

# Pricing Data Protection

— IN A —

## Fixed Price WORLD

Tips for driving higher data protection revenue using Barracuda Intronis Backup-MSP





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**56%** of  
IT providers  
say data  
protection  
is their  
best-  
selling  
offering.

Source: "2013 State of Cloud Backup: MSPs Missing the Mark," Intronis and The 2112 Group, November 2013



# The **advantage** of fixed price

There's a battle raging in the cloud, and IT services providers are caught in the middle. It's called the Cloud Price Wars, and it's being waged between major cloud platform providers battling over market share supremacy.



Amazon, Google, and Microsoft are effectively in a race to zero, frequently cutting the price of their respective cloud infrastructure platforms to convince big cloud services clients to build on their cloud<sup>1</sup>. That can be both a blessing and a burden for vendors and service providers who work in the cloud.

## What's the effect on the channel?

To start, moving applications and workloads to the cloud appeals to SMBs looking to save money, and IT services providers are in a position to manage these transitions<sup>2</sup>.

However, since cloud storage—and storage in general—is so clearly becoming commoditized, the margins MSPs and VARs stand to earn by reselling cloud may become thinner<sup>3</sup>.

There's also the threat of competitive cloud offerings that sell cheaply priced services direct to your SMB customer, requiring you to compete solely on price.

As a result, you need to develop a way to support customers who want to move applications and data to the cloud without sacrificing your own IT services opportunities.

Fortunately for MSPs and VARs, relief can be found in the form of fixed-price cloud services. By purchasing cloud services from vendors at a fixed price, you enjoy a number of benefits that enable you to profitably resell those cloud services.

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<sup>1</sup>"The dark side of the cloud price wars between Amazon, Google, and Microsoft," Matt Weinberger, CITEWorld, July 28 2014

<sup>2</sup>"New and old IT services guard fight for AWS control," Michael Vizard, Intronis Industry and Tech Blog, July 28 2014

<sup>3</sup>"Google: Cloud Price Wars Are Just Beginning," CJ Arlotta, Talkin' Cloud, August 1 2014



## The 4 advantages of fixed pricing:

### 1. Freedom from storage commoditization

Removing the raw price of storage from the equation means you don't have to ride the waves of the Cloud Pricing Wars or compete on price.

For example, cloud backup has traditionally been sold by vendors on a per-gigabyte model, and the MSPs and VARs who resell backup typically charge a certain margin on top of the list price.

But with competitors slashing prices routinely, MSPs who sell backup on the per-gigabyte model may struggle to justify the cost of their storage versus prices in the market. Plus, buyers often compare private storage per-gigabyte pricing to that of public consumer storage providers.

Fixed pricing completely changes the conversation you have with prospective clients. No longer will the declining price of storage factor into your pricing discussions. That means you don't have to cut your own price to meet the demands of a hard-driving prospect, and can instead offer a value-based, competitively priced package.

### 2. Simpler pricing and cost certainty

Storage-based pricing creates a certain level of uncertainty and complexity for both the IT service provider and the SMB. Since the amount of storage a SMB needs can change so frequently—and now that prices are similarly in flux—the amount you pay for storage can fluctuate.

To maintain profitable margins, IT providers have to pass those fluctuations down to the SMB. Inconsistent billing and pricing uncertainty can strain the service provider-SMB relationship and may also create uncomfortable conversations around budget.

Fixed pricing clears up all this confusion by providing a consistent, flat bill each month that you pay your cloud vendor. You are then able to bill your own SMBs consistently, creating predictability in monthly revenue and enabling happier customers who know how much they pay each month.

That also helps you and your clients easily forecast long-term data protection costs well into the future, which is a vital asset in the budget process. As a result, you can manage budget expectations easier.





### 3. Relief from storage overage conversations

A fixed-price model also erases uncomfortable conversations around storage overage. Since storage needs can change so frequently, it's not uncommon for SMBs to run over their limits.

In theory overages create a revenue opportunity for you, but in practice some SMBs are reluctant to expand their storage allotment and you are instead forced to explain the reason they went over and then balance how much data they need to protect against how much storage they are willing to buy.

With fixed price, you no longer need to micromanage your client's storage allotment to ensure they don't go over and they don't have to make any hard decisions about what data they should protect to stay under their storage limit. Further, you and your customers don't need to estimate how their storage will change over time.

Instead, everything is protected for one flat cost, enabling a better data protection strategy that builds trust with your customers. For those customers that would prefer to stay on a per-gig plan, ask about our alternative pricing.

### 4. Better control over margins

When you pay a flat fee each month for a cloud service, it's easier to plan out profitable margins that allow you to earn consistent reseller revenue.

On top of that, you earn flexibility in how you build those margins. You don't have to charge a flat percentage across the board – instead you can customize margins based on how much service or support your SMB needs.

That makes it easy to offer customer-pleasing packages that encourage long-term loyalty and steady profits.

**In this e-book** we'll share best practices around packaging and re-selling fixed-price data protection. Data protection is an in-demand service that 56 percent of IT providers say is their best-selling offering,<sup>4</sup> and the right pricing strategy enables MSPs to drive higher profit margins and consistent revenue.



## Model 1: Mark up on cost

**D**ata protection is a natural fit for a fixed-pricing model that is easy to mark up, because SMBs' data protection needs vary greatly.

Some clients may only want certain files and folders protected, while others may only want protection for their virtual machines, and others still may desire total coverage for their entire business. This can create opportunities to design multiple, profitable packages.

Pricing by this model can be advantageous for partners who want to build customized data protection packages for their SMBs or who want a way to easily scale profits as their customers' needs change.

If you're buying data protection at a fixed price, you're in the driver's seat. You are able to craft unique margins that allow you to earn steady profits off any level of service.

That's the critical takeaway when it comes to this strategy: Charge escalating margins based on the level of data protection your SMBs need.

**“I quote differently depending on what I feel the customer needs. I’m still quoting per-gigabyte unless we are up against a competitor charging a fixed price. In those cases we charge a flat server license that includes unlimited backup and then quote a certain amount per computer. We offer a more entry-level workstation backup license—all it does is file and folder—and a server backup license with longer retention.**

**“Coming down the road we plan to bill for the local backup license, VMs, and the SQL agents and Exchange agents. I have a lot of ideas for those but nothing is set in stone. It’s very nice to have the billing flexibility we certainly didn’t have before.”**

*— Jason Derstine, President/CEO,  
Alura Business Solutions*



This is the strategy we most recommend partners use to resell fixed-price data protection.

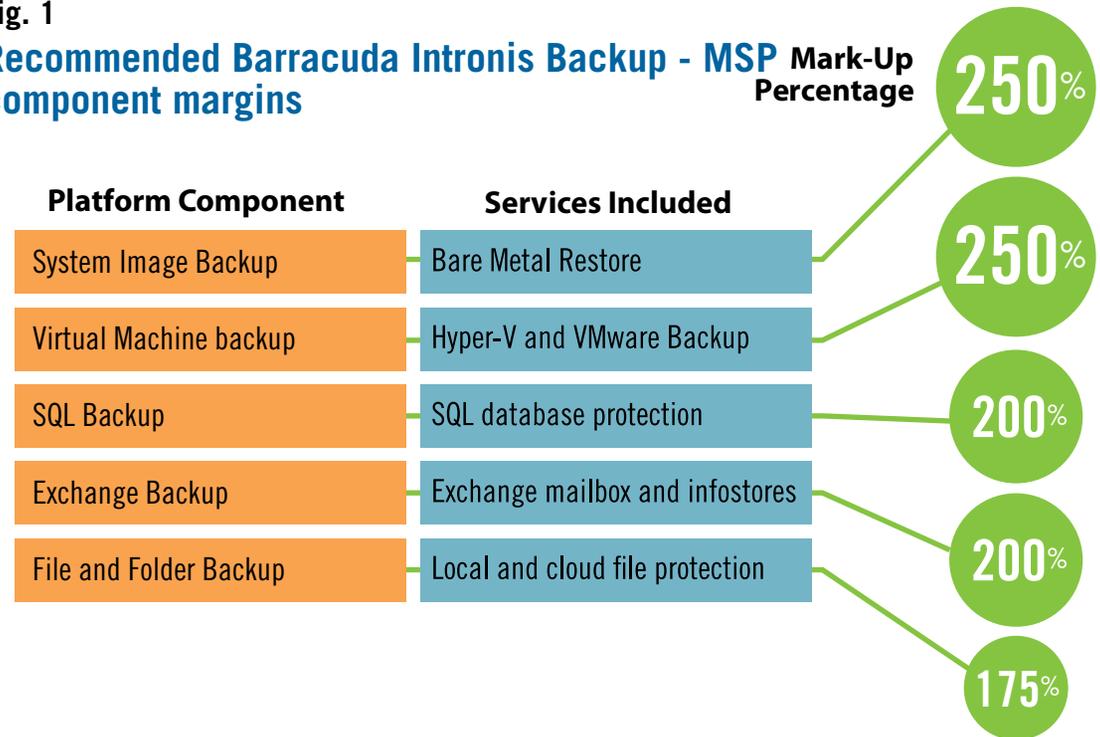
Using Barracuda Intronis Backup - MSP as an example, which charges a fixed price per SMB site, Figure 1 shows how we recommend partners mark-up each component of our data protection platform.

Applying this margin structure, you stand to earn 75 cents in file and folder backup profits per SMB site for each \$1 you pay for your fixed-price data protection platform.

That profit margin climbs to \$1.50 in imaging backup profits per SMB site for each \$1 you pay.

That end result can mean thousands of dollars in gross revenue per month as you add on new accounts at each level of data protection.

**Fig. 1 Recommended Barracuda Intronis Backup - MSP component margins**





## Model 2: Pricing per device

Some partners choose to price backup on a per-device basis. There are benefits and disadvantages to this model.

On the one hand, pricing per device helps MSPs keep track of just how many devices they protect for each SMB.

On the other hand, the average number of devices in the workplace is climbing so frequently that you'll need to regularly add more devices to your SMBs' service arrangement, potentially creating inconsistent billing.

And as the number of devices climbs, your SMB customers might expect certain price breaks or discounts if they purchase more

data protection from you. That can stunt the growth of your revenue or create difficult conversations around discounts.

Even so, if you choose to price data protection per device, the fixed-price model can still be easily applied. In the same way you can charge escalating margins based on the level of data protection provided (as described in Model 1), you can also scale margins based on the type of device you protect.

Once again using Barracuda Intronis Backup - MSP as an example, here is how we would recommend billing on a price-per-device model. (Fig. 2)

**Fig. 2: Recommended Barracuda Intronis Backup - MSP device pricing**

Mix of Devices	Data Types Protected	Price Per Device Per Month
Physical Servers	Full servers	\$75
Virtual Servers	VMware and Hyper-V VMs	\$50
Desktops and Laptops	PC files and folders	\$25



**Fig. 3:**  
**Potential monthly revenue when pricing per device**

<b>XYZ Law Firm</b>			
<b>Types of Device</b>	<b>Number of Devices</b>	<b>Price Per Device Per Month</b>	<b>Revenue Per Month</b>
Desktops and Laptops	12	\$25	<b>\$300</b>
Virtual Servers	2	\$50	<b>\$100</b>
Physical Servers	2	\$75	<b>\$150</b>
Total Revenue per Month			<b>\$550</b>

<b>XYZ Dental Practice</b>			
<b>Types of Device</b>	<b>Number of Devices</b>	<b>Price Per Device Per Month</b>	<b>Revenue Per Month</b>
Desktops and Laptops	5	\$25	<b>\$125</b>
Virtual Servers	1	\$50	<b>\$50</b>
Physical Servers	1	\$75	<b>\$75</b>
Total Revenue per Month			<b>\$250</b>



Applying this model to hypothetical businesses reveals how much potential revenue an MSP could earn from one client. For example, a hypothetical law firm with 10 employees may have 12 desktops and laptops, 2 virtual servers, and 2 physical servers. Figure 3 shows the potential monthly revenue earned by pricing-per-device, totaling \$550 in this situation. Additionally, Figure 3 details a hypothetical dental practice with 5 employees that has 5 desktops and laptops, 1 virtual server, and 1 physical server. This hypothetical situation renders \$250 total revenue per month. (Fig. 3)

Again, that's the revenue per month from one client. Applying that revenue number to your total number of SMB clients reveals how much gross revenue you could earn each month using the price-per-device model.

The benefit of paying a fixed price per month for data protection is that you can easily see how much monthly profit this service delivers. Simply subtract the monthly cost-per-client of your data protection platform from your gross revenue, and what's left over is profit.



**Download**  
“the **Ultimate Guide to  
Selling Cloud Backup**”  
for more on **pricing** and  
**packaging**

## Model 3: Building bundles

**B**undles are a great way to control your margins and differentiate your business. As we wrote in our e-book “The Ultimate Guide to Selling Cloud Backup,” bundles offer the opportunity to increase profits because you can include additional services on top of the technology you resell to add more revenue-driving value<sup>5</sup>.

For example, you might create two bundled plans: a basic and premium offering, or three plans: bronze, silver, and gold. Figure 4 references sample bronze and gold packages. The bronze package includes a few essential services where as the gold package includes a complete bundle of all the services. (Fig.5)

Bundles offer even more value when the cloud service you resell is available at a flat rate. Knowing exactly how much you will pay for

**Fig. 4:**  
**Professional services to  
include in your bundled plan**

- ▶ **Data protection and recovery**
- ▶ **Remote monitoring and IT management**
- ▶ **On-Site support**
- ▶ **Remote IT help desk**
- ▶ **Hosted applications**
- ▶ **Hosted servers**
- ▶ **Hardware support**
- ▶ **Software upgrades**
- ▶ **Antivirus and antimalware**



**Fig. 5: Sample Offerings**

Gold	Bronze
Data protection and recovery	Remote monitoring and IT management
Remote monitoring and IT management	Antivirus and antimalware
On-Site support	Spam management
Remote IT help desk	
Hosted applications	
Hosted servers	
Hardware support	
Software upgrades	
Antivirus and antimalware	



your cloud service each month allows you to easily create a tiered bundle structure that also includes value-add professional services on top of technology. (Fig. 4)

How should you fold data protection into your bundle? If your data protection platform is available at a fixed price, you have the flexibility to protect your SMBs' business as you see fit:

### Unlimited protection for everyone

No matter what bundle they buy, each of your SMBs enjoys complete data protection for all of their physical and virtual data. You can determine a profitable margin for this entire service offering and add that into your bundled pricing.

Advantage: Builds trust with your SMBs by offering complete access to a critical service offering

### Scale protection across bundle tiers

You limit access to certain levels of protection to premium users, with smaller bundles including backup support for certain types of data (for example, only files and folders or only virtual machines).

**“One of the things we try to do is make our solutions as easy for our customers to use as possible and as part of that we want our billing to be easy as possible. At one point we thought it would be really good for us in marketing and sales and engineering to be able to offer ‘Ultimate IT’. You pay us a fixed price per month per employee and we’ll manage all the IT you need.”**

— Zach Leffler, Sales Administrator,  
Internet & Telephone

Advantage: You’re able to offer affordable bundles to SMBs who don’t need the full range of your data protection solution, and create attractive upsell opportunities.

### Scale devices protected across bundle tiers

You limit the number of devices you choose to protect at each tier, requiring SMBs to upgrade their plan if they are adding on more devices and need additional protection.

Advantage: You’re able to offer affordable bundles to smaller clients who only have a handful of devices to protect, and again create an attractive upsell opportunity.



## Takeaways

Competing based on the price of data storage alone is not an attractive option given how quick cloud service providers are to slash their prices in today's market. The pressures of storage commoditization make it important for you to change the way you talk to your customers about critical cloud services like data protection.

Fixed pricing allows you to change that conversation by removing discussions over storage limits and overages altogether. With a fixed price data protection platform, you'll find it easier to drive revenue and profits from this critical service offering.

Fixed price opens up new doors by removing a major barrier to your growth: the need to manage or even think about data storage. Moreover, fixed pricing aligns the end-goals of both the SMB and MSP, protecting all necessary data. With these obstacles out of the way, you can focus your attention on what matters most: protecting your clients' data and building a more profitable IT services business.



### Fixed price data protection lets you:

- ▶ Build margins based on the level of protection SMBs need
- ▶ Charge per device with varying prices on the type of device
- ▶ Use bundles to earn additional revenue on the value you provide

**One thing to do now: Pick the right model for your business  
– Start growing your margins today!**

**Visit [barracudamsp.com/plans](http://barracudamsp.com/plans)**



# About Barracuda Intronis Backup - MSP

The Barracuda Intronis Backup - MSP is the first complete data protection platform built exclusively for the IT channel. Our platform simplifies how IT service providers resell backup and recovery by putting everything you need to build effective data protection strategies in one platform.

Tailored to your SMBs' needs, the Barracuda Intronis Backup - MSP makes it easy to scale how much of your SMBs' business you protect. It's also built for your success, with complete white-label brandability and integrations with the channel's top RMM and PSA solutions.

The Barracuda Intronis Backup - MSP includes support for:

- ▶ Bare Metal Restore
- ▶ Physical-to-Virtual Image Restore
- ▶ VMware Backup
- ▶ Hyper-V Backup
- ▶ Exchange Backup
- ▶ SQL Backup
- ▶ Files and Folders



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[www.barracudamsp.com](http://www.barracudamsp.com)



## About Barracuda MSP

As the MSP-dedicated business unit of Barracuda Networks, Barracuda MSP enables IT managed service providers to offer multi-layered security and data protection services to their customers through our award-winning products and purpose-built MSP platform. Barracuda MSP's partners-first approach focuses on providing enablement resources, channel expertise, and robust, scalable MSP solutions designed around the way managed service providers create solutions and do business. Visit [barracudamsp.com](http://barracudamsp.com) for additional information.

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