Hostopia rolling out new webmail platform to partners

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Following the November launch of its updated white-label web presence platform for partners, Hostopia is rolling out its updated small business email and productivity platform, creating new upsell opportunities for resellers in the hosting and telco space.

451 Research®

For many years, Hostopia has been a key supplier of wholesale hosting and communications services to telecommunications firms and other service providers – one of a fairly small number of larger vendors in that space. During the last several years, the company itself has undergone a transformation, organizationally and from a technology standpoint.

Organizationally, Hostopia has changed as a consequence of its acquisition by small business printing company Deluxe (in terms of access to additional resources and services, such as email marketing service VerticalResponse, acquired by Deluxe in 2013 and search marketing company OrangeSoda, acquired in 2012).

Technologically, Hostopia has been redeveloping its platform for the last several years, culminating in the launch late in 2015 of a major update to its web presence platform, and the rollout in June of its updated email platform.

Across its new platform, Hostopia's tools illustrate the shift the commercial web hosting market has made toward services defined by applications designed specifically around end-user business requirements, rather than infrastructure components. The company's platform work will enable partners to compete in a market that has transformed significantly during the last several years.

THE 451 TAKE

Realistically, the conversation around the channel market for email is defined by the major market players, specifically Microsoft's Office 365 and Google Apps. Hostopia's existing base of telecommunications partners can be considered a strategic advantage, in the sense that it gives the company a specific use case and an area of demand around which to build new offerings. Based on interactions with its existing partners, Hostopia is targeting what it believes is a gap in the market, serving the type of small business for which even $5 per month for a mailbox (roughly the entry-level cost for both Office 365 and Google Apps) would be a significant expense. This may be a value proposition Hostopia's partners feel very capable of presenting. With its new hosting and email platforms, as well as its legacy of involvement on the back end of other service provider businesses, Hostopia is well equipped to compete in a market that is defined by software products in both categories.

CONTEXT

Hostopia is a provider of wholesale, private-label web and application hosting provider, largely focused on selling to and through large telecommunications providers. The company was founded in 1998 and went public in 2006. In 2008, it was acquired by Deluxe, a large, publicly traded provider of small business printing services (specifically around checks and other business forms). Deluxe reported $1.45bn in revenues for 2015. The company does not break out numbers for Hostopia in its reporting, but more than half of its revenue comes from small business services, which includes marketing generally and Hostopia specifically.

Hostopia indicates it has more than 250 service provider partners (and more than eight million active email users) on its email platform. The company indicates it has already won new service provider business via the platform.

TECHNOLOGY

Hostopia's new email platform is an overhaul of the company's existing email product and technology, as well a continuation of the platform rollout that began with its new web presence platform in November. From a user interface standpoint, the email service shares feel and functions with the web presence service.

The new email service is built on some of the same core technology as Hostopia's previous email services – support for standard protocols and the various smartphone platforms, datacenter and network redundancy that enable email uptime SLAs, white-label functions, higher-tier support for partners and the company's proprietary email migration platform, SNAP.

The company operates the service out of datacenters in Toronto, Miami and Ireland. It says it is already in the process of migrating partners on to the new platform. The service will be translated into 17 languages at launch, and Hostopia expects to reach 25 by the end of the year. The new webmail platform incorporates a variety of messaging and productivity functions, including best practices from a variety of existing tools, and functions designed around how the company's target small business clients use email. These include integrations that allow users to post to social media accounts, a 'taskbox' function that lets users turn emails directly into to-do list items they can share with their team, an attachment view that lets users search mailboxes for attachments, a multi-inbox function that integrates emails from existing accounts, an advanced calendaring product with scheduling features for multiple users, online folder-based file sharing and other new functions.

In comparison specifically with Office 365 and Google Apps, Hostopia's email products notably lack the document editing tools. However, the company regards these sorts of tools as ultimately an unnecessary feature for the slice of the market it is pursuing, and that it has heard as much from its resellers.

STRATEGY

Hostopia is a wholesale provider to service providers that deal with small businesses directly. One of the company's core strengths is the fact that its services, by design, balance the requirements of the end user with the requirements of the company's service provider partners (and, by extension, other service providers like them). The latter may include functions for things like white-labeling, the ability to populate a website with content based on existing account information and a clear path for upselling users to advanced features by engaging at key moments.

The company's updated email service offers several tiers, mostly distinguished by the storage capacity offered (leading customers to upgrade over time as they make more use of the file sharing and storage components of the service). Packages can range from about $0.15 to a few dollars per month, per mailbox.

Hostopia indicates its intent is to build a set of integrated services in which its own design stays a step or two ahead in terms of anticipating what may impress the customer at some later point. In powering service providers, many of the tool's functions are designed to assist with bringing customers on to the platform. For instance, multi-inbox is designed to ease the transition from using a free Gmail or Hotmail address into using a branded domain.

COMPETITION

In the direct market for email and productivity services, as well as the channel market, Microsoft's Office 365 and Google Apps are the largest players. Hostopia is competing for channel business with both of these vendors, as well as with other vendors that are more focused on the hosting provider channel – including Open-Xchange, Zimbra and SmarterTools. In a broader sense, Hostopia would also compete with the free, open-source tools many hosting providers use to bundle free email addresses along with their hosting services.

SWOT ANALYSIS

STRENGTHS
Hostopia has an established expertise in operating an email platform at scale, and with a high degree of uptime. Its strengths also include its ability to build technology that addresses the requirements of its end users with those of its service provider partners.

WEAKNESSES
One of the challenges Hostopia faces is that it is building technology at the consumer end of the cloud services market, which means it is competing across the board with cutting-edge technology consumers are able to buy directly for themselves (in the case of email, from Microsoft and Google).

OPPORTUNITIES
Hostopia has identified an interesting opportunity within the small business market – existing customers of service providers that may not be willing to pay the cost of Office 365. It has the right partners in place to address this opportunity, and could win more with its new tech.

THREATS
With the arrival of Office 365 and Google Apps for Business, major commercial email platforms are targeting the service provider customer base served by Hostopia in a way they never have in the past. Microsoft, in particular, is extremely well versed in operating partner networks.