4Q Worldwide Router and Switch Markets Increases Moderately

Carriers are putting pressure on vendors for higher performance specialized routers with more functions to meet their users' demands.

GILBERT, ARIZONA, USA, February 17, 2015 /EINPresswire.com/ -- The Worldwide Carrier Routing & Switching markets increased revenue both in Q4 and year over year. Q4 Total Worldwide Carrier Routing & Switching market posted revenue of $2.9 billion. Core Routing revenue were rebounded from a decrease in 3Q and posted revenue of 4.8% q/q but was down 6.9% y/y. Edge Routing and Switching revenues increased 0.7% q/q and up 1.9% y/y. Alcatel-Lucent reported routing and switching revenue of $635 million, increasing 4.4% q/q and up significantly 13.9% y/y. Cisco posted router and switching revenue of $1.5 billion, down 1.0% q/q but increased 4.7% y-y. Juniper Networks has router revenue of $495 million, decreasing 0.7% q/q and down 13.2% y/y.

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>
> *Ray Mota*

The increase in fixed broadband traffic and mobile broadband traffic on 3G/4G and LTE networks continues to stress providers’ networks. Streaming video residential is rapidly driving average household bandwidth requirements: 31 percent CAGR from 2.9 Mbps in 2014 to 7.3 Mbps in 2018. “Smart phones, tablet, and next-generation devices as well as pressure on service providers to provide content-rich applications is forcing many service providers to upgrade,” states Ray Mota, CEO of ACG.

The increase in fixed broadband traffic and mobile broadband traffic on 3G/4G and LTE networks continues to stress providers’ networks. “These trends are forcing service providers to invest in their network infrastructures,” states Ray Mota. “However, capex will be the opposite from what the market saw in 2014, which was front loaded. In the North America we project -3 percent; Latin America, -4 percent; EMEA, +1.3 percent; APAC, -5 percent; and China, +6 percent.” ACG also projects that the first half of 2015 will be only 41 percent to 43 percent on total capex with the rest being spent in the second half of 2015.

TREND and DRIVER HIGHLIGHTS

• Carriers’ ARPU is not sustainable and cannot maintain capex over revenues. Some carriers feel that flat revenue is acceptable; however, they do not seem to recognize that flat revenue is a race to the bottom. With capex the problem is not spending; it is about innovation, agility and operational costs and being able to compete more aggressively on deploying services. Explaining the repercussions of flat ARPU and exorbitant revenues ratios of ARUPs to an executive and any SPs with a “wait and see” position is going to be a challenge. Companies must understand that changing mindset is a top-level approach.

• Service providers are making significant investments, and companies such as AT&T, Verizon, Sprint, and T-Mobile are actually seeing solid profits. Sprint, which was late to market, posted profits in the 20 percent to 30 percent range. Verizon posted profits in the high 40 percent to 50s percent range. Most vendors saw decreased revenue in Q4, which can be attributed to the special promotions or end-of-year give-a-ways impacting their profit margins between 5–10 percent.

• Wireless is still a priority because of the revenue it is generating. Carriers' aggregated ARPU for fixed data is flat. Fixed voice ARPU is starting to decrease. Mobile voice is also decreasing. From an aggregated perspective mobile data is flat. Although some carriers report profit margins most worldwide carriers (67) report that ARPU is flattening or decreasing.

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