

## Businesses of all sizes are using ASPs to outsource processes from admin and security to sales and customer service.

Most organisations are familiar with the idea of outsourcing contracting services from outside providers who supply them more efficiently and more economically. Research from the Meta Group finds 70% of companies using outsourcing to some extent, with this figure set to increase.

Electronic outsourcing is almost exactly the same as conventional outsourcing, the critical difference being that services are delivered electronically, usually over the internet. All kinds of services are now available on this basis, and their suppliers are often known as Application Service Providers (ASPs). Types of service on offer range from conventional business functions, such as book-keeping, to new media services, such as website hosting.

Electronic outsourcing works either by taking data from your organisation and processing it remotely, or by adding capabilities to your business web-based trading for instance and feeding the information or orders generated through to you.

It has become a popular way of accessing software programs at a lower cost and is now an established process within certain sectors and operational functions. This is because electronic outsourcing like conventional outsourcing gives businesses the opportunity to harness specialist expertise without major cost and time commitments.

### THE BENEFITS

What businesses get out of electronic outsourcing depends on their size and business model. Like conventional outsourcing, it delivers a range of benefits including:

#### Reduced costs

- Immediate access to business services at little or no capital cost.
- Reduce or eliminate the need for expensive in-house IT staff.
- Pay only for those services you need, as you use them.

#### Greater efficiency

- No costly and complicated IT networks for you to purchase, install, and maintain.
- Freedom from reliance on internal IT departments.
- Routine yet necessary functions taken care of.

#### Commercial advantage

- Potential for closer collaboration with partners, suppliers, and customers.
- Proven e-commerce capability, for example with outsourced EDI.
- Efficient remote working for your staff.
- More channels to market such as web-based storefronts.
- Access to high-cost, high-performance software at affordable rates.

Businesses that make use of electronic outsourcing are more likely to be high-performance workplaces, as staff attention is moved away from necessary but routine tasks and is increasingly focused on business-critical and value-added operations.

A thoughtful approach to electronic outsourcing can also help to improve internal processes as businesses are able to concentrate on core aspects, rather than non-core functions which could consume time and resources.

**ELECTRONIC OUTSOURCING OPTIONS**

Research commissioned by BT Ignite shows that businesses with over 500 employees are "more than twice as likely to use the ASP model as their smaller counterparts."

However, as these solutions have grown more robust, more reliable, and more affordable, more small and medium sized enterprises are investing in them. The following are some of the areas where ASPs are most commonly used. In the first instance, you will need to decide which of your business's operational areas are most suited to being outsourced electronically.

**Process: Administration**

Options: If you employ freelance or contract staff on an occasional basis, services such as timesheets and payroll are easily and effectively outsourced at nominal cost. Approximate costs: Just a few pounds per person per month.

**Process: Communications**

Options: Many companies choose to outsource their e-mail services, fax, and other electronic communication requirements. Approximate costs: Around £5 per user per month.

**Process: Collaboration**

Options: Project planning, document control, sharing and electronic translation can all be supported remotely. Approximate costs: Costs for secure storage and controlled user access start from a few pounds per user, per month.

**Process: Security**

Options: Backing up data regularly and storing it on a remote server is an important security measure. Remote back-up services transfer your data in encrypted format (only saving the files you've actually changed) and retain it

securely in distant locations.

Approximate costs: Exact costs will depend on the number of users or data, but fees start at £100 per month.

**Process: E-commerce**

Options: If you want to participate in trading hubs or supply chains that use Electronic Data Interchange (EDI), or wish to build a sales presence on the internet, electronic outsourcing can help. Extensible Mark-up Language (XML) allows you to easily convert documents such as purchase orders and invoices into files that can be read automatically by your trading partners' systems. Web-based storefronts can be connected directly to your internal systems, or hosted on a commission basis.

Approximate costs: If you want to make XML-based transactions, it will cost from a few pounds per trading relationship, per month. Web-based storefronts cost from around £150 per month.

**Process: Customer service**

Options: Handle all your customer service and support requirements over the internet with virtual call centres and web-based services. Approximate costs: Costs vary by usage volume.

**Process: Marketing/advertising**

Options: If you have sales teams on the road support them with online quotations, diaries, remote e-mail access, and more. You could pay for advertising sales and support for your website, some suppliers will even pay you to carry advertising.

Approximate costs: Costs vary greatly depending on what you opt for. Sales support fees are around £40 per user, per month.

Many of these services can also be trialed and evaluated at little cost or risk to your

organisation. If they prove beneficial, they can be adopted permanently if not, you've lost nothing.

Deciding whether electronic outsourcing is right for your business requires further research start by using checklist that follow to pinpoint your needs and identify a way forward. At the end you'll find a list of useful links to help you investigate further.

## IMPLEMENTATION GUIDE

### Research & analyse

Do your research

It pays to look at electronic outsourcing options just as you would conventional ones. To identify which options are suited to your business, ask yourself the following questions:

- Do they make sense for your business?
- Can they save you time and money?
- Can they deliver access to markets or technologies that would otherwise be out of reach?
- Do your competitors use electronic outsourcing? If so, for which processes?

Even conventional businesses operating directly with customers can still find it cost-effective to outsource certain business functions. If you already trade electronically or plan to do so in future, electronic outsourcing may make even more sense. And it may not be as costly as you think, even highspecification software such as SAP, PeopleSoft and Oracle is now accessible on an affordable, pay-as-you-go basis.

### Identify the advantages

- Can you save time and money?
- Can you improve your e-commerce capabilities?
- Do you want to sell direct over the internet?
- Which generic outsourcing solutions might help your business? Can they be delivered electronically?

- Are there industry-specific electronic outsourcing solutions for you?
- Are others in your sector electronically outsourcing? If not, why not? Could you gain competitive advantage by doing so?

### Perform a cost/benefit analysis

- How much are your proposed solutions going to cost? Remember to add in training, hardware upgrades, and any other extra costs.
- What savings / benefits will the solution deliver?
- How long will it take to pay for itself? The answer should be inside six months.

### Consult

Technical considerations

Once you've identified all the potential outsourcing applications for your business, draw up a short list of possible suppliers, and ask each of them the following questions:

- What is the cost (including set-up charges, per user licences, monthly fees, etc)?
- What, exactly, will the solution deliver?
- How securely is client data stored? Is there a mirrored server? (This acts as a back-up server) How is data transmitted?
- What levels of encryption are employed?
- What procedures protect against system or transmission failure?
- What are the arrangements for restoring data if the contract is terminated?
- Who does the data belong to? You should always retain complete rights.

### Plan & test

Try before you buy

- Many vendors allow you to trial their services for nothing or at nominal cost.
- Do not sign any service agreements until you have tried all available products.

- Check service agreements for termination clauses, break clauses, and indemnity clauses to protect against damage to your business data.

### Assess the impact across your business

- What will the introduction of electronic outsourcing do to other areas of your business?
- Would this be a good time to modify existing business processes to take full advantage of outsourced solutions?

### Act

Create an implementation schedule

- Moving to outsourced solutions can be a relatively quick and simple process, but you may want to run both your conventional system and your new solution in parallel for a week or two until you are sure of reliability.
- Stick to an implementation schedule, always keeping staff and any affected customers and commercial partners fully informed of progress.

### Evaluate

Regularly review your arrangements

- Is outsourcing delivering what it promised?
- Are there any new developments you could benefit from?
- Is everyone in your organisation getting the most from outsourcing?

### CASE STUDY: 33 PARK PLACE

Sector: Legal

Size of firm: 45 employees

Location: Cardiff

Website: <http://www.33parkplace.com>

Best practice in: Technology

A Cardiff-based law chambers, 33 Park Place, outsources all its IT requirements, from software

and scheduling to support, to an Application Service Provider (ASP).

### Objectives

"When I arrived in January 2002, the IT system here was in disarray," says Chief Executive Alan Davies. His staff, a team of 35 barristers, needed access to the usual Microsoft Office suite of programmes plus certain bespoke legal sector software packages.

Given that the firm couldn't really afford to maintain an IT department, and given the availability of a broadband connection, Alan opted to outsource his IT requirements to an ASP.

### Solution

With 10 full-time in house staff Alan needed a fast, easily managed network with simple connectivity. Their outsourced system hosts and maintains all the company's software and employees access what they need using a personal user name and password. Users connect via a browser or in the case of the 35 barristers working from various remote locations such as their homes, law courts and hotels via a browser 'client' on their desktops or laptops. Remote users connecting via the internet access a web front page and are then directed to the host server for log in.

Although it is possible to connect using a standard narrowband connection, "it wouldn't be much fun," says Alan, adding that more than 50 per cent of the barristers use broadband connections at home in order to ensure a good home-working experience.

### Results

Every aspect of 33 Park Place's IT requirements are managed remotely, and the main office connects to the ASP's server via a 1Mbps

broadband network. The company intranet, used for internal communications and messaging, sits within the ASP's firewall. "Establishing a server with similar capabilities which could handle all the information used by The Chambers' staff, having it on the premises and managing it would have cost £50,000 for the first year," says Davies. "A broadband service costs a fraction of that, with each user licence for bandwidth, software and support, costing £100 per person per quarter."

As his staff become familiar with the ASP system, Alan has also digitised more than 50 per cent of the 33 Park Place's library and made it accessible online, as well as subscribing to a law information and search services, for £3,000 per year, and which means he no longer has to employ a librarian.

### The last word

There are no IT headaches internally, and the only worry for Davies is that if his ASP goes down, he's in trouble. "Anyone relying on one service provider is at risk," says Davies. "What happens if BT goes down?" And, as he points out, all Davies and his staff have to do should they suffer line failure at their premises is go and find the nearest internet connected PC and get back to work.

There is an ISDN back-up, plus a business continuity plan, and Davies has also secured agreed Service Level Agreements with his ASP, although he realises that these can't be exhaustive guarantees. "You do have to trust the provider and you have to help them to understand what you need from them. Every business has its particular requirements and you have to let them know what your requirements are."

### FURTHER HELP AND ADVICE

<http://www.aspindustry.org> directory of outsourced services by industry

<http://www.aspnews.com> more information about ASPs

<http://www.aspstreet.com> portal for the ASP and web services community

### ASPs

#### General

<http://www.oracle.com> major software provider offering some of its solutions online

<http://www.thedatecompany.com> simple outsourced service with easy-to-understand examples

#### Business process-specific

<http://www.adp-es.co.uk> offers software solutions related to administrative processes, including payroll and human resources

<http://www.byworkwise.com> outsourced communications solutions, including email

<http://www.datacommsts.com> focuses on solutions enabling collaboration, including document management, CRM and knowledge management

<http://www.backupdirect.net> offers online remote backup services

<http://www.staffware.com> outsourced e-commerce solutions including supply chain management

<http://www.avrion.co.uk> provides customer relationship management solutions and products

<http://www.westex.co.uk> a range of outsourced marketing and distribution services

#### GENERAL BUSINESS ADVICE

For more information on achieving best practice in your business contact your local Business Link advisor by visiting the website at <http://www.businesslink.gov.uk> or calling 0845 600 9 006.

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