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A Web Hosting Reseller Model

Part 1 - Contractual Obligations

I have spent a considerable amount of time over the last few weeks looking for a web hosting company that I feel comfortable reselling. There are some cheap plans, there are some expensive plans, but I have not yet found one that has low enough friction for me to sign up.

I consider myself a VAR, a value added reseller. The value gets added in many ways: web design, digital photography, reciprocal links, search engine placement, webmastering, postmastering, all stuff that has nothing much to do with hosting itself.

I'm a great believer in the Truman doctrine: "**The buck stops here!**" I don't want to have to tell my customer that I'm having problems with my web hosting service. In other words, I want some guarantees from my web hosting service. Many current TOS agreements in essence have just two clauses:

1. You have the right to pay us some money.
2. You have the right to take your business elsewhere

I don't think you can build a serious business on that basis because you cannot offer any assurances to your customers. Under those conditions the only way to deal with a customer is to tell him to hire the web hosting himself because I don't want to take responsibility for something that gives me no guarantees. I can still add my services while limiting my downside.

What is the value of resellers to web hosts? They get a large sales force without the large overhead of an in-house sales force. With the amount of competition created by the very low cost of entry into the hosting business, only those that are low cost providers will survive. One of the ways to keep costs low is by outsourcing sales to a fanatical bunch of resellers.

The reason given for the harsh contractual terms is "**We have many shared customers on our servers and we have to protect them from the abuse by**

unscrupulous users." A very commendable initiative! But the execution is mostly wrong.

I believe the terms of service need to be segregated into the two principal sources of potential trouble:

1. User abuse
2. Network connectivity and uptime

As a customer and as a reseller I welcome the harsh terms related to user abuse. In this area I feel that I'm a partner with the hosting company in our joint effort to give our end users the best possible web experience.

On the other hand, I want a quality of service assurance from the hosting company so that I can pass on that assurance to my own customers. My researches have show that hosting companies demand and get quality of service assurance from their data centers. I strongly believe that the assurance has to move downstream towards the end user.

Would you fly with a company that says that they give you no assurance of any kind that you'll get to your destination? I'd walk!

Part 2 - Plan Structure and Pricing

There is a large variety of plans for a reseller to choose from but most of them create a whole lot of friction for the reseller. I believe the reason for this is that most web hosting services are inward looking, not outward looking.

By inward looking I mean that they are worried mainly about their own internal affairs. Three kinds of managers result in inward looking policies: accountants, attorneys and technocrats. In turn they worry about penny pinching, legality and geekyness. None of them have the customer at heart. Many use the Henry Ford approach: "You can have any color car you want as long as it is black." At a time when so much choice is available, that model no longer works.

Each customer is different and web hosting plans have to fit the customer's needs. Some customers need a lot of bandwidth; others need disk space; others needs a lot of e-mail addresses; some need shopping carts and so on. For the

reseller this means that he needs a very flexible hosting service to be able to accommodate his customer's needs. Every time you run into a plan with limits like 25 POP boxes or 3 MySQL databases or 5 domains you have to go into juggling mode. How do I distribute those resources among my clients? I don't think there is a need for these specific limitations on hosting accounts and they just complicate the life of the reseller.

Although I'm not in the business, I believe that you can easily identify the cost centers that need to be converted into profit centers

1. Connectivity and bandwidth
2. Processor cycles
3. Storage
4. Help desk

From what I have seen, bandwidth and storage are easily measured. Not so processor cycles and it might be a profitable idea to invent and install processor meters. Most web hosts assume that the help desk is a loss leader, a mistake in my opinion.

If I were in the hosting business this is what I would offer resellers:

A single plan with discounts for dollar volume and a Lego-like ease of assembly.

1. Open source software: some flavor of UNIX/Linux, MySQL or similar, PHP or similar, etc.
2. Charge by the MB of storage, \$X per 100 MBs with a minimum of, say, 300 MB
3. Charge by the GB of bandwidth, \$Y per GB with a minimum of, say, 9 GB monthly.
4. Buy your own security certificates as needed
5. Charge \$Z for name servers
6. Free help desk for the reseller and fee based help desk services for the resold accounts at \$X per resold account that needs and uses the service. This would probably not include live, telephone assistance.
7. Everything else is unlimited bound only by B and C, storage and bandwidth use.
8. Starting at, say, \$100 per month, start giving volume discounts.

Here is a possible fee schedule that would produce reasonable rates for a reseller:

Reseller plan	Price per month	Minimum	Minimum Plan
Set up fee	0	0	0
Storage (100 MB)	5	3	15
Bandwidth (1 GB)	3	9	27
Name Server	5	0	0
Help Desk	10	0	0
Total per month			42

BTW, I would ask my customers to buy 2 or 3 times their average monthly bandwidth use to guarantee that they have sufficient leeway.

I don't think it makes much sense to offer a less expensive plan to a reseller. \$10 and \$20 plans are great for individuals and SOHO users but a reseller who can't support 40 to 50 dollars a month is not a reseller. In my case, I could resell the minimum plan to 4 customers with a 70% markup. They would be paying \$18 a month each, a great deal for them.

If someone is willing to meet my QOS, connectivity and security requirements, they have a deal! Please contact me by e-mail

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BTW, I was pointed to a New Zealand hosting company and, much to my surprise, they were as close to Caracas as Seattle WA is. New Zealand was 20 hops away while Seattle was 23 hops away and they took about the same time! The connection to NZ was via Orlando, Fort Worth, San Jose CA, NZ. Part of the connection was via a very fat OC-48 pipe.