

Today's Top Messaging Issues and Exchange

An Osterman Research White Paper

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Why You Should Read This White Paper

Messaging is the most critical communication medium that organizations have deployed. It is more important and more widely used than the telephone and the tool that most users would give up last. As such, managing a messaging environment effectively and efficiently is critical, as is choosing the right platform for current requirements and future growth.

However, many organizations experience problems in managing their current messaging infrastructure, not least of which are relatively small mailbox sizes, growth in messaging-related storage requirements, increasing backup and restore times and spam.

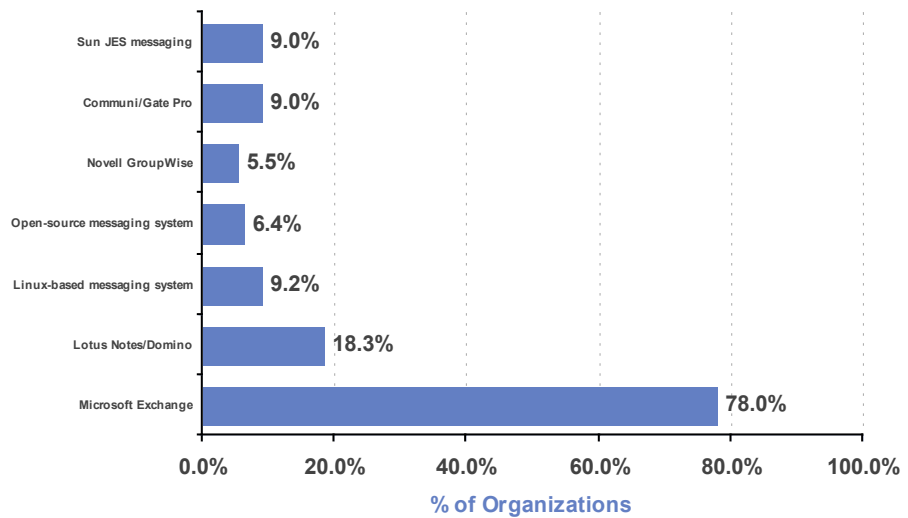
This white paper presents the results of a survey that was conducted by Osterman Research in March and April 2007. The goal of this research was to determine organizational plans around email server deployment planning and related issues. The survey was conducted with individuals who are decision-makers for their organizations' messaging security capabilities. However, other Osterman Research funded survey data is also presented in this document to provide additional context.

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Issues in Migrating from Exchange 5.5 and the Complexity of Migrating to More Recent Versions of Exchange

The vast majority of the organizations surveyed operate Microsoft Exchange, followed by Lotus Notes/Domino and Linux-based messaging systems, as shown in the following figure.

Messaging Systems in Use

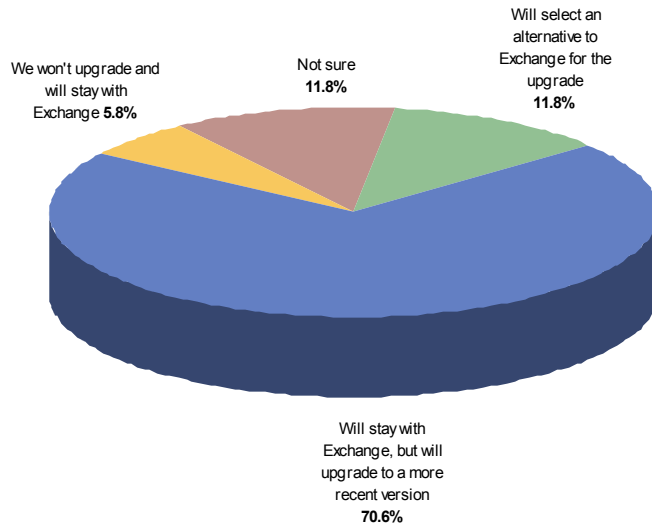


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Exchange 5.5 is Still Widely Used

About one-third of the organizations surveyed are still running Exchange 5.5 servers, although far fewer users are actually on an Exchange 5.5 environment. A very small minority of these organizations are planning not to upgrade to a more recent version of Exchange and will stay with Exchange 5.5, although the vast majority are planning to migrate to a more recent version of Exchange, as shown in the following figure.

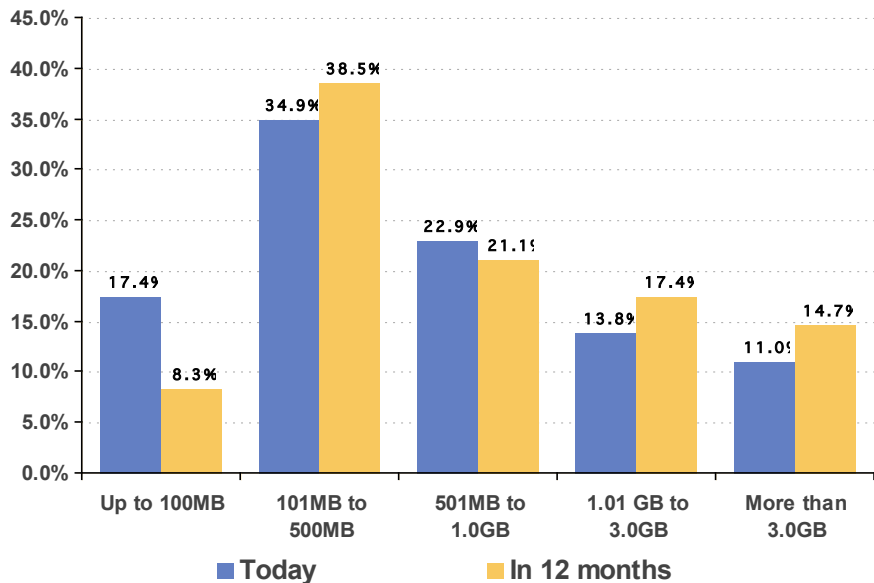
Plans for Migrating Away from Exchange 5.5



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Messaging-Related Storage per User



It is important to note the relatively small size of mailboxes currently deployed in many organizations. This is due in large part to the fact that messaging administrators must affect a compromise between the number of users that they would like to deploy on each server in order to minimize the number of servers deployed, and the mailbox size provided to each user. This is an important consideration so that message store backup and restoration can be accomplished in a reasonable amount of time.

Storage management is the leading problem that Osterman Research has discovered in several surveys. For example, in a survey conducted by Osterman Research during late 2006, 59% of organizations indicated that messaging storage growth is a serious or very serious problem.

Current Messaging Management Problems

Storage management is the leading problem that Osterman Research has discovered in several surveys. For example, in a survey conducted by Osterman Research during late 2006, 59% of organizations indicated that messaging storage growth is a serious or very serious problem. Spam, lengthening backup times and increasing attachment sizes are also considered very serious problems and also contribute to the growth in messaging storage. Leading messaging problems cited by messaging decision-makers are shown in the following table.

**Messaging Management Problems
(% of Respondents Indicating Problem is Serious or Very Serious)**

Problem	%
Growth in messaging storage	59%
Increasing backup and restore times	58%
Spam	54%
Increasing employee use of attachments	50%
Increasing message size	49%
Adware/spyware	44%
Enforcing an email retention / deletion policy	37%
Mailbox quotas requiring end users to manage their own mailboxes to stay under the limit	37%
Users sending large attachments sent through email	37%
Discovery of data from backup tapes in a timely manner	33%
Finding messaging system content older than 6 months	33%
Storage costs	33%
Viruses, worms, Trojan horses, etc.	32%
Complying with regulations like HIPAA, Sarbanes-Oxley, etc.	30%
Discovery of data in an archive in a timely manner	30%
Applying legal holds to data so it's not disposed of	29%
Use of .PST files (for Exchange users)	29%
Managing remote users	27%
Lack of messaging-related disk space	27%

Messaging Management Problems
 (% of Respondents Indicating Problem is Serious or Very Serious)

Problem	%
Knowing what's on our backup tapes to argue data isn't reasonably accessible for legal proceedings	26%
Time required for administration	26%
Software costs	26%
Lack of bandwidth	24%
Users sending confidential data improperly	24%
Users sending and receiving inappropriate content	22%
Finding messaging system content older than 3 months	21%
Migrating electronic data to cheaper forms of storage over time	20%
Employees' personal use of email	20%
Performance/speed of messaging servers	20%
Total cost of ownership	20%
Trouble with remote user access to email	20%

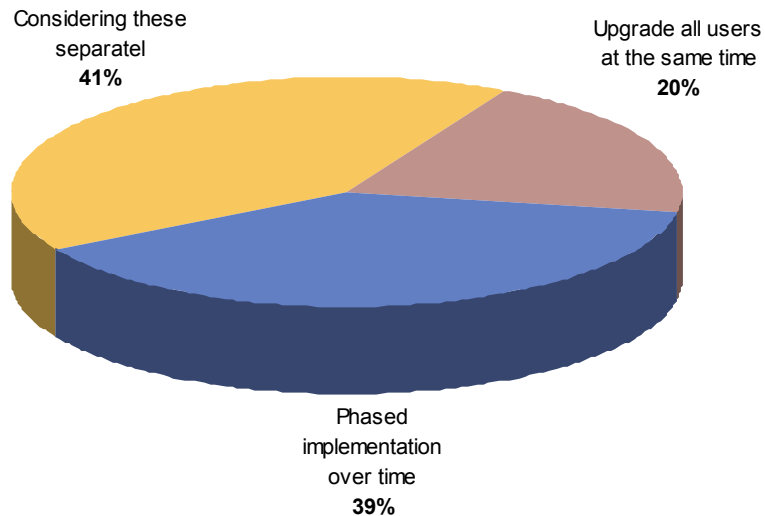
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Investment Plans During 2007

The vast majority of organizations plan to make investments in email servers during 2007, either for upgrades or migration to completely new email servers – the survey shows that 67% of organizations plan to make these investments during 2007. Messaging continues to be one of the key areas for investment by many organizations. This is being driven in large part by the fact that Microsoft has already introduced Exchange, while IBM will introduce a major upgrade to Notes/Domino later in 2007.

Among organizations that are considering the Microsoft 2007 suite of products, two out of five plan to consider the migration to Vista, Outlook 2007 and/or Exchange 2007 separately. Most of the remaining organizations plan a phased implementation over time, while the rest plan to upgrade all users simultaneously, as shown in the following figure.

Plans for Upgrading to Microsoft 2007 Suite of Products



Osterman Research believes that Microsoft Exchange is a sound and very capable messaging platform. However, the fact that a significant proportion of organizations plan to consider upgrades to Microsoft products separately opens an opportunity for vendors of alternative messaging systems to penetrate a portion of the Exchange market.

Opportunities for Alternative Vendors

Osterman Research believes that Microsoft Exchange is a sound and very capable messaging platform and that Exchange 2007 provides some useful improvements over previous versions. However, the fact that a significant proportion of organizations plan to consider upgrades to Microsoft products separately opens an opportunity for vendors of alternative messaging systems to penetrate a portion of the Exchange market. Reasons for this vary, but include the following:

- Some organizations will want to upgrade to Exchange 2007 because of the advantages that the new version of Exchange offers compared to previous versions, such as support for a greater number of users per server, larger mailboxes, unified communications and so forth. However, they may decide that an upgrade to Vista or Office 2007 would be too time consuming, difficult or expensive to accomplish at the same time.
- Some organizations may balk at the fact that the Outlook 2007 CAL is no longer included with Exchange and so may decide to postpone deployment of Outlook 2007 until a later time.
- Vista, Office 2007 and Outlook 2007 provide a number of very useful features, but the user interfaces are sufficiently different from their respective predecessors

that organizations may not want to incur the additional help desk costs that would invariably follow such significant upgrades.

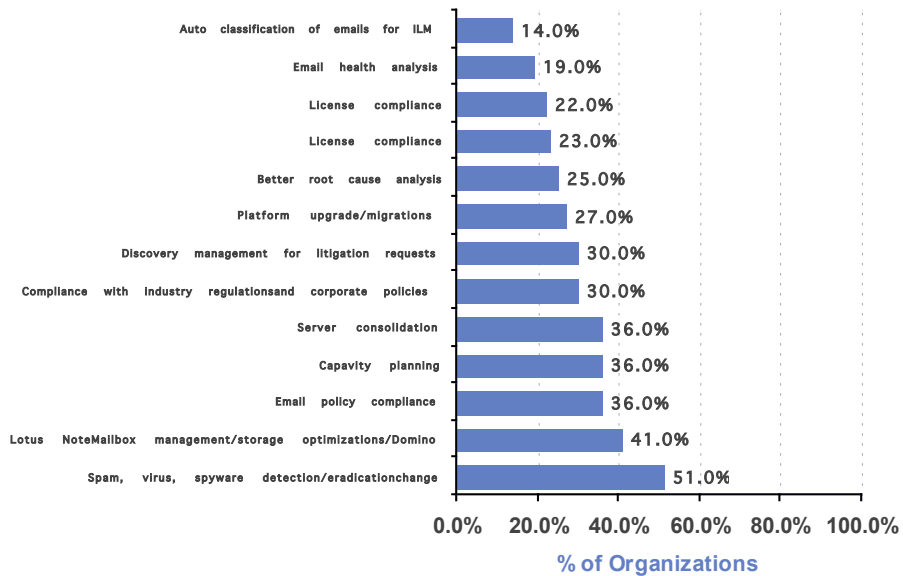
In any of these scenarios, organizations that migrate to Exchange 2007 without also upgrading to Vista, Office 2007 and Outlook 2007 will not be taking full advantage of all the features of the new version of Exchange. As a result, Osterman Research believes that at least some of these organizations may be open to an alternative to Exchange that provides the additional features they would like to have, but without the expense of upgrading messaging servers and the desktop.

Other Investment Plans

In term of other investment plans, an Osterman Research survey conducted during late 2006 shows that mailbox management and storage optimization are the second most important area for investment, as shown in the following figure.

The issues about migrating to Exchange 2007 about which organizations are most concerned are the complexity of the migration effort, the amount of time that the migration will require and the cost of the migration.

Importance of Various Initiatives for 2007



Exchange 2007 Migration Plans

Nearly one-half of organizations plan to begin their migration to Exchange 2007 by Spring 2007 or they have already done so. Most of the remaining organizations surveyed plan to do so more than one year from now. However, among

organizations that are using Microsoft Exchange, 58% plan to begin their migration to Exchange 2007 by Spring 2007, or they have already done so – only 5% of these organizations indicated that they will not migrate to Exchange 2007.

When migrating to Exchange 2007, two-thirds of organizations plan to migrate to Outlook 2007 at the same time. However, slightly more than one-half of organizations are not aware that Outlook 2007 now requires a separate Client Access License (CAL) and is no longer included in the Exchange CAL as with previous versions of Exchange. Osterman Research believes that this will present a roadblock to many organizations in that it makes the migration cost to Exchange 2007 significantly more than it would be if previous licensing practices were still in place.

Most of the organizations that may or plan to migrate to Exchange 2007 anticipate that it will take up to six months, while about one in eight organizations anticipate that the migration will take more than one year.

Migration Issues on Which Organizations Will Focus

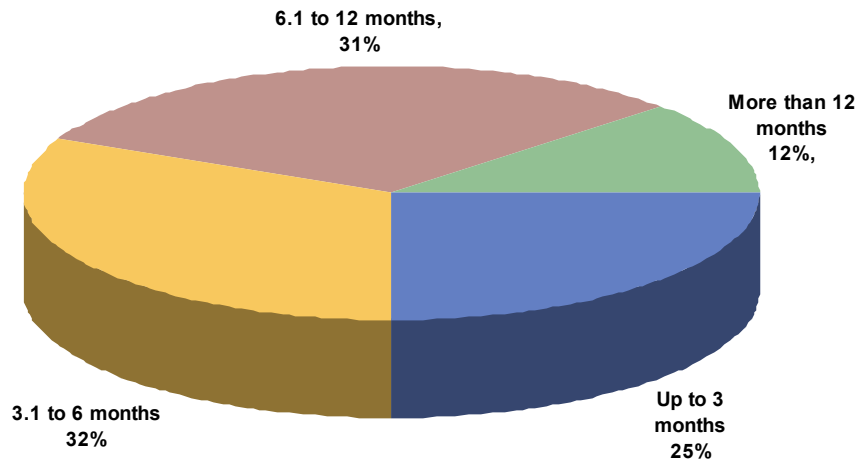
The issues about migrating to Exchange 2007 about which organizations are most concerned are the complexity of the migration effort (mentioned by 70% as an issue about which they are concerned or extremely concerned), the amount of time that the migration will require (69%) and the cost of the migration (66%). Organizations are less concerned about the routing topologies that will be required or Exchange's archiving capabilities.

Osterman Research believes that the cost of migrating to Exchange will become a more important issue moving forward as larger numbers of Exchange-enabled organizations take up the task of evaluating Exchange 2007. For example, Osterman Research has built a cost model that demonstrates that the cost of migrating to Exchange 2007 for a 5,000-seat organization will be \$244 per user, a significant investment for many organizations. Even when amortized over a three-year period, the monthly costs of an Exchange 2007 migration can be \$6.79 per seat for a 5,000-seat organization.

Most organizations are not planning to make changes to their Active Directory topology in order to complete the migration process – only 40% of organizations plan to do this.

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Anticipated Length of Time for Migrating to Exchange 2007



Most organizations would not replace their messaging backend if the switch requires changing the desktop client software. However, if the desktop client could be retained, then a dramatically higher percentage of organizations would be interested in migrating to a new messaging system.

The majority of organizations have deployed storage area networks (SANs), while one-half of organizations have deployed network-attached storage (NAS) systems. Another 16% of organizations plan to deploy SAN systems, while another 18% plan to deploy NAS systems.

More than one-half of organizations have allocated budget to meet discovery and compliance requirements. Among those organizations that do have budget allocated for this purpose, nearly two-thirds plan to deploy an on-premise, software-based solution and more than one-half plan to add additional storage for mail servers. About one-third of organizations plan to deploy an on-premise, appliance-based solution, while only one in nine organizations plan to use a hosted discovery and compliance solution.

Despite the relatively low percentage of organizations that plan to deploy a hosted archiving solution, Osterman Research anticipates that a significant proportion of organizations will adopt this delivery model for e-discovery, regulatory compliance and other archiving requirements.

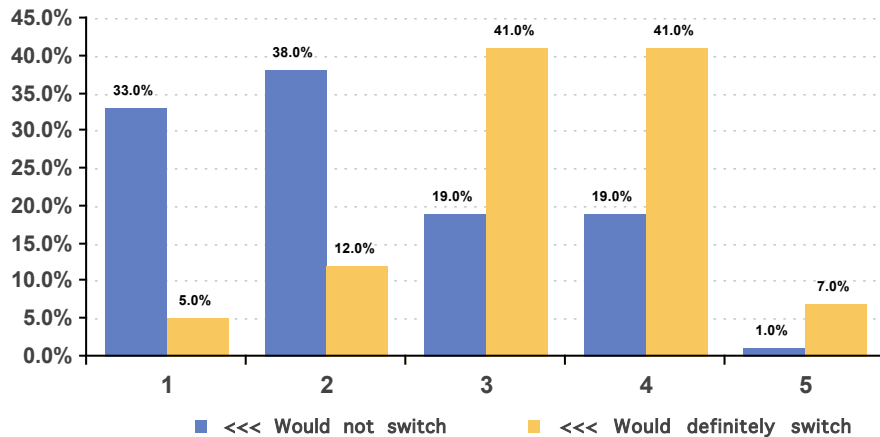
Most organizations do not plan to deploy a browser-based client other than Internet Explorer.

Should You Consider Linux for Messaging?

Most organizations would not replace their messaging backend if the switch requires changing the desktop client software. However, if the desktop client could be retained (which is Outlook in most cases), then a dramatically higher percentage of organizations would be interested in migrating to a new messaging system.

Osterman Research has found that five percent of organizations have already switched to a Linux messaging server. An equal number are willing to consider switching as of late 2006, and another one-half report an interest in considering a migration to Linux within the next two years.

Preference for Replacing the Messaging Backend Based on the Ability to Retain the Desktop Client



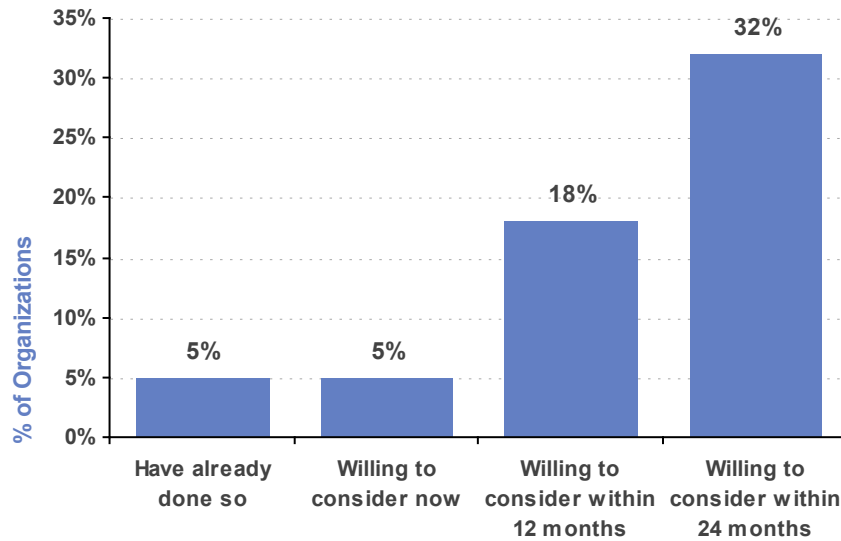
Leaving the Desktop Intact is Critical

The figure above clearly demonstrates three things: a) the importance and value to vendors of owning the desktop infrastructure, b) the anchor that the desktop environment represents in inhibiting change in the messaging infrastructure and c) the importance of using Microsoft Outlook as the baseline for messaging system access given that Outlook dominates the desktop. Vendors that push migration to a new messaging system and that require changing clients can expect to face an uphill battle, even if that client mimics Outlook in both functionality and look-and-feel. Native compatibility with Outlook is a critical determinant of success for any new messaging system, particularly one that competes directly with Exchange.

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Likelihood of Considering Switching to Linux-Based Messaging Servers
(% Responding They Would Likely or Definitely Consider)

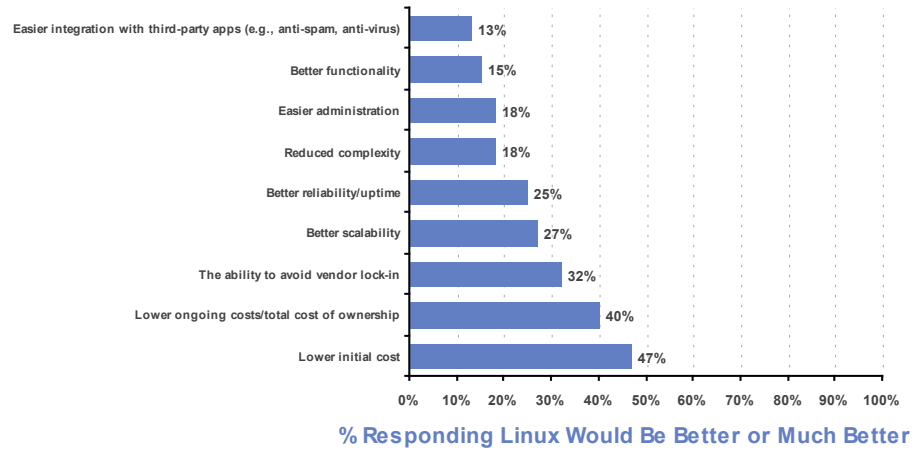
Just under one-half of organizations believe that a low initial cost is the primary benefit of a Linux-based messaging system. Forty percent expect lower on-going operating costs to be a benefit.



Time is perhaps the greatest ally that vendors of Linux-based messaging server offerings have as they hope to migrate users of Windows-based messaging systems to Linux. Given that only a relatively small percentage of organizations actually are considering migration or actively migrating at any given point, the more longevity that sound Linux-based offerings have, the greater the likelihood they will be adopted at some point.

Just under one-half of organizations (47%) believe that a low initial cost is the primary benefit of a Linux-based messaging system. Forty percent expect lower on-going operating costs to be a benefit. Naturally, only 13% feel third-party integration will benefit from a switch to Linux, as there are not many add-on applications available. Slightly less than a quarter think a switch to Linux will yield better scalability, more uptime, reduced complexity or easier administration. Only 15% of organizations feel a Linux system will provide better functionality compared to what they use now.

Expected Benefits Provided by a Linux-Based Messaging System Compared to the Current Messaging System



The fact that a significant percentage of messaging decision-makers believe that Linux would provide lower initial and ongoing costs is good news for vendors of Linux-based messaging systems.

The fact that a significant percentage of messaging decision-makers believe that Linux would provide lower initial and ongoing costs is good news for vendors of Linux-based messaging systems in light of the fact that other Osterman Research data suggests that reducing infrastructure costs will be the most important strategic messaging initiative moving forward.

About PostPath

PostPath has developed the industry's first plug-compatible alternative to Microsoft Exchange. Fully interoperable with the Exchange ecosystem, PostPath's email and collaboration server provides enterprises a lean, high-performance messaging infrastructure, a radically improved cost-model, and an innovation-rich upgrade path for traditional and Linux-friendly messaging environments. PostPath was founded in December 2003, and is headquartered in Mountain View, California.

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