



Hosted Messaging Market Trends, 2005-2008

Report Focus

This report focuses on the North American market for hosted messaging services, including complete hosted **messaging** in which all backend messaging functionality is managed by a third party at a remote data center; hosted messaging **security** services; hosted **encrypted messaging** services and hosted messaging **archiving** services. The goal of this report is to assist vendors and others to increase their understanding of market developments in the hosted messaging space and to help them gain insight into key trends that will shape this market for the next several years. The primary data source used for this report was a major survey of North American organizations that Osterman Research conducted specifically for this report during June 2005. Data from other recent Osterman Research surveys were also used to provide additional insight.

Key Findings Presented in this Report

- The vast majority of organizations maintain their messaging management functions in-house. However, while in-house management is expected to dominate for the next several years, there will be significant growth for hosted and outsourced services, particularly in areas like email security, storage management and business continuity services.
- Organizations have a wide variety of concerns about the management of their messaging systems, although concerns about malware (viruses, worms, etc.) and external attacks lead the list of current concerns. Organizations anticipate that their concern with other types of threats and problems will increase significantly over the next few years, including concerns about outbound content scanning for compliance with corporate policies and regulations, email archiving and email retention.
- Nearly three out of five organizations are considering the use of hosted services to supplement their existing internally managed solutions.
- There are a variety of reasons that organizations don't use hosted messaging services, including a desire to retain in-house control of their email environment, their perception that in-house management is less expensive than outsourcing, the perception that in-house management provides them greater flexibility and their concern about the security of messaging data when managed by a third party.



- Four out of five organizations are concerned or extremely concerned about data security when considering the concept of outsourcing their messaging functionality. Related to this concern is the perception by three out of five organizations that hosted messaging providers offer less security than internally managed systems can provide.
- The vast majority of organizations view SLAs as a critical part of a hosted messaging security provider's offerings – so critical, in fact, that most organizations would never consider using a provider that did not offer an SLA that they found acceptable.
- The vast majority of prospective customers for hosted messaging providers believe that the security of those providers should be more robust than the internal network capabilities of the system it would replace. Three out of five prospective customers would be more likely to consider a hosted provider that offered encryption of customers' data during transmission between the customer and the hosted data center, as well as while data is being stored.

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About Osterman Research, Inc.

Osterman Research, Inc. provides market research, cost modeling, benchmarking and related services to vendors of technology-based 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.

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