

Worldwide Router and Switch Markets Driven by Fixed and Mobile Broadband Traffic on 3G and LTE Networks

IT market trends continue to challenge the capabilities of networks and propel providers to consider innovative solutions to address demand for new services.

GILBERT, AZ, USA, November 24, 2014 /EINPresswire.com/ -- The Worldwide Carrier [Routing](#) &



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Switching markets decreased revenue in Q3 and also decline year over year. Global capex was up 2% q/q, and IT spending increased 1.8% q/q. As anticipated by ACG Research the second half of 2014 is posing some challenges for the router market; service providers are spending less on routing with projects pushing them out to 2015. “Although capex investment has increase, this spend does not necessarily correlate to an increase in router sales. For example, in 2010 to 2012, capex increased but the percentage allocation to SP routing and switching decreased from 5.9 percent to 4 percent. In 2013, the allocation is 4.2/4.3. For 2014, we

forecast 4.1 and 4.7 of capex allocation for routers,” states Ray Mota, CEO of ACG.

The telecom industry is seeing a shift in networking with technologies such as [SDN](#) and NFV, which are impacting the transition from equipment to software. Key drivers such as service velocity and increasing average profit per user will also drive the transition to SDN, NFV, and cloud. During that transition, established technologies such as Carrier Ethernet and 100G will drive growth in wireline, and [LTE](#) and Small Cells will drive growth in wireless. “SDN is becoming a pragmatic solution for deployment,” states Ray Mota. “Traditional router vendors have embraced NFV and have announced a virtual version of their edge router and virtualization roadmap of their portfolios. Depending on the price points of their VNF router instants, there will be the potential to expand the total addressable market of traditional carrier router to the web scalers that don't need the support of legacy but require high, reliable carrier grade operating systems running on bare metal or on a hypervisor.”

Q3 Total Worldwide Carrier Routing & Switching market posted revenue of \$2.9 billion. Core Routing revenues were down 6.0% q/q and down 12.6% y/y. Edge Routing and Switching revenues increased 0.1% q/q and up 3.0% y/y. Alcatel-Lucent reported routing and switching revenue of \$608 million, increasing 0.8% q/q and 7.3% y/y. Cisco posted router and switching revenue of \$1.5 billion, up 4.1% q/q but declined 2.0% y/y. Juniper Networks has router revenue of \$499 million, decreasing 14.0% q/q and 9.7% y/y.

TRENDS

Currently, carriers have infrastructure that is complex and is somewhat inflexible; this means they have to be very risk adverse. Carriers must start transitioning their architectures to so they just program the services, not rearchitect the network every time they have a new service.

2014 was front loaded in CapEx spending; we expect the second half of 2014 to be down compared to the first half. Compared to last year 1Q through 3Q 2014 capex has increased 3% y-y. Despite AT&T's announcement that it will spend 14 percent less in capex in 2015, there are still areas of growth.

VoWiFi is an area in which will see tremendous growth, not just as a way to help on spectrum offload but as a way to expand coverage without the capex burden of traditional macro radios. VoWiFi offers the potential for future analytics revenue and customer experience enhancements.

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