

Worldwide enterprise switch spending gains momentum

- Enterprise switching in Q4 2009 increases 15.5% sequentially

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For immediate release

- The worldwide enterprise switch market was worth a total of \$4.7 billion in Q4 2009
- Total end-user value fell 5.9% year-on-year, but increased 15.5% sequentially
- Cisco's market share declined from 72.8% in Q4 2008 to 68.1% in Q4 2009
- HP made the most gains, increasing its market share from 5.8% to 8.0% in the same period

Q4 2009 research highlights

2009 was a challenging year for all enterprise switch vendors, as many businesses froze or cut IT investment, which extended sales cycles in some cases while other projects were delayed or cancelled. Overall, worldwide enterprise switch shipments totalled \$21.7 billion in 2009, down from \$25.5 billion in 2008, representing a decline of 14.9%. But the year ended more positively as sequential quarterly shipment growth gained momentum. The first three quarters of the year were particularly difficult, as businesses first assessed the impact of the global recession following the banking crisis late in 2008 before committing to any spending. Shipments during this period were down by more than 15% year-on-year in each quarter, with volumes bottoming out in Q1. Confidence began to slowly return toward the end of the year, with the market peaking in Q4, as shipments grew 15.5% over the previous quarter and down only 3.5% on the same period in 2008.

Worldwide enterprise switch market					
Market shares Q4 2009, Q4 2008					
Vendor (top 5)	Q4 2009 shipment		Q4 2008 shipment		Growth
	value (\$m)	% share	value (\$m)	% share	Q4'09/Q4'08
Total	4,711,543,751	100.0%	5,008,784,469	100.0%	-5.9%
Cisco	3,206,932,356	68.1%	3,645,062,600	72.8%	-12.0%
HP	376,231,166	8.0%	288,641,158	5.8%	30.3%
3Com	215,207,317	4.6%	188,531,955	3.8%	14.1%
Brocade	94,680,093	2.0%	81,384,560	1.6%	16.3%
Juniper Networks	87,805,319	1.9%	34,219,497	0.7%	156.6%
Others	730,687,500	15.5%	770,944,699	15.4%	-5.2%

Source: Canalys estimates, © Canalys 2010
Includes all hardware positioned as an enterprise network switch.

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The recession has created opportunities for enterprise switch vendors to displace competitors' installed bases, with many businesses re-evaluating the value offered by their existing suppliers. Overall, Cisco continues to lead the market by a large margin, accounting for 68.1% in terms of shipment value. But this has been gradually eroded, with its share declining from 72.8% one year earlier. 'HP has made the most gains in 2009, with its share increasing from 5.8% in Q4 2008 to 8.0% in Q4 2009,' said Matthew Ball, a Senior Analyst at Canalys. 'The proposed acquisition by HP of the number three vendor 3Com will create a clear challenger to Cisco. 3Com gives HP a competitive core switching and router portfolio for large enterprises and data centres, as well as a low-cost product line for smaller businesses. Add this to the recent announcement of the ending of its resell agreement with Cisco, and HP should have many opportunities to make further gains in 2010.' Juniper Networks also made a big impact in 2009, more than doubling its switch shipments as it extended its position in routers and security. Brocade's Ethernet networking business struggled on a sequential basis, but grew year-on-year, while Extreme Networks enjoyed a better quarter in Q4 following disruptions to its supply chain impacting shipments in the previous quarter. 'Merger and acquisition activity, as well as disruption to vendors' go-to-market strategies, will have a major impact in 2010, with HP's 3Com purchase as well as Avaya taking on Nortel's networking business,' Ball added.

'The outlook for 2010 is certainly more positive than it was at the start of 2009, with most countries officially out of recession,' said Canalys Analyst Alex Smith. 'It is unclear whether the momentum seen in the latter half of 2009 will be sustained and whether sufficient confidence has returned to stimulate annual growth again. It is also hard to tell how much vendors' incentive schemes, including 0% financing and other pricing discounts, helped prevent a bigger fall in shipments last year,' Smith added. Canalys expects the enterprise switch market in 2010 to exceed 2009 levels as businesses seek to replace aging infrastructure, but it is extremely unlikely to bounce back to pre-recession levels, as economic growth appears fragile and dependent on government stimulus packages.

About the service

The shipment estimates and research results discussed in this release come from the Canalys Enterprise Networking Analysis service. Canalys' market data is used by vendors the world over to provide a coherent view of the enterprise infrastructure markets. Canalys offers services looking at the markets by country in EMEA, as well as providing global market overviews.

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