

WHITE PAPER

# ASPs for CMMS/EAM: The Right Choice

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**Maintenance-Bred CMMS/EAM**

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## Quantum Leap – 'One Small Step for Man...'

The ASP industry has transformed typical 9-to-5 development-centric software companies into 24-by-7 service-centric businesses. ASPs are now positioned to profoundly advance – should I be so cliché to say revolutionize? – the ways companies reduce their technology investment yet still have access to best-of-breed software and IT best practices.

Anyone who remembers the Time Sharing Option (TSO) of the mainframe era knows that renting computer access is nothing new. However, the value proposition of ASPs is different, very different.

ASPs provide more than just an economical method of affording computer hardware; rather they have introduced new services that companies cannot easily duplicate:

- State-of-the-art data centers with unlimited bandwidth
- Best-of-breed applications that are available anytime and anywhere
- 24x7 expert operational and technical support
- Service level agreements (SLAs) that guarantee competency and protect them from outages and disasters

As well as, providing measurable savings in capital and time reducing the overall Total Cost of Ownership (TCO):

- No capital investment
- Rapid startup
- Faster ROI

By capitalizing on the Internet's popularity and acceptance for its high availability and reliability and relatively low cost, ASPs offer undeniable economic advantages for leasing versus purchasing software. The ASP's economies-of-scale allows for a faster ROI model surpassing any in-house alternative. *"There is a major change in the software industry, as companies increasingly obtain their software online,"* says Don Haig, vice president with Oracle Business Online.

As noted in a recent issue of Darwin magazine, *"ASPs offer a way to keep your business strategy from getting hung up on your own IT department's ability to install and maintain new software."* Forrester Research further states that ASPs can get companies up and running in one-third to one-half the time required for conventional implementations. For companies struggling to remediate legacy systems, renting can offer a quick and cost-effective alternative.

## Average per seat cost per year: ASPs reduce TCO by over 50%

- \$9,477 PC-based LAN hosted on-site
- \$4,500 ASP-hosted application

Source: Gartner Group

## Paradigm Shift – ‘No one owns software anymore...’

The business model of ASPs is simple – they rent access to an Internet-based copy of software. Encapsulated into one monthly fee is a suite of complementary services that most companies arguably cannot afford to perform themselves.

The customer needs only to provide access to the Internet through a web browser, and the ASP does the rest. The rest is defined as the Software Application, Computing Infrastructure (Application, Database, Security and Web Servers), 24x7 Support and Disaster Prevention and Recovery Plans – all of which are guaranteed by a Service Level Agreement (SLA).



With an ASP as their technology partner, companies no longer have to invest in technology, yet never forfeit the benefits of the

latest software. This advantage is the reason for the ASP industry's anticipated growth. "By 2005, the ASP industry will be valued at \$18 billion with an annual growth rate of 54%," says Rita Terdiman, Vice President and Research Director, Gartner Group.

"By letting an ASP manage the technical component of a [CMMS/EAM] solution, it allows a company to spend more time on the other facets of a company, such as strategy, process and culture", notes Lisa McClintock of Intereliant.

## ASPs and the Plant Manager: Corporate Objectives versus Real-World Challenges

Plant managers know there are two ways to make money: 1) You either reduce cost at current production capacity or 2) Increase production capacity at current cost. A corporate strategy to achieve lower cost is the consistent application of best practices for all plant activity. This strategy, however, erroneously assumes all plants are created equal. They are not.

Today's economy of mergers, acquisitions and joint ventures creates considerable challenges when 'no two plants look alike.' The complexity of deploying an enterprise software solution to multiple and dissimilar plant operating environments often leads to time and cost overruns, or even outright project failure.

Whether the enterprise application manages production, operations or maintenance functions, the challenges are the same:

- Local plant champion needed at each plant location
- Centralize the solution for consistency and ease-of-management
- Connectivity to the corporate network and plant-to-plant connectivity
- Recruiting and retaining specialized IT labor
- Limited budget

ASPs offer solutions for each of these challenges by using the Internet as a lower-cost collaboration tool.

More importantly, the plant manager can focus on the job of plant operations and not software.

*“Purchasers of ASP services recognize that outsourcing certain applications enables enterprises to focus their resources, capital, IT and internal staff on managing other applications critical to their core businesses,”* says Greg Blatnik, Vice President, Zona Research.

*“I would never do this myself,”* says Dieter Schoenegger, CTO of Adidas America, the U.S. division of the European footwear and apparel giant. *“To build the applications and the infrastructure and manage it yourself – it just doesn’t make any sense.”*

**ASPs for CMMS/EAM: The Right Choice**

## Case Study: Do more with less

Imagine a corporate manager responsible for maintenance who we will call Frank. Frank has the task of selecting and implementing a Computerized Maintenance Management System (CMMS). This system is expected to automate and improve the efficiency of the maintenance functions at each plant.

The reasons for this task:

- Up to 40% of manufacturing revenues are devoted to maintenance, and up to one third of the expense is unnecessary
- 50% of maintenance is corrective, which is 10 times more expensive than predictive maintenance
- Preventive maintenance is performed 25% of the time and is 5 times more expensive than predictive maintenance
- 60% of preventive maintenance is unnecessary

Source: ARC Advisory Group

Frank knows that the CMMS alone is not a ‘silver bullet.’ Without best practice methods as the CMMS underpinnings, he knows software alone will not meet corporate expectations. Frank adopts an overall equipment effectiveness methodology to ensure equipment availability, capacity and reliability, and the CMMS will be the tool to manage these best practices. Once critical equipment is identified, a CMMS can

track all of its maintenance history. Properly managed, the CMMS can assist each plant's maintenance manager by extending the lifecycle of the asset, as well as predict maintenance activity better.

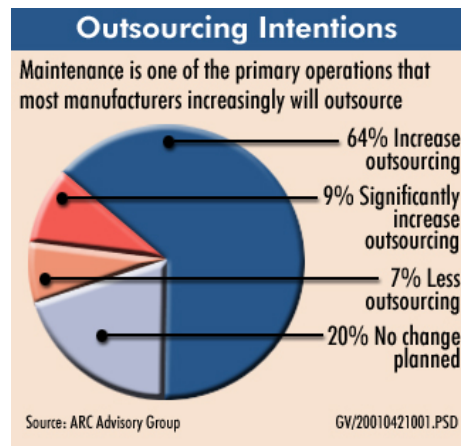
Frank selects his software and is ready to deploy the CMMS which will affect 10 manufacturing plants situated across the U.S. and the company headquarters in Chicago, IL.

Frank did not anticipate the complexity factors with the CMMS he purchased. Each factor will be examined and compared in a buy versus rent model.

### Local Plant Champion

The responsibility and cost of owning software is substantial. The procurement and installation of the hardware, configuration of the software, coordination of training and on-going support requires a local champion at each plant. When Frank called each plant to talk to his local maintenance manager, no one was home.

Unfortunately, Frank's solution was not implemented quickly enough. In order to reduce the cost of the maintenance, the department staff was reduced and/or outsourced. This left Frank with no champion to support his CMMS.



ASPs eliminate many of the hassles of owning software. There is no hardware or software to buy, the software is centrally configured, training can be performed over the Internet and on-going support is available 24 hours a day. Instead of a day-to-day champion, Frank can serve as the 'evangelist' about the CMMS value.

### Centralized Solution

Frank knew that a centralized installation would assure consistency, as well as ease-of-management. Frank envisioned the ability to report key-performance-indicators (KPIs) on maintenance efficiency for all plants from one database (not ten). The CMMS configuration was very comprehensive and decisions such as nomenclature and business rules should be made only once. With common nomenclature and business rules, all of the KPI metrics would be accurately reported.

Frank met with corporate IT to decide how to deploy the CMMS to each of the plants.

Corporate IT offered two choices, both with major shortcomings:

- Centralized installation distributing the application from the Chicago, IL headquarters over the company's wide-area-network (WAN)
- Decentralized installation with each plant having a separate copy of the application

The decentralized installation was immediately rejected because the value of the consistent best practices would be compromised if each plant's software did not operate exactly the same way. In addition, the technical process of replicating all of the databases into one for the KPI reports is burdensome and prone to errors.

Frank hesitated at the enormous cost for hardware and software; nevertheless he chose to implement the centralized installation which took advantage of the company's WAN. The application was installed once, the nomenclature and business rules established and the KPI reporting system was designed.

Despite the claims of the IT group, the capacity of the WAN was not enough to support the additional traffic of the CMMS. Functions that took seconds in Frank's Chicago office took minutes or even timed-out at the plants. Frank was then required to allocate additional cost to

upgrade the WAN, or face the consequences of a decentralized installation.

A centralized installation is inherent with ASPs guaranteeing the consolidation of all plant data and the ability to perform real-time KPI reports with a single copy of the software. More importantly, ASPs do not require the capital expenditure for either hardware or software.

### **Connectivity**

Most companies have a WAN that connects all of the remote plants to the company headquarters. The underlying technology of a WAN may be dedicated T1s, and a surprisingly large number are private 56Kbs frame relay networks. Both are expensive to install and support and are almost always saturated or incapable by design to support an enterprise application.

Frank complained that the company WAN should support his CMMS, and he should not have to pay for its poor performance and design. If he makes this connectivity investment, he wants a guarantee the solution will work. Frank did not get what he wanted.

With no guarantee of success, Frank had no alternative but to pay the enormous expense to upgrade the WAN to support the bandwidth required by the CMMS. Because IT could not dedicate the additional bandwidth to the CMMS

traffic, the improvements to speed and overall user experience were minimal.

ASPs are not dependent on a company's saturated WAN; rather they only need a less expensive, narrowband Internet connection. In addition, the web communication protocols used by ASPs are designed to require substantially less bandwidth than client/server communication protocols with no compromise of security.

### IT Labor

IT labor has become the most difficult field to recruit and retain. While Frank's company has a mature IT department in Chicago, skilled IT help at the plants does not exist. In addition, internal IT support comes with no service guarantees.

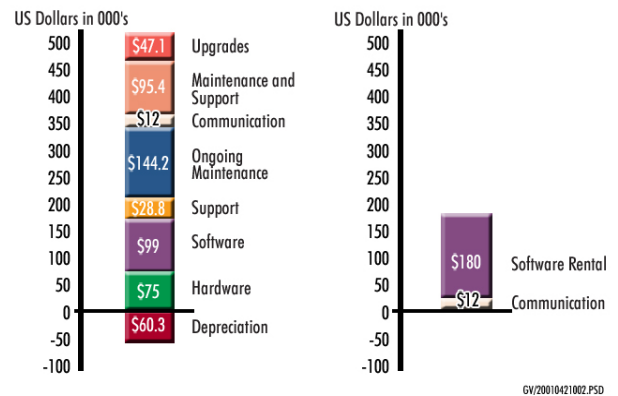
Another unplanned expense was the considerable cost required to train the IT staff on application and database support. Even after weeks of training, the IT staff was not experts on the system. The first time Frank tried to get support at midnight one Friday evening, he discovered yet another limitation of internal IT support.

At the heart of ASPs are IT best practices, service levels that guarantee competency and protect the customer from outages and disasters and availability 24-hours-a-day.

### Limited Budget

With enterprise software purchases and implementations averaging \$500 thousand to \$1 million, companies must implement stringent financial policies to ensure the most favorable ROI. Time and cost overruns are generally the fault of intangible costs and project complexities. It is unlikely that Frank could have proceeded this far if the true cost of the project were revealed earlier.

As indicated by the graph below, Frank was surprised by the total cost of the project which uncovered many intangible expenses. Initially, he only considered the software license fee and the purchase price of the servers. Once the project was underway, he discovered that these expenses represented only a third of the project's total cost.



This example compares a capitalized Client/Server model to a rented ASP model. The models assume a \$99,000 client/server license fee, and \$300 per concurrent user per month rental fee for 10 users. This graph represents the total cost for a 5-year period.

The ASP model enables companies to treat the software purchase as a leased versus capitalized expense. Leasing allows for monthly payments as services are rendered, whereas a capitalized expense requires a substantial up-front capital outlay. Many intangible costs associated with owning software are avoided such as technical training, upgrades and on-going support. ASPs promise a faster time-to-benefit by eliminating the need to specify, procure and install hardware and software.

*“The economic benefit [of the ASP model] is a no-brainer for most Tier 2 and Tier 3 companies, considering that the Tier 2 average selling price for EAM/CMMS software was \$205,000 in 2000 and the associated services has an average selling price of \$348,000,”* says Steve Couther, Vice President, ARC Advisory Group.

### **ASP Advantages and Prudent Questions before Proceeding**

This white paper has highlighted many of the advantages of the ASP model. The table below presents the most important reasons for choosing an ASP instead of implementing software in-house.

Company Rent vs. Buy Factors		
Rent vs. Buy Criteria	Rental	Purchase
Commitment	Low	High
Total Cost of Ownership	Low	High
IT Support	None Required	Medium
Application Server	None	Premium
Database Server	None	Premium
Product Upgrades/Installation	Included	Premium
Capital Outlay	None	High
Application Costs	Paid Monthly	Upfront
Database License	None	You buy
Web License	None	You buy
Customization	Modular	Medium
Annual Support Fees	Included	15% - 20%

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All ASPs are not created equal. The table below represents the prudent questions to ask of any ASP.

What to Look for in an ASP
Criteria
1 Year Commitment or Less
Experience/Number of Customers
Monthly Fee Includes All Services
Best IT Practices Employed
Strong Financials/Balance Sheet
Optimum Electronic Security
27/7 Support
Service Level Agreements

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### **Summary and Close**

Let’s not forget about Frank. Did he really pay to upgrade the WAN and train his IT staff without any service guarantees? Or was this the result of the meatball sub he ate for dinner? Who knows?

The bottom line is... ‘Do you want to be the next Frank?’

*“Five years from now, if you’re the CIO with a head for business, you won’t be buying computers anymore. You won’t buy software either. You’ll rent all your resources from a service provider,”* says Scott McNealy, Chairman and CEO, Sun Microsystems.

As summarized in a recent CNN report, *“ASPs are not just a third party you’re outsourcing to; you’re forming a partnership with the company. When you ask what they’ll do for you, ask what you can do to make the relationship work smoothly. Working with your ASP will increase your confidence in them and make the relationship, and your job of focusing on the needs of your business, that much easier.”*

## **About TabWare**

TabWare is a Computerized Maintenance Management System (CMMS)/Enterprise Asset Management solution designed, developed and based on a 20-year history of asset management solutions delivered to client projects worldwide. TabWare is used by businesses maintaining high-capital assets such as plants, facilities, and production equipment. By managing inventory, avoiding breakdowns on critical assets, reducing work order backlog, and eliminating unnecessary labor costs, TabWare becomes a complete business productivity tool.

TabWare OnLine was the first Internet-based ASP solution for asset maintenance. The system simplifies the implementation of enterprise software, while reducing the total cost of ownership (TCO) by dramatically cutting capital investment and support costs. Our proven and disciplined implementation methodology has evolved from project management experience on hundreds of maintenance software implementations globally. To help you realize the maximum benefit of your software purchase, we share both technical knowledge as a developer and our management experience on major projects. Our solutions save you significant time, cost and capital investment.

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