

2018 Software Channel Incentive Transformation

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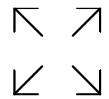
Agenda for Today's Session

- 1. Introduction to program changes
- 2. Customer segmentation
- 3. Software incentives rates
- 4. Channel Value Rewards
 - a) Program changes
 - b) Opportunity management
 - c) Payment process
- 5. New Client Program
- 6. Channel Value Rewards (CVR) – Renewals Management
- 7. CVR Solutions
- 8. Important Notes
- 9. Q&A

New Business Partner Software incentive segmentation

Global Markets

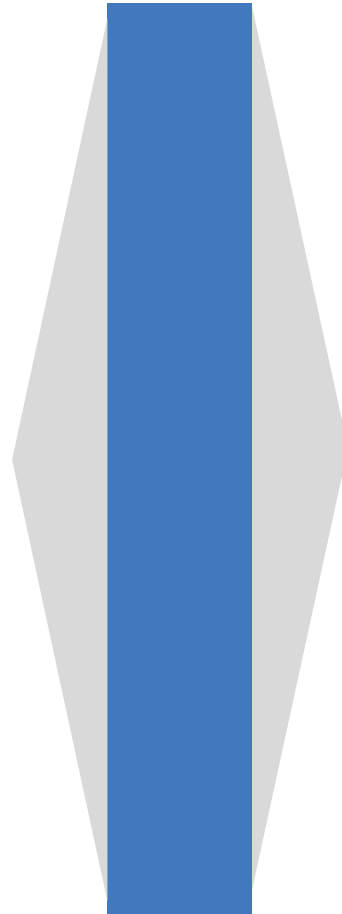
COMMERCIAL



ENTERPRISE



INDUSTRY



New Software incentive segmentation, April 10, 2018

BP-LED (Commercial)

Composed of ~170,000 IBM Commercial accounts and new whitespace accounts

CO-LED

Composed of ~14,000 IBM Industry & Enterprises accounts with Business Partner and/or IBM rep coverage

IBM-LED

Composed of ~1,000 IBM Industry, Enterprise & Commercial named accounts where IBM has dedicated face-to-face account coverage

Stronger alignment between IBM Software sellers, BP sellers and client opportunities

2018 New Segmentation for Software Incentives

- Account designation fields will be populated with new descriptions (field already exists in PAO)
 - Accounts designation will no longer be determined solely on accounts attributes like ISU
- New account designations will be frozen for the year until 2019 rollover schedule to give BP's/VADs line of sight, and predictability
- April 10, account designation “rollover”
 - No rollover in February, 2018
 - Positions new customer segments as eligible for incentive payouts and discounts
- All DSW tools/reports will be updated to provide visibility to IBM-Led, Co-Led, BP-Led segmentation that will take effect April 10
 - SQO, PGS, BP e-Order, PAO, FASTPASS, VAD End user Reports (24 month look back), Renewal quotes
- February 5, 2018, limited tool visibility available to provide early line of sight
 - FASTPASS, PA Online for Reseller, Renewal Quotes, and VAD End User Reports (24 month look back)
- Quoting and Ordering
 - VADs encouraged to time out quotes April 9th
 - Deals in the middle with sufficient business justification will be handled by exception

The more value you deliver in BP-Led(Commercial) and Co-Led, the more you earn

Channel Value Rewards: Earnings increase as value increases

Solution

- Three incentives integrated into one
- Simpler application
- Broader eligibility

New Client

- Pays more
- Improved line of sight
- Immediate qualification status during deal registration

Sales/Sales Assist

- Rewards significantly more when you are first to register and close the opportunity

Renewals Management

- Rewards selling On-Time renewals to your clients
- More opportunities now qualify

BP-Led and Co-Led Customer Focus
Improved line of sight and predictability

Base Channel Margin
Adjusted rewards for fulfilment

 IBM-Led reduced rate

2018 New License incentive rates

Maximize earning potential when you recruit new clients, identify opportunities & deliver solutions in BP-Led (Commercial) and Co-Led accounts

2018 New License	IBM-Led	Co-Led	BP-Led (Commercial)
Total Potential	Channel Margin +10%	Channel Margin +45%	Channel Margin +70%
▪ CVR – Solutions	*5%	10%	15%
▪ CVR – New Client		15%	15%
▪ CVR – Sales/Sales Assist BP Identify, close <i>or</i> IBM Identify, close	5% 3%	15% 6%	25% 15%
▪ CVR – Customer Focus BP-Led (Commercial) & Co-Led Focus		5%	15%

Channel Margin determined by Distributor

2018 SaaS reseller incentives, effective April 10, 2018

Maximum earning potential remains consistent

2018	Year 1		Year 2+	
	IBM-Led	Co-Led & BP-Led (Commercial)	IBM-Led	Co-Led & BP-Led (Commercial)
Total Potential	Channel Margin +10%	Channel Margin +20%	Channel Margin +10%	Channel Margin +20%
▪ Land	2%	10%		
▪ Deal Registration* (BPOI)	3%	5%		
▪ Stay Engaged			2%	10%
▪ Subscription Extension*			3%	5%
▪ Long-Term Commitment Additional reward for subscriptions with a coverage term >= 24 months	5%	5%	5%	5%

Channel Margin***

Instant Rebate**
Quarterly Rebate

*Some restrictions and exclusions may apply, see program guide for more details

** Paid by the Business Partner's Preferred Distributor

*** IBM Distributors shall have sole discretion in determining the amount of rebate the Distributor provides the Reseller, if any. Resellers should discuss the rebate directly with their Distributor as discounts may vary.

**** All incentives are paid on SaaS billings

CVR-Sales/Sales Assist

- Reintroducing Business Partner Opportunity Identification (BPOI) – distinct incentive advantage for Opportunity Identifiers
- Shift to value-focused Business Partners
- Stackable Incentives added to CVR-S/SA → up to 70% + Channel Margin, based on customer segmentation (Available from 5 February - www.ibm.com/software/how-to-buy/passportadvantage/pao_biz_partners.htm)
- SW incentive customer designation will be provided to the BP when opportunity is approved BP submits a single opportunity to request CVR-S/SA, CVR-Solution and/or CVR-New Client
- VAD Opportunity Report will include identification of BPOI, New Client, Solution incentive and the incentive customer designation
- VAD pricing for GE orders should include instant rebate for BPOI/non-BPOI, New Client, and Solution incentive
- Reminder, for CVR-Sales (both GE and non-GE) VAD is still required to enter the Opportunity # on the sales order line items for both BPOI and non-BPOI incentives
- For CVR-Sales Assist – BP will continue to submit payment claim processed in the same manner

Single registration process

- In use since April 2017

Only one submission path for GE / non-GE. Partner doesn't need to know customer's status before the CVR SSA opportunity submission.

Partner uses Submit for Eligibility button after creating the oppty in MySA for ALL registrations

After admin's review, partner will see the status of opportunity – Denied / Partial Participation / Full Participation

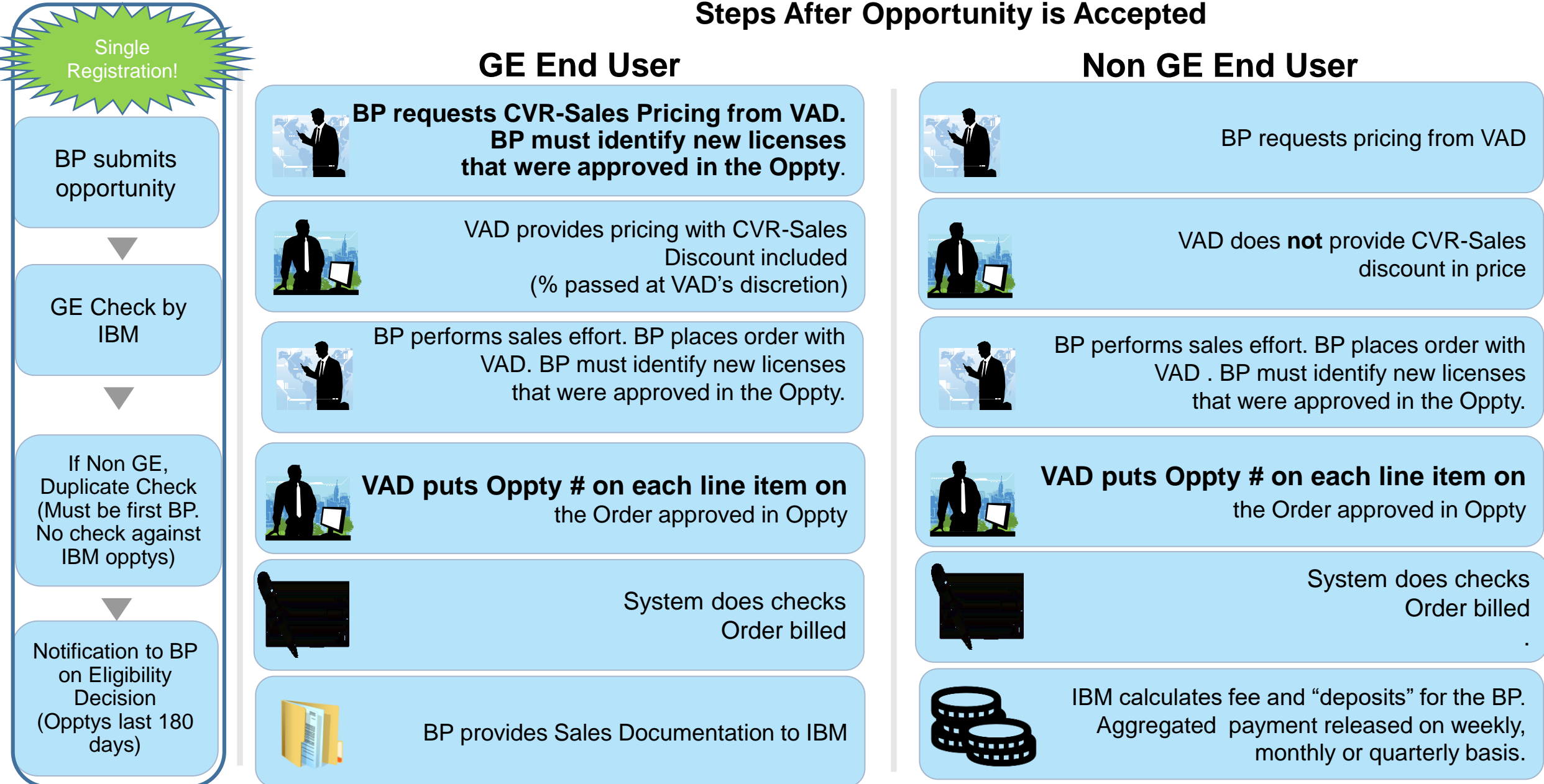
Automatic MySA notification about approval / denial sent to BP

'First come, first serve' rule for NGE clients still applies – Don't wait and register your opportunity ASAP !



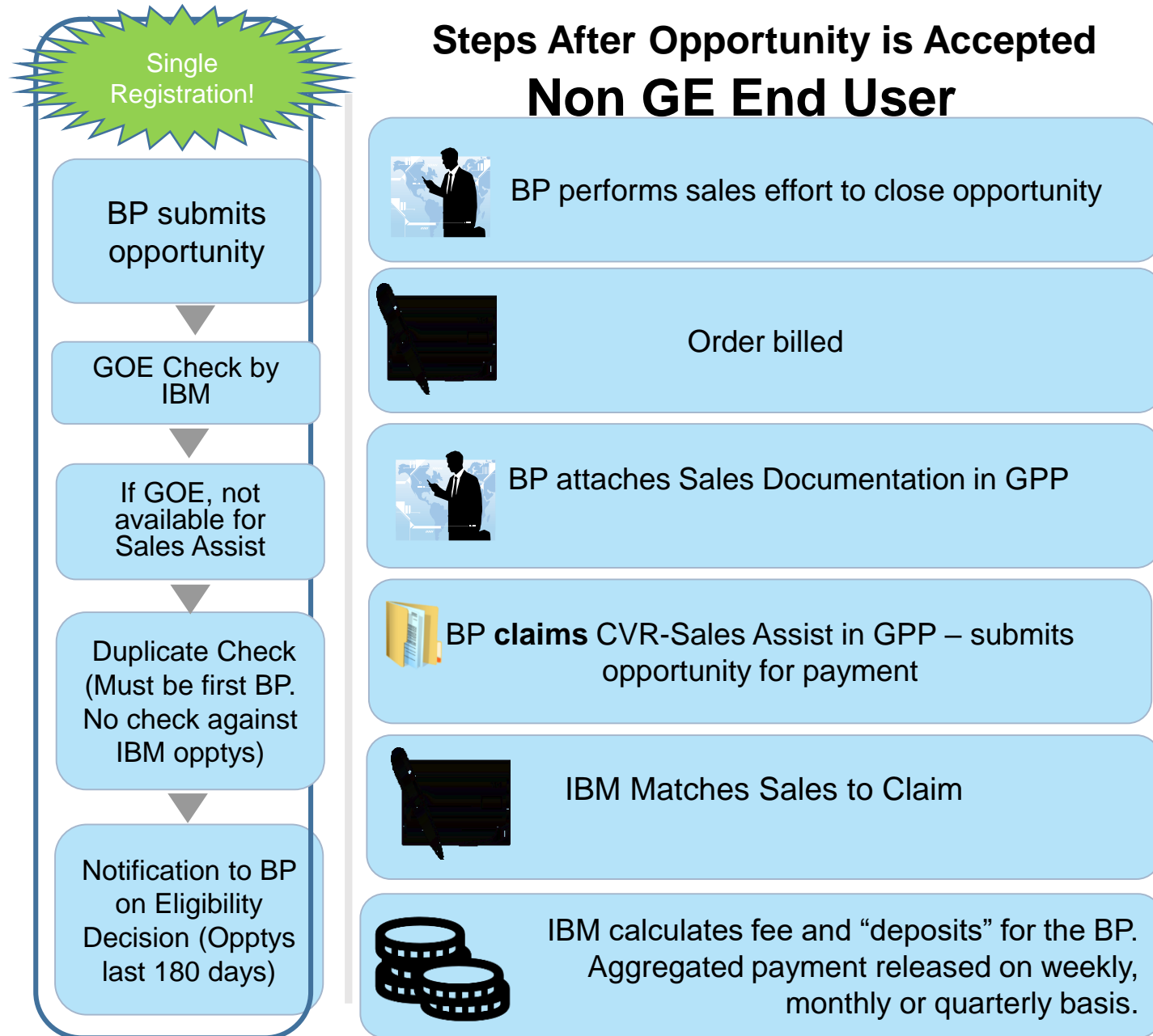
CVR – Software Sales Process – Resell*

Steps After Opportunity is Accepted



* excludes SaaS

CVR – Sales Assist Process



How to claim payment – CVR-Sales

In use since April 2017

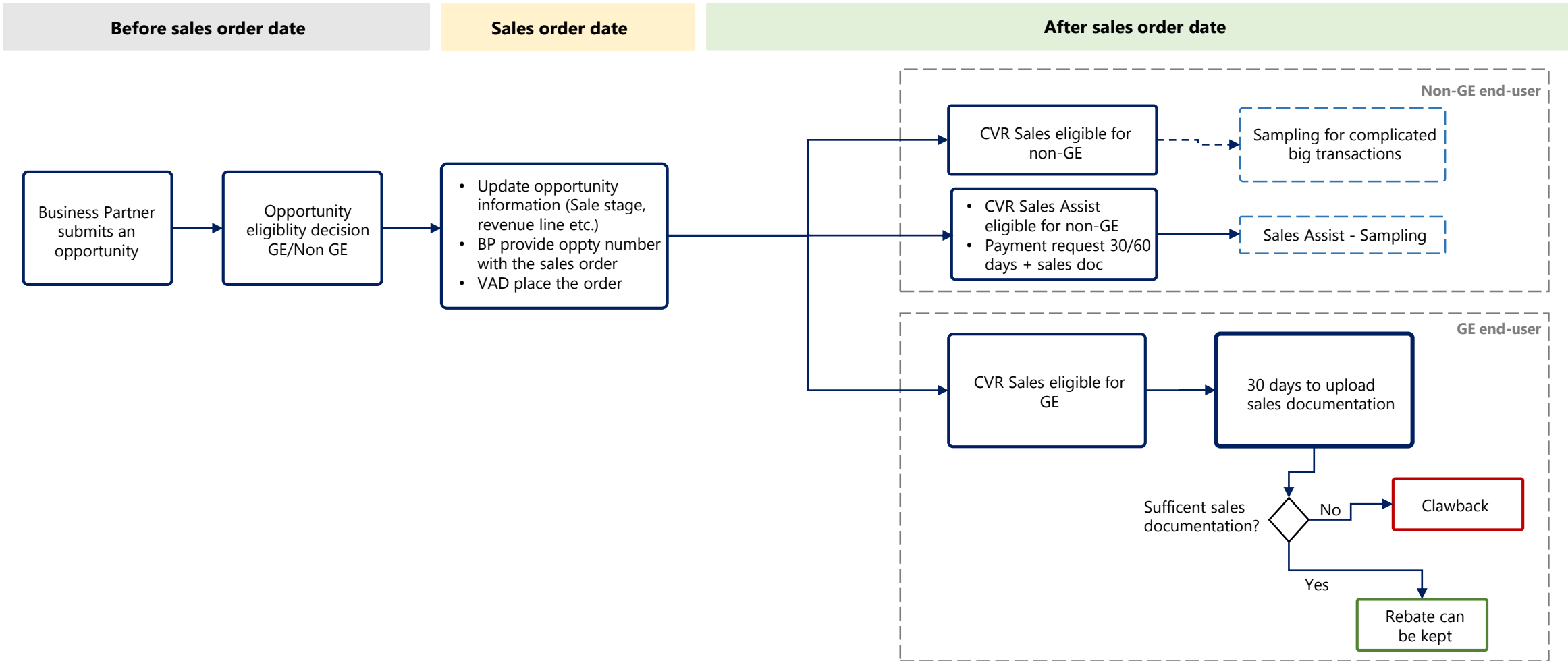
- Opportunity Number against all the CVR – S/SA Eligible Products must be included when placing Passport Advantage order
- Sales stage changed to 07 in MySA before placing the order with your VAD
- Revenue forecast not considered anymore
- Opportunity remains in Eligible Full/Partial Participation status until the rebate is paid (GE End Users) or the payment is set aside (non-GE End Users).

How to claim payment – CVR-Sales Assist

In use since April 2017

- PRESS SUBMIT FOR PAYMENT BUTTON!
- CVR - Sales Assist incentive is applicable for opportunities that you did not fulfill the order for non-GE End Users ONLY.
- When the opportunity has closed, after updating the sales stage to 07 and updating the opportunity revenue, press the Payment Request button in GPP or MySA and attach your sales documentation in the record.
- The brand family forecast amount of the Revenue record is considered when deriving the CVR – Sales Assist payment amount. Failure to accurately update the actual revenue amount sold → incentive not being calculated properly for the opportunity.
- After pressing the Payment Request button, the opportunity moved to status Waiting Order Validation = IBM matches the opportunity to the sales order and begins the payment review process

CVR Sales / Sales Assist process and sales documentation requirement



IBM CVR – New Client

CHANGES from 10 April 2018

- CVR-Software Sales / Sales Assist (CVR-S/SA) incentive approval → New Client eligibility status
- No eligibility forms, New Client status immediately known by registration
- Eligible clients – 36 months or more without purchasing SW/SaaS
- Government clients also eligible
- Incentive for any additional New License opportunities within the client for 12 months
- Payments:
 - GE - additional discount applied to the sales order
 - NGE - fees set aside, paid at the desired payment frequency

IBM CVR – Solution

CHANGES from 10 April 2018

- The Business Partner value component requirement from 20% to 10% (from January 2018)
- Support / Services Plans will now qualify - greater eligibility for this incentive
- Three Solutions incentives will combine into a new single CVR Solution Incentive: former CVR- Capability, Industry, Value Advantage Plus (VAP) will be replaced
- Solutions will have broadened scope for improved market relevance
- Simplified application, reduced documentation requirements and channel neutrality for non-government accounts (No sales documentation required unless selected for compliance review)
- Business Partner must create opportunity using CVR-S/SA
 - Automatic identification and CVR - Solution approval
 - Submit both opportunity number and Solution ID each PO line item

IBM CVR – Renewals Management

CHANGES from 10 April 2018

- Replacing CVR - Software Renewals incentive (RVI)
 - April 9, 2018: Distributors must submit Purchase Orders to IBM no later than this date to receive the RVI incentive. Business Partner must plan ahead to send their Purchase Orders to the Distributor in advance
 - After April 9, 2018: CVR-Software Renewals will not be available
 - June 30, 2018: Last day to view the CVR-Software Renewals Opportunity List (primarily for reconciliation)
- Rewards the selling of On-Time renewals (before the due date) while maintaining End User relationships in the IBM Co Led and BP Led Segments
- Also apply if the Business Partner sells renewals upfront at the time of selling
- Paid as an instant rebate for PA/PAE End Users through BP's Distributor
 - Information provided on Passport Advantage Online (PAO)
 - Distributors quote rebate upfront in the price
 - Receive rebate at the time of sale

Channel Value Rewards (CVR) – Renewals Management Benefits

CHANGES from 10 April 2018

- Simplicity:
 - Clearer line of sight; for quoted renewals if “not on PAO, then not eligible” for most situations
 - After a Business Partner sells a New License, IBM automatically records the Business Partner as the reseller of transaction. When the renewal quote is issued for that New License sale, the Business Partner and its Preferred Distributor are given visibility to the quote information in Passport Advantage online. There is no longer a need to reference the former opportunity list.
 - Less administration
 - No requirements for selling the original new license with a value incentive
 - No updating CVR-SR Opportunity List for “missing” sales.
 - Less opportunities for data to change between quote and order
 - Available on all Product Groups (to avoid confusion if products shift from Closed to Open or vice versa)
 - No Government restrictions (unless not provided up front by Distributor price)
 - No documentation required
 - More opportunity for BPs to earn rewards than previous CVR-Software Renewals in key BP segments

2018 Subscription and Support incentive rates

Maximize earning potential by staying engaged & driving On-Time renewals in BP-Led (Commercial) and Co-Led accounts

2018 Subscription & Support	IBM-Led	Co-Led	BP-Led (Commercial)
Total Potential	Channel Margin	Channel Margin +7%	Channel Margin +16%
▪ CVR – Renewals Management		5%	8%
▪ CVR – Customer Focus BP-Led (Commercial) & Co-Led Focus		2%	8%
Channel Margin determined by Distributor			

When a BP asks: “What do I have to do and when do I receive the Incentive?”

Starting from April 10

Program:	Channel Margin	CVR Customer Focus	CVR Sales/Sales Assist Non-GE	CVR Sales-GE	CVR New Client	CVR Solution	Renewal Management	SaaS Deal Registration	SaaS LTC
Must be Reseller?	Yes	Yes	Sales-Yes	Yes	Yes	Yes	Yes	Yes	Yes
			Sales Assist -No						
MySA Registration required?	No	No	Yes	Yes	Yes	Yes	No	Yes	No
First Register required?	No	No	To receive OI - Yes	Not applicable	No	No	No	No	No
First BP to Register required?	No	No	Yes	Not applicable	Yes	No	No	Yes	No
Other Dependencies?	VAD determines % based on customer segment	Must resell in Co-Led or BP-Led customer segment	Sales Assist - Sales Docs required	Sales Docs required	Must receive CVR-Sales to qualify	Valid Solution Id & Oppty # for each pn.	Must be incumbent BP (Reseller of Transaction)		Coverage must be more than 24 Months
			BANT required	BANT required	Paid at same time as CVR-Sales	Paid at same time as CVR-Sales	Must close on time		
When received?									
- Instant paid via VAD:	instant	instant		instant	GE- instant	GE- instant	instant	* move to instant later in year	instant
- Backend paid to BP by IBM:			back end		non-GE backend	non GE- backend		Currently backend end of qtr.	
* Always confirm requirements in associated Operations Guides for each program									

Contacts

PartnerWorld (Landing page):

<https://www-356.ibm.com/partnerworld/wps/servlet/ContentHandler/partner-incentives>

CVR- Software Sales and Sales Assist:

CVR-S/SA Website: <http://www.ibm.com/partnerworld/cvrsoftwaresalesandsalesassist>

On boarding CVR-SSA: CEsvpsvi@sk.ibm.com

CVR-S/SA Admin Team: sviprm@uk.ibm.com

CVR-S/SA Payment Team: EMEASVI_Payments@sk.ibm.com

PartnerWorld Support Center: emeapw@uk.ibm.com

CVR-New Client

CVR-NC Website: <http://www.ibm.com/partnerworld/cvrswnewclient>

Operations contact : EMEABPLM@ie.ibm.com

CVR Solutions

CVR-VAP operations contact: EMEAVAP@uk.ibm.com

CVR-Software Renewals: www.ibm.com/partnerworld/renewalvalueincentive

General RVI program queries: rviemea@uk.ibm.com

Important Notes

- Information provided or discussed about the IBM 2018 Software and SaaS Channel Incentive Transformation and associated incentive rates are for planning purposes only, are subject to change until implementation and do not represent a guarantee of future actions.
- This document and any other related materials are intended as planning tools only for IBM Business Partners and Value Added Distributors.
- All information related to the IBM 2018 Software and SaaS Channel Incentive Transformation is IBM Confidential and subject to the terms of the IBM Agreement for Exchange of Confidential Information or other confidentiality agreements as agreed by both parties.

Important notice on all information regarding channel margins and incentive payments contained in this announcement:

- IBM Distributors shall have sole discretion in determining the amount of rebate the Distributor provides the Reseller, if any. Resellers should discuss the rebate directly with their Distributor as discounts may vary.
- Availability of Business Partner incentives and programs vary by geographic region.
- Incentive payout rates can vary by geographic region.
- Check your local incentive operating guides for details specific to your region.

Questions?

THANK YOU