

Ned Hooper Podcast

Cisco's Consumer Business Strategy: A Chat with Ned Hooper
Ned Hooper, SVP Corporate Development and Consumer Business

Peter Shaplen: Welcome to this podcast series, an ongoing conversation about trends, technology, and business. For Cisco, I'm Peter Shaplen, and Ned Hooper is the Senior Vice President of Corporate Development and the Consumer Group. He's been instrumental in the design of the Company's new consumer strategy. Welcome to the program.

Ned Hooper: Peter, thanks very much for having me today.

Peter Shaplen: Is the consumer strategy about offering products, selling products, or is it also about or more about articulating the vision?

Ned Hooper: We're really focused on what those market transitions are that are occurring out there that consumers are experiencing. And we are trying to help them understand what they are experiencing and what the opportunities are that they have to be able to purchase products to help them with that problem.

Media-enabled home networks is where we're really focused today, where people know that they have content in one place that they want to experience somewhere else. They know they have a problem with complexity in the home and getting all of their devices to talk together. And we're increasingly talking now about visual networking, bringing together a visual experience and a collaborative experience to really transform how people communicate.

Peter Shaplen: When you speak of connected home to media-enabled home to visual networking, what are the products that you believe will be most pivotal?

Ned Hooper: Well, so it's always been based on the home router, and you need to have that one home networking device to be able to manage your home experience, and what we see is that product today is always referred to as a wireless home router, but it's really going to move to more of a home control device that enables people to manage their media experience, the connectivity, and other applications as different opportunities build themselves within the home.

So, the home control device is a base requirement for all networked homes, and we believe, fundamentally, that the network in the home will become as important as electricity, as phone service, as the other utilities that you've spent time thinking about -- making sure you have in place as a base infrastructure.

Peter Shaplen: You have a strategy, and you're articulating it.

Ned Hooper: Yes.

Peter Shaplen: But that strategy is going to be subject to execution and variables by a host of different both individuals and other companies. Is your strategy viable?

Ned Hooper: Well, we certainly believe the strategy is viable. The premium is always on execution, and that's particularly true in the consumer market, being able to get the products on the shelf when they're needed, at the right prices, in the channel that's the right place to do it, whether it's over a service provider channel, through a retail, through an online. So premium on execution is absolute, but something I think is really important is understanding the consumer demands and knowing that those demands are going to change and staying focused on that, and that's something where, frankly, we're probably still learning.

Peter Shaplen: A moment ago, you spoke about a premium on the execution. How do you go about assuring that that premium is not just met but exceeded? What pieces have to be in place?

Ned Hooper: That's a great question, and there are multiple pieces to that. But the focus in the consumer business, which is a quick turn, low gross margin business is, number one, in building the distribution channel and having very tight relationships with retailers. And we've been focused on rolling out our Retailer 3.0 strategy on how we focus on the global leading retailers, not just as a supplier but as a partner because these connected solutions, the media-enabled home, is central to everything else that they're doing.

Peter Shaplen: The consumer strategy, it seems, represents a shift in a business model from what would, say, be a more traditional Cisco view.

Ned Hooper: Yes.

Peter Shaplen: Explain to me the difference and explain also how you're including all of those different players.

Ned Hooper: It's a very different business. The financials associated with the business are different, and gross margins are lower, so therefore, you have to be able to operate much more efficiently at an operating expense basis. And it's also a high-volume product set and a product that needs to be what we would refer to as -- their products are bought rather than being sold. In other words, instead of having high-touch sales associated with making a sale, we have to develop our marketing capabilities and our product placement capabilities and new skill sets.

Peter Shaplen: Who else is going to make money, other than Cisco, out of all this?

Ned Hooper: Well, it's very important that, as in any business, that you stay focused on the value chain associated with building the products, right? And we believe we're creating that opportunity across this value chain.

Peter Shaplen: So how should they gauge your success?

Ned Hooper: Frankly, the way I measure success is over time our ability to grow revenue and return profitable growth to our shareholders, and that's part of the overall business. But there are other things that are interesting here and important, right? One is, are we getting the market transitions right, and are the products that we're building and delivering innovative, and are they driving the market forward? Are they driving the adoption of media-enabled homes, not just following it, right? Do we lead in the visual networking revolution? And that will be key indicators for us.

Peter Shaplen: You speak about looking for market transitions, and I'm thinking to myself, a lot of people are going to wonder what does this man see as benchmarks of upcoming market transitions? What gets your eyebrow raised?

Ned Hooper: Well, that's a great question, you know? I get to wear two hats with the Company, one on the corporate development side and one on the consumer side, and spend a lot of time looking for market transitions that create those opportunities, but it's the innovation cycle that exists in the technology business. Whether it's bringing down the costs of goods and the processing capability that we can put into place, it's the deployment of broadband services that create new business model innovations, all of those things are things we watch and look for them to pop out.

Peter Shaplen: John Chambers often speaks of the "Big Five," as I've heard as video, globalization, collaboration, virtualization, and being a next-generation company. If John Chambers were to call you and say, "Ned, how is it going in that sphere?" how might you answer, and what would you talk to him about?

Ned Hooper: One of the things that's really important to understand about the technology business is technology used to be led in the enterprise solely, and looking at innovation that was occurring in the enterprise world was how we built the business.

Increasingly, we see innovation coming from the consumer market. And many of those big items that you just talked about -- collaboration and video and virtualization of content and globalization -- in terms of how we're building our consumer business, we're early. We really captured a great wave with the connected home and with the Linksys home networking business, but you know, the market's in a transition point right now, and our focus is taking leadership in that media-enabled home transition and then driving very quickly into visual networking.

Peter Shaplen: But just following up, what will it take to be a next-generation leader?

Ned Hooper: Innovation.

Peter Shaplen: And define innovation.

Ned Hooper: It's innovating to enable the consumer experience, so when we talk about the media-enabled home, people see a problem, but they don't know how to fix it. So can we innovate technology? Can we innovate how products are delivered? Can we innovate the capability so that they know how to fix those problems and we can make it easy for them, right? It's innovation across that entire product experience that makes a great consumer product.

Peter Shaplen: Ned Hooper, Senior Vice President of Corporate Development and the Consumer Group, thank you for speaking with us.

Ned Hooper: Thank you very much for having me today.

Peter Shaplen: And thank you for listening. An archive of this and other podcasts, both audio and video, can be found online at newsroom.cisco.com. In San Jose, I'm Peter Shaplen for Cisco.