

Investing In ASP

(Application Service Provider)
Interview with Phillippe Chambon

Interviewer: Christian Renaudin, TMTG

CR: Do you agree with forecasters that healthcare is one of the most promising opportunities for the ASP model?

PC: At a high level every software company will have to have some form of an ASP mix, as a subscription model or as a license model. In my sector, IT for life science, we clearly see growth in the ASP model. Some of the companies in our portfolio show consistent growth as an ASP — for example, one is involved in clinical development, and another is an analytical tool company.

In the hospital and clinical care provider sector, growth is much more difficult to forecast because we have not seen enough ASP activity. We have seen business plans proposing an ASP model for the hospital sector, but are in a holding pattern as far as investment. This is no obvious growth in this sector. The cost of customer acquisition is high, and the willingness or the ability to pay for these customers is less than in the pharmaceutical industry. Some customers are interested in ASP, and some are not.

CR: In the IT Life Science sector what is the value proposition of ASP?

PC: Well, the difference is really between the subscription versus the standard stand-alone license model. I think the subscription model gives more flexibility to the user/customer. It is a way for customers to access software upgrades in a frequent, easy manner.

CR: Do you think that ASP in healthcare, overall, is an irreversible process or simply a fad?

PC: I think that there will be customers for whom software subscription is more appealing because they do not have the money for an up-front investment.

CR: In addition to the financial model, what do you think of the other aspects of ASP such a delivery and service package?

PC: Of course the Internet-based software application is a delivery component for ASP, but I think that the real appeal is in the sale of the package, either as a subscription or as a full package license. At the end of the day the offers within the ASP market depend on the customer's choice. There will be true ASP customers, there will be customers who prefer to have a subscription for an enterprise software package, and there are customers who will continue to purchase a license for an enterprise software package. What we see is a subtle shift from a licensed fee to a subscription fee because it reduces costs on a yearly basis for the customer. The other value is that the customer receives upgrades more frequently. Frankly, the financial advantages drive this whole process. The ASP model is much more predictable financially, and today people are more conservative about their investments. This accounts for the success of a subscription model. ASP growth, frankly, is not entirely related to Internet availability.

CR: Is ASP a niche business or will it replace shrink-wrap software?

PC: It will not replace shrink-wrap software. This is just an additional tool for companies to better sell and promote their applications. In other words, this is just another element in the marketing mix.

CR: Can an ASP only company succeed in this marketplace?

PC: I think that it is very, very difficult for them to succeed. They have to be able to offer a mix of applications, and solutions, and marketing mix in order to address the needs of different customer groups.

CR: How many business plans have you seen over the last year in healthcare that proposed a pure ASP model?

PC: We probably saw between 100-200 business plans. We financed two, primarily related to the life science area. Last year we made 7-8 new investments in healthcare. The rest of our investments were in BioPharma and technology platforms.

CR: What is the future of ASP? Do you see an obvious trend in ASP or is the market heading more towards outsourcing?

PC: I think the healthcare industry is moving more towards outsourcing, allowing care providers to better focus on delivery of their core business.



The MarkeTech Group

The MarkeTech Group (TMTG) specializes in market assessment and demand forecast by developing innovative concepts and solutions for healthcare clients worldwide. To find out what TMTG consultants can do to put the latest planning and technology services to work for you, visit our Web site at www.themarketechgroup.com