



You don't have to own a cow to get milk.



The case for Hosted Exchange

Overview

As the business world's focus on efficiency and cost cutting intensifies, so hosted software – or “cloud computing” – is becoming more appealing. Why? Because it allows people to focus their resources on innovation, instead of infrastructure.

Hosted software (also known as web-based applications, Application Service Providers/ASPs and Software as a Service/SaaS) is the phrase most commonly used to describe software that resides on external servers and is accessed through the Internet, instead of being installed on a local server or individual PC. Simply put – users are no longer tethered to a traditional computer in order to use an application, or have to buy a version that is specifically configured for a phone, PDA or other device.

A recent research paper¹ published on www.idc.com states that the financial pressures of a tightening world economy, coupled with the uncertainty of any near-term recovery, are leading small and medium-sized business (SMB) managers to search for new ways to cut costs while maintaining a consistent level of service and protection for their businesses. This is particularly true when it comes to security – one area in which many businesses lack adequate resources. Hosted services are gaining increasing acceptance as a solution to this, and IDC estimates that by 2012 hosted messaging security services will overtake both software and applications as the most widely deployed new SMB messaging security platform.

The growing support for hosted software is also documented in a review² by US-based Cutter Consortium, which surveyed 68 companies that were using, or considering using, hosted services. More than 80% of respondents listed rapid implementation, lower initial costs and the ability to focus more on core competencies, as the top benefits. More than 70% agreed with the statements that:

- [A hosted solution] is a strategic weapon to save development costs and time, and put a software solution in place faster than their competitors can.
- It makes it easier and/or less costly to get access to required technical expertise.
- It enables customers to get access to “best-of-breed” applications that would be too expensive to buy.

Why businesses choose hosted software:

1. **More flexibility.**
If an office burns down, power supply is disrupted, or equipment is stolen, customers are only separated from their data for as long as it takes to move to a different location, or to find another computer with Internet access.
2. **Better security, at less cost.**
Protecting and backing up business information can be expensive and time-consuming, especially for businesses with limited resources. With hosted software, this is part of the package.
3. **Better productivity:**
Customers can invest more in things that have an immediate impact on operating capacity (such as high-speed connectivity and redundancy) and less in peripheral aspects (such as physical security, network security, IT support, routine software upgrades and maintenance).

The Cutter review identifies one of the key drivers of hosted solutions as being mobile and wireless technologies, and how workplace messaging systems are adapting to cater for these. Leading this charge is Hosted Microsoft Exchange.

The following motivations and examples illustrate why – and how – businesses worldwide are adopting hosted services (specifically Hosted Exchange) in their efforts to improve competitiveness and alleviate some of their cost and resource challenges.

Motivation 1: Ease and affordability of implementation

Hosted Exchange offers all the features of the Microsoft Exchange 2007 email solution without the capital outlay or technical challenges normally associated with supporting sophisticated software applications. It eliminates all the large upfront costs typically associated with the purchase and implementation of Microsoft Exchange and minimises the need for technical support, making it ideal – and affordable – for companies of all sizes.

The service provider conducts all ongoing upgrades, providing up-to-date protection against the latest known and unknown threats. The vendor also handles all hardware and software issues, including licensing and back-up, and software is instantly available across an entire organisation. The only thing customers have to do is maintain their Internet access.

For first-time Exchange users, this means having access to, and support for, highly sophisticated messaging and collaboration software that until now may have been beyond your budget. For existing Exchange users – especially those who have implemented it in-house – this creates a relatively pain-free and low-cost upgrade alternative that enables you to substantially reduce your software operating costs without losing any of the benefits.

In-house vs hosted costs

According to one USA-based analysis, outsourcing to a Hosted Microsoft Exchange service versus running an in-house Exchange solution can translate into a cost saving of between 60% and almost 90%. This calculation is based on hardware and software costs for email server deployment only, and does not include costs for WAN/LAN network changes, desktop deployment, or directory inoperability between the legacy system and the new Exchange environment. It also does not include any downtime.

To compare the cost of hosted exchange through MWEB Business, versus your own installation of Microsoft Exchange, use this [Return on Investment calculator tool](#) or contact an MWEB Business account manager on 011 340 8400.

Example:

Business B is a local online marketing company with 21 employees and an annual turnover of between R40 million and R50 million. After being sold by its holding company, the business had to choose whether to invest in an all-new IT infrastructure on which to run their Exchange and SharePoint-based business systems, or to opt for a hosted service. Previously, their systems ran off the holding company's servers, for which the marketing business paid monthly fees. In evaluating the options, the financial director calculated the capital expenditure (including the cost of two servers and the requisite Windows server and SQL licenses) at around R160 000, or R4 400 per month when depreciated over a three-year period.

This compared to a monthly cost of R2 870 for MWEB Business's Hosted Exchange and Hosted Sharepoint service – which represents an estimated saving of 52%.

IT support was also a consideration.

“The cost of building up an in-house IT support team is prohibitive for a company of our size,” explains the financial director. *“With MWEB Business, however, we have access to all the related IT services we might need, including competitively priced support contracts.”*

Motivation 2: Minimal risk

In the Hosted Exchange scenario, an experienced security vendor provides the support, which saves on IT resources while also reducing the risk of costly security breaches. Built-in security features include secure defaults, the ability to restrict connections and messages, prevent spam and improve anti-virus protection.

Depending on your vendor or service provider, emails and important shared files that are stored within the Hosted Exchange environment are secured behind multiple firewalls, and backed up daily.

There is also less risk from a financial investment perspective. No long-term commitment is required, as hosted software is built on a subscription model that allows for fixed monthly billing per user for the duration of the contract (usually 12 months). The solution is scalable, in that you can upgrade or downgrade by as much as 20% of the original contract¹, as your employees (and therefore number of users) increase or decrease.

Example:

A large motor vehicle parking services company needed a new reliable and secure communication and collaboration system for 220 users across its three sites. Previously, it had deployed three servers using Microsoft Exchange Server, but these were coming to the end of their life.

The company's IT manager explains:

"Our email system had grown as the company expanded, but over two or three years it had become less reliable. It was also becoming costly to maintain the service round the clock. We wanted a more resilient system without having to make a huge up-front investment, but we were also keen to introduce disaster recovery and protect our data, which needs to be stored for six years to satisfy industry requirements."

The company upgraded to a Hosted Exchange solution, and now has round-the-clock support and management of its messaging system, the latest technology included with the monthly price, and a secure hosting infrastructure with built-in redundancy of firewalls, routing, and switching. The system is achieving 99,9% reliability and a low total cost of ownership.

"We are now free to focus our in-house IT function and resources on applications and IT work that is specific to our own industry. We no longer need to worry about messaging and collaboration technology that can easily be outsourced. We have been able to downsize from an IT staff of three to just one, which has helped to reduce costs and target our efforts in a more efficient way."

State-of-the-art data centre

MWEB Business prides itself on providing a hosting service that offers performance, reliability, scalability, and – most importantly – peace of mind. All servers are located in its state-of-the-art data centre, behind an industry standard firewall and on an MWEB Business high-capacity ATM backbone. Features include secure FTP access, allowing users to easily update and maintain critical information whenever, and from wherever they need to, while daily back-ups and the secure firewall ensure that data is protected against unwanted intruders.

The data centre itself is physically secure and includes sophisticated security and fire protection systems. Hosting areas are restricted by proximity cards, access codes and a 24/7 guard service, while back-up generators and uninterrupted power supplies ensure that any power failures do not result in downtime. Experienced engineers maintain the data centre 24 hours a day, 365 days a year, ensuring that specialised technical support is just a phone call away.

Motivation 3: Access and productivity

One of the most important benefits of Hosted Exchange is the flexibility it offers businesses with mobile workers who require fast, reliable and secure access to company information. With a hosted solution, the software and data is available the second they log on from anywhere that they have Internet access, without the need to download their work or synchronise with portable devices.

Mailboxes are stored on the vendor's server and can be accessed in real-time, at any time, using any Internet-enabled device.

Example:

What started as a small-scale flight operator with only five employees has grown into a multi-million dollar aviation company. But with this growth has come a new set of communication challenges, as the finance director soon discovered.

"Initially I managed all IT operations, but found myself spending more than five hours a week resolving problems associated with the company's email server," he says. "I wanted to upgrade our server and software, but without introducing unpredictable expenses – such as software licences and maintenance – into the business."

With the company's plan to double its pilot team by the end of 2009, the business also needed to find a more efficient method of updating pilots with flight schedules – something normally done via lengthy telephone calls.

Since moving to a hosted email solution based on hosted Microsoft Exchange 2007 and Microsoft Office Outlook 2007 messaging and collaboration client, the company's email expenses are fixed and it receives expert support, 24 hours a day, seven days a week.

"We have virtually eliminated junk email," explains the finance director. "We have also equipped pilots and the management team with handheld devices that use Exchange Server's direct-push technology to provide access to calendar and email, without users having to dock their devices to synchronise messages. If a device is lost or stolen, data can be encrypted or deleted immediately via remote management tools."

Pilots receive schedule updates in their email or calendar in real time, which – once the pilot team grows – will save administrators an estimated full day every week.

"We now have a reliable, cost-efficient service that has improved my individual productivity by 15%," says the finance director. "By giving me the time to implement more efficient systems in other business areas, this has helped us to increase overall productivity without having to employ as many people as we projected in our budget."

"I can also manage the expanding company's finances more efficiently because I work with predictable IT costs."

"Between 30 and 40 of our employees are now using mobile devices to access email, and 40 to 50 employees regularly work from home with full access to their office systems. We are looking to double or triple our productivity gains over the next six to 12 months thanks to hosted Exchange Server."

- IT manager,
parking services company

Motivation 4: Integration with existing infrastructure

Hosted software provides an integrated solution to any system that supports a standard Internet browser, including Windows, Unix and Macs. This means that users can connect to the Hosted Exchange software regardless of the hardware or type of connectivity they are using.

Its scalability and flexibility goes beyond merely extending – or shrinking – your number of users. Hosted Exchange integrates seamlessly with other Microsoft applications, such as customer relationship management and enterprise resource planning packages. Depending on the hosted solutions that your service provider offers, you can migrate other aspects of your business to a hosted environment as well. The fact that they might have been managed in-house previously is certainly not a disadvantage, as the following business owner discovered:



Example:

The owner of a law firm specialising in immigration law had established his competitive edge by investing in technology that enabled him to deliver excellent customer service and achieve paperless efficiencies. But it came at a cost.

“The server hardware was both bulky and noisy, consuming a sizeable footprint in the office,” he says. “Underlying costs of additional office space and server hardware air conditioning quickly added up. I was also spending three to four hours a week managing the systems myself, including monitoring back-ups, checking connections, and rebooting server hardware after updates. This was time that I could have been using to win new business. At an hourly rate of US\$350, these lost revenues quickly added up to approximately \$60 000 annually.”

Though the firm had not experienced any catastrophic server failures, the owner was concerned about this risk. *“If our server went down, it could take us a week to restore the data,” he says. “If that were to happen during our busiest time of the year, I would lose an additional \$60 000 in income and be out of business in a week.”*

By eliminating physical server hardware and migrating to a suite of hosted software packages, including Hosted Exchange, the law office has been able to slash its technology costs by 90%. When the firm recently downsized its office space, it also reduced its rent and electrical bills, partly because the employees did not have to move the servers with them.

Relieved of server management responsibilities, the owner has recaptured three to four hours a week. The firm is now in the process of migrating all its key business systems and documents to its new service provider, as part of a broader hosted solution.

“I don’t worry about server downtime anymore. All of our intellectual property is stored in a secure data centre, where it is safer than it was on the firm’s server and which is fully accessible to staff and clients. Most law firms don’t have that assurance; it’s a tremendous capability.”

MOTIVATION 5: Better support, for less

Any business that has embarked on a new software roll-out or upgrade will know that the cost of downtime, additional training and technical teething problems can be extremely hard to quantify. Coupled with the limited support available from IT teams that are often already stretched beyond their limits, it is easy to understand why business owners and managers put off these upgrades for as long as possible – regardless of how badly they might be needed.

With hosted software, these challenges are all but eliminated.

Software maintenance and updates are handled centrally, regularly, and at no additional cost. Security levels are higher and more rigorously enforced, while service level agreements mean that hosted software users have access to 24/7 technical support from the service provider or vendor involved.

This support comes from a centralised, dedicated team whose sole focus is to react to evolving security threats and deliver the best possible data loss protection, automated back-up and disaster recovery services. This means you have access to a higher level of expertise, at a far more affordable cost, than you could hope to provide yourself.

Closely linked to support is the issue of consistent performance and the misconception that software hosted off-site leads to slower response times or potential access problems. There is very little difference between the speed and performance of an in-house messaging solution that you manage yourself and one that is hosted, because both use a broadband connection. Additionally, because hosted solutions can be accessed through any broadband connection, regardless of location, your mobile users don't have the hassle of trying to access information or systems that normally reside behind a company's firewall.

This is proving particularly valuable for the medical school in the following example, where students and residents often train at distant rural clinics and needed to reliably transmit clinical data.

Example:

A medical school follows a unique community-based model to teach and train healthcare professionals, which requires students and residents to travel a great deal. In order for the school to be accredited, it has to monitor and verify students' clinical encounters with patients, keeping track of each procedure and other data.

"Everything we do, from Dean's meetings to classes, is online and distributed, and relies on technology to bridge the distance," explains the director of the e-learning unit at the school. *"We needed a mobile solution that would let students gather their clinical activity data and immediately transmit it back to the school from wherever they were. They also needed a way to access the Internet to view healthcare websites and medical reference resources, as well as accessing their email, calendar and contacts."*

The team implemented a smart phone solution based on hosted Microsoft Exchange. Approximately 100 students, 40 postgraduate residents, and 20 e-learning staff members are now using the solution to record clinical data such as procedure, rotation and location information, which is synchronised directly with school's database.

Example:

A medical school follows a unique community-based model to teach and train healthcare professionals, which requires students and residents to travel a great deal. In order for the school to be accredited, it has to monitor and verify students' clinical encounters with patients, keeping track of each procedure and other data.

"Everything we do, from Dean's meetings to classes, is online and distributed, and relies on technology to bridge the distance," explains the director of the e-learning unit at the school. *"We needed a mobile solution that would let students gather their clinical activity data and immediately transmit it back to the school from wherever they were. They also needed a way to access the Internet to view healthcare websites and medical reference resources, as well as accessing their email, calendar and contacts."*

The team implemented a smart phone solution based on hosted Microsoft Exchange. Approximately 100 students, 40 postgraduate residents, and 20 e-learning staff members are now using the solution to record clinical data such as procedure, rotation and location information, which is synchronised directly with school's database.

"This has improved communication between the learners and the school, improved the ability of remote students to gather and transmit data, supported the school's accreditation requirements, and improved our ability to track what students are doing clinically," says the director.

"The students have much quicker access to medical information on the Internet and helpful healthcare applications medical reference software, enabling them to be more successful at their clinic placements."

"In eight months, we recorded over 10 000 logbook entries. We obtained really rich data in terms of what the students are actually doing and where, not only aiding our accreditation process but also allowing us to track student's clinical activities as they move through the school program. Rather than what the students say they do, or what the curriculum says they're supposed to do, we can now see what they actually do, when they do it, and where they do it."

References:

1. Estimates and general product features are based on the MWEB Business hosted product offering.
2. The Business Benefits of Hosted Email Security for the SMB, December 2008, published on www.idc.com and sponsored by Trend Micro.

Case studies source from www.microsoft.com/casestudies

Conclusion

Hosted software specifically caters for the changing nature of how, where and by whom, today's business is done.

It provides the cost savings and flexibility that larger businesses increasingly need, while giving smaller businesses and mobile workers the sophisticated collaboration capabilities and security that, until now, has been largely out of their reach.

The IDC* describes SMB business managers and executives as facing a variety of daily challenges that require "shoot-from-the-hip" decision making if they are to succeed in highly competitive markets and industries. *"At a minimum, the critical factors that must be included in SMBs' planning and decision-making processes are the profitability, efficiency, and security of their operations."*

It seems apparent that hosted applications such as Exchange offer the best combination of competitive opportunity and low total cost of ownership – but only if they remain competitively priced and are provided by a reputable, reliable vendor who provides the service, support and guaranteed uptime that is such an integral part of the package.

For more information on Hosted Exchange from MWEB Business , or to speak to a consultant about hosted software solutions, please call MWEB Business on 011 340 8400 or send an email to business@mweb.com