

How Much is Your E-mail Worth?

Quantifying the Total Value Investment (TVI) of SaaS E-mail to Small and Medium Businesses

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Executive Summary

Many Small and Medium Businesses (SMBs) are considering a move to a Software-as-a-Service (SaaS) model for their e-mail environment. The base subscription price on a move like this can be intoxicatingly low; however, a move of this magnitude and impact is best supported through a complete quantitative analysis of the corresponding costs and benefits.

On the cost side of the equation, it is important to identify and assess total cost of ownership (TCO) over the lifetime of the e-mail solution and not just the subscription price. This includes costs associated with continued administration, integration with line of business applications, migration, and training. But a simple TCO estimate is inadequate in the face of evaluating alternatives that have significantly different functionality.

On the benefit side, e-mail productivity benefits can be realized by increasing opportunities for revenue or by reducing end-user costs. This paper provides a model to calculate these costs and benefits in order to perform a more complete analysis of a move of this magnitude. It leverages interviews with SMBs that have already evaluated the move to a hosted e-mail solution and defines scenarios that can be quantified to understand the economic impact of e-mail to an organization.

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Defining a Total Value Investment Model for E-mail

The notion of “value” is often an ambiguous one. In business, it is common to take routine daily activities for granted and not fully recognize the benefit they are returning to an individual and organization. E-mail is a perfect example.

For many information workers, e-mail is an all-day affair. They arrive in the morning checking their BlackBerries on the commute in to work; the last thing they do at the end of the day is send out a final e-mail for the project they are preparing for tomorrow. But it is extremely rare to consider these rather mundane activities from a value proposition side. Whether information workers are stationed at their desks periodically checking for messages and managing their calendars or they are receiving e-mail in real-time on their BlackBerries, it is easy to overlook the contribution e-mail is making to their productivity precisely because it is so routine.

Defining the value of e-mail to an SMB can be both intuitive and fleeting in a “know it when I see it” sort of way. Or, perhaps more often the “know it when I don’t have it” way that comes when e-mail service is interrupted. But intuition is only semi-conscious and the goal for the SMB is to become more explicit about the value proposition in order to compare alternatives when making investment decisions. Nowadays, this imperative becomes more apparent as many SMBs are considering a move to SaaS (or “hosted”) e-mail.

Financial managers use a fundamental return model to evaluate investment decisions. This model divides the net benefit or gain by the total investment costs. Since e-mail’s contribution to SMBs is based on productivity, we can customize a similar model to evaluate the Total Value Investment (TVI) for e-mail that looks like this:

**We can
customize a
model to
evaluate the
Total Value
Investment (TVI)
for e-mail**

$$(productivity\ value - costs) / costs$$

Using this model, SMBs can forecast the TVI for alternative options regarding SaaS e-mail. The steps are as follows:

- Step 1:** Estimate the productivity value of the e-mail solution
- Step 2:** Calculate the net productivity benefit by subtracting out its current costs
- Step 3:** Divide this net benefit by the costs to understand the percentage “return” on productivity value.

The diligent enterprise will perform this analysis on its current e-mail environment as well as the alternative options being considered. Once armed with the TVI for each scenario (including the current TVI) the company can compare all options to identify the option that has the highest return.

Conceptually, this type of equation is standard fare for economists and financial managers. The challenge comes in actually estimating the values associated with the individual elements of the equation.

Identifying Productivity Value

In its broadest sense, productivity is the measure of outputs (typically in dollars or other monetary terms) compared to its inputs – costs associated with labor and capital investments. In fact, the promise of information technology (IT) has always been higher productivity derived from the economies of scale that arise from IT use. After a brief period where productivity didn’t seem to be increasing (known as the “productivity paradox”), economists now generally agree that there has been significant productivity value derived from IT investment. A 2000 paper from researchers at Massachusetts Institute of Technology (MIT) and the University of Pennsylvania summarized things this way:

“Similarly, most estimates of the contribution of information systems labor to output exceed \$1 (and are as high as \$6) for every \$1 of labor costs.”¹

For the SMB, then, it is commonly believed that IT investment contributes more than its cost to productivity benefits. To ensure that this trend continues, it is beneficial to forecast the productivity contribution of IT investments at the beginning of a project. And projects involving the migration of functionality from one architecture to another (i.e., on premise e-mail delivery to hosted delivery) invariably require a review of that functionality and assessment of its value proposition to the enterprise. This analysis typically drives the need to understand how features of different solutions are used. Sometimes, the features remain unused and are therefore insignificant. Other times, they are crucial but ignored - or perhaps forgotten - simply because they have reached that state in the information workers' world that make them second nature.

This kind of explicit analysis can be challenging when dealing with dozens or even hundreds of e-mail features. It is worth taking those functions that are used the most and/or take the most time to complete and really assessing the alternative approach if those features did not exist.

Understanding the Productivity Model for SaaS E-mail

One of the reasons e-mail value is so difficult to quantify is that we take it for granted. It's not like we wake up every morning thanking the heavens for creating e-mail. In fact, often we despise the easy access given to spammers and others that perpetuate distractions from our daily work lives. Ironically, even those distractions can be "less unproductive" than water cooler chatting and distracting phone calls.

The value of e-mail falls into place if we actively consider the alternative mechanisms we would need to accomplish the same task without e-mail. It wasn't long ago (for some of us) that working on research and development projects, initiating sales efforts, or coordinating supply chain activities required multiple phone calls, air travel to distant cities, or even "snail mail" paper and envelopes sent via the postal service.

Taking individual operations like sending e-mail and calculating out how frequently an individual, department, or enterprise performs the activity highlights how economies of scale delivered by IT work. There is no watershed savings of a million dollars at a single point in time. Instead, SMBs experience the savings of fractions of dollars hundreds and thousands of times over that can be lost or underestimated without careful analysis. If we consider e-mail from this vantage point, the economies of scale become apparent.

As with any productivity measure, e-mail productivity value can be realized in two ways - by identifying the amount of revenue it generates (increasing the aforementioned outputs) and/or by determining how e-mail can reduce costs (decreasing the resource inputs).

The value of e-mail falls into place if we actively consider the alternative mechanisms we would need to accomplish the same task without e-mail

Opportunities for Increasing Revenue with E-mail

Many professional sales executives recognize that at a fundamental level sales are driven by how many prospects one can identify and qualify as leads. As long as the close rate stays the same, then more leads identified will generate more revenue. So the simple ability to make initial contact with likely candidates, and the ability to share applicable information with them has a positive impact on revenue. With the easy worldwide reach of e-mail, this process has never been easier.

In addition to new prospects, customer retention plays a large role in revenue generation, or more reasonably, revenue retention and continuation. It is a cliché that keeping existing customers is much cheaper than courting new ones, and e-mail can play a large role in customer service.

How to calculate the increase in revenue afforded by e-mail

In the real world, it would be inherently challenging to calculate the impact e-mail has on increasing revenue. An experimental approach could randomly assign salespeople to a group that was not allowed to use e-mail for some period of time and then compare the results of this group to a control group that was allowed the usual e-mail access. Assuming the experiment was designed well (there may be other variables to consider), the difference in revenue for the group with e-mail could be attributable to e-mail and then projected across the entire enterprise. While interesting in an academic sense, if the hypothesis is that e-mail increases sales, then the experiment isn't something a profit-seeking company would be interested in performing. We already know that e-mail works

even though we might not know the magnitude of the impact.

It seems unlikely that sales or marketing folks would be willing to go without e-mail for any extended period, even if the reasons are to make them more efficient at other activities, and this in itself is telling. In fact, in interviews of IT directors for SMBs, not a single IT director was willing to go without e-mail for longer than an hour.

There is a coarser (and much easier) way to determine the impact of e-mail on revenue, and that is simply to ask salespeople what impact they think going without e-mail would have on their sales numbers (or negotiate a new quota under “no-e-mail” terms). First, no savvy e-mail-using salesperson would consider the thought. But some might be convinced to negotiating rates at 50% of their existing quota or lower. This is implicit evidence of value.

These benefits notwithstanding, there are many types of business models that make evaluating the ability of e-mail to increase revenue difficult, with a wide variety of approaches in various industries and sectors. The other side of the equation - cost reduction - provides more commonalities for analysis.

Opportunities for Reducing Costs with E-mail

All of information technology is geared towards reducing the costs of doing business for enterprises. E-mail is an obvious example of this kind of savings. Its volume of usage alone is a testament to its contribution of positive benefits. But it is important to recognize how micro-functions associated with sending a single message, for example, are aggregated into the much bigger picture of overall e-mail use and value within the enterprise. The pertinent question may be, “How long does it take to create and send an e-mail message?” or perhaps “How long does it take to schedule a meeting?”

In order to understand the productivity value of e-mail, we must break down the individual processes and then roll them up again into an aggregate notion of benefit. So all activities associated with the e-mail message - opening a new message window, selecting recipients, creating the message, editing and wordsmithing the contents, and sending it - are pertinent in reducing costs.

For example, one company interviewed described how using “free/busy” search in their new e-mail solution cut down the time to schedule a meeting from 5-7 minutes (excluding latency associated with the need for individuals to respond) to 2 minutes. It is easy to ignore this for any individual meeting, but consider 5 meetings a day over a full year and an SMB can save over two weeks of time (and the corresponding money).

The key here is to recognize that technology scales much better than humans do, and while it seems like saving a minute or two in creating each e-mail message doesn't have an impact, in the aggregate the savings across tens of thousands of messages going out annually for an SMB should not be ignored.

Estimating the Productivity Value of E-mail

The fundamental facets of decision-making and opportunity cost provide us with a way to quantify productivity by substitution. While it may be difficult to directly calculate the effect of e-mail on productivity, we can estimate the associated costs more easily. Recognizing that spending demonstrates a “willingness-to-pay” approach to valuation, we can assign the costs associated with e-mail as its minimum productivity value. Note that this value is likely to be higher as typical investments are not made for a breakeven scenario; some positive return in value is expected.

With costs as an implicit measure of minimum value, we need to determine the components of those costs. Traditional Total Cost of Ownership (TCO) calculations identify the fully-loaded cost of various IT investments, and this is a good starting point for estimating e-mail costs. TCO includes capital investments associated with infrastructure - primarily hardware and software resources - and operating expenses associated with maintenance fees and labor expense.

TCO costs only provide a basic estimate of value. Because e-mail is a productivity tool involving end-user activity, the personnel expenses associated with end users for the time spent using e-mail should also be factored in. Again, we must recognize that

a rational person tries to optimize his or her time by choosing to spend it in ways that provide the most value. Enterprises and organizations pay employees and contractors for that time with the expectation that their activities will more than adequately cover those personnel expenses.

The full equation for calculating the minimum productivity value, then is:

$$\text{productivity value}_{min} = \text{end-user costs} + \text{TCO}$$

In a previous paper², Collaborative Strategy Guild (CSG) described a productivity model for e-mail that included the elements below. These elements provide a backdrop, and in some cases will be directly reflected in the quantitative estimates. These elements are:

- **Management:** of messaging services and what users do to maintain their mailbox content.
- **Client tools:** the things users do within the e-mail client, including the creation, sending, and management of e-mail content (e.g., messages, contacts, appointments, etc.). Functionality within client tools can be divided into three areas of activity:
 - **Messaging:** the creation and receipt of e-mail messages.
 - **Coordination/Personal Information Management (PIM):** the use of messaging capabilities to coordinate time, contacts, tasks, and notes for personal purposes.
 - **Unified Messaging:** the integration of external communications artifacts into the inbox and e-mail folders such as faxes, voicemail, feeds, and chat transcripts.
- **Extension:** of messaging services into purpose focused business activities such as collaboration, line of business tools, and integration with desktop tools.

The “client tools” aspect will be incorporated into end-user productivity estimation. The other elements – management and extensions – are part of a traditional TCO offering.

The total cost of ownership (TCO) concept was designed to account for costs associated with a project that aren't directly associated with the price of the solution

Total Cost of Ownership Primer

The total cost of ownership (TCO) concept was designed to account for costs associated with a project that aren't directly associated with the price of the solution. Typically, a disruptive change affects other aspects of the IT organization. Generally, TCO involves an analysis of three different financial areas:

- **Capital investments:** the direct costs associated with hardware, software, and other capitalized assets. Sometimes, there are related capital investments for utilities and ancillary programs needed to continue operations in a consistent manner.
- **Operating expenses:** encompass software licensing fees or other recurring expenses associated with the project that aren't capitalized.
- **Labor and productivity costs:** a subset of operating expenses that is typically broken out separately. Given the complexities of organizational structures, it is important to properly allocate labor costs to the applicable projects.

Breaking out project costs into these financial areas increases the likelihood that all capabilities (and their corresponding costs) will be appropriately accounted for during the justification process. It is too simplistic when comparing solutions to look at price alone, and a full comparison of similar functions contributes to a better evaluation process.

Applying TCO to SaaS E-mail

TCO analysis is helpful when considering new architectures for existing functionality. Hosted e-mail is a good example where the functionality is long-standing and expectations are deep-rooted in organizational culture, so any change requires an analysis of capital

investments, operating expenses, and labor costs for the full spectrum of capabilities.

- **E-mail Infrastructure Costs:** the e-mail system hardware, software licensing, network, security, storage, and back-up, disaster recovery, compliance, and archiving.
- **E-mail Administration Costs:** full- and part-time personnel responsible for maintaining the e-mail infrastructure and keeping the system up to date by applying patches, upgrades, add-ons, line of business application integration, compliance, and security.

An E-mail Productivity Value Scenario

To get a sense for the various resources in use at SMBs, CSG researchers interviewed a number of IT directors. Since it is uncommon for enterprises to have the full economic picture readily available, CSG collected and analyzed various pieces of information provided and created a sample TCO scenario that reflects a typical SMB. In keeping with the scenario as an estimate (and to make our math simple), numbers were conservatively selected and rounded down.

A company of 100 employees has 140 mailboxes. One mailbox is assigned to each employee, ten are designated resource mailboxes (e.g. conference rooms), ten are general mailboxes like “sales” and “support”, and twenty are assigned at various times to consultants, temps, and other personnel. Twenty of the users are heavy users that also need mobile (BlackBerry) access. Sixty users are moderate users, and the last twenty are light users. Because the estimate is a minimum estimate, we can safely ignore the forty “extra” accounts. It may be worth coming back to these if analysis shows that two options have a similar TVI.

To get a sense for the various resources in use - CSG researchers interviewed a number of IT directors

To manage the e-mail infrastructure, the company employs 1.5 full time employees (FTEs) that support a mail server, mobile BlackBerry server, and a gateway server. Server hardware cost \$3,500 per server. An Exchange 2010 license costs \$1,000 per server and the BlackBerry software is \$3,800 per server. Per user software licenses consist of \$100 for Outlook, \$100 for BlackBerry unit, and \$10 for antivirus software. That’s a loaded cost of \$210 for every user.³

TCO for E-mail Scenario

If we take all of the cost elements in the scenario, a TCO calculation is fairly straightforward:

Server Costs	3 @ \$3,500	\$10,500
Exchange 2010		\$1,000
BlackBerry Software		\$3,800
User Software	100 @ \$210	\$21,000
Total Capital Costs		\$36,300
Annualized Costs	Over 3 years	\$12,100
E-mail Admin Costs	1.5 @ \$50,000	\$75,000
Total Annual Costs		\$87,100

Table 1: TCO for E-mail Scenario

However, even TCO is inadequate as an analysis tool in the face of completely different functionality of solutions. Nobody considers simple costs when comparing the value of a road through the center of town to a highway; the functional value to the most people is a crucial component of the value proposition. Similarly, comparing software that provides significantly different functionality to end users must be adequately characterized and evaluated. For e-mail, we can do this by looking at end-user productivity.

End-User Productivity Estimate

We can calculate the minimum productivity value of e-mail simply by translating the amount of time spent using the program into monetary terms. Assume that the sample enterprise with 100 employees has a payroll of \$6 million for an average of \$60,000 per employee. The twenty heavy users are on e-mail 80% of the time for an estimated cost of \$960,000 (.8 x (6m/100 x 20)). The sixty moderate users are on e-mail 50% of the time for an estimated cost of \$1.8 million (.6 x (6m/100 x 60)). And the final twenty light users (20% of the time) contribute \$240,000 to the bottom line (.2 x (6m/100 x 20)).

	Value Contribution
Heavy Users	\$960,000
Moderate Users	\$1,800,000
Light Users	\$240,000
Total	\$3,000,000

Table 2: End-user productivity estimate

After totaling the individual user types, the final end-user productivity contribution to value is \$3 million. This type of estimate can be done to various levels of detail by stratifying users in different ways as well. For example, larger corporations could conduct this analysis and break up users by department or office location.

Scenario Final Productivity Value Estimate

If we return to our minimum productivity value equation, we have the following for our scenario:

$$\text{productivity value}_{min} = \text{end-user costs} + \text{TCO}$$

$$\text{productivity value}_{min} = \$3,000,000 + \$87,100$$

$$\text{productivity value}_{min} \sim \$3.1 \text{ million}$$

We can calculate the minimum productivity value of e-mail simply by translating the amount of time spent using the program into monetary terms

It is worth recognizing the disproportionate share of the value contributed by end users. This is logical given the functional use, but it also highlights a weakness in TCO that will be explored later. Generally speaking, changes to this productivity value will have a much more significant impact on the bottom line than TCO. This realization creates the need for a TVI estimate in the first place.

The Hosted E-mail Alternative

Up to this point, the composite scenario shows a productivity value from e-mail of at least \$3.1 million. Recall that since this is a real cost basis and organizations are free to spend their money in those areas that bring the greatest value, this is a strong floor (i.e. minimum estimate). Further, given the recurring nature of IT spending and the fluctuating use of time, any changes to the value could be easily reflected in spending and usage. And there is plenty of evidence through usage that the value of e-mail is increasing, even though direct costs are (hopefully) going down.

The challenge of using a "minimum value" calculation like this is that the TVI for the original scenario is zero since productivity costs are being used as an estimate for minimum productivity value. If we use the current minimum value as a starting point, however, we can evaluate new e-mail architectures and usage models by comparing the anticipated costs and value contribution to this existing productivity value.

Hosted e-mail is poised to change the game, or at least bring these cost issues to the forefront. An analysis of this alternative from an in-house model must include the changes in cost. Traditionally, this means looking at price first. More mature environments will factor in one-time startup costs and a broader TCO estimate given that price rarely tells the whole cost story. Finally, for e-mail in particular it is worth evaluating the delivered functionality by measuring the productivity costs – something that is rarely done today.

The TVI Model Applied

The contribution of IT to an SMB is obvious to all information workers. And when evaluating new solutions, it can be extremely difficult to compare “apples to apples” appropriately. As mentioned earlier, the productivity value is a significant aspect of any decision and crucial to estimating the impact when comparing “apples to oranges” as is often the case with multiple disparate solutions to similar problems.

TVI aims to set an appropriate stage for comparing disparate solution by focusing on the core outputs of productivity and comparing them to inputs of resource costs. The steps for applying TVI are:

- Step 1.** Start with current productivity value. This estimate may include any of the methods discussed previously to estimate increased revenue and productivity to the enterprise.
- Step 2.** Calculate anticipated costs associated with TCO and end-user productivity for any new alternatives being considered.
- Step 3.** Apply the TVI = (PV – PC)/PC equation to identify the return of an alternative to the organization.

Begin with the existing productivity minimum value unless there are other reasons to increase or decrease its amount

For these calculations, it is important to begin with the existing productivity minimum value unless there are other reasons to increase or decrease its amount.

Returning to the example scenario, consider the changes in two different options: The first hosted solution maintains similar functionality and has monthly costs of approximately \$20 per user, for a cost of \$2,000 per month for the organization. This scenario has annualized TCO costs of \$24,000 and the \$3 million in productivity costs remains the same. The TVI is: $(\$3,100,000 - \$3,024,000) / \$3,024,000$ for a TVI of 2.5% annually.

A second scenario costs \$8 per user per month for a cost of \$800 per month, for a total annual cost of \$9,600. However, the functionality and user environment is considerably different from the existing e-mail solution. In this case, it causes end-users to add an average of 20% premium to existing productivity costs. That is, activities that used to take an hour to perform now take an hour and twelve minutes. In the aggregate, this increases productivity costs from \$3 million to \$3.6 million. In

this case, the TVI is calculated as: $(\$3,100,000 - \$3,608,000) / \$3,608,000$ for a negative 14% return.

	Scenario 1	Scenario 2
Per use, per month cost	\$20	\$8
Monthly cost (100 users)	\$2,000	\$800
Annual TCO	\$24,000	\$9,600
Productivity change	0%	20%
Productivity costs	\$3,000,000	\$2,600,000
TVI	2.5%	-14%

Table 3: TVI for E-mail Scenarios

This scenario clearly shows how lower price can lead to higher costs and correspondingly lower TVI. Even if the productivity

value is much higher than the minimum estimated, the difference between the two scenarios will remain relatively similar, unless a significant change in productivity is expected. In the case of these two alternatives, the 20% increase in productivity cost of \$600,000 far outweighs the \$18,000 difference in TCO. This is the most important point of this paper.

The TVI highlights just how important individual features can be to the total impact of a new solution. Seemingly innocuous features like free/busy search, auto-complete of e-mail addresses, spell-check, integration with contact lists, and drag and drop capabilities across the board can significantly impact the organization's productivity (even if it seems insignificant to any individual user).

Factoring in Migration Costs

With a general scenario it is difficult to codify migration costs, since they can vary significantly across organizations and across platforms. For any individual analysis, however, these costs should not be ignored. In particular, it is useful to understand the following one-time costs associated with changing platforms:

- Costs associated with migrating mailbox data, from a common, central store as well as individual mailbox data often located on desktops.
- Costs associated with developing new interfaces to applications like fax, voicemail, integrated CRM systems, mobile solutions, etc.
- Costs associated with training end users on a new solution with a different look and feel and different functionality.

There are often other one-time costs that are specific to an industry or organization that should be taken into account in this evaluation process.

Considerations when Calculating TVI

Many aspects of financial management, especially making estimates and forecasts, rely on the logic and opinions of the forecaster to appropriately assess scenarios and provide realistic assumptions. Recent economic hardship in the U.S. is largely attributed to failures in this regard. These estimates can be even more challenging when there is a "value number" and a "cost number" that can change based on the circumstances. Sometimes there is strong guidance in how to go about making estimates, as accountants have with their Generally Accepted Accounting Principles (GAAP), and other times the involved parties are left to their own devices, albeit subject to ridicule and disgust if they overdo it. In attempting to forego the ridicule, the TVI evaluator should take into account the following considerations:

TCO Considerations

- How much of the infrastructure will be hosted?
- How will the development environment be affected?
- What components in the broader messaging solution will remain on-premises?
- What are the training and migration costs that must be factored in?

Productivity Considerations

- What is the strategic value of e-mail to the organization?
- How will end-users benefit from integration among messaging functions?
- How will end-users benefit from integration with line of business applications?
- What opportunity costs are associated with e-mail?

Factoring Risk Into the Analysis

Significant changes to platform or delivery model can involve significant risk. The previous section highlights some of the ambiguity involved in making assumptions to forecast the future impact of IT investments. Often, these assumptions have a range of possible

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outcomes that should be carefully considered.

The financial manager's response to variance is to factor risk into any cost-benefit or expected value calculation for an investment decision. This can be done applying weightings or discount factors to the final value in a scenario based on likelihood of success. For example, an investment bringing benefits of \$1 million with an 80% chance of success is often valued at \$800,000. Alternatively, a fuller expected value analysis may involve a range of possible values and likelihoods that can be totaled and used in comparative analysis.

Recommendations

CSG recommends that small and medium businesses evaluate the TVI of e-mail to the organization prior to migrating to any new service option. This assessment includes the following considerations:

- Understand how e-mail productivity drives value to the organization
- Recognize the total cost of SaaS e-mail
- Ensure costs of operations are reflected in the overall decision framework
- Factor in the productivity value of integration with other applications
- Assess the TVI of the environment

Performing these reviews and calculations will provide a clearer picture on the TVI of e-mail based on the delivery model and architecture needed to support the business needs of the organization.

CSG recommends that businesses evaluate the TVI of e-mail to the organization prior to migrating to any new service option

CSG recommends that the same set of assessment be made for each service choice being considered. For example, if the organization has on premise e-mail service and is considering two different SaaS providers then the organization should perform three analyses: one for the on-premise system, and one for each SaaS service option.

Understand how E-mail Productivity Drives Value to the Organization

It is often difficult to take a routine function such as e-mail and really sit down to consider its value to individual users and their organizations because it is taken for granted. This value proposition was assessed when deciding whether to move from other forms of communication, like telephones and letters, to the computer (our children would be laughing here) but rarely gets considered and appreciated anymore.

As new forms of communication and new architectures for existing communications arise, it is worth understanding the productivity generated from a tool as simple as e-mail.

Your e-mail solution is no longer simply a way to send a message. And the program capabilities used to perform functions like scheduling meetings, distributing forms, connecting to alternate mailboxes, incorporating e-mail into applications, etc. can have significant impact on the bottom line of productivity.

Recognize the Total Cost of SaaS E-mail

To simply accept a price tag that is lower for one application than another is to suggest that basic functionality is the only important aspect of an application. With this logic, everyone should be using Notepad since it provides basic word processing. But people don't rely on crude replacements for a reason – routine functions can be streamlined to save time, and new functions can replace manual processes to increase the value of the application.

The oral history of information technology is rife with stories about runaway costs for all sorts of projects. If there is one thing IT professionals should consider when beginning a project like outsourcing e-mail, it is the lesson learned from this history.

Price is only one aspect of total value. In fact, it is often the cheapest piece of the puzzle. For example, migration costs often outweigh savings gained through lowered licensing costs.

Ensure Costs of Operations are Reflected in the Overall Decision Framework

The savvy IT professional will recognize the need for considering all aspects of total cost. With outsourcing, it is crucial to evaluate existing infrastructure needs. Organizations often consider an outsourcing exercise to be zero-sum, with the complete elimination of supporting infrastructure remaining in-house as the capabilities are replaced by external services. This is rarely the case.

As part of the total cost equation, then, it is important not to have an “after” picture that ignores costs of remaining components – like those used to integrate with applications. These costs must be recognized to complete the picture. For example, bottom line costs go beyond subscription price; hybrid situations do not eliminate infrastructure on-premises and therefore increase overall costs.

Factor in the Productivity Value of Integration with other Applications

It is common these days for other applications to leverage the functions of e-mail. The easiest examples here are mobility solutions (like BlackBerries) or customer relationship management (CRM) solutions. This integration usually provides significant productivity value to an organization, so any disruption in service or capability will have a negative affect. Any changes in this area must be considered during the analysis stage to protect against significant impairment of IT functionality. For example, a number of organizations have integrated office automation solutions and considered the need for integration a crucial aspect of its ultimate decision.

It is important not to get caught up in the need to save money by slashing functionality and being “surprised” when things don’t work out

Assess the TVI of the Environment

It is extremely rare to find solutions that have the exact same functionality. This is particularly true when SaaS solutions are compared with on-premise ones. In order to fully understand the impact of more robust features, an organization must carefully assess the total value investment. It is not adequate to simply consider TCO to the IT shop; the end-user productivity has a much bigger impact.

Conclusion

There are many organizations that can significantly benefit from hosted e-mail because the hosted provider can be more efficient and effective. Organizations that use part-time employees or shared responsibilities are obvious candidates. Enterprises with little development work and integrated applications also have excellent prospects with outsourcing. But it is important not to get caught up in the need to save money by slashing functionality and being “surprised” when things don’t work out.

Fishtailing through an outsourcing decision often results in hugely disruptive exercises where the reputation of the IT management is hurt and the total cost of the organization goes up rather than down and the corresponding value is diminished. A successful IT department will conduct a complete analysis and provide higher TVI to the organization.

Check The Collaborative Strategy Guild web site (<http://collaborativestrategyguild.com/research/>) for additional content on SaaS e-mail productivity, operation and risk management, SMB market impact, and costing tools.



www.collaborativestrategyguild.com

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Notes

1. Beyond Computation: Information Technology, Organizational Transformation and Business Performance; Brynjolfsson, Erik; Hitt, Lorin M.; Journal of Economic Perspectives, Volume 14, Issue 4, p.23-48 (2000)
2. "Gauging the Real Value of SaaS E-mail ." Karen Hobert. July 29, 2009. <http://collaborativestrategyguild.com/2009/07/gauging-the-real-value-of-saas-e-mail/>
3. Costs are estimates based on January 2010 MSRP and can vary significantly from company to company.

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