Hostway rolling out hybrid cloud based on the full Windows Azure picture

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The company's rollout of Microsoft's vision (and technology) for cloud is putting it in a position to manage customers' requirements for hybrid cloud infrastructure projects.

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With the beta launch of a cloud offering based on the Azure public cloud, veteran hosting business Hostway is executing on a vision for delivering a hybrid cloud offering based on the Windows Azure platform, across its own cloud infrastructure and the Microsoft-operated public cloud.

The general availability of the public cloud product is expected in the next several months. However, with the beta product in play, the Hostway is already working with a platform that can deliver across multiple environments, including the virtual private cloud it launched in 2015.

Hostway has faced some challenges in developing a complete strategy around cloud. Like many hosting companies with a strong infrastructure background, it built out its own (Windows-based) IaaS product several years ago. The company's new strategic position acknowledges the increasingly accepted position that for pure utility compute resources, the hyperscale public clouds may be the best environments, and partnership is likely the optimal strategy for service providers such as Hostway.

THE 451 TAKE

Hostway is an example of a company with a legacy in the hosting business, working to adapt to the impact cloud has had on traditional infrastructure models. In doing so, it has embraced a vision put forth by Microsoft – a company whose own software and infrastructure interests in the cloud will rely heavily on service provider partners such as Hostway to fill in the pieces of the complete cloud picture (such as private cloud and managed services) that Microsoft itself is unable to supply at scale. Hostway's strategy of targeting various customer workloads with specific infrastructure landing zones maps closely to 451 Research's belief that workloads have a best execution venue (BEV), an infrastructure or application environment in which it is best suited to run. This may be for reasons of price, performance, functionality, security, latency data sovereignty or other factors. For service providers, internalizing the BEV notion means recognizing that some workloads may be best served from outside their own infrastructure. This may mean accommodating on-premises infrastructure with managed services, or partnering with third-party cloud vendors, as in the case of Hostway and Microsoft. Hostway's strategy positions it well to take advantage of both hybrid requirements and existing customer commitment to the Microsoft platform.

CONTEXT

Headquartered in Dallas, Hostway is one of the longest-standing businesses in the Web hosting space, founded in 1998. The company's services have evolved across web and application hosting and domain names to include email and applications, dedicated and cloud infrastructure. A significant portion of Hostway's business comes from providing white-label hosting services to telecommunications providers, cable companies and other large aggregators of small business users. In 2013, the company was acquired by private equity firm Littlejohn & Co., in a deal that 451 Research estimated to be worth about $155m. Hostway had reached annual revenue exceeding $100m previously, but took in roughly $60m in the 12 months preceding the sale. With the added financial backing, Hostway set out to become a more established provider of managed hosting and cloud services, and, according to management, a leader in the delivery of Microsoft's multi-tiered cloud platform.

TECHNOLOGY

Part of Hostway's hybrid cloud offering will be its existing virtual private cloud product, which is based on Windows Azure Pack. The user interface from the WAP tools will ultimately give the company's users the ability to manage virtual machines, network and storage across on-premises Windows WAP deployments, infrastructure hosted at Hostway and the Azure public cloud. The company expects to adopt Microsoft's Azure Stack tools at some point after they become generally available.

Hostway indicates its virtual private cloud product uses dedicated compute resources, and shared management and storage resources (the latter based on Microsoft's Scale-Out File Server) that are isolated via software. The company differentiates the basic infrastructure product on the grounds of the services it wraps around it. These include basic assistance with the portal, more advanced technology integration work and up-front architectural design, patching, monitoring, a managed security service (based on a partnership with cloud security vendor 5nine Software), guest OS support for Linux installs, an off-site backup product and other managed services.

The Azure public cloud product delivers direct access to the Azure portal, allowing customers to provision any Azure products they want, including compute, storage, backup, VPN, load balancing, DNS and others. While the product is currently in a closed beta (it expects to launch fully in the next two months), the generally available product will fully automate billing and account provisioning. Hostway will provide support and services across the public cloud resources similar to what it delivers on its own infrastructure.

All of the services are delivered via Hostway's internally built provisioning, billing and account management platform.

STRATEGY

A critical element of Hostway's cloud strategy will be the role the company plays in its customers' consumption of hybrid cloud. The company takes a consultative approach to helping customers deploy optimally across its mixture of infrastructure environments. This means helping customers take advantage of the hybrid model by helping them to identify the best execution venues for particular workloads or application components. It also means helping customers to design deployments that, for instance, securely share data across Hostway's VPC products and the Azure public cloud.

Hostway says many users of its new product set will be net new to the company. These may include small businesses that want to start taking advantage of utility infrastructure resources, but within the safety net of a managed service. The company says demand for Azure frequently comes from customers with e-commerce projects they want to run in the cloud. It is also explicitly targeting companies in the midmarket, as well as cloud native and asset-light companies. Hostway also hopes the Azure public cloud will be an on-ramp to its VPC product for some users, such as companies that deploy an application into the public cloud, and later decide to take advantage of a function that exists on the private side. The ease of migrating between those environments is one of the value propositions of WAP and the Microsoft cloud ecosystem.

COMPETITION

In its traditional hosting business, Hostway has competed with many of the other hosting providers in the Web and application hosting space, including GoDaddy, Web.com, 1&1 Internet and others. As a vendor of white-label infrastructure services to telecoms, the company competes primarily with the NTT America business that was formerly Verio, and Hostopia.

In its Microsoft-focused managed hosting and hybrid cloud business, the company will compete more directly with the businesses that build infrastructure according to the Microsoft vision, and those that provide managed services atop Microsoft's public cloud infrastructure. These include Rackspace, Datapipe, SingleHop, SherWeb and Dimension Data.

SWOT ANALYSIS

STRENGTHS

Hostway has a broad base of existing users and customers, some of which may translate into users of its new services. Following its recent acquisition by private equity, the company has the financial backing to make investments in infrastructure, training and technology.

WEAKNESSES

Although it is developing capabilities around cloud and the Azure platform, Hostway is not necessarily known as a notable player in the public cloud and managed services space. Its new services will be pursuing a market that is mostly new to Hostway.

OPPORTUNITIES

One of the inherent advantages of the Microsoft platform to which Hostway is committed is the large existing base of on-premises Microsoft application deployments that customers will be looking to migrate to the cloud. Being an early participant in Microsoft's cloud channel will put Hostway in a good position to compete for this business.

THREATS

As Azure grows, along with the model of providing managed services atop public cloud, new competition is likely to enter the space, including new participants coming over from more traditional infrastructure hosting businesses.