

# Are hard dollar savings worth the soft dollar headaches?



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d an interesting article in the Saint Louis Small Business Monthly written by Key Erb titled, "Change Is Inevitable ... But Growth Is Optional." Her theme was that change happens, but not necessarily growth, and she hit on a few related topics like performance management, wealth management and business growth.

## **Her Questions**

One of her questions struck home to a lot of threads I read every day on different web hosting forums, and that was, "Are we properly capitalized to achieve our strategy? Followed by, "Are we properly organized to achieve our strategy?"

## **My Perception**

My perception is that an awful lot of startups, cross industry, are not properly capitalized or organized. This is especially true in web hosting, where for pennies on the dollar, you can throw a website up against the wall – but will it stick? In reality, many don't, so we hear horror stories of lost data and clients – over and over and over. This reinforces the need to do your homework, formulate a viable business plan and then execute on that plan.



If

## **You're a Client**

If you're a client searching for a host, select a host based on the value of your own business, and on the value of your time. Not everyone needs 100TB of bandwidth, or servers with 128GB of RAM. What clients do need is for their sites to stay online with the least amount of latency.

What I see an awful of is prospects searching for the cheapest solution, and while saving money is certainly a valid and primary concern for most businesses and organizations, hard dollar savings very often result in soft dollar headaches.

**Some examples of hard dollar savings that create issues down the line are:**

### **Term discounts**

One, two or three-year term offers at huge discounts. Month to month charges might be \$15, but if you pay upfront for a year, your monthly average might only equate to \$12 per

month. That's an average savings of \$3 per month or \$36 per year. In the web hosting industry though, three years is like a lifetime; software gets upgraded, hardware becomes obsolete, companies change ownership – sometimes for the better, but all too often for the worse. Providers get targeted by DDoS attacks resulting in an unacceptable amount of downtime. Support staff changes and the new guys aren't nearly as helpful as the old group. That savings of \$36 might cost you thousands in lost productivity. How much is your time worth? How much would you stand to lose in potential revenues if your site was down for hours at a time?

### **Oversold services**

In an effort to squeeze every last breath and profitability out of their servers, many providers oversell their services, resulting in poor server performance, which directly relates to poor site performance. While some amount of overselling is commonplace and not an issue, some providers take this to extremes. Quite often, extremely low prices are a sign of overselling. Web hosting providers' expenses are very real, so those must be recouped somewhere. If a prospective web hosting provider's pricing seems too good to be true, start asking questions.

### **Lack of support**

Competent support representatives don't come cheap. Technicians don't spend years in training to earn minimum wage. In order to provide 24/7 support, which is expected in the web hosting industry, their wage expense has to be covered in a provider's pricing of their services. How many \$3 hosting plans would you have to sell per month to cover the wages of just three reps working 8 hour shifts? Low revenues relate to understaffed support, and quite often to tickets going unanswered for hours, days or weeks.



## If You're a Provider

If you're a provider, stuff like performance management, wealth management and business growth needs to be addressed. Paraphrased, Kay Erb says this equates to opportunities to run your business more effectively, efficiently and profitably.

In the web hosting industry, networks need to be monitored, tweaked and upgraded as necessary to keep up with the competition. It wasn't that long ago that 10Mbps uplink ports were common. Now 100Mbps ports have been replaced with 1Gbps (and 10Gbps) ports and prospects are noticing.

Resource usage has to be addressed, routing has to be optimized and technicians need to keep up with new technologies. Throw in marketing, advertising, search engine optimization, branding, human relations, accounting and all the other stuff that needs to be addressed to remain successful, and you see where I'm going – hosting is real business, and it's not for the faint of heart.

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