



U.S. Ethernet Services Vertical Markets Update: 2014-2019

EXECUTIVE SUMMARY

Ethernet is the fastest-growing major carrier data service and has to a considerable degree "won the war" to become the most widely adopted access and wide-area service for new connections. Ethernet service revenues are growing rapidly in a larger IT environment of escalating data bandwidth demand that underscores Ethernet's TCO benefits. Ethernet shines compared to more costly, longer-established technologies, as it credibly appears to be a way to get more bandwidth for less. Ethernet's growth is thus driven both by expansion of wide-area service demand and migration to Ethernet from other technologies.

Retail Ethernet service in the U.S. has historically been dominated by several key vertical markets, starting with local governments and school districts in the 1990s adopting ILEC native/transparent LAN services. With accelerating bandwidth demand across the U.S. economy – combined with Ethernet's increased availability, improving standards and declining costs – fast-growing Ethernet service is now being adopted across an ever-increasing range of market sectors.

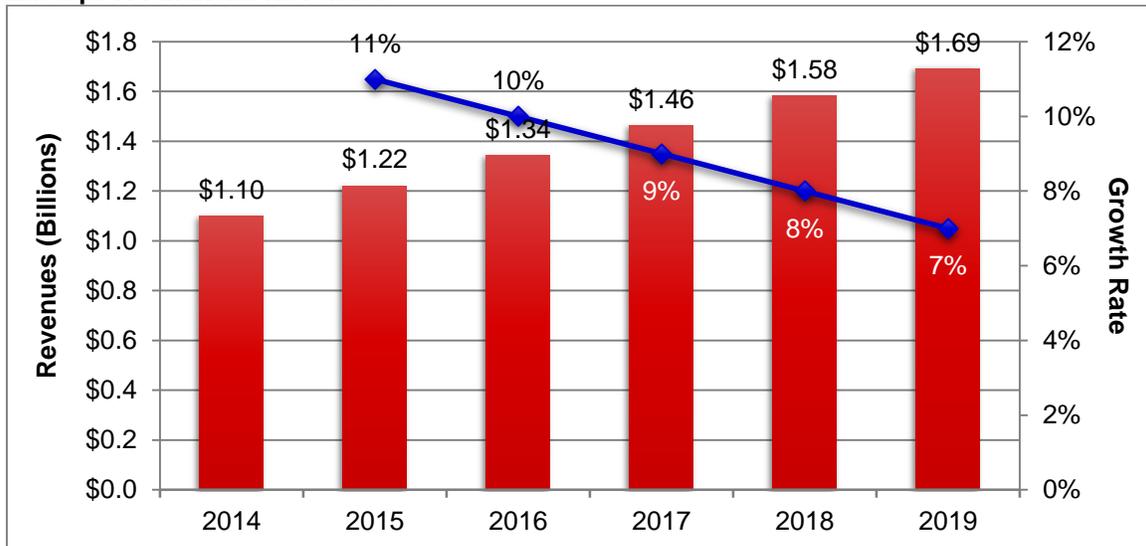
Four major verticals – financial, healthcare, education and government – account for at least half of U.S. retail Ethernet sales, while the Web 2.0/content/media sector constitutes the fastest-growing and most dynamic Ethernet service opportunity. This report also analyzes three more "runner-up" verticals – manufacturing, retail and professional services, the latter two of which are important representatives of the SMB customers that are increasingly driving Ethernet's growth. These eight verticals collectively account for roughly 80 percent of the U.S. Ethernet services market today.

U.S. Ethernet Services Vertical Markets Update: 2014-2019 analyzes the U.S. retail Ethernet services market and projects growth for the eight major Ethernet vertical markets through 2019. It also examines the major issues that will affect each key vertical over the next five years. This report updates *Heavy Reading's* first study on the development and growth of retail Ethernet services – 2010's [U.S. Ethernet Vertical Markets: A Five-Year Market Forecast](#).

The report is based on in-depth interviews with senior executives at [15 leading Ethernet service providers](#), which collectively account for about 90 percent of U.S. retail Ethernet service sales. In many cases, we spoke with multiple sources per company. It also draws on an exclusive survey of U.S. companies regarding their current and future Ethernet services usage.

The excerpt below shows our five-year forecast for Ethernet revenues in the financial vertical – the largest sector for Ethernet business today. Although the financial vertical continues to grow healthily, in line with the overall market, it is maturing. As the figure shows, revenues in this vertical are projected to grow from an estimated \$1.1 billion in 2014 to \$1.7 billion in 2019, at a 9 percent CAGR over the forecast period.

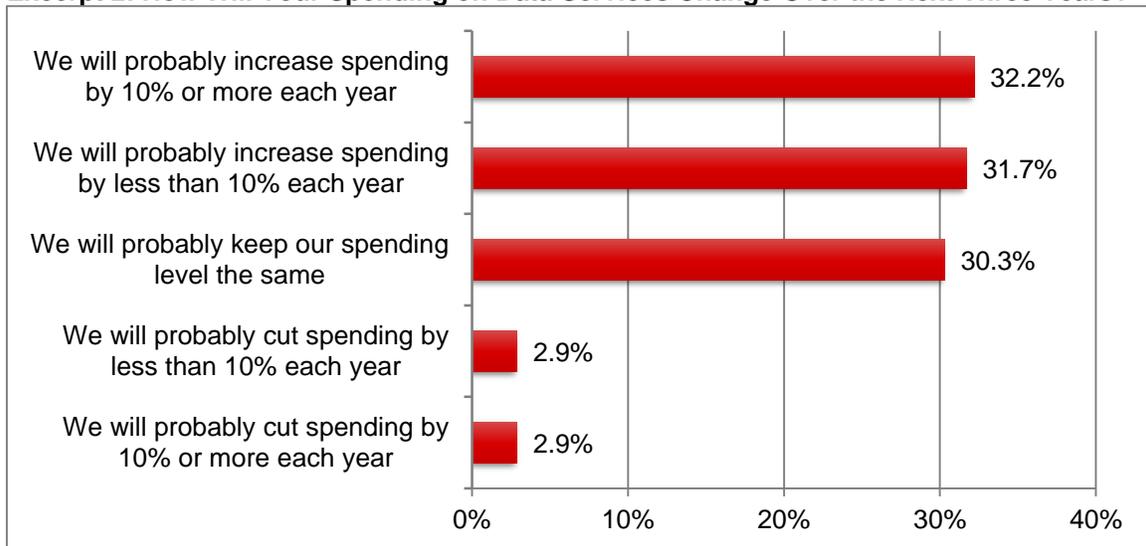
Excerpt 1: Financial Revenues



Source: Heavy Reading

The excerpt below shows a sample response from our end-user survey, asking how respondents believed their organizations' total data services spending would change over the next three years. The overall trend is clearly positive, with nearly two thirds of respondents expecting their organization to increase spending. Only 6 percent expected to cut spending by any amount.

Excerpt 2: How Will Your Spending on Data Services Change Over the Next Three Years?



Source: Heavy Reading; n=208

Report Scope & Structure

U.S. Ethernet Services Vertical Markets Update: 2014-2019 is structured as follows:

Section I is an introduction to the report, with complete report key findings.

Section II provides background on Ethernet services and examines overall trends in the retail Ethernet market, including Ethernet service adoption, service characteristics, cross-market drivers, cloud networking and the future direction of the market.

Section III examines specific patterns of Ethernet adoption and applications in eight significant U.S. retail vertical markets: financial, healthcare, education, government, Web 2.0/content/media, manufacturing, retail and professional services.

Section IV forecasts the Ethernet services market for these eight verticals.

Section V analyzes the results of a recent *Heavy Reading* end-user survey concerning data and Ethernet services usage. It discusses findings from the overall sample and drills down into vertical-specific findings from financial, education, manufacturing and professional service respondents.

U.S. Ethernet Services Vertical Markets Update: 2014-2019 is published in PDF format.

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LEADING CARRIER ETHERNET PROVIDERS INTERVIEWED (15)

AT&T Inc. (NYSE: T) / www.att.com

CenturyLink Inc. (NYSE: CTL) / www.centurylink.com

Charter Communications Inc. (Nasdaq: CHTR) / www.charter.com

Cincinnati Bell Inc. (NYSE: CBB) / www.cincinnati-bell.com

Cogent Communications Inc. (Nasdaq: CCOI) / www.cogentco.com

Comcast Corp. (Nasdaq: CMCSA) / www.comcast.com

Cox Communications Inc. / www.cox.com

Level 3 Communications Inc. (Nasdaq: LVLT) / www.level3.com

Lightower Fiber Networks LLC / www.lighttower.com

Time Warner Cable Inc. (NYSE: TWC) / www.time-warner-cable.com

tw telecom Inc. (Nasdaq: TWTC) / www.twtelecom.com

Verizon Communications Inc. (NYSE: VZ) / www.verizon.com

Windstream Communications Corp. (Nasdaq: WIN) / www.windstream.com

XO Communications Inc. (OTC: XOHO) / www.xo.com

Zayo Group LLC / www.zayo.com