to 50% of total mainframe software expenditure, in many cases prevents datacenters from making further strategic investments in the platform. IBM has made huge inroads in driving down cost per MIP, but third party ISVs continue to charge very high prices per capacity, even when their tools are not being directly used to manage new workloads. At the largest mainframe shops, third party tools add literally tens of millions of dollars a year to budgets. The vendors of these tools have tended to show very little interest in cutting users some slack.

CA, for example, grew through acquisition, building up an end-to-end portfolio of tools in the process that mainframe shops absolutely relied on—and then charged premium prices for maintaining them. CA consequently is disliked intensely by

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some datacenter managers —it certainly doesn't help that the firm historically didn't hesitate to threaten litigation against customers to ensure payment.

CA has now introduced new, more flexible pricing approaches and is attempting to establish a more touch-feely brand image. Changes in perception take time however. The point here is not that CA is somehow a "bad company"—on the contrary it's a very well run firm with industry-leading employment policies and a wide range of powerful, well integrated products. But CA remains the leading example of the somewhat confrontational relationship mainframe ISVs traditionally maintained with their customers. Other competitors in the IBM spotlight include Allen Systems Group, Macro4, Serena, and Viasoft.

IBM, for its part, aims to benefit from the residual ill-will against all mainframe ISVs and bring its System 390 customers into the Big Blue fold, encouraging these shops with the promise that they can reduce their mainframe software charges and make license fees more consistent.

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IBM's current strategy is therefore to offer roughly equivalent products at around half the price of their competitors' products in major product categories— such as application development, backup and recovery, capacity planning, configuration management, database tuning and optimization, job scheduling, performance and workload management. This strategy includes management of the system itself, as well as tools for the transactional systems that these customers rely on—in particular mainframe DB2, CICS and IMS Fastpath.

IBM freely admits that some of its new products in the space are not as functionally rich as those of the competition, but are intended instead to do a decent job at a decent price, with enhanced functionality to evolve over time. IBM is making a formal commitment to its customers to continue making significant R&D investments in these tools, which puts even more pressure on those vendors who are planning to milk customers for revenues whilst refusing to further develop the management tools they rely on.

Even where the user doesn't swap out an incumbent in favor of IBM, they now have a strong bargaining chip available to force prices down. Third party ISVs will have to play nice or run the risk of being swapped out. The argument that their product offers more powerful functionality is unlikely to wash with data center managers who are getting hammered by their CFOs.

Examples of Key IBM Targets:

Function	Competitor	IBM Equivalent
Job Scheduler	CA-Scheduler	Tivoli Workload Scheduler
Problem Determination	Compuware Abend-AID	IBM Fault Analyzer
Capacity Planning	BMC Perform & Predict [Best/1]	Tivoli Performance Modeler for zOS
Real Time Performance Management	ASG ASG-TMON [Landmark]	Tivoli zSeries Performance Management Family

Just a Big Server

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IBM also is beginning to deliver some value above and beyond what its traditional competitors provide. This added value is found in the ability to link open systems with mainframe automation and management environments.

Early versions of management consoles for WebSphere that ran on the mainframe were different from open systems versions, but that is no longer the case. IBM is currently introducing a cross-platform management structure, and WebSphere will be managed the same way regardless of platform. This Java-based management console will actually be based on WebSphere Portal software; it therefore will run on all IBM systems platforms.

Automation follows the same approach. IBM Recovery Expert will run across distributed and mainframe systems in the same way; the product recommends a course of action, and if the user chooses to run it, the system runs the operations automatically. IBM Recovery Expert for 390 is not available yet, but it encompasses a strong value proposition, i.e. the same management console and approach will incorporate recovery processes for both mainframe DB2 and DB2 UDB, thus allowing a single approach to mainframe and open systems database recovery.

Meanwhile, in the application development tools space, the common tooling framework is based on IBM's Eclipse framework, and its WebSphere Studio implementation. This approach puts pressure not only on Compuware's mainframe development toolset, but also on those of third party mainframe integration vendors— screen scraping, for example, is now supported in the core platform without requiring additional coding.

The Mainframe Portfolio Price Play

IBM still has a way to go to provide a complete end-to-end replacement strategy, but is trying to help customers understand portfolio opportunities to cut cost. According to Information Systems Asset Management (ISAM), a consultancy specializing in reducing enterprise software costs, the biggest savings are not be made in terms of negotiation around particular tools—although the 10-15% savings through this strategy are obviously not to be sniffed at. The real savings are obtained when mainframe shops form cross-disciplinary groups, including financial and procurement officers, mainframe development staffs and operations groups, in order to engineer even bigger savings via portfolio consolidation. By cutting the number of suppliers in the shop, clearly identifying where savings can be made and negotiating accordingly, even bigger cost savings can be achieved. Some of ISAM's numbers are outrageous---one shop, it claims, has managed to cut \$80m dollars from its mainframe budget over 5 years. That is the kind of saving that might allow an organization to increase its earnings per share when it reports to Wall Street! One of the most telling statistics to emerge from ISAM's research is that best-in-class mainframe shops pay 75% less than their less savvy peers for mainframe software.

Cultural Challenges

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Swapping out mainframe tools can certainly present a challenge not only technically but also culturally. Anyone who has ever tried to persuade an application developer or database administrator to use an alternative toolset knows just how hard this is. Operators always think their tools are sacrosanct, the absolute best for the job. Alternatives are for other people to worry about. This factor is certainly true of mainframe shops, and when that operator is the person who keeps a mainframe up and running 24x7, with an ever-decreasing batch window, he or she is pretty hard to argue with. But sometimes the status quo is not an option.

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One IT VP from a household-name investment bank we recently polled explained that although operators and sysadmins weren't initially happy with the idea of a conversion to IBM tools from their favored BMC software, they came around to the idea. IBM's services capabilities and approach were instrumental in smoothing the way:

“Management came to us with a tight deadline and said – can we do this? Because the IBM products were solid across the board, and we had a some hand holding along the way, the project was a resounding success, and more importantly management is happy.”

RedMonk Take

In the economy's current state, it is only sensible for a mainframe shop to probe IBM about strategies to cut overall software licensing charges. After all, mainframe software is usually a multi-million dollar line item. If IBM is offering a new alternative to an existing third party tool, and is willing to make contractual commitments to support and develop the tool going forward, then it deserves consideration. Even if the customer stays with the incumbent, IBM is still a high value bargaining chip. It's time to serve notice: mainframe software is once again a competitive market.

In addition, zSeries isn't dead, so why should its tools market be? Any market requires robust competition and that is what IBM is trying to inject here. The danger that IBM potentially gains too much dominance in the customer shop does exist, but platform-level competition is really too fierce for IBM to exert undue influence. A Linux, Solaris, or Windows option is always lurking around the corner.

Sustained pressure from IBM will hurt the smaller mainframe software vendors the hardest—Allen Systems Group (ASG), Candle, and Compuware in the USA and Macro 4 in the UK. It will certainly keep CA and BMC on their toes too—but these vendors, with their diversified portfolios and distributed software businesses can afford to lose some mainframe margin. What is more, for all the high costs of software involved, BMC and CA mainframe customers do have a good understanding of the value their tools provide. Effective use of capacity planning and job scheduling tools, for example, can potentially allow datacenters to put off mainframe upgrades altogether. That is what optimization is all about.

Customers don't mind relying on their mainframes, they just don't want to be held hostage by them. That fundamental insight is the mainspring for IBM's strategy to displace third parties from mainframe shops.

About RedMonk

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RedMonk is a research and advisory services firm that assists enterprises, vendors, systems integrators and corporate finance analysts in the decision making process around today's enterprise software stacks. We cover the industry by looking at integrated software stacks, focusing on business and operational context rather than speeds and feeds and feature tick-lists.

Founded by James Governor and Stephen O'Grady, and headquartered in Bath, Maine, RedMonk is on the web at www.redmonk.com.

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