

Key Issues in Evaluating the TCO of Email

An Osterman Research White Paper

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EXECUTIVE SUMMARY

This white paper offers a cost comparison for three leading email systems: on-premises Micro Focus GroupWise, GroupWise Subscription (on-premises, but delivered via a subscription model), and on-premises Microsoft Exchange.

The paper provides detailed cost comparisons for small, mid-sized and large organizations. Information on Micro Focus, the sponsor of this white paper, is also provided at the end of this document.

EMAIL TCO IS ESSENTIAL TO CALCULATE ACCURATELY

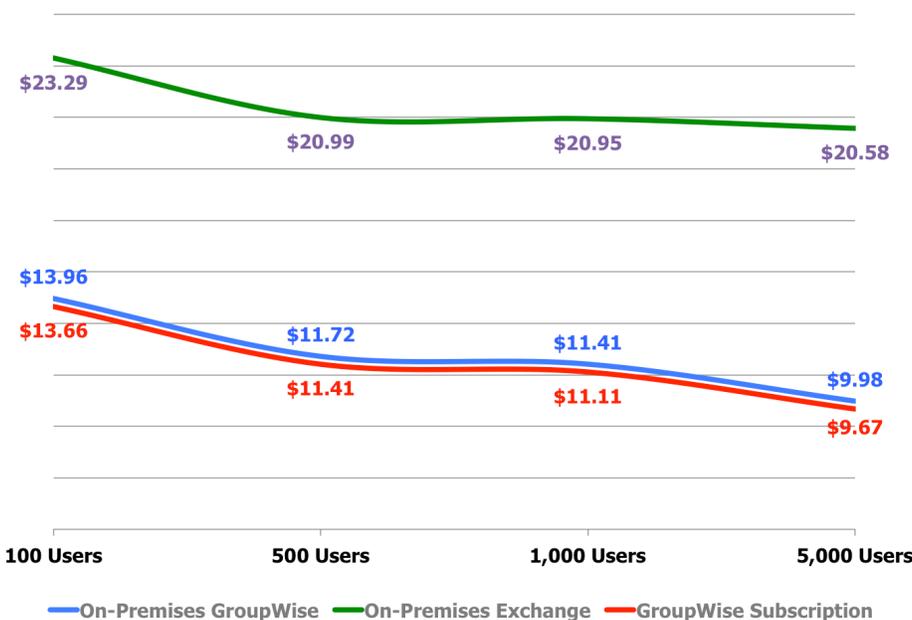
In spite all of the trade press ink focused on the replacement of email by social media and other, newer forms of communication, email remains the primary method of communication within the workplace today. Osterman Research has found that email is used more than all other forms of communication combined, and that email use is holding steady or increasing for nine out of ten information workers.

Reasons for the past and continued dominance of email include its ubiquity, the fact that email is almost universally compatible across all email platforms, and it services as a system of record for both legal and regulatory compliance purposes.

Because email dominates corporate communications today and will for many years to come, it is necessary to treat email like what it is – a corporate utility that must be available 24x7 like any other utility, like electricity or water. Add to this that, as a utility, the cost of email needs to be driven down as low as possible without compromising its utility, particularly in an era of tight IT budgets. This is why TCO should be an essential factor in the selection of any email platform.

As shown in Figure 1, on-premises Microsoft Exchange is the most expensive of the systems that we evaluated across all of the user ranges we considered (100, 500, 1,000, 5,000 and 10,000 users). GroupWise Subscription was the least expensive on-premises solution, with on-premises GroupWise only slightly more expensive.

Figure 1
Cost per User per Month For Leading Email Solutions



Source: Osterman Research, Inc.

Email remains the primary method of communication within the workplace today.

It is important to note, as discussed later in this white paper, total cost of ownership (TCO) is not the only criterion that should be considered when selecting an email platform, nor should it be considered outside of the context of other important decision criteria when evaluating email systems.

KEY TAKEAWAYS

- On-premises GroupWise and GroupWise Subscription are significantly less expensive than on-premises Microsoft Exchange for both small and mid-sized businesses, as well as large enterprises.
- GroupWise Subscription is the least expensive system across all of the user counts among the on-premises systems we modeled.
- Downtime, while a “soft” cost that normally represents no direct expense to a company, must nonetheless be considered as part of TCO because of the financial impact that it can create.
- The value provided by an email system must also be considered in addition to its TCO. In other words, cost alone will not always dictate the best choice of email solution for an organization.

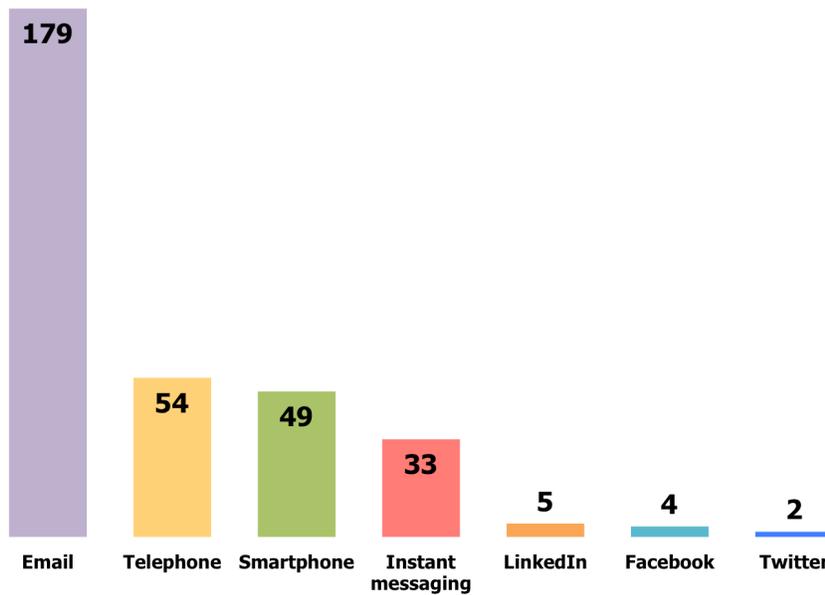
IS EMAIL STILL AN IMPORTANT ISSUE TO CONSIDER?

EMAIL IS STILL VERY MUCH ALIVE

Will email be supplanted by some other mode of communication, such as social media, text messaging or cloud-based collaboration tools? Possibly, and maybe over the long term, but it continues to be the primary communication, file-sharing and collaboration tool in the enterprise today. Moreover, Osterman Research anticipates that email will be the primary tool for these applications for many years to come. For example, an Osterman Research survey conducted in July 2016 found that the typical corporate email user spends 179 minutes per day working in email – sending or receiving messages, looking for content, managing tasks, managing contacts, etc., as shown in Figure 2. That translates to nearly 40% of an eight-hour workday. Moreover, the time spent in email is significantly greater than time spent using other communication tools, such as a traditional telephone (54 minutes per day), a smartphone (49 minutes), instant messaging or other real-time communications (33 minutes) and social media (11 minutes).

***On-premises
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Figure 2
Minutes per Day Spent Using Various Communications and Social Media Tools During a Typical Workday



Source: Osterman Research, Inc.

Clearly, while social media, real-time communications, Web conferencing, and other collaboration tools are all useful, they are primarily *complements* to the use of email, not *substitutes* for it. That may change, but our research shows no signs of it at this point.

WHY IS THE COST OF EMAIL AN ISSUE?

Email is a utility in the modern enterprise as vital as electricity or plumbing – even mildly information-focused organizations cannot operate efficiently without it. Consequently, while email is essential to the operation of any organization and the efficiency of its employees, its cost should be driven as low as possible, provided that any cost savings don't come at the expense of functionality, security, data governance, or other business imperatives.

However, email is generally not a trivial expense in most organizations. The initial cost to deploy an email system can be several hundred dollars per user, and the ongoing cost can be anywhere from \$10 to \$50 per user per month depending on the number of users, the number of applications that are integrated with email, the geographic distribution of the employees served, the amount of IT staff time required to manage the system, and other factors. The high cost of many email solutions has an important factor in the adoption of cloud-based email solutions, since many decision makers cite their low and predictable cost as drivers for the adoption of Exchange Online and other email solutions delivered in the cloud.

WHAT IS THE TRUE COST OF EMAIL?

In order to determine the TCO of the email systems considered in this analysis, Osterman Research used its own cost model that integrates actual pricing of the various components that go into deploying and managing an email system, as well as research we have conducted on the labor costs associated with management of email systems. We then used published, secondary data for hardware, software

Email is generally not a trivial expense in most organizations.

licensing and other costs and combined it with the labor cost data in order to build a cost model for each email platform.

AN IMPORTANT NOTE

It is important to note that the results used in this analysis were not selected according to any particular criteria, nor were they “high-graded” so that a particular slant on the data could be obtained. Further, we have not focused on all of the costs of deploying an email system, since we chose to focus on the differential costs *between* the systems. For example, we did not include the cost of the client infrastructure, such as the desktop or laptop PCs used to access email, nor did we take into account the cost of local area networks, since we assumed that both of these major infrastructure elements would already be in place.

This white paper presents the results of unbiased and independent research; the data collection and the presentation of the survey data used to generate the labor costs were not designed to favor the sponsor or any other vendor. The email systems discussed in this white paper are highly regarded systems from reputable, leading vendors, and all provide robust functionality and a solid roadmap for the future of their respective systems. This paper does not take a position for or against any particular platform or delivery model. Instead, our goal is simply to present unbiased cost modeling and let the reader determine how best to analyze the data and apply it to his or her own email and overall IT environment.

TCO FOR ORGANIZATIONS OF DIFFERENT SIZES

The following tables compare the TCO of on-premises GroupWise, GroupWise Subscription and Microsoft Exchange for typical 100-, 500-, 1,000-, 5,000- and 10,000-seat deployments. For the smaller on-premises environments, we have assumed a simple deployment for GroupWise and Exchange built on SUSE Linux and Windows Server 2012, respectively. Moreover, we assumed that the Post Office and eDirectory server roles are deployed on separate servers. We have also used pricing for the perpetual license. It is important to note that we assumed the use of Microsoft Outlook for Exchange and the use of the GroupWise client for GroupWise users so that we could provide an “apples-to-apples” comparison across all the platforms.

Our goal is simply to present unbiased cost modeling and let the reader determine how best to analyze the data and apply it to his or her own email and overall IT environment.

Three-Year TCO for a 100-Seat Deployment

HARDWARE	GroupWise	Exchange	GroupWise Subscription
E-mail server (Dell PowerEdge R630)	\$4,438	\$4,438	\$4,438
Three-year 7x24 support, four-hour response	\$0	\$0	\$0
Email security gateway	\$4,197	\$4,197	\$4,197
SOFTWARE AND HOSTING FEES	GroupWise	Exchange	GroupWise Subscription
Server software, email	\$0	\$655	-
Client access licenses (CALs), email	\$15,800	\$8,503	-
Windows Server or SUSE Linux	\$0	\$599	-
Server OS CALs	\$0	\$2,497	-
Client software, email	\$0	\$10,999	-
Hosting/subscription fees	-	-	\$25,200
LABOR	GroupWise	Exchange	GroupWise Subscription
IT admin cost (Year 1)	\$4,960	\$6,624	\$4,960
IT admin cost (Year 2)	\$5,109	\$6,822	\$5,109
IT admin cost (Year 3)	\$5,262	\$7,027	\$5,262
SOFTWARE MAINTENANCE	GroupWise	Exchange	GroupWise Subscription
Year 1	\$3,500	\$10,500	-
Year 2	\$3,500	\$10,500	-
Year 3	\$3,500	\$10,500	-
THREE-YEAR TCO	\$50,267	\$83,861	\$49,167
ANNUAL COST/USER	\$167.56	\$279.54	\$163.89
MONTHLY COST/USER	\$13.96	\$23.29	\$13.66

Source: Osterman Research, Inc.

Three-Year TCO for a 500-Seat Deployment

HARDWARE	GroupWise	Exchange	GroupWise Subscription
E-mail server (Dell PowerEdge R630)	\$4,438	\$4,438	\$4,438
Three-year 7x24 support, four-hour response	\$0	\$0	\$0
Email security gateway	\$4,197	\$4,197	\$4,197
SOFTWARE AND HOSTING FEES	GroupWise	Exchange	GroupWise Subscription
Server software, email	\$0	\$655	-
Client access licenses (CALs), email	\$79,000	\$42,515	-
Windows Server or SUSE Linux	\$0	\$599	-
Server OS CALs	\$0	\$12,485	-
Client software, email	\$0	\$54,995	-
Hosting/subscription fees	-	-	\$126,000
LABOR	GroupWise	Exchange	GroupWise Subscription
IT admin cost (Year 1)	\$22,894	\$32,518	\$22,894
IT admin cost (Year 2)	\$23,581	\$33,494	\$23,581
IT admin cost (Year 3)	\$24,289	\$34,499	\$24,289
SOFTWARE MAINTENANCE	GroupWise	Exchange	GroupWise Subscription
Year 1	\$17,500	\$52,500	-
Year 2	\$17,500	\$52,500	-
Year 3	\$17,500	\$52,500	-
THREE-YEAR TCO	\$210,899	\$377,894	\$205,399
ANNUAL COST/USER	\$140.60	\$251.93	\$136.93
MONTHLY COST/USER	\$11.72	\$20.99	\$11.41

Source: Osterman Research, Inc.

Three-Year TCO for a 1,000-Seat Deployment

HARDWARE	GroupWise	Exchange	GroupWise Subscription
E-mail server (Dell PowerEdge R630)	\$13,313	\$13,313	\$13,313
Three-year 7x24 support, four-hour response	\$0	\$0	\$0
Email security gateway	\$5,497	\$5,497	\$5,497
SOFTWARE AND HOSTING FEES	GroupWise	Exchange	GroupWise Subscription
Server software, email	\$0	\$1,965	-
Client access licenses (CALs), email	\$158,000	\$85,030	-
Windows Server or SUSE Linux	\$0	\$1,797	-
Server OS CALs	\$0	\$24,970	-
Client software, email	\$0	\$109,990	-
Hosting/subscription fees	-	-	\$252,000
LABOR	GroupWise	Exchange	GroupWise Subscription
IT admin cost (Year 1)	\$41,773	\$63,597	\$18,182
IT admin cost (Year 2)	\$43,026	\$65,505	\$18,727
IT admin cost (Year 3)	\$44,317	\$67,470	\$19,289
SOFTWARE MAINTENANCE	GroupWise	Exchange	GroupWise Subscription
Year 1	\$35,000	\$105,000	-
Year 2	\$35,000	\$105,000	-
Year 3	\$35,000	\$105,000	-
THREE-YEAR TCO	\$410,926	\$754,134	\$399,926
ANNUAL COST/USER	\$136.98	\$251.38	\$133.31
MONTHLY COST/USER	\$11.41	\$20.95	\$11.11

Source: Osterman Research, Inc.

Three-Year TCO for a 5,000-Seat Deployment

HARDWARE	GroupWise	Exchange	GroupWise Subscription
E-mail server (Dell PowerEdge R830)	\$91,200	\$127,680	\$91,200
Three-year 7x24 support, four-hour response	\$0	\$0	\$0
Email security gateway	\$10,597	\$10,597	\$10,597
SOFTWARE AND HOSTING FEES	GroupWise	Exchange	GroupWise Subscription
Server software, email	\$0	\$31,493	-
Client access licenses (CALs), email	\$790,000	\$425,150	-
Windows Server or SUSE Linux	\$0	\$23,800	-
Server OS CALs	\$0	\$124,850	-
Client software, email	\$0	\$549,950	-
Hosting/subscription fees	-	-	\$1,260,000
LABOR	GroupWise	Exchange	GroupWise Subscription
IT admin cost (Year 1)	\$122,745	\$270,153	\$82,645
IT admin cost (Year 2)	\$126,427	\$278,258	\$85,124
IT admin cost (Year 3)	\$130,220	\$286,606	\$87,678
SOFTWARE MAINTENANCE	GroupWise	Exchange	GroupWise Subscription
Year 1	\$175,000	\$525,000	-
Year 2	\$175,000	\$525,000	-
Year 3	\$175,000	\$525,000	-
THREE-YEAR TCO	\$1,796,188	\$3,703,537	\$1,741,188
ANNUAL COST/USER	\$119.75	\$246.90	\$116.08
MONTHLY COST/USER	\$9.98	\$20.58	\$9.67

Source: Osterman Research, Inc.

Three-Year TCO for a 10,000-Seat Deployment

HARDWARE	GroupWise	Exchange	GroupWise Subscription
E-mail server (Dell PowerEdge R830)	\$91,200	\$127,680	\$91,200
Three-year 7x24 support, four-hour response	\$0	\$0	\$0
Email security gateway	\$33,295	\$33,295	\$33,295
SOFTWARE AND HOSTING FEES	GroupWise	Exchange	GroupWise Subscription
Server software, email	\$0	\$31,493	-
Client access licenses (CALs), email	\$1,580,000	\$850,300	-
Windows Server or SUSE Linux	\$0	\$23,800	-
Server OS CALs	\$0	\$249,700	-
Client software, email	\$0	\$1,099,900	-
Hosting/subscription fees	-	-	\$2,520,000
LABOR	GroupWise	Exchange	GroupWise Subscription
IT admin cost (Year 1)	\$161,996	\$454,794	\$150,263
IT admin cost (Year 2)	\$166,856	\$468,437	\$154,771
IT admin cost (Year 3)	\$171,861	\$482,490	\$159,414
SOFTWARE MAINTENANCE	GroupWise	Exchange	GroupWise Subscription
Year 1	\$350,000	\$1,050,000	-
Year 2	\$350,000	\$1,050,000	-
Year 3	\$350,000	\$1,050,000	-
THREE-YEAR TCO	\$3,255,208	\$6,971,889	\$3,145,208
ANNUAL COST/USER	\$108.51	\$232.40	\$104.84
MONTHLY COST/USER	\$9.04	\$19.37	\$8.74

Source: Osterman Research, Inc.

ANALYSIS AND CONCLUSIONS

LABOR COSTS

The cost of the hardware and software required to deploy and maintain an email system is substantial, but it typically represents a one-time expense every three to four years. IT labor, on the other hand, is a major and ongoing expense in maintaining the typical email system, particularly for smaller organizations that cannot distribute the cost of IT staff over a large number of users. The cost of the full-time equivalent (FTE) IT staff required to maintain the typical, on-premises email system normally represents a substantial part of the total lifecycle cost of an email system, although this can vary based on a number of factors, including local labor rates, cost of living standards, etc.

This means that in smaller organizations, email systems should be evaluated with the cost of labor as a primary cost consideration; in larger organizations, software-licensing costs are often a more important consideration. However, while the cost of labor may be more difficult to quantify than the cost of hardware or software licensing, it is an important consideration when evaluating on-premises email systems. It is also important to note that when migrating to a cloud-based email system, labor savings are realized only if headcount is reduced as a result of the shift to the cloud, or if IT staff members are redeployed elsewhere in the organization.

HARDWARE COSTS

Although many have concerns about the cost of the latest and greatest hardware for some email systems, hardware costs represent a fairly small part of the overall expense of deploying and managing an email system over a normal three-year lifecycle. For example, an organization can purchase very high-performance and expensive hardware to run email infrastructure and deploy high-performance, redundant servers and yet make relatively little impact on the overall cost of their

In smaller organizations, email systems should be evaluated with the cost of labor as a primary cost consideration.

email infrastructure over the lifetime of the system unless their organization is very small.

SERVER OPERATING SYSTEM COSTS

Another consideration in the discussion of email system TCO is the cost difference between Windows and Linux. For example, GroupWise on SUSE Linux will result in a lower TCO than GroupWise on Windows because of the former's inclusion with GroupWise at no cost¹.

DOWNTIME COSTS

The cost of downtime for an email system is an important consideration, largely because of its impact on overall employee productivity and IT labor costs. For example, email downtime requires IT staff to detect, diagnose and remediate the cause(s) of the outage, which typically drives up labor costs and delays other IT tasks. More critically, however, email downtime results in reduced end user productivity. Osterman Research estimates that the typical desktop email user is about 25% less productive during periods of email downtime (but could be as much as 100% less productive during downtime), and because a downtime incident can potentially impact thousands of users, even short periods of downtime can impose a significant cost on an organization. This is particularly true for mobile or remote workers who might be unable to work at all when email is not available.

For example, if we assume that the fully burdened, average labor rate for the typical email user is \$35 per hour, a one hour email outage every two months for 1,000 users will cost \$52,500 in lost productivity each year. While some decision makers may balk at this "soft" cost, it must be taken into consideration as part of the cost of ownership for any email system.

The bottom line here is that downtime costs organizations in significant – and sometimes unexpected – ways.

MIGRATION COSTS

Another critical expense – and one that many IT departments consider from time to time – is migrating from one on-premises email system to another. While many decision makers are eager to migrate to another system to gain additional capabilities or because they perceive one vendor's roadmap to be more appealing than another's, they should take into account the major initial expense involved in doing so, as well as the ongoing costs they might incur as a result. This is a very difficult decision to undertake during difficult economic times, when IT departments attempt to balance the improved efficiency that might be available in a new email system with the economic reality of a static or shrinking IT budget that would be used to pay for it.

It is also important to note that while upgrades from one version of a vendor's email system to another can be expensive, migrating from one vendor to a different one can be much more expensive. These costs are driven not only by the major impact that such a migration has on IT, but more importantly on the changes in processes, the additional training and the other impacts on end users, and the cost of migrating email-enabled applications to the new platform. Migrating from one vendor's email platform to another needs to be driven by significant and compelling issues and not just "change for change's sake."

FACTORING IN TVO

The cost of an email system is an important consideration for several reasons, not least of which are the disparity in costs between leading platforms and the large proportion of the typical IT budget that is devoted to deploying, managing and upgrading email. However, equally important is a serious consideration of the *value* of an email system in addition to its cost – what we call the Total Value of Ownership

¹ GroupWise includes a free entitlement to SUSE Linux for running the GW back-end, so there are actually no server software costs in this scenario.

Another consideration in the discussion of email system TCO is the cost difference between Windows and Linux.

(TVO). For example when considering a migration to a new on-premises or cloud-based email system, it is essential to view the decision holistically by asking a number of questions:

- How many email-enabled applications are currently tied to the on-premises email system?
- What would it cost to re-write and test these applications for use with the new platform?
- What are the consequences of relying on the cloud as the primary email system supported by offline capabilities, versus the more traditional model of offline as the primary supported by the cloud?
- Are there regulatory or legal issues focused on data governance that would either prevent migration from an on-premises system to a cloud-based one, or at the least make such a migration very expensive?
- What will be the potentially difficult-to-quantify impact on user productivity by losing features that are not available in the new email system? These features might include things like message tracking that gives senders the ability to track message opens and replies without the need for a follow-up email or phone call, the ability to retract emails that were sent in error, or proxy capabilities for specific parts of a user's mailbox.
- Additional cost for storage, mobility, archiving, and bypassing limits on messages sent per day, attachment size, recipients per message, etc.
- What is the average uptime of the solution being considered compared to the current, on-premises environment?

SUMMARY

Understanding the actual TCO of email is essential given email's critical importance as a communications, file-sharing and collaboration tool, and because there is substantial variability in the cost of various email platforms. As demonstrated in this paper, labor and downtime have a significant impact on overall cost and should be carefully considered in any email evaluation or selection process. Moreover, it is essential to consider the cost of email holistically, since an organization with email-enabled applications might actually find it more expensive to go with a lower cost, cloud-based solution than a supposedly more expensive on-premises one.

Every organization should periodically undertake an analysis of its email TCO to determine if its cost is as low as practical and possible. This kind of analysis is important when considering an upgrade from an older version of a vendor's messaging platform to a newer one, but particularly so when considering the migration to a new vendor's platform or a cloud-based email system.

However, equally important is a careful analysis of TVO as part of the overall decision process. This analysis needs to include the total cost of the migration, including the cost of re-writing and testing the variety of applications that are dependent on the current email platform, the impact on user productivity of losing key features, the cost of the disruption that can occur during migration, data governance and security issues, changes in the support offered by potential substitutes to the current provider, and hidden costs that may offset the anticipated savings. Less expensive is better only if any resulting loss in value does not offset the cost savings that will be realized.

Understanding the actual TCO of email is essential given email's critical importance as a communications, file-sharing and collaboration tool.

The Benefits of On-Premises Email

There are a number of benefits associated with maintaining email capabilities using an on-premises infrastructure of servers, software, appliances and in-house labor:

- **Less dependence on an “always-on” connection**
On-premises email has the advantage of being less dependent on Internet performance or availability, which means that the user experience of opening messages and attachments is often faster and more responsive than it is with cloud-based solutions.
- **Tight integration with email-enabled applications**
On-premises systems can provide better integration with various email-enabled applications.
- **Specialized, high-volume email applications**
There are a number of high volume, email-generating applications that are often better managed using on-premises infrastructure, particularly when communications are time sensitive or when confidential information is sent.
- **Greater resilience to downtime**
On-premises systems can be less susceptible to downtime, particularly since some cloud-based email capabilities do not have a robust off-line capability.
- **More control over data custody**
On-premises email systems permit greater control over the custody of sensitive and confidential data. A company using a cloud-based provider, by contrast, may not be able to exercise this level of control over how and where their data is managed, resulting in possible legal and/or regulatory problems.
- **More granular configuration**
On-premises systems normally provide a wider range of configuration options, particularly when integrating with third-party systems like archiving, data loss prevention or policy-based encryption.

ABOUT MICRO FOCUS GROUPWISE

Micro Focus GroupWise is a complete collaboration software solution that provides email, calendaring, instant messaging, task management, contact and document management functions. GroupWise has long been praised by customers and industry watchers for its security and reliability.

GroupWise as a collaborative platform continues to evolve to meet customers’ needs as well as incorporate new trends and technologies to make business communication in your organization easier and more cost-effective.

Visit www.microfocus.com/products/groupwise for the latest information and updates about GroupWise.

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