

1Q 2017 Router Market: Disruption Continues to Affect Vendors' Revenue

The SPs' industry is undergoing a profound disruption, driving increased competitive dynamics & causing tepid revenue growth, shrinking margins & high churn.

GILBERT, AZ, USA, June 1, 2017 /EINPresswire.com/ -- ACG Research has released its 1Q 2017



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Ray Mota, CEO

Worldwide [Routing](#) and Switching report. The worldwide Routing and Switching market decreased 16.2% and decreased 4.8% year over year; revenue for 1Q was \$2.7 billion. The core routing segment decreased in q-q revenue for a total of \$526.5 million. The edge/switching segment declined, posting revenue of \$2174.4 billion. Regionally, APAC decreased revenue 8.9% q-q but was up 6.6% y-y. The EMEA region declined 11.8% q-q and declined 3.5% y-y. The Americas dropped 22.6% q-q and was down 11.7% y-y.

The [service providers'](#) industry is undergoing rapid change, which is driving competition and causing small if any revenue growth, lower margins and high churn. “Their businesses are increasingly challenged by nimble competitors, such as webscalers that operate in an environment that is not hampered by legacy infrastructure, entrenched methods and procedures, a methodical and deliberate go-to-market approach that lacks agility and the ability to iterate the product to make sure it meets the customers' needs,” says [Ray Mota](#), CEO of ACG. “SPs need to be nimble to successfully compete in a digital market, to drive new revenue, and to bring expenses in line with their revenue.”

Service providers are focusing their capex on revenue-generating services and economic cost, will running their networks hotter with higher traffic loads. They will not expend as much capex on dealing with capacity and traffic but will continue to invest on key strategic projects that will help deliver services with new revenue for them, for example, SD-WAN and/or IoT solutions, which bring in new revenue and new subscribers.

TREND and DRIVER HIGHLIGHTS

Service providers are increasingly challenged by nimble competitors, such as webscalers, that operate in an environment that is not hampered by legacy infrastructure, entrenched methods and procedures, a methodical and deliberate go-to-market approach that lacks agility and the ability to iterate the product to make sure it meets the customer's needs.

Traffic growth will continue to generate spend on mobile backhaul, which deals with traffic growth and subscriber growth, but providers will also leverage and deploy new technology solutions to reduce their operational cost. The goal is to be able to scale while reducing the cost per bit on delivering traffic; however, this approach does not bring new revenue to the SP. They need to leverage their network assets, add more intelligence and automation to not just reduce their cost per bit but improve their portfolio of services.

Service providers will continue to focus their capex on revenue-generating services and economic cost, running their networks hotter with higher traffic loads. They will not expend as much capex on dealing with capacity and traffic but will continue to invest on key strategic projects that will help deliver services with new revenue for them.

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