

The Netformx VIP40 Index Report — Insights on VIP program trending



VIP40

Do you know which Architecture Subtrack in VIP40 experienced 55% growth in SKUs? Or which Annuity continues to provide the highest potential rebate? This Netformx VIP Index Report will share the key changes partners need to know.

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.

We are happy to share with you the results of our Netformx VIP Index (NVI) report that analyzes VIP40. Leveraging our deep understanding of Cisco programs, we look at how Cisco rewarded partners over previous VIP periods and compare it to the latest, VIP40.

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 will provide insight to the best opportunities for increased rebates. 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 VIP40 results continue to echo Cisco strategic direction to align the VIP program with their desired migration from Architecture to Annuity. Though Lifecycle Incentive rewards seem to have more momentum from Cisco than VIP, there is still plenty of opportunity for VIP rebates to benefit your bottom line.

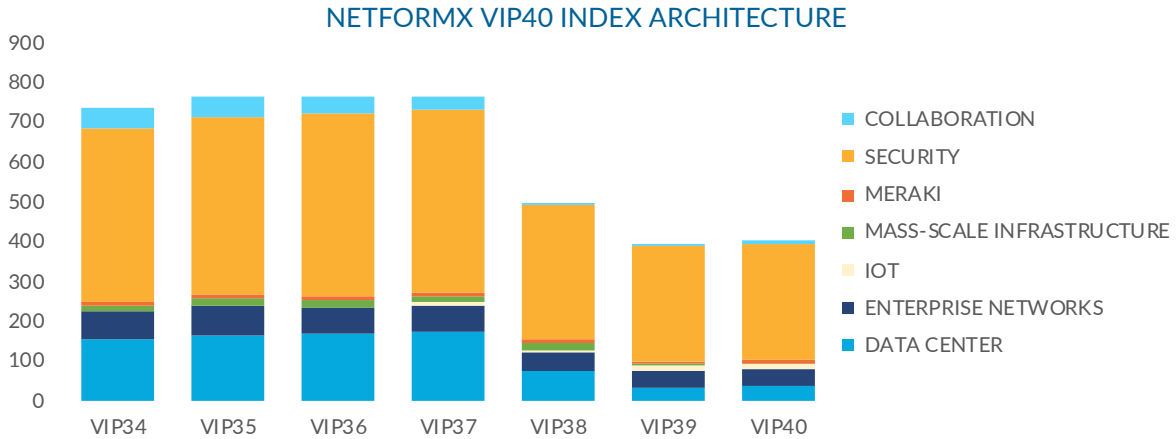
Given Cisco's strategy, it is important to move your business quickly toward more Annuity selling.

Some of the important changes in VIP40 you should be aware of are:

- 227 new Annuity subtrack SKUs have been added.
- 573 Architecture subtrack SKUs have been added, a positive change after the significant SKU loss of 5,000 SKUs from VIP38 to VIP39.
- There is a new Annuity IoT subtrack.
- The overall NVI metric for Annuity rebate potential has gone up 9%, while the Architecture NVI increased 2%.

Architecture Trends

Architecture rebates remained steady when we look at the Netformx VIP Index (NVI) numbers from VIP39 to VIP40, however still substantially below the NVIs for VIP34-VIP37.



The Architecture NVI visual above shows that Architecture rewards increased slightly with VIP40 to a total NVI of 403. Security, Enterprise Networks, and Data Center were the largest contributors to the VIP40 NVI increase. IoT, Collaboration, Mass-scale Infrastructure, and Meraki are minor contributors to the VIP40 NVI.

The 2% increase in the overall Architecture NVI from VIP39 to VIP40 reflects an increase in number of eligible SKUs.

Data Center Architecture rebates index increased from 34.86NVI to 36.43NVI between VIP39 and VIP40. There were more SKUs, but no longer any 6% payouts. The 6% payouts had represented 15% of the total VIP39 Data Center payout index. With VIP40, the NVI for the remaining 2%, 3%, and 4% payouts all increased.

Enterprise Networking Architecture NVI grew 13% from VIP39 to VIP 40, to an NVI of 44.03.

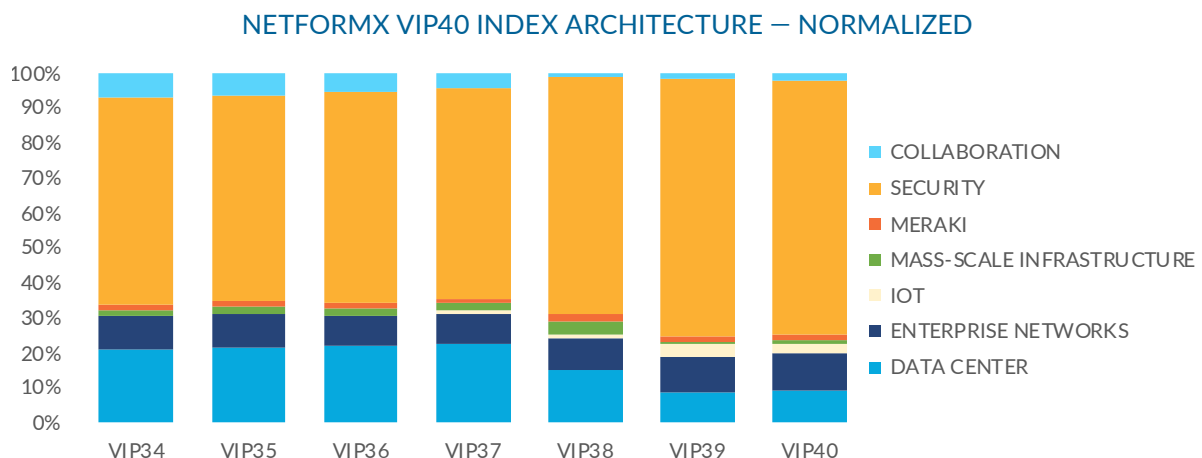
IoT Architecture is a subtrack introduced in VIP37. Its contribution to the index fell by approximately 28% to 11.18NVI in VIP40.

Mass-scale Infrastructure Architecture increased 47% to 3.75NVI in VIP40 from a low of 2.54NVI in VIP39.

Meraki Architecture dropped 12% from 6.72 to 5.9NVI with VIP40.

Security Architecture still dominates the other subtracks and increased by 1.6% to 294.19NVI.

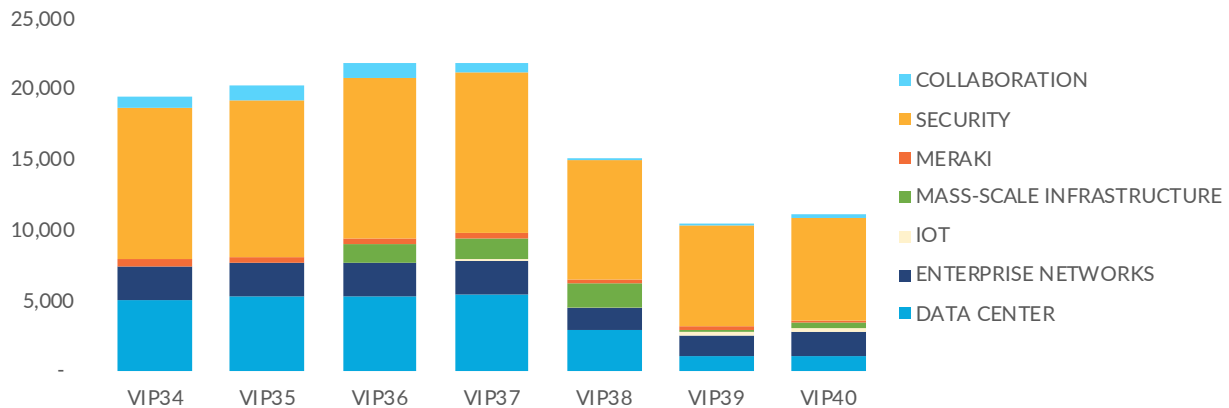
Collaboration Architecture grew 13.7% to a current index of 7.4NVI in VIP40.



To provide a better visualization of the mix by subtrack, we normalized the VIP Index for Architecture, as shown on the previous page. The graph shows the relative importance of each subtrack to the potential NVI payout for the VIP period by plotting the percent each subtrack's NVI has contributed to the total NVI. The subtrack mixes from VIP34 to VIP37 were quite stable, but then drastically changed in VIP38 and even more so in VIP40. The Security subtrack continues to represent 73% of the total Architecture NVI. Enterprise Networks grew slightly over the VIP39 mix to 10%. Collaboration, IoT, Mass-Scale Infrastructure, and Meraki remained in the 1-3% range and Data Center was unchanged at 9%.

As seen in the graph below, the Architecture SKU count increased by 5.5% to 11,049 SKUs, with the Security subtrack continuing to dominate. The number of Mass-Scale Infrastructure SKUs grew by 55%, to 368. Collaboration and Data Center SKUs grew about 12% and Enterprise Networks 18%. Meraki and IoT SKUs decreased 16% and 9%, respectively.

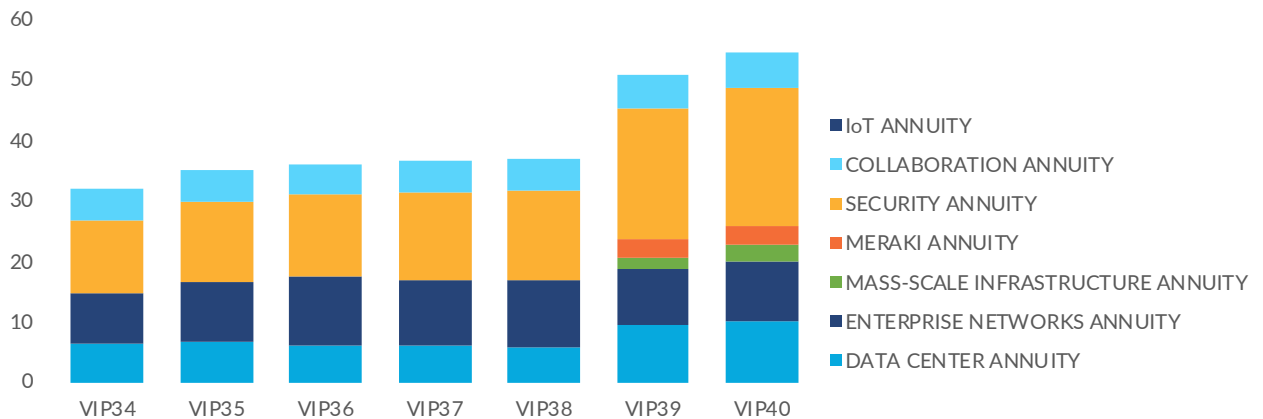
NETFORMX VIP40 INDEX ARCHITECTURE SKU COUNT



Annuity Trends

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%. The Annuity Netformx VIP Index grew an additional 9% in VIP40, reflecting Cisco's continuing drive to provide higher incentives for partners who sell longer term subscriptions.

NETFORMX VIP40 INDEX ANNUITY



Security, Data Center, and Enterprise Network subtracks continued to contribute the most to the Annuity NVI by providing the greatest opportunities for payouts based on the number of SKUs and payout percentages. Mass-Scale Infrastructure and Collaboration annuities grew the most over their VIP39 period NVIs. The majority of the base payouts remained at 2%. We can expect the annuity NVI to continue to grow in VIP41.

Data Center Annuity increased 7.7% from a 9.34NVI in VIP39 to a 10.06NVI for VIP40.

Enterprise Networks Annuity grew 4% from VIP39 to a 9.82NVI in VIP40.

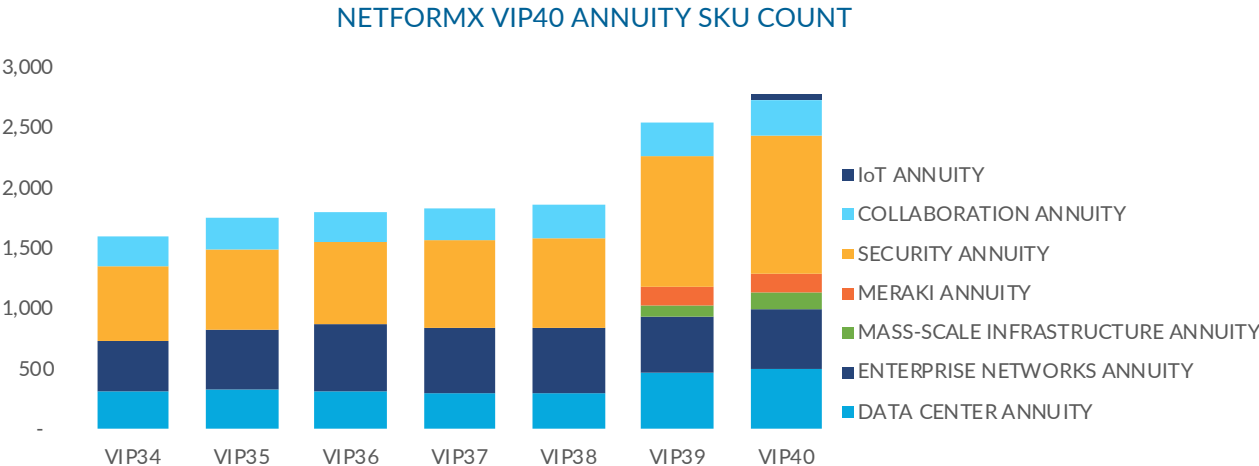
Mass-scale Infrastructure Annuity debuted in VIP39 and grew 60% in VIP40 to 2.78.

Meraki Annuity also debuted in VIP39 and was unchanged with a 3.06NVI in VIP40.

Security Annuity grew 5% from 21.76NVI in VIP39 to 22.84NVI in VIP40.

Collaboration Annuity increased 11% to 6.04NVI for VIP40.

IoT Annuity was introduced in VIP40 and had a 0.7NVI for VIP40



As seen in the graph above, the Annuity SKUs grew by 9% overall. Mass-scale Infrastructure Annuity SKUs grew by 60% to 139 and Collaboration grew 11% to 302. Still, Security annuities continued to dominate with 1,142 SKUs.

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. We supply 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.

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