

Acronis Cyber Protect Cloud

The Essential Guide to Pricing and
Packaging Cybersecurity Services

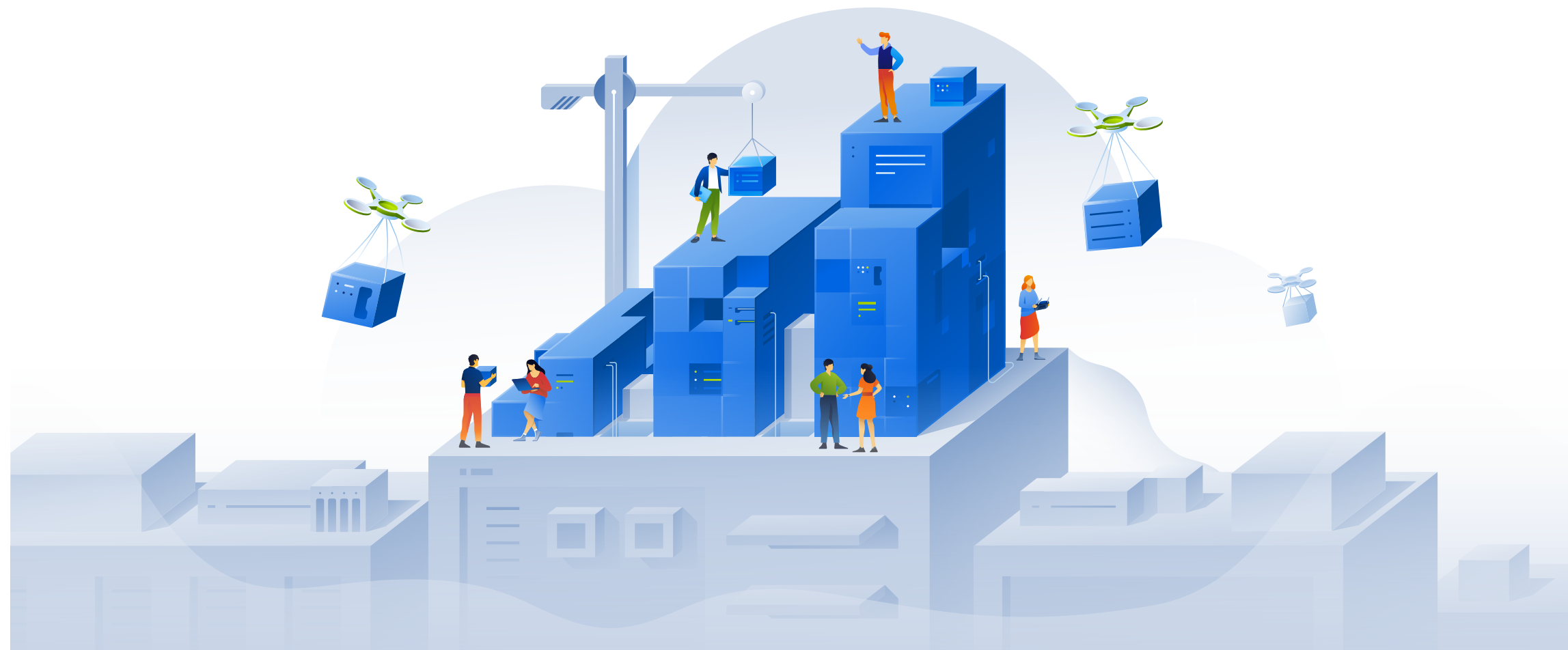


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Security Services: A Growth Opportunity



Security is one of the most omnipresent concerns in the digital world. Any product or service that includes computer code is vulnerable to attack and exploitation, and attacks are becoming increasingly more sophisticated and voluminous. No one is immune to attack or compromise, as many businesses and governments – large and small – are acutely aware.

As the need for more and better security is paramount, the business community faces a tough challenge: a lack of qualified technical and managerial talent. By some estimates, the U.S. alone has more than 4 million open security jobs. The market can't keep up with security demand.

Enter the managed security service provider (MSSP). MSSPs provide security services through the aggregation of expertise, automation, and support that scales over scores of business domains and exponentially more endpoints. Through managed security, businesses acquire the data protection and active response that they can't attain or support on their own.

For solution providers, managed security services offer a unique opportunity to tap into a burgeoning market and generate recurring revenue. According to the 2112 Channel Forecast for 2020, solution providers believe security is the best growth opportunity in 2020. The perception of security as a growth driver comes as no surprise as the overall security market continues to expand at rates of 8% to 10% annually – as much as three times the industry growth rate.

In 2019, the average solution provider earned

as much as 20%

of its gross revenue from security services

as much as 40%

from recurring managed security services

Security is increasingly a significant contributor to recurring revenue streams as more customers adopt distributed infrastructure, hosted services, and cloud computing support.

Security is unique in that it's both a driver and beneficiary of attached sales. As solution providers sell core cloud and on-premises products and services, they need add-on security products and services. Likewise, when solution providers sell security products and services, they have an opportunity to sell complementary technologies such as storage, backup, and professional services.

The challenge facing MSPs and MSSPs is twofold:

- **Building and maintaining** optimal security service delivery platforms
- **Creating a balanced cost and price framework** that's equitable to themselves and customers

Most MSSPs operate with heterogeneous technology platforms and resources. In other words, they are a collection of different technologies. While this "best-in-breed" approach should provide MSSPs with the leading resources for delivering services, they often lack interoperability and data sharing for efficient and cost-effective operations.

An alternative approach is the homogenous model, in which MSSPs build their portfolio of services on a single platform that provides the essential security services under a single pane of glass. The homogenous model makes it easier for MSSPs to sell, deliver, and administer their service portfolio. And the homogenous model makes cost management simpler, so MSSPs have an easier time pricing and selling their services.

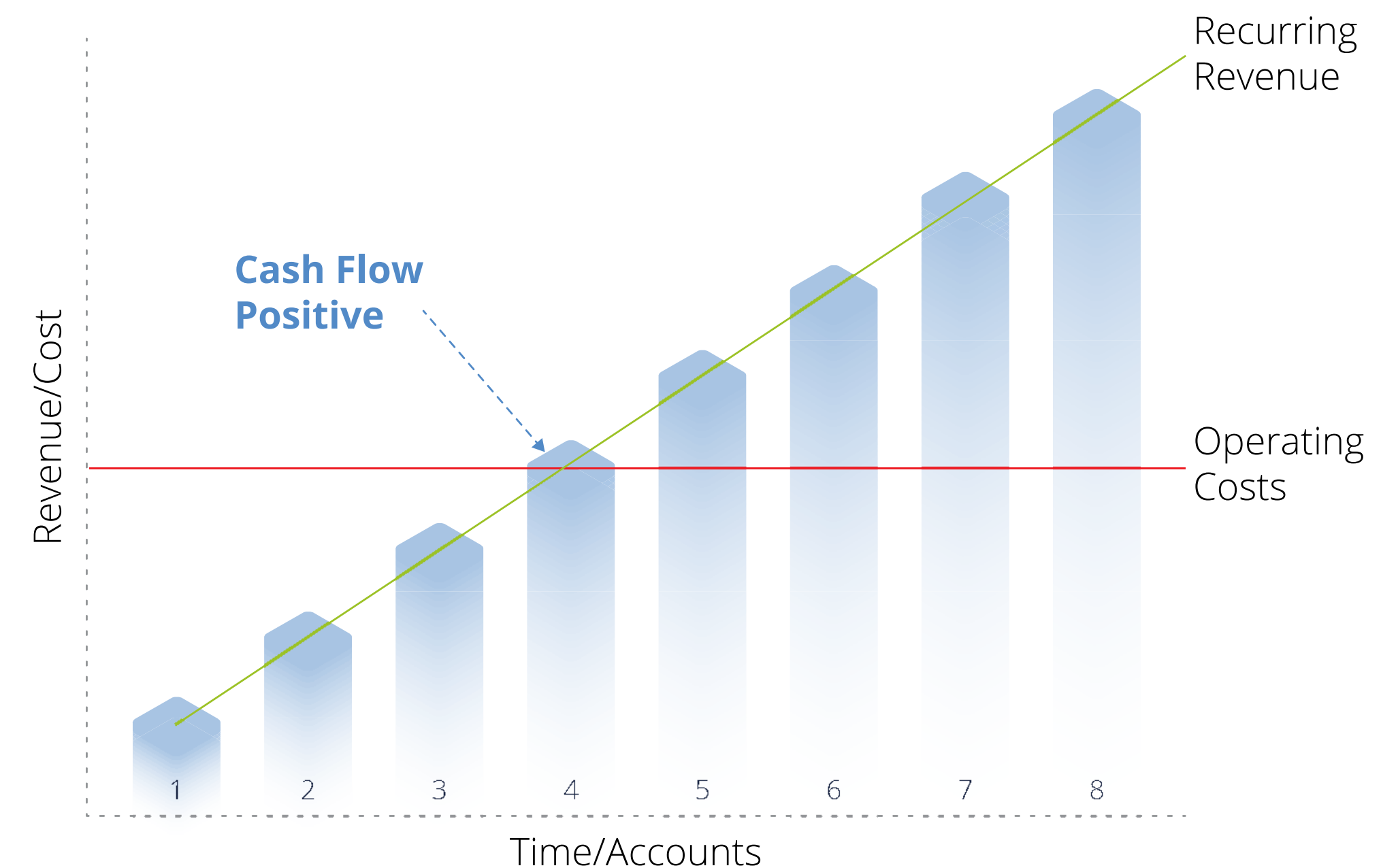
Acronis, a leading provider of cyber protection solutions that combine backup/data protection with cybersecurity solutions, is changing the way MSSPs are building and delivering security services. Through the Acronis Cyber Cloud platform, MSSPs gain access to a collection of integrated and interoperable security services for smooth delivery to their customers. The framework provides MSSPs with the ability to segment their services, tailoring offerings and prices to customers' specific needs.

This e-book provides an overview of the Acronis Cyber Protect Cloud platform, how MSSPs can effectively leverage the services to build recurring revenue, and pricing strategies for maximizing the financial returns.

Recurring Revenue Model Primer

The bedrock of managed services is the recurring-revenue model, in which providers collect incoming payments from customers periodically. The basic principle of recurring revenue is that the provider fractionalizes the cost over time to make the service expense more affordable and predictable for the customer. Correspondingly, recurring revenue gives providers steady and predictable income, unlike transactional product sales that are unpredictable and episodic.

Recurring revenue has another benefit for providers: compounding income and cash flow. Solution providers starting a business based on recurring revenue face a tough hurdle of covering expenses while building an income stream. At first, providers lose money as income doesn't cover the cost of the service delivery and maintaining unused capacity. Over time, though, as more customers



subscribe to a service, revenue compounds faster than expenses as automation and service capacity spread over multiple accounts.

Determining the cost of a service isn't as tricky as most providers believe. A common misconception is that a service cost should be lower than the price of a legacy product's total cost of acquisition. That's not necessarily true. A good rule of thumb is that providers can and should charge between 200% and 250% of their base cost per unit. For instance, if a service vendor charges \$1 per unit, the MSP should charge between \$2 and \$2.5 per unit. This price increase gives MSPs enough income to cover their operating expenses – labor, operations, administration, and infrastructure – while maintaining a healthy profit margin.

According to research by The 2112 Group, the average managed service provider earns gross margins as high as 40% on remotely delivered services sold under the recurring-revenue model. Moreover, MSPs enjoy a higher rate of growth, more sustained growth, and greater cash-flow stability than solution providers reliant on product sales alone.

Selling services under a recurring-revenue model isn't enough to ensure success and steady income. MSPs must think of themselves as sales and customer service organizations as much as technology companies. The stability of recurring revenue depends on two primary factors: new sales and high renewal rates.

Recurring revenue compounds only if MSPs continuously add new customers. MSPs need a defined sales and marketing program to attract and sign new customers. If done effectively, income will outpace expenses. The compounding effect will create a sustained revenue and profit engine. Stability in the recurring revenue model depends, though, on renewals as well. If an MSP doesn't maintain a high renewal rate, its profitability – or the delta between income and expenses – will come under pressure. Correspondingly, MSPs with high customer attrition rates must gain more new customers to maintain their income and profit pace. 2112's research suggests that the recurring-revenue model comes under stress when customer attrition rates exceed 10% annually.

The key to pricing under a recurring-revenue model is to not let the street price exceed the customer's ability to pay for multiple services. If an MSP follows the "double-up" pricing model, as defined above, and adds multiple services to packages, the cumulative price quickly rises above the customer's ability or willingness to pay.

MSPs have two options when building managed service portfolios and pricing service bundles: decrease the revenue yield per bundle to contain the price to a marketable level or create a holistic service platform that has a lower organic cost.

Advantages of the Acronis Cyber Protect Cloud

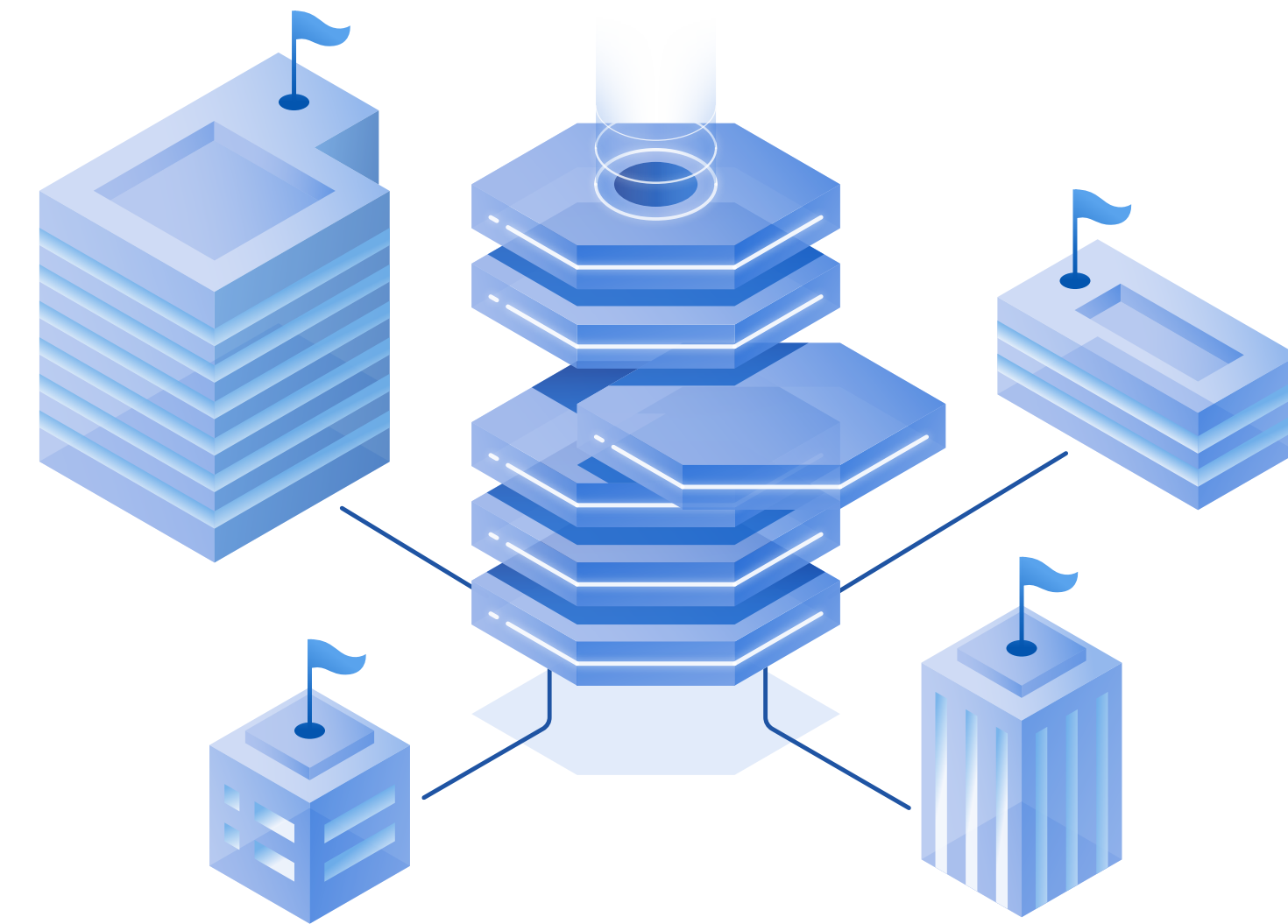
Acronis, best known for its data protection and backup products, is tackling one of the thorniest issues in the managed services market: putting several services under the proverbial “single pane of glass.” Acronis Cyber Protect Cloud has several critical security services, integrated and manageable through a single platform and management console, giving MSPs the ability to more easily manage their workloads and contain costs that – when executed effectively – results in higher profitability.

Most MSSPs and MSPs are selling security services by cobbling together several disparate security solutions to create holistic, multi-faceted offerings that meet their customers’ data protection needs. In practical terms, they build jigsaw puzzles – pieces that fit together– but with visible imperfections and no integration and automation between the solutions.

The services provide the function customers need, but the operations are often complicated and inefficient due to the interoperability limitations and the need to operate multiple systems simultaneously. Such heterogeneous service portfolios usually cost more to work, as MSPs must train staff across numerous providers, maintain multiple backends, acquire licenses and services from various vendors, manage multiple supplier contract relationships, and navigate disparate support systems.



Identify	Protect	Detect	Respond	Recover
Auto-discovery of new devices	Remote agent installation	Defenses against malware / ransomware	Patch management integrated with backup	Backup and Disaster Recovery
Vulnerability assessment	Backup and Disaster Recovery	Hard drive health control	Malware quarantine	Forensic information in backups
Data protection map	Unified Protection policies management	Dashboards and reports	Dashboards and reports	Remote desktop



Acronis Cyber Protect Cloud, which has features that map to the National Institute of Standards and Technology's (NIST) security framework, combines the most needed security, policy management, and data protection technologies in one platform. Rather than making MSPs acquire licenses from multiple vendors, Acronis Cyber Protect Cloud provides vulnerability assessment, antimalware, ransomware protection, secure remote management, patch management, exploit prevention, security policy management and enforcement, and backup and disaster recovery capabilities (see figure above).

The unified platform gives MSPs another advantage: speed. In security and data protection, response time counts. A key metric that hackers use to pick their targets is the amount of time it takes to penetrate whatever security protections are in place. The more time it takes to get into a network, the less likely hackers will target it. Through the interoperable and integrated management, Acronis Cyber Protect Cloud makes it easier for MSPs to identify threats and respond accordingly.



The unified platform reduces application performance conflicts, a common problem with security and data protection technologies. Multiple backups and antivirus clients and their agents running on a single machine often overtax the processor, resulting in CPU lags and reporting mistakes. With Acronis Cyber Protect Cloud, all complementary modules work seamlessly together, ensuring optimal endpoint performance and user experience. Agent fatigue and alert fatigue are real issues that hamper MSPs operational efficacy and an integrated solution will greatly reduce these problems.

Some MSPs may say they want to use only best-of-breed applications in their security services. The “jigsaw puzzle” approach described above isn’t necessarily bad, but building such service portfolios is often time-consuming

and costly. Acronis Cyber Protect Cloud is not an “all-or-nothing” proposition. MSPs can choose which services to turn on and off depending on their own needs and those of their customers. Acronis gives MSPs the flexibility to use whichever services they want. And Acronis’ individual and full packages of security and data protection services are verified as “market-leading” by numerous third-party testing organizations.

Acronis Cyber Protect Cloud provides the best security and data protection technology for MSPs to deliver to their customers with the flexibility that meets their business models and customers' needs.

Practical Packaging and Pricing Models

Acronis designed Acronis Cyber Protect Cloud with flexibility in mind. While it's a holistic platform that provides MSPs with most of the security tools they need, it doesn't require the use of every tool. MSPs can create flexible plans that allow customers to pick the services they want. This flexibility is particularly useful when selling data protection to customers that already have a solution in place. MSPs can toggle most of the services on and off at their customers' discretion or by plan.

Manageability is another excellent feature of Acronis Cyber Protect Cloud. MSPs can create different instances of services in the same account via plans. In practical terms, MSPs can create packages that let a customer provide a higher level of data protection for a company's finance department and a lower but adequate level of security for remote workers. With this ability to segment levels within accounts, Acronis MSPs can create segmentations that align with customers' security policies and budgets.



Acronis offers three editions of Acronis Cyber Protect Cloud: Essentials, Standard and Advanced. These offer different features, which MSPs can use to create plans and enable/disable features ensuring MSPs deliver right-sized solutions to their customers based on need and budget.

	ACRONIS CYBER PROTECT CLOUD		
	Essential	Standard <i>(Includes all Essential Edition Features)</i>	Advanced <i>(Includes all Standard Edition Features)</i>
Backup	Workstations, Servers (Windows, Linux, Mac) backup, Virtual machine backup, Cloud Backup	Image-based backup, Application backup, Network shares backup, Backup to local storage, Data protection map	Advanced application backups (Microsoft SQL, Exchange Clusters, Oracle DB, SAP HANA)
Security	Vulnerability assessments, Patch management, Antivirus and antimalware protection, URL filtering, Exploit prevention	✓	Forensic Mode, Scan Backups for Malware, Safe Recovery, Whitelisting
RMM	Group management of devices, Centralized patch management, Dashboards and reports, Remote desktop and remote assistance, Software and hardware inventory, Script execution	HDD health	✓

Acronis offers pricing to MSPs for each of the Acronis Cyber Protect Cloud packages through a per-workload model.

MSPs offer the Acronis Cyber Protect Cloud packages at flat, per-seat prices based on storage and the type of device supported; users also pay for storage capacity based on consumption volumes. This model gives MSPs and their customers greater cost predictability.

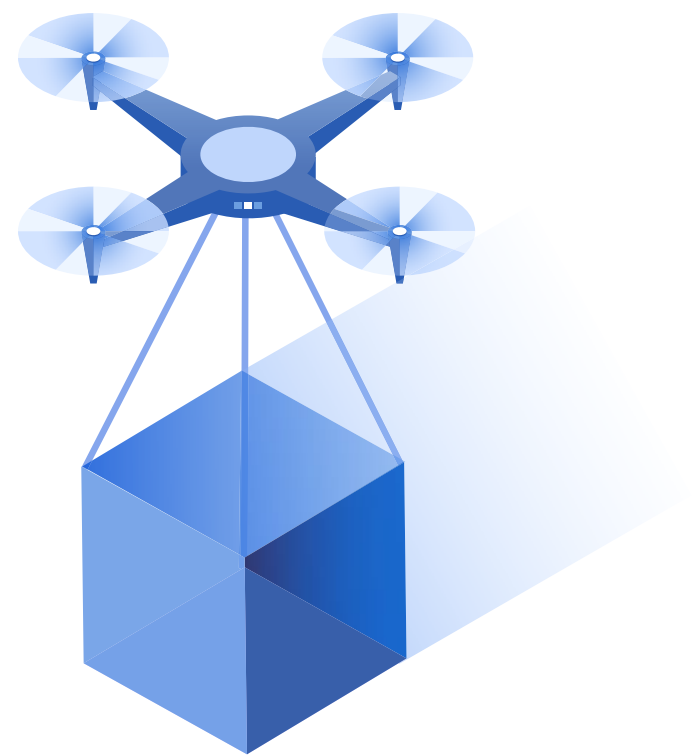
MSPs have choices when it comes to pricing and selling Acronis Cyber Protect Cloud. Under the “sell to” model, Acronis’ pricing is the cost to the MSP, not the customer. MSPs have the latitude to establish pricing for whatever their respective markets and customers can support (within regulatory parameters).

The general rule of thumb of doubling the cost of service applies to Acronis Cyber Protect Cloud. MSPs can provide a full array of security and data protection features and functions, knowing the total cost to their business. In this pricing scenario, doubling the cost to set a street price is relatively straightforward. Acronis Cyber Protect Cloud allows for much more flexibility in packaging, though, which makes street pricing a little tricky.

MSPs can sell Acronis Cyber Protect Cloud multiple ways and in multiple combinations. The two primary ways to package Acronis Cyber Protect Cloud are:

- **Holistic:** The customer must buy the total package with all services turned on at a price established by the MSP.
- **Select:** The customer buys select services at a reduced price that the MSP sets

To calculate an appropriate street price, MSPs should consider the following.



Cost of goods and services (COGS)	The amount of the underlying service cost paid to Acronis
Service-level targets/agreements	The quality of service provided to customers and the resources to deliver such service levels
Service staff	The cost of salaries, benefits, and taxes for staff members who deliver services
Sales and commissions	The cost of sales salaries, commissions, and business expenses
General administration	The cost of running the business and administrative activities apportioned to the services delivered

According to 2112’s research, MSPs typically have 30% to 40% gross margins (earnings after costs but before taxes and other fees). MSPs should apportion the total cost of ownership to the service cost to arrive at an appropriate base price for individual services. In other words, they should ensure that each service package includes the cost of doing business plus a margin for profitability.

When setting service prices, MSPs should consider three levels at which they're willing to sell a product.

- **Street price:** The generally marketed price of any product or service. Many people will recognize a street price as MSRP (manufacturer suggested retail price). It's the sticker price without discounts or other considerations. Street prices are often 200% to 250% cost.
- **Floor price:** The minimum acceptable sale price for a product or service. In this context, MSPs should figure out what their minimum price for selling a product is by determining cost and then applying a minimum profit margin. Floor prices establish a boundary for negotiation with customers in competitive engagements. Crossing the floor price tells MSPs whether the engagement is worth the lower profitability. In many cases, a floor price is cost plus a 125% to 150% margin; in some cases, MSPs may take the floor price to zero to win competitive deals.
- **Strike price:** The target price for most sales engagements. By establishing a strike price, MSPs can provide salespeople guidance and latitude for negotiating prices that will typically fall between the strike and street prices. Strike prices carry margins of approximately 150% to 200% above cost.

200% to 250% of Base Cost	STREET	Highly Profitable
150% to 200% of Base Cost	STRIKE	Adequate Profitability
100%to 150% of Base Cost	FLOOR	Covers Costs
100% to 150% of Base Cost	COST	Losing Money

A complicating factor for Acronis Cyber Protect Cloud is the ability to turn off services. This feature is useful to MSPs that have existing services by other providers, but still want to use pieces of the Acronis platform or work with Acronis until the contract expires. However, MSPs pay Acronis for the totality of the package, meaning the price doesn't change if certain services get turned off. MSPs must account for that in their pricing, as customers may expect variable pricing.

MSPs should apply a premium pricing strategy to accounts that don't want all the included services. This means charging more for the fewer applications used. Such a pricing strategy will give customers an incentive to use all of the Acronis features and migrate from their existing applications.

This premium pricing strategy doesn't apply when a customer opts for different levels of service for different departments or user groups. If a customer wants a Standard package for the marketing department but Disaster Recovery for the finance department, the regular pricing strategy (before discounts) should apply. They would simply have to create two tenants to do this.

As with all pricing strategies and approaches, the actual price framework for services should take into consideration local market and economic conditions,

the total addressable market (TAM) for the services offered, and customers' ability to pay. Pricing strategies for Acronis Cyber Protect Cloud should cover costs and provide MSPs with a profit, but should not place the service out of reach of the target customer.



Going to Market Effectively and Profitably

Security is an omnipresent issue for all businesses. No business can afford to operate without applying appropriate levels of protection to its data and infrastructure. The reality, though, is that most businesses can't afford to build and maintain security for their data and infrastructure. The best solution is effective and scalable managed security services. That's where Acronis Cyber Protect Cloud comes in.



Acronis Cyber Protect Cloud provides solution providers and managed service providers with a holistic platform that allows them to apply greatly improved security technologies with greater efficiency and lower costs. Through the integrated and centrally managed Acronis platform, MSPs and MSSPs won't spend time and money on training and managing disparate tools and platforms. Time plus lower costs contributes to MSSPs' profitability and gives them greater leverage in taking products to market.

When planning to take Acronis Cyber Protect Cloud to market, solution providers should employ a few useful strategies before setting prices.

- 1. Define the target customer:** Selling any product or service requires defining the typical customer. By developing a profile, an MSP can determine the customer's needs and spending power.
- 2. Calculate the TAM:** Every company and product have a TAM, which is the total value of the spending on an offering or set of offerings. By understanding the TAM, an MSP can calculate sales and market share goals, as well as determine relative value to the segment.
- 3. Understand competition and competitive pricing:** When calculating TAMs, MSPs should also identify the competition and their pricing models for comparable products and services. MSPs should approach this exercise with the intent of undercutting competitor pricing. The goal is to avoid looking too pricey or low-value and thus becoming an outlier in the market.
- 4. Determine the value of services delivered:** Calculating the relative cost of building and maintaining the equivalent of services offered will demonstrate to customers the real value of what they're getting from a managed service.
- 5. Figure the total cost of service:** As noted earlier, MSPs must understand the total cost of their goods and services, inclusive of overhead expenses. Calculating total costs per unit will establish the foundation on which MSPs can determine the fair market and profitable price of their services.



Managed security services are in high demand because businesses know they can't secure their data and infrastructures independently. They need the assistance and ongoing support of trusted, expert providers that use market-leading tools to meet current and future security needs. Through the process of discovery, calculation, and strategy, MSPs can leverage the powerful, flexible, and efficient Acronis Cyber Protect Cloud to bring superior services to market at competitive and profitable rates.

Additional Resources



- [Acronis Cyber Protect on the Partner Portal](#)
- [IDC White Paper: Addressing Cyber Protection and Data Protection Holistically](#)
- [White Paper: The Five Levels of Integration](#)

About Acronis

Acronis leads the world in [cyber protection](#) - solving safety, accessibility, privacy, authenticity, and security (SAPAS) challenges with innovative [backup](#), [security](#), [disaster recovery](#), and [enterprise file sync and share solutions](#). Enhanced by AI technologies and blockchain-based authentication, Acronis solutions protect all data in any environment: physical, virtual, cloud, mobile workloads, and applications.

With 500,000 business customers, and a powerful worldwide community of Acronis API-enabled service providers, resellers and ISV partners, Acronis is trusted by 100% of Fortune 1000 companies and has over 5 million customers. With dual headquarters in Switzerland and Singapore, Acronis is a global organization with offices worldwide and customers and partners in over 150 countries. Learn more at [acronis.com](#).

About The 2112 Group

The 2112 Group is a business strategy and research firm focused on improving the performance of companies' direct and indirect channels through a portfolio of market-leading products and services.



The 2112 Group leverages proprietary intelligence with qualitative research, market analysis, tools, and enablement programs. Industry experts approach each engagement by applying innovative solutions customized to meet the needs of clients. By looking at the technology market from the viewpoint of vendors, partners, and end users, The 2112 Group is uniquely positioned to develop go-to-market strategies that are beneficial to all parties.

Acronis

Learn more at www.acronis.com

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