



Santa Claus Wears A Blue Suit - IBM Tries To Jump Start Your Holiday Shopping

Analysts: Mike Kahn

Mid-sized enterprises: IBM wants your business now, not next year. With Congress not likely to act on an immediate investment tax incentive, IBM has decided to offer very attractive terms to encourage your high-tech shopping this holiday season. We're not talking about low-end items (unless you want to buy a lot of them), but if you are looking to spend \$50K to \$1M on *x-*, *i-*, *p-*, or *zSeries* servers (most models), storage, printers, PCs, one-time-charge software, or services, the financial incentives are significant. **It will likely pay to buy now, rather than wait until the first quarter of next year – more so if the technology that you need will deliver immediate reductions in your IT operating expenses.**

IBM Global Financing is offering a number of plans in North America, including: **90-day financing deferral** (with “triple zero” terms: no down payment, no payments for 90 days, and no interest in the interim), plus a **variety of low-rate financing** (at rates from 3.1%-4.2%).

This is nothing new to the field of marketing, and it works for a while, and then it may no longer be effective as a sales incentive. For many months, most American auto companies have been pushing no interest loans, some with deferred payments, even some with no down payment (the “triple zero” terms), if you buy a new vehicle *now*, especially for the vehicle that they want to sell to you. So whom do they seek to influence? Anyone already thinking about buying a new vehicle in the next three-to-nine months would certainly see this as reasonable bait to consider an earlier purchase. And some who weren't considering a new car purchase might see this as a good reason to reconsider. The same is true for information systems procurements. **If you look into your crystal ball and see spending \$50K-\$1M from your IT budget next quarter, or even the quarter after that, then it might be financially attractive to buy now, especially if your enterprise can take advantage of a possible number of tax- and accounting-related benefits, which might lessen the effect on the current quarter.** You have to discuss this one with your CFO or controller. (And, as the ads always say, *additional terms and conditions may apply.*)

Just like buying a car, this investment pull-forward doesn't make sense if you don't need or can't afford (justify) your IT purchases. But if you are planning on buying new hardware, software, and or services early in 2003, IBM wants your business now – wants you to think about speeding up your procurement plans – and is, in essence, paying (subsidizing) you to buy from them this quarter, since the offerings expire at the end of the year. While such end-of-year incentives are not new, they may make more sense after your long hiatus from technology spending.

Of course, in the end, this approach can backfire on the vendor if the conditioned consumer continues to expect significant incentives. This is happening now in the North American automotive market, where free auto financing is no longer a sufficient incentive to get buyers into the showroom, and further incentives have been added. And, yes, it can be difficult to wean the consumer from the low-finance expectations. However, there are a few caveats: IBM has more control of its situation and their product cycle is shorter, and not all buyers will qualify for the best incentive programs, but there you are in the showroom already preconditioned to buy. So buyer beware!

The bait is on table. So sharpen your pencils and consult with your finance team. This may be a good opportunity for your enterprise to have its cake and eat it too, with a double dipping of incentives, in certain circumstances!



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About the Author

Mike Kahn is Chairman and a cofounder of The Clipper Group. Mr. Kahn is a thirty-year veteran of the computer industry. For the vendor community, Mr. Kahn specializes on strategic marketing issues, especially for new and costly technologies and services, competitive analysis, and sales support. For the end-user community, he focuses on mission-critical information management decisions. Prior positions held by Mr. Kahn include: at International Data Corporation — Director of the Competitive Resource Center, Director of Consulting for the Software Research Group, and Director of the Systems Integration Program; President of Power Factor Corporation, a Boston-based electronics firm; at Honeywell Bull — Director of International Marketing and Support; at Honeywell Information Systems — Director of Marketing and Director of Strategy, Technology and Research; with Arthur D. Little, Inc. — a consultant specializing in database management systems and information resource management; and, for Intel Corporation, Mr. Kahn served in a variety of field and home office marketing management positions. Earlier, he founded and managed PRISM Associates of Ann Arbor, Michigan, a systems consulting firm specializing in data management products and applications. Mr. Kahn also managed a relational DBMS development group at The University of Michigan where he earned B.S.E. and M.S.E. degrees in industrial engineering.

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