Real World Experiences With IBM's Newest Software Pricing Options for z/OS Part 1 – Tailored Fit Pricing

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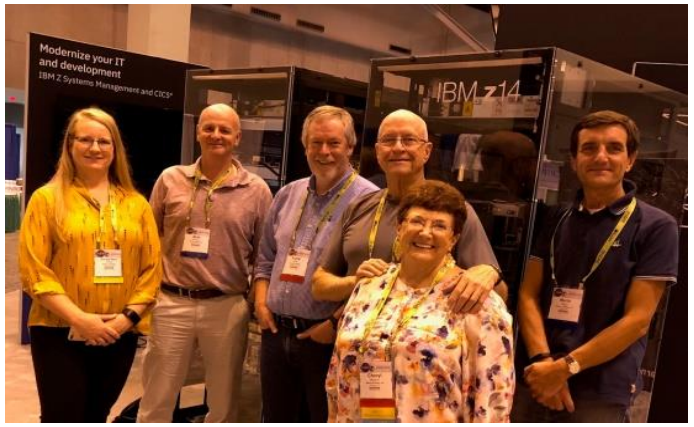
Welcome



- Thank you for coming along.
- Who are we?
  - Watson & Walker founded in 1988 by **Cheryl Watson** & **Tom Walker**.
  - Publisher of *Cheryl Watson's Tuning Letter* since 1991.
  - 10 people, spread over 3 continents.
  - After the Tuning Letter, our primary focus is on helping our customers understand their software bills and select the pricing options that deliver the best value for *them*.
  - We are completely independent, not beholden to any vendor, so we can offer objective information based on our collective experience, what we see in other customers, allowing clients to make a fully informed decision.
- This session is for *you*, so *please* ask questions as we go along.

DISCLAIMER

- EVERYTHING to do with software pricing comes with exceptions.
- The exceptions usually have exceptions too.
- Except when they don't. But that is exceptional too, because everything should have an exception.

- The information provided in this presentation covers *most* cases, with some 'wiggle room' around the edges for customizing to your environment.

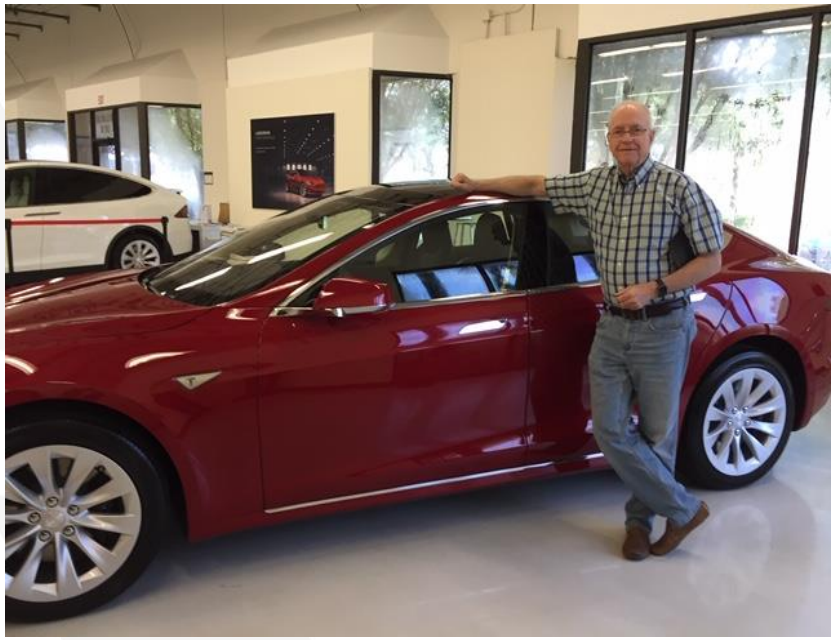
- Tailored Fit Pricing is an IBM pricing option that impacts the costs of your *IBM products*. How any other vendors might or might not support this is a matter between you and those vendors.

DISCLAIMER

- Our experience is that nearly every software pricing option has a set of customers that it will be wonderful for.
- And there will also be a set that are really *not* a good fit for that offering.
- Therefore, the *only* global guidance we offer is
  - Model it (or any software pricing option) using your numbers and see how it would have affected you if you had done it 12 months ago, and how it would affect you based on your plans for the coming 12 months (at a minimum).
  - Ensure that you understand all the non-financial benefits, advantages, drawbacks, and gotchas.
  - Using all this information, make an *informed* decision about whether that option is right for *you*.
  - Don’t be pushed for a decision because a salesman wants to make his quota.

Let me tell you a story…

- Our Tesla salesman told us all the neat things about the car – all electric so better on the environment, powerful, safe, beautiful, HUGE display, fantastic sound, self-parking, self-driving, easy to go cross-country with all the charging stations
- What he didn't tell us – huge key for your pocket, impossible to get into the back seat, no storage in the front for even an umbrella (let alone a purse), no place to hang a jacket or laundry, we can't go from Sarasota to Tampa (3 times a month) without charging up before and after the trip (1.5 hours total), the phone memory gets really confused with two drivers and two iPhones, and they have to tow it to Tampa (75 miles away) if we have a flat tire.



Why the Tesla story?

- IBM has been touting Tailored Fit Pricing all week and in two more sessions today. They're like the Tesla salesman – they'll tell you all the good things.
- We're not selling TFP, but we have customers who have bought it or taken it for a spin. We can tell you the things IBM might not mention.

- This is NOT an IBM-bashing session!

- We love that IBM is providing more pricing options for our customers, and especially those options that let you grow work on z/OS, so don't walk away saying that "Cheryl said TFP was awful". We'll simply tell you what you'll learn after you drive off the lot.

Things to consider …

IBM will not provide a solution that will lower their revenues

But you might find a pricing option that will lower your costs as you grow in the future

We're learning that EVERYTHING is negotiable

Agenda

- Country Multiplex Pricing (CMP)
- Tailored Fit Pricing (TFP)
  - Enterprise Capacity Solution
  - Enterprise Consumption Solution
- Other Sessions
- Summary

COUNTRY MULTIPLEX PRICING (CMP)

Country Multiplex Pricing (CMP)

- Announced 28 July, 2015 – an option intended to address challenges below and remove artificial constraints to customers *growing* their z/OS environment intelligently.
  - IBM US Software announcement 215-230

- Solves these problems:
  - Some IBM software pricing mechanisms effectively encourage customers to configure systems in ways that make no technical sense (‘Shamplexes’).
  - Pre-CMP pricing mechanisms penalized customers for moving workloads between CPCs and discouraged full exploitation of dynamic workload routing.
  - The qualification criteria for Sysplex Aggregation were complex to understand and difficult to enforce/manage.
  - The requirement that CPCs had to be in the same sysplex in order to meet the aggregation criteria limited the distance between data centers.

CMP Basics – How Your IBM Software is Calculated

- How IBM arrives at your (pre-CMP) monthly z/OS-based software bill:
  - For each product:
    - For <u>each CPC</u>:
      - Identify the peak Rolling 4-Hour Interval (in MSUs) in the month for that product (A).
    - For each CPC or aggregated group:
      - Sum the 'A' values for that CPC or group.

	CPC1						CPC2						CPC3				AWLC SUM
	LP1	LP2	LP3	LP4	AWLC SUM		LP1	LP2	LP3	AWLC SUM		LP1	LP2	AWLC SUM	
0:00	55	232	13	563	863	0:00	217	101	392	710	0:00	148	183	331	
1:00	64	481	49	246	840	1:00	276	392	384	1052	1:00	71	62	133	
2:00	60	454	15	255	784	2:00	235	382	65	682	2:00	179	288	467	
3:00	73	279	38	342	732	3:00	166	269	202	637	3:00	348	321	669	
4:00	75	257	37	671	1040	4:00	108	218	347	673	4:00	260	115	375	
5:00	52	442	32	329	855	5:00	369	86	122	577	5:00	450	123	573	
6:00	61	415	17	172	665	6:00	315	342	123	780	6:00	241	74	315	
7:00	75	406	12	168	661	7:00	366	293	155	814	7:00	148	340	488	
8:00	66	465	12	159	702	8:00	117	64	100	281	8:00	103	363	466	
9:00	68	374	18	390	850	9:00	154	264	347	765	9:00	446	155	601	
10:00	63	350	50	571	1034	10:00	266	83	220	569	10:00	229	399	628	
11:00	66	395	22	382	865	11:00	339	120	336	795	11:00	244	373	617	
12:00	52	459	24	263	798	12:00	342	247	318	907	12:00	304	211	515	
Peak					1040	+				1052	+			669	2761

CMP – Different R4HA Calculation Method

- When using CMP, your peak R4HA is calculated by summing the MSUs for LPARs across ALL CPCs, not on a CPC-by-CPC basis.
- The *worst* case is that the CMP R4HA will be the same as the pre-CMP R4HA. In practice, it should nearly always be less.

AWLC SUM = 1040 + 1052 + 669 = 2761
CMP SUM = 2277

	CPC1						CPC2					CPC3				AWLC SUM	CMLC SUM
	LP1	LP2	LP3	LP4	AWLC SUM		LP1	LP2	LP3	AWLC SUM		LP1	LP2	AWLC SUM		
0:00	55	232	13	563	863	0:00	217	101	392	710	0:00	148	183	331		1904
1:00	64	481	49	246	840	1:00	276	392	384	1052	1:00	71	62	133		2025
2:00	60	454	15	255	784	2:00	235	382	65	682	2:00	179	288	467		1933
3:00	73	279	38	342	732	3:00	166	269	202	637	3:00	348	321	669		2038
4:00	75	257	37	671	1040	4:00	108	218	347	673	4:00	260	115	375		2088
5:00	52	442	32	329	855	5:00	369	86	122	577	5:00	450	123	573		2005
6:00	61	415	17	172	665	6:00	315	342	123	780	6:00	241	74	315		1760
7:00	75	406	12	168	661	7:00	366	293	155	814	7:00	148	340	488		1963
8:00	66	465	12	159	702	8:00	117	64	100	281	8:00	103	363	466		1449
9:00	68	374	18	390	850	9:00	154	264	347	765	9:00	446	155	601		2216
10:00	63	350	50	571	1034	10:00	266	83	220	569	10:00	229	399	628		2231
11:00	66	395	22	382	865	11:00	339	120	336	795	11:00	244	373	617		2277
12:00	52	459	24	263	798	12:00	342	247	318	907	12:00	304	211	515		2220
Peak					1040					1052				669	2761	2277

CMP – Financials – A Little More Detail

- Notice that uplift varies by product – uplift is calculated separately for each product.
- Products purchased after migrating to CMP (e.g. DFSrmm), and FLAT/FWLC products have NO uplift.

Month Jan 2017			CPC01	CPC02	CPC03	Totals	MLC Disc%	CMP Adjust	MLC Total	MLC Perc
MLC Products	Product ID	Lic Type	MSUs	MSUs	MSUs	Total MSUs	8.4%	$ 26,397.97	$ 863,315.05	100.0%
z/OS V2 (Traditional)	5650-ZOS	CMLC	894	665	1249	2808	8.4%	$ 6,239.99	$ 250,095.49	29.0%
z/OS V2 DFSMS dsshsm	5650-ZOS	CMLC	894	665	1249	2808	8.4%	$ 596.78	$ 22,601.89	2.6%
z/OS V2 DFSMS rmm	5650-ZOS	CMLC	894	665	1249	2808	8.4%		$ 10,772.43	1.2%
z/OS V2 DFSORT	5650-ZOS	CMLC	894	665	1249	2808	8.4%	$ 106.62	$ 3,761.05	0.4%
z/OS V2 SDSF	5650-ZOS	CMLC	894	665	1249	2808	8.4%	$ 204.68	$ 6,594.40	0.8%
z/OS V2 C/C++ without Debug	5650-ZOS	CMLC	894			894	8.4%	$ 95.44	$ 7,613.70	0.9%
z/OS V2 Infoprint Server	5650-ZOS	CMLC		665		665	8.4%	$ 219.12	$ 5,026.87	0.6%
non-z/OS (CMLC)										
CICS TS for z/OS V5	5655-Y04	CMLC	869	665	1249	2783	8.4%	$ 9,033.09	$ 231,859.60	26.9%
DB2 11 for z/OS	5615-DB2	CMLC	869	665	1249	2783	8.4%	$ 6,932.87	$ 203,282.39	23.5%
IBM MQ for z/OS V8	5655-W97	CMLC	869	665	1051	2585	8.4%	$ 2,163.96	$ 98,584.82	11.4%
Tivoli NetView for z/OS V6	5697-NV6	CMLC	894	665	1249	2808	8.4%	$ 589.96	$ 13,386.39	1.6%
IBM Enterprise Cobol for z/OS V4	5655-S71	CMLC	219			219	8.4%	$ 215.46	$ 6,194.95	0.7%
FWLC (Workload License Charge)										
ACF/SSP Version 4 MVS	5655-041	FWLC	1			1			$ 1,891.72	0.2%
IBM Library for REXX/370	5695-014	FWLC	1			1			$ 1,286.02	0.1%
Transforms to AFP	5655-N60	FWLC	1			1			$ 363.33	0.0%

- **Note**: Newer versions of products you already have do NOT count as new products!

CMP Summary

- CMP simplifies management while remaining cost-neutral
- If you grow, the MSUs might be cheaper than before CMP
- If you decline, the MSUs will be more expensive than before CMP
- Important to pick correct three-month period
- Important to reduce MSUs by tuning or moving products before three-month period

- CMP home page:
  https://www.ibm.com/it-infrastructure/z/software/pricing-country-multiplex
- Enterprise Executive (2017 No. 3) article:
  Country Multiplex Pricing: What You Need to Know by **Cheryl Walker** and **Alan Murphy**

TAILORED FIT PRICING (TFP)

Container Software Pricing

- July 17, 2017 - IBM announced a new Container Pricing *infrastructure* and three new pricing options on the same day as the z14 announcement. The three options consisted of:
  - Test/Development Container
  - New Application Container
  - Payments Processing Container
- October 2, 2018, IBM announced newer New Application Solution using Solution Consumption License Charges (SCLC)
  - This new solution effectively replaced the prior New Application Container with “pay-as-you-go” (PAYG) pricing.

Tailored Fit Pricing (TFP)

- May 14, 2019, IBM announced Tailored Fit Pricing (TFP) using a pricing model called Enterprise Solution License Charges (ESLC).
  - TFP consists of two new options, as well as two previously announced options:
    - Newly announced options include:
      - Enterprise Consumption Solution
      - Enterprise Capacity Solution
    - Previously announced options, that were rebranded under TFP, include:
      - Application Development and Test Solution (announced July 2017)
      - New Application Solution (announced October 2018)

Consumption MSUs

- Using AWLC or CMP MLC pricing, we are generally referring to the peak R4HA MSU value. However, MSUs are actually a measurement of compute capacity used in an hour. Consumption MSUs are the accumulation of all MSUs during the month.

Time	MSUs	R4HA		Cumulative MSUs	
12:00	1100	(1100+0+0+0)/4	275	1100	1100
1:00	1080	(1080+1100+0+0)/4	545	1100+1080	2180
2:00	1090	(1090+1080+1100+0)/4	818	2180+1090	3270
3:00	1080	(1080+1090+1080+1100)/4	1088	3270+1080	4350
4:00	1098	(1098+1080+1090+1080)/4	1087	4350+1098	5448
5:00	1100	(1100+1098+1080+1090)/4	1092	5448+1100	6548
6:00	1098	(1098+1100+1098+1080)/4	1094	6548+1098	7646
7:00	1080	(1080+1098+1100+1098)/4	1094	7646+1080	8726
8:00	1090	(1090+1080+1098+1100)/4	1092	8726+1090	9816
9:00	1176	(1211+1090+1080+1098)/4	1111	9816+1176	10992

In this example, the old method would charge on 1111 MSUs, while the new charges on 10,992 MSUs.

Consumption MSUs

- Since the example showed only 10 hours, let's extrapolate that out to the number of hours in a month. If the same usage pattern continues through the month, a thirty-day month would be expected to run about 721,944 MSUs under the new method.
- Pricing for z/OS Base under SCLC is 15 cents per MSU for the committed version and 19 cents per MSU for no commitment.

z/OS	CPC	MSUs	Monthly	Avg	Incr	Diff
PSLC-Full	CP03	1709	$401,533	$235	$195	
AWLC-Full	CP03	1709	$234,417	$137	$58	$167,116
AWLC-Sub	CP03	1111	$196,139	$177	$76	$38,278
zNALC	CP03	1111	$37,014	$33	$29	$159,125
SCLC-PAYG	CP03	721,944	$137,169	$0.19	$0.19	
SCLC-Committed	CP03	721,944	$108,292	$0.15	$0.15	

TFP – Enterprise Consumption Solution

- With the Enterprise Consumption Solution, the MSU consumption model is now applied to all of the workload in the enterprise
- Customers must commit to a "baseline" of MSUs which reflect the MSUs used over the past 12 months plus a "reasonable" amount of growth on an annual basis
  - IBM charts have stated that "reasonable" starts at 2% per year
- The baseline MSUs are priced at the same $/MSU that the customer is paying today meaning that it reflects the capacity and mix of products running at the time the contract is signed.
- Growth MSUs are priced "aggressively". Again, IBM charts have stated that can be up to a 50% discount versus the baseline MSUs.

TFP – Enterprise Consumption Solution

- Key requirements include:
  - All machines within the enterprise must be included. Enterprise is defined as "any legal entity, and the subsidiaries it owns by more than 50%, within a single country" (similar to CMP)
  - Clients may only have one Enterprise Consumption or Enterprise Capacity Solution within a country
    - IBM has mentioned that some customers may require more than one if the software products vary greatly from application to application, but this would be a special bid.
  - All machines must be z14 or newer
  - Outsourcers are not eligible for these offerings.

TFP – Enterprise Consumption Solution

- Pricing is determined based on the baseline MSUs, which are the MSUs used over the past 12 months plus some sort of growth commitment.
- Actual pricing is the "entitled" price at the time of the contract plus any announced price changes less any applicable TTO discount.
- Growth MSUs are priced using "aggressive growth pricing"
- Price will be a set $/MSU with no product level pricing
- Total MSUs consumed are then reconciled at the end of each 12-month period, but 1/12 of annual cost is payable monthly.
  - Any unused MSUs can be carried over to the following year but will expire at the end of the contract.
  - Any MSUs over the contracted baseline will be billed at the contracted growth rate at this annual true-up.

TFP – Enterprise Consumption Solution

- So – for growing customers, this sounds like a no-brainer, right? After all, for committing to a tiny 2% per year growth, you get a 50% discount!
- First, that 50% discount is only on growth MSUs.
- Second, the initial price per MSU is the average price per MSU. Remember our pricing curves? In many cases, the incremental price per MSU under the R4HA model is substantially less than the average $/MSU.

z/OS	CPC	MSUs	Monthly	Avg	Incr	Diff
PSLC-Full	CP03	1709	$401,533	$235	$195	
AWLC-Full	CP03	1709	$234,417	$137	$58	$167,116
AWLC-Sub	CP03	1111	$196,139	$177	$76	$38,278
zNALC	CP03	1111	$37,014	$33	$29	$159,125

- For our awareness, though, each product has a slightly different price curve, so the individual answer will vary depending on the IBM products involved.

TFP – Enterprise Consumption Solution

- Third, remember 2008? During the bailouts, many customers had committed growth with IBM under their ELAs. They quickly found they were paying for far more than they were using when their business did not grow as expected. Is a commitment reasonable for your business?
- Fourth, while IBM states that this is far more predictable than current models, there is a tradeoff. You must commit to a minimum. If you use more than planned, you will pay more (surprise!). If you use less, you don't get a refund. That sounds more predictable to IBM but only more predictable to you if you overpay!

TFP – Enterprise Consumption Solution

- Let's get into the numbers….
- For simplicity, we're using 6 months, but IBM will want 12 months:

MLC Summary for Multiplex		Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019
MLC Discount (Eg: AWLC Transition)		12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Machine Rated Capacity (MSUs)		2902	2902	4588	2902	2902	2902
Billing R4HA MSUs (z/OS)		2229	2144	2086	2225	2261	2227
Cumulative MSU Usage per Hour (Average)		1930	1946	1890	2040	2008	1973
Cumulative MSU Usage per Month		1436152	1448666	1270086	1517997	1445909	1468391
MLC Products	**Product ID**	**Dec 2018**	**Jan 2019**	**Feb 2019**	**Mar 2019**	**Apr 2019**	**May 2019**
z/OS V2 (Traditional)	5650-ZOS	$ 363,912.86	$ 360,420.44	$ 358,037.39	$ 363,748.51	$ 365,227.65	$ 363,830.68
z/OS V2 DFSMS dsshsm	5650-ZOS	$ 30,563.11	$ 30,195.84	$ 29,945.24	$ 30,545.83	$ 30,701.38	$ 30,554.47
z/OS V2 DFSORT	5650-ZOS	$ 4,245.08	$ 4,153.08	$ 4,090.30	$ 4,240.75	$ 4,279.72	$ 4,242.92
z/OS V2 SDSF	5650-ZOS	$ 9,494.15	$ 9,388.68	$ 9,316.71	$ 9,489.18	$ 9,533.85	$ 9,491.67
z/OS V2 Security Server	5650-ZOS	$ 23,128.56	$ 22,945.30	$ 22,820.25	$ 23,119.93	$ 23,197.55	$ 23,124.24
z/OS V2 RMF	5650-ZOS	$ 17,888.76	$ 17,705.50	$ 17,580.45	$ 17,880.13	$ 17,957.75	$ 17,884.45
non-z/OS (CMLC)							
CICS TS for z/OS V5	5655-Y04	$ 17,264.34	$ 18,013.80	$ 16,889.61	$ 16,889.61	$ 20,262.18	$ 16,140.15
DB2 11 for z/OS	5615-DB2	$ 137,031.78	$ 136,372.29	$ 135,472.97	$ 137,991.05	$ 137,031.78	$ 135,413.01
CMP Total		**$ 603,528.64**	**$ 599,194.93**	**$ 594,152.91**	**$ 603,905.00**	**$ 608,191.86**	**$ 600,681.59**

- Total "Cumulative MSUs" during this period are 8,587,201
- Total MLC was $3,609,655
- $/MSU was $3,609,655/8,587,201 = 42 cents

TFP – Enterprise Consumption Solution

- To qualify, customer must commit to 8,587,201 MSUs plus at least 2% per year growth. The base MSUs will be at the same $/MSU that has been paid over the last 12 months. The growth MSUs will be priced at 50% of that base price. Thus the MLC will grow at 1% per year (plus any announced price change or changes in TTO). The pricing for the committed MSUs will be:

	MSUs	MLC
Year 1	8,758,945	$ 3,645,751
Year 2	8,934,124	$ 3,682,570
Year 3	9,112,806	$ 3,720,125

- IF CMP MSUs grow by 2% per year, the resulting pricing would drive about a 0.6-0.7% growth per year:

	MSUs	MLC
Year 1	2233	$3,630,065
Year 2	2278	$3,654,639
Year 3	2323.56	$3,677,277

- However, under CMP, that growth does not necessarily drive an increase in your bill. If the growth is not during the peak hours, it will drive the Enterprise Consumption increase, but could actually be a $0 impact to the CMP price!

TFP – Enterprise Consumption Solution

- What about IPLA? Many customers have made significant investment in IBM tools or even in Value Unit Edition versions of middleware.
- TFP is an "all-in" price, so IBM had to come up with a method to preserve the value of customer investments (and another way to make things complicated!)
- Recall that IPLA pricing starts with a metric such as MSUs and converts it to Value Units. With TFP, we now have to convert VU's to the new cumulative MSUs!
- IBM will convert your VU's by multiplying the original MSUs by 5000 to get MSU hours per year.
  - Example: Customer has CICS VUE entitlement for 1,000 MSUs. This is now 1,000 x 5,000 = 5M MSU hours.
  - There are normally 8,760 hours in a year (365x24), so make sure that 5K hours will cover your normal use! If not, we recommend negotiating this conversion.

TFP – Enterprise Consumption Solution

- Considerations:
  - Enterprise Consumption requires a commitment and contract with IBM for 3-5 years.
  - Enterprise Consumption effectively removes the ability to control bills through capping.
  - The mix of products matters. The price will be set based on the current mix. If growth will be in applications using more products, this solution is more attractive. If growth is in applications using just the operating system, some of the other "new workload" pricing models may be better.
  - There is no way to reduce your bill as long as you remain in the contract. If you remove a product, it may or may not reduce your bill.
  - Instead of tuning work running during the R4HA, you will need to tune the largest running jobs (if possible). It changes the whole methodology of performance.

TFP – Enterprise Consumption Solution

- Considerations:
  - 50% savings is off of the current average $/MSU. Due to the pricing slopes on AWLC and CMP, every customer will have a different $/MSU even if they are running the same products or the same capacity. This means that you MUST do your own analysis to determine the best model for your situation.
  - There is no change to the SCRT process. This model simply uses a new section of the report (Section N7), so there is really nothing that needs to be done technically.
  - While some ISVs are planning to support FTP, many others won't or can't. You might need to continue to manage your R4HA, possibly with capping, for major ISV products.
  - Because you're not restricted to product use, you might end up with more products in each LPAR and drive up the utilization of your CPC.

TFP – Enterprise Consumption Solution

- Considerations:
  - Removing capping may increase the CPU busy, which in turn increases the MSUs consumed for the same amount of processing. (Every 10% CPU busy increases the task MSUs by 3-5%.)
  - Once you've increased an IPLA product's VUEs, IBM won't let you decrease them.
  - When reviewing the contract, determine whether the 4% increase on most MLC products will be added to the total MLC each year.
  - When reviewing the contract, determine whether the TTO discounts to move to a new processor will be available to the FTP contract.
  - If you go to TFP, determine how you will control the MSU usage so that it doesn't grow higher than your expected growth
  - Have your analysis completed well before the end of your current contract.

TFP – Enterprise Capacity Solution

- The Enterprise Capacity Solution is a full-capacity licensing model (as with many things in software pricing, what's old is new again!)
- IBM and the client identifies a list of MLC programs to be included, and those programs can be used anywhere within the full capacity environment.
- All IBM software is now licensed to the full capacity of the enterprise.
- The Enterprise Capacity Solution can also include hardware and maintenance.

TFP – Enterprise Capacity Solution

- Pricing is truly a negotiation between IBM and the customer, as it is set equal to the MLC paid in the past 12 months PLUS some agreed upon amount meant to reflect the estimated growth of the workloads.
  - "Substantially increased" application development and test capacity is included
  - "Aggressive growth pricing" is applied to new and growth of existing workloads
- IPLA entitlement is required for the total physical capacity.

TFP – Enterprise Capacity Solution

- Considerations:
  - Enterprise Capacity requires a commitment and contract with IBM for 3-5 years.
  - Enterprise Capacity removes any ability to lower software bills, as the price is committed at the time of the contract.
  - Enterprise Capacity includes an assumption of growth in the contract price (min 20%). Will your workload grow at this rate?
  - The mix of products matters. The price will be set based on the current mix. If growth will be in applications using more products, this solution is more attractive. If growth is in applications using just the operating system, some of the other "new workload" pricing models may be better.

TFP – Enterprise Capacity Solution

- Considerations:
  - Enterprise Capacity releases you from all reporting requirements. If you are spending substantial time, effort or money managing the reporting, this model could be worth exploring.
  - You may still need to manage and cap your R4HA for some ISV products.
  - In all cases, be sure to do an analysis of your own workload, products and capacity plan to determine if this model will be more or less expensive for your situation. Some will win and others will lose!
  - This is one of the most expensive pricing options available.

Tailored Fit Pricing

- Summary:
  - Conceptually, this model may be simpler to understand and manage than the R4HA model. If you've spent years managing to the R4HA model, TFP will take a change in mindset
  - TFP allows an easier tie-back to a chargeback process, as each baseline MSU costs the same and each growth MSU costs the same
  - TFP can be cheaper for growth than CMLC, but every customer should do the math!
    - The "50% off" is 50% off your average $/MSU and not off the incremental. For many customers, an incremental CMP MSU could be less expensive.

Tailored Fit Pricing

- Summary:
  - Both models of TFP are tied to what was spent in the last 12 months. No matter what you do to manage costs, you will not lower your IBM software bill.
  - Moving to TFP removes the ability to add workload for free if added in the R4HA whitespace.
  - IBM sales will not give you a long time for analysis. Have the numbers prepared today.
  - Do you know what your needs will be in 3 to 5 years? Mergers planned? Divestment considered?

Tailored Fit Pricing

- Summary:
  - Moving to TFP removes the ability to add workload for free if added in the R4HA whitespace.
    - With R4HA, you can run report jobs, compiles, tests and stress tests that won't cost a penny in software costs if run during off-peak periods. TFP will add cost for every action. Is managing every action in your best interest?
  - IBM has built this model to add predictability to customer software bills. Is this fulfilling that requirement?
    - The 3-5 year contract will hold the bill flat throughout the year but any overages will be due at the end of each 12-month period.
    - We've analyzed several of our customers, and the R4HA is far more predictable than the total MSUs consumed in every single case.

Other Sessions

- Thursday – 2:15 – Introduction to Tailored Fit Pricing for IBM Z, room 407, Andrew Sica
- Thursday – 2:15 – Real World Experiences With IBM's Newest Software Pricing – DevTest Solutions, room 408, Frank Kyne
- Thursday – 4:45 – And now for something completely different: IBM rolls the 'four-hour' out the door!, room 408, John Baker
- Thursday – 4:45 – Considerations for managing your z/OS environment under a Tailored Fit Solution, room 407, Andrew Sica

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