

INTRODUCTION TO ASPs

**MBA TECHNOLOGY CONFERENCE
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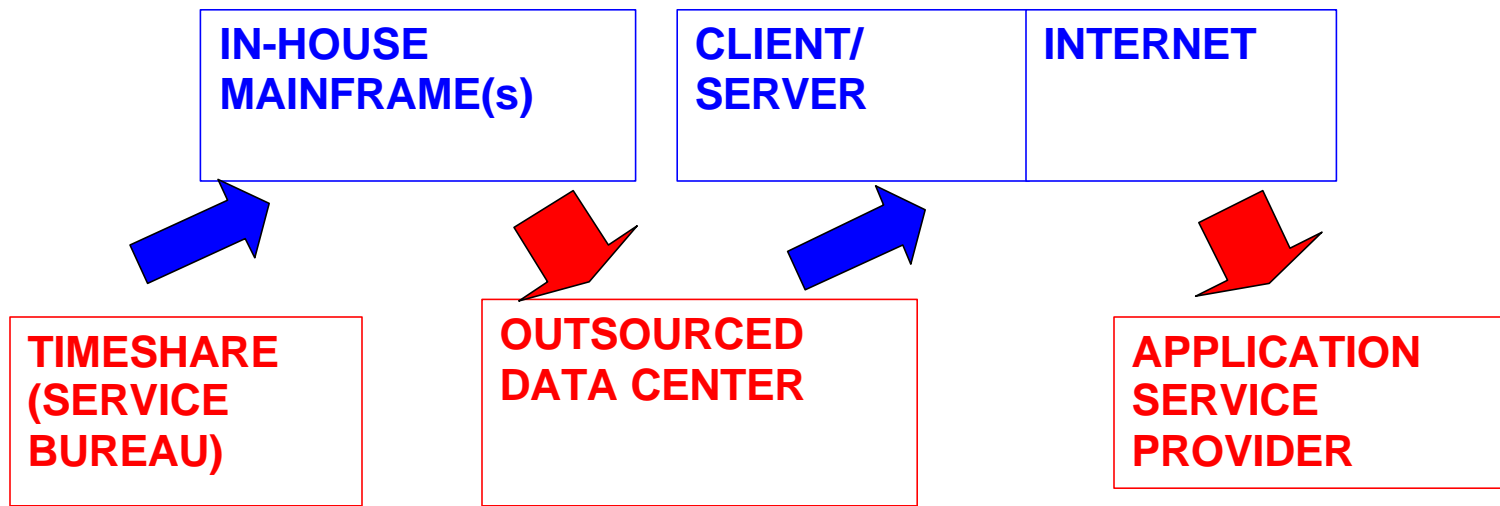
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EVERYTHING OLD IS NEW AGAIN



“A firm that “implements and provides ongoing support of application software for customers on one or more computer platforms/networks on a shared cost basis.”

ASP MARKETPLACE

ASP revenue is projected at **\$343 million in 2000** (AMR Research). In Q12000, about **21% of all venture capital funding** went to ASPs (PricewaterhouseCoopers).

ASP market in 1999 to be \$650 million, **\$3.5 billion in 2000** and **\$11 billion by 2003** (Dataquest).

Phillips Group survey: only 4% of companies with 500-100,000 employees currently using ASPs but 70% indicated they would by 2004. Revenues will go from \$1.1 billion in 1999 to **\$13 billion in 2004**

91% growth to **\$8 billion by 2006** (IDC).



NOT ALL THE SAME

Internet Service Providers (ISPs):

- *Web site hosting/development*
- *E-mail/messaging and other productivity tools*
- *E-commerce*

Bundled Service Providers (BSPs)

- *Enterprise Resource Programs (e.g., SAP)*
- *Customer Relationship Management (e.g., Siebel)*

Proprietary Service Provider (PSPs)

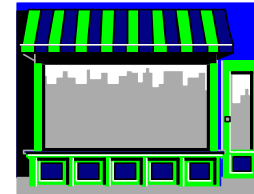
- *Make their own software available on a shared basis, either through proprietary network or via Internet*
- *Vary widely in other services provided*

WHAT'S IN IT FOR US?



LARGE COMPANIES

New Application Functionality
Broader Access
Scalability
Users outside security firewall
Predictable Costs



SMALL COMPANIES

Access to I/T Talent
Faster Implementation
Reliability
Access to outside providers
Lower Costs

“The ASP model takes care of what I call the ‘Tylenol factors’ of applications—the maintenance, support, upgrades and hardware. And we don’t have to find and pay for staff to handle the applications.”

--Craig Kinyon, CFO, Reid Hospital and Health Care Service

FEARS AND CONCERNS

👑 **Loss of Control**

👑 **Ability to Guarantee Performance**

👑 **Legacy Integration**

👑 **ASP Business Viability**

Information Resource Group Survey of 222 ASPs (Oct 2000):

2/3 have yet to turn a profit.

60% of the 1500 ASPs now in existence will go out of business or be acquired in 2001 (Gartner Group)

“Any company offering to take on all the hardware, software and data center costs while charging a low price is going to be in trouble.”

--Bob Stimson, Merrill Lynch

SERVICE LEVEL AGREEMENT

- 👑 **Architecture:** Choice, Compatibility, Extensibility
- 👑 **Network:** Availability, Performance (Bandwidth)
- 👑 **Hardware:** Performance, Capacity, Reliability
- 👑 **Operating System:** Choice, Functionality
- 👑 **Applications:** Choice, Interoperability, Performance
- 👑 **Operations:** Security, Disaster Recovery, Help Desk
- 👑 **Software Services:** Customization, Maintenance
- 👑 **Non-Performance:** Measurement, Penalties, Exit Clause

SLA ADVICE

- ☞ True end-to-end SLAs are rare, expensive and almost never meet expectations.
- ☞ The best SLA terms in the world are worthless if the provider can suspend them
- ☞ You get what you pay for: rock bottom prices DO NOT equal world-class service
- ☞ Make sure third parties are addressed
- ☞ Your own bad practices are more likely to invalidate the SLA than the provider's performance
- ☞ Make sure there is flexibility to accommodate technological change
- ☞ The greater the customization, the higher the cost.

--Stephen Sopko, ContractBroker