



Research Report

IBM's New z Solutions Offerings

Executive Summary

One major objection to mainframe computing that I constantly hear is the systems “cost too much”. And when I probe this statement, what I usually find is that people are comparing total-cost-of-acquisition (TCA) of various distributed systems components (hardware, operating environments, and infrastructure) to mainframe hardware, OSs, and infrastructure products. And the fact is, mainframes almost always lose when comparing just these items.

To counter the mainframes-cost-too-much claim, IBM usually gets defensive and tries to steer the conversation toward the superior total-cost-of-ownership (TCO) of a mainframe. IBM also emphasizes the mainframe's leadership in meantime-between-failure (MTBF); its greater reliability and availability; its automated workload management (including superior virtualization and provisioning); its balanced systems integration; its best-in-class security as criteria that should be evaluated in comparisons to the distributed systems approach. However, often IBM loses these arguments to the distributed system TCA bottom line.

For a long time, I've believed IBM needs to do several things to remedy this situation:

- Lower some of its prices to address legitimate cost of acquisition concerns;
- Publish comparative street pricing information (it is extremely difficult to figure out what the bottom line prices of a mainframe is — so how can you know if it is too costly or not?);
- Package its mainframe products into more easily consumable bundles (making configuration and deployment simpler); and,
- Do a better job of making customers aware of their real costs for running distributed computing environments (IBM will soon have some very credible numbers in this respect because the company is eliminating over 3,000 servers and placing their workloads on mainframes — saving tons of money in network and management costs as well as on software licensing).

In a recent analyst briefing, IBM said that it will lower the prices for its mainframe Linux processor environment significantly (for customers who add new workloads to its System z mainframes). Along with this, the company announced seven bundled packages (Solutions Sets) that should make it easier for IBM field sales and IBM customers to configure and deploy IBM mainframe-based solutions.

IBM's Solutions Set Announcement

IBM has experimented with bundled mainframes before by creating SAP bundled solutions that included hardware, Linux operating environments, and infrastructure products. Along

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with its SAP bundle, IBM has now expanded this “Solutions Edition” concept to include solutions for:

- Data Warehousing;
- ACI (an automated payment solution provider);
- Application Development;
- Security;
- GDPS: and
- WebSphere.

The beauty of these Solution Editions is that IBM has reduced all IBM stack costs (HW, SW, and HW maintenance) — to be competitive with Unix TCA. Additionally IBM has reduced pricing on System z10 EC IFLs (integrated facility for Linux — a specialty processor that allows mainframes to run Linux) to \$75k USD; and memory prices for z10 zNALC environments to \$2250/GB. In other words, these Solution Editions and pricing actions help lower TCA — closing the gap between mainframes and distributed servers — and thus taking the steam out of the argument that mainframes cost too much.

Our Opinion/Analysis

As for what Clabby Analytics thinks of each Solution Set offering — for the most part we like them:

- Clabby Analytics has interviewed several IBM customers over the past year who have already deployed SAP on Linux on mainframes (case study write-ups on Baldor Electric and Colacem are available on our Web site for free). So we know that IBM will be successful with its Solution Edition for SAP.
- The Solution Edition for Data Warehousing should also eliminate having to move data around amongst various distributed systems, thus reducing data handling/updating issues as well as data management overhead and network latency problems. Thus, it makes good sense from an architectural design to run large data warehouse environments on a mainframe.
- Last month Clabby Analytics met with ACI and saw the company's products demonstrated at IBM's banking center of excellence in France. When the banking industry is ready to dump its investment in aging HP NonStop systems and move to a more open Linux environment, the mainframe is well positioned as the next logical host platform for Smart Banking. (But this may take a few years because the banking industry is still in disarray due to the worldwide economic downturn).
- The Solution Edition for Application Development is an integrated Rational software/mainframe offering. Clabby Analytics is a bit skeptical on this one as few IT shops develop software on mainframes anymore. But, if IBM can truly reduce its TCA costs, then maybe this type of solution may come back into vogue (note: IBM did supply the name of a new customer that has chosen the mainframe as its development platform).

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- The Solution Edition for Security also builds on a key IBM theme introduced a few years ago — the mainframe positioned as a centralized security clearinghouse. With the industry's highest security rating (EAL level 5), it makes good sense to position the mainframe as a centralized security hub. Yet, Clabby Analytics has not seen strong adoption of mainframes over the past few years for this purpose. Part of the reason, we believe, is that it is complex to configure such a hub and this new solution set should go a long way toward fixing this challenge. (What we'd really like IBM to do is isolate what it costs to secure a distributed environment and then compare that to the cost of using a mainframe as a security clearinghouse — we're betting that the cost of all of the security licenses for all of the distributed servers in a datacenter, coupled with the amount of management vigilance that must take place — will make this Solution Edition very attractive. And finally,
- The Solution Edition for GDPS (geographically dispersed parallel sysplex) — a solution that focuses on ensuring business resiliency. Clabby Analytics has seen the need for this kind of solution — and with its considerably lower TCA, this solution should be attractive for enterprises looking to ensure business continuance in case of a catastrophic failure.
- The Solution Edition for WebSphere picks up on a theme that IBM introduced several years ago — but has not had much success with: positioning the mainframe as the central SOA hub for enterprises. But when you think of SOA, think of Web services and how they are largely based on message passing. In the distributed world, message passing creates major logjams on networks during peak periods — whereas mainframes have internal high-speed busses that help keep company networks flowing freely. To Clabby Analytics, this Solution Edition is the most intriguing of all of these offerings because if IBM can convince its customers to start driving their messages inside-the-box, some real advantages should surface for the mainframe as hundreds of thousands or millions of dollars in communications and networking gear is eliminated.

What We Didn't See From IBM

IBM's briefing did have two "holes" in it. They were:

1. Hard numbers for pricing and deployment; and,
2. A go-to-market field execution plan.

IBM based its TCA arguments on the total cost for acquisition of a particular vendor's equivalent solutions on distributed systems architecture — but did not use published catalog prices. Instead, the company based its cost projections on street prices for its own as well as its competitor's products. Though street pricing is a good indicator of what each vendor's TCA is (approximately) but *Clabby Analytics* would liked to have seen the costs that IBM used in order to better judge comparative TCAs.

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From a go-to-market perspective, it is one thing to create a bunch of packaged solutions — and another thing to get the field and business partners all-fired-up to go market the bundles. If the loop isn't closed with the field, and if these packages are allowed to just sit on the shelf — all but one of these solutions will meet with marginal success (the SAP solution has been and will continue to be a guaranteed winner).

Summary Observation

Overall, the new Solution Editions mean that the mystique of IBM mainframe pricing has been mitigated. We now know what IBM mainframes configured for specific environments should actually cost. As a result, IBM's mainframe systems can now compete head to head on a TCA playing field — and the company can start distancing itself in a big way from a TCO perspective. However, IBM's overall success depends on getting the field motivated to go out and push these solutions. In a down economy, this will still be a tough sale — but hopefully IBM's field organization will recognize the distinct advantages mainframes offer over distributed systems and make the right moves to make IBM's new mainframe Solution Editions successful.

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