



Hosted Messaging Market Trends, 2008-2011

Report Focus

This report presents the results of a detailed research program into preferences and plans for hosted, SaaS and managed messaging capabilities among North American organizations over the period 2008-2011. It focuses on various types of outsourced messaging capabilities, including complete messaging services, messaging security services and archiving services, among others. The goal of this research and report is to provide vendors, investors and others interested in the hosted messaging market with actionable information that they can use to develop marketing plans and to more accurately focus their efforts on understanding and penetrating the market for hosted and managed services. Accompanying this document, and provided earlier to subscribers to the Osterman Research Subscription Service (ORSS) 2008 is the complete data set from the primary survey that was conducted for this report.

Key Findings and Trends Discussed in this Report

- **Smaller organizations are still the sweet spot for hosted, SaaS and managed services**
We found much greater penetration of hosted/SaaS services among smaller firms (up to 2,500 email users). For example, hosted/SaaS messaging was used by under five percent of smaller organizations' users in 2008, growing substantially by 2010. For larger firms, on the other hand, under four percent of users in these organizations are using hosted/SaaS messaging today, growing by more than 50% by 2010.
- **Outsourced providers are able to solve many messaging problems**
There is a significant opportunity for providers of various types of hosted, SaaS and managed services to directly address many of the problems in managing messaging systems and networks and to alleviate burdens for IT departments. While many decision makers will likely not be receptive to outsourcing their entire messaging infrastructure to a hosted, SaaS or managed service provider, by selecting key areas for outsourcing that present the most difficulty, IT departments can make their lives significantly easier.
- **Outsourced providers can lower the cost of messaging**
One of the important selling points used by providers of outsourced services is that they can significantly reduce the cost of messaging, particularly for smaller organizations. As a result, service providers must focus heavily on educating their prospects about the actual cost of providing messaging services internally if they hope to use cost savings from outsourcing as an effective sales message.
- **Key decision criteria in selecting outsourced messaging security services**
The ongoing cost of outsourced security solutions, as well as the ability to stop viruses in the wild and uptime/reliability are the most important decision criteria for messaging security services. Of least concern are attributes about the messaging security vendors themselves, including the size of the vendors and their image of industry leadership.



➤ **SLAs are key to selling outsourced services**

If a provider can guarantee at least 99.99% reliability – or no more than about four minutes of email downtime in any given month – then that vendor will have a much better chance of getting the attention of corporate decision makers. At only three nines of availability, the likelihood of winning business is halved. The bottom line is that the vast majority of decision makers view messaging service level agreements (SLAs) to be a critical part of any offering by a hosted or managed service provider.

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About Osterman Research, Inc.

Osterman Research, Inc. provides market research, cost modeling, benchmarking and related services to vendors of messaging and collaboration products and services.

We help vendors, IT departments and other organizations make better decisions through the acquisition and application of relevant, accurate and timely data on markets, market trends, products and technologies. We also help vendors of technology-oriented products and services to understand the needs of their current and prospective customers.

Part of what makes us unique is our market research panel: a large and growing group of IT professionals and end-users around the world with whom we conduct our research surveys. This allows us to conduct surveys quickly and accurately.

**Hosted Messaging Market Trends, 2008-2011
was published in July 2008 and is available for \$2,495**

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