

A Forrester Total Economic Impact™
Study Commissioned By IBM Services
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The Total Economic Impact™ Of Optimizing And Managing Your Hybrid Multicloud

Cost Savings And Business Benefits Of
Accelerating The Cloud Journey Enabled
By IBM

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Benefits Of Using IBM As A Partner



Data center infrastructure savings:
\$291 million



Improved operating income:
\$64 million



Operational savings:
\$41 million

Executive Summary

According to Forrester's research, "Cloud migration is driving the latest phase of application modernization — and companies of all sizes require assistance in making their cloud journeys."¹ The reason for assistance is simple: While cloud migration includes lift-and-shift of workloads to the cloud, simple migration is not enough to maximize the benefits of modernizing apps.² Although organizations desire the organizational agility and cost-effective consumption models that the cloud offers, over on-premises deployments, replatforming and refactoring applications is time-consuming and requires specialized expertise in both apps and cloud platforms. Furthermore, in order to attain app modernization, firms must first modernize infrastructure and take new approaches to managing it.

IBM commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by leveraging IBM solutions to accelerate their journey to cloud. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of IBM solutions on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed two customers and surveyed an additional 120 IT decision makers who partner with IBM. Working with IBM, these customers modernized their application portfolios and accelerated migrations to the public cloud. Once in the cloud, the organizations retired traditional on-premises infrastructure that was no longer necessary. Furthermore, these companies engaged IBM to manage their cloud deployments, further reducing ongoing operations costs. Being in the cloud also enabled organizations to innovate and respond to changing customer demands, i.e., winning and retaining customers with new services and engagement models that were previously not possible with their legacy deployments.

Prior to partnering with IBM, the customers managed their own data centers, which proved to be a complex endeavor that was both difficult and uneconomic. The surveyed organizations were interested in moving to the cloud, but they first recognized that they would need a partner with the right skills to help plan and execute cloud migration and modernization projects.

Key Findings

Quantified benefits. The following risk-adjusted present value (PV) quantified benefits are representative of those experienced by the interviewed companies that partner with IBM:

¹ Source: "The Forrester Wave™: Application Modernization And Migration Services, Q3 2019," Forrester Research, Inc., July 16, 2019.

² Source: "Use Modernization And Migration Services To Speed Your Cloud Migration," Forrester Research, Inc., June 4, 2019.



ROI
52%



Benefits PV
\$414 million



NPV
\$142 million



Payback
30 months

- › **Reduced application migration and modernization costs by 34%.** Organizations that want to move to a multicloud environment and enjoy the benefits of a modern application portfolio need to heavily invest in planning and executing their cloud migration and app modernization efforts. The complexity of traditional systems and infrastructure results in unknown dependencies and cumbersome operations processes. Working with the right partner provided these companies with access to the cloud talent and neutral third-party evaluation that was necessary to accelerate efforts and reduce the incurred costs.
- › **Reduced risk of application disruption by 44%.** Working with a partner ensured that application migration efforts were done properly. Organizations reduced risk and improved time to delivery, lowering the chance of disruption to core applications and ensuring that downtime was minimized, and costs were reduced.
- › **Reduced ongoing operational costs by 35%.** By modernizing their applications and simplifying their support processes, these organizations reduced the effort required for ongoing operations. To reduce operational costs further, clients built new enterprise applications and created customized multicloud deployments.
- › **Reduced data center footprint over five years by 80%.** Through their partnership with IBM, organizations executed their cloud journey, freeing them to retire legacy on-premises hardware. Organizations discontinued the costs associated with operating and maintaining physical data centers as they transitioned their applications to the cloud.
- › **Improved operating income.** Having next-generation applications deployed in the cloud allows organizations to address new markets as well as offer new products and services to their existing customer base. Organizations that have completed their cloud journey are better able to address changing customer demands and focus internal efforts on operational and product innovations.

Unquantified benefits. The interviewed organizations experienced the following benefits, which are not quantified for this study:

- › **Consolidated vendor portfolio.** Organizations can take advantage of IBMs' existing products and partner relationships when licenses come up for renewal — either replacing current vendors with IBM offerings or negotiating lower prices. Managing fewer vendors also reduces the required internal assets, which are dedicated to such tasks.
- › **Integration of Red Hat offerings.** Organizations can further reduce operational costs through infrastructure automation with Red Hat Ansible, while increasing DevOps velocity with Red Hat OpenShift.
- › **Improve customer experience.** Modern, cloud-enabled apps enhance the experience of both internal users and external customers through improved reliability, faster delivery of innovative features, and the ability to offer customers the type of cloud engagement and licensing models they prefer.
- › **Improved security and resiliency.** Using IBM's security products and expertise, organizations strengthened their cyber security and resiliency profile while they migrated and modernized apps using cloud.

Costs. The interviewed organizations paid IBM for implementation services, which spanned the entire cloud journey from planning to execution, as well as an annual fee for ongoing management and development services, which was prorated over the life of the contract.

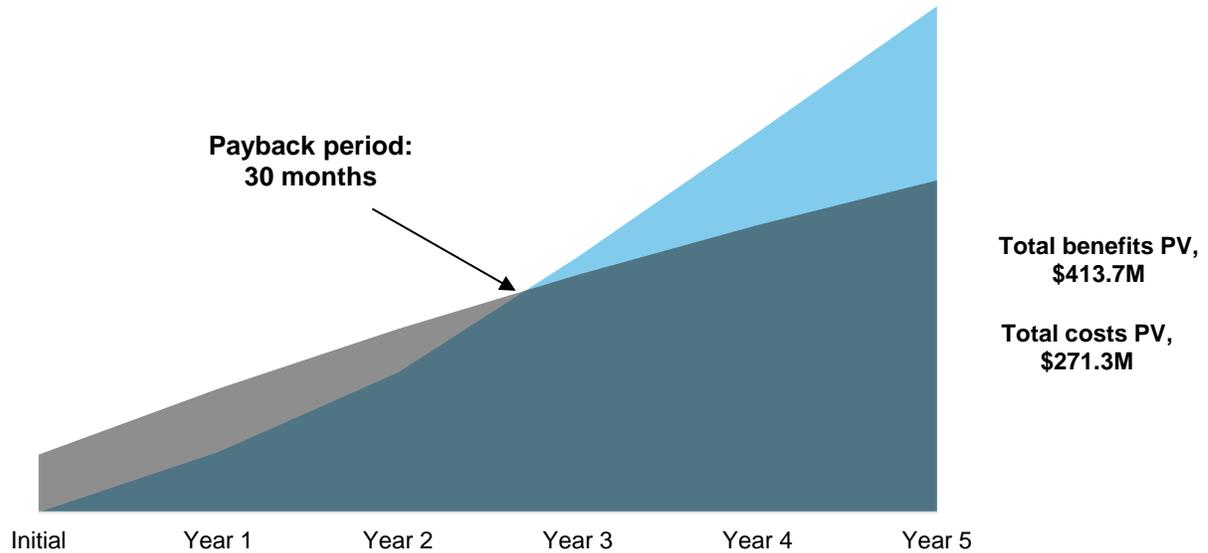
“We are now opex instead of capex. You're allowed to focus on improving the actual customer experience and the software, which is your core deliverable, as opposed to actually managing infrastructure.”

*Chief product officer,
B2B software*



Forrester's interviews with existing customers, the survey of 120 IT decision makers, and subsequent financial analysis found that an organization based on these interviewed organizations experienced benefits of \$413,724,726 over five years versus costs of \$271,342,360, adding up to a net present value (NPV) of \$142,382,366 and an ROI of 52%.

Financial Summary



DISCLOSURES

Readers should be aware of the following:

This study is commissioned by IBM and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in IBM Services.

IBM reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

IBM provided the customer names for the interviews but did not participate in the interviews.

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IBM: Overview

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The new normal is hybrid multicloud and open.

Businesses have prioritized technology transformation as a key enabler of the innovative experiences they aspire to provide for customers, employees, and ecosystems. To achieve this, they look to accelerate application development and maintenance by modernizing their infrastructure for scalability, automation, and self-service management. The hybrid cloud can give you the flexibility to start to unlock the full potential of your workloads. To optimize your hybrid cloud to its full potential, adopting a pragmatic approach of leveraging internal and external resources can help solve existing challenges while incorporating technologies to accelerate future transformation.

IBM can help you optimize and modernize technologies with proven processes that increase portability and minimize risk. By strategically building cloud solutions once and deploying virtually anywhere, IBM can establish a freedom of choice that supports your changing business needs with an open architecture for interoperability.

Creating a hybrid multicloud environment includes the following steps:

- **Cloud strategy:** Build a roadmap to transform your applications into a cloud-enabled, agile portfolio that's built on open standards and security-rich across multiple cloud environments
- **Cloud migration:** Work with certified experts to move workloads, including mission-critical applications, to the IBM public cloud, or the cloud of your choice, with minimal downtime
- **Cloud development:** Build hybrid, multicloud environments that are designed to be security-rich, resilient, scalable and open across private and public clouds, including the IBM public cloud
- **Cloud management:** Use a single, integrated management and operations offering to consume, orchestrate and govern digital services from the IBM public cloud and other providers
- **Cloud maintenance:** Engage smart, single-source support that covers your entire IT ecosystem, end to end, from open source software and hybrid cloud environments to multi-technology hardware and traditional systems

The IBM portfolio, with Red Hat and the IBM public cloud, is built to help support you at any point in your cloud journey. Simplify integration and management with an open approach using Red Hat OpenShift and accelerate your hybrid IT transformation securely backed by IBM skills and experience. Whether its security, resiliency, optimization or management, IBM can help you modernize technologies with processes designed to help you increase portability and minimize risk.

To read the full report *The Total Economic Impact Of Optimizing And Managing Your Hybrid Multicloud*, please register for the whitepaper [here](#).