Cisco Essay, Research Paper

Cisco Systems, Inc. is the worldwide leader in networking for the Internet. Cisco operates in one industry segment and creates hardware and software solutions that link computer networks so that people have easy access to information without regard to differences in time, place or type of computer system.

Networking is a multi-billion dollar global market whose growth is spurred by the belief that the Internet is changing the way we all work, live, play and learn. Over the last year, there has been a key shift in the role of the Internet and in how the Internet is perceived. What was once a fairly complex tool used by an elite group of highly technical individuals is now a technology driving economic change globally by creating new jobs and market opportunities.

The Company markets its products through its direct sales force, single and two-tier distributors, value-added resellers, service providers and system integrators. This multiple-channel approach allows customers to select the channel that addresses their specific needs and provides the Company with broad coverage of worldwide markets.

Customers benefit from Cisco networking solutions through more efficient exchange of information, which in turn leads to cost savings, process efficiencies, and closer relationships with customers, prospects, business partners, suppliers, and employees. Cisco solutions are the networking foundation for companies, universities, utilities, and government agencies worldwide.

The Company was founded in late 1984 by a small group of computer scientists from Stanford University seeking an easier way to connect different types of computer systems. Cisco Systems shipped its first product in 1986. Since then, Cisco has grown into a multinational corporation with over 10,000 employees in more than 200 offices in 54 countries. Cisco’s products encompass the broadest range of networking solutions available from any single supplier. These solutions include routers, LAN and WAN switches, dial and other access solutions, SNA-LAN integration solutions, Web site management tools, Internet appliances, and network management software. The thread that ties these products together is the Cisco IOSJ software platform, which delivers network services and enables networked applications. Cisco’s offerings also include industry-leading customer services for network design, implementation, maintenance, and support.

Cisco is unique in its ability to provide all these elements, either by itself or together with partners. Cisco serves customers in three target markets

? Enterprises – Large organization with complex networking needs, usually spanning multiple locations and types of computer systems. Enterprise customers include corporations, government agencies, utilities and educational institutions. ? Service Providers – Companies that provide information services including telecommunication carriers, Internet Service Providers, cable companies, and wireless communication providers. ? Small/Medium Business – Companies with a need for data networks of their own, as well as connection to the Internet and/or to business partners.

Cisco sells its products in 90 countries through a direct sales force, distributors, value-added resellers and system integrators. Cisco has headquarters in San Jose, CA. It also has major operations in Research Triangle Park, NC, and Chelmsford, MA; as well more than 200 sales and support offices in 54 countries.

In contrast to many technology companies, Cisco does not take a rigid approach that favors one technology over the alternatives and imposes it on customers as the only answer. Cisco’s philosophy is to listen to customer requests, monitor all technological alternatives, and provide customers with a range of options from which to choose. Cisco develops its products and solutions around widely accepted industry standards. In some instances, technologies developed by Cisco have become industry standards themselves.

Every day, Cisco and its customers are proving that networking and the Internet can fundamentally and profitably change the way companies do business. Cisco describes this change in the “Global Networked Business”. A Global Networked Business is an enterprise, of any size, that strategically uses information and communications to build a network of strong, interactive relationships with all its key constituencies.

The Global Networked Business model opens the corporate information infrastructure to all key constituencies, leveraging the network for competitive advantage. The Global Networked Business model employs a self-help model of information access that is more efficient and responsive than the traditional model of a few information gatekeepers dispensing data as they see fit. Cisco itself is a leading example of a Global Networked Business. By using networked applications, the Internet and its own internal network, Cisco is saving at least $300 million a year in operating costs, while improving customer/partner satisfaction and gaining a competitive advantage in areas such as customer support, product ordering and delivery times. Cisco is today the world’s largest Internet commerce site, selling more than $6 million in products every business day.

Cisco is one of America’s greatest corporate success stories. Since shipping its first product in 1986, the company has grown into a global market leader that holds No. 1 or No. 2 market share in virtually every market segment in which it participates. Since becoming a public company in 1990, Cisco’s annual revenues have increased from $69 million in that year to $6.44 billion in fiscal 1998, nearly one hundred-fold in seven years. As measured by market capitalization, Cisco is the third largest company on NASDAQ and among the top 40 in the world.

Fiscal 1998 was another successful year for Cisco Systems. Their annual growth rate of 57 percent meant that they grew at a faster pace than any of their traditional competitors. The reasons for this are clear. Organizations of all sizes are beginning to recognize the value of their information networks and the Internet as a source of business advantage. As a result, many of Cisco’s customers are beginning to turn to us as their strategic provider for end-to-end networking solutions. To meet their increasing demands this past fiscal year, they delivered a wide range of new products; expanded their offerings through internal development, alliances, and acquisitions; enhanced their customer support; and increased their presence around the world.

These efforts helped Cisco deliver exceptional value and returns for their customers, shareholders, business partners, and employees. For the fiscal year ending July 26, 1998, Cisco reported revenue of $6.4 billion, a 57 percent increase compared with revenue of $4.1 billion in fiscal 1997. Net income for the year was $1.0 billion or $1.52 per common share, compared with fiscal 1997’s net income of $913 million or $1.37 per common share. Research and development investment increased to $698 million, up from $399 million the previous year. Cisco ended the year with cash, cash equivalents, and short-term investments balance of $1.3 billion, compared with a year-end balance of $1.0 billion in 1997.

Much of their success has been because of the close awareness of their customers’ needs. To remain close to their customers, they realigned their organization along lines of business matched to the key markets they serve: Enterprise, Service Providers, and Small/Medium Business. The new organization will enable them to provide market-specific, end-to-end solutions that include integrated software, hardware, and network management. It will also allow them to customize their sales, support, and business programs to each key market. Additionally, their focus on market solutions will improve their ability to deliver world-class products. Today, Cisco is the number one or number two supplier in almost every product sector that they address, and they are rated the best in terms of customer support and design consulting. Their Cisco IOS software is increasingly becoming the de facto industry standard for delivering network services and enabling networked applications.

Their goal has always been to provide solutions for their customers without imposing a particular technology as the only “right” answer. Cisco continues to deliver the products that best address their customers’ requirements through the innovation of their engineering teams, complemented by their alliances, acquisitions, and minority investments.

Of all the companies that Cisco has acquired to date, almost half were added in fiscal 1997. The technology expertise they’ve gained this year through acquisitions includes network management, Digital Subscriber Line (DSL), and voice/data/video integration. They expect acquisitions to play an ongoing key role in their leadership strategy. Strong alliances will also be an increasingly important element of their future strategy. This year Cisco continued to develop key relationships with industry leaders such as Microsoft, Intel, Hewlett-Packard, GTE, and Alcatel in order to enable consistent network services throughout the fabric of the network. Within Cisco, they’ve created a new group to focus primarily on the development and success of their strategic alliances. This new team, which encompasses engineering, marketing, and sales, will allow us to work closely with their alliances and move quickly to jointly deliver solutions to the marketplace.

Also key to Cisco’s success is the Cisco brand itself, which is recognized worldwide as the leading name in networking. Customers have come to associate the Cisco brand with a secure, reliable, high-performance network; a brand in which they can have confidence. They will continue to enhance and expand their brand in the future.

The ongoing deregulation in the telecommunications market and the convergence of technologies such as Asynchronous Transfer Mode (ATM) and DSL are driving the trend toward integration of voice, video, and data networks. In the upcoming years, they will continue to extend their presence in this area. As the Internet becomes an integral part of people’s business and personal lives, they will sustain their move into emerging markets as the leading provider of networking solutions.

While the future holds many exciting opportunities for Cisco, their success will depend on how they will they execute their strategy and manage the challenges. They must maintain their passionate customer focus and always work toward exceeding their customers’ rapidly increasing expectations, winning customer’s vote as a strategic end-to-end networking provider. It is essential that they successfully implement their alliance and acquisition strategy. Faced with increased competition, it is also important to maintain their product leadership in each market segment that they serve while expanding into new markets. In addition, they must continue to hire and retain the best people in the industry.

Cisco is fortunate to be in a marketplace that offers so many exciting opportunities. Looking to the future, Cisco is well positioned for the years ahead. The Networked Multimedia Connection program with Microsoft and Intel was formed to encourage the widespread adoption of networked multimedia applications in businesses using Intranets and the Internet. Their relationship with Hewlett-Packard covers a broad range of initiatives including technology development, product integration, professional services, and customer service. Last May, GTE announced that it would build a national network based on Cisco’s products, enabling service providers to rapidly deploy value-added services and drive next-generation Internet offerings. And the goal of their collaboration with Alcatel is to offer complete networking solutions to telecommunications carriers and other Internet service providers worldwide.

Each of Cisco’s strategic alliances will create a sustainable competitive advantage for both companies in order to optimize products, price points, distribution, and services. Through these relationships, Cisco will provide its customers the ability to become global networked businesses well into the next century.