

## **BELTUG Consultation: Are datacentre service prices increasing?**

**September 2009**

One of BELTUG's members has the impression that datacentre prices are increasing. Since many members use datacentre services, BELTUG would like to obtain a clearer view of the market. BELTUG members, both users and suppliers were asked to respond to the following question:

Do you think datacentre service prices are:

- Increasing in general?
- Increasing per m<sup>2</sup>
- Increasing per rack

### **THE BELTUG CONSULTATIONS - METHODOLOGICAL NOTE**

The BELTUG Consultations cannot claim to give a representative view of the BELTUG membership or wider community of ICT users. No attempt is made to obtain a statistically representative sample and the member feedback received is not analysed in a quantitative manner. Nevertheless, the feedback received is often consistent and meaningful (in a qualitative sense), and thus can be useful to the BELTUG membership.

### **KEY CONCLUSIONS**

The feedback from users was not conclusive. Some indicated that prices—along all three criteria—were increasing; others did not know or had not noted any prices increases. Also, some BELTUG members purchase datacentre capacity on the basis of other service criteria as opposed to on a per m<sup>2</sup> or per rack basis. What is clear is that nobody has seen prices decline.

A number of explanations were offered by users to explain the reported price increases:

- Higher quality requirements: power capacity, cooling capacity, security
- Shortage in the Belgian market of available datacentre space
- Ecology policies: e.g. green datacenters/IT (ISO 14001, EMAS, etc), lower energy consumption

- Price increases of electricity (per kWh)
- Higher frequency of re-investment cycles for innovation

Some of these factors are interrelated, the idea being that in times of economic crisis cost-cutting companies are placing their IT infrastructure into specialised (low energy) data centres, who in turn are pushing up their prices (per rack or per m<sup>2</sup>) because supply is becoming a problem in the Belgian market.

It also is important to consider the different components of the total price one is paying. Thus, the price per rack or m<sup>2</sup> is often simply one part of the total price. Some suppliers bill separately for the energy cost. The energy costs can obviously vary depending on the electricity prices and the capacity and efficiency of the database equipment. It can be useful, however, to check how one's supplier calculates its energy invoice, because some suppliers are known to factor in the cost of cooling as a simple percentage on top of the power consumed by the IT machinery. The problem is that these percentages or factors can vary dramatically from supplier to supplier.

On the supplier side, respondents tried to put prices into context. For example, some explained that prices for datacentre space (and related services) are gradually increasing because the power density of IT equipment is constantly increasing. This means that datacentre providers need to make frequent investments to upgrade their power and cooling capacity. Also, the energy costs are becoming an increasingly large component of the total service cost (due to the increased power density of the equipment and the increasing electricity prices).

Obviously this can be further into context, since one is getting more computing power from that modern equipment. Some respondents agreed that the price of datacentre space is increasing but that the total service price should not be increasing because one is able to get more capacity from a given rack or m<sup>2</sup> due to advances in technology (virtualisation, green IT/energy efficiency).