

INCREASING WEB HOSTING CUSTOMER ADOPTION:

BENCHMARKING A SUCCESSFUL CABLE COMPANY'S ENDEAVOR



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Introduction

For the past few years cable companies have targeted the business market to increase revenue and widen their customer base. Broadband providers are seeking ways to offer *business web services* while trying to avoid offering customers “pipe” or commodity products. This need has led large cable companies to turn to complementary services, such as hosted business applications, to add to their portfolio. Partnering with a web services company offering online business tools is an avenue that enables broadband providers to penetrate the business market and simultaneously satisfy customer needs at a higher level. Additionally, hosted business applications create a very sticky relationship with the customer and are a large benefit to broadband providers.

This piece highlights an actual cable company as a “best in class” example, referred to as ‘MSO USA.’¹ MSO is one of the largest providers of business class services – Cable TV, phone, Internet, and online business tools. With the aid of its partnership with Hostway Corporation, MSO serves over 100,000 businesses with small business websites and related web applications. This partnership allows a high integration of hosting services and products and creates an easy, affordable, and reliable solution to satisfy business needs.

The Partnership

When MSO decided to offer web services to its customer base with the assistance of an expert firm, it issued an RFP. After narrowing to three web services providers, MSO made its selection based on network security, uptime levels, a robust product set, and customer service. Another factor was that the web services company’s retail business had its pulse on the market, keeping it current with customer needs and trends. Now, three years later, MSO has become a significant leader in the business hosting market. The Hostway/MSO partnership supplies business customers with an integrated offer: a simple bundled plan that includes the option to upgrade to one of three different packages.

Customers can access domain name and web hosting packages through MSO’s service plan portal. There is a starter plan that comes bundled free. This starter plan offers a domain name as well as basic

¹ The name has been changed in this document. The name used is a fictional name, but the example is actual.

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web hosting. It is ideal for a very simple Website. Many customers have needs for a more extensive upgrade paid plan that MSO, through Hostway, is able to supply.

Therefore, in addition to the starter plan, MSO offers three different upgrade packages. The first upgrade is to the business plan. The second upgrade is to the e-commerce plan, and the third is to the professional plan. These range in price to the end-customer from \$20 to \$80 per month. MSO handles all billing to the end-customer. For the past year an average of 4.2% of those with complimentary web hosting packages upgrade each month.

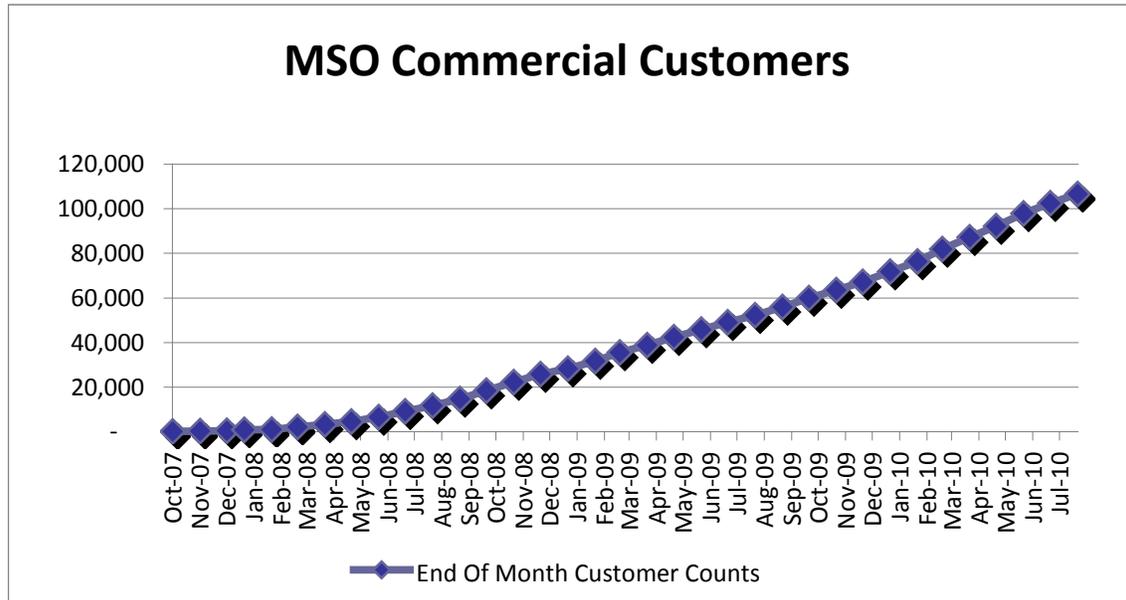
After acquiring or purchasing one of the packages mentioned above, the first screen that the user will encounter is the business class portal. This screen acts as a window into the different options that are available to the user through business web hosting. The portal itself contains a Microsoft Exchange box, anti-virus options, account control, and requires only a single login. Access to the business class portal automatically sets the user up with a Hostway account. The user is then capable of purchasing or utilizing a series of Hostway products in connection with their current bundle. The portal connects the user to Hostway through a link on the opening screen. Upgrading a previously set-up account is also easily done through the portal. If customers choose to upgrade, they can easily click through and obtain instant access to the most robust features.

To promote its business class services, including the bundled web hosting packages, MSO has developed a highly integrated advertising and sales plan. MSO heavily targets both current and potential customers. MSO has one of the largest "feet on the street" sales teams compared to their competition as well as a large number of television ads placed regularly. Current subscribers of MSO hosting services see a series of ads that also run through their Internet services. The advertisements offer the information necessary for customers to benefit from additional business services. Sales for MSO have been on a steady incline since the business market portal was developed approximately three years ago.



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Competitor Comparison

To compare the success of MSO, it is useful to examine an approach by another broadband provider. At this company there are no hosted services included in customers' broadband package; all services are provided only upon request. Ordering and activating services are conducted through a series of separate interfaces. Several login pages are needed in order to access different aspects of the customer's account. The hosting products are a stand-alone offer and are not packaged. Little marketing is done to promote hosted services.

Both of these providers are of approximately equal size in the business market. **After three years, MSO still adds more than 10 times per month new hosted plans as this other broadband provider does.**

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The Biggest Bang

MSO has benefited greatly from the partnership. Not only is there a revenue share agreement for the upgraded customers, the bigger benefit to MSO is the **stickiness** that this bundled feature provides. Moving a website to another host can be onerous. With web hosting, including Microsoft Exchange, bundled into MSO's other services, an even stickier relationship is formed with the customer. For example, MSO has found that customers who use their MSO hosted Exchange service are **75% less likely to churn** than those who do not. This speaks volumes in the true value-add of the partnership.

Packaging for Success

The following are best practices for broadband providers who want to develop a similar, successful model of adding web hosting to their offered services:

1. **Bundling:** combining web hosting with broadband services creates awareness, drives adoption, and generates stickiness.
2. **Marketing:** referencing hosted services in business broadband marketing increases adoption levels of both the business broadband packages and the bundled hosted services.
3. **Integration:** integrating the ordering and billing processes together makes it seamless and simple for the customer. This ease of use increases the utilization of hosted services and customer satisfaction.

Conclusion

The partnership of Hostway and MSO has proven to be successful for both parties involved. MSO has gained access to small businesses (defined as 1-20 employees) with a more robust offering and has become one of the largest players in the SOHO (Small Office, Home Office) market. Simultaneously, Hostway has gained a valuable new customer base as well as increased their sales and marketability. The structure of the partnership has been key to their mutual success. All Hostway hosted services are ordered and activated through the cable company's interface, and this is the only interface used. Hostway services are packaged with MSO's services (e.g., Internet, TV, phone) as a bundle that includes

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web hosting. Bundling generates both awareness and adoption. By supplying a *complimentary* basic web package bundled with the customers' purchased services, it allows the customer to "try" the product as well as satisfy those with basic web hosting needs. The upgrade options satisfy those with greater hosting needs.

Ease of use has been a key benefit to the end-customer. For example, the portal provides customers access to their entire account, making it easy to navigate through all of their products with MSO. A key benefit to MSO has been the added retention and "stickiness" that the hosting services provide.

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Finally, MSO's robust marketing support has created awareness around the free web hosting package, which has generated over 4,000 activations per month.

Reliability, excellent service, and its user-friendly structure are the foundations that keep this partnership running smoothly. The MSO/Hostway collaboration is structured for success, enabling both companies to achieve a steady stream of growth and revenue.

About Hostway

Hostway Corporation (www.hostway.com) provides both dedicated and shared hosting, colocation, domain name registration, ecommerce solutions, SaaS hosting and other Web-based services directly to its retail base as well as through wholesale channels. Hostway's partners include large telecommunications enterprises, cable companies, and big box retail chains that offer web hosting to their own customer base. Hostway hosts over 1.4 million websites and serves 2 million customers worldwide. The company operates more than 250,000 square feet of state-of-the-art data centers that reduce the complexity and cost of Web-based technologies for small businesses and large enterprises. Founded in 1998, Hostway is one of the world's largest web hosting companies with a direct presence in 14 countries, 17 worldwide operation centers and more than 700 employees.