

Cisco kills Flip, cuts 550 workers

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By David Goldman, staff writer April 12, 2011: 9:20 AM ET

NEW YORK (CNNMoney) -- Cisco announced Tuesday that it is exiting several consumer businesses, including Flip, and laying off 550 employees.

The networking giant said its new strategy is to serve most consumers indirectly through its business customers, rather than making products that shoppers buy straight from Cisco.

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"We are making key, targeted moves as we align operations in support of our network-centric platform strategy," Cisco CEO John Chambers said in a prepared statement. "As we move forward, our consumer efforts will focus on how we help our enterprise and service provider customers optimize and expand their offerings for consumers, and help ensure the network's ability to deliver on those offerings."

Cisco (**CSCO**, **Fortune 500**) is abandoning **Flip**, the digital video camera company it **bought in March 2009** for nearly \$600 million.

Umi, the HD video chat device aimed at consumers, will become part of Cisco's business telepresence product line.

The company's popular Linksys and Valet Internet routers will continue to be sold at retailers, but Cisco's Home Networking division, of which the routers are a part, will be refocused around **supporting video in the home**.

As a result, the company will eliminate 550 positions in the next three months. The networking giant said it will take up to a \$300 million charge for the divestitures and layoffs in the current and subsequent quarters.

The restructuring is part of the company's larger attempt to clarify its increasingly confusing role in the tech world. In a **memo** to employees last week, Chambers wrote that the company would take "bold steps" and make "tough decisions."

"Our market is in transition, and our company is in transition," Chambers said. "And the time is right to define this transition for ourselves and our

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