FROST & SULLIVAN

2024
CUSTOMER VALUE LEADER

IN THE GLOBAL SECURITY SERVICE EDGE INDUSTRY

CISCO

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Cisco excels in many of the criteria in the global secure service edge space.

AWARD CRITERIA

Business Impact	Customer Impact
Financial Performance	Price/Performance Value
Customer Acquisition	Customer Purchase Experience
Operational Efficiency	Customer Ownership Experience
Growth Potential	Customer Service Experience
Human Capital	Brand Equity

Brand Equity

Cisco has been a technology innovation leader in the networking and network-security spaces for eons. Cloud security? Not quite so long. But that matters little to Cisco's loyal customers, who seek to make their secure digital transformation journey to the cloud with guidance from their trusted networking and network-security partner.

For its 2023 Voice of the Enterprise Security Customer report, Frost & Sullivan cybersecurity researchers surveyed 2,448 enterprise CISOs in six regions around the world. Those security leaders were asked which were the primary cybersecurity vendors they chose for cloud security. More than *half* of those surveyed cited Cisco as a primary cloud security provider.
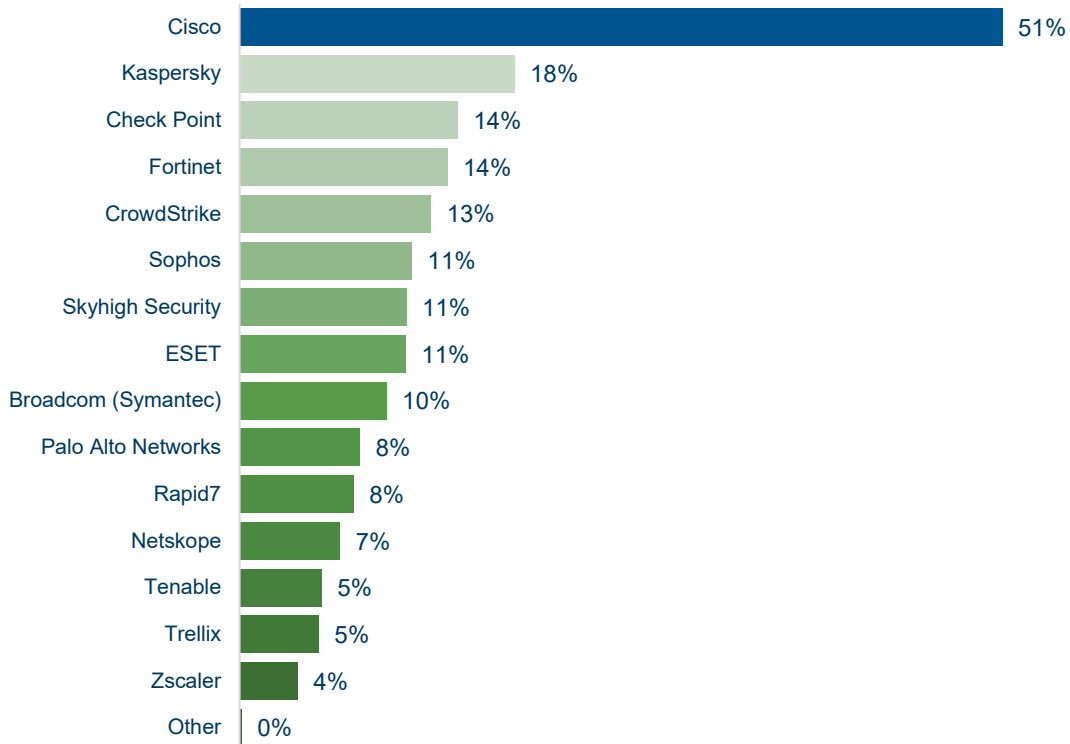
Vendor	Percentage
Cisco	51%
Kaspersky	18%
Check Point	14%
Fortinet	14%
CrowdStrike	13%
Sophos	11%
Skyhigh Security	11%
ESET	11%
Broadcom (Symantec)	10%
Palo Alto Networks	8%
Rapid7	8%
Netskope	7%
Tenable	5%
Trellix	5%
Zscaler	4%
Other	0%

Figure 1. Most often-cited vendors from which enterprises purchase cloud security solutions. Source: Frost & Sullivan. (2023, September 22). 2023 Voice of the Enterprise Security Customer Survey Summary: Cloud Security Perceptions, Priorities, Challenges, Strategies, and Adoption. *Base: n=2205. What are the primary cybersecurity vendors and providers your organization uses for cloud security? Select all that apply.*

Growth Potential and Customer Acquisition

Introduced in 2023, Cisco's Secure Access SSE platform integrates its ZTNA, SWG, and CASB services, and supplements the three SSE base components with FWaaS, DEM, DLP, RBI, sandbox, and DNS security capabilities. The company has offered those services in the past, but never under a single subscription, console, and client.

> *Cisco has reaffirmed its commitment to a cloud-based cybersecurity future with the release of its Cisco Secure Access SSE platform. The pieces have been there, but now they are better integrated, and that should be a welcome message to loyal Cisco networking customers wanting to move to the cloud with a trusted partner.*
>
> *- Toph Whitmore*
> *Industry Director, Cybersecurity*

It's fair to note that it took a while for Cisco to get to this point: The company's traditionally strongest lines of business include networking and networking-security hardware, two areas that potentially stand to be cannibalized as customers move their enterprises to an environment that is cloud-prioritized with converged connectivity and security.

All that said, things change in the SSE market when Cisco reaches feature parity with its cloud-first/cloud-only SSE/SASE competitors like Netskope, Zscaler, and Skyhigh. And that sets Cisco up for significant growth potential for two reasons.

First, there is short-term risk to hardware revenue as Cisco migrates its own customers off its own legacy hardware and on to its cloud-based SSE secure connectivity solution. In many cases, that will be a big shift from fixed-cost product selling to subscription selling, which requires a culture change within the Cisco sales organization. Cisco has made great progress in its move towards a subscription business model: The company now generates over USD$23 billion in annual recurring revenue of software and services subscriptions.

Second, as Cisco reaches feature parity with other SSE/SASE vendors, it will grow its SSE business by differentiating its SSE architecture, winning more head-to-head SSE comparison bakeoffs, and poaching customers from those competitors. Its most-recent SSE platform development bodes well for new customer acquisition.

Financial Performance

In late calendar 2023 (its own fiscal Q1 '24), Cisco recategorized its lines of business for financial reporting to better align revenues with growth, service, and development priorities. The company now measures revenue by Networking, Security, Collaboration, and Observability.

Based on GAAP adjustments, 2023 security *product* revenue was up 4% over 2022. At first glance, that's not exactly earth-shattering news, especially when newer cloud-only competitors continue to grow ten to fifty percent annually. But that's until you recognize that Cisco's annual security product revenue is nearly USD $4 *billion*.

> *In a company with fortunes so closely tied to the performance of networking and networking-security products and related services lines of business, customers switching to cloud can be seen as a betrayal or as an opportunity. Cisco has recognized the importance of seizing on the opportunity.*
>
> *- Toph Whitmore*
> *Industry Director, Cybersecurity*

And that's where it gets interesting. As noted, Cisco faces the prospect of cannibalizing some its traditional lines of business in the short term to preserve customers and set itself up for long-term growth. Yes, that's a risk. But it's a short-term one and may only last for two years. Now that Cisco's SSE platform is more commercially viable as an integrated solution, Cisco is better able to pivot legacy customers to the cloud.

Shifting from what are often fixed-cost product sales to such security subscriptions can be operationally challenging for a vendor like Cisco. But ultimately it puts Cisco on an even stronger footing for future (again, maybe a few years out) financial performance.

Customer Service Experience

Cisco's customers are loyal. Very, very loyal.

That's reflected in several measures, including the Net Promoter Scores (NPS) the company has received over time. In the last few years, Cisco's corporate NPS score – a measure of customer willingness to promote its solutions as determined by independent third parties – has hovered around 40, a metric achieved by precious few of its competitors.

In Frost & Sullivan polling, enterprise security leaders more frequently cite Cisco as the vendor they employ for cloud security solutions than any other vendor. And that's by a wide margin. (Fifty-one percent of enterprise security leaders said they use Cisco for cloud security. The next nearest vendor was cited by

18% of those polled.) Cisco is doing customer service right: The enterprise security leaders purchasing their solutions are willing to 1) move to the cloud with the vendor and 2) recommend them to others.

Customer Ownership Experience

The Frost & Sullivan voice of customer (VOC) survey results demonstrates Cisco's strength in the cloud security space. But that associated brand equity coupled with its SSE upgrades come from an important aspect of Cisco's customer ownership experience.

Cisco has long been a market leader in networking and network-security hardware. As corporate environments have shifted to cloud work, cloud-first SSE and SASE providers have built businesses poaching Cisco networking customers. But of concern to those competitors: Cisco customers aren't as likely to switch anymore. For those competitors, Cisco "easy pickings" are gone. Cisco hardware customers now have a practical SSE migration path with a vendor they trust. And that customer loyalty is a switching cost that SSE/SASE competitors will find harder to overcome.

Conclusion

Cisco has lost some early adopters to cloud security competitors. But that stops now. As recent NPS and VOC polling indicates, Cisco customers don't want to switch to other cloud security providers. Credit brand equity transferred from its decades-old networking and network-security product leadership. Cisco's Cloud Zero Trust Access didn't have feature parity with competing SSE solutions. Now it does, as well as tighter integration across other Cisco solutions and third-party tools. Cisco now finds itself in an enviable competitive position: with a loyal customer base ready to move to the cloud and competitors less likely to be able to poach those customers.

With its strong performance, Cisco earns a Frost & Sullivan 2024 Customer Value Leadership Award in the secure service edge industry.

What You Need to Know about the Customer Value Leadership Recognition

Frost & Sullivan's Customer Value Leadership Award recognizes the company that offers products or services customers find superior for the overall price, performance, and quality.

Best Practices Award Analysis

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Business Impact

Financial Performance: Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

Customer Acquisition: Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

Operational Efficiency: Company staff performs assigned tasks productively, quickly, and to a high-quality standard

Growth Potential: Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

Human Capital: Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

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The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

Learn more.

Key Impacts:

- **Growth Pipeline:** *Continuous Flow of Growth Opportunities*
- **Growth Strategies:** *Proven Best Practices*
- **Innovation Culture:** *Optimized Customer Experience*
- **ROI & Margin:** *Implementation Excellence*
- **Transformational Growth:** *Industry Leadership*

The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

Analytical Perspectives:

- **Mega Trend (MT)**
- **Business Model (BM)**
- **Technology (TE)**
- **Industries (IN)**
- **Customer (CU)**
- **Geographies (GE)**