



Economics of the Cisco Collaboration Story

Case Studies of Web 2.0 Collaboration Initiatives

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February 2009

Executive Summary

- Cisco was an early leader in moving its business to the web, and is currently saving \$3.7 billion / year from a broad range of “Web 1.0” business solutions
- More recently, Cisco has extended its use of the web to include Web 2.0 collaboration capabilities that are driving significant business value, **with FY08 benefits of \$691 million**
- Much of this value comes from enabling employees to remain highly productive, no matter where and when they work. This flexibility has:
 - Reduced air-travel expenses by \$226 million / year
 - Increased employee productivity by \$380 million / year
- Perhaps of even greater impact longer term, our enhanced abilities to interact with employees, partners, and customers have:
 - Increased the number of customer interactions dramatically
 - Improved our responsiveness
 - Shortened our sales cycle and increased win rates
 - Increased contribution margin by \$142 million
- Strategic collaboration capabilities are also providing a strong platform for growth and innovation, enabling an increase in the number of cross-company initiatives from two in FY2007 to 26 in FY2009

Source: Cisco IBSG, 2009

Today's Discussion

- Transition from Web 1.0 to Web 2.0
- Summary of Web 2.0 Initiatives
- Profile of Initiatives:
 - Remote Collaboration
 - Telecommuting
 - Virtual Experts
 - Sales Productivity (NEW)
 - Connected Workplace
 - Deal / Order Acceleration Via UC
 - Mac Wiki
 - C-Vision and Video Blogs

Source: Cisco IBSG, 2009

Cisco *Internet Business Solutions (Web 1.0)*: FY2008 Benefits



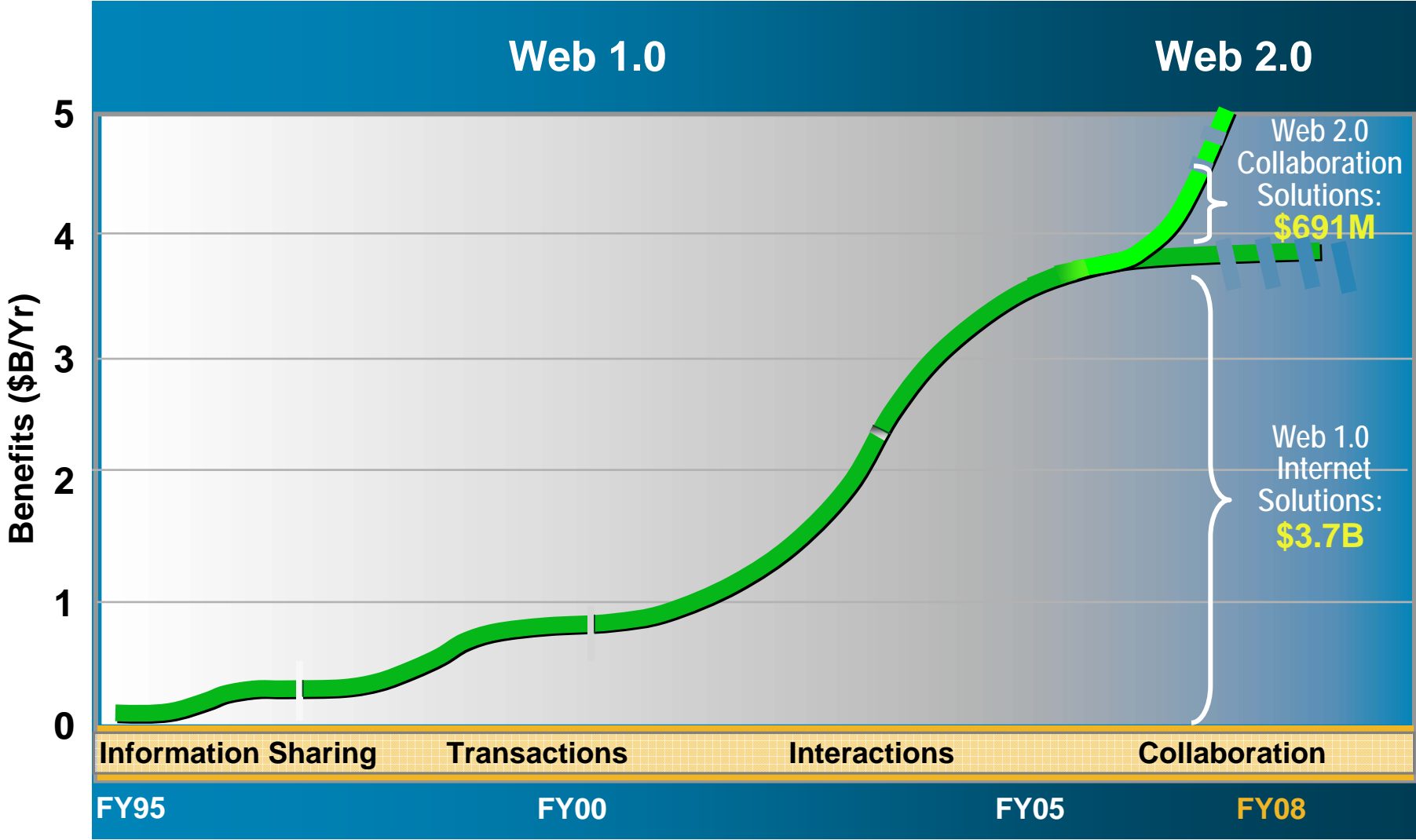
Source: Cisco IBSG, 2009

Cisco Collaboration Solutions (Web 2.0): FY2008 Benefits



Source: Cisco IBSG, 2009

Cisco's Productivity Journey



Source: Cisco IBSG, 2009

Cisco Web 2.0 Collaboration Initiatives: FY08 Benefits and Costs

In FY08, Cisco Achieved **\$691M** in Net Benefits
from Web 2.0 Collaboration Solutions

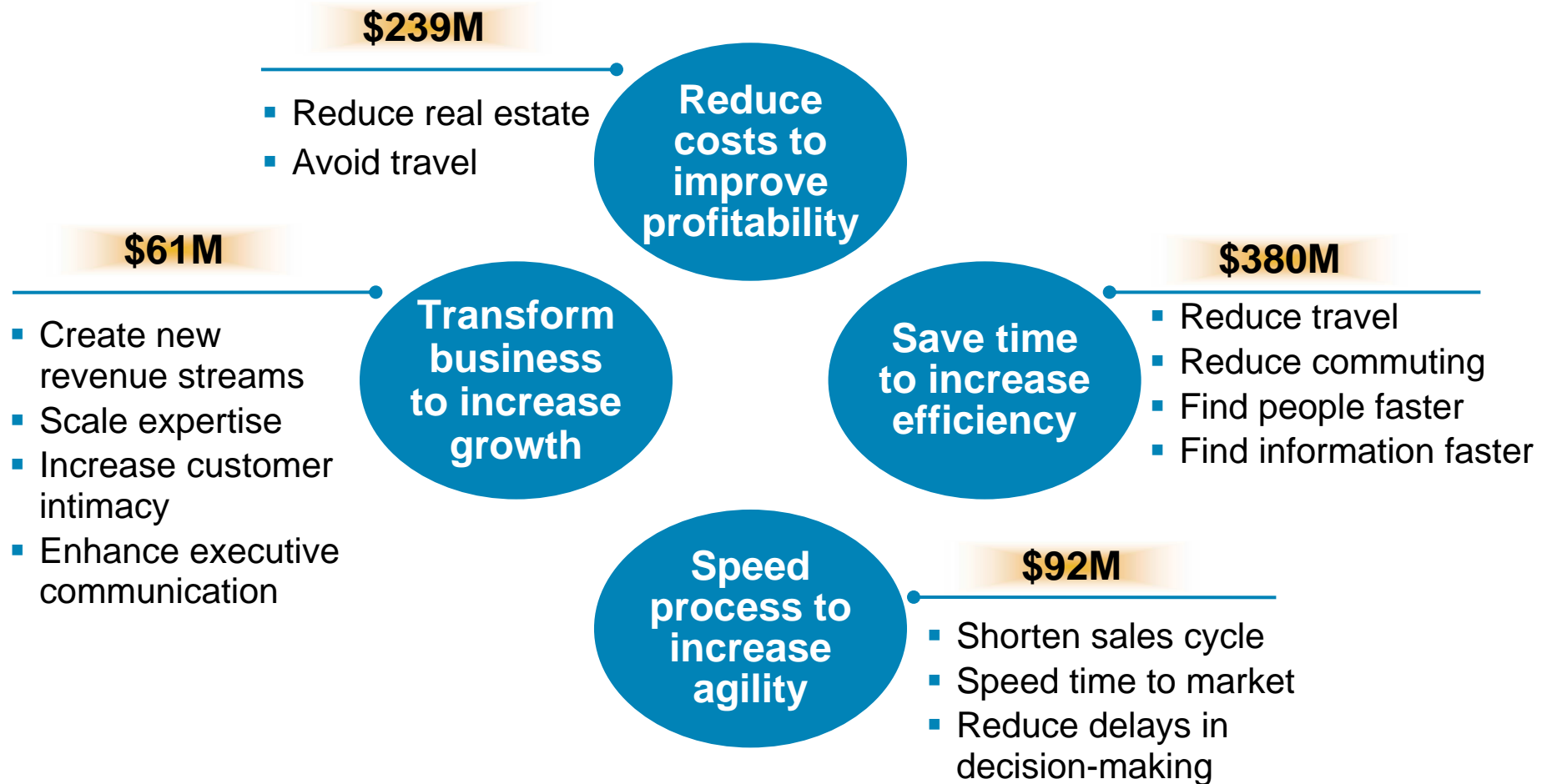
Initiative	FY08 Benefits, \$ Million	FY08 Costs, \$ Million
Remote Collaboration (TP/WebEx/UC)	\$378	\$75
Telecommuting	\$277	Included in Remote Collaboration
Specialist Optimization (SOAR)	\$62	\$1
Sales Productivity (NEW)	\$26	\$3
Connected Workplace	\$13	\$2
Deal/Order Acceleration via UC	\$2	<\$0.1
Mac Wiki	\$4	<\$0.1
C-Vision and Video Blogs	\$10	\$0.5
Total	\$772	\$82

Net Benefit = \$772M - \$82M = \$691M

Source: Cisco IBSG, 2009

Drivers of Web 2.0 Collaboration Value

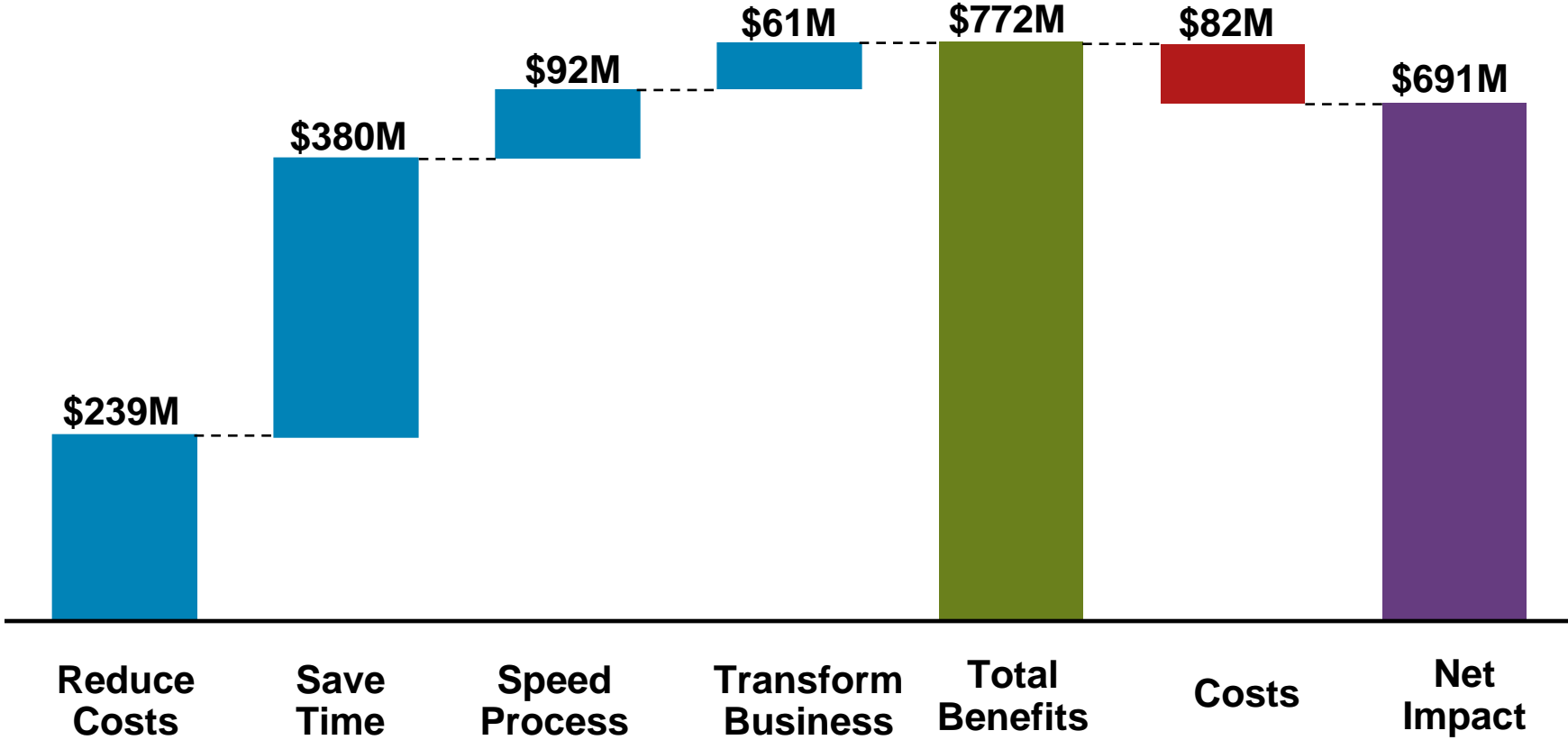
Cisco FY2008 Benefits (Gross)



Source: Cisco IBSG, 2009

Cisco Web 2.0 Collaboration Initiatives Drive Value: FY08 Benefits

Cisco FY08 Impact (\$ Million/Year)



Source: Cisco IBSG, 2009

Profile of Cisco Web 2.0 Collaboration Initiatives

Focus	Enhance <u>existing</u> collaboration activities			Establish <u>new</u> ways of collaborating			Transform the organization
	Personal Productivity	Remote Collaboration	Process Acceleration	Expert Access	Knowledge Sharing	Communities	Boards
Remote Collaboration (TP, WebEx, and UC)		****					
Telecommuting	****	****					
Specialist Optimization (SOAR)		****	****	****	****	****	
Sales Productivity (NEW)	****	*					
Connected Workplace	****			**	**		
Deal/Order Acceleration via UC			****			*	
Mac Wiki				**	****	****	
C-Vision and Video Blogs					****		****
Collaborative Mgmt. (26 initiatives)		****			****		****

Source: Cisco IBSG, 2009

Cisco Believes There are Five Critical Steps to Thrive in These Challenging Times



- **Save to Invest . . .**

. . . so that you can free human and capital resources to . . .



- **Unlock Employee Potential . . .**

. . . by investing in tools and processes that improve leadership and employee effectiveness, innovation, and motivation, allowing them to . . .



- **Drive True Customer Intimacy . . .**

. . . by getting closer to key customers, driving loyalty and increased wallet share, and truly understanding and meeting customer needs, which will enable you to . . .



- **Outpace Your Competition . . .**

. . . by increasing speed and scaling faster, focusing on strategic initiatives that harness the capabilities of new technology-enabled business models, so that you can . . .



- **Transition to a Borderless Enterprise . . .**

. . . where you can capitalize on the full potential of your global ecosystem, to optimize profitability for you and them in a cost-effective, timely manner

Cisco's Collaboration Initiatives Support the "Five to Thrive" Imperatives

Initiative	Save to Invest	Unlock Employee Potential	Drive True Customer Intimacy	Outpace Your Competition	Transition to a Borderless Enterprise
Remote Collaboration (TP, WebEx, and UC)	X	X	X	X	X
Telecommuting		X			
Specialist Optimization (SOAR)		X	X	X	
Sales productivity (NEW)		X			
Connected Workplace	X	X			
Deal/Order Acceleration Via UC		X			
MAC wiki	X	X			
C-Vision and Video Blogs		X			
Collaborative Mgmt. (26 Initiatives)				X	

Source: Cisco IBSG, 2009

Remote Collaboration

Five To Thrive Imperatives Supported

Save to Invest
Unlock Employee Potential
Drive True Customer Intimacy
Outpace Your Competition
Transition to a Borderless Enterprise

Situation / Challenge

- Globalization and outsourcing driving need for greater collaboration
- Customers and partners expect improved responsiveness
- Travel budgets increasingly constrained

Solution

- Deployed 300+ TelePresence rooms
- Provided employees with web conferencing (WebEx), desktop video (UC)

Result

- Reduced travel per employee by 31% in FY08 vs. FY06 baseline (before TelePresence)
- Faster sales cycle and improved win rate increased contribution margin by \$91M in FY08



Cisco
webex

Benefits

- Increased interactions with customers
- Higher quality of life
- Reduced greenhouse gas emissions

Result

- Travel expense savings of \$226M/yr
- Time savings of \$61M/yr

Sources: Corporate Affairs, TelePresence IT, Finance; Cisco IBSG, 2009

Telecommuting

Situation / Challenge

- Many employees don't live near Cisco office
- Globalization driving need for greater collaboration across distances
- Increasing concern with sustainability & minimizing impact of unneeded travel

Solution

- Cisco policies enable some employees to telecommute full-time. Others permitted to telecommute occasionally.
- All employees have Unified Communications, web conferencing (WebEx), VPN

Result

- Average Cisco employee now telecommutes 1.7 days/week (2.3 in U.S.)
- 70% of time saved is spent working, and 30% goes to personal time



Benefits

- Increased ability to hire and retain expertise
- Higher employee satisfaction

Result

- Time savings of \$277M/yr for Cisco
- Commute cost savings of \$43M/yr for employees

Sources: Cisco IBSG, 2009; Workplace Resources, IT

Virtual Experts

Five To Thrive Imperatives Supported
Unlock Employee Potential
Drive True Customer Intimacy
Outpace Your Competition

Situation / Challenge

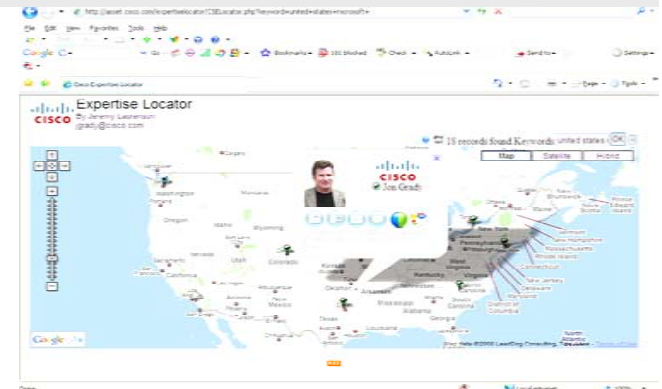
- Specialists are critical to sales process
- Account coverage constrained by limits on specialist resources, ability to scale
- Delayed access lengthens sales cycle

Solution

- Offload routine support tasks with rapid response (Tech Support Network) and self-help tools (reference database, WebEx Connect community)
- Shorten cycle time with regularly scheduled virtual product demos
- Increase high-value interactions using expertise locator and remote collaboration capabilities

Result

- 45% increase in specialist interactions with customers in Canada, Commercial
- 9 - 14% specialist productivity increase



Benefits

- Improved market coverage
- Scaled expertise
- Increased customer face time

Result

- Specialist time savings of \$12M/yr
- Increased margin of \$50M from reducing sales cycle

Source: Cisco AT Sales, VTG CBT; Cisco IBSG, 2009

Sales Productivity

Network Enhanced Workspace (NEW)

Five To Thrive Imperatives Supported
Unlock Employee Potential

Situation / Challenge

- Continue to increase productivity and effectiveness of global sales team
- Improve communication and collaboration capabilities for mobile Cisco employees
- Multiple siloed applications for business communications and collaboration create complexity, impact productivity

Solution

- Network Enhanced Workspace (NEW)
- Streamlined business communications with pilot of Cisco UC technologies to 2,203 Cisco Sales employees

Result

- 38 minutes/day saved per field-sales user, or \$26M/yr in FY08 time savings
- Increased customer contact through higher sales force productivity



Benefits

- Increased sales force productivity
- Faster customer response

Result

- Sales force time savings of \$26M/yr
- Improved customer service

Sources: Cisco Field Ops, VTG CBT; Cisco IBSG, 2009

Connected Workplace

Five To Thrive Imperatives Supported
Save to Invest
Unlock Employee Potential

Situation / Challenge

- Traditional offices usually don't foster effective collaboration
- Individually assigned workspaces are typically inefficient, with low utilization

Solution

- Connected Workplace provides flexible environment that improves employee collaboration and productivity
- Open environment requires less space per employee, reducing real estate and energy consumption

Result

- Already implemented for 3,360 employees in several buildings on Cisco's San Jose campus
- FY08 savings were \$12M/yr in real estate plus \$0.7M/year in energy, on initial investment of \$15M



Benefits

- Reduced real estate
- Improved collaboration
- Reduced energy and greenhouse gas emissions

Result

- Real estate savings of \$12M/yr
- Energy savings of \$0.7M/yr

Sources: Cisco IBSG, 2009; Workplace Resources

Deal / Order Acceleration Via UC

Situation / Challenge

- Deals representing 60% of revenue require special discount approval—a high-touch process for Cisco field sales, who duplicated partner work
- Cisco approval process was often asynchronous, time-consuming, and caused frequent delays

Solution

- Unified Communications capabilities were integrated into Cisco Partner Deal Registration (PDR) system
- Deal approval is speeded with text alerts to key approvers when a “hold” occurs
- Presence and click-to-call / IM / collaborate / email embedded in PDR tool, My Deal Manager, Deal Checkpoint

Result

- Time savings of \$1.3M / yr for Cisco
- Improved customer and partner satisfaction



Benefits

- Faster revenue recognition
- Cisco sales and partner productivity
- Partner satisfaction

Result

- \$1.3M/yr in time savings
- \$1M/yr margin increase from faster cycle time

Source: Cisco IBSG, 2009; VTG CBT

Mac Wiki

Five To Thrive Imperatives Supported
Save to Invest
Unlock Employee Potential

Situation / Challenge

- Cisco: 5,000 Apple Macintosh users
- No dedicated Cisco IT support
- Productivity impact for users needing support

Solution

- Common wiki portal for Mac users, with distributed editing
- Provides community-based instructions, resources, tips
- Approx. 10,000 unique visitors/month

Result

- Improved productivity for Mac users
- Avoids approximately \$1.6M in annual help desk costs
- Improves productivity with increased uptime—\$2.6M annual value for Cisco

Sources: Cisco CCOE; Cisco IBSG, 2009



Benefits

- Distributed user-generated content
- Community-based updates and maintenance

Result

- \$1.6M/yr savings in help desk costs
- \$2.6M/yr in user time savings

Cisco C-Vision

Five To Thrive Imperatives Supported
Unlock Employee Potential

Situation / Challenge

- Project and knowledge worker teams increasingly distributed globally
- Face-to-face meeting time limited by travel-cost restrictions, productivity imperatives
- Use of Cisco's video production studios is expensive

Solution

- C-Vision content-sharing application provides capability to create and publish informal, engaging messages via video and audio / photography
- Scales solution from John Chambers' video blog to all Cisco managers

Result

- \$1M/yr savings from self-service video production (versus Cisco studio)
- \$9M/yr training/recruiting savings from reduced involuntary employee attrition

Log In | Cisco Sites | Ne
Communications Center of Excellence
Video Sharing (C-Vision)

Cisco Employee Connection
About Cisco
Cross-Functional Initiatives & Teams
Communications Center of Excellence
Technologies & Tools
Audio, Video & Conferencing
Collaboration & Social Networking
Blogs
Ciscopedia
Directory

Video Sharing Made Easy
C-Vision is a video wiki created for Cisco employees provides the capability to publish informal and engaging messages. Based on its ease of use and 'community' many groups have already adopted the tool in support variety of team events and communications. Don't we check it out and inspire your team to lead in video communications!

Internal Available Now Vision POC Dev

Quick Reference Overview Policies Get Started

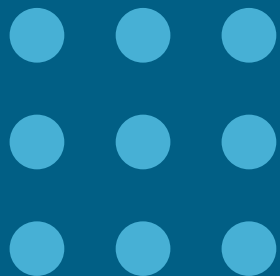
Benefits

- Improved executive communications
- Accelerated information sharing

Result

- \$10M/yr in cost savings
- Increased employee satisfaction, alignment with corporate strategy

Sources: Cisco CCOE; Cisco IBSG, 2009



Appendix

Cisco *Internet Business Solutions* (Web 1.0): FY2005 Benefits



Source: Cisco IBSG, 2009

Detailed Benefits for Web 2.0 Collaboration Initiatives

In FY08, Cisco Achieved \$772 Million in Benefits from Web 2.0 Collaboration Solutions

Solution	Solution Benefits				
	Time Savings, \$M/year	Hard Cost Savings, \$M/year	Increased Margin, \$M/year	One-time Benefits, \$M	Total FY08 Benefits, \$M/yr
Remote Collaboration (TP/WebEx/UC)					
FY07	\$14M	\$49M	\$14M ¹	\$7M ²	\$84M
FY08	\$61M	\$226M	\$60M ¹	\$31M ²	\$378M
Total	\$75M	\$275M	\$74M ¹	\$38M ²	\$462M
Telecommuting	\$277M				\$277M
Specialist Optimization (SOAR)	\$12M	\$13M		\$50M	\$62M ³
Sales Productivity (NEW)	\$26M				\$26M
Connected Workplace		\$13M			\$13M
Deal/Order Acceleration via UC	\$1M			\$1M	\$2M
Mac Wiki	\$2.6M	\$1.6M			\$4M
C-Vision and Video Blogs		\$10M			\$10M
Total FY08	\$380M	\$251M³	\$60M	\$82M	\$772M

¹Estimated impact of TelePresence on increasing win rates

²Estimated impact of TelePresence on reducing sales cycle time

³Excludes the SOAR hard cost savings for travel, since these are already counted in Remote Collaboration benefit

Source: Cisco IBSG, 2009

Explanation of Benefit Categories

	Description	Examples
Time Savings	Value of time saved by Cisco employees, at fully loaded cost of \$91/hour. Enables more work to be done without increasing costs.	<ul style="list-style-type: none"> ▪ Reduced time wasted in travel (scheduling, check-in, security, etc.) ▪ Reduced time in commuting to the office
Hard Cost Savings	Reduction in actual costs paid by Cisco; would show up as reduced OpEx on income statement	<ul style="list-style-type: none"> ▪ Reduced expenses for air, hotel, and meals ▪ Reduced office building rent and operations costs
Increased Margin	Increase in margin due to increased sales	<ul style="list-style-type: none"> ▪ Increased margin from higher win rate in sales process due to faster responsiveness
One-time Benefits	Savings that occur in the year the solution is implemented that do not recur in subsequent years	<ul style="list-style-type: none"> ▪ Accelerating sales from next quarter to this quarter by reducing 2 days off deal approval cycle time ▪ Selling excess real estate no longer needed after implementing Connected Workplace

Source: Cisco IBSG, 2009

Detailed Investment for Web 2.0 Collaboration Initiatives

In FY08, Cisco Incurred Costs of \$82 Million for Web 2.0 Collaboration Solutions

Solution	Solution Costs				
	Investment \$M	Depreciation Period, years	Depreciation Expense, \$M/yr	Ongoing Costs, \$M/year	Total FY08 Costs, \$M/yr
Remote Collaboration (TP/WebEx/UC) FY07 FY08 Total	TP \$55M ¹ UC \$30M ¹	6	\$14M	TP \$42M ¹ UC \$5M ¹ W \$14M ¹	\$75M
Telecommuting	Included in Remote Collaboration				
Specialist Optimization (SOAR)	\$0.5M	1	\$0.5M	\$0.6M	\$1.1M
Sales Productivity (NEW)	\$0.4M	1	\$0.4M	\$2.7M	\$3.1M
Connected Workplace	\$15M	10	\$1.5M		\$1.5M
Deal/Order Acceleration via UC	<\$0.1M	1	<\$0.1M		<\$0.1M
Mac Wiki	<\$0.1M	1	<\$0.1M		<\$0.1M
C-Vision and Video Blogs	<\$0.1M	1	<\$0.1M	\$0.5M	\$0.5M
Total FY08	\$101M		\$16.5	\$65M	\$82M

¹Estimates at full deployment based on what these solutions would have cost our customers; TP based on 300 systems

Source: Cisco IBSG, 2009

Profile of Cisco Web 2.0 Collaboration Initiatives

Focus	Enhance <u>existing</u> collaboration activities			Establish <u>new</u> ways of collaborating			Transform the organization
Description	Personal Productivity	Remote Collaboration	Process Acceleration	Expert Access	Knowledge Sharing	Communities	Boards
Key Collaboration Capabilities	Use Unified Comms. to boost personal productivity	Meet virtually using rich media	Integrate Unified Comms. into existing workflow	Find experts (otherwise unknown to you)	Share and access knowledge	Build virtual communities	Enable Cross-functional Boards and Councils
Remote Collaboration (TP, WebEx, and UC)		****					
Telecommuting	****	****					
Specialist Optimization (SOAR)		****	****	****	****	****	
Sales Productivity (NEW)	****	*					
Connected Workplace	****			**	**		
Deal/Order Acceleration via UC			****			*	
Mac Wiki				**	****	****	
C-Vision and Video Blogs					****		****
Collaborative Mgmt. (26 Initiatives)		****			****		****

Source: Cisco IBSG, 2009

