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BACKUP AS A SERVICE (BAAS) BILLING MODELS

Developing Fee Structures That Reflect
BaaS Costs

INTRODUCTION

MSPs scaling their backup as a service (BaaS) customer offerings are synced with market trends in data protection. The BaaS market is expected to grow over $10.4 billion USD through 2025, and experience a 31% compound average growth rate during the next four years.[1] It's an attractive market to serve, so long as MSPs can deliver BaaS operations in a streamlined way and develop fee structures that reflect the internal costs of delivering this service.

In fact, it's the proper assessment of BaaS delivery costs that frequently drives confusion and uncertainty. As MSPs take on more and more customer backup environments under management, environment heterogeneity grows. This means more hardware and software tools, each of which reports on metrics in different ways. Reconciling it all is next-to-impossible, meaning consolidating it and assessing resources used can feel like a guessing game.

However, by both normalizing the way data is captured and ensuring that the right metrics are collected, MSPs can develop clean billing models that effectively reflect their costs.

[1] Technavio. Backup-As-A-Service Market 2020-2025. Published May 2021.

What Impacts Backup As A Service (BaaS) Costs

When MSPs decide to offer backup as a service to their customers, they are implicitly introducing a wide variety of costs into their operations.

Labor One of the most obvious cost inputs is the labor associated with delivering BaaS services. This includes backup and storage administrators, infrastructure architects, and other data protection personnel. This labor time is generally split into two parts. The first is the time these individuals need to monitor backup operations and resolve system issues. The second is developing performance and audit reports to show SLA and compliance adherence.

Software BaaS operations require a great deal of software and licensing fees. This includes items like SQL and backup product servers as well as centralized solutions to consolidate end customer environment monitoring. When these costs are aggregated together, they represent a major line-item expense.

Storage Organizations are backing up tens of terabytes of data each year, a number that is only growing. As a result, you can absolutely expect your backup storage cost line item to grow as well. Even if your MSP is migrating to cloud backup and storage for cost savings, there is only so much cost mitigation you can do.

Data Retention Schedules Related to the issue of data storage volume is data retention periods. Many industries are under government or trade organization mandates to retain data for seven to ten years. The longer the backup data retention period the more storage usage and therefore storage costs you can expect.

Long Term vs. Short Term Storage While we've spoken about storage on a general level, we need to also consider the difference in price between long- and short-term storage. Depending on data accessibility needs, storage costs may be driven up by needing expensive short-term storage or could be driven down by being able to leverage cheaper secondary storage.

On the surface, these factors may all seem relatively manageable to measure. While this may be true within a single enterprise organization, the realities of MSP operations make this murky. As you'll see shortly, the nature of heterogeneous backup and storage products makes consistent measurement extremely difficult.

Why Backup As A Service (BaaS) Costs Are Difficult To Measure

One of the biggest drivers obfuscating BaaS costs is the backup and storage tools themselves. The way they go about collecting and managing backup data, and reporting on those behaviors, leaves little room for clean measurement.

Ambiguous Backup Metrics Consider a billing approach that is based on the amount of data backed up. This could seem like a great proxy for measuring the labor and licenses associated with managing a customer's account. However, different backup products measure this metric differently. Older legacy solutions like Networker report on backup data transferred. Meanwhile, newer on-prem solutions like Avamar as well as cloud solutions like Druva that deduplicate data report on backup data protected.

On its own, there is no clean way to normalize and reconcile these disparities. As a result, MSPs can easily mismeasure the amount of data being managed and therefore the actual costs of management.

Storage Opacity Enterprise storage solutions are also notorious for making storage data visibility difficult. Take a solution like Data Domain. While lauded for its deduplication capabilities, the hardware makes it challenging to pull structured data, visualize data groupings, and measure storage over long storage periods.

This means that storage solutions, like backup products, fail MSPs by blocking clean backup storage usage measurement at the customer level. As a result, they drive uncertainty over customer-specific storage costs.

These measurement issues native to backup and storage solutions, coupled with the already difficult task of measuring other overhead costs, points to a clear MSP challenge: properly measuring and realizing BaaS expenses and the appropriate way to bill customers.

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Creating Effective Backup As A Service Billing Models

MSPs planning to further scale BaaS services must find a way to reconcile these costs and challenges in an simple-to-follow billing model. Models must be easy for internal personnel to understand so that they can compile the necessary inputs. Further, they must be easily verifiable so that customers can trust the underlying data. Of course, they must also capture the full set of costs—labor, technology, and storage—required for world-class BaaS services.

Consider models that factor in the following components:

1. **Total Backup Jobs** As data volume grows, so do the number of backup jobs needed to protect that data. With that growth in backup jobs comes the growth in labor hours and resources needed to oversee those jobs and ensure backup success. This is why using total backup jobs as a billing model input is so valuable. It gives you a clean way to increase the amount billed as customer environments scale. As a result, your MSP can more accurately account for the costs associated with overseeing those environments.

2. **Total Retained Backup Data** Whether customer backup data is stored on-prem or in the cloud, that data is taking up space and incurring storage fees. If customers have extremely large environments and especially long data retention periods, those storage fees will be that much larger. As a result, introducing retained backup data in your models helps reflect customer-specific storage costs. It also reflects a customer's scale and can bring additional revenue to adjust for the time needed to manage bigger environments.

3. **Total Short Term Data Storage** Delivering BaaS services to customers that need faster access to backup data is inherently costlier. If your MSP has these types of customers in its portfolio, consider adding an input for short term data usage. It will further cover the costs of servicing these diverse customer types.

Simplify BaaS Billing Data Collection

The billing model you use must be objective, easy to communicate to customers, and simple for your BaaS team to follow and populate. Anything else will create confusion, inaccuracies, and doubt.

Along those lines, it should also be easy for your team to collect the data that populates invoices and simple for customers to understand what drives fees. This limits the team's time spent on billing and drives credibility with your customers.

MSPs looking to simplify this end-to-end experience should introduce automation into key BaaS billing workflow touchpoints. Tools that enable the following automation minimize labor hours, provide timely billing data, and drive trust.

Automate The Collection & Normalization Of Backup & Storage Metrics Complex backup environments often include multiple backup products and possibly multiple storage devices. This means a multitude of metrics from products that report those metrics in very different ways. Pulling and normalizing these metrics manually is extremely time intensive and prone to human error. It's a poor way to spend personnel time and can lead to inconsistencies that erode customer trust.

Leverage software that pulls, normalizes, and aggregates these metrics automatically. Regardless of what backup and storage tools your customers use, your team will spend just seconds collecting backup job and storage metrics...all with zero human error. Further, using independent tools to do this drives billing credibility with your customers.

Automate Customer Data Aggregation Clearly, only customer-specific data should go into a customer's monthly bill. Manually sorting through backup environments for just one customer's data can feel like a needle in a haystack. It represents tens of labor hours a month and it is prone to error.

However, by using automated backup and reporting tools that feature tagging protocols, you can streamline this process entirely. With tagging in place, clients are assigned to customer accounts the moment they appear, automatically. This means customer-specific backup job and storage data takes just seconds to compile.

Automate Customized Customer Reporting Consider the ways you may have negotiated

customer billing contracts. It's possible that certain inputs were intentionally included or excluded for some customers but not others. Keeping track of this nuance is challenging. Meanwhile, building unique, customer-specific reports takes valuable time away from backup performance monitoring.

Using tools that let you develop and save custom templates that automatically populate at month-close makes these recurring tasks obsolete. You can drastically cut down on labor hours while introducing more consistency across your billing operations.

The end results of any effective billing process should be decreased labor time, reduced human error, and strengthened customer satisfaction built through clean approaches to data collection. By using billing automations that collect, normalize, and distribute custom and accurate metrics, your MSP can further scale its BaaS operations into a profitable service line.

About Bocada

Bocada LLC, a global IT automation leader, delivers backup reporting and monitoring solutions that give enterprises complete visibility into their backup performance. Bocada provides insight into complex backup environments, enabling IT organizations to save time, automate ongoing reporting activities, and reduce costs. With the largest installed customer base in the Fortune 500, Bocada is the world's leading provider of backup reporting automation.

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