

Is ASP Right For Me?

By Gary Feldman
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Over the past two years there has been a great deal of press, both positive and negative, on the subject of Application Service Providers (ASPs). Some pundits have claimed that 80% or more of all software will be delivered over the Internet as a service. Others have claimed that ASPs will be out of business before we know it. The truth probably lies somewhere in between. The service bureau concept has been around for over 30 years and will continue to be a viable model for software delivery. So the real question remains: Is ASP right for my company?

An application service provider (ASP) is defined as an organization that provides a contractual service offering to deploy, host, manage and rent access to an application from a centrally managed facility. Recently the terms Managed Service Provider (MSP) and the more ubiquitous term xSP have come into fashion to represent various levels of involvement by the hosting service in the management of the software. The basic concept remains the same; the main difference is how much service is provided by a single vendor instead of a team of service providers.

There are several factors that can be used to determine whether an ASP service can benefit a business. Generally these factors include:

- Number of locations from which the software needs to be accessed
- Level of complexity of the software and related technology platform
- Technical competence of the company
- ECommerce needs of the company

One of the major advantages of the ASP model is the capability of a hosting service to provide wide area networking at a fraction of the cost that a company could achieve on its own. Rather than setting up dedicated high-speed lines for a private network or procuring the technology and expertise, the ASP provides the wide area network over the Internet. For companies with many locations, the costs of ASP service can be completely recovered by the reduced cost of wide area networking. This situation also applies to companies that have traveling professionals, sales professionals and other individuals who need access to the system from remote sites.

The more complex the software and/or related technology, the more likely the cost of maintaining the software can be reduced by a service provider. Simple software, like office productivity tools, require little maintenance on an ongoing basis and the requirements for computers are clearly known. Even though these products are offered in the ASP model, there is usually a requirement to share files or some other compelling reason other than cost to utilize this type of software as a service. Accounting software, groupware, sales force automation and other more complex software often require a greater level of expertise to maintain and support the software. There is a greater likelihood that a service provider can gain economies of scale to reduce the cost per seat or implementation for operating complex software compared to an in-house implementation.

Similarly, as companies grow, the sophistication of their accounting or human resources software increases. Growing companies often need to maintain their focus on their core competencies and conserve cash to fund growth. These companies, cannot or choose not to afford the high costs of information technology (IT) personnel. IT personnel have historically been at a premium in the market place resulting in a higher degree of mobility and related turnover than an accounting clerk or controller. A company may be able to reduce the need for, or number of, IT personnel through the use of an ASP.

The Internet has also created an opportunity to extend a company's products to a broader audience of customers and improve customer satisfaction through customer self-service capabilities. These capabilities involve another set of technical skills and costs. For the same reason that individuals use Internet Service Providers for World Wide Web access, companies use ASPs for e-commerce. Furthermore, although the Internet is ubiquitous and your accounting system does not have to be hosted where your web site is, there are advantages from both security and performance perspectives to have both systems in the same location.

Often overlooked in the equation of whether or not to choose the ASP service is the quality of service that ASPs must provide. Under the microscope of multiple clients and relying upon the customer references for new business, ASPs must provide a consistently high level of availability of systems, reliability of service, and a customer orientation rarely equaled by an internal IT department. The level of redundancy in ASP systems including hardware, connectivity and power, ASPs provide a more secure and reliable service than most companies can provide to their own users.

Ask about how secure your data is, how fast the service runs, and compare costs. Ask a lot of questions, including:

- Contractual requirements of the service and what options are there for migrating to a different service or bringing the system back in house.
- The availability of references. Talk to both the accounting and IT staff of the ASP customer for their level of satisfaction and specific feedback that might apply to your own company.
- The total cost of operations including basic service, support, and software upgrades. Ask about setup fees and any hidden costs for bandwidth, storage or other usage factors.

ASP prospects are often afraid of hidden costs, but rarely count the hidden savings. ASPs offering software as a service have tax advantages because the monthly payments count against current income instead of being capitalized. Your company's hardware can last longer by using an ASP because only a browser is required. As software is upgraded the requirement for more memory and enhanced processors is borne by the servers at the ASP.

If your company is multi-site, has traveling professionals or needs to upgrade its systems to facilitate growth ASP may be right for you. Instead of thinking of ASP as a viable option, think of it as an opportunity for savings and a vehicle for enhanced service.

About the Author Gary Feldman

Mr. Feldman is President and Chief Executive officer of **I-BUSINESS NETWORK** with overall responsibility for realization of the corporate goals. He has implemented accounting systems for companies with revenue from \$1 million to \$11 billion. Prior to forming **I-BUSINESS NETWORK**,

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Mr. Feldman holds a Masters in Accounting and a Bachelors of Science in Accounting from the University of Florida where his area of specialization was Accounting Information Systems. Mr. Feldman has served as Chairman of the Management Consulting Services committee of the Georgia Society of CPAs. Mr. Feldman often speaks for organizations such as state CPA societies, the American Society for Quality Control, CPA and consulting firms. He also has co-authored the book, Process Redesign and Management: Beyond Reengineering. Contact Mr. Feldman via e-mail gfeldman@i-bn.net or phone 678-627-0646 x224.

About I-BUSINESS NETWORK

Headquartered in Marietta, Georgia, **I-BUSINESS NETWORK** is a provider of accounting and financial software, eCommerce and Internet services. **I-BN** is a full service financial system and services company designed to enable small to medium sized businesses the ability to focus on their core business. **I-BN** and its Solution Partners can perform some or all of the back office finance, accounting and technology functions in a cost effective and technically superior fashion. Using the latest technology, **I-BN** provides these services to customers nationwide via the Internet at speeds as fast as a Local Area Network. By leveraging the costs of the technology and supporting processes over a large customer base, **I-BN** is able to provide these services at a lower total cost of operations than a business could achieve on its own. Contact us via telephone 877-336-4426, e-mail us at IBN@I-BN.NET or visit our web site www.I-BN.NET