Application Service Providers

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Definition of ASP

- An application service provider (ASP) is a business providing computer-based services to customers over a network; such as access to a particular software application (such as customer relationship management) using a standard protocol (such as HTTP).

The needs of ASPs

- The need for ASPs has evolved from the increasing costs of specialized software that have far exceeded the price range of small to medium-sized businesses. As well, the growing complexities of software have led to huge costs in distributing the software to end-users. Through ASPs, the complexities and costs of such software can be cut down. In addition, the issues of upgrading have been eliminated from the end-firm by placing the onus on the ASP to maintain up-to-date services, 24 x 7 technical support, physical and electronic security and in-built support for business continuity and flexible working.

History

- In terms of their common goal of enabling customers to outsource specific computer applications so they can focus on their core competencies, ASPs may be regarded as the indirect descendant of the service bureaus of the 1960s and 1970s. In turn, those bureaus were trying to fulfill the vision of computing as a utility, which was first proposed by John McCarthy in a speech at MIT in 1961. Jostein Eikeland, the founder of TeleComputing, is credited with coining the acronym ASP in 1996, according to Inc. Magazine. Traver H. Kennedy, founder and ex-Chairman of the ASP Industry Consortium, has been known as the "father of the ASP industry".

Clients of ASPs

- The importance of this marketplace is reflected by its size. As of early 2003, estimates of the United States market ranged from 1.5 to 4 billion dollars.

- Clients for ASP services include businesses, government organizations, non-profits, and membership organizations.

Types of ASPs

- A specialist or functional ASP delivers a single application, such as credit card payment processing or timesheet services;

- A vertical market ASP delivers a solution package for a specific customer type, such as a dental practice;

- An enterprise ASP delivers broad spectrum solutions;

- A local ASP delivers small business services within a limited area.

Common features of ASPs

- ASP fully owns and operates the software application(s)

- ASP owns, operates and maintains the servers that support the software

- ASP makes information available to customers via the Internet or a "thin client"

- ASP bills on a "per-use" basis or on a monthly/annual fee

Who Are Application Service Providers?

- HP, SAP and Qwest are application service providers that formed an alliance to offer SAP's R/3 applications at "cybercenters" that serve other companies. Microsoft is another application service provider, which has offered its SQL Server, Exchange and Windows NT server on a rental basis.

- While application service providers let smaller enterprises use applications on a pay-as-you-use fee, many large companies commit to ongoing contracts in exchange for a fixed number of users or other metric such as compute hours, bandwidth or storage volume.

- One application service provider model is to use an advertising to offer software for free. Webmail services like Yahoo, Gmail, Google Doc and various free online logo makers use this business model.

The advantages

- Software integration issues are eliminated from the client site

- Software costs for the application are spread over a number of clients

- Vendors can build more application experience than the in-house staff

- Low-code development platforms permit limited customization of pre-built applications

- Key software systems are kept up to date, available, and managed for performance by experts

- Improved reliability, availability, scalability and security of internal IT systems

- A provider's service level agreement guarantees a certain level of service

- Access to product and technology experts dedicated to available products

- Reduction of internal IT costs to a predictable monthly fee

- Redeploying IT staff and tools to focus on strategic technology projects that impact the enterprise's bottom line

The disadvantages

- The client must generally accept the application as provided since ASPs can only afford a customized solution for the largest clients.

- The client may rely on the provider to provide a critical business function, thus limiting their control of that function and instead relying on the provider

- Changes in the ASP market may result in changes in the type or level of service available to clients

- Integration with the client's non-ASP systems may be problematic