

Web Host Industry Review

Tech Downturn Proves Beneficial for

Hostopia

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When Telus, a major telecommunications firm, bought the Canadian operations of bankrupt ISP PSINet last year, they quickly ran in to a large problem.

Part of the purchase included several thousand Unix-based Web hosting accounts running a myriad of configurations and platforms, making the transition to a new system difficult.

As a result, Telus turned to Hostopia, a Florida-based firm that specializes in providing private-label hosting solutions, to help with the move.

"[Telus] were in a position where they had this asset, and they had no way to deal with it," says Franc Nemanic, the company's President and founder. "They really had no way to migrate the Web sites on to another platform because of the technologies involved."

Hostopia relieved the pressure by moving Telus' newly acquired customers to its own hosting platform. "We actually moved virtually everything they had seamlessly on to our platform," Nemanic says.

The transition was so seamless, in fact, that Telus ended up investing in the company, and Nemanic says helping companies make platform transitions like these is one of Hostopia's biggest strengths. "Our greatest expertise in terms of skills is the ability to migrate Web sites," he says. "We can take thousands of Web sites, move them over, and make sure they're up and running. And as far as customers are concerned - no disruption in service."

Hostopia was founded in July of 1999 after Canadian ISP Internet Direct (now a part of Look Communications) couldn't find a suitable platform for its Web hosting division. At the time, the company had a solution, but was concerned about the future development of the product.

"They needed to expand [the] service offering, they needed to improve the reliability of the

product, [and] they need to invest in the actual infrastructure," Nemanic says. "They were looking at a bill in the millions of dollars... it was quite a bit of money." As a result, the company decided to outsource the problem's requirements to a third party, but couldn't find a suitable solution. John Nemanic, Franc's brother and president of Internet Direct at the time, told him of the company's problem.

Franc, who was working at a software firm, decided to jump at the opportunity. "I was really interested in what they were doing... so I decided to quit my job [and] start a business," he says. Nemanic raised some working capital, and the company "took off pretty quickly after that," he says.

Today, Hostopia employs 75 people in the United States and Canada, and boasts over 200 customers using its hosting platform. The company's operations center in western Toronto is literally bursting at the seams with employees, and Hostopia is now looking at re-locating to a bigger space in the near future as a result. Nemanic says business has been "booming" for the firm over the past year as money-conscious firms begin to realize the benefits of outsourcing as opposed to attempting to develop a fully automated hosting solution in-house. When the company first launched, Nemanic says it was difficult to convince companies that outsourcing was cost-effective. "As an outsourcer, you're selling on a return on investment - a value proposition," he says. "The people that had access to that money didn't care about return on investment."

With the onset of the tech downturn, however, Nemanic says companies are now listening intently to the company's message, which promotes "no money up front, no fixed costs," Nemanic says. "It's a pretty powerful value proposition."

Hostopia's automation product is a complete solution that allows service providers to offer customers private-branded hosting, email and e-

commerce solutions. The company's product, which is based on its WebhostOS and WebsiteOS control panels, targets Web service providers large and small through proprietary technology that allows administrators to use a single system to manage Windows-based and Unix applications.

Through its service offerings, Hostopia attempts to solve a conundrum facing virtually every ISP and hosting firm: how to make money from Small to Medium sized Enterprises that typically require less than \$100 a month in Web services. "The only way to make money at it is to do it the way we do it - completely automated. [A] full suite of technologies, all end-user provisioned," Nemanic says. The company's software suite is capable of managing a wide range of hosting functions, from billing to technical support, if necessary - allowing companies to concentrate on what they do best and not on Web hosting.

Hostopia has built an extremely strong brand for any company with three years of experience under its belt, and is well known both inside and outside the industry for its "flying pigs" - many of its banners and print advertisements feature pigs with wings. Nemanic says the flying pigs were born out of the notion of eliminating "grunt work" from hosting, and were also inspired by naysayers who originally doubted the company's technology when it was more a concept than reality.

As Hostopia looks to penetrate the hosting market further and build upon its already successful offering, Nemanic says the company's success thus far has relied heavily on its specific focus. "You need to pick a category and you need to dominate that category," he says. "You need to be number one." Nemanic also says companies approaching the ultra-competitive Web hosting industry need to take an almost militant attitude toward the industry in order to succeed. "Always focus your efforts on a single point," Nemanic says. "If you have a numerical superiority at a single point, you can win."