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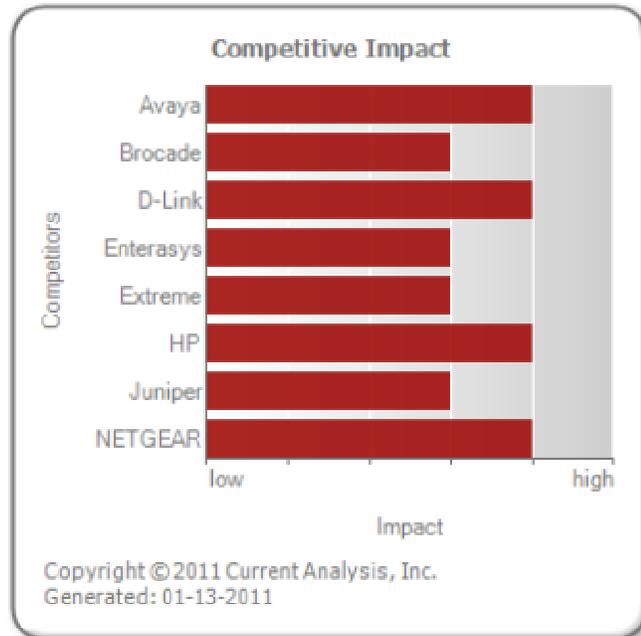|	
Intelligence Report:	**Cisco Extends Borderless Network Offerings with New Compact Switches**
Report Date:	January 12, 2011
Analyst:	Spanbauer, Mike
Service:	Business Technology and Software
Market:	Enterprise Networking

Quick Take

Event Ratings

Perspective, Vendor Importance, Market Impact, Innovation, Response Intensity

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Competitive Impact

Competitors: Avaya, Brocade, D-Link, Enterasys, Extreme, HP, Juniper, NETGEAR

Impact: low — high

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Competitive Positives

- Enterprise-class compact switch market is underserved and these products fill a gap
- Cisco's Industrialized Switch 3000 family is first industrial addition to portfolio in years
- New inline PoE capability enables compact switch to run from a PoE port and supply up to 22.5W downstream
- Compact switches offer deployment flexibility
- Consistent switch software image can significantly reduce OpEx
- Complete enterprise feature set enabling new use cases for deployment

Competitive Concerns

- Expensive relative to current market offering of less feature-rich switches
- May compete with Cisco Small Business offerings and create confusion in market
- Product complexity for some environments may introduce deployment challenges

Event Summary

January 10, 2011 -- Cisco announced a new line of compact switches extending the 2960 and 3560 switch families. These devices come in PoE and non-PoE variants and support the same feature set as their full-sized brethren. The switches eliminate the need to wire all endpoints centrally, which greatly reduces wiring costs in stores or classrooms, in some cases enabling the devices to pay for themselves. Available in March, prices range from $745 to $1,999.

Analytical Summary

Perspective

Positive on Cisco's new switch introduction, because the compact switch market is one that has been under-served by enterprise switch vendors for years. These new switches complement the vendor's portfolio and offer customers greater deployment flexibility with fewer wiring requirements (e.g., a switch in a classroom vs. a centralized wiring closet).

Vendor Importance

High to Cisco, as these new compact switches provide a form factor and a few new features that did not previously exist in the enterprise-class offering. With the ability to push a consistent software image out from closet to classroom (or other deployment), the C family of products enables customer choice. This is one of the key points of the Borderless Networks architecture.

Market Impact

Moderate on the enterprise networking market, because this product class, and in particular the 3560, now enables enterprise-class services all the way to the "extended" edge. In the past, customers would deploy a simple Layer 2 switch with no security or limited security capabilities, resulting in network administration challenges and possible security risks.

Competitive Strengths

Competitive Positives

• The enterprise-class compact switch market is underserved and these products fill a gap. Today, the small form factor market has few enterprise offerings, and none provides for a full Layer 3 feature set. These new Cisco offerings have little competition in the enterprise, and many customers will find the offering compelling if policy or technical needs dictate a rich feature set.

• Enterprise compact switches open up new deployment and use cases, as customers can use a single wire running to a retail kiosk/classroom/conference room and extend the enterprise network with another enterprise-class device without sacrificing security or features. In addition, premises-wiring costs are so high that in many cases it could be less expensive to deploy one of these compact switches than to run new wires from a wiring closet.

• A new feature which opens up a new realm of deployment possibilities is the ability to power one of these devices via an upstream PoE port in addition to supplying up to 22.5W downstream. This feature is an industry-first and could see many applications where power circuits are not feasible or they are too costly to add.

• With a standardized switch configuration, enterprise customers can enjoy a consistent configuration resulting in lower configuration errors and faster deployments, which will ultimately lead to greater uptime, as most network outages are caused by user configuration issues.

• Supporting both standards-based MACSec and Cisco's enhanced implementation, TrustSec, offers customers the ability to secure their environment confidently via robust authentication mechanisms. "An ounce of prevention is worth a pound of cure" is truer here than in most areas, as preventing an infected or hostile host from attaching is the best defense against network intrusion or violations.

• While there are a few enterprise-class Layer 2 switch offerings in a compact form factor available today, the compact 3560 is unique in that it can run the same enterprise IOS that the full-size 3560s run, including full routing, hardware-based IPv6, and advanced security capabilities.

Competitive Weaknesses

Competitive Concerns

• These switches may possess a great deal more features than users need, and they are priced at a premium versus current compact switch offerings in the market. Announced pricing ranges from $749-$1,995. Whether

the feature set justifies the cost for end users will depend on use case and need.

• Customers are bound to draw comparisons with the Cisco Small Business offerings and ask for comparison criteria and positioning assistance. Channels may likewise be confused as to which products are appropriate, in particular comparing the compact 2960 with alternate offerings.

• Product complexity for some environments may introduce deployment challenges.

Response & Recommendations

• Cisco should quickly move to educate the channels and customer base on the differences between the Cisco Small Business products and the compact 2960. A comparison table may assist here, as the technical criteria are clear for a tech audience, but often an engineer will not purchase these products.

• Cisco can move to lock RFPs by specifying a requirement to support MACSec and by extension TrustSec, with few vendors embracing these technologies yet. As these technologies depend on hardware requirements, it will take time for vendors to implement and offer solutions based on these technologies.

• Cisco must clearly demonstrate the value-add and ownership cost reduction that these products enable, as the price point will be attacked aggressively by the competition. Use cases capturing OpEx reductions due to system image consistency in addition to premises wiring costs (or power in the case of PoE) may assist with cost justification.

• Competitors which possess enterprise-class L2 offerings should move quickly to compare their own offerings to these new Cisco products where applicable and educate the channel on the compare/contrast of each.

• Competitors will challenge the need for the feature set in these devices, claiming that it unnecessarily adds to the cost.

Buyer Actions

• These new compact switch-class devices change the deployment paradigm from one of "wire to the closet" to that of an extensible enterprise. Retail, education, manufacturing, healthcare, and more could benefit significantly from the security and deployment flexibility offered with this form factor (i.e., "one cable to the kiosk").

• Possessing both Cisco's TrustSec and the standardized MACSec also provides customers with a more robust security offering and a consistent edge enforcement mechanism. With strict host-based security mechanisms, preventing a client or host that is either hostile or infected from attaching to the network is the best defense against network security violations.

Analytical Perspective

The compact switch market has long been considered a small office/home office play or merely a form factor of convenience. Clearly, Cisco feels that there is a demand for these devices beyond those deployment scenarios, and references provided bear this belief out. It is expensive to wire every node in an environment centrally, which is one of the biggest drivers for 802.11n. The ability to provide PoE via these devices, manage them fully with enterprise features, and even power them remotely with a PoE port simply increases the utility and capability. HP has a solid Layer 2 offering in the compact switch space, but with this announcement, Cisco stands alone with the compact full Layer 3 product. There is a market need, customers will find these devices increasingly attractive, and it is likely that many traditional enterprise switch vendors will evaluate and consider offerings of their own.

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