IDC Forecasts Network Functions Virtualization Infrastructure (NFVI) Revenues to Reach $5.6 Billion in 2022

FRAMINGHAM, Mass., August 23, 2018 – Communications service providers (CSPs) are being challenged to transform their carrier network infrastructure (CNI) to create new business network services, generate new revenue streams, and improve their operational efficiency. Against this backdrop, CSPs are embracing software-defined networking (SDN) and deploying network functions in virtualized (NFV) form factors. Today, CNI includes both physical and virtual network infrastructure, leveraging NFV and SDN. A new report from International Data Corporation (IDC) introduces a new CNI category – network functions virtualization infrastructure (NFVI) – and provides the first NFVI revenue forecast.

Because this is a nascent market, IDC estimates that worldwide NVFI revenues were just $564 million in 2017. But as CSPs ramp up their network transformation, revenues are expected to achieve a compound annual growth rate of 58.1% over the 2017-2022 forecast period, reaching $5.6 billion in 2022.

In defining NFVI, IDC aligns with the European Telecommunications Standards Institute (ETSI) proposed architecture identifying five segments in this CNI domain: software-defined compute, networking, storage, management, and orchestration. IDC expects the orchestration segment will be the fastest growing, driven by the need to orchestrate network services dynamically across an increasingly complex smorgasbord of network functions – both physical and virtual – potentially across several vertical domains. Software-defined networking is also likely to grow significantly, driven by the growing need to programmatically manage network flows in response to a dynamic market and an application/use case environment – both within the telco cloud datacenter and across telco cloud deployments to manage services flows.

From a domain perspective, wireless infrastructure is the largest contributor to the NFVI forecast today and will continue to be the largest contributor throughout the forecast, followed by routing. 5G will be a big driver of wireless infrastructure NFVI growth, while the move to virtual routing in edge and access use cases will enable routing NFVI growth to outperform the overall market.

"Communications service providers globally recognize the need to digitally transform their network infrastructure and build more customer-centric business models. Embracing software-defined networking principles and deploying network functions in virtualized form factors are a strategic necessity not only for carriers as they invest in their future but also for vendors

supplying those solutions to the market," said Rajesh Ghai, research director, Carrier Network Infrastructure research at IDC. "NFVI is the foundation on which this vision rests and this forecast is IDC's first effort to size this strategically important segment of carrier network infrastructure."

The report, *Worldwide Telecom Network Functions Virtualization Infrastructure Forecast, 2018-2022* (IDC #US44212617), presents IDC's inaugural forecast for the NFVI market. Revenue is presented for the overall market and each of the five market segments (software-defined compute, networking, storage, management, and orchestration) as well as by domain (routing, wireless infrastructure, access, and optical transport). The report also provides a market overview, including drivers and challenges for communications service providers and advice for technology suppliers.

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