

Cisco's Chambers Ruminates on the Future

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Cisco CEO John Chambers admits to a battle with Microsoft in the United Communications space and touts Cisco's Telepresence power play.

Cisco CEO John Chambers spent some time with reporters at Cisco's Partner Summit here to answer questions and learn from their questions. There were several interesting nuggets that came out of the sessions.

Among them was an acknowledgement that Cisco and Microsoft, despite their partner status on various technologies, are in a battle for supremacy in the nascent but promising Unified Communications space.

"Unified Communications is a battle we fully intend to win. We believe it will be a network-enabled architectural play. In other areas you will see us work and partner with Microsoft. That is what our channels want us to do," said Chambers.

One year after he first hinted at Cisco's work to develop its next-generation video conferencing offering, dubbed Telepresence, Chambers is bullish on the prospects for that new technology, which has only been available since late last year.

He said Cisco has never seen a new technology it brought to the market ramp up to \$1 billion in sales in less than five years, but he believes the Telepresence technology gives Cisco a "good chance with it to be there in three years."

The demonstration was very impressive, but costs for the system will have to come down dramatically to reach that kind of penetration, said industry analyst Zeus Kerravala of the Yankee Group, who called the current version of the Telepresence a "boardroom toy."

Despite the fact that Cisco still derives some 70 percent of its revenues from switch and router boxes, Cisco is striving to bolster and differentiate the value of its software. The company recognizes the opportunities presented by Web 2.0 applications, and in fact reorganized to speed decision making and improve collaboration across different areas of the company.

"Web 2.0 came here a year or two earlier than I thought and we're changing our whole organization around it," he said. "Web 2.0 forced us to move faster. Now instead of being able to take on two major initiatives, I might be able to take on 10. I can set a pace that could be hugely competitive for us," Chambers said.

With the launch of the new Cisco Smart Business Communications System at the Cisco Partner Summit, Cisco introduced some overlap between the new integrated products engineered specifically for small businesses and products offered as a part of the Linksys consumer technology brand. That brand is likely to go away at some point, Chambers said.

"Over the long run we will move to a Cisco brand in the consumer and commercial space. That will evolve over the next year," he said.

The new products introduced as part of the SBCS are likely just the tip of the iceberg. Chambers hinted at more products to come, and the way the products are designed suggests that as well. The new Unified Communications 500 device, which integrates VOIP (voice over IP), Internet access with firewall support, VPN and wireless LAN access and

runs Cisco's Unified Communications Manager Express and Cisco Unity Express messaging software, can only scale to support a total of 16 users. To support a 17th user or more, customers would have to buy several different boxes and software options to get the same functionality.

Cisco intends to more aggressively pursue small business, which to date have not readily adopted such advanced technologies as wireless and VOIP. To date, the company only has 17 percent market share in the low end, which Chambers intends to grow.

Chambers, when asked about the trial balloon he floated last year around Cisco beginning to charge customers for software, acknowledged the act but had little to say about it. The point is not to charge for Cisco's IOS, but to allow customers to adopt new software-based capabilities such as collaboration on an "a la carte" basis.

"That will be one of 10 initiatives we will do this next year. I think we have a ways to go there in implementation," he said.

And as far as rumors about Chambers retiring, he said, "I love what I do. I'm here for the foreseeable future."

He did, however, acknowledge that Cisco has three to five internal candidates that could be picked as his successor. He hinted that those candidates might include: Chief Development Officer Charlie Giancarlo; Rick Justice, senior vice president of worldwide operations and business development; and Rob Lloyd, senior vice president United States and Canada operations.

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