



A Whitepaper for Hosting Companies and xSPs

Maximizing the Business Benefits of Hosted and Managed Email and Email Security Services

Published On Behalf of Mirapoint, Inc.



Executive Overview

As email traffic continues to explode, the threats and costs associated with email management for enterprises—large and small—are also escalating.

Given the competitive and budgetary pressures facing most small- and mid-size businesses (SMBs) as well as large-scale enterprises, an increasing proportion is seeking to outsource, or 'out-task', a growing array of information technology (IT) functions, including email.

This is driving the rising demand for managed services in general, and email services in particular. Managed services not only alleviate the hassles and costs of administering an email system for enterprise organizations, they also represent a lucrative annuity revenue opportunity for xSPs.

These trends are attracting a growing array of companies — including major telecommunications carriers, independent hosting and managed service providers (MSPs), and channel companies such as distributors and value-added resellers (VARs) — seeking to win a share of the market. Successful managed email service providers will be those who deliver the most reliable and secure email services in the most cost-effective and profitable fashion.

This whitepaper will take a closer look at the market dynamics of the email services business and examine how service providers of all types (xSPs) can leverage the unique functionality of Mirapoint's email solutions to deliver superior and profitable services to meet their customers' needs.

Market Trends Driving the Managed Email Service Business

The Radicati Group, Inc.'s latest study, *"Hosted Email, 2005-2009"*, forecasts that worldwide email traffic will grow from 171 billion messages per day in 2006, to 331 billion messages per day in 2009. The Radicati Group estimates there will be 1.4 billion mailboxes by the end of 2006 and that number will grow to 2.2 billion mailboxes in 2009, an average annual rate of 16%. In addition, the Radicati Group expects nearly 90% of professionals will carry mobile devices capable of receiving email by 2008!

While email traffic is growing significantly, spam is also growing nearly as fast. The Radicati Group estimates that 58% of the email messages delivered in 2006 will be spam, and this percentage will fall only slightly by 2009 to 50%. IDC predicts that spam messages will almost double in volume from 28 billion in 2005 to 49 billion in 2009.

The explosive growth of email, along with increased concerns about regulatory compliance and corporate governance issues, will also fuel substantial growth in email archiving solutions. IDC estimates this market will grow at a compound annual growth rate (CAGR) of 34.5% through 2009.

PricewaterhouseCoopers' third annual *"Global State of Information Security"* study, conducted in 2005 in conjunction with CIO and CSO magazines, found that while companies are increasing their security budgets, they still lack sufficient resources to implement completely effective security policies and systems. According to more than 8,200 IT security professionals from 62 countries surveyed by PricewaterhouseCoopers, companies experienced an average of 824 security incidents or events over the previous 12 months with

the majority of these events being the result of malicious code or unauthorized entry to information assets. The survey also found,

- Security spending is going up as a percentage of overall IT budgets.
- Organizations are initiating a variety of people-oriented security programs to combat security threats including employee training, Internet monitoring, and centralized security information management systems.
- They are also implementing process-oriented programs such as business continuity/disaster recovery plans, security audits (34%), risk assessments, and network/system monitoring and analysis.
- They are also investing in security technologies including firewalls and spyware/adware/spam detection tools.

In addition to the email and security buying intentions uncovered by the PricewaterhouseCoopers survey, Datamonitor is also forecasting a significant increase in enterprise spending for email filtering solutions to combat spam and other security threats. The research firm expects the worldwide email filtering market -- including appliance, software and service-based revenues - - to equal \$2.87 billion by 2008, representing a CAGR of 26 percent.

The Market Opportunity for Hosted and Managed Email and Email Security Services

Datamonitor believes user demand will shift from email filtering software solutions to appliances and services. It forecasts the email filtering appliance market will grow at a CAGR of 32% from \$224 million in 2004 to reach \$701 million by 2008. But, Datamonitor expects email filtering services to grow at an even greater CAGR of 44% from \$223 million in 2004 to \$958 million by year-end 2008.

THINKstrategies' research shows that enterprises are becoming more receptive to managed email and security services for the following reasons,

- The sheer volume and magnitude of today's email security threats are too great for enterprises to combat.
- The sophistication of the email security threats is beyond the skills of enterprise IT professionals.
- The competitive pressures and budgetary constraints facing enterprises—large and small—preclude them from making sufficient investment in email security systems and staff.

The cost of administering email systems has become more than most organizations can bear. The Radicati Group estimates Lotus Notes costs organizations \$406.18 per user per year to administer, Microsoft Exchange costs \$318 per user per year, and large organizations require 7.1 full-time and 6.5 part-time employees to administrate their messaging systems. Despite these expenditures, the Radicati Group estimates that email message software is down an average of 4.3 hours per month.

As a consequence of these issues, organizations of all sizes are investigating and contracting for hosted or managed email and email security services. This movement is part of the larger trend which THINKstrategies has

identified among organizations to outsource, or more precisely “out-task”, as many of their specific IT management tasks as they can to third-parties who can perform these functions more cost-effectively via a subscription-oriented, hosted or managed service approach.

The hosted service model often appeals to SMBs because it allows them to reduce their capital investment in hardware platforms and the ongoing expense of the in-house staff performing troubleshooting, problem resolution, and updates/upgrades tasks. The managed services model is attractive to mid- and large-scale organizations who are pleased to have a third-party company house and maintain their IT systems and business applications. Both models allow organizations to rely upon a hosting company or managed service provider (MSP) to safeguard against escalating security risks, and adhere to governmental or industry compliance standards.

The Radicati Group estimates that there are approximately 856 million managed email accounts today, and the number will grow to approximately 1.449 billion by the end of 2009, a 69% jump!

While approximately two-thirds of managed, or “hosted”, business email accounts are currently held by small businesses of under 100 employees according to the Radicati Group, THINKstrategies is seeing a growing proportion of medium and large businesses adopting hosted email solutions, and a broader array of managed desktop, network, server and storage services.

An industry benchmark survey conducted by THINKstrategies in conjunction with the MSPAlliance in 2005 found 82% of managed service customers renew their service agreements, and two-thirds acquired additional services. These add-on sales are being driven by the preference of many organizations to select a single provider who can deliver the broadest set of services.

THINKstrategies’ research clearly shows an attractive annuity revenue and added profitability managed services opportunity. And, email represents the “killer app” for companies of all sizes who want to capitalize on the demand for managed services.

Leveraging Email and Email Security Appliances to Provide Reliable and Profitable Hosted or Managed Services

Despite the rapid growth and appealing margin opportunities of the managed email services market, the fact is that these same attributes have also made it very competitive.

Therefore, in order for a company to become a successful, i.e. profitable, managed email service provider it must build its business on best-in-class technology which not only enables it to scale to meet the needs of a growing customer base but also operate in a cost-effective fashion.

THINKstrategies believes this means selecting an email ‘appliance’ which is easy to deploy and administer, yet robust enough to perform multiple email management functions in a highly automated manner. Appliances basically provide all of the necessary software in a pre-configured package. This format-factor has made rolling out and operating hosted and managed email services easier and more cost-effective. They also permit greater scalability.

Mirapoint, Inc. offers a portfolio of email appliances which are aimed at ensuring optimal service reliability while minimizing the total cost of operations.

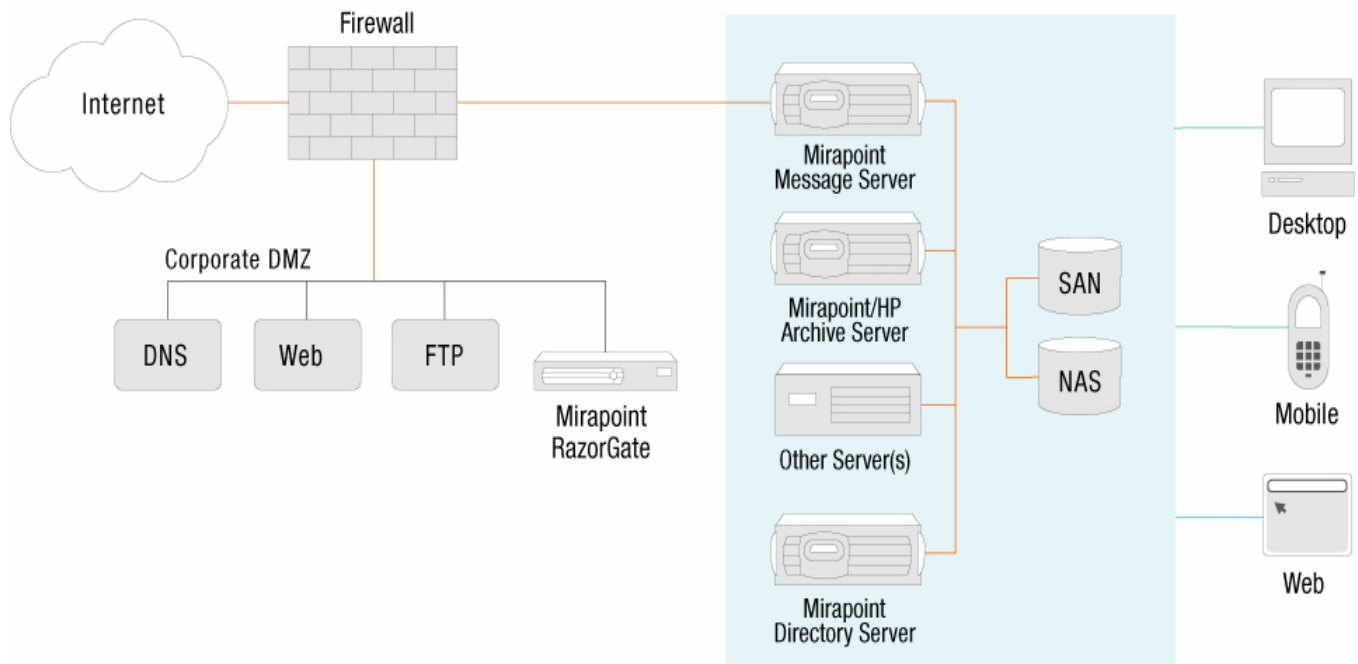
The Mirapoint RazorGate® email security appliance leverages a patented, high-speed message transfer agent (MTA) to provide highly scalable, ‘carrier class’ 99.999% reliability, with redundant hardware components for even greater reliability. It also boasts industry-leading catch-rates of 98%+ with effectively no false positives. In addition to its impressive reliability statistics, Mirapoint’s RazorGate appliance also includes ‘pattern detection’ anti-spam, junk mail quarantine and integrated message encryption capabilities. It also can integrate easily with anti-virus solutions from multiple vendors.

The Mirapoint Message Server™ is the world’s only true appliance-based email server, providing a standards-based email platform that intelligently serves, secures and manages messages with multi-mode client access. The Message Server appliance includes advanced features such as group scheduling, calendaring and address book. For large, multi-tier deployments, the Message Server easily and seamlessly integrates with the RazorGate® and Directory Server™ appliances.

Figure 1 shows how Mirapoint's RazorGate and Message Server appliances fit in a hosted or managed email service delivery infrastructure to permit providers to offer security, email, archiving, mobile messaging, instant messaging (IM), and policy management capabilities.

Figure 1 – Where Mirapoint Fits in Hosted or Managed Email Service Delivery Infrastructure

MIRAPOINT SECURE MESSAGING INFRASTRUCTURE



Mirapoint appliance features give xSPs greater flexibility in crafting their email service offerings. They can create a hosted email services model that includes security features such as anti-spam and anti-virus protection with integrated encryption alongside mail serving, storage, directory and archiving.

Mirapoint users can offer Webmail via a private-labeled, enterprise-class web interface, or a mobility solution via BlackBerry, Treo or a smart phone service. Mirapoint's appliances support full IMAP/POP email and instant messaging (IM) with fully integrated security. They can also support collaboration services, including shared calendar, address-book, folders, tasks, etc.

In addition to integrating these important features into a single appliance, Mirapoint's RazorGate and Message Server platforms are designed to be deployed quickly, scale to easily support over 100,000 users on a single system, and require minimum administration. These features dramatically lower the total cost of ownership (TCO) and increase the potential operating margins for managed email service providers.

The power and versatility of Mirapoint's RazorGate and Message Server appliances has led to major carriers such as British Telecom and RIM as well as regional providers like BEK Communications Cooperative, Quality Technology Services and TelAlaska standardizing their managed email service solutions on these platforms.

Summary

The market opportunity for managed email services is expanding rapidly. Organizations of all sizes are producing an increasing volume of messages, and facing an escalating assortment of security threats. A growing proportion of organizations are seeking to offload or out-task the hassles of operating their own email systems. This is creating an attractive business opportunity for companies willing to offer managed email services.

However, in order to succeed in this increasingly competitive market, service providers must deliver highly reliable, scalable and secure services in a cost-effective fashion. This means selecting email appliances which offer integrated, 'carrier-class' functionality. It also must be easy to deploy and administer, and flexible enough to accommodate the provider's varying customer requirements.

Mirapoint's RazorGate email server enables providers to offer a multi-tiered portfolio of services on a single, unified and secure messaging platform. Its reliability, scalability and performance have been proven within a growing number of major carriers, hosting companies, resellers and specialized service providers who are expanding their service portfolios to include email security services.

Even more importantly, the ease of deployment and administration of Mirapoint's email security 'appliance' reduces the total cost of ownership (TCO) of delivering email security services, and enables xSPs of all sizes and shapes to quickly build a profitable hosted or managed service business.

This whitepaper was sponsored by Mirapoint, Inc.

About Mirapoint, Inc.

Founded in 1997, Mirapoint is the market leader in appliance-based solutions for secure message networks in enterprise, service provider, and education organizations, with more than 115 million mailboxes served and secured worldwide. Customers use Mirapoint appliances to build the messaging infrastructure that intelligently serves, secures and manages email. Mirapoint is headquartered in Sunnyvale, Calif., with offices throughout North America, Europe and Asia. For more information on Mirapoint, visit its Web site at www.mirapoint.com.

About THINKstrategies, Inc.

THINKstrategies is a strategic consulting services company formed specifically to address the unprecedented business challenges facing IT managers, solutions providers, and investors today as the technology industry shifts toward a services orientation. The company's mission is to help our clients re-THINK their corporate strategies, and refocus their limited resources to achieve their business objectives. For more information regarding our unique services, visit www.thinkstrategies.com, or contact us at info@thinkstrategies.com.