

# The Netformx VIP41 Index Report — Insights on VIP program trending



## VIP41

Do you know what's in the new Solutions Track? Do you realize it has more than 2,500 SKUs? Or which Annuity subtrack has more than double the number of SKUs and NVI as any other subtrack? This Netformx VIP Index Report will share the key VIP41 changes partners need to know.

Cisco continues to use VIP as a back-end incentive designed to increase margins when you resell Cisco strategic offers. VIP41 started on January 29, 2023, and includes a new Solutions Track to support solution selling.

Many partners are asking how these changes may impact their rebate earning potential and their overall profitability.

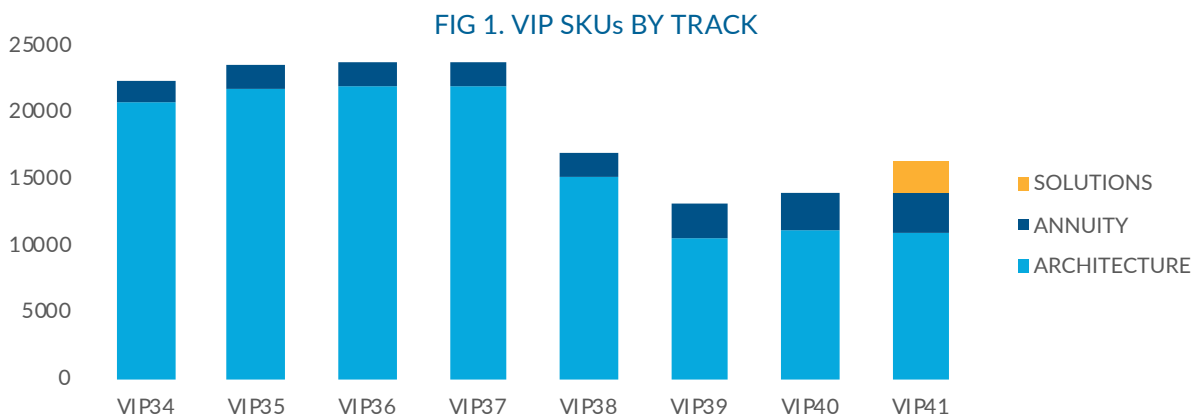
We are happy to share with you the results of our Netformx VIP Index (NVI) report that analyzes VIP41. Leveraging our deep understanding of Cisco programs, we look at how Cisco rewarded partners over previous VIP periods and compare it to the newest period, VIP41.

We broke down VIP-eligible SKU data published by Cisco for the three Tracks: Annuity, Architecture, and the new Solutions Track, and then by subtracks. We took into consideration the number of eligible SKUs and payout percentages. The NVI is SKU-driven and multiplies the number of SKUs times their base, bonus, and incentive or payout percentage for each subtrack. While your actual payout will depend on product cost, monthly or total contract value, or various accelerators and bonuses, the NVI reflects which SKU areas have the largest potential returns. The resulting NVIs provide insights into 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. They can help you decide where to adjust your selling motions.

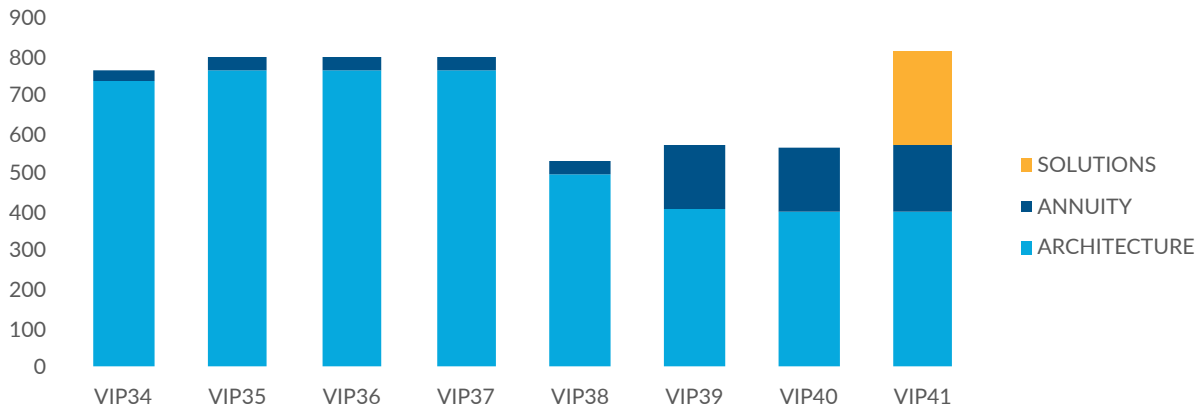
## VIP41 Analysis Overview

The VIP41 results continue to echo Cisco's strategic direction to align the VIP program with their desired migration from hardware to software and solutions and from single sales to lifecycle sales.



- The new Solutions Track added 2,546 SKUs to VIP41, while the number of Annuity and Architecture Track SKUs were stable. Architecture SKUs continue to dominate.

FIG 2. NVI BY TRACK

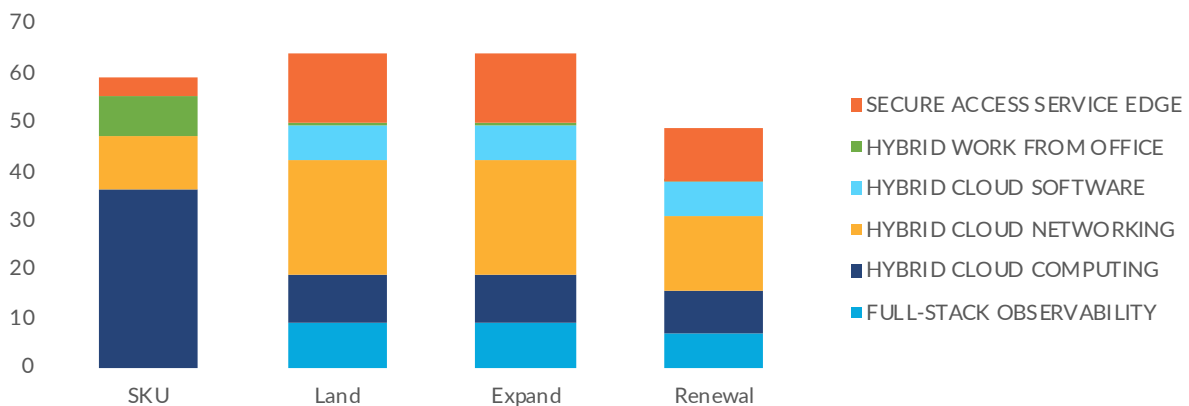


- While the Architecture Track continues to lead the NVI, Cisco is focusing incentive growth on the Solutions Track.
- The Solutions Track added Land, Expand, and Renewal incentives, some with payouts as high as 15%. These have boosted the total VIP41 NVI value rating 43%.
- Together, Solutions and Annuity represent half of the VIP41 NVI.
- Given Cisco’s strategy, it is important to move your business quickly toward Solutions selling.

## Solutions Track Trends

The new Solutions Track includes subtracks on Full Stack Observability, SASE, Hybrid Work, and various Hybrid Clouds. There is a base 2-5% SKU incentive, plus incentives for Land (2-15%), Expand (2-15%), and Renewal (0-6%). It also offers a Gold bonus on software, which has not been included in the NVI calculation.

FIG 3. NETFORMX VIP41 SOLUTIONS INCENTIVES NVI



- In its first VIP period, the Solutions Track created substantial reward potentials.
- Land and Expand led the Track incentives, with Hybrid Cloud Networking playing a substantial role.
- Renewal incentives lagged, with generally lower incentive percentages.

### Solutions SKU Incentive NVI

- The Solutions SKU incentive has a large Netformx VIP Index of 59.02NVI based on 2,546 SKUs.
- The Hybrid Cloud Computing subtrack represents 61% (36.17NVI) of the Solutions SKU NVI.
- It is followed by Hybrid Cloud Networking (18%, 10.87NVI) and Hybrid Work from Office (14%, 8.21NVI).
- There is no SKU incentive for the Full-Stack Observability or Hybrid Cloud Software subtracks.

### Solutions Land and Expand Incentives NVIs

- The Solutions Track Land and Expand incentive NVIs are identical at 63.99NVI.
- Hybrid Cloud Networking represents 37% (23.46NVI) of the total Land and Expand NVI.
- SASE is at 23% (14.47NVI).

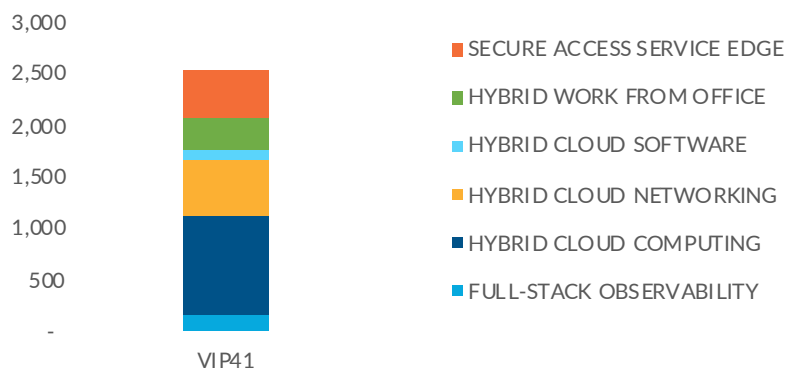
### Solutions Renewal Incentives NVI

- The Solutions Track Renewal incentive NVI is lower than the other Solutions incentives, at 48.49NVI.
- Hybrid Cloud Networking represents 31% (15.18NVI) of the Renewal NVI.
- SASE is at 22% (10.48NVI).

### Solutions SKU Count

- There were 2,546 Solution Track SKUs in VIP41.
- Hybrid Cloud Computing led by far with 962 (38%) of the SKUs.

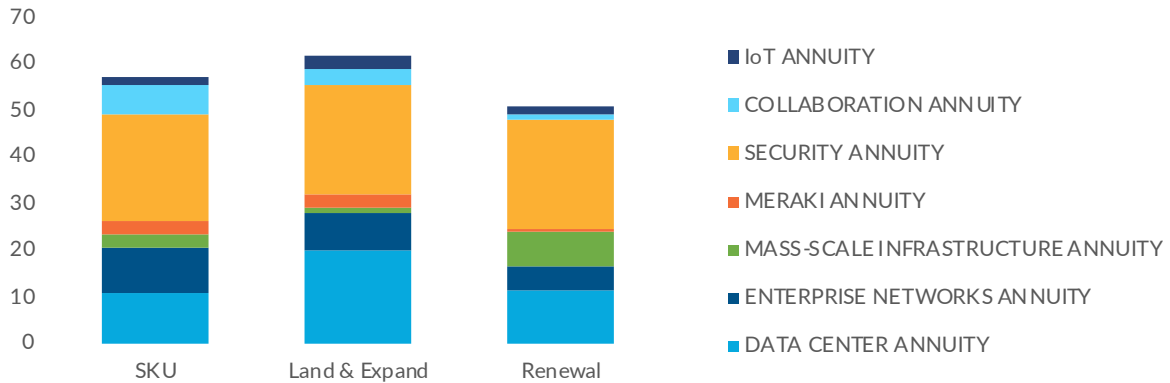
FIG 4. NETFORMX VIP41 SOLUTIONS SKU COUNT



# Annuity Track Trends

The Annuity Track Base SKU payouts continued at 2%. Land & Expand bonuses ranged from 0-5%, except for Data Center that had 84 SKUs with 13% bonuses. Renewal bonuses ranged from 0-5%.

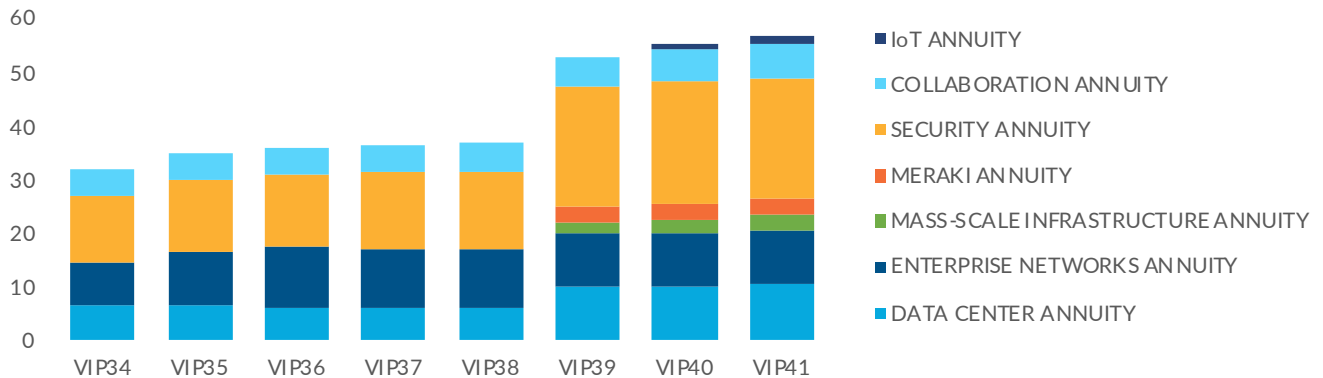
FIG 5. NETFORMX VIP41 ANNUITY INCENTIVES NVI



- Security annuities dominated all Annuity Track incentive categories.
- Mass-Scale Infrastructure had a strong showing for Renewal incentives.

## Annuity SKU Base Payout NVI

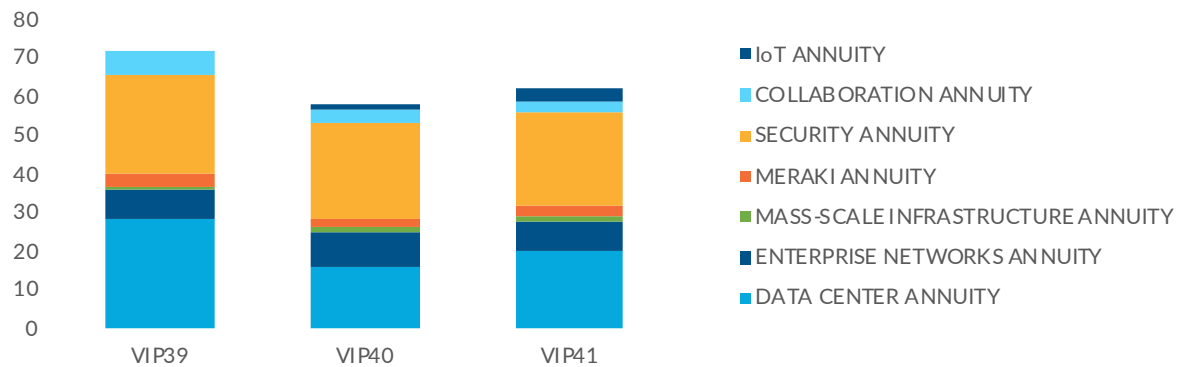
FIG 6. NETFORMX VIP41 ANNUITY BASE NVI



- The Base Annuity Netformx VIP Index grew slightly in VIP41, reaching 56.92NVI.
- The Security subtrack (22.8NVI) continued to dominate the Annuity NVI by providing the greatest opportunities for payouts.
- The IoT Annuity SKUs and NVI more than doubled between VIP40 and VIP41, though the numbers are still small.
- The majority of the base payouts remained at 2%. A small number of SKUs had a payout range of 0-4%; we assumed 2% in our NVI calculation.

## Annuity Land & Expand Bonus NVI

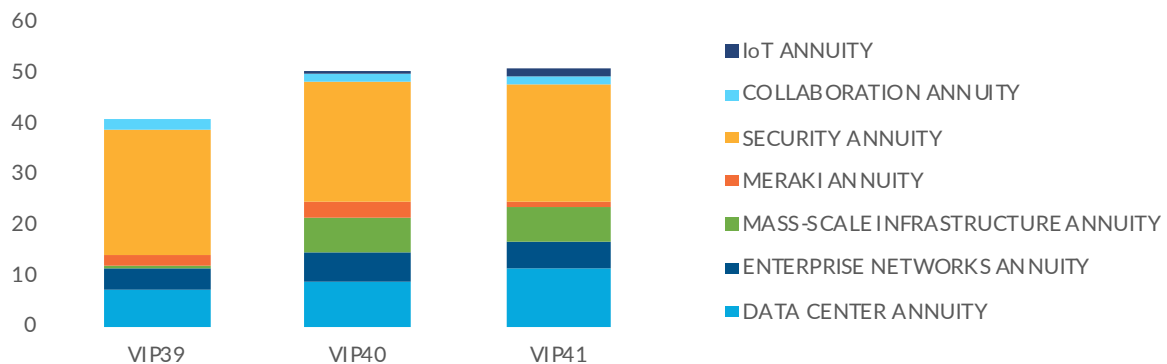
FIG 7. NETFORMX VIP41 INDEX ANNUITY L&E BONUS



- For the Land & Expand Bonus, the Data Center NVI (19.76NVI) benefited from a SKU increase for the 13% bonus from 68 in VIP40 to 84 in VIP41.
- Though the 6% IoT bonus had no SKUs in VIP41, the 4% bonus SKUs increased, causing the IoT NVI (3.04) to double.

## Annuity Renewal Bonus NVI

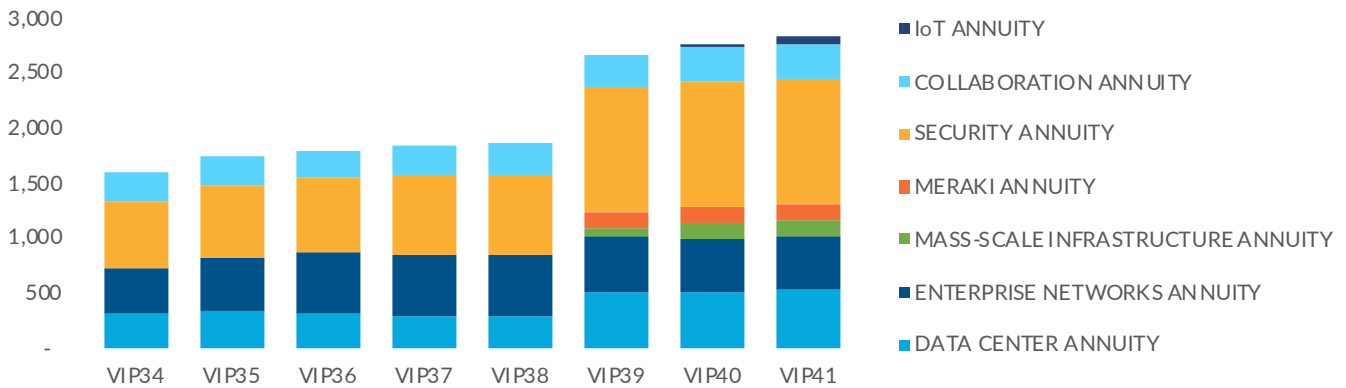
FIG 8. NETFORMX VIP41 INDEX ANNUITY RENEWAL BONUS



- The Data Center NVI grew 29% thanks to a substantial increase in the number of SKUs with 4% bonuses.
- The number of Meraki SKUs covered by the 2% bonus dropped significantly from 153 to 45, causing the NVI to decrease to 0.9.
- The IoT SKUs doubled, enabling the IoT NVI to grow to 1.54.

## Annuity SKU Count

FIG 9. NETFORMX VIP41 INDEX ANNUITY SKU COUNT



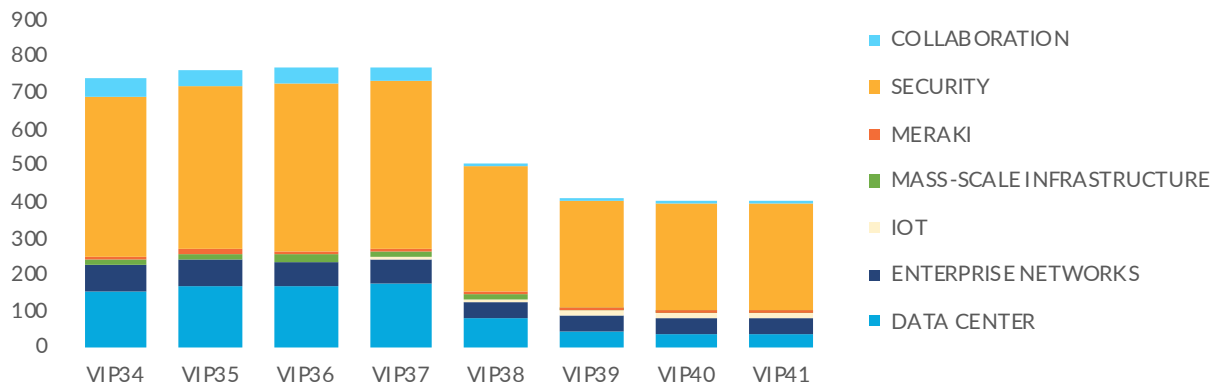
- Security annuities continued to dominate with 1,140 SKUs.
- The Annuity SKUs grew by 3% overall.
- IoT Annuity SKUs grew by 120% to 77.
- Data Center grew 5% to 529.

## Architecture Track Trends

Architecture rebates remained steady when we compare Netformx VIP Index (NVI) numbers from VIP40 to VIP41, however still substantially below the NVIs for VIP34-VIP37.

### Architecture SKU Base Payout NVI

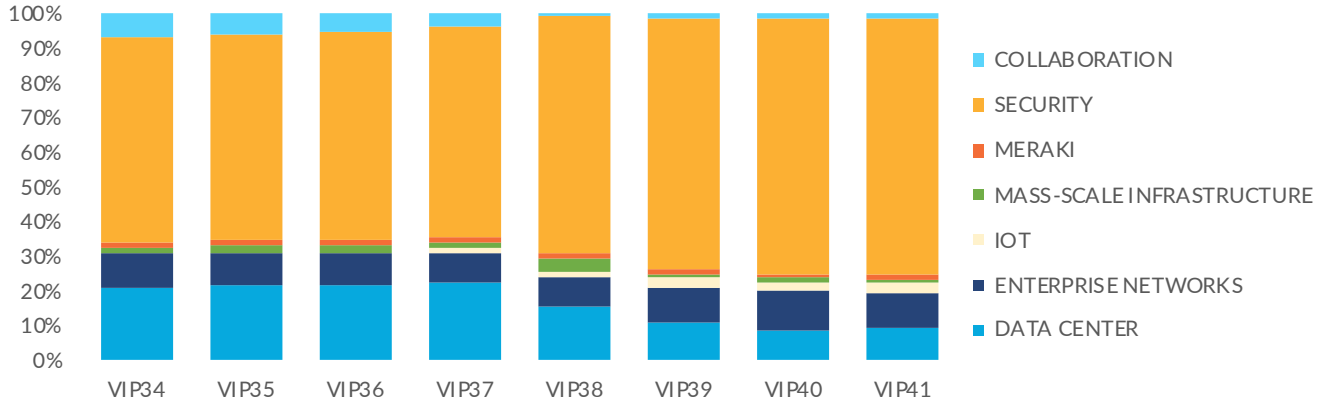
FIG 10. NETFORMX VIP41 INDEX ARCHITECTURE



- Architecture rewards were basically unchanged in VIP41, at 401NVI.
- Security continued to provide the largest benefit at 295NVI.
- Enterprise Networking Architecture NVI dropped 6% from VIP40 to VIP41, to 41.26NVI.
- Mass-scale Infrastructure Architecture decreased 47% to a new low of 1.99NVI in VIP41.
- Meraki Architecture, while still low, grew 6% to 6.28NVI in VIP41.
- Collaboration Architecture grew 4% to a current index of 7.69NVI in VIP41.

To provide a better visualization of the mix by subtrack, we normalized the NVI for Architecture, as illustrated below. 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.

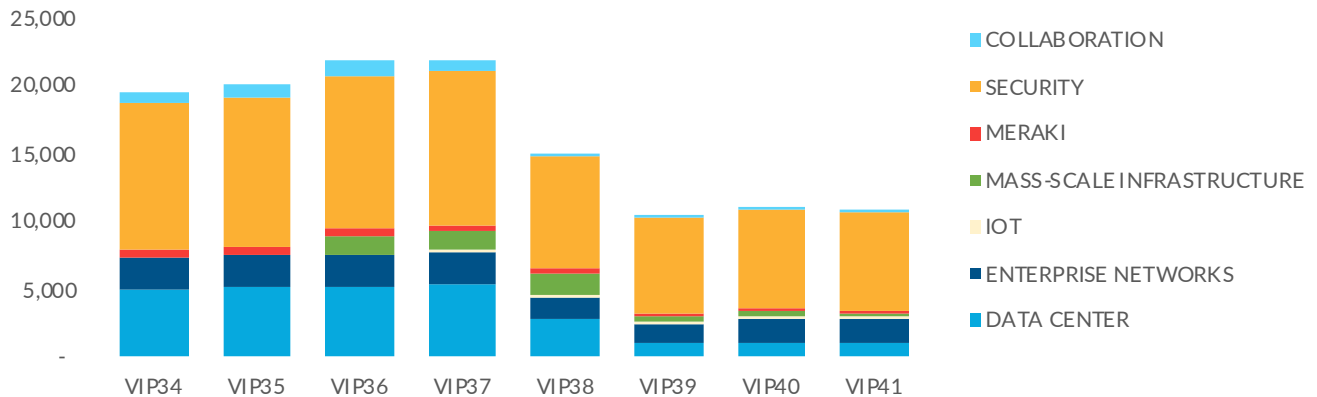
FIG 11. NETFORMX VIP41 INDEX ARCHITECTURE – NORMALIZED -



The Security subtrack continues to dominate, representing 74% of the total Architecture NVI in VIP41.

### Architecture SKU Count

FIG 12. NETFORMX VIP41 INDEX ARCHITECTURE SKU COUNT



- The Architecture SKU count remained steady, going down just 1% to 10,931 SKUs.
- The Security subtrack continuing to dominate with 66% of the Architecture SKUs.
- The number of Mass-Scale Infrastructure SKUs fell by 57%, to 160.

## In Summary

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Cisco's changes to the VIP program align with their strategy to incentivize the sale of digital products, services, and solutions 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 cloud-centric solutions, including VIP Solutions and Annuity rebates. CX provides a lot of opportunity for partners to continue to achieve profitability by earning both Lifecycle Incentive (LCI) rewards and VIP and CSPP rebates.

Netformx has years of experience as experts in Cisco's VIP program and the LCI program. We leverage our program expertise and apply logic to all the Cisco and distributor data that partners automatically feed to us through a defined process. This provides insights to the partner's business, both presales opportunities to increase payouts and postsales to efficiently manage Cisco's many promotional programs. Partners can also assess 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. Cisco periodically makes changes to the VIP program inflight. We recommend you confirm any changes to the program with your Cisco PAM.

Netformx leveraged several [Cisco Resources](#) to prepare this report. 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](mailto:sales@netformx.com) to learn more.

### About Netformx

Netformx solves business problems for Cisco Partners. Our simplification and automation tools and services help partners to maximize earning VIP and Lifecycle Incentive program dollars for both Tier 1 & Tier 2 deals. Having access to aggregated pre- and post-sale data helps you to prioritize opportunities and time-based tasks. Partners get immediate actionable insights to efficiently manage program requirements and ensure profitable payouts—all in a single pane of glass. You can't get that consolidated information anywhere else.

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