



Brief: Service Marketplaces Create A Hub For Your Hybrid Ecosystem

Emerging Data Center Marketplaces Empower The Customer And Threaten Traditional Sales Channels

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WHY READ THIS BRIEF

When it comes time to provision new data center capacity, most infrastructure and operations (I&O) pros today consider a multitude of scenarios — such as expanding existing facilities, renting space in a colocation facility, and adopting cloud alternatives. As if this wasn't complicated enough, evaluating colocation providers has also become more complex, as many vendors today have expanded their offerings beyond the traditional facility services, with some offering integrated managed services and others providing direct connections to public clouds or other service providers. On the other side of the sourcing spectrum, cloud computing introduced B2B eCommerce to infrastructure buyers, shifting their expectations around acquiring and provisioning new technology services. As a culmination of these trends, data center marketplaces arose to virtually connect a community of buyers and sellers, promising to simplify new service acquisition at the pace of the customer while positioning colocation as a foundation for your hybrid environment.

VENDORS EVOLVE AND RESET THE VALUE PROPOSITION OF COLOCATION

Colocation as a solution emerged as telecommunications and other technology service providers realized they could make additional revenue by renting out unused spaces in their proprietary facilities. As more vendors began to specialize in this market, standards improved, tier ratings were established, and more customers started to realize the benefits of moving into a third-party data center facility.¹ At its core, retail colocation evolved into carrier-neutral, multi-tenant data center space. Even traditional telecom providers established carrier-neutral environments to remain competitive. With over 300 providers in the US alone, the majority of vendors still only provide traditional colocation services — fully managed facility space with access to remote or smart hand services and cross-connects into carriers available at that site. However, this evolution is still underway as the top of the market continues to challenge what customers can expect from their colocation providers.

Data Center Service Marketplaces Emerge To Support The Hybrid Evolution

The colocation market has always been colored by a constant flow of mergers and acquisitions between providers seeking to add real estate assets and geographic reach or expand competencies in tangential services — often managed services, hosting, and cloud. As customers continue to hybridize their data center and computing environments, some colocation providers have jumped on the opportunity to become strategic access points to additional services. Today, there are two popular approaches to this model:



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- **All-in-one providers offer a one-stop shop for colocation, managed, and cloud services.** Traditional telcos like CenturyLink, Verizon, and Windstream have made strategic acquisitions to fill out their data center, managed services, and cloud portfolios. Providers with multiple competencies offer customers integrated access to managed and cloud services, simplifying the hybrid evolution and providing a go-to partner if any additional services are needed.
- **Interconnection-focused providers foster relationships across the community of tenants.** On the other hand, colocation providers like Equinix and TelX grew out of the interconnection space, providing cross-connects for carriers and other service providers. Continuing their role of value-added intermediary, these providers now also advertise interconnection opportunities between enterprises and service providers, providing a mechanism for customers and service providers to discover or market available services, partner with fellow tenants, and leverage direct connections to achieve lower latencies and favorable economics.

While interconnection services began with the Internet, colocation has traditionally only offered transparency for those carriers present at a site. As market leaders demonstrate the potential value of extending this service to additional use cases, more colocation vendors are beginning to market richer direct-connect options into available service providers or cloud exchanges present at a specific campus. These connections go far beyond simple “network plumbing” between companies — they are genuine partnership conduits for your digital business.

MARKETPLACES ESTABLISH CUSTOMER-DRIVEN B2B CHANNELS

For many enterprises today, the hybrid data center has already arrived. However, for the majority of enterprises, the evolution has been driven by different stakeholders. Solving only individual needs and use cases — from business units using software-as-a-service (SaaS) to remote offices relying on managed services — leaves the challenge of integrating a disparate set of resources to central I&O. Vendors that provide access to a broad set of services — whether proprietary or partner-based — promise to improve integration methods with preintegrated services or private direct connections. At the same time, they simplify the procurement process. Traditional outsourcers have always been able to enrich customer relationships with cross-selling. Open data center marketplaces now bring together a broader ecosystem of players and provide yet another alternative to traditional sales channels — this time directed by the customer.

Customer Portals Provide Self-Service Access To Manage And Expand Usage

Many of the top colocation and managed service providers today include some type of portal for their customers delivered via the customer’s browser or mobile device. This provides a digital interface to monitor systems, request services, pay bills, and, where applicable, enable customers to purchase and self-provision new resources.² Such services are typically standardized offerings

like cross-connects or utility analogous services like infrastructure-as-a-service (IaaS) or network bandwidth. Platforms that can support these transactions have effectively established a private and personalized eCommerce platform for their customers.

Open Marketplaces Showcase The Seller And Empower The Buyer

Marketplaces established within a facility-connected community allow buyers to browse and evaluate services at their own leisure. However, while these portals and platforms are designed to showcase potential partnerships, they are not currently set up to facilitate commerce between tenants. While heterogeneous Amazon-like eCommerce platforms are still a vision for data center services, these marketplaces can enable the initial handshake, now driven by the customer instead of sales.

Equinix Marketplace Serves As A B2B Sales Enablement Platform For Service Providers

In 2014, Equinix released a new version of Marketplace, an opt-in online community for companies to find and conduct business with other tenants within Equinix facilities. To take this one step further, in addition to facilitating relationships between tenants, Equinix Marketplace now provides sales enablement services through highly qualified leads and back-end analytics to inform business development. Current tools and features include:

- **A storefront maturity assessment.** This tool identifies how vendors can improve their profile within Marketplace.
- **Matchmaker.** Matchmaker provides a list of interconnection and colocation expansion opportunities across Equinix facilities based on current customer or service provider demographics.
- **Business analytics.** Access to customer demographic and behavioral data allows vendors to investigate trends within their business and operations.
- **App exchange.** This exchange hosts proprietary and partner applications with various purposes to visualize or analyze your ecosystem.

With over 3,000 participating service providers and add-on services in the pipeline, Equinix Marketplace has begun to demonstrate the true potential of carrier-neutral data center services. Others have already started to follow this example, as connecting partners within the same facility translates to stickier customer relationships for everyone involved.

MARKETPLACES CONTINUE TO DISTORT COMPETITOR AND PARTNER DYNAMICS

Vendors in the colocation market have always blurred the lines between partner and competitor: For example, carriers and managed service providers offering proprietary colocation solutions extend services into competitor facilities and establish go-to-market partnerships in other geographies, not to mention the constant hum of acquisitions encouraging continuous courtship. Because open marketplaces will entice a rich ecosystem of vendors, Forrester expects a continued distortion of these relationships as more service providers prioritize access to the customer over renting space from a competitor. In addition, similar to the sales enablement services offered in the Equinix Marketplace, there is an opportunity for service providers to better understand how customers are integrating disparate vendor services, demonstrating further go-to-market partnership opportunities.

A Successful Marketplace Will Require Full Transparency

Data center operations have traditionally enforced a closed-door policy, focusing on the privacy and security of proprietary and customer data. With the onset of open marketplaces, some organizations have been uncomfortable publicly sharing their whereabouts, because of security and competitive reasons. However, in a fully transparent data center marketplace, both sellers and buyers will thrive. Sellers will have better visibility of and access to interested customers, and buyers will have more choices with which to expand their ecosystem at their own pace. While transparency exists within the bounded community, customers with trepidations can find some consolation that this community is not a wild, wide-open frontier that is exposing them to all sorts of nefarious actors.

RECOMMENDATIONS

CHOOSE THE RIGHT VENDOR TO ENABLE YOUR HYBRID ECOSYSTEM

While this report showcases the poles of the spectrum within the colocation market, there are providers that offer various combinations of these services — from proprietary managed services and cloud to integration into partner services and public clouds. Ideally, your organization should choose a partner that will be able to grow with your business. While each organization has unique needs and varying skill sets, before selecting a colocation vendor, I&O professionals must:

- **Define their cloud road map.** While many cloud services will be adopted in isolation as point solutions, more enterprises are interested in integrating internal and external resources in a broader service ecosystem to enable real-time analytics and customized customer engagement platforms.³ Understand how your organization is using cloud services today and how you would like to use cloud services tomorrow.⁴

- **Balance vendor lock-in with flexibility.** At the two extremes, customers either select and integrate partners on their own in an open marketplace, or they rely on all-in-one vendors to provide and integrate all services. While a heterogeneous approach implies flexibility at the cost of complexity, an all-in-one approach could trap a customer into a customized setup that will only remain relevant with the same provider. Customers frequently believe lock-in is a bad thing because unscrupulous practices of the past established distrust. Some level of vendor lock-in is unavoidable, and, in some cases, tight alignment with a vendor can be a positive experience if you play the game right. To balance these two extremes cases, organizations should prioritize standardized platforms, tools, and approaches to promote deployment flexibility down the road.
- **Retain competencies strategic to their organization and consider outsourcing the rest.** Because of the range of services available, customers have the ability to strategically choose which skills and expertise warrant continued investment and which can easily be outsourced for better cost and management efficiency. As a rule of thumb, you should only invest in the competencies that are unique to and provide differentiation for your business. Evaluate whether you can automate competencies, too. If you can automate something, you may not want to outsource it, and you certainly do not want your expensive skilled staff doing it.⁵

WHAT IT MEANS

B2B ECOMMERCE CONTINUES TO DISRUPT CHANNELS AND SOLUTION PACKAGING

As data center service marketplaces continue to expand and mature, more customers will be able to connect directly with service providers on their own terms. In this community-driven services economy, self-service eCommerce emerges as the next logical step, fueled by increasing interest to consume IT-as-a-service. Liability questions aside, if transactions are enabled within an open marketplace platform, standardized and consumption-based services will thrive while encouraging more service classes to offer versions that can be purchased and consumed in the same fashion. How you buy and consume technology services is changing in many ways. These marketplaces are a radical departure from the norm — and they are here to stay.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Report

365 Data Centers	NTT Communications
CenturyLink	Peak 10
Cogent Communications	Sungard Availability Services
Colocation America	Tata Communications
Colt Technology Services	Telehouse
CoreSite	TeliaSonera
Digital Realty	TelX
Equinix	ViaWest
Internap	Windstream
Level 3 Communications	XO Communications
Navisite	Zayo

ENDNOTES

- ¹ The following report discusses the tactical and strategic elements of selecting new data center capacity and presents an overview of the US colocation market as a potential component of this solution. See the “[Consider Colocation As A Key To Your Holistic Data Center Strategy](#)” Forrester report.
- ² In some cases, vendors have separate portals for cloud management, many of which publish APIs to provision, deploy, manage accounts and billing, etc. However, now that most customers use multiple services across a vendor’s portfolio, providers are actively striving to bring all of this information together in one single pane of glass for their customers.
- ³ To learn more about designing and managing your increasingly complex technology services ecosystem, see the “[Embrace The Hybrid Technology Ecosystem](#)” Forrester report.
- ⁴ For clarification of the hybrid cloud and how you can manage this often confusing portion of your technology ecosystem, see the “[Organize The Chaos Of Cloud With A Realistic And Effective Strategy](#)” Forrester report.
- ⁵ Aligning the right parties to the various tasks is strategic rightsourcing, a topic covered in the following report. See the “[To Get Applications To The Cloud, Blend Strategic Rightsourcing With Multisourcing](#)” Forrester report.