

# WEB HOSTING MONTHLY

## CASE STUDY (HOSTOPIA): DOMAINMONGER.COM LAUNCHES WEB HOSTING SERVICES IN HIGH GROWTH, LOW RISK MODEL

Domain Monger is an ICANN Accredited domain registrar headquartered in Kirkland, Washington. Co-founded in 2000 by Austin Linford, Domain Monger joined the ranks of hundreds of other successful domain registration start ups by acquiring tens of thousands of customers, eager to stake their early claim on a domain name, in the early post-InterNIC monopoly.

Unlike many of early market entrants to the fast-crowding world of domain registrars, Domain Monger realized quickly that domains could prove to be the nexus service of additional, annuity-based revenue streams, including small business Web hosting and email.

"We were already doing domains successfully and hosting seemed a logical next step. Customers were asking for it from a single source like us," says Linford. "Our decision was not so much if to launch hosting, but how."

And choices, Domain Monger had. Linford recalls, "We first looked at doing our own hosting in-house with our own servers but the costs were too prohibitive. We were very objective about the true costs of setting up a hosting operation, which most people are not. We factored in all of the hard and soft costs of building a service, such as staff and product R&D, licensing - not just the bare server costs."

"We also looked at colocation," he adds. "The flaw in that model is that you still have all the work to manage the equipment while trying to build up revenues to pay for the space.

"Some managed server providers quoted the business but there's no relief there in problems or costs - you get both," Linford points out.

Ultimately, what Domain Monger wanted was a simple business model that would allow its typical "dot-com" structure of low staff headcount to focus on customer-facing aspects of the business like sales and loyalty-enhancing customer care rather than the network-centric chores of infrastructure management and system administration.

Paul D. Engels, consultant and former VP Marketing for Canada's largest shared hosting provider (1998-2000) offers some analysis. "Some small hosting shops would dispute Domain Monger's findings and claim how easy it is to host shared sites. In a basic sense, they'd be right. Jamming hundreds of tenants onto a couple of Linux boxes can certainly turn a profit. Lot's of early ISPs made similar easy cash in the early heyday of dialup Internet. And then Earthlink and AOL decimated them with superior scale and features."

Domain Monger wanted full control of the end-user, complete private label branding in the "Domain Monger" name but none of the burden of equipment or network management. "Controlling equipment doesn't generate profit - selling hosting plans to customers at a healthy margin does," Linford says.

Accordingly, Domain Monger chose to outsource its hosting business management to Hostopia. In a project lasting under six weeks, staffed entirely by Hostopia, Domain Monger launched its own private labeled suite of small business hosting plans as well as Virtual Managed Server plans for resellers. Domain Monger's hosting services offer:

- Multiple plans retailing from \$6.95 to \$99.95 per month

- Unix and Windows® hosting on one hybrid platform
- Business-class email with anti-virus protection by Symantec
- Free site creation tools
- Free e-commerce applications
- Extensive customer self-management tools and utilities

"The beauty of this model is simple: I get all the market-demanded features that any state-of-the-art large hosting player should offer and then some. I invest next to nothing to build the service (unlike the large guy) and for each customer I bill, I pay Hostopia a fixed cost per site that never increases, because they assume all the risk of operating the hosting back-end. I just make money."

Domain Monger has tracked its results carefully both before and after its hosting launch on the Hostopia system. "Hosting has been great for our business, helping us shift from once-a-year domain fees to a monthly annuity revenue stream. Our top line is growing and is much smoother without the peaks and valleys. We have reduced our churn dramatically. 90% of all domain customers who buy hosting never leave," concludes Linford.

On the future of hosting, Linford is bullish: "Everyone will need hosting. We'll always see the services we have today for companies who need a web site, email and applications. But adoption is increasing by individuals who will use their own site as a personal communications portal for managing their lives. While my competitors scramble to invest in that next generation customer, I'll just point to my Hostopia control panel and activate all the new feature sets they'll need. With guaranteed margins." ■■■

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