



# Mass Market Hosting PreReview 2002:

## *The Top 5 Trends, Key Events, and Market Share Moves in 2H02*

Providing an update to Mass Market Hosting (published in June 2002) after over a quarter's worth of sector activity, we explore the latest developments in the shared and low-end dedicated hosting software and services sector. Following a similar format to our Mid-Year Infrastructure PreReview report (September 2002), this report outlines:

### Trend Watch: Top 5 Trends

1. **Mass Market Hosting firms moving upstream** – Recent moves by Verio, Rackspace, and C I Host are targeting large enterprise customers.
2. **Focus on reseller community** – Interland, Verio, and Affinity make updates to reseller programs, while Sphera and SWsoft release hosting software for managing the reseller value chain.
3. **Partnerships address entire SME stack** – EarthLink and Trellix along with Sprint and NetLedger form partnerships, joining XO and Microsoft bCentral in offering bundled solutions.
4. **E-commerce bundled into shared hosting packages** – Superb Internet offers Miva Merchant with all its shared hosting packages, and Miva outlines its plans to change the shared hosting game.
5. **M&A activity continues** – Consolidation keeps happening as Interland acquires iINNERHOST, Affinity acquires Bigstep, and Sprint acquires Interliant's mass market business.

### Event Watch

1. Interland introduces new shared hosting platform in blueHALO
2. XO finally provides clarity into reorganization plan
3. Microsoft announces Windows-based hosting support framework

### Market Share Moves

1. **A new #1 In dedicated servers** – Rackshack moves to the top of the list; C I Host cracks top 5
2. **Alabanza's services business reviewed:** 225K sites under management, 900 dedicated servers for 400 reseller customers
3. **Glimpse into Europe:** Host Europe reports 1H02 results

## **Tier 1 Research**

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# INTRODUCTION

This report is intended to serve as an update to our June 2002 report titled Mass Market Hosting, which was Tier 1 Research's first detailed look into the shared and low-end dedicated hosting sector. A number of very meaningful events have taken place in the mass market of hosting in 2H02, and this report examines these events as industry trends, individual noteworthy events, and market share updates. In total, we found eleven separate stories (some which include multiple events) that we felt should be reviewed within the broader context of the entire mass market of hosting in order to arrive at a meaningful update on the sector. Specifically, there are five key trends, three unique events, and three market share updates to our June report, and these items are listed in Exhibit 1:

## Exhibit 1: Key Mass Market Hosting Updates in 2H02

Rank	Industry Trends	Key Companies Involved
1	MMH firms moving upstream	Verio, Rackspace, C I Host
2	Focus on Reseller community	Interland, Verio, Affinity Internet, Sphera, SWsoft
3	Partnerships address entire SME stack	XO, Microsoft, EarthLink, Trellix, Sprint, NetLedger
4	E-commerce bundled into shared hosting packages	Miva, Superb Internet
5	M&A activity continues	Interland, Affinity Internet, Sprint
<b>Event Watch</b>		
1	New shared hosting platform	Interland
2	Clarity into reorganization plan	XO Communications
3	Windows-based hosting gets support framework	Microsoft
<b>Market Share Moves</b>		
1	A New #1 In Dedicated Servers	Rackshack
2	Alabanza has a meaningful services business	Alabanza
3	Host Europe reports 1H02 results	Host Europe

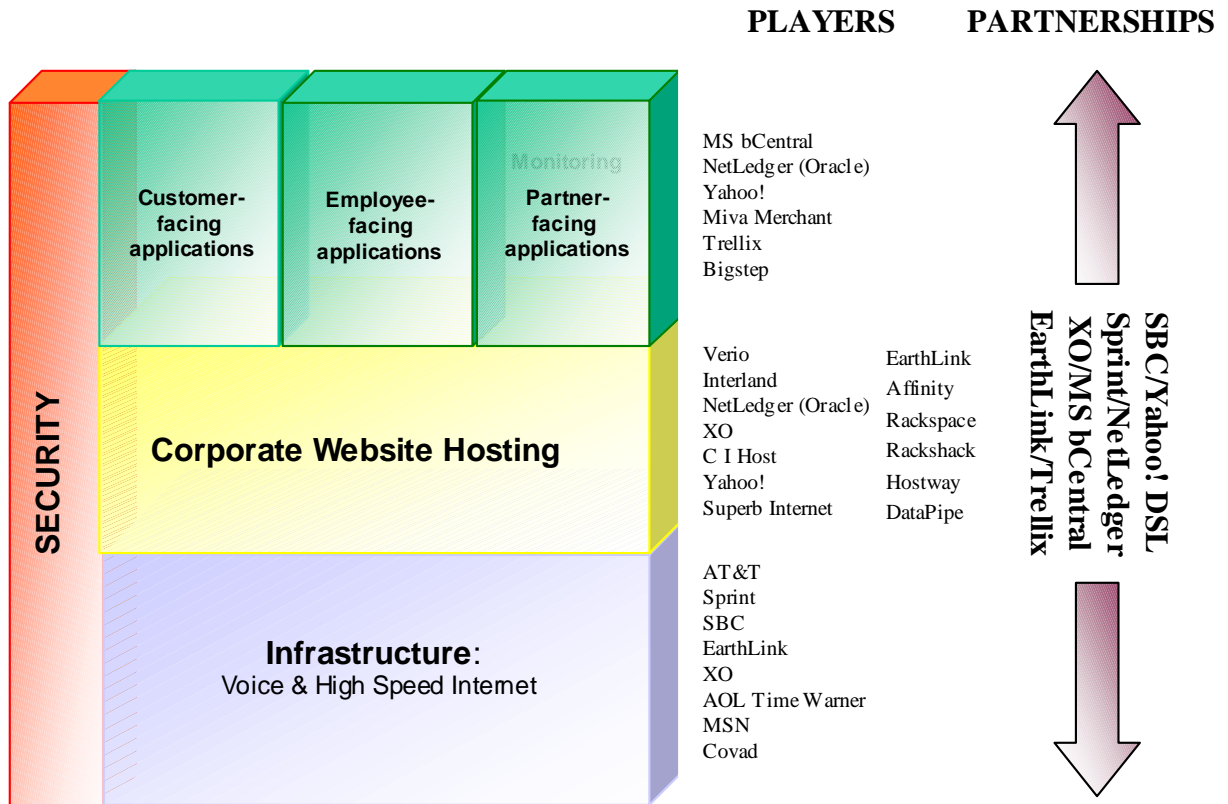
Pinpointing only ten unique stories in an industry that changes almost daily is difficult at best and is the main reason this, and other Tier 1 Research reports will be delivered in a real-time, web-based format in the future. Look for Tier 1 Research to launch a continually updated real-time report feature within the next couple of quarters that will enable our audiences to view the top trends and market share data at any moment in time. This will add to the plethora of information already available online addressing:

- **Customers:** A searchable database of over 8,000 web-based applications from over 4,000 enterprise customers. The listing shows the geographic location of the company headquarters and the hosting location as well as the provider of colocation, various managed services, and the web server powering the app.
- **Data Centers:** A searchable database of the 800+ outsourced Internet Data Centers with granular detail about each location from size and physical location to details on the environmental, security, network providers, certifications, etc.
- **Company Statistics:** From headcount, revenue mix details, balance sheet information, to network statistics, this searchable database shows key operational and financial details for most companies in the sector by quarter dating back to the beginning of 2000.
- **Service Offerings:** A searchable database of the services provided by each company as well as details on the level of support provided on various technologies and applications by all key companies in the sector.
- **SWOT Analysis:** A listing of the strengths, weaknesses, opportunities, and threats for all of the key companies in the industry.
- **Industry Address Book:** A listing of all key employees at a firm participating in the sector meant to be used as a centralized business development address book.

## Trend #3 – Partnerships Address The Full SME Stack

The Internet infrastructure industry has frequently been referred to as “a stack,” with infrastructure assets on the bottom and applications on top. While the mass market of hosting is less complex than the high-end, Tier 1 Research believes there is still an appropriate usage of the stack metaphor within the small and medium enterprise (SME) market, and we took the liberty to illustrate this in Exhibit 3.

**Exhibit 3: Partnerships Addressing the SME Stack**



Source: Tier 1 Research

The take-away from this diagram is that an SME has three, core IT needs and a number of partnerships have emerged that attempt to provide a ‘total solution.’ The oldest of these partnerships is Microsoft’s bCentral and XO Communications, which was formed in October 2001, but several of these partnerships are recent events, as detailed below.

### Trellix and EarthLink

Trellix, the privately held private-label provider of website publishing technology, site promotion and hosting technologies, announced a rather significant partnership with EarthLink (ELNK) that positions Trellix’s solutions to be the underlying technology behind EarthLink’s hosting initiatives for both its paid hosting and ISP customers. This deal also represents Trellix’s first customer win for its blogging (weblog management) solution, announced in early August. Specifics of the deal were not disclosed, but we had an opportunity to speak with the CEO of Trellix to get more details, which are as follows:

## ABOUT THE AUTHORS

### Joshua H. Beil – Vice President, Research and Development

Mr. Beil joined Tier 1 Research in August of 2001 as the VP of Research and Development. He joined the firm from Exodus Communications, one of the leading web hosting providers, where he worked as the Senior Analyst in the Strategic Planning group. Prior to Exodus, Joshua worked at International Data Corporation where he helped to create and maintain the Worldwide PC Tracker web product for the multi-national industry research firm. Mr. Beil holds a Certificate in E-Business from UCSC Extension, and he graduated with honors from the University of California at Santa Cruz with a major in Psychology. Joshua has been quoted in numerous publications including [The Washington Post](#), [CNET](#), [Teledotcom](#), [eWeek](#), [WebHost Magazine](#), [The Web Hosting Industry Review](#), [Host Buzz](#), and [Linux World News](#). He can be reached at (831) 426-2658 or [joshua@tier1research.com](mailto:joshua@tier1research.com).



### Andrew M. Schroepfer – President and Founder

Mr. Schroepfer founded Tier 1 Research in August of 2000 after four years on Wall Street. Most recently, Mr. Schroepfer was a Vice President and Senior Equity Analyst with Goldman Sachs covering the Internet Infrastructure Services sector. Prior to Goldman Sachs, Andrew was with U.S. Bancorp Piper Jaffray where he covered Communication Service Providers as a Vice President and Senior Equity Analyst. Mr. Schroepfer is an honors graduate of St. John's University having earned a BA in Economics and Accounting. Andrew has been quoted in numerous worldwide publications such as the [Wall Street Journal](#), [Red Herring](#), [USA Today](#), [Web Hosting Magazine](#), [HostingTech](#), [Business2.0](#), and [Inter@ctiveWeek](#). Mr. Schroepfer has also been interviewed on such television programs as CNBC, CNNfn, the Nightly Business Report, and various ABC-affiliate shows. He can be reached at (763) 694-9992 or [andy@tier1research.com](mailto:andy@tier1research.com).



### Tier 1 Research – Company Description

The need to manage information has never been as critical and the amount of information available has never been as vast. Tier 1 Research was founded in August 2000 to provide clients with research products that integrate the issues and events of both public and private firms, complimented with access to our analysts and a powerful set of online tools to access specific information when you need to make your critical decisions. We aggregate the perspectives of public/private investors, vendors, and customers to deliver concise analysis and recommendations. Starting with coverage of the Internet Infrastructure Software and Services market, this strategy empowers institutional investors, venture capital partners, corporate executives, as well as sales, marketing, and technical personnel to make better decisions with superior, unbiased intelligence. We deliver this strategy through daily, hands-on, global, strategic and financial analysis of news and information from all angles of the industry. Tier 1 Research has partnerships with AFCOM, Jaywalk, and Ramprate. The firm is based in Minneapolis, MN.



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