

The Total Cost of Ownership for Delivering Web Content and Applications into China

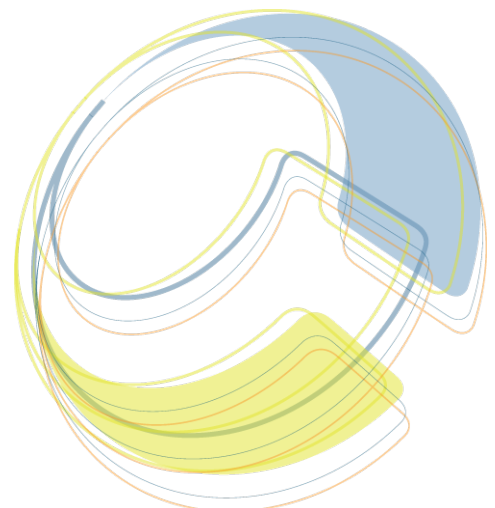


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Objective for Understanding

The explosive growth in China's Internet user community, currently over 400 million users, presents Fortune 2000 companies with a tremendous opportunity to expand their customer base and increase revenue. However, many companies have yet to successfully penetrate China's online market, because they attempt to serve content from outside of China. This erodes their quality of service to Chinese consumers, mainly due to severe latency issues at the key Internet gateways going into China. To overcome this issue, IT managers are seeking alternative ways to get closer to Chinese Internet users.

A key question that all of these businesses face is whether to establish an operating subsidiary and build out their own Internet content delivery infrastructure in China or to outsource their content delivery to a content delivery network (CDN) provider like CDNetworks. This document presents information on the total cost of ownership of both options and why it ultimately makes sense to leverage CDNetworks for content and application delivery to China's Internet users.

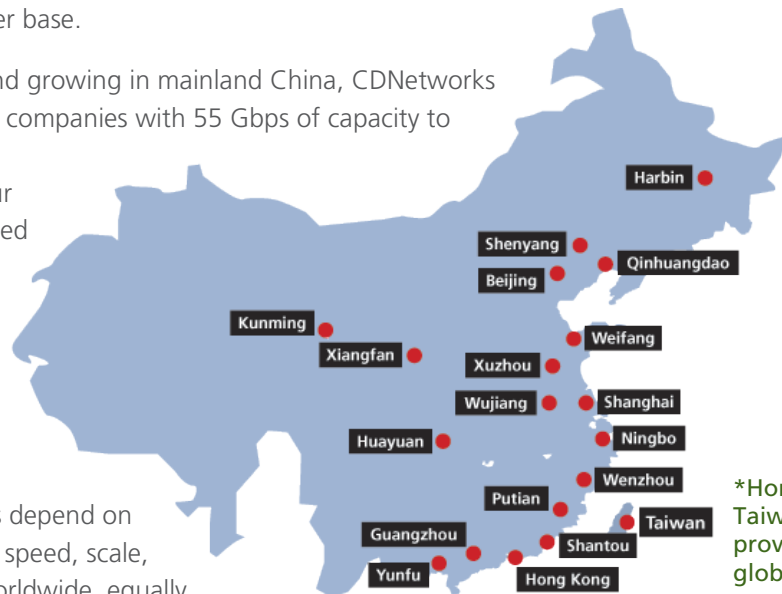


Overview of CDNetworks in China

CDNetworks is Asia's leading full-service CDN, providing services that accelerate the reliable delivery of critical Internet content and applications to end users worldwide. CDNetworks established our China operating subsidiary in the mid-2000s to help ease market entry into China for the many companies seeking to reap the benefits of reaching China's massive Internet customer base.

With 25 POPs and growing in mainland China, CDNetworks provides leading companies with 55 Gbps of capacity to local users. This complements our 100+ POPs located across 6 continents that provide a global capacity of more than 1,100 Gbps.

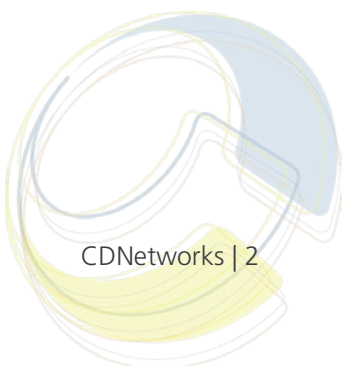
While customers depend on CDNetworks for speed, scale, and reliability worldwide, equally important is our local business savvy in China. Through our licensed China subsidiary, we monitor and respond to the evolving Internet rules and regulations imposed by China's central and provincial governing authorities. We also maintain strong relationships with the array of local and national ISPs. These combined efforts enable us to navigate China's unique business and governmental environment and maximize our customers' revenue-generating opportunities.



*Hong Kong and Taiwan are provided for global service only

Total Cost of Ownership of to Operate a China Subsidiary for Content Delivery

While most businesses recognize that establishing an operating subsidiary in China can be a challenge, few appreciate the intricacies surrounding it. In fact, companies incur a considerable number of hidden costs as they attempt to operate in China. The major cost categories for establishing in-house content delivery are not news to experienced IT managers. But what is surprising is that the costs in some categories can reach 10 times those in the USA and Europe. A quick review of these cost items across five categories reveals how expensive it can be for a business to go it alone in China.



The Costs of In-House Content Delivery in China



Figure 1. Utilizing CDNetworks' China Acceleration Solution alleviates the high fixed and monthly costs of datacenter build-out

FIXED COSTS OF BUILDING A DATA CENTER

- Legal fees
- Real estate
- Site construction
- Hardware
- Web and applications servers
- Software licenses
- Capital costs incurred if expansion is required

ONGOING DATA CENTER OPERATING COSTS

- Property taxes
- Heating and cooling (5-10 times Western equivalents)
- Electricity (5-10 times Western equivalents)
- Leased lines (3-5 times Western equivalents)
- Migrations for software updates

PERSONNEL COSTS

- Several full-time IT staff to monitor and manage the network and applications
- One or two business executives to manage ISP and government relations
- Expatriate manager to solidify company culture and oversee progress
- 1-2 administrative staff

Time to Payback

Beyond basic ROI, most IT projects today must show a fast payback. By outsourcing CDN services to CDNetworks, a typical business will realize positive net results within 90 days, versus a typical two-year time-to-payback when doing it all in house. This is because there is virtually no capex with CDNetworks.



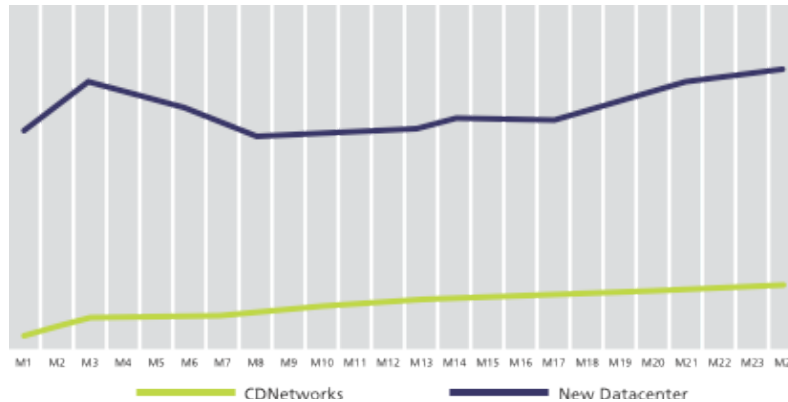


Figure 2. High capex costs associated with building a new datacenter vs. low cost of CDNetworks’ China Acceleration solution

High-Value Business Benefits

China’s traditional Internet has some significant flaws, such as inconsistent peering and interconnectivity for standard content delivery. Combining this with its massive and fast-growing user demand, China’s Internet frequently lags in performance and availability when delivering mission-critical applications and content. So having standard network connectivity within China is not enough. CDNetworks has developed proprietary capabilities to route our customers’ content around China’s ever-changing network congestion points to deliver fantastic end-user experiences. We help our customers maximize revenue by enabling the following:

- Minimal latency when delivering content
- Higher end-user satisfaction
- Higher conversion rates
- Increased site usage
- Brand loyalty
- Instant scalability to handle any amount of site traffic
- Real-time adoption of the latest software and applications
- Early notification of changing rules and regulations that affect operations

As Chinese Internet users pull more content and applications from our customers’ Web sites, CDNetworks can add both capacity and value-added services quickly.

Businesses seeking to expand into China’s vast Internet market now have the capability to do so without incurring high costs of entry. Moreover, they no longer need to isolate their content delivery strategy to China from their global content delivery goals. This is because CDNetworks has developed the first and only combination of a truly global CDN with China-specific business and infrastructure capabilities. This valuable combination makes CDNetworks the one choice for a business’s complete content delivery needs.



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About CDNetworks

CDNetworks enables mission critical e-business in the world's most challenging markets. CDNetworks' unique position as the only multinational CDN with expertise and infrastructure in China, and other emerging markets, makes us a trusted technology and business advisor to more than 1,200 companies across the highly-competitive industries of software, travel, eCommerce, high tech, manufacturing, media, and gaming. Reliably delivering over-the-top performance anywhere in the world, CDNetworks helps businesses get closer to their end users without the limitations of hardware and private networks. Founded in 2000, CDNetworks has offices in the U.S., Korea, China, Europe, and Japan. For more information, please visit: www.cdnetworks.com

Ready to take advantage of a proven way to accelerate content response times? Contact CDNetworks at info@cdnetworks.com.

