

WHY ARE SMALL BUSINESSES MOVING TO CLOUD BACKUP AND RECOVERY?

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Report Highlights

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Aberdeen's research has noted strong growth in *cloud-based* solutions for data backup and recovery – especially in Small businesses.

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The bad news: Small businesses are the least likely to have a recovery capability in place, and most likely to have no recovery plans at all.

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Small businesses estimate the actual cost of downtime to be a whopping 75% of their total revenue and productivity during the time of outage.

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Time, money, expertise: the top reasons Small businesses do *not* invest in DR align with the value propositions for cloud backup and recovery.

The top reasons that Small businesses do *not* invest in disaster recovery capabilities – which boil down to a lack of **time, money** and **expertise** – are extremely well-aligned with the key value propositions for **cloud-based backup and recovery**: it is designed to *save time, avoid capital expense, and leverage third-party expertise* that is packaged as an integral part of the service. For these reasons, it's really not such a coincidence that Small businesses are more than twice as likely as either Mid-Sized organizations or Large enterprises to have implemented cloud-based backup and recovery solutions.

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Aberdeen's research on business continuity and disaster recovery has noted evidence of strong growth in cloud-based solutions for data backup and recovery – especially in Small businesses.

Definitions

Disaster recovery (DR) relates to the processes of preparing for and recovering from disruptions to an organization's IT infrastructure, which can range from the minor (e.g., disk failures, power outages, accidental data deletion) to the catastrophic (e.g., hacker or terrorist attacks, natural disasters).

Disaster recovery, which is generally focused specifically on IT, is generally viewed as a subset of **business continuity planning (BCP)**, which is concerned with *all* aspects keeping the business running.

Business Context: Growth in Cloud-based Backup and Recovery

Aberdeen's research on **business continuity** and **disaster recovery** has noted evidence of strong growth in *cloud-based* solutions for data backup and recovery, as reported in [Backup and Recovery via Cloud: Gaining Popularity](#) (November 2013). Additional analysis of the more than 200 respondents to Aberdeen's study shows that this is especially true in Small businesses, based on the following segment profiles:

→ **Small** businesses

- < \$50M in annual revenue (average \$25M)
- < 500 employees (average 180)

→ **Mid-Sized** organizations

- Up to \$1B in annual revenue (average \$400M)
- Up to 5,000 employees (average 2,700)

→ **Large** enterprises

- > \$1B in annual revenue (average \$3B)
- > 5,000 employees (average 17,500)

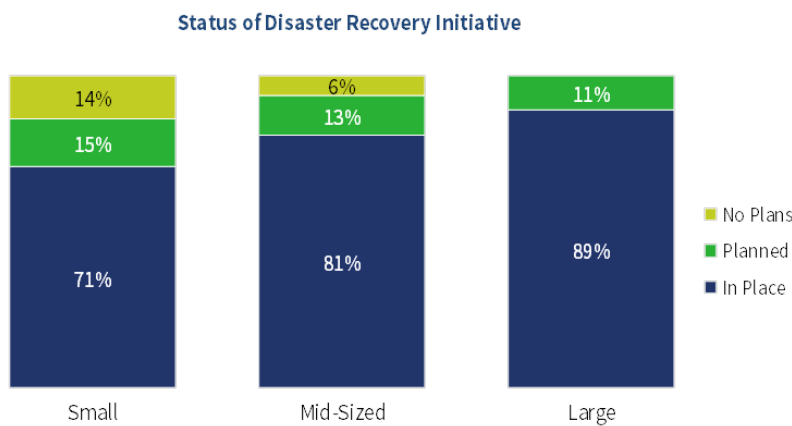
Small Businesses: First the Bad News, Then the Good News

A comparison of selected capabilities and technologies that are currently in place for each of these three segments provides additional insight into why the growth in cloud-based backup and recovery is particularly strong for Small businesses.

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First, the bad news: Small businesses are the least likely to have a disaster recovery capability in place ... and the most likely to have no disaster recovery plans at all (see Figure 1).

Figure 1: Small Business are Least Likely to Have a DR Capability in Place, and Most Likely to Have No DR Plan at All



Source: Aberdeen Group, May 2014

The good news is that Small businesses that *do* have a disaster recovery capability in place really seem to “get it” – i.e., they know that downtime and data loss are costly (and possibly even fatal to the business, as discussed in more detail below). For Small businesses, the top three drivers for investments in disaster recovery capabilities were:

- ➔ Risk of business interruption (68%)
- ➔ Loss of critical business data (51%)
- ➔ Cost of unscheduled downtime (50%)

Note that multiple responses to this question were accepted, so the totals don't add to 100%.

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On average, Small businesses in Aberdeen's study estimated the actual cost of downtime to be a whopping 75% of their total revenue and productivity during the time of outage. For many, this may be a knockout blow.

Calibrating the High Cost of Downtime for Small Businesses

For Small businesses, the cost of downtime and data loss can potentially be fatal, as illustrated by the following findings from Aberdeen's benchmark study:

- Average cost of downtime, as estimated by Small business survey respondents: \$8.6K per hour
- Average cost of downtime, as calculated based on lost revenue, assuming continuous 24x7x365 operations: \$2.9K per hour
- Average cost of downtime, as calculated based on lost productivity, assuming a fully-loaded cost of \$100K per employee per year: \$8.5K per hour

A simple, back-of-the-envelope calculation based on these figures shows that on average, Small businesses estimate the actual cost of downtime to be a whopping 75% of their total revenue and total productivity during that time, i.e.:

$$\rightarrow \$8.6 / (\$2.9 + \$8.5) = 75\%$$

The high cost of downtime is not just theoretical. On the contrary, the Small businesses in Aberdeen's study reported an average of 1.7 unplanned downtime events per year, and an average disruption time of 6.7 hours – with the longest time of disruption averaging 14.5 hours.

There are more sophisticated ways to model the actual risk of unplanned downtime using this survey data, but sticking for now with very simple calculations based on the survey averages, this works out to be about \$100K per year in associated costs:

$$\rightarrow 1.7 \text{ incidents} \times 6.7 \text{ hours per incident} \times \$8.6\text{K per hour}$$

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For many Small businesses, this may well be more cost than they can absorb – effectively dealing them a knockout blow.

So Why Don't Small Businesses Invest in Recovery Capabilities?

For the Small businesses in Aberdeen's study, the top three *inhibitors* for investments in disaster recovery capabilities were:

- Lack of internal expertise to plan (38%)
- Lack of internal staff to implement (38%)
- Lack of budget (35%)

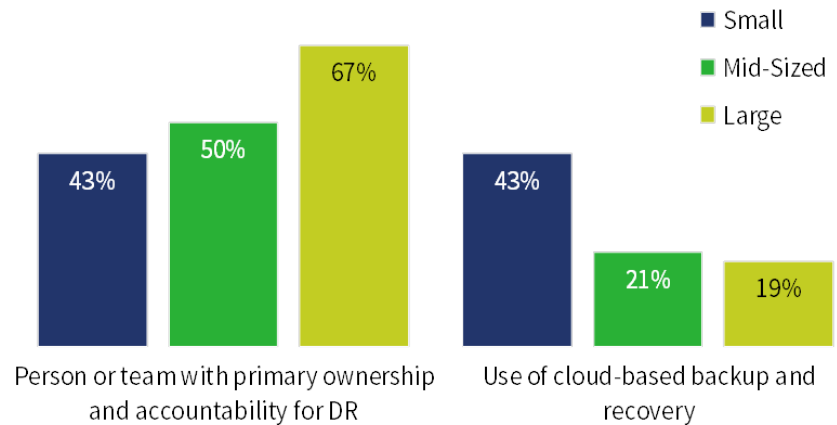
As before, note that multiple responses to this question were accepted, so the totals don't add to 100%.

These boil down to a lack of **time**, **money** and **expertise** – and so it turns out that the top reasons that Small businesses do *not* invest in disaster recovery capabilities are extremely well-aligned with the key value propositions for cloud-based backup and recovery. That is, cloud-based backup and recovery solutions are designed to *save time*, *avoid capital expense* (both up-front, and ongoing upgrades), and *package third-party expertise* as an integral part of the service – freeing up the finite resources of the Small business for other important tasks.

For these reasons, it's really not such a coincidence that compared to Mid-Size organizations and Large enterprises, Small businesses are the least likely to have an internal owner for disaster recovery ... and the most likely to have implemented cloud-based backup and recovery solutions (see Figure 2).

→ [Related Research: Cloud Backup and Recovery: Small Businesses, Large Adopters](#)

Figure 2: Small Businesses are Least Likely to Have an Internal Owner for DR, and Most Likely to Use Cloud-based Backup and Recovery



Source: Aberdeen Group, May 2014

Customer Case-in-Point: James CRAFT & Son

James CRAFT & Son (CRAFT) is a fifth-generation family-owned business, serving customers in central and south-central Pennsylvania with mechanical contracting services in heating, ventilation and air conditioning (HVAC); energy management; plumbing; sheet metal; design-build; and custom fabrication. The company meets the needs of its commercial, industrial and institutional clients with more than 200 full-time employees and a fleet of more than 100 of its signature red Ford service trucks.

Designs, quotes, schedules and other project documentation are examples of the essential information that CRAFT relies upon to run a responsive, customer-focused business. Their backup and recovery capabilities needed to keep up with the times: “We were looking to replace our old tape-based backup media and procedures with something better,” said William D. Craft, the company’s VP of Service.

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After experimenting with alternative cloud-based data backup solutions, CRAFT made the decision to go with Carbonite for all of its application servers and all of its user workstations. Both price (total storage, for a combination of workstations and servers) and performance (average time to backup, and average time to restore) were important solution selection criteria. “The cloud-based solution works well for us,” said Craft. “Carbonite does a great job.”

Asked about lessons learned or words of wisdom based on their experience so far, Craft noted that although easy setup and automated backup are important features, “the system administrator [still] needs to develop a routine of keeping an eye on things.” For example, the ability for administrators to permit or exclude certain file types for all users – for example local PST (email) files, or personal music files – saves the company both time and money for data backups. “Don’t allow users to back up unnecessary files ... [it isn’t important for business continuity, and] it just costs you more.”

Summary and Key Takeaways

- ➔ Aberdeen’s research on **business continuity** and **disaster recovery** has noted evidence of strong growth in cloud-based solutions for data backup and recovery; additional analysis of more than 200 respondents shows that this is especially true in Small businesses.
- ➔ A comparison of selected capabilities and technologies that are currently in place provides additional insight into why the growth in cloud-based backup and recovery is particularly strong for Small businesses:
 - The bad news is that Small businesses are the least likely to have a disaster recovery capability

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in place ... and the most likely to have no disaster recovery plans at all.

- The good news is that Small businesses that do have a disaster recovery capability in place really seem to “get it” – i.e., they know that downtime and data loss are costly, and possibly even fatal to the business.
- ➔ On average, Small businesses in Aberdeen’s study estimated the actual cost of downtime to be a whopping 75% of their total revenue and total productivity during the time of outage.
- ➔ The high cost of downtime is not just theoretical; some very simple calculations based on the survey responses works out to be about \$100K per year in associated costs – for many Small businesses, this may well be more cost than they can absorb, effectively dealing them a knockout blow.
- ➔ The top reasons that Small businesses do *not* invest in disaster recovery capabilities – which boil down to a lack of **time**, **money** and **expertise** – are extremely well-aligned with the key value propositions for cloud-based backup and recovery solutions: designed to *save time*, *avoid capital expense*, and *leverage third-party expertise* that is packaged as an integral part of the service.
- ➔ For these reasons, it’s really not such a coincidence that Small businesses are more than twice as likely as either Mid-Sized organizations or Large enterprises to have implemented cloud-based backup and recovery solutions.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*Backup “Hoarders” Fail the Recovery Test;*](#)
March 2014

[*Backup and Recovery via Cloud: Gaining
Popularity;*](#) November 2013

[*Backup: Changing Technologies Focus on
Business Continuity;*](#) November 2013

[*Business Continuity and Disaster Recovery: Don’t
Go it Alone;*](#) June 2013

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About Aberdeen Group

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Our process is simple – we conduct thousands of surveys every year to identify top performing organizations and uncover what makes them different. We share these insights back with the market in the form of in-depth research reports and content assets to help our readers build business plans capable of driving better results with the right set of tools to help them get there.

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