

Filling the GAP between SAP and ASP

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Now that the high and low end of the ebusiness market has been staked out by software powerhouses, who'll will win the race for the middle?

INTRODUCTION

The title of this article is not just a hodgepodge of chic IT anagrams. After years of dominance in what used to be termed enterprise wide business applications (now just called "ebusiness"), SAP, PeopleSoft, IBM, Oracle, and the like are trying to push their technology down into medium and small businesses. But nimble web-based application service providers may beat them to the punch.

THE BIG GO SMALL

eBusiness is a multi-billion dollar market, comprising a host of productivity-enabling business applications (e.g., Customer Relationship Management (CRM), Business Intelligence, Supply Chain Management, eCommerce, and Human Capital Management, etc.) Paralleling the constantly changing names of these application categories, is the movement away from expensive, custom installations to more reusable, centralized web services.

After a near death experience, PeopleSoft has emerged as a strong contender in the ebusiness environment by exploiting their "pure internet" browser-based applications. They even offer an "Accelerated Solution," albeit for only "small to medium" clients, which promotes their ability to create a real-time enterprise in "as little as 70 days." Rather than simply reformulate their ROI calculator to show you how much money you'll save, SAP is also scrambling to enter this space so as not to ignore the 90% of businesses in which

AT A GLANCE

The post-bubble glut of technical talent now allows companies to enjoy the benefits of high-end eBusiness solutions without the high-end costs. And that's a good thing, because proven, reliable web-services—that effectively integrate information—is at the heart of any business productivity improvement project.

they currently have no presence. In addition to service hosting, they've recently announced "SAP Business One" at their international e-business conference in Orlando. Built on an acquisition, this all-in-one technology should hit the US in the fourth quarter 2002. So even with the appeal of "prepackaged vertical functionality," it seems that seven figure, two-year software projects are still the heart of what these high-end suppliers offer.

OLD UPSTARTS

Driven by the ire of their large corporate customers (whose capacity to absorb the dizzying complexity and fees of these monolithic applications has begun to wane), application providers of all sizes are gaining traction in the lucrative small to medium business productivity space. No-name commercial web-based applications by the hundreds, along with big names like Intuit's QuickBase and Salesforce.com, can now appeal to even the smallest of clients, since the price of entry is often less than the price of parking for a day in the City! How can they do that?! The ASP (Application Service Provider) model essentially involves leasing use of an

application rather than buying it outright. The web instantly allows literally millions of users to access and use the application, with little more to do than registration (with a credit card) and log-in. The ASP model is ideal for small companies ready for their first business process automation system.

This saturation in larger business customers and maturation of the browser-based application delivery model have both driven and enabled technology developers to pursue medium and small business clientele. These ASP based suppliers also attract larger clients that don't have the IT organization needed to install and configure collaborative applications. In fact there is often nothing to install—though most ASP applications still require some sort of "plug-in" to be downloaded into the user's browser. Also, these "evergreen" applications—with updates made at the server being shared to all clients automatically—don't involve the drudgery of periodic upgrades and maintenance.

Aside from these factors, it may be that the most appealing feature is unprecedented ease of use. Face it: users have been spoiled by the apparent simplicity of consumer sites like Amazon, Dell, and Cars.com. They are far less tolerant today of business applications that don't offer the same point and click instant access to information.

Based on their ease-of-use, Salesforce.com (perhaps the most successful sales-centric ASP to date) and Intuit (with their Quickbooks Online and new QuickBase applications) are successfully securing smaller customers—especially those eager to stop emailing spreadsheets around the office and calling it "collaboration."

THE GAP

How can one compare two such different product paradigms? A veritable abyss exists between the price of ebusiness solutions offered by companies

like SAP, Siebel Systems, and PeopleSoft, and the prices offered by ASP based providers like salesforce.com and Intuit. But the price differential is justified since the applications themselves have a similar chasm between them in functionality.

We do not foresee many \$500Million SAP clients moving to QuickBase anytime soon. But we do anticipate a future where the solution for ebusiness is a convergence of low cost, web-based technology with prepackaged

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vertical market functionality. That is, it's not like homeowners will be converting to apartments anytime soon, but "extended stay hotels" may emerge as a new class of lodging (largely occupied by traveling SAP Consultants!).

According to the small business administration, the US has over 22 million businesses. Of these, only 17,000 have over 500 employees and "only" 5 million of these have more than one employee (the rest are sole proprietorships—a perfect first target for online business applications).

Herein lies the gap or unmet need. The challenge is moving a company with 20-500 people, which already has an investment in some form of information system, to business applications which deliver real decision support and transaction productivity: Commercial web-

based applications are too simple, and SAP, even the portal editions, remain out of their reach.

That is, simple commercial web based applications won't talk to their existing database systems and such businesses often can't afford custom installations of SAP or the like.

CONCLUSION

What is the beleaguered small to medium business person to do? In addition to refinancing one's house at a lower rate, buying a new car with zero interest, or snapping up bargain priced blue-chip stocks; one can take advantage of another post-bubble phenomenon: the glut of talented IT professionals. Work with them to draw on proven components and reliable web services to create a cost-effective custom combination of the best from both these worlds.

Look for solutions from established companies experienced with the core building blocks of business productivity enablers: XML data structures, XML enabled worklists, intelligent web-forms, time and event based alerts, and a structured work flow engine for back-office system integration. And do it ASAP.

ABOUT THE AUTHOR

John Brophy has worked for 20 years as a consultant building customer facing client server and web applications in the areas of Telephony,



Finance, and Human Resources for Fortune 500 companies.

John co-founded The Sono Group to provide business clients with a high-quality, low cost alternative to industry giants. The Sono Group, Inc. is the original early adopter of the

use of web-centric software in its business applications and has been filling the gap since 1992. The Sono Group is located in Danville, CA. More information can be found at www.sonogroup.com.