



Application hosting takes advantage of the Internet and economies of scale when an application service provider (ASP) installs and maintains the applications at one or more centralized data centers. Customers access the applications over the Internet. In contrast to the traditional client-server model of implementing and maintaining applications entirely on the customer's facilities, the application hosting model enables companies to run applications without incurring the capital or personnel overhead of a complex computing infrastructure.

With application hosting:

- The programs and data are installed and maintained at the application service provider's (ASP) facilities.
- The ASP and its IT staff build and maintain the computing infrastructure—hardware, software, and networking.
- All the customer needs is a Web browser for each user, so it's easier to make the applications available to many more people in the organization.
- Customers can access the application from anywhere: home, airports, hotels, or multiple and remote customer sites.
- The entire system—software, hardware, networking, services—is subject to a predictable monthly fee.

If yours is a medium-sized business or a start-up, application hosting means that:

- Best-of-class applications are suddenly within your reach.
- You can be up and running with a complete Internet infrastructure in much less time.
- The infrastructure is likely to be more reliable, flexible, and secure than the in-house alternative.
- You can concentrate on growing your business, rather than implementing and maintaining software and hardware.

Larger companies will look to application hosting for:

- Controllable and predictable costs.
- A way to outsource a horizontal application, a vertical division, or new eBusiness company initiatives.
- The flexibility to accommodate mergers, acquisitions, or reorganizations, maintaining corporate standards without adding computing infrastructure.

How Application Hosting Works

Application hosting essentially moves the complexity from your company's site to the ASP. The ASP:

- Establishes one or more hosting data centers with appropriate security, power, Internet bandwidth, and environmental conditions.
- Buys and installs many servers and disk storage.
- Staffs the data center with professional IT personnel—systems administrators, database administrators, and applications management and support personnel.
- Installs and configures the server with its operating system, networking, and other supporting software.
- Installs the customer applications and data on the servers, and dedicated disk space.
- Handles all the maintenance, including backups, disaster recovery processes, application upgrades version, and dealing promptly with any system glitches.
- Proactively monitors customer systems for availability and performance to identify and correct potential problems before they impact customer operations.

In other words, the applications are implemented in a manner similar to a traditional client-server model, except that the server is at the ASP data center, and the client is essentially nothing more than a Web browser. The ASP's job is to keep the system running and available and to keep the customer's data safe and secure. In all of these activities—hardware and software provisioning, disaster recovery processes, professional IT staffing—the ASP takes advantage of economies of scale. They often get better quantity discounts on hardware and software, can spread out the cost of spare equipment over several customers, and can hire and keep topnotch IT personnel and share their expertise to the benefit of multiple customers.

Is Application Hosting For You?

Because application hosting is a relatively new arrangement, we've developed a set of questions to help you evaluate how appropriate it may be for your company.

1. Is your company open to the idea of outsourcing? Are you outsourcing any other functions?
2. Do you have a need to "go live" as soon as possible? Is time-to-market an essential success factor for your business? Are there looming deadlines or other motivating factors for moving quickly?
3. Are you open to a "no customization" approach? Consistency is the key to success in an application hosting environment.
4. Do you have minimal in-house IT expertise? Are you having trouble hiring or retaining IT staff? Or have you decided that having in-house IT expertise is not desirable?
5. Are you trying to avoid a large upfront capital expenditure for a computing infrastructure and the personnel to create and maintain it?
6. Do you want or need to focus your company on its core competency rather than on maintaining the infrastructure required to run applications?
7. Is yours an underserved or remote division of a large company?
8. Do you require an accelerated path to eProcurement?
9. Are you looking to create a business-to-business buying exchange to reach deeper into your established customer base?
10. Do you need to unify the Web-facing eBusiness applications with your ERP back-office applications?
11. Are you looking for a "zero-overhead" strategy for operations that aren't at the core of your business?

If you answered "yes" to more than two of these questions, it's likely that your business would significantly benefit from an application hosting solution.

What to Look For in an ASP

Ten questions to frame your evaluation of application service providers, and help you identify your needs.

1. How long will it take to be live on the applications I need? An ASP should make it possible for entire companies or individual departments to be up and running with full functionality in two to three months. Proven implementation experience and applications management expertise are the key success factors for rapid startup.

2. Will the ASP make it simpler for me? An ASP needs to manage everything required to run a customer's business systems: the applications, the hardware, the operating system, the database, and the network—backed by an expert account management and help desk team for support.

3. How reliable is the ASP? An ASP must have a world-class data center blueprint and partnerships with infrastructure providers worldwide to provide 99% uptime or higher if needed. Further, reliability is achieved by a balance of using reliable components and maintaining spare components at the ready.

4. How secure is my business data? An ASP must offer multiple levels of security: 1. facility security, 2. network security, 3. data security, and 4. application security.

5. Can the ASP grow with me? The ASP must be able to scale quickly and cost-effectively to support growing organizations by adding departments (HR, then Financials) or adding functions (Customer Relationship Management, Service Automation, eStorefronts). Breadth and depth of applications is the key to expanding functionality. And the ASP needs a scalable architecture and a hosting blueprint to define world-class infrastructure requirements that can be replicated in every partnered data center worldwide to keep pace with global customers.

6. Is the ASP flexible enough to handle my changing business? ASPs must be able to support organizations undergoing constant change—such as mergers and acquisitions--by the ability to rapidly add users, functions, and new applications.

7. Does the ASP offer 24x7x365 support, and what is the issue resolution procedure? From initiation through ongoing support, the ASP should provide the highest level of customer care and satisfaction available. Some ASPs merely act as a gateway for customer issues, referring them to software or hardware vendors for resolution. You'll want someone on the ASP support team who can take ownership of resolving any issues.

8. Does the ASP host best-of-breed applications that work together? An ASP needs to provide an end-to-end solution for seamlessly integrated, best-in-class products for leveraging eBusiness with the necessary product breadth and depth to support all areas of a business.

9. Can the ASP provide upgrades quickly? An ASP must have a consistent and reproducible data center architecture--not a mix of different hardware, operating systems, networking protocols--in order to be able to quickly upgrade applications. Again, application management expertise is critical to successful upgrades.

10. Is the ASP partner worthy of my trust? Trust should be the number one factor when choosing an ASP for your business. Your choice of ASP should have a track record of excellent customer service that results in high customer satisfaction and high customer retention rates.