Cisco Systems, incorporated in 1984, is a leading global network solutions provider. Of late, the going has been tough for the company. Sluggishness in global markets coupled with excessive business diversification led to a decline in sales, narrowing of margins and disappointing financial results for Cisco during 2010 and 2011. As per Infonetics Research's fourth quarter report for 2011, though Cisco remained a leader across most business verticals, its share in each segment declined.

To revive its financial health and ease the competitive pressure, Cisco took several corrective measures during 2011. It streamlined its operations to focus on core areas, exited the Flip video business and downsized its workforce by 10-15 per cent. These steps have been rewarding for the company, with profits increasing in the second quarter of 2011-12.

While all this has been playing out globally, Cisco's Indian operations have continued to chart growth. The company remains a market leader in the core technologies segment in India. According to the IDC LAN Tracker (December 2011), Cisco had a market share of 57.4 per cent in routers, 61.2 per cent in switches and 60 per cent in the local area network (LAN) segment during the September-December quarter in 2011. With respect to the advanced technologies market, companies such as Alcatel-Lucent, Juniper and Ericsson posed strong competition. As per a Frost & Sullivan report released in January 2012, Cisco had a market share of 28.2 per cent in wireless LAN, 35.2 per cent in security solutions, 28.1 per cent in enterprise telephony and 43 per cent in the IP-PBX (private branch exchange) segment during the September-December quarter in 2011.

Background

Cisco commenced its Indian operations in 1995. Though it entered the Indian market as a strong player in the enterprise space and helped build internet infrastructure in the country, its initial growth suffered due to the dot-com failure. The company's interest in India revived during 2003 when the IT, telecom and outsourcing industries started flourishing. Since then, it has moved beyond its focus area of providing routers and switches, and has expanded its portfolio to offer advanced technology solutions for IP telephony, wireless services, network security, storage, and optical and home networking. The countrywide network roll-out by telecom operators has provided a fillip to Cisco's Indian business and spurred the demand for Ethernet, and wireless and value-added services.

The establishment of the Globalisation Centre East (GCE) in Bengaluru in 2007 was a major

initiative to develop technologies for emerging markets. GCE has become a research and development (R&D) hub that caters to the demand in emerging markets. It has been recognised as Cisco's largest centre outside the US and is increasingly being used for innovating products for markets in India, China and Brazil. Since its establishment, GCE has undertaken pilot projects such as smart connected communities, and smart connected healthcare and education in India. The smart connected healthcare initiative, which is being undertaken in association with Apollo Hospitals, aims to reduce healthcare costs to $1 per month and improve medical reach in rural areas through telemedicine.

Cisco also has joint development centres with Wipro Technologies and Infosys Technologies in Bengaluru, HCL Technologies in Chennai and Zensar Technologies in Pune. The company is considering setting up a development centre in Hyderabad as well.

The Indian opportunity

India remains a critical market for the company, which is evident from its growth strategies for the country. Cisco reportedly plans to increase its workforce in India by about 60 per cent over the next four years.

Aware of the fact that the needs of emerging markets vary significantly from those of developed countries, Cisco recently launched the Unified Communications Manager (UCM) BE 3000, a product specifically designed and developed for the Indian and other emerging markets. A low-cost unified communications solution, it caters to the needs of small and medium businesses (SMBs). It supports 300 users across 10 sites and offers voicemail, conferencing and mobility features like extension mobility and teleworker support to connect business calls and voicemail messages to employees on the go. The UCM BE 3000 is the first product designed exclusively by the company's Indian team. Cisco expects to sell 10,000-12,000 units in the next six months.

The company's interest in India goes beyond increasing its global R&D capabilities. For one, it is considering establishing a manufacturing and services unit in Maharashtra and has initiated talks with the state government for the venture. It is likely to submit a proposal by July 2012.

While Cisco is currently present in key markets across the country, it recognises the opportunity

offered by the $400 million IT market that exists outside the top few metros. It, therefore, plans to leverage its partner-led business model to extend its geographical reach across India. Cisco's partner-led strategy is a scalable, go-to-market model designed to address the growing SMB segment in India. In fact, the company has experienced remarkable growth in its partner-led ventures, recording a compound annual growth rate of around 45 per cent in the past three years. Currently, the segment accounts for a third of the company's revenue from its Indian operations. Cisco aims at expanding its SMB reach to 14 non-metro cities between July 2012 and June 2013. These are Chandigarh, Lucknow, Guwahati, Jaipur, Bhopal, Indore, Ahmedabad, Vadodara, Bhubaneswar, Vizag, Coimbatore, Kochi, Kanpur and Patna.

Besides enterprise customers, Cisco offers technological solutions for major telecom operators. It has, for instance, provided technology support for the entire 3G network (from cell sites to data centres) deployed by Reliance Communications (RCOM) in India. Further, the company has built a wireless network, covering 100,000 square km, for RCOM's 3G deployment.

Recent initiatives

With most of the broadband wireless access spectrum holders set to launch 4G services, the IP market in India offers attractive opportunities. Cisco is exploring new business models to tap this potential, including the build-operate-transfer model, and is in talks with 4G operators for managing their IP networks. For instance, it is reported to be in talks with Reliance Industries Limited-owned Infotel Broadband to facilitate the company's 4G services roll-out in the next six months. Also, the company has brought in its financing arm, Cisco Capital, to offer funding facilities to service providers.

Apart from wireless networks, Cisco sees a major opportunity in IP-based next-generation networks. However, offering switching solutions remains the company's core area of strength. It is providing inputs to the government for implementing the National Optical Fibre Network in the best possible way by developing the right business model.

Other areas that Cisco is focusing on include cloud and cable digitisation. Last year, the US-based EMC Corporation and Cisco jointly launched two cloud experience centres in Bengaluru. The companies believe that with data requirements growing at the rate of 60 per cent a year, a major portion of the IT budget needs to be dedicated to the segment. The usage of cloud services could free up additional IT resources and benefit enterprises.

Cisco has also tied up with Gujarat Telelinks for a cable digitisation project across Gujarat, West Bengal, Maharashtra and Jharkhand. As part of this programme, Gujarat Telelinks will procure over 300,000 next-generation digital set-top boxes from Cisco and deploy them in the aforementioned markets. Cisco is also working with cable service providers across India to assist them in digitising their networks. For instance, it has signed a deal with You Telecom to digitise its network in the Mumbai circle.

Further, in line with its agenda to explore new technologies as well as low-cost innovations for emerging markets, Cisco recently acquired a 17 per cent stake in a digital media start-up, Qyuki, for

Rs 270 million. The social media platform, which is expected to go live in May 2012, will allow the co-creation of content. Further, the company plans to invest up to $60 million per year in the Indian start-up market, starting 2012. It has also participated in the first closing of the $63 million Aavishkaar Venture II, a project focused on rural India.

With a view to strengthen its presence in emerging markets, Cisco recently acquired NDS, a UK-based provider of video software and content security solutions, in a $5 billion deal from Rupert Murdoch's News Corporation and private equity firm Permira. NDS provides solutions in the digital pay-TV industry in India. Its clients include Tata Sky, Hathway and Bharti. The move would facilitate Cisco's growth in emerging markets such as China and India, where NDS has already made inroads. The NDS Group has 1,600 engineers at its R&D centre in India, which will be inducted into Cisco's Indian operations following the completion of the acquisition by mid-2012.

Going forward

Global challenges notwithstanding, Cisco is confident that its investments in the enterprise segment in India will drive revenue growth for the company. It has high expectations from the SMB segment and plans to expand its coverage to Tier 2 and 3 cities by end-2012. The company is also hopeful of closing a few major long term evolution contracts by mid-2012. Going forward, Cisco will focus on growth areas such as mobile packet core, cable digitisation and cloud services.

About Us We are Hiring Contact Us

Subscribe Privacy Policy Advertise Terms & Conditions

Copyright © 2010, tele.net.in All Rights Reserved