

IDC MarketScape

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

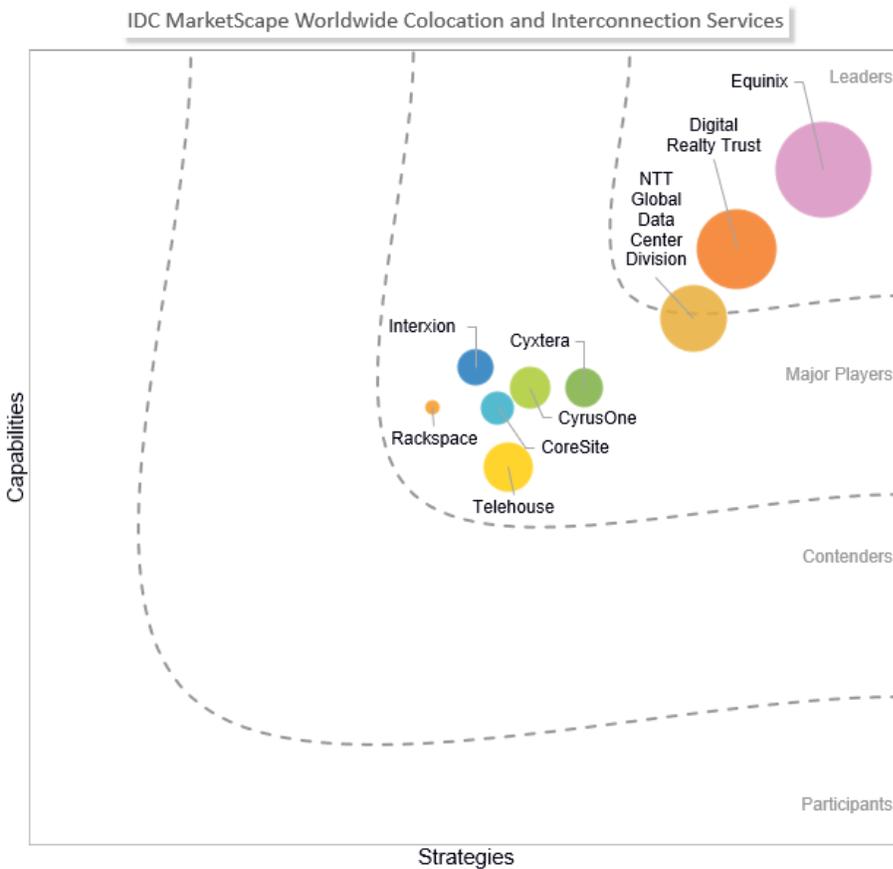
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THIS IDC MARKETSCAPE EXCERPT FEATURES NTT GLOBAL DATA CENTER DIVISION

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Colocation and Interconnection Services Vendor Assessment



Source: IDC, 2019

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 MARKETSCOPE VENDOR INCLUSION CRITERIA

- 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 PROFILE

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 the vendor's strengths and challenges.

NTT Global Data Center Division

NTT Global Data Center Division is positioned in the Leader category in the 2019-2020 IDC MarketScape for colocation and interconnection services.

In July 2019, NTT Ltd., based in London, United Kingdom, was launched. This is a new subsidiary of NTT Inc. and is a consolidation of the global, non-Japanese segments of the 31 different brands encompassed by NTT Communications, Dimension Data, and NTT Security. In FY18, NTT Ltd. accounted for 58% of NTT Inc.'s total revenue.

NTT offers a tier 1 global IP network, spanning 44 metro markets around the world. It is still one of the few network providers with a strong cloud infrastructure-as-a-service (IaaS) portfolio with the ability to offer private cloud and managed public cloud solutions. The new datacenter unit includes internal NTT assets and several companies acquired over several years, including DPA, e-shelter, Gyron, Netmagic, NTT Indonesia Nexcenter, and RagingWire. NTT is also one of the top 3 datacenter

operators, alongside Digital Realty Trust and Equinix. NTT offers both wholesale and retail datacenter, colocation, and cloud connect access with facilities in 20 countries. In October 2019, the company reiterated its plans to continue investing in strategic growth metro markets around the world.

Strengths

NTT has 150 datacenter locations around the world in over 20 countries. The company has approximately 4 million square feet of floor space under management and offers a diverse range of compute, IT, and network services to both hyperscale companies and enterprises. While NTT is primarily a hyperscale provider, it also provides what it terms enhanced IT capabilities to enterprises including managed hosting, colocation, hybrid cloud services, and network services. Its network services are marketed under the SD X brand. NTT's Software-Defined Exchange Services offers colocation and cloud access to public cloud providers. This includes SD WAN and L2 connectivity to network providers and IaaS providers. NTT's network backbone as well as datacenter facilities should attract new clientele and expand wallet share with cross-sell/upsell opportunities in MNC organizations.

Challenges

The key challenge for NTT as it moves forward is around branding and marketing. The company has a stellar reputation as a hyperscale datacenter provider. While it is well known in Japan and the AP region for its retail enterprise portfolio, it still lags behind in this segment in Europe and North America. NTT will also benefit in time from the transformation and consolidation of the various NTT divisions and subsidiaries.

Consider NTT Global Data Center Division When

The new NTT is a highly diverse ICT service provider and offers an unparalleled portfolio of ICT services. NTT offers global MNCs a true one-stop capability that spans design, consulting, and systems integration to hybrid IT management and global software-defined networking and interconnection. NTT is also known of a high quality of service and offers a forward-looking road map that will allow enterprises to leverage a diverse range of expertise and cutting-edge facilities.

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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