

INDIA

A Big Node In Cisco's Global Network

Cisco was one of the first global companies to identify India as a strategic market. **R P Srikanth** reports how it has leapt to the leadership position in the networking market through a focused strategy.

During a recent Gartner summit, a small but unknown fact was brought to attention by the research firm which startled quite a few Indian organisations who have primarily believed in the export dream. The research firm stated that the Indian IT domestic market was stated to grow at a CAGR of 17.8 per cent till the year 2008. This growth is almost three times the growth rates of the US and European markets, which are stated to grow at 6 and 8 per cent respectively. At the current estimated size of \$2.5-3 billion, the Indian domestic IT market is not a minnow anymore and the few vendors who have foreseen this trend are reaping the benefits today.

Take for instance Cisco, one of the first vendors to identify India as a big emerging market for IT products. As Indian companies started making attempts at becoming more competitive, the networking giant knew that the scale and size of the Indian



WIRELESS WONDER: Cisco's IP phones offer a wide bandwidth



SUCCESSFULLY IDENTIFYING INDIA AS A BIG MARKET FOR IT PRODUCTS: CEO, Rangu Salgame crafted an India-specific strategy

Salgame sees great potential for CISCO in the low spend of India Inc. on IT infrastructure compared to American companies.



CISCO'S CARRIER ROUTING SYSTEM

economy could make India one of the biggest markets in the world. As more and more Indian organisations started connecting their standalone computers and branches, Cisco's core market started booming.

Networking in simple terms refers to the technique of connecting standalone computers so that the respective users can share or post files and data. Networks can be further classified in terms of distance such as local area networks (LANs), metropolitan area networks (MANs) and wide area networks (WANs). LANs are typically used in connecting inter office computers while WANs are used for extending networks over regions. While a switch channels incoming data from multiple input points to output points, a router determines the best route for a given packet of information in a big network. Cisco has a major market share in both the switches and routers segment since it practically evangelised the concept of networking in the country much before any of the vendors did.

So while Cisco launched its operations in India in Delhi in 1994 through a liaison office, it moved quickly when it saw signs of a big emerging market. The company set up a wholly owned subsidiary for India and SAARC in 1999 and followed it up a year later by establishing a global development centre in India to leverage India's talent. The initial years were spent in building a foundation for Cisco's growth - educating the Indian market on the benefits of networking and building a strong channel base. Simultaneously, Cisco established the Cisco Networking Academy Programme to boost technical education and address the shortfall for networking professionals in the country.

The academy programme is an e-learning model that is based on a variety of factors like web based educational content, online testing, student performance track-

ing, hands-on-labs and instructor training and support. Armed with a curriculum developed by education and networking experts, the networking academy programme is offered at technical colleges and universities. As any technology vendor requires an army of professionals who understand and push the technology, Cisco's strategy of ensuring that students and professionals get trained in its products and technologies has gone a long way in ensuring Cisco remains at the top.

The numerous professionals which graduate out of these 150 networking academies across 20 states act as brand ambassadors for the company. Cisco has around 30,000 networking professionals trained in its products in India. These professionals not only help in pushing the brand image of Cisco but also ensure support, a critical area for any technology vendor.

This strategy has paid off and Cisco continues to dominate the market with its closest competitors miles away. In the LAN segment, Cisco has a market share of 78.5 per cent. In categories like routers, the market share is as high as 87.5 per cent. Most market analysts believe that Cisco's strategy of entering and investing in a new market, much before its competitors do, has been a strong factor contributing to the company's leadership position. Take for instance categories like Wireless LANs and IP (Internet Protocol) telephony, where the company was quick to identify the market much before its competitors. Today in emerging categories like Wireless LANs too, Cisco has a dominant market share of 65 per cent. Another new category, IP telephony is also doing brisk business as the company has already despatched more than 50,000 shipments in India.

Rangu Salgame, President, India & SAARC region, Cisco India gives an insight

Market share in different product categories

Category	Market share / Ranking
Total LAN (including switches and routers)	Routers - 87.5 per cent Switches - 71.5 per cent Total LAN market - 78.5 per cent
Wireless LAN equipment	65 per cent
IP Telephony and network security	Number 1 in the IP telephony segment and a leader in the Firewall, IDS (intrusion detection systems) and IPS (intrusion prevention systems) segments

Source : Voice and Data

into the Cisco strategy when he says, "Indian companies spend less than 1 per cent of their revenues on IT infrastructure as against their counterparts in the US, Europe or Japan, who spend about 8 per cent of their revenues on IT. If India needs to compete in an open and free environment with global companies, its IT infrastructure needs to be at par with infrastructure in other developed markets." Cisco's logic proved right and soon Indian companies began networking frantically with Indian banks leading the boom.

Cisco now leads the networking market with more than 3,000 customers, over 1,500 resellers across 100 cities, 150 networking academies across 20 states and around 30,000 networking professionals in the country. While Cisco's global competitors like D-Link, Juniper and Nortel are trying to win market share from the giant, they are still a long way from even challenging the leader.

Unlike other players, Cisco has also sought to bring the latest technologies to the Indian market. Though this requires heavy investments and a patient wait, the first-mover advantage has allowed the company to capture opportunities before they have reached an inflexion point. Take for example, Cisco's strategy to enter the IP telephony market. Cisco was the only vendor to identify that a big chunk of the conventional telephony segment would shift to an IP-based network. Today, with most enterprises recognising the immense cost savings of an IP-based network, the early mover advantage has paid off.

In the networking segment, the company was quick to identify the immense opportunity it had on its hands if it started embedding security in its networking gear. Under the company's self-defending networks strategy, Cisco built in security into all its products. Consequently, even a low end router like the 1800 has inte-

grated security features. Embedded security in networking devices is important since enterprises do not have to buy separate devices such as firewalls, anti-virus solutions and then integrate it into the network. As any virus in an organisation comes through the network, embedding security in the network means that viruses and hackers can be stopped at the entry point itself. Cisco was the pioneer in introducing this concept and soon other vendors have followed suit. So even while Cisco straddles the networking segment like a colossus, it has moved beyond its core to enter segments like wireless, network security and storage.

Having recognised that the Indian domestic market is primed for exponential growth, Cisco recently re-organised its India strategy. As India is a big services economy, the company has formed four vertical business groups that will focus on IT services, Enterprises, Service providers and Government. Cisco also announced the launch of Cisco Capital, its leasing arm and expansion of its networking academy. Cisco Capital will focus on making the company's solutions more compelling by offering flexible leasing and financial services to customers and channel partners in India - a key element when you consider the price sensitivity of the Indian market.

For making sure that its customers get faster product replacements, Cisco has also invested in a logistics depot in Bangalore that facilitates faster replacement of parts across India. Cisco's other initiatives include the company's Warranty Insured Network (WIN) support programme for its 1,500 plus resellers. This has enhanced Cisco's brand and

On the Web

Cisco Systems: www.cisco.com

Cisco's ten year run

Year	Milestone
1994	Cisco launches operations in India through a liaison office in Delhi
1999	Sets up a wholly owned subsidiary for India and SAARC
2000	Establishes global development centre in India to leverage India's talented human capital
2004	Recognising India as a big market, Cisco forms four separate vertical business groups to focus on IT Services, Enterprises, Service Providers and Government
Current status	Cisco leads the networking market with more than 3,000 customers, over 1,500 resellers across 100 cities, 150 networking academies across 20 states and around 30,000 networking professionals in the country.

Source : Voice and Data

trust in Tier 2 towns and cities in India. With this programme, the resellers do not have to invest in spares inventory. Cisco claims that this is a unique programme for an SMB customer.

This leadership position has not come at a quick pace to Cisco. The company celebrated its tenth anniversary in India in the year 2004. However, what is important to note is the fact that since 1999, Cisco has been the undisputed leader in the networking space in India. This leadership position has come because Cisco has recognised that the Indian market is an important one in the world and has simultaneously released products without making any differentiation. In simple terms, the company believed that the Indian market had a long terms potential and was prepared to wait - even when there was no market.

This leadership position has also come because Cisco has concentrated on factors that are the hallmark of any leader - a large portfolio of products at attractive price points, a huge reseller base made more compelling by a flexible leasing model. For example, Cisco practically evangelised the IP telephony market. In an IP based network, voice calls routed through the network are comparatively cheaper than a conventional telephony network. Cisco educated the market on the benefits of using an IP based network as the same network could be used for carrying voice, data or even video which is not possible in a traditional telephony network. With more than 50,000 shipments in the IP telephony segment, this strategy has paid off big time.

And while the last five years have seen rapid growth, the year 2004 has truly been a breakaway year for Cisco in India with the company registering 100 per cent year on year growth for Q4 2004. From being an important market, India is now amongst the top three strategic markets for Cisco worldwide. But Cisco is not ready to rest on its laurels and believes that the company is ready for bigger times ahead. "Going ahead, we believe that India is primed for significant growth. We have merely skimmed the surface of the country's potential," says an optimistic Salgame. If that happens, expect Cisco to continue to leave little space for its competitors to expand.