

ESG Brief

Data Protection Predictions for 2020

Date: November 2019 **Author:** Christophe Bertrand, Senior Analyst

Abstract: ESG's data protection team delivers its 2020 predictions. The backup and recovery market is at full effervescence and at the cusp of many changes.

Who Said the Backup and Recovery Market Is Boring?

2019 was a year of contrast for backup and recovery but also confirmed the great health and growth potential in this market. It is, however, at the cusp of a critical change, one that will see vendors pivot to expanded capabilities and new use cases. Those who don't invest in these new capabilities (organically or through acquisitions) will enter a phase of slow decline, which may not be immediately evident but that will be hard to reverse. More on this in the predictions section.

It is customary for some industry observers to give grades, score cards, and the like or to place vendors in geometrical forms invented by very ancient Gods of technology. By design, we will not do this, but one is free to read between the lines. Organizations that consume backup and BC/DR technology are in a constant state of change as the focus on leveraging data for reuse in other parts of the organization and external threats upend traditional approaches.

We saw the confirmation with newer entrants that proved to be much more than the "ankle biters" that some of the incumbents tried to coin them as. Some new niche players are emerging too, and they are executing at what seems like lightspeed compared with others. Niche is a starting point, so don't get stuck there!

Equally as important are the changes and the execution we observed among the "traditional" incumbents. There are no sleeping giants to easily go after in this market anymore, or any vendors that are resting on their laurels. We have seen some significant strategy adjustments for the better accompanied by action and execution. It is hard to think of a market segment in IT with vendors that have been so disciplined in their go to market against a backdrop of intense competitive pressures. This is particularly true in the enterprise space. Taking a snapshot of the market a year ago—pun fully intended—and comparing it with today demonstrates how most vendors have actually delivered on their roadmaps and invested in their ecosystem and channels.

In the mid-market, one vendor did particularly well with its focus on MSPs and some astute acquisitions and integrations. Another vendor that plays across a couple of segments confirmed its marketing and market superiority again and again. (Never underestimate great marketing.)

The convergence of technologies to solve burning issues such as ransomware and cybersecurity was evident across the board, and in the M&A space as well (this one is obvious!). These were some interesting moves that should pay off (if well executed, of course).

Cloud, cloud, cloud...of course. But we're not there yet. Lots of new solutions and new capabilities. Lots of new workloads to protect. Let's be honest: It's a mess out there. There is still some work to do to get coherent and consistent RPOs and RTOs in the cloud or to the cloud like what has been achieved with on-premises and for backup-as-a-service. This being said, many improved or new offerings came to the forefront in 2019, and this should be encouraging for end-users. However, SaaS backup and recovery is still clearly misunderstood by many as are SaaS SLAs in general.

In 2019, we exposed how poorly protected Office 365 and Salesforce environments are. Luckily, vendors can help!

One big buzzword that we want to warn everyone against is "data management." Please, vendors, turn off the buzzing marketing/PR machine. When something means completely different things to different people, it confuses them and the market. What is really happening is a pivot toward the intelligent reuse of data on the basis of having understood what it is, where it lives, etc.

In addition, compliance mandates like GDPR and CCPA do a good job of reminding businesses that they had better be on top of their data. The fun is over. Now it's about privacy, and this changes everything. Some vendors have started providing new solutions for new parts of the business, new personas, and new decision makers (who have money to spend). Maybe 2019 was in fact the beginning of the end of this traditional backup and BC/DR market...or at least a turning point.

2020: Nine Predictions for Backup and Recovery

~~Data Management...Sorry, Intelligent Data Management~~

Data management as a term will become better "qualified" and less of a catch-all that misses the point. Intelligent data management or the intelligent reuse of data will become more pervasive in 2020, making it a pivotal year for many backup and recovery vendors that now need to expand the personas they communicate with and sell to. We believe that the vendors that successfully morph their platforms to include instrumentation and workflows to make the sharing of compliant data easy will start building a lasting differentiation in the market. Look for "insights" features, data classification, self-service data reuse, compliance modules, data analytics-friendly workflows, and better BC/DR. Our research shows that this is the future of backup and recovery,¹ and we believe 2020 will confirm it.

SaaS Backup and Recovery Become Higher Priorities

In 2020, SaaS backup and recovery will become a higher priority for end-users. Vendor education campaigns will increase awareness of the data protection issues associated with poorly understood SLAs and will accelerate adoption of protection solutions. In the enterprise space, Salesforce backup and recovery will become more visible as an issue, while Office 365 backup adoption becomes less differentiated across vendors, but still offers a large market opportunity in 2020 and beyond. Remember that SaaS applications may be highly available on the surface (outages have happened in the past and will likely happen again), but the data remains the customer's responsibility.

Cloud Costs Start Hurting as Multi-cloud Support Becomes Critical

Cloud costs keep escalating, forcing organizations to reexamine their backup practices and methodologies. There's a lot more than meets the eye with cloud environments as workloads become more mobile across multiple clouds and on-premises sources or destinations. With compute, egress, and ongoing storage driving up costs, we expect that a "reality check" will occur in many organizations. We may even see some repatriations to on-premises environments or topology optimizations driven by cloud costs. This may offer a great opportunity for MSPs and regional service providers to win business over hyper-scalers.

¹ Source: ESG Research, *Data Intelligence*, to be published.

Multi-cloud support—true support—will become increasingly critical as end-users use multiple providers today and are looking to hedge their bets and build a flexible hybrid infrastructure.

DR Automation Advances

Moving the right data to the right place at the right time is what it's always been about, and so hard to achieve. We expect to see more advances in this space driven by data optimization capabilities or services and data classification. High availability is going to become more widely “democratized” across segments, including the mid-market. Delivering on RPOs and RTOs will remain the top mandate for data protection IT leaders. The question becomes, which vendors and which implementations will actually deliver on these objectives? In 2020, we expect to see a lot more communication from vendors on actual recovery times and points instead of just marketing hype.

Tech note: The underpinning of these solutions is still a critical part of success here. They all have a lot of great features, but success of DR still depends on getting the data from point A to point B efficiently and in a timely manner. There seems to be two schools of thought here, VMware to VMware for site-to-site failover or a hypervisor conversion (VMware to public cloud hypervisor). The latter could incur a cloud cost penalty.

Appliances Remain Popular

Backup and recovery appliances are still popular. It's a form factor that has proven itself over time, and they're not going away any time soon. There is a marked evolution toward more software-defined approaches (think of LEGO building blocks where the software is the difference), with cloud in mind of course. Scale-out architectures/solutions are going to continue evolving in 2020 and be adopted by a growing number of users as vendors keep adding offerings to their portfolios.

Compliance Remains a Serious Exposure

GDPR made the news so many times in the past two to three years that it seems like old history. We believe it is still a serious risk exposure for many organizations. More regulations are coming online across the world and in the US that are strongly inspired by the spirit of GDPR. Data privacy is the extension of an individual's rights to the data about them. For many organizations, knowing what data qualifies under the litany of regulations, what they have, where it is, and what they should do with it will remain a complex task in 2020...and likely for years to come. We expect that as a result of the intensification of auditing and litigation, we will see an acceleration in services and solutions that support the identification and classification of data; after all, it is the first step to compliance. We also expect to see current confidence levels among IT professionals drop as more challenges present themselves, audits take place, and fines are levied.

Container Backup and Recovery Accelerates

Container adoption is accelerating and so too is the requirement to properly protect container environments and the data in them. ESG research indicates that, so far, IT professionals are kicking the can down the road. Twenty-four percent of respondents say that data protection for containers will become as important as VM protection in 13 to 24 months, while another 24% say it will become so in more than 24 months.² This being said, we believe that there is going to be an acceleration of container backup and recovery initiatives in 2020. Very much like what we saw for VMware, newer approaches are needed. This time, however, we see a lot of attention and early support from incumbent vendors in the market. A few years ago, many vendors missed the VMware revolution, and one vendor came in and changed the market dynamics to become a powerhouse. We expect the container market to be more competitive sooner, starting in 2020. ESG thinks this is an area where application development and data protection must be tightly integrated. There will have to be

² Source: ESG Master Survey Results, [Data Protection Cloud Strategies](#), June 2019.

some awareness or synchronization here around which containers need backup and which ones do not. And application consistency is critical as container usage expands. The recipe will likely include a healthy dose of Kubernetes.

Tape Won't Die...Again

Tape is not dead and just won't die. Don't expect to see its demise in 2020! Millions of tapes ship every year. It still represents a significant amount of backup and archive storage in the enterprise space, but it is clear from ESG research that cloud will start replacing tape in many environments. Thirty-one percent of organizations say that it is "extremely likely" that they would replace on-premises tape with cloud target solutions, and another 47% say it is "likely." With numbers like these it is fair to say that cloud backup targets are primed to replace on-premises tape.³ In 2020, we expect that more focus will be placed on migrations of traditional tape management and infrastructure to cloud services. Deployments of isolated recovery (air-gapped) topologies that leverage tape could also see an acceleration as cyber criminals get more aggressive and sophisticated, specifically targeting backup data (think of it as "killing" the recovery mechanism). We will be looking more closely at this market and include the extensive use of tape by public cloud providers.

The Role of Channel Continues to Evolve with Cloud

What is a traditional channel partner or player these days in the space of backup and recovery? ESG research shows that channel partners still hold a high level of influence as trusted advisers with the end-users we surveyed.⁴ The traditional model of the trusted VAR who would sell servers, networking, software, and services to make it all work has, however, gradually dissipated with the advent of cloud strategies and the heavy push by hyper-scalers to capture backup and recovery workloads. Many vendor programs enable channel partners to effectively become service providers themselves and logically many VARS are now evolving their business models to act both as service providers and providers of a full range of value-added services for data protection. Many service provider generalists have become players in the backup and recovery space by leveraging powerful platforms that bring those capabilities together. With all these changes in mind, as business models continue to evolve in the channel in 2020, we will see an increased risk of disintermediation for channel players who do not adapt their business model to the new hybrid, cloud-driven topologies end-users now expect. We also see a great opportunity for those who do, and for the vendors who fully and credibly embrace service provider-like features or make it their core business, in particular in the mid-market.

The Bigger Truth: This Market Will Consolidate in 2020

Any prediction effort would not be complete without the customary M&A "crystal ball" pronouncements. Don't look for these here. Unless one has a perfect view of all the strategies and all the players, including a full view of all financial details, great market prediction capabilities, and genius financial engineering inspiration, it's mostly conjecture and specific moves by one vendor or another, or their financial sponsors, can change on a whim or due to a poorly conducted negotiation.

Let's not worry about specifics, but rather look at the bigger picture and make the following observations. Let's call them five parameters that we believe will be at play, assuming (wishing) that no significant and lasting global economic slowdown takes place:

- **Too many vendors are focused on the enterprise space and not everyone's financials make sense.** We believe that something has to give—unless you really like sock puppet mascots, or questionable office sharing ventures, for a more recent reference.

³ *ibid.*

⁴ Source: ESG Master Survey Results, [2018 Data Protection Landscape Survey](#), November 2018.

- **The equity structure and ownership of a vendor make a difference in strategy.** A private equity-owned organization will not look for the same KPIs as a venture capitalist-owned company. This totally changes what makes sense and what doesn't when it comes to M&A opportunities, investing, and divesting.
- **Execution matters.** Marketing investment accelerates sales, and a clear message helps. Execution on strategy and roadmap and a sound partner strategy combined with marketing talent and investment/spend will make a significant difference. This has been proven over and over again. In the market today, some vendors fall short in one or multiple areas.
- **Some niche players offer very attractive options to jumpstart new offerings** and take positions in the next phase of the market or acquire specific capabilities to boost or renew a portfolio.
- **Adjacent markets give us a sense of how offerings and partnerships may morph moving forward.** We can see the storage and the vast cybersecurity segments starting to combine (as has already been seen in the past few years and in 2019) with the traditional backup and recovery space.

And finally, the only thing we can be sure of: There will be more data to protect and manage in 2020.

All trademark names are property of their respective companies. Information contained in this publication has been obtained by sources The Enterprise Strategy Group (ESG) considers to be reliable but is not warranted by ESG. This publication may contain opinions of ESG, which are subject to change. This publication is copyrighted by The Enterprise Strategy Group, Inc. Any reproduction or redistribution of this publication, in whole or in part, whether in hard-copy format, electronically, or otherwise to persons not authorized to receive it, without the express consent of The Enterprise Strategy Group, Inc., is in violation of U.S. copyright law and will be subject to an action for civil damages and, if applicable, criminal prosecution. Should you have any questions, please contact ESG Client Relations at 508.482.0188.



Enterprise Strategy Group is an IT analyst, research, validation, and strategy firm that provides market intelligence and actionable insight to the global IT community.

© 2019 by The Enterprise Strategy Group, Inc. All Rights Reserved.

