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Hosted Vs. In-House for Microsoft Exchange: Five Myths Debunked

Email has become the single most important tool for business communication, period. In a recent King Research survey of mid-market IT professionals responsible for messaging systems, 96 percent of respondents said email is important or extremely important and has a significant negative impact on business operations when not available. According to Osterman Research, one in five organizations believes a single major email outage could result in revenue losses up to \$500,000. Even more telling is the claim by management consulting firm Eagle Rock Alliance that a whopping 40 percent of companies that go more than 24 hours without access to their data go out of business. *Out of business.*

Given the above statistics, it's not surprising that a 2006 Skillssoft survey found that 97 percent of IT pros report daily stress stemming from user complaints, managers and deadlines. And these are trained IT professionals, a staffing luxury that many smaller companies simply don't have. For small-to-medium-sized businesses (SMBs), businesses with 500 and fewer employees, lucky enough to have an in-house IT team, keeping email up and running is just one of the many responsibilities these busy individuals must stay on top of, joining security, database, Web and network administration, to name but a few. In fact, managing Microsoft Exchange (the industry's leading email, calendaring and unified messaging server) takes away from running the businesses' core applications and prevents the IT manager from taking a strategic role in IT planning.

For companies with strapped and/or non-existent IT teams, outsourcing Microsoft Exchange can be an extremely smart, cost-effective option. Gartner predicts the market for hosted email relative to total email seats to grow to from its current 1 percent up to 20 percent by 2012, representing 40 million hosted mailboxes within the next four years.

While the hosted email market is indeed growing fast, a few stubborn myths continue to hold back many businesses from embracing it as a viable option to an in-house solution. In this article we will debunk those falsehoods one by one to show why *a hosted Exchange model is the best choice for smaller organizations.*

MYTH #1: *There is less risk of downtime with an in-house Exchange solution*

TRUTH: Most in-house solutions are comprised of a basic environment with one or two servers that have little or no redundancy to the Internet, no backup systems, and no disaster recovery solution in place. Many smaller organizations simply don't have the budget or resources to implement and manage these initiatives, so they don't even try, instead employing a precarious "let's cross our fingers and hope nothing goes wrong" approach. As a result, according to Gartner, the average business running an in-house messaging solution suffers *40 hours of unplanned outages per year*, on top of two hours per month of planned outages for maintenance. Osterman Research says the majority of email outages are caused by unplanned technological failures, and www.Disaster-Resource.com says 29 percent of outages last from four to 24 hours. Compare those figures to the ones discussed at the beginning of this paper, and you are looking at a significant amount of risk with an in-house solution.

Top-of-the line hosted Exchange providers, on the other hand, connect their customers to their

own world-class Exchange infrastructures, offering clustered high availability, redundancy, backup and disaster recovery. This protects small organizations lacking an IT department from the pain of unplanned downtime, which can severely damage a company's revenue, not to mention its relationships with customers and partners—and its reputation. A service-level agreement (SLA) of 99.999% uptime is now the industry standard for hosted Exchange providers, regardless of the number of subscribers.

MYTH #2: *An in-house Exchange server is more secure than a hosted solution*

TRUTH: For a business without a dedicated, in-house IT professional to monitor the security of its network, in-house Exchange solutions have less physical security, digital security and backup security than hosted solutions. Every month Microsoft releases patches for Exchange and the Windows operating system it runs on, and in some months that number reaches 25 or more. That means someone has to download and install the patches to correct identified security vulnerabilities. Who is going to manage that in a small private-equity or law firm? And in addition to technical expertise to make sure it's done right, this process often requires server downtime for the installation, which presents an additional headache for smaller businesses without a backup plan.

Another key issue to address here is that while most people think of email security as protecting data from falling into the hands of outsiders, the unfortunate reality is that many security breaches originate from *within* an organization. An in-house solution opens the door for curious subordinates to read the confidential emails of top executives, a door that is securely closed with a hosted solution.

MYTH #3: *An in-house Exchange solution offers more control than a hosted model*

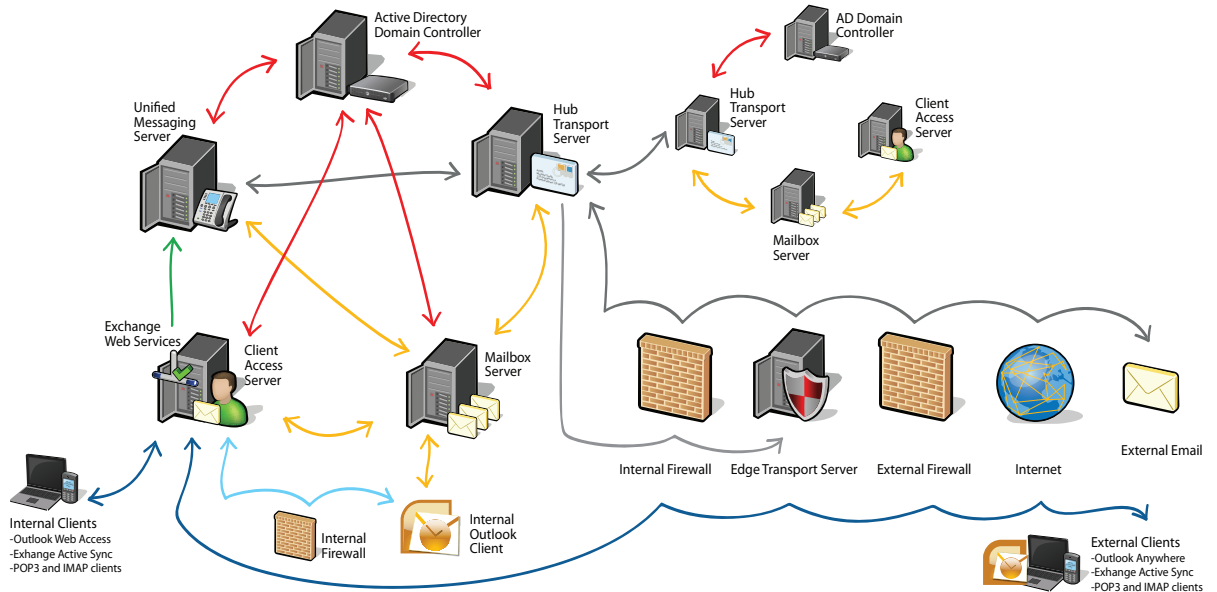
TRUTH: Today's top hosted Exchange solutions allow non-technical administrators, such as office managers, to add and remove users, manage mailboxes, distribution lists and mobile device connections, stay on top of email compliance regulations, and control any other critical functionality of Microsoft Exchange—*all in real time*.

It's also important to point out here just how complex an Exchange server is. Proper maintenance requires at least one full-time, trained IT professional, which can easily cost six figures in annual salary and benefits. For most smaller organizations, this option just isn't economically feasible. As the size of an organization gets larger, additional IT resources are needed to handle outages, vacations and off hour support issues.

The diagram below demonstrates the level of complexity in a single Exchange 2007 server deployment.

Exchange Server 2007 includes the following server roles:

- Mailbox Server:** Back-end server that can host mailboxes and public folders.
 - Client Access Server:** Middle-tier server that supports the Microsoft Outlook Web Access (OWA), Microsoft Exchange ActiveSync and Outlook Anywhere client applications and the POP3 and IMAP4 protocols. The Client Access server also hosts Exchange Web Services.
 - Unified Messaging Server:** Middle-tier server that combines voice messaging, fax, and e-mail messaging into a single messaging infrastructure.
 - Hub Transport Server:** E-mail routing server that routes e-mail within the Exchange organization.
 - Edge Transport Server:** E-mail routing server that typically sits at the perimeter of the topology and routes e-mail in to and out of the Exchange organization.
- All Exchange server roles can be deployed on the same server except the Edge server role.



Source: Technet

MYTH #4: An in-house Exchange solution offers more functionality than a hosted option

TRUTH: While a hosted Exchange solution doesn't offer the complex (and expensive) third-party customization often implemented for large enterprises by consultants or in-house developers, the reality is that most smaller organizations don't need—or want—more functionality than what comes right out of the Exchange box. And for those companies that do want more than those out-of-the-box applications, some hosted Exchange providers offer easy integration with an *entire ecosystem* of Microsoft products that includes mobility, encryption, archiving, backup and recovery, document management, and antispam/antivirus, among others.

An example of such integration is the popular Office Communications Server 2007 (OCS), which allows employees to communicate in real time using instant messaging, voice, and video chat. Smart "presence capabilities" built into OCS identify the best application for users to reach each other *at any given moment*. The product also unifies that communication in a secure, easy-to-search archive that is fully integrated with Microsoft Exchange and Outlook, significantly boosting employee collaboration—and overall productivity—as a result.

Installing and configuring OCS is a complex process, however, and integrating it with an in-house Exchange Server can be a nightmare for anyone lacking the technical expertise necessary to do it right. A hosted Exchange provider can allow non-technical administrators to add OCS *and* integrate it with email—with just the click of a mouse.

MYTH #5: Hosted (subscription) models are too expensive

TRUTH: Today's top-of-the line hosted Exchange models cost less than \$12 per user per month, with one time setup fees of roughly the same amount. An in-house Exchange solution can cost tens or *even hundreds of thousands of dollars*, depending on the type of deployment and the number of users. Take Exchange 2007. In addition to requiring five new server roles (client access, mailbox, hub transport, unified messaging, and edge transport), plus x64-bit hardware (which provides the system architecture to support memory, storage and security requirements), Current Exchange 2007 license fees are \$60 per user. And Exchange is hardly a "set-it and forget-it" solution, requiring constant monitoring, tweaking and changes to settings. Sometimes the machines need to be rebooted. Services need to be stopped and restarted. As mentioned in myth #3, doing this properly requires the full-time attention of one or more systems administrators, which costs significantly more in salary and benefits than the low monthly per-user subscription fee of a hosted model.

An example

Let's compare the costs of an in-house Exchange solution for a 100-person company with the costs of a hosted solution. We'll assume that the company will keep the solution for five years before considering an upgrade. We'll also assume that the company has 25 users who require mobile connectivity, 15 with a BlackBerry smartphone, and 10 with a Windows Mobile device. The in-house solution will cost approximately \$115,000 in year one and \$60,000 per year in ongoing costs in years two through five.

In this scenario the total cost of the in-house solution (on a nominal basis) is about \$355,000, or about \$60 per user per month. *A hosted solution will cost approximately \$15 per user per month.*

Following is a summary of the key costs involved:

Upfront Costs	In-House	Hosted
X64 bit servers (3)	\$7,500	Included
MS Windows server licenses	\$3,000	Included
Exchange server licenses	\$2,100	Included
Windows server CALs	\$3,400	Included
Exchange server CALs	\$6,000	Included
Outlook 2007 licenses	\$13,000	Included
BlackBerry Enterprise Server solution (hardware and software)	\$10,000	\$600
Setup fees	\$55,000	\$1,300
Total	\$100,000	\$1,900

Ongoing Monthly Costs	In-House	Hosted
Antivirus	\$500	Included
Administration	\$4,600	Included
Monthly Fee	\$0	\$1,500
Total	\$5,100	\$1,500

While this chart clearly demonstrates the upfront and ongoing cost advantages of a hosted solution, another economic point to consider is that most in-house software purchases are based on hopeful predictions of future needs. In other words, a company spends more *now* to be able to accommodate growth down the road. On top of that there is the upgrade factor, which means having to buy, test and deploy new versions along the way (unless the original purchase included a full-service support package with free upgrades, an add-on that many smaller organizations can't afford). A hosted solution allows businesses to scale up or down, *as needed*, without having to employ an IT professional to manage anything. No extra investment, no wasted budget.

The bottom line

Despite the misinformation out there, the reality is that *today's hosted Exchange offerings give small- and medium-sized businesses enterprise-grade infrastructure, functionality and support at a price they can afford.* No organization's bottom line can survive without reliable email, and for those companies lacking the budget and resources to deploy a complicated in-house Exchange solution, a hosted option is the best bet for keeping that email up and running.

About Intermedia

Intermedia is the leading provider of hosted Exchange to small and medium businesses. With eight years of experience, and more than 300,000 mailboxes under management, Intermedia has the expertise to deliver Exchange email and collaboration solutions that are as good, if not better and more secure than in house solutions. Learn more at www.intermedia.net



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