



# Economics of Collaboration at Cisco

## Web 2.0 Collaboration Case Studies, Fiscal Year 2009 Results

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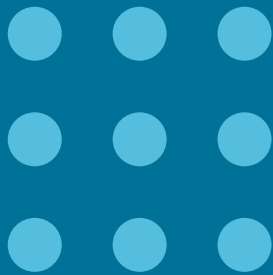
# Executive Summary

- Cisco was an early leader in moving its business to the web, saving \$3.3 billion in fiscal 2009 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 value, **with net benefits of \$1.1 billion in FY09:**
  - Web 2.0 implementation costs were low—annual benefits were 10 times greater than annual costs
  - Once the collaboration foundation was in place, the incremental costs of adding new initiatives was very low (only \$1-3 million per initiative)
  - Ramp-up was fast, exceeding \$1 billion in benefits in just the third year
- Much of this value comes from enabling employees to remain highly productive, no matter where and when they work. In FY09, this flexibility:
  - Reduced air-travel expenses by \$469M
  - Increased employee productivity by \$483M
- Perhaps of even greater long-term impact, 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 FY09 contribution margin by \$189M
- Cisco’s collaboration capabilities also provide a strong platform for innovation and growth, enabling cross-company initiatives to increase from two in FY07 to 30 in FY09

Source: Cisco IBSG, 2010

# Today's Discussion

- Transition from Web 1.0 to Web 2.0
- Summary of Web 2.0 Initiatives
- Detailed Profiles of Initiatives



# Transition from Web 1.0 to Web 2.0

# Cisco *Internet Business Solutions* (Web 1.0): FY2009 Benefits



Source: Cisco IBSG, 2010

# Cisco Collaboration Solutions (Web 2.0): FY2009 Benefits

**SALES EFFECTIVENESS**



**\$225M**

**TRAVEL OPTIMIZATION**



**\$596M**

**TELECOMMUTING**



**\$299M**


**\$1.1B**

**WORKPLACE OPTIMIZATION**



**\$13M**

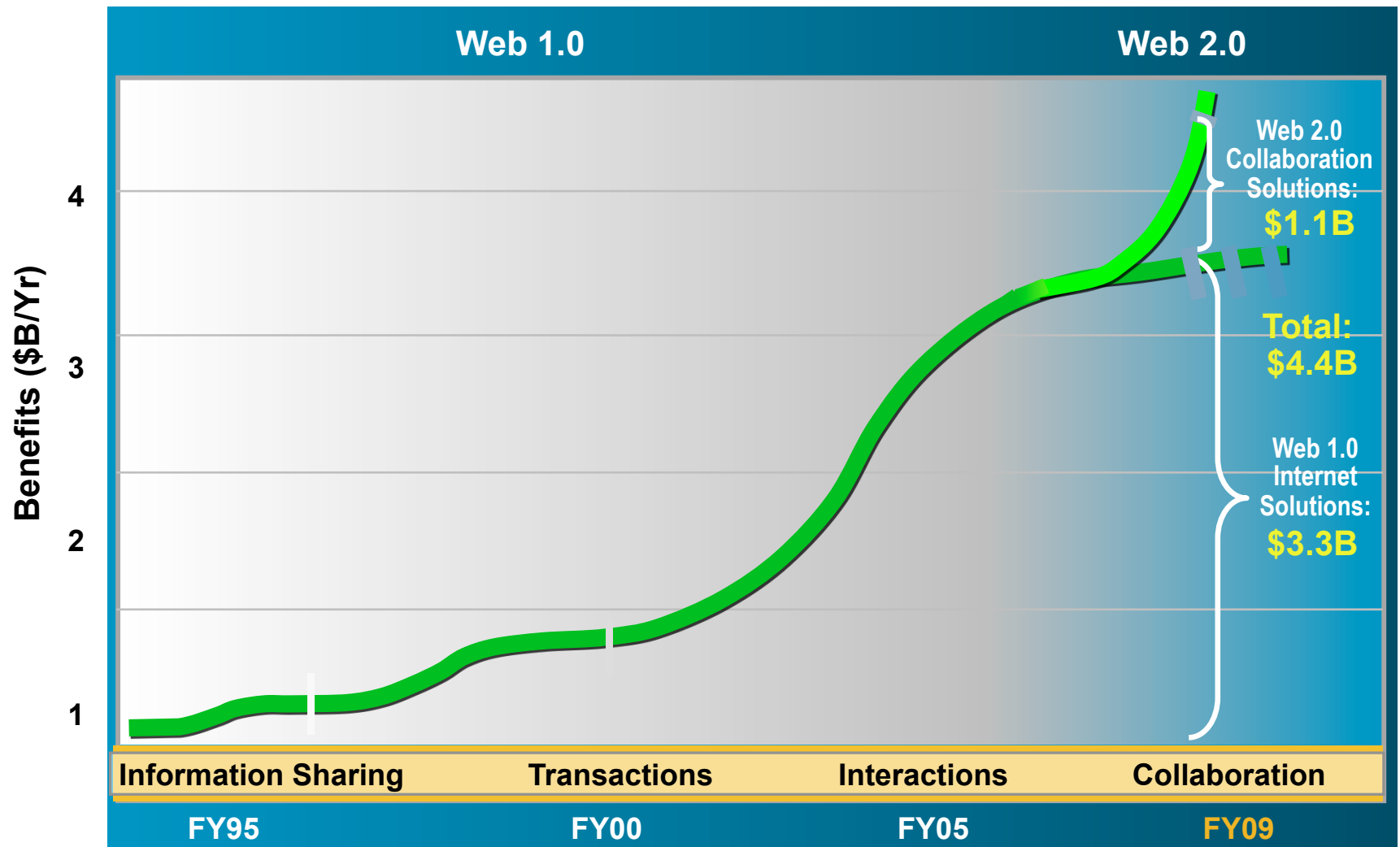
**OTHER COMPANYWIDE**



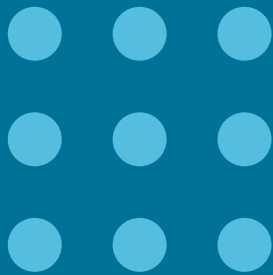
**\$36M**

Source: Cisco IBSG, 2010

# Cisco's Productivity Journey: FY95 Through FY09



Source: Cisco IBSG, 2010



## Summary of Web 2.0 Initiatives

# Cisco Web 2.0 Collaboration Initiatives

<b>Category</b>	<b>Initiatives</b>
<b>Collaboration Foundation</b>	<b>TelePresence, WebEx, and Unified Communications (UC)</b>
<b>Companywide</b>	Business Travel Optimization Telecommuting Workplace Optimization—Connected Workplace Next-Generation Unified Communications Community-Based IT Support—Mac Wiki Executive Communications—C-Vision and Video Blogs
<b>Next-Generation Events</b>	Company Meeting Strategic Leadership Offsite Global Sales Meeting
<b>Sales Effectiveness</b>	Enterprise Deal Acceleration via TelePresence Sales Specialist Optimization Expedited Deal/Order Approval via UC Integration
<b>New Product Introduction</b>	Accelerating New Product Introduction—ASR 9000 Next-Gen Marketing for Product Launch—ASR 9000 Community Support for Product Launch—Nexus 1
<b>Supplier Collaboration</b>	<b>Ensuring Supply Continuity</b>

Source: Cisco IBSG, 2010

# New Collaboration Capabilities

Enhance <u>Existing</u> Collaboration	Establish <u>New</u> Collaboration
<ul style="list-style-type: none"> <li>▪ <i>Collaboration already occurring</i></li> <li>▪ <i>Make it better, faster, and cheaper</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>Little collaboration occurring</i></li> <li>▪ <i>Never would have taken place otherwise</i></li> </ul>
<b>NEW CAPABILITIES:</b>	
<b>Communications Efficiency</b> Speeds basic communications	<b>Expert Access</b> Simplifies process of finding and connecting with experts
<b>Remote Collaboration</b> Enables virtual meetings with improved engagement	<b>Knowledge Sharing</b> Improves knowledge capture, categorization, and distribution
<b>Process Integration</b> Embeds Unified Communications into business processes	<b>Communities</b> Provides context and support around topical areas

Source: Cisco IBSG, 2010

# Profile of Cisco Web 2.0 Collaboration Initiatives—Companywide

Collaboration Focus:	Enhance Existing			Establish New		
Collaboration Capability:	Communica- tion Efficiency	Remote Collaboration	Process Integration	Expert Access	Knowledge Sharing	Communities
<b>Companywide:</b>						
- Business Travel Optimization		●				
- Telecommuting	◐	●				
- Workplace Optimization	●			◐	◐	
- Next-Generation UC	●	◐		◐		
- Community IT Support				◐	●	●
- Executive Communications		◐	◐		●	●
<b>Next-Generation Events:</b>						
- Company Meeting		●				
- Strategic Leadership Offsite		●				◐
- Global Sales Meeting		●				◐

**IMPACT:** ● Very Strong ◐ Strong ◑ Moderate ◒ Slight

Source: Cisco IBSG, 2010

# Profile of Cisco Web 2.0 Collaboration Initiatives—Process-Specific

Collaboration Focus:	Enhance <u>Existing</u>			Establish <u>New</u>		
Collaboration Capability:	Communica- tion Efficiency	Remote Collaboration	Process Integration	Expert Access	Knowledge Sharing	Communities
<b>Sales Effectiveness:</b>						
- Enterprise Deal Acceleration		●		◐		
- Sales Specialist Optimization		●	●	●	●	◐
- Expedited Approval via UC	◐		●			
<b>New Product Introduction:</b>						
- Accelerating Product Intro		◐	◐	◐	◐	
- Next Gen Marketing Launch		●				●
- Community Support				◐	●	●
<b>Supplier Collaboration:</b>						
- Ensuring Supply Continuity		◐	◐			

**IMPACT:** ● Very Strong   ◐ Strong   ◑ Moderate   ◒ Slight

Source: Cisco IBSG, 2010

# Cisco Web 2.0 Collaboration Initiatives: Quantified FY09 Benefits and Costs

In FY09, Cisco Achieved **\$1.1B** in Net Benefits from Web 2.0 Collaboration Solutions

Initiative	FY09 Benefits, \$ Million	FY09 Costs, \$ Million
Collaboration Foundation	Enables Other Initiatives	\$109
Business Travel Optimization	\$596	Included in Foundation
Telecommuting	\$299	Included in Foundation
Enterprise Deal Acceleration via TelePresence	\$115	Included in Foundation
Sales Specialist Optimization	\$110	\$1.5
Next-Generation Unified Communications	<b>With Foundation in Place, Incremental Costs Very Low</b>	\$3.1
Workplace Optimization—Connected Workplace		\$1.5
Executive Communications—C-Vision		\$0.5
Community-Based IT Support—Mac Wiki		\$0.1
<b>Total</b>		<b>\$1,168</b>

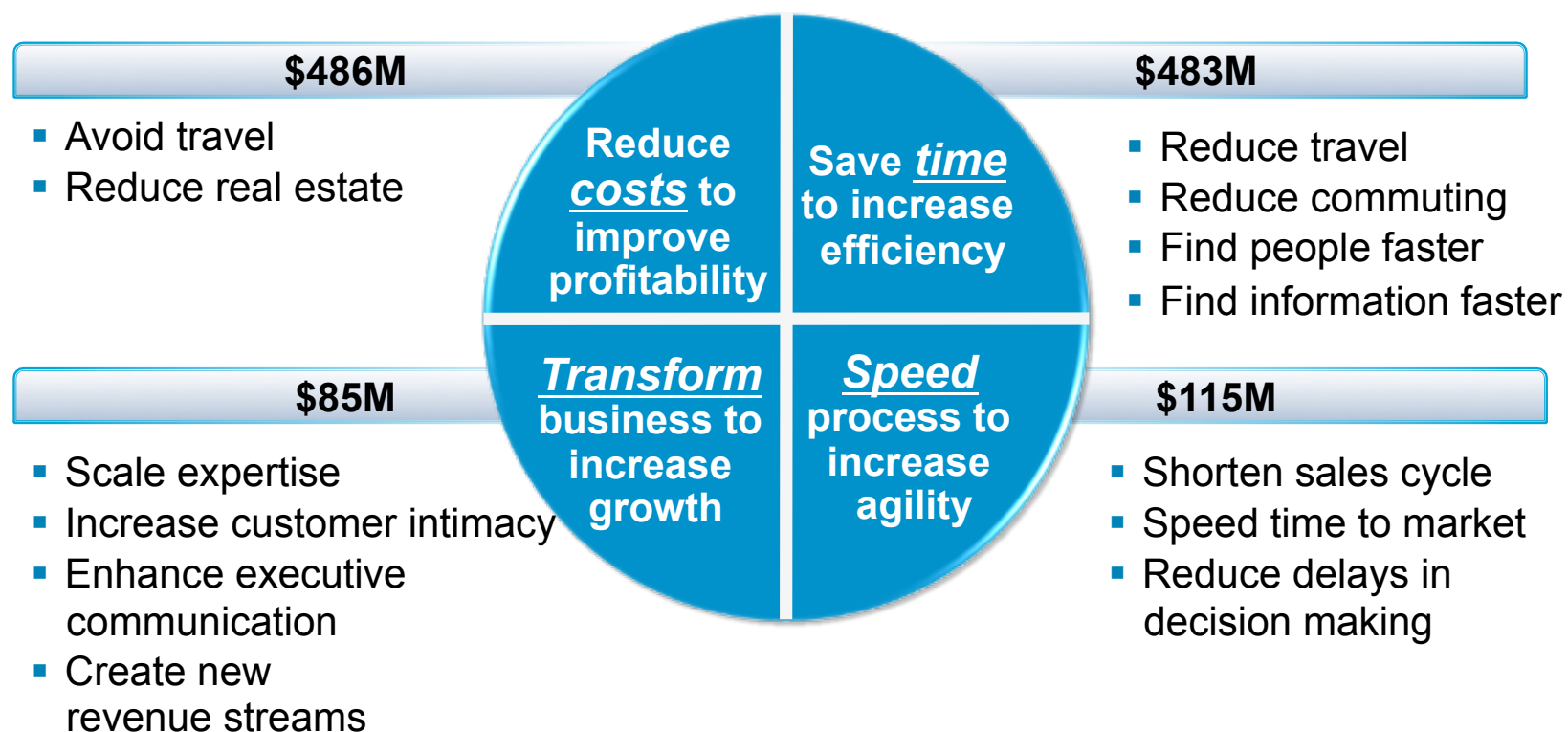
**Net Benefit = \$1.168B - \$116M = \$1.052B**

Source: Cisco IBSG, 2010

**Benefits 10X Costs**

# Drivers of Web 2.0 Collaboration Value

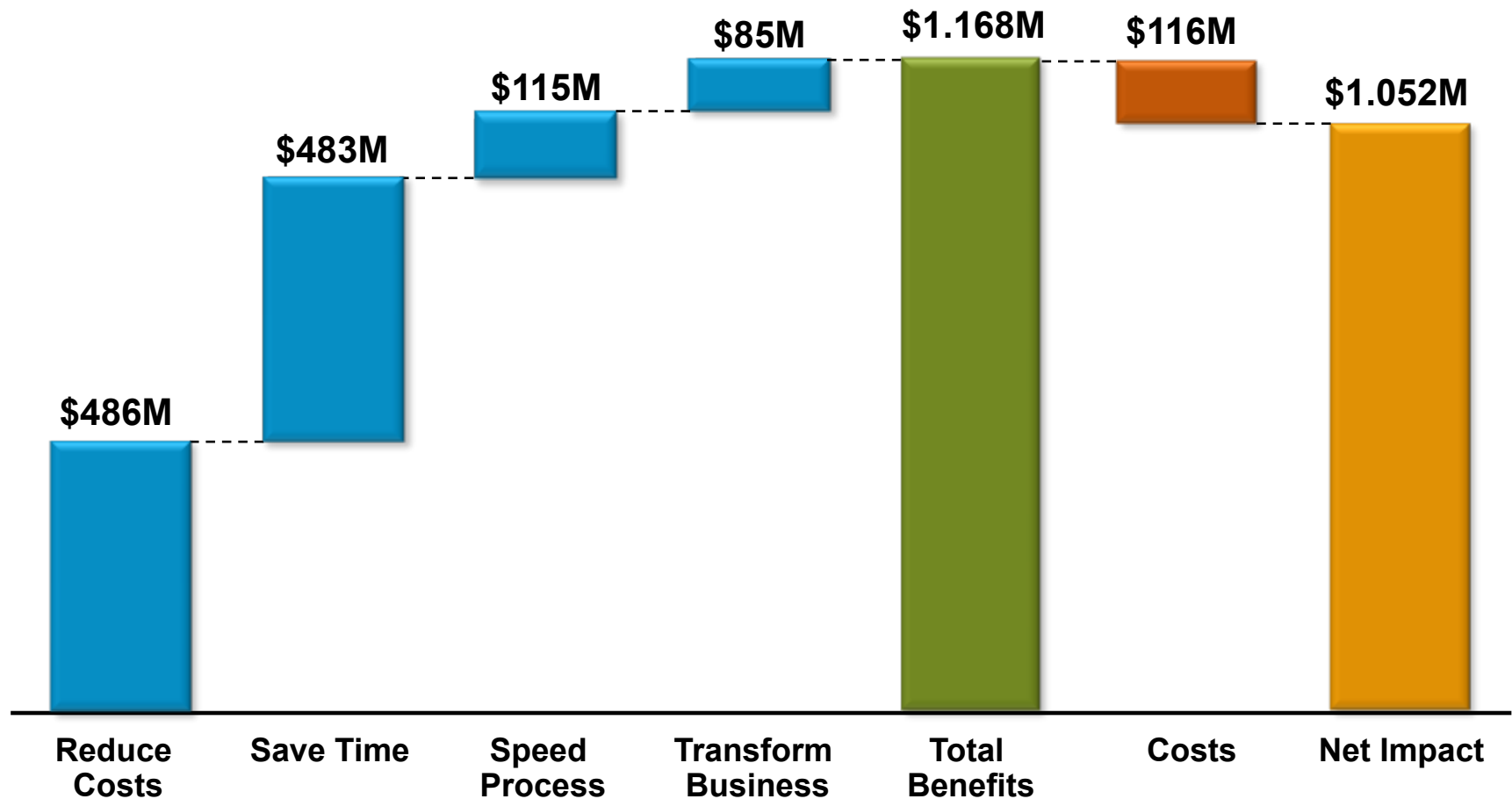
## Cisco FY2009 Benefits (Gross)



Source: Cisco IBSG, 2010

# Cisco Web 2.0 Collaboration Initiatives— Drivers of Value

Cisco FY09 Impact (\$ Million/Year)

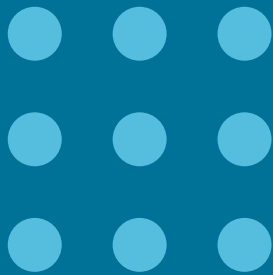


Source: Cisco IBSG, 2010

# Technology Enablers for Cisco Web 2.0 Collaboration Initiatives

Category	Initiatives	Technology Enablers			
		TP	WebEx	UC	Other
Collaboration Foundation	TelePresence, WebEx, and Unified Communications	X	X	X	
Companywide	Business Travel Optimization Telecommuting Workplace Optimization—Connected Workplace Next-Generation Unified Communications (UC) Community-Based IT Support—Mac Wiki Executive Communications—C-Vision, Video Blogs	X	X X	X X X	Wi-Fi  Wiki Show and Share, Flip
Next-Generation Events	Company Meeting Strategic Leadership Offsite Global Sales Meeting	X X X	X X X	X X X	IPTV IPTV IPTV
Sales Effectiveness	Enterprise Deal Acceleration via TelePresence Sales Specialist Optimization Expedited Deal/Order Approval via UC Integration	X	X	X X	Pulse
New Product Introduction	Accelerating New Product Introduction—ASR 9000 Next-Gen Marketing for Product Launch—ASR 9000 Community Support for Product Launch—Nexus 1	X X	X X	X	Forums
Supplier Collaboration	Ensuring Supply Continuity	X	X		

Source: Cisco IBSG, 2010



## Detailed Profiles of Initiatives

# Cisco Web 2.0 Collaboration Initiatives

<b>Category</b>	<b>Initiatives</b>
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<b>Supplier Collaboration</b>	<b>Ensuring Supply Continuity</b>

Source: Cisco IBSG, 2010

# Business Travel Optimization

## Situation / Challenge

- Globalization, outsourcing, and mobility are increasing operational complexity and making collaboration more difficult
- Yet, customers and partners expect continually improving responsiveness
- Travel budgets increasingly constrained



## Solution

- Deployed 500+ TelePresence rooms
- Provided all employees with web conferencing (WebEx), desktop video, and Unified Communications (UC)
- Reduced travel budgets and shifted culture to embrace remote collaboration

## Result

- Reduced air travel per employee relative to FY06 baseline (before TelePresence):
  - 31% reduction in FY08 vs. FY06
  - 60% reduction in FY09 vs. FY06
- Reduced travel expense by \$469M/year
- Fully recouped investment in remote collaboration solutions with travel savings

## Benefits

- Increased responsiveness
- Improved quality of life
- Reduced greenhouse gas emissions

## Result

- Travel expense savings of \$469M/year
- Time savings of \$127M/year

Sources: Corporate Affairs, TelePresence IT, Finance; Cisco IBSG, 2010

# Telecommuting

<b>Situation / Challenge</b>	<ul style="list-style-type: none"><li>▪ Many employees (and potential employees) don't live near Cisco office</li><li>▪ Globalization driving need for greater collaboration across distances</li><li>▪ Increasing concern regarding sustainability and minimizing impact of unneeded travel</li></ul>
<b>Solution</b>	<ul style="list-style-type: none"><li>▪ Cisco policies enable some employees to telecommute full time. Others can telecommute occasionally.</li><li>▪ All employees have Unified Communications, web conferencing (WebEx), VPN</li></ul>
<b>Result</b>	<ul style="list-style-type: none"><li>▪ Average Cisco employee now telecommutes 2.0 days/week (2.3 in U.S.)</li><li>▪ 60% of time saved is spent working, and 40% goes to personal time</li></ul>



## Benefits

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

## Result

- Time savings of \$299M/yr for Cisco
- Commute cost savings of \$46M/yr for employees

Sources: Cisco IBSG, 2010; Workplace Resources, IT

# Workplace Optimization

## Connected Workplace

<b>Situation / Challenge</b>	<ul style="list-style-type: none"> <li>Traditional offices usually don't foster effective collaboration</li> <li>Individually assigned workspaces are typically inefficient, with low utilization</li> </ul>
<b>Solution</b>	<ul style="list-style-type: none"> <li>Connected Workplace provides flexible environment that improves employee collaboration and productivity</li> <li>Open environment requires less space per employee, reducing real estate and energy consumption</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>Implemented for 3,360 employees in at Cisco's San Jose campus</li> <li>33% reduction in space per worker</li> <li>FY09 savings were \$12M/year in real estate plus \$0.8M/year in energy, on initial investment of \$15M</li> </ul>



**Benefits**


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

**Result**

- 33% reduction in space per worker
- Real estate savings of \$12M/year
- Energy savings of \$0.8M/year

Sources: Cisco IBSG, 2010; Workplace Resources

# Next-Generation Unified Communications

<b>Situation / Challenge</b>	<ul style="list-style-type: none"><li>▪ Global sales team needed to increase productivity and effectiveness</li><li>▪ Mobile Cisco employees required improved communication and collaboration capabilities</li><li>▪ Multiple siloed applications for business communications and collaboration created complexity, impacting productivity</li></ul>	
<b>Solution</b>	<ul style="list-style-type: none"><li>▪ Network Enhanced Workspace (NEW) was created to streamline business communications via UC technologies</li><li>▪ Key capabilities included presence, single-number reach, single voicemail, visual voicemail, and converged IM/voice/web</li><li>▪ Deployed in pilot to 3,200 Cisco Sales employees</li></ul>	<b>Benefits</b> <ul style="list-style-type: none"><li>▪ Increased salesforce productivity</li><li>▪ Faster customer response</li></ul>
<b>Result</b>	<ul style="list-style-type: none"><li>▪ 3% time savings (1.6 hours/week/user), or \$19M/yr in FY09 time savings</li><li>▪ Increased customer contact through higher salesforce productivity</li></ul>	<b>Result</b> <ul style="list-style-type: none"><li>▪ Salesforce time savings: \$19M/yr</li><li>▪ Improved customer service</li></ul>

Sources: Cisco Field Ops, VTG CBT, IT; Cisco IBSG, 2010

# Community-Based IT Support

## Mac-Wiki

<b>Situation / Challenge</b>	<ul style="list-style-type: none"> <li>▪ To maintain a cost-effective environment, Cisco IT standardized on Windows</li> <li>▪ Lack of IT support was leading to lost productivity among Mac users</li> <li>▪ Potential Mac users were discouraged from migrating to Mac platform</li> </ul>
<b>Solution</b>	<ul style="list-style-type: none"> <li>▪ Employee Mac enthusiasts came together to create their own support community</li> <li>▪ The Mac-Wiki provides migration instructions, FAQs, troubleshooting tips, and forums to ask questions</li> <li>▪ Community members answer questions and provide all content</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>▪ Established a thriving community with 10,000 unique visitors/month</li> <li>▪ Reduced helpdesk costs by 10% (\$2M/yr)</li> <li>▪ Improved productivity with increased uptime—\$4M annual value for Cisco</li> <li>▪ Created an IT self-support model that is being expanded to other platforms</li> </ul>



### Benefits

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

### Result

- \$2.1M/yr savings in helpdesk costs
- \$3.5M/yr in user time savings

Sources: Cisco CCOE; Cisco IBSG, 2010

# Executive Communications

## C-Vision & Video Blogs

### Situation / Challenge

- Employee teams are increasingly distributed globally, yet face-to-face meetings are limited by travel restrictions
- Cisco executives and managers needed better ways to keep in touch with employees
- Use of Cisco's video production studios is expensive

### Solution

- C-Vision makes it easy for any employee to create and publish informal, engaging videos, as well as audio and photos
- Ease of use has encouraged many managers—including Chairman and CEO John Chambers—to post video blogs frequently

### Result

- Improved employee alignment and morale
- 20% reduction in voluntary attrition
- \$10.4M/yr savings in training and recruiting costs
- \$1.2M/yr savings from self-service video production (versus Cisco studio)



### Benefits

- Improved executive communications
- Accelerated information sharing

### Result

- \$11.6M/yr in cost savings
- Increased employee satisfaction, alignment with corporate strategy

Sources: Cisco CCOE; Cisco IBSG, 2010

# Next-Generation Events

## Company Meeting

<b>Situation / Challenge</b>	<ul style="list-style-type: none"><li>▪ Quarterly Company Meeting began as a “physical” event in San Jose</li><li>▪ With growth over time, majority of employees were unable to attend</li><li>▪ Meeting is important component of our executive communications</li></ul>
<b>Solution</b>	<ul style="list-style-type: none"><li>▪ Enabled remote video participation, starting with live IPTV and video-on-demand replays, and more recently incorporating TelePresence</li><li>▪ Provided text chat capability for Q&amp;A and real-time feedback</li></ul>
<b>Result</b>	<ul style="list-style-type: none"><li>▪ Expanded access to all employees</li><li>▪ Increased employee participation from 10% - 20% to as high as 67%</li><li>▪ Increased live attendance by 14x at 3x cost, reducing cost per attendee by 78%</li><li>▪ Enabled event to be hosted from any location, helping connect global staff</li></ul>



### Benefits

- Expanded access globally
- Created location independence
- Improved communication

### Result

- Boosted participation from 10% - 20% to 67%
- Reduced cost per live attendee by 78% over last decade
- 94% of attendees rated recent meeting favorably

Sources: Corporate Communications; Human Resources, Cisco IBSG, 2010

# Next-Generation Events

## Strategic Leadership Offsite

### Situation / Challenge

- Annual Strategic Leadership Offsite (SLO) launches fiscal year strategy and execution plan to Cisco's top leaders
- Traditionally held in-person in California
- Travel constraints during downturn dictated new approach

### Solution

- Conducted May 2009 event entirely virtually via IPTV, TelePresence, WebEx, and virtual environment
- Provided wealth of downloadable content
- Created formats for large-scale sessions (3,000) and more intimate leadership exchanges (~20) in 200+ countries

### Result

- Reduced costs by 37%, from \$6.7M to \$4.2M
- Generated \$1.8M in travel time savings
- Achieved communication goals: sessions rated highly (CEO: 4.5/5.0 both years); 82% understand vision and strategy
- Did not fully achieve leadership development and networking goals; plan to evolve to hybrid physical/virtual format



### Benefits

- Reduced travel cost and time
- Expanded content choices
- Increased interaction (420 questions posed to CEO)
- Proved virtual format viability for meeting communications goals


### Result

- 37% cost savings: \$2.5M
- Time savings: \$1.8M

Sources: Cisco Corporate Positioning; Cisco IBSG, 2010

# Next-Generation Events

## Global Sales Meeting

<p><b>Situation / Challenge</b></p>	<ul style="list-style-type: none"> <li>Annual sales meeting has three perennial business objectives: communicate, recognize, and motivate</li> <li>With downturn, travel was not feasible</li> <li>Created opportunity to demonstrate power of collaboration technologies in event with 17,306 employee attendees</li> </ul>	
<p><b>Solution</b></p>	<ul style="list-style-type: none"> <li>Conducted Sept. 2009 event entirely virtually with IPTV, TelePresence, WebEx, and virtual environment</li> <li>Extended event in time with Alternate Reality Game and content repository</li> </ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Reduced travel cost and time</li> <li>Increased flexibility in when and how to attend</li> <li>Expanded content choices</li> <li>Enabled greater interaction</li> </ul>
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>Reduced costs by 86%, from \$65M to \$9M, with 18% increase in attendance</li> <li>Enabled travel time savings of \$19M</li> <li>Exceeded communication goal: sessions rated equal to or higher than past</li> <li>Did not fully achieve recognition and motivation goals; exploring hybrid format (physical/virtual) for future</li> </ul>	<p><b>Result</b></p> <ul style="list-style-type: none"> <li>86% cost savings: \$56M</li> <li>Attendance increase: 18%</li> <li>Time savings: \$19M</li> <li>Communication goal exceeded</li> </ul>

Sources: Cisco Global Sales Meeting Team; Cisco IBSG, 2010

# Sales Effectiveness

## Enterprise Deal Acceleration via TelePresence

### Situation / Challenge

- Complex enterprise sales require involvement from business and technical experts
- Bringing in experts by audio or web conference is not always effective
- Scheduling in-person meetings between experts and customers was delaying the sales process
- Travel budgets were increasingly becoming constrained

### Solution

- Deployed 500+ TelePresence rooms
- Created TelePresence scheduling policy that assigns higher priority to customer vs. internal meetings

### Result

- Shortened sales cycle for high-touch enterprise deals by 9.7%
- Increased win rate for these complex deals by 2%
- Increased contribution margin by \$115M/yr



### Benefits

- Improved relevance and responsiveness to customers
- Expanded range of experts brought into accounts
- Shortened deal cycle time


### Result

- Increased win rate by 2%
- Reduced sales cycle by 9.7%
- Increased margin by \$115M

Sources: Corporate Affairs, TelePresence IT, Finance; Cisco IBSG, 2010

# Sales Effectiveness

## Sales Specialist Optimization

<b>Situation / Challenge</b>	<ul style="list-style-type: none"> <li>Specialists are critical to sales process</li> <li>Account coverage constrained by limited ability to scale specialist resources</li> <li>Delayed access lengthens sales cycle</li> </ul>	
<b>Solution</b>	<ul style="list-style-type: none"> <li>Assessed “day in the life” of specialists</li> <li>Adopted program to shift time from low- to high-value activities (Specialist Optimization, Access, and Results [SOAR])</li> <li>Offloaded routine tasks with rapid response (Tech Support Network) and self-help tools (reference database, community)</li> <li>Shortened cycle time with regularly scheduled virtual product demos</li> <li>Increased high-value interactions using expertise locator and remote collaboration</li> </ul>	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>Improved market coverage</li> <li>Scaled expertise</li> <li>Increased customer face time</li> </ul> <p><b>Result</b></p> <ul style="list-style-type: none"> <li>Specialist time savings of \$35M/yr</li> <li>Increased margin of \$75M/yr from reducing sales cycle</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>45% increase in specialist interactions with customers in Canada and U.S. Commercial</li> <li>9 - 14% specialist productivity increase across multiple customer segments</li> </ul>	

Source: Cisco AT Sales, VTG CBT; Cisco IBSG, 2010

# Sales Effectiveness

## Faster Deal/Order Approval via UC Integration

<b>Situation / Challenge</b>	<ul style="list-style-type: none"> <li>Deals representing 60% of revenue require special discount approval—a high-touch process for Cisco field sales, who duplicated partner work</li> <li>Cisco approval process was often asynchronous, time-consuming, and caused frequent delays</li> </ul>
<b>Solution</b>	<ul style="list-style-type: none"> <li>Unified Communications capabilities were integrated into Cisco Partner Deal Registration (PDR) system</li> <li>Deal approval speeded via text alerts to key approvers when a “hold” occurs</li> <li>Presence and click-to-call / IM / collaborate / email embedded in PDR tool, My Deal Manager, Deal Checkpoint</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>Time savings for Cisco Sales</li> <li>Improved customer and partner satisfaction</li> </ul>



### Benefits

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

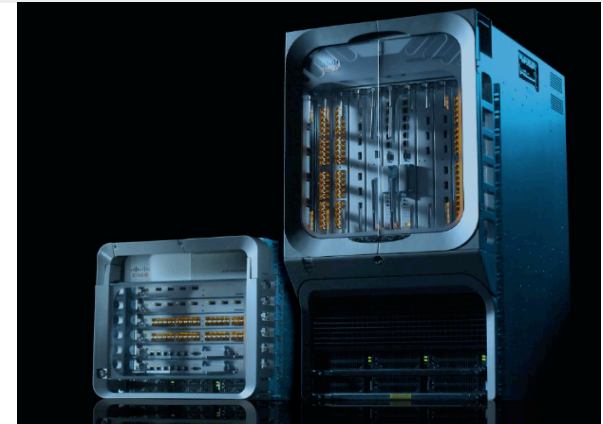
### Result

- Time savings
- Faster deal / order cycle time

Source: Cisco IBSG, 2010; VTG CBT

# New Product Introduction

## Accelerating ASR 9000 Introduction



<b>Situation / Challenge</b>	<ul style="list-style-type: none"> <li>▪ Cisco ASR 9000 development disrupted mid-cycle by competitor product introduction</li> <li>▪ Needed to enhance planned features (4X capacity) and compress time to market</li> <li>▪ Achieving updated targets required improving collaboration internally and with partners</li> </ul>
<b>Solution</b>	<p>Remote collaboration capabilities used to:</p> <ul style="list-style-type: none"> <li>▪ Share progress in a single workspace to keep work going 24/7 across time zones</li> <li>▪ Identify relevant technology and expertise across business units to reuse technology</li> <li>▪ Accelerate manufacturing ramp-up by connecting experts with production facilities</li> </ul>
<b>Result</b>	<ul style="list-style-type: none"> <li>▪ Increased market share &amp; revenue (&gt;\$100M)</li> <li>▪ Saved \$70M by reducing engineering development time from 4 to 3 years via reuse and closer internal and partner collaboration</li> <li>▪ Reduced prototype iterations from 3 to 2</li> <li>▪ Reduced manufacturing introduction cycle time from 15 months to 6 months</li> <li>▪ Lowered manufacturing cost by starting in low-cost country rather than migrating later</li> </ul>

**Benefits**

- Gained competitive advantage & market share via accelerated new product introduction
- Reduced R&D costs

**Result**

- Increased revenue >\$100M
- Reduced time to market from 4 to 3 years
- Reduced R&D costs by \$70M

Sources: Stanford Graduate School of Business, 2009; Cisco Engineering, Cisco Manufacturing, Cisco IBSG, 2010

# New Product Introduction

## Next-Gen Marketing for Product Launch—ASR 9000

<p><b>Situation / Challenge</b></p>	<ul style="list-style-type: none"> <li>▪ In-person, “main stage” launches losing ground due to budget constraints and online options</li> <li>▪ Traditional product launch awareness-generation methods (print, direct postal mail) losing impact</li> <li>▪ Customers turning to new channels (e.g., blogs)</li> <li>▪ Need to launch globally vs. gradual rollout</li> </ul>
<p><b>Solution</b></p>	<ul style="list-style-type: none"> <li>▪ Changed event format to virtual with multiple sessions for different time zones</li> <li>▪ Cultivated audience in advance with integrated approach across traditional and social media (e.g., Cisco.com, Facebook, blogs)</li> <li>▪ Created engaging content to break through the noise and enable syndication (e.g., widgets)</li> <li>▪ Built pre-event buzz; sustained post-launch push</li> </ul>
<p><b>Result</b></p>	<p>Examples from our service provider launches:</p> <ul style="list-style-type: none"> <li>▪ 75% cost reduction:             <ul style="list-style-type: none"> <li>- \$9.6M for traditional CRS-1 launch</li> <li>- \$2.3M for next-gen ASR 9000 launch</li> </ul> </li> <li>▪ 2-5x increased event attendance             <ul style="list-style-type: none"> <li>- 1,625 attendees for CRS-1 event</li> <li>- 3,100 attendees for ASR 1000 event</li> <li>- 9,150 attendees for ASR 9000 reveal</li> </ul> </li> <li>▪ Tripled press coverage; 1,000+ bloggers</li> </ul>



### Benefits

- Attracted global audience
- Increased engagement, creating evangelists
- Extended dialogue over time

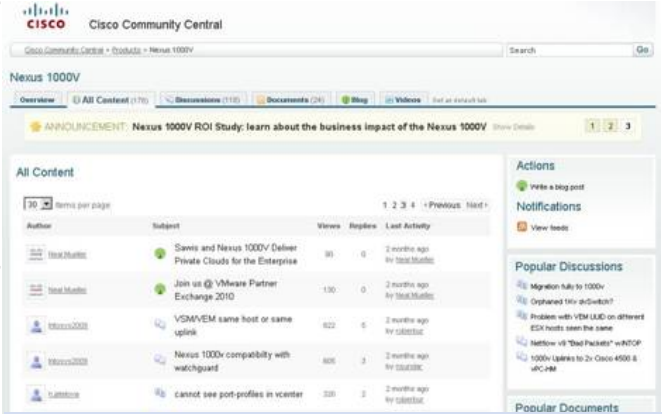
### Results

- Reduced costs by 4x while increasing audience by 2-5x
- Expanded press coverage 3x
- Increased share of voice online

Sources: Cisco Corporate Communications, SP Marketing, Cisco IBSG, 2010

# New Product Introduction Community Support for Product Launch—Nexus 1K

<p><b>Situation / Challenge</b></p>	<ul style="list-style-type: none"> <li>Traditionally, new hardware product beta programs are limited to 15 customers</li> <li>At launch, customers have a high need for support while Cisco has finite resources to respond, delaying issue resolution</li> </ul>
<p><b>Solution</b></p>	<ul style="list-style-type: none"> <li>Expanded Nexus 1K software switch beta program via free download (continues post-launch via 60-day evaluation version)</li> <li>Since regular tech support is not available for free downloads, established social network linking customers and engineers</li> <li>Empowered customers to create public discussion forums on topical issues</li> </ul>
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>1,500 beta testers; 6,000 total downloads</li> <li>2,980 customers, partners, and employees from 89 countries participate in community</li> <li>118 customer questions; 95% resolved</li> <li>Top threads receive 1000s of views, generate dozens of comments</li> <li>Dozens of suggestions for product enhancements provided by customers</li> </ul>



**Benefits**

- Earlier identification of issues
- Faster problem resolution
- Customers helping customers
- Engineers get direct feedback

**Result**

- Beta program expanded 100x
- 2,980 community members
- 100+ issues resolved
- Dozens of enhancement suggestions received

Sources: Cisco Nexus 1K Engineering Team; Cisco IBSG, 2010

# Supplier Collaboration

## Ensuring Supply Continuity

### Situation / Challenge

- 2008-2010 economic crisis increased risk of business failure for Cisco suppliers
- Supplier failure could disrupt Cisco supply continuity, impacting lead time and revenue
- Existing controls not sufficient; needed new way to quickly assess 1,000+ suppliers

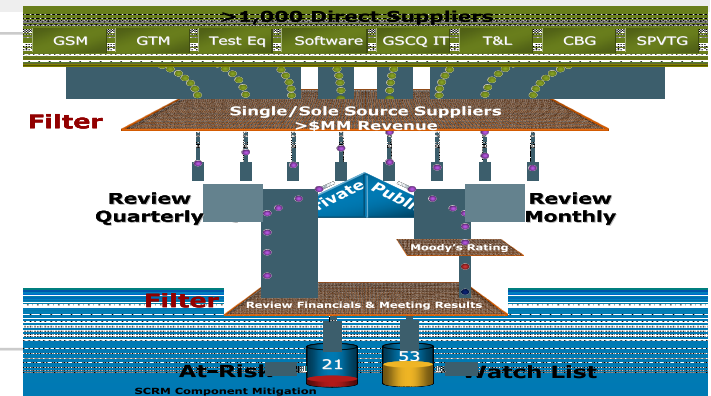
### Solution

- Created intensive process based on deep, direct interaction with suppliers' CFOs
- Used remote collaboration capabilities to speed screening process and interviews
- Implemented workflow tool and wikis to coordinate and manage reviews efficiently
- Established explicit mitigation criteria, action plans, and ongoing monitoring programs

### Result

- Completed initial screening of 1,000+ suppliers in just 18 months
- Performed in-depth, high-touch assessments of 400 key suppliers in same period
- Reduced risk by implementing mitigation plans to avert 17 potential supplier failures

Sources: Cisco Manufacturing, Cisco IBSG, 2010

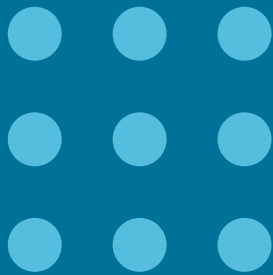


### Benefits

- Developed ability to quickly assess 1,000+ suppliers
- Identified suppliers at greatest risk of business failure
- Proactively reduced risk of supply disruption for Cisco

### Result

- Averted 17 potential supplier failures
- Established closer monitoring of 400 critical suppliers



# Appendix

# “Sound Bites” for Individual Cisco Web 2.0 Collaboration Initiatives

Category	Initiatives	Sound Bite
Collaboration Foundation	TelePresence, WebEx, and Unified Communications	“Pervasively deployed so all employees have access”
Companywide	Business Travel Optimization Telecommuting Workplace Optimization—Connected Workplace Next-Generation Unified Communications (UC) Community-Based IT Support—Mac Wiki Executive Communications—C-Vision, Video Blogs	“Reduced travel per employee by 60%” “Employees give 60% of commute time savings back to Cisco” “Fit 3 buildings’ worth of people in 2 buildings” “Saved 1.6 hours per week per user” “10,000-member self-organized community that helps other employees” “Removes the filters; executives communicate directly to employees”
Next-Generation Events	Company Meeting Strategic Leadership Offsite Global Sales Meeting	“Boosted employee participation from 15% to 67%” “Achieved communications goals; validated virtual concept” “Reduced costs by 86%”
Sales Effectiveness	Enterprise Deal Acceleration via TelePresence Sales Specialist Optimization Expedited Deal/Order Approval via UC Integration	“Reduced enterprise sales cycle time by 9.7%” “Increased specialist face time with customers by 45%” “Improved customer and partner satisfaction via faster responsiveness”
New Product Introduction	Accelerating New Product Introduction—ASR 9000 Next-Gen Marketing for Product Launch—ASR 9000 Community Support for Product Launch—Nexus 1	“Reduced product development time from 4 to 3 years” “Increased audience by 2- 5x while reducing costs by 4x” “Expanded number of beta-test customers by factor of 100”
Supplier Collaboration	Ensuring Supply Continuity	“Averted 17 potential supplier failures”

Source: Cisco IBSG, 2010

# Cisco Web 2.0 Collaboration Initiatives: Quantified FY09 Benefits and Costs

In FY09, Cisco Achieved **\$1.1B** in Net Benefits from Web 2.0 Collaboration Solutions

Initiative	FY09 Benefits, \$ Million	FY09 Costs, \$ Million
Collaboration Foundation	Enables Other Initiatives	\$109
Business Travel Optimization	\$596	Included in Foundation
Telecommuting	\$299	Included in Foundation
Enterprise Deal Acceleration via TelePresence	\$115	Included in Foundation
Sales Specialist Optimization	\$110	\$1.5
Next-Generation Unified Communications	\$18	\$3.1
Workplace Optimization—Connected Workplace	\$13	\$1.5
Executive Communications—C-Vision	\$12	\$0.5
Community-Based IT Support—Mac Wiki	\$5	\$0.1
<b>Total</b>	<b>\$1,168</b>	<b>\$116</b>

**Net Benefit = \$1.168B - \$116M = \$1.052B**

Source: Cisco IBSG, 2010

# Detailed Benefits for Web 2.0 Collaboration Initiatives

In FY09, Cisco Achieved \$1.168 Billion in Benefits from Web 2.0 Collaboration Solutions

Initiative	Initiative Benefits				
	Time Savings, \$M/year	Hard Cost Savings, \$M/year	Increased Margin, \$M/year	One-Time Benefits, \$M	Total FY09 Benefits, \$M/yr
Business Travel Optimization	\$127M	\$469M			\$596M
Telecommuting	\$299M				\$299M
Enterprise Deal Acceleration via TelePresence			\$96M <sup>1</sup>	\$19M <sup>2</sup>	\$115M
Sales Specialist Optimization	\$35M			\$75M	\$110M <sup>3</sup>
Next-Generation Unified Communications	\$19M				\$19M
Workplace Optimization—Connected Workplace		\$13M			\$13M
Executive Communications—C-Vision		\$13M			\$13M
Community-Based IT Support—Mac Wiki	\$4M	\$2M			\$6M
<b>Total FY09</b>	<b>\$483M</b>	<b>\$497M</b>	<b>\$96M</b>	<b>\$94M</b>	<b>\$1.168M</b>

<sup>1</sup>Estimated impact of TelePresence on increasing win rates

<sup>2</sup>Estimated impact of TelePresence on reducing sales cycle time

<sup>3</sup>Excludes the Sales Specialist Optimization hard cost savings for travel, since these are already counted in Remote Collaboration benefit

Source: Cisco IBSG, 2010

# Benefits Trend over Time for Selected Web 2.0 Collaboration Initiatives

Total Gross Benefits Increased from \$772 Million in FY08 to \$1.168 Billion in FY09, a gain of 51%

Initiative	Initiative Benefits				
	Time Savings, \$M/year	Hard Cost Savings, \$M/year	Increased Margin, \$M/year	One-Time Benefits, \$M	Total FY09 Benefits, \$M/yr
Business Travel Optimization					
FY07	\$14M	\$49M			\$63M
FY08	\$61M	\$226M			\$287M
FY09	\$127M	\$469M			\$596M
Total	\$202M	\$744M			\$946M
Enterprise Deal Acceleration via TelePresence					
FY07			\$14M <sup>1</sup>	\$7M <sup>2</sup>	\$21M
FY08			\$60M <sup>1</sup>	\$31M <sup>2</sup>	\$91M
FY09			\$96M <sup>1</sup>	\$19M <sup>2</sup>	\$115M
Total			\$170M <sup>1</sup>	\$75M <sup>2</sup>	\$227M
<b>Total for All Initiatives</b>					
<b>FY09</b>	<b>\$483M</b>	<b>\$497M</b>	<b>\$96M</b>	<b>\$94M</b>	<b>\$1.168M</b>
<b>FY08</b>	<b>\$380M</b>	<b>\$251M<sup>3</sup></b>	<b>\$60M</b>	<b>\$82M</b>	<b>\$772M</b>

<sup>1</sup>Estimated impact of TelePresence on increasing win rates

<sup>2</sup>Estimated impact of TelePresence on reducing sales cycle time

<sup>3</sup>Excludes the Sales Specialist Optimization hard cost savings for travel, since these are already counted in Remote Collaboration benefit

Source: Cisco IBSG, 2010

# Explanation of Benefit Categories

	Description	Examples
<b>Time Savings</b>	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"> <li>▪ Reduced time wasted in travel (scheduling, check-in, security, etc.)</li> <li>▪ Reduced time in commuting to the office</li> </ul>
<b>Hard Cost Savings</b>	Reduction in actual costs paid by Cisco; would show up as reduced OpEx on income statement	<ul style="list-style-type: none"> <li>▪ Reduced expenses for air, hotel, and meals</li> <li>▪ Reduced office building rent and operations costs</li> </ul>
<b>Increased Margin</b>	Increase in margin due to increased sales	<ul style="list-style-type: none"> <li>▪ Increased margin from higher win rate in sales process due to faster responsiveness</li> </ul>
<b>One-Time Benefits</b>	Savings that occur in the year the solution is implemented that do not recur in subsequent years	<ul style="list-style-type: none"> <li>▪ Accelerating sales by eliminating 2 days from deal approval cycle time</li> <li>▪ Selling excess real estate no longer needed after implementing Connected Workplace</li> </ul>

Source: Cisco IBSG, 2010

# Detailed Costs for Web 2.0 Collaboration Initiatives

Initiative	Initiative Costs				
	Capital Expense, \$M	Depreciation Period, Years	Depreciation Expense, \$M/yr	Operating Costs, \$M/year	Total FY09 Costs, \$M/yr
Collaboration Foundation	TP \$91M <sup>1</sup> UC \$30M <sup>1</sup> Total \$121M <sup>1</sup>	6	\$20M	TP \$70M <sup>1</sup> UC \$5M <sup>1</sup> W \$14M <sup>1</sup> Total \$89M <sup>1</sup>	\$109M
Business Travel Optimization					
Telecommuting	Included in Remote Collaboration				
Enterprise Deal Acceleration via TelePresence					
Sales Specialist Optimization	\$0.5M	1	\$0.5M	\$0.6M	\$1.1M
Next-Generation Unified Communications	\$0.4M	1	\$0.4M	\$2.7M	\$3.1M
Workplace Optimization - Connected Workplace	\$15M	10	\$1.5M		\$1.5M
Executive Communications — C-Vision	<\$0.1M	1	<\$0.1M	\$0.5M	\$0.5M
Community-Based IT Support — Mac Wiki	<\$0.1M	1	<\$0.1M		<\$0.1M
Expedited Deal/Order Approval via UC Integration	<\$0.1M	1	<\$0.1M		<\$0.1M
<b>Total FY09</b>	<b>\$137M</b>		<b>\$22.5</b>	<b>\$93M</b>	<b>\$116M</b>

<sup>1</sup>Estimates at full deployment based on what these solutions would have cost our customers; TP based on 500 systems average for FY09.

Source: Cisco IBSG, 2010

