MANAGEMENT BRIEF

VALUE PROPOSITION FOR IBM SOFTWARE PREMIUM SUPPORT SERVICES

Quantifying the Cost/Benefit Case

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Abbreviations used in this Report

EMEA	IBM Europe, Middle East & Africa	PMR	Problem Management Report
EOS	Emergency On-site	PMR metrics	Frequency, Severity & Time to Resolution
FSS	Field Support Services	PSA	Premium Support Analyst
FTE	Full Time Equivalent	PSM	Premium Support Manager
ITIM	IBM Tivoli Identity Manager	RFE	Request for Enhancement
IM	Information Management	SWG	IBM Software Group
IWCS	IBM Workplace for Customer Support	SWMA	Software Maintenance
LUW	Linux, Unix & Windows	TSM	Tivoli Storage Manager

EXECUTIVE SUMMARY

Why Premium Support?

What is the value of an IBM Premium Support contract?

The answer depends, in large part, on another question: what is the value of IBM software products to organizations that employ them?

One of the companies consulted for this report had invested at least $300 million in IBM middleware. More than 200 major applications, and many smaller ones, were built around them. More than 700 developers wrote for them. If architects, administrators, technicians, support personnel, and others were included, more than 1,200 members of the company's IT staff were involved with these applications.

Although actual numbers vary, many other organizations have made comparable commitments to Information Management (IM), Lotus, Rational, Tivoli, or WebSphere software products, or to combinations of these.

These products are deeply embedded into IT infrastructures, application portfolios, and skill sets. The effectiveness with which they are used, the productivity of the staff who work with them, and the stability, reliability, and security of the solutions built around them have far-reaching implications not only for IT organizations, but also for the businesses they support.

It is from this perspective that the IBM Premium Support program should be viewed.

Among customers participating in this program, its benefits are clearly understood. At the strategic level, relationships may be developed with IBM that enable organizations to better understand the future evolution of the company's software offerings, and to more effectively exploit the potential of these. Insights and experiences may be shared that increase efficiency, accelerate projects, and avoid pitfalls.

The Premium Support program also enables IBM support resources to be better aligned to meet organization-specific requirements. Major reductions may be realized in the frequency and severity of software problems, along with improvements in the speed with which these are resolved. Productivity of IT staff may be increased, skill bases may be enhanced, and risk exposure may be materially reduced.

Many organizations, however, find it difficult to quantify the value of such benefits. This report is designed to assist them.

The report is based on interviews with in-house IT and IBM Premium Support personnel as well as on detailed documentation of Premium Support activities, analyses of Problem Management Report (PMR) records, and other input from 41 large companies and government agencies participating in the program.

Costs and Returns

Input from program participants was used to construct 15 composite profile installations – three for each brand. Annual contract costs as well as returns – meaning the monetary value of benefits realized through participation in the program – were then calculated for each installation.

Overall annual returns ranged from 1.1 to 2.7 times costs, and averaged 1.7 times costs – a higher rate of return than is realized by most IT investments.

There were three main sets of returns:

1. *Productivity savings* realized by customer IT staff through improved support procedures; improvements in PMR metrics such as reductions in PMR frequency, severity, and time to resolution; and other effects.

2. *Costs of IBM Premium Support staff* handling support-related tasks that customers would otherwise have had to deal with directly.

3. *Knowledge transfer and on-site services* supplied under Premium Support contracts for which organizations would otherwise have had to pay separately. Costs include the value of knowledge sharing activities and program-specific events made available at no additional charge to Premium Support customers.

The overall distribution of these returns relative to contract costs is illustrated in figure 1.

Figure 1
Premium Support Program Costs and Returns: Averages for All Profile Installations
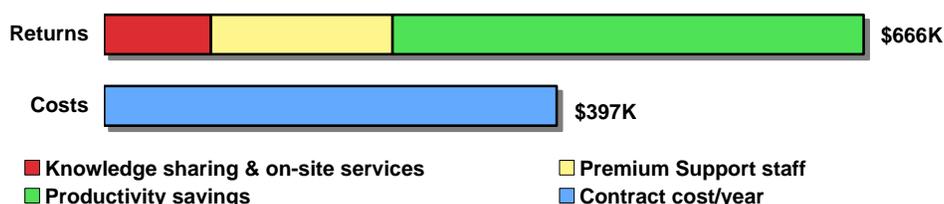
The basis of these calculations, along with details of methodology, descriptions of profile installations, and breakdowns of costs and returns by brands and individual installations, may be found in the Detailed Data section of this report.

Costs and content of Premium Support contracts for profile installations were developed using data supplied, in some cases, by IBM. Costs used in calculations, however, are ITG estimates, and may not reflect actual IBM pricing for individual customers.

Productivity Savings

Problems and Productivity

There was general agreement among customers that problems leading to the initiation of PMR procedures affected the productivity of internal IT staff such as administrators and developers.

Analysis of PMR records shows that individual PMR incidents typically resulted in direct productivity losses of between 0.5 and 15 full-time equivalent (FTE) days for administrators, developers, or other specialists.

There were also, however, broader "cascading" effects. Disruptions might affect other activities within IT organizations, affecting dozens or even hundreds of individuals. Team-based development activities were particularly vulnerable to such effects.

Any significant improvement in PMR metrics thus yielded material benefits. If the amount of time that these spent dealing with problems was reduced, greater effort could be channeled into activities that contributed more substantially to the realization of solution functionality and efficiency.

Although there were some variations, internal IT staff productivity savings represented the largest single source of returns for all brands. Figure 2 shows average returns for profile installations for each brand.

Figure 2
Premium Support Program Returns: Averages by Brand

INFORMATION MANAGEMENT

Knowledge sharing & on-site services
6.9%

Productivity savings
67.6%

Premium Support staff
25.4%

Total Returns: $946.4K

LOTUS

Knowledge sharing & on-site services
19.7%

Productivity savings
54.6%

Premium Support staff
25.7%

Total Returns: $882.0K

RATIONAL

Knowledge sharing & on-site services
16.6%

Productivity savings
69.0%

Premium Support staff
14.4%

Total Returns: $683.2K

TIVOLI

Knowledge sharing & on-site services
20.1%

Productivity savings
52.6%

Premium Support staff
27.3%

Total Returns: $226.7K

WEBSPHERE

Knowledge sharing & on-site services
12.0%

Productivity savings
59.9%

Premium Support staff
28.1%

Total Returns: $592.7K

All of the Premium Support customers consulted for this report experienced declines in the number and severity of PMRs, as well as reductions in time to relief (meaning the time required for IBM to supply a solution) and time to resolution (including time for the customer to implement and test the solution) for PMRs after joining the program.

These trends are due to multiple factors. Intervention by Premium Support program personnel meant that PMRs were typically handled more rapidly and effectively. Premium Support activities, however, were proactive as well as reactive. Knowledge transfer, on-site, and other services provided through the program enabled organizations to foresee and prevent problems, and to realize process improvements that reduced the potential for errors.

Multi-year Trends

Premium Support customers normally experienced significant improvements in PMR metrics during their first contract year. Moreover, these trends were often sustained over multi-year periods.

Figure 3 shows an example of this effect for one Lotus Premium Support customer over three years.

Figure 3
PMR Trends Example 1
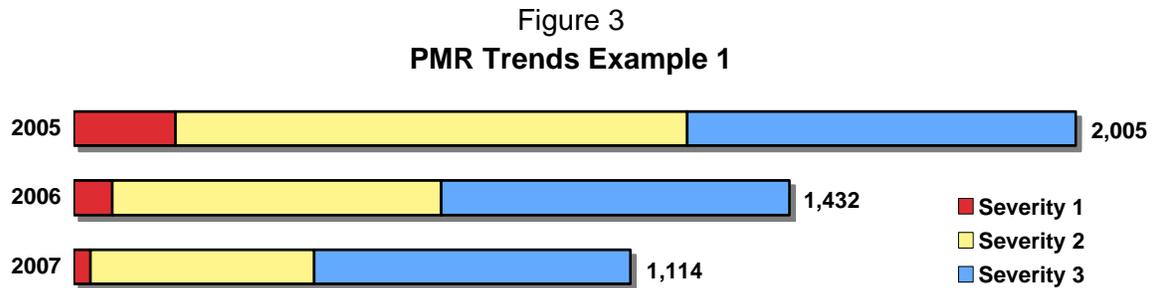
In this case, declines were steepest for Severity 1 and 2 PMRs, which dropped 6.2 and 2.3 times respectively. It had been decided to focus on these, rather than on more common but less disruptive Severity 3 incidents. PMR records from other Premium Support customers showed similar patterns.

Moreover, there are indications that these trends may be sustained over long periods. Figures 4 and 5 show numbers of PMRs and time to resolution for another Lotus customer over a five-year period.

Figure 4
PMR Trends Example 2: Total PMRs

Figure 5
PMR Trends Example 2: Time to Resolution
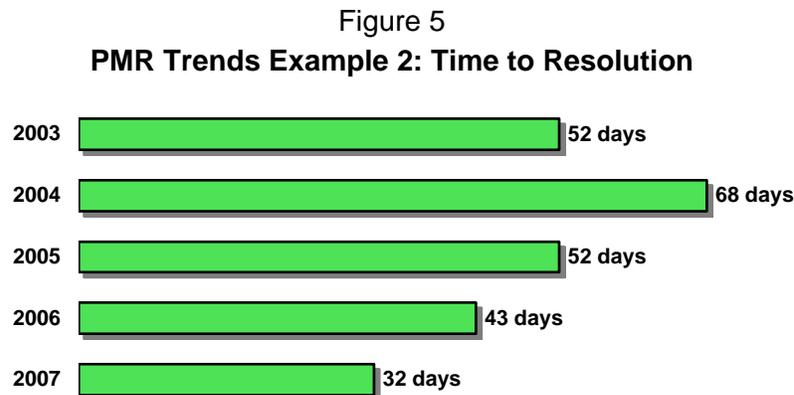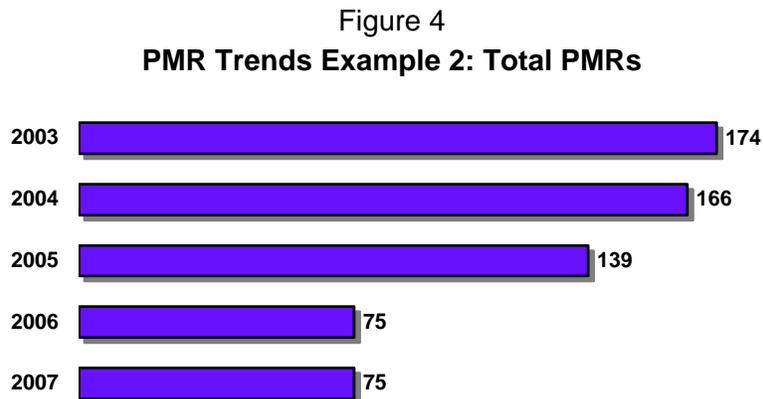
In this case, the trend is not unilinear – there is a jump in average time to resolution during 2004, due to a small number of PMRs that required exceptionally long periods to resolve – but the overall picture is consistent. During 2007, although the number of PMRs remained the same as for 2006, average time to resolution declined more than 25 percent.

A few Premium Support customers reported spikes in PMR activity after joining program. Typically, this occurred during major upgrade or migration projects. Among Lotus customers, however, all of the organizations for which historical PMR data could be obtained showed significant, sustained declines in all PMR indicators over multi-year periods.

Levels of PMR activity experienced by IM, Rational, Tivoli, and WebSphere customers were reported to be lower than for overall IBM customer averages. Reductions in numbers of PMRs, average severity, and time to resolution were also cited – in one case, the overall number of PMRs was said to have dropped 23 percent within six months.

There is no reason to expect that multi-year PMR trends for these brands would not be similar to those among Lotus Premium Support customers.

A number of customers noted that Premium Support coverage had proved particularly valuable during major technology transitions. These included organizations that had conducted major upgrades to new versions of IM, Lotus, Rational, Tivoli, and WebSphere software, as well as first-time deployments of Rational development tools and Rational Unified Process, and new Lotus applications.

Risk Avoidance

A further benefit of Premium Support coverage emerged from user experiences – reduced risk exposure.

Many of the problems documented in PMR reports have the potential to cause outages, performance bottlenecks, data loss or corruption, and other incidents whose impacts could range from inconvenient to disastrous. Improvements in PMR metrics translated into less risk.

Other mechanisms reinforced this effect. Premium Support customers benefited, for example, from earlier and more comprehensive notifications about potential problems than other users of IBM software products. Critical Situation Flash Alerts, access to draft Technotes, and actions by Premium Support Managers (PSMs) and Premium Support Analysts (PSAs) to ensure that customers were informed in a timely manner about potential difficulties further reduced exposure.

One key strength of program coverage was reported to be that organizations are routinely alerted about problems that have been encountered by other Premium Support customers. Another was that PSMs and PSAs filtered incoming information, issued alerts, and made recommendations for corrective action for customer-specific environments.

The bottom-line implications of risk avoidance may be illustrated for the three Lotus profile installations. In these, global messaging networks operated on a 24x365 basis. Even brief outages could reduce end-user productivity. Protracted outages could cause serious business damage. The effects of both were magnified if outages occurred at times of peak usage.

Analysis of PMR records of Lotus Premium Support customers conducted for this report made it possible to quantify the extent of risk avoidance provided by the program.

For the three Lotus profile installations, avoidance of outages resulted in annual end-user productivity gains of between $107,000 and $682,000.

If risk avoidance gains are added to knowledge transfer and on-site services, Premium Support staff, and productivity savings, average returns are as shown in figure 6.

Figure 6
**Premium Support Program Costs and Returns Including Risk Avoidance:
Averages for All Lotus Profile Installations**
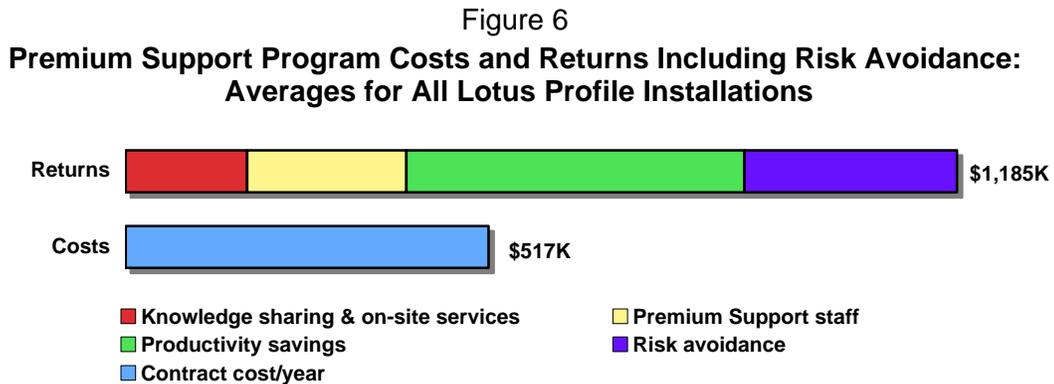
These estimates should be regarded as conservative. Outages may result not only in end-user productivity losses, but also in organizational disruption, delays in the delivery of time-sensitive messages, loss or corruption of message records, and other effects. The consequences of these may include business damage and exposure to legal and regulatory actions.

It may be expected that Premium Support customers for IM, Rational, Tivoli, and WebSphere products would enjoy similar risk avoidance benefits.

Conclusions: Relationships

Although this report deals with quantifiable sources of value, customer responses made clear that other Premium Support benefits were equally if not more important.

The Premium Support program is, as customers repeatedly emphasized, about relationships. The closeness of relationships with Premium Support personnel was one of the program's primary sources of value. PSMs and PSAs were commonly referred to as "part of our staff…an extension of our staff…our representatives in dealing with IBM" and similar characterizations.

PSMs, PSAs, or both were typically in contact with customers at least once a week, spent a great deal of time on-site, and interfaced with IT staff through a variety of events and activities. In some cases, Premium Support staff was on-site on a full-time basis.

One result was that PSMs and PSAs became highly familiar with customer environments and IT organizations, and with the technical as well as business challenges faced by the latter. This was repeatedly cited by customers as a key benefit of participating in the Premium Support program.

Interviews with PSMs and PSAs confirmed that they knew a great deal about their customers, and were able to apply this knowledge to meet customer needs.

Relationships were reinforced by the fact that PSMs and PSAs had often been working with the same customers for multi-year periods. Relationships dating back three to five years were common, and one PSA had been assigned full-time to the same customer for more than nine years.

Any organization that has invested heavily in the software of any vendor inevitably develops a close relationship with that vendor. At its best, that relationship looks like the IBM Premium Support program.

ABOUT PREMIUM SUPPORT

Structure and Content

Program Overview

The Premium Support program is designed for users of major IBM Software Group (SWG) products who require a higher level of assistance than is available from the company's standard Software Support organization under Software Maintenance (SWMA) agreements.

The program is operated by SWG, which has product development and management responsibilities for IBM software, rather than by IBM Global Services, which manages standard Software Support. It involves dedicated procedures, technical resources, and personnel.

The role of Premium Support relative to other IBM support offerings is depicted by the company as shown in figure 7.

Figure 7
Premium Support Relative to Other IBM Software Support Offerings
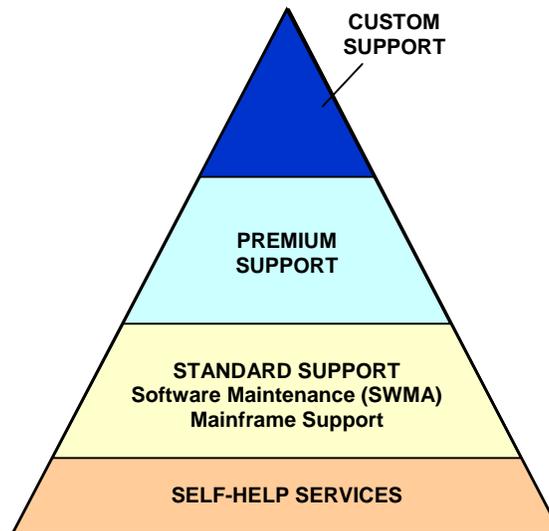
(In this presentation, Mainframe Support refers to programs offered for some IBM mainframe software products as an alternative to, or in addition to, SWMA coverage. Custom Support involves customer-specific arrangements that typically focus on highly business-critical environments.)

Premium Support services are provided through separate contracts. These are, in most cases, renewed annually and cost between $100,000 and $1,000,000. Some customers, however, have opted for discounted multi-year agreements, and this approach is becoming more common over time.

Agreements cover the products of one or more SWG brands, and may be regional – e.g., covering North America, or the IBM Europe, Middle East and Africa (EMEA), or Asia/Pacific geographies – or global.

Program Components

The program consists of four main components:

1. *Assigned personnel*. Premium Support customers are assigned one or more PSMs and/or PSAs, whose activities are discussed below. Customers at the highest level are also assigned the services of an SWG Executive Sponsor.

2. *On-site support services*. Premium Support agreements allow for specified numbers of on-site Field Support Services (FSS) and Emergency On-site (EOS) days during the life of the contract.

   FSS days involve time spent at customer sites by IBM Field Support personnel for consulting, educational, and other activities as required. EOS days involve commitments by IBM to provide FSS or higher-level IBM personnel on-site for a given number of days – usually at short notice – to deal with critical situations involving products covered by Premium Support agreements.

   In practice, these arrangements are flexible and may be spent on a variety of activities selected by customers. Additional days may be purchased on an ad hoc basis.

   Premium Support agreements also, in some cases, allow for a given number of on-site PSM and/or PSA days. Arrangements, again, tend to be flexible.

3, *Knowledge sharing activities*. These include various briefings, teleconferences, Webcasts, training classes, and other events, including annual Premium Support Summits, which are not available to SWMA-only customers. Content may be customized or developed uniquely to reflect the interests of individual organizations.

4. *Online services*. These include IBM Workplace for Customer Support (IWCS), an SWG portal available only to Premium Support customers. This provides unique content on software problems and fixes, as well as advanced search and analysis capabilities enabling in-house IT staff as well as Premium Support teams to review the customer's PMR records in detail.

   Premium Support customers also benefit from early alerts about potential problems, access to draft Technotes (i.e., technical information is available to Premium Support customers before it is generally released by IBM), and delivery of hotfixes and other services on a preferred basis.

Premium Support customers also enjoy priority handling for regular Software Support calls.

PSM and PSA Activities

PSMs, PSAs, or both may be assigned to Premium Support customers on a full-time basis, or may divide their time between multiple accounts (typically two to five), depending on customer requirements and on how much customers are prepared to pay. The highest levels of coverage involve full-time on-site staff.

PSAs generally deal with a higher level of technical granularity than PSMs, but the distinction is not hard and fast. Many PSMs are also technical specialists, and customers are often served by individuals playing both roles. In this, as in other areas, Premium Support arrangements tend to be flexible.

PSMs and PSAs deal with named contacts in customer organizations – typically, there are between 5 and 25 of these, although they may channel queries and requests from larger populations of IT professionals – and perform a wide range of tasks for them. Figure 8, for example, summarizes the activities of one Lotus PSM during a typical quarter.

Figure 8
Representative PSM Activities: Example

PROACTIVE ACTIVITIES
➢ Arranged customer briefings on forthcoming products & other topics at Lotus headquarters
➢ Provided updated information for Fall Daylight Savings time change through Technotes & teleconferences
➢ Passed on information from another Premium Support customer on Domino fixes for non-IBM storage
➢ Met with customer representatives & IBM personnel to discuss plans to move to Domino 8
➢ Coordinated with IBM Executive Sponsor to pull together IBM resources needed to support migration to Domino 8
➢ Arranged access to Notes/Domino 8.0.1 Beta 1 for customer, ensuring pre-release testing of this version in customer environment
➢ Hosted teleconference with customer representative to review risk analysis of Domino versions 7.0.2 FP1 vs. 7.0.3 vs. 8.0.1
➢ Organized use of FSS days for knowledge transfer on Domino Domain Monitoring
➢ Provided additional documentation on Buffer overflow vulnerability in Lotus Notes file viewer
➢ Arranged knowledge transfer Webcasts on Domino on VMware, Sametime deployment & other topics of interest to customer
➢ Advised of availability of Domino Best Practices Wiki for Premium Support customers

PMR-RELATED ACTIVITIES
➢ Tracked PMR status and interfaced to SWG and IBM Software Support to expedite resolution
➢ Conducted weekly meetings with customer named contacts to review PMR status and latest developments
➢ Forwarded PMR status data, Technotes, product news, alerts and other information of interest to customer on ongoing basis
➢ Expedited troubleshooting for problems causing multiple server crashes
➢ Managed application of hot fixes for specific customer problems
➢ Coordinated IBM efforts to resolve server hangs experienced by local customer subsidiary & circulated information worldwide to ensure that other regions did not experience this problem
➢ Provided customer with resources on preparing for a Notes 8 upgrade
➢ Documented workarounds for use of Sametime 7.5.1
➢ Arranged for analysis regarding the effects of Platform Statistics on performance
➢ Escalated efforts to resolve PMR for non-IBM application running on Domino

ADDITIONAL ACTIVITIES
➢ Researched Microsoft Active Directory deployment & future integration with Notes Domino for customer
➢ Held teleconference for customer on Sametime 8.0 Advanced & followed up with questions resulting from this
➢ Prepared documentation comparing features of Sametime 7.5, 7.51 & 8.0 Advanced of interest to customer
➢ Briefed customer representative on the persistent chat feature of Sametime Advanced prior to release & compared it with the product currently in use by customer
➢ Responded to questions about optimal Notes client/Domino Web Access configurations for low-bandwidth sites & outlined options for serving these
➢ Responded to questions on Notes 8 basic configuration & memory requirements of the Notes 8 client
➢ Circulated tutorial information on Building Notes 8 Composite Applications
➢ Clarified Domino Web Access fixes & compatibility with Internet Explorer 7
➢ Confirmed attendance by customer representatives at Premium Support Summit & ensured that content of specific interest to customer was included
➢ Coordinated attendance by customer representatives at Lotusphere conference & arranged briefings on topics of special interest to customer by IBM personnel at this event
➢ Resolved problems with customer Premium Support discussion database
➢ Introduced customer to Lotus Users First! program

Tasks typically include interfacing with the IBM Software Support organization, SWG developers and product specialists, and others within IBM to expedite resolution of problems identified in PMRs;

providing regular (typically weekly) briefings on and distributing information on PMR status and other subjects of interest to the customer; and responding to customer queries on a variety of topics.

Under global contracts, a lead PSM may be assigned to coordinate Premium Support activities worldwide. For example, one Lotus multinational customer was served by one full-time PSM who acted as global lead and managed Premium Support activities for North America.

Other Premium Support personnel assigned to the account included a 0.5 FTE PSM for the IBM EMEA geography, a 0.33 FTE PSM for the Asia/Pacific geography, two 0.1 PSMs supporting the company's operations in Latin America, and a 0.5 FTE PSA supporting multiple geographies.

Proactive Activities

PMR-related activities were the most common customer justification for participating in the program. PSMs and PSAs also, however, spent much of their time engaged in proactive activities, such as briefing customers on SWG product plans and schedules, arranging meetings with SWG executives and developers, and participating in customer planning activities.

PMR-related activities also tended to become proactive. Customer IT staff as well as Premium Support teams interviewed for this report noted that the focus of these typically expanded over time to include predicting and preventing, as well as resolving problems.

According to customers, Premium Support personnel played a highly useful role in coordinating availability of IBM resources, and in alerting them about key developments in (to quote one respondent) "real time." Advance information supplied by PSMs and PSAs, it was reported, enabled customers to avoid difficulties, delays, and disruptions that were later experienced by organizations not participating in the program.

Knowledge sharing activities were also often proactive in nature. Events dealt with unreleased IBM products and new versions, future migration and upgrade challenges, best practices, and similar topics.

The extent to which PSMs and PSAs focused on reactive or proactive issues varied widely. According to interviewees, the range was from "70 percent proactive, 30 percent reactive" to "80 percent reactive, 20 percent proactive." Variations reflected customer preferences.

The mix of reactive and proactive activities often changed over time. In many cases, program activities were initially reactive – this was particularly the case where the frequency and severity of PMR incidents was exceptionally high – but later became more oriented toward problem avoidance, planning, skills development, and other proactive goals.

For some customers, Premium Support teams also assisted in preparing Requests for Enhancement (RFEs) and in presenting these to SWG development organizations. RFEs are requests that IBM incorporate specific new functionality in future software releases.

Risk Avoidance

Although it was only feasible to quantify returns for Lotus profile installations, risk avoidance emerged as a significant issue for customers of all SWG brands.

IBM software products often supported highly business-critical systems. Among Lotus users, for example, messaging networks typically operated on a 24x365 basis. Outages would inevitably result in disruption and could have serious business consequences. This was also the case for many Rational and IM installations.

Among Rational users, for example, a financial services company was in the process of reengineering its core banking systems using Rational tools, and a major IT services firm had rolled out Rational Unified Process to support company-wide development programs. For both companies, disruptions might cause project delays and increase the odds that flaws would become embedded in applications.

Among WebSphere users, a major financial institution had built critical online banking, credit card, and cash management applications around WebSphere Application Server. WebSphere Portal also supported key customer- and partner-facing applications in financial services, insurance, and telecommunications companies. All of these required extremely high levels of availability.

Severe PMR incidents affecting WebSphere products could cause cascading effects. WebSphere software was often tightly embedded in highly interdependent IT infrastructures. The effects of an incident impacting one software component could spread to others.

Tivoli security tools also played business-critical roles. In a leading health insurance company, for example, all internal and external communications – including Internet access for "millions" of customers and providers – was routed through IBM Tivoli Identity Manager (ITIM). Problems affecting the company's ITIM infrastructure could result in security violations and compliance exposure.

In another case, Tivoli Storage Manager (TSM) was employed for organization-wide backup and recovery of e-mail messages. TSM problems might cause loss or corruption of records causing serious business damage. The company could also be exposed to penalties if it was unable to meet discovery obligations for lawsuits alleging discrimination, harassment, breach of contract, and other abuses.

It can thus be expected that improvements in PMR metrics, as well as early alerts about and corrective fixes for emerging problems, will have a significant bottom-line impact for most if not all users of IBM software. Risk avoidance returns may be substantial for users of all products covered by the Premium Support program.

DETAILED DATA

Basis of Calculations

Profile Installations

The costs and returns presented in this report are for 15 profile installations of large financial services, insurance, manufacturing, and IT services companies, as well as of government agencies.

Profile installations were constructed using data on contract coverage, deliverables, and costs, along with FTE numbers and activities of Premium Support personnel, PMR demographics, IT environments and staffing, and other variables for 41 Premium Support customers.

A composite approach was employed; e.g., data from two large automotive manufacturers with similar business profiles, IT environments, and Premium Support agreements, employing the same set of IBM software products, was combined to create a single company profile. This approach was adopted because of limitations in data available for individual customers, and for reasons of confidentiality.

Returns were calculated as follows.

Knowledge Transfer and On-site Services

Returns were calculated for all profile installations based on FSS and EOS days, as well as PSM and PSA on-site days, spent in educational and consulting activities for which customers would otherwise have been obliged to contract and pay for separately.

Allowance was also made, on the same basis, for knowledge sharing activities and events such as Premium Support Summits that are available at no additional charge to Premium Support customers.

Costs of educational activities were calculated based on applicable IBM rates for custom education, while consulting costs were based on IBM hourly professional services rates. Appropriate volume discounts were applied.

Costs are for used days only; e.g., if a customer upon which a profile installation is based had contracted for 12 FSS days but used only six of these during the contract period, calculations were based on six days of services.

Premium Support Staff Costs

Returns were calculated for all profile installations using representative annual average salaries for PSMs and PSAs. Salaries were adjusted to reflect prevailing industry-specific salaries and bonuses (e.g., both were typically higher for financial services companies than for government organizations).

Salaries were increased by 43.2 percent. This value is derived from the 2008 annual study of employee benefits published by the U.S. Chamber of Commerce. According to the study, this was the percentage of payroll paid by large companies (defined as companies with more than 5,000 employees) for benefits.

Salaries, bonuses, and benefits were calculated for FTE values for assigned Premium Support personnel (e.g., 0.66 FTE PSM, 1.0 FTE PSA), minus PSM and PSA on-site days included in knowledge transfer and on-site services returns.

Calculations are based on salary assumptions for IBM Premium Support personnel that were developed by ITG without IBM assistance.

Productivity Savings

Returns were calculated for all profile installations based on three sets of values:

1. Numbers of FTE customer IT staff (including developers, administrators, and other types of specialist as appropriate) engaged in developing for and/or supporting IM, Lotus, Rational, Tivoli, or WebSphere software covered by Premium Support agreements.

2. Numbers of FTE customer IT staff freed up for other work by improvements in PMR metrics resulting from Premium Support program activities. FTE numbers were determined by ITG analysis of overall customer IT staffing for IBM software products covered by Premium Support agreements, and of PMR records for the companies upon which profile installations were based.

3. Average annual compensation for these individuals. This was calculated using the baseline assumptions shown in figure 9.

Figure 9
Baseline Annual Average Salary Assumptions for Customer IT Staff

BRAND	JOB DESCRIPTION	SALARY
Information Management	Mainframe DB2 DBA	$94,687
	DB2 Linux, Unix & Windows (LUW) DBA	$91,198
Lotus	Developer	$84,197
	Administrator	$73,874
Rational	Project leader	$113,316
	Developer	$93,720
Tivoli	Security specialist	$96,545
	System management specialist	$90,805
	TSM administrator	$66,185
WebSphere	WebSphere Portal developer	$97,293
	WebSphere MQ developer	$95,571
	WebSphere developer	$88,086
	WebSphere administrator	$84,567

Baseline annual average salaries were adjusted to reflect prevailing industry-specific levels (e.g., salaries for Rational developers for a financial services company installation were increased by 7.8 percent to reflect prevailing levels in this industry). Allowance was made, on the same basis, for bonuses. Salaries were again increased by 43.2 percent to allow for benefits.

Productivity savings were calculated as follows:

Number of FTE customer IT staff freed up for other work x annual average compensation including salaries, bonuses, and benefits

Risk Avoidance Returns

Risk avoidance returns are costs of lost end-user productivity that are avoided in the three Lotus profile installations through improvements in PMR metrics for Notes/Domino, Sametime, and QuickPlace and Quickr networks.

Returns were calculated using the following values:

- Number and duration of outages during peak and non-peak periods that are avoided for each company through improvements in PMR metrics resulting from Premium Support activities. Calculations were based on ITG analysis of PMR records for companies that contributed to profile installations.

- Number of active end users, including WebAccess users, who would have been affected by outages avoided in this manner.

- End-user productivity loss that would have occurred during these outages. A common industry assumption of 20 percent loss was employed.

- Average end-user compensation per hour. Values for average salaries, bonuses, and numbers of hours worked per year appropriate for large organizations in profile company industries were employed to calculate average compensation per hour. The same value for benefits – 43.2 percent of payroll – was employed as for other personnel-related calculations in this report.

Risk avoidance returns were calculated as follows:

Duration of outages x number of end users affected x 0.20 x average user compensation per hour

Lotus networks in all three installations operated on a 24x365 basis. This was reflected in calculations.

Data Tables

Profile installations, including contract costs, are summarized in figure 10. Returns are summarized in figure 11.

Figure 10
Profile Installations: Summary

INFORMATION MANAGEMENT			
INDUSTRY	**Financial Services**	**Financial Services**	**Insurance**
Organization	Diversified retail bank $50 billion sales $600 billion assets 150,000 employees 20+ million customers	Investment bank $70 billion sales $500 billion assets 40,000 employees 8+ million customers	Life & disability insurer $50 billion sales $600 billion assets 50,000 employees 70+ million customers
Products covered	DB2 for z, DB2 for LUW	DB2 for LUW	DB2 for LUW
PMRs during year	350	165	115
Premium Support FTEs	1.0 PSM 2.0 PSAs on-site	0.5 PSM 1.0 PSA	0.33 PSM 0.66 PSA
Named contacts	25	15	10
Contracted days	20 PSM on-site days On-site PSAs: 440 days 8 EOS days	16 PSM/PSA on-site days 4 FSS days 2 EOS days	12 PSM/PSA on-site days 8 FSS days 1 EOS day
Contract type	Strategic	Standard	Standard
Contract cost/year	$950,000	$500,000	$350,000

Figure 10 (continued)
Profile Installations: Summary

LOTUS			
INDUSTRY	**Financial Services**	**Manufacturing**	**IT Services**
Organization	Global bank $20 billion sales $2 trillion assets 300,000 employees 120+ million customers	Industrial manufacturer $50 billion sales 25 manufacturing plants 200+ other locations 70,000 employees	IT services company $3 billion sales 25,000 employees
Products covered	Notes/Domino, Sametime, QuickPlace, WebAccess, BlackBerry Enterprise Server, Enterprise Integrator, development tools	Notes/Domino, Sametime, QuickPlace, Domino.Doc, Enterprise Integrator, BlackBerry Enterprise Server, development tools	Notes/Domino, Sametime, QuickPlace/Quickr, Enterprise Integrator, BlackBerry Enterprise Server, development tools
Number of users	200,000+	45,000	20,000
PMRs during year	1,115	320	65
Premium Support FTEs	2.25 PSM 0.5 PSA	0.66 PSM 1.0 PSA on-site	0.33 PSM/PSA
Named contacts	50	15	10
Contracted days	165 PSM/PSA on-site days 32 FSS days Unlimited EOS days	24 PSM on-site days 8 FSS days On-site PSA: 220 days EOS days as needed	12 PSM/PSA on-site days 8 FSS days 1 EOS day
Contract type	Global Strategic	Strategic	Standard
Contract cost/year	$900,000	$500,000	$150,000
RATIONAL			
INDUSTRY	**Financial Services**	**Manufacturing**	**Government**
Organization	Diversified retail bank $12 billion sales $450 billion assets 50,000 employees 20 million customers	Electronics manufacturer $5 billion sales 15 development & manufacturing sites 15,000 employees	Government agency 20+ departments 5,000 employees
Products covered	Asset Manager, Build Forge, ClearCase, ClearQuest, Functional Tester, Performance Tester, RequisitePro, Software Architect, SoDA	ClearCase, ClearQuest, Purify, RequisitePro, Rose, SoDA	ClearCase, ClearQuest, Performance Tester, RequisitePro, Robot, TestManager
Number of users	300	55	30
PMRs during year	285	105	70
Premium Support FTEs	0.5 PSM 1.0 PSA	0.66 PSM/PSA	0.33 PSM/PSA
Named contacts	15	5	5
Contracted days	33 PSM/PSA on-site days 2 EOS days	18 PSM/PSA on-site days 1 EOS day	10 PSM/PSA on-site days
Contract type	Strategic	Standard	Basic
Contract cost/year	$550,000	$225,000	$125,000

Figure 10 (continued)
Profile Installations: Summary

TIVOLI			
INDUSTRY	**Government**	**Insurance**	**Manufacturing**
Organization	Government agency 15 major departments 400+ locations 50,000+ employees	Heath insurer $18 billion sales 25,000 employees 10 million+ customers	Electronics manufacturer $10 billion sales 15 manufacturing plants 40,000+ employees
Products covered	Access Manager, Identity Manager Configuration Manager, Provisioning Manager, Remote Control	Access Manager, Federated Identity Manager, Identity Manager	Storage Manager
PMRs during year	70	55	50
Premium Support FTEs	0.33 PSM 0.33 PSA	0.25 PSM 0.33 PSA	0.33 PSM/PSA
Named contacts	10	5	5
Contracted days	8 PSM/PSA on-site days 1 EOS day	5 PSM/PSA on-site days 2 EOS days	4 PSM/PSA on-site days 10 FSS days 2 EOS days
Contract type	Standard	Standard	Basic
Contract cost/year	$225,000	$200,000	$100,000
WEBSPHERE			
INDUSTRY	**Financial Services**	**Insurance**	**Insurance**
Organization	Diversified retail bank $55 billion sales $800 billion assets 120,000 employees 15 million customers	Health insurer $60 billion sales $50 billion assets 40,000 employees 40 million customers	Property & casualty insurer $25 billion sales $100 billion assets 40,000 employees 35 million customers
Products covered	Application Server, Business Integration, Enterprise Service Bus, Message Broker, MQ, Portal Server	Application Server, Business Integration, Message Broker, MQ, Portal Server, Process Server, Transformation Extender	WebSphere Application Server, WebSphere MQ
PMRs during year	340	105	85
Premium Support FTEs	0.66 PSM 1.5 PSA	0.66 PSM 0.33 PSA	0.33 PSM 0.2 PSA
Named contacts	25	15	10
Contracted days	18 PSM/PSA on-site days 4 EOS days	10 PSM/PSA on-site days 12 FSS days 2 EOS days	12 PSM/PSA on-site days 4 FSS days 4 EOS days
Contract type	Strategic	Standard	Standard
Contract cost/year	$650,000	$325,000	$200,000

Figure 11
Profile Installations: Returns

INFORMATION MANAGEMENT			
INDUSTRY	**Financial Services**	**Financial Services**	**Insurance**
Knowledge transfer & on-site services	76,100	62,600	57,970
Premium Support staff	413,992	190,845	117,203
Productivity savings	1,068,659	490,452	361,406
TOTAL ($)	**1,558,751**	**743,897**	**536,579**
LOTUS			
INDUSTRY	**Financial Services**	**Manufacturing**	**IT Services**
Knowledge transfer & on-site services	336,245	105,837	78,680
Premium Support staff	430,333	214,237	35,785
Productivity savings	962,634	393,455	88,632
Risk avoidance	682,326	119,101	107,762
TOTAL ($)	**2,411,538**	**832,630**	**310,859**
RATIONAL			
INDUSTRY	**Financial Services**	**Manufacturing**	**Government**
Knowledge transfer & on-site services	162,878	82,898	94,250
Premium Support staff	190,231	73,189	31,356
Productivity savings	1,117,723	234,270	62,759
TOTAL ($)	**1,470,832**	**390,357**	**188,365**
TIVOLI			
INDUSTRY	**Government**	**Insurance**	**Manufacturing**
Knowledge transfer & on-site services	52,780	50,938	32,723
Premium Support staff	75,968	69,860	40,038
Productivity savings	170,848	152,541	34,398
TOTAL ($)	**299,596**	**273,339**	**107,159**
WEBSPHERE			
INDUSTRY	**Financial Services**	**Insurance**	**Insurance**
Knowledge transfer & on-site services	88,270	70,240	55,158
Premium Support staff	316,176	122,605	60,496
Productivity savings	537,295	330,430	197,386
TOTAL ($)	**941,741**	**523,275**	**313,040**

ABOUT THE INTERNATIONAL TECHNOLOGY GROUP

ITG sharpens your awareness of what's happening and your competitive edge
. . . this could affect your future growth and profit prospects

The International Technology Group (ITG), established in 1983, is an independent research and management consulting firm specializing in information technology (IT) investment strategy, cost/ benefit metrics, infrastructure studies, deployment tactics, business alignment and financial analysis.

ITG was an early innovator in developing total cost of ownership (TCO) and return on investment (ROI) processes and methodologies. In 2004, the firm received a Decade of Education Award from the Information Technology Financial Management Association (ITFMA), the leading professional association dedicated to education and advancement of financial management practices in end-user IT organizations.

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Client services are designed to provide factual data and reliable documentation to assist in the decision-making process. Information provided establishes the basis for developing tactical and strategic plans. Important developments are analyzed and practical guidance is offered on the most effective ways to respond to changes that may impact or shape complex IT deployment agendas.

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Status Reports	In-depth studies of important issues
Management Briefs	Detailed analysis of significant developments
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Clients include a cross section of IT end users in the private and public sectors representing multinational corporations, industrial companies, financial institutions, service organizations, educational institutions, federal and state government agencies as well as IT system suppliers, software vendors and service firms. Federal government clients have included agencies within the Department of Defense (e.g. DISA), Department of Transportation (e.g. FAA) and Department of Treasury (e.g. US Mint).

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