

BUY or BUILD?
Should I buy or build my online pay media solution?

ASP / SAS white paper
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Executive Summary

An organization that wishes to enable a pay media system can either build it in-house or buy the services from a company that specializes in it like MYCO.COM. While building a pay media system may seem the fastest and most cost-effective route, this approach is fraught with problems in both the short and long term business goals. MYCO.COM's ASP / SAS solution for pay media is a compelling alternative to the unpredictable, expensive and time-consuming quagmire of in-house development. Read on to find out how and why.

The Buy versus Build Dilemma

Until now, these benefits were available only to companies willing to make the commitment to purchase, implement, and maintain Pay Media software in house. Today, another business option exists — outsourcing the hosting of your Pay Media software using an application service provider (ASP), or “software as a service” (SAS). ASPs are similar to time-sharing companies of 20 years ago, except now the Internet connects you to the ASP web services. As with time-sharing, an ASP spreads the cost of service and operations among many users, which can make capabilities of Pay Media technology more readily available to small- and medium-sized companies. For some customers buying, installing, and maintaining an in-house system is the best solution to meet their needs. However, for others, an ASP might make more sense. The goal of this white paper is to help you decide if an ASP is the best way for you to handle your business software needs.

Dynamic user expectations, syndication deals, e-commerce complexities, changing standards, new integrations, copyright compliances, reactive market, changing production flow., sudden access to new content—all these concerns drive the growing need for a sophisticated Internet pay media system. Today, highly functional and flexible web services are available as ready-to-go pay media packages. Yet many organizations are unsure of whether they can rely on a “store bought” package, particularly if they're accustomed to handling application development in-house.

This paper covers the “build versus buy” considerations of an organization faced with the need for a Internet pay media application. The first section posits preliminary issues and the due diligence required to start the decision process; the second section presents more in-depth challenges related to the build option. The last section explains the benefits of using the MYCO.COM system.

Considerations

Whether or not to build an in-house integration solution boils down to an honest assessment of the needs of the organization and what it will take to meet those needs. Sometimes the nature of the project dictates the necessary direction. Does your organization require a solution involving a highly specialized business function for which no marketed software exists? Then you should build that solution in-house. Or do you just want to quickly make your digital media available to buyers without compromising its value? In this case, you should give the option to buy a solution a closer look.

The Business Imperative

Evaluate the following factors in regards to your proposed application project:

1. Availability of in-house resources, including development staff
2. Complexity and purpose of a pay media project
3. Particular needs of the organization
4. Time to deployment

5. Also, consider these issues:
6. Can your project's time-to-market strategy support developing the infrastructure in-house?
7. Is your development staff large and skilled enough in pay media trends, technology and standards to build a pay media system in-house?
8. Are your resources best spent developing and maintaining homegrown software outside of your core business? Is security, billing and care your core competency?

If you are still considering a custom-built solution, the next section details some of the problems you might encounter with developing an integration application in-house.

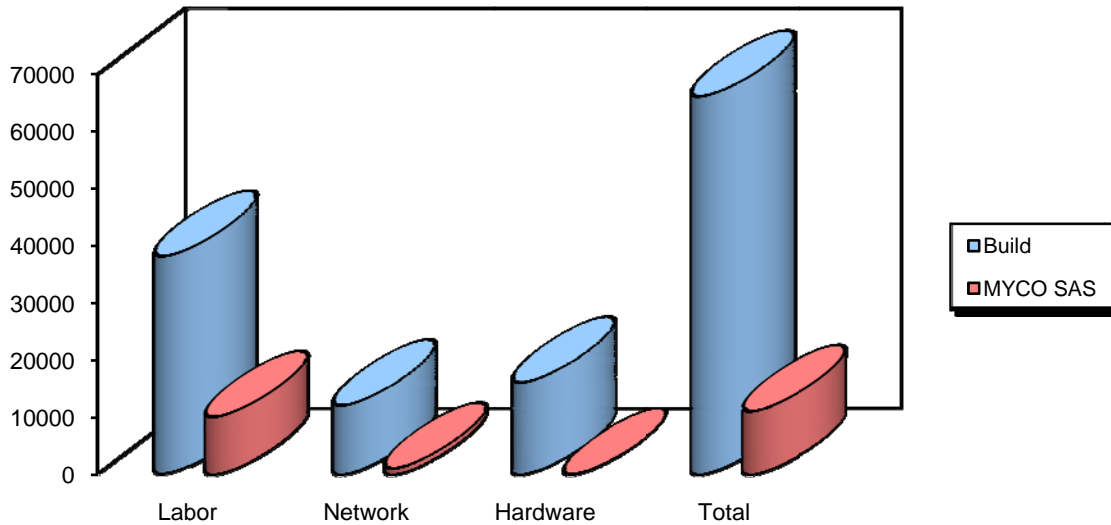
Challenges: Building Your Own Solution

The complexity of today's computing environments only magnifies the difficulties of implementing building your own application and network. Problems inherent in building these solutions from scratch include:

- ✓ Too expensive to develop
- ✓ Too expensive to maintain
- ✓ Too time consuming
- ✓ No real process improvements

Too Expensive to Develop

If a check isn't directly earmarked for your integration project, it may appear to have no real cost. Your in-house programmers' time is already paid for, after all. In-house development can be much more costly than it appears though—far more so than that seemingly expensive software package. Developers must be trained and code must be carefully tested. Think about the salaries of your development team, the downtime in user departments during all phases of development, and the opportunity cost of not putting developers on other worthy projects that might propel your business forward. The bottom line: Labor costs dominate custom coding projects, which require significant investments.



Too Expensive to Maintain

Maintaining a custom-built application and keeping it running on the current platform or a succession of platforms can be an expensive proposition. And what happens when the programmers who developed the original application move on to other projects and other jobs? The maintenance of a pay media application is complex, time-intensive and fraught with undocumented functions. Unless the integration application is well documented—another complex and expensive proposition—you will end up throwing more money into maintenance than you ever planned for.

<i>TASKS</i>	<i>NRE*</i>	<i>ANNUAL</i>	<i>HOURLY RATE</i>	<i>MONTHLY HOURS</i>	<i>SUB-TOTAL</i>
Software Development	Yes		65	160	\$124800
Software Maintenance		Yes	50	160	\$96000
Operations Personnel		Yes	40	160	\$153600
				Total	\$374400

* Non-Recurring Engineering

Labor Assumptions

- Hourly rate assumes loaded labor rate with 25% burden.
- Initial Software Development includes 2 developers for 6 months
- Operations personnel duties include system and database administration, integration, customer support, and monitoring

Too Time Consuming

Traditionally, in-house projects have involved long learning curves and slow deployment schedules. Time consuming custom development requires considerable due diligence to scope and plan the entire integration project. Once again, your developers' time is better spent on core components—and time is money.

No Process Improvements

One danger of in-house development lies in the tendency to fall back on tried-and-true methodologies. Unfortunately, following the old ways of doing things won't necessarily yield the optimal solutions. Development methodologies are always changing. Unless your programmers are versed in the latest pay media best practices, you risk ending up with something that's less than what you hoped and planned for. Even if your organization's business processes have evolved over time, they may still not be refined enough to address the changing pay media market.

The ASP / SAS Solution

Would you like to have the benefits of Pay Media services available as quickly as possible, without the delay of bringing the software into your server operations, testing, and deploying it? Would you prefer to pay a fixed, monthly rental fee, rather than purchase the different software needed? Would you rather take advantage of dealing with a company that specializes in Pay Media staffed with technology professionals? Would you prefer an acquisition program where software upgrades are included, rather than evaluating and purchasing technology improvements? If you answered yes to most of these questions, an ASP may be an attractive alternative to in-house software operations.

MYCO.COM's system hosts and manages core security and billing components that are accessible via an HTTP/XML based API (Application Programming Interface). We guarantee our customers application availability, support, performance, and security. This service offers you an alternative to buying, managing, and supporting your own Pay Media Infrastructure. With MYCO.COM, you gain all of the benefits of cutting-edge technology without the responsibility of running a complex application and data center.

In most cases, a specialized ASP can overcome the challenges presented by custom-built solutions. MYCO.COM leverages proprietary and existing technologies and offers the following compelling reasons to use MYCO.COM's ASP solution:

- ✓ Leveraged expertise
- ✓ Low total cost of ownership (TCO)
- ✓ Faster time to market
- ✓ Flexible, scalable implementations
- ✓ Higher level of integration with third-party technology (Windows Media and Real)
- ✓ Integration with Dynamic Programming Guides
- ✓ Automated, content encryption
- ✓ Network and service optimization
- ✓ High reliability through proven performance
- ✓ Self-documenting

Our system, the Media Authorization Network (MAN) handles all the complexities and concerns of pay media on the Internet. We only charge you a one-time set-up fee and a fixed, monthly service fee for use of the system, data center, and technology management resources. Like other ASPs, we are a one-to-many relationship in which we can manage multiple customers from a centralized data center. Because we are able to spread the infrastructure and development costs across multiple customers, we can implement a system that is much more advanced than a single company can normally afford. The result is that the customer receives a higher level of service than they would if they built and hosted the application themselves. Scarcity of specialized pay media and security professionals, the desire of companies to focus on the core competencies without having to manage additional applications, and the growth of Internet applications are driving the demand for the MYCO.COM system.

Pay Media is an ideal fit for the ASP delivery model. MYCO.COM's solution is mature, field-tested, and field-proven software. From inception, the application was designed to run on the Internet so the technical risk attached to implementing these technologies is eliminated. The ASP uses advanced performance monitoring software to ensure the highest quality of service available. Your database account is maintained separately to provide the security of company information you would expect from your own internal data center.

It is not uncommon for business managers to be concerned about entrusting mission-critical business processes to an outside computing facility. In fact, your customers may experience a similar concern when outsourcing facility maintenance and repair. Apprehension over losing direct control of a business function is understandable. To address this issue, MYCO.COM employs the most sophisticated monitoring and management tools and best practices in security, redundancy, backup procedures, and communications. We provide you with an assigned account manager that can focus on your special needs.

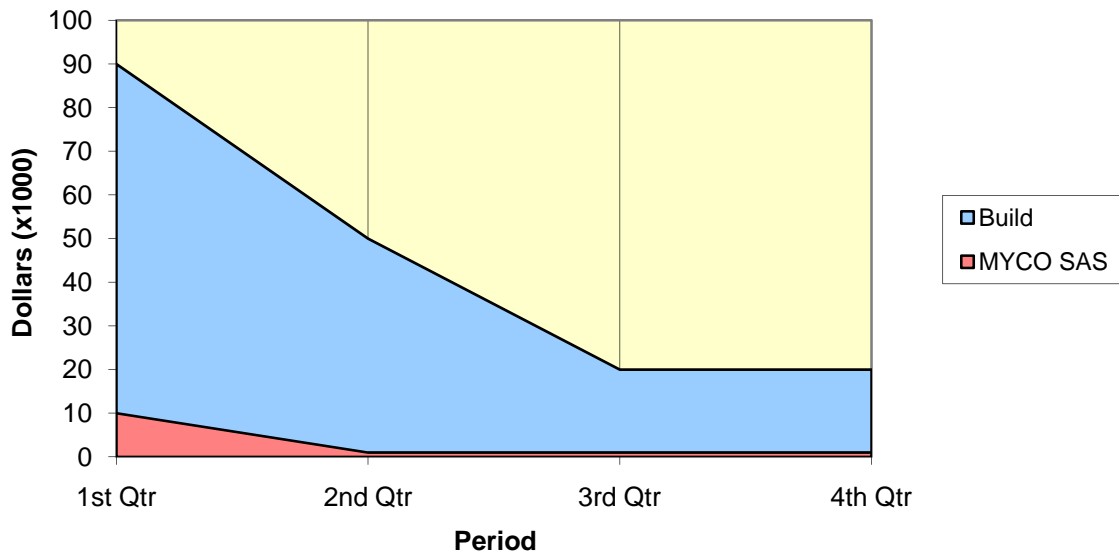
Reduce Labor Costs

Generally, IT labor is the most expensive component of a software system's total cost of ownership. The challenge of finding and retaining specialized IT professionals is particularly difficult for small or medium size firms. In contrast, because an ASP is focused on software technology, it attracts highly skilled IT professionals. This frees you from the burden and ongoing expense of IT labor costs. It also gives you access to talented IT professionals. No worries about vacation, sickness, or resignations among your IT staff. Your ASP provider is managing a larger staff, and backup is factored into the plans.

Decrease Capital Investment

Using MYCO.COM you avoid spending capital funds for computing hardware, software, and personnel. Capital funds remain available for the field service company's primary business. By sharing costs with other ASP customers, a field service company has access to application software that, previously, only larger field service companies could afford.

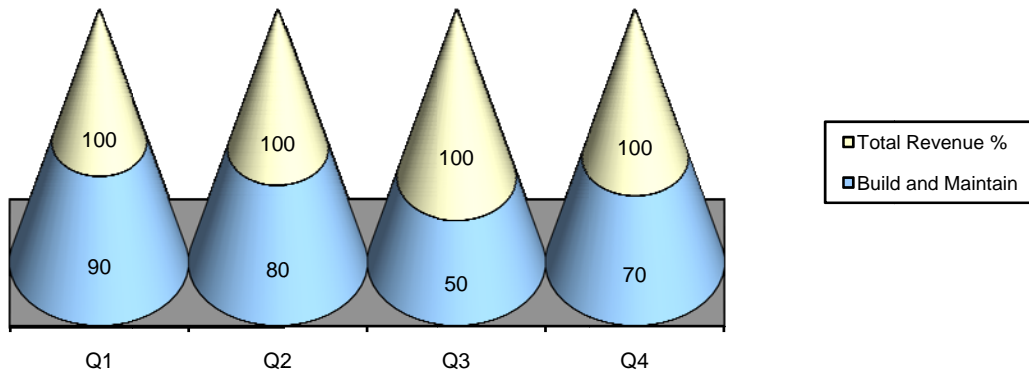
Investment over time



Reduce Financial Risk

We will supply the security, billing and customer care. When hardware or software needs to be upgraded or new features added, we perform this on your behalf. The concern and expense of equipment obsolescence is eliminated. When a vendor enhances software (which often happens), we are responsible for acquiring and implementing it. You can enjoy the benefits of new capacity and functionality quickly, because you do not need to request additional capital expenditures, which typically delay IT deployment projects.

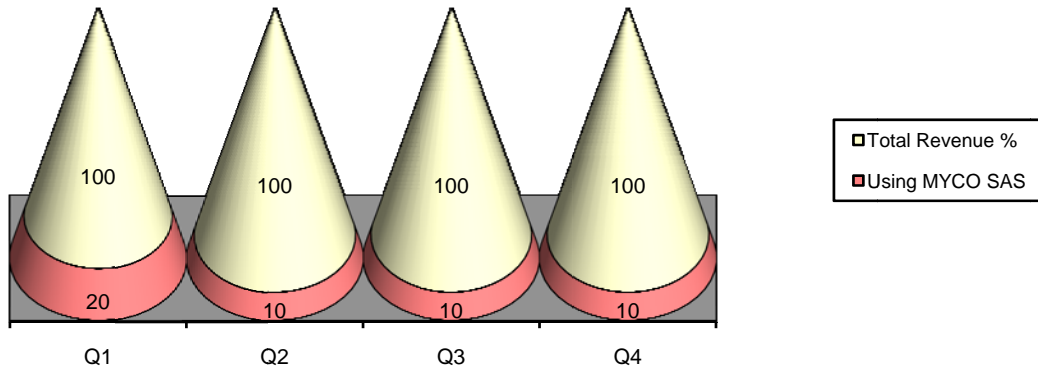
Cost Predictability



More Closely Match Revenue and Expenses

The service provided by MYCO.COM is billed monthly, under a contract that is typically one year. An ASP contract is very similar to contracts for leasing service trucks or construction equipment. Expense is predictable, based on the number of users or licenses delivered, and fixed monthly bills may well suit your business requirement to match monthly revenue with monthly expenses which is critical in business projections and strategy.

Cost Predictability



Low Total Cost of Ownership (TCO)

As stated in the previous section, high costs remain the primary drawback to developing a pay media system yourself. Development and maintenance costs are often underestimated. costs in general continue to skyrocket as enterprise-wide computing environments become ever more complex. MYCO.COM's system keeps these costs down in the following manner:

- ✓ Automation and standardization of the security and billing process, which eliminate the need for costly custom processes and coding *

- ✓ Optimization of development resources, as programmers can plug into new, more exciting development projects that will further core organizational capabilities and efficiencies.
- ✓ Fast implementation and deployment, which reduces the cost of the entire integration process.
- ✓ Broad range of connectivity options for standard messaging schemas and disparate platforms, for leveraging of existing protocols and formats. (i.e., XML over HTTP)
- ✓ Phased scalability, which allows the customer to start with smaller integration projects before investing in the whole system (i.e., security, billing then care).

**Unless your programmers are versed in the latest integration best practices, you risk ending up with something that's less than what you hoped and planned for. Even if your organization's business processes have evolved over time, they may still not be refined enough to reflect best practices.*

Network Recurring Expenses

DESCRIPTION	ANNUAL	MONTHS	MONTHLY COST	SUB-TOTAL
<i>Rack space and Bandwidth</i>	Yes	12	500 x 2 centers	\$12000
<i>Server to Database channel (i.e. Fiber)</i>	Yes		20000	\$20000
			Total	\$32000

Networking Assumption:

- Existing Collocation datacenters can be utilized.
- This assumes 2 diverse datacenters and an incremental \$500.00 per data center (rack space and bandwidth, Tier 2 provider)

Third-Party Software (EULA) Expenses

SOFTWARE	PRICE	# LIC.	SUB-TOTAL
<i>Windows server 2000 (license Server)</i>	5000	4	\$20000
<i>Database</i>	10000	1	\$10000
<i>Load Balancer (low end)</i>	10000	1	\$10000
		Total	\$40000

Networking Assumption:

- Existing Collocation datacenters can be utilized.
- This assumes 2 diverse datacenters and an incremental \$500.00 per data center (rack space and bandwidth, Tier 2 provider)

Faster Time to Market

The long development cycle of a home-built solution isn't an option if your organization needs to deploy an integration application quickly. MYCO.COM can offer some or all of the following features that speed the time to value of your business:

- ✓ Easy to learn
- ✓ Easy-to-integrate
- ✓ Easy to use
- ✓ Easy to support

Flexible, Scalable Implementations

Instead of leaving your organization to its standard old methodologies, the best integration packages provide maximum opportunities for flexibility. Most include customization features for fine-tuning the integrated computing environment as it changes with business needs. Logic and business rule definitions, for example, can be customized to work with native data formats and schemas through user-friendly interfaces. Open architectures accommodate emerging applications, allowing new technologies to plug into the enterprise. Through all this adaptability, the integrated application can remain up to date with best practices.

In-house integration applications are often developed to meet the needs of the moment, without taking into account rising user demands and data volumes. Integration packages, on the other hand, meet growing levels of user requests and transaction loads with real-time, event-driven, scalable solutions. The most cutting edge packaged integration applications will also maximize flexibility by providing *project* scalability. Proven, successful project design components can be reused in other departments, and departmental integration projects can be linked across divisions and built up to a global implementation.

<i>TRANSACTION TYPE</i>	<i>PER SECOND (AVG.) – DRM NETWORK</i>	<i>PER SECOND (AVG.) GLOBAL; LOAD BALANCED</i>
License Only	24	900 ~
License & Authorization	8	300 ~

Access to Cutting-Edge Solutions

Sophisticated database and software applications, scalable infrastructure and hardware are expensive. It may be difficult for small or medium sized company to match the type of software solutions employed by larger companies. MYCO.COM can level the playing field — now almost any company can have access to a sophisticated pay media solution used by the largest media and content aggregation companies. This will have a dramatic impact on your company's efficiency, profitability, and competitiveness.

High Support of Third-Party Technologies

When an organization sets out to develop a pay media solution in house, it may not consider additional technologies that may be adopted after the fact. In effect, the new application may not end up offering enough compatibility with other technologies and formats. MYCO.COM provides a broad range of compatibility options. Since our API is based on industry standard

XML over HTTP, most proprietary systems built on different platforms or standards such as ASP, PHP and JSP, Web services and Content Management applications can save integration time and improves data accuracy. Transport-independent solutions allow you to choose the data transport model that best fits your business, and the appropriate APIs make the integration seamless. We also support multiple digital media formats including Windows Media and Real. OMA is also supported for wireless systems.

Automated, Standardized Design Process

When it comes to pay media systems, most organizations have similar needs. So why reinvent the wheel when it already exists in the form of an available service? MYCO.COM's system automates and standardizes the most often used functions in the industry. While there's room for customization, the basic implementation is ready to go.

High Reliability through Proven Performance

Building a pay media system in-house is only the beginning. Next comes a time-consuming iterative testing process, during which developers and system administrators fine-tune the application and network for better speed and reliability. In contrast, MYCO.COM's pay media solution offers high reliability by definition, right out of the box. The chart below provides some basic performance metrics tested in the field.

Optimization of Development Resources

A home built application project pulls programmers away from an organization's regular development work. After the fast deployment of a packaged application, on the other hand, you can focus development resources on your business's core competencies. Developers can get to work on exciting new projects that will further organizational goals and add to the bottom line.

PROJECTIONS: BUILD	\$ ESTIMATED
Total Non-Recurring Engineering (NRE)	\$214,800
Total Annual Expense	\$301,600
	\$516,400
Total First Year Investment	
At \$.20 per license for a \$1 sale:	
Required Sales to recoup Year 1 Cost	\$2,682,000
Required Sales to recoup Annual Expense	\$1,608,000
At \$.05 per license for a \$1 sale:	
Required Sales to recoup Year 1 Cost	\$9,928,000
Required Sales to recoup Annual Expense	\$5,632,000

**The numbers above reflect the price to build and manage a basic Security (DRM) and billing system that does not have many of the advanced features found on MYCO.COM. Also, many key features and components in a sophisticated network have been omitted including: centralized management, user authorization based on unique session, flexible and sophisticated business model support, integrated billing and highly scalable dynamic network.*

Total Investment Scenario

Build It

MYCO's SAS

DESCRIPTION	ANNUAL	SUB-TOTAL
Labor	Yes	\$374400
Software and Licenses	N/A	\$40000
Network Recurring	Yes	\$32000
Total		\$446,400

DESCRIPTION	ANNUAL	SUB-TOTAL
Labor	N/A	\$0
Software and Licenses	N/A	\$0
Network Recurring Setup Fee	Once	\$10000
Minimum or % of Revenue *	Monthly	\$1000
Total		\$11,000 *

**Plus monthly charge which will be negotiated per contract and is designed to suit your specific business model and growth stage. Typical plans include per license and per user flat fees, or revenue share. Monthly minimums apply.*

Conclusion: Buy Don't Build

In today's fast-paced, complex Internet landscape and competitive business environment, home-built systems can't stand up to specialized application service providers like MYCO.COM. Our quick-hitting, cost-effective solution can meet your company's security, billing and customer care demands by leveraging existing technologies and expertise while taking the burden off of internal development resources.

Even though a custom-built integration application may seem to offer control and flexibility, it will only lock your organization into a suboptimal solution. Is pay media *technology* really your organization's *core* competency? Can you spare the programming resources? Do you have months to develop, test and fine-tune your application? Are you prepared to manage and support the system and end users? If like most organizations you answered "no" to all of the above, leveraging the highly reliable and proven MYCO.COM system is your best option.

The MYCO.COM Media Authorization Network helps reduce the complexity, costs and risks associated with building a solution in-house by providing industry-leading technology and automation for Internet pay media. Our multi-tiered and distributed architecture is designed from the ground up for rapid implementation, superior scalability, low total cost of ownership and high ROI. Our professionally managed system features a comprehensive set of easy-to-use web services that enable your company to rapidly integrate, manage and sell digital media—regardless of its size and complexity—across multiple media formats and security needs.

With the MYCO.COM Media Authorization Network (MAN), you can experience guaranteed performance and the highest levels of content and user security available in the industry. Because we operate and maintain the complex software and the network environment, the challenges of recruiting and retaining scarce and expensive IT personnel are eliminated. And, a monthly rental fee means you will have one predictable invoice each month, while at the same time having access to the most sophisticated, up-to-date Pay Media technology available.