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Hosted Email Market Market, 2009-2013

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SCOPE

This study provides an analysis of the Hosted Email market in 2009, and its potential growth over the next four years. It provides detailed market trends, market share, market size, forecasts, and an analysis of key service providers.

We segment the Hosted Email market into the following three categories, which are explained in-depth in Section 1.2, titled “Market Segmentation”:

- Hosted Business Email
- Managed Business Email
- ISP/Webmail Email

Microsoft Hosted Exchange is also covered in this report and is a rapidly growing sub-segment of the Hosted Business Email market.

Revenues, pricing, and all currency figures presented in this study are expressed in \$USD, unless otherwise indicated.

All market numbers represent worldwide figures, unless otherwise indicated.

Installed base mailbox figures represent *active* mailboxes, which we define as mailboxes that are used at least once every three months. Email aliases are not counted as a separate unit.

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METHODOLOGY

The information and analysis in this report is based on primary research conducted by The Radicati Group, Inc. It consists of information collected from hosting providers and users within global corporations via interviews and surveys.

Secondary research sources have also been used, where appropriate, to cross-check the information collected. These include company annual reports and market size information from various market segments of the computer industry.

EXECUTIVE SUMMARY

- The Hosted Email market, including all segments, is expected to increase from a worldwide installed base of nearly 1.8 billion mailboxes in 2009, to over 2.4 billion mailboxes by year-end 2013. This represents an annual growth rate of 8% over the next four years.
- This report categorizes the Hosted Email market according to three key segments:
 - **Hosted Business Email:** This segment offers professional email solutions to a wide range of businesses (from SOHO to Corporate). Typically this type of solution is paid for, doesn't have advertising, is linked to the company domain name and offers advanced business features such as shared calendars, contacts, and mobile 'push' email.
 - **Microsoft Hosted Exchange:** Microsoft Hosted Exchange is a large and rapidly growing sub-segment of the Hosted Business Email segment.
 - **Managed Business Email:** Managed Business Email services are commonly used by large organizations, with complex messaging needs and involve extensive consulting and professional services.
 - **ISP/Webmail:** The bulk of the Hosted Email market is comprised of mailboxes primarily used by consumers. These services are usually free, advertisement-driven email solutions that are offered by Internet Service Providers (ISP), Web Hosting Providers, Web Portals, and others. The most popular email solutions in this category are *Google Gmail*, *Microsoft Windows Live Hotmail*, and *Yahoo! Mail*.

- The Hosted Business Email segment is still highly fragmented. The market is comprised primarily of small and regionally oriented email hosting providers, which base their services on standards-based SMTP freeware (i.e. POP3 mailboxes). Most service providers have less than a 1% market share, and no service provider has more than a 9% market share.

- Demand for Hosted Business Email services for the enterprise is growing, driven by a variety of factors:
 - The economic downturn has brought renewed interest in Hosted Business Email services, especially amongst the mid-market, as more businesses consider migrating from an on-premises messaging solution to a hosted email solution in a desire to cut costs and re-focus their IT operations.

 - Increased availability of business-quality email services and applications targeted at the business market (particularly services based on hosted Microsoft offerings) is also driving businesses to take a fresh look at SaaS (Software as a Service) for email and other services.

 - The growing emphasis on ensuring that the mobile office user will be able to access email and the full range of office applications irrespective of the user's location is creating a boost in demand for Hosted Email services and applications.

- Microsoft has been focusing seriously on the Hosted Business Email market as part of its overall direction towards SaaS and cloud computing. The company has built an extensive network of reseller partners and hosting providers who offer Microsoft Hosted Exchange support, sometimes in addition to standard SMTP services.
 - Microsoft's entry into the Hosted Business Email market legitimizes hosted email and helps drive customer migration from on-premises Microsoft solutions to hosted services based on Microsoft offerings (i.e. Microsoft SharePoint, Microsoft Office Communications Server, Microsoft Dynamics CRM). Hosting providers partnering with Microsoft see an opportunity to build revenues on this anticipated market shift.

- In January 2009, IBM also made its direct entry in the Hosted Email market with the announcement of LotusLive. LotusLive offers a strong broad portfolio of hosted services, including LotusLive Notes and LotusLive iNotes for email and collaboration, LotusLive

Meeting and Events for web conferencing, and LotusLive Connections for business social networks.

- Email is quickly becoming the center of everyday Internet use amongst many consumer users. Many leading ISP/Webmail providers are now integrating mashup-like features that extend the functionality of the webmail client and keep users in their email client. These mashup-like features integrate with other web services to help users quickly find websites, locate a package, find directions, as well as gain access to social networking sites.
 - ISP/Webmail providers are also adding mobile support, as smart phones are becoming more prevalent in the consumer market. Many providers allow mobile support through POP/IMAP access, a customized page for mobile internet browsers, and or applications or pages specifically designed for Apple iPhone or RIM BlackBerry devices.
- Table 1, shows the worldwide installed base for hosted email mailboxes, including all segments, from 2009 -2013.

| Worldwide Hosted Email Mailbox Installed Base (M), 2009-2103 | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Worldwide Installed Base (M) | 1,766 | 1,935 | 2,100 | 2,271 | 2,430 |
| <i>% Change</i> | | <i>9%</i> | <i>8%</i> | <i>8%</i> | <i>7%</i> |

Table 1: Hosted Email Market—Worldwide IB (i.e. Mailboxes), 2009-2013

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