



Six Secrets 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 you may want to start a VPS firm – while it can be highly lucrative, you will want to plan for success under any circumstances. A VPS host is required to manage their hardware, operating environment, network, and location - this is on top of the regular considerations involved with running a company. With the right guidance, and a trusted, reliable partner this is a business that can be very fulfilling.

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 get started
- The rules and regulations surrounding the hosting industry
- What to look for in a hosting partner
- The importance of a good support team - and how to build one
- Recommendations around hardware/software selection, setup and testing
- Guidelines for the creation of a TOS/SLA document
- General rules of thumb for digital marketing and web development
- Recommendations for automated billing requirements

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: KVM, Virtuozzo, VMware and Hyper-V.
- A high level of skill and experience using 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



STEP ONE: Laying the Groundwork

First Stage Planning

It has been said that if you do not know where you're going, you will end up exactly there. By starting with a well thought-out plan, you will go a long way in overcoming many of the challenges in the current business climate.

No company - be it a startup or established enterprise - can hope to survive without a clear idea of what it's going to do and how it's going to get there. For that reason, the first step in starting up a VPS firm should be the creation of a business plan. Once you refine your idea and determine your key objectives, you will be ready to move ahead.

Your roadmap should ultimately consist of the following components: ¹

- Market research
- Branding and advertising
- An exit strategy consideration
- Financial Plan
- Chosen vendors
- Operation and management structure
- The business's unique selling point - what differentiates it from its competitors? ²
- Legal requirements, regulations, or concepts that impact the company ³
- Plan for constant change and innovation ⁴

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 you know about the market and competition, the better-equipped you will become.

There must be more to a business's core mission/values than financial profit alone. There is little long-term viability in a purely capital-oriented mindset. ⁵

¹ Source: Business News Daily 2021, Joshua Stowers, Entrepreneur. Available at <https://www.businessnewsdaily.com/4686-how-to-start-a-business.html>

² Source: Masterclass 2021. Available at <https://www.masterclass.com/articles/how-to-create-a-unique-selling-proposition-for-Your-business>

³ Entrepreneur.com, 2020, Chris Porteous, CEO. Available at <https://www.entrepreneur.com/article/346713>

⁴ Harvard Business Review, 2021, April Rinne, World Economic Forum Oneng Global Leader and ranked one of the "50 Leading Female Futurists" in the world by Forbes. Available at <https://hbr.org/2021/09/a-futurists-guide-to-preparing-Your-company-for-constant-change>

⁵ Source: The Venture Capital Secret: 3 Out of 4 Start-Ups Fail. The Wall Street Journal, September 20 2012. Available at <https://www.wsj.com/articles/SB10000872396390443720204578004980476429190>

STEP ONE: Laying the Groundwork

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 the initial budget needs to account for what could be expensive high-end servers and networking hardware, alongside typical expenditures. It's integral that you know how much money is required to start your business, and how that money will be acquired before moving forward.

Generally, there are two types of expenditures that you need to take into consideration when starting a business: assets and expenses. They are segregated in this way because only the latter is tax-deductible. A company's expenses include spending on payroll, consulting, food, and legal matters. Assets, meanwhile, are comprised of everything else.⁶

A VPS hosting firm's assets include:

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

A VPS hosting firm's expenses include:

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

It is always good practice for any business to have a cushion for expenses during downtimes. It is often recommended to have at least 6 months of expenses set aside, however that depends on your business and situation.

There are a variety of schools of thought on this. For example, Senator Elizabeth Warren's 50/30/20 Rule breaks expenses down into three categories: Costs that don't change (fixed), Discretionary money, and Financial goals. You could also use the method developed by famed financial advisor Dave Ramsey, where you only use specific categories and use a very specific percentage to allot for each category.⁷

⁶ Source: Investopedia 2021. Available at <https://www.investopedia.com/articles/pf/09/business-startup-costs.asp>

⁷ Source: Investopedia 2021. Available at: <https://www.investopedia.com/articles/personal-finance/040915/how-much-cash-should-i-keep-bank.asp>

STEP ONE: Laying the Groundwork

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 may include:⁸

- Crowdfunding
- 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 vendors and inquire about a reseller plan
- Committing to a major client or supplier

Permits, Licensing, and Law

One of the last steps 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 can be used to identify the licenses necessary to operate.⁹

Finding a reliable provider / Trusted partner

While looking into licenses, it is highly recommended that you become familiar with the legal climate of the host country. There are privacy laws for different territories. While Canada has PIPEDA, and Europe has GDPR, there is not one overarching law for the U.S. Instead, it is a mix of federal and state laws.¹⁰

Finding an experienced hosting partner who is already familiar with the laws is a great first step, but not an excuse to not know the law. Research privacy law, along with any

legal regulations related to security and data ownership.

⁸ Source: Forbes.com 2019, Richard Harroch, Managing Director and Global Head of M&A for VantagePoint Capital Partners. Available at, <https://www.forbes.com/sites/allbusiness/2019/12/22/startup-financing-key-options/?sh=42e4c7f02a84>

⁹ Source: U.S. Small Business Administration. Available at, <https://www.sba.gov/business-guide/launch-one-business/apply-licenses-permits>

¹⁰ Source: ICLG.com, a leading global platform for legal reference, analysis and news. Available at, <https://iclg.com/practice-areas/data-protection-laws-and-regulations/usa>

STEP TWO

Building a team



Supervised IT



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 undertake constant monitoring and 24/7 support.

To Hire Or To Outsource?

It is great to build a company and culture, however many small and mid-sized businesses cannot necessarily afford catered lunches, let alone healthcare, for their employees. Often it is more pragmatic to outsource specific duties.

We are living in a global marketplace and there are a variety of services that have popped up around the globe that specialize in outsourcing. Many of them offer industry-specific services (i.e. e-commerce, medical, etc.), while others offer work-specific services (i.e. virtual assistants, graphic design).

If you are thinking about outsourcing, here are some considerations:¹¹

- Perform a cost-benefit analysis to determine if it makes financial sense to outsource rather than to hire an in-house employee
- Outsource tasks when an outside party can fill a knowledge gap within the company
- Never outsource tasks related to the company's competitive advantage
- Keep control of essential business functions
- Consider outsourcing in areas where one lacks expertise

For established, larger, companies that already have many resources in place, it's preferable to handle most things in-house. However, for start-ups and smaller companies who have limited finances, outsourcing can be a smart investment.¹²

The Hiring Process

An employee is a fixed cost that can be a big challenge for a small business with fluctuating revenues. 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.¹³

¹¹ Source: Business News Daily, Bennett Conlin. Available at, <https://www.businessnewsdaily.com/7004-employee-outsourcing-tips.html>

¹² Source: Business News Daily, Bennett Conlin. Available at, <https://www.businessnewsdaily.com/7004-employee-outsourcing-tips.html>

¹³ Source: Northwestern University. Available at, <https://www.northwestern.edu/hr/about/news/february-2019/the-cost-of-a-bad-hire.html>

STEP TWO: Building a Team

It is thus important that whoever is responsible for hiring is:¹⁴

- Strategic and analytical
- A superb communicator
- A proficient problem solver
- Develops a list of relevant, situational questions
- Can judge when to hire and when to outsource
- An expert in the company's industry, and a strong leader
- 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
- Is capable of taking stock of potential employees based on mannerisms and attitude
- Knows exactly which positions need to be filled, and the complete responsibilities of each

Maintaining An Open HR Policy¹⁵

Effective HR requires inclusivity. People are different and have different values and ways to communicate and will not always get along. An open-door approach allows employees to talk about job and personal concerns with senior executives when they do not feel comfortable approaching their immediate supervisors. Often, the supervisor may be part of the concern.



The benefits of an open-door policy include:

- Making management accessible
- Boosting employee morale
- Promoting healthy discussions
- Improving professional relationships
- Preventing harassment and discrimination

One of the most important hires is the HR manager. Be certain that the person you hire fits well into the company culture as they will likely be the first point of contact for all employees.

¹⁴ Source: The Predictive Index. Available at, <https://www.predictiveindex.com/blog/how-to-hire-a-top-performing-human-resources-manager/>

¹⁵ Source: Indeed.com. Available at, <https://www.indeed.com/career-advice/career-development/implement-open-door-policy>

STEP THREE

Developing The Backend



STEP THREE: Developing The Backend

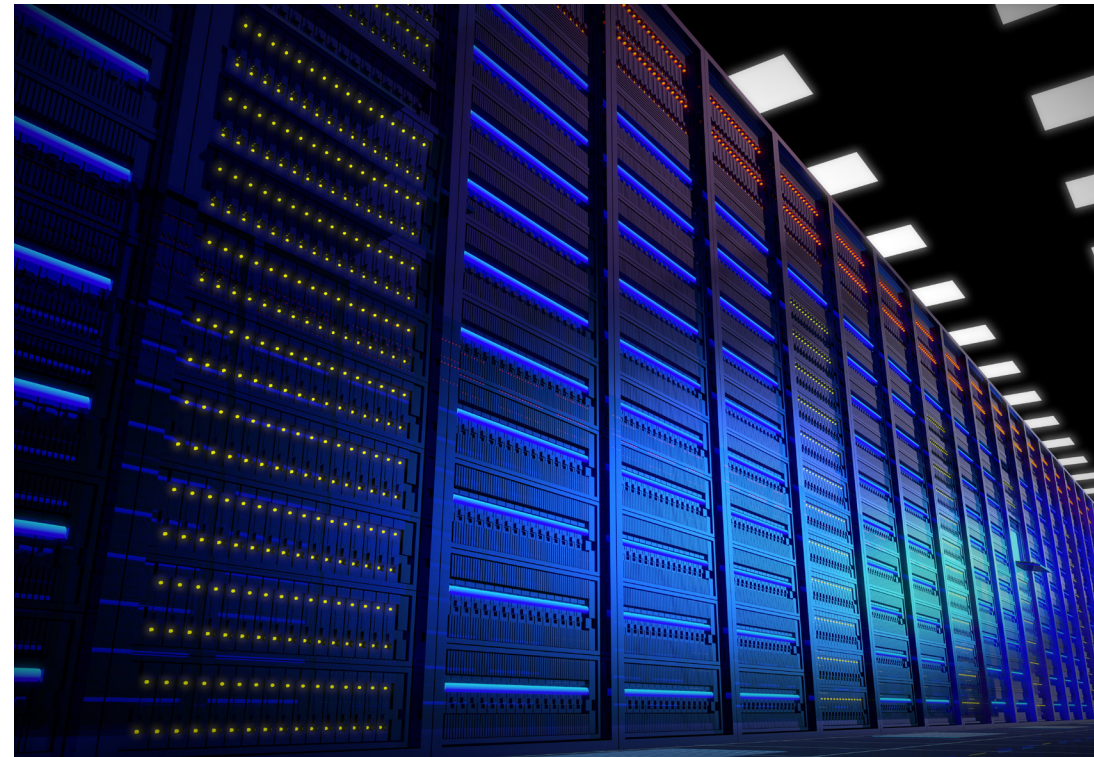
With your team assembled and the business plan established, the next step is to begin working on the details of the firm's backend. Four elements need to be taken into account: location, hardware, software, and network

Location

The physical site—ideally a [Tier 3 or 4 data center](#)—should offer:

- A stable local network, with redundancies built-in
- [Lightning fast connection speeds](#) of 10, 20, 40 or 100 Gbps
- Reliable power and redundancy (i.e. backup generators on-site, server clustering)
- Access to several high quality carriers and vendors
- Low fees for electrical, site rental, water, and networking
- [Close proximity to your target market](#) or an Internet exchange
- A well-maintained facility with dedicated support staff and security, operated by a host with a history of trustworthy behavior and expertise in the industry.

Unfortunately, the real world is rarely so ideal. You will need to be open to paying a premium to get all of these services bundled - or consider partnering with a specific vendor or host in exchange for stability, reliability, or proximity to your clients. A VPS firm should never sacrifice stability or reliability.



STEP THREE: Developing The Backend

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, storage speed (NVMe or SSD) 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. You must know your client's requirements before signing them on.
- **Client Base:** Ensure that resources are not over-sold on a single VPS node.
- **Price Range:** How much can be spent on hardware?

Here are some examples of how businesses of different sizes setup their hardware:

Components	Small Business	Medium Business	Large business
Dual Intel Xeon E5-2620v4	Intel Xeon E-2236 (6 cores)	AMD Ryzen 3950X (16 cores)	2x AMD EPYC 7642 (96 cores)
Memory (RAM)	64 GB	128 GB	128 GB
Storage (NVMe or SSD)	500 GB SSD	1 TB SSD	1 TB NVMe
Network Speed (Gbps)	10 Gbps	10 Gbps	20 Gbps
Bandwidth	20 TB / Month	100 TB / Monthly	Unmetered
Data Center Location	Los Angeles, USA (West)	Montreal, Canada (East)	New York Metro, USA (East)
Monthly Cost	View Current Pricing	View Current Pricing	View Current Pricing

STEP THREE: Developing The Backend

Software Requirements and Installation

More so than hardware, a VPS firm's software forms the backbone of its 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 to manage their VPS infrastructure:

- **A Backend Control Panel**
Possible choices include SolusVM, Proxmox, Virtualizor, or VMManager.
- **Virtualization Software**
Possible choices include KVM, Virtuozzo, OpenVZ, VMWare, or Hyper-V.
- **Automated Backup**
Possible choices include Bacula4Hosts, R1Soft, or Acronis.

To manage front-end services with and for customers, you will need:

- **A Frontend Control Panel/Order/Billing Manager**
Possible choices include WHMCS, Clientexec, or Ubersmith.

The Network

The last thing required in developing the backend is setting up the network on which the hardware is hosted. If that network is slow or unreliable, it doesn't matter how good the hardware is, your clients are not going to be able to access services as intended. It is important to ensure that your network is stable, secure, and powerful.

There are a few things you will have to do to accomplish this:

- [Provision bandwidth](#) based on the number of clients you have and how much you expect each of them will need. A recommended starting point would be 10 GB per month.
- Make [data transfer paths](#) as redundant as possible. The more paths data can take when being sent and received, the more reliable the 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**.
- The business will need enterprise-grade VPS nodes for the server to run effectively.

Setting up the backbone of your VPS business is critically important. If you are new to this, [setup a free consultation](#) with one of our experienced account managers. We'll get you on the right track!

STEP FOUR

Preparing for Launch



STEP FOUR: Preparing for Launch

With the backend and organizational structure of the firm established, the next step is to prepare to launch. Your prospective customers will be looking online for a provider and you will want to put your best foot forward to make a great first impression. For this, two factors are necessary: an excellent ToS (Terms of Service) and an SLA document (Service Level Agreement). Should a host fail to provide either of these, the majority of its prospective clients will likely choose to 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 interest 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.¹⁶

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:¹⁷

- Service Rates
- Payments/Fees
- Disputes
- Nonpayment
- How violations of the law will be handled
- How security concerns will be dealt with
- The limitations of the support contract
- Privacy/Data Ownership - how data is collected, who owns hosted data

It should be established in explicit detail what constitutes acceptable use of your 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 with this.

¹⁶ Source: Service-Level Agreement. Techtargget. Available at <http://searchitchannel.techtargget.com/definition/service-level-agreement>

¹⁷ Source: Privacy Policies 2020, Jennifer Laird, Legal Writer. Available at, <https://www.privacypolicies.com/blog/how-to-write-terms-conditions/>

STEP FOUR: Preparing for Launch

Designing A Service-Level Agreement: ¹⁸

Lay out exactly what services are provided to the client, and the conditions 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.

Marketing Your Services

Generalized vs Niche ¹⁹

With the proliferation of online businesses, it can be very difficult to run a generalized business these days. The trend is moving more and more towards niche marketing where you can find specific segments in markets that require your service or segments that you may already operate in.

If, for example, you run a film production company and are part of a larger community that shares and streams films, you

may consider starting your own VPS company so that you can offer streaming services to the people within your community. This business approach can create additional revenue streams by offering a service specific to your niche.

This approach can work for any industry, including gaming, marketing, IT. It may make sense to find a niche, or sub-niche to dominate.



¹⁸ Source: Implementing Service Level Agreements - IT Service Desk. Giva. Available at http://www.givainc.com/wp/implementing-service-level-agreements-it-service-desk.cfm?c=wp_hd

¹⁹ Source: How to find your business niche 2021, Business News Daily by Skye Schooley. Available at <https://www.businessnewsdaily.com/6748-business-niche-characteristics.html>

STEP FOUR: Preparing for Launch

Company website²⁰

Your number one tool for selling your service is your website. It must be professional, well designed, and build value for the reader. Your content should include all relevant SEO keywords and phrases that you want to rank for in search engines. It should also include a landing page for each of your services. A landing page is a subtle sales pitch for your service and includes many of the elements designed to convert prospects into clients. Some of these include:

- A benefit-focused headline
- An image that represents the headline
- Emotive, compelling copy
- Structured content using headers, bullets and visual cues
- Clear calls to action (lead magnets, free consultation bookings, anything that will move the prospect to take an action on your page)

Digital Marketing

By adding relevant SEO-enabled content to your site each week and adding pixels and trackers, you can develop a sales funnel that will constantly bring in new leads.²¹



²⁰ Source: The Ultimate Guide to a Landing Page, Hubspot.com. Available at: <https://blog.hubspot.com/marketing/landing-page-best-practices>

²¹ Source: Guide to Building a Sales Funnel, Business New Daily, 2021, David Gargaro. Available at, <https://www.businessnewsdaily.com/15989-how-to-build-a-sales-funnel.html>

STEP FIVE

Testing



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



STEP SIX: The Long-Awaited Launch

Marketing is more than simply launching a website and running a few digital ads. It should be looked at as a holistic process involving branding, promotion, products, services, pricing, research, advertising, blogs, et al. By concentrating your marketing efforts across multiple platforms repeatedly, and constantly refining these efforts as you go, you will eventually find a successful marketing mix^{22,23}

- **Start by putting together an organized plan.** Create themes and content pillars around your offering.
- **Set up a blog** and publish regular content on the business's site each week: Make your site a resource for people who want to know more about hosting. They will come to your site to read the company blog - and may leave as clients.
- **Write a newsletter:** Similarly to writing a blog, writing a newsletter and sending it out consistently, can make your business a resource - and an authority in the industry.
- **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 will be happier to do business with.
- **Pay for advertising:** Learn how to use Google and Facebook ads. Once you understand how they work, you can use them to focus on your target audience.
- **Claim your Google Business online.** Not only will this help your SEO efforts, but it allows you to proactively control what people see or read about the business when they Google it.
- **Network:** Attend trade shows, local Chamber events and other opportunities. If there's ever a chance to attend a tech or web hosting summit/conference, do so.
- **Send out press releases:** Keep the industry updated on what the business is doing - publish regular press releases to a site like PRwire, or directly to publications within your trade.²⁴
- **Make use of reviews/testimonials:** A positive review is one of the most powerful marketing tools in any business' arsenal. Make use of them wherever possible.²⁵
- **Host live events and webinars:** Again, customers like knowing about the people behind the business and if you can offer some value, it will provide the business with further exposure to prospective clients.
- **Understand the power of sales and giveaways:** Few things inspire people to sign up like free (or almost free) products/ services, consider giving away a couple of free months at the end of each term in return for loyalty.
- **Offer amazing service:** Never underestimate the power of great customer service. Always make a point to go above and beyond for your clients, people are going to start talking about it.

²² Source: Forbes.com 2018, Elizabeth Pritchett, Sales and Marketing Director at Center Point Business Solutions. Available at, <https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2018/01/23/small-business-marketing-101/?sh=784b6345ff22>

²³ Source: NeilPatel.com, 20 Uncommon Marketing Strategies That'll Kick Start Oner Startup. Available at, <https://neilpatel.com/blog/startup-marketing-strategies/>

²⁴ Source: Forbes.com, Lilach Bulloch. Available at, <https://www.forbes.com/sites/lilachbulloch/2019/04/12/how-to-write-a-press-release-for-Oner-small-business/?sh=3069de074adf>

²⁵ Source: Business2community.com. Available at, <https://www.business2community.com/customer-experience/what-is-a-customer-testimonial-how-to-create-one-02255772>

STEP SIX: The Long-Awaited Launch

Some Final Advice

- Do not oversell your resources by provisioning too many VM's on a single VPS node. This can overutilize the hardware and hurt your credibility if 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 indicators of forthcoming troubles. Always remain astute of these things.
- Don't ever think you know everything there is to know about business or hosting. Many of the world's greatest business leaders are constantly learning and innovating.²⁶

²⁶ Source: Business Insider.com, Susan Hawkes, CEO and founder of YESS! Available at, <https://www.businessinsider.com/lifelong-learner-secret-success-learn-what-kind-you-are-2019-12>

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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