

Brand Protection & Channel Governance



Brand Protection Emerging Markets - **Dr. Jiri Kocab**

Agenda

Introduction

Guidance for Channel Partners and End Customers

The reality of the market with unauthorized Cisco products

What to do in case of unauthorized Cisco products?

Communication and collaboration

Alternatives...to weird offers?

- Cisco Systems: World's leading supplier of networking equipment
- Cisco Products are the backbone of the Internet
- Cisco is the world's largest supplier of high-performance computer internetworking systems
- Consumer awareness of the brand is growing around the globe
- Customers trust our brand for quality networking products
- Underpins our success as a global leader in networking products

- Millward Brown, a research firm, issues its annual survey of *The Top 100 Most Powerful Brands*. The survey is published in *The Financial Times* and includes B2B and consumer brands in both the developed markets and BRIC countries (Brazil, Russia, India, & China)
- Cisco ranking is the 22nd most powerful global brand
- In the technology category, Cisco ranked 7th behind Google (1st), Microsoft (2nd), IBM (3rd), Apple (4th), Nokia (5th), HP (6th), and Dell (11th)

#	BRAND*	BRAND VALUE
		\$M
1	Google	86,057
2	GE (General Electric)	71,379
3	Microsoft	70,887
4	Coca-Cola (1)	58,208
5	China Mobile	57,225
6	IBM	55,335
7	Apple	55,206
8	McDonald's	49,499
9	Nokia	43,975
10	Marlboro	37,324
11	Vodafone	36,962
12	Toyota	35,134
13	Wal-Mart	34,547
14	Bank of America	33,092
15	Citi	30,318
16	HP	29,278
17	BMW	28,015
18	ICBC	28,004
19	Louis Vuitton	25,739
20	American Express	24,816
21	Wells Fargo	24,739
22	Cisco	24,101
23	Disney	23,705
24	UPS	23,610
25	Tesco	23,208
26	Oracle	22,904
27	Intel	22,027
28	Porsche	21,718

Excerpt from the BrandZ Top 100 Most Powerful Brands 2008
ranking issued by Millward Brown

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Cisco Brand Protection Effective Multi-Agency Mgmt



Cisco Brand Protection	Extended Team Expertise	Enforcement
<ol style="list-style-type: none">1. Case managers & engineers2. Cisco relationships: manufacturing, legal, engineering, channels, Customer Advocacy.	<ol style="list-style-type: none">1. Global legal support2. Local investigators3. KPMG, Ernst & Young, LBA4. Industry groups i.e. BASCAP	<ol style="list-style-type: none">1. Local & federal police2. Government3. Customs

Organization of Brand Protection Emerging markets

BP Manager	Region	Channel Lead	
	Neil Sheridan	Emerging	Osvaldo Bianchi
	Maria Tereza Machado	EM West - APU, Brazil, Chile	Juan Pablo Estevez
	Cristobal Mariscal Herrerias	EM West - Mexico, CANSAC	Juan Pablo Estevez
	Rafael Perez de la Calle	EM Central	Guido Romagnoli
	Gleb Bolshakov	EM East - Russia & Europe East	TBH TBH
	Jiri Kocab	EM East - Europe Central	Zoran Radumilo
	Karim Kattouf	EM East - KSA Gulf & Pakistan	Nasr Al-Bikawi Adrian Taylor



BP actions in the marketplace

We proceed with...

- Conducting test purchases, attending raids, seizure of goods at partners and by customs authorities
- Cooperation with law enforcement agencies, courts, governments and intergovernmental organizations
- Launching of education programs and awareness activities for partners and wider audience
- Conducting audits of partners and monitoring compliance with the contractual terms
- Checking of processes between Cisco and partners and contribution to their improvement
- Cooperation with Channels, partners and end users

Definition: Unauthorized Cisco products, Counterfeit and 3rd party products

Unauthorized products

New products that are: Diverted from authorized sales channels
Sold to someone other than the intended / reported end user

Used products that are: Sold without new software licenses and equipment inspections (if Cisco service support is desired)

Counterfeit

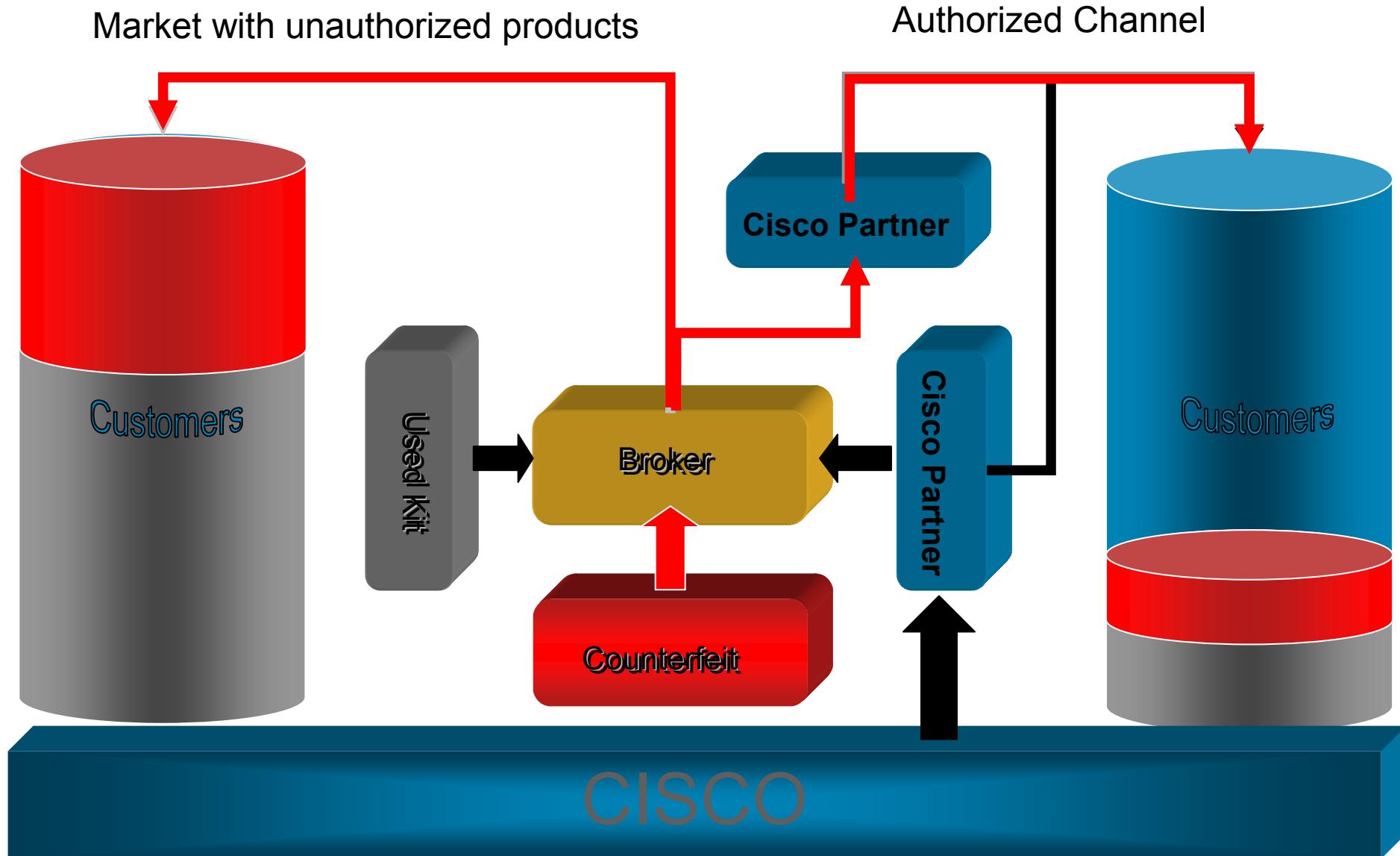
Can be hardware, software or documentation to which a Cisco trademark or logo has been fixed without Cisco's consent. This includes products that do not originate from Cisco manufacturers or that are produced without the approval of Cisco (known as third-shift or backdoor production), and any products that are produced with the intent to counterfeit or imitate an original Cisco product.

3rd party components

Third-party products are components, typically memory, cables, or gigabit interface converters (GBICs), manufactured by a company other than Cisco. They are only illegal if they are represented to be genuine Cisco products through the unauthorized display of Cisco labeling or trademarks

The Reality of the market with unauthorized products

Product Flow & Supply



Observations & Red Flags

Deals on the Street

Model description	Cisco list price	Broker price	Discount
WIC 1T MODULE 21.00	\$ 400.0	\$ 21.0	95%
WIC 2T MODULE 54.00	\$ 700.0	\$ 54.0	92%
WIC 1BS/T MODULE 17.20	\$ 500.0	\$ 17.2	97%
NM-1E MODULE 51.00	\$ 1,000.0	\$ 51.0	95%
NM-4E MODULE 94.00	\$ 4,000.0	\$ 94.0	98%
NM-4T MODULE 175.00	\$ 3,000.0	\$ 175.0	94%
NM-2W MODULE 145.00	\$ 1,500.0	\$ 145.0	90%
VWIC-1MFT-T1 MODULE 93.00	\$ 1,300.0	\$ 93.0	93%
VWIC-2MFT-E1 MODULE 102.00	\$ 2,000.0	\$ 102.0	95%
WS-C2950-24 SWITCH 313.00	\$ 950.0	\$ 313.0	67%



Observations & Red Flags

Deals on the Street

- High Discounts Offered with No Record of a DSA/DART Approval
- Product Offered as “Cisco Approved” rather than just “Cisco”
- Products sold as “new bulk” or “new open box.”
- Products not yet released into the region
- Restricted product being sold by reseller who doesn’t have access to that type of product
- Products Arrive in Non-Cisco Branded Packaging
- Reseller Indicates They Have a Production Over-Run of Cisco Product
- Product Offered “Direct from the Manufacturer” – Could be 3rd Party, Stolen or Counterfeit
- Sales reporting indicate chassis and SmartNet purchases, but not expected /appropriate modules

Unauthorized products: The Partner Side

Purchases from / Sales into the market with unauthorized products ...

Consequences / Risks for a Partner:

- This is a NO/NO option for a Partner, in accordance to the contract the Partner has to purchase Cisco products either directly from Cisco or via the authorized Cisco Channel or they must not be involved/run the risk to be involved in the distribution of fake products due to the Trade Mark clause (Distribution/Registered Partner)
- Purchase on the market with unauthorized products is a severe violation of the contractual agreement and may lead to a termination of the contract
- All products purchased outside the authorized Cisco Channel are outside of CISCO's control and bear the risk of counterfeit or parallel imports
- It is illegal to supply counterfeit products

Unauthorized products: The End Customer Side

Purchases from the market with unauthorized products

Consequences / Risks for a Customer:

- products that do not have warranty/support
- products without software licensing
- second Hand goods re-packaged as “new”
- 3rd Party Products sold as Cisco
- no quality assurance from Cisco
- products that are not entitled to support w/o first receiving an inspection by Cisco
- products which are not manufactured by Cisco (counterfeit- or fake Cisco products)

Counterfeit: a global issue

If you can make it - they can fake it!

- this practice is worldwide in scope, operating on both a professional level and a amateur basis
- it affects products with strong brand names in which enormous profits can be made, without the costs of research and development, marketing and advertising
- It affects every sector of commerce – watches, clothing, medicines, currency, and car parts - right through to Cisco networking products
- customer Satisfaction is not top of mind. Counterfeitors have only to focus on making the product look good – not perform to specifications - **WITH CISCO THAT IS CRITICAL**

Risk of Counterfeit in the IT industry

Counterfeit is not just an issue for luxury products and the fashion industry!

- IT fakes thought to cost companies \$100bn a year
By Scott Morrison in San Francisco
Published: August 15 2005 Financial Times
- ... as many as one in 10 IT products sold worldwide may be counterfeit, costing global technology companies as much as \$100bn in lost revenue annually according to a new report from KPMG, ... based on estimates from 15 leading global IT companies
- ... industry sources said network switches, computer memory parts, hard disc drives and ink supplies were the most common components found on the black market

Extract of identified Counterfeit Products

VICs / VWICs	VIC-2FXO VIC-2FXS VWIC-1MFT-E1 VWIC-1MFT-T1 VWIC-1MFT-G703 VWIC-2MFT-E1 VWIC-2MFT-E1-DI VWIC-2MFT-G703 VWIC-2MFT-T1 VWIC-2MFT-T1-DI	SWITCHES	WS-C2924-XL-EN WS-C2950-24 WS-C2950G-24-EI WS-C2950G-48-EI WS-C2950T-24 WS-X4306-GB (for CAT4000series) WS-X4418-GB (for CAT4000series)
PORT ADAPTERS	PA-4E	WICs	WIC-1ADSL WIC-1AM WIC-1B-S/T WIC-1DSU-T1 WIC-1DSU-T1-V2 WIC-1ENET WIC-1T WIC-2A/S WIC-2AM WIC-2T
NETWORK MODULES	NM-1CE1B NM-1CE1U NM-1E NM-1E2W NM-1FE2W NM-2CE1B NM-2CE1U NM-2FE2W NM-2FE2W-V2 NM-2W NM-4A/S NM-4B-S/T NM-4E NM-4T NM-8A/S NM-8B-S/T NM-HDV-1E1-12 NM-HDV-2E1-60	ROUTERS	CISCO1721 CISCO2610XM CISCO2611XM CISCO2621XM CISCO2651XM

Custom Case Poland (Nov 2007)



What is needed from our Channel:

- report to your AM/CAM if you encounter anything suspicious, they in turn report to us
- if you are not sure whether a company offering Cisco kit is an authorized Cisco Partner please check the online partner locator
- correctly message to End User on unauthorized channel issues
- understand what is legal/illegal
- don't act on your own ...

What is needed from our Channel: External Messaging

Always be aware that ...

... external messaging to End Customers or Brokers about counterfeit and unauthorized business activities might lead to legal consequences for the parties involved!

The Cisco Remarketing Program

The only source for Cisco certified refurbished equipment,
the only trusted source for used Cisco equipment

	Cisco Refurbished Equipment program	Market with unauthorized products & pre-owned technology
Revenue	Collected by Cisco	Collected by Brokers
Distribution	Cisco Authorized Channels	Brokers, eBay, websites, etc.
Software	Current version and licensed	Includes often old versions and unlicensed
Support	Cisco tested and warranted; SMARTnet eligible	Not tested by Cisco; broker warranty if any; no SMARTnet, no support
Pricing	Around 70% of new Cisco Capital financing available	Dumped on market at around 50% to 70% of new
Recognition	Sales, POS	None

Contact Points

General Information

- www.cisco.com/go/remarketing
- Refurb Inventory and Pricing
- www.cisco.com/appcontent/echannels/pbc/index.shtml

Remarketing Sales Support:

- Team: marketing-emea@cisco.com
- Order Management: marketing-emea-cs@external.cisco.com

Contacts for Questions and any Findings

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You can also contact the local Cisco Sales Team



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