



Alibaba’s Cloud Operation in Indonesia to Open New Growth Opportunities for Local Organizations

JAKARTA, February 14th, 2019 – IDC believes that there will be a rise in datacenter consolidations and migrations with the second launch of Alibaba’s Cloud operation in Indonesia. The launch of new datacenters in Indonesia show that there is an extensive shift in business priorities that is driving the local enterprises to adopt multi-cloud strategies. Therefore, the demand for hosting infrastructure services will increase as more enterprises in Indonesia are investing in digital transformation (DX) journey.

IDC believes that the expansion of Alibaba in Indonesia will potentially create new growth opportunities for local enterprises as the rise in datacenters in Indonesia will address the demand for scalable and cost-effective cloud computing and provide Indonesian enterprises a choice to build their businesses and workloads locally. Besides that, the presence of global cloud service providers in the local market will enable the enterprises to re-look at their datacenter strategies to gain benefits from hyper-converged and hyper-scale datacenters without worrying about data sovereignty.

Indonesia has been aggressive in economic development, including in digital innovation and initiatives across the region. The country’s potential has attracted digital ventures and led to the establishment of digital companies that grow businesses and consumption in Indonesia. Based on our latest research, there are 80% of enterprises today that have considered DX as a core strategy while the rest have recognized its importance to create one in the future. While Analytics and Cloud are perceived as the core technologies, emerging technologies such as Artificial Intelligence, Machine Learning and Internet of Things (IoT) are key exploratory capabilities that will be enhanced by enterprises in Indonesia.

[Meily Lisdiyanti](#), Market Analyst of IT Services IDC Indonesia said “The demand for cloud services have increased across all verticals with the adoption of solutions such as AI, IoT and Big Data. As these technologies are gathering big chunks of data in real time, it will require an infrastructure that is more agile and cost efficient. IDC believe this is align with the local market strategies and goals to curtail IT spending, improve on IT agility and accelerate innovation. Therefore, local providers should re-package their services to be as competitive as the global players.”

“Datacenters are now the new business jewels for all enterprises as well as governments as they must rely on them to deliver business value much greater than their costs. It is the backbone that supports the growth of large, SME and startup businesses. Indonesia is a market with strong government support for business, large population and a rapidly developing economy. This means that the emergence of Alibaba Cloud operation will simultaneously create competition which will only cause the local players to raise their game. To stay competitive in the market, local service providers should re-evaluate their approach towards enterprises by creating an attractive pricing and add-on services as well as be committed to help the country to achieve its digitalization efforts and boost the national digital economy,” added [Sreenath Kandarpah](#), Head of Services IDC ASEAN.

IDC believes cloud technology is becoming increasingly important with every technology adoption decision that is being made. Alibaba’s Cloud presence in Indonesia will increase the challenges for local datacenter service providers as many of them are struggling to sustain their business due to lack of efficiency, low utilization and the special preference towards global datacenter service providers. As a result, more local datacenters will be consolidating and improving their facilities to match with global datacenters. The local and global cloud service providers should re-strategies themselves as the competition for cloud service providers who focuses on the local market are expected to increase.

For media inquiries, please contact Elliza Celia at ecelia@idc.com or tel: 0812-8427 5145.

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For more information contact:

Eliza Celia

ecelia@idc.com

+62-21-520-3496

Sreenath Kandarpah

skandarpah@idc.com

+603 7663 2123

Meily Lisdiyanti

mlisdiyanti@idc.com

+62-21-520-3496