



Choosing A Managed Hosting Provider

INDUSTRY WHITE PAPER

Executive Summary

Choosing a managed hosting provider is a critical decision for most companies. From small to medium-sized organizations up to the largest enterprise, putting IT infrastructure (or critical pieces of it) into the hands of someone else is a decision that requires extensive due diligence and investigation. Choosing the right hosting provider can improve speed to market, reduce costs and simplify a function that can trouble the most experienced IT managers. Choosing the wrong provider can result in unexpected downtime, hidden costs and in some cases can even lead to a company's insolvency.

What is Managed Hosting?

For the purposes of this white paper we define managed hosting rather broadly as a service where some portion of the hardware and/or software in an IT environment is outsourced to a third party in an external data center. It includes fully managed hosting where the entire environment is outsourced as well as hybrid hosting where portions of the environment are outsourced based on organizational needs.

SERVICE	DESCRIPTION
MANAGED HOSTING	» Full outsourcing of an IT environment
HYBRID HOSTING	» Partial outsourcing of hardware and software management

So what should executives look for in a managed hosting provider? Individual business circumstances will play a role. However, there is a common set of evaluation criteria that apply to businesses no matter what the size or situation. In this white paper we provide a list of requirements that can and should be used in the due diligence of selecting a managed hosting provider.

Evaluation Criteria

Many points such as financial stability, length of time in business, size of company and support team are important

to the selection process. Qualitative factors such as a local presence and a "hands-on feeling" might be appropriate for consideration as well. A provider that is able to show a true enterprise-grade hosting model along with support and stability with a local presence may be ideal.

1. Perform an Internal Cost Analysis

Every organization should conduct a detailed analysis of its own IT costs. At a minimum an internal cost analysis should include three components: downtime, human resources, and capital:

A. Downtime Costs:

Downtime cost is the dollar value associated with the in-availability of a company's IT environment. Components include: revenue loss (i.e. inability to process or conduct a sales transaction); loss of reputation; decrease in company's stock price; decrease in productivity; even loss of credibility. The true cost of downtime can be difficult to quantify but with some analysis and forethought it is attainable. According to a 2010 report by CA Technologies, the average annual cost of IT downtime in North America is \$150,000. Similarly, North American businesses estimate that their ability to generate revenue is reduced by 29% when business critical systems are compromised.

B. Human Resource Costs:

Simply put, this factor measures costs, in terms of labor, to manage a service in-house versus outsource. To achieve high availability, an organization's IT department must be staffed onsite 7x24. There should be enough staff to cover days, nights, weekends, and holidays. Companies must recruit and retain database and application administrators for their environment, who must manage and monitor IT environments 7x24.

C. Capital Resource Costs:

Capital considerations include an organization's cost of equipment refreshes; purchasing of spare equipment to keep onsite; and purchase costs associated with specialty equipment such as data storage and backup arrays.



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2. Research managed service providers:

At first glance, the lowest priced solution may seem best, but companies should also review other critical elements such as support and upgrades. If the low price leader cannot provide you the uptime and service levels required it is likely that total cost of ownership will be higher than expected. The following list represents factors that should be considered in the selection of a managed hosting provider as well as related questions:

A. Financial Stability of the Provider

- Are they willing to talk about financial condition?
- Do they have a history of financial stability?
- What type/ who are their financial backers, if any?
- Do they have access to capital for large equipment refreshes?
- Are they willing to show you audited financials from a reputable auditing firm?

B. How long have they been in business?

- Can they show you a long term growth pattern?
- Can they talk to a short and long-term future business plans?
- Has there been excessive turnover in the senior management ranks?

C. Can they provide detailed equipment specifications for your particular deployment?

- Is their equipment considered enterprise grade? E.g. HP servers, Cisco switches, etc.
- Are they utilizing “white boxes” or other low end equipment?
- Do they have support/replacement contracts in place with equipment vendors?
- Is equipment spared on-site? What is response time for replacement?

D. Will equipment be housed in an enterprise grade data center?

- Can they give you detailed specifications of data center?
- Are they willing to show you the data center?
- Can they provide you with their SAS 70 report and outline their plan to migrate to SSAE 16 (the new standard for data center operational auditing as of 2011)?

- Does data center have acceptable physical security? If you have compliancy requirements (PCI, HIPPA, SARBOX, etc), does the security meet those standards?
- Does the data center have redundancy regarding network connectivity, power delivery, etc?
- Has the datacenter had any outages recently?

E. Do they have dedicated personnel for specific positions that are available 24x7?

- Dedicated DBAs?
- Network engineers?
- Security engineers?
- Operating system expertise- Windows and Linux Engineers?
- Are any two or more of the above positions held by a single employee?
- What is the ratio of technical support personnel to sales and management?

F. What type of documentation do they provide to you as a standard service?

- Do they provide you with real time performance graphing of servers?
- Can they provide you with any type of documentation regarding your environment and performance within environment? E.g. runbooks, performance metrics per server, etc.
- Do they give you monthly, quarterly, bi-annual and annual reports on performance, security vulnerability and architecture recommendations?

G. Can they provide you with real references?

- Can they put you in touch with existing companies that can talk to you one on one and are willing to take the time to do so?
- Does the reference listed have a similar architecture or similar business model? E.g. software as a service company or E-tailer?
- Do references include both small and larger enterprise companies?



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The Importance of Selecting the Right Provider

The following are actual examples of companies and their experience evaluating managed hosting service providers.

Example #1 - Mid-sized SaaS provider - This company chose to outsource most of their production IT architecture to a local colocation/hosting provider. They were growing much quicker than forecasted, necessitating an equipment refresh among other costs. After pricing out both the hardware and software, they decided it would make more sense to utilize a managed hosting scenario. Factors for vendor selection were (1) total out of pocket costs, (2) scalability, and (3) location. This company decided on a smaller local hosting provider primarily due to the factors of cost and local presence. However, after numerous problems in the installation process and day to day operational issues, the company eventually decided to migrate deployment to a different provider. In hindsight, they had not initially asked detailed questions as to infrastructure, support structure and financial condition. What they found out was that the hosting provider really was not capable of meeting their needs based on the following:

- Actual hosted servers were not name brand servers. The provider was building “white boxes” rather than purchasing enterprise grade servers which resulted in unreliability and downtime.
- The hosting company did not own and operate their own data center. In fact they were collocated in another party’s center.
- The data center did not keep staff on-site 24x7. Support was on a “call out” basis only which meant long delays in resolving problems.
- On-site equipment sparing was thin to non-existent.
- The hosting provider did not have dedicated experts in all areas needed to successfully administer deployment. They had a few “jack of all trades” but not specific employees for specific jobs. E.g. Security engineers, Database Administrators, Windows and Linux administrators, etc.

After making the painful decision to move, they conducted comprehensive due diligence to select their new provider. It was estimated that this move with associated downtime eventually cost the company in the range of \$250,000 to \$350,000, excluding all soft costs and lost customer opportunity revenue.

Example #2 - Small fleet management software development provider

- This company was deploying a new software as a service (SaaS) product. In creating and deploying their new product the company quickly realized they did not have the correct skill sets within their IT staff. To resolve this issue the company turned to managed hosting as an option. In fact, this company was already familiar with managed hosting, having utilized it in the past. Their goal was to find a managed hosting provider that had deep, in-house expertise in database administration as well as high-end systems administration. This company went through an extensive process of evaluating both large and small hosting providers, paying special attention to the skills and certifications of their engineering and operations staff. They ultimately found a provider with the expertise they needed. As well they selected a nimble-sized provider with (a) the bench-strength to manage the deployment properly, and (b) an aptly sized provider where they wouldn’t be “just another number.” The managed services installation was successful. Their ongoing support continues to flourish and the software company continues to grow to this day.

Conclusion

Choosing the correct managed hosting partner is not a simple decision and should be met with a very detailed, thorough analysis for selection. That analysis should include: (1) knowing internal costs, (2) understanding your company’s specific needs, and (3) conducting due diligence on the potential managed service providers. This should include questions that address all facets of the potential partner, from financial strength of company down to the actual equipment used and support processes in place. Be sure to look for companies that can provide you with evidence of a long term track record including detailed references. Process documentation is also a sign of a seasoned hosting provider, examples of which are evidence that your potential provider can support you in all aspects of your day to day operations and also growth.

About ViaWest

ViaWest is one of the largest privately held data center service providers in North America. We provide colocation, hosting, and managed services to businesses of all sizes nationwide. ViaWest owns and operates 22 enterprise-class data center facilities in Colorado, Texas, Oregon, Utah, and Nevada, delivering high-quality, flexible solutions designed to support customers’ unique business needs. ViaWest customers include Frontier Airlines, Red Robin, Chipotle, and Northrop Grumman. For more information about ViaWest, please contact us at 1-877-448-9378 or email us at sales@viawest.com.