# ASP for SMEs： Maximizing the Return on Your SAP Investment

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# Objectives of Presentation

- **Brief Overview of the ASP market**

- **Viability of the ASP model as a superior SAP delivery model for Small-Medium Enterprises (SMEs)**

# OVERVIEW OF
# ASP MARKET

# Delineation of ASP Market Services

- **Application Service Provision**

  The ASP combines software, implementation, infrastructure and service & support to rapidly implementable and repeatable solutions, priced per user per month, to enable one-stop-shopping. One to many model with little custom configuration. Customer does not own the license.

- **Application Hosting**

  **Applications are run and maintained in a central processing facility. Selected when customer needs the configuration tailored beyond the scope of ASP offering. Either paid-up or per user per month license pricing. License owned by customer.**

- **Application Management**

  **Provides focused and trained personnel and tools to maintain applications processing. Service available at off-site data center or performed at a customer's site. Customer may own and operate hardware separately. Customer usually already owns license.**

## Application Service Provision
- Standardized full service package ("one-to-many")
- Pre-configured solutions and services
- One-stop shopping
- Rapid implementation philosophy
- Provided via networks and/or the Internet
- Responsibility for managing the application contractually ceded to ASP
- Service on rental basis
- Targeting all customer segments

## Application Hosting
- Individualized service package (1:1)
- Based on pre-configured solutions and services
- Accelerated implementation of customer- specific solutions
- Provided via networks and/or the Internet
- Customer owns the license
- Responsibility for managing the application lies with the client
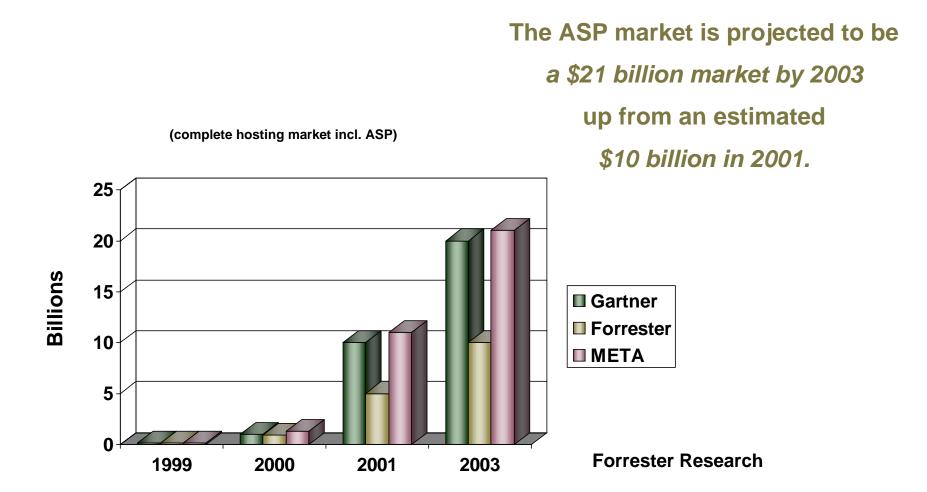- Targeting customer segments above the SME area

## Application Management
- Targeting installed base
- Individualized service package for maintenance, data processing, and training
- On-site or off-site service
- Customer owns the license
- Responsibility for managing the application lies with the providers
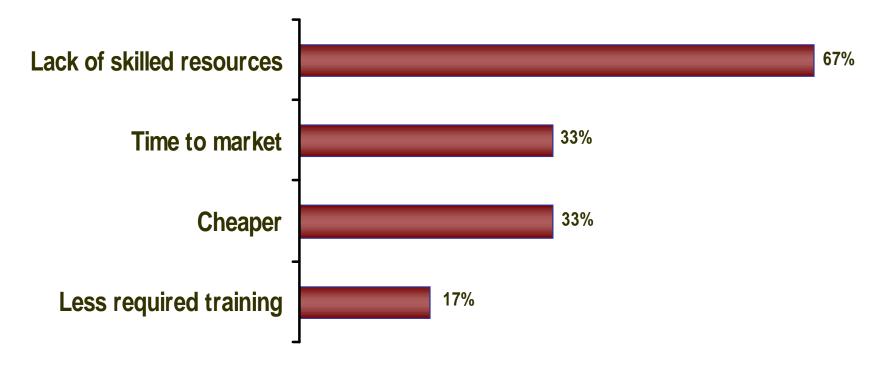
# The Growth of the ASP Market

**The ASP market is projected to be**

*a $21 billion market by 2003*

**up from an estimated**

*$10 billion in 2001.*

**(complete hosting market incl. ASP)**



**Billions**

Legend:
- Gartner
- Forrester
- META

Years: 1999, 2000, 2001, 2003

Y-axis: 0, 5, 10, 15, 20, 25

**Forrester Research**

# Why is the ASP market growing

## Would you consider using the ASP model in three years and if so, why?

- Lack of skilled resources — 67%
- Time to market — 33%
- Cheaper — 33%
- Less required training — 17%

Forrester Research

# Market Drivers for ASP Model

## Value Added Drivers

- Faster time to Market
- No technology Obsolescence
- Transfer application ownership
- Obtain technical expertise

## Outsourcing Drivers

- IT staffing shortage
- No up-front cost of ownership
- Predictable cash flows
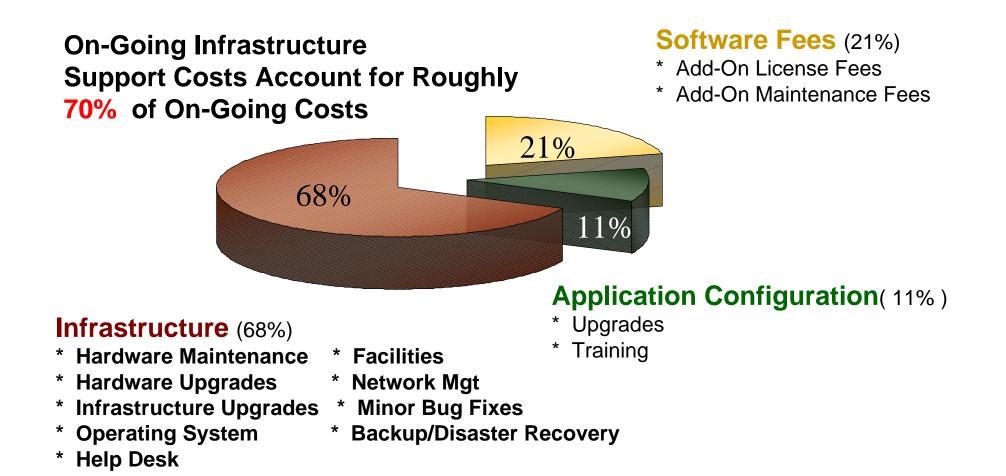- Improve internal efficiencies

## Macroeconomic Drivers

- Increasing global competition
- Rapidly changing technology
- Level competitive playing field

Source: Cherry Tree and Co.

# Meta Study: TCO Factors

**On-Going Infrastructure Support Costs Account for Roughly 70% of On-Going Costs**

**Software Fees** (21%)
* Add-On License Fees
* Add-On Maintenance Fees

21%

68%

11%

**Application Configuration**( 11% )
* Upgrades
* Training

**Infrastructure** (68%)
* **Hardware Maintenance**   * **Facilities**
* **Hardware Upgrades**   * **Network Mgt**
* **Infrastructure Upgrades**   * **Minor Bug Fixes**
* **Operating System**   * **Backup/Disaster Recovery**
* **Help Desk**

# Expected Business Benefits from ASPs

## Other TCO Factors

- Factors contributing to the TCO of an enterprise solution go beyond just infrastructure costs

- The Gartner Group recognizes

*the biggest factors contributing to the total costs of ownership of any enterprise solution is the labor necessary to design, implement, support, and enhance that solution.*

- BOTTOM LINE:

ASPs reduce TCO by focusing on the biggest factors contributing to its rise

## Other Business Benefits

- Faster Time to Benefit for new functionality
- Improved Utilization of Existing Resources
- Reduce impact of personnel attrition
- Increase available capital for more strategic initiatives
- Improve System performance and availability
- Global Infrastructure for remote offices and locations
- Shared Risks
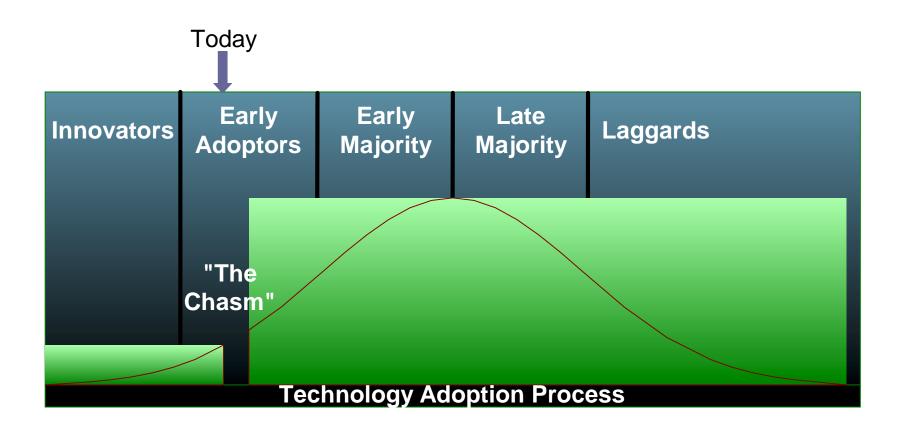- Streamlined Business/"One Stop Shop"

# VIABILITY OF
# ASP MODEL

# Where is the ASP Market Now

Today

| Innovators | Early Adoptors | Early Majority | Late Majority | Laggards |

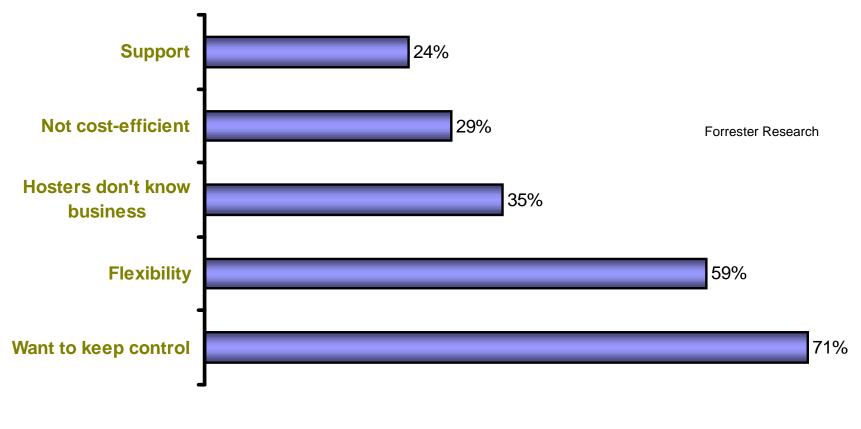"The Chasm"

**Technology Adoption Process**

The Challenge for ASPs is to provide the "right" value added services that will bridge that gap and make it a viable delivery model

# Early Concerns (continued)

- **Many analysts agree that customers will be unwilling to "rent" ERP solutions due to concerns regarding:**
  - **Performance**
  - **Security**
  - **Reliability**
  - **Data Ownership**
  - **Lack of Customization**

- **Gartner Group's** report: 60% of ASPs will be acquired or go out of business over the next 15 months.
  - Yet, Gartner and other research firms project tremendous growth for the market

**BOTTOM LINE:**

ASP model is good, but must Choose Right ASP for You

# SME Specific Trends

- **1 in 5 SMEs plan to use an ASP in the near future**
  - **Over 50% agree ASPs will be important for SMEs in the next 12-18 months**

- **IT Managers do not understand ASP model**
  - **Only 48% recognize the term compared to comprehension rate of 85% for ISP and 93% for WAP**

- **IT Departments in SMEs struggle with:**
  - **Increasingly large work load**
  - **Limited operational and technical staff**
  - **Minimal Budgets**

- **Summary of Finding:**
  - **Understanding of ASP model is low but increasing**
  - **Open to ASP concepts as superior alternatives**
  - **Increasingly looking at ASP options to help reduce costs and maximize ROI**

# Future of the ASP model

"Five years from now, if you're a CIO with a head for business, you won't be buying computers anymore.  You won't buy software either.  You will rent all of your resources from an application service provider"

**Scott McNealy, CEO of Sun Microsystems**

# Evolution of the Value Proposition

- **Traditional ASP concept**
  - **Data Center Infrastructure**
  - **Ongoing Application Support**
  - **Implementation**
  - **Integration**
  - **Software/Hardware**

- **New ASP concepts**
  - **Domain Expertise**
  - **Vertical Industry focus**
  - **Data Analytics**
  - **Cross Application Integration**
  - **Closed loop e-Procurement**
  - **Wireless Device integration**

Source: Cherry Tree and Co.

**ASP solutions are not only for NEW IT customers; existing IT customers can derive many benefits from using an ASP provider**

➢ Existing customers can utilize an ASP in the following ways:

➢ Hosting Solutions to improve system performance and availability, enhance security, faster rollouts for global locations

➢ Faster time to benefit for new functionality like Data Warehousing, CRM, Supply Chain Management, etc.; Eliminate personnel and budgetary hurdles

➢ Application management and support solutions; more cost effective and more experience

➢A good ASP will be able to provide all these services; and customize their solutions to meet your needs

# Critical Decision Factors

⇨ **Industry expertise - best practices - quick implementation** (Meta, IDC , Sinn)

⇨ **Financial Stability** (Sinn)

⇨ **Functionality offered and integration with existing in-house applications** (Meta, Sinn)

⇨ **Cost-effectiveness** (Meta, IDC , Sinn)

⇨ **Service level and guarantee for system availability** (IDC, Meta, Sinn)

⇨ **Data security and protection** (Meta, Sinn, Gartner)

⇨ **Efficient partner management** (Meta, IDC)

Sources: Gartner Group, Meta Group, IDC, Sinn Consulting, SPI

⇨ **Geographical nearness** (Gartner)

⇨ **Training and integration of sales force (software vendors!)** (SPI)

# Thank you for attending!