

Accelerating Time-to-Market and Service Profitability with Less Financial Risk



Challenge:

- Secure early-mover advantages of high growing Russian IPTV market
- Create a manageable IPTV service, with the large content selection and user-friendly features
- Find the most economical way to get the service to market

Solution:

- Cisco STB local manufacture plant
- Financing facility in roubles, smoothing cash flow by matching costs with revenues

Results:

- Huge growth and penetration rates of VimpelCom broadband in some cities up to 50 per cent
- Accelerated time-to-profitability, while avoiding a large upfront capital investment
- Scalable business model, allowing 'pay as you go' IPTV for customers



Customer: OJSC VimpelCom

Industry: Service Provider

Location: Russia

Employees: 27,000

Technology: IPTV STB solution

Business Challenge

Headquartered in Amsterdam, VimpelCom Ltd is one of the world's largest integrated telecommunications services operators providing voice and data services through a range of traditional and broadband mobile and fixed technologies in Russia and another 17 countries worldwide. VimpelCom provides services under the 'Beeline', 'Kyivstar', 'djuice', 'Wind', 'Infostrada', 'Mobilink', 'Leo', 'banglalink', 'Telecel', and 'Djezzy' brands. As of 30 September 2012 VimpelCom had 212 million mobile subscribers on a combined basis.

In Russia, OJSC VimpelCom, a wholly owned subsidiary of VimpelCom Ltd continues to enjoy great success, posting more than US\$9 billion in 2011 revenue and garnering 56.2 million mobile subscribers and 2.3 million broadband consumers by the end of Q3 2012. IPTV is one of the fastest growing businesses for the company. "The Russian mobile landscape is fairly mature," says Timur Alautdinov, director of broadband and digital TV at OJSC VimpelCom. "However, IPTV is still a relatively new concept and one that is especially attractive for customers living in rural areas, where before it was not commercially viable for service providers to build cable transport networks."

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Timur Alautdinov, Director of Broadband and Digital TV
OJSC VimpelCom

Eager to secure early-mover advantage in this high-growth market, OJSC VimpelCom appointed two companies, Cisco and another vendor, to help design and manufacture a pioneering set-top box (STB) solution. "Our vision was to create a manageable IPTV service," says Alautdinov, "offering the largest selection of content and loaded with practical user-friendly features."

Finding the most economical way of getting the IPTV service to market was also very important. Aleksey Nikonov, treasury director for OJSC VimpelCom, says: "The prospect of making a large capital investment, spending several months on product development and testing, and not seeing a profitable return until later years, was not that appealing."

Solution

Working with Cisco Capital™, OJSC VimpelCom created a scalable, convenient business model. Structured to closely match cash in with cash out, the loan agreement offers a competitive fixed interest rate and allows the operator to spread Cisco® STB equipment costs over three years. "Cisco Capital offers an impressive range of products, including financial leasing, vendor financing and tailored financial models in roubles," says Nikonov. "We're a rouble-driven business, so the ability to transact in local currency was a big advantage. This lowers risk by protecting against changes in foreign exchange rates."

To help speed up manufacturing and time-to-market, Cisco opened a local STB production plant, creating jobs and work for local suppliers.

The OJSC VimpelCom IPTV service provides customers with numerous benefits, including personal video recording features, some 24 high-definition (HD) and 194 digital channels, and reasonably priced video-on-demand. Thanks to strong relationships with production companies, the video-on-demand service includes over 90 per cent of blockbuster movies. All equipment is returnable and provided free-of-charge.

Results

Having successfully extended its reach and provided increased, affordable access to a wider choice of IPTV and video services, OJSC VimpelCom is now maximising new market opportunities in Russia. "We're seeing huge growth and penetration rates to our broadband in some cities up to 50 per cent, considerably higher than those currently experienced in other geographies such as the US," says Alautdinov.

This move has also been welcomed by VimpelCom's customers. So far, the company has signed up 800,000 subscribers. In addition, this rapid service take-up is positively affecting other lines of business. For example, when a customer takes broadband bundled with IPTV, it translates on average into 50 per cent higher average revenue per user (ARPU).

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Using the tailored Cisco Capital financing solution has helped OJSC VimpelCom accelerate time-to-profitability by avoiding a large upfront capital investment, while smoothing cash flow by matching costs with revenues. Equally, VimpelCom knows that it can always turn to Cisco Capital whether the company is looking to create a cable-free STB or develop delivery capabilities that extend video, for example, to iPads, androids, and smartphones.

"We see Cisco Capital as a key business partner, because it adds value in lots of ways," says Nikonov. "Financial markets remain volatile, placing greater importance on protecting credit lines. Cisco Capital is also a dealmaker, because it can cover up to 50 per cent of non-Cisco equipment. And, because terms and conditions are similar to banks, the debt covenants compliance process is easy and transparent."



For More Information

To learn more about Cisco Capital financing solutions visit:
www.ciscocapital.com/ru or www.ciscocapital.com