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[Telkom takes on all comers](#)

Mar 2010 [Hilton Tarrant](#)

Will Telkom's move into data centres make a difference to the bottom line?

“We are deadly serious about our data centre operations,” said Telkom CEO Reuben September, reminding the few hundred guests at the opening of its R350 million hosting centre in Bellville last November that he does not use the word “deadly” often.

Telkom's push into the data centre space (branded Cybernest), is not about “let's see how it goes”, he said. The idea is simple, says Pierre Marais, acting MD of Cybernest: “It is the logical next step for Telkom. Our VPN customers kept asking us when we were going to move further up the value chain.” September maintains that Cybernest is not a “Mickey Mouse operation”. The splashy launch in Bellville was not a “cold launch,” he said. It was a “hot launch”.

September describes it further as, “an important and huge investment that we're making”. And it's giving itself the best chance of succeeding with world-class data centres dotted around the country, as well as some big-name appointments.

Telkom man Althon Beukes has been appointed managing executive of Cybernest operations, and the group has managed to lure Grant Morgan from Dimension Data to be managing executive: marketing and sales from this month. The unit had close on 100 customers, without even officially launching. Telkom says it manages R2.5 billion worth of IT assets, including 4 000 servers.

Its flagship Bellville 2 data centre offers 1 600m² of floor space, with a total of 586 server racks. It's designed using Cisco 3.0 architecture, and is as close to a true world-class data centre as one will find in the country.

Analysts agree that it won't be difficult for Telkom to win customers. That said, Telkom is a far smaller company now without the 50 percent holding in Vodacom. Do executives see Cybernest making a serious contribution to the bottom line?

The screenshot shows a Mozilla Firefox browser window displaying the Brainstorm Magazine website. The page title is "Telkom takes on all comers" by Hilton Tarrant, dated Mar 2010. The article is categorized under "In-Depth Analysis". The main content includes a photo of Pierre Marais, acting MD of Cybernest, and text discussing Telkom's data centre operations. The text mentions that Telkom is "deadly serious" about its data centre operations and that the move into data centres is a "hot launch" rather than a "cold launch". It also notes that Telkom has appointed Althon Beukes as managing executive of Cybernest operations and has lured Grant Morgan from Dimension Data to manage marketing and sales. The article mentions that Telkom manages R2.5 billion worth of IT assets, including 4,000 servers, and that its flagship Bellville 2 data centre offers 1,600m² of floor space with 586 server racks, designed using Cisco 3.0 architecture.

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September for one does, but he is far more excited by the “unnecessary costs” that it will be able to take out of its own business. Broadly speaking, the aim is to “outsource” Telkom’s information technology capabilities to this business unit. September calls it “insourcing”.

Recent murmurings from trade unions suggest that some of the costs to be taken out of the business include IT staff, who are practically all being moved across to Cybernest. Because they will be part of a new independent business unit, Telkom will have freer reign in terms of its labour contracts.

Tammy Wyman, principal at Delta Partners in Johannesburg, reckons that because Telkom has the corporate clients, it has an advantage.

“It’s their natural space,” she says. And she believes the demand is there, despite the flurry of data centre openings in the past year. But will it be enough to move the needle?

Wyman isn’t convinced: “I think the real question is how much can they earn from that, how much would be their percentage of the revenues that would eventually come from the particular business line? But I think it is one that has a lot of synergies with their talents within their employee base, and obviously they are running data centres for themselves. So it’s not going to be a great extension in terms of the efforts from the organisation to get this business up and running.”

Wyman also suggests that it could take its experience into Africa.

Vodacom Business has already embarked on this strategy thanks to some overlap on the business services side of Gateway (which it acquired). It has committed to building a data centre in Nigeria and another on the east of the continent.

Dimension Data and subsidiary Internet Solutions have taken some purposeful steps into the rest of the continent, but have been cautious as far as data centre operations are concerned. MTN Business, which thanks to the Verizon South Africa buy is a much bigger business, is also looking to Africa. Reports suggest its aiming to build as many as five data centres across Africa this year.

Cote d’Ivoire has to be an obvious target, seeing as MTN has strength across multiple platforms with its 2008 acquisition of an ISP and the country’s second landline operator. Nigeria will also be a logical choice, together with Ghana, where the dominant player Ghana Telecom is still being digested by Vodafone.

MTN’s attraction to other African markets comes on the back of a substantial contract it was awarded by Standard Bank last year. Rolling out business services together with the network for Standard Bank would make sense. Analysts privately question whether Telkom is moving quickly enough. Locally it will have to compete aggressively, with Neotel, BCX, MTN Business, Vodacom Business, Teraco and Internet Solutions all entering the space.

But the money is to be made in Africa. Wyman and others wonder whether Telkom will be able to move swiftly into the rest of the continent.
