

Software in SDN Capturing Greater Portion of Market Revenues in SPs' Data Center Purchases Moving Forward

37% of SP DC SDN solution revenues in 2022 or \$3.7 billion expected to be for software offerings, up from 24% in 2017

GILBERT, ARIZONA, USA, July 18, 2018 /EINPresswire.com/ -- ACG Research has released its Q1



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2018 market share and its five-year market outlook for the adoption of SDN in service provider data centers worldwide. ACG expects the adoption of SDN in operators' data centers to grow at a compound annual rate of 28.3% through 2022. This includes vendor revenues from all categories of SDN-enabled offerings for deployment into service provider data centers, such as leaf and spine switching platforms, services edge routers, overlay virtual networks, and SDN controllers service control applications.

Portions of the market will grow at a faster rate than the market as a whole, based on the use cases they are

supporting and the operators that are deploying them. These include SDN control and application software, whose adoption will increase at a CAGR of 45% over the period. In parallel, adoption of white-box switching platforms for leaf and spine deployments will increase at a rate of 33%, while the open network operating systems they support will increase at a rate of 39%.

In the market overall, the software content of the purchased offerings will account for \$3.7 billion in revenues in 2022 or 37% of total market revenue, up from \$787 million in 2017 or 24% of total market revenue that year. In comparison, hardware-based revenues (including proprietary, integrated systems as well as white-box hardware offerings) will account for \$6.6 billion in 2022 or 63% of total market sales, up in absolute dollar value from \$2.2 billion in 2017, but down as a percentage of total market revenues from the 74% share they held in that earlier year. The impact of merchant silicon on the dynamics of data center hardware platform revenues in this progression is clear.

Developments in SDN for data center deployments are integrally tied to the continued adoption of cloud-native and cloud-based application systems. In both private and public clouds, the value of automation, simplification of infrastructures, and the integration of network operations with cloud and application systems they are supporting are stimulating managers and operators to do the work of evolving toward more software-driven and automated infrastructures. In addition to straightforward northbound integrations with management frameworks for containerized and VM-based applications, there is important work being done to enable multi-cloud deployments at many levels, including development of functionality to simplify and automate the integration of SDN environments into multi-cloud solutions.

"Operators' goals for differentiation in their services and for harnessing insights about their

infrastructures is also stimulating developments in programmable network silicon and in machine learning and telemetry in concert with sophisticated analytics to help optimize the delivery of services,” says [Paul Parker-Johnson](#), principal analyst, SDN, cloud computing and data center. “This is stimulating development and introduction of new technologies that are contributing to the evolution of SP data center infrastructures and to the upgrade cycles that will be introducing new overall designs into service, and progressively retiring legacy-based designs over the course of the forecast.”

He adds, “operators’ interests in having choices in the way they deploy their networks are stimulating evolutions in the business models being used for delivering vendors’ infrastructure offerings. Decoupling hardware from software in DC nodes is occurring in many permutations, allowing operators to decide which solution will best meet their needs. This evolution is directly related to the increased proportion of software revenues in our forecast, and the comparative decline in the per-node dollar value of DC networking hardware.”

The leaders’ pack of solution suppliers in the virtual networking software portions of the market remains tightly packed, with small percentages separating Nokia, VMware, Juniper and Cisco. Cisco retains a healthy lead in supplying its integrated, proprietary switching and routing solutions into the physical networking SDN solutions category, though it is being increasingly challenged by Arista and Edgecore/Accton, whose respective 63% and 42% most recent year-on-year growth rates are an indicator of their gains.

Overall, data center SDN developments will be stimulated by continuing evolution of cloud-based services, including not only XaaS but also NFV, MEC and virtualized central office installations. And customers’ continuing focus on automation, open system architectures, programmability and choice in their deployments will continue to generate evolutions in vendors’ business models, and in the methods of adoption they will be compelled to support.

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