

ASP 101: What You Need to Know to Find the Right ASP for You

As a growing number of companies discover every day, working with an application service provider (ASP) offers a number of valuable business benefits. These benefits include the potential to reduce information technology (IT) costs by 30 - 60%, reduced time to market for new products and services, and more effective allocation of scarce IT and staff resources.

What is an ASP?

An ASP provides applications – and all the IT infrastructure and support services necessary to deliver them – to customers on a subscription basis. ASPs typically host applications at a remote data center and deliver them to customers via the Internet or a private network.

This basic definition, however, obscures some of the complexities found in today's ASP marketplace. For example, while some ASPs have the internal resources to provide all the services necessary to deliver applications to customers, others provide only some of these services – such as application or network management – and work with complementary partners to deliver complete solutions to customers. In fact, some independent software vendors (ISVs) also operate as ASPs by partnering with companies that provide the necessary application-delivery, support and network management services. In addition, some ASPs provide services only to a specific vertical market, such as e-business or health care.

Many different types of companies now describe themselves as ASPs. Here is a list of those you might encounter:

- Full-service ASPs
- Application infrastructure providers (AIPs)
- ISVs
- Network service providers (NSPs)
- Systems integrators
- Value-added resellers

What types of applications can I lease through an ASP?

The short answer is, virtually any. Depending on your business requirements, you can obtain relatively basic applications such as e-mail through an ASP, as well as complex applications such as enterprise resource planning systems, customer relationship management systems and human resource management systems. Many ASPs can also deliver proprietary applications, or those designed for a specific industry.

Why should I work with an ASP?

There are many reasons why so many companies of all types choose to work with an ASP. Here are some of the benefits that working with an ASP can offer you:

- Continuous access to the latest technology you need to run your business – without the risks, costs and administrative responsibilities associated with developing and maintaining the required IT infrastructure
- Improved ability to focus resources on core business issues, rather than IT concerns
- Faster implementation of new applications and technologies – with reduced risk to your existing systems environment and bottom line
- Easy application scalability
- Access to comprehensive security, back-up, disaster recovery and support services
- Preservation of existing investments in legacy computers, since the ASP's servers will handle the intensive processing required by today's sophisticated applications
- Reduced total cost of IT ownership
- Greater predictability of IT costs
- Increased IT flexibility

What size companies work with an ASP?

ASPs work with organizations of all sizes. In some instances, an ASP might require a minimum number of leased seats for a particular application, but such minimums usually involve approximately 10 seats. This figure makes the ASP delivery model a viable solution even for very small companies. However, large companies in increasing numbers are also finding value in the ASP delivery model, whether for specialized applications serving relatively few users, or for basic enterprise applications such as e-mail.

How should I choose an ASP?

The process of choosing an ASP involves three basic steps:

1. Determine which applications you want an ASP to host. These applications could be current applications you no longer wish to maintain, or new applications that will replace or augment your existing systems.
2. Assess your internal IT capabilities. Knowing your own IT capabilities and needs will help you find the right ASP for you. For example, if you have IT resources that can answer application questions or provide integration services, you might place less emphasis on an ASP's support, help desk or technical services than you would otherwise.
3. Evaluate ASPs. Before speaking to an ASP, here are two general points to consider: If your leased application is specific to your industry, you might want to work with an ASP that specializes in your industry. Similarly, if your application serves a specific enterprise function, such as accounting or human resources, you might wish to choose an ASP with the appropriate functional expertise.

What questions should I ask to evaluate an ASP?

When evaluating an ASP, it's important to ask general questions about the ASP's business background and relationships, as well as questions covering the following key issues:

- Data centers and operations
- Service level agreement
- Software and hardware
- Costs/Pricing

Here are some background questions to ask:

- How long have you been operating as an ASP?
- Did you operate in another area of the technology industry before becoming an ASP? If so, what area? Why did you decide to become an ASP?
- What types of technology or business partnerships have you formed, if any?
- What is the technology experience and expertise of your senior management team? What is the team's business experience?
- Are you a global provider? Can you support our applications in multiple languages?
- Can our company speak with some of your customers?

Once you've asked these basic questions, it's time to focus on specific issues.

Data centers and operations

ASPs typically host applications at an off-site data center. It's important to understand the degree to which you will have control over your data, as well as to assess issues such as data security. Consider asking the following questions:

- Will you allow us to import our key business data into the hosted application(s), so that we will have access to it from the moment we begin working with you?
- How many data centers do you operate and which partners do you use?
- Once our data is at your data center, do we still "own" it? What rights do we have to move or copy it?
- How secure is your data center? What measures are in place to prevent your employees from viewing data they are not authorized to see, or to prevent outsiders from hacking into the system?
- What happens in the event of a disaster that deletes or destroys data? Are there measures to protect against loss? Is data backed up regularly?
- Are your systems sufficiently scalable to support our company's one-, three- and five-year growth plans?
- Will you provide all the services necessary to deliver our application, or will we have to dedicate staff to supporting the solution either full-time or part-time?

Service level agreement

A service level agreement (SLA) is a contract that commits an ASP to a specified level and/or quality of service. Here are some questions to ask an ASP about its SLA:

- Does your SLA include:
 - A specified level of customer support?
 - Provisions for system and data security?
 - A guaranteed level of system performance, such as sub-second response time?
 - Continuous system availability – 24 hours a day, seven days a week?
- Is your SLA a one-size-fits-all document, or are there different service tiers – such as gold, silver or bronze – that will allow us to tailor the SLA to our needs?
- If you fail to deliver on any service point covered in the SLA, do we have a designated contact person who can address the issue?
- What kinds of enforcement provisions are in place in the event that you do not deliver on the SLA? Will we receive a refund? Can we terminate the relationship and choose another ASP without penalty?

Software and hardware

When evaluating an ASP, make sure you understand its software and hardware capabilities. These questions will help you obtain information you need to know:

- Will you support any applications we choose?
- Do you have staff experts in the applications you provide, or do you obtain this expertise from an external source?
- Do you have experience installing, managing and supporting the application we are considering? Are you certified to do so? Does the software vendor offer certification?
- Will we need to purchase additional software or hardware?
- Will you integrate the application you provide with other software that you do not manage, such as our legacy applications?

Costs/Pricing

Since reduced IT costs should be a primary benefit of working with an ASP, make sure you understand all cost-related issues before signing a contract. Here are some questions to ask:

- What is our total cost of having you host and deliver our application(s)?
- Do you have information that compares the costs and benefits of the application(s) we are considering when utilized through both ASP and non-ASP delivery models?
- Do we have the option of either renting or buying software licenses and/or hardware?
- Will we own the software and/or hardware at the end of the contract? Is this an option?

For more information on ASPs and why they're right for you, contact CyLex Systems at (561) 998-7175.