

Asigra Televaulting

Digitiliti and Agosto

Different paths to managed backup profitability:
Making the decision to build a storage
infrastructure or to partner



digitiliti



The Experts in
Agentless Multi-Site Backup/Recovery Software

www.asigra.com

Business Case Study

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Digitiliti and Agosto

To build or not to build... 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?

Two managed service providers—one with a vault and one who partners--offer their perspectives on the market, as well as suggestions for getting started and succeeding in the managed backup/recovery services business. Find out why they 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 case shows, 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.

Digitiliti
<ul style="list-style-type: none">▪ Owns the infrastructure▪ Offers managed backup/recovery services▪ Sells exclusively through VARs
Agosto
<ul style="list-style-type: none">▪ Leverages Digitiliti vault▪ Offers full portfolio of IT services and products

Digitiliti and Agosto

Digitiliti, Inc.

Brad Wenzel, CEO of Digitiliti, says that with millions and millions of end-user opportunities out there, the managed backup/recovery services business has much to recommend it. But, he cautions, choose your foundational technology wisely--a duct tape approach can cost you time and money.

What's the opportunity for managed backup/recovery services?

WENZEL: Corporate data protection requirements are growing 5% or more per month. At the same time companies try to cope with this growth, they face progressively stringent regulatory, privacy, and security requirements. Surprisingly, many of the same businesses that have made significant investments in NAS/SAN solutions still rely on slow, inherently unreliable tape-based solutions for backup and recovery. In that environment it's almost impossible to implement a robust strategy for compliance and fast, automated backup/recovery. And businesses that do have defined processes in their data centers more often than not neglect their remote sites.

In this setting, there's tremendous opportunity for MSPs. We're expanding our own vault by multiple terabytes every week. We currently support some 20 resellers and through them have put on more than 100 new customers over the last year.

Why do you use Asigra technology?

WENZEL: When we started Digitiliti four years ago, we planned to develop our own backup package. We were quite far into the development when we learned about Asigra. Their solution had all the features we wanted, the company had a long track record, and we liked the management team. We're now a public company, and we're still focused 100% on backup/recovery, still committed to using the best technology available--and that's still Asigra.

One of the key advantages of the Asigra technology is that it gives us unlimited scalability. That's essential in our ability to attract and service the enterprise-level customers. Most of the solutions that we displace are enterprise-class products--CommVault, Legato, NetBackup, TSM. Asigra helps us effectively compete against those alternatives.

Who are your customers and how do you reach them?

WENZEL: We do not typically focus on the SOHO market (although we do have customers storing as little as 10GB), but rather the large financial companies, brokerage houses, accounting and law firms, universities, and other organizations that are more likely to be protecting multiple terabytes. A lot of our customers come from industries that are heavily regulated, so they already understand the need for solutions that address data retention requirements.

We sell exclusively through the channel and guarantee resellers a 30% profit margin. Our goal is to support only highly effective, strategic VARs that are committed to customer service and can expertly address the needs of clients in their target markets and industries.

What differentiates your company and your backup/recovery services?

WENZEL: For one thing, we are storage experts--everyone in the company has been in the storage industry for some time. We bring considerable NAS/SAN expertise to the business, and we understand the entire continuum of storage solutions, particularly from the reseller's perspective. We want our VARs to sell their equipment in conjunction with our service. We're not there to compete, but rather to help them build healthy annuity streams.

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We also provide end-user training and help transition the organization to shift its focus from trying to maintain generations of backups to setting and achieving recovery point objectives (RPOs).

In terms of our backup/recovery service, we've invested heavily in infrastructure technology complementary to the Asigra software. A good example is the global file system that we use in our data centers to give us advantages in performance, scalability, and storage efficiency. And the customer benefits from the storage reduction achieved across a global file system rather than on a single server.

How much does data reduction benefit the customer?

WENZEL: We tell customers that they can expect their secondary data set--that is, the data set that is protecting their primary data--to be just one third the size of the primary data set. That compares to a secondary of more like 2-500X in a tape-based backup environment without data reduction. For example, if you do weekly backups and have to retain data for five years, that will be 52x5 or 260X the original data set. And then with tape, good luck finding and restoring one of those files after the tapes have been sitting for years on a shelf in some storage closet.

The Asigra technology helps us conserve capacity in multiple dimensions-- it offers de-duplication and common file elimination, and enables us to do incremental-forever backups. So for an average-sized data set of 1.5TB, we generally end up vaulting only 500GB.

What about your end-user customer's ROI?

WENZEL: From an end-user perspective, we typically see an ROI of 2:1--that is, for every \$2 a customer currently spends on backup/recovery, we can save them \$1.

What would you tell MSPs or other companies considering offering managed backup/recovery services?

WENZEL: There are billions of dollars out there and some 77 million end-user opportunities. If you want to get in the annuity business with no capital and still make 30% almost immediately, work with us. If you hit it out of the ballpark and decide to build your own infrastructure, go for it--there's room for all of us to play. If you choose to make the investment to do what we're doing, you can expect a 1-2-year payback. We're currently seeing anywhere from 6-12% growth, month after month. And the great thing about it is that because your customers' data grows overnight, you make money while you sleep! You can't say that if you're selling boxes--RAIDs and FC switches don't sell themselves.

Asigra technology is critical to success. If you don't use Asigra, you'll end up having to manage 5-10 point solutions to achieve the same functionality. Taking the duct tape approach will compromise the quality of your backup/recovery service and definitely cut into your profits.

Profile: Digitiliti, Inc.

Digitiliti is the only company to offer Third Generation Data Protection: centrally controlled, on-demand, disk-to-disk backup with unlimited scalability. What sets Third Generation apart: unlimited scalability combined with massive data reduction at the byte level. Digitiliti offers substantial resources in network infrastructure, storage configuration, systems integration and technical support. The former Federal Reserve Bank Building in Minneapolis, home to the Digitiliti Data Fortress, is a catenary structure built from concrete and steel, and is one of the most architecturally secure buildings in the Midwest. Digitiliti serves customers in legal, financial, healthcare, education, broadcast, prepress, supercomputing, and other data-intensive fields. Digitiliti is a public company trading under the symbol digi.pk.

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Customer profile: Medium to large enterprises

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Agosto, Inc.

Rick Erickson, president of Agosto, talks about the decision to partner with Digitiliti to maintain flexibility and conserve investment dollars, the scalability benefits of Asigra technology, and the solution that wins business in a sophisticated market.

What was the genesis of your managed backup/recovery services business?

ERICKSON: For several years we've been offering services--disaster recovery, high availability, hosting--out of our co-location facilities. But even though we had some recurring business, project work drove the bulk of our revenue. The cyclical nature of that revenue stream made it difficult to build a business with consistency. So we worked to expand our managed service offering, adding a staff augmentation service, prepaid billable hours services, and eventually on-demand automation services such as patch management, server management, security, and most recently, backup/recovery services.

What led to your partnership with Digitiliti?

ERICKSON: In order for us to fully support the services business, we needed to identify four or five flagship companies that could deliver what we considered foundational products. We first learned about Asigra technology at an MSPAlliance conference and did considerable research around the possibility of offering the backup/recovery service directly. But we ultimately decided that with limited investment dollars, it was not cost-effective for us to build out that competency. Another reason for partnering with Digitiliti is that it maintains our flexibility in product offering. If we had to invest in a specific storage solution, that might limit our ability to offer the full complement of storage and platform technology to our customers.

Digitiliti turned out to be an excellent fit both technically and culturally. On the technical side, they met our requirements for using Asigra software. We had already tested the Asigra product in-house and made the decision to find a partner that used that technology. We liked the Asigra agentless design, as well the fact that it could support more clients than any other software we looked at, plus bring scalability that allows us to support every size client on a single platform--we wouldn't have to train on many different systems. As for Digitiliti specifically--they were a known, established, and respected player in our market. (And to be honest, we had lost business to them--we're quick learners!)

What is your market focus?

ERICKSON: We generally focus on the local market and target companies with 100-600 desktops. The typical customer has multiple locations, is in a growth phase, and is open to or interested in outsourcing at least some of their IT business. We're horizontally focused and service a broad range of industries, from manufacturing to logistics and engineering/architecture firms.

Midwest Plastics, a full-service component manufacturing company, is a good example of a business that utilizes our full range of management services, including the Digitiliti-based backup/recovery service. Midwest Plastics supports a user base of 100 and vaults some 400GB. They were one of our first customers, and I'd have to say they have been very

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satisfied with the service. After a few incidents of lost files and data, they know first-hand the benefits of being able to quickly drill down and retrieve backup data from the vault.

Are there specific cost benefits that you articulate to your customers?

ERICKSON: Definitely--and one that stands out is the cost of DR. If a company is building its DR strategy around a storage platform like Hitachi, EMC, or NetApp, the business is forced to deploy duplicate devices. So that's 2X the hardware costs, 2X the licensing, 2X the maintenance. In contrast, with a managed backup/recovery service you've eliminated all your infrastructure cost. And frankly, for most companies, it's much easier to find operating budget than it is to find capital.

How does your business break out?

ERICKSON: We offer both a component service model where the pricing is based on numbers of systems, amount of data, bundled hours, etc., and a full-service model with a per-user monthly fee structure. Approximately 25-30% of our business is service, some 35% comes from outsourcing, and the rest is product.

What impact does your managed backup/recovery services have on the bottom line?

ERICKSON: We realize 20% on every sale--and we are achieving that with no capital investment and essentially no business risk. The service already accounts for about 14-15% of our revenue, and we expect it to be a high-growth segment. Delivering backup services was a fairly fast start--in less than 8 months we were vaulting more than a terabyte of client data.

Let me add that customer satisfaction is critical to our success. Part of ensuring that is staying close to the customer--no matter how much value you deliver, if you're not in frequent contact, the customer will not be happy. The managed backup/recovery service helps us stay close to customers. Agosto serves a very sophisticated market that absolutely expects the availability of backup/recovery services as part of an MSP portfolio.

What differentiates your company?

ERICKSON: We really focus on strategic alignment--do processes align with the business strategy, does the infrastructure enable the desired business outcomes. Then we work with the client to develop a plan and help them execute on it. The majority of our clients generate revenues in the \$10M-\$75M range, and we find that it's when they pass the \$10M mark that they most often want and benefit from help developing an operational roadmap.

Leveraging the Digitiliti service lets us deliver an essential service to our customers while it allows us to focus our resources on what we do best--that is, managing enterprise operations.

What have you learned that surprises you?

ERICKSON: Probably that the average length of the sales cycle ranges from 3-6 months. I was expecting a shorter cycle. But I think that is because of the local market. We have a highly educated market with a lot of offerings to consider--if someone yells DR or backup/recovery, 10 suppliers come running. In our business we are usually talking to C-level executives who have backup/recovery on their radar, but who come from a culture that says "if you didn't hear about it from a friend or colleague, don't buy it." So we make sure that we are experts, that we leverage the best technology and suppliers--in this case Digitiliti and Asigra--and that we can clearly articulate the value we bring in terms of automating backup/recovery processes. We're confident that once the customer has evaluated available solutions, the decision will be for the Agosto managed backup/recovery service.

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Profile: Agosto, Inc.

Agosto builds and manages highly available networks and infrastructures tailored to meet a company's organizational goals and requirements. As a managed service provider, Agosto assists customers in making critical transitions to highly available and secure solutions that increase employee efficiency and decrease the cost of network ownership. Offering complete solutions that bridge the gap between systems, access, and infrastructure, Agosto simplifies the selection of technologies that enhance corporate competitiveness.

Customer profile: Small and mid-size enterprises in any industry

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