

Policy Server Market Highlights

March 2010 Report Summary

Infonetics Research, Inc.
www.infonetics.com

By SHIRA LEVINE

Directing Analyst, Next Gen OSS and Policy
Infonetics Research, Inc.

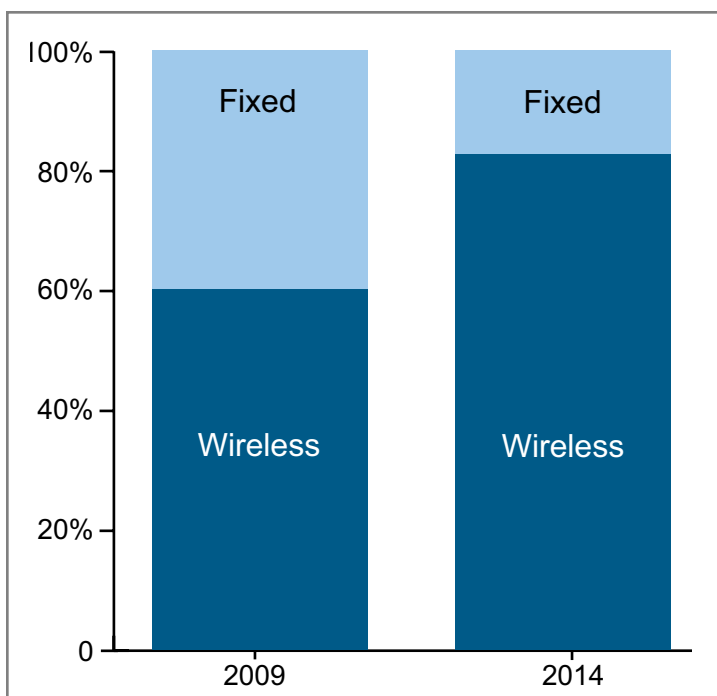
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Excerpted from Infonetics Research's March 2010 **Policy Servers** worldwide and regional market size, share, and forecast service.

POLICY OPPORTUNITY SHIFTS TOWARD WIRELESS IN 2009

Worldwide policy server revenue reached \$278 million in 2009 (a 65% year-over-year increase), with deployments in the wireless space finally catching up to fixed line deployments. Infonetics forecasts 2014 revenue to hit nearly \$1.4 billion.

WORLDWIDE POLICY SERVER REVENUE SPLIT: FIXED VS. MOBILE



As the chart above shows, the gap between the wireless and the fixed line opportunity will continue to widen as mobile operators increasingly look to policy servers as a way to maximize the value of their WiMAX and LTE deployments. Policy servers are also being viewed as a tool to reduce the cost and time associated with provisioning customers on these new networks, particularly in developing markets with high subscriber growth.

Managing bandwidth consumption remains one of the greatest drivers for policy server deployments by both the fixed and wireless operators, and as data traffic continues to skyrocket, particularly over 3G networks, that will not change any time soon.

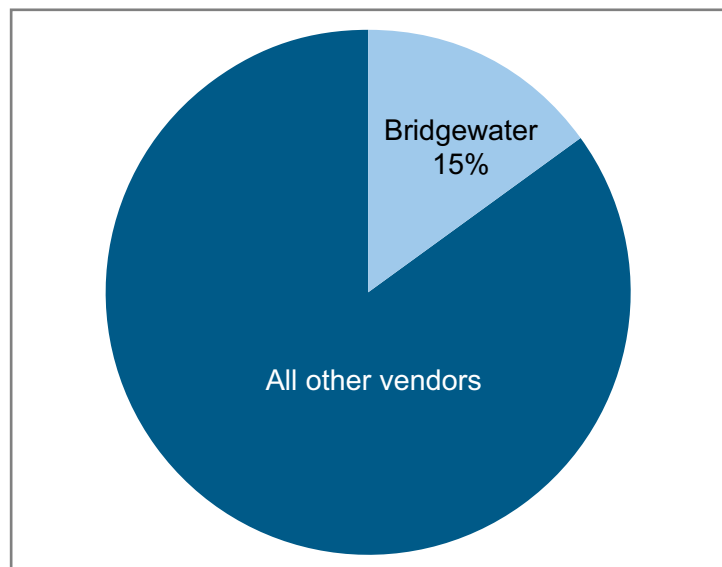
However, we will begin to see policy servers used to enable value-added services, including guaranteed bandwidth for certain categories of subscribers and/or content, sophisticated service control capabilities, and the start of more targeted advertising campaigns and offers. Operators in emerging markets such as Africa, Latin America, Eastern Europe, and parts of Asia are focusing on using policy control capabilities to create innovative loyalty programs as a way to combat high churn rates, particularly in those areas where the subscriber base is primarily prepaid.

Regulatory factors impact the policy server market, particularly in Europe, where the EU has implemented data roaming regulations that require wireless operators to implement real-time subscriber spend notifications and a cut-off mechanism once the subscriber's bill reaches a certain limit, which necessitates policy control capabilities. In the US, the FCC's stance on net neutrality remains a wild card, as operators push back against potential rules that could affect traffic prioritization.

MARKET LEADERSHIP IS A TIGHT RACE

The policy server market includes at least 7 players who have competitive offerings and strong market followings. Bridgewater Systems leads the revenue market share at 15%, followed by Camiant, Openet, NSN, Juniper, Ericsson, and Alcatel-Lucent.

WORLDWIDE TOTAL POLICY SERVER REVENUE MARKET SHARE



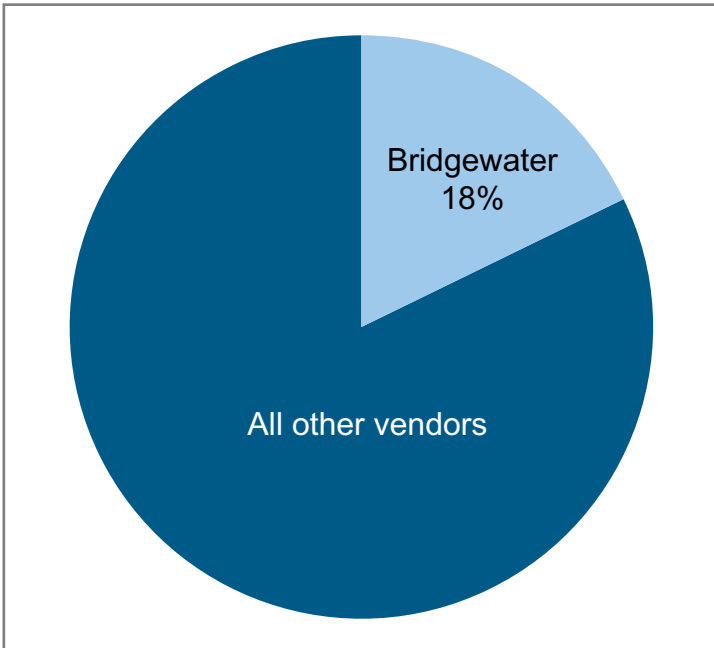
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BRIDGEWATER LEADS IN WIRELESS POLICY MARKET

Bridgewater leads the wireless market with 18% of revenue share, followed by Openet, Ericsson, Camiant, and Nokia Siemens. Vendors in the “other” category are primarily the smaller suppliers such as Kabira and Volubill that have focused their attention on the increasing wireless opportunity. We anticipate that these vendors will continue to grow their share, most commonly via partnerships and OEM agreements with larger equipment providers, and, as noted above, we would not be surprised to see at least one of these companies acquired by a larger player over the course of the next year.

WORLDWIDE WIRELESS POLICY SERVER REVENUE MARKET SHARE



Bridgewater’s historic strength has been in the wireless policy market, where it promotes its ability to support multiple wireless access networks, enabling operators to centralize policy control and create a more consistent subscriber experience. Its WiMAX deployments include Scartel (Russia), Clearwire, Tatung, and Global Mobile, and it has been deployed by 3G providers such as Verizon, Cox, and Mobily.

Bridgewater has also staked its claim in the emerging LTE market opportunity with its LTE suite of products that bundles its policy solution with its HSS and Subscriber Data Broker offering, and recently announced 5 LTE trials for 2010.

Bridgewater positions its policy solution as part of a family that includes AAA and subscriber data management capabilities, which creates a platform that controls identity and access, extensive subscriber profile information, and applies policies to the network based on these and other parameters. The combination of policy, AAA, and subscriber data management from one vendor is a compelling proposition in that all of these control plane based functions must interoperate anyway—and operators understand that. A broader pre-integrated suite of products can enable operators to accelerate their product rollout, although some operators appear to prefer to take a multi-vendor approach to their policy control implementations. Bridgewater Systems has shown traction for its WideSpan portfolio by announcing two US deployments of this product bundle including “a major US mobile provider” and Cricket Communications, a smaller but growing mobile service provider.

STRATEGIC OUTLOOK

As operators roll out new services and capabilities, they have had to add new logic and control at the edges of their networks to better manage the requirements of these applications, as well as the wide range of end user devices currently in use. The aim is for operators to have better visibility and control of their access networks so they can better manage overall and specific customer experience. Policy servers are emerging as a key tool to achieve that goal, particularly when used in conjunction with the authorization and enforcement capabilities offered by other network resources, such as AAA and RADIUS servers, edge routers, deep packet inspection (DPI) platforms and broadband gateway and aggregation hardware.

LEAD ANALYST/AUTHOR

Shira Levine, Directing Analyst, Next Gen OSS and Policy (Bio)
shira@infonetics.com +1 (408) 583.3381 twitter.com/shiralevine

SALES

Larry Howard, Vice President
larry@infonetics.com, tel: +1 408.583.3335

Scott Coyne, Sr. Account Director
scott@infonetics.com, tel: +1 408.583.3395

ABOUT INFONETICS RESEARCH

Infonetics Research is an international market research and consulting firm serving the communications industry since 1990. A leader in defining and tracking emerging and established technologies in all world regions, Infonetics helps clients plan, strategize, and compete more effectively.