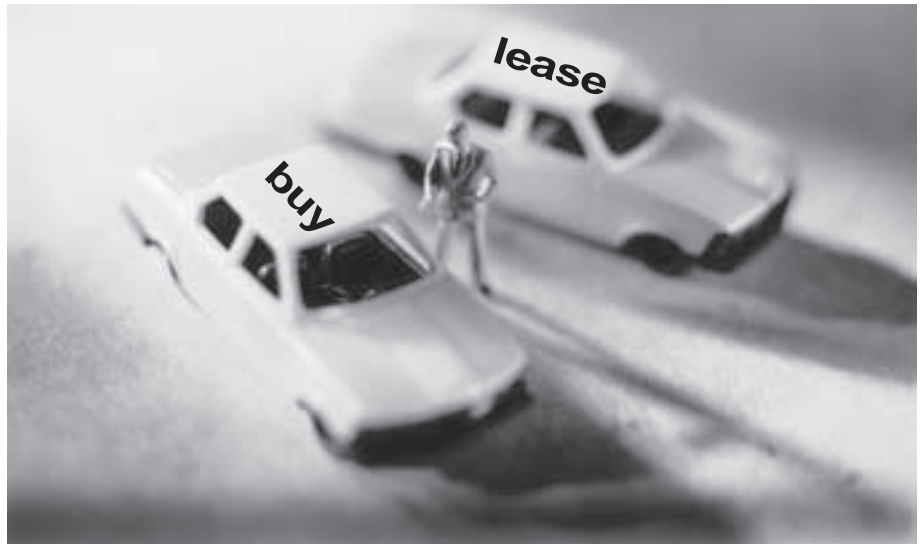




Should You Lease or Own?



The information technology (IT) business is slowly but surely beginning to sound a lot like the car business. With the emergence of Application Service Providers (ASPs), environmental, health, and safety (EH&S) managers must decide whether to outsource (i.e., “lease”) their IT needs or “own” their EH&S applications. As with the decision to lease or buy a car, there are advantages and disadvantages to either option. EH&S managers must carefully consider their needs, weigh their options, and make their decisions accordingly.

WHAT IS AN ASP?

As the name suggests, an ASP is a third-party company that hosts software and provides it as a service to businesses. The software applications are hosted on the provider’s servers. Typically, these servers are housed in a cybercenter, which is exactly as it sounds: a central location to house a network of servers. These centers are centrally managed facilities that deploy, host, and manage access to software applications.

As the marketplace migrates toward the Internet, Web-based EH&S ASPs are becoming more prevalent. With a Web-based ASP, users need only an Internet connection and browser to access their hosted EH&S data.

The ASP pricing model is based on usage, typically on a subscription basis. As with the car business, the more miles you put on the application, the more you will pay. Subscription fees vary according to application type and add-on services. According to IT research firm Forrester Research Inc. (Cambridge, MA), ASP revenues amounted to \$933 million in 1999, compared to \$74 billion in the traditional desktop software application market. ASP market growth expectations vary from \$2 billion to \$20 billion by 2003.

WHY LEASE FROM AN ASP?

The most obvious benefit of using an ASP, especially for small to mid-size businesses, is the projected cost savings. An ASP enables companies to avoid the large, up-front expenses

associated with computer purchases, and shift the burden of hardware and software maintenance to the provider. Corporate approval is easier to secure, and users are assured current, up-to-date applications at all times. Because small businesses typically will not use the product as often as larger businesses, or may not have as many users, the relative savings are significant. With the ASP solution, the small to mid-size business has access to applications previously only available to large, well-funded companies.

The most important benefit of using an ASP is that it allows professionals to concentrate on their core competency, EH&S concerns. Maintaining onsite software applications involves managing licenses, reviewing and installing licenses when newer versions become available, keeping track of hardware security devices, maintaining a successful networking environment, and regularly updating hardware to keep up with expanded software capabilities. With an ASP solution, companies no longer bear the burden of these tasks because the ASP is responsible for these issues. Wouldn’t it be nice to dedicate more time and resources to EH&S issues, and less to IT concerns?

WHY OWN YOUR APPLICATIONS?

The ASP model is not for everyone. Though cost-effective for many small companies, using an ASP may be more expensive for large companies with multiple facilities. The subscription fees for a large number of people may end up being higher than the cost to employ dedicated IT professionals and maintain a network of servers. Most ASPs require users to sign a subscription contract. Should a company decide it no longer requires the services of the ASP, the company could find itself stuck in a long-term contract, paying for services it is not using. This is a scenario that must be considered when negotiating a subscription. Also, ASPs are typically “one size fits all,” with limited customizations available. For some companies, renting from an ASP may not be the best option.

Should you decide that you require a customized software solution for your enterprise, but do not want to manage the application in-house, there may be an alternative solution available. In a niche market like EH&S, a software provider that has an ASP offering is likely to not only customize your software, but also host your customized solution in its cybercenter. The ASP hosts the application, but you own the software and the solution is customized to meet the needs of your business. In this case, a hosting fee is paid instead of a subscription fee.

How do you decide which option is best for your business?

ASK YOURSELF THIS...

Is an ASP right for my company? Assuming that an ASP can provide you with the software features and functionality key to your business, here are some points to consider.

1. What type of application maintenance, updates, and upgrades does the ASP provide? Be sure the provider isn't so wrapped up with Web-enabling a product that it fails to update the product regularly.
2. What is the server and bandwidth capacity? Ensure that there is adequate capacity for future growth.
3. Is the ASP willing to share the details of its infrastructure with you? It should be. Take heed if the ASP is not willing share the system architecture with you.
4. How long has the ASP been in business? Does it have strong backing? Look for an ASP that is backed by a company that has been around for a while.
5. What type of security does the company provide? Evaluate not only the user security, but also the security of the data connection and the physical security of the cybercenter.
6. What type of server backup and maintenance does the ASP provide? What is the ASP's disaster recovery plan? Be sure it is backing up its servers daily.
7. What level of uptime will the provider guarantee? Make sure the guarantee is 99.5% or higher and get it in writing.
8. Will the provider allow for integration among different software applications that you will need, and/or will it provide interfaces so you can share data? A feature like this is very useful.
9. Does the ASP have proven IT expertise? A must.
10. How will the data be returned to you should you

decide to discontinue the service? Be sure that the data will return in the same format, with relationships intact, as it was when you sent it to the ASP.

ADVICE ON WORKING WITH AN ASP

If you decide that the ASP business model is right for you, the following advice should help you manage the risks.

- **Devise a strategy.** Develop a “strategic-sourcing” scenario, understanding how the parts come together. Develop a network of relationships with the provider.
- **Manage the relationship with your ASP carefully.** Spend adequate time learning the infrastructure of the provider’s offering. Communicate your needs clearly, and set expectations for both parties.
- **Select an ASP that has a solid business model and demonstrated profitability.** Evaluate the number of customers and “seats” that use the application that you are interested in, as well as other applications that the provider hosts.
- **Read contracts and privacy statements carefully.** Know what will happen to your data if the ASP fails. Have a contingency plan.

ARE ASPs HERE TO STAY?

There is no doubt that ever-changing requirements coupled with rapid-fire technology changes are adequate reasons to support a new business model. Current stand-alone and client/server deployment of EH&S management systems are not for everyone. The EH&S industry needs alternatives, and employing an ASP may be the way to go for some businesses.

The ASP business model is a simple concept with benefits that are too quantifiable to ignore. Just because the marketplace has seen many ASPs come and go, there is no need for alarm, this is not unusual for the high-tech sector. The trick is to research your options, and navigate and negotiate carefully when deciding whether to lease or own. Also, keep in mind, that unlike in the car business, when you lease your software and it crashes—it’s not your problem! ☹

About the Author

Jill Barson Gilbert, QEP, is a senior project manager with T3, Inc., where she teams with clients to design and implement EH&S data management solutions. She can be reached by phone: (713) 552-0254; or e-mail: itinsight@tthree.com.

