



# Technology Insights...

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*Research, Analysis, Strategic Consulting*

## Wireless Email: The High Cost of Switching

**A PUBLICATION FOR  
CLIENTS OF J.GOLD  
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There has been much trepidation of late as to the possible loss of an important capability within many organizations: Wireless Email. Legal problems for RIM's popular (over 4M users) BlackBerry service and the potential of a US court shutting down the service through enforcement of an injunction, has given way to concern and the search by many enterprises for alternatives. While we continue to think that the shut down is unlikely and that current users should continue to use and deploy Blackberries where it makes business sense to do so, we nevertheless provide our clients with our assessment below of what it would cost if the enterprise were to switch to another wireless email middleware SW provider.

For our switching cost model, we have assumed an organization of 1000 users replacing an existing wireless email middleware application with another one of similar capability. No new server HW will be required for the replacement, and the migration process will be done by internal IT staff. The same carrier will be utilized, so as to make the carrier negotiation process unnecessary, and at the same data plan cost as the previous solution. And we expect a short transition period (no more than several days) with minimum disruption of end user service.

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*..... Our model indicates that the total cost to migrate to another wireless email middleware solution at a company of 1000 users is \$845,000, or \$845 per user....."*

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Our model (Figure 1) indicates that the total cost to migrate an enterprise installed wireless email solution to another wireless email middleware solution at a company of 1000 users is \$845,000, or \$845 per user. The largest single cost item is the replacement of the devices, since BlackBerry devices are generally not supported by competing SW solutions (with the exception of some of the older models). Our assumption is that the organization will be able to obtain a carrier-subsidized smart phone device (e.g., Palm Treo, Nokia, Motorola), and that the subsidy will limit the cost of this smart phone device to \$300 per unit. This may not be the case in all instances, such as when a recent device purchase that was subsidized by the carrier needs to be replaced with a new device and the carrier balks at a new subsidy. This would add approximately \$200-\$300 of cost per device, but we expect that this scenario will be rare and that most new devices will be subsidized. The device replacement costs will therefore total \$300,000.

However, any needed accessories could potentially increase this cost (e.g., car power adapters, cases, headsets, batteries).

The second largest cost item is the loss of productivity of the users in the organization. We expect an average productivity loss of 4 hours per user in server down time, switchover time, and device unavailable time. This totals \$288,000. The third largest cost item is the cost of the wireless email middleware SW at \$75,000, but overall this is less than 10% of the total cost of the migration, and while various SW vendors have substantially different SW license costs, the effect on the overall switching costs for the various SW cost differences would be relatively small.

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*“it is important to understand both the risk of the current supplier being unable to deliver its services, vs the cost and impact of migrating to a new solution, ....”*

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We have divided our cost model into two sections. The first covers centralized IT cost amortized across all users, and the second covers individual end user cost. These two costs are nearly equal, with IT costs representing 52% of the total cost at \$435,400, and end user costs representing 48% of the total cost at \$410,000. While the cost for the required IT function is generally well known and relatively easy to assess, the individual user costs are more variable and harder to define. Therefore we have made some general assumptions, listed at the bottom of the model in Figure 1, which defines these assumptions.

While our model uses an average email middleware per seat cost of \$75, it is important to note that the prices vary widely between the major vendors (e.g., Good Technology, Extended Systems/iAnywhere, Intellisync, Nokia, Microsoft), as would the SW costs if either far greater or far fewer licenses were required. Enterprises should therefore use these costs as general guidance and not as final budgetary figures without determining who the final solutions provider will be and what the solution will actually cost. Nevertheless, for planning purposes, we believe this model is valuable and reflects real world costs.

**Bottom Line:** We believe companies that are concerned about their current supplier of wireless email should examine alternatives. However, it is important to understand both the risk of the current supplier being unable to deliver its services, vs the cost and impact of migrating to a new solution. There may be valid reasons for undertaking such a transition (e.g., support for different devices, connection to specific back office business applications, management and security), but companies must make this decision in an informed way and not in panic at possible loss of service, which, in our opinion is an unlikely scenario.

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**Figure 1:  
Wireless Email Switching Costs**

**Cost of Wireless Email Switchover for 1,000 Users - Calculations**

<u>IT Costs (across all users)</u>	<u>Time (hours)</u>	<u>Cost per user</u>	<u>Total</u>
Disconnect existing email SW	1		\$80.00
Install new email SW	4		\$320.00
Cost of Email SW per user		\$75.00	\$75,000.00
SW set up (5 min per user)	83.33		\$6,666.00
Acquire new device		\$300.00	\$300,000.00
Provision user device * (10 min per user)	166.67		\$13,334.00
Ship device to user (15 min per user plus shipping)	250	\$20.00	\$40,000.00
<i>Total</i>			\$435,400.00
<u>End User Costs (individual)</u>			
Receive/unpack unit (.5 hours)	0.5	\$36.00	\$36,000.00
Familiarization/training (.5 hours)	0.5	\$36.00	\$36,000.00
Help Desk calls (average 1 per user)		\$50.00	\$50,000.00
Lost productivity (average 4 hours)	4	\$288.00	\$288,000.00
<i>Total</i>			\$410,000.00
<b>Total Cost for 1000 Users</b>			<b>\$845,400.00</b>
<b>Switching Cost Per User</b>			<b>\$845.40</b>

Assumptions:

Cost of device assumes a carrier subsidized model. Non-subsidized cost would be approximately \$200 more.  
 New SW uses same servers as the previous email SW with no additional HW required  
 SW costs vary widely across vendors. Cost of \$75 per user is average cost  
 Provisioning of devices: several SW applications can do over the air provisioning, thus eliminating this cost  
 Average end user knowledge worker rate (burdened) = \$150K per year (\$72 per hour)  
 Average technician rate = \$80 per hour  
 Average call to help desk = \$50  
 Average device shipping cost = \$20