Huawei overtakes Ericsson to lead the USD69 billion telecoms software market in 2017

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Dana Cooperson

Huawei overtook the 2016 market leader Ericsson in the USD69 billion telecoms software and service market in 2017. This market declined by 1% year-on-year during this time.[1] Each of the top-three vendors (Huawei, Nokia and Ericsson) controlled 8% of the market and reported revenue declines in 2017, but Ericsson's decline was larger than those of the other two. This comment highlights the top-six vendors' competitive situations and the main drivers behind the 2017 market shifts.

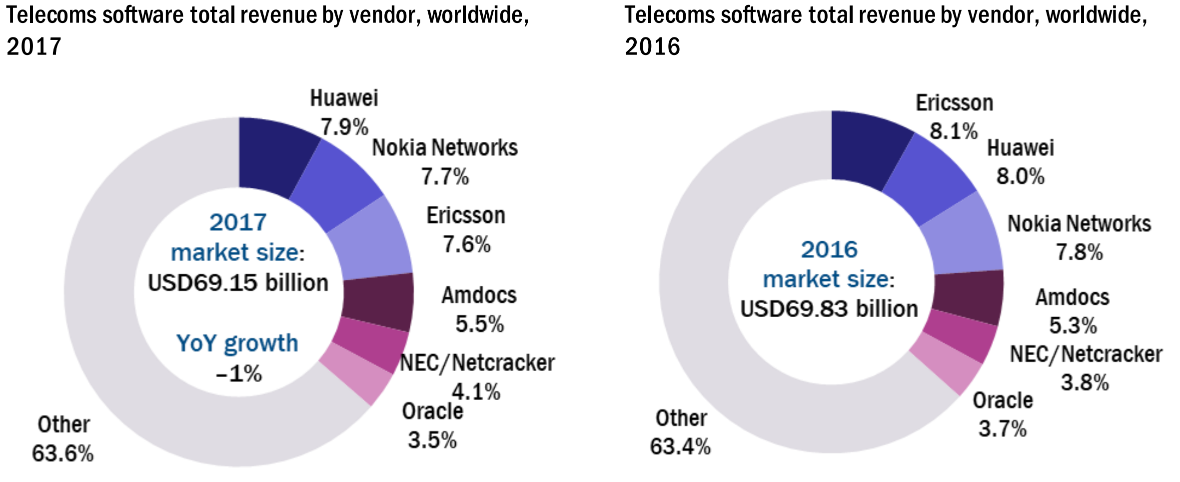
Declines in spending in traditional CSP categories were not fully offset by spending in new categories in 2017

Telecoms software and related professional services market spending declined 1% year-on-year in 2017, despite some progress in communications service provider (CSP) digital and network transformation initiatives. This decline was mainly due to CSPs' reduced spending on network infrastructure and traditional OSS/BSS/NMS. The main growth segments within the market were those that supported process automation (such as network control and orchestration (NCO) and AI and analytics (AIA)), new enterprise and video services and improved customer experience and engagement. The vendors that were more exposed to these growth opportunities and were better able to turn this exposure into commercial engagement and revenue fared better in 2017 than their competitors.

Figure 1 compares the top-six vendors' market share of telecoms software and services spend in 2017 and 2016. The shares of the top-three vendors were separated by fractions of a point in both years; this equated to revenue differences of the order of USD100 million. Collectively, the top three did lose a little ground due to their revenue declines, and together they accounted for 23.2% of the total market spend in 2017 compared with 23.8% in 2016.

1 For more information, please see Analysys Mason's Telecoms software: worldwide market shares.

Figure 1: Comparison of vendor revenue, 2017 and 2016



Source: Analysys Mason, 2018

Huawei overtook the 2016 lead vendor Ericsson and became the largest vendor in the telecoms software and professional services market in 2017 based on total revenue, despite a 2.4% decline in its overall revenue compared with that in 2016. Its software and services revenue decline was mainly due to the de-emphasis of its BSS business (which was largely professional services-based) to the point that it was essentially a market withdrawal.

Nokia moved up to second place in 2017, despite a 1% revenue decline compared with 2016. It has a broad and growing software and services portfolio, which has been enhanced by its acquisitions (for example, Comptel in 2017 and Alcatel Lucent in 2016), as well as an increasingly energised team and a coherent strategy under leader Bhaskar Gorti.

Ericsson's revenue decrease was greater than those of the other market leaders in 2017 (7%). Our research indicates that the mobile broadband infrastructure market (Ericsson's corporate focus area) has rebounded a bit in 2018, but declines in global LTE mobile network investments, the nascent state of 5G deployments and Ericsson's needed rationalisation of professional services contracts to improve profitability all combined to make 2017 a tough year in the telecoms software and services market for the vendor. As a result, it dropped to third place, just behind Huawei and Nokia.

ISV **Amdocs** maintained its fourth position in 2017 with 2% revenue growth, thanks to the increased spending of its North American customers and new contributions from its recently acquired companies. The company did, however, have continued difficulties in expanding its NFV/SDN business much beyond its AT&T stronghold.

NEC/Netcracker was the star of the 2017 leaders. Its 7% revenue growth in telecoms software and services came from a wide range of segments, but was particularly due to its success in BSS; NEC/Netcracker appears to be taking good advantage of Huawei's BSS shift and Ericsson's repositioning. It has also been increasingly well-positioned in NFV/SDN engagements (it is ranked third in terms of NCO product and service revenue) but it is not a top-six vendor in another significant growth segment, AI and analytics.

Finally, **Oracle** remained in sixth position despite a 4% revenue decline and related market share losses. It continues to push into SaaS and cloud-native software to return to growth in the telecoms software and services market.

Each of the software and professional services segments for which we analyse revenue and share have specialist vendors who are leaders in those segments; reaching the top six overall requires breadth and depth across multiple segments. Most of the next ten vendors in terms of overall revenue and market share are systems integrators or ISVs; only two (number ten-ranked Cisco and number sixteen ZTE) are network equipment providers.[2]

Tomorrow's vendor leaders must increasingly master digital transformation

Our market discussions with CSPs and vendors in 2018 indicate that digital transformation in the networks, services and customer engagement realms will increasingly drive telecoms software and services spend in the coming years. This is particularly the case for:

- network automation and optimisation, increasingly improved by machine learning
- the general application of AI and analytics to a broad array of customer and network use cases
- support for new digital services
- the delivery of more-digital, omni-channel customer experience and engagement
- deployment of fixed and mobile broadband infrastructure (including 5G), based on more-open, disaggregated and distributed architectures.

Tomorrow's leading software and services vendors will be those companies that master the technologies that underpin both these transformations and the growing set of delivery models through which CSPs will consume them.

2 The others, in order, are IBM, Accenture, HPE, Tech Mahindra, Atos, CGI Group, Salesforce and Tata Consultancy Services.

