



Cisco/Skype Deal Could Make Sense for Both Parties

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As TMC reported earlier this week, Cisco has allegedly made a bid to purchase Voice over Internet Protocol (VoIP) provider Skype. Although the reports have yet to be confirmed by either company, several media outlets have suggested that the networking giant offered around \$5 billion for Skype, which is rumored to be in the process of completing its planned initial public offering. In order for Cisco to obtain Skype, they would need to agree to a deal before the company goes public.

In an exclusive interview with TMC, Frank Stinson, partner and senior analyst at IntelliCom Analytics, a professional services and technology research provider, offered his thoughts on how the deal could potentially affect Skype, Cisco and the telecommunications industry in general.

In light of today's uncertain environment for IPO's, Stinson believes that this may be an ideal opportunity for Skype owners – if, of course, the price is right.

“There has been a lot of speculation in the past on potential linkages between Avaya -- another property of Silver Lake Partners -- and Skype, but in the end, Skype's owners are ultimately interested in maximizing the return on their investment,” he noted. *“If Cisco wants Skype bad enough, that might be the best way to do that.”*

Stinson added that the move may be a smart one for Cisco as well, even though Google recently launched a competitive voice calling service through Gmail.

“Actually, Google's entry into this space makes a stronger case for Cisco to acquire Skype,” he said. *“There is already considerable overlap with the applications Cisco has been building recently on the WebEx infrastructure, so adding Skype's capabilities would round out Cisco's portfolio while also bringing with it Skype's existing user base.”*

If completed, the deal could allow Cisco to gain a share of the market that it has targeted for the last few years.

As for how the deal would affect the telecom industry in general, Stinson believes it will *“reinforce how voice is increasingly being absorbed into a broader collaboration space that encompasses all of the individual end users' primary communication and productivity applications.”*

He also suggests that a deal would force the hand of a certain group of legacy voice providers that have a more narrow view of the telecom market. *“Cisco clearly now has their sights set on Google, Microsoft, and IBM/Lotus in this market,”* Stinson concluded.