The ASP Model

A SupplyPro Whitepaper

Abstract

This article is written for the IT Director, CIO, or CTO and examines the benefits and advantages of the Application Service Provider (ASP) model.

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Introduction

Variously termed "on-demand software" or "hosted software," the application service provider (ASP) model involves renting Web-based software hosted at the provider's site. For many companies large and small, the ASP model is becoming increasingly more popular in the deployment of large-scale systems that require many interfaces to external data sources or complementary web sites and is the best way to roll out new technology.

Wouldn't it be nice to…

- Determine detailed benchmark performance data about tooling assets and calibration intervals which can be used to pinpoint areas in your operation that are not as efficient as they could be.

- Centralize certain operations to dramatically improve efficiency.

- Adjust MRO inventory balances in real time based on supply and demand imbalances that are forming for each type of in your in your pool of available supply.

- Have all your data servers monitored and managed 24 hours a day by trained technical support staff with detailed knowledge about your on-premise hardware configurations.

- View Direct and Indirect materials levels over the Internet, see available products that you elect to expose for use.

These are all capabilities made possible in an ASP environment. This paper will describe the ASP model and address some of the benefits and concerns about the model.

What is an ASP?

Over the past decade, the manufacturing industry has relied upon site-centric software solutions which require deployment and maintenance at each facility and corporate office location. Some of these applications enable limited consolidation of data and integration with other software solutions. The industry has found that managing these decentralized applications has proven extremely challenging and restrictive.

With an Application Service Provider model, there is no need to load software at any location. Using a Web browser, users access the applications over the Internet.

The ASP model has become one of the leading, global trends in technology, which is creating extraordinary opportunities in the delivery of application services. This new model has a significant impact on IT's service delivery and management responsibilities.

ASPs deliver an end-to-end service offering of an Internet-enabled packaged software application for a fixed monthly fee, including the implementation and ongoing operation and support. ASPs provide secure access to their applications and services to multiple customers across a wide area network (WAN).

Most manufacturing organizations are carefully considering the ASP model today, as a result of several factors, including:

- Diverse and disparate IT systems
- Increased complexity of computing environments
- Desire to focus on core competencies
- Cash constraints

Why ASP?

Leveraging an ASP model, manufacturing organizations can achieve significant benefits that cannot be realized otherwise. Customers that deploy an ASP model enjoy:

- Low cost of entry
- Vendor liability
- Simple pricing
- Less risky investment
- Lower overall total cost of ownership
- Complete application services
- Increased quality of service
- Rapid deployment

Low cost of entry
Instead of paying sizeable amounts of money to roll out complex technology across the entire company, customers can roll out just a single test department. The risk is very low if it fails, and the company doesn't have to involve its busy IT staff.

Vendor liability

If the vendor's software is broken, the vendor won't be getting money from any customer for long. The vendor is motivated to fix the problem in a timely fashion.

Simple pricing

Customers only pay for the software services they use meaning far less complexity in structure than the more common software pricing models based upon the number of seats, concurrent users, CPUs, sites, additional revenue share, or cost savings.

Less-risky investment.

Instead of purchasing the entire software package at once, customers pay for the software monthly. The monetary risk is lower and less frightening.

Lower Total Cost of Ownership (TCO)

The ASP provider is responsible for providing the infrastructure required to host the applications. This means building or leasing the data center, purchases the equipment, licensing the software, and staffing the operation with the resources needed to operate the application continuously.

KPMG estimates that leveraging an ASP can produce savings that range from 30% to 50%, depending upon the applications and services used.

In mission-critical applications, capital cost of deploying, maintaining and updating an industrial-strength infrastructure may approach several million dollars. Some of the potential savings are as follows:

- Avoid the costs of creating and maintaining your own infrastructure, needing only a Web browser to access the system.
- Customers only pay for what you need and can scale easily.
- System support is far less costly than supporting in-house staff.
- Avoid the costs of recruiting and training staff to manage the system.
- Eliminate the uncertainty of post-implementation expenditures.

Higher Service Levels
Fully redundant broadband Internet connectivity and redundant power sources are essential to maintain high availability and reliability of an ASP solution. Once a user reaches the system, industrial-strength firewalls, load balancing servers, web servers, application servers, and database servers are necessary for utilizing the application.

It would be cost prohibitive for most manufacturing organizations to obtain the same level of technology used by the ASP, making it impractical to achieve the level of availability, reliability and security required. Additionally, by leaving technology management to a professional service provider, customers avoid the risks of making costly technology planning and implementation errors.

Rapid deployment
In the ASP model, the solution can be up and running in a matter of hours. Through traditional channels, the implementation of an enterprise management application suite can sometimes require up to 9 to12 months.

Because development, deployment, hosting, and management is an ASP's core business, implementing the application and enabling your users can be accomplished much more quickly and cost effectively in ASP environment.

Your Concerns

Although the ASP model in recent years has been growing in popularity, a number of concerns have arisen by IT stemming from the offsite nature of data storage.

These specifics are addresses below:

Ownership of Data
Questions have been raised concerning the ownership of data. The customer's data is considered their own property—no ownership rights vest with the ASP. Unless specific authorization is provided, no ASP is authorized to use your data.

Information Security

Some apprehension has been conveyed regarding the security of your proprietary information in an ASP environment. Integrity and preservation of your mission-critical data is paramount to the ASP, having typically invested hundreds of thousands of dollars in security that protect your data from access by unauthorized personnel. These levels might include:

- User security
- Application security
- Data security
- Network security
- Physical security

Additionally, robust firewalls protect access from external users as well as internal employees.

Access to Data

Concerns have been expressed regarding the availability of your data in an ASP environment, in the case that customers want to download information into other tools or applications developed internally by you or licensed from third parties.

A well-planned system provides customers with access to data anytime.   Data exports capabilities such as File Transfer Protocol (FTP), XML, CSV, or email have been implemented to extract customer data from the system and make it readily available. Through this means, customers can directly download data to their own servers as frequently as required. ensuring that their data is always accessible.

Stability

Concerns have been raised about the ASP model, due to the recent failure of some prominent "pure play" ASPs. The ASP model, itself, was not the issue in those cases, but rather the limitations of those particular organizations. When evaluating an Application Service Provider, you should evaluate the following characteristics:

- Proven track record
- Secure, scalable, reliable data center
- Industrial strength network infrastructure
- Ample, skilled support resources
- Cost-effective pricing
- End-to-end service level agreement
- Financially viable
- Industry focus

The SupplyPro ASP Solution

By freeing you from the complex, costly and time-consuming burden of onsite implementation and ongoing management, the SupplyPro ASP model enables you to focus your time and resources on the core business of managing your core operations and your customers.

Market leading organizations have adopted the ASP model as a key enabler to competitive advantage. Business success in today's world is directly related to the speed with which new solutions and initiatives can be launched. Internal IT organizations have been challenged to support the rapidly evolving IT environment.

Pioneering the ASP model in the Point of Use industry, SupplyPro successfully delivers functionality and technology to help you better manage your MRO consumption and spend. Securely hosted in the AT&T Data Center in Irvine, California—SupplyPro offers 24X7 security and connectivity to ensure integrity and full access to information.

About SupplyPro

SupplyPro Inc. was formed as a software technology company whose primary role is the implementation of Point Of Use control systems and other productivity enhancing applications for Fortune 500 clients including the food and beverages, automotive, aviation, travel, and, semiconductor, and energy industries.

Company services also include logistics consulting, project management, systems integration, installation, training, and on-going support, all designed to help clients increase productivity and improve customer satisfaction.

To learn more about how SupplyPro cost recovery systems can help improve your operations, please visit us at www.supplypro.com or call us at either:

San Diego: 858.587.6400 ext.6502
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Upper Saddle River: 201.825.8484 ext.229

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