THE RADICATI GROUP, INC.

A TECHNOLOGY MARKET RESEARCH FIRM

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Microsoft Office 365, Exchange Server and Outlook Market Analysis, 2015 - 2019

SCOPE

This study examines the markets for Microsoft Office 365, Exchange Server, Outlook, Outlook Web App (OWA), and Outlook.com. For all products, this study provides extensive 2015 data regarding installed base, broken out by industry, business size, region, version, and other variables, along with four year forecasts. In addition, an overview of key features, direction, and our analysis of each product are included.

All market numbers, such as market size, forecasts, installed base, revenue information, and any financial information presented in this study represent *worldwide* figures, unless otherwise indicated. All revenue numbers are expressed in $USD.

Regional breakouts are provided for: North America, Europe, Asia Pacific, and Rest of World. This report does not contain country breakouts but these may obtained from The Radicati Group at an extra charge.

The revenue projections and market share figures in the following sections do not include revenues from systems integration or professional services.

This report uses the terms "mailboxes" and "accounts" interchangeably.

METHODOLOGY

The information and analysis in this report is based on primary research conducted by The Radicati Group, Inc. Our proprietary methodology combines information derived from three principal sources:

    a. Our Worldwide Database which tracks user population, seat count, enterprise adoption and IT use from 1993 onwards.

    b. Surveys conducted on an on-going basis in all market areas which we cover.

    c. Market share, revenue, sales and customer demand information derived from vendor briefings.

Forecasts are based on historical information as well as our in-depth knowledge of market conditions and how we believe markets will evolve over time.

Finally, secondary research sources have also been used, where appropriate, to cross-check all the information we collect. These include company annual reports and other financial disclosures, industry trade association material, published government statistics and other published sources.

Our research processes and methodologies are proprietary and confidential.

EXECUTIVE SUMMARY

- Microsoft Office 365 is Microsoft's flagship cloud-based business email and collaboration service, which includes the Microsoft Office desktop suite, Microsoft Exchange Online, Microsoft SharePoint Online, Office Online, Microsoft Skype for Business Online, Yammer and more. Microsoft offers Office 365 direct, as well as through Syndication Partners, which are essentially resellers of Office 365.

  o Hosted Microsoft Exchange Partners offer cloud business email and collaboration services based on Hosted Microsoft Exchange Server. These Hosting Partners are responsible for managing the Hosted Microsoft Exchange service in their own data centers. Some of the more widely known Hosted Exchange partners include: *AppRiver, Apptix, BAE Systems, Ceryx, Go Daddy, Intermedia, NaviSite, Rackspace,* and many others.

- The deployment of Microsoft Office 365, as well as Hosted Exchange offered through hosting partners is expected to grow rapidly over the next four years as more organizations gain confidence with the security and privacy of cloud services. Adoption was initially driven by the SMB sector, but is now seeing strong growth across all business sizes and verticals.

- In the on-premises market, Microsoft continues to lead with its Microsoft Exchange Server platform, which offers email, instant messaging and presence, voicemail, security, and more. Microsoft Exchange Server includes the Microsoft Outlook desktop client, as well as the Microsoft Outlook Web App (OWA) webmail client.

  o Microsoft Exchange Server 2013 is the most deployed version of Microsoft Exchange Server worldwide, accounting for 55% of total Exchange deployments in 2015. However, over the next four years, we expect more users to migrate to the new Microsoft Exchange Server 2016.

  o Microsoft has announced that Microsoft Exchange Server 2016, the next version of on-premises Exchange Server, will be in public beta in late 2015, with general availability in mid-2016. Consistent with Microsoft's new focus on Office 365, Microsoft Exchange Server 2016 will be an on-premises version of functionality that

will have already been rolled out and tested in Office 365.

- Microsoft's Outlook desktop client is the most popular Business Email Client on the market, today, with a 60% market share in 2015. Microsoft also offers Microsoft Outlook Web App (OWA) a webmail email client, which provides an Outlook-like experience from a web-based portal or browser.

On-Premises Microsoft Exchange Server deployments still account for the majority of worldwide Exchange mailboxes, however that is changing fast in favor of cloud-based mailboxes. In 2015, On-Premises Microsoft Exchange Server deployments represent 80% of worldwide Exchange Server mailboxes, while cloud-based mailboxes offered through Office 365 and Exchange Hosting Partners, combined, account for 20% of worldwide Microsoft Exchange mailboxes.
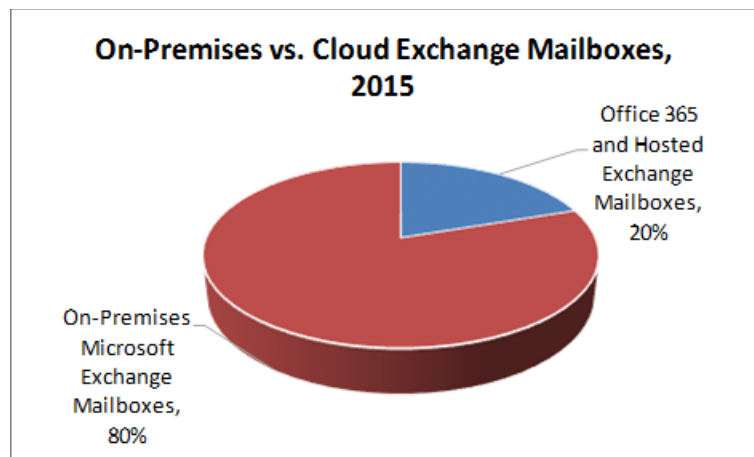

Figure 1: Cloud-based Exchange vs. On-Premises Exchange Deployment, 2015

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