

## **Internet Data Centres In Asia To Expand By 45% In Space And 80% In Service Value By 2010; India To Emerge As Key Player**

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**London, 2nd October 2006** – The Data Centres Practice at consultancy BroadGroup, forecasts an increase of 45% in space and 80% in service values by 2010 in a new report published today. The report suggests that India will emerge to become a significant player, second only to Japan in terms of space and service revenues by 2010.

The report, *Internet Data Centres Asia: Market Evolution, Opportunities and Challenges*, is the first study of the market for some years that assesses the structure, process of change and future prospects of the evolving market. Across the 11 economies surveyed, the report suggests that data centre markets are more complex and multi-faceted businesses than found elsewhere, that a multi-tiered system of operations – as opposed to a “regional” market - exists at present, and that the period through to 2010 will be characterised by step change involving consolidation, significant shifts in demand, and the emergence of India as a leading player.

Contributed to by data centres across the region, telcos, integrators, and organisations supplying services and products into the sector, the report identifies a number of highly diversified business models that have been adopted. Where most providers continue to concentrate on providing space and connectivity, others are developing a broader service menu which shifts the model from space provision as a core business.

The shift to fully fledged managed services has not yet occurred in any depth across the majority of data centres. Enterprises have yet to migrate IT to third party outsourcing but may be more inclined to do so once the level of customisation that managed services offer becomes available.

Trends emerging in the sector include early internationalisation of data centre businesses although by a relatively small number of companies, the sustained dominance of telco data centres in many markets, and evidence too of self-build by enterprises concerned to control security, operations and costs.

The period of review will witness continued growth at different levels, with the most striking advances made in India, where substantial build programmes have already started. Evidence too of investment by Indian players in Asian companies could contribute to the process of consolidation the report believes will be the next step in the evolution of a data centre marketplace.

Many industry, customer and country-specific challenges remain, not least of which in China where significant growth opportunity remains hampered by internal issues. The average age of facilities and exclusion of some from new RFPs underlines the dilemma many data centres in the region confront.

The report warns that investment is required by data centres to upgrade facilities and reduce costs. At the same time overhang in supply – arguably in Taiwan and Singapore – will need to be eliminated. To compete effectively in new content driven markets – particularly hosting online gaming – and Triple Play - and provide these services requires investment in equipment, people and software and increased demand for power and cooling, redundancy and a high availability guarantee. This report believes few providers are able or willing to make this investment, suggesting consolidation is required.

While growth vectors are present across the region, data centres need to become aware of the global nature of the evolving marketplace, and prepare to meet the implied challenges. Critically, the rise of India across the period will exercise a profound influence as a marketplace emerges. Within this context, service revenue forecasts prepared for this report reveal a conservative estimate of almost 80% growth across the period.

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