IDC MarketScape

IDC MarketScape: Worldwide Colocation and Interconnection Services 2019–2020 Vendor Assessment

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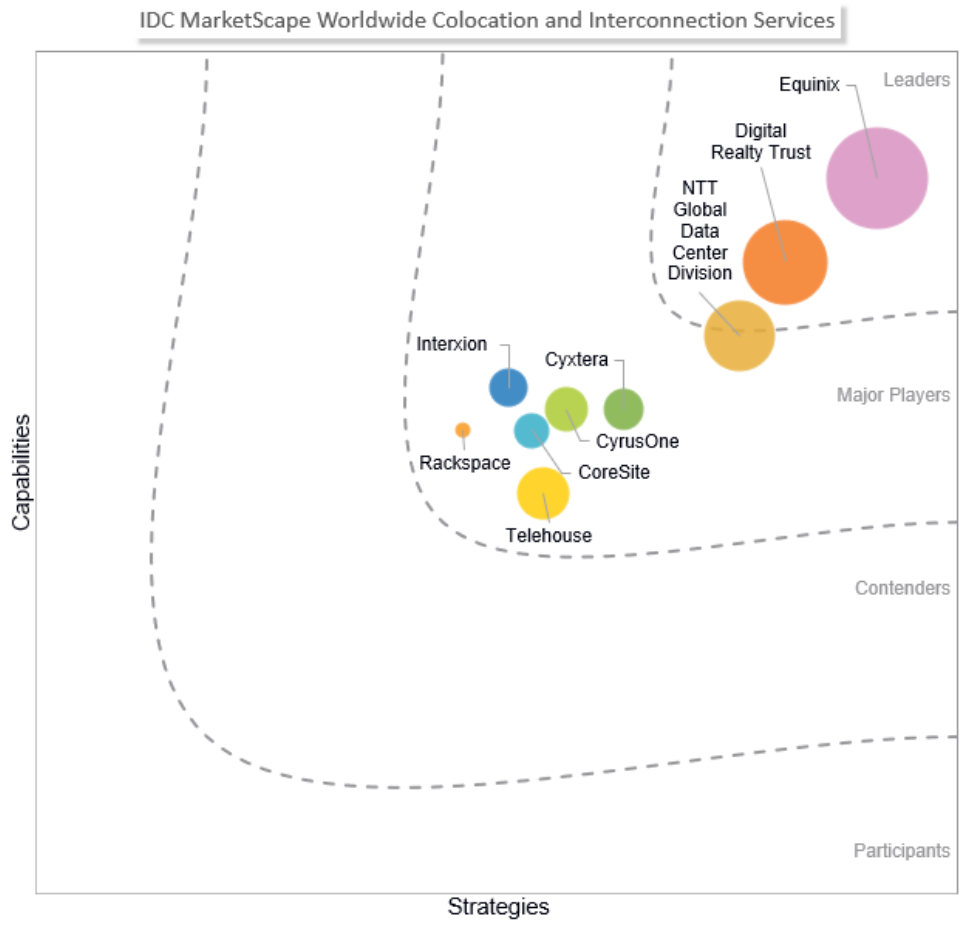
THIS IDC MARKETSCAPE EXCERPT FEATURES EQUINIX

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Colocation and Interconnection Services Vendor Assessment



Source: IDC, 2019

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Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Colocation and Interconnection Services 2019–2020 Vendor Assessment (Doc # US45717419). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This study leverages the IDC MarketScape methodology to evaluate several major colocation and interconnection providers around the world. IDC identified several leading providers from North America, Europe, and Asia/Pacific (AP). They are a diverse selection ranging in size and specialty. IDC included both wholesale and retail-oriented companies and companies that also offer managed services.

Colocation and interconnection services are defined as a customer's use of a third party's datacenter facilities (i.e., physical floor/cage/rack space, network capacity, and HVAC/power infrastructure) in which the customer operates its own servers/storage systems, network equipment, and other types of infrastructure.

Over the past 12 months, the colocation and interconnection sector has experienced steady growth driven by several key factors:

- There is hyperscale demand for third-party facilities. Demand for space and power in the key technology corridors in Northern Virginia, New York, Los Angeles, and Atlanta continues unabated. The demand has also extended to second-tier cities and will fuel a wave of new construction that will extend into 2020.
- The consolidation and downsizing of enterprise datacenters continues to push traffic to colocation providers. While enterprises are migrating workloads to public cloud environments, they also need consulting and managed cloud services that can be adequately provided by colocation providers. A diverse array of providers has emerged to cater to every need, whether domestic, global, or specialized around managed services or bare metal facilities.
- The colocation market is in transition. Some companies have retreated from managed services to focus on the more lucrative hyperscale market. However, the enterprise segment represents a significant market opportunity for colocation and interconnection services. To leverage access to cloud providers, interconnection services will provide a more cost effective and flexible networking service than traditional connectivity services.
- Ancillary services such as access to virtualized workloads, security services, and on-demand server capabilities will become increasingly important to colocation providers. The key to success will be the ability to offer the most efficient datacenters leverage highly automated processes and fortresslike security environments.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

IDC had two primary criteria for inclusion in this vendor assessment:

- Companies with an international footprint in at least two continents
- Companies with at least $500 million in annual revenue

Most companies qualified on both counts. The exceptions are CoreSite, which has only United States-based properties and serves international locations via partners, and Rackspace, which qualified based on its global reach but did not meet the revenue criterion.

ADVICE FOR TECHNOLOGY BUYERS

- **Define your requirements:** The colocation sector is in transition. The wholesale segment driven by the hyperscale sector is driving expansion and growth. This sector has very specific requirements for cooling and space, while the retail sector requires more hands-on managed services. However, some companies are focusing less on retail and managed services because they lack the significant personnel and expertise as well as the capability to implement finely honed automation and virtualized services.
- **Interconnection capabilities:** The best providers will offer a wide range of network providers, internet exchange (IX) facilities, and access to major cloud providers. Some colocation providers' on-net capabilities that offer WAN scalability and visibility will increasingly become table stakes.
- **Ecosystem marketplace:** Enterprises are downsizing in-house datacenters and increasingly leveraging colocation facilities to access software and hardware vendors for virtualized services, security services, and on-demand capabilities. Best-of-breed partnerships should be easily accessible.
- **Consulting and cloud migration services:** Some companies offer expertise to help enterprises optimize networking and establish a cloud migration road map.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Equinix

Equinix is a positioned in the Leader category in the 2019-2020 IDC MarketScape for colocation and interconnection services.

Equinix has evolved steadily over the past two decades to become a global datacenter powerhouse. With an optimistic outlook for strong future growth, the company is well poised to take advantage of emerging IT innovation over the next few years.

The company has a mission to protect, connect, and power the digital world, and it has built a platform with a solid investment strategy and a proven record of innovation to back its goal. Platform Equinix was designed to reach everywhere, interconnect everyone, and integrate everything across 204 IBXs in 53 metro markets in 24 countries across 5 continents. The company has 9,800+ customers,

including 2,900 cloud/IT providers, 1,800+ networks, and 3,000+ enterprises as well as 1,250+ financial services entities and 675+ content and media providers. These companies leverage the platform to securely and privately exchange traffic across 356,000+ physical and virtual interconnections. The company has a solid investment strategy and a proven record of innovation to back its claims.

It has and continues to launch new services, including its most recently debuted, Network Edge services, which is an innovation enabling companies to leverage the power of network function virtualization (NFV) to modernize networks virtually by deploying on-demand services from an ecosystem of vendors to dynamically connect their digital supply chains at Equinix. These types of services will facilitate digital transactions closer to the digital edge where economies of aggregation bring together customers, partners, employees, and clouds in most major metro markets around the world.

Strengths

Equinix's strength is the company's comprehensive global footprint that has seen its brand become synonymous with neutral colocation datacenters. It is at the center of the rapidly evolving cloud marketplace ecosystem that facilitates a wide range of interconnection between diverse entities ranging from network service providers, content providers, and public cloud providers to enterprises. Equinix Cloud Exchange Fabric is an innovation that has simplified the concept of a global cloud fabric. In combination with the strategic locations, access to the richest ecosystems, and ability to integrate edge services on demand, Platform Equinix provides customers value that is extremely difficult and expensive for its rivals to emulate. It also has a solid strategy in place to leverage the surging growth in hyperscale cloud companies. Equinix datacenters focus on a select group of hyperscale companies that offer significant value to the cloud ecosystem currently at Equinix. The company has moved rapidly beyond the provision of space and power to the position of a digital enabler for several verticals that are early adopters of cutting-edge digital platforms. These include high-availability platforms for the financial sector, as well as scalability for content and media providers. The deployment of core hyperscale infrastructure at Equinix serves as a magnet, creating a gravity effect that attracts additional partners, application developers, and other hyperscale vendors to Equinix's ecosystem, increasing the choice and innovation opportunities for current Equinix customers. Equinix is also a leader in leveraging sustainable and renewable energy sources. Equinix was the first datacenter company to publish a comprehensive ESG sustainability report and has also established a goal of implementing 100% renewable energy. The company is also an early adopter of the VPPA approach to the acquisition of large-scale renewable energy and regularly reports on its sustainability efforts and achievements.

Challenges

While Equinix has a broad and deep portfolio, it can be undercut on pricing by smaller regional providers on single capabilities. However, if a wider lens is used, across a broader set of requirements, its premium pricing is offset by much larger savings and benefits.

Consider Equinix When

You are a global enterprise or service provider that needs to remove the distance between your users, cloud services, ecosystem partners, and customers across your edge to meet the high-performance and low-latency demands of digital. As you transform your architecture to become digital ready, consider Equinix when you are optimizing the network to reduce costs and improve scale across strategic locations, simplifying hybrid multicloud access, distributing security controls to manage risk,

or distributing data and analytics to optimize edge computing needs. You require a high-availability and scalable platform by a company that is also deeply devoted to sustainability.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

Colocation services are defined as a customer's use of a third party's datacenter facilities (i.e., physical floor/cage/rack space, network capacity, and HVAC/power infrastructure) in which the customer operates its own servers/storage systems, network equipment, and other types of infrastructure.

- Retail colocation: This segment includes the rental of rack/cage/cabinet space in the datacenter, network capacity within the datacenter, and access to/use of critical facilities infrastructure such as power and cooling. The customer retains ownership of the equipment housed in the datacenter (typically servers, storage, and networking devices such as firewalls and load balancers) and controls and manages the IT environment. Contracts are typically short to medium term in duration and include a reserved amount of power per rack.
- Wholesale colocation: In this segment, the customer leases the building/shell or data hall/suite level rather than the smaller scale of retail colocation (racks/cages/cabinets). Projects generally involve heavily customized builds, although many operators in this segment are moving toward a mix of build-to-suit and turnkey offerings. Customers of wholesale colocation

are typically hyperscale content and media/entertainment providers, scale-oriented cloud service providers, and hosting, IT managed services, and telecommunications companies.

- **Interconnection:** Colocation providers facilitate digital exchange points for network providers, internet peering providers, cloud providers, content providers, managed service providers, and enterprises to connect to each other's networks. The modern hyperconnected digital ecosystem relies on low-latency, scalable bandwidth. These carrier-neutral facilities offer direct one-to-one, one-to-many, or many-to-many connectivity as required by each segment. This is an essential aspect of the colocation business and will become increasingly important in the future.
- **Managed services:** Colocation providers also offer a range of managed services to enterprises including remote configuration, on-demand compute, and server capabilities, as well as monitoring, security, and cabling services.

LEARN MORE

Related Research

- *U.S. Enterprise Communications Survey, 2019: Hosting and Colocation Services* (IDC #US44792219, November 2019)
- *Market Analysis Perspective: U.S. Hosting and Colocation Services, 2019* (IDC #US45541019, September 2019)

Synopsis

This IDC study presents a vendor assessment of the 2019 colocation and interconnection vendor market using the IDC MarketScape model. This assessment covers nine key colocation service providers on a worldwide basis. The assessment is based on current and future capabilities with a view of presenting a comprehensive analysis of enterprise requirements.

"The migration to digital platforms, as well as the requirement for seamless and efficient interconnection to network providers, and cloud platforms is strong driver for the colocation and interconnection market for enterprises, content, and service providers. Colocation facilities offer additional enhanced and efficient options for service providers and enterprises alike and will continue to drive growth of the digital ecosystem," according to Courtney Munroe, GVP, Telecommunications Research at IDC.

About IDC

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