

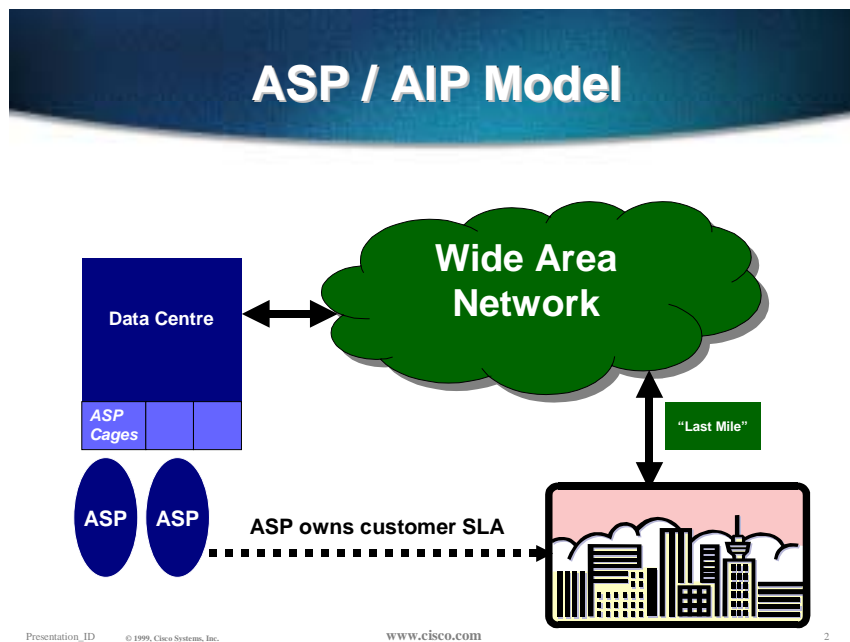
## ASP/AIP Business White Paper

### Executive Summary

The Applications Service Provider (ASP) market is still in its infancy, and Cisco will provide the technology architectures to help ensure that software as a service can be successfully delivered over an IP network. In a fast moving Internet marketplace Cisco is creating the environment that will make the ASP model a success in EMEA. It will ensure Application Infrastructure Providers (AIPs) are able to focus on what they do best, the delivery of network services and provisioning of ASP services. Cisco in EMEA will focus its activities towards the Service Providers and System Integrators, enabling them to become AIPs by providing the following:

- Technologies for Infrastructure Providers - these will enable AIPs to deliver end-to-end quality of service that will allow ASPs to deliver their applications as a service to end customers.
- Certification Programmes – Cisco has two programmes, Cisco Powered Network AIP (CPN AIP) for infrastructure providers and an ASP enablement programme for the ISV/ASP community; removing the uncertainty surrounding the successful delivery of applications as a service over an IP wide area network (WAN).
- Ecosystem Partners - to complete the delivery model and management solutions.

The following model will drive the linkage between the data centre (which houses the ASP), WAN, last mile access and CPE/LAN.



No one player can deliver all the elements required to enable this new business model. With Partner programmes already in place, Cisco is in a position to drive this new market. Successful CPN AIPs are already established, e.g. IBM, Energis Squared and Genient, providing the right framework to ensure Phase Two of the ASP model is successful.

## **Introduction**

Pick up any industry publication and you read about the need to get your business on-line or become web-enabled, allowing you to cut costs, enhance employee productivity, and acquire more customers via the Internet. There is a frenzy to be first to market with new, exciting products that will increase business competitiveness and revenues and ultimately drive more shareholder value. Enterprise businesses understand the need and value of web-enabled applications and are in the process of converting to an integrated Internet business strategy. Now the Small Medium Businesses (SMBs) and mid-tier businesses are right at the centre of this frenzy. They recognise that they have to become web-enabled. Some SMBs and mid-tier businesses only have access to the Internet for basic applications like email, others are well on the way to web-enabling their applications and businesses.

Just as these Web-enabled business applications were being developed, the industry introduced a new inflection point by creating the Application Service Provider (ASP). The ASP model will change the way applications are delivered to business customers, be it SMB, mid-tier and ultimately enterprise customers, because an ASP delivers software as a service that is subscribed to on a contractual basis. In other words, ASPs offer data centre hosted and managed software applications that include a set of associated services, removing the need of owning, developing, managing and updating applications in-house. The applications can be either single or multiple applications (potentially aggregated) such as e-mail, CRM (Customer Relationship Management), sales force automation, HR applications, expense reporting, file transfer and PC backup. Eventually, when the model has matured and been accepted by enterprise customers ASPs will be able to deliver an integrated ERP application as a service.

### **The ASP Market – Phase One**

The ASP concept is already two-and-a-half years old. The first phase of the ASP business model emerged at the same time as the dot.com phenomena, when venture capitalists, investment banks and large corporations were investing in small start-up companies that were creating on-line e-commerce businesses. Of course we all know what happened to the majority of dot.coms. A similar pattern appeared with the advent of the ASP market. The following are reasons why their business model failed:

- ASPs had to invest in expensive AIP infrastructure, such as data centre solutions (racks, power, servers, routers, switches, firewalls, applications, operating systems) and people to deliver and manage the total solution.
- ASPs diverted their attention away from customer support to the technology changes such as software licensing.
- Enterprise and SMB businesses were not ready or able to embrace the model, because their businesses we're not flexible enough to accommodate a new model. As a result end customer acquisition became too expensive.
- The ASP business model did not meet revenue or profit expectations.
- There was an inability to create partnerships (Channel and Service Provider) to deliver the service, because the ASPs thought that they could do it all themselves.
- Inability to deliver against the required SLAs (Service Level Agreements).

## **The ASP Market – Phase Two**

The ASP market is currently entering the second phase. The focus for all players is their core competencies and for Cisco these are:

1. Building out the AIP Network Infrastructure
2. ASP enablement and ISV programmes
3. ASP demand generation with ecosystem partners
4. Focused customer ASP feedback programs

### **1. Building out the AIP Network Infrastructure**

The Internet enables ASPs to deliver networked business applications, and over 88% of all Internet traffic is carried over Cisco platforms. Cisco will be ensuring that ASPs are able to deliver their applications as a service over an IP Network, by providing:

- End-to-end application delivery capability over a geographically dispersed network
- Network reliability for Quality of Service (QoS)
- Network Security via Pix Firewalls
- Improved application performance through load balancing and caching technologies
- Network management, which includes the last mile (physical Internet access)
- Network availability through Content Switching.

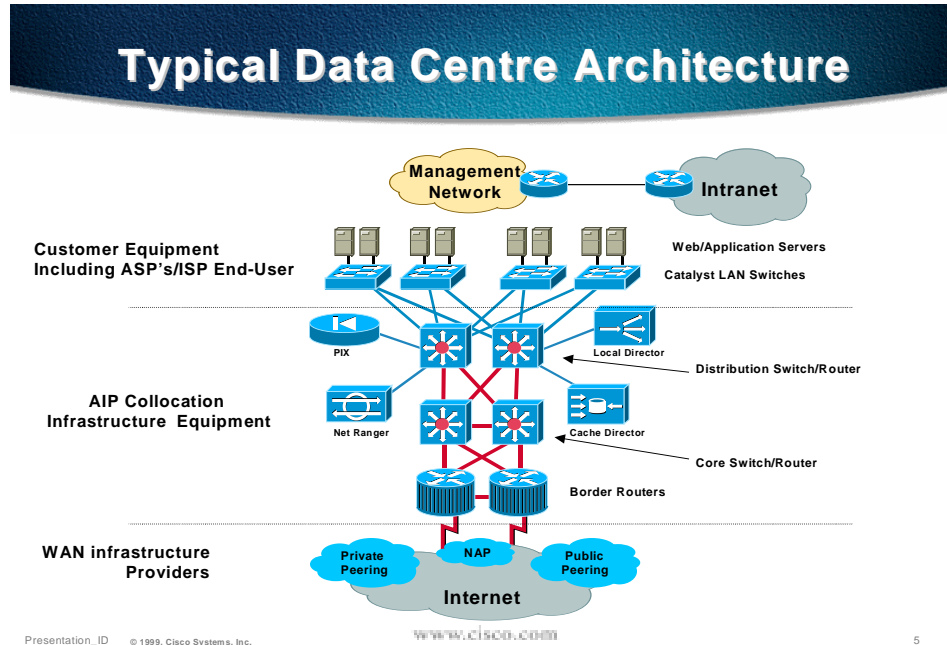
These criteria are all contained within Cisco's Content Delivery Network (CDN) architecture solutions. CDN can be configured along with the Service Providers (SPs) QoS for the Data Center, WAN, last mile and CPE/LAN, providing the network delivery platform as a roadmap for the next generation of ASP hosting services. The key benefit of a complete solution is that AIPs can quickly enter the ASP market and allocate their resources towards creating new value-added services, rather than reinventing networking technology.

The AIP build-out is open to ASPs, Internet Service Providers (ISPs), Data Centre providers, system integrators and technology companies interested in collaboration together to develop solutions specific to the ASP market.

As we have seen above, it is more efficient for ASPs to leverage the capabilities of AIPs, as this will allow both companies to focus on their core capabilities and in turn deliver better services to end customers. Ideally, with an AIP infrastructure, ASPs can focus on areas such as application integration and customisation, support, sales and marketing, pricing models, customer service and channel partner programmes for customer acquisition.

*"In providing customers with our ASP recruitment solution, ActiveRecruiter, Job Partners is utterly dependent on a network service of unquestionable reliability. The binding promises we make to customers, embodied in our Service Level Agreements, cover critical delivery criteria, such as scalability, Internet security and quality of service. We can only be confident of keeping these promises if we know that the hosting AIP provides a platform of 24x7 delivery that is rigorously monitored and seamlessly maintained,"* said Patrice Barbedette, CEO, Job Partners

In order to make the build-out of the infrastructure simple and easy to procure, Cisco will build on its existing internal solutions programme, Cisco Ready To Go Technology Solutions, and develop configured kit lists for the Data Centre, WAN, and CPE/LAN. These are available today



### ***Becoming a Cisco CPN / AIP***

Cisco AIP engagements require investment by both Cisco and the AIP. Therefore it is important to assess the AIPs readiness from a technical and business standpoint.

The Cisco CNP AIP designation was introduced in April 2000. An AIP can receive the designation by successfully completing an assessment of their end-to-end network architecture based on Cisco's network requirements. As of June 2001, seven AIPs in EMEA have received the Cisco Powered Network AIP designation these are: IBM, Genient, Genuity, CityReach, Energis Squared, Energis Squared (Germany) and DMData (Denmark).

The AIP needs to demonstrate that with Cisco's technologies and solutions they can provide the end-to-end network services to ensure that an ASP can deliver their "software as a service" to their customers:

- Services are delivered over a network that is built solely on Cisco products and technologies.
- Maintains a direct account relationship with Cisco
- Companies must generate a minimum of annual business volume of Cisco products and technology. This minimum varies by country.
- Proves maintenance of levels of network quality and customer satisfaction.
- Subscribes to Cisco SP Base support program or its equivalent.

- Accepts the terms regarding use of the Cisco Powered Network mark, and agrees to use it regularly in marketing materials.

Companies that become a CNP / AIP receive the following support from Cisco:

- Access to Cisco ASP/ISV Enablement Program
- Become a key partner in the creation of iQ solutions
- Have exposure to the Cisco sales force
- Participate in AIP/ASP seminars and conferences
- Are recognised in the media as a Cisco partner
- Receive marketing support

IBM's e-business hosting group chose Cisco as a key partner and applied for and achieved CPN AIP accreditation. They chose Cisco because:

*"Cisco delivers world beating networking technology solutions, and this underpins our world class service, software and hardware solutions. The two companies are synergistic in their go to market strategies and being associated with Cisco strengthens our position in the Enterprise space, delivering Internet enabled business solutions, including hosted application services"* – Nick Leon, Director of Market Development, e-business Hosting Services, IBM Global Services.

Genient, a web services infrastructure provider chose Cisco as their Partner because:

*"By being a Cisco CPN AIP, Genient have leveraged the Cisco sales teams to develop solutions for enterprise's customer facing internet services, including the delivery of integrated business applications for a leading UK ISP".* – Graham Curme, VP Sales and Marketing, Genient.

## **2. ASP Enablement / ISV Programs**

Cisco will create an ASP ecosystem that focuses on key ISVs, pure ASPs, and Internet business solution providers to collaborate and deliver a roadmap of applications that can be delivered as "software as a service".

Based on successful previous experiences in the US, Cisco learned and gathered significant knowledge and information about the ASP service via testing, proof of concept and partner solutions. Cisco is now leveraging this knowledge to build the ASP enablement and service roadmap in EMEA.

As ASPs evolve to adopt this service roadmap, enterprise and SMB customers will be able to understand the value of adopting an ASP model as part of their e-business strategy. The enablement of ASPs will primarily be delivered through collaborative Solution Centre partnership programmes, like:

**CMC** – A solution center built at a Compaq facility in Sophia-Antipolis, France. It was developed by Cisco, Microsoft and Compaq and launched in February 2000. It provides a facility for ASPs and ISVs to test and prove their web-enabled applications delivered as a service concept in a lab. environment.

**ASP2000** – Another solutions center built by Cisco, EMC, Microsoft, Unisys, Intel and Mercury Interactive. This facility in Paris France, provides the same services as the CMC centre described above.

### **3. ASP demand generation with ecosystem partners**

Cisco recently launched the iQ Partner Program, created to develop Cisco's strategic relationship with business solution partners, working with them in the delivery of repeatable end-to-end solutions that reduce cost, risk and time-to-market for businesses looking to move quickly to an e-business model.

Cisco is collaborating with its partners to include ASP services in Cisco iQ Solutions for the Enterprise, Mid-Tier and SMB Marketplace, as well as creating tools to build ASP Go To Market plans.

### **4. Focused customer ASP feedback programs**

Cisco launched a CIO roundtable program in May 2001. The programme brings together a small focused group of CIOs who informally discuss the ASP concept, business model and how vendors move forward to successfully deliver on the concept against their business realities and perception of the ASP market. Cisco will be meeting with CIOs on a quarterly basis so they can measure the effect that Cisco's AIP/ASP programme is having on their Internet business strategy.

### **Cisco Market Focus**

Cisco in EMEA will be focusing its ASP/AIP enablement strategies towards the SMB and mid-tier markets. They have some major challenges in driving their business forward using IT as the main vehicle, these being:

- They do not have the desire or IT organisation to manage the hardware, OS, and application upgrades and updates.
- They encounter difficulties web-enabling their business as more IT projects move on-line.
- IT costs are prohibitively high.
- Access to other business productivity tools and applications are difficult and very expensive e.g. implementation of an in-house ERP system.
- Inability to get timely and quality support from their software vendors.

The ASP model is compelling for SMBs and mid-tier businesses because:

- Allows them to stay focused on their core competencies – running their business not building IT organisations and applications.
- The ASP is responsible for all hardware and software support and upgrades, thus delivering a 'stable' environment.
- Enables them to deliver web-ready applications to meet their business needs significantly faster than in-house development.
- Enables them to have a predictive cost for IT, also allows them to expense IT as a service as opposed to having to cap-ex it.
- Provides access to new applications that many small businesses could never afford to procure from Oracle or Siebel as a product.
- Service Level Agreements (SLAs) delivered by the ASP ensure timely service and support for the business applications

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