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FEATURE OF THE WEEK - Technology Update: Are you a smart ASP buyer?

Everyone agrees "ASP" stands for "Application Service Provider – essentially a company that rents software to you. But that's where consensus ends. There is no standard ASP service and no established model for service agreements so you may want some help in negotiating a good agreement.

To that end we've enlisted the expertise of Charles Arsenault, president of Arsenault Associates, a software provider which offers its own services in an ASP format, to put together list of the ASP agreement details Arsenault fleet managers should be particularly aware of.

Type of ASP: There are numerous types of ASPs. The two most common providing services directly to fleet customers are: dedicated service providers and open systems providers and you should understand the differences between the two. With the dedicated services ASP format, you will run application software on computer hardware and software that is dedicated solely to your operation. In many cases, you must provide or buy from the ASP the computers, operating systems, application software and communications system. The ASP installs, houses, manages and maintains the system at its facility. Typically, payment is up-front for hardware and software and there is a long-term management service agreement.

In contrast, open system ASPs already have the computers, communications, hardware with operating systems and application software in place so there is nothing for you to buy or supply. This type of ASP offers the use of the systems on either a month-to-month subscription, like America Online, or you can negotiate a longer subscription term to get reduced fees. An initial set-up fee and the first month's subscription fee are usually what's required to get started.

Subscription Term: Be specific; include the beginning and ending dates covered by the agreement. Include a termination clause that allows you to cancel your subscription agreement. With a dedicated ASP service or a long-term subscription, expect a severe penalty to be involved. With an open ASP generally you can expect to just walk away.

Payment Schedule: Include a statement of the subscription fees with payment terms and conditions. Expect to pay in advance of the ASP service being provided. Most month-by-month ASP services are paid by credit card. However, you can negotiate a quarterly or semiannual payment if this is a better fit with your company's business model. If you don't pay by credit card, include a statement that provides a grace period prior to turning off the service if a payment is late for some reason.

Extra Fees: Include details of any start-up, setup, or custom work involved and the fees charged by the ASP. You may need to pay for extras – data conversion services, for example. Specify any ancillary products or services, such as user training, you expect the ASP to provide. Spell out the details of the products or services, including their costs, performance, and delivery schedules.

What You Must Supply: Services or information you will provide may include user names, contact information, Internet connection services, and the like. Be sure to include a statement of any equipment

you are to provide, such as minimum-expected hardware, communication systems or Internet access. Include the minimum-required access speed you are to supply.


Support & Help: You will need a description of what customer support or help desk services the ASP will provide. Include response times, methods of providing help, and times available. Include in the agreement the assignment of a system coordinator- one of your trusted employees or managers-who will act as your single authoritative source for information and system services from the ASP. This will be the first person your staff comes to with their questions or problems.

Security: Get a statement covering sole and exclusive access to your data, including unique company and individual user IDs and passwords, so nobody gets to see or use your information without your written consent. Include a guarantee of regular hardware, system and database maintenance, including security and safekeeping procedures. Detail items such as daily backup services with off-site storage and the way in which disaster recovery services will be performed.

Ownership: Include a clear statement naming who owns the ASP service and what that service includes. Name who owns the data residing therein: you. In today's fast-paced business environment, you may want to add a clause about what happens if your company is sold or the ASP company is sold. Expect the ASP to impose some restrictions or limitations. Normally, you agree not to sub-license or transfer your ASP contract to anyone else without prior written permission. Include a warranty and indemnification statement saying the ASP has legal title to the software and other technology being used or has the authority to grant a license for its use, and holds you harmless for any ramifications of licensing problems.

Service Guarantees: Include a guarantee that the ASP will keep software, computer hardware and operating systems current and under support agreements during the term of your subscription. Clearly state maximum system downtime allowed before the ASP can be penalized, what that penalty will be and how it will be provided to you. Expect exceptions here for routine maintenance and "acts of God." Generally, one percent downtime is acceptable.

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