Three Ways to Design Profitable Backup and Disaster Recovery Services

Introduction

Backup and disaster recovery services stand as a staple for most VARs and managed services providers today, but sometimes partners leave a lot of money on the table when pricing and packaging their solutions. While backup and disaster recovery (BDR) services should be among the most profitable that a partner can offer, the level of profitability will be driven by how the offering is priced and packaged.

Partners should look for ways to incorporate BDR into complete managed services offerings, use services to win new clients or bundle backup and disaster recovery with selected services with higher margins.

Here's how each of those three approaches can work for you:

1 Selling BDR as Part of a Complete MSP Offering

Some high-performing managed services providers (MSPs) find that baking backup and disaster recovery services into a comprehensive managed service offering can greatly reduce the cost of selling a BDR service. Under this approach, MSPs offer BDR as a standard option, and clients may not unwisely elect for lower cost and incomplete protection. When BDR services are a standard component of an MSP offering, they become effective tools to offer and deliver on a phenomenal service-level agreement (SLA) guarantee. By baking BDR into an overall managed services contract as an essential ingredient, MSPs can solve many internal business challenges.

Making the BDR service standard allows partners to commit to a stringent SLA, ensuring that every client has sufficient levels of protection, and avoids situations where budget-oriented clients can opt out of adequate protection. Adequate disaster recovery protection for all clients prevents the all-too-familiar scenario where the MSP is left to pick up the pieces and extra labor costs after a disaster. Additionally, standardized levels of protection ultimately help the MSP manage labor costs and service the client better.

This is relationship-selling at its finest. According to Dave Watts, president and CEO of NetFusion, he picked this model to avoid the "trap of selling point solutions."

"We go for client relationships where we own and deliver a complete managed services bundle," he says. "The client sees a total solution, not line items, not nickels and dimes. And we can build in everything we know the client needs."

Pros for Clients:
- Clients get a single point of contact, or "to choke" for all IT issues.
- They get SLA assurances that if something goes wrong, the provider will be there to take care of them.
- They also have a predictable, fixed price per month.

Pros and Cons for the Provider:
- Pro: Client sees a total solution, not line items and nickels and dimes.
- They get SLA assurances that if something goes wrong, the provider will be there to take care of them.
- They also have a predictable, fixed price per month.

2 Selling BDR as a Wedge Offering to Build Up a Client Roster

On the other end of the spectrum, some MSPs completely unbundle BDR services and use the simplicity of the offering as a strategic foot in the door for new clients. In this model, BDR becomes a very useful business-building tool.

Think of it in the same vein as a retailer offering a loss-leader product during the holidays. The idea is to get clients in the proverbial store, so they'll buy more later. Organizations that can offer superior BDR services and solve a client's particular pain around data protection and uptime will be well positioned to take on more managed services opportunities for client.

"We try to think like a vendor in terms of the simplicity and packaging of our BDR offering," says Lyf Wildenberg, president and co-founder of Mytech Partners, a provider company that takes this approach. "Simplicity allows us to sell more easily and penetrate new accounts. Our BDR service needs to be rock-solid as a standalone offering we can offer to any SMB."

At the same time, the margins with this approach don't necessarily have to be lower for the provider. It is all about packaging the service so the offering is offered with high enough margins to sustainably support the line of business. Taking a line-card or product-line approach doesn't necessitate taking a bath on margins.

Pros for Clients:
- Simple service to buy.
- Get exactly what they need from a BDR perspective.

Pros and Cons for the Provider:
- Pro: Very simple to sell.
- Pro: Excellent for high-growth business.
- Con: Taking a risk that business won't expand beyond BDR service.

③ Offer a Menu of Bundled Service Offerings

There is room in the middle between the two opposite approaches detailed above. Partners can also consider developing a hybrid of the two techniques, where BDR isn't necessarily offered as a point- product but it isn't part of a comprehensive MSP bundle, either. Instead, the alternative is to have a base package, with a whole host of additional, a la carte add-on service options.

An approach with a core offering, plus many customization options, is meant to counter the all-or-nothing dilemma faced with a comprehensive MSP bundle approach.

"We see too many MSPs leaving money on the table," explains Erik Thorsell, president and founder of Success Computer Consulting, which uses an a la carte approach. "Too many providers overcommit in their pricing bundles and get creamed on their labor costs down the road, when they are forced to perform all sorts of unanticipated but labor-intensive work for clients facing downtime or a disaster."

A customized model depends on the bundling of additional fee- based services on top of the basic BDR service offering. The idea is to have a core base offering and an extensive a la carte menu that the client and MSP can use to tailor each deployment based on the client's tolerance for downtime. This approach depends on truly listening to the needs of clients, and tailoring services.

So, for example, one client may want an SLA of no more than one hour of downtime, while another has more lenient tolerances but would want a quarterly disaster recovery test done. Not only does this give the client the flexibility to pay for only what it needs, but it also still offers the provider the ability to protect its margins by adding revenue-generating items for the extra labor-intensive features. In the case of Success Computer Consulting, there is a 66% margin per deal, with additional a la carte add-ons often driving the recurring gross margin to 75%.

Pros for Clients:
- More flexibility in pricing and scoping of requirements.
- Less likely to pay for what they don't need.

Pros and Cons for the Provider:
- Pro: Less likely to overbundle and overcommit so that labor costs eat up margin down the road.
- Pro: Faster sales cycle than a comprehensive MSP bundled approach.
- Con: Takes more relationship selling and requires more complicated sales discovery and quoting process; quoting takes more time.

Conclusion

All three of these models vary greatly from each other, but what they have in common is that they see BDR as more than a mere SKU to be resold. Instead, BDR provides an opportunity to grow business, build up higher margin services and differentiate oneself in a crowded market.

eFolder BDR is a comprehensive backup and disaster recovery service delivered to MSPs and VARs, empowering them to offer end-to-end business continuity services to their clients. Visit www.efolder.net to learn more.

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