A Novel Model for Competition and

Cooperation Among Cloud Providers

**ABSTRACT**

The cloud market is nowadays fiercely competitive with many cloud providers. On one hand, cloud providers compete against each other for both existing and new cloud users. To keep existing users and attract newcomers, it is crucial for each provider to offer an optimal price policy which maximizes the final revenue and improvesthe competitive advantage. The competition among providers leads to the evolution of the market and dynamic resource prices overtime. On the other hand, cloud providers may cooperate with each other to improve their final revenue. Based on a Service Level Agreement, a provider can outsource its users’ resource requests to its partner to reduce the operation cost and thereby improve the final revenue. This leads to the problem of determining the cooperating parties in a cooperative environment. This paper tackles these two issues of the current cloud market. First, we solve the problem of competition among providers and propose a dynamic price policy.We employ a discrete choice model to describe the user’s choice behavior based on his obtained benefit value. The choice model is used to derive the probability of a user choosing to be served by a certain provider. The competition among providers is formulated as a non-cooperative stochastic game where the players are providers who act by proposing the price policy simultaneously. The game is modelled as a Markov Decision Process whose solution is a Markov Perfect Equilibrium.Then, we address the cooperation among providers by presenting a novel algorithm for determining a cooperation strategy that tells providers whether to satisfy users’ resource requests locally or outsource them to a certain provider. The algorithm yields the optimal cooperation structure from which no provider unilaterally deviates to gain more revenue. Numerical simulations are carried out to evaluate the performance of the proposed models.