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Microsoft Office 365 – Analysis and Forecast, 2012-2016

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SCOPE

This study looks at the penetration of Microsoft Office 365 in the Cloud-based Productivity Suites market as well as the Hosted Business Email market and examines its current installed base and forecasted growth over the next four years. The study provides breakouts by region and business size for Microsoft Office 365. The study also examines the features, strategies, pricing and strengths and weaknesses of Microsoft Office 365.

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

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.

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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 vendors 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

- Microsoft Office 365 is a Cloud-based Productivity Suite. Cloud-based Productivity Suites are all-in-one solutions that package together a wide range of communication, collaboration, and document management tools for businesses.
 - Today, Cloud-based Productivity Suites are increasingly replacing the traditional desktop, and typically include: email, calendar scheduling, productivity tools, document storage and sharing, team sites, business social networks, instant messaging, archiving and mobility just to name a few.
- Cloud-based Productivity Suites are gaining in popularity for a number of reasons, including reduced costs, improved accessibility, and increased resiliency. The leading factor, however, has been the reduced costs these suites provide. Organizations no longer have to make a large upfront investment and can greatly reduce their on-going IT costs. Employees also benefit from Cloud-based Productivity Suites, as they typically allow access to services from any device or any location. Cloud-based Productivity Suites also provide increased resiliency compared to their on-premises counterparts, as Cloud-based Productivity Suite providers deploy sophisticated data center infrastructures, which can ensure greater business continuity.
- Microsoft offers Office 365 for both the Enterprise business sector as well as the Education sector.

- Microsoft is beginning to gain traction in the Enterprise sector. In June 2011, Microsoft replaced its Microsoft Business Productivity Online Suite (BPOS) solution with Microsoft Office 365. Migration from Microsoft Business Productivity Online Suite (BPOS) to Microsoft Office 365 for all customers is occurring over the course of this year. Microsoft also recently announced Office 365 for Government, a new multi-tenant service aimed at US federal agencies that stores US government data in a segregated community cloud.
- Microsoft has also found a lot of success in the Education sector. Microsoft Office 365 for Education replaces Microsoft Live@edu and is specifically tailored to meet the needs of university students and faculty.
- Cloud-based Productivity Suites are set for strong penetration in Enterprises on a worldwide basis. Worldwide revenues from Cloud-based Productivity Suites will total \$1.6 billion in 2012. This figure is expected to grow to \$5.9 billion by year-end 2016. This represents an average annual growth rate of 38% over the next four years.

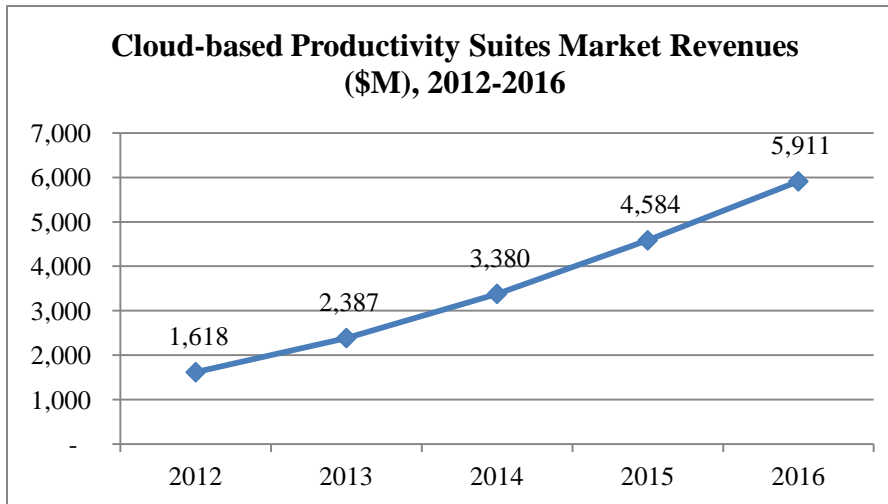


Figure 1: Cloud-based Productivity Suites Revenues, 2012-2016

- In terms of installed base (i.e. user seats) Microsoft Office 365 currently represents 39% of the market for Cloud-based Productivity Suites, this is expected to grow to a 47% market share by year-end 2016.

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