

## your service

Enterprises migrating into e-business have the onerous task of reorienting their systems and operations to meet the new age requirements. Lack of expertise in building IT infrastructure and prohibitive costs of maintaining it has given rise to a new breed of companies called ASPs. With more banks taking the Net route, banking ASPs have assumed greater importance

G P Vinaybabu

**T**he concept of Application Service Provider or ASP is nothing new. We know and experience it in our everyday lives without identifying it as such. The telephone, power and cable lines that enter our homes and offices all have huge ASPs powering them. An ASP model in reality is a shared environment that delivers all the application requirements of a new age company thereby allowing it to concentrate on its core competency without worrying about IT systems. With the advent

## 'Our ASP will help banks concentrate on their core competence'

What is the progress on your proposed ASP model? How different will your ASP be from others?

ASP is basically a shared environment where you pay-as-you-go. Companies don't have to invest in huge IT infrastructure. Most organisations invest 100% more in infrastructure than what they actually require. We will be building an ASP wherein even a small bank that can't afford a core banking solution will be able to afford to use the solution as part of the ASP and will be able to compete with any intelligent global bank. If a small bank like Karur- Vysya Bank can have the same system as American Express uses in New York for a fraction of that price, it will have great value.

Basically in olden days an ASP was called a bureau operation. It's a global formula for more than 20 years now. Huge operators like NCR have been operating these bureau operations. They are all running Sanchez systems. It started off in Canada in trade

Sanchez Computer Associates is a global leader in core banking solutions. Now in India, Sanchez is all set to launch its own finance ASP, which'll be only the second such effort in India. Cyrus Vandrewala, Managing Director and Jehangir Panthaki, Sr. Vice President, Marketing and Special Projects, Sanchez Capital Services Pvt. Ltd. spoke to G.P.Vinaybabu about their ASP model. Excerpts from an exclusive interview



Cyrus Vandrewala,  
Managing Director  
Sanchez Capital Services Pvt Ltd

unions in the form of bureau operations. Bureau operator was generally a large datacenter that served a number of companies on various applications. ASP is exactly this. It has become more popular and known by a different name today because of the Internet.

Our model will have various partners converging to produce one of the largest ASPs in India that includes

- a) Ourselves as the application providers who run the entire ASP
- b) A global top 3 hardware player to provide all the hardware and networking support

of Internet and the convergence of technologies in recent times, this concept has gained greater momentum.

"ASP is basically a shared environment where companies pay-as-they-go without investing in huge IT infrastructure", says Cyrus Vandrevalla, managing director, Sanchez Capital Services which is all set to launch its own ASP venture soon (see box for an exclusive interview). He further adds "The ASP model of today is the new name given to bureau operations that has been in vogue for more than 2 decades. It has become more popular and known by a different name today because of the Internet." Sanchez India will only be the second company to venture into ASP business after i-flex Solutions Ltd, formerly CITIL; entered the ASP market in association with HDFC bank. i-flex has taken the ASP route with FLEXCUBE software

package for the financial industry which within two years of its launch, has become one of the most popular software in the world. I-flex opted for a joint venture approach to enter the ASP market to supplement its domain experience in the financial segment, with expertise in segments like running data centres, back-office work of banks, processing and networking.

Sanchez on the other hand is working in co-ordination with two other partners, one a global top 3 hardware player and the other a global top 5 consulting firm to endorse the processes and procedures to build one of the largest ASPs in India. Sanchez Capital Services, a joint venture between Sanchez Computer Associates, US and Capital Services group, India, is working on converging industry standard products and offers system integration operations that enable and redefines a bank or financial institution's ability to offer both traditional



**Infrastructure operators look after the physical backend elements of the network. They include the telecoms providers who act as Internet backbone carriers, as well as colocation and hosting providers, who manage Internet data centre facilities**

as well as new economy industry standard services. Sanchez Computer Associates is a global leader in providing enterprise banking software and a flexible financial services systems architecture for institutions worldwide.

Internet itself is an abundant treasure house of disparate applications serving various businesses individual needs. For instance when you use a search engine, or call up a stock index chart or check the weather, you are actually taking advantage of applications that someone

c) A global top 5 consulting firm to endorse the processes, the firewalls the procedures of the

So the promoters are three standard industry players, apart from which every customer will own a certain part of the ASP.

We hopefully have our first customer as well. We are the only one in the country who can transform legacy banking into a state-of-the-art core banking solution. Banks that have core-banking solutions in the country today are mostly foreign banks or new private sector banks. No existing nationalized bank that is 10 years old has implemented core banking solutions as yet in India. We are the first ones to implement such a system in Vysya Bank. Doing this is a mammoth task because these banks have anywhere between 300 to 25,000 branches. That's very large compared to the west and the number of accounts is also extremely large. Very few systems actually can work with these kind of numbers of transactions. Since we have done a lot of work in similar environments in

Ireland, Canada, Czech Republic, Poland where we have encountered similar infrastructural problems and telephone networks, we are in a better position to handle these problems.

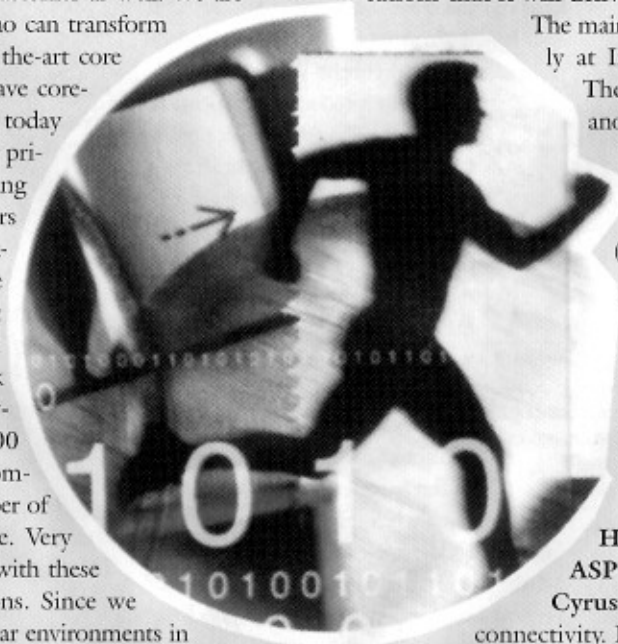
**When is this ASP coming up and where? What are the applications that it will deliver?**

The main data centre will be at one point, mostly at International Tech Park in Bangalore. There will be a back up data centre at another point, probably Mumbai to serve the entire country. Both work in tandem with hot back-ups on both ends.

The ASP will run all the Profile (Sanchez core banking software) suite of products from core banking to general ledger to front end. Banks will also have the flexibility of matching services in terms of their requirements. A bank may not want to change every system. It may want to retain some of its finance systems.

**How do you extend services from the ASP to individual banks?**

Cyrus: It depends on the numbers and the connectivity. If the bank wants 5 branches connect-



else has installed, set up and maintained on the Net. This is application service at its very basic level. However, as more and more businesses go online, the need to facilitate this transformation throws up huge opportunities for application service providers. Since banking-finance sector is aggressively moving towards online orientation it has necessitated the emergence of specialized ASPs in this sector.

### The Net value

For all those who used to wonder how an Internet venture could ever make sound business sense, the working of ASP model should provide answers. It is now an acknowledged truth that it is not possible to have a networked economy without money changing hands. Even though many application services appear to be free on the Web, those services are being provided for payment that has been either displaced

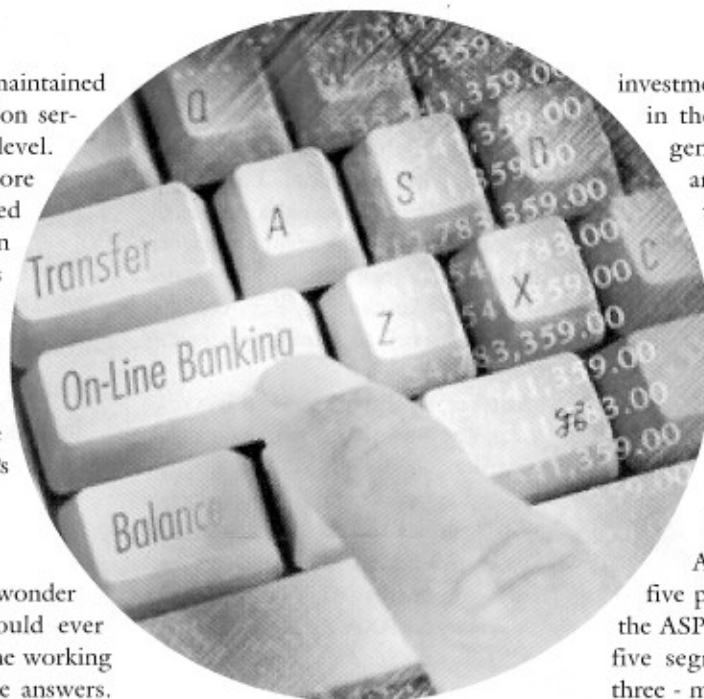
or deferred. Instead of the user paying the provider directly, the service is indirectly funded, either by advertising revenues, from access fees, or - to a surprisingly large extent - from the proceeds of stock market flotations or

investments by large corporations, made in the expectation of returns to be generated from future advertising and subscription income. Most of the business development of course is happening for those companies that provide Net access. Server hosting and Internet access service providers have been making money for long. But now companies are making business in other areas as well.

### The ASP Value Chain

As the diagram shows, there are five primary sectors that take part in the ASP value chain, represented by the five segments of the circle. The first three - making up the right-hand side of the circle - have direct contact with the user, while the remaining two - making up the left-hand side - stay in the background, as operators of the Internet computing infrastructure.

Service integrators are the providers that end-user businesses recognise as



## Sanchez India on the move

"Just a few days back we launched the Vysya Bank data centre and it is now fully operational. It is a State-of-the-art centre with hardware and software functionalities," said Jehangir Panthaki about Sanchez's new development.

"We have acquired Nelito Systems recently. This'll give us the distribution strength in India.

Nelito has implemented its products services and solutions in 15 nationalised banks & over 30 co-operative banks. Their products are running in around 500 branches. They have total branch automation systems (TBAs) and advanced ledger posting machines. They have in excess of 220 employees in 43 locations in India. That gives us a very good coverage in India to support banks. Banks are looking for a lot of support. We wouldn't want to be known as just an American company located in Mumbai, but that which services the entire nation. Lot of banks are going through the TBA route instead of core banking. So, working with

Nelito gives us an insight into these banks. The next step will be the core banking solution.

We will be porting our systems on to Nelito's where Nelito's products still will remain at the front end and our solutions will form the bank end. It is not easy to change the approach of nationalized banks overnight. We'll also be devel-

oping new products in association with Nelito like trade finance products. With our know-how and technical teams we are planning to enhance their products to international standards. We have the marketing and distributions teams worldwide that can market these products. In October end we also set up a Compaq Competency Centre in Mumbai. In this 30,000 sqft competency centre we have replicated a virtual bank environment with branches. Sanchez core banking system runs on

Compaq platforms here. In December we are having a theme show where we will be inviting about 8-10 banks and over a week we will be having product demos and educating about our solutions."



Jehangir Panthaki, Sr. Vice President, talks about Sanchez's new initiatives in India

ed or six branches connected then we will connect the branches and the central processing base with the most optimal network you could find and then the bank's central processing system will be connected to the datacenter. It is like a telephone switch. For instance an EPABX connects all internal extensions to a central point. But to call from one office to another we go through MTNL and here MTNL is the ASP. Instead of a line running from my office to your office, MTNL has a common box where everything goes through that.

**Jehangir:** Another example is the Microsoft. Rather than paying \$ 200 in buying Microsoft Word application that I very rarely use I can download MS Word every time I want to use it from the Microsoft office suite of applications from the Microsoft site - pay 10 or 20 cents which is a fraction of the cost I have to pay to get a Word package. So this is another example of pay-as-you-use process.

Similarly we think a bank doesn't require



ASPs. They bring together services for delivery as complete, managed solutions. They range in sophistication from enterprise ASPs to Internet portals. This category also includes more traditional types of professional services company, such as e-business integrators and full-service providers.

Application providers create the software and applications from which solutions are assembled. This category encompasses the software developers and independent software vendors (ISVs), whose products ASPs and service integrators deliver. The segment also includes providers who host and deliver their own applications as online services.

Access providers take care of the 'last mile' connection that allows users to access the network. This category includes telecoms providers and Internet service providers, many of whom bundle access along with a basic suite of hosted applications. It also includes wireless ASPs, who deliver Web content and applications to mobile telecoms users.

Infrastructure operators look after the physical backend elements of the network. They include the telecoms providers who act as Internet backbone carriers, as well as colocation and hosting providers, who manage Internet data centre facilities. Another group in this segment provide utility-style computing resources, such as pay-as-you-go storage services.

Infrastructure service providers make up the software and services layer of the Internet computing infrastructure. They include application and ASP infrastructure providers (AIPs), who operate hosting centres that are specially equipped for application hosting. AIPs often work with infrastructure ASPs, who deliver specific elements of the infrastructure, such as billing and metering, directory services, or payment processing. Management service providers, who specialise in remote management of IT systems, are another fast-growing group in this category.

Users who always thought that software as something which they must own

in order to use it have come to realize that it is no more than the underlying mechanism which delivers an application that can be accessed from anywhere, courtesy Internet. Net advertisement management, payment processing, digital certificate management and email subscription lists are examples. The software that operates these processes remains the property of the service provider, while the client pays for the application according to usage. Commerce service providers, who host electronic commerce shopping malls on the Internet come in next.

But the next big logical step in doing business out of the shared environment of the Net happens to be ASP that supersedes everything that has been delivered as service in this space so far. These new breed Internet companies have become virtual genies of the new age by going all out to deliver anything and everything that a company would need.

a full fledged IT department. It is something that we will build up and maintain. The bank doesn't have to undergo changes in hardware, software every 3-4 years. We will take care of all that leaving the bank to focus on its core competencies. The centralized bank processing systems are the most expensive and infrastructure intensive for banks. By ASPs taking care of that, the banks can look more at its core activities.

#### Which are the different financial segments that the ASP caters to?

Some of the segments that the ASP serves are

- ◆ Brokerage companies
- ◆ Online broking
- ◆ Internet banks
- ◆ Direct Banks
- ◆ Treasury
- ◆ Trade Finance

You get a whole suite of products - that helps banks, insurance companies and brokerage houses.

#### How much should a company pay?

It's difficult to say. It depends on the branches, customers, accounts, amount of time they spend on the system. It could be transactional based or account based. The basic formula is pay-as-you-go. You don't need infrastructure, you don't have to support the infrastructure, you don't have to retain

IT staff in an attrition intensive industry and still get maximum benefits

#### Who are the other players in the same space?

There is only one player - flexicube from i-flex. HDFC bank and flexicube have come together for this. Ours is the only venture that targets the legacy banks that accounts for more than 90% of the bank.

#### What kind of numbers are you looking at?

There are around 400 banks in the country that require our systems. Then there is a huge co-operative banks market wherein we are planning to link up multiple co-operative banks. So there is definite market in India today for an ASP.

#### What are your efforts on the call center front?

Call center is the single biggest cost for the direct and Internet banking today. Globally Sanchez is an industry standard provider of call center services for all direct and Internet banks like Citibank, American Express Bank, Ing bank etc. Private banks have their own call centers and also outsource. Call centers could be likened to an ASP. Whereas ASP is technology intensive, ASP is customer focused. We should be making some announcements on call centers by Jan 2001. We'll have one of the largest call centers in the country when it is fully operational.