



2014 United States Wholesale Metro Carrier Ethernet Services  
Market Leadership Award



F R O S T & S U L L I V A N



50 Years of Growth, Innovation & Leadership

## **Market Leadership Award Wholesale Metro Carrier Ethernet Services United States, 2014**

### **Frost & Sullivan's Global Research Platform**

Frost & Sullivan is in its 50th year in wholesale with a global research organization of 1,800 analysts and consultants who monitor more than 300 industries and 250,000 companies. The company's research philosophy originates with the CEO's 360-Degree Perspective™, which serves as the foundation of its TEAM Research™ methodology. This unique approach enables us to determine how best-in-class companies worldwide manage growth, innovation and leadership. Based on the findings of this Best Practices research, Frost & Sullivan is proud to present the 2014 United States Market Leadership Award in the Wholesale Metro Carrier Ethernet Services to Verizon.

### **Key Industry Challenges**

The wholesale Carrier Ethernet services market once again surpassed Frost & Sullivan's predicted growth rates, with 2013 market revenues exceeding \$2.8 Billion. Wholesale carriers saw great demand for Ethernet for mobile backhaul (tower/cell site access) and aggregation, and this trend will continue throughout the forecast period. Internet Service Providers (ISPs) continue to buy high speed Ethernet ports for IP transit applications and represent a significant revenue share of the market. Service providers report a significant increase in demand from the traditional interexchange carriers (IXCs), competitive local exchange carriers (CLECs) and international carriers for Ethernet.

Ethernet is attractive for Communications Service Providers (CSPs) because it can be offered economically with a lower price per megabit than any other service. Furthermore, it can be offered in a range of bandwidths and for a variety of private line and Local Area Network (LAN) extension services.

Cloud networking is beginning to drive demand for wholesale Ethernet services, as cloud companies look to Ethernet instead of public IP networks to build their cloud networks. Cloud-based services offer an affordable and flexible alternative for enterprises to implement applications using a virtualized model hosted by a third party, instead of buying, developing and maintaining dedicated infrastructure. A cloud model means significant capital savings for enterprises (no more enterprise-owned dedicated servers) and the flexibility to scale as they grow. As cloud offers mature, key applications such as Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) are being entrusted to the cloud.

As mission-critical applications and processes migrate to cloud, the reliability and security of the networks that interconnect cloud providers data centers are highly critical. Hence,

cloud service providers are increasingly looking to Ethernet to build their cloud networks instead of the public Internet to serve customers that demand a high level of security, end-to-end on with their cloud services.

While both dedicated and switched Ethernet services are seeing growth, the latter is witnessing much higher year-over-year (YoY) growth rates. The supremacy of dedicated services, fueled by widespread availability of SONET infrastructure, is coming to an end. The shift to switched services has started. CSPs report that most of the new demand coming in is for switched Ethernet services, a trend that is expected to tilt the scale largely toward switched by 2018.

### **Best Practice Award Analysis for Verizon**

The Frost & Sullivan Award for Market Leadership is presented to the company that has demonstrated excellence in capturing the highest market share within its industry. The Award recognizes the company's leadership position within the industry in terms of revenues or units, as specified.

#### **Verizon's Performance in Wholesale Metro Carrier Ethernet Services Market**

Frost & Sullivan presents its 2014 Market Leadership Award in the U.S. Wholesale Metro Carrier Ethernet Services Market to Verizon Global Wholesale. This award is in recognition of Verizon's ability to achieve leading market share position, through a combination of broad portfolio of service offerings, excellent marketing strategy, and industry leading service level agreements (SLAs). Verizon has held first position, in terms of revenue share, in the U.S. Wholesale Metro Carrier Ethernet services market, for the past two years.

The wholesale Ethernet services market is in the growth phase of product life cycle. Market revenues continue to surpass Frost & Sullivan's growth projections due to growing demand from mobile operators for backhaul and aggregation applications and from IXCs/CLECs to expand their network reach. The simplicity of implementing the services as well as the clarity on pricing has led to growing demand for Ethernet services by bandwidth-hungry customers across business verticals, which in turn is driving demand in the wholesale space.

Verizon leads the wholesale Ethernet services market with its broad set of offerings—both E-LAN and E-LINE based solutions—backed by industry leading SLAs. Verizon Global Wholesale has, in the past couple of years, rationalized its metro and long haul Carrier Ethernet services by interconnecting the Verizon Telecom and Verizon Business assets to provide end-to-end services to its wholesale customers. The company launched an automated pricing and ordering tool that enables its customers to order the long haul and tail circuit together.

Verizon Wholesale has also made superior enhancements in terms of SLAs and installation times, with an expedite option that helps customers get the circuit up and running in 14 days.

As enterprises increase their adoption of Ethernet for mission critical applications, they are driving CSPs' efforts on stringent monitoring of SLAs promised with switched Ethernet services. This trend is in turn driving demand in the wholesale market for stringent SLA tracking and monitoring features. As a result in part to its industry leading SLAs and SLA reporting infrastructure, Verizon Global Wholesale continues to see increased demand for both switched and dedicated Ethernet.

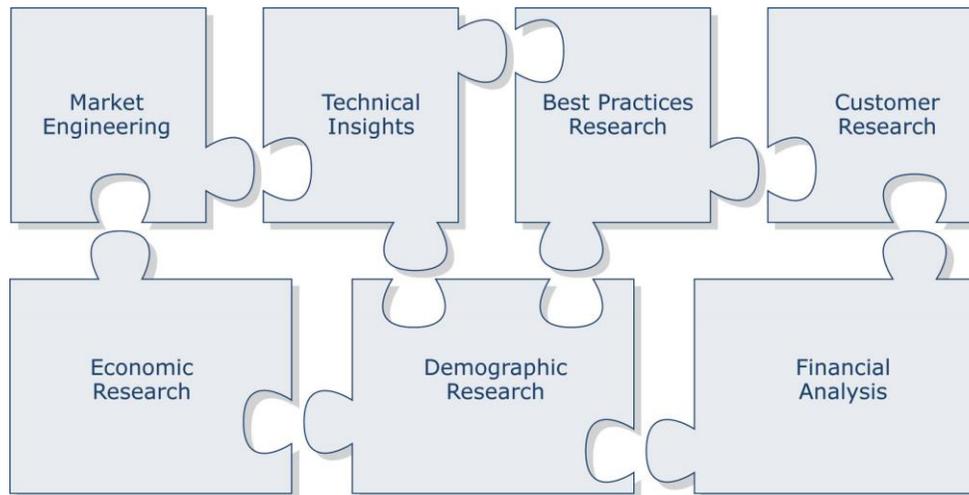
Frost & Sullivan's recent research clearly validates Verizon's continued market share growth in the Ethernet services market based on all the aforementioned initiatives, and Verizon Wholesale is hence the recipient of the 2014 Wholesale Metro Carrier Ethernet Services Market Leadership Award.

## Conclusion

Frost & Sullivan's independent analysis confirms that Verizon had the highest revenue share in 2014 in the Wholesale Metro Carrier Ethernet services market. The company is in a leading position –through network footprint, service level agreements, or feature sets offered with the services – to take advantage of the growing market demand throughout the forecast period, with a broad portfolio of service offerings.

## Critical Importance of TEAM Research

Frost & Sullivan's TEAM Research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all seven of Frost & Sullivan's research methodologies. Our experience has shown over the years that companies too often make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Frost & Sullivan contends that successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. In that vein, the letters T, E, A and M reflect our core technical, economic, applied (financial and best practices) and market analyses. The integration of these research disciplines into the TEAM Research methodology provides an evaluation platform for benchmarking industry players and for creating high-potential growth strategies for our clients.

**Chart 1: Benchmarking Performance with TEAM Research**

### About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best-practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages 50 years of experience in partnering with Global 1000 companies, emerging wholesale and the investment community from more than 40 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.