

I D C V E N D O R S P O T L I G H T

Online Backup: A Technology and Service Whose Time Has Come

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Sponsored by Spare Backup

Conditions are more favorable than ever for broad-based adoption of online storage backup. The digital media boom — video, photos, and music — along with similar growth in digital communications, most notably email, has applied unprecedented pressure on two constituencies to protect their data files properly: consumers and small business. However, consumers and small businesses have both been notoriously lax about data-storage backup. Only 1/4 of small businesses, for example, currently back up to a remote location, according to IDC research. Consumers, meanwhile, can clearly benefit from online backup solutions that automatically protect their burgeoning (and increasingly valuable) digital media files with minimal time and effort. This paper examines the market drivers for online backup solutions for consumers and small business, identifies key technology trends, and discusses the role of Spare Backup, an online backup service provider, in this new and important market.

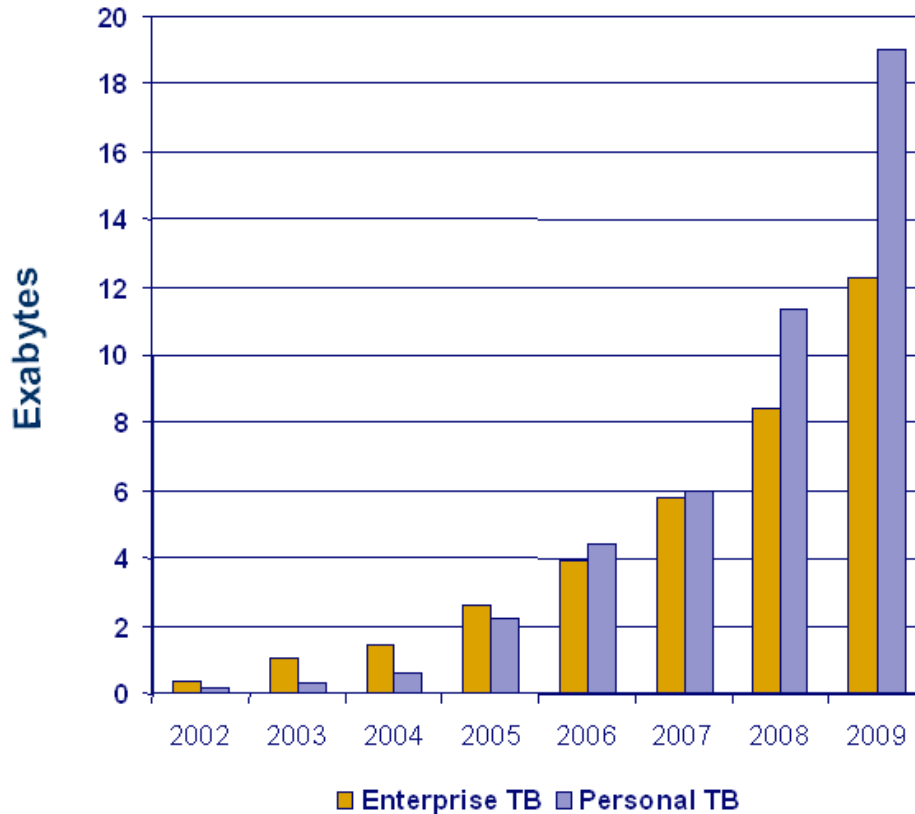
The Data Explosion Hits Home

More consumers are using their home computers as media centers. Along with the iPod revolution of music downloading and "podcasting," the publishing of digital video and photos has never been greater. Meanwhile, the market for network-enabled audio consumer electronics has begun to blossom, as home networking equipment has reached mainstream status among broadband subscribers, and awareness and adoption of digital audio devices and services grows among U.S. consumers. The last year has seen an acceleration of development and sales of products and services designed to pull digital content from the PC or Internet and play it back, either directly through a networked device, or in combination with another consumer electronics device.

As a result, the number of files and amount of storage that consumers are now keeping is a comparatively new phenomenon — two or three years ago, there simply wasn't that much for the average consumer to backup. Similarly, as online transactions such as banking and shopping become more commonplace in the home, the data being stored on home computers grows in size and value. In fact, as a result of these trends, IDC expects more high-density-disk (HDD) terabytes will be shipped into personal storage in the coming years than into enterprise storage (see Figure 1).

Figure 1

The Rise of Personal Storage



Source: IDC Storage Systems Research

Like consumers, the Small Office/Home Office (SOHO) market is experiencing tremendous growth in storage capacity and backup needs. Small-business managers have told IDC that they are experiencing over 50% growth annually in their disk-storage capacity needs. There is rarely any budget in a SOHO operation for an IT staff, yet the value of the data needing protection and management continues to grow — email communications, contracts, and client databases, to name but a few data types.

A typical SOHO, however, possesses either one PC, or, in the case of a small network, one server. There's no backup PC and no backup server, which means that a single system failure could wipe out a SOHO business. While most SOHO owners understand the importance of backing up data, manual backup is time-consuming and rarely done as frequently as it should be.

Small businesses (under 100 employees) have an additional reason to back up their data — litigation protection. In the event of a lawsuit, a small business — like any other — often must produce email or other files related to the suit. Not only do these files need to be saved, but they need to be managed so that the information is readily accessible.

At the same time, depending on the industry, many small businesses for the first time are grappling with issues raised by regulatory compliance requirements, regarding data storage and the ability to retrieve files if needed. Unlike larger firms, who may have a dedicated compliance officer or other

staff to handle these challenges, the typical small business does not have the internal resources available to invest in compliance issues. These firms may look to an online backup service to fill the gap.

There is also the continuing need for SOHOs and small businesses to reduce "soft" costs related to backup. These costs include the following:

- Time it takes to install and manage the software that does backup processes
- Monitoring storage capacity to ensure the company doesn't run out of disk space before it's too late
- Making sure upgrades and security patches are implemented when they become available
- Ensuring that the administration around storage backup doesn't take time away from any employee's job

Online Backup Defined

There is confusion among consumers and small businesses about what online backup services are and are not. For example, there are many Web sites that offer file sharing as part of a "social network" activity, where information is sent back and forth and stored in different places. These sites may focus on specific file types such as photos, for example. In effect, depending on how they are used, these sites can provide some level of backup protection. However, these sites are not designed specifically to protect critical data. Likewise, there are Web-based services now offered for applications such as email that provide storage, but only for that particular application.

IDC defines "online backup" as an Web-based service that specifically allows customers to back up files to a secure or protected site — a remote datacenter. The service's specific purpose is to create a second copy of the customer's primary files, so that if there's a loss of that data, the customer has a backup. (This would be distinguished from an archiving function, where the primary copy of the file is moved to another logical or physical location). Typically, the revenue model for an online backup service is subscription-based.

IDC also makes the distinction between online backup services, geared towards individual customers as well as small businesses, and managed storage service providers, who are focused on corporate data that resides on servers and client PCs. These firms often offer managed or utility storage agreements to corporate customers as part of a hosting or outsourcing agreement, and serve the IT or storage administrator within a company, rather than an individual PC user.

Key Trends in Online Backup

Parallel with the dot.com boom of the late 1990s and early 2000s, a dozen to two dozen online backup firms sprung up to serve these same markets — individual PC users, SOHO workers and small businesses — with Web-based file backup services. Typically these services gave away some "starter" capacity for free — at the time, 25 or 50 megabytes was seen as a lot of storage. Many of these firms attempted to build an advertising-driven model, where they sold ad space on their sites so that the services themselves did not need to charge a fee, at least until the user had consumed the starter capacity. Unfortunately, these early Web-based backup sites nearly all collapsed under the weight of poorly thought-out business models and the dot.com collapse, which took with it much of the venture capital these firms depended on.

But times have changed. During this earlier period, the level of consumer and small-business use of the Internet varied widely, Web-based commerce was just beginning to become important,

broadband access was relatively low, and the big, "name-brand" Web sites such as Google, Amazon, Yahoo, and Ebay were not yet household names. Most importantly, the average user had fewer important electronic files to manage, and most consumers' files at that time were substantially smaller (unless you happened to be a college student with lots of pirated .mp3 files).

Today, the Internet is an increasingly important part of home-office household activity, enhancing the ability to work from home in a variety of ways. IDC research shows that Internet access is widespread among home-office households in the U.S., with roughly 27 million of the nearly 35 million home offices already online. Nearly 57% of online home-office households possess faster broadband speeds, with DSL used in 50% of home-office households with high-speed access, followed by cable modem at nearly 47% of high-speed-access households.

Although households with home-based businesses once led the way in consumer Internet activity, their lead has decreased substantially, with the majority of PC households in general now having Internet access. Getting online is no longer the issue, but rather how different Internet-enabled capabilities appeal in different ways to the different types of home-office households. The rise in broadband Internet usage is dovetailing with a corresponding rise in digital data for the home and home office — music, photos, video, and email. Continued need for greater storage capacity in the home, home-office, and small-business will spur continued spending on storage services.

Similar to home offices, more small businesses are equipping themselves with broadband connections, making backup to a remote site more practical, especially in the event that data must be retrieved. IDC has typically found solid customer interest in the online backup service model, but with the proviso that the provider be trusted and viable

Considering Spare Backup

Spare Backup, a company based in Palm Desert, California, offers a fully automated remote backup service that initiates backups automatically. The service scans the customer's hard drive, including desktop and email programs, for files and application components necessary to produce an exact replica of the original.

The Spare Backup service backs up files continuously, transmitting customer data — including new and revised files — to three Class A datacenters located in Arizona, Illinois, and New Jersey. The datacenters themselves are connected via a Fibre-Channel network, and are able to run parallel in real time with each other, providing redundant protection.

Customer files are encrypted and can be accessed from any broadband-enabled, Web-connected computer. The company uses the same security standards to protect customer data as those used by the Federal Government and banking institutions. The company's Spare Key Escrow Partner keeps customer encryption keys safe, so that only individual customers have access to their own data.

Spare Backup also bundles value-added services with its core backup offering, such as scanning for viruses and spyware in the customer files being backed up. For example, if a virus is found in the files selected for backup, the customer is notified and the files are not backed up, so customers needn't worry about restoring viruses to their computers. Full versions of a leading antivirus and Internet security suite package are available with a monthly or annual Spare Backup account purchase.

Once a customer has downloaded Spare Backup's client software to their computer, the customer selects a user name and password — two of the three ID forms required to access backup files. The third form is a unique, randomly generated encryption key; all three ID forms are necessary to recover files once encrypted.

Spare Backup's service has been designed for simplicity and ease of use — critical factors when going to market in the consumer and home-office space. Once Spare Backup is installed, backups

are automatic; users needn't select files for backup unless they choose to. The service provides a range of backup choices to meet individual preferences.

In the event of a computer crash, the company's One-Click Total Restore enables customers to quickly recover their original files, giving customers the ability to access their data anytime from any Web-connected computer. Customers simply go to the Spare website, login to Web Access, select Files or Folders, and download files to an entirely new, or rebuilt, computer. To recover all backed up data to any computer, subscribers simply download Spare Backup on that computer and select the "Recover All" feature.

Spare Backup Version 4.0, released in September 2007, added several significant new features, including the following:

- An improved user interface designed for ease of use
- Re-designed Web access look-and-feel, with reporting at a glance
- An option to schedule backup time or use idle time backup or to select both
- Enhanced reporting capabilities
- Improved backup presets
- Microsoft Vista certification
- Direct links to Snapfish, Hewlett-Packard's (HP's) online photo service

Customers purchasing HP's StorageWorks Media Vault Pro backup storage system also can take advantage of Spare Backup Workgroup software, which now is included as an addition to the system. Small-business managers using the HP system can now back up employee computers to Spare Backup data centers and retrieve data when required.

The company is also working with one of largest ISPs in the U.S. to potentially roll out the service to its customers.

The online backup market is growing rapidly and Spare Backup's entry earlier in 2007 was propitious. The firm faces a field of competitors that is getting more crowded every day, but the entry of some major OEMs into this market, either directly or through acquisition, actually helps validate the online backup model, a plus for Spare Backup and other competitors. The company will need to continue to carefully manage its distribution-channel relationships by working with partners who can help Spare Backup rise above the considerable market noise. Spare Backup also will need to continue to educate users in terms of its comparative advantage versus numerous alternatives to online backup, including thumb-drives, external hard-disks, and traditional tape backup.

Conclusion

A solid case can be made that consumers are more likely than ever to want to back up their personal files, especially as music, photos, and videos rapidly become digitized. A relatively inexpensive service that requires little to no intervention would seem to fit the bill for the average PC user, especially those knowledgeable enough to want to back up their files but not interested in becoming technical experts on backup.

SOHO and small-business users are similarly primed to be receptive to an online backup service that saves time and the soft costs of maintenance, as well as offering protection of valuable business data.

However, a large set of related choices exist in the market today, including thumb drives, portable hard drives, file-sharing sites, and competing online backup services. Even some of the "content depot" firms may be moving in the direction of offering some form of personal storage, although today this is primarily dedicated to an application like e-mail (Google Gmail) or to the developer community (Amazon's S3 service).

Spare Backup has wisely looked to leading OEM, retail and reseller channel partners to help build out its customer base. The company has obviously invested significant labor and capital in building out its own infrastructure, and this may pay off longer term, assuming that Spare Backup can carve out a big enough niche in this rapidly evolving, highly dynamic market space.

A B O U T T H I S P U B L I C A T I O N

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