Agenda

- About IBM Global Services
- The Firm Context – The Transformation of IBM
- The Market Context – Business/Technology Co-Evolution
- Services Marketing – Today
- Services Marketing – Future Directions
IBM Global Services

- **Services**
  - Financing
  - Hardware
  - Software
  - Technology
  - Research

- World’s largest business and technology services provider
  - $42 billion in revenue
  - More than 150,000 employees

- Largest outsourcing company
- Largest consulting company
- Largest product support services company

- Helps customers:
  - Capitalize on IT to improve business performance
  - Manage IT operations and resources

- Principal lines of business:
  - Business Consulting Services
  - Integrated Technology Services
  - Strategic Outsourcing Services
IBM Global Services Value Framework

WHAT SHOULD I DO?
HELP ME DO IT
MANAGE IT FOR ME

Business Consulting Services
- Human Capital Solutions
- Customer Relationship Management
- Financial Management
- Supply Chain & Operations Management
- Strategic Change
- e-business Integration
- Transform and Operate Solutions

Integrated Technology Services
- Infrastructure & Systems Management Services
- Technical Support Services
- Maintenance Services
- Networking & Connectivity Services
- Business Continuity and Recovery Services
- Technical Training Services

Outsourcing Services
- Outsource Management, Operational and Support Processes
  - Finance & Accounting
  - Human Resources
  - Procurement
  - Customer Care
- Infrastructure
  - Servers
  - Web Hosting
  - Network
  - Desktop
  - Storage
  - Groupware
  - Disaster Recovery
  - Security
- Application Management Services
  - Custom & Legacy
  - Packaged
  - Application Effectiveness
  - Rapid Development

WHAT SHOULD I DO?
HELP ME DO IT
MANAGE IT FOR ME
IBM Heritage of Service

“IBM equals Service…This clearly states just exactly what we stand for.”

- Thomas J. Watson Jr. 1963
IBM, A Business In Trouble

1993

- Federation of companies
- Individual business strategies
- Inside - out view of the world
- Selling proposition: HW
- Brand erosion
- Becoming irrelevant
- Fragmented marketing investments
- Lack of marketing expertise
- Lack of marketing management system
IBM Equals Service Again

“I was an IBM customer...leaders want a solution to their problem and they need someone who can help”

- L. V. Gerstner 1994
IBM Evolution: From a Product to a Services-led Company

- **Early Nineties: Keeping IBM Whole**
  Key decisions on business model and strategic direction

- **Middle Nineties: Creating IBM Global Services**
  Focus on core differentiators and portfolio management

- **Late Nineties: Embracing e-business solutions**
  Address customer needs for e-business strategy expertise

- **Today: Extending e-business into the next era of business**
  Helping clients become on demand businesses
1997: (Re-) Introducing the Business Dimension

- Internet rise to prominence
- "Browser wars" dominate

IBM recognizes the opportunity for another perspective:

- Helping businesses do real business, using Internet technologies.
- Defines positioning as "e-business"
Organizing Our Story

Strategic shift:
Target line of business executives in addition to our IT target
Move focus from hardware to solutions

Map communications against a new decision-making cycle

Create IBM's story around the business opportunities that e-business presents

Use all the communication tools

<table>
<thead>
<tr>
<th>Tool</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV:</td>
<td>Defines the opportunities</td>
</tr>
<tr>
<td>Print:</td>
<td>Explains in depth</td>
</tr>
<tr>
<td>Web:</td>
<td>Demonstrates</td>
</tr>
<tr>
<td>Outdoor:</td>
<td>Surprise &amp; visibility</td>
</tr>
<tr>
<td>Direct Mail:</td>
<td>Targets high value prospects</td>
</tr>
<tr>
<td>Events:</td>
<td>e-business &quot;live&quot;</td>
</tr>
<tr>
<td>PR:</td>
<td>Provides editorial credibility</td>
</tr>
</tbody>
</table>
“e-culture”

"e-culture" customer reference campaign contributed a sense of momentum and ubiquity:

- Proof of claims: Real customers
- Solutions: every size, every industry
- Real results
- Innovation
"It is as if we actually created thousands of invisible factories in the 1990s that were not documented," says Prof Brynjolfsson, warming to his theme. "These are intangible assets from which we are now able to get output. The way that translates at a macroeconomic level is that it looks like a tremendous productivity surge."

Financial Times, December 2003
The Market Context – Business/Technology Co-Evolution

- Clients seeking new levels of productivity
- Technology is ready or nearly ready
- Companies have learned about
  - Reengineering business processes
  - Outsourcing and alliances
  - Driving productivity gains from IT

- Co-evolution and Fusion of IT with Business
- New Enterprise Forms and a New Era of Business – “On Demand Business”
Emerging Services Marketing approaches include:

- Enhancing the client service experience with supplementary thought leadership, making client aware of additional perspectives, approaches
- Leveraging client referral networks (e.g. Board interrelationships)
- Disrupting competitive client relationships with breakthrough points of view and distinctive DNA
- Enabling clients to learn and teach others
Content is critical to Services Marketing

- Offering content is not enough

- Services Marketing requires non-offering content that
  - is relevant to an educated audience in sophisticated organizations
  - addresses today’s challenges in a distinctive and compelling way
  - illustrates our vision of the future (on demand) and proves our claims
  - is deliverable across multiple touch points (client-facing teams, events, web, etc.)
  - commands attention and engages the executive

*Services Marketing requires large quantities of high value content that reduces buyer uncertainty and perceived risk, and gives them the confidence to act*
What is Content? Content Spectrum

- Solution / Answer / Proven Method
- Tool / Diagnostic / Partial Method
- Framework / Point of View / Heuristic
- Research Focus Area, Domain
- Research Recognition, Aspiration
Marketing a Future Vision

On Demand

Give it Meaning
Give it relevance & purpose
Evangelize it
Become the preferred provider
Highlight its full implications

- Vision
- Definition
- Benefits
- Common story, language
- Strong capabilities, partnerships
- Broadest, deepest point of view on impact on enterprises
The Role of “Managerial Innovation”

- It is extremely difficult to differentiate IBM by asserting a superior vision of the enterprise of the future and/or the nature of the future era of business.
- Most clients already receive multiple inputs on the general direction they should take their business.
- Clients lack the “how” – the repertoire of management approaches through which the new management challenges of the next era of competition can be addressed.
- New management frameworks, tools, theories, and/or research activity in domains relevant to on demand provide a reason for clients to include IBM in their thinking about transformation.
- This is “managerial innovation” not descriptive thought leadership.
- We need to provide clients the confidence to act.
Marketing Managerial Innovation requires relationships and networks

- To demonstrate the broadest, deepest point of view on impact of on demand, IBM will need:
  - Ideas on impact areas
  - Experience of challenges clients face
  - Pragmatic, tested approaches to addressing challenges
  - Messages that establish approaches as the new mainstream not the latest fad

- In turn, this requires:
  - Broad idea network
  - Client adoption, experimentation
  - Capability development, hardening
  - Promotion of capabilities and experimentation options
The In-Market Innovation Cycle

- **Relationship Development**
- **Client Experimentation**
- **Network Development**
- **Promoting**
- **Learning**
- **Capability Development**
Managerial Innovation Goes Beyond Business Process Redesign and Automation

Elements to be managed in on demand enterprise

- Brand Capital / market influence
- Human Capital / organization and culture
- Working Capital / operating expense
- Physical Capital / capital investment

Required Approaches

“Social” Approaches

“Engineering” Approaches

Management Practice Today

Opportunity for “mainstreaming” emerging management practice

Opportunity for "mainstreaming" emerging management practice
Managerial Innovation Goes Beyond Productivity Benefits

**Level 1: Productivity Benefits**

- What value can the client gain from technology-enabling and transforming key processes or components?
- How should it be done?

**Level 2: Routes to Profit**

- If client’s competitors copy productivity moves, how should the client drive profits?
- What is IBM’s theory about how to sustain advantage in the on demand era?
Future Vision of IBM Services Marketing

- IBM research focuses on managerial innovation for the technology-enabled enterprise of the future
- IBM expertise in Enterprise Innovation stimulates demand by providing clients the confidence to act
- IBM acts as a network hub and the engine of in-market innovation
- In-market innovation and relationship marketing become indistinguishable