

# AFRICA'S DATACENTRE SPACE: bigger and better

*Opportunity beckons in a market that is increasingly showing signs of maturity, but competition levels will climb.*

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**A**frica's datacentre market is expanding – that's probably not news. However, the nuances involved in how it's growing and the rise of hyperscale cloud and supporting datacentre service providers have grabbed the attention of the continent's broader IT sector and telecommunications industry.

The demand for cloud services will drive further expansion across Africa and quicken the pace of digitalisation on the continent. Going by statistics, the current situation bodes well for Africa.

Microsoft, which landed datacentres in South Africa earlier this year, points to IDC research that suggests that local spending on public cloud services will nearly triple over the next five years, from R4.29 billion in 2017 to R11.53 billion in 2022.

'The Digital Economy Report 2019', released by the United Nations Conference on Trade and Development (UNCTAD), claims that of the existing 4 422 colocation datacentres for storing and processing digital data, 80% are in developed countries (about 40% in the US), while Africa and Latin America together account for less than five percent.



Jan Hnizdo, Teraco



Jan Hnizdo, MD of Teraco, says: “Africa’s enterprise and wholesale services markets are worth more than \$10 billion a year, according to Guy Zibi from Xalam Analytics. The region boasts more than 400 companies generating an annual revenue higher than \$200 million, over 1 000 corporates generating more than \$50 million in yearly sales, five million formal SMEs, and thousands of cloud-native startups.”

According to Xalam Analytics, there’s an estimated \$1.7 billion African cloud market up for grabs, and that will double in size over the next five years.

South Africa is understood to have the largest and most advanced datacentre market on the continent, its dominance reinforced by the arrival of Microsoft Azure datacentres this year, and scheduled landings of Amazon Web Services (AWS) and Oracle next year. Teraco’s JB1 East and West datacentre was recently ranked third in the world, in terms of service providers available at the facility, on Cloudscene’s Datacentre Ecosystem Leaderboard.

Says Jon Tullett, research manager, IT services for IDC Sub-Saharan Africa: “South Africa has the most, of course. But in general, it clusters by GDP; the larger an economy, the more datacentres will be needed, sort of. African countries struggle

to get to Tier 4-rated datacentres because of the redundant power, but we do have some, and there are plenty of Tier 3 facilities in the market, private, service provider and neutral.”

Hnizdo says the country has 59 datacentres, followed by Nigeria and Kenya with 10 each.

In terms of general datacentre spread, Wouter van Hulten, chief executive officer and founder of PAIX Data Centres, says: “There are opportunities to build datacentres in the other markets, but they’re still small, and mostly, the markets require more fibre to be deployed, and the cost of connectivity to come down further. Fortunately, there are projects ongoing across the continent to build more fibre.”

Stephane Duproz, CEO, Africa Data Centres, says the datacentre is shaping up to be one of the largest investment trends in Africa over the next few years.

“A few years ago, everybody was saying it’s going to happen, and people have been waiting and waiting. It’s happening now, and the demand will boom. It started with all the hyperscale cloud providers – the cloud is definitely the main driver, but what we’re also seeing is an important wave of take-up in our datacentres all over Africa, coming from the local enterprises.”

In a high-growth, intensely active market such as the datacentre environment, how tough is the level of competition? Can ‘smaller’ players take on the likes of AWS, Microsoft and other global heavyweight hyperscalers?

A colocation datacentre is generally one that a datacentre owner sells space in, providing power and resources, such as connectivity and cooling, to several enterprise and hyperscale clients; this is usually a datacentre specialist or a telco. Microsoft’s local Azure regions are being hosted in such facilities. Alternatively, a hyperscale datacentre provider can own and operate the facility that supports its cloud offering; AWS generally follows this strategy elsewhere in the world. And then an enterprise datacentre is owned and operated by the company it supports.

But when it comes to deriving value, there’s an interesting dynamic between telcos and cloud service providers. Van Hulten says telcos are keen to carry cloud traffic and this fuels the demand for partnerships to reinforce service delivery.

Wojtek Piorko, regional director, south east Africa and PSM director of Vertiv MEA, points to 451 Research, which states that although Africa is the world’s second largest continent, as well as its second-most populous, it’s currently only served by about 150 colocation datacentres.

### Defining hyperscale

“To date, none of the world’s biggest datacentre players – like Equinix, Digital Realty or Cxtera – have decided to invest in Africa directly (there have been some investments in local players). That means Africa’s datacentre market has largely been left to the mobile network operators and home-grown companies. That looks set to change as hyperscale cloud providers begin to fund some direct builds, or work with local colocation providers. That build-out will eventually motivate international colocation players to invest.”

When it comes to hyperscale cloud, as tempting as it is to focus on scale, it’s more than that, says Tullett. “Sure, hyperscale datacentres are bigger in terms of capacity and size of service and enjoy economies

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of scale in pricing, but that’s not the point. The hyperscale cloud providers also embody a new generation of services.

“Competing directly with a giant competitor is always hard. You have to find a way to compete with them obliquely, through a unique value proposition, like specialisation or localisation. To varying extents, the hyperscale providers all leverage in-country channel partners, so they recognise the need for local players to remain competitive,” he adds.

According to Duproz, hyperscale providers give African entities access to hardware and services they wouldn’t have been able to afford themselves. This, in turn, will catalyse the market for these services, which may not have enjoyed the traction seen elsewhere due to the lack of access on the continent.

However, he believes this won’t impact the smaller scale providers much.

“Hyperscale is unlikely to happen at the expense of the smaller cloud providers, as many businesses in Africa have yet to transform their applications. There will be a space for hyperscale providers, local providers and even on-premise cloud. The main challenge will be the growing number of technologies and services that become available, and how to harness these for optimum benefits,” Duproz continues.

### Data sovereignty

While competition is a real factor and will be decisive in how Africa’s datacentre market plays out, another issue within this space – its proverbial ‘hot potato’ – is data sovereignty. Just because hyperscale cloud in South Africa solves the issue for local companies, it doesn’t necessarily solve

it for other African countries. Is data hosted in South Africa any better to a Kenyan company than data hosted in Ireland?

Says Rudie Raath, chief digital officer at Datacentrix: “Regulators in-country need to understand the level of control and visibility they can retain if these solutions are planned and operated correctly. It doesn’t make these conversations easy, but it’s necessary to address the massive needs of various countries. We’re aware that some countries like Kenya and Nigeria are in talks with these hyperscalers to build a presence in their respective countries, although they’re already delivering services in those countries.”

Duproz says data sovereignty is one area that will benefit from moving to a hosted datacentre.

“African regulators are beginning to get in line with their European and US counterparts. The importance of data sovereignty is starting to be acknowledged by regulators in the financial sector, who are also demanding greater compliance in terms of data handling and storage. This is where carrier-neutral colocation facilities will play a key role.”

Teraco’s Hnizdo adds that data sovereignty pertains to a very specific set of data points, as long as that’s kept within local borders, services like compute, content, cloud applications may well be accessed from South Africa.

The datacentre has become an integral part of the internet and cloud landscapes, with South Africa emerging as a strong example of what can be achieved and how development can be realised, with the likes of Kenya and Nigeria following closely behind.

“These hyperscalers make it possible for Africans to become globally relevant by becoming reliable application developers that harness the power of hyperscale technology such as containers, database services, analytics and much more,” adds Raath.

### Right infrastructure

Another massive change for Africa is the availability of productivity and core solutions that make it easy to start a new business with little to no capital investment into core IT technologies.

According to Duproz, for ICT to deliver on the promise of economic and social development, African nations must adopt policies that support an appropriate framework for the adoption of internet-based and other ICT-related services. Similarly, to ensure the affordable and ubiquitous access to ICTs for citizens, the right infrastructure needs to be in place, he adds.

“For most African countries, it’s this lack of adequate infrastructure that remains a major obstacle to the uptake of ICTs. Not enough investment in infrastructure and networks, combined with the inefficient provision of services, also undermines the development of emerging economies. Only by improving the flow of information and providing a platform for other services do ICTs have the potential to correct market failures and remove constraints to development.”

As Africa’s datacentre market grows, market analysts believe we will see more consolidation, signs of increased maturity and spend in datacentre-delivered services. All stakeholders will be eagerly anticipating the related opportunities. ■