

Five Ways Downtime Costs Add Up!

When your business operating systems fail, the costs can start to accumulate before you even know there is a problem. Downtime is expensive for reasons that reach far beyond the revenue loss incurred during a system outage, although that is a good place to start calculating. According to a [Gartner study](#), small businesses suffer an estimated loss of somewhere between \$137 to \$427 per minute (repeat...that is per MINUTE). That means, at best, a small business will suffer a $\$137 \times 60 = \$8,220$ per hour cost and odds are your IT staff members and/or an unfamiliar outsourced IT consultant may not have the problem resolved within an hour. With that, a mid-sized organization can easily spend upwards of \$1 million per year on IT incidents above and beyond their regular tech budget. These may seem like a bunch of arbitrary numbers but they quickly become very real when (not if) a loosely self-managed system fails. Most costs are brought on by a flawed 'break/fix' IT business practice which waits for systems to fail before investing in professional outsourced IT support. Not only are these downtime price tags exorbitant; they are often unnecessary.

While these figures may be startling, they don't explain WHY an outage can be so costly. Atlassian Incident Management broke down losses into separate categories and rated them according to their level of impact:

1. **Business Disruption** is the biggest problem with IT incidents because it includes the long-term reputation damage an organization can suffer, which is hard to quantify, but can have a lasting impact. Most of us can recall a major security breach or system outage that affected our impression of a business for years after the incident. This can leave a lasting reduction in customer churn that is difficult to recover from. In fact, **93% of SMBs** who suffer a high impact data disaster go out of business within one year.
2. **Revenue Loss** from the sales lost from the inability to service customers during downtime and money spent on tech repairs is a major expense when an IT incident occurs. There is no precise way to budget for these

circumstances because it is impossible to plan how much time and effort it will take to fix the problem and investigate the origin.

3. **End-user Productivity** is an expense that many businesses overlook during an outage. What generally happens when systems fail is a halt on all productivity from staff members who still must be paid while unable to do their jobs. These costs can add up quickly and can seem like a double whammy to an SMB.
4. **Internal Productivity** comes into play when a company employs IT staff who must use their valuable time to repair system failures. Additionally, other employees such as those in the sales department and customer service teams often have a lot of apologizing and customer retention work to do for customers who are affected by outages.
5. **Incident Post Mortem Evaluations** are necessary when major outages occur. This consists of a complex step-by-step process to perform a thorough root-cause analysis and is essential to prevent future incidents. Unfortunately, there is no way to predict whether this will take hours, days or weeks to accomplish; so the cost can be quite immense.

By and large, the solution to these losses lies in preventative measures. Running regular system maintenance is essential and may prove difficult to accomplish with a limited number of IT staff members. Additionally, when an incident happens, fast communication helps identify the failure, fix it and assist in providing great customer service. This means even when IT problems occur, they can be handled efficiently enough that the costs are minimized and productivity resumes promptly.

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