

Data Center Rack Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The global data center rack market is expected to grow by registering a CAGR of 5.6% during the forecast period. Whether private or public, data centers are critical to enterprises hosting mission-critical applications. These data centers help organizations streamline information while enabling easy access to users and customers from anywhere worldwide. Data centers have witnessed growth due to the increasing dependence and spending on cloud technologies.

Key Highlights

Data centers have become a key component in IT infrastructure for many organizations. With large amounts of data being generated daily, companies rely on data centers to efficiently handle data and storage. Therefore, the growing deployment of data centers worldwide is the major driving factor influencing the consumption of data center racks. The increasing demand for technology services and investments from major companies are also changing the market's growth.

These data center racks are deployed primarily for infrastructure management in the data centers. These racks host servers, switches, cables, and other equipment in the data center. With changing technologies and the adoption of high-density servers, rack infrastructure has become a crucial aspect in data centers, with the need to host servers effectively, manage cables, and facilitate airflow to ensure the optimum performance of data centers.

Initially, the focus on rack infrastructure in data centers was minimum, with size and cost being the only considerations during deployment. However, the adoption of high-density applications and the importance of cooling and power in the data center also are influential factors in the growth of the market. It is estimated that 39% of the power consumed by the data center is spent on cooling. Thus, companies demand efficient cooling systems to reduce energy consumption and improve overall efficiency.

Additionally, the key factors driving the market's growth are Big data analytics and the modernization of IT infrastructure trends. Big data analytics aids in the management of complex and jumbled-up organizational data that is processed across multiple data centers.

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The growing cloud demand and data traffic moving from and within the data centers are expected to bolster global demand during the forecast period. Per Cisco, the cloud data center IP traffic is expected to reach 19,509 exabytes annually by 2021, compared to 1,046 exabytes per year of traditional data center traffic.

COVID-19 negatively influenced business continuity across all economics, affecting organizations of all sizes in every industry. Effective and efficient services that simultaneously accommodate new needs and counteract change and problems have become a strategic and operational necessity for data centers. Two main factors are fueling the tremendous rise in demand. The need for processing power was brought on by the widespread shift of many enterprises and institutions to working from home. Never before had digital infrastructure been more crucial to the global economy. As we all spent more time indoors, the corresponding increase in digital applications for video calling, healthcare, e-learning, and e-commerce, together with those for leisure led to a rise in the demand for data capabilities.

Data Center Rack Market Trends

BFSI Sector Expected to Hold a Significant Share

Cloud and data centers have become the backbone of the BFSI sector, especially during the digitization movement. The increasing competition and the demand for online services in the banking and financial sectors drive the market for data centers and, by extension, data center racks.

Data centers have become very crucial for financial services. The racks used in the banking sector require additional protection against theft, damage, and other risks. Racks enable the banking service providers to have a platform that hosts the systems and protects them from unforeseen physical risks. These racks are modular, owing to which the banking service providers can upgrade when required.

The rack providers are developing particular products for this segment to cater to the increasing demand from this sector. The most recent was by NetRack, which launched iRack/iRack Block to cater to the banking and insurance sectors.

The strong presence of BFSI in developed regions, like North America and Europe led to increased penetration of digital services. This is primarily owing to the higher degree of awareness related to digitization in these regions. Along with this, Asia-Pacific is also growing substantially due to a huge consumer base for these services. Countries like China and India are witnessing a strong shift toward cloud services in the banking sector.

The growing scope of online payment further increases the need for data centers in the BFSI sector. Banks and financial institutions securely store customer information in both on-premise and cloud data centers, as well as on the trading floors and in branch operations.

Due to the global coronavirus disruption, the adoption of digital banking solutions is expected to adopt further technologies like containerization, cloud computing, microservices, APIs, and blockchain. Hence, the financial and banking industry is expected to provide several growth opportunities for data centers.

North America to Hold Maximum Market Share

The rapid growth of mobile broadband with an increase in big data analytics coupled with cloud computing are some of the factors driving the demand for new data center infrastructures in the North American region. The region also comprises a considerable amount of data centers. Multiple enterprises are switching from hardware to software-based services, and they are anticipated to be an addressable market for data center installations. Moreover, according to the cloud scene, there are more than 2500 data centers in the United States and more than 250 data centers in Canada.

The United States has the highest number of data centers globally, and it is witnessing robust growth in terms of the volume of

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big data and traffic due to the increase in the number of hyperscale data centers. According to Cisco, the volume of big data in data center storage globally is expected to reach 403 exabytes by the end of 2021, of which a huge share would likely be attributed to the United States.

Moreover, the region has a strong foothold of data center racks providers, driving the region's market. Some of them include Kendall Howard LLC, Belkin International Inc., Martin International, HPE, Dell EMC, Black Box Corporation, and Chatsworth Products.

The leading vendors offer an integrated power, cooling, and IT infrastructure to attract a higher number of consumers and gain a larger market share. The region is likely to witness higher investment in mega facilities projects, contributed heavily by colocation, internet, and cloud service providers, thereby boosting the demand for racks and rack options.

Moreover, the US government commenced the Data Center Optimization Initiative (DCOI) to deliver better services to the public while increasing the taxpayers' return on investment by consolidating many data centers in the country. The consolidation process includes the process of building hyper-scale data centers and shut-off the underperforming ones. To date, the government has closed over 3,215 sq ft of campus in Northern Virginia.

Data Center Rack Market Competitor Analysis

The data center rack market is fragmented. With changing technologies and the adoption of high-density servers, rack infrastructure has become an important aspect of data centers, with the need to host servers effectively, manage cables, and facilitate airflow to ensure the optimum performance of data centers. Overall, the competitive rivalry among the existing competitors is high. The new innovative strategies of large companies are driving the data center racks market.

In January 2022, a major Swedish research institute and innovation partner, RISE Research Institutes, and Vertiv, a global provider of digital infrastructure and continuity solutions formed a new partnership. Vertiv is joining founding partners, including Facebook, Ericsson, Vattenfall, ABB, LTU, and the Norrbotten region, by entering the partnership program for data center systems technologies at the platinum level.

In February 2022, the first 16 AWS Local Zones in the United States have been completed, and 32 new AWS Local Zones will be launched in 26 other countries, according to Amazon Web Services Inc. (AWS), an affiliate of Amazon.com Inc. and this is to enable customers to deploy applications that require single-digit millisecond latency closer to end users or on-premises data centers, AWS Local Zones are a type of infrastructure deployment that extends AWS Regions to place compute, storage, database, and other AWS services at the edge of the cloud near large population, industry, and information technology (IT) centers.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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