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Microsoft Office 365, Exchange Server and Outlook Market Analysis, 2014 - 2018

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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 2014 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 are 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

- Office 365 is now Microsoft's flagship platform for messaging and collaboration. Microsoft is actively driving all customers to adopt cloud-based Office 365 in place of its on-premises solutions. Office 365, while based on Exchange Server 2013 technology, has finally surpassed the on-premises version of Exchange Server 2013 in many areas. Microsoft has added deeper integration across Skype, Yammer, OneDrive for Business, and all Office Online productivity applications. Office 365 has truly evolved into a next-generation cloud-based messaging and collaboration platform that merges messaging, productivity, unified communications, social networking, and more into a single package.

- Microsoft has found much success in the Cloud Business Collaboration market with Office 365. Cloud-based mailboxes powered by Microsoft Exchange Server technology currently represent 31% of all worldwide Business Cloud Mailboxes. Adoption of cloud-based messaging and collaboration continues to show strong growth and is expected to represent 43% of worldwide business mailboxes by 2018.

- Microsoft also leads in the On-Premises Messaging and Collaboration market with its Exchange Server platform, which currently holds a 64% market share. Over the next four years, Microsoft's market share in the On-Premises Messaging and Collaboration market is expected to increase to 76%, as it continues to gain market share away from its competitors.

- Microsoft Exchange Server 2013 introduced a broad range of new features and improvements over its predecessor, Microsoft Exchange Server 2010. Exchange Server 2013 features range from smaller, aesthetically-pleasing features, such as an optimized OWA for smartphones and tablets, to major changes, such as the inclusion of DLP. In addition, the platform offers greater integration with SharePoint and Lync, creating a more unified experience for organizations with an infrastructure built under the Microsoft brand.

- However, Exchange Server 2013 has seen slower adoption than Microsoft would have liked mainly due to customer burn-out over excessively short release cycles and customers' reluctance to put their time and money towards migration. Many organizations just recently made the transition to Exchange Server 2010, and find making yet another migration difficult to justify.

- Microsoft Outlook 2013 follows suit with Microsoft's other offerings in the past year, striving to create a more social environment for users and the latest release of Outlook Web Access (OWA) narrows the gap between the webmail client and the full desktop Outlook experience. Some of the most attractive features in Microsoft Outlook 2013 are those that transform the client into the centerpiece of all communication and collaboration between users. Despite this innovation, however, many customers have been slow to upgrade from previous versions of Outlook, viewing many of the new features as cosmetic rather than essential. We expect this attitude to change rapidly as more customers come to value social media, and functionality improvements, such as greater integration with SharePoint gain popularity.

- Cloud-based Business mailboxes offered through Microsoft Office 365 and Exchange Hosting Partners currently account for 17% of worldwide Microsoft mailboxes, while On-Premises Exchange Server mailboxes still represent an 83% market share. This is expected to shift dramatically in the direction of more cloud-based mailboxes as more organizations choose to migrate to cloud-based services.

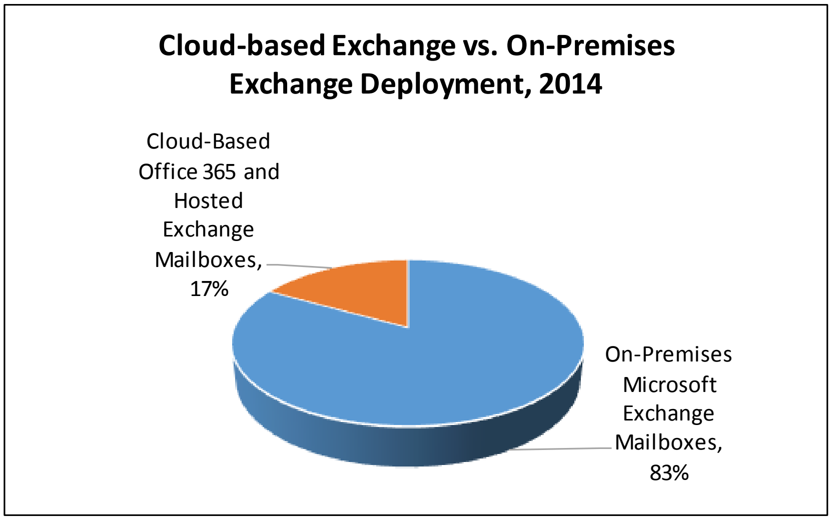

Figure 1: Cloud-based Exchange vs. On-Premises Exchange Deployment, 2014

To view the complete Table of Contents for this report, visit our website at www.radicati.com.