

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

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Report description:

The Data Center Interconnect (DCT) Market is expected to register a CAGR of 14% during the forecast period. With the proliferation of data and expansion of technologies like AI and High-Performance Computing (HPC), the need to connect data center assets quickly, reliably, and cost-effectively is growing significantly.

Key Highlights

Factors such as throughput, latency, simplified operations and maintenance, intelligence, and security are becoming significant priorities for data center vendors. This is one of the major factors driving the adoption of Data Center Interconnect (DCI) technology. This is because they can increase bandwidth between data centers, cut down on latency, and stop packet loss.

The market being studied is getting bigger because of the growing cloud computing industry and the recent rise in OTT service use due to a nationwide lockdown. Moreover, the increasing commercialization of 5G services may further expand the scope of interconnected data center solutions. Autonomous vehicles, smart cities, digital twins, virtual reality, AI virtual assistants, video surveillance and monitoring, and gaming can drive the market's demand.

The data center interconnection market is growing because more and more people are becoming aware of its many benefits, such as easy access, more convenience, highly encrypted data, connecting with other data segments, and so on.

The edge computing trend, essential in the 2020 nationwide lockdown scenario, further expands the studied market scope. About 10-15 percent of data is created and processed outside a centralized data center or cloud, but it is expected to reach 60-70 percent by 2025. The hyperscale data centers of Amazon, Google, Equinix, and DRT, are interconnected and stream data and applications over the network to end users. The edge cloud may be a unique ecosystem of open and interconnected data centers. The major challenge, especially for small and medium-sized businesses, is the cost of data center connectivity services. A new data center necessitates a significant investment in both construction and maintenance. Furthermore, the distance between data centers is important since it might reduce a data center's efficiency, limiting the growth of the data center interconnect industry.

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The COVID-19 outbreak sparked a surge in demand for cloud computing globally. It also expanded the scope of the data center market. Although the data center construction projects witnessed a supply chain disruption due to the labor shortage, it was not expected to delay the completion of several projects. This was only seen in the initial phases. Video streaming and conferencing usage surged beyond expectations, particularly during the nationwide lockdown period, driving up bandwidth demands for networks globally. After the pandemic, the market is currently growing due to rapid digitization and increased 5G services.

Data Center Interconnect Market Trends

Increasing Number of Data Centers to Drive the Market Growth

According to the US-based market vendor, Ciena Corporation, the number of data centers has increased in recent years, as there are now more than 7,500 around the globe, with 2,600 packed into the top 20 global cities alone. According to Huawei, global data produced annually may reach 180 ZB in 2025. The proportion of unstructured data (such as raw voice, video, and image data) may also continue to increase, reaching more than 95% shortly, boosting the growth of data centers globally.

Data Communication Network (DCN) and Data Center Interconnect (DCI) solutions are increasingly concerned with quickly increasing DCN and DCI bandwidth to ensure zero packet loss, low latency, and high throughput of lossless networks, meeting the requirements of rapid service development. The DCI network connecting data centers has evolved into a 10 Tbit/s Wavelength Division Multiplexing (WDM) interconnection network.

Further, data center service providers are investing in expanding their colocation and cloud capabilities. End-user enterprises (like telecom and financial organizations) opting to build their own data centers are mainly making the interconnected market for data centers a global investment hotspot. Industries, mainly OTT, ISPs, the financial sector, and the public sector, are developing their use cases for DCI networks due to data center growth and distribution, improved fiber utilization, and low-cost pluggable modules.

The growth of data centers is also driving an increase in DCI, which allows enterprises to connect their data centers, cloud providers, and other data center operators to enable simpler data and resource sharing. According to CloudScene, India has 29 internet users for every 100 people, and its connectivity ecosystem is made up of 122 colocation data centers, 348 cloud service providers, and eight network fabrics.

Numerous factors, including the growth of virtualization and cloud computing, mobile data expansion, video consumption, and on-demand services, are driving a greater need for DCI in India and globally. Other key drivers include a significant increase in data and digital intelligent devices (such as Amazon's Alexa and Google Home) and the government's ambitious Digital India initiative.

Europe to Hold Significant Market Share

The growing number of data centers, increasing investment in cloud technologies, and the expansion of end-user markets are some of the major factors driving the European data center's investment in the interconnect market. The stringent regional laws, like GDPR and the Personal Data Protection Initiative (Gaia-X), further boost the region's local data center construction and development.

Germany, the United Kingdom, the Netherlands, and France are some of the major investors and adopters in the market studied. Investment and growth in the data center sector in the region have been increasing. This is mainly due to the high rate of adoption of cloud technologies. For instance, Microsoft alone has doubled its European data center capacity recently.

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Data traffic growth is expected to contribute to the market's growth significantly. For instance, according to Equinix, London is expected to remain the most important European market for data. Furthermore, an increasing number of European data compliance regulations serve as a catalyst, which is expected to grow 48% per year, accounting for 23% of global interconnection bandwidth.

Furthermore, Nokia announced the availability of its 7220 IXR data center hardware platforms running SR Linux to DCspine, a subsidiary of Eurofiber Cloud Infra that provides digital infrastructure and connectivity services across European data centers, in November of this year. With this solution, DCspine will be able to offer more cloud and interconnection services, make the network easier to scale, and automate network operations.

The building would be renamed the Equinix HH1 International Business Exchange (IBX) data center. It would add a fourth market in Germany to the company's global interconnection platform, Platform Equinix, and help meet the growing demand for connecting digital infrastructure across Europe.

Data Center Interconnect Market Competitor Analysis

The Data Center Interconnect Market is fragmented due to the presence of both global players and small and medium-sized enterprises. Lately, the vendors offering data centers are also combining data center interconnect solutions. Market players are adopting strategies such as product innovation, mergers, acquisitions, and partnerships.

In November 2022, Nokia announced that it will provide 400-gigabit-enabled interfaces for its 7250 IXR (interconnect router) systems to Africa Data Centers, the continent's largest provider of interconnected, carrier- and cloud-neutral data center facilities. Africa Data Centres, a business of Cassava Technologies, a pan-African technology company, would be able to offer its clients in many African countries low-cost, high-capacity interconnection services.

Additional Benefits:

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

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