



The Netformx Index Report – Insights on VIP program trending

VIP39

Do you know which Subtrack in VIP39 experienced 49% growth and where SKU's were reduced? This Netformx VIP Index Report will share the key changes partners need to know.



There have been plenty of changes in the new Cisco VIP39 period. Some are quite strategic and can impact your business in a positive and significant way. Cisco continues to use VIP and other rewards and rebates to stimulate alignment with their strategy to move from a traditional on-premises IT focus (hardware) to digital products and services (software-driven), or in Cisco's terminology from Architecture to Annuity selling.

Many partners are asking how these changes may impact their rebate earning potential and their overall profitability. Based on your positive feedback from our Netformx VIP Index (NVI) report for VIP38 we are happy to share with you the results for VIP39.

Leveraging our deep understanding of Cisco programs, we look at how Cisco rewarded partners over previous VIP periods and compare it to the latest, VIP39.

We broke down VIP-eligible SKUs data published by Cisco by Annuity and Architecture, and then by subtracks. We took into consideration the number of eligible SKUs and payout percentages. While the program is SKU-driven, the NVI is by subtrack and is very accurate. The higher the index, the better potential for a higher rebate payout.

The results of our analysis provide insights into where Cisco is targeting their rebate payouts. The VIP39 results echo the strategic direction of VIP38 and are another Cisco step to align the VIP program with their desired migration from Architecture to Annuity. Though Lifecycle Incentive rewards are taking higher priority for Cisco than VIP, there is still plenty of opportunity for VIP rebates to benefit your bottom line.

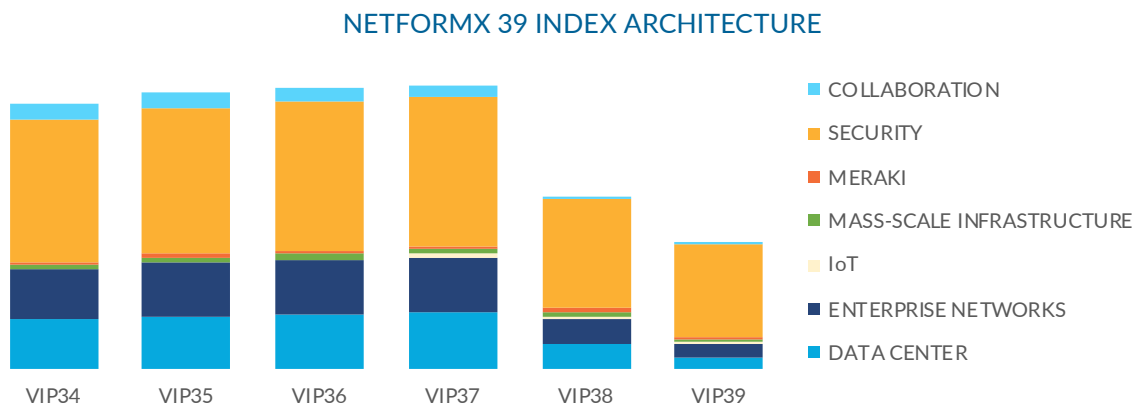
Given Cisco's strategy, it is important to move your business quickly toward Annuity selling.

Some of the important changes in VIP39 you should be aware of are:

- 157 new Annuity subtrack SKUs have been added.
- There are over 5,000 fewer Architecture SKUs compared to VIP38.
- Starting on April 1st, after the transition period, traditional subtrack rebates have been reduced.
- Gold and Master rebates have been reduced.

Architecture Trends

Architecture rebates have seen a significant drop when we look at the Netformx VIP Index (NVI) numbers from VIP34 to VIP39.



Once again there have been major declines in Architecture that have reduced rewards. Declines first noted in our VIP38 report have been reduced further in VIP39 as Cisco accelerates movement to Annuity rebates and LCI rewards. We predicted this path in VIP37 and it is coming into fruition now and we expect will continue in VIP40.

The Architecture NVI visual above shows that from VIP38 to VIP39 there has again been a significant decline in the NVI, reflecting the impact of the reduction in number of eligible SKUs and payout percentages.

Data Center Architecture rebates index increased consistently from VIP34 through VIP37. However, for VIP38 the index fell to less than half of VIP37. It continued to fall by another half between VIP38 and VIP39 to 34.86NVI.

Enterprise Networking Architecture also fell by about half from VIP38 to VIP 39, to 38.96NVI.

IoT Architecture, a subtrack introduced in VIP37, has been a very small percentage of the NVI. The index increased by doubling to 13.18NVI in VIP39.

Mass-scale Infrastructure Architecture dropped from 17.66 in VIP38 to 2.54NVI with VIP39.

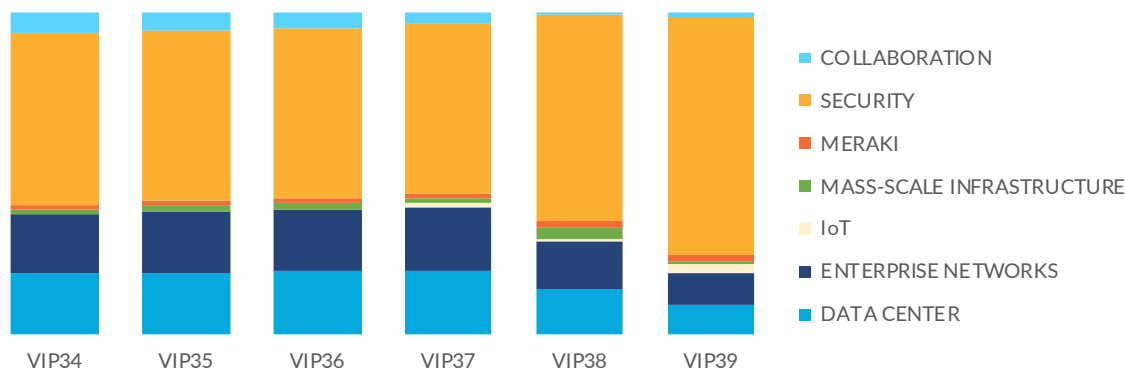
Meraki Architecture also dropped from 9.76 to 6.72NVI with VIP39.

Security Architecture is still very high compared to the other subtracks, but has dropped by 15% to 289.45NVI.

Collaboration Architecture was up slightly from VIP38 to a current index of 6.51NVI in VIP39.

After seeing the significant reduction in the NVI introduced in VIP39 for the Architecture track, we normalized the VIP Index for Architecture to provide a better visualization of the mix by subtrack. The normalized NVI shows that the subtrack mixes from VIP34 to VIP37 were quite stable, but then drastically changed in VIP38 and again in VIP39. In VIP39 the proportion of security and IoT grew while there was a sharp decrease in Mass-scale Infrastructure and continued decreases in Enterprise Networks and Data Center.

NETFORMX VIP39 INDEX ARCHITECTURE - NORMALIZED

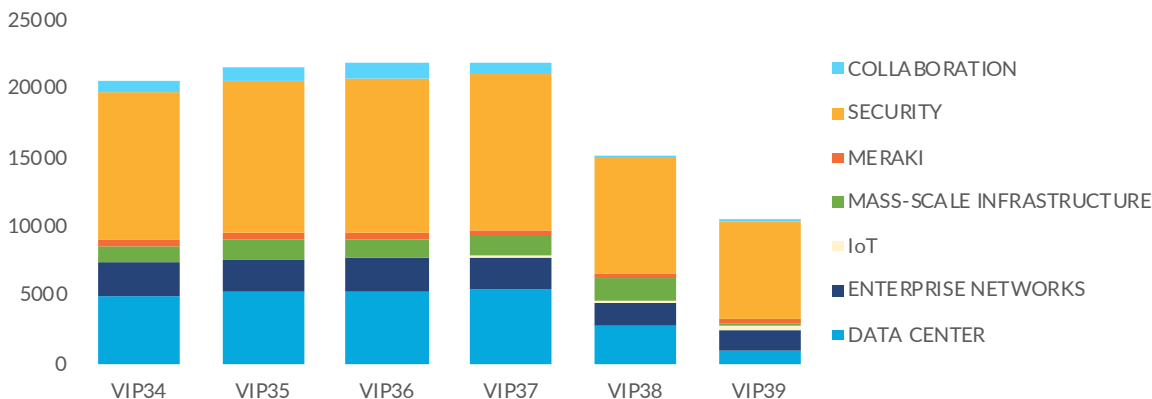


As seen in the graph below, some 5,000 SKUs have been taken out of play between the start of VIP38 and the start of VIP39. The rationale could potentially be external. Category 9 SKUs may have been impacted because of semiconductor supply chain problems. Russia holds a large portion of the raw materials to make semiconductors and recent sanctions will create more production hardships.

Gold and Master Specialization uplift percentages have been reduced from 2% to 1% and fewer SKU categories will be available to generate these uplifts. So, the \$300K Master uplift on Collaboration is now \$150K or less. Still, it is worth having a “best partner” specialization status.

In addition, the number of subtrack categories has been reduced from 5 to 2 or 1. We expect to see these Architecture subtrack rebates go down 35% into VIP40.

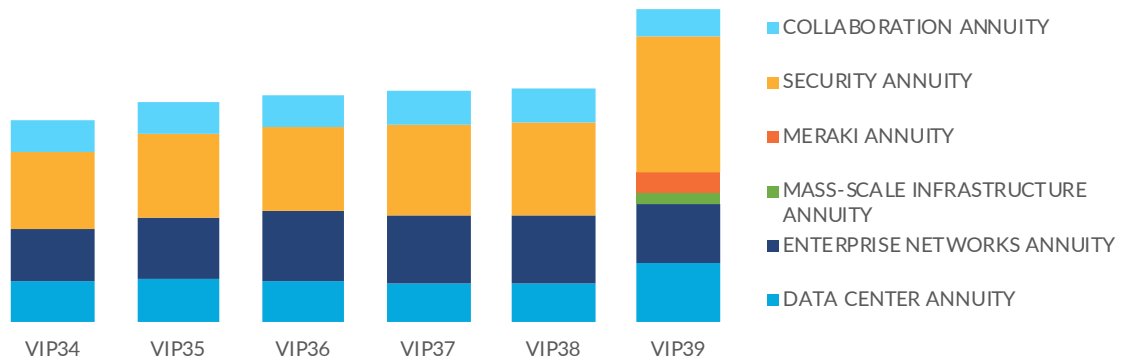
NETFORMX VIP39 ARCHITECTURE SKU COUNT



Annuity Trends

The Annuity Netformx VIP Index grew substantially in VIP39, reflecting Cisco’s drive to provide higher incentives for partners who sell longer term subscriptions. Even in the face of COVID the growth continued.

NETFORMX VIP39 INDEX FOR ANNUITY



While the Annuity Netformx VIP Index was fairly consistent from VIP34 through VIP 38, there was a dramatic change in VIP39 with the overall NVI increasing 34%. This was in part the result of substantial increases in Security and Data Center annuities, as well as contributions from the new Meraki and Mass-sale Infrastructure annuity subtracks. We can expect the annuity NVI to continue to grow in VIP40.

Data Center Annuity increased 58% from a VIP38 5.9NVI to a VIP39 9.34NVI.

Enterprise Networks Annuity decreased 14% from VIP38 to a VIP39 9.42NVI.

Mass-scale Infrastructure Annuity debuted in VIP39 with a 1.74NVI.

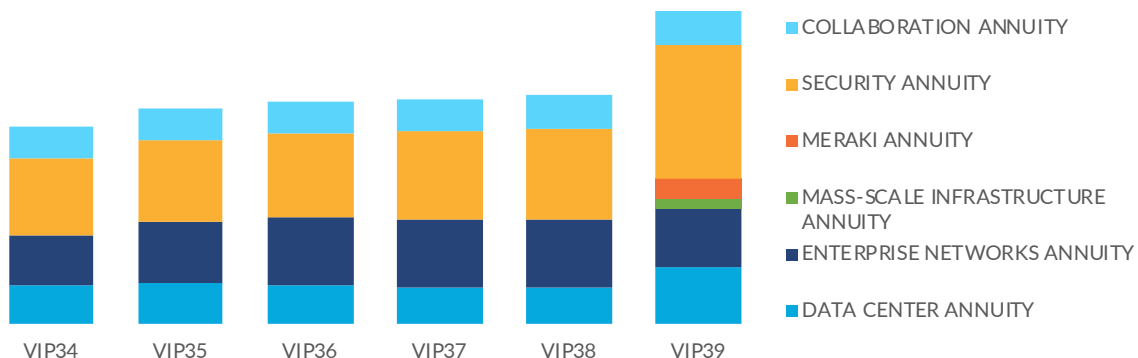
Meraki Annuity also debuted with a 3.06NVI in VIP39.

Security Annuity grew sharply (47%) from 14.84NVI in VIP38 to 21.76 in VIP39.

Collaboration Annuity decreased 18% to 4.26NVI for VIP39.

There were major changes in the Annuity SKUs, as seen in the graph below. In part, VIP39 Annuity SKU growth was because Cisco added 525 Annuity SKUs in the last 30 days of VIP38, too late for much action. We did not include them in the VIP38 data. Many of those were security SKUs, reflecting the importance of security to Cisco and the industry. In addition, the new Meraki and Mass-scale Infrastructure Annuities added 153 and 87 SKUs, respectively, in VIP39.

NETFORMX VIP39 SKU COUNT FOR ANNUITY



In Summary

Cisco's changes to the VIP program align with their strategy to incentivize the sale of digital products and services versus on-premises hardware, and to sell to the Business and C-Suite instead of the IT Group.

Partners who are developing Customer Experience (CX) practices are building processes that focus on business outcomes throughout the service lifecycle. This is preparing them to grow their services and IP-centric solutions, including VIP Annuity rebates. CX provides a lot of opportunity for partners to continue to achieve profitability by earning both rewards (LCI) and rebates (VIP & CSPP).

Netformx has years of experience as experts in Cisco's VIP program and the Lifecycle Incentive program. We leverage our program expertise and apply logic to all the Cisco and distributor data partners automatically feed to us through a defined process. This provides insights to the partner's business, how they are investing their energies in Cisco's programs, and how successful they were at earning rebates and rewards. Or whether they left money on the table.

The Netformx VIP Index is meant to provide insights on VIP program trends as seen by Netformx and is provided as an informative observation. The insights can arm partners with the information they need to consider where it may make sense to adjust their selling motions.

If you want to see how your own company is performing, we can track and analyze your specific detailed data related to capturing VIP rebates. Contact your account manager or sales@netformx.com to learn more.

About Netformx

Netformx expertise in Cisco programs is built into our applications supplying insights to increase partner profitability throughout the customer lifecycle, provide automated partner reward and rebate management, and to deliver a better customer experience.

Consolidated and digestible distributor and vendor data is combined with applied logic and automation to ensure users have the right data at the right time to deliver value to customers throughout their digital transformation journey.

This confidential document is for Cisco Partner use only. Not for public distribution.

