

# **IBM Technology Support Services – Global Rules of Engagement 2019**

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# 1. Introduction

This document defines the Operating Business Principles around IBM Technology Support Services (TSS), including Autorenewals, Contract Renewals, Warranty Exit and High Volume Easy Configurable (HVEC) ServicePac. This PartnerWorld (PW) Flash replaces any rules published previously WorldWide.

The Technology Support Services market remains competitive, yet IBM Business Partners have found success by focusing on their Recurring Services Revenue. Selling Technology Support Services depends on the value and return on investment a customer perceives, specifically the client's understanding of the benefits of IBM Services versus the cost of downtime. Therefore, specific sales skills and deeper insight into services is required. IBM Technology Support Services focuses on service at the initial sale of the hardware, or later at the time of warranty expiration and renewal of contracts.

IBM Business Partners are very important contributors to the success of TSS.

To continue to drive successful cooperation and further strengthen our collaboration, this PartnerWorld News Flash will clarify how to handle the core aspects of TSS Business Processes and related Operating Business Principles.

This document provides Business Partners with a consolidated reference resource to understand how TSS services works, with a focus on TSS service contract renewals, and provides a level of transparency on how business is handled. However, it should not be viewed as a replacement for work instructions, education or documentation for systems involved in TSS, or other brands.

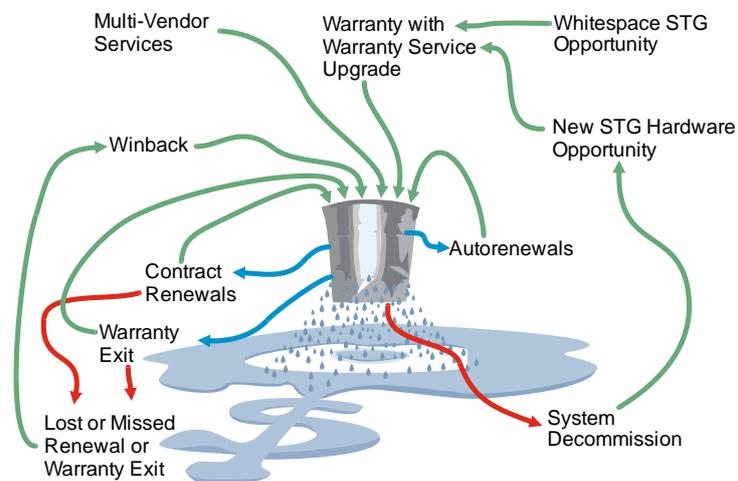
Wherever possible, we have provided links and references, so you can gain deeper insight or access support.

## 2. Revenue Lifecycle Management

IBM's Technology Support Service maintenance contracts present a continuous client engagement and revenue generation opportunity. Client and Business Partner action is required as systems go out of warranty, when contracts expire, or new systems are added to a customer's inventory. Activities supporting the continuous revenue stream are also known as Revenue Lifecycle Management (RLM).

Customer needs - for better availability, cost reduction, or increasing the flexibility and efficiency of their IT Infrastructure to optimize support - are independent from their size or industry. Several sizeable challenges remain: infrastructure maintenance, resolving increasing complexities, required Service Level Definitions, and the maintenance of trained and skilled staff. Access to current IBM microcode and updates for licensed software are essential to optimize IT infrastructure.

The illustration below compares the Revenue Lifecycle Management to a 'leaky bucket'. The bucket resembles the size of an IBM Business Partner's revenue in RLM. The goal is to increase the size of the bucket – the amount of revenue driven through their RLM loop. Yet, contracts are sometimes lost, and systems decommissioned, so the bucket is 'leaky'.



RLM should be a core process for all Business Partners. The best performing Business Partners have well-established practices that rely in large part on their information about each customer. IBM works to provide information on a best effort basis to complement the Business Partner's own data.

The key drivers for RLM are:

- Availability of correct data consistently and on time to drive the process
- Proactive quoting – the price a customer must pay when they renew the contract, or for a follow-on contract to warranty
- A consistent sales management process to close renewals in time.

In the following chapters, we explain these three factors more closely, alongside how IBM addresses the challenges to help you maximize your renewal rate.

### 2.1 Engagement Types

There are several different engagement types described below. Where we refer to "Renewals" in this document, we include Contract Expirations, Warranty Exit, Software Maintenance Expiration, and Multi-Vendor Services.

### 2.1.1 Contract Expirations

When looking at renewals and expiring contracts, we always group expiration of Hardware Maintenance and Software Maintenance together. Where there are any differences, we will refer to them specifically. Contract renewals are needed when an existing contract expires, leaving a single system, or multiple systems, without coverage. Without proper maintenance coverage as part of a contract, the customer is no longer entitled to IBM microcode and Software updates, which potentially negatively affects system availability.

Contract Renewals are divided into two different categories:

#### **Autorenewals**

When offered this type of contract renews automatically unless the customer or Business Partner cancels. Although it happens automatically, Autorenewal time usually presents a good opportunity to have a conversation with the customer about how their support coverage can be further optimized. As the process involves less administrative work, Autorenewal has become the standard.

#### **Contract renewals**

A contract needs to be renewed manually if it cannot be auto-renewed and has a defined expiration date. This is also called a Fixed Term Contract (FTC). In this type of contract, the customer's coverage will expire on a specific date unless action is taken to renew.

### 2.1.2 Warranty Exit

Systems not covered by a Warranty Service Upgrade fall out of warranty after the warranty period expires. Systems falling out of warranty are left without coverage or access to IBM microcode updates and Software Maintenance. That leaves relatively new systems exposed unless they are covered by a maintenance contract.

Within the TSS Business Partner management system, we pay special attention to the Warranty Exit conversion rate: systems with expiring warranty and not covered by TSS maintenance.

### 2.1.3 Software Maintenance Expiration

Software Maintenance (SWMA) expiration is triggered by the end of the initial support period of SWMA, which is the unique combination of Subscription and Support for the primary software operating system and attached software operating system – for example, IBM AIX and IBM Director on IBM's Power and Storage Platform. While the initial period of Software Maintenance is included as part of the Hardware purchase, the renewal is done through IBM Technology Support Services and integrated into a maintenance contract. Note: the expiration of a Software Maintenance contract may not necessarily be the same as the warranty end date.

### 2.1.4 Multi-Vendor Services

*“Complexity in support is driven by the interconnection of products from multiple vendors and integration of applications and solutions in models like appliances and mobile devices. This complicates problem determination and resolution. Managing the total environment is complex.”*

- TSS Academy

To support customers in managing this challenge, IBM provides its world-class maintenance services on other manufacturers' systems – known as IBM Multi-Vendor Services (MVS). IBM MVS significantly simplifies maintenance coverage for customers as they only need one number to call to resolve a support issue. Many Clients have a mix of different OEM server, storage and networking components. IBM provides coverage for 30,000+ Logo and MVS machines and a wide variety of MVS Software titles. Multi-Vendor Services can be a significant addition to a Partner's Revenue Lifecycle Management stream and, by including the maintenance of these components, a Partner also gains better coverage over their customer.

### 2.1.5 New Hardware Opportunity (Attach Rate)

IBM has analyzed customer buying behavior and found that customers who purchased IBM System Hardware alongside IBM Technology Support Services spent more on average on their hardware, compared to customers that only bought hardware.

A system’s warranty only covers the basic services a customer needs. For business-critical systems, clients should consider a Warranty Service Upgrade (WSU), providing a higher service level.

Once in place, a WSU allows TSS the opportunity to work with the client’s management team, demonstrating innovation and delivering higher value. Additional service offerings and incremental revenue may result for the Business Partner and IBM. Given the benefits of attaching IBM Services to a hardware transaction, Partners are encouraged to sell WSU and IBM’s Premium Offerings wherever possible. Attaching additional services to a system at initial sales is the most beneficial entry point into services.

The measurement for this is called ‘Attach Rate’ in IBM’s Key Performance Indicator measurement system. It shows how well all new systems installed are covered - not only by warranty, but by a more comprehensive service level that meets the customer’s true needs.

## 2.2 Data availability and timeline

A key factor in Revenue Lifecycle Management is the right timing. Below is a timeline recommended by IBM, which should not be read as a commitment by IBM to provide data in certain timescales.

Below an overview of the typical timelines

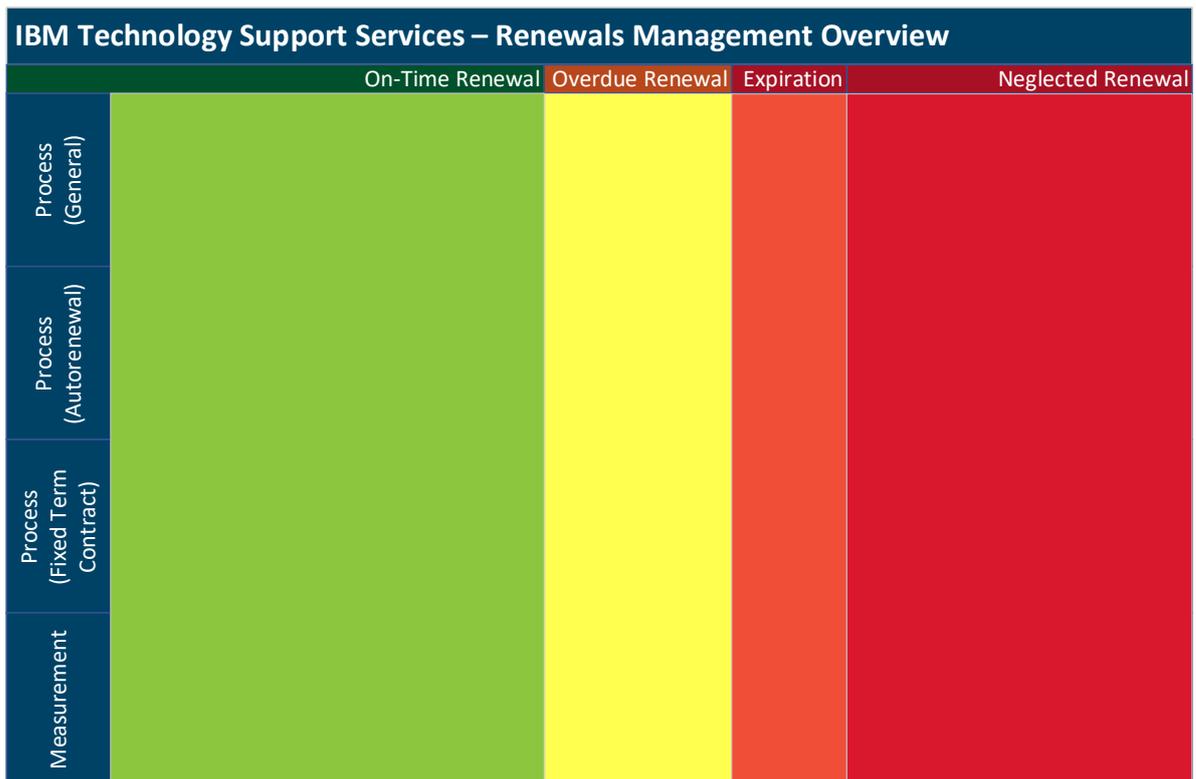


Figure 1: Renewals Management Overview

We consider any renewal taking place by 30 days before expiration as an “On-Time” Renewal. An on-time renewal ensures that the customer’s critical infrastructure remains covered. Renewing on time also ensures that the customer has enough time to process Purchase Orders and evaluate any additional services or increase in service response levels.

30 days before expiration to Expiration is considered an Overdue Renewal. Business Partners, Distributors and Customers are under time pressure to ensure continued coverage.

Any renewal after the expiration we consider a “Neglected Renewal” – the renewal is too late to ensure a customer’s continued coverage.

In the figure below we highlight the different phases of the “On-Time Renewals” and “Overdue Renewals” timeline. This represents an ideal state that we currently work towards.

IBM Technology Support Services – Renewals Management Overview		Expiration	
		+1 Day	+15 Days
Process (General)	+180 Days	180 days before expiration customer information becomes available	
	+120 Days	120 days before expiration renewal information should be shared with the customer	
Process (Autorenewal)	+90 Days	90 days before expiration renewal should be signed by the customer	
	+30 Days	AUTORENEWAL: 30 days before expiration cancellations have to be provided to IBM by the Distributor (where necessary)	
Process (Fixed Term Contract)	+15 Days	15 days before expiration cancellations have to be provided to IBM by the distributor (where necessary)	If the system is not part of a quote, IBM or its agency can engage
	+1 Day	BP can reactivate the contract until one day before expiration	
Measurement			On-Time Renewal Renewals happening 30 days before expiration are counted as «on time»

Figure 2: Renewals Management Overview - On-Time and Overdue

The figure below shows the timeline after expiration. The customer is uncovered and potentially an “After License Charge” and a “Reinstatement Fee” become due.

IBM Technology Support Services – Renewals Management Overview				
	Expiration	-15 Days	-30 Days	-60 Days
Process (General)	At expiration the system becomes uncovered and the customer is exposed		IBM starts charging After License Charge for Software Maintenance	
Process (Autorenewal)		IBM or its Agency can engage		
Process (Fixed Term Contract)		IBM or its Agency can engage in a follow-up		
Measurement				Non-Renewed +60 days the system is regarded «non renewed» by the renewals measurement

Figure 3: Renewals Management Overview - Neglected Renewals

**2.2.1 180 Days before expiration (On-Time)**

Renewal opportunities are identified and shared with the TSS sales organization around 180 days before the contract expiration date. This timeframe allows sales to plan ahead and provides a sufficient buffer to the defined service coverage requirements, adapting them through one or more checkpoints with the customer. As an example, IBM strives to provide January expirations in June of the previous year. Should any additional January expiration data become available, it is included in subsequent monthly data deliveries.

**2.2.2 120 Days before expiration (On-Time)**

150 to 120 days before expiration, the customer should be informed of the pending renewal. This timeframe allows for sufficient preparation as well as for the customer to evaluate proposed solutions internally, adapt inventory where necessary, and handle procurement and budget prerequisites. Providing the information at a later time lowers the renewal rate by about 2% per seven days, down to 60% and below.

**2.2.3 90 Days before expiration (On-Time)**

Renewing 90 days before expiration allows customers to process the renewal at their own pace. Recent research has shown that customers will spend more money on a renewal (such as adding premium services) if closed 90 days in advance. The renewals process and communication with the customer should be designed with this in mind.

**2.2.4 90 Days to 30 days before expiration (On-Time)**

For large contract renewals and Warranty Exits, IBM may ask the Business Partner to provide details on the status of the renewal and validate appropriate action. If not enough progress has been made, IBM may contact the Client directly.

### 2.2.5 30 Days before expiration (Overdue)

At the latest, 30 days before expiration the contract should be renewed, in line with industry practices, TSS considers this an “on-time” renewal. This ensures that the customer remains covered without service interruption. Any contract renewal less than 30 days is considered an “Overdue Renewal”.

In case of an Autorenewal contract, the Tier 1 and Tier 2 Business Partners (not the IBM Distributor) are expected to have terminated the contract if there is no autorenewal (no exceptions).

### 2.2.6 15 Days before expiration (Overdue)

#### Fixed Term Contracts

If IBM or the Distributor does not have any contract and IBM, or the Distributor cannot see activity by the Business Partner (e.g. a requested proposal), IBM may contact the client to ensure mission critical infrastructure is not at risk.

The Distributor can shift the opportunity either to another Business Partner or an IBM Agency for the renewal, and IBM can engage directly with the customer or via an IBM Agency.

If a customer has a BP engaged, the Distributor, IBM or the Agency withdraws.

#### Autorenewal

In the case of an Autorenewal, we provide Distribution with 15 days to process the termination of an Autorenewal, provided they receive it 30 days before expiration from a Tier 2 BP.

### 2.2.7 1 Day before expiration (Overdue)

Where the Partner has confirmation of a renewal, and provides a Purchase Order to the Distributor, the contract can be reactivated up to one day prior to the expiration date.

### 2.2.8 Expiration (Neglected)

If the customer experiences an outage at the point of expiration, IBM will treat the incident as non-covered and provide service on a “best effort” basis and at an additional cost. There is no service SLA or call resolution commitment.

### 2.2.9 15 Days after expiration (Neglected)

If a customer had a BP involved earlier, IBM might check with the customer if the deal closed. If not, the Distributor, IBM or an authorized Agency can provide a proposal to the customer. If a BP continues to be actively involved, and the renewal for IBM maintenance coverage is in progress, the Distributor, IBM or the Agency withdraws

### 2.2.10 30 Days after expiration (Neglected)

Should the client decide to renew software 30 days after expiration, an additional After License Charge (ALC) is added, which significantly increases the cost of Software Maintenance.

### 2.2.11 60 Days after expiration (Failed)

Late renewals will be excluded from the TSS “on-time” measurement.

### 2.2.12 90 days after expiration (Failed)

Re-establishment Fee may apply when reactivating a contract.

### 2.2.13 Summary

Ideally, you should align your best price to close the deal in line with this timeline. Some Business Partners offer their customers a “On-time Renewals Bonus”, providing the customer with an incentive to renew early, which should also be aligned to the ideal renewals’ timeline.

Customers should be aware that renewing their maintenance contracts on time is the only way to ensure seamless protection for their infrastructure, with continuous service and subscription coverage. It also saves them the cost of additional fees which are charged to re-establish service

coverage for hardware maintenance, such as the Reestablishment Fee (ReFee), Software Maintenance and After License Charge (ALC) or After License Fee (ALF).

Revenue Lifecycle Management provides you with a constant flow of opportunities, ensuring you stay ahead of time – all the time.

## 3. Principles of Engagement

### 3.1 IBM Business Partner Charter – Six Guiding Principles

The IBM Business Partner Charter describes six guiding principles that also apply to TSS. You can find the latest version of the IBM BP Charter on IBM PartnerWorld or at:

[https://www-2000.ibm.com/partnerworld/pdf/IBM\\_Business\\_Partner\\_Charter\\_2018.pdf](https://www-2000.ibm.com/partnerworld/pdf/IBM_Business_Partner_Charter_2018.pdf)

### 3.2 TSS Principles of Engagement

The following principles apply to IBM Technology Support Services transactions. They might differ in specific countries due to legal requirements, GOE rules and systems limitation.

#### 3.2.1 Renewals

Partners have the exclusive right to renew any of their IBM contracts and cover any of the systems sold with IBM Maintenance up to 30 days before a contract renewal is due or the warranty or initial Software Maintenance expires (excluding the “Exceptions” mentioned below).

In situations where the Business Partner has not actioned an opportunity to renew a service within the agreed timeframe, nor documented their activities, IBM will step in and assist the customer to continue their service coverage to protect their infrastructure.

Where IBM's records show an IBM, machine has *not* been placed under an IBM Maintenance Agreement 30 days before warranty or contract expiration, IBM and/or the Distributor can shift the opportunity:

- The IBM Distributor that holds the contract can ask for a different BP to be engaged and transfer the opportunity to another Business Partner of their choice, if their BP agreement is valid (i.e. not terminated).
- IBM, IBM Digital Sales or an IBM authorized agency working on behalf of IBM can contact the end user and directly propose an IBM Maintenance contract.

If the client confirms IBM Maintenance already proposed by an IBM Business Partner and it is not an exception, the Distributor, IBM, IBM Digital Sales or the agency will disengage from the opportunity. To ensure the customer is appropriately covered, IBM will check the renewal status at expiration again and IBM or one of its authorized agencies will contact the end user customer to clarify the situation and, if appropriate, offer a contract.

### 3.3 Exceptions

#### 3.3.1 Enterprise Service Agreement (ESA) Customers (or similar)

Enterprise Service Agreements are a customer-assembled service package designed for enterprise clients, and are direct agreements between the customer and IBM. In different countries, it could have a different name, but the same rules apply. It is a contract for all types of products, and it has the key benefit of having the flexibility to integrate additional systems as and when their warranties expire.

ESA customers can request to have their systems automatically included in the contract. Therefore, in line with current processes, Warranty Exits for ESA customers are, where possible, automatically removed from the list of renewals for BPs and assigned to IBM to allow for integration in an ESA contract. This prevents duplication of work between BPs and IBM.

### 3.3.2 Third Party Maintenance Organizations (TPM)

If a Business Partner offers Maintenance not delivered by IBM (such as Third-Party Maintenance), IBM reserves the right to offer IBM Maintenance in competition to the Business Partner’s offer immediately, and any protection is void.

### 3.4 Autorenewal

Autorenewal allows for a contract to be automatically renewed for the next term, if not cancelled within the given cancellation period. This reduces the amount of time needed to create a new contract and collect customer signatures. Autorenewal has become the standard for IBM TSS Maintenance contracts in most countries. Due to changes in inventory and in customer circumstances, some Autorenewal contracts need to be modified before renewal.

We plan to introduce an automatic solution for TSS Autorenewal contracts that will help you to prepare the next contract period with your customers in advance. The autorenewal renewal process follows a similar timeline as a Fixed Term Contract.

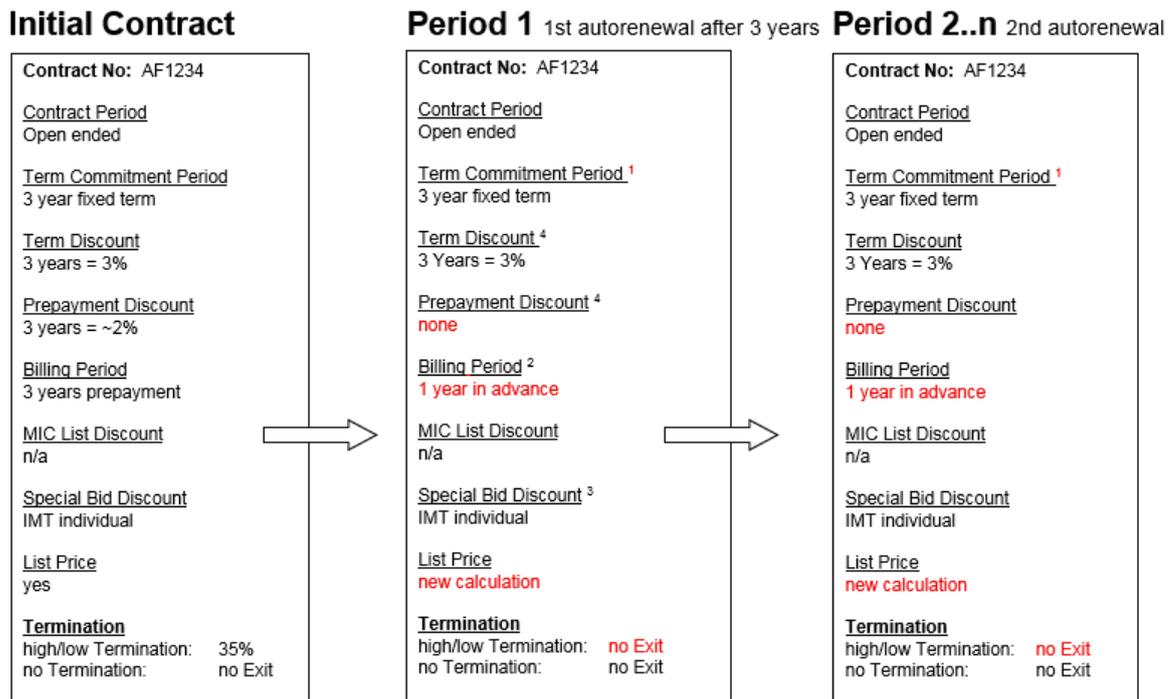
As a Business Partner, you will receive a list of contracts where the Autorenewal flag was set to ‘yes’ and will expire in the coming next 180 days on a monthly basis – as earlier described in this document. The list will include by contract, a forecast of the cost for the next billing period (billing forecast) where available. Any contract changes must be communicated by the Business Partner to their Distributor and the Distributor to IBM well in advance of the of renewal date. This will avoid coverage gaps and potential billing issues.

This will provide you with time to have a conversation with your customer regarding the next renewal period and to submit a Purchase Order to IBM (if required). It also removes the necessity to create new proposals to simulate the next renewal period.

Once the content is agreed with the customer, the Business Partner provides a new Purchase Order Number for the contract to IBM Quote to Cash (Q2C), formerly known as IBM Sales Transaction Support (STS), for them to ensure the correct Purchase Order Number is used on the next billing.

The following terms apply when a contract is renewed in the Autorenewal process:

#### Sample - ServiceSuite 3 Year Prepayment



<sup>1</sup> Term commitment period is unchanged to keep term discount as set with initial contract  
**Red Text** = changes from initial contract period into renewal periods

### 3.5 Hardware Maintenance Re-establishment Fee (ReFee) and Software Maintenance After License Charge/Fee – ALC/ALF

IBM System Hardware equipment that is no longer covered by a base warranty and not covered by an IBM hardware maintenance service agreement for an extended period (“lapsed coverage”) will be subject to a Re-establishment Fee when added to an IBM hardware maintenance service agreement.

For Software Maintenance, similar charges are summarized under the terms After License Charge (ALC), After License Fee (ALF) and Maintenance after License (MAL). Additional details are available in the IAASM – International Agreement for Acquisition of Software Maintenance:

<https://www-03.ibm.com/software/sla/sladb.nsf/sla/iaasm>

## 4. Where is it Available?

This document describes the Principles of Engagement for IBM Technology Support Services WorldWide.

Countries under U.S. embargo are excluded.

## 5. History of revisions

Date of revisions	Details of revisions	Effective date of change
April 2019	Initial document	

# Appendix A: Timelines for specific Geographies

IBM is working to enact the timelines mentioned above over time for all Geographies. For specific Geographies, the timelines are stated below. All other Geographies work with the timelines mentioned above.

## A - 1: Latin America

	Identify Prior to -90D	pricing -90D to 30D	closing -30D* to T0	0	T0 to +15D	Beyond +15D	Other/Comments
LA (Except Brazil)	BP has exclusive period	Proof of Action (IBM may Act) <i>(for large contract renewals and Wty. Exit, IBM may ask BP to prove action; and step in if none.)</i> ASK FOR QUOTATION to Sales Team  If no action, we can request the Distributor to replace the BP	Proof of proposal sent, under negotiation		Grace Period (No activity from IBM) <i>(due to possible administrative time delays)</i>	IBM can assume	BP should include IBM additional services in all proposals.  If additional Services not included, IBM may run actions direct with the client.  not applicable for GOE

### Sales Connect / Management System

Today	Sales Kit (excell) created - Send to India Opps are created on SC as Direct Sales - no BP identified Sales Team must request to Lead Gov. to assign BP to the proper SC Opp	OO must update MYS/SC  If change BP we must update it on Sales Connect	OO must update MYS/SC				
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## A - 2: United States

	Prior to -90D	-90D to T0	T0 to +60D	Beyond +60D	Other/Comments
NA	No IBM outbound calls on BP placed Equipment	Proof of Action (IBM may Act) <i>(for large contract renewals and Wty. Exit, BM may ask BP to prove action; and step in if none.)</i>	Grace Period (No activity from IBM) <i>(due to possible administrative time delays)</i>	IBM can assume	IBM will disengage if client states interaction with BP on this subject.