



DIFFERENCE BETWEEN ASP & SAAS MODELS

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The Application Service Provider (ASP) model became popular in the late 1990s with the emergence of the first wave of Internet-enabled applications. An ASP company would license a commercial software application or assume another company's license as its own. It would then host the application in its secure centrally located servers. The ASP would then license the application to multiple customers. They would sometimes customize versions of the application and provide it as a hosted service to the customer at a lower cost of ownership.

However, the ASPs soon discovered that the cost of customizing and maintaining modified versions of commercial applications was much greater than they had initially anticipated. ASPs did not have control over the features and development of the commercial applications that they were deploying. Hence they were not able to deploy the customized product effectively. Many of the ASP customers, who had moved their mission-critical applications to the ASP model, soon discovered the ASP lacked domain knowledge to effectively customize the applications to their needs. Additionally, these customers also found out that the associated fees for customization charged by the ASP were very high.

The result of the ASP model was that the cost and innovation benefits were very limited

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The SaaS (Software-as-a-Service) model refers to an application that is comprised of a single, integrated code base that is delivered as a service to multiple customers simultaneously, and securely, via the Internet. Additional capacity, users, add-on components, or features can be ordered by the customer. These needs will be fulfilled without the technical or licensing barriers common to installed software. A recent survey of US IT executives by McKinsey & Co. (McKinsey on IT, Summer 2006 issue) found that only two new technologies were viewed as highly promising tools for obtaining real business benefits - one being SaaS.

The result of the SaaS model, a cost-effective Internet-based service offered with a low-entry, zero infrastructure, and low customization cost by providers who have complete domain knowledge about the application. There is a clear market direction toward the use of SaaS for providing on-demand application services. This is especially true in the SMB marketplace that can use the SaaS model to become more nimble in adapting to changes in the market and to implement changes in their businesses to be more competitive and successful.

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The main differences between the ASP and SaaS models are provided in the table below

	Application Service Provider (ASP)	Software-as-a-Service (SaaS)
Application Deployment	Borrowed. ASPs deployed commercial applications from other companies because of which the cost advantage was low & customization capabilities were limited	Built. Software is developed by the SaaS vendor from the ground up and the cost advantage is maximum
Implementation Time	Long. Lengthy cycle to install and customize a commercial application built by some other company	Immediate. Availability for all paid customers on-demand within specific time limits.
Usability	Difficult. A customized version of an already complex system requires a lot of training and orientation	Easy. Internet-based SaaS applications bank on their intuitive usability and claim that users can start using the system within no time.
Application Designs	Monolithic client-server programs. ASP-supported applications were monolithic client-server programs with simple HTML Web interfaces.	Easy to use web-based programs. Today's modern SaaS solutions, however, are designed for the Web environment, which improves usability and manageability.
Integration	Expensive & time-consuming	Inexpensive
IT Support	Exclusive. Internal monitoring, depending on the degree of customization & integration. Additionally, maintenance also needs to be done.	Inclusive. Included as part of service
Hardware Compliance	Difficult: An ASP would take a software package that was not written to be hosted and put it on the Web. This often caused hardware compatibility issues.	Easy: Most SaaS products are purpose-built for the Internet. Also, SaaS hosting hardware is developed for use on the Internet.

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Application Service Provider (ASP)

Software-as-a-Service (SaaS)

Upgrades and Enhancements

Infrequent. Since ASPs often depend on commercial software providers, their ability to upgrade the application was limited. Upgrades were deployed whenever the core application supplier issued them, usually once a year or less. Lack of multi-tenancy made single instance upgrades impossible.

Often. Best practices and ideas are incorporated as enhancements. Since no software is deployed on the customer site, enhancements may be implemented at the SaaS data center and made available to the entire user community; configuration settings allow clients to adopt or reject these changes depending on their needs.

Multi-Tenant Scalability

No. Each customer application is maintained within the ASP's environment; no way to scale across silos.

Yes. Applications are designed from the ground up to be used in a multi-tenant environment, Systems are configurable so each customer can have a custom experience, yet the code base is disparate and is maintained and enhanced for the benefit of all the customers.

Market Acceptance

Less. ASP vendors rushed their offerings to market before the performance, security, customization, and integration issues were solved, and before many IT organizations were ready to adopt the ASP model.

More. Today, both IT and business users are better equipped to take advantage of SaaS as IT experience with Web-based and services-oriented technologies. Business needs such as compliance legislation are providing the momentum for companies to adopt a SaaS approach.

Market Timing

Ahead of its time: The ASP model was a bit ahead of its time as Internet broadband speeds were very low

On-time: Today due to the increase in the speed of broadband Internet connection, it is possible to move data fast and with ease over the Internet

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This document has been prepared by LuitBiz - the easiest and most feature-rich SaaS business applications software that is completely responsive. LuitBiz has Enterprise Asset Management (EAM), Customer Relationship Management (CRM), HRM (end-to-end), Employee Self Service (ESS), Document Management (DMS), and Business Process Management (BPM) Modules.

A free no-obligation trial of LuitBiz is available at www.luitinfotech.com. Business users can try out this free trial to understand the usefulness and ease of use of SaaS Software.

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