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*50 Years of Growth, Innovation and Leadership*

Competitive Strategy Leadership Assessment:  
On-Premises Multimedia Conferencing

A Frost & Sullivan  
White Paper

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## **SIGNIFICANCE OF THE COMPETITIVE STRATEGY LEADERSHIP POSITION**

### **Key Industry Challenges Addressed by Cisco**

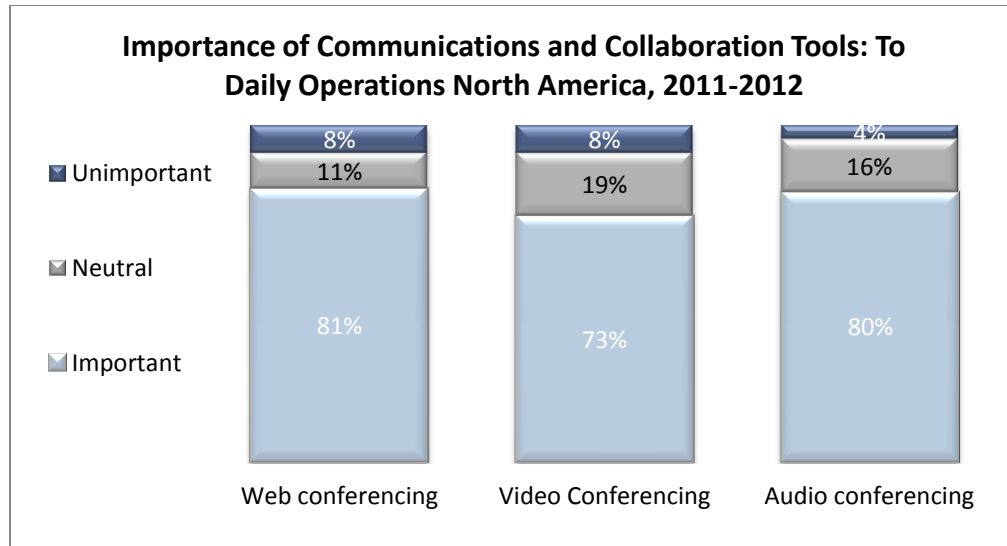
In many ways, audio conferencing is at the end of its technology lifecycle. Given the maturity of the market, vendors in the audio conferencing bridge space face both declining revenues due to commodity pricing and a competitive threat from substitute products such as enterprise unified communications solutions that include conferencing as a free feature. Frost & Sullivan independent research also notes that audio conferencing as a whole is being marginalized by the growing acceptance of web and video conferencing within the enterprise. While audio conferencing still serves as the lowest common denominator for collaboration, research indicates that desktop clients, and increasingly, mobile-device clients, are easing users into video adoption. Finally, the onset of very competitive cloud services is steering many enterprise customers away from on-premises audio conferencing bridges that require a capital expenditure (CAPEX) and toward operational expense (OPEX)-friendly services.

Cisco is aggressively addressing these challenges and is well equipped to support the evolution of the mature audio conferencing bridge market into a broader multimedia conferencing market. To address the issue of commoditization in a mature market such as audio conferencing bridges, Cisco has developed a compelling feature set to enhance the value of its products and to be able to incorporate audio conferencing into all-encompassing, and typically high-value, licensing bundles. Similarly, Cisco is guiding customers to a transition path that incorporates not only audio conferencing, but also web and desktop video conferencing options. This type of transition not only gives customers an upgrade path from legacy audio solutions to modern, software-based products, but also enables them to take advantage of web and video conferencing capabilities as their needs grow. Finally, Cisco is keenly aware of the impact cloud-based conferencing solutions are having on the traditional on-premises audio conferencing market, but also acknowledges the continued need for an on-premises solution in particular market verticals and organizations and is prepared to capitalize on both opportunities.

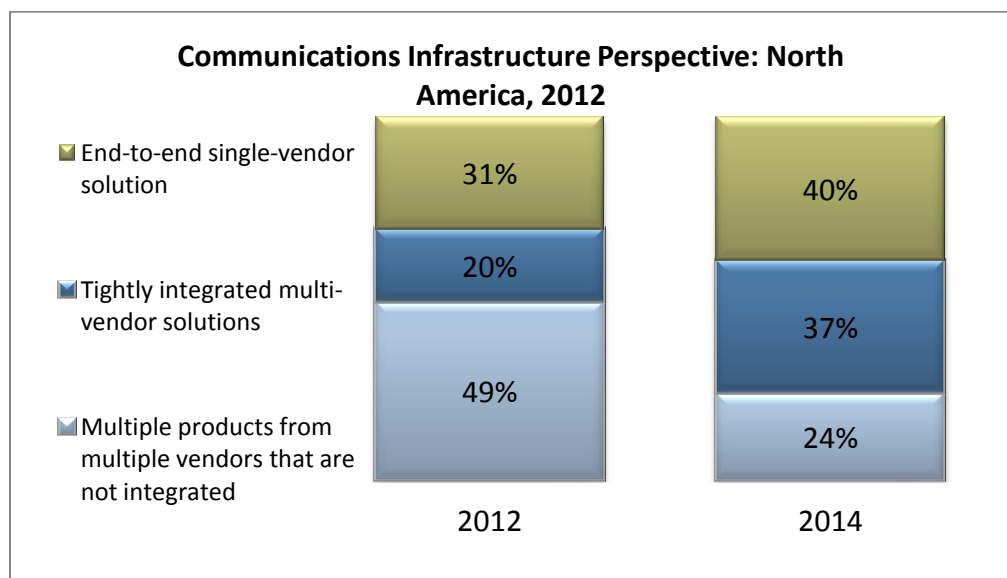
## **MARKET TRENDS FOSTER ENTERPRISE MULTIMEDIA CONFERENCING**

Independent research by Frost & Sullivan has identified a number of key trends within enterprises that support Cisco's competitive strategy in the burgeoning multimedia conferencing market. First and foremost, respondents to Frost & Sullivan's 2012 North American CXO Investment Plans for Communications and Collaboration Infrastructure and Connectivity survey have identified reduced travel, reduced costs, and the ability to accelerate decision making as some of the most important benefits of web and video conferencing.

As such, audio, video, and web conferencing each rank very high in terms of overall importance to daily operations of the respondents' organizations. Notably, web conferencing edged both audio and video conferencing in terms of importance to the respondents, suggesting that business customers are seeking collaboration tools that offer more than the basic functionality that traditional audio conferencing alone can provide.



Additionally, respondents were asked about the state of their existing unified communications infrastructure, as well as their future plans. Presently, nearly half of the respondents are supporting multiple products from disparate vendors that lack tight integration. In planning for future deployments, less than a quarter of the same respondents expect to continue to support a non-integrated UC infrastructure.



These trends support Frost & Sullivan's contention that single-vendor or tightly integrated multi-vendor multimedia conferencing solutions will both appeal to enterprise customers and ultimately supplant disparate conferencing options. As a market leader in unified communications, Cisco is well positioned to assist customers as they adapt to these trends, offering both a full suite of its own communication infrastructure solution and collaboration tools, as well as device, platform, and solution integration support to a variety of cross industry solutions and plug ins to products from other providers. By delivering on-premises audio, video and web conferencing on a single, integrated platform, Cisco WebEx Meetings Server offers businesses the most important benefits of conferencing, while also addressing the challenges that IT staff currently face with multi-vendor solutions.

## **CISCO: READY FOR SUCCESS IN ENTERPRISE MULTIMEDIA CONFERENCING**

In its ongoing research and assessment of the on-premises conference solutions market, Frost & Sullivan has identified a number of key factors that differentiate Cisco from its competitors in the burgeoning multimedia conferencing market. Cisco's strengths in each of these criteria support the fact that the company and its products are well positioned to address the latest market trends as well as provide leadership in guiding the evolution to a truly unified enterprise conferencing experience.

### **Leverage of Competitive Intelligence**

Over the years, Cisco has closely monitored trends and developments in the communications marketplace as a whole, as well as in the conferencing and collaboration market in particular. It has constantly adjusted its product development and other strategic initiatives to address evolving customer needs and promptly respond to competitive threats and opportunities. Cisco has been quick to catch up with functionality introduced by competitors and has frequently been the first to launch the most innovative products and solutions in various areas of enterprise communications and collaboration.

The mature audio conferencing bridge market is already seeing the effects of enterprise customers moving on to new conferencing solutions that incorporate rich-media sharing and collaboration. Cisco began its transition from the Unified MeetingPlace product by building on-premises web and video capabilities on top of the existing audio conferencing product. While this approach addressed specific customer needs, Cisco had the long-term vision to build a next-generation on-premises multimedia conferencing solution that gives equal relevance to audio, video and web users.

In contrast, many of Cisco's competitors in the audio conferencing bridge market compete for enterprise customers by simply offering price concessions to get a foothold within the customer infrastructure. A few have gone down a similar path to multimedia conferencing as Cisco has, but are exclusively focused on on-premises deployments.

As a dominant player in the enterprise unified communications marketplace, Cisco is a thought leader in the area of multimedia communications, and as such not only understands the needs of its customers today, but also helps customers anticipate where their communications and collaboration needs are going to be in the future.

### **Execution of Competitive Strategy**

Cisco leverages the strength of its end-to-end unified communications and networking portfolio to great effect, providing businesses with complete solutions and a holistic approach to customers' broader business needs. By being able to offer a comprehensive set of communications technologies to its business customers, Cisco creates a "halo effect" for audio and multimedia conferencing solutions.

Cisco has clearly identified that businesses demand more advanced and innovative collaboration and conferencing solutions and is guiding its customers to a multimedia conferencing future. Based on its popular cloud-based WebEx Meetings conferencing service, the company released Cisco WebEx Meetings Server in late 2012, which offers an equivalent WebEx multimedia conferencing solution to enable the evolution on the customers' premises.

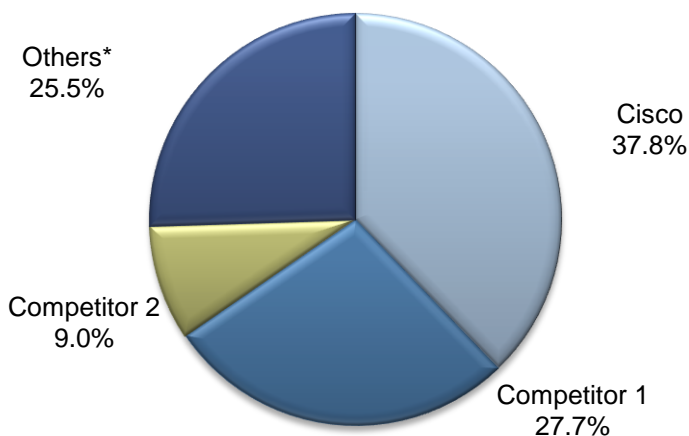
The unification of branding and functionality of on-premises and cloud-based solutions such as WebEx is an important differentiation for Cisco. Unlike competitors that offer either only on-premises products or only cloud services, Cisco is able to stay engaged with customers, offering a wealth of deployment options. Purchasing decisions related to conferencing solutions are greatly driven by CAPEX vs. OPEX preferences, and Cisco is strategically positioned to offer a solution that matches customer preferences.

Execution of Cisco's audio conferencing competitive strategy follows its approach in other collaboration markets: similar branding and functionality, with only slight name change to denote the deployment model of the product. In the case of WebEx Meetings Server, the word server denotes an on-premises deployment, as an alternative to the cloud-based WebEx Meetings. The naming structure functionally aligns the two products and helps customers in the decision-making process.

### **Impact on Market Share**

In 2012, Cisco was the market share leader in the enterprise segment of the audio conferencing bridge market. Cisco held this strong position in the market, despite some customers delaying purchases until the new WebEx Meetings Server solution became available. Evolving a mature product such as audio conferencing bridges into a more robust and feature-rich multimedia platform requires a willingness to take some short-term market risks. While Cisco could have chosen to continue to aggressively sell its existing product, it focused instead on customer value and accepted slower market expansion in order to ensure that new customers started off on the new product. Eventually, this strategy is likely to enable Cisco to achieve long-term market share success in an evolved market.

### Enterprise Audio Conferencing Bridge Market: Enterprise Segment Market Share Analysis of Top 3 Participants, Global, 2012



*“Cisco’s competitive brand positioning is one of the strongest in the Enterprise Communications and Collaboration market, and extending that brand recognition into the mature Audio Conferencing market is something that Cisco’s competitors simply cannot replicate.” - Michael Brandenburg, Industry Analyst, Frost & Sullivan.*

#### Competitive Brand Positioning

By unifying its on-premises and cloud-based conferencing solutions under the WebEx brand, Cisco leverages the very strong brand recognition that WebEx enjoys in the minds of business customers. Moreover, the unification of the WebEx brand sends a very clear message to the enterprise market: Cisco is ready to support your conferencing needs. The two products, WebEx and now WebEx Meetings Server, enable Cisco to support whatever deployment model its customers demand, while maintaining a similar look and feel to the end user. While many customers will opt for the cloud-based WebEx services, those with specific regulatory or data-loss prevention requirements, such as the government or legal verticals, will be able to deploy similar multimedia conferencing capabilities within their own data centers using Cisco WebEx Meetings Server.

Cisco’s competitive brand positioning is one of the strongest in the enterprise communications and collaboration market, and extending that brand recognition into the mature audio conferencing market is something that Cisco’s competitors simply cannot replicate.

#### Impact on Customer Satisfaction/Value

The introduction of WebEx Meetings Server offers significant new benefits to businesses while simultaneously simplifying the licensing and deployment options. While the mature Unified MeetingPlace offers on-premises audio and a hybrid cloud options for web and video conferencing, the new WebEx Meetings Server offers native audio, video, and web conferencing for customers that prefer to maintain these services on the premises. To encourage broader adoption of multimedia conferencing, Cisco has retooled its licensing to enable audio, video, and web with a single user license. As a clear successor to Unified MeetingPlace, Cisco WebEx Meetings Server will not only offer audio conferencing services to customers, but with simplified licensing, break down some of the barriers to video and web conferencing adoption.

Cisco has created a smooth transition path for its conferencing customers. While the company's MeetingPlace product is still available within its product catalog for existing customers to maintain their existing deployments, Cisco has been upfront and open to its customers that WebEx Meetings Server is the going-forward conferencing solution for on-premises deployments.

Furthermore, customers taking advantage of Cisco's Unified licensing are granted their choice of either a one-year subscription to the cloud-based WebEx service or a perpetual license for the on-premises WebEx Meetings Server. Ultimately, Cisco is offering greater customer value by enabling its customers to deploy multimedia conferencing in a way that works best for their organization.



## CONCLUSION

Cisco's effective evolution of its traditional enterprise audio conferencing bridge product into a more advanced multimedia conferencing tool exemplifies competitive strategy leadership. Cisco not only understands the ongoing challenges of a mature market, but also employs strategies to take its customers to the next level with next-generation collaboration and conferencing solutions. Aligning cloud-based services and on-premises products under a single brand, Cisco delivers conferencing in whatever deployment model the customer wants. With its current portfolio, Cisco enables customers to transition to the next stage of multimedia conferencing that includes not only audio, but web and desktop video capabilities. Based on the aforementioned criteria as measured and defined through Frost & Sullivan independent research, Cisco is the recipient of the 2013 Frost & Sullivan Competitive Strategy Leadership Award in the On-Premises Multimedia Conferencing market.