

**"INSTALLATION LEAD TIMES ARE A MAJOR ISSUE FOR BUSINESS ETHERNET CUSTOMERS AND MANY ARE MAKING THEIR DECISIONS BASED ON HOW SOON THEY CAN GET CONNECTED."**

— Rick Malone, Principal, Vertical Systems Group

The timing couldn't have been more perfect. The day that Multiple System Operators (MSOs) Time Warner Cable and Comcast announced their intention to merge, Vertical Systems Group's bi-annual U.S. Carrier Ethernet LEADERBOARD registered a gain by both companies.

Comcast made the Leaderboard for the first time by leaping past Level 3 to take eighth place. Time Warner Cable hit fifth place and was the top ranked MSO for the first time since the Boston-based consultancy began market share quantification for business Ethernet providers. The Leaderboard threshold is four percent or more of billable ports installed in the U.S.

"In our mid-2013 share analysis, Time Warner Cable was out of fifth place by only a slim margin. It's not a big change, but they moved ahead," said Rick Malone, principal of Vertical Systems Group.

Leading the year-end 2013 list was AT&T in first place followed by Verizon, tw telecom, CenturyLink, Time Warner Cable, Cox, XO, Comcast and Level 3, respectively (see chart).

Time Warner Cable pulled into fifth place by penetrating the country's largest markets, New York and Los Angeles, explained Malone. The company has grown its Ethernet private line connections and connections to the cloud during the past year. It now has a backlog of orders that will likely be counted for the mid-2014 Leaderboard, he added.

Comcast had an "excellent year" and is the fastest growing company on the 2013 Leaderboard, said Malone. A successful merger between the two MSOs would challenge Verizon for the second position it has held since Vertical's Leaderboard debuted, he added.

"Comcast, which began offering Ethernet services just three years ago, has come a long way in achieving a rank on the Leaderboard. They have been successful largely due to competitive pricing and rapid provisioning intervals," said Malone. "Installation lead

## Vertical Systems Group YEAR-END 2013 LEADERBOARD

### U.S. Carrier Ethernet Services

#### Competitive Provider Segment

Rank	Ethernet Providers
1	AT&T
2	Verizon
3	tw telecom
4	CenturyLink
5	Time Warner Cable
6	Cox
7	XO
8	Comcast
9	Level 3

Challenger Tier (in alphabetical order):  
Bright House, Charter, Cogent, Lightpath,  
Windstream, Zayo

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times are a major issue for business Ethernet customers and many are making their decisions based on how soon they can get connected."

Cox, which has led the MSOs on the Leaderboard for many years, also has good provisioning time frames. The company had a solid 2013 and kept pace with the market without any hiccups, he added.

Ironically, the fastest growing Ethernet service offered by companies on the Leaderboard is access to IP VPNs, which is provided by the telecom providers, but not the MSOs, said Malone. The MSOs, however, are the fastest growing service provider segment. They are gaining momentum by focusing on providing Ethernet-based Internet access and point-to-point services to businesses in their large metro footprints.

CenturyLink also had an impressive 2013 despite coming off a few years of multiple mergers of its own. The company is the fastest growing incumbent carrier on the Leaderboard, noted Malone.

While 2013 was a banner year for Leaderboard companies and Ethernet services seem to have little competition, there is something lurking in the shadows, said Malone. Dark fiber providers will begin to impact Ethernet services in certain geographic locations across the country over the next five years, he explained. Enterprises that have the demand and the means will be thinking seriously about purchasing dark fiber on their key routes, installing and managing that piece of their networks themselves, he added.

"It's not all that prevalent yet, but certain high capacity routes can more cost effectively be served by dark fiber leased or owned by enterprises. As dark fiber prices continue to come down, it will be the first real threat Ethernet service has faced since the beginning of its market ramp," said Malone.

Also of note during the last half of 2013 was the fact that cloud connectivity is becoming an increasingly important application for U.S. enterprises. More and more connections are being made to the cloud via high-speed Ethernet private line circuits, according to the report.

"This is a big opportunity for service providers that put a focus on cloud connectivity," said Malone.

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