

## Oriental Cable Network: Creating the New TV Experience

*“By digitizing our cable TV platform, we have to make a paradigm shift to change our business model, technology platform, and service offering to create a new TV experience for our 4 million subscribers and render us more competitive. Cisco IBSG was instrumental in helping us formulate our strategic vision, develop a financial business plan, and bring in other strategic partners. By launching a successful interactive TV service and staking our place in the market, we have set ourselves apart from the competition and developed a good business case for other regional cable operators to follow.”*

— Liu Ya Dong, chairman, Oriental Cable Network

### In Brief

Oriental Cable Network (OCN), the largest cable TV operator in China, serves more than 4 million households in Shanghai. Driven by a government mandate for cable providers to offer digital TV services, OCN is launching a new entity in Shanghai to create an innovative, interactive TV experience. OCN partnered with the Cisco Internet Business Solutions Group (IBSG) to undertake a comprehensive Pay-TV market assessment, define and prioritize interactive TV services, and develop a business plan and partner strategy. Despite its dominant position in the Pay-TV market, OCN faces competition from IPTV service providers and is embarking on a major transformation to deliver new, high-value, feature-rich media and entertainment services to increase revenue and meet the demands of a growing middle class in China.

### Customer

Oriental Cable

### Industry

Service Provider

### Challenges

- Develop advanced, interactive cable TV services to meet government requirements and deliver a new digital television experience to a growing Chinese middle-class market.
- Develop new services to compete with BesTV (an IPTV service from Shanghai Telecom), which offers TV broadcasts, video on demand, personal video recording, time-shifting TV, and other value-added services.
- Take advantage of economic growth in China by encouraging subscribers to pay more for interactive services, which will help OCN pay for its digital cable TV investments. Current analog cable TV services result in a monthly cable TV subscription fee per household of US\$1.30, which represents only 0.3 percent of the average household income.



Cisco Internet Business Solutions Group (IBSG)

## Solutions

**Opportunity assessment:** IBSG performed an in-depth study of iTV services to identify market dynamics and consumer behaviors in China's home media and entertainment industry. Television services included shopping, gaming, and education. Based on a worldwide assessment of success models and their applicability to China, the analysis was used to estimate the addressable market for OCN's proposed iTV services and to prioritize services based on cost and revenue evaluations.

**Business planning:** IBSG helped OCN develop a comprehensive business plan covering management team and stakeholder structures, financials, and a services portfolio. The business plan was presented in Scientific Atlanta's video market review meeting in July 2007 and to Cisco's Investment Review Board for approval.

**Investor adviser:** IBSG and Cisco Corporate Business Development are acting as a business adviser for OCN's strategic investors to create a better understanding of the business model and market dynamics.

## Next Steps

- IBSG and Cisco Corporate Business Development are facilitating several discussions between OCN and various strategic investors to form a new entity that will operate the iTV business.
- OCN plans to extend and replicate the iTV business model to next-tier Chinese cable markets (including Guangzhou and Beijing) within two to three years, realizing a nationwide strategy.

## Projected Results / Benefits

- Cisco is implementing Scientific Atlanta's conditional access solution in local set-top boxes in cooperation with Digivision Technology Co., Ltd., a set-top-box manufacturer in China.
- Cisco will be the sole supplier of feature-rich, high-end set-top boxes for iTV services. The initiative will also provide the basis for localized manufacturing of set-top boxes for emerging markets.
- Cisco will generate estimated revenue of \$300 million in the next five to six years in this market.

## IBSG Consultants

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