

## MARKET NOTE

# Equinix Much More Than a Colocation Provider – An Integral Part of the Hyperscale Cloud Ecosystem

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## EXECUTIVE SNAPSHOT

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### FIGURE 1

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#### Executive Snapshot: Equinix More Than a Colocation Provider – An Integral Part of the Hyperscale Cloud Ecosystem

In this IDC Market Note, we discuss Equinix's analyst conference held June 20 and 21, 2018, in New York City. The event highlighted the growth and positive outlook for this company, which benefits from its unique business model in the era of digital transformation. Key highlights of the event included the company's presentation of its successful strategy to move beyond basic colocation to leverage interconnection as well as its pursuit of the enterprise and virtualized services markets. The company's approach to hyperscale partnering and channel strategy is also innovative and well designed.

#### Key Takeaways

- Equinix's channel strategy is to form key alliance relationships with large technology providers and then create a joint value proposition with that alliance partner. That joint value proposition can then be leveraged with specific joint capabilities to recruit channel partners to work with predefined sales plays. It has a particular focus on deepening its hyperscale partnerships.
- Equinix is expanding its "Equinix Cloud Exchange (ECX) Fabric" to facilitate global coverage and is launching new services that will facilitate digital transactions closer to the edge of the enterprise network.
- Equinix's interconnection capability gives channel partners efficient ways to design solutions for customers that are much more efficient and lower cost.
- Equinix Marketplace enables customers to find partners, digital tools, and services. The marketplace provides a means to access interconnections by enabling buyers and sellers to easily find and connect with each other in over 50 markets around the world. Partners can locate and integrate best-in-class provider offerings via the marketplace.
- Equinix Internet Exchange is the most widely distributed peering and traffic exchange, peering 2,500Gbps of IP traffic to over 90% of the world's internet routes.

Source: IDC, 2018

## IN THIS MARKET NOTE

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In this IDC Market Note, we discuss Equinix's analyst conference held June 20 and 21, 2018, in New York City. The event highlighted the strong growth and positive outlook for the company. Key highlights of the event included the company's presentation of its successful strategy from pure-play colocation to interconnection, as it described "becoming the place where all the networks that drive the internet meet." It continues to pursue the enterprise and virtualized services markets, and the company's approach to hyperscale partnering and channel is innovative and well designed.

## IDC'S POINT OF VIEW

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This analyst summit, which is held every two years, marked Equinix's 20th anniversary. Over its history, the company's strategy has evolved to take advantage of technology changes and disruption. Equinix has a strong history of innovations and proven investment success to support its mission. The company has 9,800+ users and manages 283,000+ interconnections and claims market leadership in 16 of the 24 countries it operates in.

### Equinix Mission

The Equinix mission is "reach everywhere, interconnect everyone, and integrate everything":

- **Reach everywhere** by offering digital infrastructure worldwide with its 200 datacenters in 52 metro markets in 24 countries across five continents (Specific colocation services include IBX SmartView, 200 IBXs, and hosting infrastructure services [HIT].)
- **Interconnect everyone** through its Cross Connect, Metro Connect, Internet Exchange, Equinix Connect, and Equinix Cloud Exchange (ECX) Fabric worldwide
- **Integrate everything** with its portfolio of professional, managed, and packaged services (The company also has an expanding portfolio of tools, utilities, and products that enable partners to efficiently add network, cloud, security, and data management capabilities to a solution.)

Equinix is expanding its Equinix Cloud Exchange Fabric to facilitate global coverage and is launching new services that will facilitate digital transactions closer to the edge of the enterprise network, as well as key partner nodes in most major metro markets around the world.

IDC believes that digital transformation (DX) projects are enhanced through high-speed, low-latency, secure communication among enterprise assets provided by interconnections. The value provided by these interconnections goes beyond speed and latency and will increase as interconnect fabrics and their APIs are leveraged, creating new benefits for partners and customers. Equinix's unique business model puts it in a strong position to take advantage of the growing need for adjacency; through its interconnection, its customers gain value from being adjacent to their ecosystem.

### *Interconnect Offering*

In telecommunications talk, interconnection is the physical linking of the network of a colocation customer (whether it is a carrier, CDN, cloud, or enterprise) with equipment or facilities of other networks, including its own. The term may refer to a connection between any telecom service provider's network node and the equipment belonging to its customer or to a connection between two (or more) telecom service providers. Equinix's interconnect capabilities between all major telecommunication carriers (1,700+ globally) and its colocation customers have placed it at the center of the digital IT ecosystem. Equinix Internet Exchange is the most widely distributed peering and traffic

exchange, peering 2,500Gbps of IP traffic to over 90% of the world's internet routes. An additional advantage that Equinix provides is that its datacenters are carrier neutral.

To grow its interconnect business, Equinix initially focused on the move to cloud by offering shared colocation services in strategic core locations where hyperscalers had datacenters. The company now targets a broad range of service providers and enterprises that want to minimize costs and latency involved in traditional IP data connections. All of the major cloud hyperscalers leverage interconnect services in Equinix International Business Exchange (IBX) datacenters; Google Cloud recently expanded its interconnections to 20 Equinix IBX datacenters worldwide, while AWS and Azure utilize 21 IBX datacenters today. However, once ECX Fabric is global by the end of 2018, all cloud providers on ECX Fabric will be available via remote connections from any ECX Fabric location.

Equinix's interconnection services include cross-connect and peering services and hosts the global "ECX Fabric," which refined and upped the ante for interconnectivity by providing a uniform and single worldwide platform, facilitating dynamic visibility and access from any worldwide point of presence. Equinix's interconnection capability gives channel partners efficient ways to design solutions for customers that are much more efficient and lower cost.

### **Emerging Services**

Equinix offers IBX SmartView services, which provides power, performance, and environmental analytics with alarms and notifications that channel partners can leverage in their own services. The company also offers a range of managed and professional services and various tools that bring added value to the company's offerings. For example, it is currently rolling out Equinix SmartKey, a cloud-neutral, API-enabled key management and cryptographic operations hardware security module (HSM)-as-a-service offering. This allows partners and customers to secure servers and sensitive data with their own security key.

### **Channel and Hyperscaler Strategy**

Equinix's channel strategy is to form key alliance relationships with large cloud and technology providers and then create joint value propositions with those alliance partners. That joint value proposition can then be leveraged with specific joint capabilities to recruit channel partners to work with predefined sales plays. This approach ensures that channel partners have a proven path to work with Equinix that is productive for all participants. Alliance partners include AWS, Microsoft Azure, Google Cloud, F5, NetApp, and Oracle. Its channel partners include value-added resellers, global systems integrators, regional systems integrators, independent software vendors, managed service providers, and telco service providers, including well-known partners such as Dimension Data, Presidio, and Insight-Datalink.

While all the major hyperscale platforms have presence in Equinix facilities around the world, deepening these partnerships is a particularly important part of the strategy, which the company sees as essential for interconnection leadership. It has identified 12 hyperscale partners as priority and will continue to look to build momentum with these companies.

Equinix's approach to establishing joint value propositions with these (and all) partners is particularly innovative and points to a sophisticated approach to partnering – much more aligned to the needs of digital ecosystems than traditional channel approaches.

The following is an AWS-Equinix joint value proposition example:

*Together, Equinix and AWS provide industry leaders a way to obtain and establish a fast and secure connection between various cloud environments via Platform Equinix and AWS Direct Connect. The joint solution enables an interconnected digital world by easily deploying a hybrid cloud infrastructure while building in compliance and maintaining control over your own network and resources. We provide easy, secure, and low-latency connections to AWS Cloud Services in 29 key metro areas globally, facilitating access to vibrant business ecosystems across diverse industries such as financial services, healthcare, enterprise, and media and entertainment.*

For example, Equinix recruits AWS channel partners to build and sell integrated hybrid solutions hosted in Equinix and interconnected with AWS products and services around specific go-to-market paths or sales plays. Some of the more mature partners have their own solutions or sales plays that extend the standard offerings.

Channel partners need to build cloud-connected solutions to stay relevant and often miss adding interconnection as an ingredient in their solutions, often because of lack of knowledge of the offerings. IBX interconnections at Equinix datacenters can save customers as much as 40% on their data charges, maybe paying for the entire project in saved connection costs. The end customer does not have to have its datacenter in the Equinix IBX to take advantage of Equinix's interconnect capabilities. All that is required to start is a network connection in the closest Equinix IBX. Placing end-customer systems, run by a partner, in Equinix and privately connecting to clouds deliver secure, low-latency, high-speed interconnection between legacy systems and cloud services.

Currently, only 19% of Equinix revenue is generated through the channel. The company's plan is to dramatically expand partner capabilities to more rapidly grow its business following the approach outlined previously. IDC thinks that the Equinix channel strategy is a unique, well-architected method to onboard new partners into a complex range of offerings, which is outside most channel partners wheelhouse.

## Equinix Marketplace

Equinix Marketplace is a place where customers can find partners, digital tools, and services. The marketplace provides an easy way to access interconnections by enabling buyers and sellers to easily find and connect with each other in over 50 markets around the world. Partners can locate and integrate best-in-class provider offerings via the marketplace. The marketplace matchmaker app enables partners to search for direct connections to thousands of companies in hundreds of verticals and to use business analytics apps to make strategic colocation and interconnection decisions. As technology deployments are becoming more hybrid, IT managers need to minimize the number of hops and simplify their architectures.

## LEARN MORE

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### Related Research

- *Delivering Digital Transformation with the Channel: Supporting and Incenting Partners to Deliver Business Outcomes* (IDC #US43799118, June 2018)
- *The Digital Transformation Channel Partner* (IDC #US43836618, May 2018)
- *Infrastructure Channel Leadership Council Content, CY 1Q18* (IDC #US42632118, February 2018)

### Synopsis

This IDC Market Note summarizes key announcements made at the Equinix Analyst Summit held June 20 and 21, 2018, in New York City.

"IDC believes that Equinix's interconnect offering, hyperscale, and channel strategy provide critical value for partners delivering digital transformation to their customers." – Pam Miller, director, Infrastructure Channels and Ecosystems

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