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HOT ISSUE

SIMPLE STEPS TO COMPLIANCE:

HOW TO ARCHIVE ELECTRONIC MESSAGES FOR COMPETITIVE ADVANTAGE

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SIMPLE STEPS TO COMPLIANCE:

HOW TO ARCHIVE ELECTRONIC MESSAGES FOR COMPETITIVE ADVANTAGE

OVERVIEW

The world in which we live and do business has changed dramatically in a few short decades. The way we communicate with each other in both personal and business contexts has quickly moved to a virtual, paperless plane, one in which both short commands and massive quantities of information can be transmitted in seconds from one location to another, anywhere in the world.

This communication transformation has had both positive and negative repercussions. Our efficiency and work capacity have increased exponentially, thanks to the advent of email and instant messaging. But, as often happens with emerging technologies, sometimes our full understanding and ability to manage these new operating paradigms comes later.

As companies adopt and benefit from messaging technologies, they also struggle to define the parameters for their appropriate use. Forcing the issue are governing bodies and regulators in all industries, who have imposed strict requirements on the storage and management of messaging data in response to ground-breaking lawsuits in recent years.

Organizations of all sizes are now realizing that creating a corporate email archive is no longer a luxury, but a necessity in today's regulatory environment. What may seem an overwhelming prospect, however, should also be viewed as a key tool in creating a company's strategic advantage. The prospect of email archiving need not be daunting – due to the incredible growth in this market, there are easy and affordable archiving options for companies of all sizes.

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THE EXPLODING MARKET

The drive to archive has been fuelled by three key trends:

1. The worldwide explosion in email and instant messaging (IM) usage:

According to independent market research firm The Radicati Group, the average corporate email user sends and receives a total of 133 messages per day, one-quarter of which are sent with attachments. And despite concerns over its management and use, enterprise IM adoption is also heating up, driven by its immediacy of use and the benefits of group collaboration. As demand grows, major platforms including IBM, Lotus Sametime and Microsoft LCS/OCS are making instant messaging a key component of their unified communications strategies.¹

2. The increasing storage requirements of corporate email users is another key trend:

As more graphics-rich forms and documents are sent as email attachments, average email message sizes are rapidly rising. As shown in the following chart, the average corporate email user sends and receives roughly 14.8 MB of data per day, and that figure is expected to exceed 19.2 MB by 2017.²

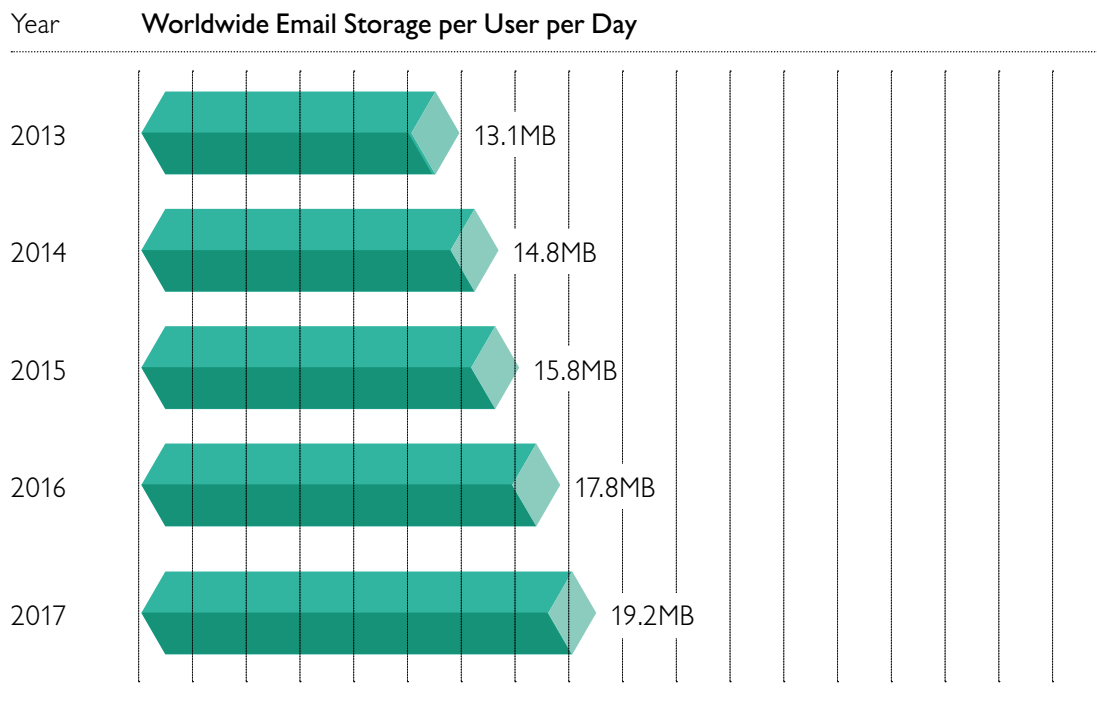


Figure 1: *Worldwide email storage per user per day*

Source: The Radicati Group, Inc.

3. Regulatory compliance requirements:

An increasingly litigious environment surrounding the use and storage of email and other messaging data has affected companies in virtually all industries. “Failures in finding, saving and sharing emails are bedeviling large and small litigants, undermining their credibility with judges and affecting the outcome of high-stakes trials,” writes Don Clark in *The Wall Street Journal*.³ “New federal rules have reinforced companies’ obligations to produce electronic evidence, which has exploded in volume as emails replace phone calls and other business communications.” Analyst firm AMR Research estimates that compliance spending will exceed \$80 billion in North America by 2010. Some reports have characterized this pattern of spending as a “hidden tax on profits” that is directly impacting the corporate bottom line – and the ability of many companies to do business.

¹ The Radicati Group Inc., www.radicati.com

² “Information Archiving Market, 2013-2017”, The Radicati Group Inc.

³ *The Wall Street Journal*, October 9, 2007, page B1

CHALLENGES FACED BY ORGANIZATION OF ALL SIZES

Companies large and small face a number of common challenges when it comes to their messaging systems, including

- **The need to comply**
Government and industry regulations are very specific about their compliance requirements. But in addition to industry requirements – or even in anticipation of them – companies can also implement their own messaging retention policies. The problem is, many don't. In fact, according to one survey,⁴ 66 per cent of companies lack policies for saving, purging and managing email. That's risky behaviour in an environment where lawsuits are on the rise.
- **The need for all users to quickly access and manage corporate information**
Those of us who can remember the days (not long ago) of faxing contracts and files, waiting for receipt confirmations, and then storing all of those papers in endless rows of filing cabinets can clearly see the productivity inherent in email. But the sheer volume of electronic messaging is overwhelming users, rapidly turning email into a productivity issue for many companies. In fact, an Osterman Research survey found that 46 per cent of email users spend more than two hours each day doing something in their email inbox.
- **The need to store increasing quantities of data without affecting system performance**
With the staggering increase in information being transmitted via email, the size of the average user's mailbox has grown rapidly – in many cases causing server crashes and many employee hours spent managing mailboxes (and often deleting useful information) to keep them from exceeding required quotas.

TOP REASONS TO CREATE A MESSAGING ARCHIVE

An email archive, in a nutshell, is a system that automatically obtains messages, attachments, and information about the messages from email servers. It then indexes and stores that information in read-only format for a specified length of time, based on the company's or industry's retention policy. An archive also offers companies the ability to define policies, search for messages, as well as maintain an audit trail of who accessed a message and when.

There are four key reasons to create an archive of your company's e-mail and IM data:

1. Compliance

Companies in virtually all industries are now subject to some level of regulation concerning the storage and management of their electronic data. The following table summarizes some of the key regulations:

⁴ Survey by the American Management Association and The E-Policy Institute, cited in Baseline magazine, August 2006 issue

Industry	Key Regulators	Overview of Requirements
Financial Services	<ul style="list-style-type: none"> • Basel II Accord (EU) • Securities and Exchange Commission (SEC) • National Association of Securities Dealers (NASD) • New York Stock Exchange 	<ul style="list-style-type: none"> • Schedules for records maintenance • How records are maintained • How records of communications with clients are to be maintained and supervised • How privacy of financial information is protected across international borders
Healthcare and Life sciences	<ul style="list-style-type: none"> • Health Insurance Portability and Accountability Act (HIPAA) • Medicare Conditions of Participation • Food and Drug Administration 	<ul style="list-style-type: none"> • Schedules for records maintenance • Disposition of records • Standards for records storage
Government Agencies	<ul style="list-style-type: none"> • General Records Schedules from the National Archives and Records Administration • Various other statutes and requirements 	<ul style="list-style-type: none"> • Schedules for records maintenance • How records are maintained • How records of communications with clients are to be maintained and supervised • How privacy of financial information is protected across international borders
All Commercial Enterprises	<ul style="list-style-type: none"> • Sarbanes-Oxley Act (SOX or Sarbox) • Gramm-Leach-Bliley Act • Personal Information Protection and Electronic Documents Act (PIPEDA) (Canada) • Internal Revenue Service Fair Labor Standards Act Americans with Disabilities Act • Occupational Health and Safety Act • Various other statutes and requirements 	<ul style="list-style-type: none"> • Schedules for records maintenance • How records are maintained • How personal information is gathered, stored and protected

Figure 2: *Summary of key regulations related to email retention and management*

2. Email storage capacity and management

Companies frequently limit the size of each user’s mailbox to optimize email server performance. This forces users to spend time cleaning out their mailboxes, thereby reducing their productivity. Allowing larger mailbox sizes, however, can severely affect the efficiency of the email server. An email archive automatically stores content in the archive, where it is accessible to the user without placing an unnecessary load on the email server.

3. eDiscovery

Performing a nightly backup of a company's computer data is not the same as creating an archive. One of the main differences is that to comply with most regulations, email messages, their attachments and IMs must be stored in their original formats, and no one should have the ability to alter their content.

This means that unlike a backup, which is usually made at the end of each day and designed to restore email servers after a problem, the archive is created at the front end, before a message reaches the end user's computer, and stored in a non-rewritable format. An archive is also fully searchable, greatly simplifying the eDiscovery process. Let's assume that a lawsuit is pending and all emails connected with a particular client are being reviewed, by your lawyers, the opposing party's lawyers, or both. What can take months of billable hours by a team of lawyers and IT professionals can literally take minutes through a keyword search of an email archive. In this scenario, three outcomes are possible:

- **Bad news** – a "smoking gun" email, IM, or user file is found that implicates the company or confirms its guilt.
- **Good news** – an email, IM, or user file is found that proves the company is innocent of wrongdoing in the case.
- **No news** – no confirmation of guilt or innocence is found.

In all three outcomes, early knowledge is key. If bad news is indeed uncovered, it's to the company's advantage to know this early on. Often the strategy is to settle on the case, thereby saving on legal fees. If good news is the result, this can quickly be shared with legal advisors for the opposition, who may opt to end the lawsuit. If no critical information is found, the company can proceed as necessary, secure in the knowledge that there will be no hidden surprises along the way.

4. Corporate Intelligence

As much as 75 per cent of a company's intellectual property is housed within its messaging system. And a recent study by Osterman Research found that the majority of us don't want to reinvent the wheel every time we're working on a new message – more than 90 per cent of email users refer to old email when composing new email. An archive offers a company access to a rich repository of corporate knowledge through an easy-to-use search interface.

When it comes to creating an email archive, there are two basic approaches: in-house and outsourced. With an in-house solution, you purchase and manage the archiving solution entirely within your company walls. An outsourced solution means your email will be stored and managed offsite by the vendor you choose.

THE ADVANTAGES OF AN IN-HOUSE ARCHIVE

The exploding email archiving market has been flooded with vendors and archiving solutions – a trend that is expected to continue for at least the next four years, as the email archiving market grows from \$3.6 billion in 2013 to \$8 billion in 2017.⁵ Choosing an archiving solution can be overwhelming, particularly for companies who may not yet have an email usage policy in place, but are feeling pressured by growing industry regulations and the threat of litigation. There are a number of compelling reasons to establish an in-house archiving solution:

- **Simplicity**

Depending on the solution you choose, an in-house archiving appliance (which is no larger than an average router) can be up and running in a matter of hours. Even if your IT department is a team of one, managing the appliance after setup (which is typically completed with the appliance vendor or integration partner) is relatively simple, and requires little or no IT experience.

- **Security**

Security of information is one of the top concerns of company executives. Given the highly confidential nature of many email communications and file attachments, company leaders are often uncomfortable having their data housed off-site by a third party – especially since email archiving is currently an unregulated industry.

Those concerns are shared by regulators including the National Association of Securities Dealers (NASD), which has said in a Member Notice, “outsourcing an activity or function to a third party does not relieve members of their ultimate responsibility for compliance...”

In other words, “If a member doesn’t do a thorough job of investigating [the service provider], and doesn’t monitor the relationship closely, and it’s found out later that their email wasn’t properly archived, it’s the member who gets fined and in trouble, not the vendor,” said William C. Alsover Jr., chairman of the NASD Small Firm Advisory Board.⁶

- **Reliability**

In high-volume periods, server performance can be compromised when messages must share the same bandwidth, whether they’re being sent, received, or archived to an outside vendor. An in-house archive, conversely, captures copies of all incoming and outgoing messages after or before they make contact with the outside world, with no impact on a company’s bandwidth or server performance.

- **Cost-effectiveness**

For smaller companies, the appeal of an outsourced solution may be its apparent cheaper price tag. While it’s true that there are fewer start-up costs required when outsourcing an archive to a third party, over time the cost analysis favors in-house solutions. For example, a 100-person company might

⁵ The Radicati Group Inc., www.radicati.com

⁶ “Email archiving and compliance tools: SMB Buying Decisions,” [techtarget.com](http://searchsmb.techtarget.com/tip/1,289483,sid44_gci1160779,00.html). See http://searchsmb.techtarget.com/tip/1,289483,sid44_gci1160779,00.html

expect to pay \$10,000 to purchase an in-house archiving appliance. With the ongoing management of the archive taken care of within the company, there are no additional costs going forward. If, on the other hand, the company signs an archiving agreement with a third-party vendor, monthly costs would be approximately \$3,500 (100 seats x \$35 per seat – the current mid-range cost of an outsourced archive) – and those costs would go on indefinitely.

The cost comparison becomes even more compelling when you consider that at least one archiving vendor now offers an in-house solution for small companies for just \$7,999.

HOW IT WORKS – AN IN-HOUSE ARCHIVING APPLIANCE IN ACTION

An in-house archiving appliance can be set up in a matter of hours, and completely integrated into a company's existing email interface. Here's how it works:

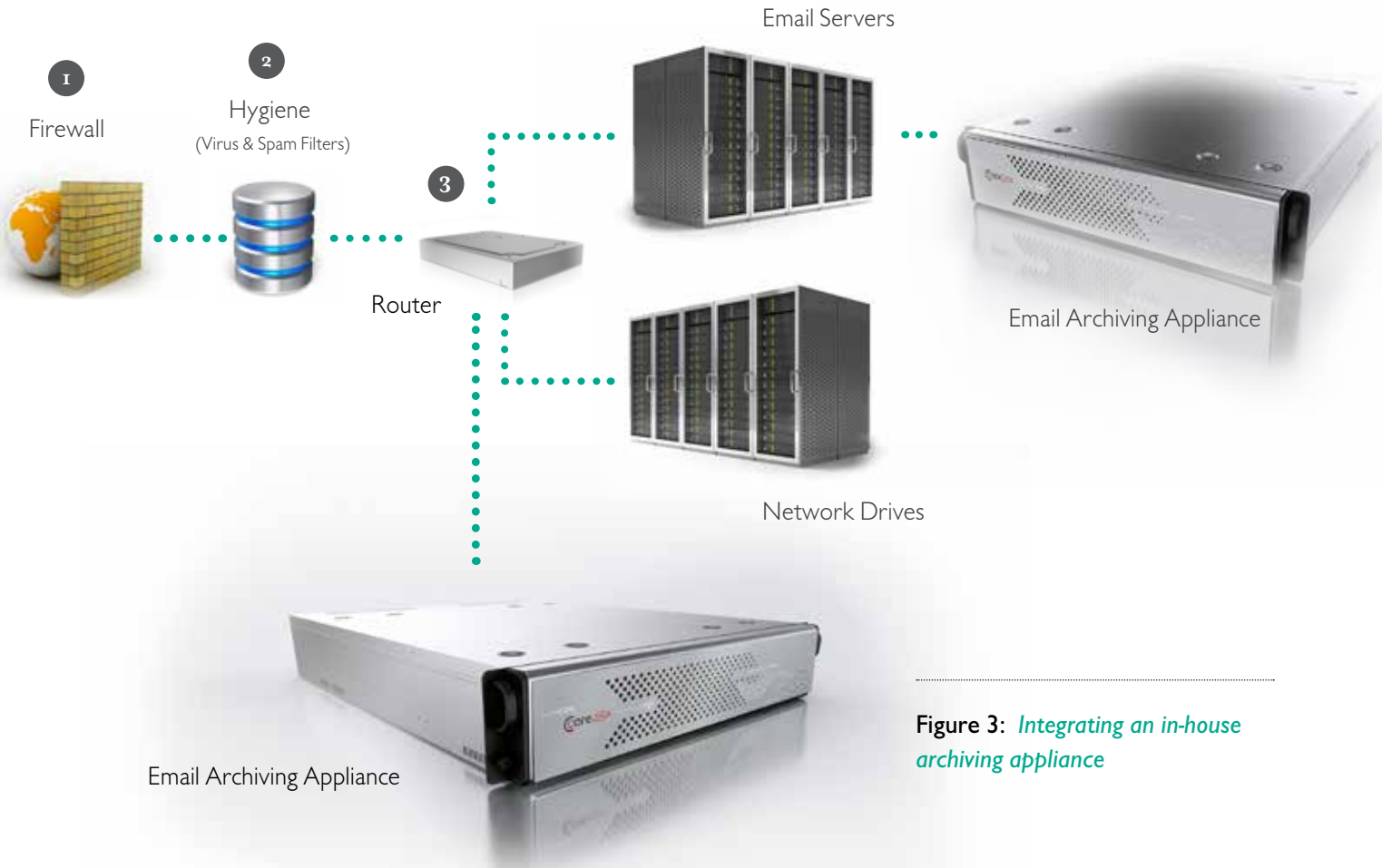


Figure 3: *Integrating an in-house archiving appliance*

- 1 Once an incoming message/file has passed through the company’s firewall and spam filters, it moves to the router.
- 2 If the email system is managed in-house (likely Microsoft Exchange, Lotus Notes or another networked system), “journaling” is used, which means that the archiving appliance captures every message and its attachments.
- 3 If the email platform is hosted by a third-party provider or you use a proprietary email system (less common than #2), “sniffing” is employed, meaning a copy of all messaging traffic is captured as it passes through the switch, or router.

Users can then access their email archives and perform basic or advanced searches through their email program. The company’s compliance officer (in smaller companies, the IT person may also function in the compliance role) also requires little IT training to define the rules by which messaging traffic will be monitored and captured. Those rules can be dictated by the compliance requirements governing the company’s industry, by the company’s own email policy, or both.



Figure 4: Jatheon “ergo” Software – User Interface

THE WORST THING TO DO IS NOTHING

While the threat of non-compliance lawsuits or system crashes due to storage capacity shortfalls are enough motivation for many, smart companies also understand that email is a growing repository of organizational intelligence, one that can be mined for a better understanding of the company, its customers, and its opportunities for growth and improvement.

Even in the absence of a formal email management and retention policy, a company should begin archiving today. A good in-house archive can be easily adapted as a corporate policy develops. The worst thing to do is nothing – and with a few simple steps, companies can not only ensure their future compliance, but also gain significant strategic advantage.

Take the Jatheon test drive today!

Call Jatheon Technologies at 1.888.JATHEON (1.888.528.4366) to arrange a demonstration of our award-winning solution.

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Have more questions? – Just call us, we can help!

ABOUT JATHEON

Founded in 2004, Jatheon Technologies Inc. designed the world's first non-intrusive network appliance.

Today, Jatheon continues to raise the bar throughout the industry with its latest enterprise grade cCore appliance line, and ergo, its powerful email archiving, indexing, retrieval and dynamic monitoring software solution.

Jatheon is headquartered in Toronto, Canada and serves clients worldwide through its network of global business partners.

For more information, please visit www.jatheon.com.



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