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## ***How Outsourcing Your Web Hosting Benefits Your Business***

As more and more businesses start to create a presence utilizing the world-wide web, the need for a website that is top notch, functional, and professional has become a high priority. A company's website is often a first glimpse of the business. The first impression must be one that compels the visitor to return, again and again. The website is a reflection of the company, the culture, the personality, and the colors and spirit of the company.

Another critical aspect of any company's website, especially if there is an e-commerce component, is that it must be up and operational 99% of the time. When a customer cannot get a needed item on a website, a sale is most likely lost to another business.

It is important to note that "Web hosting" strictly refers to providing the consumer with the capacity to upload content to a server for immediate transmission for those that request it. Web hosting does not include the authoring of a Web site or the development of database-driven components or code. It is incumbent upon the consumer of Web hosting services to develop this material or have it developed on his or her behalf. <sup>1</sup>

There are three different types of hosting:

- *Dedicated* hosting: when a website is allocated a server to call its own, allowing full control over back-end applications, including the operating system you wish your website to run on.
- *Shared* hosting: not quite as flexible or autonomous, as you are sharing the space with one or more websites, vying for resources on that server, and this can affect performance of your website if the load of the websites you are 'sharing' with is high.
- *Managed* hosting is a dedicated server, but also provides full technical support and maintenance, distinguishing it from dedicated hosting in that the customer is responsible for all maintenance and administrative tasks on their dedicated hardware.

Individuals and companies who outsource their Web presence do so in order to achieve the following objectives:

1. Reduce and control operating costs
2. Improve their own company focus
3. Gain access to in-depth expertise
4. Free internal resources for core competencies
5. Obtain access to world-class capabilities to control IT functions, which are difficult to manage. <sup>2</sup>

So, as a company about to put a major investment into a website, how do you decide whether to host it yourself or outsource the website hosting? Does it make more sense to train your own people and have your servers on site, or is it more financially sound to outsource it to a company that hosts websites as its core business?

Gerry McCartney, chief information officer at Wharton, puts it, "You are trying to hold the core of your business as close as possible and get the operations (functions) as far away as possible." The idea is to maintain control over the services that "make you special." <sup>3</sup>

## **Why Outsource?**

Outsourcing your web hosting makes good business sense when you are considering all aspects of a website that is reliable, available, cost-effective, and provides great customer support, both for the business and the customers of that business.

### **Reliability, Availability and Support**

Your hosting company provides reliability, availability, and serviceability for all your web needs. Here are some of the key areas to consider when thinking about this aspect of keeping your website up and running at all times. The hosting company provides:

- Server administration
- Dedicated or shared server for your website
- Secure facility to house server – cooling systems for hardware, power backup, secure against hackers and vandals, backup of content on a regular basis, and natural disaster contingency plans.
- Hardware/software installation/monitoring/upgrades/virus protection, etc.
- Communications expertise (ISP connections, LANs, firewalls, hacker-, etc.)
- Resolution of communications problems – multiple ISP connections
- Redundancy in hardware (routing and switching), servers, replacement parts
- Backup of key personnel so no single point of failure
- Decreased downtime, if any, as a result of failure in any part of entire hosting system

### **Scalability**

When using a hosting company, you can add capacity quickly, when you need it, as your business grows. You have the flexibility of adding server and communications enhancements at minimum cost to your business bottom line because you are using the resources of your hosting company. No capital investment on your part is required, allowing you to use those resources for further business growth.

## **Security**

Outsourcing provides you with 24/7 support and security. If there is a problem, the outsourcing company is aware immediately and can fix any problem in a timely manner. The best hosting companies provide 99% up time for their customers by providing:

- 24/7, highly trained, quality support
- Processes in place for infrequent problems – being able to talk to someone live
- Live surveillance to know when a problem occurs.

## **Cost Effectiveness**

Also, when outsourcing your web hosting, you save expense as you eliminate the need for personnel to run the in-house hosting function. Why spend valuable resources on that which is not your core competency or your core business? When outsourcing your website, highly trained personnel are at your service, meaning there is no need for you to hire or train personnel to run the web, servers, and communications. The following requirements are eliminated when you outsource your web site hosting:

- Personnel overhead (benefits, office space, salary)
- Training costs of keeping key personnel current in the latest technology
- Recruiting costs - how many employees must you seek that are skilled in IT, can you afford them, and do they want to work for you or an IT company? The outsourcing company has greater ability to hire competent people.

## **Why NOT Outsource?**

Sensitive data can be a key component of a company's success, particularly customer data such as demographics, customer preferences and buying history. If sensitive data is crucial to your success, you may not be comfortable outsourcing your web hosting needs. Even with promises and contracts to ensure the privacy of your data, no company can guarantee that the data will never be compromised, either due to hackers, or their own employees.

This also applies to your own facility. It may not be 100% safe with you, on site. But you may feel that you have more control over it, even if your security measures are less than a hosting company's.<sup>4</sup>

## Business Case - Analysis<sup>5</sup>

Figure 1 compares the operating costs in the first three years of an in-house operation versus outsourcing. Of course, these costs are estimates and may differ for any one specific situation. As well, this comparison is based on a Linux or a Windows solution.

The comparison makes the following assumptions:

- No upgrades of software or hardware are made in the first three years.
- Personnel recruiting costs are not included in the cost of this endeavor.
- No equipment failures or malfunctions requiring replacement.
- The company hosting its own site has a high-speed Internet connection and will not incur additional charges for the connection.

**Figure 1 - Comparative Cost of Hosting**

Year One	In-House	Outsourcing
Unix Web Server	\$6,000.00	\$1,188.00
Router/CSU/DSU	\$10,000.00	\$0.00
UPS Backup	\$1,000.00	\$0.00
Software Licensing	\$4,000.00	\$0.00
Hardware servicing fees (15% depreciation)	\$2,400.00	\$0.00
Staffing	\$60,000.00	\$0.00
DS-3 Internet Connectivity (Burstable)	\$60,000.00	\$0.00
Initial Configuration/Setup	\$5,000.00	\$200.00
<b>Total Expense for Year One</b>	<b>\$148,400.00</b>	<b>\$1,388.00</b>
Year Two	In-House	Outsourcing
Hardware servicing fees (15% depreciation)	\$2,400.00	\$0.00
Staffing	\$60,000.00	\$0.00
DS-3 Internet Connectivity (Burstable)	\$60,000.00	\$0.00
<b>Total Expense for Year Two</b>	<b>\$122,400.00</b>	<b>\$1,188.00</b>

Total C I Host saves you in year one: \$147,012.00

Total C I Host saves you in year two and every year after: \$121,212.00<sup>5</sup>

## Conclusion

In today's environment of a multitude of businesses whose core competency is not web site hosting, it makes sense to outsource this service. Many hosting companies also provide some very sophisticated tools to design your web pages and populate them with content, allow you to manage your site from any location. These features can be invaluable as part of a whole package of website management, from development to host and all the maintenance and service issues in between.

However, Gerry McCartney, of Wharton, cautions against eliminating IT people entirely. The creative people are the ones who can spot trends and capitalize on them--perhaps unearthing new business opportunities in the rush of technological innovation. "If you're to understand the business implications of how things in IT change," he says, "it behooves you to keep some of your IT staff in house."<sup>3</sup>

If your main focus is your business, and that is where you want to spend most of your time, money, and energy, then outsourcing your web hosting is the optimal solution for your company.

## References

<sup>1,2</sup> "INTRODUCTION TO WEB HOSTING." *Web Host Industry Review (WHIR)*, Page 1. Date of access: December 19, 2006 <[http://www.thewhir.com/find/web-hosts/articles/intro\\_to\\_web\\_hosting.cfm](http://www.thewhir.com/find/web-hosts/articles/intro_to_web_hosting.cfm)>

<sup>3</sup> "When to outsource your Web hosting." *C/net News.com*, September 8, 2001, 7:00 am PDT, Page 1. Date of access: December 17, 2006. <<http://news.com.com/2009-1017-272737.html>>

<sup>4</sup> "To Host or Not to Host." *Resourceindex*, Page 1, Date of access: January 1, 2007. <<http://webhosting.resourceindex.com/articles/000017.html>>

<sup>5</sup> "Why Outsource?" *C I Host*, Page 1. Date of Access: December 17, 2006. <<http://www.cihost.com/products/why-outsource.php>>