

Service Provider Router and Switching Market Shows Positive Spark in Q2 2017

Despite transformation disruption in the routing market, most vendors showed substantial sequential growth in this quarter and year over year

GILBERT, ARIZONA, USA, August 30, 2017 /EINPresswire.com/ -- ACG Research has released its 2Q 2017 worldwide [Routing](#) and Switching market share and forecast reports. The worldwide Routing and Switching market increased 13% quarter over quarter and increased 6% year over year, posting \$3 billion in revenue. The market is expected to grow to \$12 billion in 2021 with a CAGR of 0.8%. In 2Q the core routing segment increased in q-q revenue for a total of \$645 million. The edge/switching segment grew, posting revenue of \$2.4 billion. Regionally, APAC increased revenue 14% q-q and was up significantly 48% y-y. The

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EMEA region grew 8% q-q and 6% y-y. The Americas were up 15% q-q but down 10% y-y.

Service providers continue to feel the effects of a rapidly changing market as they address the [disruption](#) that has been upending their businesses. “To be successful they must realize that transformation is more than just a technological upgrade; it is a fundamental change to how they operate their businesses and organizations,” says [Ray Mota](#), CEO, ACG Research. “Operators recognize that to succeed they must modernize their networks to gain agility to effectively compete and remain relevant in a highly dynamic market. Routers aren't going away, they are still playing an important role in this transformation.”

To address these disruption challenges, SPs are upgrading to key technologies, building comprehensive plans for transformation and working with the right partner throughout the process to achieve their agility as well as their financial goals. We continue to see service providers focus their capex on revenue-generating services and economic cost, while 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. To succeed they will need to have a 1) smaller footprint with higher capacity than the legacy equipment; 2) lower opex costs; 3) lifecycle support for existing and future services that leverage a common IP infrastructure; 4) plan that is flexible and includes training; and 5) right support from a trusted partner.

Operators' capex spending is growing 2% to 3% a year. As a result, some vendors are turning to web-scalers whose spending on new network gear is growing by double digits.

As their traditional business matures, service providers are increasingly moving to offer services in

adjacent industries, leveraging their ability to deliver connectivity solutions and tapping into value-creation opportunities at the application level.

The distinction between wireline and wireless networks will disappear; in 10 years, we will not talk about wireless and cable networks. There simply will be the network. Cost, agility, simplification, cloud and slow migration away from MPLS is driving the adoption of SD-WAN.

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