

## Managed Backup/Recovery Services: Everybody Wins

*Thinking about managed backup/recovery services? Wondering about the size of the opportunity? Debating about whether to build out your own storage infrastructure or use another service provider's existing vault?*

*Find out why two major data management service providers think more businesses than ever are ready to outsource backup/recovery services and what that can mean for the MSP's bottom line.*

DR, HA, SOX, HIPAA, FISMA, ILM, BLM--it's an alphabet soup that many businesses simply can't swallow. But can one man's poison be another man's meat? Poison may seem an overly harsh analogy, but there is no doubt that the costs of inadequate data protection or the penalties of non-compliance can be toxic to business--and that can present some meaty opportunities for savvy MSPs.

As the following cases show, many paths lead to success in managed backup/recovery services. Businesses need and want help, whether the MSP:

- Builds out the infrastructure or leverage someone else's
- Exclusively offers backup/recovery services or adds them to a larger portfolio
- Sells directly or through the channel

Managed service providers have an unprecedented opportunity to deliver an absolutely essential service and simultaneously realize a healthy profit. Everybody wins.

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| <b>DS3 DataVaulting</b>   |
| <ul style="list-style-type: none"> <li>▪ Owns the infrastructure</li> <li>▪ Offers managed backup/recovery services</li> <li>▪ Sells directly and through VARs</li> </ul> |
| <b>MSPX, Inc.</b>   |
| <ul style="list-style-type: none"> <li>▪ Leverages DS3 DataVaulting vault</li> <li>▪ Offers full portfolio of IT services and products</li> </ul>                         |

### DS3 DataVaulting

*Six years into the business, Stacy Hayes, chief operating officer at DS3 DataVaulting, reports high growth, describes his company's competitive advantages fueled by Asigra technology, and forecasts a very bright future.*

#### How's business?

**HAYES:** Managed backup/recovery service is 100% of our business, and we've been growing 100% year over year. Our first dollar was a vaulting dollar and every dollar since has been a vaulting dollar. As we approach \$10M, sustaining a 100% growth rate will be challenging, but there certainly is significant opportunity. When we started out, we wanted to build a data management company and envisioned a multi-legged stool with electronic backup as one of the legs. Rapid growth has turned that multi-legged stool into a single, substantial tree trunk.

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**How would you characterize the backup/recovery services market?**

**HAYES:** Since we started our business in 2002, we've seen organizations become more receptive to protecting data by backing it up over the Internet. But there continues relentless downward pressure on cost. Companies struggle to control costs even as they are generating more data and facing more regulations. It's particularly difficult for businesses managing mixed U.S. and international data. As managed service providers, we need to help businesses better understand their data, be able to quickly put their hands on it, and to guarantee that it's stored or destroyed in accordance with policy--whatever the data origin.

**What advantage does Asigra technology bring?**

**HAYES:** At the data growth rates we see, Asigra WAN-optimized features like de-duplication, common file elimination, and incremental backups are essential--eventually there must be some abatement to the consumption of disk. Also, Asigra offers backup lifecycle management (BLM) and is continually enhancing retention rules--that helps with both regulatory compliance and capacity conservation. For many modern companies, going green by using less disk is an attractive and sometimes even mandated proposition.

**Who are your customers and how much data do they store?**

**HAYES:** We have customers storing as much as 20TB, but the average range is more like 250GB to 2TB. It's a definite advantage that our infrastructure lets us service the 2GB customer just as economically as the client with 8TB. On the enterprise side, our current customers are all U.S.-headquartered, but in many cases we're servicing their remote and branch offices (ROBO), including international sites. Every day we ingress data from India and other global sites.

Economies of scale allow us to price our service attractively for both enterprise customers and value added resellers. The model is particularly attractive for resellers--since we've already built out the infrastructure, value added resellers (VARs) can immediately start leveraging our Tier 1 infrastructure to offer high-quality backup/recovery services to their existing customer bases. In most cases we can offer double-digit margin opportunities--typically 15-25%--to the channel. To give you just one example of the market opportunity, one of our VARs routinely adds five new customers per quarter.

**Is there a key ingredient needed to successfully transition from VAR to MSP?**

**HAYES:** The value added reseller must already have or be able to build a trusted-advisor relationship with the end-user customer. This service is, after all, backing up the customer's mission-critical data over the Internet--that job is not taken lightly in any IT department.

**Do you allow re-branding of the DS3 DataVaulting service?**

**HAYES:** Yes, if that's beneficial to the VAR's business model. More often, however, our VARs want to leverage the DS3 DataVaulting brand. We utilize a SAS 70-compliant AT&T secure facility and robust EMC hardware, and in the U.S. maintain a 24-hour, DS3-badged support desk. Leveraging our service and expertise, the VAR can deliver superior service to the customer and enjoy a nice margin in the process.

We also will support VARs that grow their businesses to the point of choosing to build out their own infrastructures. It's definitely a benefit that the Asigra business model can be effective for a variety of scenarios, whether it's investing in the infrastructure upfront like we did at DS3

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DataVaulting, leveraging our vault to deliver managed services (and achieve rapid ROI), or using our vault to jump-start your business and then down the road making your own infrastructure investment.

**What are the top competitive advantages of DS3 DataVaulting?**

**HAYES:** For one thing, the Asigra product was built to be delivered in a service provider model and to scale as business grows. Asigra also gives us technical differentiators--agentless technology, the ability to maintain local backup copies, continuous data protection (CDP) and backup lifecycle management, and the ability to handle large and complex data types. Such functionality really has allowed us to aggressively pursue enterprise customers--that was an important enabler very early on in our business.

Also key to our success is expertise. We store billions of files, manage terabytes of capacity, and understand backup/recovery as well as anyone in the business. Asigra provides the foundational technology, but what ultimately makes us successful is our ability to deliver superior customer service. I would venture to say that our customer retention ratios are well above the norm. As long as an MSP is innovative and delivering value, customers will renew their contracts.

**Profile: DS3 DataVaulting**

DS3 DataVaulting delivers online, off-site backup and disaster recovery services. The company's combination of strong backup technology, solid enterprise-grade infrastructure, robust service offering, and uncompromised focus on delivering customer value has ensured its position as a leading enterprise backup service provider. A customer-oriented solutions provider dedicated to data management excellence, DS3 DataVaulting meets business needs in a broad array of industries and organizations, including legal, government, hospitality, medical, and non-profit.

Customer profile: Small and mid-size businesses to large enterprises

Vaulted data: >150TB protecting >1PB of customer data

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**MSPX, Inc.**

*A thought leader, a driver of innovation in the convergence of data and telephony, and a managed services expert--that's how Stacy Hayes describes his colleague and customer, Amir Sohrabi, MSPX executive vice president. MSPX offers an array of IT services and leverages the DS3 DataVaulting infrastructure for backup/recovery services. Here's what Sohrabi has to say about opportunities in the backup/recovery services market and the importance of Asigra features like LAN discovery.*

**What led MSPX to begin offering the DS3 DataVaulting backup/recovery services?**

**SOHRABI:** It was a natural extension of our IT services business. The backup/recovery service meets a critical client need and represents a good business opportunity for us in terms of recurring revenue. We believe that it's important not only to build and maintain long-term

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relationships with our customers, but also to be integrated into their infrastructures so that the organizations are each better able to focus on strategic growth and planning.

**Were there benefits exclusive to working with DS3 DataVaulting?**

**SOHRABI:** Yes--for one thing, the DS3 DataVaulting program decreases our liability. We did look at other players but we felt DS3 offered more sanitized solutions. DS3 DataVaulting was more willing to work with us to build a successful relationship and services offering.

The DS3 business model is very channel-friendly with benefits like real-usage billing and joint marketing. We also have confidence in their expertise and best-of-breed technology, including the hardware infrastructure and Asigra software. We leverage many of the Asigra features, such as LAN discovery to better assess the storage needs of our clients and the web portal to give customers direct access to their data vaulting information.

We also have tremendous flexibility. For example, we allow customers to evaluate the service on a single server. The decision to outsource corporate- or infrastructure-wide backup/recovery processes is much easier for the customer when the service has been tested and proven on a smaller scale.

DS3 also lets us fine-tune SLAs to exactly match customer requirements, whether that's simply automating daily backups or delivering a comprehensive, keep-your-business-running service with provisions for remote data access in the event of a major site disaster. We leverage DS3 DataVaulting as part of a larger managed service offering that can provide clients with end-to-end solutions. That's another advantage to us when we are pricing services--while a client may perceive a strict backup service as a commodity, every corporation understands the value of data protection and business continuity.

**Who do you typically sell to within an organization?**

**SOHRABI:** For many of our clients, the subject of backup/recovery is part of a larger conversation about business continuity and disaster recovery. When that's the case, we work with every enterprise business unit as part of a strategic assessment to identify critical applications and data and align backup/recovery processes appropriately. Security and storage management have been core competencies for us since the inception of MSPX in 2000.

By partnering with DS3 DataVaulting for the actual backup/recovery service, we can focus on other strategic elements of data management--that is, helping our customers set recovery objectives, retention policies, and so on. We aren't investing resources maintaining the storage infrastructure, and our customers aren't worrying about the mechanics of daily backups, tape management and the like.

**What about costs?**

**SOHRABI:** One of the major value propositions of DS3 DataVaulting is that they help us achieve economies of scale at a much faster pace, so that right out of the gate we can offer affordable backup/recovery services to our customers.

Some competitors charge a flat fee for the service--that is not always a good deal for the end customer. Our clients benefit from the fact that we are able to bill on actual usage and do not require them to sign a long-term contract. A good example of where this model has worked

particularly well for a customer is the National Association of Independent Schools ([www.NAIS.org](http://www.NAIS.org)). We deliver an affordable service that enables them, as small as they are, to automate backup/recovery processes, dictate their unique requirements for retention, and have full confidence that their critical data is protected.

**How do the costs compare to maintaining backup/recovery processes in-house?**

**SOHRABI:** Managed backup/recovery service can deliver significant savings when compared to the cost of maintaining the administrative staff and storage infrastructure required to keep the process in-house. And for businesses still using tape backup--of course that technology is inherently slower and less reliable. Tape is also surprisingly costly to maintain, often in excess of \$10K annually.

As for disk-based backup, clients tend to overlook the cost of underutilized capacity because the organization either lacks the right technology or the expertise to manage storage assets. The end result is that many companies utilize as little as 20-25% of their storage infrastructures. Leveraging the DS3 DataVaulting infrastructure, we all benefit from their expertise in maximizing capacity utilization, and the costs are shared across a large user base.

**What can you tell us about revenue?**

**SOHRABI:** We do in the range of \$5-\$8M in annual revenue, and the managed backup/recovery service accounts for about 20% of our business. We turned on the vaulting just six months ago, so we feel that's a pretty impressive number. A fast ROI--typically three months--is a real advantage of working with DS3.

**Do you have any advice for would-be backup/recovery service providers?**

**SOHRABI:** Make sure you understand storage--you can't be successful as a generalist.

**Profile:**

**MSPX, Inc.**

Managed Solutions Planning Xperts (MSPX) provides a full array of IT services for complete, integrated solutions. MSPX experts assess, plan, deploy and manage IT solutions that can be leveraged across all technologies and environments and are interoperable with third-party products. With a focus on leading-edge technologies, MSPX offers comprehensive, mission-critical information technology infrastructure solutions for wireless, storage, convergence, security, and managed services. MSPX combines innovative methods, experience, and best-of-breed products to create solutions that help clients meet the strategic and operational objectives of managing IT infrastructures.

Customer profile: Small to medium-sized businesses, including law firms, financial organizations, schools, and other associations

Typical size: 50-250 seats; 50GB-2TB of data to protect

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