

AN AZALEOS WHITE PAPER



Maximizing E-mail ROI and Cost Savings

Cost Benefits of Managed Messaging Services

By Scott Gode

Vice President of Product Management and Marketing

March 1, 2009



An Alternative to Hosted Exchange

Azaleos Corporation 1938 Fairview Avenue East, Suite 100, Seattle, WA 98102 USA
tel 206.926.2000 / www.azaleos.com

Maximizing E-mail ROI and Cost Savings

E-mail is absolutely vital to a connected, well-functioning workforce. Unfortunately because of the critical status of e-mail, its true cost is often minimized, overlooked, or absorbed by an organization to the detriment of other necessary business functions. In a troubled economy this is of immediate concern when reserving capital, increasing efficiency, and cutting expenses are of paramount importance. As leading IT research and advisory company Gartner points out: "The challenging economic environment will continue to drive [IT managers] to make cost containment a priority in infrastructure outsourcing, while objectives such as business enhancement will temporarily lose their attractiveness."

E-mail use increases during economic downturns, and should not be sacrificed; however, ensuring a stable and well-rounded e-mail system and finding and retaining strong core IT staff to manage in-house e-mail remains an expensive challenge. According to current research conducted by Forrester Research, Inc., companies with up to 15,000 users can benefit from the use of a remote e-mail management service. Read on to find out where you can cut expenses and contain costs, without sacrificing e-mail quality, control, or uptime.

E-mail and the economy

It might seem counterintuitive for business e-mail use to increase significantly during an economic slowdown. But the flexible nature of online communication makes it a much cheaper alternative to face-to-face meetings, travel, and regular mail—which are often the first expenses to be trimmed from the budget. In addition, e-mail itself has become more efficient; mailboxes are carrying 18% greater volumes than just a few years ago, while using fewer resources and compounding the savings realized by using e-mail as an alternative to travel or courier costs.

A remotely managed e-mail system compounds the cost efficiencies of an in-house system. A competent and experienced managed service provider can provide e-mail more cost-effectively and with greater IT expertise, in an industry where such knowledge is in short supply, than virtually any mid-sized to enterprise level business possibly can. A remotely managed e-mail option is particularly important for smaller companies, where the annual cost can be as high as \$1,200 per mailbox.¹ A strong e-mail services monitoring and management provider offers the same or better service for a fraction of the cost, saving businesses thousands of dollars each year.

Core IT Staff

Managing an in-house e-mail system requires significant fixed Core IT resources that have become hard to find and harder to retain—and staffing an IT department within the constraints of a limited budget compounds the difficulty. Moving to an offsite, remotely managed e-mail system that handles all e-mail-related issues will not require any further in-house resources—saving more than 50% of headcount and resources to delegate elsewhere.

¹ David Ferris. (2008). *E-mail Support Staff Requirements and Costs: A Survey of 136 Organizations*. San Francisco: Ferris Research, Inc.

IT managers considering making the move to a managed messaging service are not doing so alone: a recent survey of 300 IT professionals indicated that over 80% of them use some form of managed service provider (MSP) for application hosting, managed router services, e-mail and unified communications, IP telephony, and so on. In fact, once IT Managers get a taste of the effectiveness and associated efficiency of remotely managed IT, they find it “addictive.” Nearly half of those surveyed indicated that they expect to *increase* their use of MSPs while considering cuts to in-house headcount and reserving capital budget².

Additionally, Forrester Research found that the consensus of its surveyed IT managers appears to be that e-mail and services such as spam and virus filtering are a distraction to the company, rather than a core IT focus. “IT isn’t a core competency for us; it’s a support mechanism. Do we need to spend time and resources to support e-mail? We’re looking at ways to cut costs. Outsourcing e-mail might be something we can do.”³

The real cost of messaging

Unfortunately there is no existing standard methodology to allow IT decision makers to accurately calculate the true cost of e-mail—a particularly important measure when IT costs and cost projections are increasingly necessary. According to a study done by Osterman Research, only 1 in 10 IT professionals are confident in their ability to make accurate estimates of e-mail services costs. Most of those surveyed seriously underestimated the true cost per user.

Ordinarily, for an IT manager to not know the exact costs of messaging would not be of such great consequence. But when looking to upgrade existing systems or cut costs, this knowledge becomes imperative. A successful e-mail monitoring and management service requires several resources:

- **IT staff** to deploy, maintain, and upgrade hardware and software, as well as provide technical support. IT professionals comprise nearly 80% of the total cost of ownership of e-mail solutions and tend to be more ‘fixed’ such that these costs aren’t automatically reduced for headcount cutbacks.
- **Hardware** including e-mail servers, anti-spam/antivirus, archiving, DR servers, routers, load balancers, WAN accelerators, and storage.
- **Operating systems and software**, including monitoring software, e-mail software, e-mail add-on (e.g. filtering, archiving, business continuity, encryption, etc.) software, and virtualization software.
- **Background costs** including floor space, storage, network bandwidth, cooling, and power costs.
- **Upgrades/patches, restructuring and consolidation** to make use of improved software and topologies—in order to increase efficiency and decrease ongoing costs.

Taking these varied expenses into account, recent Forrester research of IT Managers offered some surprising conclusions regarding e-mail per user/month costs:

² Taylor, S. (2009, February 5). Wide Area Networking Alert. *Network World*.

³ Shadler, T. (2009). *Should Your E-mail Live In The Cloud? A Comparative Cost Analysis*. Cambridge, MA: Forrester Research, Inc.

We [Forrester] were surprised by the lowball estimates and the lack of consistency. These execs think that e-mail costs them anywhere between \$2 and \$11 per user per month, with the majority guessing \$10. When we spoke with these executives, their reasons were many: “Our system is fully depreciated,” “Hardware and support are in someone else’s budget,” “We get e-mail for free in our enterprise client license.” But even a rough calculation shows that the monthly cost for e-mail hardware and software alone is more than that. And when you add in the costs of staff, maintenance, storage, archiving, mobile e-mail, and financing, it can be four times higher. So while the cost to an individual budget holder might look low, the fully loaded cost of e-mail is surprisingly high.⁴

As Exchange e-mail has become more robust and functional, it has also grown increasingly complex to learn and manage. Partially as a result, the true monthly per user cost for an in-house 200-user Microsoft Exchange deployment is more than three times the cost estimated by those executives surveyed, and can be as much as \$63.57 per user per month for small companies with just 50 users.⁵ A well architected remote e-mail management service can save these companies thousands of dollars per year.

Benefits of a remotely managed system

The benefits of a remotely managed system are numerous. The advantages can be boiled down to the following three core benefits:

1. **Speed and Performance.** Remotely managed systems offer accelerated systems and project rollout and a quick response to system issues. A remote service provider will typically provide a comprehensive service level agreement (SLA), which guarantees a minimum level (usually 99.9%) of e-mail uptime with financial penalties if the SLA is not met. This level of performance is nearly always impossible to achieve when managing e-mail internally.
2. **Focus.** By outsourcing non-core competencies such as e-mail management to a service provider, hardware and software upgrades and changes to topology become painless and automatic, preserving an IT departments’ focus. The effort and cost for these upgrades and changes are absorbed by the service provider who will always run the latest software and best configurations possible. As a direct result, valuable in-house IT professionals can be allocated to revenue-generating projects that directly benefit the business. As Forrester points out, “How much more valuable might that e-mail administrator be if she were available to help roll out a cross-sell application in the call center or to improve data quality on a business metric like churn risk or seasonal demand forecast?”⁶ It’s highly likely that such activities will generate a much greater return on investment than e-mail support.
3. **Cost Containment & Control.** There is a direct savings of up to half what an in-house system costs, along with the added ability to designate expenses that usually function as capital costs (such as hardware and software), as operating costs—spreading these expenses over a predictable payment schedule. Almost without exception, remotely managed systems are cheaper and have reduced management costs for midmarket- to enterprise-sized organizations.

⁴ *Ibid.* 4

⁵ Osterman Research, Inc. (2008). *Reducing the Cost of Messaging*. Black Diamond, WA: Osterman Research, Inc.

⁶ Shadler 6.

Savings realized with the Azaleos remotely managed e-mail service

Azaleos' OneStop remotely managed e-mail services offer a unique option to realize all the cost savings of an off-site solution while retaining the benefits of an in-house messaging system. Azaleos offers great value and benefits to companies looking to outsource the monitoring and management of their messaging and collaboration systems—with a combined savings of up to 10% over hosted systems and 50% over in-house systems.

Planning deployment and migration	Azaleos builds their business on establishing long and lasting partnerships, and charges a monthly management fee; they do not bill high for deployment or migration services.	Up to 95%
Exchange Server maintenance	All server maintenance is included in the Azaleos service contract. As a result it is no longer necessary to worry about ongoing support fees for either hardware or software.	Up to 100% (or \$5,000/year on a 1,000 mailbox deployment)
E-mail monitoring	There is no extra hardware, software, or expertise required—all of this is built into the core Azaleos monitoring and management costs.	Up to 88% (or \$35,000/year on a 1,000 mailbox deployment)
24x7 e-mail support staff	Azaleos covers monitoring and management (tier 2 and above) of Exchange on a round-the-clock proactive basis, essentially providing a minimum of 3.5 times the administrative staffing of an ordinary enterprise. In addition, Forrester Research data show that a remote services administrator can manage up to five times the mailboxes of an enterprise e-mail administrator.	Up to 100% (or \$450,000/year on a 1,000 mailbox deployment)
Extra e-mail and UC services	Additional anti-spam, archiving, business continuity and disaster recovery, and mobile device management services, as well as similar monitoring and management services for both SharePoint and Active Directory. All of these (when delivered as a service using the Azaleos model), can provide additional efficiencies and savings versus the standard software + hardware approaches.	Up to 25%

That brings us to the bottom line: Business technology leaders must remain agile and cannot afford to be caught flat-footed by how fast the economy—and their companies' financial health—can change. At the same time, neither can they afford to sacrifice the lifeblood of their corporate communications. A well-executed remote e-mail management strategy allows companies to significantly decrease their overall IT budget while at the same time improving the performance and uptime of their e-mail system. In this economy there is little room for error, but with e-mail services provided by Azaleos, an IT department can focus on revenue-generating projects to help it reach an upturn ahead of the rest of the economy!