



TSI Monthly

A newsletter of ideas, comment, and dialogue.

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Welcome...

...to *TSI... Monthly*? Yes, indeed, we've made a change. Responding to feedback from our clients and readers, we've decided to create a smaller, easier-to read, more to-the-point newsletter. Shorter analyses, limited to one per issue; more links to news, current information and online content; and information that relates to the news of the day, not yesterday. We hope you like it.

TSI would like to extend a special welcome to two new clients: TFA – Leo Burnett Technology Group, a leading marketer of technology-driven companies, and SBC - Ameritech. We are very pleased to have the opportunity to work with these organizations and to contribute to their continued growth and success.

As always, we welcome your feedback and promise to consider your needs as we continue to evolve this newsletter and our services. If you would like to share your thoughts or have any questions, feel free to send us an e-mail at info@transforming.com.

- The Editors

Application Service Providers: What's it all about?

- by Chris Walsh, Transforming Solutions, Inc.

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Application Service Providers or ASPs have hit the marketplace by storm and are viewed by many as the wave of the future. As business use of the Internet has evolved along with enhancements in hardware, software, and network capabilities, business opportunities have arisen for centralized, subscriber-based software services. There are many different players in this space today and new partnerships appear to be developed every day. What is the ASP phenomenon? This article will present a definition of what an ASP offers (as clearly as possible in today's terms), identify how these businesses are affecting the overall IT landscape, and propose several key factors that should be considered when evaluating an ASP solution.

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ASPs: Defining the Chameleon

Simply put, it used to be called *outsourcing*. The challenge with the term “outsourcing” is that it generally implies taking existing capabilities and handing over the controls to an outside party. These opportunities were mainly available to the large companies and offered a limited set of solutions. The ASP model opens up a broad range of capabilities to organizations of all sizes. Small companies now have access to more robust CRM and accounting solutions that may have been too costly before. Larger organizations can alleviate the headaches of trying to manage complex technical infrastructure by partnering with a service provider. There are many more options and many more selections to choose from.

ASPs cannot be easily described within a single business category. The marketplace consists of many different types of organizations from e-business start-ups to revamped software companies to “hybrid” partnerships between many distinct players. Just as diverse are the services being offered by these companies. There are general business applications such as email systems or file backup services, specialty services such as HR administration solutions or even more industry specific solutions such as business management software for law firms.

The overall goal is to provide reliable software services at a reasonable cost. Choosing an ASP solution generally distributes or alters the software fees that a vendor would charge. There is also savings based on the elimination of capital investment for hardware and reduced support expenses.

Impacts on the Marketplace

The ASP business model is continually evolving but has already had some significant impacts on the IT marketplace. Software companies, consulting organizations, and hardware suppliers are all adjusting their approach to the customer. In general, this competitive playing field is good news for the end-customer as attributes like responsiveness and service quality become more critical in the decision making process.

Given the ASP market dynamics, software companies have had to change their sales approach. The software vendor will now market their wares not only to an individual user organization but likely focus on sales to the ASP businesses. This condition obviously has a direct impact on software costs. No longer do vendors have a captive audience to which they can dictate contract terms. They must now consider the expanded marketplace and how their products can be best introduced to the market.

Consulting service businesses need to consider new partnerships. Traditionally, consultants have established relationships with software vendors and assisted customer with the customization and implementation of these solutions. Under the ASP model, these services change. The selection, customization (where possible) and integration of an ASP solution will take on different factors that consultants cannot ignore.

Almost on a daily basis, key partnerships between software vendors, network providers, hardware companies are bringing new ASP solutions to life. For example,

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- Compaq has committed more than \$1 billion to service provider market in the form of financing programs, equity investments, and partnerships.
- Microsoft has announced a \$10M investment in Interliant as the two work together to make the Exchange 2000 messaging server a better platform for ASPs.
- CSC has unveiled plans to offer a package of Web-hosting services to midsize companies and E-business startups. The company has said that it will host extranets, ERP tools from PeopleSoft and SAP, CRM applications from Siebel Systems, and other application systems.

These best of breed partnerships offer new exciting opportunities for the vendor companies and, hopefully, for the end customers.

Key Considerations

The factors involved with selecting an ASP solution are numerous and varied. These considerations include financial investments and anticipated returns, the uniqueness of a business's functional needs, the need for and potential benefits from operational change, and the value-add capabilities of the ASP. Given the broad spectrum of the target customer market, from start-up businesses to established market leaders, specific factors will certainly vary.

Key financial criteria can range from per-seat licensing cost comparisons to the potential savings from eliminating maintenance/upgrades of technical infrastructure. Growing businesses can evaluate the anticipated costs of bringing a CRM solution in-house versus signing up with an outside provider. While, businesses that are looking to transition part of their systems outside will consider the time-valued savings from reduced application maintenance costs in relation to ASP contract fees.

As with traditional software selection, the balance between customization and standardization must be considered. A new business may be able to adapt more quickly to the features provided by a standard ASP application. An existing organization, on the other hand, may need to find an ASP who can tailor the software solution to their unique functional needs. They may also consider modification of existing business processes that would better align with a more standard ASP offering. In the end, an existing business might likely consider a combination of process and system function changes that meets their needs.

Businesses must also understand how the implementation of an ASP solution will affect their operations. For example, what activities would be eliminated by utilizing an ASP? How will the freed-up resources be leveraged within other areas of the business? What new processes will be needed to manage the ASP relationship? Answers to these type of questions will "net out" the operational gains and/or challenges introduced by choosing an ASP.

Understanding the value-add capabilities of an ASP is probably the most difficult area to assess. With the rapid growth of the ASP market and the limited track record on many providers, it is almost impossible to effectively evaluate their "sales pitch". In many ways, the best approach to consider here is to evaluate your own organization's success criteria and make that a priority for negotiation with an ASP.

Transforming Solutions Signs Cooperative Alliance with eTopware

Chicago—April 17, 2000—Transforming Solutions, Inc., announced today that they have signed a cooperative alliance with eTopware, Inc., a leading provider of business-to-business e-Commerce technology solutions based in Addison, Texas. Under the agreement, Transforming Solutions will continue to provide cutting-edge business process and organizational development services to its clients, while adding eTopware solutions and implementation expertise as a primary tool available to its clients for automating the analysis and re-structuring of both internal and external processes.

“We are very excited about the opportunity to present eTopware as a unique technological solution to business processes that extend beyond the borders of the traditional organization,” says Dan Feely, President of Transforming Solutions. “For the past several decades, most process improvement efforts have been focused on the integration of internal operations, with only minor attention paid to handoffs between clients and vendors. Technology-based enterprise solutions have advanced quite rapidly in these areas. However, with the increasing use of the Internet as a means of transacting business, the technological discrepancies between any two companies has become an increasing barrier to effective, efficient operations.”

Transforming Solutions (www.transforming.com) has been a provider of process improvement and organizational development consulting services since 1995. With an average of 15 years of experience at the partner level, and with a broad network of industry professionals, Transforming Solutions has worked with organizations ranging from Fortune 1000 companies, Internet and e-commerce startups, and both public and private not-for-profits. With a process-centric approach to business lifecycles, Transforming Solutions has succeeded at helping organizations meet their strategic goals through the effective use of technological and non-technological tools.

eTopware (www.ETopware.com) provides a business process e-engineering platform that enables the enactment of business processes for the virtual enterprise across the Internet. The eTopware solution is of significant interest to business managers who are evolving their processes into an e-Business model, extending their "inside the four walls" processes to integrate with those of their trading community vendors, suppliers, customers, partners, and financial institutions. Together with its partners, eTopware provides this non-invasive, Java-based solution with software products, process design methodologies and B2B process enactment services. The eTopware solution represents the industry's only complete, end-to-end, B2B value chain integration over the Internet, providing real-time modification and maintenance of integrated business processes – in particular, those based on multiple, disparate applications.

eTopware recently signed an agreement with Dr. Michael Hammer, who will chair the company's board of advisors and provide strategic guidance in the development of cutting-edge business process improvement methodology. This board includes many other industry professionals known for their expertise, both practical and theoretical. "The ultimate objective of the e-Process implementation is to reduce time to market for products and services, accelerate delivery times, manage business change at high speed, enhance customer satisfaction and reduce costs. Functionally rich and reliable e-Processes executed over the Internet is the key to successful e-business execution," says Felix Racca, Executive Vice President and a founder of eTopware.

HOT LINKS (or, more places we like to surf)

- The May Report** – www.themayreport.com – What's happening in the Chicago e-commerce world.
- I-StreetCentral** – www.i-street.com – Another Chicago/Midwest Internet community, newsletter, etc.
- Online Banking Report** – www.onlinebankingreport.com – subscription service that covers electronic banking in all its forms – from money center to Internet-only banks.
- Upside Today** – www.upside.com – news and analysis from the hi-tech, hi-biz intersection