

Worldwide data center infrastructure investment reaches \$26.2 billion

- **North America remains the largest market, but emerging regions present biggest growth opportunities**

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Canalys today announced that the worldwide data center infrastructure market reached \$26.2 billion in Q3 2011, up 2.7% from \$25.5 billion in Q2 2011¹. A wave of data center virtualization and consolidation, as part of the migration to private clouds, as well as data center refresh and optimization projects, drove overall growth. Industry standard servers remained the largest part of the market in Q3, accounting for 39% of total investment, followed by storage at 25% and Ethernet networking at 21%. Though blades increased, overall server shipments slowed compared with Q2 2011. On an annual basis, industry standard server revenue was up approximately 9%, but the strongest growth was in server virtualization, which increased just under 30%.

Data center networking and security, including switches, routers, network security, storage networking and application delivery networking, grew on a sequential basis in Q3, which boosted Cisco's position in the overall data center infrastructure market. Looking ahead, growth in all forms of data creation, including video, information from sensors, social media and transactional data, and the increasing need to store, protect, archive and access this data, will continue to drive investment in storage within data centers.

Cisco and HP were the top two leading vendors in the data center infrastructure market in Q3 2011, in terms of aggregated revenue, followed by IBM, Dell and EMC². Cisco dominates the networking market, while in the x86 blade server it is currently third but expected to be number two behind HP by the end of 2012, according to Canalys estimates.

'Following its restructuring earlier in the year as part of its strategy to focus on core activities and streamline operations, Cisco reported a strong improvement, especially in its switching business, while its growth in blade servers remained robust,' said Canalys Director of Enterprise Services Matthew Ball. 'After a challenging last three quarters, Cisco's lead in network security, and improving performance in switches, storage networking and application delivery networking, as well as its performance in blade servers, propelled it ahead of HP.'

HP, however, is expected to challenge the top spot in the aggregated data center infrastructure market, as it continues its expansion into networking and storage, especially as it builds on its acquisitions of 3Com and 3PAR and establishes a converged channel to sell servers, storage and networking.

¹ For data centers, Canalys includes server closets and rooms, as well as small, medium-sized and large data centers. Canalys defines infrastructure in this update as industry standard servers, storage, Ethernet networking, storage networking, application delivery networking, network security and server virtualization.

² Excluding OEM products during the quarter.

'HP's reorganization of its security activities, including TippingPoint, ArcSight and Fortify, into a single dedicated business unit with centralized go-to-market and marketing processes will also help it drive its network security revenue,' said Ball.

'Large data centers with 800 or more servers accounted for 19% of the worldwide market, though investment in infrastructure for server rooms and closets represented 42%,' said Canalys Analyst Alex Smith. 'The channel is a critical part of vendors' data center go-to-market strategies. Channel companies have the existing customer relationships and provide the necessary reach for vendors. While some non-critical workloads will be moved to service provider cloud services, the rate of uptake will be much slower than expected, and so the channel's influence will remain strong.'

North America remained the largest market in Q3 2011, with 42% of data center infrastructure investment, while the emerging markets of Asia Pacific and Latin America experienced the fastest growth. Canalys expects the latter regions to present the biggest growth opportunities in 2012, as both the US and Western European economies struggle under austerity measures tied to the debt crisis.

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