



# Addressing the OTT Cloud Costs Challenge

It's a hard time to be in the OTT business.

A [study from Parks Associates](#) in August 2023 revealed a 47% customer churn/disconnect rate. For every two subscribers a service acquires, one will not renew.

Globally, one in three consumers wants to decrease their spending on video streaming subscription services.

Today's average viewer already has fewer than two streaming subscriptions.

Price is the most important criterion for evaluating streaming media subscriptions, ahead of relevant content, ad-free streaming, and ease of access for viewers.

So how does the leadership of an OTT service respond to this challenge?

By trying to manage costs. One place where they're focusing is workflow operating expenditure (OpEx). According to a [Forrester Consulting study](#) commissioned by Akamai in September 2023, a third of businesses saw greater than 50% growth in cloud data volume and costs over the past three years.



**"How has your organization's cloud data volume changed over the past three years?"**

Increased by 51% to 75%



Increased by 76% to 100%



Increased by more than double



**"How have your organization's cloud costs changed over the past three years?"**

Increased by 51% to 75%



Increased by 76% to 100%



Increased by more than double



Base: 225 managers, directors, and VPs responsible for streaming architecture and/or cloud workflow implementation

Note: Each question had a 10-point scale ranging from "Decreased by more than 75%" to "Increased by more than double," showing results that indicated a significant increase

Source: A commissioned study conducted by Forrester Consulting on behalf of Akamai, June 2023

## Workload shopping: It's about cost ... and more

Cost pressures are starting to affect relationships between media providers and cloud providers. According to the [Forrester survey](#), 73% of respondents are considering migrating away

from a hyperscale provider due to cost pressures. Key challenges include managing cloud service costs (63% of respondents) and billing (60%).

### Cost Pressures Impede Cloud-Provider Relationships



My organization is considering migrating away from a hyperscale provider due to cost pressures.

73%



My organization is considering repatriating certain workloads from the cloud due to cost pressures.

68%



My organization's cloud services costs are challenging for it to manage long term.

63%



My organization's cloud services billing is difficult to understand.

60%

Base: 225 managers, directors, and VPs responsible for streaming architecture and/or cloud workflow implementation

Source: A commissioned study conducted by Forrester Consulting on behalf of Akamai, June 2023



One cost containment strategy gaining ground is workload shopping, which involves determining the optimal environment (and cloud provider) for each workload.

Here are three key reasons to consider shopping your workloads to the right cloud provider:

- 1 Cloud architectural and infrastructure planning.** The decision is made based on the best and most cost-efficient provider.
- 2 Geography and low latency.** A cloud provider is chosen based on geography and low latency to make things like recommendation engines work better.
- 3 Anti-piracy.** Lower latency means that in cases where tokens are stolen, the token can be revoked, so piracy prevention is another reason to choose a provider. The same reasoning applies to content's territorial rights and data sovereignty regulations.

Workload shopping — and subsequent migration of that workload — can result in taking advantage of low latency for specific applications, and with it comes cost benefits.

Macrometa, one of Akamai's cloud computing partners, works with a well-known sports league.

By migrating an application (that delivers videos and accompanying statistics to millions of users) from a hyperscale provider to Akamai, Macrometa significantly lowered the cost of writing and reading to a database.

Finally, companies look to cloud providers to use generative AI to analyze web pages and videos to provide better content recommendations, search functions and content discovery, language models, classifications, and personalization.

## The cost of chasing cloud

The focus on cost comes as no surprise.

Heavy cloud adoption comes at a high cost for many media companies, including cloud sprawl, large data egress bills, and unpredictable pricing.

In media and entertainment, unexpected events tend to be the highest cloud cost contributor.

Media executives often overestimate demand to cope with unanticipated viewership spikes in popular programs.

As a result, controlling cost is one of the top inhibitors to a more significant or more effective use of the cloud.

In fact, cloud cost control has become an ongoing strategic and technical challenge for any business leader today.

Efforts to control costs frequently include choosing a platform (or platforms), carefully engineering systems, or using advanced optimization tools.

### Cost, security, governance, and skills are key factors inhibiting greater or more effective use of cloud

#### Barriers to greater use of cloud (top 5 responses)



Q: Which of the following challenges, if any, are the greatest barriers to broader implementation of IaaS/public cloud at your organization?  
Base: All respondents, abbreviated (n=368)

Source: 451 Research's Voice of the Enterprise: Cloud, Hosting & Managed Services, Workloads & Key Projects 2021

## Media spotlight: Transcoding workloads

For media organizations, compute resources are needed to prepare – or package – video segments, for example.

This process is dynamic because the packaging is only performed when a user requests a stream, so additional compute resources are required to prepare the stream, which in turn requires additional cloud egress charges.

While traffic surges can be absorbed seamlessly by the cloud, unnecessary capacity (and costs) can also get offloaded, resulting in savings that can add up when streaming at scale.

Paying only for what you use – a core piece of the cloud premise – makes transcoding and packaging on Akamai the perfect fit.

Transcoding takes an extremely high-quality 4K video and translates it into something that customers' devices can actually use. Transcoding is thus essential for a media delivery workload.

This workload needs processing and storage – it is bursty, time sensitive, tightly coupled to the edge, and CPU and data intensive.

For example, Akamai is in partnership with Bitmovin to deliver scalable and reliable transcoding in the

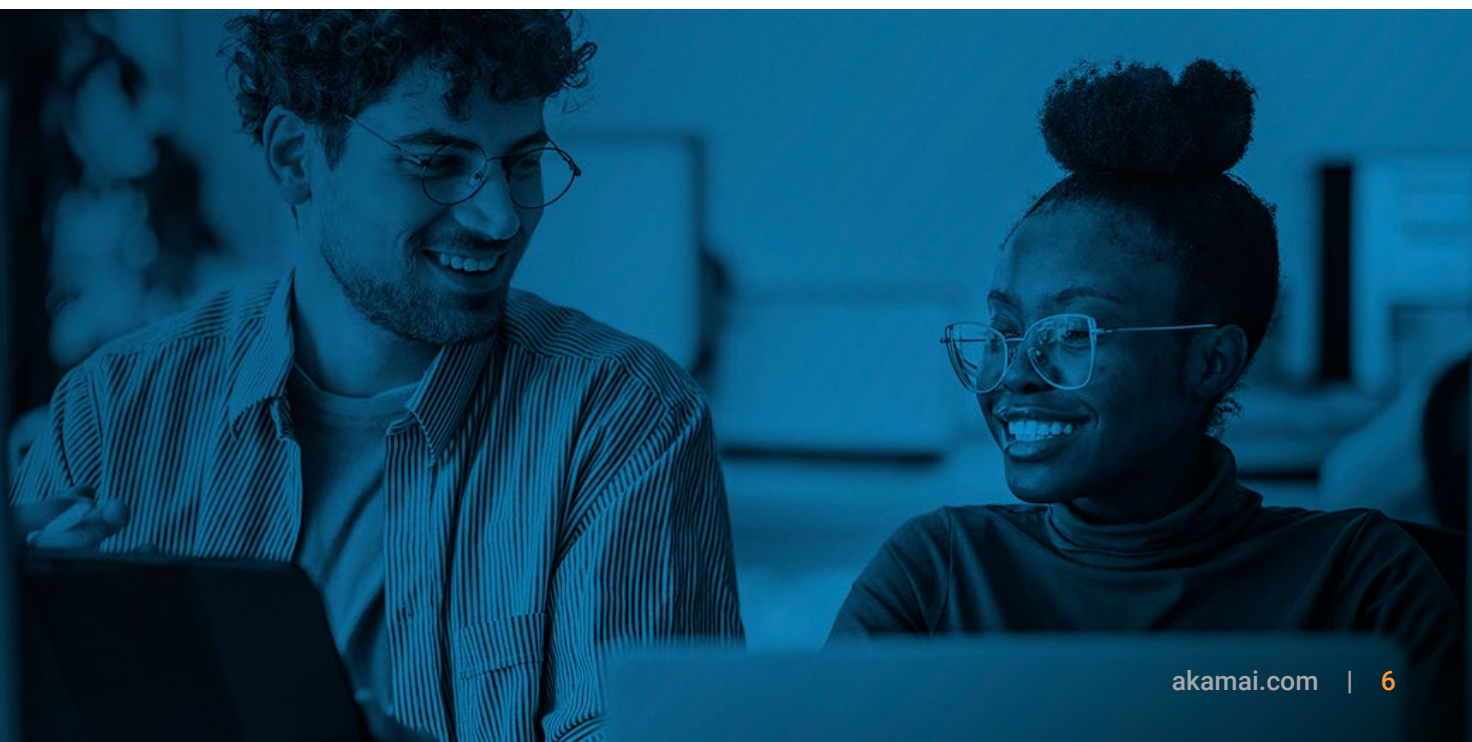
cloud for OneFootball, a German platform-based football media company with an app that features live streaming, scores, statistics, and news from 135 clubs, leagues, and federations in 12 different languages. Few events are more bursty and time sensitive than football matches.

To enable viewers to stream content without buffering and at the highest possible quality, content providers must improve device compatibility to include users with slower internet connections, ensuring content gets viewed across a wide range of consumer devices.

There are two ways to transcode content – on-premises or in the cloud. Although on-premises transcoding is generally less expensive, it may be slower to produce because multiple file versions need to be created, taxing an encoder's CPU.

Cloud transcoding offers scalability, cost-effectiveness, and flexibility with transcoders and servers at the edge.

Cloud transcoding creates several renditions of the same video formatted to different sizes and resolutions so the end viewer receives a version optimized to their network connection and device capabilities. Transcoding can happen in real time to support live streaming. The viewer gets the sharpest possible video without interruptions, ensuring a high-quality experience.





## A distributed cloud platform that combines speed, performance, and transparent pricing

Media companies require low-latency, reliable compute resources that maintain workload portability.

With Akamai, media and entertainment companies enjoy the most distributed cloud platform in the world – one that’s developer-friendly and requires no specialized training, certifications, or proprietary tools.

Akamai offers transparent pricing, with no hidden fees or surprise billing due to the overallocation of compute resources. Our pricing is predictable, with no extra egress charges due to CDN “cache misses” or just-in-time packaging of video segments.

Our solutions are portable, which avoids vendor lock-in. The Akamai Connected Cloud platform is well documented, and is supported by specialists with decades of cloud delivery and security experience.

What does all of this mean?

You can now **build and deploy applications quickly and close to your end users**, which gives you **increased performance** and faster speed to market in a highly secure way.

Akamai **cuts egress costs**, provides **budget transparency**, **reduces latency**, and **increases reliability and viewer engagement**, all while content gets closer to your users.

That’s why the largest streaming services already trust Akamai. Do you?



Akamai powers and protects life online. Leading companies worldwide choose Akamai to build, deliver, and secure their digital experiences – helping billions of people live, work, and play every day. Akamai Connected Cloud, a massively distributed edge and cloud platform, puts apps and experiences closer to users and keeps threats farther away. Learn more about Akamai’s cloud computing, security, and content delivery solutions at [akamai.com](https://akamai.com) and [akamai.com/blog](https://akamai.com/blog), or follow Akamai Technologies on [X](#), formerly known as Twitter, and [LinkedIn](#). Published 09/24.