

Soft 3Q16 Router Market a Casualty of Major Industry Disruption

SDN, NFV and virtualization transformations are a major disruption for service providers

GILBERT, ARIZONA, USA, December 8, 2016 /EINPresswire.com/ -- The Q316 total Worldwide Carrier [Routing](#) and Switching market increased 2.3% quarter over quarter and 0.2% year over year.



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Ray Mota

The core routing segment had revenue of \$6528 million, increasing 7.4% q-q and up 11% y-y. The edge/switching segment posted revenue of \$2.3 billion, up 1.0% q-q but down 2.5% y-y.

The service provider industry is facing its biggest disruption. The move to [SDN](#), NFV and virtualization is revolutionary and providers are understanding that this transformation is required to maintain a competitive advantage. This transformation is causing service providers to reduce their capital expense spending in traditional areas such as routers.

One trend that continues to gain traction is providers focusing on their networks that connect the data centers. Inter-data center networks are changing to support new services and network requirements for bandwidth scalability, low latency, security, virtualization and automation. It is anticipated that by 2019 there will be 60% more data centers in the world's metropolitan areas than there are today, and data center interconnect volumes will increase by more than 400%.

"The overall routing market was soft in the quarter, but network traffic, the underlying driver of customers' demand in this segment, remains solid," states [Ray Mota](#), CEO of ACG. "However, the routing market is facing a transition and there is a need for a new carrier router segmentation. The lines between core and edge are getting too blurry. Products such as the Juniper PTX, Nokia 7950, Cisco ASR 9000 continue in core and edge deployments, which are starting to skew the market shares."

TREND and DRIVER HIGHLIGHTS

Increasingly, operators are turning to NFV as an enabler of new services, short service innovation cycles, and to drastically reduce the operational cost of new and existing services.

In the routing space, the NFV and network management orchestration segment is projected to increase at approximately 80.0% CAGR in the next three years.

Traditional architectures are not capable of delivering a sustainable business model because of long deployment times and the resulting complex manual and proprietary systems interfaces required to support. These factors have been identified as the major causes of high-cost, poor capacity scaling and long innovation cycles. Traditional appliance-based solutions are unable to react quickly to new and changing service opportunities and requirements, thus limiting revenue opportunity and

increasing customer churn. Deploying multiple technology silos to deliver a mixed portfolio of services plus the operational implications of multiple specialist teams, adds further opex expense.

Growing operational needs of businesses and the advent of IoT will spur the increase in the global Ethernet switch and router market during the forecast period. The ability of Ethernet switches and routers to aid consumers and businesses in accessing advanced technologies is estimated to result in modest growth.

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