

2013 State of Cloud Backup: MSPs Missing the Mark



intronis

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The State of the Cloud

Solution providers continue to miss a significant opportunity to protect their clients and boost their bottom lines with cloud-based backup and recovery services, according to the new *State of Cloud Backup* survey from channel consulting and research firm The 2112 Group and *Business Solutions Magazine* on behalf of cloud backup provider Intronis.

The research from our survey of 350 respondents in the information technology services industry finds 44 percent of technology firms depend on breaches, downtime and client concerns about unprotected data rather than taking a proactive approach to marketing and selling cloud backup before disaster strikes. The disconnect is largely due to the continued resistance solution providers face from end users regarding cloud-based backup systems, which are encapsulated in concerns about data security and integrity, bandwidth and connectivity limitations, and recurring costs.

Despite that shortcoming, business continuity and data recovery (BCDR) remains a top seller for the majority of solution providers polled. More importantly, the data reveals the more a partner relies on backup and recovery services as a component of its overall services practice, the more optimistic it is about future revenues and business growth.

This report, based on exclusive research, examines the ways in which solution providers have integrated cloud-based backup and recovery into their offerings and the effect these BCDR solutions have on overall business performance. It also looks at the ways MSPs can learn from peer experience to circumvent common obstacles and energize cloud BCDR practices.

FROM THE SURVEY:

44% Forty-four percent of technology firms depend on breaches, downtime and fears of disruption to sell cloud backup services.

56% Backup and recovery is the bestselling cloud service for 56 percent of respondents.

36% More than a third of partners that choose BCDR as a top seller predict their growth will be 21 percent or higher next year.

30% Nearly a third of all data stored in the cloud is made up of backup and recovery files.

61% Sixty-one percent of partners use either private cloud or hybrid systems to power their BCDR offerings.

25% A quarter of solution providers use hybrid infrastructures to overcome client resistance to cloud BCDR.

54% More than half of clients move backup to the cloud for increased system reliability and improved data protection.

27% Twenty-seven percent of partners say lowering costs is a top motivator for cloud BCDR engagements.

The **Growing Opportunity** in **Cloud Backup**

To gauge the impact of attitudes related to cloud backup and recovery in the channel, it is important to understand the impact this technology has on the industry and the reasons for BCDR's notable adoption growth.

With each highly publicized natural disaster, security breach and corporate data loss, the premium placed on reliable and effective BCDR grows. IT services professionals no longer

see BCDR as an adjunct offering or low-value exercise, but rather as an integral part of overall client services.

Backup and recovery services — particularly cloud-based backup — have become a cornerstone for IT services sales. Cloud and backup services are already in the MSP lexicon. Backup-as-a-service has evolved into one of the channel's stickiest protracted engagements. Backup requires constant monitoring, management, refinement and support. End users who sign up for backup services are increasingly likely to renew and expand their utilization, which increases recurring revenue for the provider.

Solution providers delivering backup-as-a-service also leverage deep insight into their clients' data generation, application usage and infrastructure utilization trends to identify broader IT needs and create stickiness and customer loyalty as springboards to sales and elevated channel value.

15,000 ... hard disk drives fail every day.

94% ... of companies that suffer a catastrophic data loss without backup will go out of business within two years.

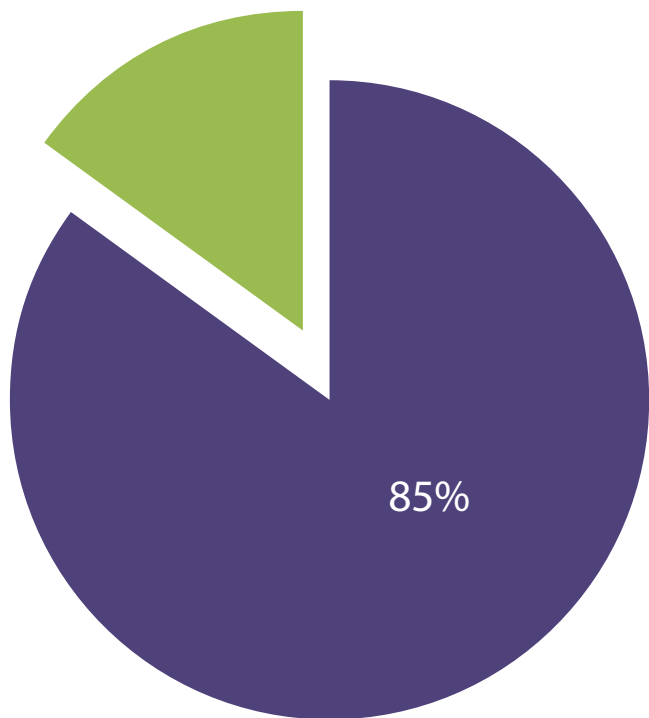
77% ... of businesses have data flaws that could impede recovery.

96% ... of PCs are not adequately backed up.

Source: Pricewaterhouse Coopers

Leading the Way

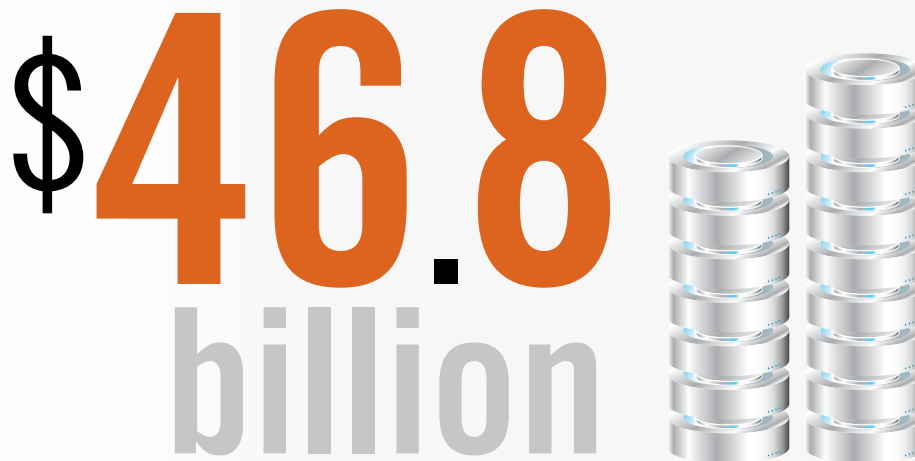
More than 85 percent of channel partners report having cloud-based products and services implemented or in development. Of those, more than 60 percent say they offer cloud-based backup and recovery.



Source: Cloud & Technology Transformation Alliance

Thanks to the cloud, there are more avenues for solution providers to create unique and intricate services bundles that build on backup and recovery portfolios. Cloud backup is a valuable sales element in an MSP's arsenal — a solid base for upsell opportunities — if it is managed properly.

Stellar Storage Stats



The cloud storage market, inclusive of backup and recovery, will reach \$46.8 billion by 2018 at a CAGR of 40.2 percent.

Source: MarketsandMarkets

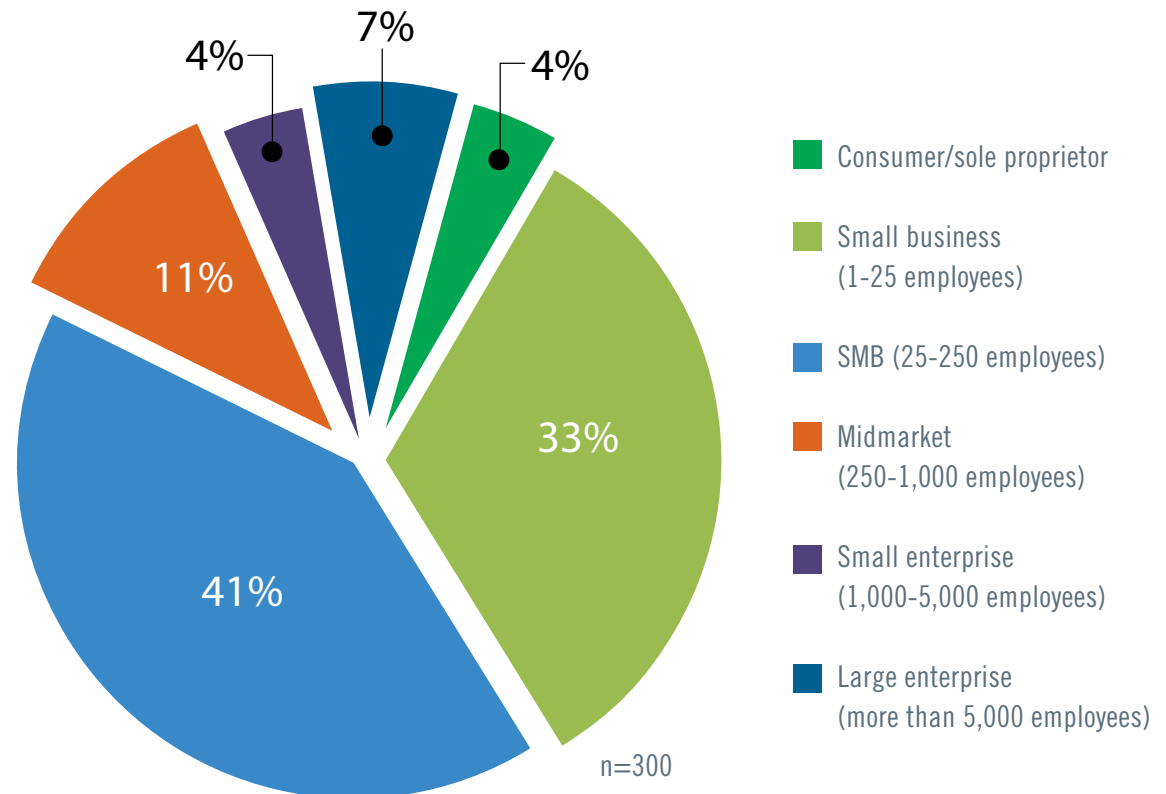
Intronis and The 2112 Group sought to identify the trends and habits of solution and service providers navigating this fertile and important market. The *State of Cloud Backup* survey polled 350 IT channel participants on issues related to the sales and implementation of cloud-based BCDR systems and correlated these trends with the respondents' business and financial data to determine how well the channel is addressing the growing need for backup services.

Understanding Cloud Backup Resellers and Buyers

The Intronis and The 2112 Group *State of Cloud Backup* survey supports a broader industry observation of increased BCDR uptake among small and midsized businesses. Seventy-three percent of IT businesses of all sizes surveyed say they target their BCDR efforts at SMBs with one to 250 employees (see Fig. 1). Forty-one percent of those have a laser focus on the SMB segment of organizations with 25 to 250 employees.

Data supports the assertion that SMBs are increasingly interested in safeguarding their data, something that has been common in large enterprises for more than a decade. A heightened awareness of the pitfalls of organizational data loss coupled with improved cloud-based BCDR offerings that reduce capital investment requirements have SMBs seeking advanced data protection solutions at lower price points and with reduced recurring maintenance requirements.

Figure 1
Which type of business makes up at least 30 percent of your BCDR revenue?



SMB is a Hot Space

5% SMBs that employ backup-as-a-service, remote backup or online backup services from an MSP

38% Share of SMBs that plan to employ these same services within two years

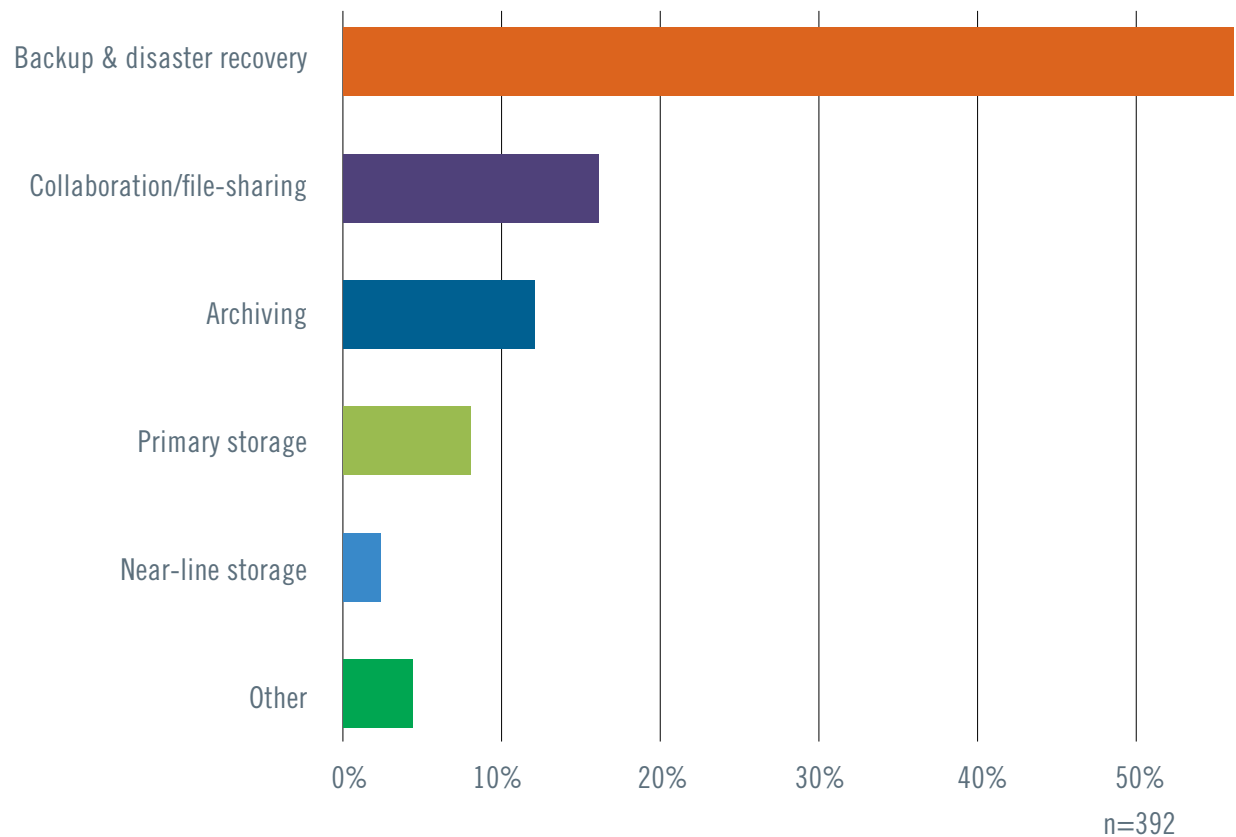
660% Growth rate of cloud-based, managed BCDR services for SMBs

Source: Forrester

This has made cloud BCDR a significant driver of growth and profitability among the IT services organizations polled. Backup and recovery is the favorite cloud service among the resellers, with 56 percent saying it is their company's bestseller (*see Fig. 2*).

Figure 2

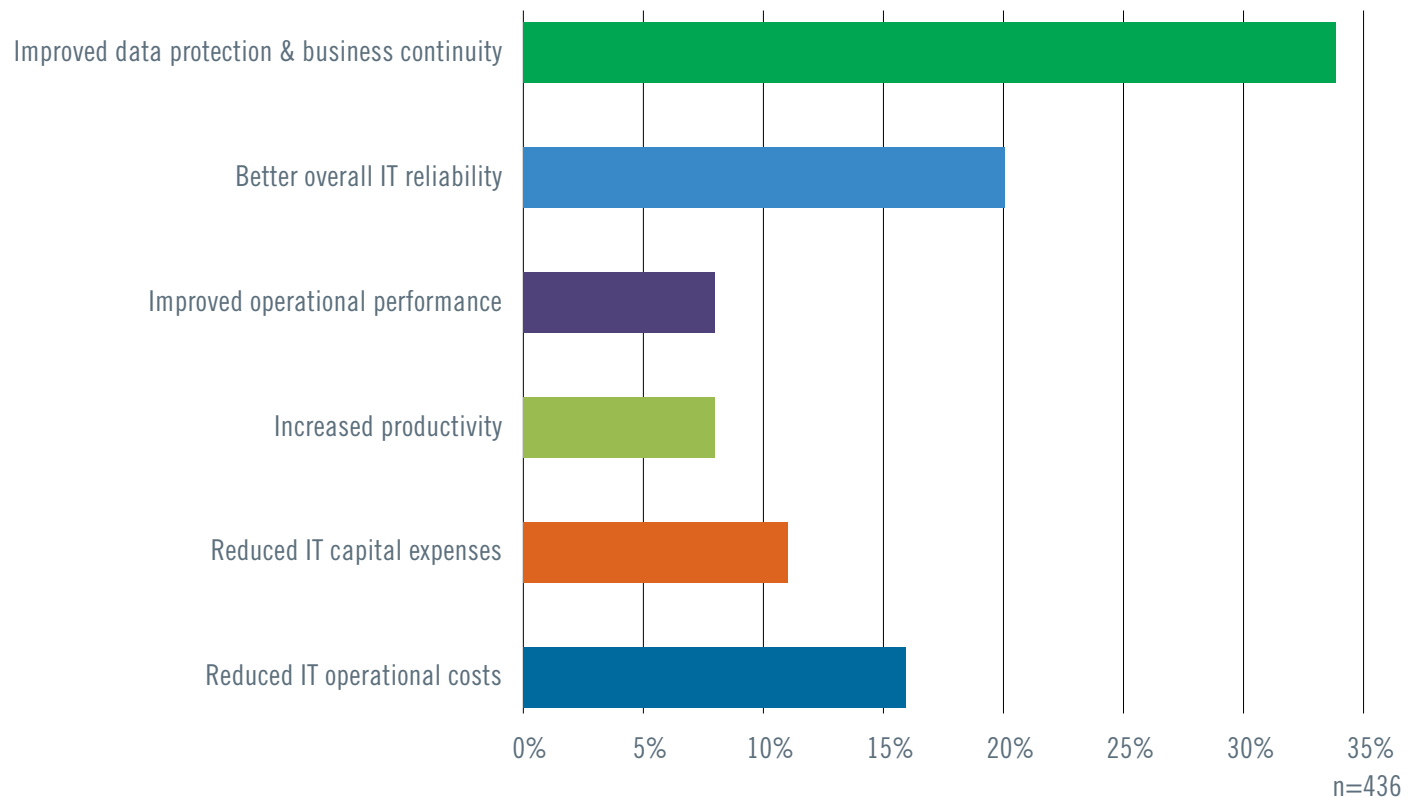
Which cloud-based storage offerings are bestsellers for your company?



The reasons behind the stellar adoption of BCDR in smaller organizations are equally important. The 2112 Group survey data shows more than a third of those polled (34 percent) say SMB buyers are adopting cloud-based BCDR to improve data protection and business continuity, while 20 percent

expect the technology to improve the reliability of their IT systems overall (see Fig. 3). That said, price remains a factor: 27 percent of respondents point to reduced CAPEX and/or operational costs related to IT as a primary motivator for purchasing cloud BCDR services.

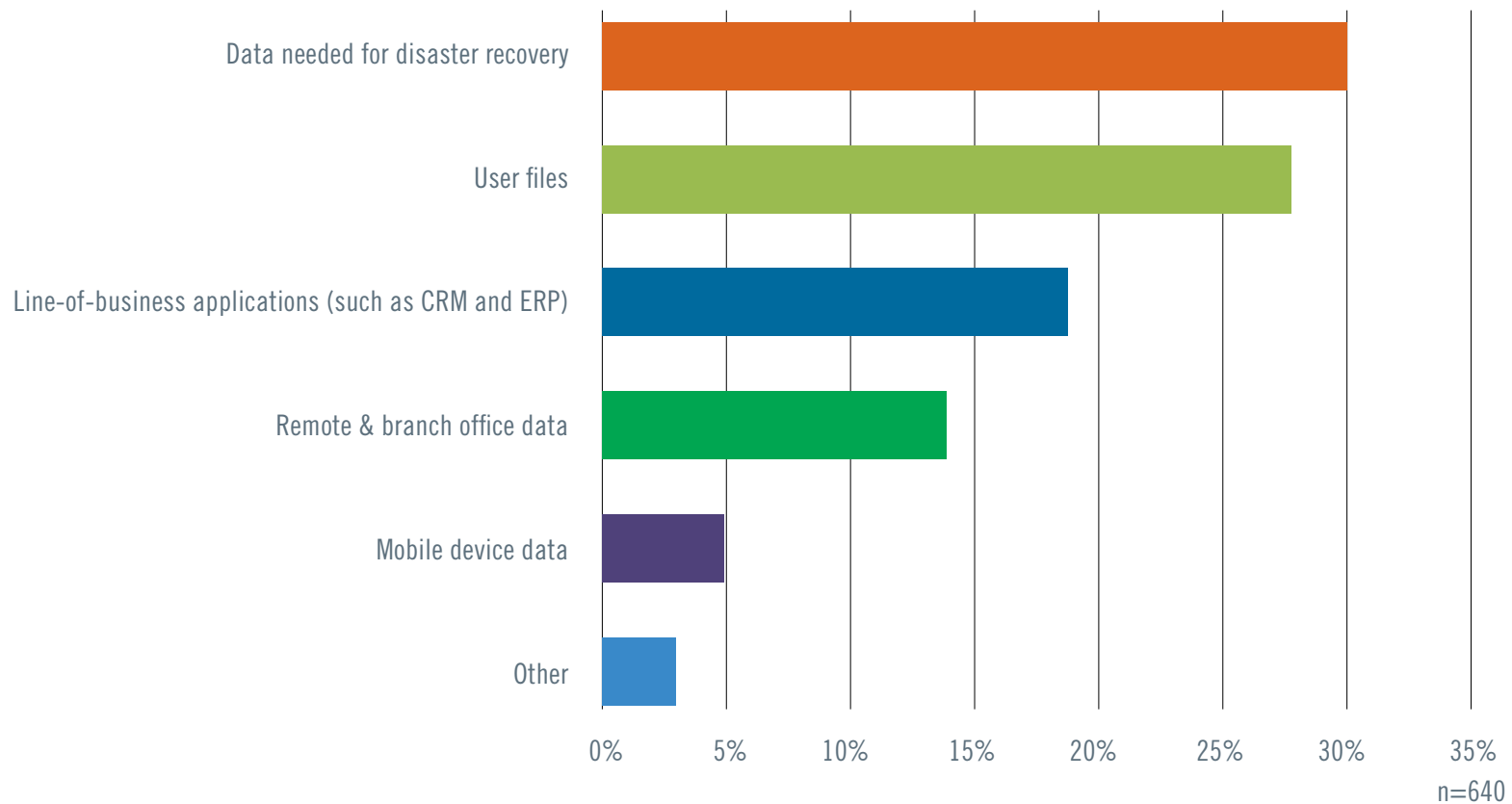
Figure 3
Customers' primary motivations for adopting cloud-enabled backup and recovery



Further evidence of the burgeoning interest in cloud BCDR among prime SMB customers is the typical uses for the technology at a preponderance of the respondents' client organizations. According to the survey, nearly one-third

(30 percent) of all data stored in the cloud is made up of files used for backup and recovery (see Fig. 4), followed by user files at 28 percent and line-of-business (LOB) applications at 19 percent.

Figure 4
What type of data are your clients storing in the cloud?



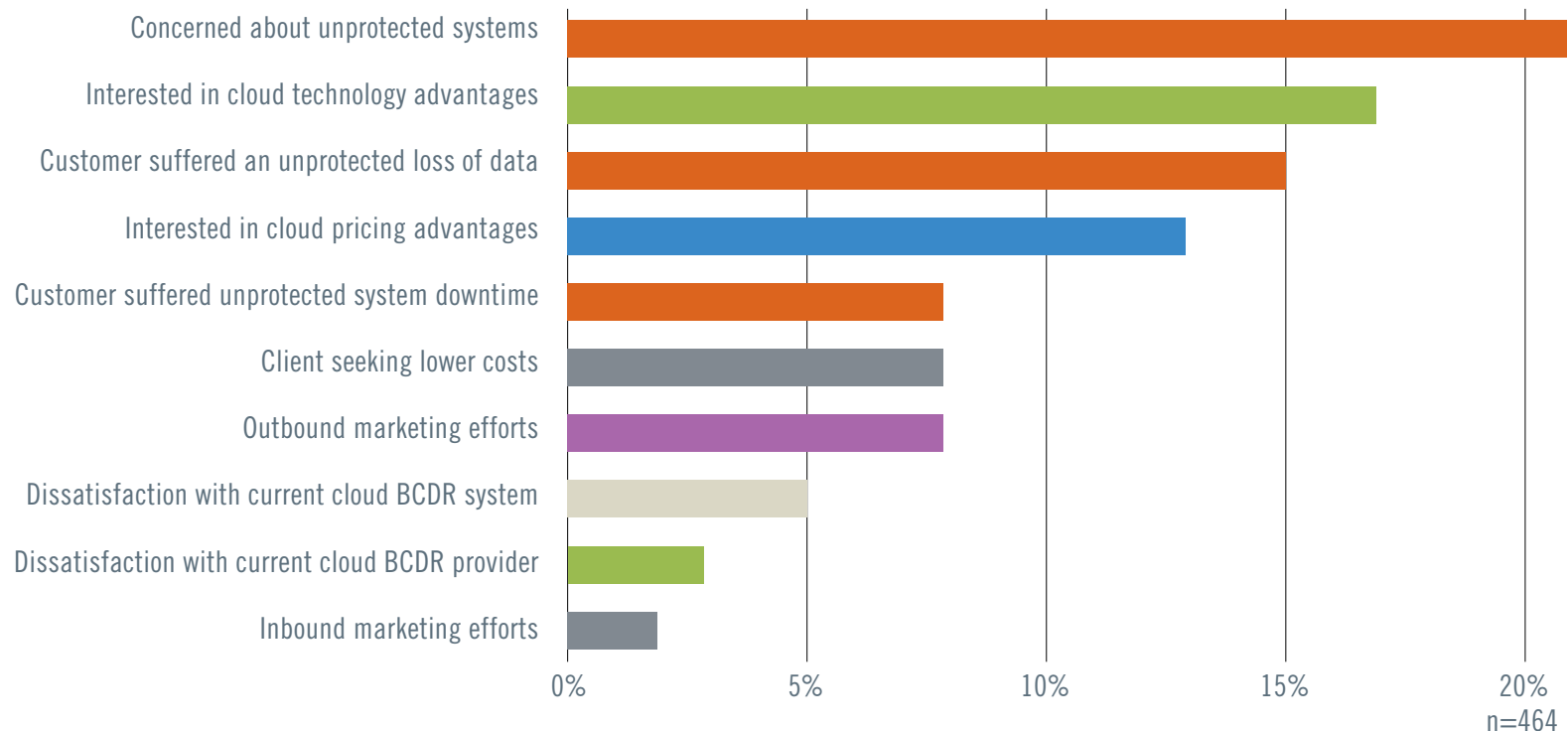
Energizing Cloud Backup Engagements

Despite the obvious traction MSPs and others see in the SMB cloud backup and recovery space, a disturbing number of respondents are mired in a reactive approach to BCDR sales.

Forty-four percent of technology firms responding to the *State of Cloud Backup* survey say they depend on security breaches and downtime or client concerns about unprotected

data to engage cloud backup clients (*see Fig. 5*). Inbound and outbound marketing efforts that take advantage of the growing interest in BCDR, particularly in the SMB segment, fare poorly as a driver for conversations that lead to sales of the technology.

Figure 5
What are the key initiations for new cloud backup conversations or sales?

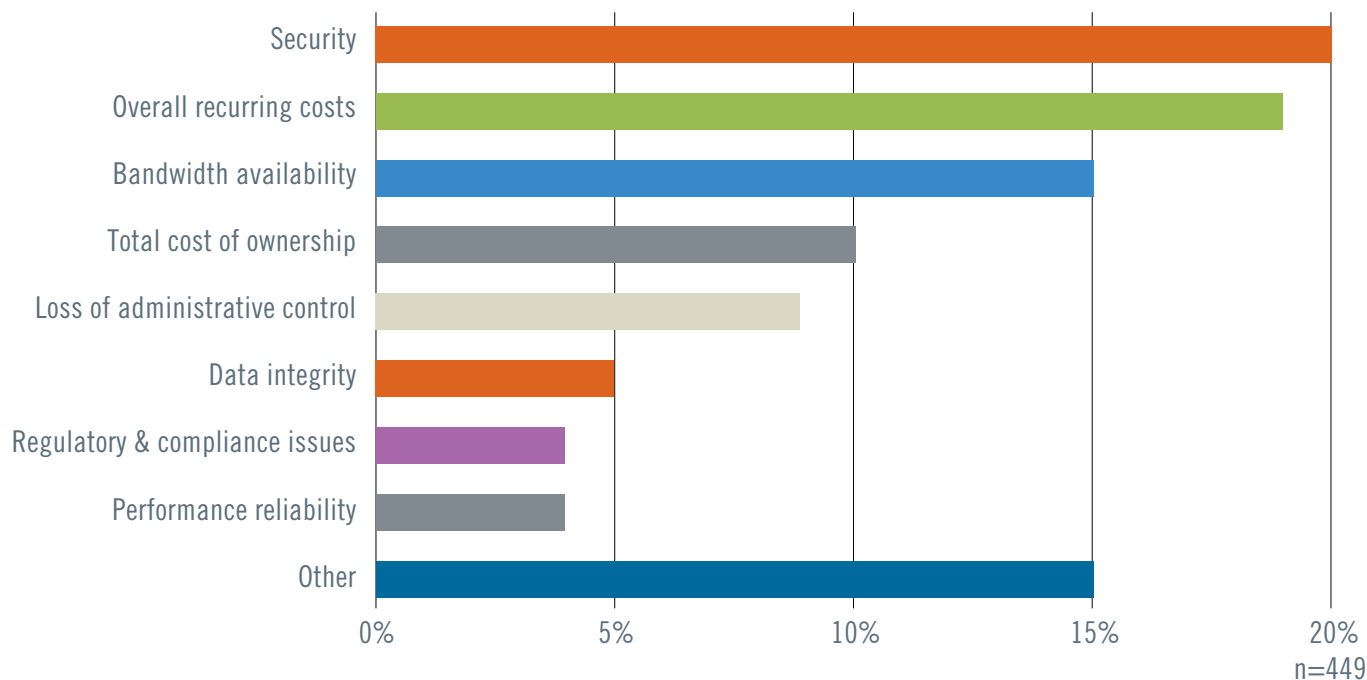


Part of the disconnect comes from the continued pushback service providers say they face when selling BCDR solutions, the *State of Cloud Backup* survey finds. Concerns about security and cost top the list of obstacles MSPs face in the cloud backup conversation.

Taken together, overall recurring costs and total cost of ownership top the list of BCDR sales obstacles, with 29

percent of survey respondents choosing them among the top two client concerns. Security and data integrity concerns are a close second at 25 percent, while bandwidth availability and loss of administrative control also play heavily on the minds of would-be cloud BCDR purveyors (see Fig. 6).

Figure 6
What are the chief concerns keeping your customers from adopting cloud backup solutions?



Successful solution providers address these concerns by pairing more secure and containable private cloud and customer-provided equipment (CPE) infrastructures with public cloud assets where appropriate to maximize value and control costs.

Fully one quarter of respondents say building and selling such hybrid cloud BCDR solutions are their top strategies for circumventing customer inertia and resistance over cloud backup. Another 25 percent (combined) turn to demonstrations of

security and reliability features, while 17 percent report offering trial engagements helps quell client reluctance (see Fig. 7).

Also interesting: the relatively small number (11 percent) of respondents that resort to discounting prices to ease client fears. While solution providers have traditionally complained about self-service “freemium” backup offerings such as Box and Dropbox limiting their ability to sell cloud BCDR, the impact of those ancillary solutions on the channel is waning.

Figure 7

How does your company most often overcome customer concerns about cloud backup and recovery?

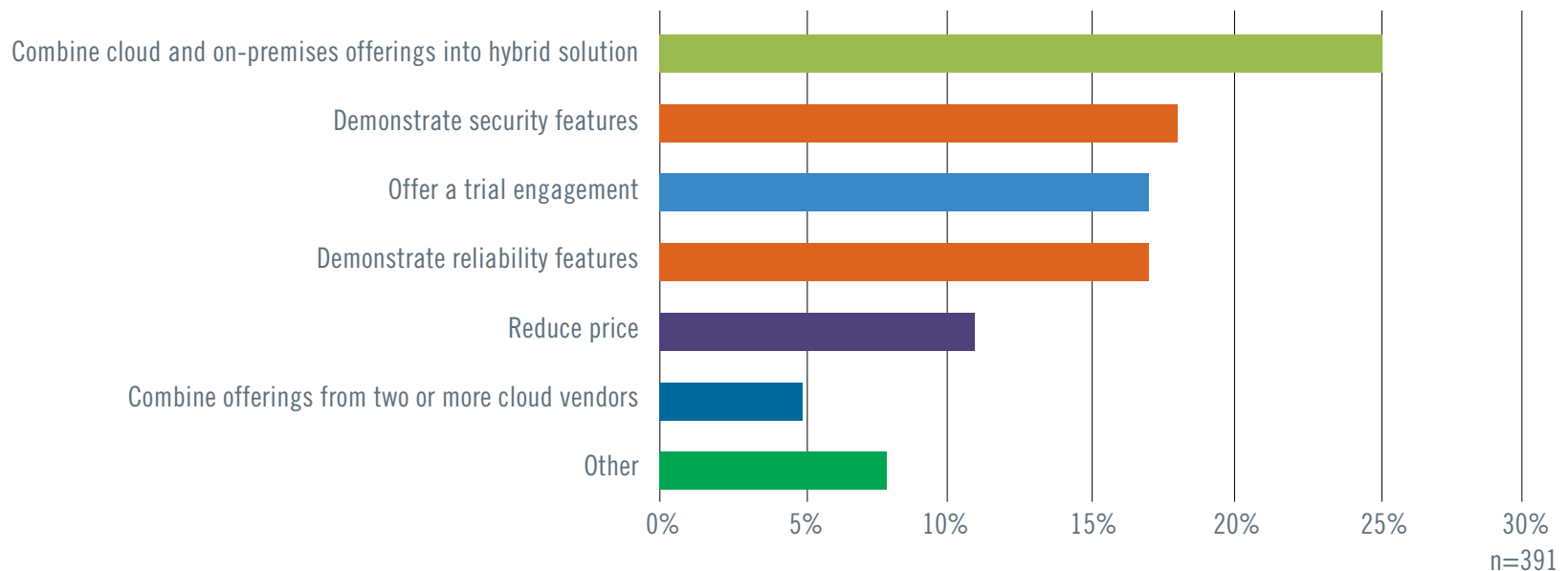
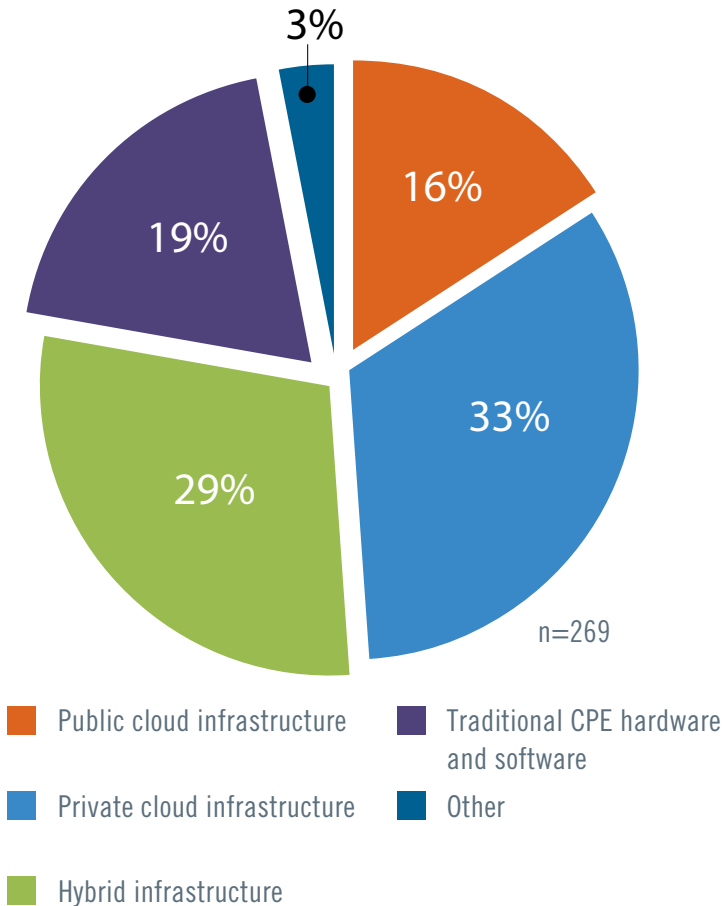


Figure 8
Describe your company's primary configuration for data backup and recovery services.



MSPs' desire to head-off obstacles related to client uptake of cloud backup is reflected in the makeup of their BCDR offerings, the 2112 study finds. A significant majority (62 percent) say they rely on private or hybrid infrastructures to support their BCDR practices, while only 16 percent go to market with public-infrastructure-based solutions only (see Fig. 8).

All told, 78 percent of backup services are at least partially cloud-based, while just 19 percent of those polled in the *State of Cloud Backup* survey remain adhered to traditional CPE infrastructures to power their BCDR offerings.

While financial findings are not the focus of the *State of Cloud Backup* survey, the research data indicates successful forays into cloud backup and recovery serve solution providers' business efforts well, making BCDR a real and sustainable driver for future growth.

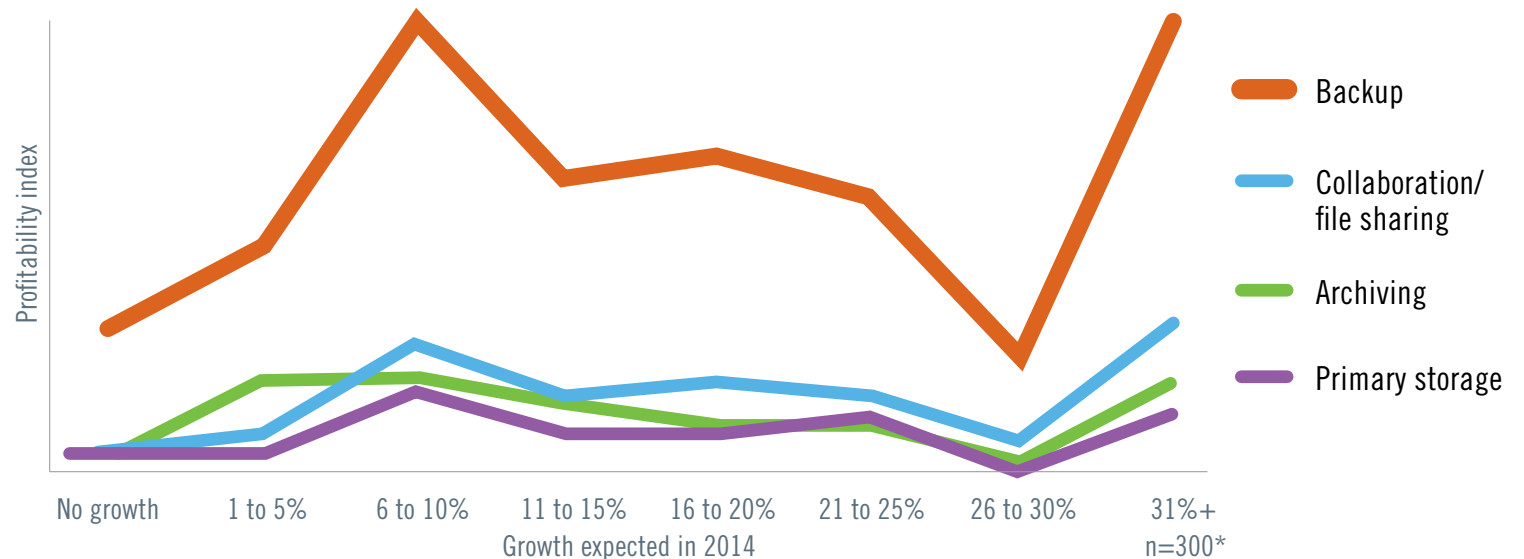
In terms of partner success, solution providers that name BCDR as the most successful element of their practices outpace the revenue performance of their peers. Thirty-six percent of those listing BCDR as a top seller also predict their 2014 revenue growth will be 21 percent or higher; 20 percent of BCDR champions pin their growth at 31 percent or higher as compared to the channel's average overall revenue growth of 17 percent. Adjusted for the relative number of respondents who selected each technology set, the data shows significant optimism for growth among BCDR resellers (*see Fig. 9*).

By way of comparison, 26 percent of those that selected primary storage as a top seller (the highest concentration for that technology) say they expect to grow at just 6 to 10 percent next year; 24 percent of those focused on file-sharing and collaboration have the same growth expectation; and 40 percent of cloud-archiving champions peg their 2014 growth at 10 percent or less.

The numbers reflect a justified optimism among partners with burgeoning backup and recovery practices and show those solution providers willing and able to address the technology's pain points are poised to reap the rewards of this fertile market space.

Figure 9
Profitability Factor

Calculated by the number of respondents who indicate anticipated growth per technology set multiplied by the percentage of those who indicate the technology is among their top two biggest sellers.



*Total responses differ per technology set and were factored into the coefficient for comparison. Number shown is the absolute total of responses considered.

Putting the **Data** into **Action**

The Intronis and 2112 Group *State of the Cloud Backup* survey illustrates not only the opportunity contained in managed BCDR solutions, but highlights the disconnects keeping partners from fully leveraging backup sales to fuel revenue and growth. While partners appear to understand the market and technology and are highly tuned to their clients' needs and trepidations concerning BCDR, they fall short in adjusting their sales and marketing efforts to meet the challenge.

The following simple, three-step process ensures a complete, effective and right-sized SMB BCDR offering that maximizes partner profit potential while delivering superior customer service.

1 **STEP ONE:** Assess client needs and capabilities

BCDR sales depend on a thorough assessment of clients' needs, including what data and systems are critical to the business and what kinds of continuity or recovery mechanisms are in place.

- » **Determine client policies and standards.** Partners need to understand the operating requirements and environment and map them to the customer's revenue-producing systems and regulatory requirements.
- » **Scrutinize existing systems.** Outdated or unreliable hardware, networking, storage, security, applications and bandwidth often cannot support adequate backup and recovery and should be replaced/optimized.
- » **Craft a business impact assessment (BIA).** This details jurisdiction and the order in which systems will be restored. The BIA is a valuable tool for selling long-term BCDR engagements.
- » **Deliver a comprehensive BCDR plan.** This comprehensive follow-up adds technical specifications, data recovery stratification mapping, testing schedules and contact trees.

2 STEP: TWO: Optimize the BCDR offering

Proactively make a case for the BCDR sale by completing the following:

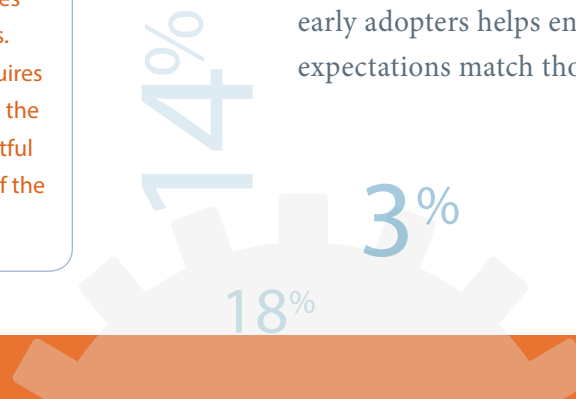
- » **State the value proposition.** This is defined not by the tools, but the inherent value in the plans, policies, processes and professional support being delivered in the BCDR engagement.
- » **Package the solution.** Solution providers must brand their products and services boldly to ensure customers identify with the brand and its unique value proposition.
- » **Complete contracts and SLAs.** With BCDR, performance is a contractual function expressed as recovery time objective (RTO), recovery point objective (RPO) and recovery granularity objective (RGO).

SMBs are moving to the cloud in record numbers, and BCDR services are poised to top the list of the most sought after hosted initiatives. But a solution provider's development of a new BCDR offering requires more than simply amassing technology assets and moving toward the sale. Use the information presented in this study to build a thoughtful business plan with SMB-optimized service to take full advantage of the opportunities available in this fertile and under served market.

3 STEP THREE: Develop an effective go-to-market strategy

To improve the odds of success, solution providers should follow this structured strategy:

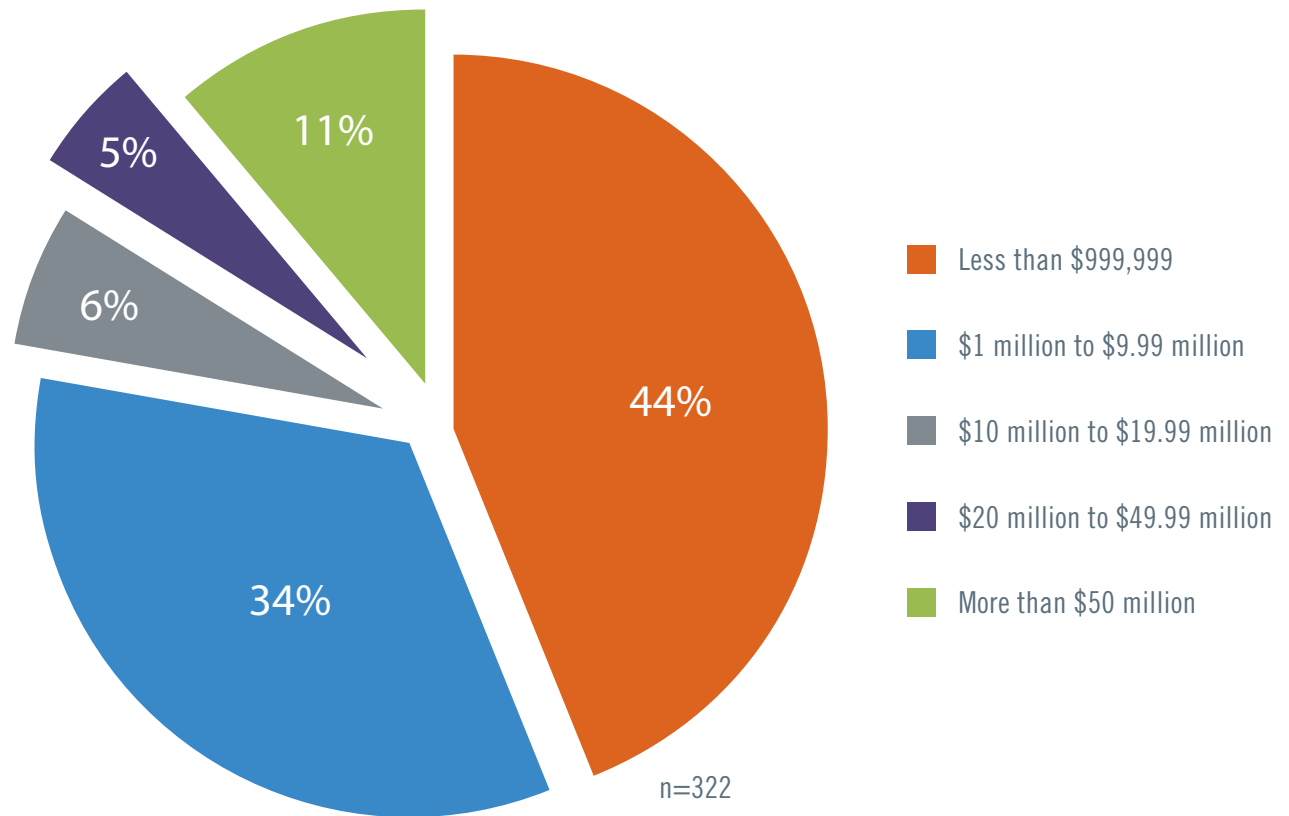
- » **Debut with a small, manageable number of BCDR offerings.** This gives the partner a chance to focus on customer segments and gain experience from repeatable implementations.
- » **Find early adopters.** Solution providers can use existing relationships and knowledge of their prime customers' business and systems to hone their BCDR offerings.
- » **Establish sales objectives.** Testing metrics such as leads, meetings and sales conversions helps the partner determine if the fledgling BCDR practice has sufficient revenue-generating potential.
- » **Field test and collect feedback.** Ongoing testing facilitates adjustments to the solution that enable adding accounts and increasing utilization rates. Feedback from early adopters helps ensure client perceptions and expectations match those of the partner.



About the Survey

This report presents the findings of an online survey conducted by the 2112 Group and *Business Solutions Magazine* in the U.S. among a sample of 350 respondents from the information technology services industry. Total responses are different from total respondents when questions allow for more than one answer. The response numbers shown are the basis for the percentage calculation. Respondents represented primarily managed services providers, value-added resellers, systems integrators and IT solutions vendors. This survey was conducted Sept. 5–20, 2013, and has a margin of error of +/- 5.2 percent.

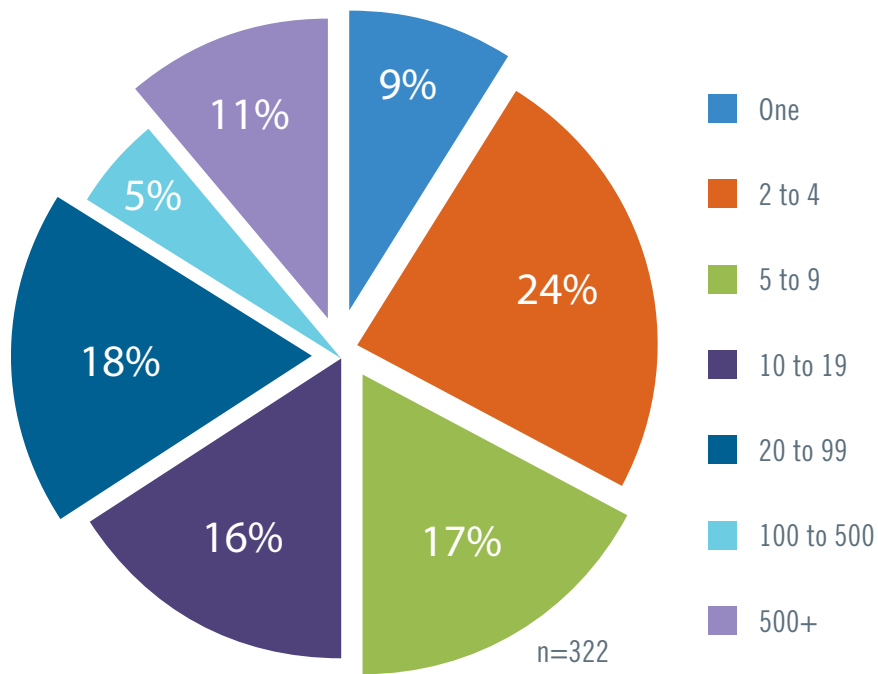
What was your total gross revenue for 2012?



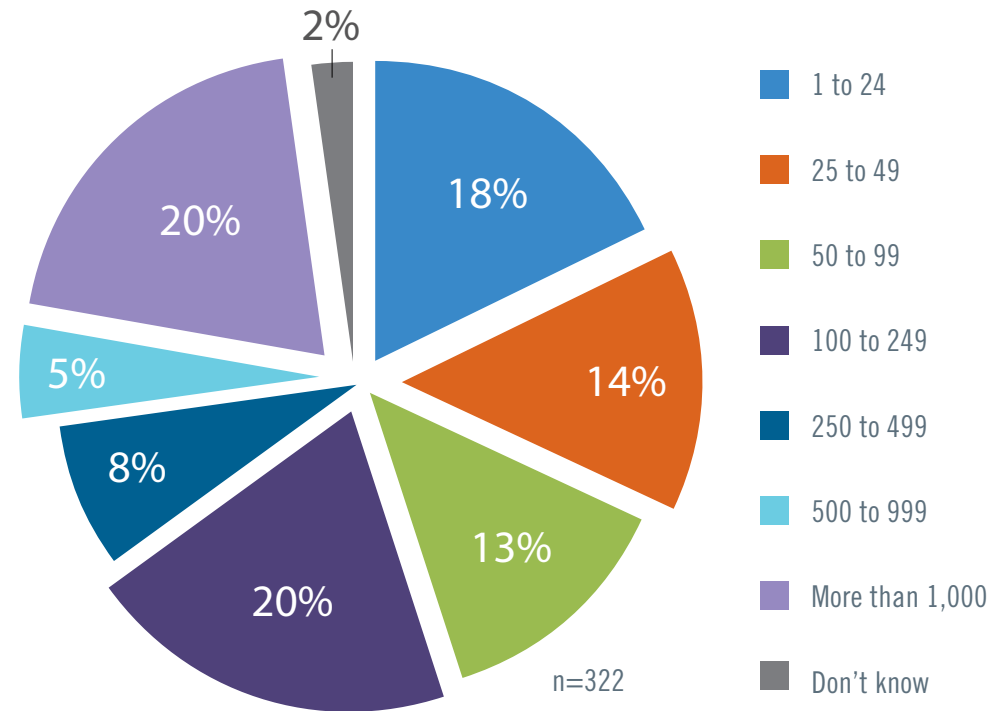
While smaller businesses made up the plurality of respondents, a solid one-third had revenues between \$1 million and \$9.99 million, and an impressive 11 percent took in more than \$50 million last year. The same percentage had in excess of 500 employees.

Client rosters match the SMB nature of respondent demographics with about one-quarter (20 percent) serving between 100 and 249 customers. Another 20 percent scales to 1,000 clients or more.

How many employees does your company have?



How many customers does your company currently serve?



About The 2112 Group

The 2112 Group is a business services firm focused on the strategy, growth and channel development of technology companies. Through a portfolio of forward-thinking products that leverage intelligence, we apply innovative solutions combining proprietary research, consulting, custom content, market analysis and training delivered by industry experts that approach each engagement according to the needs of our clients. By looking at the market from the viewpoint of a vendor as well as a partner, we are uniquely positioned to identify a go-to-market strategy that is mutually beneficial to all parties from both a channel and overall enterprise perspective. For more information, visit us at www.the2112group.com

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About Intronis

Intronis provides world-class data protection solutions for Small Businesses, delivered exclusively through the IT channel. The Intronis ECHOplatform securely protects physical and virtual data with native support for physical imaging, VMware, Hyper-V, Exchange, and SQL, all through a re-brandable central management console that integrates with major RMM and PSA tools. Offered with unlimited and fixed-fee storage pricing per SMB account, IT service providers are able to rapidly grow revenue and scale profit. Through Intronis ECHOshare, channel partners can easily expand their IT services portfolio to include tightly integrated business-grade file sync and share. Learn more at www.intronis.com.

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