COLOCATION ON DEMAND

Why modularity and power provision is becoming key to getting customers into colo. By Yevgeniy Sverdlik

With customer thoughts about data center infrastructure evolving, and capital constraints in the market shrinking, competition among providers of colocation services is becoming fierce. This is driving an increasing emphasis on speed to market for new data center capacity.

James Henry, senior managing director at Bank Street Group, says two years ago colocation providers were feeling capital constraints. "Very few operators were building capacity at large scale, and the customers were obligated to be patient," Henry says. Today these providers are better capitalized, and the rise of real estate investment trusts has ensured investment funds are available.

There are also a lot more players in the market with space to sell — a crucial element for providers of space in popular colocation markets. "You never want to be without capacity, especially in an important market," Henry says. "What that creates is a reason for your customers to call somebody else."

And it is not only direct competitors colocation providers need to be concerned about. The ability of today's enterprise to quickly build data centers and the rise of cloud-based services are only adding to market pressure. According to Simon Lee, managing director at investment firm Sapience, the data center market is becoming more sophisticated, and this means that customers can get the right staff and technology to meet their data center requirements inhouse if desired. "There are more choices for customers, and the choices aren't just about colo," Lee says.

"Ten years ago, the number of firms that had experience building data centers wasn't that large. Today there are more people that have experience."

Gary Davis, director of the data center practice at PlanNet, a full-service data center consulting firm, says he agrees. He says the idea that there is a "mass exodus" of enterprises from inhouse to colocation facilities is only hype.

Time to market has become a key concern for competitive colo players

While there is a somewhat bigger tendency for today's enterprises to locate some portion of their infrastructure at a commercial facility, most will still retain data center facilities inhouse. And even with all the fuss that surrounds it, Davis says that enterprises are still not rushing to replace such facilities with the Cloud.

THE POWER SELL

PlanNet helps large enterprises develop data center strategies, from building in-house facilities to taking colo space or using managed services provided externally.

When evaluating colocation providers on behalf of a client, PlanNet manager of data center support systems and principal Michael Fluegeman says its representatives pay close attention to existing free capacity. "If they're 75% full and don't have an actionable plan for expansion, we shy away from that facility," Fluegeman says.

This capacity for expansion, more than anything, is determined by the availability of space and power. And customers considering colocation know this.

"If you're talking about building out floor space or adding infrastructure, we're not concerned with how quickly that can be done," Fluegeman says. "It's the big time-consuming things like utility power [that count]."

It is not surprising. Hitting the ceiling with power at an in-house data center can be a key decider for an enterprises considering moving to colocation. Brian Oley, associate director of data center solutions at real-estate services firm Jones Lang LaSalle said he has toured numerous enterprise data centers, built only a few years back, that are now experiencing problems with the high power densities required by today's end user. "We often see a lot of vacant floor space, constrained from immediate expansion due to the inability to add more power," Oley says.

As a result, many large enterprises will look at colocation as a quick temporary fix when they run out of their own data center capacity to host overflow before they expand their own infrastructure.

ON LINE ON DEMAND

The key for the colocation provider that wants to accommodate the changing needs of their customers has been speed of deployment. This has in turn led partly to the proliferation of modularity in the data center industry. Today's savvy colocation players are now more likely to be leasing out the data center in modules, that can come online as required.

For companies that do this – such as i/o in US or Colt in Europe – modularity gives the advantage of deferring large capital expenditure until the capacity is sold. It means that once the deal is made capacity can be delivered fast. i/o, for example, recently delivered 3.6MVA to a customer in New Jersey within 90 days, and also set up a modular offering for Logicalis in just one week in its Pheonix data center.

Modular or traditional, however, expansion capacity still largely revolves around power availability — like so much else in the data center world. But when the power is there, ability to put it to work fast is crucial. ■