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SOFTWARE POWERS THE INTERNET™

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Picking an Oracle Applications ASP:

An IT Manager's Perspective

Session #517

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Agenda

- ASP Definitions and Marketplace

- Why Consider an ASP?

- ASP Buyer's Questions

- Terms and Conditions Negotiations

- Decision Process

- Project Management with an ASP

- Postmortem Analysis & Checklist

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What is an Applications Service Provider?

- Not just web and e-commerce hosting
- It is delivery of software applications as a service, across a network to multiple customers on a pay-as-you-go basis
- ASP is something more specific, more advanced, that requires much greater skill to deliver than Web hosting
- ASP is about simplified IT, not complicated hosting. One approach is top-down, the other bottom-up.

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What is an Applications Service Provider?

- "The issue is the complexity of the product you are selling," explained John Simmons, VP of the North America ASP business group at <u>Oracle Corp</u>. "It's a completely different kind of sale ... when you move it into the ASP world, it's a service sale."

  - ASPnews.com

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Classification categories

	ASP resellers	ASP aggregators	Pure-play ASPs	Business process outsourcing ASPs
Business model	Resell another company's network-hosted applications services	Integrates application services from different ASPs	Relies least on partnerships to provide services	May be a reseller, aggregator or pure play, but packages business process outsourcing services.
Outsourced business process services	No	No	No	Yes
Outsourced business process services	Primarily productivity, some business process applications	Web-based applications	Varies	Varies
Application customization	None to limited	Varies depending on application	Varies depending on application	Varies depending on application
Provides content	Varies	Varies	Varies	Varies
Miscellaneous	Can rebrand a wholesaler's service or provide added value such as desktop support and systems integration.	Usually accessible through a portal with a single logon ID	N/A	Business strategy control remains with the user but procedures are outsourced - such as shipping, accounting and human resources.

Types of ASPs – over 1200 in total

- <u>Business ASPs</u> *(119)*

- <u>Enterprise ASPs</u> *(62)*

- <u>Local-Regional ASPs</u> *(363)*

- <u>Specialist ASPs</u> *(395)*

- <u>Vertical Market ASPs</u> *(262)*

ASPnews.com

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ASP(s) – different slice

- Instant Apps (79)
- Serviced Apps (82)

Customer Relationship Management (CRM) *(12)*
Desktop apps *(3)*
E-business *(7)*
Enterprise Resource Planning (ERP) *(3)*
Financials *(7)*

Human Resources(HR) *(8)*
Info sharing and management *(18)*
Manufacturing *(3)*
Specialist(Web site services) *(3)*
Vertical Markets *(21)*
ASPnews.com

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Why Consider an ASP?

- Access to high-end applications, such as ERP, with little upfront investment
- Quicker time to implementation
- Guaranteed performance level
- Desire to standardize applications
- Reduce suffering from a shortage of IT staff
- Mobile workforce
- Pending capital outlay for HW or SW
- Ongoing version upgrades & patches
- Cultural Change

Why Consider an ASP?

"In general, market practice is for a monthly subscription to equate to around 20 to 50 percent less than the continuing, demonstrable cost of ownership of the same application when purchased and operated in-house."

- Phil Wainewright, editor of ASPnews.com

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Why Not to Consider an ASP?

- Need to have application customization
- Need to have integration with existing in-house applications
- Political, emotional, or cultural problems
- Way to reduce IT staff
- Application response time better than in-house*
- Security and reliability concerns
- Existing IT infrastructure inadequate for new applications

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First Things First

- **First, Decide what type of service you want:**

  Standard commodity product, or

  Significant technical changes needed, or

  Implement a complex application?

- **Then, Think the worst**

  What if the company fails?

  Who owns what?

  Hardware, network, software, data?

  Are any of these actually rented from other ASP suppliers?

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Five Key Decision Criteria – "S"

- Trustworthiness

- Quality of service

- Responsiveness

- Scalability

- Extractability

- Ask yourself, how vital is my data?

- How vital is my application?

- How fast will I want action?

- What's the worst case if I run out of headroom?

- How disposable is this IT?

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Caveat Emptor

"…according to a recent Gartner Group forecast, approximately 60% of today's ASPs will go out of business over the next 12 months, with only a handful of full-service, enterprise class ASPs surviving, along with several dozen other point-solutions vendors."

--William G. Dering, Jr. heads C.E. Unterberg, Towbin's ASP Research Team

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ASP(s) Long Term Viability
(Telechoice)

HIGH	Business Process Outsourcing
|	Content
|	Applications
|	Content Delivery Management
|	Hosting
|	Data Centers
LOW	Network and Access

Key ASP Buyer's Questions

What is contract term?

What is scope of ASP services?

   Implementation—business process, licensing, integration, infrastructure

   Service—software maintenance, upgrades, patches, user support

Service-Level Agreement (SLA)—performance, procedures, reporting, penalties

Pricing and payment terms

Termination contingencies

Transition and migration plans

Security—network, platform, application, operations

Data—security, privacy, integration, consistency

<div align="right">--GartnerGroup</div>

Sample ASP Buyer's Questions

Upgrades--How often will the software get upgraded? What happens if I don't want an upgrade? What happens if I particularly need an upgrade? How will an upgrade be managed? And charged?

Will historic data be converted to the new format?

What happens at the end of the contract?

How do I get the data back if I bring the application in-house— which data, in what format, for how much?

If I want to add workflow to mail, or CRM to ERP, or payroll to financials, will the applications integrate? Or will I have to change the one I already have to fit the new one?

Do I get a dedicated server for my applications?

More ASP Buyer's Questions

- What expertise does the ASP have in your applications and in your industry?
- Who are the business and technical partners used by the ASP? Are these assets utilized owned, leased, or rented?
- What performance level (response time) do you require? Can I get a response time (end-to-end throughput) guarantee or just a availability guarantee?
- What is the guaranteed availability in SLA? Using what definitions, exceptions, or exclusions?
- What are consulting, implementation, and customization costs? What should we expect in ongoing consulting fees after cutover to production that our ASP agreement does not cover?
- What are the scale limitations in your quote? Where do I run into degradation of service or added costs as more users are added?
- What is your customer service offering, and in what order? Onsite, phone, email, fax? Show me the histogram of your response time statistics for final problem resolution, in addition to first response.
- How do you measure quality of service? Cite your customer references for QoS.

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SLA Guidelines from ITAA

- **Service Level**—availability, guarantees, exclusions
- **Security**—physical access, responsibilities for network versus applications
- **Tracking and Reporting**—monitoring, detect and track downtime, SLA reporting, audit methods
- **System Performance**—benchmark targets, response time, throughput

End-to-End Performance Management Products

- BMC Software -- PATROL
  www.bmc.com/patrol/

- Computer Associates -- Application Response Option
  www.ca.com/products/tng_application_response.htm

- CompuWare -- EcoSYSTEMs
  www.compuware.com/products/ecosystems/

- Concord Communications
  www.concord.com

- Dirig Software -- RelyENT, xSPress
  www.dirig.com

- Hewlett-Packard -- OpenView VantagePoint
  www.managementsoftware.hp.com

- Lucent Technologies -- VitalSuite
  www.lucent.com/networkcare/

- Manage.com -- Frontline e.M
  www.manage.com

- NetIQ-- Pegasus
  www.netiq.com/products/network_performance/

- NetScout Systems -- ngenius
  www.netscout.com

- Tivoli -- Application Performance Management
  www.tivoli.com

What is Outside of ASP proposal?

- Redundant connection between you and ASP
- Application security matrix
- Firewall—hardware or software
- VPN software
- In-house single point of contact person
- End-to-End performance management tools
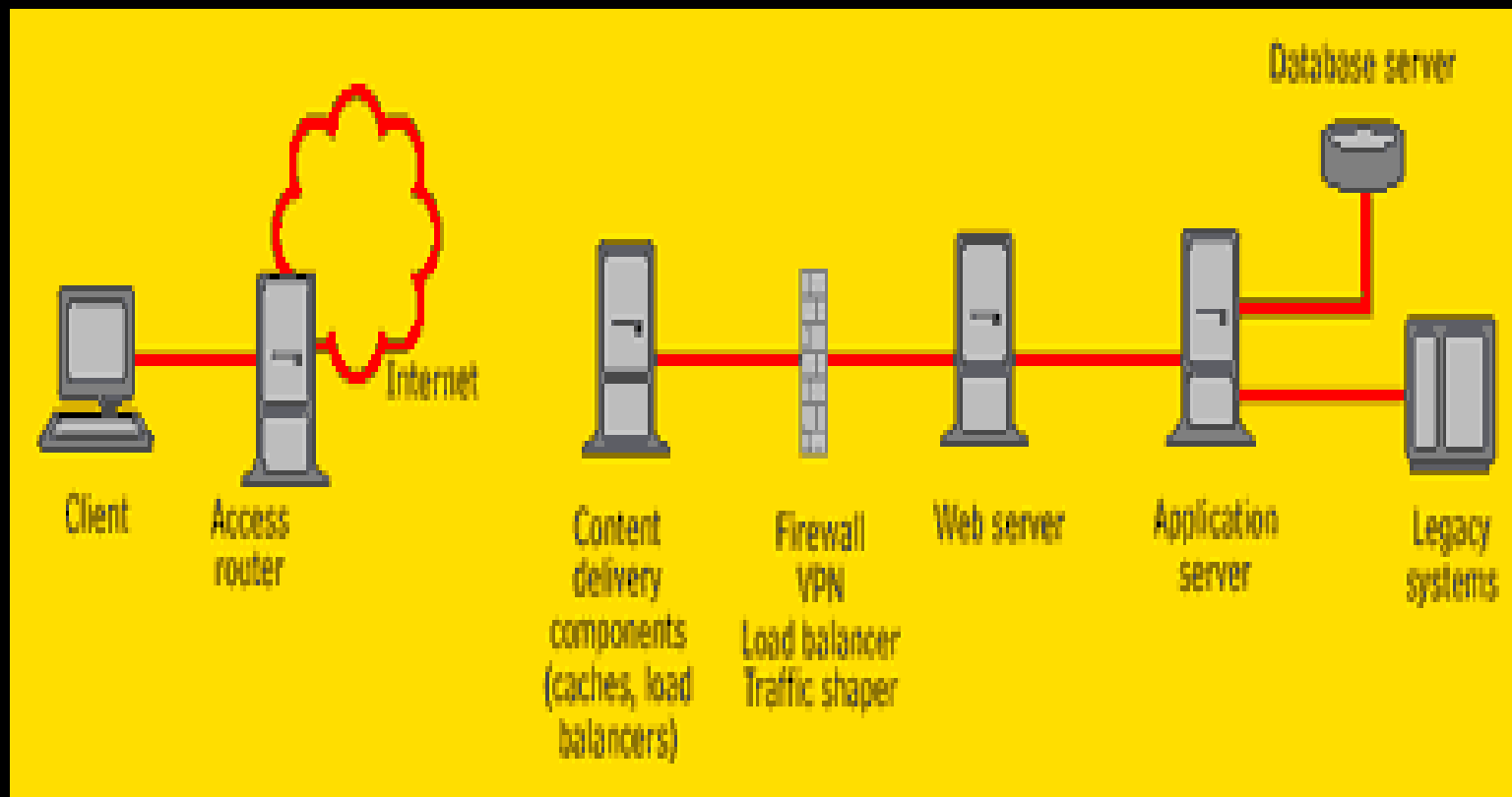- Ongoing business and technology training
- 22% annual Oracle support fee

Figure 1. A long, complex chain of components can affect the performance of modern n-tier applications. Instrumentation, generally in the form of hardware or software agents, must be deployed at or near each component of this chain.

NetworkMagazine

Possible ASP Vendors

- **OAAP (iHost Program) list**—Agilera (CO), BlueMeteor (IL), Center 7 (UT), Chapter 2 (CA), Hostcentric (TX), Interliant (NY), Numpremis (CO), Winstar (NY)

- **ASPnews list**---BlueMeteor (IL), Core Services (NJ), IBM Global Services (NY), Millennia Vision (CA), Mincom (Australia), QuayOne (Netherlands), Simplify (CA)

- **Local Kansas City**---Network Integration Services, Global Crossing (now Exodus)

Short List of ASP Vendors

- HostCentric

- Nupremis

- Winstar

- Simplify (Appshop)

- Network Integration Services

- BlueMeteor

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Ultimate Decision Process

- Strong responsiveness to customer
- Flexibility, especially in T&C
- Quality of service guidelines
- Customer references
- Profitability

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Key Project Management Issues

- Identify single points of contact from in-house team to ASP team

- Don't skimp on consulting help, especially in data conversion

- Do a pilot project—involve the end-users in the change and overcome the fear factor

- Customize the training materials

- Don't rely on the ASP for support during implementation

- Establish the team requirement as clear and open communications

- Map out key business processes—old and new

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Postmortem Analysis & Checklist

- Orderliness and efficacy of data center operating procedures

- Test the adequacy of security

- Stability of the physical environment.

- Installation time for a new server

- Installation time for a new T1 line

- All interviewed customers were satisfied with up time, availability, performance and connectivity services

- Provisions for an escrow service

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Postmortem Analysis & Checklist

- Root access to box(s) during implementation

- Spot test the 24-hour support line before cutover

- Tools to monitor SLA compliance and internal monthly chart measurements

- Certifications and resumes for key support personnel

- Continue to monitor ASP tradeshows and postings on ASP discussion forums

- If big enough, support + onsite services

- Don't rely on ASP for support*

Additional Resources

- www.nwfusion.com
- www.itaa.org
- www.networkworld.com/seminars/asp
- www.networkmagazine.com
- www.erpsupersite.com
- www.aspisland.com
- www.aspindustry.org
- www.asp-lists.com

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QUESTIONS & ANSWERS

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