File Sync and Share:
Market Trends and Forecast

An Osterman Research Survey Report and Forecast

Published June 2016

FIGURES IN THIS REPORT

EXECUTIVE SUMMARY

Many IT decision makers are focused on the use of consumer-focused file sync and share (FSS) tools that was popularized by Dropbox, but now a growing variety of other, similar tools. While many consider consumer-focused FSS to be a serious problem in the workplace, most of them work as advertised – they provide users with many gigabytes of free cloud storage and allow synchronization of any file across users' desktop, laptop and mobile platforms automatically.

And that's the problem: these tools permit any file to be synchronized across any device by any user without IT's involvement or management. This means that sensitive or confidential employee records, customer financial information, embargoed press releases, and other data can be synchronized to any user's device without IT's ability to prevent critical information from being modified, without first being encrypted, without an audit trail established of how the information was sent or received, without any control over who can have access to the data, and without IT's control over where and by whom that data is stored. This creates legal, regulatory, privacy and other risks for any organization in which these tools are used.

This report was sponsored by Aero FS, Citrix FileShare, Cleo, CTERA, Intralinks, Netmail, ownCloud, Secrata, StorageMadeEasy and South River Technologies.

PROBLEMS WITH "CONSUMER" FILE SYNC AND SHARE TOOLS

The market for file sync and share tools is multi-faceted. Many of the free, freemium or low cost, cloud-based tools work as advertised, but are often lacking in enterprise-grade features, as discussed below. A minority of file sync and share tools in use are truly enterprise-grade, meaning that most use of file sync and share today imposes significant risk:

- **Inadequate IT control over content**
  A key shortcoming of most file sync and share solutions is that they provide IT with minimal control over the lifecycle of data. For example, these tools typically do not offer any control over when content will expire, they provide no policy-managed encryption, and they do not provide any policy-managed permissions or access control. Moreover, corporate policies that manage encryption, backup, archiving or DLP for content sent through email or FTP systems cannot be applied to content sent through most file sync and share tools. Consequently, the lack of IT control over the content sent through many of these tools puts the employee in charge of employer-owned data, when in reality IT should be in control.

- **Minimal or no compliance and governance capabilities**
  Content shared using most file sync and share tools is often not encrypted unless the user specifically chooses to do so and installs additional software for this purpose. As a result, sensitive or confidential corporate data can be sent over the Internet and stored in a third party's cloud data center without adequate protection, possibly exposing it to interception in violation of regulatory obligations like the Health Insurance Portability and Accountability Act (HIPAA), the Payment Card Industry Data Security Standards (PCI DSS), Gramm-Leach-Bliley Act or various state data breach statutes.

- **Security capabilities are sometimes lacking**
  Another issue with many cloud-based file sync and share tools is that they typically do not scan content for spam or malware. This permits content from an unprotected home computer or smartphone, for example, to be infected with malware, uploaded to the cloud, and then downloaded to a user's computer on a corporate network. This circumvents in-house security systems and permits malware, ransomware or other threats to penetrate corporate defenses more easily.

- **eDiscovery and regulatory compliance are more difficult**
  Content that is stored in a file sync and share vendor's data center is much more difficult to access for purposes of eDiscovery or a regulatory audit. Moreover, many non-enterprise-grade file sync and share tools are not compliant with a number of compliance standards like HIPAA, PCI DSS, ISO 27001, ISO 9001 or the Family Educational Rights and Privacy Act (FERPA).

- **Minimal over the physical location of data storage**
  Most cloud-based file sync and share providers do not permit their customers to control the

physical location of data storage. This lack of data sovereignty can lead to regulatory problems or other issues in jurisdictions that require sensitive data to be stored only in certain geographies. For example, a non-US company will typically prefer that its data not be stored in a US-based data center because of its potential access by the US government under the PATRIOT Act. Some types of data held by countries in the EU are required to be stored only in certain geographies.

- **Mixed corporate and personal data**
  Another issue with the use of many file sync and share tools is that they can be used to send and share a mix of corporate and personal content because employees are in charge of their use, not IT. For example, mixed with confidential company information might be an employee's personal resumé, photos or personal tax returns. This not only makes activities like eDiscovery or regulatory compliance more difficult because reviewers must sort through personal data as they search for corporate records, but it raises the often difficult issue of employee privacy rights. This can be a serious issue in some jurisdictions.

ABOUT THIS INDUSTRY SURVEY REPORT

This survey report presents the results of two primary market research surveys conducted with members of the Osterman Research survey panel during July 2015 and March/April 2016. The surveys were conducted with 133 members of the panel in July 2015 and 147 in March/April 2016, primarily in North America. Here are the key details of the surveys:

- Mean number of employees at the organizations surveyed: 13,574 (July 2015) and 19,865 (March/April 2016).

- Mean number of email users at the organizations surveyed: 12,593 (July 2015) and 16,988 (March/April 2016).

A wide range of industries were represented among the organizations surveyed for this report.

SURVEY FINDINGS

Figure 1
How do your computer users share electronic files with others?
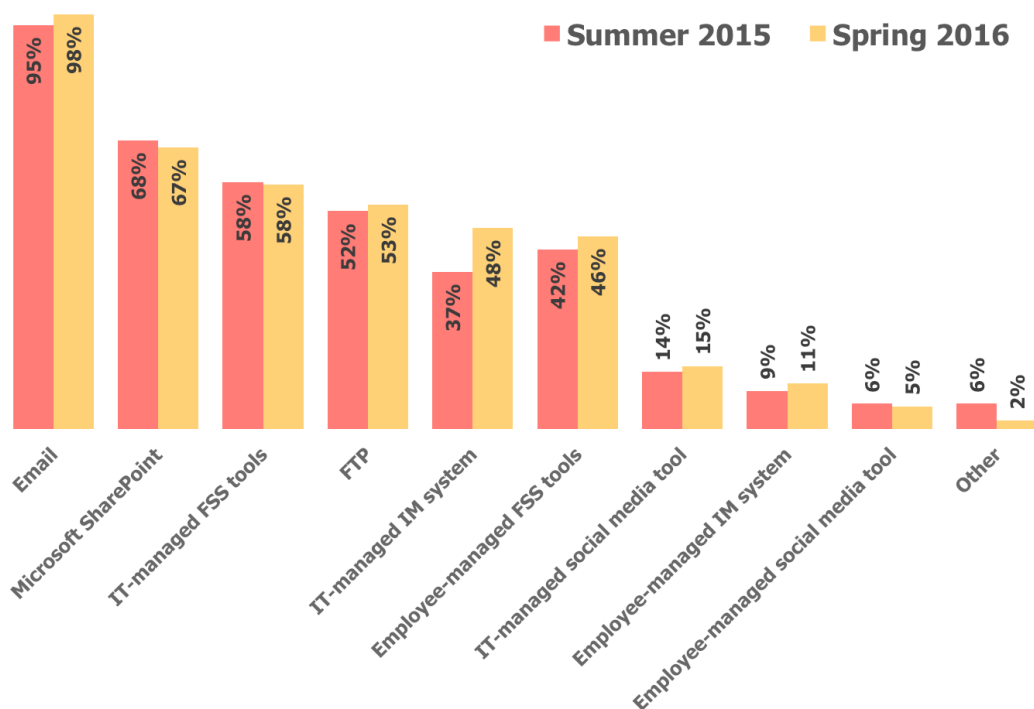
Source: Osterman Research, Inc.

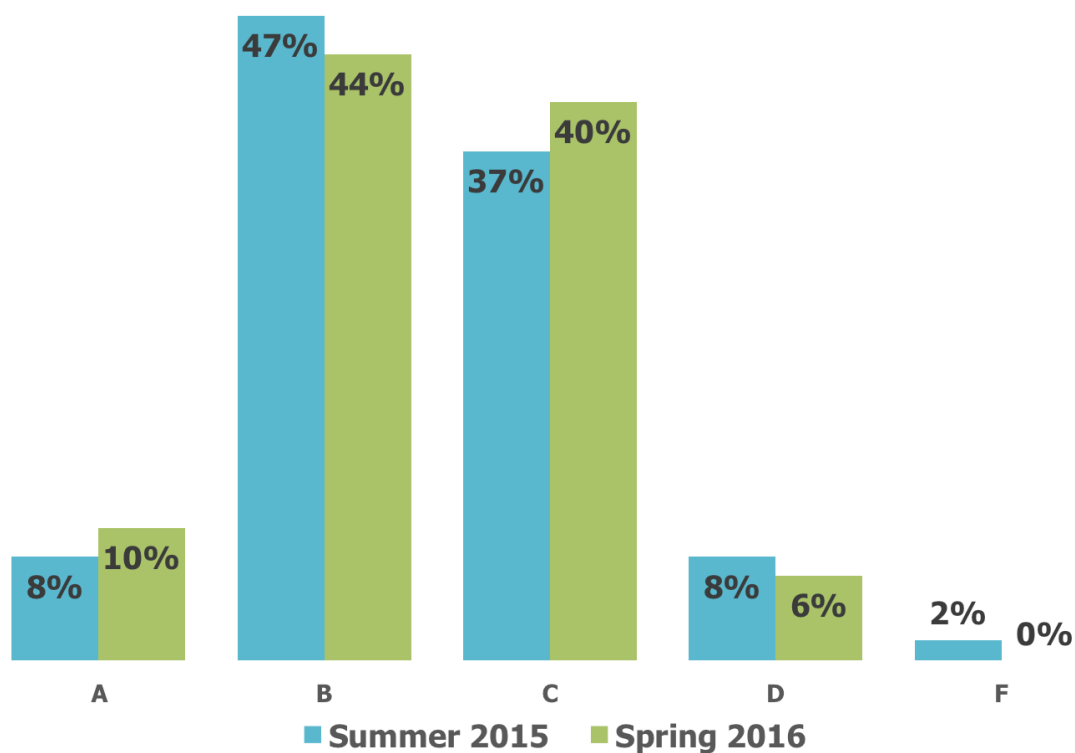**Figure 2**
File-Sharing Tools in Use

| Tool	SUMMER 2015			SPRING 2016		
	Used With IT's Blessing	Used, but w/o IT's Blessing	Not Used	Used With IT's Blessing	Used, but w/o IT's Blessing	Not Used
Amazon S3	13%	6%	81%	17%	4%	79%
Box	17%	27%	56%	20%	29%	51%
Citrix ShareFile	17%	0%	83%	12%	2%	86%
Dropbox	28%	48%	23%	26%	49%	25%
FTP	66%	8%	27%	64%	8%	28%
Google Docs	21%	42%	37%	25%	34%	42%
Google Drive	16%	42%	42%	26%	33%	40%
Microsoft OneDrive	37%	16%	47%	46%	15%	40%
Office 365 SharePoint Online	36%	2%	60%	41%	5%	54%
SFTPWebDAV	6%	2%	93%	11%	1%	89%
Others	4%	4%	92%	2%	4%	94%

Source: Osterman Research, Inc.

Figure 3
Overall, how would you grade your organization's management of information security best practices for file sharing?
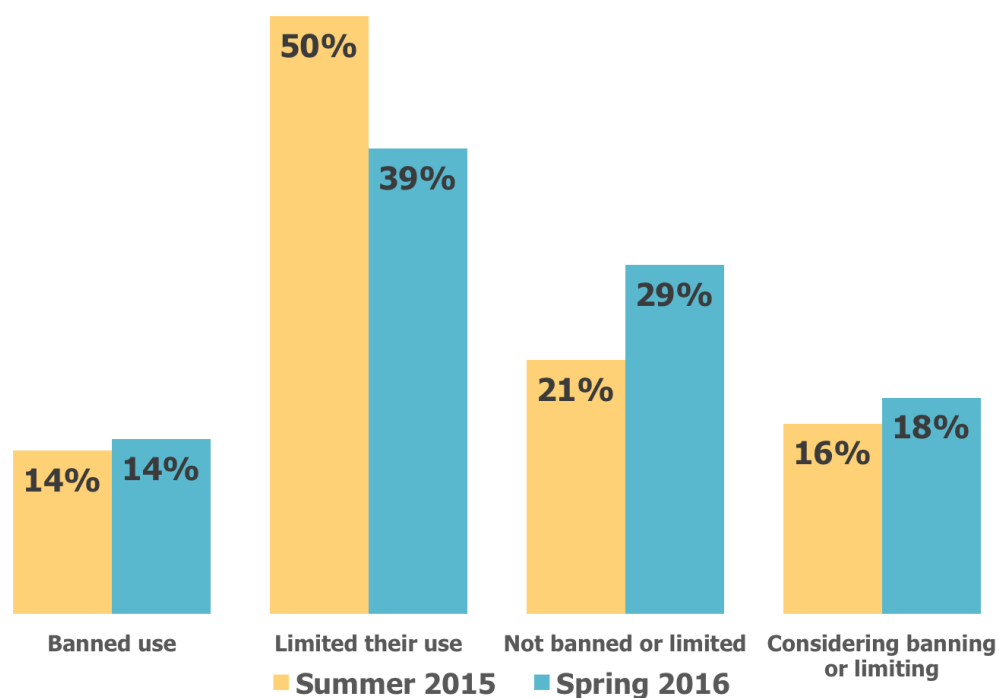

Source: Osterman Research, Inc.

Figure 4
How concerned is your organization's IT management about the use of employee-managed services like Dropbox to share corporate data?
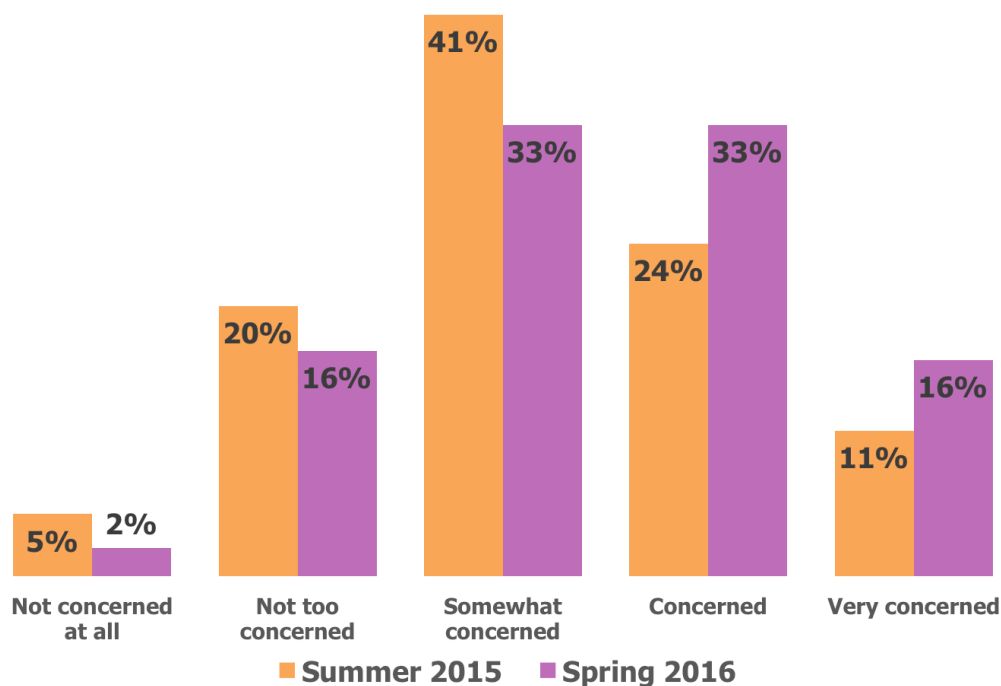
Source: Osterman Research, Inc.

Figure 5
**In light of the security breaches in cloud-based file transfer systems, has your company
considered banning or limiting their use for transferring/syncing corporate data?**

Source: Osterman Research, Inc.

Figure 6
**Does your organization have a formal IT policy for replacing consumer-focused file sync
and share tools with an enterprise-grade alternative?**
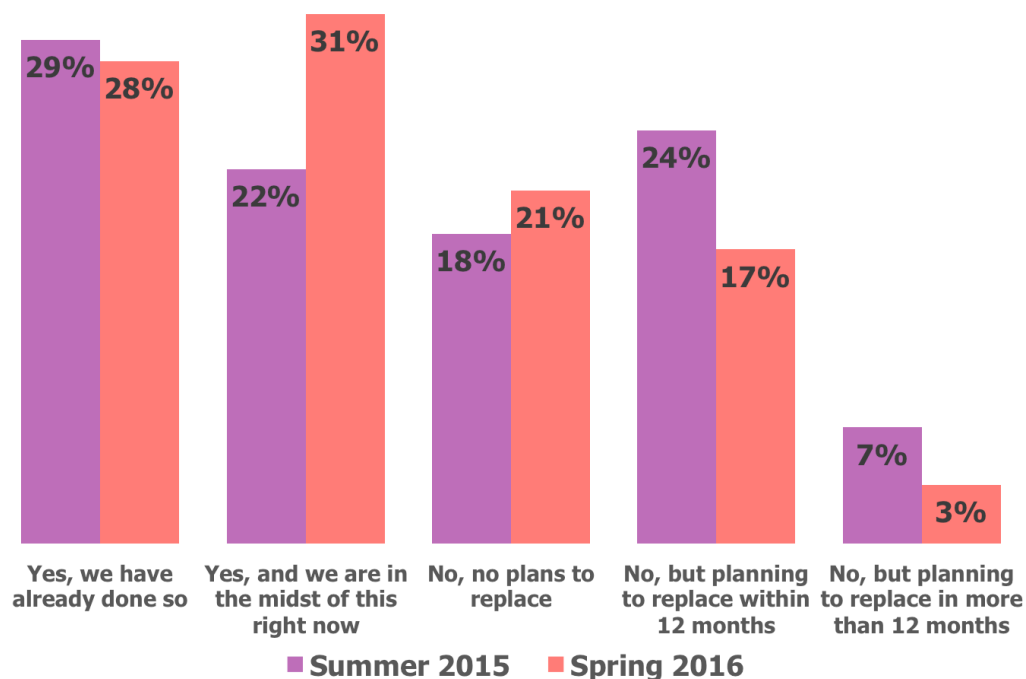
Source: Osterman Research, Inc.

Figure 7
Considering all of your file sync and share users, both consumer-focused and enterprise-grade, what percentage of users today are employing each of the following types of file sync and share solutions, and what do you think these percentages will be in two years?

Service	SUMMER 2015		SPRING 2016	
	Today	In Two Years	Today	In Two Years
Public cloud-based services	22%	26%	30%	36%
Private cloud-based services	35%	55%	27%	40%
A hybrid combination of public and private	16%	24%	16%	25%
Other	18%	14%	17%	13%

Source: Osterman Research, Inc.

Figure 8
On a scale 1 to 7, where 1 is "not at all" and 7 is "this is a major roadblock", please rate the following issues in your organization in terms of how much of a roadblock they represent for replacing consumer-focused file sync and share tools with an enterprise-grade alternative?
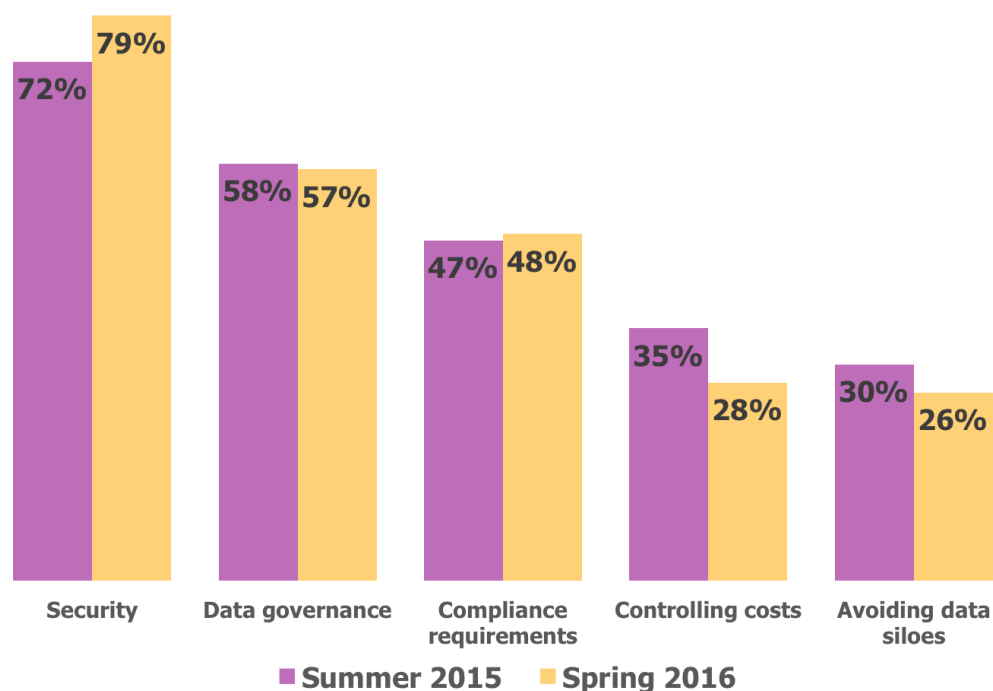
% Responding a Significant or Major Roadblock
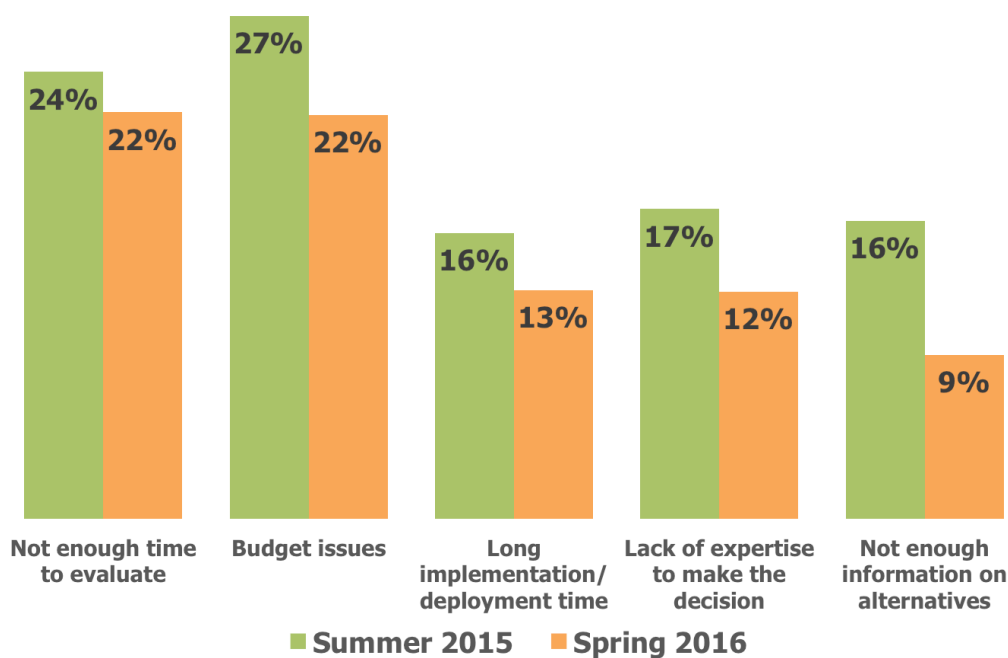
Source: Osterman Research, Inc.

Figure 9
On a scale of 1 to 7, what are the key drivers for considering an enterprise-grade file sync and share alternative, where 1 is "not a driver at all" and 7 is "this is a major driver"?
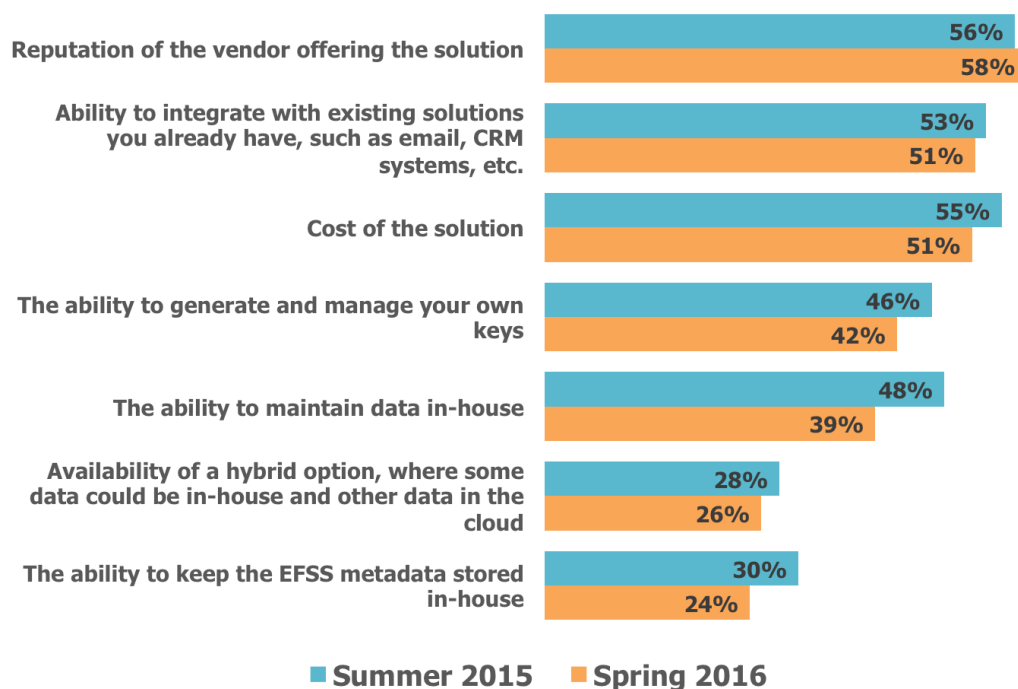
% Responding a Significant or Major Driver

Source: Osterman Research, Inc.

Figure 10
On a scale of 1 to 7, where 1 is "not important at all" and 7 is "this is extremely important", please rate the following features and functions for an enterprise-grade file sync and share tool if you were charged with selecting one for your organization?
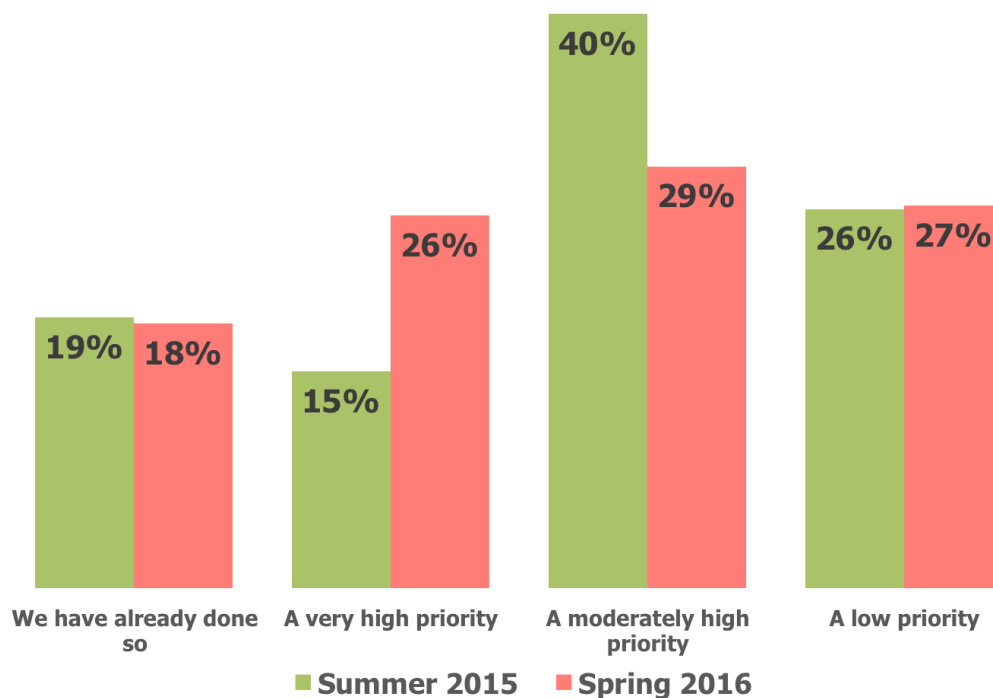
% Responding Important or Extremely Important

Feature	Summer 2015	Spring 2016
Reputation of the vendor offering the solution	56%	58%
Ability to integrate with existing solutions you already have, such as email, CRM systems, etc.	53%	51%
Cost of the solution	55%	51%
The ability to generate and manage your own keys	46%	42%
The ability to maintain data in-house	48%	39%
Availability of a hybrid option, where some data could be in-house and other data in the cloud	28%	26%
The ability to keep the EFSS metadata stored in-house	30%	24%

■ **Summer 2015**   ■ **Spring 2016**
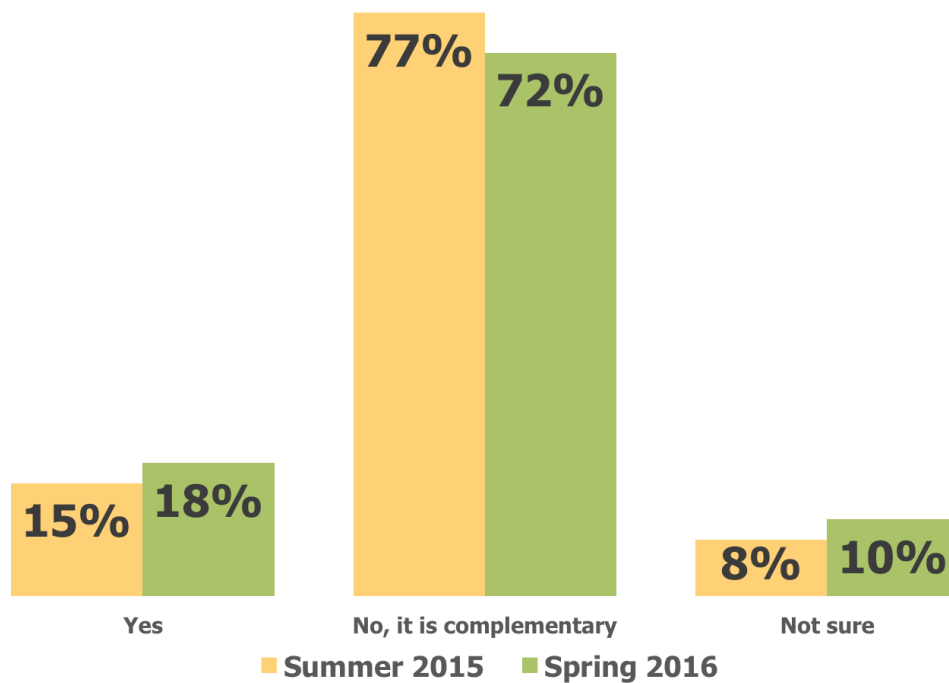
Source: Osterman Research, Inc.

Figure 11
How high a priority is it in your organization to replace consumer-focused file sync and share tools with an enterprise-grade alternative over the next 12 months?

	We have already done so	A very high priority	A moderately high priority	A low priority
Summer 2015	19%	15%	40%	26%
Spring 2016	18%	26%	29%	27%

Source: Osterman Research, Inc.

Figure 12
**Does your organization view enterprise-grade file sync and share as an alternative to backup or data protection?**

	Yes	No, it is complementary	Not sure
Summer 2015	15%	77%	8%
Spring 2016	18%	72%	10%

Source: Osterman Research, Inc.

Figure 13
Do you think cloud-based, enterprise-grade file sync and share solutions provide adequate performance to eliminate file servers across the enterprise?
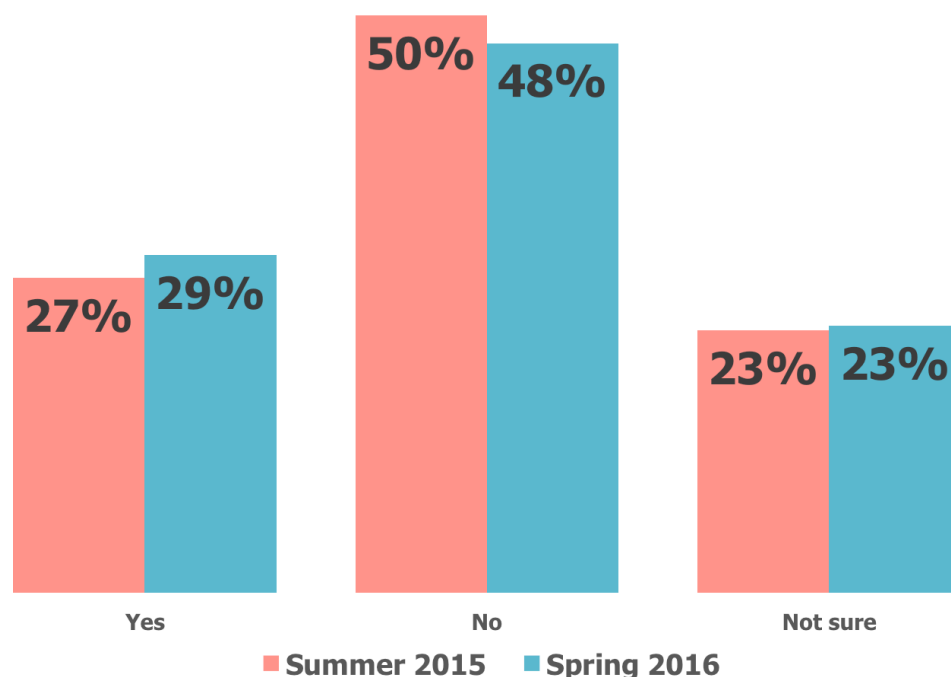
Source: Osterman Research, Inc.

Figure 14
Which of the following capabilities do you consider to be important for a consumer file sync and share solution to include, and which are important for an enterprise-grade file sync and share solution?

Service	SUMMER 2015		SPRING 2016	
	CFSS	EFSS	CFSS	EFSS
Should serve as a good alternative to backup solutions	63%	51%	68%	51%
Data should be fully encrypted between endpoints	59%	94%	64%	96%
Two-factor authentication	50%	94%	54%	93%
The solution should be designed to account for latency, bandwidth, and reliability of network connectivity of remote offices	41%	95%	38%	93%
Metadata should be kept in-house	29%	89%	24%	90%
The solution should integrate with existing solutions, such as DLP or MDM	18%	93%	18%	96%
Offering should include role-based sharing controls that are based on Active Directory or LDAP	17%	91%	17%	97%

Source: Osterman Research, Inc.

MARKET FORECAST

The following figures represent Osterman Research's forecast of the file sync and share market – both consumer and enterprise – through 2018. The forecast was based on the following assumptions:

- The data for the enterprise file sync and share market includes only users of *paid* accounts. This is an important distinction because, as just one example, for the fiscal year ended January 31, 2016, Box reported that it had 44 million *registered* users of its platform, but only 12% of these are *paying* users (5.3 million).

- The mean revenue per user per year is based on our estimate of vendors' actual revenue per seat, not list prices.

Figure 15
Enterprise Market for File Sync and Share Users, 2014-2018
All data in millions except for Mean $ per user and % CAGR

	2014	2015	2016	2017	2018	% CAGR 2015-18
Total installed base	18.1	41.7	88.8	192.3	351.1	**103.4%**
Total new deployments	9.9	23.7	47.1	103.6	158.8	**88.7%**
Mean $ per user	$55.10	$58.00	$66.12	$75.38	$85.93	**14.0%**
TOTAL	**$995**	**$2,419**	**$5,868**	**$14,497**	**$30,172**	**131.9%**

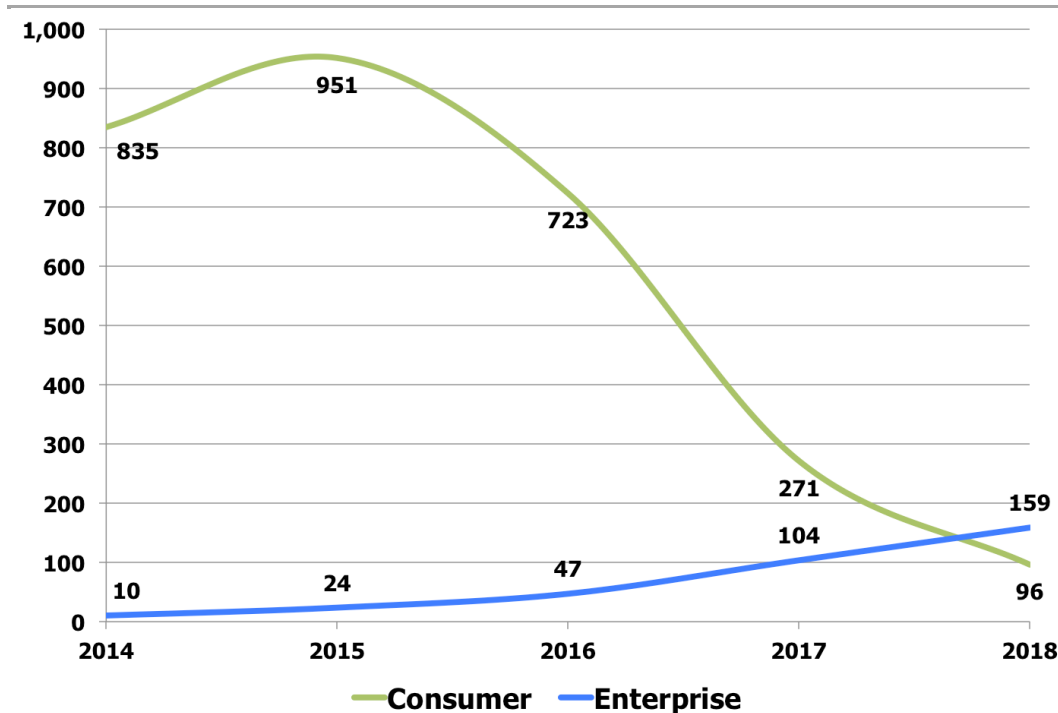*Source: Osterman Research, Inc.*

Figure 16
Installed Base of File Sync and Share Users, 2014-2018
Millions of users
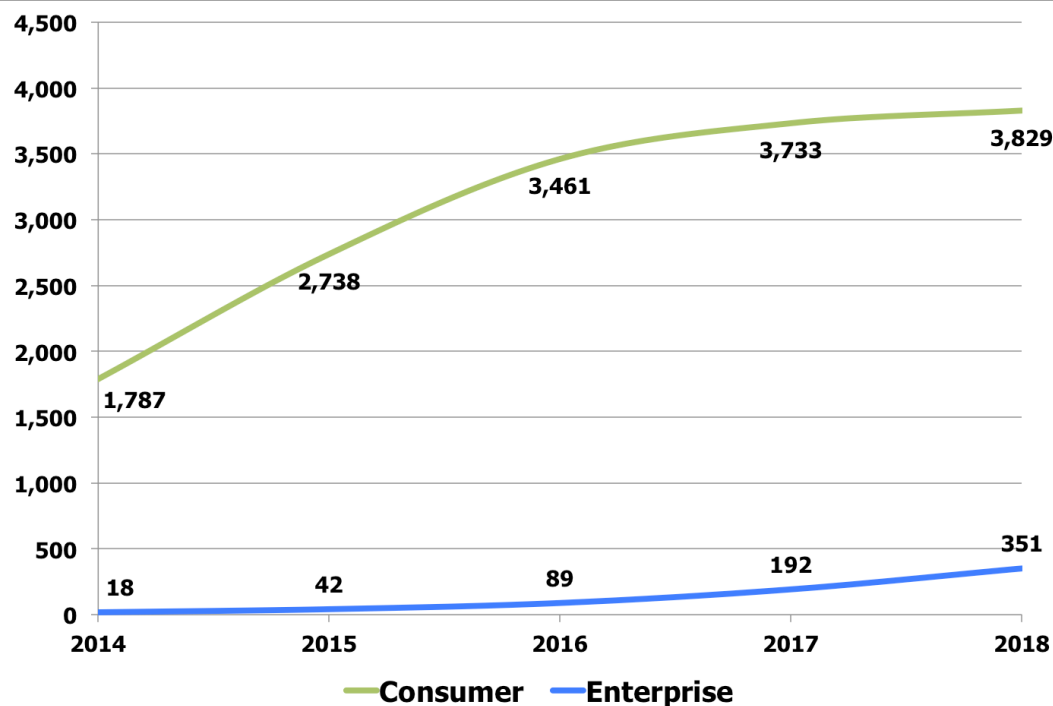
Source: Osterman Research, Inc.

Figure 17
New Deployments of File Sync and Share Users, 2014-2018
Millions of users

Source: Osterman Research, Inc.