

Webhosting in Africa: Outlining a business model

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Your Speaker Today...



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The Company Init7

Init7 operates its own backbone with the AS number 13030

Facts

- Init7 operates an **international n*10Gbit IP backbone** with AS number 13030 (autonomous system)
- The AS13030 is located at around **20 Internet exchange points**, where nearly 1000 further networks are so-called peering partners
- This means that direct interconnections exist with all these other networks, enabling direct contact with approx. **60% of the global routing table**
- As a result, we can secure optimal connectivity, latency, capacity and availability
- The remaining approx 40% of the targets are connected via globally distributed upstreams

Advantages

- **Full control** over the quality of IP Transit Services
- **Autonomy** from suppliers



Init7 Backbone Europe



Webhosting business: some general remarks 1/3

- Very competitive market in Europe, webhosting packets (www.domain.com) go for a few €/ \$ per month only, with good self service administration tools such as CPanel, Plesk etc.
- Low market entrance hurdle: anyone with decent Linux knowledge can start a webhosting business

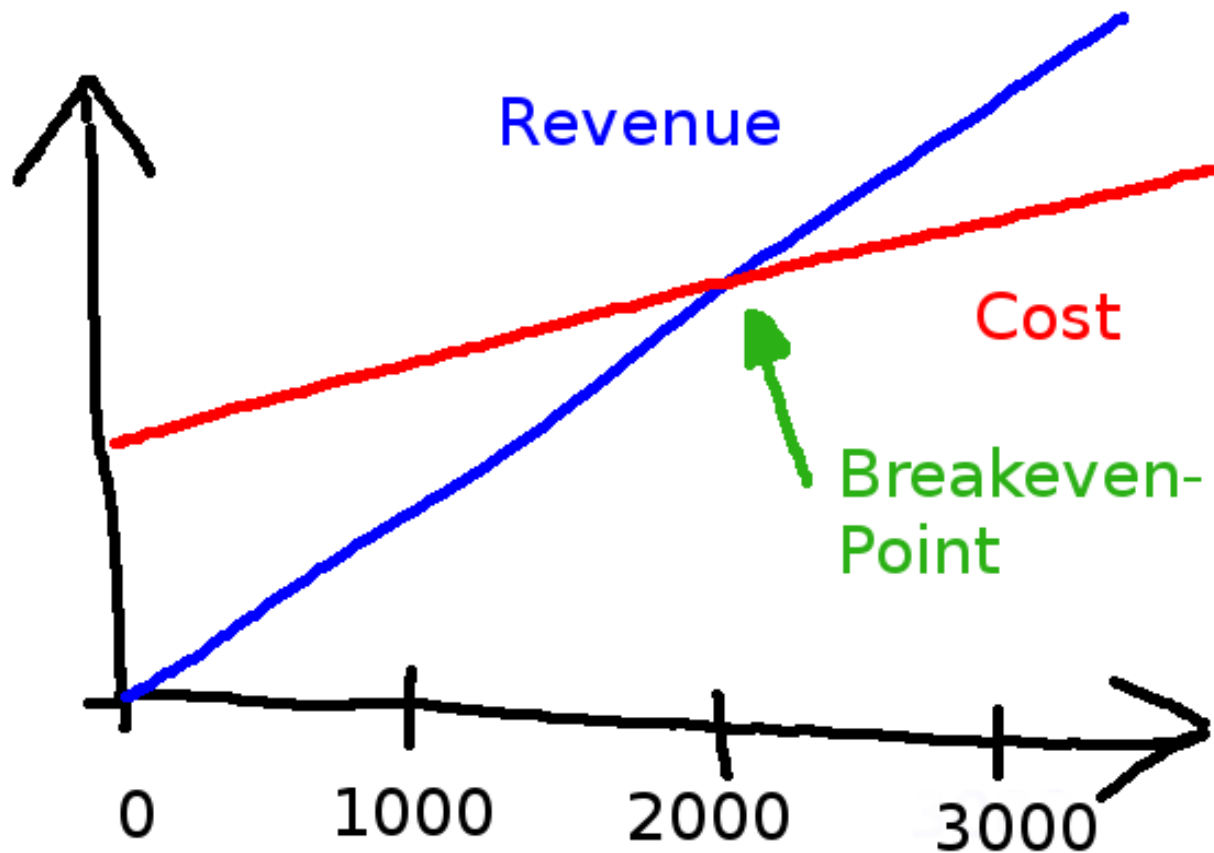


Webhosting business: some general remarks 2/3

- Mass business: it scales only with several 1000 customers – operating only a few hundred accounts means cash loss
- Once the critical customer mass has been reached, it pays off very well. Revenue scales much better than cost. From a certain breakeven-point (i.e. 3000 accounts) earnings scale very well.



Webhosting business: some general remarks 3/3



How the #1 webhoster hostpoint.ch in Switzerland started 12 years ago... 1/2

- three friends were lamenting during an premier league ice hockey game about the poor (commercial) webhosting services of current market participants and were sharing ideas how to do it better...
- from their website (about us):

`"All good things are simple: - like love, good food and the business idea with which Hostpoint entered the market in 2001: Web hosting for everyone! Today with its 30 members of staff, the company based in Rapperswil-Jona, which went public in 2005, hosts 165,000 websites and 190,000 domains."`



How the #1 webhoster hostpoint.ch in Switzerland started 12 years ago... 2/2

- They did it better! Otherwise they never would have become #1 in the .ch market...



The Challenge

New market entrants should consider: (1/2)

- Competition is global! Why should an African small business customer run its website with a local supplier and pay a premium?
- They can easily host with one of the (European/American) big players for cheap! (means only a few € or \$ per month)



The Challenge

New market entrants should consider: (2/2)

Face facts: A small or medium business customer in Africa with a simple website has absolutely no advantage to host in Africa (which would keep content local) and pay a premium. To be competitive, an African webhoster has to provide

- equal or better support
- equal or better performance
- similar pricing



The Opportunity Equal or Better Support!

- Invoice in local currency / local payment (it's often difficult to make international payments from Africa), support Mobile Money Payment
- Support your (local) customer in his language: Arab, Swahili, Nyanja, Kx'a...



The Opportunity Equal or Better Performance

- While webhosting in Europa has 100-200ms latency due to it's geographic distance, local servers can serve local users much faster and tentatively also less congested... better performance should be achieved easily.



The Opportunity

Equal or Better Price 1/3

- Big advantage in Europe vs. Africa: IP connectivity is way cheaper (are we still on factor 100?) - in Europe per mbps and month $\sim 1\text{€}$
- For European Webhosters the IP traffic doesn't count into the cost calculation of the business (hardware, labour, power, cooling, colocation etc.)



The Opportunity

Equal or Better Price 2/3

- Bandwidth must become cheaper to enable webhosting business in Africa. Carriers / ISPs should think of special transit service for local hosting providers and content.
- Example: A hosting provider should pay only his inbound traffic, and outbound would be for free (his ISP has plenty of empty outbound capacity)

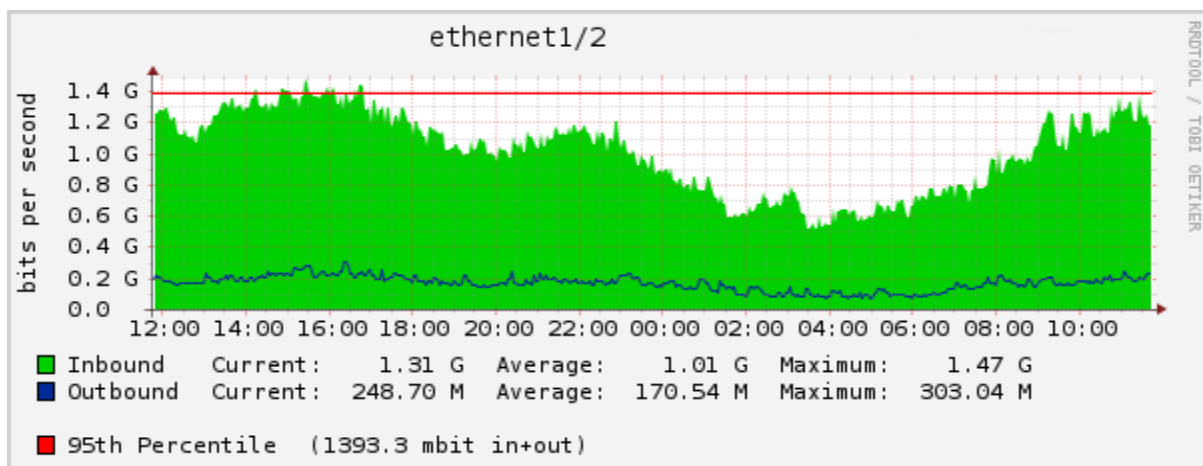


The Opportunity

Equal or Better Price 3/3

- A typical webhosting bandwidth ratio is 1:5 or 1:6 in favor of outbound:

(Note that in/out in the graph below is swapped from the webhosting providers viewpoint)



If a webhosting provider in Africa would have to pay only the 'blue' traffic, the business case would look much better.



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