VPS is a fad. Elastic Sites is the future.

This paper is perfect for decision makers looking to offer better and more profitable hosting services.

Research commissioned by: CloudLinux OS cPanel

ELASTIC SITES PROVIDE MORE RESOURCES WITHOUT THE MANAGEMENT HASSLES

INTRODUCTION

Giving Customers a Better Upgrade Path

In customer surveys and interviews commissioned by CloudLinux and cPanel, hosting providers emphasized that VPSs are a poor solution for shared hosting customers who need more resources. Hosts said that when these customers upgrade to VPS they require a great deal of support and are more likely to cancel. Some hosts suggested the churn rate for shared hosting users who upgrade to VPS may be as high as 50%. Hosting providers that use CloudLinux OS to offer shared hosting plans with greater resources (more CPU, RAM, etc.) as an alternative to VPS found these plans resulted in greater customer satisfaction, lower churn, and higher profit margins. In this white paper, we explain why hosting providers should offer shared hosting plans with more resources instead of upgrading shared hosting users to VPSs. This alternative provides these growing users with the resources they need without adding the burden of server management. We call these higher-resource options **"Elastic Sites with CloudLinux,"** or simply **"Elastic Sites."**

This white paper explains…

- How **Elastic Sites** provide shared hosting users with a better upgrade path;
- The advantages **Elastic Sites** give hosting providers;
- How to determine which customers are right for **Elastic Sites;**
- Best practices for selling **Elastic Sites**.

This paper is accompanied by a technical white paper, "Elastic Sites vs. VPS: Comparing CloudLinux OS features to VPS and explaining set up".

Why Customers Struggle with VPS and the Trouble This Causes Hosting Providers

Most hosting providers offer both shared hosting and virtual private servers (VPSs). The majority of customers start on shared hosting, but, as their site grows, they exceed the limits of their plan. At this point, the hosting provider suggests that the customer switch to a VPS. VPSs offer advantages over shared hosting — more resources, root access, customizability — but they also require the user to buy software licenses and handle configuration, hardening, and application installation. In interviews, hosting providers stressed that shared hosting users were often confused and frustrated by the costs and management responsibilities of a VPS.

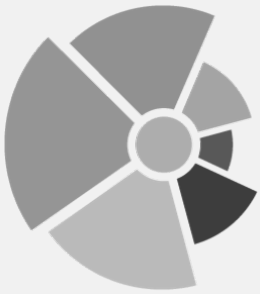
> **"The biggest complaint we hear about VPS: it's not automated. With shared hosting, we fix all servers within a few minutes. With managed VPS, you pay hundreds of Euros for the pleasure of someone responding within the hour."**
>
> — Wouter de Vries, co-founder of Antagonist Web Hosting

> **"With all the advances in CloudLinux and other monitoring and automation we have on the servers, we can control our shared hosting environment pretty well. Hands down the shared hosting fleet, which is 200 plus servers, is a lot easier to deal with than the VPS customers."**
>
> — Craig Marchant, CTO of VentraIP

When upgrading to a VPS, customers have two choices: pay for server management or attempt managing it themselves. Server management and licenses can result in an 8-10x increase in price over their previous shared hosting plan. Customers who opt for unmanaged VPSs, in addition to still paying for software licenses, often do not know how to manage a server. They end up submitting numerous tickets to their provider asking for help with basic tasks and often neglect more complicated jobs, like server hardening. Hosting providers are spending significant resources supporting these new VPS users.

Here is how CloudLinux OS works:

CloudLinux OS isolates each user into a separate Lightweight Virtualized Environment (LVE), which allocates and limits server resources, like RAM, CPU, and connections, for that user. These limits improve server stability because one user cannot use more than they are allocated. Users can now count on having enough resources and even see the usage on their account.



THE ISSUES WITH VPS*

- Too much competition **61%**
- Low margins **51%**
- Requires too much support **45%**
- Customer complaints about server stability **15%**
- Difficult to keep servers stable **17%**
- Difficult to keep servers secure **22%**

**Based on a survey of 500+ hosts by CloudLinux and cPanel*

Nearly half of hosting providers surveyed listed high requirements of customer support as an issue with VPS. Some hosting providers have reported as high as a 50% churn rate for shared hosting customers who have upgraded to VPS.

Hosts also noted that managing shared hosting servers is less complicated than managing servers with VPSs. The standardized, controlled environments of shared hosting servers allow for more automation and optimization. The individualized nature of VPSs makes that impossible. Over 25% of hosts surveyed listed difficulty keeping VPSs both secure and stable as an issue.

Customers Like Shared Hosting. Why Mess with What Works?

Hosting providers we spoke to and surveyed suggested that shared hosting users who upgrade to VPS to get access to more resources rarely need a VPS. They need more resources. Nearly 66% of survey respondents listed this as the main reason customers upgrade to VPS. These users would thus be better served by shared hosting plans with more resources.

Elastic Sites with CloudLinux simply means using CloudLinux OS to create larger shared hosting plans to meet the needs of these users. Such plans address these users' needs without the additional hurdles of server management, software installation, and hardening.

Elastic Sites Serves the Customer and Benefits the Host

Benefits to the Customer

- ✓ More resources without extra management
- ✓ No need to learn a new setup
- ✓ Lower cost

Benefits to the Host

- ✓ Less complaints, more satisfied users
- ✓ Less server management, more automation
- ✓ Less churn
- ✓ Better profit margin

As noted above, shared hosting customers are easier to support and shared hosting servers are easier to manage. In addition, because shared hosting requires only one instance of the OS, Apache, MySQL, etc. CloudLinux's LVE saves significant overhead compared to VPS. (See our accompanying white paper, *"Elastic Sites vs. VPS: Comparing CloudLinux OS features to VPS and explaining set up"*, for full feature comparisons.)

This ease of management and decrease in overhead combined with the higher prices high-resource offering command results in a higher profit margin for hosts. Antagonist Web Hosting, for example, noted that offering 'Elastic Sites' powered by CloudLinux OS has helped them raise average revenue per customer by 26% over 12 months.

Why customers cancel VPSs - and Elastic Sites answers:

- Server management is frustrating - **No server management required**
- Unfamiliar interface - **Same interface**
- Server management is expensive **- No server management required**
- Extra inconvenience of moving to a new setup gave reason to try a new service - **No changes for the customer**

How CloudLinux OS Frees Users from the Need for VPSs

Hosts we interviewed pointed out that, traditionally, more successful websites required the resource isolation of VPSs. Unlimited shared hosting meant unstable shared hosting and VPSs were a way to provide stability. These hosts noted, though, that the resource limits and file system separation provided by CloudLinux OS means their shared hosting is now just as stable as a VPS. This allows these providers to recommend shared hosting for any website. (See our accompanying white paper, "*Elastic Sites vs. VPS*" for full explanations of CloudLinux OS features.)

SOLUTION COMPARISON

Solution Type	Elastic Sites with CloudLinux	Unmanaged VPS	Managed VPS
Resources (CPU, RAM, Connections)	*Customizable*	*Customizable*	*Customizable*
Server management	*Managed by host* *Easily automated*	*Managed by user*	*Managed by host*
Security	*Isolation from other accounts** *Hardened by host*	*Isolation from other accounts** *Must be hardened by user*	*Isolation from other accounts** *Hardened by host*
Backups	*Included*	*Not included*	*Often included*
Uptime monitoring	*Included*	*Not included*	*Included*
Level of User Access	*Shared hosting account*	*Root access*	*Root access (Depending on provider)*
Cost to Provider	*Low*	*Medium*	*High*
Price for User	*Slightly higher than unmanaged VPS*	*Low*	*High*

* CloudLinux's CageFS feature, which encapsulates each customer, preventing users from seeing each other and viewing sensitive information and files, may give even more secure isolation than VPS.

Read more in the feature explanation section of our accompanying white paper, *Elastic Sites Vs. VPS*.

IDENTIFYING CUSTOMERS FOR ELASTIC SITES VS VPS

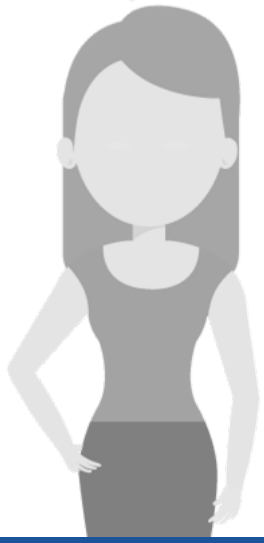
Though our conversations with hosts suggest that the vast majority of shared hosting users upgrade to VPS only to get more resources, a VPS will still be the right choice for some customers.

We have created a list of situations that recommend a customer to one solution or the other.

Elastic Sites:	VPS:
Customer requires more resources than what current shared hosting plans offer.	Customer wants to run applications in a non-standard environment (node.js, Java). (Note that different versions of PHP, Ruby, and Python can be run using CloudLinux OS in a shared hosting environment.)
	Customer wants to add non-standard Apache mods.
	Customer wants to use nginx.
	Customer wants to use non-standard databases (MariaDB, PerconaDB, etc.).

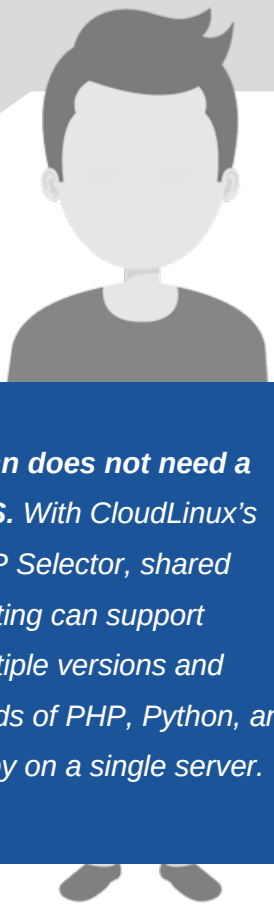
USE CASES

USE CASE 1: ANNA
Anna runs a sales consulting business and has a WordPress site. Her blog is becoming more and more popular. Her host has advised her that she is reaching the limits of her shared hosting plan.



***Anna would be a good candidate for Elastic Sites**. She simply needs more resources. She does not need anything that can only be provided by a VPS.*

USE CASE 2: YANN
Yann runs a small, but growing forum. He wants to use a plugin which is only compatible with PHP 5.3. His current host says he needs to upgrade to a VPS because their shared hosting servers do not have PHP 5.3 anymore.



***Yann does not need a VPS.** With CloudLinux's PHP Selector, shared hosting can support multiple versions and builds of PHP, Python, and Ruby on a single server.*

USE CASE 3: TRACY
Tracy is starting a site that runs an application using node.js.

***Tracy requires a VPS.** CloudLinux does not support node.js. There are, as far as we know, no shared hosting providers that have node.js servers.*

SELLING ELASTIC SITES

Below you will find best practices we have come across in our discussions with hosts contemplating or currently offering Elastic Sites.

What Plans to Offer

Hosts that offer Elastic Sites have found that it is important for Elastic Sites plans to be flexible and expandable. If you only offer two or three new plans with more resources, successful sites will soon outgrow them and these customers will again be faced with the requirement to upgrade to VPS. The most successful Elastic Sites providers have offered plans that can upgrade as far as 16 cores and 48GB RAM.

Offer Options Yet Keep Your Site Easy to Use

Many hosts worry that offering too many plans on their website will lead to customer confusion and lost sales. These hosts offer only a few shared hosting plans on their site and they do not want a variety of Elastic Sites offerings cluttering things up. Hosts we spoke to have addressed this concern in various ways:

1. **Offering a limited number of plans on the website and relying on proactive upselling.**
2. **Offering customizable plans where customers can pick from a large variety of resources using a flexible method, such as a slider-type format.**

We believe the best approach, though, is to offer upgrades when they are needed, i.e. when a customer is nearing their limits. This method allows hosts to keep their offerings simple — just a few basic starter plans, with perhaps a note that further upgrades are available. It also gives the host the chance to help guide customers to the plan they need when it is time for them to upgrade.

An important part of this approach, though, is to be proactive in reaching out to customers when they are reaching their limits. This approach will also increase revenue from current customers, though it may require more customer and sales support.

> “**I hate VPS and all of the overhead of managing the individual operating systems and all the security issues that go along with the systems. I mean, it’s what we do. It’s not a problem. But we have to bill for that overhead.**”
> — Michael Denney, President of MDD Hosting

Be Proactive in Discussing Upgrades

Antagonist, one of the first hosts to offer 'Elastic Sites', has found success in actively monitoring their users and approaching them when they are nearing their limits. Antagonist makes sure to reach out before users are actually hitting their limits, before it is a problem. They first offer to quickly check user's site to see if the resource usage issue can be easily resolved. If not, they frame the need for an upgrade as a measure of how well the customer's site is doing, not as a misfortune. "Congratulations on your success," they say. "Your site is growing so well, but it also means you need more resources now." Using these tactics, Antagonist Web Hosting is able to upgrade approximately 1% of their very large customer base each month.

CloudLinux's tools can also help hosts be proactive by producing graphs to help customers visualize their limits and automatically sending emails when customers approach their limits.

> **"There are a lot of situations where we save money and they save money because everything is shared."**
>
> — Michael Denney, President of MDD Hosting

Sample Elastic Sites pricing

1 core **1**GB RAM	**$13** month
2 cores **2**GB RAM	**$26** month
2 cores **4**GB RAM	**$52** month
4 cores **8**GB RAM	**$104** month
8 cores **16**GB RAM	**$208** month

Recommended Pricing

We recommend pricing Elastic Sites slightly above prices for unmanaged VPSs. To the customer, an Elastic Site is worth more than an unmanaged VPS because the customer is still receiving server management services and does not have to pay fees for things such as software licensing and backups. Hosts have said their customers see those types of offerings as "a super cheap managed VPS." Elastic Sites can be priced below managed VPSs because a shared hosting account is far easier to manage than a managed VPS. Elastic Sites thus cuts overhead by reducing management costs, but allows the host to charge higher rates for more powerful services. When priced this way, hosts should make greater margins from high-resource hosting than from either managed or unmanaged VPSs. As an example, by offering 'Elastic Sites', Antagonist has seen a 26% increase in average revenue per user over the past year.

Compared to the huge jump in pricing that comes with a VPS, Elastic Sites' incremental pricing is easier for growing sites to handle. These successful, thriving customers are a host's best assets. Elastic Sites help you serve them better.

CONCLUSION

A Better Upgrade Path for Happier, More Profitable Customers

With CloudLinux OS, hosts are able to offer stability that was once only available on a VPS. Elastic Sites with CloudLinux gives users the power they need without the server management hurdles of a VPS. Elastic Sites thus offers a better upgrade path for shared hosting users. Interviews with hosts currently offering high-resource options suggest upgrading users to Elastic Sites as opposed to VPS results in less tickets, less management issues, greater customer satisfaction, and greater profit margins.

> **"For most hosting companies it's about how can we squeeze out a little bit more margin and that's it. But if you can get bigger customers, you can have the capital to really offer better services. That's why a lot of people wanted to offer VPS, but they spend a lot of money on support. If you can instead spend the same amount on support for shared hosting, but get bigger customers that's much better."**
>
> — Wouter de Vries, Founder of Antagonist Web Hosting

See our white paper, *Elastic Sites Vs. VPS*, for full feature comparisons and sample settings.

For more information on CloudLinux OS, visit CloudLinux.com.
For more information on Elastic Sites, visit ElasticSites.com.

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