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Juniper Takes a Nip Out of Cisco

Its share gain has been Cisco's loss, and its "Infranet Initiative" has won big backers

HAD SCOTT G. KRIENS stayed at StrataCom Inc. for a few more weeks in 1996, he would have ended up working for fast-rising networking star Cisco Systems Inc., which bought StrataCom that April. But rather than take a ride on the Cisco rocketship, Kriens left to run tiny Juniper Networks Inc. Now, Kriens and

Juniper are the highfliers. Over the past year, Juniper has handed its Silicon Valley neighbor a string of defeats in the market for gear used to shuttle e-mail, videos, and Internet phone calls between cities and continents. Juniper's share rose from 30% to 36% in the second quarter, while Cisco's fell from 60% to 58%, according to Infonetics Research Inc.

The main reason for Juniper's suc-

KRIENS His goal: An Internet that's no longer one-size-fits-all
His goal: Cisco sells to all manner of customers, Juniper has until now concentrated on one: the telecoms. Unencumbered by the legacy of earlier technologies and the need to be all things to all customers, it has won a reputation as an innovator. Its routers are considered more reliable in a business where downtime is unthinkable, partly because its software has been better tuned than Cisco's to telecom's needs, according to analysts.

Now, Kriens, 47, aims to carve out a far more important role for Juniper. His goal: to help transform the Internet from a one-size-fits-all network to one that can be optimized on the fly to handle myriad tasks. Juniper is spearheading a standards-setting effort, dubbed the Infranet Initiative, aimed at steering that switch-over.

If the initiative is successful, phone and cable-TV companies will be able to offer a full range of services, from basic to fancy, at varying prices. For instance, a family would be able to reserve an HDTV-quality link so a sick relative could watch a wedding online as it happens. "Juniper is trying to push the Internet forward," says Balan Nair, Qwest Communications International Inc.'s chief technology officer.

The Infranet—a contraction of infrastructure and Internet—is a coalition that brings together network-gear makers and communications companies, such as America Online and BT Group, with makers of online software, such as Oracle and IBM. The group plans to release technology standards in coming months that carriers can use to identify all incoming traffic—and enforce the security and speed requirements needed to handle it appropriately.

Not surprisingly, Kriens sees Juniper as best able to incorporate the new standards that fulfill his vision. By providing the smarts behind a more potent

The Secrets of Juniper's **Success**

Here's why Juniper Networks threatens networking giant Cisco:

SAVVY STRATEGY While Cisco sells mostly to corporations, Juniper is focused on phone and cable companies. This market is expected to grow 16% a year, vs. 12% for the corporate market, says Synergy Research Group.

TOP-NOTCH HARDWARE Designed to carry traffic between cities and continents, Juniper's high-priced routers are considered tops for reliability.

BETTER SOFTWARE Juniper's software has always been designed specifically for the needs of phone and cable companies. Cisco is only now starting down this path.

COMPELLING VISION CEO Kriens is spearheading what he calls an Infranet Initiative to make the Web more useful in more ways—say, to reserve supersecure bandwidth to hold an impromptu videoconference from home.

Net, “we have the chance to be every bit as influential as Intel or Oracle or Microsoft is today,” says Kriens.

It's an audacious plan, and Juniper has miles to go before it can rival Cisco's might. Juniper is still small fry. Sure, its revenues grew 118% in the third quarter, to \$375 million. But Cisco logged revenues of \$22 billion in the year ended on July 31 and dominates markets for everything from corporate gear to home routers. Cisco Senior Vice-President Mike Volpi expects to take back some of the share the company lost once carriers finish testing Cisco's new products. As for the Infranet, he says, “the concept is not a bad one, but the vehicle should

be a standards body” rather than a group started by Juniper.

SWEET SPOT

STILL, KRIENS IS IN a good position to catch a major wave. He's betting that corporations will rely more and more on telecommunications outfits to run their networks rather than handling it themselves. That puts Juniper, with its focus on telecoms, in the sweet spot for revenue growth. The carrier market is expected to grow 16% per year over the next four years, vs. 12% for the corporate market, says Synergy Research Group Inc. “This is something Cisco could have addressed—and should have,” says Thomas L. Nolle,

president of telecom consultant CIMI Corp. Now, he says, Cisco has to play catch-up.

Success for Juniper will require more than just a vision. That's why Kriens is pushing Juniper on a number of different fronts. To keep its edge in carrier routers, the company will unveil new technology, TX Matrix, on Dec. 6 that will allow customers to link its fastest routers and improve performance without changing models. Juniper is also expanding in new directions by selling some gear to corporations. For instance, it has begun selling lower-end “access routers,” which corporations use to connect to the Internet. It's a market that Cisco dominates, so Juniper faces tough competition.

Another risk is that Juniper will lose the focus that got it where it is today. Until now, the company sold only to 40 or so big carriers. To sell to thousands of companies, Juniper plans to spend \$100 million next year to crank up its sales and marketing.

How far can Juniper go? Even its execs admit it won't be able to keep gaining share on Cisco at a gallop. Still, if Kriens can manage its growing pains, Juniper will be nipping at Cisco for the foreseeable future. ■

—By Peter Burrows in San Mateo, Calif.