

White Papers

**BUSINESS
PROCESS
AUTOMATION**
A revolution in the making

If one were to go through the economic history of humankind, spanning several centuries, one would find that it is the resourceful, powerful people who enjoy a new lifestyle first. Given the myriad constraints associated with economic development, it may take decades, even centuries, for the common man to enjoy a new lifestyle. Innovations in transportation, electric power, sanitized water, gas, telephone, satellite TV, and the internet have all affected lifestyles. Today, these innovations are available to the common man for an affordable monthly fee. Enterprise Solution Infrastructure is going through similar changes. The best-of-breed enterprise solutions are currently mainly targeted at highly resourceful Fortune 1000 companies. These solutions have not reached the common man represented by small and medium-sized enterprises, called SME. This market segment typically wants to avoid big capital investments but still desires problem-free service continuity at affordable monthly prices. They are not the enterprises that would invest in a captive power plant costing several million dollars when electricity is available for just a few cents per unit. Why would a SME invest one million USD, over a 5 year period, on an expensive enterprise solution when a similar solution is available for a 300 USD monthly fee from a hosted application vendor, hassle-free and not requiring the learning of complex IT terminologies?

There are a number of technology and marketing shifts that drive the opportunities for hosted application vendors. They are listed below.

Technology Drivers:

- The internet is fast becoming a secure and reliable network.
- Hosting infrastructure provides flexibility, scalability and fast deployment cycle.
- Browser-based GUI is gaining acceptance among users.
- Increased adoption of server-based computing.
- Downsizing of large enterprise applications to SME segment.
- Shortage of IT skills.

Market Drivers:

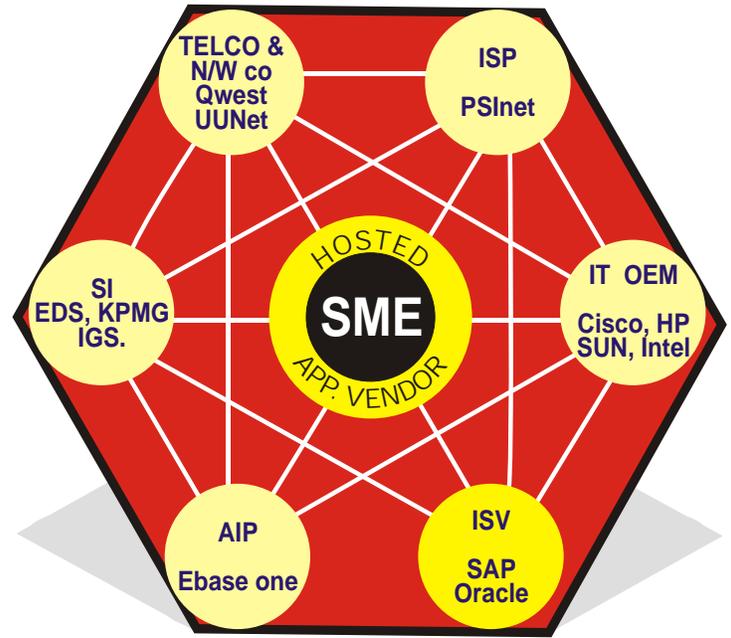
- Software vendors moving down to SME segment
- Low cost of ownership
- Focus on core competencies
- Simplified post-sales support
- Faster deployment of new applications
- No dead investments

Hosted applications offer immense benefits to small and medium-sized enterprises that cannot afford to acquire and maintain costly enterprise solutions to automate their business processes. There are more than 0.8 million small and medium-sized enterprises operating in the United States alone. These enterprises typically have 100 to 500 employees. This market segment is open for established providers to use this opportunity to provide hosted applications. The providers might totally manage the hosted applications themselves or outsource any portions of the services to the organizations listed below.

- Telecommunication and networking companies such as Qwest or UUNet
- An ISP such as PSInet
- IT infrastructure OEMs such as Cisco, HP, Sun, or Intel
- An ISB such as SAP or Oracle
- An application infrastructure provider such as EbaseOne
- System integrators such as EDS, KPMG, or IGS

The SME segment is a huge but fragmented market. These enterprises are often slow to adopt the latest IT technology, and many do not have the proper IT infrastructure in place. Some traditional enterprises do not think in terms of efficiency, placing higher priority on maintaining tradition and the business legacy. Therefore, there are many challenges for the hosted application vendors in this segment of enterprise. Some of these challenges are listed below.

- Application Performance
- Application Security
- Ability to provide better Application Support
- Ability to respond faster to changing client requirements
- Loss of control over corporate assets such as sensitive data
- Unproven business model for large scale adoption



When an enterprise considers a self-managed, enterprise solution infrastructure, it needs to evaluate the cost components, assuming all other factors such as product functionality, product roadmap, application benefits, and vendor track record are the same for both a managed application and a hosted application. The components to evaluate include:

- cost of software licenses
- cost of implementation
- cost of customization
- cost of additional hardware
- cost of additional network OS licenses
- cost of RDBMS
- cost of database administrator
- cost of network administrator
- cost of post-implementation premium support
- cost of annual maintenance contract
- cost of training and re-training
- cost of executive time during implementation
- cost of downtime
- cost of system audit
- cost of termination

If an enterprise computes the costs listed above on an annual basis for four to five years, then compares it to the total cost of subscription hosted applications for the same period, it would realize the possibility of 30 to 70% cost reductions or savings. That is truly a great impact on the ROI.