Justifying the Cost of E-Mail Upgrade or Migration

Clients ask us for charts that show actual costs for migration and ROI to justify an e-mail migration. Although there are no fixed industry numbers, there is a way to calculate these values for one’s own environment.

There is no single return on investment (ROI) number for the industry that can be used to justify migration or upgrade. Lateral moves (from Microsoft to Lotus, or from Lotus to Microsoft) are particularly hard to justify because of the cost of retraining the users and convincing them that moving from one of the leading products to the other is beneficial. Depending on what it is trying to accomplish, the enterprise might be better-served by moving to a modular implementation. There is a calculation an enterprise can do within its own environment that will give it this answer.

ROI is a calculation of three major component parts: How quickly 1) would an enterprise amortize the expense of moving from where it is today 2) to the next e-mail product or version 3). In addition to looking at the steady-state cost of running today’s 2) vs. tomorrow’s 3) systems, we also need to look at the cost of performing the migration 4) and the cost of staying with the current system 5). Even if the enterprise does not migrate, there is usually some work that would be required to keep the current system up-to-date 5).

In addition to this analysis of costs, an enterprise should also look at the benefits of being on the new system. Is the benefit worth the cost? Even if there is a long ROI in simple mathematical terms, the business benefit is sometimes worth the expense.

If the ROI and business benefit are not there to justify the move, then it is probably not to the advantage of the enterprise to make the move.

1. “How quickly ... ?” This requires the run rate of the new system minus the run rate of the old system. The cost differential tells how much money each year can be applied to paying off the cost of the move. If the enterprise saves $100 per month, but it
cost $10,000 to move, then it will take 100 months to pay off the cost of the move.

2. **Cost to Run the Current System:** What system is the enterprise currently running? How much is it currently paying to run that system? In addition, what business benefits does it derive from that system? How do those benefits compare with the perceived benefits of the new system?

3. **Cost to Run the Proposed System:** How many users does the enterprise have? What is the topology of the proposed new network? How many traveling users does the enterprise have? What is the proposed implementation for traveling users and handheld devices? The answers to these and other questions will determine the cost of the proposed implementation, and the running cost.

4. **Cost of Migration:** Some of the migration variables include:

   - How many servers will be needed for the new system? Does the enterprise have sufficient hardware already? Will some or all need upgrade (memory, disk, processor speed) or must new servers be purchased, installed, configured and tested?
   - What communications capabilities will be needed to support the new configuration? Is there sufficient bandwidth now, or will bandwidth need to be upgraded?
   - How many users does the enterprise have?
   - How many of the desktops would need to be upgraded (hardware) to migrate to the new desktop client?
   - What level of training would the users require (minimum of one-half day)?
   - What productivity loss can be expected (minimum of one day per user)?
   - What is the cost to move the data? How much data will be moved? Where to? Are data conversions required? Or can old data be made available in some way outside the new system to keep from stuffing the new database with old data?
   - What is the cost to move any applications currently built on top of the messaging system? Are all the required functions available in the new system? What third-party software would be required to complete the set of functions required?
   - People time will be required to accomplish the tasks identified above, and, during the move, there will be a “spike” in help desk calls. Whether it is made available from among
existing personnel, or contracted from outside sources, the
time spent on this activity is a cost to the enterprise.

5. Cost of Staying: If the enterprise stays with the current
system, what changes will need to be made to the system to
bring it to the same level of currency as the proposed new
system? Using list 4) as a checklist, what changes would need to
be made to the current system? If the old system cannot be
brought to currency (e.g., if it does not interact well with SMTP or
provide some needed function), what is the cost to the enterprise
of working around these shortcomings?

ROI (in Years) = ((4 total cost of the move) - (5 cost to stay with
the current system))/((2 run rate of the current system per
annum) - (3 run rate of the proposed system per annum))

Benefits Assessment: Cost is still only one side of the equation.
What is the relative benefit the enterprise will be able to derive
from the system after all the work is done? The benefits for each
of the major systems are relatively comparable, with some
“flavor” variations, mostly as points in time. All of them are
headed in the same general direction:

- Systems are moving from proprietary to open standards and
interworking systems.

- The pool of people with whom users will need to
communicate is growing every day, and the enterprise does
not control the budgets or buying decisions of all of those
people.

- The need to create ad hoc working groups, customer
relationships and extranet relationships demands adherence
to standards.

In 2000, any product or functionality that requires a
homogeneous base should be considered with great suspicion.
Businesses are not static entities, but living organisms that grow
and change with mergers, acquisitions, divestitures and business
partnerships. The workforce is not static, but is regularly
supplemented with consultants, suppliers, distributors and
contractual workers. Is the messaging environment equally
flexible? Now that we have a base of Internet standards to work
with (SMTP, IMAP, LDAP, HTTP), we should be able to send
messages to anyone we want to send a message to, and to
create collaborative environments with appropriate security
boundaries when and where they are needed. If the proposed
system does not support this level of flexibility, the cost of the
walls it erects will be too high.

Bottom Line: If the ROI and business benefit are not there to
justify the move, then it is probably not to the advantage of the
enterprise to make the move. One of Gartner’s clients with 400 users was quoted $300,000 to move to the next version of its current messaging product (Exchange), used for e-mail and calendar only. This cost was not justifiable. The client has decided instead to outsource its mail and calendar to an external provider for $10 per user per month, with a migration cost of $50 per user. Applications that it might have built on top of Exchange can be made available to those users who need them for less than $25 per application user. This modular approach using standards-based messaging is frequently more economical and certainly more flexible than continuing to build out proprietary systems.