E-guide

SD-WAN Market Trends

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Executive Summary

As SD-WAN matures to the point that it is starting to compete with traditional WAN deployments, we are starting to see the two technologies complement each other. We're also starting to see the SD-WAN market move in a new direction. What should you expect to see in the next few months? Find out.

Are SD-WAN and WAN optimization techniques merging?

Andrew Froehlich, President | West Gate Networks

WAN optimization techniques have been around for the better part of two decades. The goal of WAN optimization is to maximize throughput from point A to point B. This can include techniques such as data compression, caching and quality of service, or QoS. Data caching is used to lower latency, but most of the other techniques are largely used to lower the overall throughput on a WAN link. Using these WAN optimization techniques allows an organization to push as much data as possible.

The primary benefit of software-defined WAN (SD-WAN) is it intelligently monitors two or more links between WAN connection points. It does this to determine the most efficient way of forwarding packets toward a destination at any given moment. Bottlenecks caused by overutilized links are not only avoided, but latency can be significantly reduced, as well.

Another SD-WAN benefit is the fact that administrators gain additional visibility and control over the applications that are being used across the WAN. This Layer-7 visibility goes well beyond the WAN optimization techniques that largely leverage manual QoS policies for application prioritization. The more dynamic and granular approach of SD-WAN allows for better application prioritization of available bandwidth.

The benefits of WAN optimization techniques and SD-WAN are clearly complementary. Both provide benefits that the other does not. It didn't take network vendors too long to discover that customers would be interested in leveraging optimization and acceleration, as well as intelligent path control. Most organizations would prefer a single SD-WAN offering that includes WAN optimization features, without having to add an additional optimization service. That's why SD-WAN products and services currently available integrate many WAN optimization techniques, with the added benefits of multilink path control and application visibility. Vendors that used to be primarily WAN optimization providers, like Riverbed Technology and Silver Peak Systems, have adapted to offer SD-WAN services. More vendors can be expected to follow suit.

SD-WAN as a service becoming a major trend

Antone Gonsalves, Director of News

The number of partnerships between service providers and SD-WAN vendors is growing quickly, as the former seeks a share of a fast-growing market and the latter looks for an easy path to the enterprise.

The latest deals for SD-WAN as a service include Comcast Business launching a beta trial of Versa Networks' technology and Sprint partnering with VeloCloud. Over the last year, AT&T has also chosen VeloCloud, its rival Verizon has partnered with Viptela and CentryLink inked a deal with Versa.

"All the leading service providers have to offer an SD-WAN managed service," said Lee Doyle, principal analyst at Doyle Research and a TechTarget contributor.

Service providers that don't launch an SD-WAN-as-a-service product will miss out in a fast-growing, multibillion-dollar market. Worldwide revenue from SD-WAN is growing by 90% annually and will top $6 billion by 2020, according to IDC. Service providers will account for more than a third of the overall market.

SD-WAN's popularity is due to its ability to lower network costs by determining the most efficient way to route traffic to remote locations. Examples of SD-WAN use include routing high-priority traffic to expensive, but highly reliable, links like MPLS while sending the rest over cheaper broadband. Companies also use SD-WAN for backing up data and disaster recovery.

Who benefits SD-WAN as a service?

Dan Conde, an analyst at Enterprise Strategy Group Inc., based in Milford, Mass., said the rise of SD-WAN as a managed service is a "major trend" that will benefit SMBs the most.

"Small and medium-sized organizations don't want to complicate their lives, so buying a WAN as a service from one managed service provider or vendor is simple," Conde said.

Large enterprises are more likely to license a vendor's SD-WAN product because it provides the option of tailoring the technology to their complex network operations and data center environments.

"Large enterprises will still use traditional SD-WAN equipment for flexibility to meet specific needs," Conde said.

What to consider when buying SD-WAN as a service

Companies interested in SD-WAN should meet with managed service providers (MSPs) and discuss whether their products match the ones sold directly by their partners, Conde said. Also, MSPs should be flexible in their hardware options for deploying SD-WAN. Flexibility is necessary for connecting the technology to other systems in the customer's environment.

"If they are tied to one back-end technology, and that's not what you want, ask for a roadmap [to the preferred technology], or perhaps look at another MSP," Conde said.

Companies that buy SD-WAN directly from the vendors are likely to find their options narrow in time. "I think [market] consolidation will be inevitable in the next two or three years," Doyle said.

Cisco and Nokia were among the first network equipment makers to buy SD-WAN vendors. Nokia bought Nuage Networks in 2015, and Cisco said this month it would acquire Viptela for $610 million.

More acquisitions by gear manufacturers, and possibly service providers, are likely to follow. Acquisition targets could include CloudGenix, VeloCloud, Versa Networks and Silver Peak, according to John Fruehe, an analyst at Moor Insights and Strategy, based in Austin, Texas. Those vendors have a significant market footprint and robust technology.

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