

The Outsourced Hosting Advantage

A Financial View

The Outsourced Hosting Advantage

In a recent research note¹, Gartner Group predicts that outsourcing will become the preferred sourcing choice for hosting.

“Through 2003, colocation and Web-hosting services will offer more efficiencies, reliability and range of services when compared to in-house hosting for all but the minority of enterprises, those with complex integration or innovative applications. Therefore, the majority of enterprises should outsource their external Web presence through these types of services.”

Gartner’s analysis of the approximate costs of in-house versus outsourced hosting is a strong reference point when comparing solutions. It expects cost savings of 32% or more from external hosting as well as other advantages.

“Judicious use of Web-hosting services should enable an enterprise to free up investment and skills to focus on areas that will deliver greater business impacts.”

The following chart compares Gartner’s cost expectations with comparable low and mid-priced Digex solutions. Both Digex offerings provide significant cost savings and service benefits.

Chart 1.1 The Cost and Service Advantages of Hosting With Digex				
Category	Gartner Average	Digex Entry	Digex Enhanced	In-House Considerations
Cost (Server Per Month)	<ul style="list-style-type: none"> • \$5,700 in-house • \$3,800 outsource 	<ul style="list-style-type: none"> • \$3,000 per server per month (based on 2-year, bundled solution) 	<ul style="list-style-type: none"> • \$4,200 per server per month (based on 2-year, bundled solution) 	<ul style="list-style-type: none"> • Is an in-house capital investment the best way to grow your core business? Best time-to-market?
Hardware	<ul style="list-style-type: none"> • Four servers with an 18-month life span 	<ul style="list-style-type: none"> • Full management including component monitoring and replacement • On-site vendors and inventory 	<ul style="list-style-type: none"> • Same as Digex Entry 	<ul style="list-style-type: none"> • Do you have a parts inventory and strong vendor support? • Can you return or exchange equipment as it becomes obsolete?
Traffic	<ul style="list-style-type: none"> • Midrange of 100,000 hits per day 	<ul style="list-style-type: none"> • Comparable, depends on site design and configuration 	<ul style="list-style-type: none"> • Same as Digex Entry 	<ul style="list-style-type: none"> • Does your site have the right architecture and database design to manage traffic?
Bandwidth and Network	<ul style="list-style-type: none"> • Two T1s 	<ul style="list-style-type: none"> • Burstable bandwidth with CIR 1.0 and AIR 2.0 • Shared Cisco Local Director • Dedicated LAN (VLAN) • Rapid bandwidth provisioning from multiple telco providers • Multiple Cisco Core, Border, and Distribution routers 	<ul style="list-style-type: none"> • Digex Entry plus: • Akamai FreeFlow Caching and Content Delivery Service • Shared Cisco Intelligent Director (replaces local director) 	<ul style="list-style-type: none"> • How much more will it cost to purchase connectivity from multiple providers? • How long does it take to add more bandwidth? • Do you have fail-over routers for the event of component failure?
Facilities	<ul style="list-style-type: none"> • Unspecified 	<ul style="list-style-type: none"> • N+1 generators and fuel tanks • N+N power distribution units (PDU) and uninterruptible power supplies (UPS) • Server-friendly fire suppression systems • Multiple cooling systems • Segregated server farms 	<ul style="list-style-type: none"> • Same as Digex Entry 	<ul style="list-style-type: none"> • Have you invested in multiple generators, PDUs, UPS, and cooling systems? • Do you have multiple fuel tanks with contracts for refueling in the event of a long-term electrical outage? • Do you have a fire suppression system that will not damage server hardware?

Chart 1.1 The Cost and Service Advantages of Hosting With Digex *continued*

Category	Gartner Average	Digex Entry	Digex Enhanced	In-House Considerations
Support	<ul style="list-style-type: none"> • Three full-time staff (on-site less than 50% of each day) 	<ul style="list-style-type: none"> • Pre-sales consulting and site-engineer support • Automated daily backup and long-term storage • 24x7x365 on-site support, reporting, monitoring, and administration • Escalation to expert engineering talent for problem resolution • On-site vendor support including Cisco, MS, Compaq, Sun and MTI 	<p>Digex Entry plus:</p> <ul style="list-style-type: none"> • Single point of contact – technical consultant • Enhanced reporting • Resource and upgrade planning 	<ul style="list-style-type: none"> • Can you support your solution around the clock with only three people? • Do you have expertise in all areas including Web software, databases, load balancing, caching, security and more? • How will staff turnover affect your solution's stability? • Is your IT training budget adequate to keep staff current?
Security	<ul style="list-style-type: none"> • Unspecified 	<ul style="list-style-type: none"> • Fully managed firewall • Dedicated, experienced security group • Hardened operating system and application builds • Secure facilities (5-level physical and electronic security including biometrics, card-key, key-pad and surveillance protection) • Aggressive tracking of hacker activity sites and vendor-supplied security patches 	<p>Digex Entry plus:</p> <ul style="list-style-type: none"> • Content Matching • Security Scan and Vulnerability Audit 	<ul style="list-style-type: none"> • How strong is your physical, logical, and overall network security? • Who is trained to configure and maintain your firewall? • Will you have adequate security personnel onsite to monitor, test and install patches before the associated software weaknesses are publicized? • Do you continuously monitor hacker activity to detect vulnerabilities in your site?

¹ Apfel, Audrey. *Web Hosting and Colocation: Not If, Not When, But Now*. Gartner Group. October 3 2000, SPA-10-9647.

Additional Considerations

Beyond the areas of cost consideration defined by Gartner, you should consider the following issues when evaluating the difference between in-house and outsourced hosting:

- **Internet Traffic Contention:** Will in-house traffic impact your Web site's performance? Even if you have dual Internet connections, does your architecture include a fail-over strategy in the event that one connection is unavailable? At Digex, our dual connections to the Internet deliver maximum up-time capabilities. Specially designed Local Area Networks (LANs) minimize performance impacts by segregating administrative, backup and Web traffic.
- **Network Performance, Peering and Capacity:** Latency and traffic hops will degrade the experience of your customers if you are not using a tier-one network provider with extensive peering relationships. At Digex, our dual OC-48 connections tie to the UUNET backbone, the most extensive IP network available. Our WorldCom relationship maximizes international connectivity and ensures that additional data center and network connectivity can be rapidly provisioned.
- **New Technology Innovations:** Unless you devote millions of dollars to a research and development lab, hire leading engineering talent and are part of vendor beta programs, you will fall behind the technology curve. Digex has established a Unified Lab for technology trials and for product development, testing, integration and training. By hosting at Digex, you benefit from our investment in technology research and development.



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