A Customer Relationship Management System to Target Customers at Cisco

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EXECUTIVE SUMMARY

This case describes the implementation of an Internet empowered Customer Relationship Management (CRM) at Cisco Systems Inc. After describing the organizational background of Cisco, the case takes the student into the issues that the executives faced after the market crash in 2001. John Chambers, Cisco CEO, and his team decided to strengthen Cisco’s relationship with the customers so that the company could emerge stronger when the markets recovered. Questions are raised as to the implementation of technology and supporting processes in a company that traditionally had not considered CRM as its core marketing strategy.

Keywords: customer insight; customer relationship management; marketing

EPILOGUE

A project was undertaken at Cisco to implement a CRM system called Customer Insight. In addition to the implementation of the information system, processes were formulated by actively involving marketing and sales managers. The goal of this combined initiative (system and processes) was to provide marketing personnel with the marketing knowledge and contact intelligence required for creating and implementing marketing strategies and CRM related processes. The CRM system was implemented using the distributed technology using multi-agent system. The system provided a single repository for each theater that supported the quantifiable and measurable needs of marketing functions. Data from different source systems were “cleaned,” “de-duped” and integrated into one data mart. Missing data was also replaced with the best possible alternative information. Processes were established to use this information effectively at local, regional and corporate levels. The system was made available via the Internet and, in the first phase, used a repository of customer data from the 25 most important systems across the company. An error-reporting module was implemented simultaneously.
to make it easy for people to report any issues. It was determined that one of the critical success factor for such a system was a guaranteed turn around time with any issue so that users feel encouraged to contribute their information to the system. The system was implemented in North America and some parts of Europe first. In Europe localization using local language and local laws was implemented.

ORGANIZATIONAL BACKGROUND

The history of Cisco is not atypical for a company in Silicon Valley. The company was founded by Stanford University husband and wife team Leonard Bosack and Sandra Lerner and their colleagues in 1984. Bosack developed technology to link his computer lab’s network with his wife’s network in the graduate business school. Anticipating a market for networking devices, Bosack and Lerner mortgaged their house, bought a used mainframe, put it in their garage, and got friends and relatives to work for deferred pay. They sold their first network router in 1986. Originally targeting universities and aerospace, the company expanded in 1989 to include large enterprises. Short of cash, Cisco turned to Venture capitalist Donald Valentine of Sequoia Capital, who bought a controlling stake and became chairman. He hired John Morgridge of laptop maker GriD systems as the president and CEO. Cisco had a head start in the market as the market in network routers ripened in the late 1988. Sales leapt from $1.5 million in 1987 to $20 million in 1989. The company went public in 1990.

With competition increasing, Cisco began expanding through acquisitions. Purchases included networking company Crescendo Communications (1993) and ATM switch maker LightStream (1995). More than any other high-technology firm in history, Cisco has built its dominant position by acquisitions.

In 1995, EVP, John Chambers succeeded Morgridge as president and CEO, and Morgridge became chairman. The company continued its acquisitive ways. Market success against the competition was based upon the quality of the firm purchased, successful integration, and rapid next generation product introduction. Table 1 shows companies acquired by Cisco in 2000-2001. Total number of companies Cisco acquired between 1993-2001 was more than 70 for over $36 billion. Without these acquisitions it could not have maintained an annual growth in revenues and profits of over 30% from 1987 through 2000.

Cisco’s success is especially remarkable as acquisitions in the information technology industries have a long history of failure. To understand how remarkable this success has been, it is only necessary to examine Cisco’s competitors. These include Nortel, Juniper, Ericsson, and Lucent. They also acquired aggressively, but they had to record multi-billion dollar losses from failed acquisitions. For example, Lucent purchased Ascend Communication for $20 billion. In 2001, Lucent recognized multi-billion dollar losses from failed acquisitions including Ascend Communications, and its total market capitalization had fallen to less than $25 billion — a drop of more than 30% drop.

John Morgridge (1995) described the successful Cisco strategy in the following statement: “At the time, we made our first acquisition we had a wonderful asset in the form of a channel to sell, install, and service products for global market. As a result,
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