The State Of The CDN Market: Video Pricing, Contract, Volume and Market Sizing Trends

Detailed pricing data can be seen at:

www.cdnpricing.com
www.cdnlist.com
www.contentdeliveryblog.com

Note: Data from these slides can be used by anyone but please credit Dan Rayburn at cdnpricing.com

Discussion Topics

- Latest vendor additions to the market; M&E activities; earning reports
- CDN growth trends; software downloads, gaming and other forms of non-video content
- What the telcos/carriers are up to (on-net versus off-net)
- Volume customers move to in-house CDNs (not a trend, Apple still building)
- Amazon (still underestimated by many, but they do move slowly)
- Resellers: Contribute a good % to revenue, but not from telcos/carriers
- Media CDN services FINALLY starting to offer a ecosystem platform (Level 3, Verizon, Microsoft Windows Azure)
- Quality data: In 2013, Conviva monitored 45 billion streams. 4.8% had video start failures. (1 in 20 did not start) More than 2 in 5 views were at “grossly inferior video quality”.
- The size of the Licensed/Managed CDN market
- The real impact of 4K on vendors in the CDN industry

- Latest pricing trends from March 2014 CDN survey

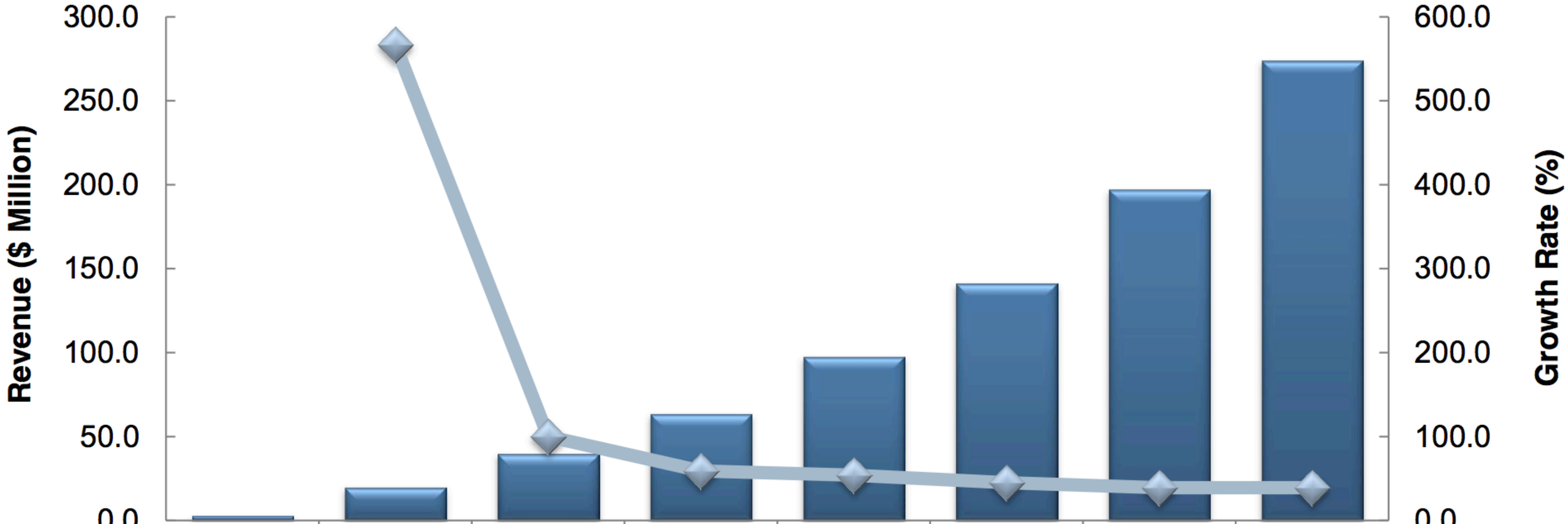
- Q&A

Licensed/Managed CDN Market – Revenue Forecast

Key Takeaway: The market base revenue is currently very small, but potential for growth can increase LCDN/ MCDN are bundled into larger telco CDN platforms.

Total LCDN/ MCDN Market: Revenue Forecast, Global, 2011–2018

Revenue CAGR, 2013–2018 = 47.0%



	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	3.0	20.0	40.0	63.8	97.9	141.6	197.5	274.3
Growth Rate	-	567.0	100.0	59.0	54.0	45.0	39.0	39.0

Year

Note: All figures are rounded. The base year is 2013. Source: Frost & Sullivan

The Reality Of 4K Streaming

- 4K, also called Ultra HD, is NOT coming to the masses soon, or even in the next few years.
- The average Netflix stream across the top 10 ISPs in their ISP Speed Index rating, is delivered at 2.2Mbps
- Amazon, Netflix and Comcast have all announced 4K streaming projects, at between 15-20Mbps. All three of them deliver their own content, so CDNs won't benefit from any adoption by these three services.
- The latest data from Conviva, which classifies HD as between 1-2Mbps, shows that as a whole, CDNs still have a lot of problems delivering content at 2Mbps, with reliable quality.
- A content owner who wants to have 15% of their traffic come from content at 4K will see their monthly bandwidth bill increase by 30-40%, per month. If they want to have 50% of their traffic come from 4K content, their monthly bandwidth bill will increase by 500%, each month - and that's with volume discounts.
- The majority of all content owners will not be able to offer a lot of content in 4K. Many, especially those supported by ads, won't be able to offer any, as they their business models don't support it.
- Even Netflix has said that they will offer only a "limited" amount of content in 4K (Super HD) for the foreseeable future.

Bottom line: 4K streaming is not going to drive revenue growth for any CDN. If they say otherwise, it's simply marketing. 4K streaming is more than a technology problem, it's a business problem.

The Latest On Video CDN Pricing

- For 2013, pricing down 20-25% on average
- Pricing decline for all of 2014 expected to be 25-30%
- Expect major pricing decline of 35%+ in 2015

- Mobile (tablets) are not a big driver of video traffic (1/4 the number of bits)
- Majority of video to mobile is still WiFi, not 3G/4G
- Traffic, specifically for video, is not growing like some make it out to be

March 2014 Pricing Survey

- Just over 600 surveys completed in the month of March
- All questions specific to video delivery pricing from major commercial CDNs
- 15 questions covered pricing, volume, contract length, vendors used, QoS
- Data broken out by size of customer, based on contract value

THIS IS NOT AN EXACT SCIENCE! IT IS ONLY AN ESTIMATE.

32 customers spending more than $1M per year

2014
- 12 customers using Akamai (multi-vendor)
- 15 customers using Level 3 (multi-vendor)
- 2 customers using Limelight (multi-vendor)
- 9 customers using Amazon (multi-vendor)
- 8 customers using Akamai exclusive
- 6 customers using Amazon exclusive

2012
- 22 customers using Akamai (multi-vendor)
- 16 customers using Level 3 (multi-vendor)
- 12 customers using Limelight (multi-vendor)
- 1 customer using Amazon (multi-vendor)
- 2 customers using Akamai exclusive
- 0 customer using Amazon exclusive

- on average, pricing down 26% this year (2013 was 19%)
- on average, customers expect traffic to grow 186% this year (2013 was 126%)

- on average, customers doing 7PB a month, paying low of $0.007 per GB, high $0.02 per GB
- per Mbps pricing, don’t have enough data, only 4 contracts priced on per Mbps

39 customers spending $500K-$1M per year

- 12 customers use Akamai, 6 exclusive, 6 multi-vendor
- 8 customers using Level 3 multi-vendor
- 2 customers using Limelight exclusive
- 13 customers using Amazon, 6 exclusive, 2 multi vendor
- 4 customers using EdgeCast multi-vendor

- on average, pricing was down 20% this year when compared to last year's contract
- on average, customers expect traffic to grow 60% this year over last year (*no 2013 data)

**Note: last year’s survey didn’t have a $500K-$1M option in the survey*

- on average, customers doing 2-4PB a month, paying low of $0.01 per GB, high $0.03 per GB
- per Mbps pricing, don’t have enough data, only 2 contracts priced on per Mbps

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67 customers spending $250K-$500K per year

- 20 customers use Akamai, 10 exclusive, 10 multi-vendor
- 6 customers using Level 3 multi-vendor
- 10 customers using Limelight, 2 exclusive, 8 multi-vendor
- 12 customers using Amazon, 2 exclusive, 10 multi-vendor
- 11 customers using EdgeCast, 6 exclusive, 5 multi-vendor
- 8 customers using Windows Azure, 2 exclusive, 6 multi-vendor

- on average, pricing was down 14% this year when compared to last year's contract
- on average, customers expect traffic to grow 78% this year over last year

- on average, customers doing 2PB a month, paying low of $0.02 per GB, high $0.05 per GB
- per Mbps pricing, don’t have enough data, only 1 contract priced on per Mbps

<u>460 customers spending $250K per year or less</u>

- Akamai and Akamai make up 80% of the contracts (including resellers)
- Level 3, Limelight, EdgeCast, Highwinds, Internap make up the rest
- Windows Azure makes up less than 2%

- on average, pricing was down 10% or less this year when compared to last year's contract
- on average, customers expect traffic to grow 40% this year over last year

- average pricing, can't say. too many variables at this level, especially in monthly commits. pricing as high as $0.07 per GB delivered

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Questions and Additional Resources

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