

**Cisco Enters Online Community Platform Market: A Vision To Help Reconnect the Media & Entertainment Industry to the Consumer**

January 08, 2009 - IDC Link

Comment by [Caroline Dangson](#)

[At CES 2009](#), Cisco boldly entered the consumer stage by announcing a new social media solution. Cisco is now offering a hosted white-label software platform it calls [Cisco Eos](#) that allows media and entertainment companies to create, manage and grow online communities to better monetize their content. The platform is delivered as a Software-as-a-Service (SaaS) providing a flexible framework for media companies. Eos promises an efficient, cost-effective process so that companies can focus on monetizing their assets instead of running and maintaining a Web site.

Traditional media and entertainment companies are barely managing to keep their heads above water in this market of rapid change and disruption, a trend that accelerates during economic downturns. In shifting their media assets online, the media and entertainment industry is exchanging dollars for pennies, which is not a sustainable business model as Cisco pointed out in its presentation. Media companies are facing lower CPM's online compared to those in traditional mediums in addition to flat display advertising spend during a recession.

The online consumer audience is fragmented which poses yet another challenge for the media and entertainment industry. Consumers go to a myriad of sites to find media online - a lot of which is posted illegally by users on sites like YouTube, providing no revenue to the rightful owners of that content. Cisco Eos is built with the purpose of helping media companies regain and re-engage their audience by providing a branded online experience, which can be tailored to the specific user. More importantly, Cisco Eos provides community, a critical element for retaining the audience and engaging them for longer periods of time. This is the recipe for media monetization through advertising.

What does Eos mean for Cisco? It means John Chambers, as he has in the past 13 years, is proving Cisco will survive economic downturns by using its strengths to provide solutions for new markets as well as extending revenue opportunities. While Cisco charges customers a flat fee for Eos, it is planning to take a share of the advertising revenue and online transactions that take place on these sites in the future. Cisco has the opportunity to shape and help standardize the creation of online communities in the media and entertainment space. IDC forecasts tremendous growth opportunities for online video and the advertising formats supporting this medium. Cisco now has stuck a fork in that pie.

The best part of Cisco's announcement is that Eos is already up and running for Warner Music Group with artist sites from [Laura Izibor](#) and [Sean Paul](#). Eos can help video content owners as well, but the music industry is a particularly good example of what Eos can do. The music industry is hurting the most because the digital transition for music is farther ahead than for video, and digital music downloads (often single tracks instead of albums) are less profitable than CDs. Our most recent online consumer behavior survey (U.S. Online Consumer Behavior Survey Results 2008, forthcoming) shows that, already, about half of online Americans download music from the Internet. Of those, 36% download digital music purchase tracks or albums from online music services such as Amazon MP3, Apple iTunes or Wal-Mart, etc., taking a cut out of the labels' revenues. Thirty percent use P2P networks such as Limewire and BitTorrent to download tracks for free. Only 8% of those who purchase music online buy directly from the labels; however, 32% say they purchase or stream music directly from artists' official Web sites. This is good news for Cisco and Warner Music Group, who are now positioned with Eos, to recoup some of this lost revenue by attracting fans to the new online communities branded by artist.

Cisco Eos is not alone in providing online community platforms for media companies. Companies ranging from IBM (Lotus Connections), Microsoft (SharePoint) and smaller vendors like KickApps and have been building white-label online communities for some time. To compete, Cisco Eos must prove it knows how to build a platform that will successfully sustain a community of consumers, most of whom are in the habit of discovering media on third party Web sites not under the control of content owners. Cisco is banking on the power of brands coupled with a personalized online community to help media companies regain their audience. Unlike the smaller vendors in this space, Cisco does have the advantage of a large base of existing customers and a wealth of resources to support its initiative. Cisco is well positioned to enter into the consumer Web 2.0 world and diversify its maturing businesses with a new revenue stream.

**Subscriptions Covered:**

[Digital Marketplace and New Media Watch](#)

Please contact the IDC Hotline at 800.343.4952, ext.7988 (or +1.508.988.7988) or [sales@idc.com](mailto:sales@idc.com) for information on applying the price of this document toward the purchase of an IDC or Industry Insights service or for information on additional copies or Web rights. Visit us on the Web at [www.idc.com](http://www.idc.com). To view a list of IDC offices worldwide, visit [www.idc.com/offices](http://www.idc.com/offices). Copyright 2008 IDC. Reproduction is forbidden unless authorized. All rights reserved.