

Driving Revenue with Web hosting:

The Case for Outsourcing



Why Offer Web Hosting Services?

The growing demand for Web hosting services offers broadband companies a timely opportunity to convert this demand into market share and revenue. While Web hosting drives revenue, customer satisfaction and account retention today, its role in positioning your company for success tomorrow is of equal importance. Adding Web hosting to a company's suite of online services provides multiple opportunities to offer service excellence and strengthen customer loyalty. Building a solid foundation of Web hosting today puts your company first in line to offer your customers a wide range of emerging online services in the future.

A Tool for Generating Revenue Today

Creating a new revenue stream is one of the most compelling reasons to offer Web hosting services. Web hosting services represent revenue potential supported by increasing demand. Web hosting is currently a \$750 million business and projected to exceed \$1 billion in the next 2 years with this growth driven by two key market segments:

- **Individuals**, a group that has discovered personal Web sites as a means to post pictures, publicize special events and communicate within their respective communities
- **Small and Medium Businesses**, a highly coveted and lucrative market segment, which is increasingly in need of Web services for both marketing and internal and external communications

From each of these targets' perspectives, Web services would be a natural extension of broadband access. For each, the convenience of tapping one source for both high-speed Web access and services aimed at establishing their Web presence holds appeal. Beyond revenue, there is the added benefit of account retention. Customers buying multiple products and receiving excellent service in each are less likely to switch providers.

A Means to Heightened Customer Satisfaction & Retention

Providing Web hosting is a crucial first step in helping your customers use the Web to grow their businesses. Having helped them establish a Web presence through Web site design and hosting, you can further add value with cost-effective marketing services guaranteed to drive traffic to their sites. The more your advanced technology ensures customer ease-of-use and the more your progressive marketing services really help customers' sales grow, the more they'll love you and keep coming back for more.

A Key for Ensuring Market Share Tomorrow

The demand for online services is strong and will increasingly challenge and cannibalize the on-premise service providers' market share. How do you break through the barrier between on-premise and Web space? Web hosting is the key. Emerging online services such as micropublishing and micro-content (blogs), require robust Web hosting platforms. As your customer's Web hosting provider, you build a foundation and springboard to best position yourself as that customer's future online services provider — whatever those future service needs may be. Simply put, locking in their Web hosting now sows the seeds for your Web space market share later. Conversely, if you're not their Web host, your competition is first in line to offer them future online services.

The Case for Outsourcing

The case for outsourcing to a stand-alone Web services firm is supported by a closer look at multiple factors, including:

Speed to Market

With demand already strong and competitors already in the market, typically a company's desire is to upgrade its Web services offerings as soon as possible. Tapping the established products, technology

infrastructure and customer support of an up-and-running hosting expert dramatically cuts the lead time. Outsourced to a reputable hosting provider, upgrading to a turnkey solution would take approximately a month, a custom solution a few months, depending on the specific needs of the client.

Outsourcing Considerations

- Speed to Market
- Specialization
- Product Development
- Security
- Technology/Infrastructure
- Customer Service

Specialization

Stand-alone Web services companies employ several hundred specialists working full time on product development, customer support and technology evaluation and implementation — setting the bar for the industry. Can in-house product development, support and technology beat this level of competition? Such an in-house approach should raise red flags including:

- Do the current employees working on driving your Web services business have other responsibilities as well or are their careers tied to the success of your Web services business?
- Within the Web services team, what is the depth of bench? If you lost several key employees, what would be the impact on the business unit's operations and product development efforts?
- Is the Web services team staffed sufficiently to allow team members to develop expertise or does current staffing translate into: all product development is on the shoulders of a select, often over-extended, few?

Staffed with specialists, a Web hosting provider offers breadth and depth of expertise that in-house teams can rarely afford, resulting in an ability to meet customer expectations for the latest, most reliable products year after year.

Product Development

Web hosting services have evolved dramatically in the past five years. The previous generation of plain vanilla solutions is disappearing as it is outpaced by consumer demand for more robust products. Newer applications of the current generation include:

- Online Control Panel
- Customer Relationship Management (CRM) System
- Virtual Private Server (VPS) Solutions
- Data Center Automation Tools
- SiteBuilder®
- Search Engine Marketing Tools

Outsourcing to a Web services firm with strong research and development effectively guarantees a broadband provider access to competitive products that include the latest applications. For in-house development teams, with typically less funding and staffing, product launches often lag behind the market curve resulting in a less competitive market position.

Security

The dynamic and often unsecured nature of the Web itself places constant demands on Web services product management teams, again, best managed by full-time specialists. Privacy, security and SPAM are good examples of areas that require ongoing vigilance and development:

- **Privacy:** Protecting customers' privacy should be the number one priority of any business, and a related topic is security of the hosted Web sites. Constant updates to already sophisticated privacy controls are required to prevent breach in privacy.
- **Security:** Many small businesses may not know the first step in securing their Web site, but this is a crucial step to protect their business and their customers' information. When considering an outsourcer, carefully scrutinize the company's track record of securing its clients' sites.
- **SPAM:** Despite the industry's increasingly aggressive anti-SPAM measures, a high volume of SPAM messages remain. As a broadband service provider, incoming spam may annoy you, but as a hosting provider you have to address outgoing spam as well, with applications to measure and regulate outgoing email messages.

Technology & Infrastructure

While telecom and cable companies may develop the technical expertise to offer Web hosting in-house, cost is a chronic issue, particularly if a firm is intent is to compete at the same level of the stand-alone Web services specialists for an ongoing period of time.

Competitive, reliable Web hosting services require Intel-based servers and Linux and Windows operating systems to allow scaling to the masses. Additionally, data centers should meet, or exceed industry standards in terms of redundant power, backbone connections, fire suppression systems, cooling and internal networks. Outsourcing to a hosting company that has experience in managing massive server infrastructures and both Linux and Windows environments and is committed to annual system upgrades, nearly always makes better fiscal sense for broadband providers.

Further, technology, and Web hosting specifically, is a dynamic market that is constantly evolving. The research and development sectors of stand-alone Web hosting companies invest millions every year into researching and implementing new technology. Typically, they do so through a network of international offices giving them an international perspective on technology trends to ensure they remain on the cutting edge. A company considering an in-house Web services solution would need to commit to significant, ongoing annual investments to remain competitive.

Customer Service

Web hosting involves a suite of related products such as Web site design, domain name registration, email, ecommerce and more. As the demand for increasingly sophisticated products grows, so does the need for the customer support team to be extremely knowledgeable in many different, yet interrelated, products.



To support Web hosting services in-house, the following represents the bare minimum customer service requirements:

- One support rep per 2,500 customers
- One second-level support rep for every 7,000 customers
- One billing service rep for every 5,000 customers

All these reps require three months training initially and four weeks of training per year on a recurring basis.

When outsourcing, Web hosting companies that offer turnkey solutions provide full customer support as part of their package. One of the most successful arrangements is to have the in-house support team trained to recognize hosting issues and transfer these “hot” calls to the hosting company’s support team — a team that is vertically specialized on Web hosting and online services. The outsourced support can then be entered into a well-established escalation process that typically consists of multiple levels of customer service — first, second and third tier. Using this model, a company’s customer service start-up requirements include:

- One week of training the trainers
- One week of trainers teaching in-house customer service

Outsourcing: The Most Reliable Fast-Track to Revenue Today ...Market Share Tomorrow

Web hosting has grown beyond infancy into an industry with numerous stand-alone players specializing in developing Web hosting products and satisfying the unique needs of Web hosting customers. To drive Web services adoption among a broadband provider’s customer base, the following are essential criteria: quick, top-notch product development, support and technology. To offer customers excellence in product, service and technology, and to do so relatively quickly, outsourcing is a broadband provider’s best alternative.

It has been said the company with greatest broadband market share will control the future of the digital home. Similarly, the company with the greatest Web hosting share will control the future of online services. In both cases, one service is the essential platform to ultimately providing so many more. Pursuit of dominant share in this essential platform, Web hosting, translates to staking out share and revenue in the rapidly emerging online services market.