

Six Steps To Success For Your VPS Startup



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BUILDING A SUCCESSFUL VPS FIRM IS AN IMMENSELY REWARDING EXPERIENCE, BUT ONE THAT REQUIRES A SIGNIFICANT INVESTMENT OF TIME, EFFORT, AND CAPITAL.

There are many reasons why one would want to start a VPS firm - but it isn't an undertaking for the faint of heart. A host is required to manage their own hardware, operating environment, network, and location - this on top of the regular considerations involved with running a business. Even for seasoned experts, that can prove difficult.

This White Paper will take readers through the process of establishing a VPS firm from start to finish. It will cover:

- How to develop a business plan and secure finances.
- The rules and regulations surrounding the hosting industry
- What to look for in a hosting site.
- The importance of a good support team - and how to build one.
- A short brief on hardware/software selection and setup.
- Guidelines for the creation of a TOS/SLA document.
- General rules of thumb for website/billing portal design.
- Do's and don'ts for marketing a new business.

Before Getting Started

Before starting a VPS company, it's recommended that one meet the following qualifications:

- Comprehensive knowledge of the hosting industry. This includes backend systems, rates offered by potential competitors, and the general market climate.
- Expertise in at least one of the following virtualization platforms: Xen, OpenVZ, KVM, Virtualbox.
- A high level of skill in Linux.
- Several years of experience in web and server hosting **minimum**, preferably as both a host and a client. A VPS firm is an incredibly complicated entity, and the challenge of running one should never be tackled by a beginner.



STEP ONE: Laying the Groundwork

First Stage Planning

No company - be it a startup or established enterprise - can hope to survive without a clear idea of what it's going to do. For that reason, the first step in starting up a VPS firm should be the creation of a business plan.

This initial roadmap should ultimately consist of the following components: ¹

- The business's core mission, values, and vision.
- The business's unique selling point - what differentiates it from its competitors?
- Products and services offered by the company, and how these products and services will be delivered.
- Budget, and how that budget will be acquired.
- Target market/target demographic.
- How the organization will be operated and managed.
- How the organization will be marketed.
- Legal requirements, regulations, or concepts that impact the company.
- An exit strategy.² Most startups - especially those in a competitive market like web hosting - tend to fail,³ often for reasons out of the founder's control.

Tips For A Better Business Plan:

- Start with broad strokes - formulate a general idea of what the business is going to be, then fill in the specifics as you move forward.
- Bear in mind that this roadmap is not set in stone - it will likely be reworked several times as the business grows.
- There is no such thing as too much research. The more one knows about the market and competition, the better equipped they become.
- There must be more to a business's core mission/values than "profit." There is little long-term viability in a purely capital-oriented mindset.⁴

¹ Source: Start Your Own Business. Entrepreneur Press, 2005.
Available at <https://bookstore.entrepreneur.com/product/start-your-own-business-5th-edition/>

² Source: Exit Strategies for Your Business. Stever Robbins. Entrepreneur.
Available at <http://www.entrepreneur.com/article/78512>

³ Source: The Venture Capital Secret: 3 Out of 4 Start-Ups Fail. The Wall Street Journal, September 20 2012.
Available at <http://online.wsj.com/news/articles/SB10000872396390443720204578004980476429190>

⁴ Source: The High Risks Of Short-Term Management, Sean Silverthorne. Harvard Business School, April 11 2012.
Available at <http://hbswk.hbs.edu/item/6965.html>

Funding And Finance

Money is often one of the most considerable hurdles encountered when founding a business. This is doubly true in the case of a hosting firm, where one's initial budget needs to account for oft-expensive high-end servers and networking hardware alongside typical expenditures. It's integral that one know how much money is required to start one's business - and how that money will be acquired - before moving forward.

Generally, there are two types of spending one needs to take into account when starting a business: assets and expenses, so separated because only the latter is tax-deductible. A company's expenses include spending on payroll, consulting, food, and legal expenses. Assets, meanwhile, is comprised of everything else.⁵

A VPS hosting firm's assets include:

- Hardware
- Software licenses (depending on type of license)
- Networking Equipment
- Office supplies (furniture, stationary, et-cetera).

A VPS hosting firm's expenses include:

- Site Rental
- Marketing/sales
- Employee payroll
- Business licenses/permit-related costs
- Operational fees (electricity, water, et-cetera).

It is generally accepted that in order to have the best chance of success, an organization must have six months to one year of expenses set aside, in order to give itself time to become profitable through sales.⁶

⁵ Source: Plan As You Go, Chapter Four: Flesh and Bones. Tim Berry. Business Plans, 2008. Available at <http://articles.bplans.com/category/plan-as-you-go/4-flesh-bones/>

⁶ Source: How to Estimate Startup Costs, Tim Berry. Entrepreneur.com. September 20 2011. Available at <http://www.entrepreneur.com/article/220342>

Given the typically high cost associated with starting a VPS firm, most business owners will need to seek funding through several different avenues.

Possible sources of funding include:⁷

- Paying out of pocket.
- Seeking help from friends and family.
- Taking out a Small Business Loan or line of credit.
- Speaking to venture capital firms, angel investors, or incubators.

In addition, consider these cost-cutting tactics:

- Consider renting rather than purchasing hardware (short-term to free up capital).
- Rather than selecting licensed software, consider choosing open-source.
- Shop around and look for value vs only the cheapest prices.
- Speak directly with your vendor and inquire about a reseller plan.
- Committing to a major client or supplier.

Permits, Licensing, and Law

The last step in the planning phase is to acquire business licenses and permits for the firm. Documents will be required for every region or district in which a business will operate. Thankfully, acquiring them is a fairly simple process - [The United States Small Business Administration](#) has a directory of permits and licenses organized by state. It also features a tool that which can be used to identify the licenses necessary to operate.

While looking into licenses, it is also highly recommended that one become familiar with the legal climate of their host country. Research privacy law along with any legal regulations related to security and data ownership.

⁷ Source: Top 10 Sources Of Funding For Start-Ups, Martin Zwilling, Forbes.com, February 12, 2010. Available at <http://www.forbes.com/2010/02/12/funding-for-startups-entrepreneurs-finance-zwilling.html>



STEP TWO: Building A Team

A VPS firm generally is not something that can survive on the efforts of one or two founders. Due to the way hosting organizations operate, any company that wishes to succeed in the industry must offer constant monitoring and 24/7 support.

To Hire Or To Outsource?

For a small business or startup, outsourcing is generally the superior short-term choice. It's more economical than hiring permanent, full-time staff, and it gives a business access to technology, skills, and manpower that it might otherwise lack.⁸ The long-term, however, is another matter.

In the long-term, it's much more preferable to handle most things in-house. This is because the benefits associated with outsourcing generally have an inverse relationship with the size of one's organization - many larger businesses are able to provide internal services that are far superior to anything offered by outsourcing firms.⁹

The Hiring Process

Eventually, every organization needs to start hiring in-house staff. The importance of this process cannot be understated. Particularly in the early stages of a business, the wrong hire could ultimately lead to thousands of dollars in wasted capital - or even the wholesale failure of an organization.¹⁰

It is thus important that whoever is responsible for hiring...¹¹

- Knows exactly which positions need to be filled, and the complete responsibilities of each position.
- Can judge when to hire and when to outsource.
- Is capable of taking stock of potential employees based on mannerisms and attitude.
- Understands the company's overall roadmap, and where it aims to be in one, three, and five years.
- Has a strong flair for conversation, and the ability to ask relevant, situational questions.
- Isn't afraid to lean on partners and investors for hiring advice.
- Develops a list of relevant, situational questions.
- Understands that sometimes, a less-experienced hire is the right choice.
- Realizes that they should never hire someone just for the sake of filling a position.

⁸ Source: Strategic Imperatives for Outsourcing in the Australian Public Sector, Phillip Allen. IBM, January 2005. Available at <http://www-935.ibm.com/services/au/igs/pdf/idc-public-sector-outsourcing.pdf>

⁹ Source: In-House or Outsourced? Kewell, July 2013. Available at <http://www.kewill.com/?wpdmact=process&did=NDAAuG90bGluaw==>

¹⁰ Source: Lessons from a startup failure. Fabrice Grinda, Untitled Partners. Musings of an Entrepreneur, May 15 2009. Available at <http://www.fabricegrinda.com/entrepreneurship/lessons-from-a-startup-failure/>

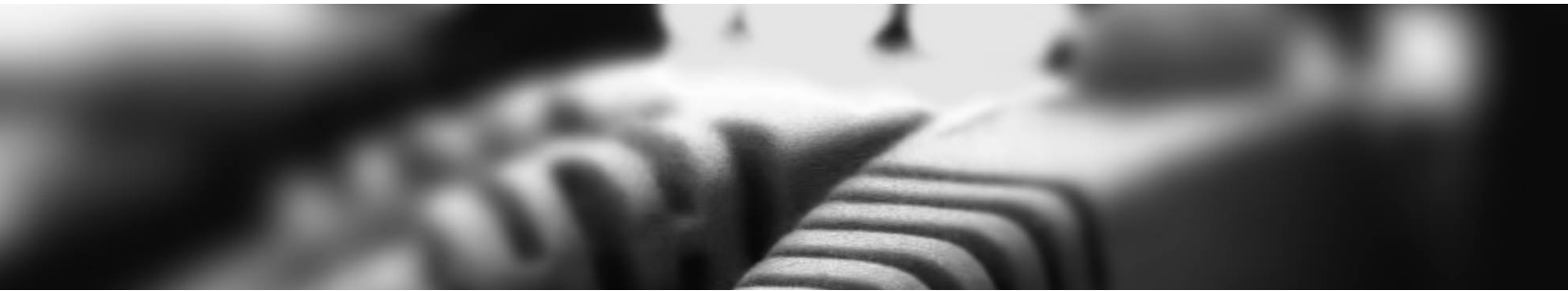
¹¹ Source: How to Hire Your First Employees, The Wall Street Journal. Available at <http://guides.wsj.com/small-business/hiring-and-managing-employees/how-to-hire-your-first-employee/>

Maintaining A Non-Toxic Company Culture

Earlier, it was brought up that one should lay out their business's values, mission statement, and vision first. This is because these factors are all integral to an organization's internal culture - the way people within a firm relate to one another and to those on the outside. If one's company culture is toxic and oppressive; if one's business is "narcissistic and self-focused," then the workplace will end up being detrimental to the health and well-being of everyone involved - management and staff alike.¹²

A business with such a culture is ultimately destined to fail. Toxic employees need to be kept in check, and any new hires need to mesh with a company's culture, lest they end up eroding it.

¹² Source: Toxic versus Cooperative Behaviors at Work: The Role of Organizational Culture and Leadership in Creating Community-Centered Organizations. Jacqueline A. Gilbert, Norma Carr-Ruffino, John M. Ivancevich, Robert Konapaske. International Journal of Leadership Studies Vol. 7 Issue 1, 2012.
Available at http://www.regent.edu/acad/global/publications/ijls/new/vol7iss1/IJLS_Vol7Iss1_Gilbert_pp29-47.pdf



STEP THREE: Developing The Backend

With one's team gathered and business plan established, the next step is to begin working on the details of the firm's backend. Four elements need to be taken into account: location, hardware, software, and network.

Location

Ideally, the physical site where the servers are hosted should meet the following requirements:

- Close proximity to either one's target market or an Internet exchange.
- Connected to a reliable power grid.
- A fast, stable local network.
- A well-maintained venue with dedicated support staff and security, operated by a host with a history of trustworthy behavior and expertise.
- No specific requirements in terms of vendors or carriers.
- Low electrical, site rental, water, and networking fees.

Unfortunately, the real world is rarely so ideal. One should be willing to pay extra - or sign on with a specific vendor or host - in exchange for stability, reliability, or proximity to one's clients. A VPS firm should never sacrifice stability or reliability.

Hardware

Hardware represents one of the most significant costs in establishing a VPS company - in addition to being one of the most important contributors to success. Spare no expense - the servers a host selects will form the backbone of their company, and directly influence the level of service they are capable of providing. The following factors must be taken into account when selecting hardware:

- **Resource Demands:** How much RAM, storage space, and processing power will be provisioned to each account? What are the upper limits of how much they can be scaled? Digital storefronts will require more power than blogs or web-forums, and rich media sites will require the most. One must know their clients before bringing them in.
- **Client Base:** Ensure that resources are not over-sold on a single VPS node.
- **Price Range:** How much can be spent on hardware?

⁵ Source: Plan As You Go, Chapter Four: Flesh and Bones. Tim Berry. Business Plans, 2008. Available at <http://articles.bplans.com/category/plan-as-you-go/4-flesh-bones/>

⁶ Source: How to Estimate Startup Costs, Tim Berry. Entrepreneur.com. September 20 2011. Available at <http://www.entrepreneur.com/article/220342>

Software

More so than hardware, a VPS firm's software forms the backbone of their organization. Without a virtualization platform, a virtual private server is little more than a cluster of servers. Without security software, client and organizational data is fair game for criminals.

A VPS host will generally require the following:

- Virtualization Software
 - Possible choices include Xen, OpenVZ, VMWare and KVM.
- A Control Panel
 - Possible choices include SolusVM, Plesk, and InterWorx.
- Account Management Software
 - Possible choices include WHMCS, Clientexec, and Ubersmith.
- Automated Backup
 - Possible choices include Bacula4Hosts, R1Soft

The Network

Even if a business possesses enterprise-grade servers, client performance will suffer. The last thing you'll need to take into account for your backend is the network on which your gear is hosted. If that network is slow or unreliable, it doesn't matter how good your hardware is - your clients aren't going to be able to access your services. It's thus important to ensure that your network is stable, secure, and powerful. There are a few things you'll have to do in order to accomplish this:

- Provision your bandwidth based on how many clients you have - and how much you expect each of them will need.
- Make things as redundant as possible within your budget - the more paths data can take when being sent and received, the more reliable your network will be.
- Ensure your provider has high density routers. One example of an industry leading router would be the [Juniper MX960 Universal Edge Router](#).
- You're going to need enterprise-grade VPS nodes in order for your server to run effectively, [hardware that Server Mania can easily provide](#).



STEP FOUR: The Firm's Public Face

With the backend and organizational structure of the firm established, the next step is to prepare to go public. In order to present the best first impression possible, two factors are necessary: an excellent TOS/SLA document, and a well-designed website. Should a host fail to provide either of these, it's likely that the majority of its prospective clients will do business elsewhere.

The Contract

One of the most important factors in the success of a VPS firm is the contract it provides for its clients. A good contract fosters faith in a business, showing prospective clients that it has their best interests at heart. Consequently, a poorly-written or poorly-designed contract will likely drive clients away.

Generally, the contract for a VPS host consists of two components: The Terms of Service and the Service Level Agreement. The former lays out the basic rules of the business relationship that the firm has with its client, including payment, service rates, and disputes. The latter is a commitment made by the host to provide a certain level of quality, with strictures detailing compensation should the host fail in its duties.¹³

A good host will have an easy-to-understand yet thorough TOS document and a generous service-level agreement.

Writing Up A Service Contract:

- A Terms Of Service document should include the following:¹⁴
 - Service Rates
 - Payments/Fees
 - Disputes
 - Nonpayment
 - Privacy/Data Ownership - how data is collected, who owns hosted data
 - How violations of the law will be handled
 - How security concerns will be dealt with
 - The limitations of the client's support contract
- It should be established in explicit detail what constitutes acceptable use of one's services. Take great care to seek out any language that could be construed as murky or unclear.
- Include a summary of all the major points at the beginning of the contract.
- Consider hiring a lawyer to help plan things out.

¹³ Source: Service-Level Agreement. Techtarget. Available at <http://searchitchannel.techtarget.com/definition/service-level-agreement>

¹⁴ Source: Setting out good terms and conditions for your small business, Tina Nielsen. The Guardian, October 9 2014. Available at <http://www.theguardian.com/small-business-network/2013/feb/06/terms-and-conditions-small-business>

Designing A Service-Level Agreement: ¹⁵

- Lay out exactly what services are provided to the client, and the condition under which said services are provided. This includes:
 - For how long the agreement applies
 - The firm's responsibilities as a host
 - The client's responsibilities as a customer
 - Actions/exceptions that will make a client exempt from the SLA
- Hammer out concrete availability, reliability, response times, and resolution times.
- Establish a maintenance schedule and regular operating hours
- Designate what will happen in the event of service interruption.

The Company Website

Regardless of industry, an organization's website is its online identity; the primary avenue of communication through which one's business connects with its customers. A shoddy website makes a poor first impression, and will leave a foul taste in the mouths of visitors. In order to preserve one's brand identity, it's important to design a powerful, responsive, and aesthetically pleasing site.

In order to create the best impression possible, a website should...¹⁶

- **Have its own unique "feel":** A site needs to reflect the brand it represents.
- **Be simple:** Navigation should be an intuitive experience. Avoid overuse of resource-heavy elements such as flash banners or video.
- **Treat its main landing page as a sales pitch:** The homepage of a site can be thought of as a resume for prospective clients. Will they like what they see, or will they move on to a competitor?
- **Feature a great deal of information about the company:** This includes personal details about the founders, contact and sales information. More than anything else, a company's culture should shine through on the website.
- **Be mobile-friendly:** A growing number of clients want to access their account on their Smartphones. They cannot be alienated.
- **Include an intuitive shopping cart:** A streamlined purchasing process is essential.
- **Be SEO-Optimized:** Lastly, one must research the right keywords, design one's site the right way, and utilize the right code in order to maximize PageRank. [Moz](#) has a great guide on search engine optimization.

¹⁵ Source: Implementing Service Level Agreements - IT Service Desk. Giv@.
Available at http://www.givainc.com/wp/implementing-service-level-agreements-it-service-desk.cfm?c=wp_hd

¹⁶ Source: 25 Web Design Tips To Honor 25 Years Of The Web, Cheryl Connor. Forbes, March 27 2014.
Available at <http://www.forbes.com/sites/cherylsnappconner/2014/03/27/25-web-design-tips-to-honor-25-years-of-the-web/>



STEP FIVE: Testing

The final step before launch is to test everything - exhaustively. Due to the nature of the hosting industry (and of VPS hosting specifically), launching without being certain everything works flawlessly is thoroughly unacceptable.

Ensure the following components function without fail:

- Security software.
- Failover/fault tolerance
- Billing/management platform.
- Automated management/monitoring software
- Load balancing
- Web portal
- Network switches



STEP SIX: The Long-Awaited Launch

There is one final task to take on before launch day - marketing. Regardless of how well a firm is managed, it will fail if it's left to languish in obscurity. It's thus important to make prospective clients aware that your business exists - otherwise, it's likely doomed to fail.

Marketing could be one of the largest expenditures outside of hardware. It could also cost next to nothing. It all depends on how one opts to get the word out.^{17 18}

Below, you'll find just a few of the ways your organization can be marketed to its clients:

- **Hire a marketing firm (or marketing professional):** The traditional route, and an excellent choice if the funds are available.
- **Pay for advertising:** Traditional advertising spots on Facebook, Google, etc.
- **Set up a blog, and publish regular content:** Make yourself a resource for people who want to know more about hosting. They'll come to your site to read your blog - and may leave as clients.
- **Write a newsletter:** Similarly to writing a blog, writing a newsletter can make your business a resource - and therefore a potential host. Plus, it keeps customers updated on what you're doing.
- **Send Out press Releases:** Keep the industry updated on what your business is doing - publish regular press releases to a site like PRwire.
- **Become active on social media:** Clients like feeling as though they 'know' the company they're working with. A host that maintains an active, positive presence online is one they'll be happier to do business with.
- **Make Use Of Reviews/Testimonials:** A positive review is one of the most powerful marketing tools in any business's arsenal. Make use of them wherever possible.
- **Network:** Never pass up an opportunity to acquire a new business partner or two. If there's ever a chance to attend a tech or web hosting summit/conference, do so.
- **Advertise unconventionally:** Two words: guerilla marketing.
- **Host interviews, Reddit AMAs, Twitter parties; etc:** Again, customers like knowing about the people behind the business. The more exposure a business has, the better.
- **Understand the power of sales and giveaways:** Few things inspire people to sign up like free (or almost free) products/services.
- **Offer Amazing Service:** Never underestimate the power of great customer service. If you make a point of always going above and beyond for your clients, people are going to start talking about it.

¹⁷ Source: 10 Ways to Market Your Small Business on a Shoestring Budget, Susan Solovic. Constant Contact, May 7 2013. Available at <http://blogs.constantcontact.com/fresh-insights/market-your-small-business/>

¹⁸ Source: 8 Tips For Planning Your Small Business's 2014 Marketing Strategy, Wesley Young. Search Engine Land, December 9 2013. Available at <http://searchengineland.com/8-tips-for-planning-your-small-business-2014-marketing-strategy-179004>

Some Last-Minute Advice

- Do not oversell your resources by provisioning too many VM's on a single VPS node. This can over-stress your hardware and hurt your credibility when clients begin reporting performance decreases.
- Learn to recognize the warning signs that your business might be in trouble - the loss of key employees, a lack of focus, a lack of buzz on social media, or an environment of tension and irritation are all sure indications that you could be on the way to a trainwreck.
- Don't ever think you know everything there is to know about business **or** hosting. The best professionals in the world know that there's always someone more knowledgeable than them - and they're always willing to seek out such people and learn from them.

Recommended Reading/Additional Resources

- [The United States Small Business Administration](#): General advice, online training, expert support, loans, and grants.
- [Forbes](#): One of the foremost business publications on the web, Forbes always has great advice for companies both large and small; new and old.
- [Entrepreneur.com](#): An excellent resource for news and information related to startups and small businesses.
- [The Entrepreneur's Source](#): Another great resource for anyone running a startup. Includes career advice, scholarship information, and online seminars.
- [The Happy Startup School](#): A free, 40 page e-book and toolkit to help new entrepreneurs
- [Web Hosting Talk](#): This community is devoted to all things related to web hosting - meaning it's an excellent place to go with any questions about hosting.
- [The Lean Startup](#): A comprehensive book with all the advice necessary to keep one's business lean



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