

# Hosting Companies & Cloud Communications

This whitepaper sums up the challenges web hosting companies are currently facing and demonstrates how expanding their portfolio with cloud communications offerings can help them consolidate their business and increase their revenue.

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## Overview

Since the public release of the Internet a couple of decades ago, we have seen a fast increase in the number of people connected to the web. As a side effect, customer behavior has evolved and matured.

Research done by [Wearesocial.com](http://Wearesocial.com) reveals there are more than 3 billion active Internet users worldwide. Hosting companies are also included in these stats. This user base could not have such proportions without all the websites comprising the World Wide Web. This is when webhosting companies like yourself come into play.

## Competition is tough

For the last couple of years, the hosting industry has grown at staggering pace. More and more hosting companies sprung up to take the place of those that went out of business. Only in America, over 20,000 hosting companies are currently servicing more than 37 million websites.

On such a competitive market, hosting providers are finding it very difficult to stand out. Hosting companies regularly offer the best combination of price for features, bandwidth, storage, and customer support. The higher the competition, the harder it is to have an aggressive pricing schema and still make a profit.

Another pivotal part of this type of business is selling domain names, yet this is even more competitive than selling hosting services. As attractive as domain name selling might be for the customers, yet there is a given demand and a limited profit that can be gained.

Also, signing up new customers is a very arduous journey, especially when the competition is so tight. The fluctuation in customer acquisition can be detrimental to most businesses. To enhance their revenue, organizations should constantly balance the number of customers acquired with the number of customers that are migrating to the competition.

So, what can you do?

## Be a game changer

Most hosting providers believe that the margins from offering hosting services and domain selling are very good and that they don't need all the headache of a new service implementation. And that is true if we're talking about big hosting companies. Gross margins for large hosting companies tend to be fairly high. For example, in 2014 Endurance had a margin of 40%, whereas GoDaddy's margin was around 37%. But what if you're not as large as Endurance or GoDaddy? Your margins are most likely halved.

To their defense, small and medium-sized hosting companies could say that their market is large enough, since the business is mostly done online. They could try hunting customers across all geographical regions, but it might not be enough since competition scales globally. They are no longer in competition within their country, they are now fighting for the same market share as every other hosting company out there.

The only way to leave your competitors behind is to offer customers something they don't have - include other services next to hosting. A large number of hosting companies are already doing it. In the hope of raising more revenue, they are adding services like SEO, security products, web design, backup or even online ad services to their portfolio.

Offering more services surely helps, but only if you have sufficient manpower and a well-trained staff. Because providing subpar services can damage your power offering. If you cannot provide proper training to your personnel or simply you don't have enough money to build a new specialized department, you should extend your services only in areas you can manage and properly deliver.

It's safer to start by doing an evaluation of your business. Consider all the assets at your disposal, the time and money that you are willing to invest in training your employees. Analyze the trends and find the type of service that is most suitable for your company.

## Offer communications and hosting

Think of what is most important for your users out there. Communicating with each other, right? The state of mobile telephony usage worldwide shows it: there are 3,6 billion unique mobile users worldwide and 7,09 billion mobile subscriptions are active. Other than that, initiatives like going Wi-Fi first are quickly going viral and they aim to fill the gaps left by cellular networks with Wi-Fi accessibility and provide Internet access even in the most remote areas. The Internet on the other hand is not going anywhere soon and the adoption rate is on fast-forward. As a result, more and more people will be using this medium to get a vast number of services directly online.

People love communicating and they need a reliable environment to do that. Landlines and cellular connections have been around for a long time, but communications needs have been growing to such a level that they are generally perceived as half-baked services. Internet telephony however saved the day. By offering increased reliability and advanced telephony features, IP based communications evolved into Unified Communications, providing users with access to business telephony on any device from IP deskphones to smartphones and tablets.

And let's not forget - who knows better to deliver IP based services than web hosting providers?

In the context of such a "needy" market, hosting service providers can easily get a slice of the pie by adding communication services to their portfolio.

## It's worth it

According to a recent study from IDC, cloud communication providers are leveraging cloud economics and open-source software like WebRTC to create low-cost and richly contextualized IP communications. IDC forecasts the market will grow from the global revenue of \$123 million in 2013 to reach \$7.5 billion in 2018 at a 127% CAGR.

The mind-blowing growth rate of cloud communication services creates a lot of opportunities and hosting providers should make the most of this momentum. By offering cloud communication services, providers are bound to increase their revenue stream and at the same time achieve differentiation on a highly competitive web hosting market.

Still, hosting providers are reluctant to embracing cloud communications because they fear the costs and the difficulty of implementing/deploying these services. To prove this fear is false, let's consider what hosting providers would go through if they decided to offer cloud communication services. To make this demonstration, we will go from known facts, so we're going to use our VoipNow platform as an example:

## No need for upfront investment

As in any other business, every kind of investment needs to be thoroughly reviewed. When it comes to investing in cloud communications, this is the easiest part. For instance, selling cloud communications services using [VoipNow's pay-as-you-grow licensing](#) requires no upfront investment and allows providers to pay only for the resources used. This type of licensing encourages hosting providers to grow at their own pace.

## Make use of infrastructure in place

The costs for infrastructure are extremely small because providers can use the servers they already have in their hosting business. And even if they don't have any servers to spare for testing, they can still see what cloud communication services have to offer by opting for a hosted solution.

## Benefit from training

The only investment hosting providers need to make must go towards training - learning about the product and its benefits as well as the right way to approach the market. And this is where our team comes in. We can provide assistance with sales and marketing resources to help them scale and better address their customer needs and with training and advice from the Professional Services team to deploy their new line of business.

Switching from providing hosting services to cloud communications might seem like a huge step, but it isn't really as long as the cloud communication service newly added to the provider's portfolio:

- does not require a big investment effort to start with and allows the provider to pay only for the resources he uses
- works with the provider's current infrastructure
- comes packed with training and support materials for marketing and sales processes

VoipNow, our cloud communications solution for service providers, successfully meets all these conditions. The cloud communications platform allows service providers to deliver cloud services to SMBs and large organizations - automation, enterprise PBX, voice, video, instant messaging, and mobility. VoipNow Mobile, its mobile client, replaces desktop phones and brings manageable and secure BYOD. It allows VoipNow users to make and receive high-quality calls on their iOS device, regardless of their location.

The easiest way for hosting providers to get a feel of VoipNow is to [test the platform for free](#). For a complete experience, hosting providers can also register for a [VoipNow Mobile free trial](#).