

FORTUNE

e-sourcing

the corporation:

harnessing the power of web-based application service providers

courtesy of
ASP Industry Consortium

special advertising section
reprinted from the march 6, 2000 issue of FORTUNE®

e-sourcing the corporation

Imagine an approach to information technology where companywide applications are deployed in a matter of days or weeks, at one-third to one-half lower cost than is typical today. Imagine an approach to running your business where end-to-end business processes are created by snapping together software applications—both those within your company and those used by your trading partners. Imagine an approach to financing these capabilities that eliminates the up-front investment and replaces it with a flat monthly charge that doesn't begin until it all "goes live." Such an approach is called e-sourcing. It exists today and it is being delivered to thousands of companies by hundreds of application service providers—ASPs—all around the globe. Application service providers are redefining the way we think about our businesses and about how to leverage the software that has become so central to our business processes. "Certainly everyone is not there yet," says Virender Ahluwalia, head of finance for Vertical Networks, Inc., the Sunnyvale, California, creator of integrated voice and data products, and an early



Business applications have evolved from expensive custom creations available only to the largest enterprises, to packaged services available in a more efficient way to companies of all sizes.

Source: *Applicast, Inc. (Adaptation)*

adopter of the ASP model, "but I absolutely believe that everybody will embrace this approach over the next three to five years." And in a world where every business must accelerate to "Internet-time" in order to survive, any executive who ignores the experience of leaders like Ahluwalia is doing so at his or her organization's risk.

Defining a New Way of Doing Business

It is sometimes difficult to recognize the significance of a change while it is happening; the impact is often not fully understood or properly defined until seen with 20/20 hindsight. That's the problem in trying to put too firm a definition around e-sourcing and application service providers. Probably the safest—and broadest—definition of an ASP is any company that is remotely hosting a software application and providing access and use of it to clients over a network on a recurring fee basis. Eighteen months ago, the term had not even been coined; today there are hundreds of firms that fit this definition.

Industry-watcher estimates for annual ASP spending by U.S. organizations by 2003 range from a low of \$2 billion to a high of \$22.7 billion. The newness of the e-sourcing solution, combined with definitional differences, helps explain this wide range.

While the crystal ball may be cloudy, what is clear is that ASPs are quickly emerging as one of the most important business revolutions yet to emerge from the dot-com world. Its power comes from the convergence of three unstoppable forces—the Internet, robust software applications, and process-centric thinking. "In many ways," says Traver Gruen-Kennedy, chairman of the ASP Industry Consortium, an international industry advocacy group, "application service providers are doing for software what the Internet has already done for data—making software applications universally available, affordable, and ubiquitous."

The central idea is quite simple: Take software applications, host them on powerful servers, make them network-accessible, and allow users to run the application directly through the browser software on their PC or other network-enabled device. For corporate clients—from the smallest start-up to the largest FORTUNE 500®—this "software as a service" approach offers real advantages. Applications can be deployed much more quickly, with far fewer up-front costs. And ongoing operational and maintenance headaches are moved from the client's organization to the ASP. Because the corporation's users access the application over the network via standard browser software, the problems of PC compliance and software release upgrades, so typical today, go away.

On top of this are stacked all the advantages associated with outsourcing in general, from freeing capital and internal resources—especially today's scarce IT resources—for other purposes, to being able to take advantage of the latest technologies, with lower risks and lower total costs. The bottom line is that almost any software application, from the most essential data archiving application to the most sophisticated e-commerce application, can be rapidly implemented through an ASP in a fraction of the time and at a fraction of the cost seen before now. This new approach to e-sourcing the corporation may well prove to be, as one observer put it, "as revolutionary as the PC was in the 1980s."

Satisfying Today's "Need for Speed"

If the early adopters, such as Vertical Network's Ahluwalia and the many other executives interviewed for this report, have one defining common characteristic, it's the "need for speed." Speed has emerged as the essential factor of any successful business, and speed, without sacrificing any of the other elements of a complete high-quality solution, is where ASPs really shine. ASPs can deploy office applications on a companywide basis in hours. Entire e-commerce platforms, based on top-tier enabling software, can be delivered in days. End-to-end integrated enterprise resource planning solutions can be designed, tested, and delivered in weeks. The need for speed is an unmistakable driver of e-sourcing.

Another “s” word that’s important to what’s happening in business today is “scalability”—the ability to ramp up a solution quickly as the firm moves forward. As a company’s customer set grows, as the number of purchasing transactions or types of buys it must make increases, as the number of products in its product line expands, and as the number of sites it’s operating increases, that company needs to have business processes and enabling technologies that can grow with it quickly and incrementally. The ASP model fits well here. Providers add capacity for their customers by replicating the software across more and ever-larger servers. The fee structure used by most ASPs is, by design, scalable as well—fees are typically based on the number of users per month. These two factors—speed and scalability—make e-sourcing particularly attractive to rapidly growing companies, whether in traditional markets or dot-coms.

At the same time, individual divisions and functional units within larger firms are e-sourcing as well. Here, the issues are just as often ones of access to capital and to the most valuable commodities in most organizations today—IT time and talent. Business process leaders in areas such as human resources, finance, and purchasing often find themselves unable to get the applications they need because of the internal competition for IT resources. As Terry Hucks, chief information officer at Richmond, Virginia-based furniture retailer Heilig-Meyers, puts it, “Payroll, for example, is an application of utmost importance to us, but it can’t be



Traver Gruen-Kennedy, one of the year’s “25 most powerful people in networking,” according to Network World magazine.

Blackstar: L. Kaufman

our number one IT project.” E-sourcing enables business executives to work collaboratively with their IT team while at the same time purchasing much of the desired capability as a service through an outside provider.

Finally, ASPs are making software much more affordable. Midsized firms that in the past simply couldn’t afford the high-end software solutions available to their larger competitors are relying upon the ASP model to close that gap. At the same time, small companies that have not yet made a traditional IT investment are using ASPs to avoid this internal investment completely. In both cases, this is making the right software package affordable from the beginning and eliminating the enormous costs of periodic migration to larger, more robust systems.

Newcomer on the scene though it may be, e-sourcing has become an important way to gain access to software, reduce its total cost of ownership, and deliver capability to the desktop of every employee who needs it. Even more importantly, ASPs are creating a new way of thinking about business, about how best to enable business processes, and, in an increasing number of cases, how to connect these processes all across a company and among its trading partners. Indeed, the ultimate value of e-sourcing the corporation may not be inside at all, but in the ability to aggregate best practices and transactions across entire groups of companies. As Ron Sanderson, president and founder of Vsource, an ASP that provides integrated procurement services through its proprietary application, observes, “We’re not simply providing our customers with technology, we’re really providing process management and helping our clients build trading networks that drive down costs while freeing time to focus on more strategic issues.”

Speed, focus, flexibility, connectivity, scalability, and price are all leveraged and taken to Internet-time through e-sourcing. The case studies found in this special section demonstrate this new business model in action.

TOP SIX DRIVERS OF E-SOURCING

SPEED

Business solutions are available in days or weeks as opposed to months or years.

FOCUS

Today’s executives know that anything that distracts their company from its subject matter expertise must be moved outside the organization.

FLEXIBILITY

Creates a true “plug-and-play” approach to acquiring advanced business capabilities.

CONNECTIVITY

E-sourcing turns supply chains into fully integrated trading networks.

SCALABILITY

The right solution can be put in place first and then easily grown as needed.

PRICE

Lower total cost of ownership and shorter time-to-benefit.

Source: Michael F. Corbett & Associates, Ltd.

leveraging to deliver

PricewaterhouseCoopers Leverages the Application Service Provider (ASP) Model to Deliver Unique Client Solutions around the Globe

All around the world, e-business has changed the way business is conducted by removing the limitations of time and space, transcending traditional boundaries, and expanding business opportunities. Organizations that have embraced e-business are realizing the benefits of tangible reductions in costs, new channels to market, improved quality of products and services, and information-rich interactions between customers and suppliers.

"PricewaterhouseCoopers views e-business as more than just a new Web site," says Cathy Neuman, deputy global leader of PricewaterhouseCoopers' E-Business offerings. "We approach e-business as a source of significant strategic advantage—distinguishing one company from another, transforming entire business relationships as we know them today."

"PricewaterhouseCoopers' ASP model represents the convergence of outsourcing and technology."

***Bill Batiste, North American leader,
Business Process Outsourcing,
PricewaterhouseCoopers LLP***

E-business is an important and integral part of PricewaterhouseCoopers' outsourcing services, as companies are turning to electronic commerce, intranets, extranets, and the power of the Internet to change the fundamental way they do business. Working with hundreds of the world's leading multinational companies, PricewaterhouseCoopers has helped clients improve profitability, extend performance, and increase shareholder value.

"PricewaterhouseCoopers' ASP model represents the convergence of outsourcing and technology," says Bill Batiste, North American leader for Business Process Outsourcing, PricewaterhouseCoopers LLP. As the world's largest professional services firm, with 155,000 people in 150 countries, PricewaterhouseCoopers doesn't advise its clients just on their business processes and implementation of systems, but also on the ongoing management and

operations of the supporting technologies. Prior to adopting the ASP model, the management and operation part of the equation was accomplished through a number of more traditional methods. In some cases, PricewaterhouseCoopers would bring in its technical resources and people and operate the systems at the client's premises, using the client's platforms. In other situations, the client's processes, people, and applications would be moved into a PricewaterhouseCoopers Solution Center and operated remotely.

PricewaterhouseCoopers' ASP offering has brought two very important new elements to this solution set. "First, we're now remotely hosting these applications and Web-enabling them through the client's intranet and over the Internet. Second, we've gone to Subscription Based Pricing, which affords our clients a monthly fee per user based on the scope of applications enabled. It becomes a variable cost item that is very controllable," says Rick Genovese, U.S. leader for PricewaterhouseCoopers' application outsourcing business.

Applying a new delivery technique is really just the starting point for the changes taking place. "We're good on the application side, including the full systems life cycle and e-enabling our clients," says Genovese, "but the real requirement here is for software vendors, infrastructure specialists, and firms like PricewaterhouseCoopers to collaborate in the delivery of these solutions to the market. Success is going to demand a real partnership model, and we're well down the path of architecting all the requirements needed to be differentiated in this space."

The result, as Bill Batiste sees it, is a "very focused offering that provides our customers with a 'one-stop shopping solution' that is consistent and global." Human resources is an example of this type of solution. There is a wide range of HR activities—benefits administration and payroll are just two examples—that naturally lend themselves to remote application management. PricewaterhouseCoopers has been an early, rapid adopter of the ASP model in its delivery of business process solutions for the HR department.

Batiste sees three groups of clients that can greatly benefit from this approach for HR and many other business processes. First are the small and intermediate-size companies that must implement solutions quickly and without interruption to their business. They need standard processes and application offerings that integrate easily and can grow as their business grows. The second group would be mid-level companies. They can also take advantage of many of the standardized offerings, but may require some level of customization to fit special business requirements. Finally, there are high-end global companies that require unique solutions combining an equal measure of customized and standard features to serve their customers and work with suppliers around the world.

The ASP model needed to create these solutions looks beyond PricewaterhouseCoopers and its alliance partners. PricewaterhouseCoopers' ultimate vision is the aggregation of clients and their common needs. This will enable the development of even more robust, efficient, and e-enabled solutions that will streamline entire industries.

Batiste says: "PricewaterhouseCoopers is uniquely positioned to be the 'trusted third party' that can implement and operate multi-client cooperative arrangements. We're positioned to be able to develop common solutions that apply vertically within industries as well as horizontally across industries." For example, many entertainment and media companies require applications that handle the accounting and payment of residuals and royalties. A "trusted third party," operating as a clearinghouse, could become the outsourced ASP-based operator who oversees the application processing, completes the reconciliation process, and administers the payments to the artists and entertainers.

In the energy industry, it's the large number of joint venture arrangements and resulting accounting complexities that are common challenges to oil and gas companies. By aggregating best practices for an industry and delivering them through common applications, the ASP model will leverage the very best industry solutions available.

Similarly, Batiste and Genovese see procurement as the type of activity that cuts across industries. By aggregating and standardizing the processes of many firms and then connecting more buyers and sellers, even greater efficiencies and increased buying power are possible. The opportunity for PricewaterhouseCoopers' clients is for them to gain access to these types of collaborative application and hosted solutions that take advantage of common features, shared arrangements, and shared



"Today, we provide Web-enabled outsourcing services for more than 2 million of our clients' employees."

*Jeff Brugos, global leader,
PeopleSoft and Commerce One,
PricewaterhouseCoopers LLP*

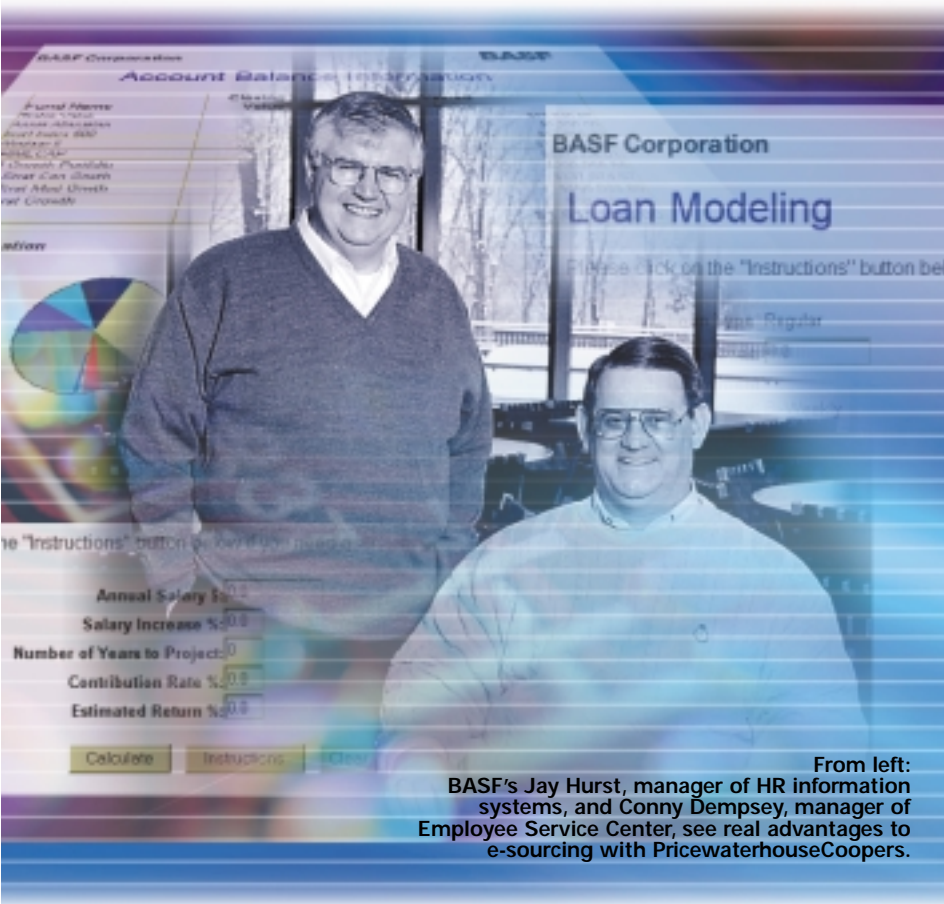
alliances. But, what's enabling all of this is the ASP model. "We are making these offerings available to clients as we speak," says Genovese.

PricewaterhouseCoopers Delivers Web-Enabled Benefits Administration for BASF

One example of the types of solutions that PricewaterhouseCoopers' Batiste, Genovese, and Neuman are describing can be found at the Mount Olive, New Jersey, North American headquarters of the Germany-based chemicals giant BASF Corporation, a PricewaterhouseCoopers client. Three years ago the company launched an effort to examine, transform, and—where it made sense—outsource non-core, non-strategic activities. "Payroll and employee benefits administration were two clear opportunities," says Jay Hurst, manager of HR information systems for BASF. On the benefits side, the first step was to move benefits administration for BASF's 13,000 U.S. employees to PricewaterhouseCoopers' self-service center in Cary, North Carolina. This took significant cost out of the operations and delivered a higher level of service to the employees.

"The problem," says Hurst, "is that interactive voice response systems combined with live-call representatives still had a significant per-minute cost. There was an opportunity to cut costs further." BASF employees now receive these same services—such as 401(k) plan administration and benefits plan enrollment—directly via the company's intranet or over the Internet, accessing applications hosted remotely by PricewaterhouseCoopers. In addition to further reducing the time and costs in servicing the company's employees, this approach also delivers significant savings on the technology side for BASF. "It's like having someone who distributes the software for us," says Hurst. "Traditionally, this is a real drill, but now there's a single copy of the software, with everyone using it."

"Application hosting, as we're doing for BASF, and the delivery of subscription services for HR and benefits administration are really the starting point," says Tony Martin, global leader for PricewaterhouseCoopers' human resource outsourcing business. "We go well beyond that to offer a complete end-to-end service in a multi-client environment, including customer care, inbound and outbound document handling and imaging, management of interfaces, process and service among multiple vendors, and financial reconciliation and controls." This complete solution further integrates PricewaterhouseCoopers'



From left: BASF's Jay Hurst, manager of HR information systems, and Conny Dempsey, manager of Employee Service Center, see real advantages to e-sourcing with PricewaterhouseCoopers.

Blackstar: L. Quinones

services into BASF's overall HR process. Hurst agrees, "PricewaterhouseCoopers did everything."

Employee feedback at BASF regarding self-service over the Net has been excellent. It's tracked every month and, according to Hurst, is consistently rising. And the timesaving in processing employee requests has been significant. During a recent open enrollment period at BASF, employee calls to the self-service center that had previously taken 10 minutes on average were being completed over the Web in less than a minute. "And," adds Hurst, "we're also able to provide employees with more information that is much quicker and easier to access." Similarly, new applications under development at BASF working with PricewaterhouseCoopers—such as employment verification call handling and job postings and related recruiting and staffing activities—will impact other areas of HR just as dramatically.

According to Jeff Brugos, PricewaterhouseCoopers' global leader for PeopleSoft and Commerce One, "We've been an ASP on the HR benefits side for a long time. Today, we provide Web-enabled outsourcing services for more than 2 million of our clients' employees. We're now expanding out across the other HR applications and payroll." Tony Martin adds, "Clients say that what we've done is to put in place a platform they'd never put in place to support themselves. Our approach is to really reengineer and Web-enable the client's HR process. Just having the technology would not make the types of needed improvement happen. The change has to happen and stick."

Companies Don't Want to Be Burdened with Software

"The way we see it," says Cathy Neuman, "in the world of different business models, software ownership for most companies is becoming more and more absurd." The ASP model provides companies with a rental base; they can try before they buy. It also allows companies to get up and running very quickly using templates of proven systems. "It's a natural marriage of technology and processes," Neuman adds.

As Martin points out, "Consider a manufacturing company here in the U.S. with 15,000 employees operating in maybe four or five businesses. HR is probably distributed into the business units, except possibly for payroll. That company is likely to be spending as much as \$2,000 per employee per year on the folks that are managing the HR processes and literally 'pushing paper.' By moving to an ASP model, we can take 30 percent of the costs out, even allowing for a little creep-back." The other advantage is that the company pays for this solution as a service built on a per-employee-per-year basis.

"The key," says Jeff Brugos, "is to provide these solutions within the framework of a business process outsourcing relationship. It's not just a matter of doing the IT, application support, and help desk. It requires a lot more integration as a full-service solution provider."

"PricewaterhouseCoopers views e-business as more than just a new Web site. We approach it as a source of significant strategic advantage for our clients."

Cathy Neuman, deputy global leader, E-Business offerings, PricewaterhouseCoopers LLP

When asked why they chose PricewaterhouseCoopers for this, BASF's Hurst says that the key question is: Can they deliver? To Hurst, that means being proactive and being able to bring the client toward best practices. It also means, says Hurst, "being better at it than we can be." BASF is a chemicals company; their expertise is in plants and chemical engineering—not HR processes. Says Hurst, "What's really helpful is PricewaterhouseCoopers' insight into doing things better. That's what really matters."

enable technicolor

Vsource Enables Technicolor to Turn Traditional Procurement into E-procurement

"When I joined Technicolor two and a half years ago we had a totally paper-based procurement process," says Ed Bull, vice president of materials for Technicolor, a leading visual packaged media company and the largest independent CD and DVD replicator. "Virtual Source Network gives our employees, such as a maintenance technician on the manufacturing floor, the ability to make purchases online for a wide variety of items." The system has worked extremely well, according to Bull. "We've reduced costs, improved control, and it has allowed me to focus more strategically on our supplier relationships," he adds.

Considering that the cost for the average company to process a purchase order is \$125, compared to \$7 through Vsource's Virtual Source Network (VSN), the bottom-line impact of this approach to e-procurement is real and immediate.



Vsource, Inc., headquartered in Ventura, California, is a leading provider of enterprisewide Internet-based business applications. "We are a pure-play ASP," says Jay McShirley, Vsource's chairman, president, and CEO. "By that I mean that there is only one copy of our software, it exists on the Internet, and our customers access and use it from their desktops." Vsource's Virtual Source Network requires no local software to operate. It accommodates the entire procurement process, and is suitable for any company, regardless of size, number of locations globally, or number

of users. The result is a very straightforward mapping process that allows individual clients to configure VSN for their own special needs. "At Technicolor, we brought 28 buyers online in three days and 400 suppliers online in three weeks," says McShirley.

Virtual Source Network allows companies to create an Internet-based procurement system automating all aspects of corporate procurement—such as material requisitions, requests for proposals (RFPs), and requests for quotations (RFQs), as well as direct orders from supplier catalogs. It

"Virtual Source Network gives our employees, such as a maintenance technician on the manufacturing floor, the ability to make purchases online."

Ed Bull, vice president, materials, Technicolor

also includes the electronic sending, receiving, approval, and payment of supplier invoices. VSN also supports a variety of private label and aggregated buying situations, such as buying groups within vertical markets, reverse auctions (where items are offered at auction to other trading community members and back to suppliers), and many other forms of virtual trading communities seen today.

"Our system has been built to bring best industry practices to any organization's procurement process. It's led by a team of executives with more than 50 years of supply chain and procurement experience among them," says McShirley. In addition, Vsource's alliances with other leading firms provide a complete end-to-end procurement service. Key alliance partners are IBM, which provides such services as training for VSN clients through IBM Learning Services; Corporate Express, which makes its extensive catalog available to users of VSN; ZoomON, whose software creates a virtual project room allowing multiple participants to view, mark up, design, and collaborate on complex and simple graphics over the Internet; and PricewaterhouseCoopers LLP.

"Companies have been looking for ways to dramatically reduce complexity and to send the entire process down to the level of the person closest to the work, and that's what we're doing," says McShirley. "It's a fast and efficient way to shop, order, and complete the order fulfillment process. At the same time, it frees the procurement team to focus on supplier strategy, not on managing transactions." Additionally, McShirley believes that his company's approach gives suppliers a powerful way to distinguish their products and brands to buyers.

"The results of Y2K pointed out a lot of the deficiencies and costs of enterprise software. There's a lot less risk to a solution that can be delivered without on-site software," says McShirley. "We're seeing an incredible amount of excitement about our services."

hr solution delivers

reSOURCE PARTNER® Delivers HR Solution for Sterling Commerce

When asked to describe reSOURCE PARTNER's (rSP) HR solution, Randy Kautto, rSP president and CEO, says, "We provide our clients with a fully integrated HR solution built upon a deep knowledge of the PeopleSoft application and the surrounding business processes. This is because most of our associates have strong industry and application experience." reSOURCE PARTNER, an application service provider and PeopleSoft Certified Outsourcing Partner, has been delivering HR outsource solutions for midsize and large organizations since 1997. The rSP model provides HR- and finance-related application management, hosting, and business processing services. In addition, rSP offers hosting services for other leading business applications.

One of reSOURCE PARTNER's clients is Sterling Commerce (a 1996 spin-off of Sterling Software, Sterling Commerce powers e-business communities for firms like Krogers, UPS, Home Depot, and Toyota), a leading worldwide provider of e-business integration software and services to top global companies and their commerce communities.

Sterling Commerce made a strategic decision to outsource key HR management systems (HRMS), services that did not contribute to its core competency. "I'd rather hire sales and marketing people to grow our business than build an HR empire," says Richard Needles, vice president, human resources, Sterling Commerce. At Sterling, rSP rapidly implemented the HRMS application and performs ongoing application management and user support.

In addition, rSP delivers essential HRMS support services for employee record management, core benefits, tracking new candidates through the evaluation and selection process, and is currently implementing payroll functionality.

"I'm quick to say what a great job reSOURCE PARTNER has done for us," says Needles. "They are really part of our team. They've done a wonderful job of customer service and it's been refreshing to work with one vendor for all of our HR outsourcing needs. They know the business process, they know HR, and their folks provide a lot of advice and counsel on all aspects of our operations." It is through this relationship with rSP that Sterling Commerce is supporting the HR needs of its 2,300 employees in its 38 offices around the world.

As rSP's Kautto sees it, this is what enables clients like Sterling Commerce to focus their attention on the strategic aspects of HR, while rSP focuses on the infrastructure and

back-end operations. This is a benefit to customers, because many either don't have, or can't find, the right resources to manage the application internally. "It's the rare company that's getting optimum value out of its ERP application," says Kautto. It's even more difficult for HR departments, because they are often not at the top of IT's agenda. There's also the level of support and training needed to have productive and satisfied end users. These issues, as well as others such as meeting committed service levels and integrating the total infrastructure, are the things in which rSP specializes. "We emphasize the total business solution, not just the PeopleSoft applications," Kautto adds.

Making any outsourcing decision requires careful evaluation of the potential provider's experience, technical capabilities, and

culture. The reSOURCE PARTNER and Sterling Commerce relationship is a positive example of how HRMS-related outsourcing can work.

"Depending on the client, there can be cost advantages to using the rSP model, because clients don't have to build and support the infrastructure," says Randy Kautto. rSP's ability to leverage database administrators for many clients is a simple example of the economies gained. Finally, there's speed-to-benefit. "The ASP space has had a really positive effect on implementations," Kautto adds, "enabling application installation in under 90 days as opposed to the 12 to 18 months we so often heard about in the past."



"I'd rather hire sales and marketing people to grow our business than build an HR empire."

*Richard Needles, vice president, human resources,
Sterling Commerce, Inc.*

industry specific services

EBtech Teams with Clarus to Deliver Industry-Specific E-procurement Services

"Our goal," says Jay Miller, president of Enterprise Business Technologies, Inc. (EBtech), an Arlington, Virginia-based provider of Internet procurement services, "is to enable communities of quasi-government agencies, such as water and port authorities, municipalities, and others, to buy the lowest-priced, highest-quality goods from the best suppliers available. To do this we are working with the best software and ASP industry providers." For software, EBtech has selected Clarus Corporation, headquartered in Atlanta and a leading developer of business-to-business e-commerce applications for procurement, expense, and travel management.

"The ASP model," says Clarus CEO and president Steve Jeffery, "is speeding the adoption of software like ours. Companies can subscribe to software as opposed to laying out hundreds of thousands of dollars for its purchase." Jeffery sees a number of other advantages. By using ASPs, the procurement application can be managed outside the corporation's firewall, thereby reducing the risk of having



other organizations connecting into internal systems. The ASP model also addresses infrastructure issues by utilizing the ClarusDirect architecture, which directly connects buyers and suppliers, to maximize cost savings, improve procurement efficiencies, and create new revenue opportunities.

For small companies, this means allowing them to access comprehensive software solutions even though they lack internal technical resources. For larger companies, it reduces bandwidth constraints; while they may have the needed internal IT resources, they often have more projects on their agenda than they can possibly deploy in the time they have. Any organization, no matter the size, may

lack the specific talent needed for a specific project. Says Jeffery: "We're working today with leading ASPs such as USInternet-working, Data Return Corporation, and Interliant, as well as regional ASPs and global technology companies like Perot Systems, to host Clarus software and help deliver it to the mass market."

"With the application service provider model, companies can subscribe to software as opposed to laying out hundreds of thousands of dollars for its purchase."

Steve Jeffery, CEO and president, Clarus Corporation

Clarus's integrated solution and its suite of commerce products are designed to service every participant in the trading network, including buyers, suppliers, management, content aggregators, and e-service providers. The company's Web-based Commerce solution is already being deployed at more than 30 sites for customers such as those of AirTouch, Comcast, MasterCard International, MetLife, and First Data Corporation, to be used by more than 200,000 employees across the companies.

Clarus's eProcurement application fits well with the way EBtech's Miller is working with clients. "We operate as a systems integrator," says Miller, "and Clarus software and the ASP deployment allow us to do just that. We define the purchasing requirements for the community we're serving and use the Clarus software in a hosted environment to deliver the solution."

Before selecting Clarus, Miller examined a number of potential business-to-business e-procurement software partners. "What sets Clarus apart is that we have real input," Miller says. "They are a real partner. I'm also very impressed with their approach and philosophy. They are working through firms like mine, not competing with us in the market. And, because we charge our clients a monthly subscription fee, as opposed to a per-transaction fee, Clarus's pricing model lines up with ours." Another advantage that Miller cites is Clarus eTour, a Web-based training application that allows users of the software to be trained in real time, just in time by the product as it's being used.

Going forward, Clarus's Jeffery says the challenges will be: "Standardization, customization, and integration. Companies of all sizes will demand electronic procurement services and will require a true 'plug-and-play' environment." That's why Clarus is also joining forces with Microsoft Corporation and Cisco Systems, Inc. to provide ASPs with an end-to-end solution for deploying outsourced applications and services and for creating standardized platforms for e-procurement. Says David Ostroff, ASP marketing manager for Microsoft: "We're bringing a Web-based purchasing solution to the middle market through the ASP channel, powered by Microsoft, Cisco, and Clarus."

focusing on its customers

AmericasBaby.com Focuses on Its Customers by “Netsourcing” from Mi8

“Our goal is to provide shoppers with the highest level of customer service on the Internet today,” says Preston Bealle, president and CEO of AmericasBaby.com, the fastest-growing e-commerce site for baby products. “By ‘netsourcing’ to Mi8, we’re assured that we can spend our time focusing on our customers, and providing the best shopping experience to be found anywhere online.”

As Dave Castellani, CEO of Mi8 Corporation, a leading provider of business applications over the Internet, says: “Our goal is to provide companies like AmericasBaby.com with applications in an ‘instant on’ environment. We are a pure-play ASP.” In fact, in many cases firms become Mi8 customers by simply logging on to the Mi8 Web site, selecting the applications they want, and downloading any needed application interface. They are fully functional with the remotely hosted software applications within a matter of hours—without ever speaking with Mi8’s technical staff.

Today, Mi8 application offerings include the messaging and collaboration services of Microsoft Outlook plus Exchange and Lotus Notes R5 & Domino for sales force automation, and the PC-to-fax/fax-to-e-mail services of NetMoves. Mi8 assumes all of the administration and maintenance duties for these applications; does all of the testing, installation upgrades, and debugging; and provides help desk services to support the end user—all for a flat monthly fee of only dollars per user per month.

This has made a real difference at AmericasBaby.com. “Mi8 has allowed us to spend less money on these applications and to free up internal resources,” says Bealle. His company has quickly grown from a two-person start-up to a 140-employee Internet superstore. The applications now e-sourced through Mi8 had previously been a significant drain on Bealle’s technical resources. “We’d have a tech guy who could be working on member queries tied up managing messaging.” Bealle now feels that his people are better focused on “the things that matter to our customers.”

“Our goal is to provide companies like AmericasBaby.com with applications in an ‘instant on’ environment.”

Dave Castellani, CEO, Mi8 Corporation

Additionally, the rapid introduction of Microsoft Outlook plus Exchange through Mi8 has revolutionized communications among team members at AmericasBaby.com, further accelerating their development work.

At another client, Mi8 provided an even more integrated solution. This included providing the client with the desktop systems, fitting the office up with a wireless LAN—to support today’s fluid organization—pre-loading any resident applications, enabling the remotely hosted applications, and setting up their broadband service.



Castellani’s goal for clients like this is to turn the whole process into a single bill. “We focus,” says Castellani, “on putting together a suite of applications and delivering them to the client in a ‘dial tone environment.’” (As in, a dial tone is expected every time you pick up the phone, analogous to the fact that every time you click on Mi8’s applications, it will work.) The approach is one of threading together a set of solutions and then enabling those solutions for the customer under a single, monthly, per-user fee.

Looking to the future, Castellani believes that the next great challenge is to use middleware to integrate these types of applications into a seamless platform. “Technology needs to be viewed from the service side. Not just customer service, but really helping clients understand how to use technology and how it can help them grow their businesses and drive down their costs of goods sold,” he says.

This makes tomorrow’s application service provider not simply an alternative source, but a trusted adviser who understands the customer’s needs and fits the technology to those needs. Things are changing quickly. “Within three years, desktops and applications as we think of them today will be obsolete,” says Castellani. “This may, in fact, be the first time in American business when a focus on small businesses and their needs actually leads to developing new solutions for larger corporations.”

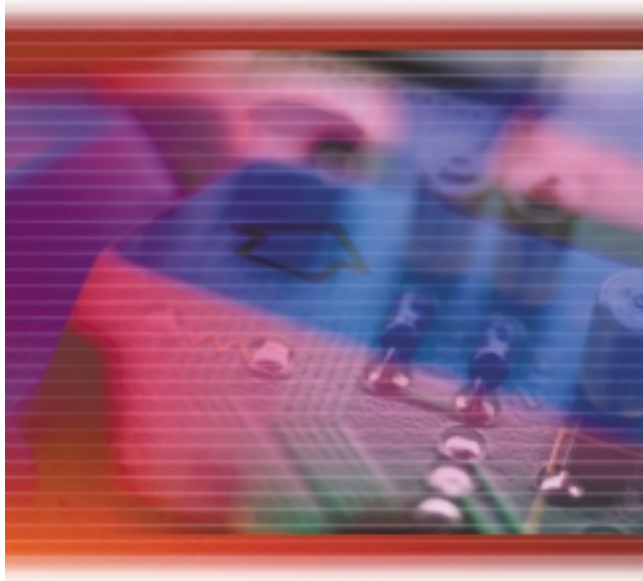
e-sourcing e-sourcing e-sourcing e-sourcing
holiday
record breakers

USi Powers hpshopping.com to Record-Breaking Holiday Season

"We're delivering the best place to shop online for home and home office computing needs," says Mike Bridge, chief technology officer for Hewlett-Packard Company's award-winning e-commerce Web site and subsidiary, hpshopping.com. Spending at the site this past holiday season was up 550 percent on a year-to-year basis—well above overall online retail growth. At the same time, hpshopping.com was able to combine a 95-98 percent inventory-in-stock rate with 100 percent on-target Christmas shipments for orders placed by December 21.

To achieve these numbers, hpshopping.com last October launched an aggressive campaign to increase its capability 10-fold before the holiday season. This meant finding a partner who could deploy a fully integrated platform of technologies—from the network to the server to the e-commerce-enabling applications—and scale them up quickly and reliably. That partner was USinternetworking, a leading application service provider, headquartered in Annapolis, Maryland.

"Our mission," says Steve McManus, cofounder and president of the e-commerce business unit at USi, "is to provide software as a service—a service that is now central to more than 100 clients who've signed more than



\$158 million in contracts with us." These clients represent not only e-commerce initiatives of solid brick-and-mortar companies, like hpshopping.com, but divisions of large multinationals, such as Hershey Foods and Samsung Semiconductor, and midsize firms such as Franklin Covey and Sunburst Hospitality.

USi was founded specifically for this purpose—to allow companies to quickly deploy enterprise applications over the Internet without the associated cost and burden of owning, managing, or supporting either the applications or underlying infrastructure. From the beginning, USi's focus on delivering applications over the Internet has led to a network architecture unlike most. Designed from the ground up, USi's network connects the Internet backbones

"USi demonstrated a top-to-bottom commitment to move at the pace we needed."

*Mike Bridge, chief technology officer,
hpshopping.com, Hewlett-Packard Company*

of North America, Europe, and Asia at the highest levels of performance, reliability, and security. USi also delivers these same application hosting services over its own private network as well as a firm's virtual private network.

To complete the solution, USi then teams with leading application companies—such as Ariba, BroadVision, and Microsoft in e-commerce; Siebel in sales force automation; Niku for professional services automation; and PeopleSoft and Lawson for human resources and financial management. The result is an end-to-end solution tightly integrating all the key elements critical to clients like hpshopping.com. A solution that McManus refers to as delivering "the best brands the best way."

"Another essential characteristic of our clients," adds McManus, "is 'the need for speed.' A typical e-commerce application rollout takes, on average, five months. USi can deploy the same application, in a more streamlined form, in less than 90 days, and in the case of hpshopping.com, 54 days." This allows the customer to focus on the critical functionality—their customers—and to get a solid grip on their real costs. Customers can better tune their costs to when and how the benefits are realized. This carries into USi's pricing methodology as well. "Our price all rolls into a flat monthly fee, giving our customers a predictable cost model over the term of their contract," says McManus.

All of these elements came together this past holiday season to help hpshopping.com achieve record-breaking success. As HP's Bridge says, "USi demonstrated a top-to-bottom commitment to move at the pace we needed. We were looking for a partner who would move quickly, could continue to grow as we grew, and who had both the architecture and monitoring capabilities to deliver a reliable environment—despite the pounding the site would take."

As USi's McManus concludes: "This type of commitment to customer service has been the hallmark of the full-service ASP, and will continue to emphasize the value of the ASP service."

secure backup and recovery

JAWS Provides End-to-End Security, Storage, and Recovery for ASPs and Other Businesses

In today's e-business world, information is the business. Every customer interaction, every design drawing, every transaction with a trading partner gets recorded and shared electronically. The very continuity of the business's operation depends upon the uninterrupted availability of this information. This makes data backup, storage, and retrieval more critical than ever before.

Secure data storage management is also a natural application for e-sourcing. A leading provider of this service over the Internet is JAWS Secure Networks, a division of JAWS Technologies, a leading North American information security company. With offices in major centers around the world, JAWS Technologies provides information security technology products and consulting services to more than 150 corporate clients. The company has distributed approximately 550,000 copies of its JAWS XMail encryption software.

JAWS Secure Networks provides customized data vault services using the Harbor Backup software, making this top-tier, corporate-class data storage and recovery application available to companies of all sizes worldwide. These data vaults are offered to industries in products known as JAWS Legal Vault, JAWS Medi Vault, and JAWS Finance Vault.

"What we've done," says Trent Johnsen, division president, "is make this best-of-breed secure enterprise storage management software available to our clients through a communications interface supporting the most common operating platforms—from Windows to SAP R/3. Just as importantly, we provide the personal contact, from the

time we help clients evaluate their needs to when we're needed to assist in the recovery of critical business data."

Brad Fowler provides desktop application services for the facilities management division of the University of Calgary, a large customer of JAWS Technologies. With more than 22,000 students, the university operates 17 academic buildings, a student union building, art galleries, theaters, a child care center, and residences for single students and those with families.

"JAWS Secure Networks is making it possible for many companies to say 'yes' to the ASP model."

*Jon Bruegl, director, ASP Market,
JAWS Technologies, Inc.*

"Our department is responsible for both facilities management and campus planning," says Fowler. "When you consider that a million dollars' worth of design and consulting work can be in the file folder of a new building project, you really can appreciate the level of importance of our data as well as our responsibility to make certain that it is safe and secure." By using JAWS, that data is backed up automatically every day over the Internet. It is stored in a secure format on JAWS' systems and is accessible to the university for recovery and downloading through an easy-to-use pull-down menu structure any-time, 24 hours a day, seven days a week. "There simply was no other company besides JAWS providing these services at the level we needed," says Fowler. Johnsen says the university is the type of client for whom the ASP model makes real sense. "The U of C must deliver numerous applications and store tremendous amounts of data almost instantly."

In addition to supporting individual clients like this and many others, JAWS Secure Networks is also providing services that are enabling the entire application service provider (ASP) industry. "We're delivering the same services that we provide to our corporate clients to application service providers. This helps ASPs better meet their clients' business goals," says Jon Bruegl, director, ASP Market, JAWS Technologies. "JAWS ASP Vault is an important service for ASPs. It enables them to back up their clients' data. Additionally, they can package our services as part of their solution and offer it as a value-add to their clients."

Through JAWS, ASPs can back up their clients' data with a trusted third party. This gives both the application service providers and their customers direct access to the data, if needed for any reason. "One hurdle that these providers have to clear is their customers' concern about moving their data off-site," adds Bruegl. "We're enabling ASPs to address this concern by supporting the ASP and their customer with our capabilities. This makes it possible for many companies to say 'yes' to the ASP model."



intelligent integrated growth

Corio Intelligent Enterprise Brings an Integrated Growth Platform to Vertical Networks

"We're in a big market," says Virender Ahluwalia, head of finance at Vertical Networks, Inc., a leading developer of integrated communications platforms for small to medium-size businesses and enterprise branch offices. "We fully expect to be a billion-dollar company one day, but we would be disappointed if we had the operational infrastructure of even a \$50 million company." This is the type of thinking that defines the essence of today's virtual corporation. It is also the type of thinking that is made possible through relationships with leaders in the application service provider field, such as Redwood City, California-based Corio, Inc.

To achieve its goals, Vertical Networks leverages relationships across its business. The company uses outsourcing to build out from its core competencies of product development and marketing. Its front-end operations are outsourced to channel partners and value-added resellers such as AT&T, Bell Canada, and NCR, and international distribution partners like Italy's Telecom Italia and Selta Telematica. Its manufacturing partner is Flextronics, the \$1.8 billion global electronics manufacturing services firm that also has Cisco Systems, 3Com Corporation, and many others as clients. "Our role," says Corio founder Jonathan Lee, "is to provide companies like Vertical Networks with 'business capability.' That means to design and implement solutions that solve real business problems."

"With our one-to-many model, we are delivering an integrated suite of tier-one applications that is affordable, scalable, and manageable."

Jonathan Lee, founder, Corio Inc.

The business problem at Vertical Networks was a largely manual and fragmented process involving back-and-forth faxing and other cumbersome practices throughout the company and in its work with its partners. The business capability delivered by Corio was Corio Intelligent Enterprise, a fully integrated platform of tier-one applications designed specifically for growing companies like Vertical Networks. Corio Intelligent Enterprise includes PeopleSoft for financial, human resources, and distribution; Siebel for customer relationship management; Commerce One for procurement; Cognos and E.piphany

Blackstar: D.Toerge



Corio's
Jonathan Lee

for business intelligence; BroadVision for e-business; and Microsoft for enterprise support—all of which can be integrated into Flextronics International for manufacturing management. Taken together, these applications represent an integrated solution for e-procurement, e-business, and e-store operations. "Our solution makes for a full suite of functionality covering the entire enterprise," says Lee.

Another example of a fast-growth firm that's relying on Corio is Active Software, a leading provider of e-business integration software. "In 1999, we grew at 40 percent per quarter—compounded," says Active's president and cofounder, Jim Green. "As a result, we don't have time to mess around with lengthy projects. We need simple, reliable, turnkey solutions. Corio was a great solution—easy, simple, and straightforward." Active Software also examined not just the start-up costs but the total life cycle figures as well. "The up-front savings were huge—many multiples of six figures," says Green. "And, although the amortized costs might be comparable, the fact that we could avoid using a lot of cash was significant." But cost is only a small part of the picture, according to Green. "It's not just a question of hosting applications," he says. "We also needed integration. This is an area where Corio excels. They know how to make the applications work together across the company."

"The value of the Corio Intelligent Enterprise is undeniable and quantifiable," says Vertical Networks' Ahluwalia. Using conservative assumptions, Vertical Networks' hosted solution resulted in a total cost-of-ownership advantage of greater than 60 percent, a savings of \$2.1 million, and a return on investment of almost 170 percent over a five-year period. Corio commits to conducting total cost-of-ownership analyses for 100 percent of its customers. The results to date: savings for Corio customers totaling more than \$130 million. "Customers are demanding value," says Lee. "We intend to serve the market by providing complete service on an accountable basis."

CoSine Implements Top-Tier Business Solutions through Applicast

Fast-growing firms benefit more from the application service provider model than almost any others, and Redwood City, California-based CoSine Communications, a leading provider of IP service delivery platforms, is certainly no exception. With almost \$95 million in venture funding and an eightfold expansion of its operations in only 18 months, CoSine's chief financial officer, Curtis Dudnick, recognized that his company needed a comprehensive systems infrastructure prior to general product availability. "With the company growing extremely rapidly in a very short period of time," says Dudnick, "we knew that we needed to introduce a system that could anticipate and support this growth."

The problem that fast-growing companies like CoSine face is that they will typically outgrow several generations of information systems very quickly. Often, each step occurs only after a crisis of some kind, and in each case the migration becomes increasingly expensive and painful—the effect is almost one of forcing the company to lurch from one system to the next. The natural solution would be to implement the most robust applications at the outset and to do so in a way that was incrementally scalable as the company grew.

Before the emergence of application service providers like Applicast, Inc., the Mountain View, California-based full-service ASP, there was simply no way to do that. Says its CEO, John McGrory, "Applicast was created to enable a particular class of customers to gain access to a particular class of applications and services. We focus on meeting the needs of very fast-growing companies that demand very high levels of support from their business systems."

Applicast enables its customers to implement top-tier business applications, such as SAP R/3 and Siebel eBusiness Applications, over secure private or Internet

connections. The company's combination of a world-class application portfolio, industry-specific FastFit solutions, and full-life-cycle services enables customers like CoSine to drive down the time, costs, and risks of deploying the robust software systems they really need—at a much earlier stage in their development. And, as McGrory puts it, "There's simply no such thing as too early, anymore."

Applicast has been rapidly building its customer base in three high-growth industries—manufacturers such as CoSine, software and Internet service companies, and e-retailers. McGrory believes that the power of the ASP model is that it provides customers with a comprehensive and continuous solution. This begins with the up-front planning and continues right through to the ongoing relationship that Applicast's people develop with their customers. "Customers tell us that 'What I really like about

you guys is that you're a business resource. I can call and say I have to do x or y or z—what do you recommend?'" McGrory says. That's because internally Applicast operates like a full-service IT organization, with folks who specialize in the design and implementation of solutions, others who ensure the ongoing technical operations, and still others who provide customer relationship management. "CRM is one area where we really do differ from most internal IT groups," says McGrory. "We've made the investment in customer relationship management that few internal IT groups make."



"We're making top-tier solutions accessible to the earliest-stage customers and offering a more complete package than ever before available."

John McGrory, CEO, Applicast, Inc.

At CoSine, Applicast implemented FastFit for SAP back office applications, including finance, controlling, asset management, production planning, materials management, sales and distribution, and quality management. Applicast has also been a great boon to FastFit for Siebel eBusiness Applications, including sales, service, product configuration, quotes, reports, and campaigns. "It was the smoothest implementation I've ever experienced," says Dudnick. "Applicast came in on-budget, both cost- and time-wise. There was minimal interruption on the part of my staff and the manufacturing staff. It certainly exceeded my expectations."

"We believe that we are making these types of solutions accessible to the earliest-stage customers and offering a more complete package of solutions than ever before available," concludes McGrory.

eSystems launching

Systems Union Launches eSystems Union

Founded in 1981, Systems Union Group Limited, headquartered in White Plains, New York, is one of the top 10 providers of financial management and business software solutions worldwide. The company has 26 offices and more than 200 channel partners in 187 countries. Its core product, SunSystems, provides financial, supply chain, and business management solutions. SunSystems is designed for mid-market and fast-growing organizations as well as subsidiaries of multinational corporations. The product's support of 27 languages reflects its global nature, and the recently announced SunSystems eBusiness Edition expands the product's capabilities to enable clients to implement their global e-business operations.

"The key to our approach," says Chris Schilt, Systems Union's vice president for professional services, "is that our software is designed in a very modular way. Because of its design, the product supports the processes of choice for our clients. Instead of changing the business to match the software's model, clients can take our software and put it together to match the way they need to do business. The



result is that our clients and our partners recognize that speed is everything. They can build the solution in-house—in an atmosphere they control—and deliver it quickly."

Schilt is now expanding upon his company's product design approach to create a new capability he refers to as eSystems Union. "The idea here," he says, "is to take the

modularity of our product and use that to customize the desktop for each professional in the organization." Schilt says that one way to think about this is as "my name/my role/my industry/my focus.com."

Schilt likens this to "a smart administrative assistant delivered electronically." Consider, for example, sales professionals. Through a customized desktop they will

"Systems Union is taking the modularity of our product and using it to customize the desktop for each professional in the organization."

*Chris Schilt, vice president, professional services,
Systems Union Group Limited*

be able to access all of the information and analysis tools specific to what they do and how they do it. They can access specific industry research, tools for analysis of customer profiles, customer lists and phone numbers, automatic notifications of customer shipments or inquiries to the company's customer support line, follow-up reminders—even tailored industry news.

The result is a complete, tailored integration for the individual of the entire internal business operations—from the back office to the front—combined with the best user-specific content and tools from outside the organization. "Our product already allows users, through the SunSystems Control Desk, to aggregate pending transactions or financial data and present tailored summaries of their status. That's the type of capability we're building upon," says Schilt.

An important part of delivering eSystems Union to clients is teaming with the right industry- and profession-specific content partners. "The trick," says Schilt, "is finding the right partners, and that's what we're doing right now. Our approach is designed to allow companies to build and model their business processes in a very graphical way." The partners Systems Union selects will be those that really understand the content needs of particular types of professionals and how to help them be quicker and smarter in doing their jobs. Systems Union is bringing together and delivering to the individual's desktop the combination of detailed business analysis work, the enabling software, and the Web as a comprehensive vehicle for accessing and manipulating all the information and tools that professionals need.

"This new solution is attractive to today's chief executives, who really have a responsibility to make sure that the people in their organization have the tools to be productive—to make better decisions, faster and more often," says Schilt. "With a little analysis, we'll be able to make intelligent decisions about what services, what analytical tools and techniques the different people within the organization need, and build each of them a desktop to match. It's exciting."

go live **first asp**

Continuity Uses Digex's app-Link Program to "Go Live" with First ASP Customer in Just Seven Days

The "anytime, anywhere" nature of the Internet has made electronic customer relationship management solutions, such as that developed by Continuity, Inc., of San Francisco, more critical than ever. "In our market, 'first-mover' advantage is absolutely critical," says Douglas Brockett, vice president of sales and business development, Continuity Solutions. "And because Digex was there for us, we were able to be the first to deliver eCRM as an ASP."

But it's not easy to create an intimate customer interaction through the Internet; it demands world-class expertise and flawless execution. Continuity's PinPoint application provides the expertise—delivering a full spectrum of service options, from real-time chat and screen sharing to other customer interaction approaches. In turn, Digex provides firms like Continuity with the rapid, highly reliable application hosting environment that's so critical to their success.

"Our ASP partners rely on Digex to keep their businesses running 24/7 while they continue to grow their business and innovate their applications," says Ellen Lynn, director of channel development at Digex. Dot-coms see the power of this new e-sourcing more clearly than most. "Your staff needs to be focused on your subject matter expertise," says Continuity's Brockett. "Anything else is not contributing to your leverage. We both live and sell by this guiding philosophy. But, there are a lot of people out there offering hosting services. The problem is that they don't always have the capability to provide the application environment and quality of service."

Brockett says Digex does. Headquartered in Beltsville, Maryland, Digex, Inc. is a leading provider of Web and application hosting services for hundreds of e-businesses, from Nike (e-commerce) to W.W. Grainger (distribution extranet) to its many ASP partners, including Andersen Consulting, Pandesic, and Celarix. As the company's CEO, Mark Shull, puts it, "We have a clear vision of how the Internet operating environment of the future will evolve."

Shull's vision was recently confirmed when Compaq and Microsoft invested \$50 million each in an initiative to develop, deliver, and market a suite of new, high-performance application hosting services to be managed by Digex. As the largest Windows NT-based hosting company in the world, Digex brings together the experience and relationships required to solve the operational and distribution challenges faced in scaling the Internet to become the primary business platform for enterprises of all sizes.

Digex's ability to execute is what sets the company apart, according to Brockett. This begins with the most basic element: the network. Digex has the proven performance and levels of uptime demanded to support continuous customer service operations. Not only that, but Digex has made the investments needed in backup and recovery to ensure that critical client data will always be available. As Ellen Lynn says, "It's a constant challenge to innovate and keep the server environment hardened and secure." And, Digex provides a level of proactive customer support that ensures continuity of service and the ability to quickly diagnose and resolve problems. "This is critical," says Brockett.



"Your staff needs to be focused on your subject matter expertise. Anything else is not contributing to your leverage."

***Douglas Brockett,
vice president, sales and business development,
Continuity, Inc.***

Without compromising stability, Digex can also rapidly roll out new server environments in response to client needs. That means a guaranteed delivery of new servers within 10 days, as well as a constant reinvestment in testing and deploying the latest server technologies. Finally, Digex provides these services on a flat monthly pricing basis that begins when the server environment goes live to the customer.

All this comes together in Digex's app-Link Partner Program. app-Link allows ASPs to take advantage of Digex's managed hosting infrastructure and value-added services. These enable them to do what Continuity did—go live with its first ASP customer in just seven days. As Douglas Brockett sums it up: "We did it with Digex, and others will want to follow."

e-market launching

IT-radar.com Launches E-marketplace for IT Services

"The marketplace for IT services is highly fragmented, and really very much oriented around specific metro market areas," says IT-radar.com's founder and CEO, Don Peterson. "For example, in the Minneapolis/St. Paul area there are more than 450 separate companies providing IT services. In Atlanta, there are about 400. And, only about 20 percent of the firms are in both markets."

This means that many clients face a daunting task when they set out to find and select the right provider. Some large companies resort to a short "preferred supplier" list as a way of managing the process, but in doing so often miss finding the right provider for the right situation. What's worse, many "emerging growth" and midsize companies simply don't know where to turn for high-quality help.

To fill this need, Peterson's company has created a sophisticated, business-to-business Internet marketplace for IT services. IT-radar facilitates a client-driven process for bringing the client and provider together. "IT-radar acts as a real-time 'market monitor' for clients, filtering out irrelevant information and keeping them on top of which firms provide the types of services they are interested in, in their local market," says Peterson. "It also allows the IT services providers to profile their capabilities and resources very granularly in both quantitative and qualitative terms." Think of it as e-procurement for IT services.

Launched in November 1999, IT-radar.com has been quickly embraced by clients and providers alike. In its first 13 weeks of being available for providers, more than 600 firms in the Bay Area/Silicon Valley, New York, Minneapolis, Denver, Atlanta, Chicago, Washington, D.C., Dallas, Seattle, Boston, and Los Angeles have signed up for the service,

"IT-radar is clearly the leader in providing a vertical market hub to the IT services industry."

*John Page, senior vice president,
eBusiness Solutions,
Technology Solutions Company*

and since its opening for clients in mid-January, more than 50 client needs have been generated within the system. One such engagement is at H&H Sales, a \$40 million manufacturing components distributor located in Iowa. Company president Harry Haedt says, "IT-radar made it easy for us to identify several qualified and interested Minneapolis Web development firms that we would never

have found otherwise. We're now using IT-radar to facilitate the evaluation process, and will make a selection soon."

In fact, at the time his company was launched, Peterson had thought that IT-radar's services would be naturally attractive to small and middle-market companies like H&H Sales. "We've actually gotten a warm reception from a number of large client companies, too," says Peterson. "It turns out that IT-radar is also a great way for clients within large companies to efficiently communicate their project and staffing requirements to their known providers."



IT-radar is offered as a subscription-based service for providers; there is no charge for clients. "We're like a very specialized mall, and the providers are the stores in the mall," explains Peterson. "A client uses the system to efficiently 'shop'—to specify a need for services; identify, research, and evaluate providers; and develop their 'short list.' They then go 'off-line' for final negotiations with the providers, because so many factors that affect the final pairing of clients and providers are very subjective and quite difficult to automate."

IT-radar also plays an important role in collecting and sharing customer satisfaction data back to the providers. "A few weeks after the short-listing event, we ask the client to identify which provider was selected and when it would be appropriate for us to check back on how satisfied they are with the services received," says Peterson. "Once we have enough responses to ensure client anonymity, we aggregate the feedback and share it with the provider."

This helps make IT-radar a very provider-friendly environment, says John Page, senior vice president of eBusiness Solutions for Chicago-based Technology Solutions Company. "TSC's eBusiness solutions group develops business-to-business solutions across multiple industries," Page says. "IT-radar is clearly the leader in providing a vertical market hub to the IT services industry. We are excited to be affiliated with them."

bandwidth for the revolution

Metromedia and AboveNet Deliver Bandwidth for the E-sourcing Revolution

Bandwidth is essential to the e-sourcing revolution. The presentation of rich media content over the Internet demands bandwidth. Mission-critical e-business applications demand bandwidth. Using software run by an application service provider thousands of miles away as smoothly as though the application were right there on your desktop demands bandwidth.

"That's why we're building the platform—the bandwidth—needed for the next-generation Internet," says Nick Tanzi, president of Metromedia Fiber Network, headquartered in White Plains, New York. "We're well into the deployment of an end-to-end, fully integrated fiber network connecting major commercial buildings in and across the 50 largest U.S. cities, as well as 16 more cities in Europe. We're building the fiber-optic backbone that ASPs, rich media content providers, and mission-critical e-business applications are going to need.

"Think of it this way," continues Tanzi. "Seventy-five years ago it was necessary to build both the interstate highway system and the local road system to support the growing commerce of that era. The same is true today. We're connecting dedicated local fiber—providing unlimited bandwidth at a fixed cost right from the business's offices—with an all-fiber backbone. On that backbone we're deploying Internet Service Exchange data centers where Internet service providers, application and content service providers, and commercial companies can locate their servers and connect to our network, to their customers, and out to the rest of the global Internet."



These types of clients collocate their servers at Metromedia's Internet Service Exchanges, run by AboveNet Communications, a wholly owned subsidiary. Currently, AboveNet has collocation facilities in San Jose, California; Vienna, Virginia; and New York City. The result is what the company refers to as "one-hop" access to the entire U.S. network as well as overseas to Europe and Asia.

"But, you can't look at what we're building just in the context of today's Internet," says Tanzi. "You have to think of it in terms of the Internet we're moving toward. You have to think about the ability to see real-time, high-quality video, whether it's stored or live, right at your network device. You have to think about it in terms of the level of

"We're building the fiber-optic backbone that ASPs, rich media content providers, and mission-critical e-business applications are going to need."

Nick Tanzi, president, Metromedia Fiber Network

service that an ASP's customer is going to demand. You have to think about it in terms of a business environment where the level of satisfaction a consumer has with their experience at your company's Web site is based on whether it took three minutes or one minute to do whatever it was that the customer wanted to do. We're quickly approaching the day when these will be the factors driving competitive differentiation."

One company that clearly agrees with Tanzi is Bluetrain.com, a Silicon Valley-based application service provider preparing to launch its Passport service—an enterprise-class collaborative communications application—over the Internet. "We're providing our customers with a fully integrated 3-D view of their organization," says Bluetrain.com CEO Jack Weixel. "Our service does all of the basic groupware functions—like integrated calendars and group discussions—but it also integrates with other business services, such as travel and purchasing."

Passport's channel partners will be telecommunications companies, Internet service providers, and wireless service providers. What was critical to Weixel in deciding how to deploy Passport and the servers and networks it will be connected to was reliability, scalability, and the application's real-time performance—as seen by the user. "AboveNet gives us that ability. The data center is beyond peer—and we've looked at a lot of them," says Weixel. "Their U.S., Asian, and European network connectivity is better than anyone's. The result is that we have absolutely no concerns about traffic congestion affecting the value of our application to our customers."

Says Nick Tanzi: "Metromedia Fiber Network and AboveNet are building the all-optical Internet infrastructure that is enabling our customers to grow. And in many cases, that growth is beyond anyone's belief."

e-sourcing e-sourcing e-sourcing e-sourcing
helping
achieve e-speed

JDe.sourcing Helps Customers Achieve E-business Solutions at E-speed

"J.D. Edwards has been focused for a long time on helping clients use speed and agility for competitive advantage," says Gayle Sheppard, vice president for J.D. Edwards' recently launched JDe.sourcing services. "This new initiative is all about leveraging our traditional strengths with the emerging application service provider model to bring even more robust and flexible solutions to middle-market companies." Founded in 1977 and headquartered in Denver, Colorado, J.D. Edwards posted 1999 revenues of nearly \$950 million. The company's OneWorld and WorldSoftware products provide an integrated e-business solution that gives customers control over their front office, manufacturing, supply chain, logistics, distribution, human resources, and finance processes.

The ASP market is not new to J.D. Edwards. The company actually began providing hosted application services to customers in mid-1997. Using a partner channel to deliver these services, J.D. Edwards was among the first to market in enterprise application hosting. Today, J.D. Edwards supports more than 40 customers and 2,000 users in a hosted application environment.

One such customer is Kevin Smith, IS manager for Spyder Active Sports, a Boulder, Colorado-based high-performance ski- and active-wear specialist and sponsor of the U.S. Ski Team. "We are largely a design-based company," says Smith. "We knew the agility of J.D. Edwards' OneWorld software products would meet our needs and provide us with a competitive advantage. Then came the task of deciding how to implement the solution. I did a lot of research and called a number of existing OneWorld customers. The choice was clear. Hosting our application needs would save our company time, money, and risk, and give us the freedom to run Spyder." Smith selected Prentice Technologies, a J.D. Edwards ASP channel partner, to host the application. "The application hosting model outsources the non-strategic part of running the ERP system," Smith adds. "This allows us to use the application without losing control of our business practices."

"This initiative is all about bringing even more robust and flexible solutions to middle-market companies."

*Gayle Sheppard, vice president, JDe.sourcing,
J.D. Edwards*

"In markets where all competitive advantage is temporary, what customers really want," says Sheppard, "is a best-of-speed solution. But what they don't want is the challenge of running the system and creating the environment that enables interoperability of the various pieces. They're looking for an end-to-end solution, and that is what we're



creating with JDe.sourcing." Customers have the option to access applications via JDe.sourcing's ActivEra portal, via a Web browser, or via leased lines. Some customers may choose to deploy applications completely over the Web; others may choose a mixed approach where some functionality stays on the desktop.

The real key is that JDe.sourcing becomes the solution aggregator for J.D. Edwards' customers. Sheppard is assembling the best solution framework: software from the best solution providers in areas that complement J.D. Edwards, such as customer relationship management and business-to-business e-commerce solutions; MCIWorldCom's UUNET to manage the JDe.sourcing global hosting infrastructure; and Deloitte & Touche to collaborate on rapid industry-specific implementation services.

Industry-specific solutions, which Sheppard calls "verticalization," are another real advantage that the ASP model makes possible for customers. "There is a tremendous opportunity to develop and deploy solutions for specific industries," says Sheppard. "For example, we can help customers optimize their supply chains within an industry by building trading communities, providing real-time collaboration tools, developing templates for common business activities, and defining key performance indicators that capture that industry's unique measures of success."

Areas JDe.sourcing is focusing on include segments of the manufacturing industry, such as automobile and electronics; the pharmaceutical industry; the public sector, especially state and local governments; professional services; and project-oriented industries such as construction and engineering. "We're not simply looking at building trading communities where buying and selling occurs," adds Sheppard, "but at creating a true exchange of best practices and ideas."

technology revolution

Citrix: Cornerstone Technology of the E-sourcing Revolution

E-sourcing the corporation means linking businesspeople to the software applications they need over a network—from a private network to the Internet, from wireless to the Web. It also means independence: the ability to deliver any application to any device over any connection. And, for more than 16 million desktops—almost as many as run AOL—it means using Citrix software and the company's Independent Computing Architecture, or ICA.

The idea is deceptively simple. ICA enables any device to run any application over any network. ICA has the unique ability to separate an application's logic from its user interface and transport that interface to the user's device. All of the application's processing remains on the server while the user's device presents the screens and captures the keystrokes. This creates what is often referred to as the "thinnest of clients." "And that," says Glenn Holmes, president and COO of FutureLink, referring to Citrix and its technology, "has had a phenomenal impact on what computing is all about."

FutureLink, headquartered in Irvine, California, was formed three years ago with the idea of the "computer utility"—what Holmes thinks of as, "pick it up and get a dial tone."



His company provides small and midsize businesses with off-site, Internet-based computing, allowing subscribers to escape costly upgrade cycles, better control their total cost of technology ownership, and focus on their core businesses. Prior to joining FutureLink, Holmes lead

Micro Visions, the nation's largest Citrix reseller. There, he implemented Citrix software as the internal network application enabler for firms such as Bank of America and Disney. Now, his challenge at FutureLink is to scale that model up to support thousands of users at thousands of companies. But, the cornerstone technology enabling this revolution remains the same: Citrix.

In business since 1989, Citrix Systems, Inc. has established itself as a global leader in providing application server

"There is a real convergence of information taking place that requires linking any application to any device over any network."

*John Marchese, director, iBusiness unit,
Citrix Systems, Inc.*

software and services for the enterprise. Citrix currently has more than 100,000 customers worldwide, including 99 of the top names on the FORTUNE 500®, and 80 percent of the whole FORTUNE 500 list. Citrix application server software is a proven solution for providing today's enterprises with enhanced reach, speed, and predictability for all of their business applications.

A new, equally important reason for the adoption of Citrix application software is e-sourcing, and the emergence of application service providers like FutureLink and hundreds of others. As these application service providers manage high-availability data centers and deliver application-hosting services, they are using Citrix's enabling technologies such as Citrix MetaFrame, Citrix Load Balancing, Citrix Installation Management, and Citrix Resource Management Services.

As John Marchese, director of the iBusiness unit at Citrix, says, "We're focused on providing and supporting our software for application service providers as widely as possible. We do this with no up-front licensing charges, leading to a very rapid adoption of best practices across the entire application service provider industry." Marchese's mission at Citrix is to engage and then consult with leading application service providers around the world.

ASPs represent an exciting new industry, and one that Citrix is enabling and supporting. According to FutureLink's Holmes, "Citrix has allowed so much to happen. They have done an unbelievable job. And, with the new technologies they are rolling out, Citrix will become an even more important player in the future."

As John Marchese sees it, "There is a real convergence of information taking place that requires linking any application to any device over any network. Our goal is to provide application service providers with everything they need to manage and deliver on this promise. We're creating the common infrastructure that these companies and their clients can count on."

investing **real time**

FaceTime Enables Wingspan to Be First with Real-Time Investment Services via Instant Messaging

A significant challenge facing online companies is how to create an intimate, real-time customer service experience. Telephone support for the online customer is not practical: Fewer than half the homes with Internet access have a second phone line. Telephone call centers are expensive, with a typical call costing \$5 to \$33. E-mail makes sense since it's online, but it isn't interactive, and each message costs about \$3 to process and respond to.

Instant messaging has emerged as the solution. First used as a person-to-person form of social Internet communication, instant messaging is the new standard for Web-based business-to-consumer and business-to-business interaction. It costs as little as \$1 per customer interaction because it uses automated agent technology and lets agents have multiple conversations at once. FaceTime Communications, the Foster City, California-based ASP, is becoming a leader in this field.

"By using instant messaging to support online customers, companies can talk to their buyers in real time, creating a truly consultative relationship," says Kelly Trammell, FaceTime CEO. By adopting the ASP model and delivering this capability as a service instead of a software product, FaceTime offers customers quick access to a reliable, scalable solution. "Managing the infrastructure for a real-time customer communications channel is difficult," adds Trammell, "but that's what we do. By delivering it as a service we can deploy instant messaging for our customers quickly—in some cases in less than 24 hours."

A recent enthusiastic adopter of FaceTime's instant messaging service is Wingspan Investment Services, Inc. (part of First USA Bank's WingspanBank.com), which provides full-service investment management and brokerage services. Its client base grows about 25 percent a month, and in six months of operations Wingspan Investment Services has reached 16th place in Gomez Advisors' online brokerage rankings. "We're succeeding by focusing on excellent customer service," says

Stephen Baine, Wingspan's CEO, "and we differentiate ourselves wherever possible."

FaceTime's instant messaging service lets Wingspan's customers communicate live with an investment specialist anytime they are online. It allows that operator to have immediate access to the customer's profile and history to create a truly one-on-one personalized exchange. Kelly Trammell says: "This type of highly customized instant messaging service will revolutionize the online world in the b-to-c space and in the b-to-b marketplace, where instant messaging is an effective communication channel for supply chain automation, online auctions, and trading transactions and logistics."

FaceTime recently integrated its instant messaging service with AOL Instant Messenger (AIM). The result is FaceTime BizBuddy, which lets FaceTime clients communicate with their customers through AIM for added flexibility. Customers can be contacted anytime they launch AIM, and benefit from having single-click access to customer service through a communications tool they are already comfortable using.

Terry Ransford, Wingspan Investment Services COO, says that the choice between developing an instant messaging solution and e-sourcing was not even close. "The only choice was which provider," he says. The decision came down to comparing features, functions, speed, and cost.

"We took proposals from eight companies," Ransford continues. "FaceTime's flexibility made the difference. They made their service work like our existing business model. For example, instant messages get routed exactly the same way as our phone calls. Additionally, the interoperability with AIM was critical and is, we believe, a requisite for the future."

"FaceTime's flexibility made the difference. They made their service work like our existing business model."

*Terry Ransford, COO,
Wingspan Investment Services, Inc.*

As Wingspan's Baine looks to that future he sees instant messaging as just the start: "In the future, we'll be looking at using interactive voice and video to further expand customer support and client relationships," he says.

e-mail trusted utility

United Messaging Makes E-mail a Trusted Utility for Thomas Jefferson University

"You can't go anywhere without hearing about e-mail," says Eric Arnum, editor of Messaging Online, an Internet portal devoted to the topic. "It's become universal." Don Johnston, who heads the IT group at Thomas Jefferson University's Jefferson Medical College in Philadelphia, couldn't agree more. "E-mail has become an essential utility for students, faculty, and administration," he says. "It is a fundamental tool in our work. At the same time, no one is going to get any rewards for running a good e-mail service, and the best anyone can do is not fail."

As Johnston began to look at replacing an aging e-mail system, one that was actually being administered by a faculty member, e-sourcing became the obvious choice. Johnston selected United Messaging, Inc., a West Chester, Pennsylvania-based leader in the field. United Messaging, formed in 1998, provides message control, mailbox management, and consulting and operational services to a wide

range of clients. "If you believe in the ASP model," says United Messaging president and CEO Stephen Layne, "you have to look at what's the largest application, and e-mail dwarfs everything else. It has also become a utility, and companies almost always outsource their utilities."

At United Messaging, Layne, himself a 15-year veteran of the messaging industry and former vice president and general manager for Lotus Messaging, Worldwide, has assembled a team with experience managing the messaging operations of some of the largest companies in the world, including Sprint and IBM. "I felt very confident that the United Messaging team—people who had handled the messaging needs of global corporations—could handle 3,500 e-mail accounts for us," says Johnston.

"I think that 'trust' is, in fact, the operative word," says Layne. "A relationship that is high on trust means doing the due diligence to be assured that the company you're selecting can meet your needs. You need to look at the experience and background of the people, the service levels that they have proven they can deliver, the company's financials, independent assessments, and other customer references. These are all very important to having that level of trust.

"Other considerations are," Layne continues, "can you do it better than I can? Can you improve the reliability, security, and scalability of the e-mail application? Only finally is it a question of, can you save me money?" As Don Johnston sees it: "What I now have is a world-class service, managed by professionals, that I can allocate out to my departments on a cost-per-mailbox basis."

a new industry voice

ASP Industry Consortium: Solidly Positioned as the Voice of a New Industry

"A year ago, when I talked to people about application service providers, they didn't have a clue as to what I was talking about," says Traver Gruen-Kennedy, chairman of the ASP Industry Consortium and a leading visionary and advocate of the ASP model. "We started the consortium as a vehicle for articulating the ASP value proposition—quick deployment, less internal staff burden, lower total cost of ownership, and a variable-pricing approach that eliminates the traditional up-front fixed costs of new software solutions."

Launched in May 1999, the Massachusetts-based not-for-profit organization had reached 315 worldwide members by year-end, with another 115 members in its Japanese affiliate. The 25 founding members of the ASP Industry Consortium are: AT&T; AristaSoft Corp., Boundless Technologies, Inc.; Cisco Systems, Inc.; Citrix Systems, Inc.; Compaq Computer Corporation; Cylex Systems, Inc.; Ernst & Young LLP;

Exodus Communications, Inc.; FutureLink Distribution Corp.; GTE; Great Plains Software; IBM Corp.; Interpath Communications, Inc.; JAWS Technologies Inc.; Marimba, Inc.; Onyx Software Corp.; SaskTel; Sharp Electronics Corp.; Sun Microsystems, Inc.; The Taylor Group; Telecomputing ASA; UUNET; Verio, Inc.; and Wyse Technology.

The consortium sponsors research, promotes best practices, and helps communicate the measurable benefits of this evolving delivery method through four key committees: Best Practices, Education, Membership, and Research. Its goals include educating the marketplace, developing common definitions for the industry, fostering open standards and guidelines, and serving as a forum for discussion. "For example, we're in the process right now of documenting and voting upon the top 1,000 examples of the ASP model in action in business today," says Gruen-Kennedy.

Companies interested in furthering awareness and growth of the ASP industry are invited to join the ASP Industry Consortium. There are presently two levels of consortium participation—Executive and Associate membership—with varying annual dues and privileges.

Information on the ASP Industry Consortium is available on the World Wide Web at www.allaboutasp.org, by contacting consortium headquarters at: ASP Industry Consortium, Inc., 401 Edgewater Place, Suite 500, Wakefield, Mass. 01880; Tel: 781-246-9321, or by e-mail at info@aspindustry.org.

outsourcing authority

Michael F. Corbett & Associates, Ltd.

Michael F. Corbett is an internationally recognized consultant, author, and lecturer who is widely acknowledged as the nation's leading authority on outsourcing.

In the article "E-sourcing the Corporation," Mr. Corbett brings his experience in outsourcing to the developing trend and industry of application service providers (ASPs). By doing so, Mr. Corbett is helping to define and communicate the powerful role that application service providers are playing in the future shape of business. Application service providers are a classic example of how today's corporations are achieving speed, innovation, and cost savings through strategic relationships with specialized outside service providers.

Michael F. Corbett & Associates, Ltd. provides executive guidance, management training, and industry research on outsourcing and e-sourcing. Mr. Corbett's firm also produces the industry's premier event, the Outsourcing World Summit, both in the U.S. and overseas. In addition, Mr. Corbett hosts the in-flight business show *Change: Where Insights Lead to Opportunity*. A description of these

and other management resources is available at www.corbettassociates.com.

Mr. Corbett is also chairman and executive director of the Outsourcing Research Council, the leading executive forum for knowledge sharing and innovating thinking on outsourcing. The council conducts proprietary research for members into critical management issues around outsourcing and supports outside research and publication at leading business schools such as the Wharton School and the London Business School.

In 1996, Mr. Corbett was recognized as one of the outsourcing industry's leading experts at hearings called by President Bill Clinton. Mr. Corbett also serves on the boards of directors of a number of firms and the editorial boards of numerous publications.

Mr. Corbett can be reached at (914) 463-1110 or via e-mail at mfcorbett@corbettassociates.com.



Michael F. Corbett & Associates, Ltd.
Michael F. Corbett

dot-com agility and stability

Introducing Agilera.com

Agilera.com, headquartered in Englewood, Colorado, enters the ASP market bringing, in the words of its president, Rob Unger, "dot-com agility and FORTUNE 500® stability for midsize enterprises and emerging companies. Our goal is to be the market-dominant application service provider, the first ASP that customers in this market want to talk to when considering this type of solution."

Unger believes that all of the forces are there to make application service providers the preferred solution for emerging and middle-market companies. "First, the Internet is forcing corporations to look at new ways of doing business," says Unger. Next, independent software vendors, especially those that focus on end-to-end enterprise resource planning packages, are coming to recognize that the ASP model is critical to reaching middle-market customers.

Then, there are the Internet service providers who have made enormous investments in building bandwidth to customers and are now looking for new services to deliv-

er across those electronic pipes. "Finally," says Unger, "clients are saying that the costs to acquire and deploy hardware and software within their organizations are simply too high. Executives are demanding a better approach that will shorten the 'time to benefit.'"

Terry Hucks, chief information officer at the \$2 billion national furniture retailer Heilig-Meyers, has selected Unger's company to address these types of issues for his company's human resources management systems. "We began in the summer of 1999 to examine better ways of meeting our HR needs," says Hucks. "We needed an ASP solution that had the features to match our growth, and that would allow us to focus on our core business. We wanted to improve the timeliness and accuracy of our processing. We also wanted to introduce new, self-service options for our employees, such as the ability to look up year-to-date data, change deductions, and maintain their benefits profile. There are a lot of good companies that we could have worked with, but the chemistry was just right with these folks."

Unger says: "As nimble as a dot-com and as stable as a FORTUNE 500 company—those are the qualities that our new company brings to clients. We understand the middle market, the industries, the business issues, and the software applications. To that we add a huge investment in a world-class international network and data center infrastructure."

depend on infrastructure

Rank Group Depends on Lotus Domino and Notes Communications Infrastructure Provided by Interliant

"The value proposition for application hosting runs very deep," says Jim Lidestri, president of Interliant, Inc. "Some customers choose the ASP model because they don't have the ability—especially the technology skills—to deploy the solutions themselves. For others, they could do it themselves, but choose not to because building an IT staff is simply not the right place for them to invest their money and resources. For others, it's speed."

Getting the application up and running sooner, sometimes nine months sooner, means a lot. There is also the reduction of technical risks. Technology changes very quickly, and new software releases need to be constantly deployed and kept current. Then—and really last on the list—there's cost. If application hosting also saves money, then it's a real home run.

Interliant, Inc., headquartered in Purchase, New York, is a leading application service provider and was one of the first firms to deliver application services using the ASP model. Interliant's current offerings include Web site hosting, messaging and knowledge management, security, e-commerce, customer relationship management, distributed learning, and Web-based rental applications via AppsOnline.com.



One of Interliant's customers is the Rank Group, a multinational recreation and leisure company with 40,000 employees at 700 sites around the world. Some of the well-known brand names that make up the group are Hard Rock Café, Butlins Holidays, and Color by Deluxe.

Interliant manages Rank's global Internet gateway for Lotus Domino and Notes e-mail. "We estimate now that in excess of 100,000 messages a week are flying over our internal Lotus Notes network, and all of the external Internet messaging is carried by Interliant. That gateway deals with messages in a clean, transparent manner," says Robin Hall, director of corporate IT for Rank Group.

"Although there is a definite cost benefit to outsourcing Rank's networking infrastructure, it is the business benefit I regard as most important to us."

Robin Hall, director, corporate IT, Rank Group

Hall agrees with Lidestri that cost savings are really just one factor in the e-sourcing decision. For example, internal and external Notes e-mail is important not just for maintaining cohesive communications, but as a way for the company to respond to new business opportunities anywhere in the world. Documents can be rapidly shared around the company with individuals in the Far East, North America, and Europe. "Although there is a definite cost benefit to outsourcing Rank's networking infrastructure," says Hall, "it is the business benefit I regard as most important to us. Interliant's service is almost 100 percent reliable and has partially funded our business growth."

Lidestri believes that his company's experience in the ASP market is the greatest strength it delivers to its customers. "We're already managing business applications for 1,300 clients, Lotus Notes and Domino applications for 2,000 companies, and Web sites for 60,000," he says. "That experience allows us to execute quickly and accurately. We have the right customer support capabilities in place—which is something that will increasingly define this market as we go forward. We also understand relationships with customers and alliance partners."

Looking to the future, Lidestri believes that his firm is creating value for customers by focusing on two areas. "First, by developing depth within selected service areas, such as customer relationship management and e-commerce," he says. "Second, we're adding breadth with new applications, such as enterprise resource planning—especially the human resources component and expanding our geographic reach. In fact, Interliant Europe is helping U.S.-based Internet companies grow there."

As Robin Hall and his colleagues continue developing Rank's IT infrastructure, he's looking at how they can implement new systems using additional services from Interliant. "One possibility," Hall says, "is to move the company's worldwide internal Notes system from Rank's own networks onto Interliant's services. We're very committed to Interliant."

mail.com explosive growth

FlexTrader Teams with Mail.com to Meet the Demands of Its Explosive Growth

"E-mail has to be a bulletproof part of any company's infrastructure," says Jason Gorevic, senior vice president and general manager of Mail.com. To make that a reality for clients, Mail.com, a New York City-based provider of Internet messaging outsourcing, combines value-added services with a messaging infrastructure made up of two data centers with 27 terabytes of storage and almost 400 servers connected to three separate bandwidth providers. "That's the type of technology platform that is so critical to clients like FlexTrader," says Gorevic.

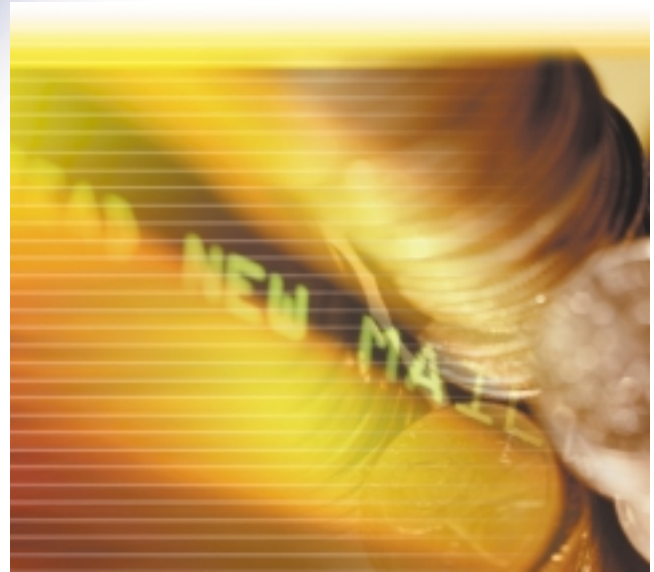
FlexTrader, launched in November 1999, provides sophisticated financial information management systems for the retail market—the types of tools available only to Wall Street professionals until recently. The company combines these tools with financial data access and, most importantly, real-time e-mail and wireless communications services. "Sixty-five hundred users subscribed to our service in its first month, representing more than a million hits," says Eric Solash, FlexTrader's CEO.

"We're expecting growth rates of from 300 to 400 percent over the next few months alone," adds Solash. "Our need for speed and for scaling up our operations quickly was an important part of our decision to outsource our e-mail infrastructure to Mail.com." Other reasons for this decision that Solash points to are focus, cost, and reliability. Solash didn't want his technology people distracted by the

"Our need for speed and for scaling up our operations quickly was an important part of our decision to outsource our e-mail infrastructure to Mail.com."

Eric Solash, CEO, FlexTrader.com, Inc.

company's e-mail application; instead they need to be intensely focused on the site and its unique services. As for costs, estimates for an in-house Microsoft Exchange mail application run as high as \$100 per mailbox per month. FlexTrader is paying Mail.com just \$6 per mailbox per month (\$5 for hosted mail services and \$1 for Mail.com's virus scanning option). Finally, as Solash puts it, "With more than 10 million mailboxes, Mail.com clearly has the reliability and scalability we need."



Mail.com provides a wide array of services, including e-mail outsourcing for Web sites, portals, Internet service providers, corporations, and other organizations, as well as free direct-to-consumer e-mail. Corporations that outsource their e-mail to Mail.com receive mailboxes that are managed using a Web-based utility and are accessible via the Web through e-mail client applications such as Microsoft Outlook, Netscape Messenger, or Qualcomm's Eudora. In addition, a Web-based calendar is integrated into each corporate mailbox. Mail.com's partners and customers include Continental Airlines, Mercedes-Benz, NBC, iWon.com, DellNet, CBS SportsLine, Prodigy, GTE, Earthlink, Juno, SNAP, and CNET.

"Our services address a number of client needs," says Jason Gorevic. In some cases, it's cost savings. In others, Mail.com's services allow high-volume customers to spread their load over the course of a day. Mail.com can also move the entire e-mail operation from a cost center to a profit center. "We can add marketing content to the e-mail, enabling our customers to enhance the value of their communications," says Gorevic. Mail.com also offers value-added services. Under its Mailzone offering, the company provides virus checking, quarantining, and content management. Content management includes the ability to control attachments or screen e-mail for objectionable content before delivery, or to automatically add disclaimers to a firm's messages. Mail.com is also in the process of acquiring NetMoves, an e-mail faxing company with 28 data centers around the world.

"Companies can certainly try to do this all themselves," says Gorevic. "However, with IT costs continuing to skyrocket, e-mail outsourcing is one important way of controlling these costs. The economies of scale that we can leverage for our customers are dramatic. Our customers simply can't afford to support the levels of redundancy and reliability that we do. Additionally, as the market for IT resources becomes more and more competitive, our clients are increasingly seeing the need to concentrate their internal efforts on their core business functions. We help our customers focus on the things that will make them successful in the long run."

on promise **deliver**

Qwest Cyber.Solutions Delivers on the Promise of the Internet

One of the largest enterprise application service providers (ASPs), Qwest Cyber.Solutions, is meeting exploding customer demand by delivering comprehensive business solutions that provide new ways for companies to compete in today's increasingly challenging marketplace.

"Qwest Cyber.Solutions recognizes the driving effects the Internet is having on business strategies today, and provides the competitive advantages that keep organizations moving forward quickly and successfully," says John Charters, CEO of Qwest Cyber.Solutions. "We have the flexibility to support customers by hosting and managing their strategic business operations, so that the solution fits the customers' needs today and can grow with them into the future."

Formed in June of 1999 as a joint venture between Qwest Communications International Inc. and KPMG

LLP, Qwest Cyber.Solutions brings together strength in data communications, IT systems management, and applications support to deliver innovative solutions for companies in today's competitive environment.

Qwest Cyber.Solutions offers integrated solutions for key business functions such as financials, employee resource planning, human resources, sales force automation, and customer relationship management through a broad, best-in-class portfolio of applications from Ariba, Captura, Oracle, PeopleSoft, SAP, and Siebel. These hosted solutions are delivered reliably and securely through Qwest's global broadband Internet communications infrastructure and state-of-the-art CyberCenters™.

Qwest Cyber.Solutions provides a single point of contact for customers. Services are fully supported and managed by the company's dedicated and experienced applications experts, who have the templates to get customers' IT operations activated quickly and the tools to ensure optimum performance of the mission-critical solutions.

"The industry-leading ASP offering from Qwest Cyber.Solutions is drastically changing and improving the way organizations operate today and positioning them for the future," says John Charters. "By providing fully managed, end-to-end solutions, Qwest Cyber.Solutions empowers customers to focus their valued resources on strategic business initiatives."

If you are interested in advertising in the next e-sourcing section, contact Kathleen Matts, Associate Director/FORTUNE Custom Projects at kathleen_matts@timeinc.com or call 212.522.4420.

Reprints of this section are available in quantities of 100 or more; custom reprints can also be created. To obtain a reprint order form, please fax your request to Randi Bergman at 212.522.0999 or send an e-mail to randi_bergman@timeinc.com.

Produced by The Custom Publishing Group, www.custpub.com
Contact Robin Carey or Fran Hall 973.763.2829.

Researched and written by Michael F. Corbett

Edited by James S. Harrison and Joris Stuyck

Designed by Segal Design

Web Directory

AboveNet Communications
www.above.net

Agilera.com
www.agilera.com

Applicast, Inc.
www.applicast.com

ASP Industry Consortium
www.aspindustry.org

Citrix Systems, Inc.
www.citrix.com

Clarus Corporation
www.claruscorp.com

**Michael F. Corbett
& Associates, Ltd.**
www.CorbettAssociates.com

Corio, Inc.
www.corio.com

Digex, Inc.
www.digex.com

FaceTime Communications
www.facetime.net

Interliant, Inc.
www.interliant.com

IT-radar.com
www.IT-radar.com

JAWS Technologies
www.jawstech.com

J.D. Edwards
www.jdedwards.com

Mail.com
Business Messaging Services
www.mail.com

Mi8 Corporation
www.Mi8.com

PricewaterhouseCoopers
www.pwcglobal.com

Qwest Cyber.Solutions
www.qwestcybersolutions.com

reSOURCE PARTNER
www.resourcepartner.com

Systems Union, Inc.
www.systemsunion.com

United Messaging, Inc.
www.unitedmessaging.com

USinternetworking
www.usi.net

Vsource, Inc.
www.vsource.net