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# TO BUILD OR NOT TO BUILD: A NEW BUSINESS MODEL FOR DATA CENTER

**Arif Polat, Head of Market Development and Interconnection Strategy, ITENOS**

The data center and value-added services are converging. And competition is getting tougher due to merger & acquisition activities. DC providers are addressing these emerging challenges by reinventing their business models and enhancing their product portfolios. Arif Polat, Head of Market Development and Interconnection Strategy at ITENOS, explains how DC operators are getting ready for transformation in the niche market of Germany.

**Q | What are the current challenges in the market?**

The DC industry is in a process of service convergence. DC providers are moving away from traditional colocation services to value-added services, and DCs are evolving from ‘rack hotels’ into integrated IT solution providers. Competition is also heating up after a spate of mergers and acquisitions. A flexible and agile response to these market developments is more important than ever before, so we have been busy adapting our business model and diversifying our product portfolio.

**Q | Can you explain ITENOS’ differentiation strategy in this toughly competitive market?**

Today it’s important to optimize your investment and shorten times to market. The data center business is extremely CAPEX-dense. Depending on the design and location of a new facility, it can take 8-10 years to reach break-even point.

One way in which we differ from other DC operators is our low-CAPEX business model: We don’t actually build our own facilities. We collaborate with other operators to offer our broad value-added product portfolio. This gives our customers a clear price advantage on bundle offers, and  reduces the time and effort involved in entering new markets. We call this new concept of providing our own VAS services via partner DC facilities ‘Over-the-Top Data Center.’

In addition, we just concentrate on specific niche markets and aim to be the best solution provider in this market. Germany is our main market and the European Interconnection hub Frankfurt is our flagship location. Practically all of our customers use the services of other DC operators at other global locations, but when it comes to Germany we are their preferred DC services provider.

**Q | As a DC operator, how can you bundle all these solutions for your customer?**

We developed a virtual interconnection platform called Data LogistIX. Instead of a traditional fiber interconnect mesh for the physical connection of services, the DLX provides access to all services via one single physical port on a ‘one-port shopping’ basis. And we’re also expanding the DLX platform to our partner data center with our own backbone via core-edge architecture. The DLX platform is duplicable, as well as location, facility and operator-independent, so users can access it from anywhere.

**Q | How do you see the future of the market, and what are your own plans?**

The latest research shows that the global data center market has an estimated five-year CAGR of 10%, and will be worth $44 billion in 2019. Due to the impending Brexit, Frankfurt overtook London as the fastest growing data center cluster in Europe for the first time in 15 years. In response to that, we opened our second facility in Frankfurt.

We believe that the consolidation process activity will gain momentum. DC operators will address the associated challenges by seeking new ways of collaboration. We’re in the process of expanding our existing facilities in Frankfurt, Dusseldorf, Stuttgart, Hamburg and Leverkusen, and we’ll be adding new facilities in the future.