

# Market Report

## SaaS-based E-mail Archiving Momentum Continues

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## Overview

Recent ESG research suggests e-mail archiving is becoming a “must have” technology and all indicators point to SaaS-based solutions growing in popularity for companies of all sizes; a lack of skilled e-mail administrators and a variety of improved SaaS offerings are only two of the reasons why archiving may move to the cloud sooner rather than later.

In February 2009, ESG published a report<sup>1</sup> outlining two critical arguments:

- Medium-size business (100-999 employees) can benefit from e-mail archiving just as they have from other message management processes such as anti-spam and anti-virus.
- Software-as-a-Service (SaaS) solutions make it easy for medium-size organizations, which typically have limited IT sources, to get started with e-mail archiving.

ESG believes that thesis is beginning to become reality. A recently completed and soon to be published ESG research study indicates that the number organizations using a SaaS-based e-mail archive solution has increased 350% over the past three years.<sup>2</sup> There are other indicators as well: companies are using other message management-related services including backup, recovery, and security delivered via SaaS. These trends are likely to span organizations of all sizes looking to get their cloud computing initiatives off the ground (SaaS falls into the cloud computing category because applications are delivered by an external service provider rather than via in-house IT systems).

## The “Why and How” of E-mail Archiving

ESG has always maintained the belief that it is not a matter of *if* organizations will archive e-mail; it’s *how*. Organizations will eventually need to archive e-mail in order to put an end to the nightmarish management tasks and storage costs related to messaging environments. These tasks, which continue to worsen, include:

- Addressing record retention regulations
- Executing electronic discovery processes
- Improving e-mail application performance
- Completing backup and disaster recovery operations.

It is also easy to see that e-mail specific storage costs are a major concern for IT departments: ESG’s research indicates that three-fourths of companies enforce mailbox quotas as a tactical measure to prevent explosive data growth.

E-mail archiving is the one solution that addresses all of these challenges. Many companies are counting on its versatility to reduce overall e-mail management complexity (see Figure 1).

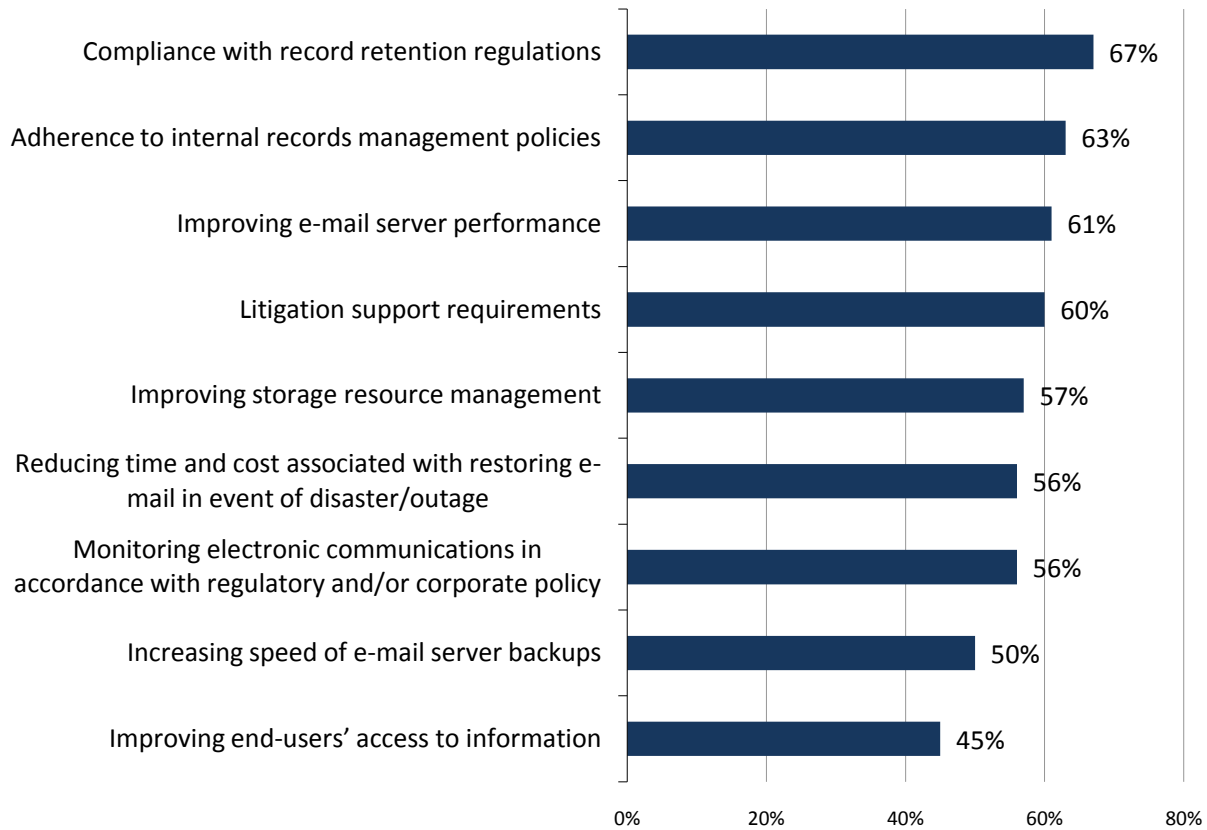
Once the benefits of e-mail archiving become clear, the only choice left is to select the most appropriate deployment option. Turning to the “how” aspect of e-mail archiving, organizations have three solution deployment options: on-premises software, SaaS, or an appliance (integrated software and hardware). These choices eliminate many excuses often used to avoid implementing an e-mail archive. For those concerned about a large upfront capital investment, SaaS-based solutions are offered for a monthly fee and do not require any additional data center infrastructure. For legal departments that want to keep potentially risky electronic evidence in-house, an on-premises solution provides an additional level of control. Although the scalability is limited, appliances are very simple to deploy and IT remains in control of the archived data.

<sup>1</sup> Source: ESG Market Report, *Software-as-a-Service (SaaS): An Ideal E-mail Archive Solution for Medium-Size Businesses*, February 2009.

<sup>2</sup> Source: ESG Research Report, *E-mail Archive Market Trends – Preliminary Report*, February 2010 (Note: all statistics are from this report unless otherwise cited).

Figure 1. Factors Causing Organizations to Archive E-mail

**Which of the following factors are causing your organization to archive e-mail for long-term retention and reference? Which factor would you say is the primary factor? (Percent of respondents, N=294)**



Source: Enterprise Strategy Group, 2010.

## The Case for SaaS

In 2009, ESG highlighted a lack of IT resources as the primary reason why medium-size businesses should evaluate SaaS-based e-mail archive solutions. These offerings do not require any installation or ongoing maintenance of hardware and software. More recent ESG research confirms that this driver is still pervasive: nearly 40% of respondents from companies of all sizes indicate that they either have a skill shortage or need staff augmentation when it comes to executing e-mail administration tasks.<sup>3</sup> While archiving may not seem like a significant burden, it presents several challenges that may cause the next wave of adopters to evaluate and move forward with SaaS solutions.

While there are several reasons to archive messages, topping the list of issues companies face in managing an archive is dealing with data growth. ESG estimates that the average size of an e-mail archive within small and medium-size businesses has increased 15x (1500%), while enterprises have witnessed 6x (600%) growth.

The data growth problem is compounded by the length of retention periods (see Figure 2) and a lack of policies regarding deletion of archived data. What most fail to

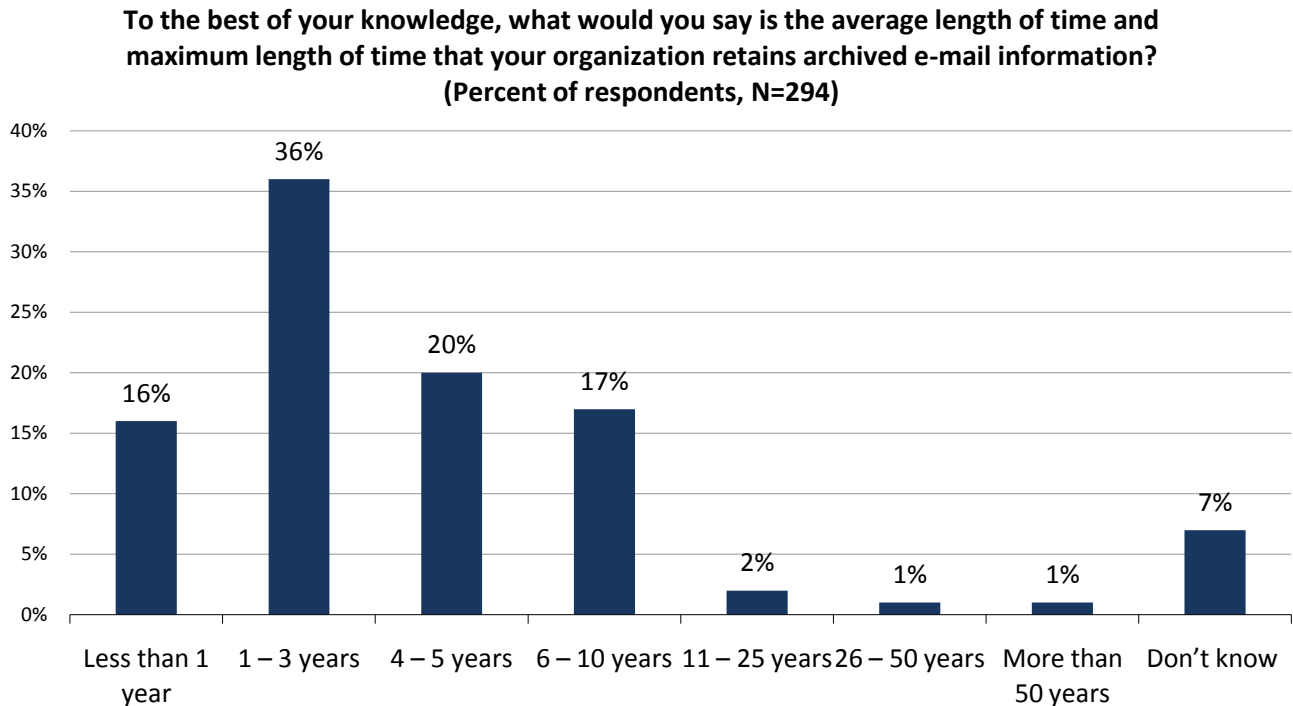
### Top Five E-mail Archive Management Challenges

- Keeping up with data growth
- Training end-users
- Managing archived data lifecycle—archived information is never deleted
- Searches take too long
- Classifying / identifying which data to archive

<sup>3</sup> Source: ESG Research Report, *2010 IT Spending Intentions Survey*, January 2010.

recognize is that the data growth problem creates issues related to search: a search index gets bigger as an archive grows and the larger the index, the longer it will take to complete queries. This is solved by buying more servers to distribute the search workload, though it forces IT to manage even more systems.

Figure 2. Average E-mail Archive Retention Periods



Source: Enterprise Strategy Group, 2010.

Retention periods can be troublesome. Organizations must have means to protect and secure the archive as it often contains valuable data (evidence, business records, etc.) that cannot be tampered with. Further, with several countries having strict privacy regulations, companies must ensure that only authorized users can access archived messages. This typically means ensuring employees can only see their respective e-mails while a “super-user” such as an attorney or compliance officer can, with permission, search the entire archive if necessary. Lastly, some retention periods outlast storage hardware warranties, forcing IT to migrate data to newer devices via processes that are rarely straightforward.

For those with adequate e-mail administration resources, running a few extra servers and performing a storage migration every three or four years may not be a big deal. But for the companies that struggle just to keep the primary e-mail application running, an archive can easily become unmanageable, making SaaS-based solutions more appealing.

There are other reasons why an organization may go with SaaS-based e-mail archiving:

- **Economic price models.** SaaS-based e-mail archive providers usually charge a monthly fee per mailbox (some also charge an upfront implementation fee). In contrast, on-premises software requires an upfront capital investment with smaller annual maintenance fees.
- **Risk mitigation.** SaaS-based solutions provide a way for those organizations that may be unsure about the best implementation to test a technology without making a substantial investment. Though most SaaS-based providers will try to sell a multi-year contract, shorter commitments (1 year or month-to-month) are usually available.
- **Built-in disaster recovery.** With SaaS, a copy of every message and attachment sent to and from a mailbox is captured by the service provider and retained for as long as necessary. If the primary e-mail application goes offline for an extended period of time (due to a flood, significant data corruption, etc.), the archive application can be used as a substitute. Some providers offer this disaster recovery option

as a separate service while others include it in the archiving price (Note: despite using the same methodology to capture messages, some providers do not offer this service at all).

- **Optional, additional message management services.** Many e-mail archive SaaS service providers also offer primary e-mail application hosting as well as anti-spam and anti-virus solutions, data loss prevention, and other content filtering services. Rather than running any of these applications in-house or with another service provider, e-mail management services can be consolidated, which usually results in discounted bundle pricing and even fewer burdens for already-stressed IT administrators.

The aforementioned benefits of SaaS are based primarily on a comparison to on-premises software. The argument for SaaS versus an appliance starts with scalability: most appliances cannot handle large volumes of data. Once a certain capacity threshold is hit, customers either have to delete data or deploy another appliance. Additionally, there are usually significant differences in features offered by SaaS offerings versus appliances. For example, appliances may not have the reporting and tracking capabilities necessary to satisfy a records retention audit or meet electronic discovery chain-of-custody requirements. Others cannot execute retention policies on a “per message” basis—granularity often needed when using archiving for records management and electronic discovery/legal hold purposes. Lastly, an appliance does have to be deployed on-premises, and although a device may not require that much management, IT still needs to back it up and secure it.

## Getting the User Experience Right

As previously mentioned, the second biggest management issue current e-mail archive users face is training. After implementing an e-mail archive, employees no longer have to create PSTs or delete messages if they trigger a mailbox quota, improving productivity. However, these productivity gains are only sustainable if users can accept the fact that some of their e-mail is now saved outside of the primary e-mail environment—in an archive they will need to know how to access. For those used to interacting only with Microsoft Outlook or Lotus Notes, this can be a very disruptive experience.

In ESG’s opinion, the usability of e-mail archiving actually hindered SaaS-based solution adoption over the past few years as customers opted for on-premises solutions that natively integrated with Outlook and Lotus Notes for a seamless experience. Such integration ensured an employee could access the archive within a familiar interface without opening any other applications or a web browser. SaaS solution providers did the best they could by placing links in Outlook and Notes interfaces, but the links triggered a browser window to open, meaning users had to toggle between their inboxes and an archive application browser to look for messages. There were other nuances to the archive interaction, including maintaining an inbox folder structure and supporting mobile devices (users can access an archive from their BlackBerries, iPhones, etc.), that gave on-premises solutions an edge over SaaS-based offerings in terms of user experience.

Over the past twelve months, the archive user experience gap has closed due to enhancements to SaaS-based solution offerings. They have completed their own native Outlook and Notes integration as well as built support for mobile devices. As such, SaaS-based solution adoption is likely to increase. Even still, ESG research suggests that some customers want to have the best of both worlds: the combination of a SaaS-based model with some control over the data and application features. For example, of those organizations currently running a purpose-built e-mail archive solution, 25% are running or plan to run an onsite solution in conjunction with a SaaS provider. Translated, some companies like the concept of an on-premises e-mail archive application, but do not want to store all of the archived data locally. In other situations, companies may save a portion of the archived data, usually newly created or more active messages data locally, while sending older e-mails to a SaaS-provider. Some companies are working with SaaS-providers offering application features that require a software component (an agent) to be installed locally in the mail environment, enabling capabilities such as stubbing or enhanced mobile device support while the rest of the application is delivered in traditional SaaS style.

Making it easy for employees to keep collaborating over e-mail may determine the ultimate success or failure of an e-mail archive project. ESG believes that regardless of which deployment option a customer chooses, the user experience needs to be among the top three considerations when selecting a solution. At this point, there should be little difference between an on-premises and SaaS offering, though this is not likely to be the case when comparing either of those models with an appliance.

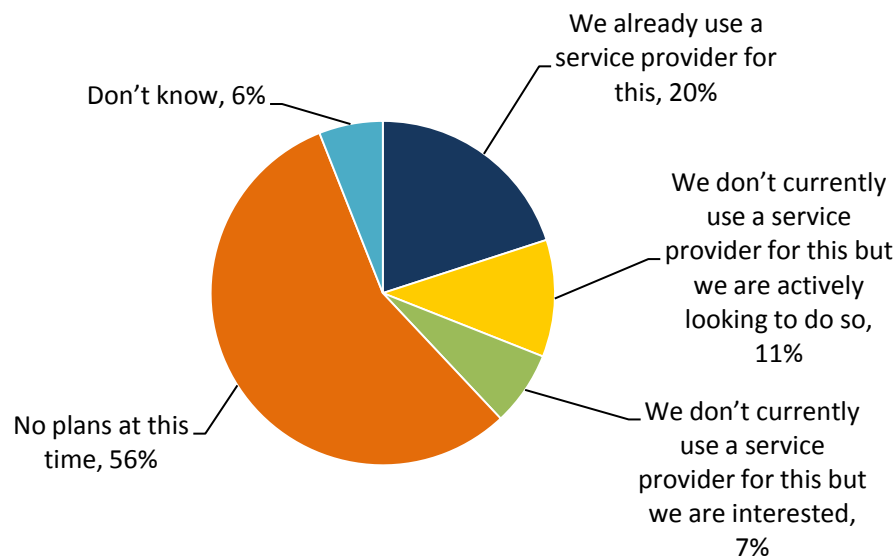
## Don't be Afraid of the Cloud

The connection between SaaS and cloud computing (SaaS is considered a form of cloud computing) is likely another reason why organizations, not just medium-sized businesses, may investigate SaaS-based e-mail archiving solutions in the coming year. In fact, when compared to responses to the same question posed in 2009, an additional 30% of respondents to ESG's 2010 IT Spending Intentions survey said they will increase the use of cloud computing strategies as an alternative to deploying in-house applications and infrastructure in the next 12 months despite the fact that this model is still in its infancy.<sup>4</sup> The challenge will be finding the right project as IT departments do not like to easily give up control.

Many have speculated that primary e-mail applications would be the first cloud-related project, but ESG research shows that less than a third of organizations are currently using or considering SaaS-based e-mail (see Figure 3). In contrast, other message management activities, because they are not core to business and are painful for IT, are more likely to be consumed via a SaaS model. As an example, 41% and 30% of organizations, respectively, said they were currently using or considering SaaS-based e-mail security solutions (anti-spam and anti-virus) and backup. This trend suggests that more message management tasks, though not necessarily the primary e-mail application, may move to a SaaS-model first—and there is no reason why e-mail archiving won't be next.

Figure 3. Plans to Outsource Primary E-mail Applications

**To the best of your knowledge, does your organization have any plans to outsource your primary e-mail application to a service provider? (Percent of respondents, N=386)**



Source: Enterprise Strategy Group, 2010.

<sup>4</sup> Source: ESG Research Report, *2010 IT Spending Intentions Survey*, January 2010.

## Finding the Right Time

To date, most e-mail archive solution purchases have been driven by a specific event such as an extremely expensive electronic discovery process or a series of unplanned storage purchases needed to support a rapidly growing e-mail environment. For companies that want to archive e-mail but haven't yet experienced a trigger event, finding the right time to make and justify an investment (in a SaaS, on-premises, or archive solution) may be the biggest hurdle. Rather than waiting for a legal or compliance matter to arise or using quotas to curb storage costs, companies should look to introduce archiving before upgrading their primary e-mail applications.

An estimated 28% of ESG research respondents are planning to upgrade their messaging applications in 2010, with the release of Exchange 2010 being an important driver.<sup>5</sup> Rather than going through standard data migration processes, companies can archive data from their existing e-mail environment, minimizing the amount of information that needs to be copied to the new application environment. This enables a "fresh start" with the new version of the message application.

Introducing e-mail archiving with a primary application upgrade already in the works also consolidates training so that users are familiar with many of changes that are taking place. Some may think that this could be too much for employees to handle at once, but a focus on the user experience as discussed above should produce a straightforward deployment.

The argument for SaaS-based e-mail archive offerings during an upgrade centers on availability and risk mitigation. By using a SaaS-based archive, all messages and attachments are captured during a migration or new application deployment. If there is any downtime, planned or unplanned, during this process, users can still access messages via the archive presuming the provider offers the previously mentioned disaster recovery services. Further, if IT is planning on deploying new servers and storage to support the new version of the e-mail application, deploying additional infrastructure to run the archiving application may be too much for already overburdened resources. SaaS-based solutions let customers introduce archiving during an e-mail application upgrade without worrying about more systems to manage.

## Looking to the Future

Companies looking to leverage SaaS-based e-mail archive solutions can choose from a myriad of providers in the marketplace. ESG's 2009 report outlined some of the key criteria companies should consider when selecting a provider including:

- How does the SaaS vendor execute archiving?
- How does the SaaS solution solve the storage problem?
- How do employees access messages?
- How sophisticated is the solution's search capabilities?
- If you need compliance, supervision, or even legal hold, how are these services delivered?
- Are there other services—anti-spam/anti-virus, disaster recovery, content filtering, or primary messaging hosting—that you may want to also purchase from a service provider?
- What are the availability (redundant power, ISPs, etc.) and security (firewalls, key card access, etc.) characteristics of the SaaS vendor's data center?
- Can the SaaS vendor assist in the migration of pre-existing employee personal archives?
- Can the SaaS vendor assist in the migration of data from an existing on-premise archive solution?
- How does the service provider protect and secure the archived information?
- Can the service provider provide customer references?

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<sup>5</sup> Source: ESG Research Report, *2010 IT Spending Intentions Survey*, January 2010.

Over the past year, ESG has uncovered a few other criteria that companies may want to consider when selecting a provider. First, a customer should ask the provider for a project plan for the initial implementation, inclusive of any data migration services (moving personal archives, etc.). This is so important because it will be the first experience a customer has with a service provider. And if the provider does not have a means to communicate an initial implementation plan, then it is unlikely they will be a good partner to work with in the future—communication is necessary if there is a problem that needs to be worked through, a service level is not being met, or another issue arises.

Secondly, a customer should think about other content types, besides e-mail, that may be good candidates for archival. For example, many organizations are looking at archiving files outside of traditional Hierarchical Storage Management (HSM) systems to aid in records management and electronic discovery processes. In these instances, files are joined with e-mails to provide a single repository of record. SharePoint data is being included in archive strategies for the same reason and there is no telling what other content types—databases, instant messages, social networking communications, etc.—companies may want to archive in the future. This requirement expands on the need for customers to investigate a provider’s current portfolio and other service roadmap plans.

Lastly, if a company is working with a provider specifically for e-mail archiving, they should take into account any future plans they may have for their primary messaging application. As discussed, organizations may not immediately move a primary e-mail application to a SaaS-based model, but it can still happen. A company that thinks it may eventually make such a shift and outsource its primary e-mail application should make sure that its SaaS-based e-mail archiving provider can support other service providers, particularly those that offer primary e-mail application hosting services. This can prevent a company from switching archive vendors or avoid disruption in archive service when a transition with the primary e-mail application takes place.

## **The Bigger Truth**

There is a perception in IT that medium-size businesses have the same issues that large enterprises do—only on a smaller scale. While this is often the case, what no one pays attention to is who had the problems first. Last year, ESG uncovered a growing concern in medium size businesses—a lack of e-mail administrative skills—that is increasingly appearing in larger environments. The lack of skills becomes evident as IT has to take more peripheral message management tasks such as supporting compliance and electronic discovery initiatives. And the lack of staffing really manifests when a company is forced to adopt short-term tactics to reduce costs—such as implementing quotas or eliminating disaster recovery processes—that only create more problems in the future.

In a soon to be released research report, current users cited “fewer IT staff hours dedicated to e-mail administration” as the biggest factor in proving a return on investment (ROI) for their e-mail archive purchase. One way to expand this benefit is to implement archiving using a SaaS-based solution because it doesn’t require significant IT resources to set up and run. Many SaaS-based archive solutions have enhanced functionality to the extent that their user experience is now on par with many on-premises solutions, while others can be implemented as a “hybrid” offering to give greater choice when it comes to selecting the appropriate archive deployment option.

ESG’s market report on SaaS-based e-mail archiving solutions for medium-sized businesses clarified some of the tradeoffs that come with different SaaS deployment options and made some suggestions for selecting a provider if a company chooses to go with a SaaS offering. While these insights and recommendations still hold true today, what has changed are the reasons why SaaS can make sense for a broader range of organizations and why, due to messaging application upgrade cycles, the time may be right to start an archive project.



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