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ASP model still has a way to go

The application service provider model has received its share of hype in the region. In dedicated conferences, lengthy articles and advertisements, pundits have extolled the many virtues of the ASP model but, to date, the results in Asia have been limited.

The core value proposition would appear to be fundamentally sound. Enterprise, medium and small businesses are dealing with increasingly complex and expensive IT budgets. By outsourcing the design and hosting of application software, there are potentially four major benefits. Firstly, the cost savings from centralisation can be as high as 20-40 per cent. Secondly, the ASP model provides customers, particularly SME's, access to an increasingly scarce pool of top quality IT professionals. Thirdly, management is able to focus on its core competencies rather than on hiring and retaining employees and system maintenance. Finally, adopting an ASP solution should speed up time to market, a benefit of a scalable solution and more rapid supplier deployment schedules.

The results have yet to live up to the promise and the hype, but given time, they will appear.

Very few of the new ASP start-ups in Asia have developed a viable track record or offered robust service level agreements to compensate for customer downtime. While several ASP's may tout 99.5 per cent reliability, few corporate customers will be willing to live with two days of downtime each year. Less than five per cent were caused by pricing – in this early stage of the market life cycle, Asian customers are focused primarily on reliability.

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