

Application Service Providers

ASP - Value Opting

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ASP, ASP, ASP 123 forum
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By

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Too Expensive to Buy,

Too Hard to Implement,

Too many IT people to Manage

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Nov. 2000.

Software as Utility Computing Model

Software is no longer available from the box,

Software is now becoming e-Services,

Software is now pricing like any other utility

Examples :

eBay ←====Software on Demand====→ IBM

ASP 1 to Many

ASP for 1

www.My.Oracle.com- A2A model and i-Host

Complimentary Services with Application to
Application [Portlets] Integration.

What is ASP ?

An Application Service Provider (ASP) is defined as a company that provides contracted application services where the applications reside outside the end user's environment, typically in a data center, delivered over a private or public network.

The end user outsources the hosting, licensing, installation, management, and support of business software application and associated processes to the ASP.

by ASPWORLD Expo, San Jose, USA-Oct 2000.

Any other names for ASP

- MSP Managed Service Provider
- NSP Network Service Provider
- TSP Total Service Provider
- Software Rental
- Network Applications
- Hosted Applications
- Application Outsourcing
- Webifying Applications

Horizontal vs Vertical focus

1. One Stop Shop Model Horizontal ASP
 - First Wave of the market - USinternetworking
 - Full suite of software applications - Oracle
2. Best-of-Breed Niche Model Vertical ASP
 - Next Wave Ex : Aristasoft Hi-Tech Industry
 - Focus = Reliability and Specialty

Why ASP ?

- Faster Implementation : e-Commerce, CRM
- Less Initial investment and spending on buying, maintaining and upgrading software
- Easy upscaling and downscaling
- Lower IT staff need
- Improvements in IT s ability to response
- Predictable costs
- Web based for anywhere, anytime

ASP Value Chain Components

From

IT Business perspective

ASP Market Opportunity (1)

- \$7.7 billion Market Size in 2004 from mere 300 million in 1999 from IDC research
- The Web is changing the economics of ASP.
- Two main Push for ASP (1) Scarcity of IT people and (2) Rush to e-Business Transformation.
- 3 Key Demands : (1) SME Dot Com, (2) Large Org. Outsourcing Trend & (3) Software Support
- The Largest Target SMEs in US or Thai sense ?
- Where there are inefficiency in process, where e-Business and ASP opportunity exist !

ASP Market Opportunity (2)

- Ideal ASP : Administrative Tasks (e.g. billing, scheduling, emailing, HD, Web hosting, etc.)
- Heavy IT Lifting : HR, Accounting, ERM, etc.
- First Mover Advantage : eMarketing, CRM, etc.
- Second Mover Advantage :
- e-Services : Consulting, Training, Modification
- ASP 3rd Party Aggregation Niche vs All for One
- Building a Community of Common Interest

ASP Biggest Business Problems

- High Cost of Broad bandwidth Pipe.

Sln : FibeT Optic, Server closer to Client, WAN

- Time to install the client program Do-it-Yrself ?

Sln : Personal Service, Premium Service

- Unreliability of Performance

Mission Critical Application : Anyone ?

- High Setup Cost for ASP means no immediate profits and positive cash flow : Collaborative Effort

ASP Value Chain Components

1. Long Haul Network Provider :
www.level3.com
2. Network Service Provider (NSP) : The Last Mile
www.Bellsouth.com, www.sga.com
3. Data Center :
www.exodus.net, www.intel.net,
www.iAsiawork.com
4. Application Management Component :

ASP Value Chain Components- Diff. Core Competence, Diff. Biz

1. Long Haul Network Provider : Telcom Carriers
2. Network Service Provider (NSP) : The Last Mile
- Bandwidth Management : Optimization
3. Data Center : Data Warehousing
Hard Disk /Server Farm
4. Application Management Component :
Maintain, Operate, Repair and Update Software

ASP Adopters USA Examples

Early Adopters :

- Manufacturer Enterprise Resource Management
- Finance/Banking
- Insurance -
- Retail CRM, eBilling
- Wholesale -

ASP Adopters USA Examples

Conservative Adoptors :

- Government - eGovernment
- Education eLearning, Distance Learning
- Medical Service Hospital Mgt, Medical Advise

What s about Thailand ? Any Ideas ?

Early VS Conservative Adopter

Pure Play ASP

- Usinternetworking first listed ASP company
 - has only less than 150 customers in 2000.
 - lost \$39 mil. on \$17.9 mil. Revenue For Q1 2000.
- Recent VC funding are for Two Primary Examples
 - 1) mostly new breed of company delivering on-line software- NetLedger, Employease, Salesforce.com...
 - 2) Some for 3rd Party ASP Aggregators JamCracker, ePanacea, Applicast, BlueMeteor.com
- Easiest Way : Converting your Client Server Software into Web Based Application >>>> For all OPP>>>> Please, contact US

ASP Value Chain Components

From

Client perspective

ASP and Small Business

Lower Skill and Cost Barrier for SMEs :

An ASP small business customer enjoys the benefits of collaborative buying effectively splitting the costs of the ASP's class A datacenter and recovery system and the ASP's class A applications [e.g. HR, CRM, e-Mail, e-Commerce, etc.] - with the other customer

Paula Huner, President of

ASP Industry Consortium Oct. 2000, Inc.

Managing Your ASP

- Negotiate a price for usage growth
- Clarify what's yours and what's theirs
- Insist on a penalty-free escape clause
- Establish application maintenance and upgrade policy
- Motivate with painful performance penalties
- Monitor your ASP's performance

ASP Checklist

- 24 x 7 x 365 Failover backup servers
- Automatic Load Balancing to ensure Accessibility
- Automatic offline data backup scheduling
- Service Level Agreement
- Secure Internet access to application server
- User statistics logs
- E-mail delivery of user alerts, report, etc
- Online FAQ and support via e-mail, helpdesk, etc

Data Security: Questions to ASP

1. Are you able to stop an attack and recover your infrastructure ?
2. What security assessment and integrity tools do you use and how often do you use them ?
3. What kinds of security controls do you use to protect customer data ?
4. How do you segregate client sharing the infra. ?
5. How secure is generally yr infra. and network ?
6. Do you have independent and internal periodic auditing, testing and certifying your security ?

Service Level Agreement -SLA

Just like telephone and ISP to define their contractual obligations to business customer,

ASP should have mostly standardization of ASP across types of customers for the practical management.

Hint : www.ASPindustry.org ,
www.allaboutasp.org, www.ContractBroker.com

SLA : Some Considerations

- Term of the agreement : Pay as you go basis
- Minimum service level
- Ownership and confidentiality of Data
- Performance measures
- Anticipating Changes
- Provisional Clauses : Warranty, Exhibits, Incentives, Disclaimer, Bankruptcy, Act of God, etc.

Typical Milestone and Payment

- 15% at contract signature
- 15% with delivery of the software
- 15% with delivery of the infrastructure
- 15% with delivery of the customer-specific env.
- 10% with completion of training
- 15% with the first Productive Use
- 15% after 30 days of successful use

[www.softwagemag.com/moreinfo/2000aug]

ASP - Useful Sites

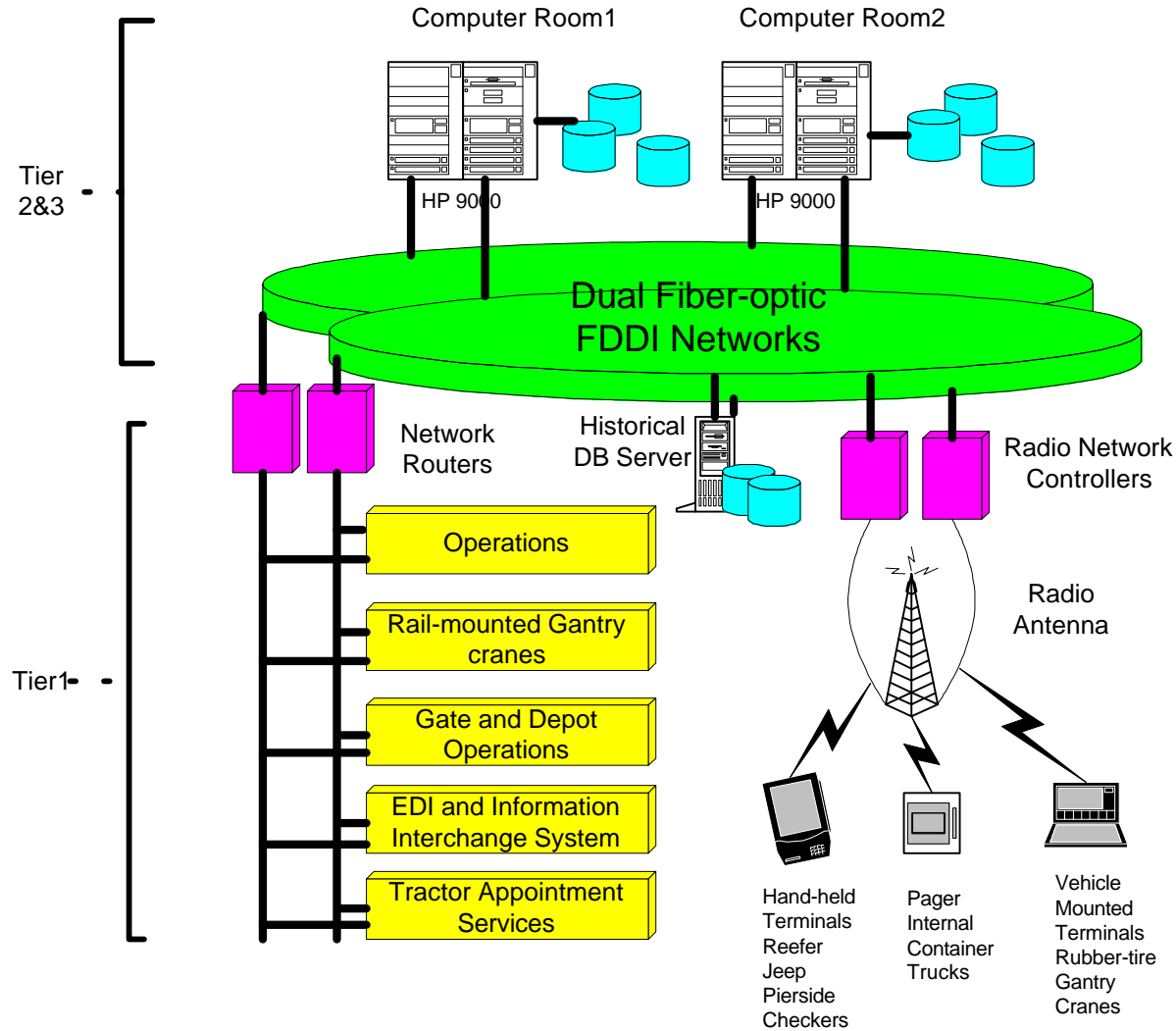
- www.allaboutasp.org - ASP Buyer's Guide
- www.aspworldexpo.com and www.comdex.com
- www.aspindustry.org - ASP Industry Consortium
- www.usi.net - The First Public Listed ASP
- www.itaa.org/asp - The Information Technology Association of America - ASP
- www.altentis.com - ITAA's partner for unbiased information on ASP and ASP solution
- www.searchASP.com - ASP specific search engine

ASP Value Chain Components

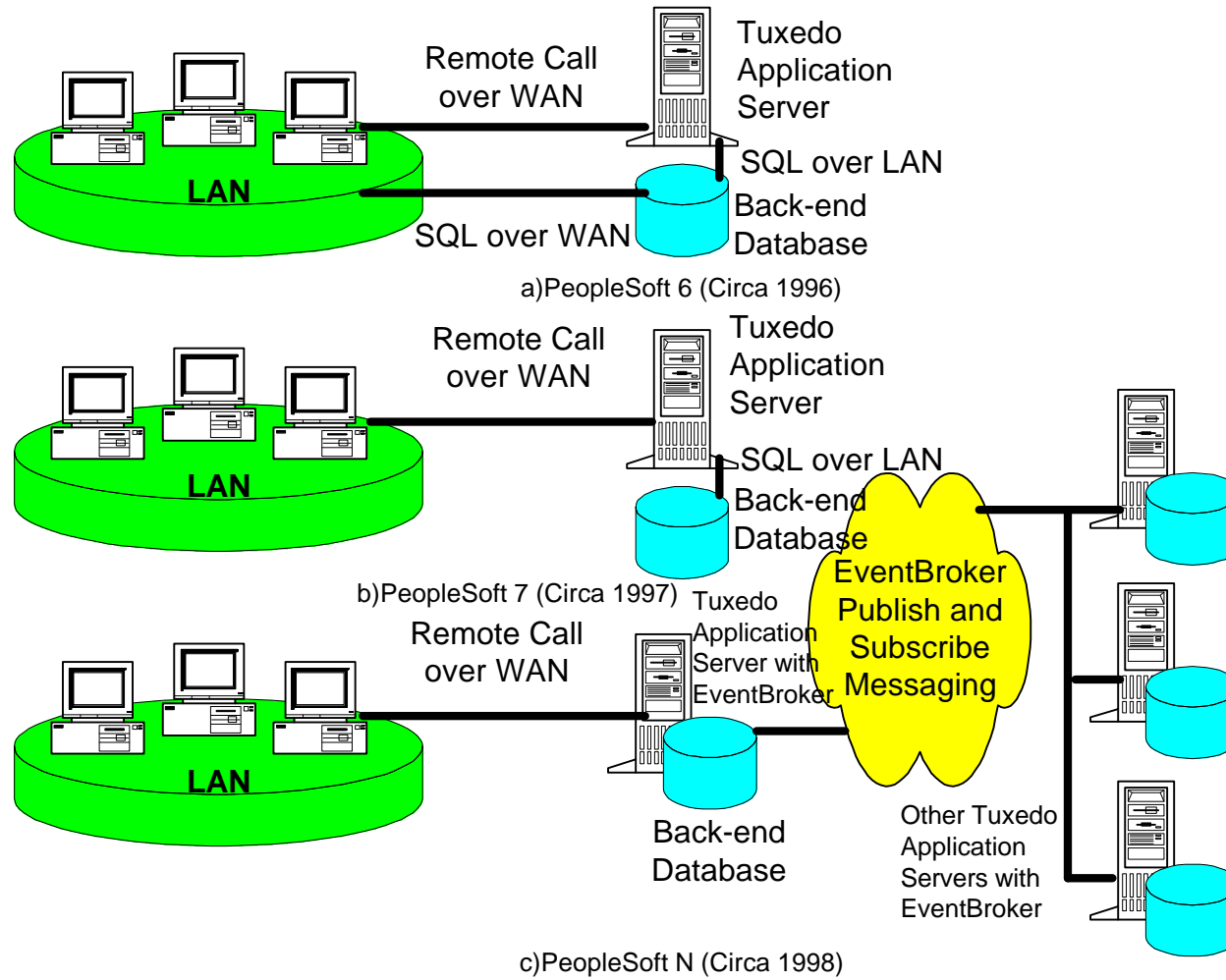
From

IT Technical perspective

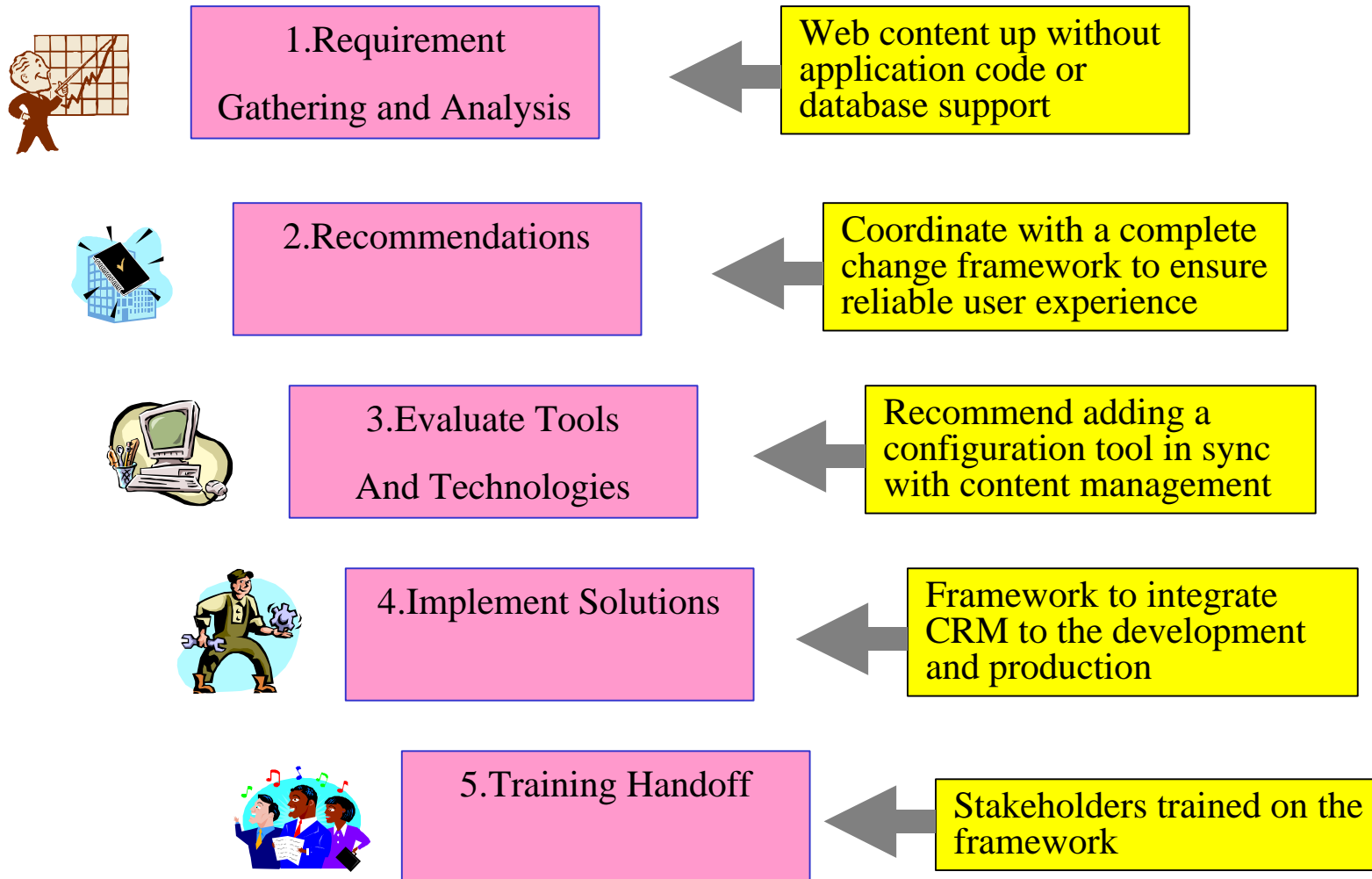
3P s Physical Architecture



The Evolving Multilevel Physical Architecture of PeopleSoft



The five-step process in action



In this illustration of the five-step process, organizations considering an e-business approach can develop a change management solution that provides them with the capabilities they require.

Cure for The Common Coding

- Typical e-Commerce site requires about 100,000 lines of Code How many man days ?
- More time on high level design and less on low level Java routines