



## Hosting: In-House vs. Outsourcing

According to the Aberdeen Group, nearly 70% of small and medium sized businesses outsource some or their entire web hosting needs. This growing percentage of companies are reaping the benefits of leveraging technology to streamline business operations and automate their business processes to create greater efficiencies by turning to outsourced web hosting. For small to medium sized businesses with no IT staff, or an already over-burdened IT staff, there is often no other choice. However, there is a trend, even among companies with the resources necessary to host their own websites to outsource their hosting needs. For these companies, the issue of ensuring that the hosting environment is secure, reliable, and scalable, makes the choice of outsourced hosting an attractive one.

### The bottom line

In almost all cases, for most small and medium sized businesses, establishing internal hosting capabilities is a larger investment than outsourcing. The major costs of in-house management of a website is an in-house IT staff (consisting of at least one person), equipment, software, initial set up costs, ongoing equipment and software upgrading costs, as well as the costs associated with around-the-clock monitoring and management.

By outsourcing web hosting services to a managed provider such as netStride, companies can expect a 25 to 80 percent cost savings over in-house solutions. Such outsourcing enables a company to reduce costs by freeing assets otherwise allocated to capital expenditures and the expense associated with a specially-trained staff. Such assets often account for anywhere from 22 percent to 47 percent of the total budget for the website.

### Hosting Options

Managed hosting isn't only about storing website files. Most hosting companies offer a range of hosting solutions to accommodate the diverse needs of small and medium sized businesses. These solutions usually range from hosting small static sites in a shared environment to hosting larger, database-driven sites on minimally shared or dedicated machine. With the trend moving away from static websites—even for a small sales and marketing website, today's hosting companies need to be able to provide more advanced services such as the ability to set up, host, and support database solutions such as Microsoft SQL Server, Oracle, and MySQL, as well as the ability to set up and configure content management systems. Additionally, website hosting and email hosting go hand-in-hand. Most companies who are outsourcing their web hosting are also outsourcing their email hosting. And, most companies would rather have a single hosting company handle both tasks.

### Security

Security is something that can't be divorced from either web hosting or email hosting. Even businesses with simple websites and minimal email needs should expect the servers their website and email are residing on are housed in an ultra-secure facility. In terms of physical security, hosting facilities should employ 24/7 on-site security guards. Entry into the facility should require an ID badge and an escort for visitors. The facility should also be under constant video surveillance. Power to the facility should be obtained via separate power feeds from separate power grids. The facility should be protected by a fire detection and suppression system with a direct alarm to the local fire department. All essential equipment should be fully redundant, and "hot spares" should be on-site at the facility. Finally, the facility should be equipped with stand-by generator power supplies.

In addition to physical security, a hosting provider must have systems in place to minimize the threat from hackers and viruses. This means such security threats must be continually monitored, and the latest software and security patches must be tested and installed. Additionally, daily backups must be performed and such files should be stored off location.



## Costs

The decision to host in-house or outsource to a web hosting company usually comes down to cost. Realistically, what is the cost to properly host a website in-house?

- Equipment: A server and communications gear (routers, etc.). One-time cost: \$5,000 to \$15,000.
- Communications: Typically a T-1 line (or fraction thereof). Annual cost: \$8,000 to \$12,000.
- Physical location: A room for the server and worker(s) that is secure and has communications access. This is difficult to estimate, but let's say about \$5,000 a year.
- Staff: At least one dedicated IT specialist. Other technicians and specialists may be needed from time to time. Yearly cost: \$40,000 to \$75,000.

In total, the minimal operating costs can reach \$58,000 to \$107,000 the first year, with \$50,000 to \$100,000 per year after that. On the other hand, outsourcing your website and email hosting costs about \$600 to \$5,000 a year.

## You get what you pay for

Some businesses are lured to outsourcing their hosting by ultra-cheap hosting prices. A quick search for "hosting companies" on the Internet will turn up a cadre of companies charging prices as low as \$5.99 per month for gigs of space. You can be sure that low prices mean that the web hosting provider is judiciously controlling expenses in order to make a profit. If you decide to outsource your website to such a provider, you must ask yourself if you afford to take the risk of your website crawling at a snail's pace, or worse--it being down more than it's up? Common cost cutting measures by such low-priced hosting companies include packing servers to the gill with websites to the point where your website is sharing space with thousands of other websites on the same server, failing to upgrade to new versions of server software and failing to install crucial software patches provided by vendors whose software runs the server. The result? Your website ends up running very slowly on technology several years old, and becomes more vulnerable to being hacked. Cheap hosting companies will often surprise their clients with oddball charges that pop up here and there such as charges for extra bandwidth. A few months of these odd ball charges and that bargain monthly price is no longer a bargain. The cheap hosting companies are a good bargain for a personal or family website, but they're a poor choice for a business website.

## An informed decision

For some businesses, understandably, the decision to host in-house or to outsource is not based purely on cost. If sensitive data is part of your web presence, then outsourcing hosting duties does entail assuming some risk. While all hosts promise to protect the security and privacy of your data, it is very difficult for them to guarantee that no employee will ever violate that trust or that nothing will go wrong. Of course, your own facility may not be 100 percent safe either, but there's some comfort in feeling it's under your control.

In the end, a business should consider the cost and feasibility of hosting in-house versus the cost to outsource. A business leaning toward outsourcing to a hosting company should do their due diligence in terms of researching and interviewing prospective hosting companies.