

Dropbox vs. Virtual Data Rooms

A COMPARISON GUIDE

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Introduction

Cloud storage solutions have become a mainstay of modern business operations, and understanding what that means for the security of your business documentation is crucial. This comparison has been designed to help guide you through the similarities & differences between Dropbox & virtual data rooms.

You're likely familiar with Dropbox, a cloud-based file-hosting service that integrates with other popular applications, allowing for anytime, anywhere access to your files. If you edit a document on one device, the changed document will then be accessible on your other devices. Many users use Dropbox to share large files with others thanks to its collaboration and file-sharing features. In fact, Dropbox has an edition specifically for team collaboration, Dropbox for Business.

While Dropbox may be a user-friendly choice for sharing photos, memos, agendas, sales proposals, and non-confidential meeting minutes, virtual data rooms are better suited for highly sensitive data such as company financials, personnel records, capitalization tables, M&A documents, and documents covered by non-disclosure agreements.

Dropbox and virtual data rooms are two different solutions for two different problems. Understanding these differences is essential in selecting the most appropriate service for your specific file sharing needs.

A Look at Dropbox



According to Dropbox.com, over 200 million people and 2 million businesses use Dropbox. Many users start with Dropbox's free account which includes 2 GB of free space. While a free account allows you to share documents with others, it's not a full-fledged collaboration tool for teams. That's where Dropbox for Business comes in.

Dropbox for Business is a paid service that starts with 1 TB of space for five users. Additional space is available as needed at no additional cost, though price increases for additional users. The paid version offers increased security, team management tools, collaboration features, and integration with additional apps for businesses.

Dropbox Features & Security

Dropbox offers a wide range of features that support basic content creation, collaboration, file sharing, and storage. When it comes to sharing and storing files their software offers the following features.

Smart Sync

If you are looking to save space on your hard drive or mobile device this feature allows you to store content in Dropbox itself.

Versioning History

During the document creation process this feature allows you to track changes to your documents.

Group Access to Files

When groups are working collaboratively on a project you can use this feature to grant access to multiple users or teams.

Centralized Authorization

This feature gives administrators the ability to add or remove users, unlink lost or stolen devices, and view basic reports

One-Click Sharing

Using this feature you can send a document link to a contact to share information, then anyone with the link can access the document.

Restricted Sharing

This feature allows the document owner to restrict others from sharing shared folders and links outside the team with Dropbox Business.

Dropbox for Business offers 256-bit AES encryption and SSL/TLS encryption and optional two-factor authentication. However, its security has been the subject of some debate. For example, an article published in Informationweek by Matthew J. Schwartz reported on a complaint filed with the FTC alleging that Dropbox had been misleading consumers about its security practices. The complaint alleged that despite assurances that “all files stored on Dropbox servers are encrypted (AES-256) and are inaccessible without your account password” the file-sharing service uses a process known as deduplication that reportedly weakens security. Its use of a single encryption key for all user data was also been questioned in the article. Dropbox responded to this criticism by changing its description to read: “we have strict access controls that prohibit employee access to user data.”

In June 2013, The Guardian reported on a leaked classified document that indicates that the National Security Agency is planning on adding Dropbox as a PRISM provider. The PRISM program allows direct access to a provider's servers to intelligence services.

And, in 2016 it was revealed by Motherboard that a 2012 data breach resulted in the compromise of 60 million accounts. Following this discovery Dropbox forced a number of users to change passwords, and released a statement saying that they had not witnessed evidence of malicious access.

Despite some criticism, Dropbox remains a popular service.

Understanding Where Dropbox Stands Out

Dropbox is well suited for companies with multiple locations that need a central location for non-sensitive shared documents as well as local, synchronized copies for offline use. It's a fast alternative for sharing large files that might otherwise clog inboxes or be blocked by ISPs due to their size.

A Look at Virtual Data Rooms

Virtual data rooms share many similarities with Dropbox, but they take security to a higher level. They are designed specifically for storing and sharing secure documents such as financials and intellectual property.

According to *Do Virtual Data Rooms Add Value to the Mergers and Acquisitions Process?*, a study from the Institute of Mergers and Acquisitions and Alliances (MANDA), virtual data rooms are used as technology-based due diligence tools that facilitate access and use of data in M&A transactions. While the study examined virtual data rooms in relation to the M&A process, its findings are relevant to other business use cases where sensitive data must be accessed and shared in the most secure environment possible.

For example, resources stored in a virtual data room may include sales, tax, legal, accounting, risk and insurance, IT, human resources, environmental, sales, operations, property, intellectual assets, finance, and other sensitive information.

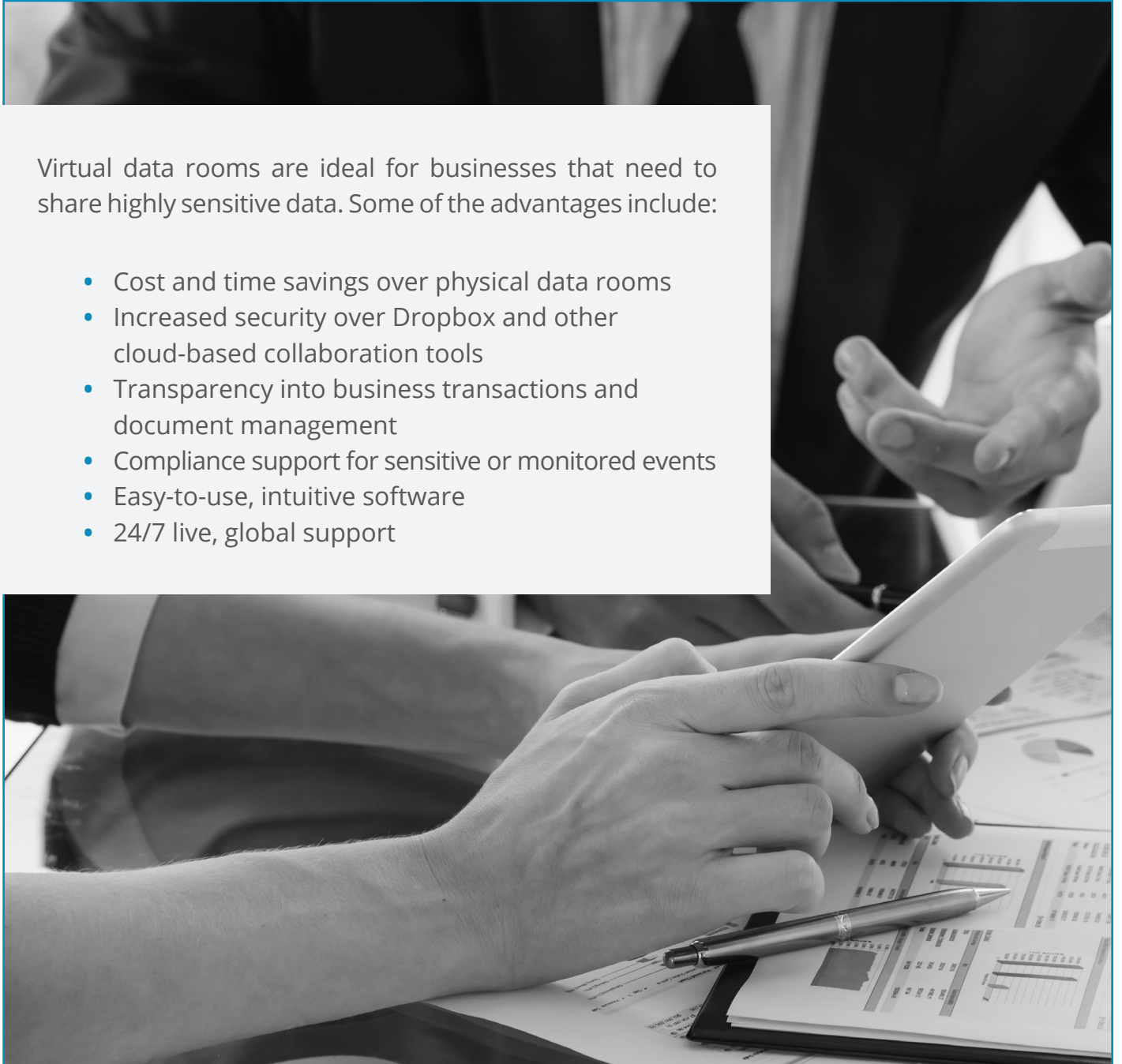
Meanwhile, in a due diligence situation, many individuals on both sides need to access that information, making security a critical concern. Not only are there concerns about encryption so that hackers can't intercept data, there are concerns about sensitive data falling into the hands of individuals who have not signed a non-disclosure agreement or who were not intended to view the information.

Virtual data rooms include features that address these concerns. Like Dropbox and other cloud-based file sharing systems, virtual data rooms use strong encryption technologies such as 256-bit encryption and SSL (secure socket layer) encryption. However, virtual data rooms use these security features as the starting point.

Advantages of Virtual Data Rooms

Virtual data rooms are ideal for businesses that need to share highly sensitive data. Some of the advantages include:

- Cost and time savings over physical data rooms
- Increased security over Dropbox and other cloud-based collaboration tools
- Transparency into business transactions and document management
- Compliance support for sensitive or monitored events
- Easy-to-use, intuitive software
- 24/7 live, global support



Virtual Data Room Features & Security

For example, SecureDocs, a virtual data room, takes security even further by adding:

TSL (transport security layer)

Both SSL and TSL protect documents that are in transit by using an encrypted connection to upload or download files.

Permission-Based Users Roles

Not all users need access to all information. Admins can pre-select, to the folder level, who can see what data and for how long.

Audit Logs

Audit logs show all users' activities and can protect you from liability. For example, if a user claims he never saw a required disclosure, an audit log will reveal the time, date, and username for all views of that document. Not only can businesses gain assurance that all required documents have been viewed, audit logs are also useful in gauging potential buyer or investor interest in an acquisition or fund-raising environment.

Watermarking

Watermarking reminds users that a document is confidential, and not intended for sharing or distribution.

Disabled Printing

Preventing users from printing a document provides greater control over secure documents.

Customizable Non-Disclosure

Upon entering a virtual data room, new users are presented with either a standard or customized non-disclosure agreement to sign. This adds another layer of legal protection.

Automatic Indexing

In a virtual data room all documents can be automatically indexed, allowing for faster searches.

Tip: Control Access to Users

Granting a user access to a virtual data room doesn't necessarily mean that user should be able to roam the room freely. Use permissions to maintain control over documents at all times. For example, folders can be marked view only, no access, download, and full access.

What Types of Documents Belong in a Virtual Data Room?

Virtual data rooms are secure repositories for any number of sensitive files.

The types of files often stored in virtual data rooms include, but are not limited to financial statements, corporate books and records, property and equipment statements, legal materials, contracts, agreements, insurance documents, employee information, operations documents, intellectual assets and governmental and environmental compliance documents.

Discover How to Properly Share Your Information

Dropbox and virtual data rooms provide a convenient, centralized, cloud-based repository for files. Both are reasonably priced services with numerous features and benefits, but which one is right for your needs?

When deciding between the two types of services it is important to consider the type of information you need to share along with its intended users. On the following pages you will find a features comparison chart as well as a use comparison chart to help guide you.

Feature Comparision Chart

	Dropbox	Virtual Data Room
File sharing	✓	✓
Drag & Drop Uploads	✓	✓
Electronic Signature		✓
256-bit Encryption/SSL/TLS	✓	✓
Two-Factor Authentication	✓	✓
Restricted Sharing	✓	✓
No Back End Access to Data		✓
Quick Search	✓	✓
Watermarking		✓
Customizable NDAs		✓
Disabled Printing		✓
One-Click Privacy Blind		✓
Automatic Time Out		✓

Tip: Use Watermarks

Dynamic watermarks automatically put the user's name, email address, and other identifying information on documents which means that leaked documents can be traced back to the original user. This discourages users from sharing or taking screenshots of confidential documents.

Use Comparison Chart

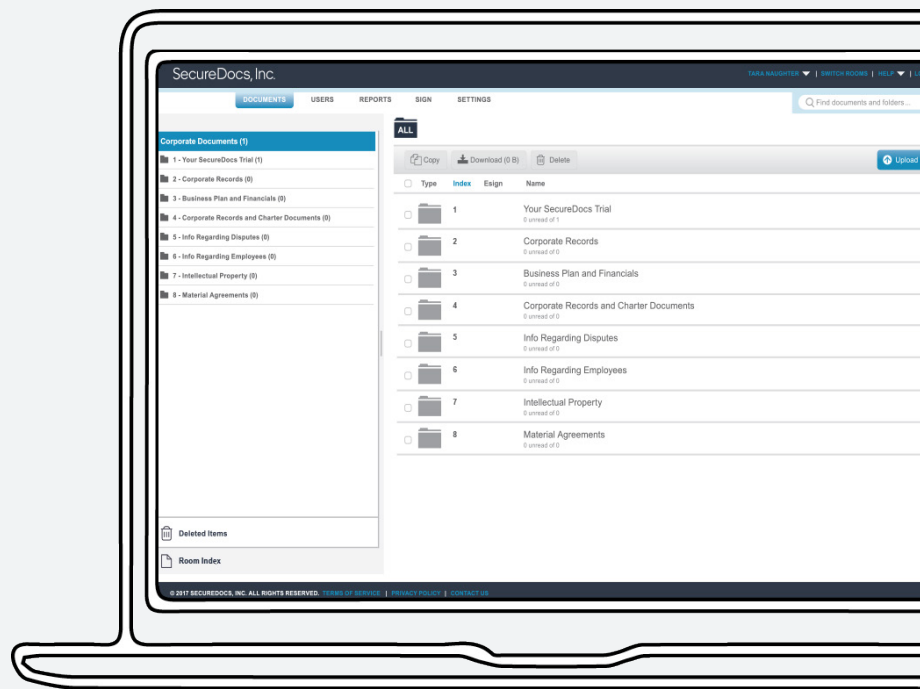
	Dropbox	Virtual Data Room
Sharing of Non-Sensitive Data	✓	✓
Team Collaboration	✓	
Sharing of Sensitive Data		✓
Sharing Images	✓	
Sharing Video	✓	
Sharing Audio Files	✓	
Audits		✓
Mergers and Acquisitions		✓
Equity Investment Rounds		✓
Debt Financing Rounds		✓
IP & Patent Management		✓
Online Repository	✓	✓
Legal Document Repository		✓
Indexing Stored Documents		✓
Initial Public Offerings		✓
Bankruptcies & Corporate Restructuring		✓
Real Estate		✓
Licensing Deals		✓
HIPAA Compliance		✓

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SecureDocs provides simple, affordable virtual data rooms that allow you to easily share documents while protecting your valuable IP and proprietary data.

See why SecureDocs is the data room of choice for getting deals done.

[Learn More](#)



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