

Shanghai Media Group Partners with Cisco on Digital Media Transformation Initiative

“Shanghai Media Group fully recognizes the criticality of an innovative business model and advanced technology, especially digitized media production and delivery. Cisco is a valued partner that can help us achieve our goals and further penetrate the market across Asia.”

— Zhang Dazhong, vice president, Shanghai Media Group

In Brief

Shanghai Media Group (SMG) is a key media player in China, with US\$878 million in revenue in 2008. SMG operates 13 analog TV channels, 16 national digital cable channels, one broadband TV channel, one mobile TV channel, one IPTV service, 11 radio channels, five print media businesses, and six sports clubs. The company has made significant investments in new media, including IPTV, broadband, and mobile TV, as well as launching English-language channels to serve a worldwide audience. A state-owned media company, SMG wants a bigger share of the \$38 billion market, especially in emerging segments such as IPTV, mobile TV, and international broadcasting. The Cisco® Internet Business Solutions Group (IBSG) is in a good position to help SMG penetrate the market in China and across Asia, building on the success of the Beijing 2008 Olympic Games broadcast powered, in part, by Cisco technology.

Customer

Shanghai Media Group (SMG)

Industry

Media/Entertainment

Challenges

- Providing digital content that is ready for distribution “out of the box.” Given the highly fragmented, financially challenged domestic market, video service providers such as local cable companies cannot apply significant resources to activities such as content repurposing.
- Capturing opportunities to provide IP-based content to Chinese people living elsewhere in Asia, where more than \$4 billion is spent on TV and web-based entertainment, and where the majority of subscribers live in developing countries.
- Repurposing content for a mobile format and increasing market share in China, where mobile subscribers outnumber fixed broadband users by a ratio of nearly 8:1.



Cisco Internet Business Solutions Group (IBSG)

Solutions

Media Insourcing: A proposed joint media transformation initiative between Cisco IBSG and SMG will help SMG capitalize on the market by enabling the company to:

- Migrate media and post-production workflow from tape-based to file-based. Content formats will be in “native” digital format to better exploit digital-based distribution channels.
- Internalize as much as possible the distribution value chain and pass it on to telco service providers only when content is ready for broadcast.
- Perform value-added processing such as inserting advertisements into video content/ programs, dubbing, subtitling, and converting formats to mobile or PC devices in-house.

End-to-End Cisco Solution: Media workflow platform to provide the network infrastructure supporting the production environment’s move from tape to digital.

Next Steps

- Media insourcing falls under the banner of a memorandum of understanding (MOU) between Cisco IBSG and SMG, and is under preliminary consideration by executives of both companies for possible implementation.

Projected Results / Benefits

- Incremental revenue of \$142 million is projected in the first year from increased monetization of content in new media formats (IPTV and mobile TV).
- A reduction in operating expenses of \$51 million is projected in the first year from decreased physical media, shipping, and labor costs.
- Better preservation of content (tape degenerates after two to three years).
- Content available “out of the box.” This way, SMG can help providers that are financially challenged or lacking in technological advancements to adopt and distribute digital content.
- SMG will be provided with the differentiation to fend off domestic, Taiwan, and Hong Kong competitors.

Best Practices / Lessons Learned

- Cisco IBSG identified the end-to-end Cisco solution, developed the business case for SMG’s transformation initiative, and orchestrated team participation.
- External stakeholder management is required to present a new business model and/or solutions to multiple customer stakeholders, each of which have a different view of what is being proposed.



IBSG Consultants

Henky Agusleo
Phone: +65 6317 5527
Email: hagusleo@cisco.com

Andy Wong
Phone: +852 2934 4658
Email: andywon@cisco.com

Innovations Team Member

Jeremy Uy
Phone: +65 6317 7566
Email: jeuy@cisco.com



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV
Amsterdam, The Netherlands

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