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Staying ahead of demand

This year, Telx, the interconnection services and co-location provider, plans to use its recently launched Ethernet exchange to spearhead a major push into the metro markets and beyond. Here, Brad Hokamp, chief marketing officer and head of product and solution management, talks about Telx's strategic vision for the future.

Brad Hokamp, chief marketing officer, Telx

Brad Hokamp is responsible for product and solution management, corporate and field marketing, strategic business development and customer support for the company. He joined Telx® with over 25 years experience working in the IT/network industry. Most recently, he was the senior vice president and general manager of the Hosting Business Unit at Savvis Inc., responsible for their co-location, cloud and managed hosting business. Prior to that assignment, he was the senior vice president of sales for the eastern area and federal sales, and began his career at Savvis running the product management and marketing organisation. He also spent 15 years in sales and marketing leadership roles at Sprint in their business division focussed on internet and data communications services. Hokamp holds a Bachelors degree in Economics and Business from Vanderbilt University.

What impact will the current explosion in demand for bandwidth capacity have on the interconnection business?

First, the explosion in network traffic is being driven by IP growth, video, mobility, SaaS/cloud services along with hybrid compute models (just to name a few application areas), and therefore, much more information is transversing pubic networks and heavily interconnected private networks. This application growth, along with enterprises' desire to outsource data centre services, is driving the rapid growth in data centre demand in conjunction with interconnect services. The combined growth of data centres and interconnection services is estimated to grow at a compound annual growth rate of 19% a year over the next two years to be a $23.4 billion dollar business in 2013 according to Tier1 Research's *Multi-Tenant Data Center Global Markets Overview - 2011* report. What we are seeing from inside the Telx interconnection centres supports these projections. At Telx, we are literally at the intersection of many of the key application and business trends including: the emergence of cloud/SaaS business models, consolidation of metro and regional service providers, development of low-latency trading networks, evolution of video from HD to 3D, social networking, big carrier investment in Ethernet networks, as well as the rapid expansion of mobility. All of these trends require new combinations of providers to serve up applications and distribute them to their target audience with the best performance.

What will data centre providers have to do to keep pace?

In order to meet the explosion in application growth and the business trends described above, the interconnection solutions have to have the ability to scale rapidly to meet demand. Scalability for interconnection needs to go beyond the requirements for much higher speeds (40G- and 100G-plus), but also include capability to upgrade speeds or add connections instantaneously, and support hundreds of connections to many more types of providers (eg, cloud infrastructure). Telx is focussed on new interconnection solutions, like the Telx Ethernet Exchange, that will have the ability to support higher speeds and more importantly, allow for rapid turn up of connections to hundreds of providers in minutes.

In addition to scaling interconnection capabilities, data centres have to evolve to meet demand. Telx is focussed on meeting much higher power density requirements by deploying the latest technologies for cooling and power, along with ensuring that we are achieving the highest energy efficient performance. Plus, we support business models in some of our new sites that allow customers to cost effectively scale their footprint in more of a "just-in-time" data centre infrastructure approach, supporting both modular type capabilities along with pricing models that accommodate our customers' business models.

What are the benefits of being a "neutral" co-location provider?

It is well known in the metro space that not all co-location providers are the same and "neutrality" plays a direct role in the differentiation. Many of the metro providers like Verizon and Level 3, for example, offer a co-location product that is ancillary to their core services like local, metro and long-haul transport services, IP transit, CDN and many others. The problem is that they have a non-neutral environment, so you are limited to using their network and services.

However, with a neutral provider model such as Telx, we can offer literally hundreds of different network and service provider options only a cross-connect away. So instead of being locked into one network service provider, a Telx co-location neutral solution is a better fit for customers who want to create a long-term presence and want the choice to connect to hundreds of different service providers to increase uptime, lower latency and improve SLAs with their end users. Our customers tend to add more and more connections over time, realising more business opportunities are "one connection" away. And that includes direct access to a growing number of enterprise customers. We also have created the Customer Business Exchange (CBX) online portal solution that gives the buyers and sellers a tool to gain visibility to what service providers are available in our neutral data centres and then conduct business.

A carrier and cloud-neutral model offers customers an unbiased intermediary that provides the necessary interconnection products

and related services that facilitate the exchange of communications network traffic between our customers – open to all comers in a rapidly expanding market.

How important is the US market in relation to the global interconnection stage?

Our US locations have become destination facilities for international service providers such as KDDI, a co-location and Ethernet exchange customer in New York City; cloud providers such as UK-based DediPower, who leverages our locations in the US to power its international CDN service; and European trading technology firm The Algo Group, which has chosen our Chicago data centre as its primary US presence. Our strategic alliance with European co-location provider Interxion demonstrates the need for global interconnection as well.

In strategising with our customers over the past several years, we have heard them repeatedly mention that one of the key reasons for choosing Telx is that we are the most ideal location for their business. And that's a direct reference to our strategically-located data centres. Facilities like 60 Hudson St. and 111 8th Ave in New York, 200 Paul in San Francisco, 600 W 7th in Los Angeles, and 36 NE 2nd St., Miami, FL have a few things in common: they are located in port cities where there are concentrations of high levels of network traffic, they are highly reliable from an infrastructure perspective, and they have a base of active metro, regional and long-haul providers reaching the most important business locations.

To what extent is the fast-expanding metro market a key driver?

The metro traffic market is one of the top reasons service providers are now looking into our Ethernet Exchange service. Clearly service providers are investing in expanding Ethernet networks to handle the increasing volume of traffic. We've seen it first-hand when observing their activity – who they connect to and at what service types and sizes. To that end, Vertical Systems, a leading market research and consulting firm, maintains a list of the top Ethernet providers in its Worldwide Ethernet Service Provider listing. Of the nearly 75 domestic US providers on the list, Telx already has 60% of them as active customers. They are physically wired together inside Telx facilities, and now they are looking for ways to accelerate their growth. We are helping them in a number of ways.

The first step is getting to know the customer and its services and providing them with opportunities to market to the Telx customer community. Beyond that, we are introducing specific platforms like Telx Ethernet Exchange (TEX) which will help them accelerate their business connections.

How does your suite of products differ from rivals?

First, we have 15 data centres in nine markets, and they are the most strategic data centre locations with the most carrier density of any provider in the US. The Telx data centres are truly the main intersections for network traffic in the markets that we operate in. In all of these locations, Telx operates the "Interconnection Areas," so we manage and operate all interconnections required in those facilities. Second, our interconnect centre product suite is the most comprehensive out there among interconnection providers. Customers can establish a physical point of presence (PoP) by leasing cabinets or private cage space, AC/DC power circuits, and interconnection "packs" from us. Many of the world's largest service providers operate this way – deploying and managing their own network equipment inside our centres and connecting to others via a physical cross connect in our interconnection suites.

Alternatively, they can start with a virtual PoP with one of Telx's established virtual interconnection platforms. This would include our newest Telx Ethernet Exchange (TEX) solution alongside our established Virtual Exchange (VX) and Video Exchange (TVEX) solutions. Each platform solves specific problems for SPs. For example, the Virtual Exchange enables carriers to exchange SONET/SDH traffic and is ideal for international service providers. This platform has been in place for over five years, serving more than 40 customers. The Video Exchange, launched last year, is another example of a specialised platform that handles interconnection of carrier MPLS networks operated by multiple providers. All of these platforms enable carriers to drive more business over their networks. Lastly, we have created our CBX online portal, which gives the buyers and sellers of services a true online marketplace.

How is your business model different from other providers?

The key here is flexibility. Customers who select us over our competitors say they see real value in the power of choice. Our customers have the freedom to install and manage the components of their network or IT infrastructure, while outsourcing other components to Telx. This gives our customers more leverage to run their business via the option of spending opex as opposed to larger capital deployments with a much longer payback period.

Metro providers and others typically have financial models defining return on investment (ROI) when they establish a new PoP. By going to the Interconnection Centres where the most activity is, they are able to achieve their ROI goals much faster. They simply do not have time to wait for customers (or buyers) to find them. With the Telx carrier density along with our CBX online marketplace, Telx truly enables our customers to grow their business.

Telx is expanding its footprint in key facilities to accommodate existing and new customer growth and investing in next-generation interconnection platforms (switching equipment, network operations management, people and process) like Telx Ethernet Exchange to ensure our customers can optimise their business inside our sites.

You mentioned Ethernet exchanges there – how important do you think your exchange will be in context to your overall suite of products?

Very important. As discussed earlier, the interconnection solutions need to have the ability to scale rapidly and the Telx Ethernet Exchange is a great answer to meet these requirements. Ethernet service providers really have three choices to provide service in new markets. First, they can build out their own fibre plant, which is extremely costly and time consuming. Second, they can establish private NNI connections to services providers that already cover the desired market, which can also be very time consuming and costly, unless you have significant demand to this one provider. And now they have a third choice, which is to use the Telx Ethernet Exchange platform, that can give them very rapid and cost-effective access to a choice of providers that can meet their end

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customer connectivity needs. From the customer view, we see the exchange as being complementary to our physical model employed by our current base of service providers. Customers can continue to directly cross connect in our centres and leverage Telx Ethernet Exchange to rapidly deploy to the myriad of enterprise and carrier customers available to them in the Telx Interconnection Centre.

From the market view… Vertical Systems Group projects that new worldwide demand for business Ethernet services between now and 2014 exceeds 1.1 million connections. Vertical estimates that nearly three-quarters of these connections will be delivered directly by Ethernet providers utilising their on-net infrastructures. For locations not directly served, Ethernet providers will rely on either bilateral NNI agreements (many of these are already supported by Telx's cross connect services) – or they can utilise an open marketplace solution that gives them access to multiple potential partners – like Telx's Ethernet Exchange.

Do you see TEX attracting customers to other parts of your business that you would otherwise have struggled to reach?

We are seeing some early signs of interest across many verticals – all of whom get the concept of one-to-many and the efficiency of connecting to many service providers via one platform. In addition we see the TEX attracting a new way of distributing advanced IP services, so as enterprise, cloud and SaaS companies are evolving high bandwidth applications their need for a distribution platform and point will increase. Ethernet Exchange provides a secure, scalable technology that enables cloud providers a collaborative environment inside the cloud, while providing a robust distribution technology to access it. SaaS companies can use Ethernet Exchange to distribute their product quickly to new service provider networks to accelerate growth and improve their reach to end customers and enterprise clients.

How do you see technology evolving at the exchange?

As technology evolves, the Ethernet Exchange will keep pace with it. Migrations to 100G and beyond are already on the drawing board which will evolve the bandwidth choice; however the impact will be felt mostly in the advancement in capability of media rich applications. Ethernet technology is still evolving as evidenced by advancements of standards by the IETF, IEEE and MEF. The Telx Ethernet Exchange will continue to evolve with these standards and introduce features to support advanced test and measurement capabilities, storage protocol support [FCoE] and content distribution techniques with advanced multicast capabilities.

Where do you see geographical opportunities?

Domestically we have activated Ethernet Exchanges in our key carrier-dense, high-demand US data centres; New York, Chicago, Atlanta, San Francisco and most recently Miami, Dallas and Los Angeles. Telx has partnered with Neutral Tandem to provide coverage in seven additional secondary markets, giving us the broadest coverage of any provider in the US. We are also exploring expansion opportunities internationally and will have solutions for EMEA and Asia longer term.

One of the big criticisms of Ethernet exchanges is that there are more sellers than buyers ready to sign up. What shape do you see demand from the buy-side taking and how does TEX plan to capture it?

We are actually seeing a lot of momentum and interest from both buyers and sellers at this time. When you are building a new market, it will always take time to establish the critical buyer and seller relationships, which is a big focus for Telx. We believe our CBX online marketplace will create a critical community and social aspect to the exchange, driving demand for both IP services, private line services and advanced content libraries. With the introduction of an advanced online tool kit, the Telx Ethernet Exchange will quickly evolve beyond just bandwidth pipes to drive buy side demand.

What are the challenges for Telx in the future?

Telx is growing faster than the market, so our most tactical challenge is to stay ahead of demand to meet our customers' requirements. This means ensuring that we are able to continue to expand in all of our strategic data centres, which we have been doing successfully throughout 2010 and we have additional plans for major expansions in 2011.

More strategically, Telx is focussed on providing solutions to meet the online marketplace explosion discussed earlier. On the interconnection front, this means providing connectivity in a much more dynamic environment for applications like cloud, IaaS and SaaS providers, high-speed video distribution, mobility and many more. We believe continuing to develop our CBX online marketplace to enable our customers' one of the most important elements for success. Ultimately, through the Telx Interconnect Centre, we want customers to build their communities of interest ecosystems, like we have already with our Financial Business Exchange.

On the data centre front, Telx looks to expand even more into the Enterprise market, meeting the needs of cloud and SaaS providers, financial, and media vertical demand. This means supporting much higher power densities, rigid security and Tier 3 level critical infrastructure demands. In addition, you will see Telx expand our managed services capabilities and value over the coming months/years.

Overall, we think Telx is extremely well positioned and can meet all of these challenges and continue to grow faster than our competition.

Contact
Brad Hokamp
Chief Marketing Officer, Telx
tel: +1 347 562 0207 email: bhokamp@telx.com
www.telx.com