Hostopia's new Web-presence platform automates customer engagement for resellers

LIAM EAGLE

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Wholesale hosting provider Hostopia is rolling out a new Web-presence platform designed around the modern expectations of the small-business website operator, as well as the specific requirements of its mostly telco partners.

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Hostopia is rolling out its new Web-presence builder, the central point in a wholesale suite of small-business IT services the company will deliver to its resellers, which tend to be large, primarily telco businesses. The product is designed to address not only the breadth of requirements of a small-business user, but also the onboarding, marketing and customer-lifecycle challenges faced by this reseller base.

The end-user components of the service are functionally similar to the notable commercial products in the market – such as Wix, Weebly and Squarespace in the Web-presence-builder business. What makes Hostopia's product distinct is the insight the company already has into the operational requirements of its partners and resellers – it is built as a wholesale platform with these partners specifically in mind – and the strategic sales, marketing and customer engagement the company has built into the platform.

THE 451 TAKE

We believe the role for more traditional service providers in the DIY Web-presence market is in delivering all of these services on one bill, under one support organization, and with some additional integration between offerings. To effectively address this market, it is essential that service providers move away from offering services defined by infrastructure building blocks (such as RAM and storage resources), and toward products attached to specific end-user business outcomes (such as scheduling appointments or transacting sales). Hostopia's re-launched platform is extremely focused on this type of outcome, for both its partners and their end users. It has designed a platform around enabling users to build websites and deriving business benefits form those websites. The service is unlikely to stand apart on the strength of one particular tool or component, but what it puts in the hands of partners in terms of go-to-market strategy is a strong differentiator.

CONTEXT

Hostopia is a private-label Web- and application-hosting provider, mostly focused on serving large telecommunications providers. It was founded in 1998, went public in 2006 and was acquired in 2008 by Deluxe, a publicly traded provider of printing services for small businesses. Deluxe's other properties include email-marketing service VerticalResponse.

Hostopia has more than 350 service-provider partners in total, and hosts close to one million websites. The company indicates that it is in the process of rolling out the new platform to partners, and has more than 300,000 sites on the new platform. It expects the new platform to be rolled out to all its partners by the end of 2016.

The company did not share specific revenue expectations related to the new platform, but indicates that it expects the product to drive up activation rates, wallet share and average revenue per user for its partners, which will generally have a positive impact on revenue.

TECHNOLOGY

Hostopia's new set of services is an almost complete refresh of its existing platform. The broad set of services includes a DIY website-building tool, an e-commerce system, an email marketing system, an email platform and several other functions.

The company indicates that almost all of these tools are unique IP, built and operated by Hostopia, with partnerships in a few cases where it benefited the company (the e-commerce system is delivered via a white-label deal with Ecwid due to the specialized demands of such a system). Building in-house enables the company to put partner requirements directly onto product roadmaps, without having to lobby third-party developers.

Operating the entire platform also enables the company to collect the data to power the platform's right-time engagement functions, which Hostopia considers a critical feature. The individual point solutions within the platform are comparable to the equivalent commercial services. However, Hostopia believes the platform's differentiating feature is in the emphasis the company has placed on analytics and building in automated interactions that prompt the user to make full, effective use of the platform, or to potentially introduce new services.

The various tools – website, email, marketing and others – are delivered via the same UI, which enables the service provider to steer customers toward other pieces of the platform at the right moment ('Now that you've published your site, let's contact your customers,' for instance, or, 'Do you want help creating a logo?').

In a further nod to the billing models of existing telco partners, Hostopia has built a 'Web points' system into the platform, which abstracts pricing in a sense. As a result, service providers dealing with billing-system limitations can still enable users to assemble their own packages from unbundled components with pricing based on points. Those points can be sold in blocks that better fit the service provider's pricing models.

STRATEGY

Within the specific market segment (small businesses) and reseller channels (larger telcos) Hostopia serves, barriers to adoption typically have to do with end users struggling with the complexity of technology. Hostopia indicates that it has emphasized ease of use in developing the new platform, and sought to remove friction throughout its functions.

Telcos may struggle to get customers through the on-boarding process of services like these. Abandonment is a significant challenge, even with customers who have already bought the service. Hostopia partners are typically selling Web presence as an add-on to an existing relationship based on phone or data services. So, it has built out functions for auto-populating templates with a customer's business information to help them get past that potential point of abandonment. Hostopia says a user can go from launching the builder to publishing a live site in a few minutes.

Many of its partners do a lot of their sales through call centers, and have customers anchored to services that have higher monthly costs than basic Web presence, so they may struggle to prioritize a service like this. Hostopia says many partners are excited about the fact that the platform can do so much of the selling on its own. Furthermore, by building out marketing and other services surrounding Web presence, the company has made this a higher-value line of business in general.

COMPETITION

Although Hostopia has traditionally offered fairly standard Web-hosting and email products, the company's role in the space, as a wholesale-only supplier of hosting infrastructure to large resellers (mainly telcos), has been fairly unique. In that regard, its competition has mainly been Hostway and Verio (the latter of which had its brand retired and rolled into NTT America this year). As Hostopia's product evolves into a SaaS Web-presence platform, it competes more directly with the wholesale offerings of Yola, Weebly, Duda, WebsPlanet and BaseKit, since that section of the Web-presence-builder market increasingly targets channel partners. Odin, a maker of hosting-automation software, is also a competitor in a sense – it packages the Yola product as its website-building tool.

SWOT ANALYSIS

STRENGTHS
Hostopia's updated platform is comparable features-wise with the leading commercial products; however, the company's experience with the business model of its telco partners, as well as its existing partnerships in that space, may give it a leg up in the channel business.

WEAKNESSES
For end-user features and technology, the individual components of Hostopia's platform may lag behind the cutting edge when compared with the offerings of the specialized providers in the direct market.

OPPORTUNITIES
The most immediate opportunity facing Hostopia lies in bringing its existing resellers to the new platform, which may naturally lead to greater penetration for Web presence and related products within those existing user bases.

THREATS
With the exception of a few of the largest consumer-focused providers in Web-presence software, many of the competitors in that space are eyeing channel partners as their most viable route to market, which may be creating some new competition for Hostopia.