

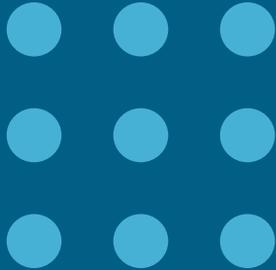


# Five steps to thrive during economic turmoil

**Peter Ford**

**January 14, 2009**

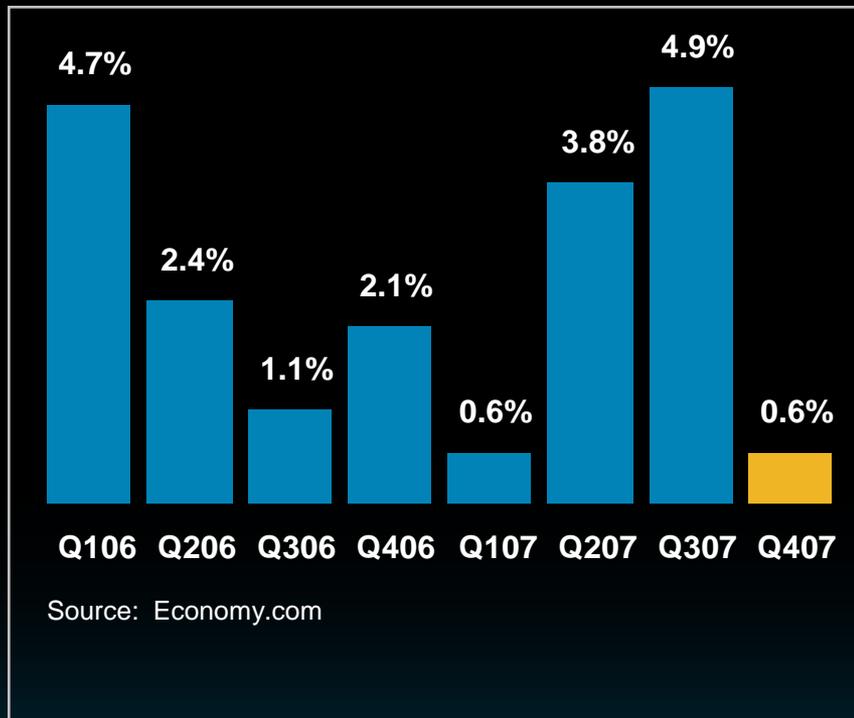
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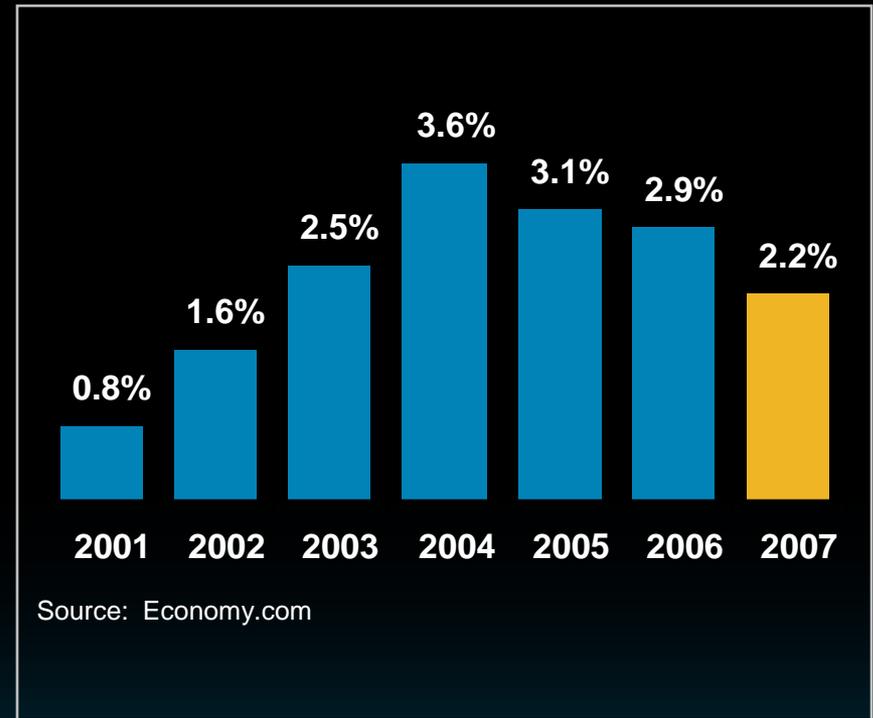
## The economic downturn

# It began with the slowing of the US economy at the end of 2007

**Quarterly U.S. GDP Growth (Real)**  
Very weak Q407 growth

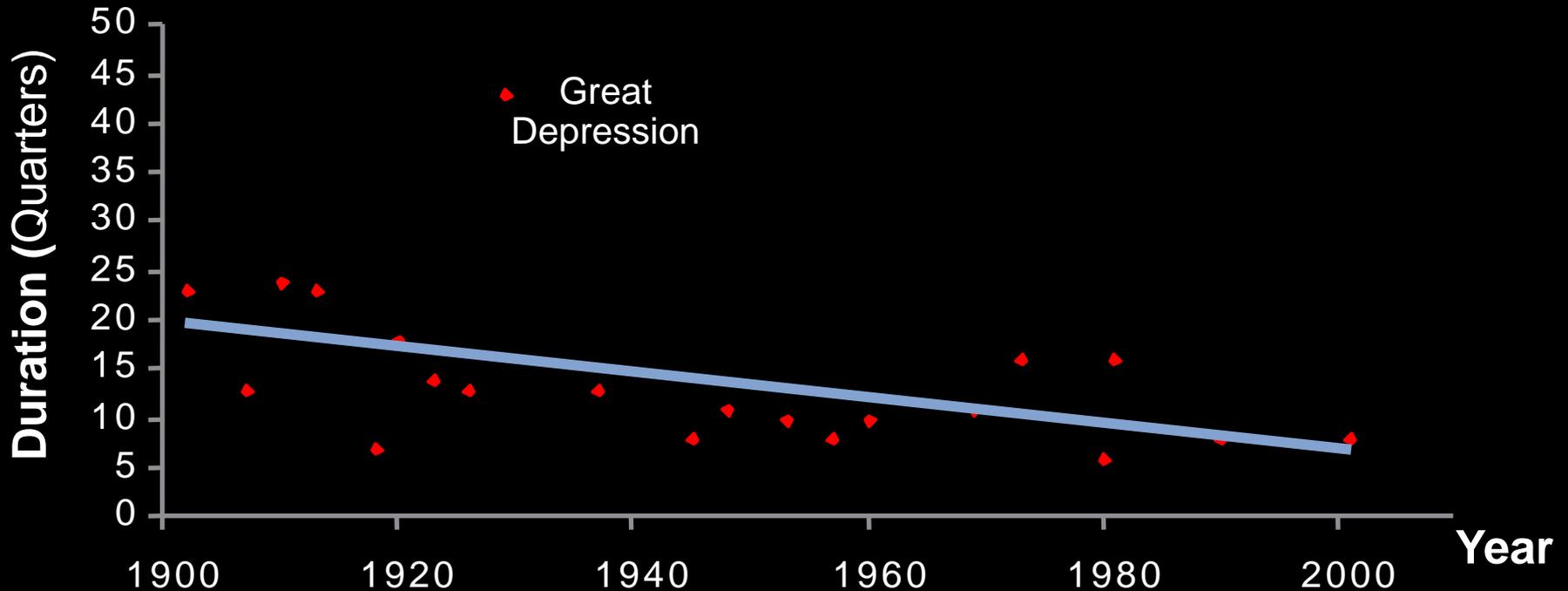


**U.S. GDP- Annual Growth (Real)**  
2007 growth was weakest in 5 years



# US Recessions: 1900 to date

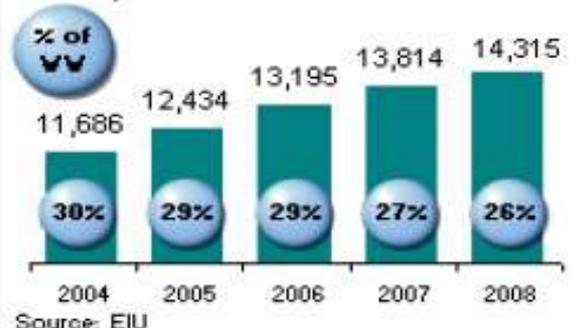
Duration of recessions has fallen over last 100 years.  
Predict this recession will be 18 – 24 months long



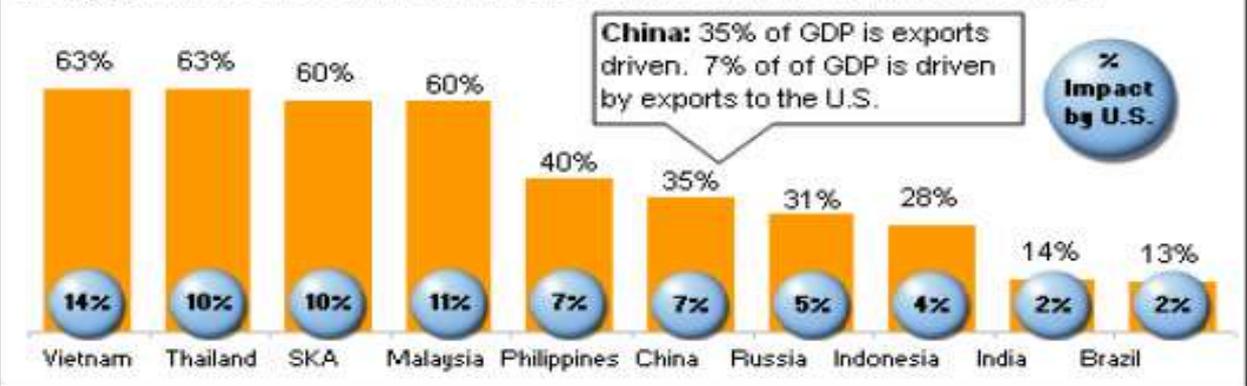
Data: Bureau of Economic Analysis

# Why the US economy matters to Emerging Markets

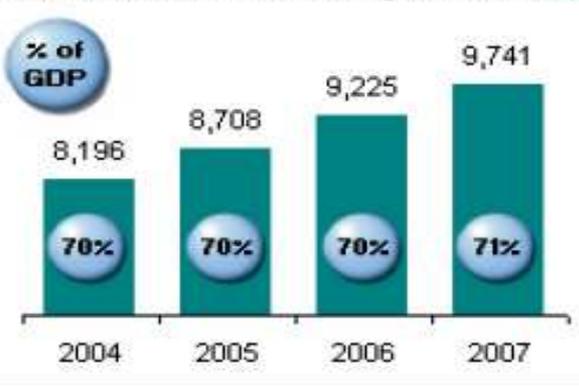
**U.S. Nominal GDP (\$B) - The U.S. economy is still by far the largest economy in the world**



**Exports as Percentage of Total GDP:** Exports still make-up a big percentage of many Emerging Countries economies with the U.S. being the number one importer for many



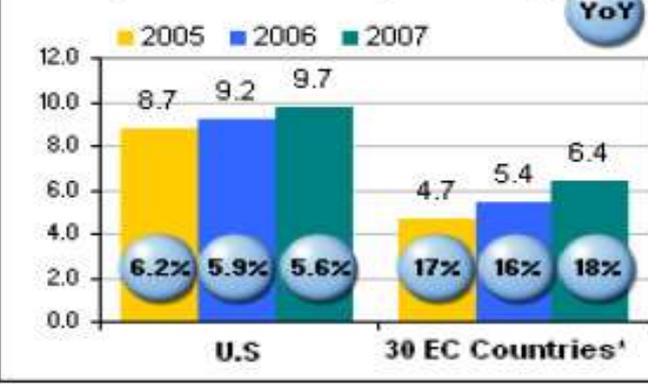
**U.S. Consumer Spending:** 70% of U.S. GDP.. Vital to the global economy



**2007 U.S. Consumer Spending Mix:** Much of the clothing & footwear, electronics, textiles & garments, furniture are exports from Emerging Countries

Clothing & footwear	4%
Household goods & services	5%
Other goods and services	14%
Housing and household fuels	17%
Food, beverages & tobacco	9%
Transport & communications	13%
Health	19%
Hotels & restaurants	6%
Leisure & education	12%

**U.S. Consumer Spending vs. 30 Major EC Economies (Trillions US\$)**



\* 30 Emerging Countries: China, Brazil, Russia, Mexico, India, Turkey, Indonesia, SA, Argentina, Thailand, Iran, Venezuela, Romania, Philippines, Colombia, SKA, Ukraine, Egypt, Hungary, Chile, Czech, Malaysia, Peru, Nigeria, Kazakhstan Vietnam, Slovakia, Algeria, Ecuador, Azerbaijan

# Not just the US - Food prices rising worldwide...

**Food Crisis** - Mouse over the countries in the map below to track the latest food

Hot Spots

Policy Responses

These are countries with recent food-related turbulence. Source: FAO



Mouse over the countries in the map to track the latest food-related news and some selected policy responses.

THURSDAY, APRIL 10, 2008 - VOL. CCLI NO. 84

▼ 1.0% DJ STOXX 50 3166.77 ▼ 0.6% 10-YR TREAS ▲ 24/32, yield 3.466% OIL \$110.87 ▲ \$2.37 GOLD \$933.60 ▲

GLOBAL INFLATION  
Consumer Prices

Emerging economies ▲ 6.5%

Developed economies ▲ 3.2%  
As of February

Associated Press

2002 03 04 05 06 07 08

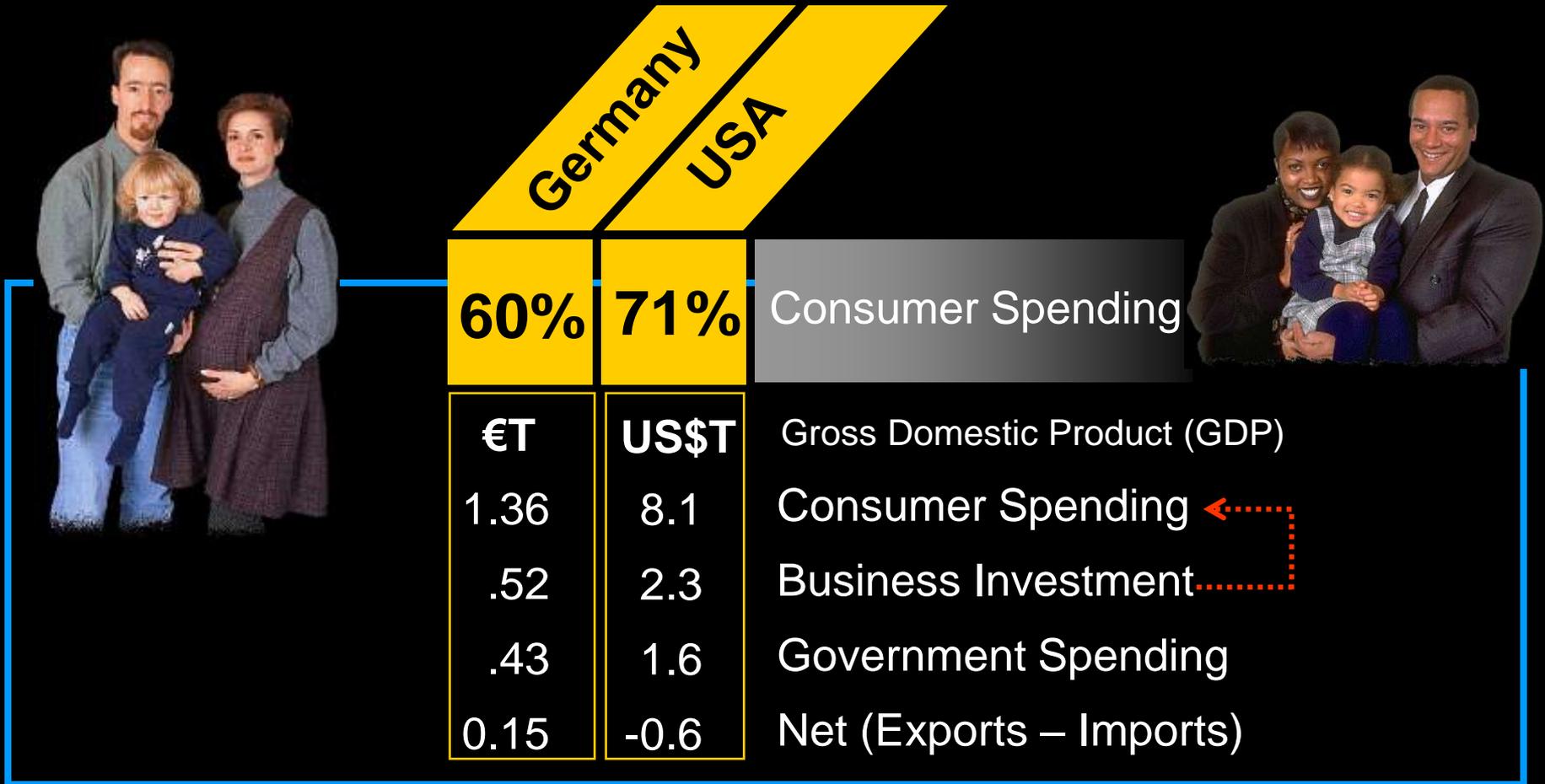
Source: International Monetary Fund

**STICKER SHOCK:** Rising costs of food and fuel have prompted protests around the developing world, including this clash Monday in Egypt.

## Inflation, Spanning Globe, Is Set to Reach Decade High

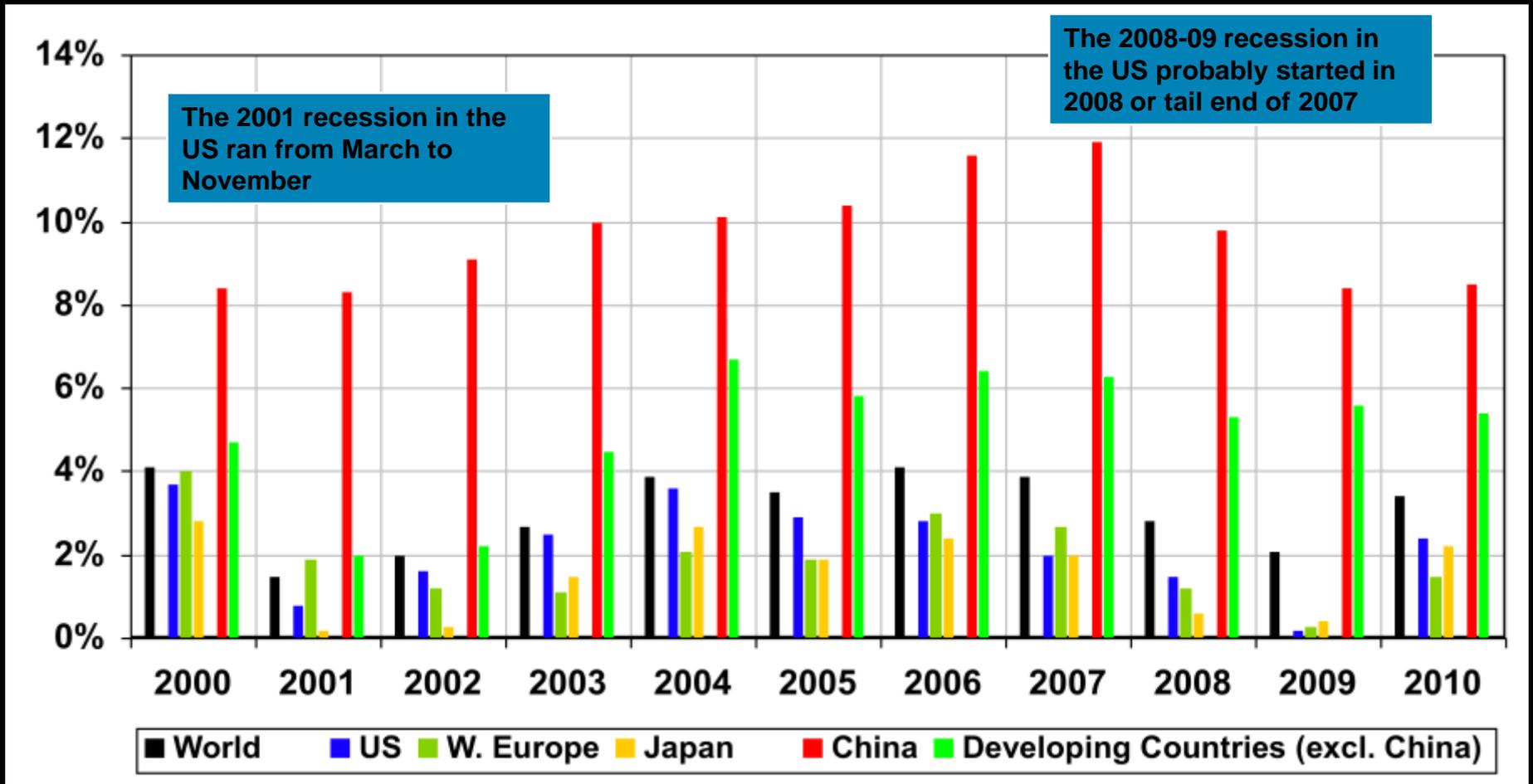
Source: Reuters, April 2008

# Uncertainty forces down consumer spending, which drives the economy



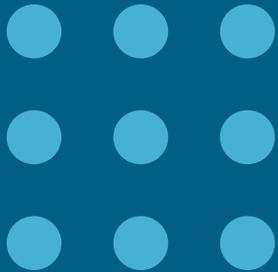
Source: Global Insight, 2008

# Worldwide growth in 2009 is expected to be slightly better than 2001



Sources: Global Insight, IBSG Economics and Research analysis

2



**The world is  
changing – A  
glimpse of the future**

# The World is Changing....

## Business/Financial

- Globalization
- Scale → speed
- Productivity



## Technological

- Continuous connectivity
- Real-time information
- Web 2.0, SaaS



## Legal

- Compliance
- Governance
- Policy
- Security



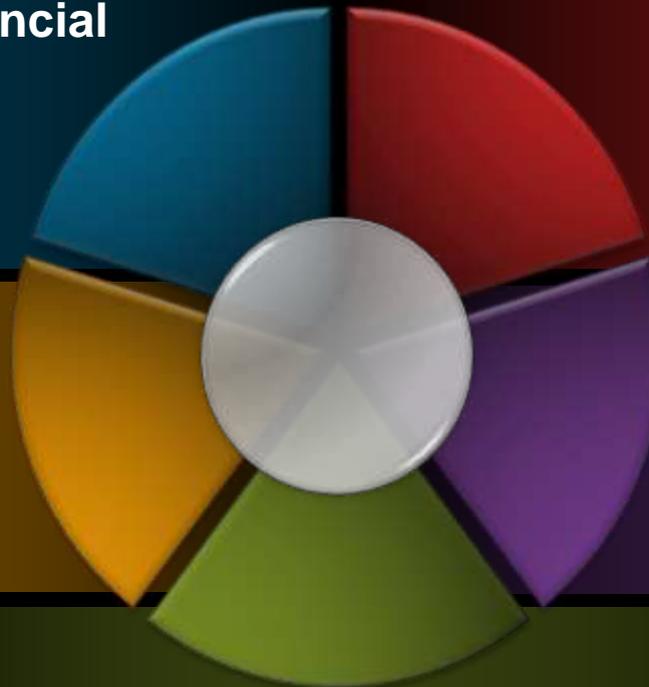
## Societal

- Digital Divide
- Green
- Mobility
- Consumer-driven



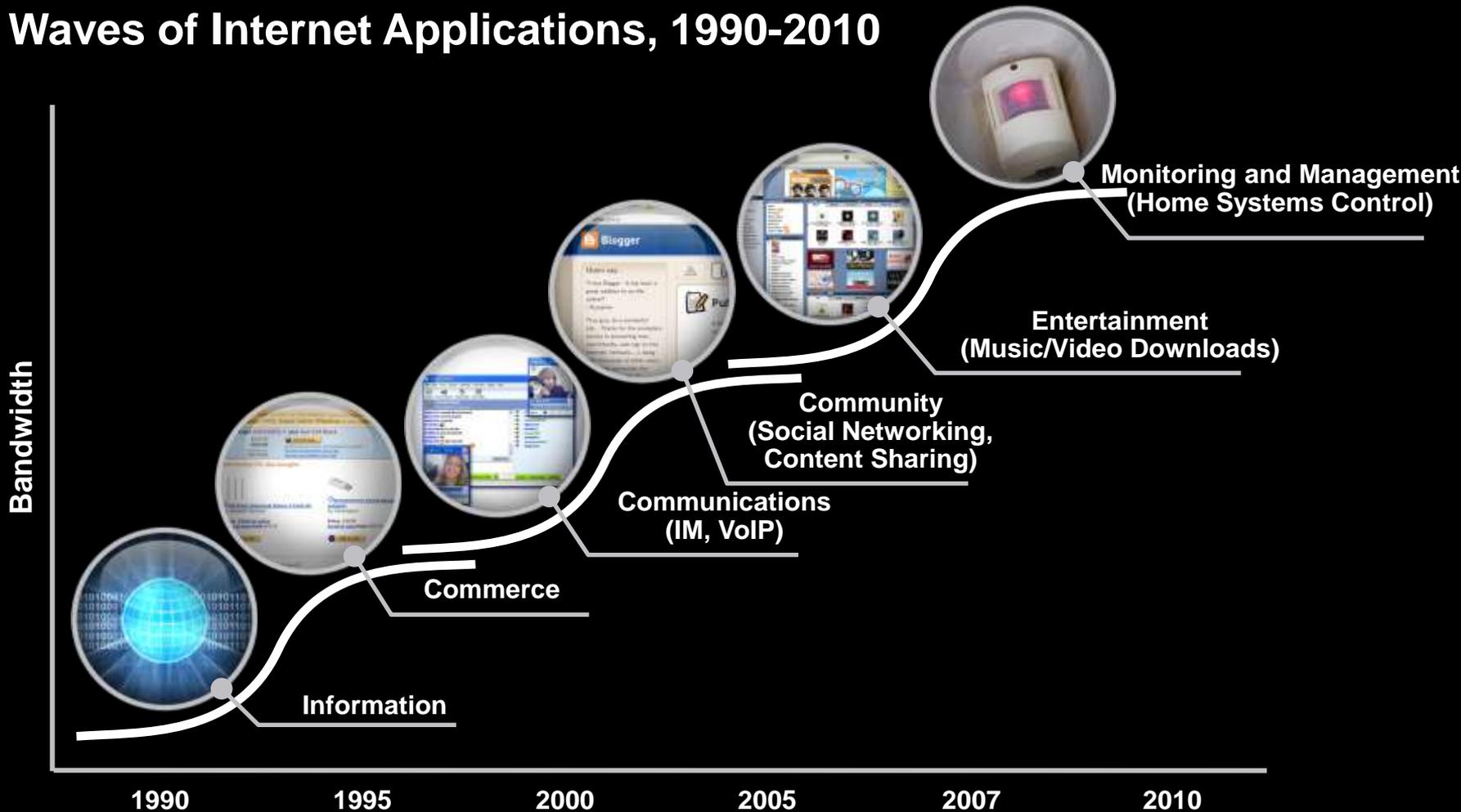
## Competitive

- Empowered employees
- Consumers demanding more
- Borderless enterprise



# Broadband is Enabling Waves of New Consumer Applications

## Waves of Internet Applications, 1990-2010



Source: Cisco IBSG, July 2008

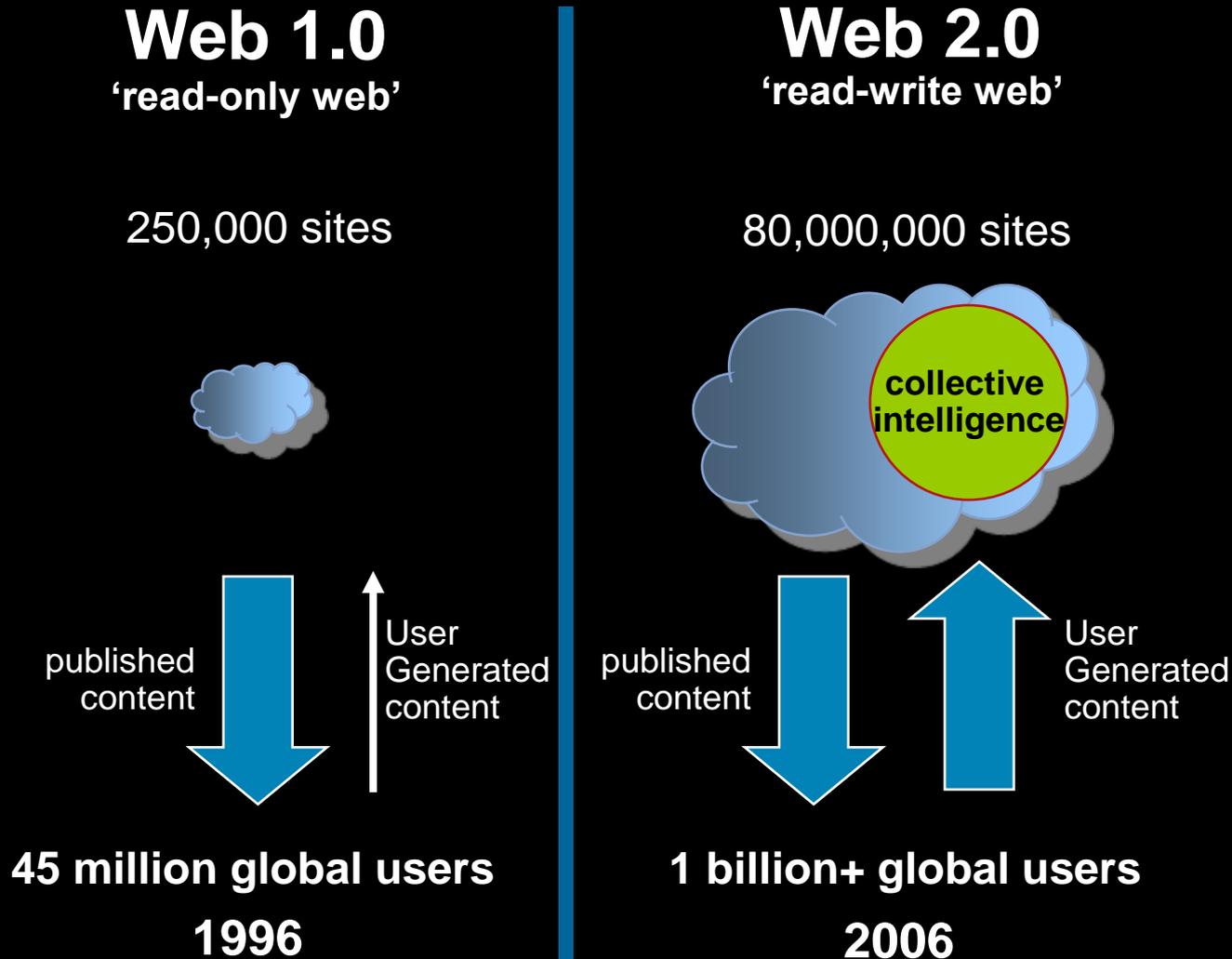
# The Balance of Power is Changing

From  To

<b>Content</b>	Enterprise-driven	User-created
<b>Participation</b>	Passive observer	Active contributor (share, comment, edit, shape)
<b>Influence</b>	Traditional authority	“People like me”
<b>Ideas</b>	Minimal input	Open innovation
<b>Presentation</b>	Static	Rich-media experience
<b>Devices</b>	Wired PCs	Wireless mobile devices and TVs
<b>Place</b>	Home, office, school	Almost anywhere
<b>Marketing</b>	Traditional	Intelligent and embedded

Source: Cisco IBSG, July 2007

# Web Then and Now...



# The internet landscape is changing : Driven by your customers & employees

## Alexa Global Traffic Rankings

2005<sup>(1)</sup>

2008<sup>(2)</sup>

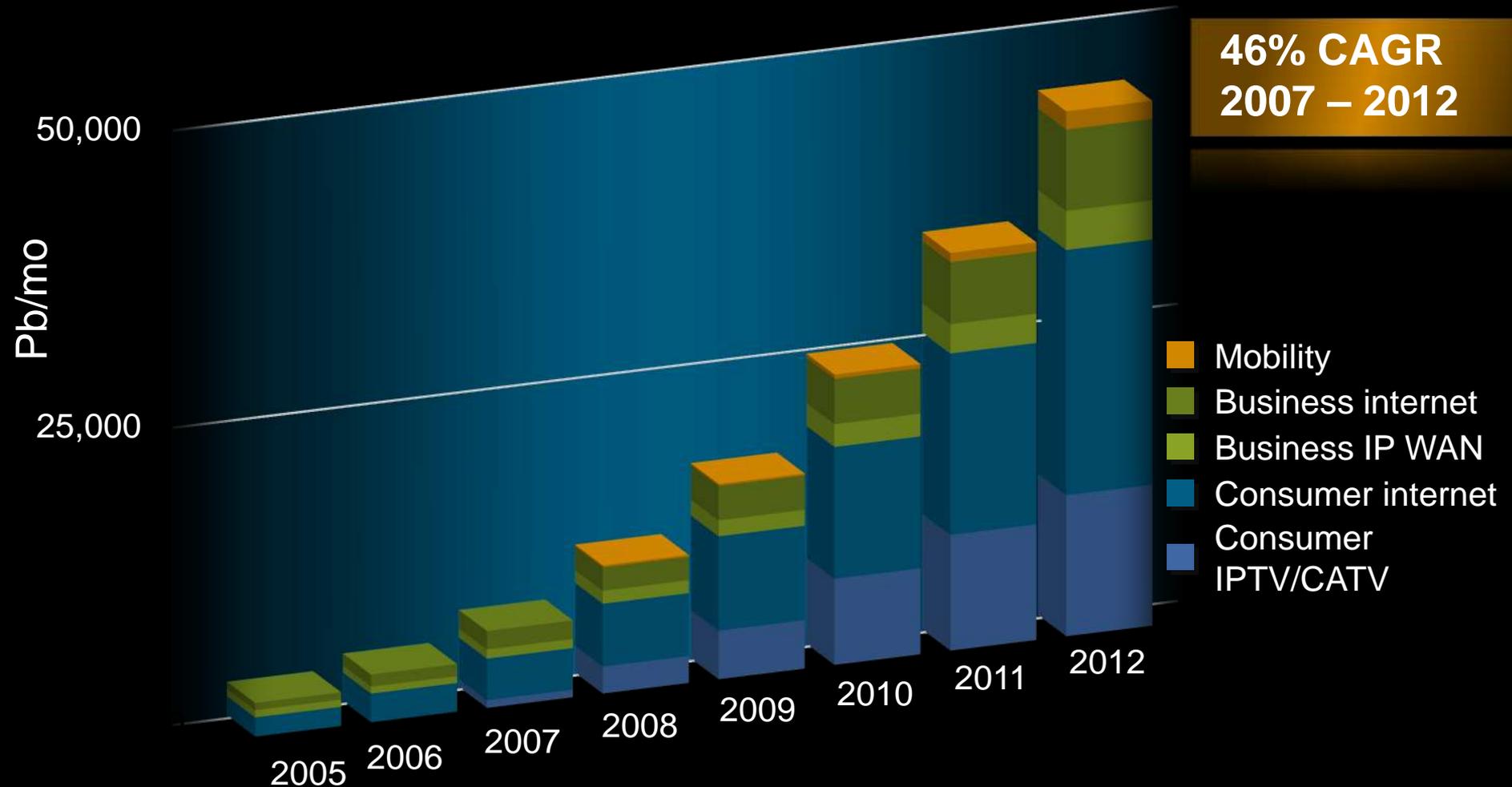
Rank	Web site
1	yahoo.com
2	msn.com
3	google.com
4	ebay.com
5	amazon.com
6	microsoft.com
7	myspace.com
8	google.co.uk
9	aol.com
10	go.com

Rank	Web site
1	yahoo.com
2	youtube.com
3	live.com
4	google.com
5	myspace.com
6	facebook.com
7	msn.com
8	hi5.com
9	wikipedia.com
10	orkut.com

Source: Alexa Global Traffic Rankings, Morgan Stanley Research

# And this is happening on a massive scale

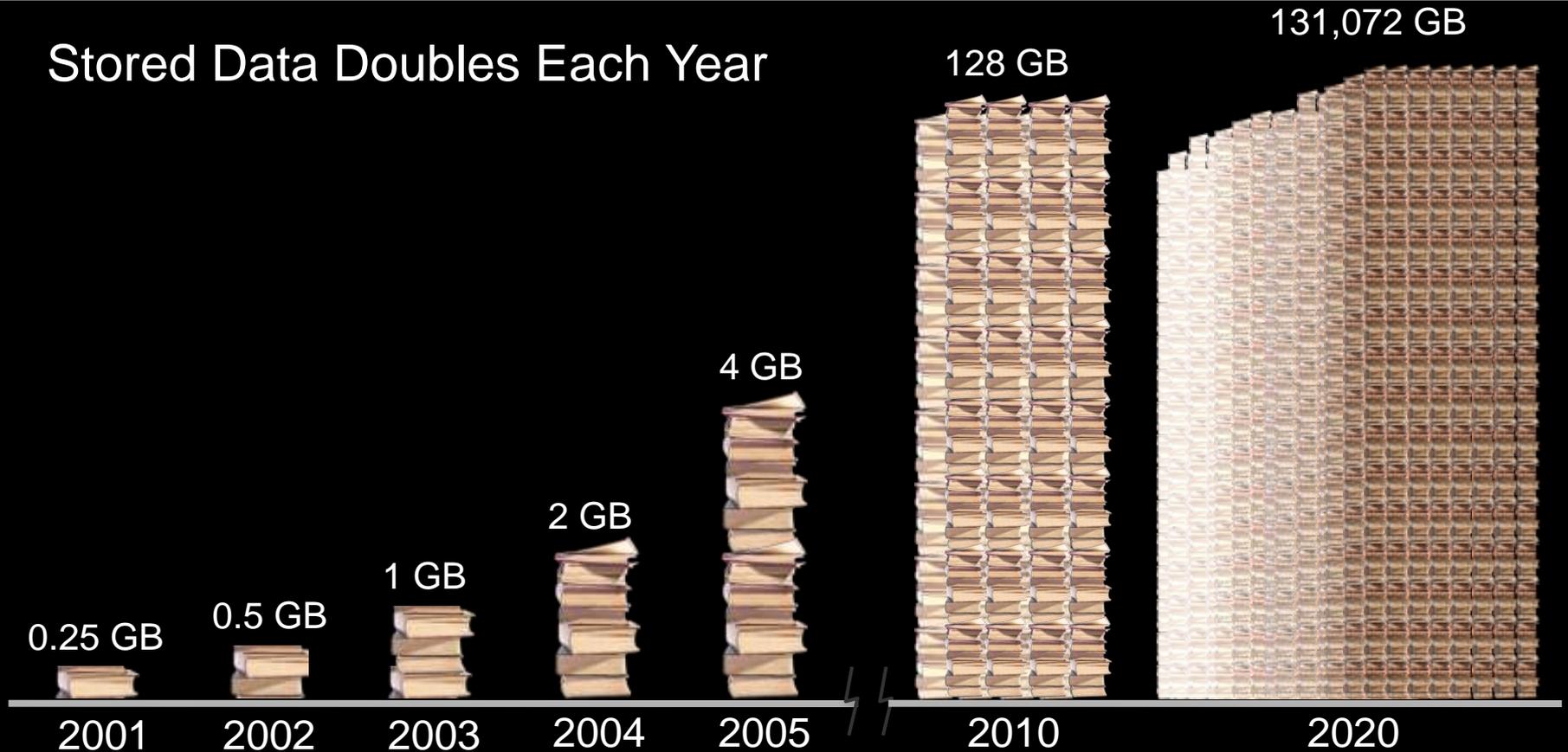
IP traffic will increase 6× from 2007 to 2012



Source: Cisco Visual Networking Index — Forecast, 2007 - 2012

# Information Explosion

Stored Data Doubles Each Year

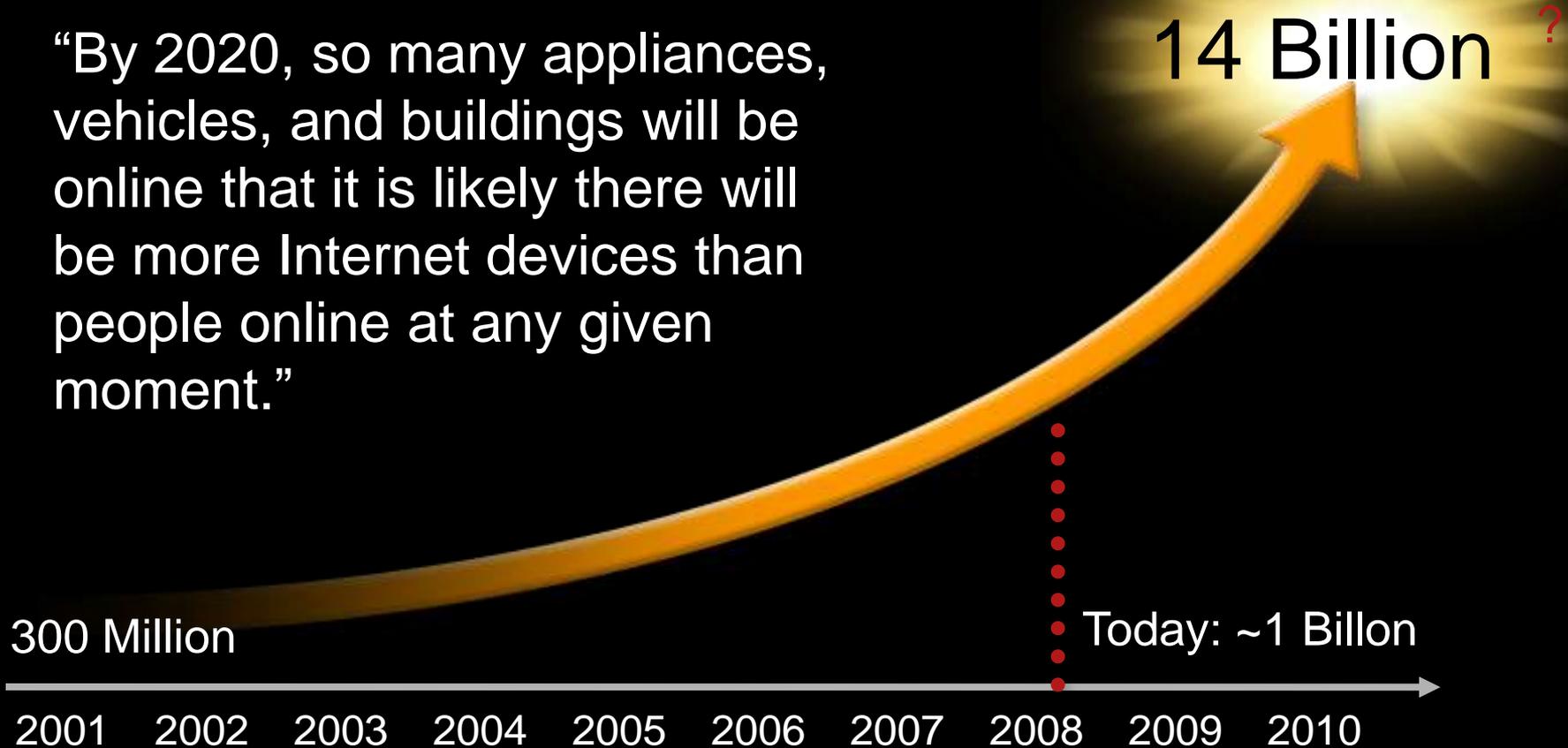


## Information Stored Per Person Worldwide

Sources: ExtremeTech, July 2003; University of California at Berkeley, 2003; Cisco IBSG, 2006-2008

# Everything Will Be Connected

“By 2020, so many appliances, vehicles, and buildings will be online that it is likely there will be more Internet devices than people online at any given moment.”



# New Devices: Your Phone Will Be Your Computer

About 19% percent (1.3B) of people in the world are now connected to the Internet; only about 10 percent connect from their homes

How will the rest get online?



# ....But There Are Challenges & Opportunities

Stock Price

Job Uncertainty

Employee Morale



New Partnerships

Revenue Growth

Productivity

Retaining Talent

Competitive Differentiation

Customer Loyalty

Cost Containment

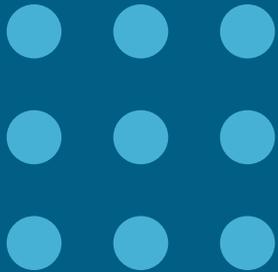
Innovation

Supplier Viability

Time to Market

Innovation

3



What have we learnt  
from the past?

# The economic challenges impact everyone



Employees



Partners



Customers



Business Leaders

“I can’t do this alone – I need others to work with me”

“This complex, how do I find the right experts to help me?”

“This impacts me too – we are in this together”

“Empower me, Include me, help me help you ”

“Let me contribute to the solution, let me voice my opinion ”

“Give me faster, better service”

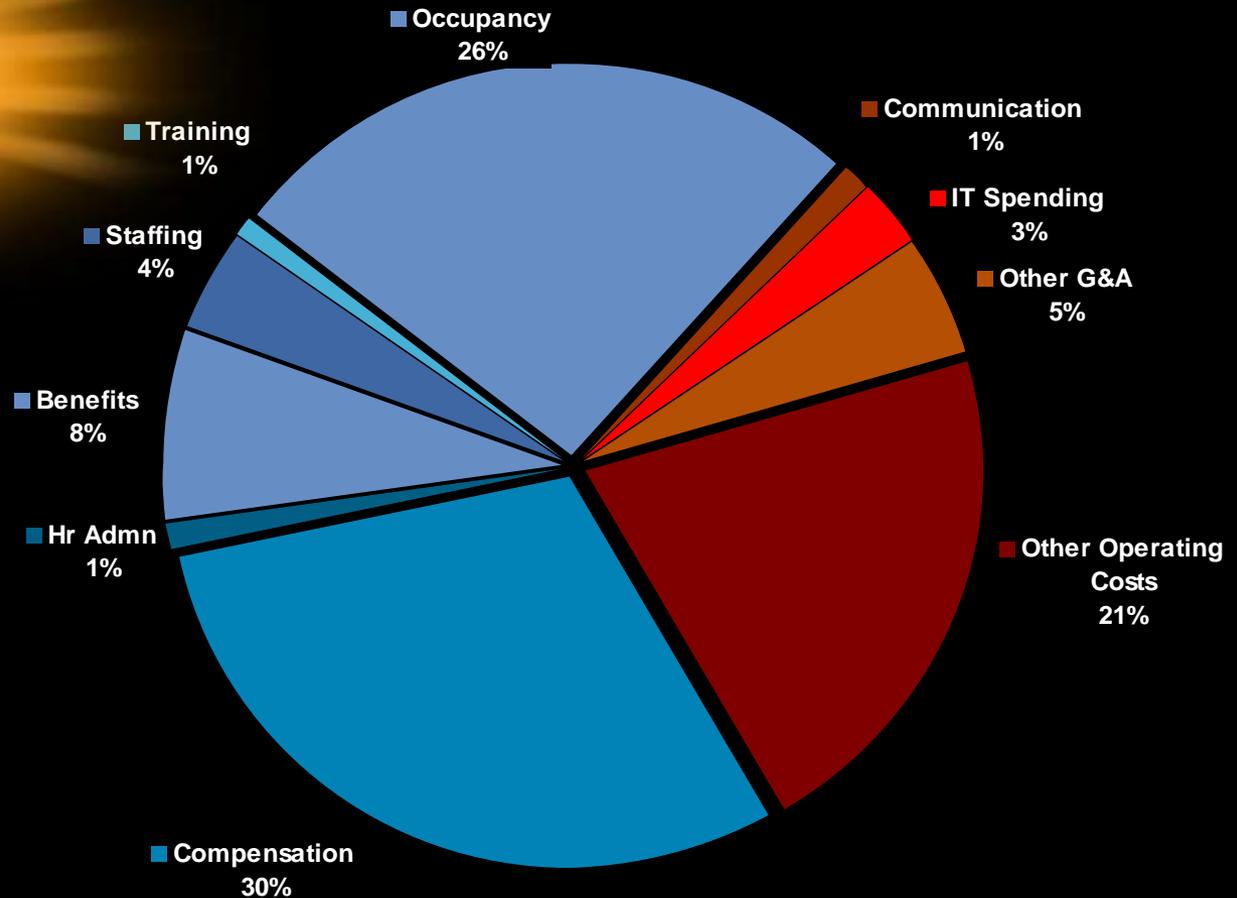
“We need greater flexibility and agility”

“I need our people to work smarter together – reduce costs, maximize profits”

# People: Your Biggest Expense and Your Most Important Asset

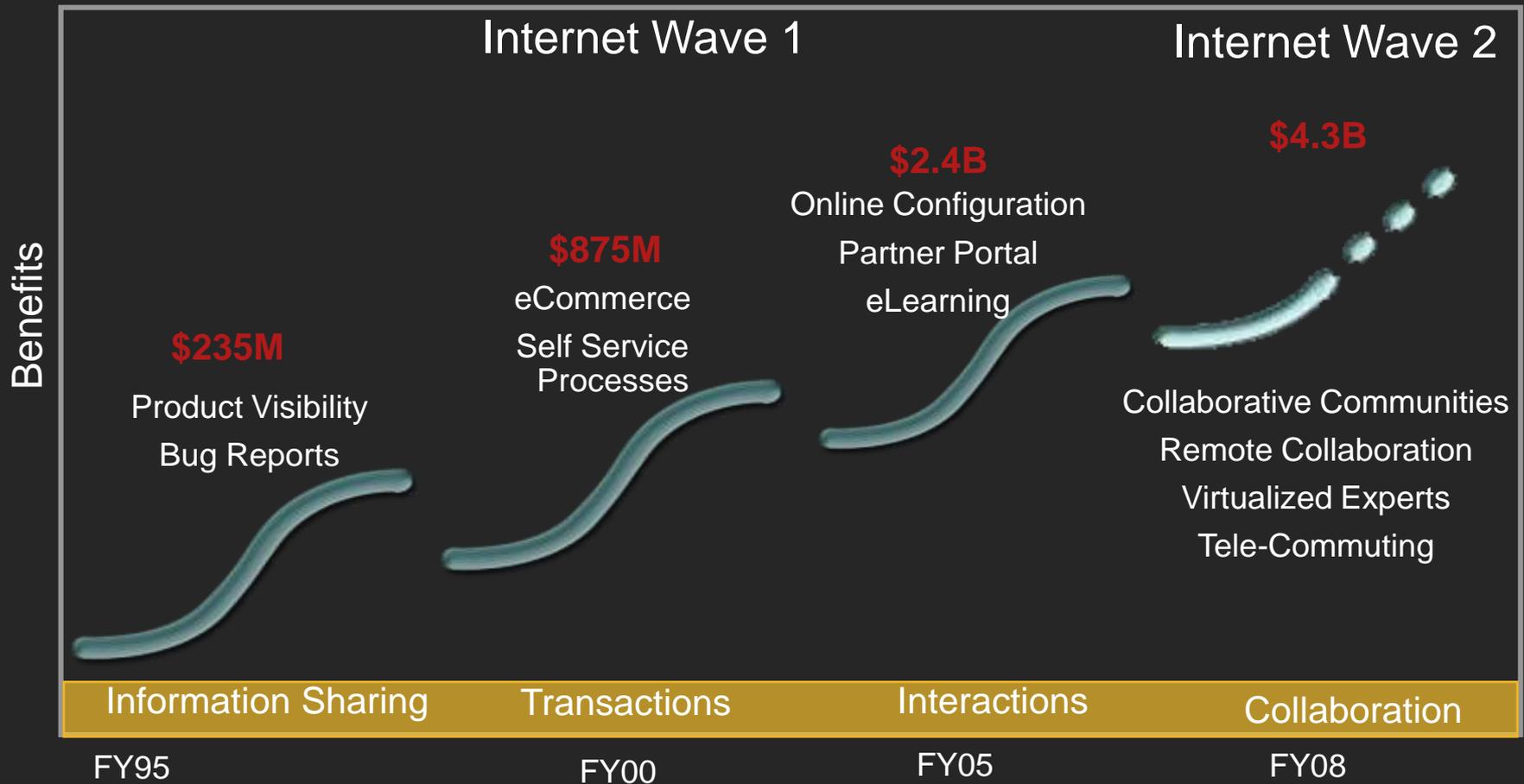
## People Costs

76%



Source: Cisco IBSG Economics & Research, 2008

# Cisco's Productivity Journey



Source: IBSG

# Approach to Economic Slowdowns

## *Our Playbook - 4 Basic Guidelines*

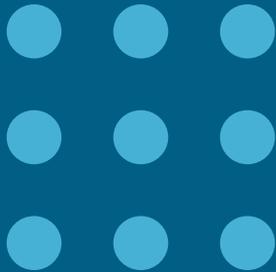
**1 Is it the macro environment or our strategy?**

**2 Length and depth of downturn?**

**3 Prepare for the upturn**

**4 Expand customer relationships**

**4**



**Five critical steps to thrive**

# Business Imperatives

## Five Critical Steps to Thrive



### Save to Invest...

...so that you and your customers can free human and financial resources to...



### Unlock Employee Potential...

...by investing in tools and processes that improve leadership, knowledge, effectiveness and innovation 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 and your customers to...



### Distance Yourselves From the Competition...

...by increasing speed and scaling faster, focusing on strategic initiatives and services that harness new technologies and business models, so that you and your customers can...



### Transition to and Enable the Borderless Enterprise...

...Where you and your customers can capitalize on the full potential of your ecosystems, to optimize profitability in a cost-effective, timely, and value-added manner

# Business Imperatives

## Principles to Adopt and Enable



### Save to Invest...

- Intelligently reduce costs to fund investments for improvement
- Drive scale economies
- Focus on core competencies



### Unlock Employee Potential...

- Harness the collaborative power of all employees to maximize effectiveness and efficiency
- Hire and train for new skills
- Augment skills with select partnerships



### Drive True Customer Intimacy ...

- Get closer to customers but respect their privacy
- Embrace the end-to-end customer experience
- Personalize / customize to match customer needs



### Distance Yourself From the Competition...

- Focus on speed and quality of innovation
- Stake out unique roles in the value chain
- Invest in enabling technologies and capabilities



### Transition to and Enable the Borderless Enterprise...

- Make full use of your entire ecosystem
- Provide services to reduce risks and complexity of customer big bets
- Utilize geographic comparative advantage

# Save to Invest

Conduct In-Person Meetings, Without Traveling

TelePresence, WebEx, Virtual Expert

Reduce Real Estate and Energy Costs by Enabling a Remote, Connected Workforce

Connected Workplace, ECT, Mobility

Increase Productivity Through a Pervasive and Unified Communications Platform

Unified Communications

Preserve Human and Capital Resources Through Utilization of Managed Services

SaaS, Managed Services, Cisco Capital

Virtualize Everything & Go Green

Virtualize: Expertise, Data Center, IT

- Intelligently reduce costs to fund investments
- Focus on profitability
- Focus on capital efficiency

# Unlock Employee Potential

Adopt a Collaborative Leadership and Decision-Making Structure

Boards & Councils, WebEx, TelePresence

Enable Employees to Work Securely from Anywhere, Anytime

Mobility, Presence, VPN, WebEx, CUMC

Increase Speed and Effectiveness

Through a Pervasive and Unified Communications Platform

Unified Communications

Promote Employee Communication and Participation to Drive Innovation

Wikis, Blogs, WebEx Connect, TelePresence

Increase Customer Interactions and Maximize Expert Availability

Expert Locator, TelePresence, WebEx

- Augment employees with collaborative solutions
- Harness the collaborative power of all employees to maximize effectiveness and efficiency
- Nurture key employees—focus on motivation and morale

# Drive True Customer Intimacy

Increase the Frequency,  
Timeliness, and Quality of  
Customer Interactions

TelePresence, WebEx, UC

Extend Your Reach to Support  
Customers Anywhere, Anytime

IP Contact Center, Mobility, UC

Improve Customers'  
Experiences by Connecting  
Them with the Right Expertise,  
the First Time

Expert Finder, TP Expert on  
Demand, Call Mgr.

Include Customers in Your  
Innovation Process

WebEx Connect, WebEx, i-Prize

- **Get much closer to key customers**
- **Embrace customers in your decision making**
- **Personalize / customize to match customer needs**

# Distance Yourself from the Competition

Drive New Technology-Enabled Business Models

TelePresence, WebEx Connect, WebEx

Seize Opportunities to Consolidate, Virtualize, and Outpace Your Competition

TelePresence, WebEx Connect, WebEx

Invest in Global Market Opportunities

TelePresence, WebEx Connect, WebEx

Accelerate Innovation

TelePresence, WebEx Connect, WebEx

- Focus on strategic initiatives
- Invest to expand and pull away from competitors
- Transform to increase speed and scale

# Transition to a Borderless Enterprise

Drive a Culture of Partnership and Collaboration

Next-generation Company

Share Capabilities Through the Cloud Across Your Company and Ecosystem

SaaS, ITaaS

Adopt an End-to-End Governance Model

Councils and Boards

Leverage Joint Global Talent and Resources

Cisco Globalization Strategy

- Make full use of your entire ecosystem
- Work together globally for greater impact
- Include all stakeholders in ideation, improvement, and expansion

# Questions

- How much could you save from reduced real estate and energy usage?
- Could you drive greater Innovation if employees, customers and partners could collaborate better?
- How well are you doing in driving a culture of collaboration?
- Do your employees have access to the information they need – anywhere, anytime?
- What would a 10% increase in productivity mean to you?

# Call to Action

## For Yourself ...

Identify Focused Cost-reduction Opportunities

Nurture & Energize Top Talent

Establish a “Top Customer” Program

Implement a Partner Collaboration Program

## For Your Customer ...

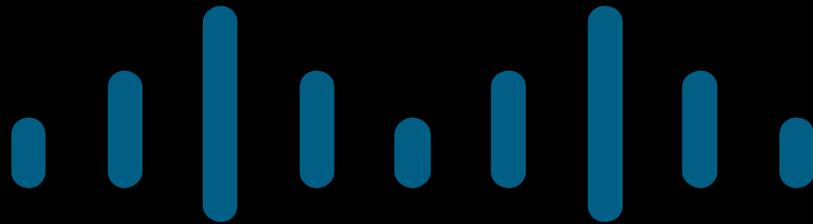
Identify Opportunities for Them to Reduce Their Costs

Enable Talent Development and Retention

Develop Vertical Expertise

Implement and Manage Business Ecosystems

**Contact Your Cisco Account Team—We Can Help!**



**CISCO**