Cisco Digitization Office
How the CDO enables Cisco to deliver new value to customers in a digital world

James Macaulay
Director
Disruption Demands Business Model Innovation

Disruption = Substantial change in market share among incumbents

<table>
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<tr>
<th>Cost Value</th>
<th>Experience Value</th>
<th>Platform Value</th>
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<tbody>
<tr>
<td>wealthfront</td>
<td>liquidnet</td>
<td>John Deere</td>
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<td>rethink robotics</td>
<td>BLOCKCHAIN</td>
<td>Fordham</td>
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<td>Rolls-Royce</td>
<td>STARBUCKS</td>
<td>FANUC</td>
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Nearly 40% market incumbents displaced

3 years expected time to disruption*

*Disruption = Substantial change in market share among incumbents
... and Operating Model Reinvention Every 18-24 Mos.

New Customer Value

Culture & Talent
Physical Assets
Business Processes
Partner Ecosystem
Offerings

Collaboration – IoT Apps – Security
Orchestration – Data & Analytics
Data Center – IoT Infrastructure – Cloud
Network
The CDO Role at Cisco

Business Model Innovation
Reimagine **Value** for Our Customers

Operating Model Reinvention
Reimagine **Work** at Cisco
Stages of Digitization

Enable
- IT Agility and Increased Productivity
- Reduced Tech Costs (Opex and Capex)
- Faster Response Times to Customer Needs

Differentiate
- New User Experiences, Products, Services
- Accelerated Product, Services, and Business Process Innovation
- Distributed Connectivity and Intelligence

Redefine
- Business Model Innovation / Industry Transformation
- Machine 2 Machine / Augmented Decisions / Self Learning Analytics
- New Growth and Constant Innovation
Consumption Options Fuel Customer Business Outcomes

7 Standard Customer-facing Business Models

1. **On-premise Hardware + Features**

2. **Perpetual Software (with Annuity)**

3. **Subscription Software**

4. **Software as a Service**

5. **Managed Services / Services as a Service**

6. **Hybrid (SaaS, HW, SW, Services)**

7. **Embedded Solutions (SaaS, HW, SW, Services)**
Our Approach to Building the New Operating Model

- Simplification
- Automation
- Security
- Monitor & Adapt
- Continuous Innovation
Articulating Digitization Roadmap for Customers
The Market Is Recognizing Our Momentum

Revenue
3% ▲

Earnings Per Share
6% ▲

Software & Recurring Subscription Business
36% ▲

“The company had incredible earnings and investors were thrilled… with deferred product revenue up 9% driven largely by subscription-based and software revenue.”

“Cisco continues to execute a multiyear shift to a software-centric, subscription business model.”

“Cisco profit margin outlook bullish as business model shifts.”

“Cisco is continuing to move in the right direction highlighted by solid margin performance and improving business mix.”

“Cisco jumps after forecast signals success in business shift.”
Lessons Learned

1. Listen to Customers
2. Cross-functional Interlock
3. Invest to the Future
4. Speed and Endurance