



IDC Forecasts Telecom Virtual Network Functions (VNF) Revenues to Reach \$16.4 Billion in 2022

FRAMINGHAM, Mass., September 12, 2018 – A new report from International Data Corporation ([IDC](#)) presents IDC's inaugural forecast for the worldwide telecom virtual network functions (VNF) market for the period 2018–2022. It follows the release of IDC's first [forecast](#) for Network Functions Virtualization Infrastructure (NFVI) in August 2018.

Communications service providers (Comms SPs) are being challenged to transform their carrier network infrastructure to create new business network services, generate new revenue streams, and improve their operational efficiency. In response, Comms SPs are embracing software-defined networking (SDN) and deploying virtual network functions (VNFs) form factors. This has entailed deploying a new class of carrier network architecture in which virtualized form factors of network functions can be hosted, operated, and managed on commodity infrastructure. This architecture of virtual network functions is likely to pervade all carrier network domains in the future. Considering the journey toward a software-defined, virtualized infrastructure is just beginning for most carriers and Comms SPs, the VNF market is relatively small today. However, as use cases such as network slicing in 5G and virtual CPE–based business services pervade the vertical carrier network domains, IDC expects this market to achieve significant growth in the near term.

Worldwide revenue for the VNF market in 2017 stood at \$2.5 billion across all segments. In 2018, IDC expects VNF revenue to double as early 5G deployments take shape and as wireline initiatives such as vCPE, CORD, and HERD gain further momentum. From this point onward, IDC expects the overall VNF market to grow to \$16.4 billion in 2022 at a compound annual growth rate (CAGR) of 45.4%. Wireless infrastructure is the largest contributor to the VNF forecast today and is expected to continue to be the largest contributor in 2022 followed by routing. 5G will continue to be a big driver of wireless infrastructure VNF growth, while the move to virtual routing in edge and access use cases will drive routing VNF growth more than overall VNF market growth rates.

"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. "This research document is IDC's first effort to size and forecast the market for virtual network functions (VNFs) across all carrier network infrastructure domains."

The report, *Worldwide Telecom Virtual Network Functions Forecast, 2018-2022* (IDC #US44250417), presents IDC's inaugural forecast for the NFV market. Revenue is presented for the overall market and each of the four market segments (wireless infrastructure, routing, access, and optical transport). The report also provides a market overview, including drivers and challenges for communications service providers and advice for technology suppliers.

About IDC

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