

3Q18 Worldwide Service Provider Router and Switching Market: Providers Experiencing Significant Challenges with Networks

Traditional service provider routers are changing, becoming more cloud routing, impacting top-line revenue

GILBERT , ARIZONA, USA, December 3, 2018 /EINPresswire.com/ -- ACG Research released its 3Q 2018 worldwide [Routing](#) and Switching market share report. The worldwide Routing and Switching market increased slightly 0.9% quarter over quarter but decreased 7.8% year over year. The core segment decreased in q-q revenue to a total of \$717 million. The edge/switching segment grew, posting revenue of \$2.67 billion. Regionally, APAC increased revenue 6.7% q-q and up 7.6 y-y. The EMEA region was up slightly 1.0% q-q but decreased 2.2% y-y. The Americas decreased 5.4% q-q and decreased 24.3% y-y.

[SDN](#) and NFV continues to create price pressures for vendors for standalone, purpose-built hardware, resulting in low and declining revenue for products and compressing gross margins. This trend is being driven by not only monetary pressure related to hardware, but also by a bifurcation of traditional routers to software and lower cost hardware.

Providers are showing an increasing interest in other technologies to address this shift, focusing on such technology as segment routing, which is gaining momentum as a promising technology that can be seamlessly deployed in MPLS and IPV6 networks. The versatility of the technology in terms of deployment, network types, and diverse use cases makes it a good candidate for deployment in any kind of WAN, data center, access, metro or virtualized environment. The simplification of these networks will help reduce opex cost.

“We do see the cost to manage and provision service providers’ networks is much higher than that of webscalers’ networks. Some of the key reasons are that webscalers have a mindset of automation, simplification and self-provisioning in anything they do that is related to networking,” says [Ray Mota](#), CEO. “But it is important to note that this comes at an expense. Webscalers’ capex spending is at a double-digit annual rate compare to SP’s, which is in the very low single digits.”

TREND and DRIVER HIGHLIGHTS

Several attributes distinguish applications as edge computing applications versus others that run completely in an endpoint device or in a distant cloud computing site: Minimizing latency, including locality in application logic, optimizing end-to-end economics and being uniquely valuable when running in an edge-based pool of intelligence (versus running in an endpoint device)

The networking industry at large have been working on segment routing for years and the technology is now mature. Segment routing improves network resiliency, application awareness, scalability, traffic engineering, and network programmability. Although the technology of segment routing is well understood by top-level routing engineers and CTOs, the business value of segment routing is not well understood by less technical managers and executives in the networking industry.

Many telcos are reselling SD-WAN in order to increase margin in managed services consequently, service providers are refocusing on what use cases to justify the investment in 5G while getting aggressive on selling to the enterprise market.

For more information about ACG's routing and switching services contact sales@acgcc.com.

ACG Research

[email us here](#)

Ray Mota

+1 408-200-0967

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