

# The Netformx VIP42 Index Report — Insights on VIP program trending

## VIP42

Did you know that the number of Solutions SKUs has risen almost 300% in VIP42? Or which Solutions subtrack contributed 73% of the SKUs? This Netformx VIP Index Report will share the key VIP42 changes partners need to know.

Cisco continues to use VIP as a back-end incentive to reward partners for following Cisco's strategy by selling strategic SKUs the way Cisco wants them sold. However, some savvy partners consider those back-end rebates as part of their margin when selling Cisco offers where Deal price is a differentiator. The VIP42 incentive period runs from July 30, 2023, to January 27, 2024.

Many partners are asking how VIP42 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 VIP42. 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, VIP42. To acquire any VIP rewards, minimum requirements must be met for total bookings across Architecture, Annuity, and Solutions tracks.

We broke down VIP-eligible SKU data published by Cisco for the three Tracks: Annuity, Architecture, and Solutions, 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. Note that SKUs may appear in multiple Tracks, but only get paid once, with the Solutions Track generally taking precedence and often providing a higher payout. In our analysis of each Track we assume all the SKUs in that track are available for payout and have not removed SKUs that might appear in other Tracks.

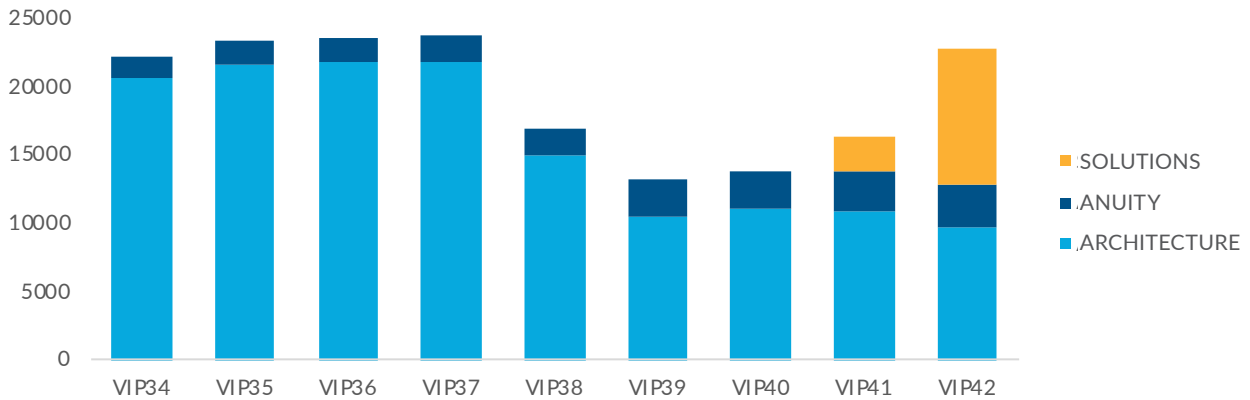
While your actual payout will depend on product cost, monthly or total contract value, or various accelerators and bonuses, the NVI reflects which SKU areas have the largest potential returns. The resulting NVIs provide insights into the best opportunities for increased rebates. The higher the index, the better potential for a higher rebate payout.

The results of our analysis provide insights into where Cisco is targeting their rebate payouts. The insights can help you decide where to adjust your selling motions.

# VIP42 Analysis Overview

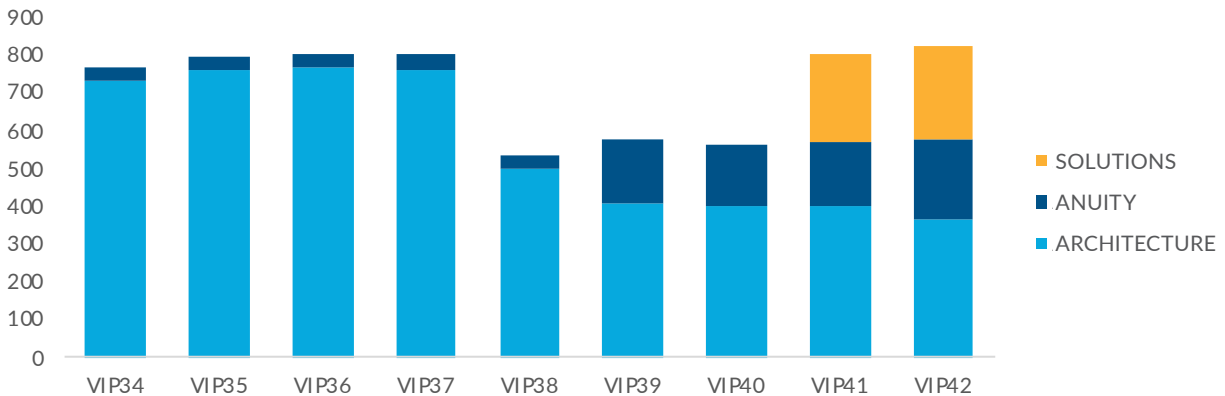
The VIP42 results continue to echo Cisco’s strategic direction to align the VIP program with their desired migration from hardware to software and solutions and from single sales to lifecycle sales.

FIG 1. VIP SKUs BY TRACK



The Solutions Track added a whopping 7,432 SKUs in VIP42 (up 292%), while the number of Annuity SKUs increased by 290 and the Architecture Track SKUs decreased by 1,239. Solution SKUs have now taken the lead (44%), followed closely by Architecture SKUs (42%). As noted earlier, some SKUs may appear in multiple Tracks, so have been counted more than once in this chart. As you achieve your Solutions Track specializations you will be able to increase your rebate potential for selling the same SKUs.

FIG 2. NVI BY TRACK

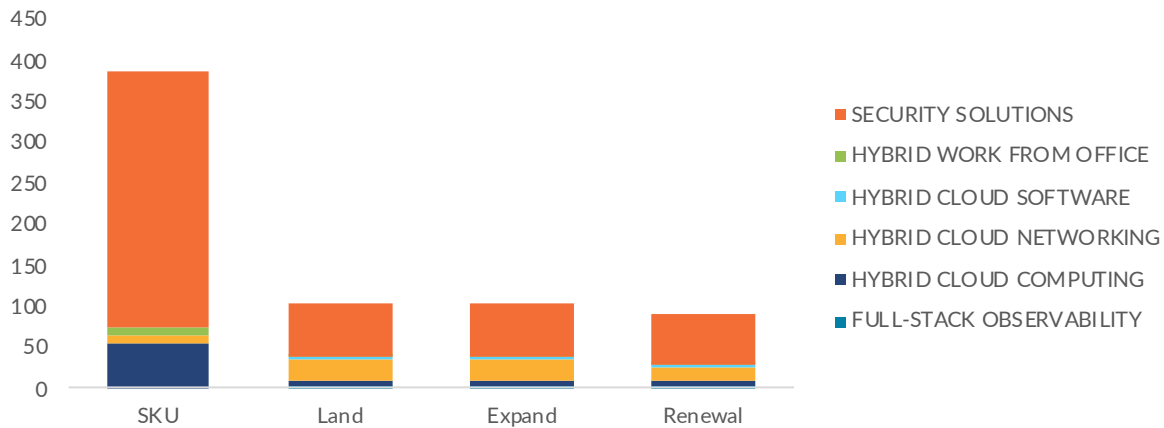


- The Solutions Track, including its SKU, Land, Expand, and Renewal incentives, contributed 30% to the total VIP42 NVI value rating.
- The VIP42 Annuity Track NVI increased 25% from VIP41 and represents 26% of the VIP42 NVI.
- Together, Solutions and Annuity represent 56% of the VIP41 NVI.
- The Architecture Track continues to lead the NVI (44%) because of its large number of SKUs and established payouts. However, Cisco is focusing incentive growth on the Solutions Track. In VIP42 Cisco substantially increased the number of Solution SKUs, but 20% of Security Solutions SKUs did not have payouts. Over time, we expect payouts for the Solution SKUs to increase, which will therefore increase the Solutions NVI.
- Given Cisco’s strategy, it is important to move your business quickly toward Solutions selling.

## Solutions Track Trends

The new Solutions Track, begun in VIP41, includes a base SKU incentive that ranges from 2% to 6%, depending on the subtrack and SKU, plus additional incentives for Land (ranging from 2 to 15%), Expand (ranging from 2 to 15%), and Renewal (ranging from 0 to 6%). It also offers Gold and Premier bonuses on software; tier bonuses have not been considered in the NVI calculations. The Solution Track captures rebates faster than the Annuity track, and we expect that to continue as the Solution Track grows in importance.

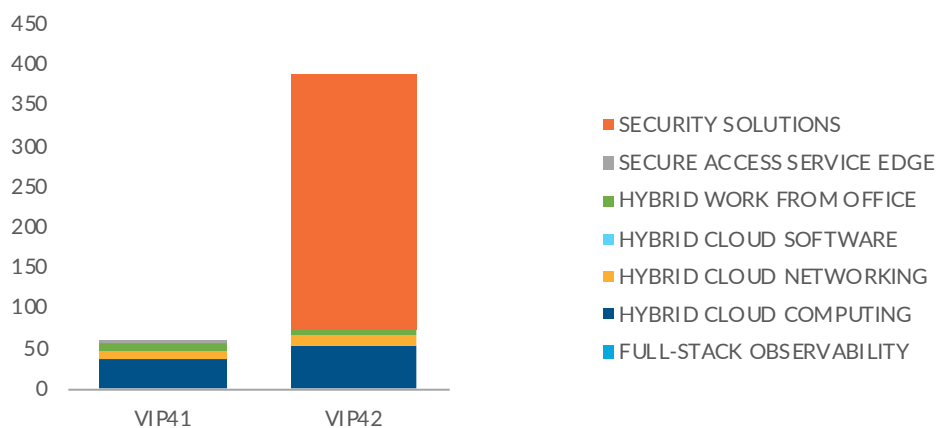
FIG 3. NETFORMX VIP42 SOLUTIONS TOTAL INCENTIVES NVI



- In its second VIP period, the Solutions Track created substantial reward potentials.
- The new Security Solutions subtrack has replaced and expanded VIP41's Secure Access Service Edge (SASE) subtrack and now dominates the total VIP42 Solutions Track NVI (74%) and each step of the lifecycle.

## Solutions SKU Incentive NVI

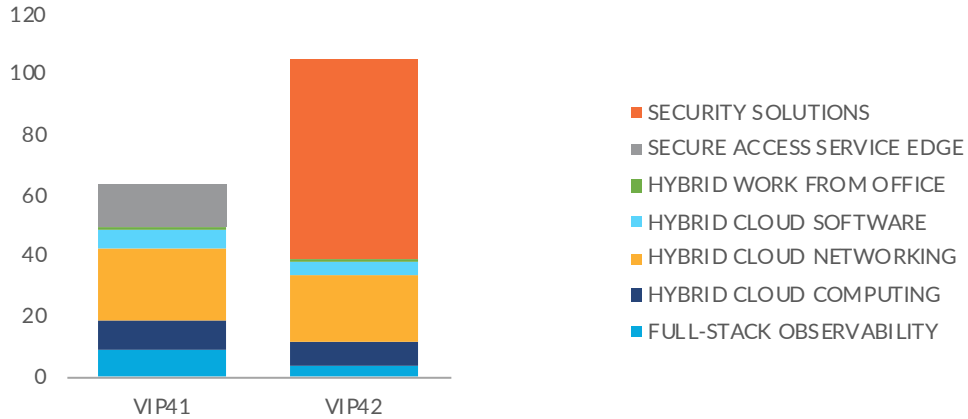
FIG 4. NETFORMX VIP42 SOLUTIONS SKU INCENTIVE NVI



- The Solutions SKU incentive has a large Netformx VIP Index of 386.5NVI based on 9,978 SKUs. This is an NVI increase of 555% from VIP41 and its 2,546 SKUs.
- The Security Solutions subtrack represents 81% (313.31NVI) of the Solutions SKU NVI.
- It is followed by Hybrid Cloud Computing (14%, 53.89NVI).
- There are no SKU incentives for the Full-Stack Observability, Hybrid Cloud Software, or SASE subtracks.

## Solutions Land and Expand Incentive NVIs

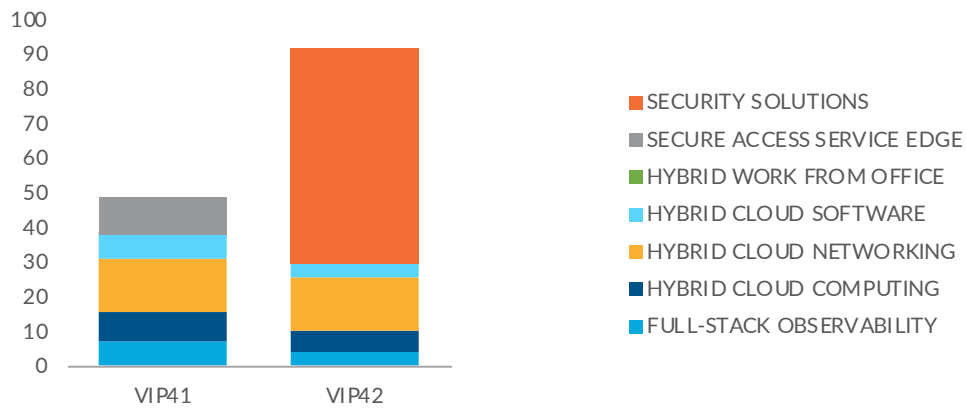
FIG 5. NETFORMX VIP42 SOLUTIONS LAND & EXPAND INCENTIVE NVI



- The Solutions Track Land and Expand incentive NVIs are identical at 104.83NVI and are a 64% increase over VIP41.
- Security Solutions represent 63% (66.15NVI) of the total Land and Expand NVI.
- Hybrid Cloud Networking is at 22% (22.80NVI).

## Solutions Renewal Incentive NVI

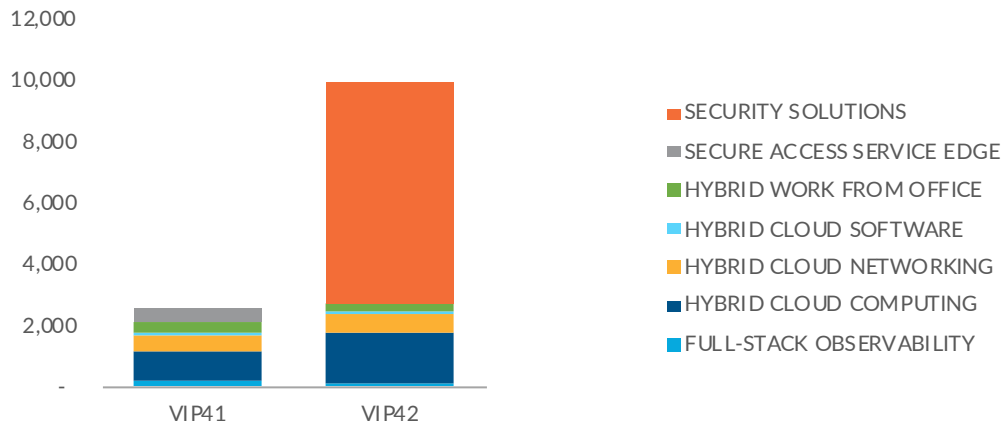
FIG 6. NETFORMX VIP42 SOLUTIONS RENEWAL INCENTIVE NVI



- The Solutions Track Renewal incentive NVI grew 89% in VIP42 to 91.73NVI.
- Security Solutions represents 68% (62.1NVI) of the Renewal NVI.
- Hybrid Cloud Networking is at 16% (14.88NVI).

## Solutions SKU Count

FIG 7. NETFORMX VIP42 SOLUTIONS SKU COUNT

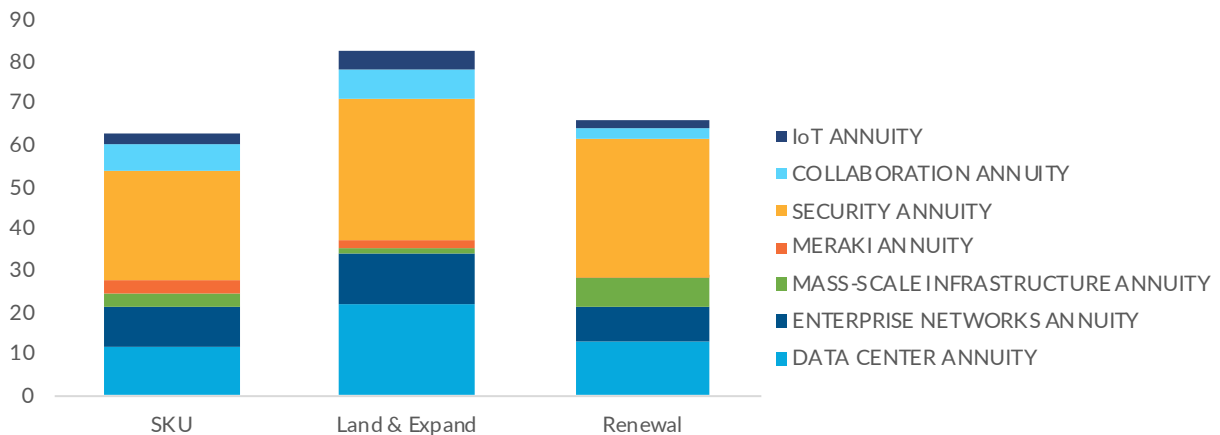


- There were 9,978 Solution Track SKUs in VIP42, compared to 2,546 in VIP41, an increase of 292%. As noted earlier, some Solution SKUs duplicate Architecture and Annuity SKUs, but are only paid out for one Track, with Solution SKUs having precedence.
- Security Solutions led by far with 7,257 (73%) of the SKUs.
- Hybrid Cloud Computing grew 71% from VIP41 to 1,645 (16%) in VIP42, but was overshadowed by the leader, Security Solutions.

## Annuity Track Trends

The Annuity Track Base SKU payouts continued at 2% (a few SKUs ranged from 0-4%; we assumed 2% in our calculations). Land & Expand bonuses ranged from 0-6%, except for Data Center that had 88 SKUs with 13% bonuses. Renewal bonuses ranged from 0-5%.

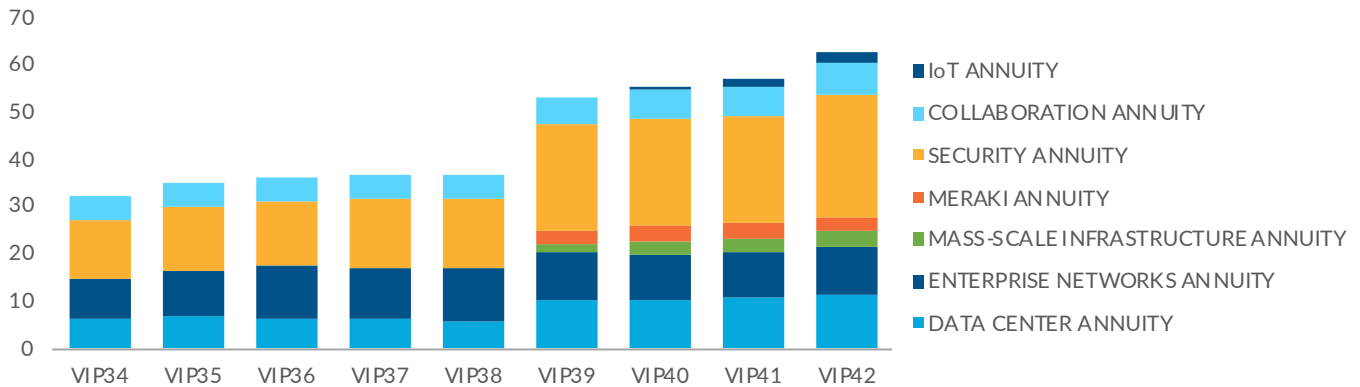
FIG 8. NETFORMX VIP42 ANNUITY TOTAL INCENTIVES NVI



- Security annuities dominated all Annuity Track incentive categories, with a total 92.94NVI.
- Data Center annuities followed with a total 45.74NVI, however we understand that the Data Center subtrack will be ending and partners should begin migrating to the Solutions Hybrid Cloud Computing subtrack.

## Annuity SKU Base Payout NVI

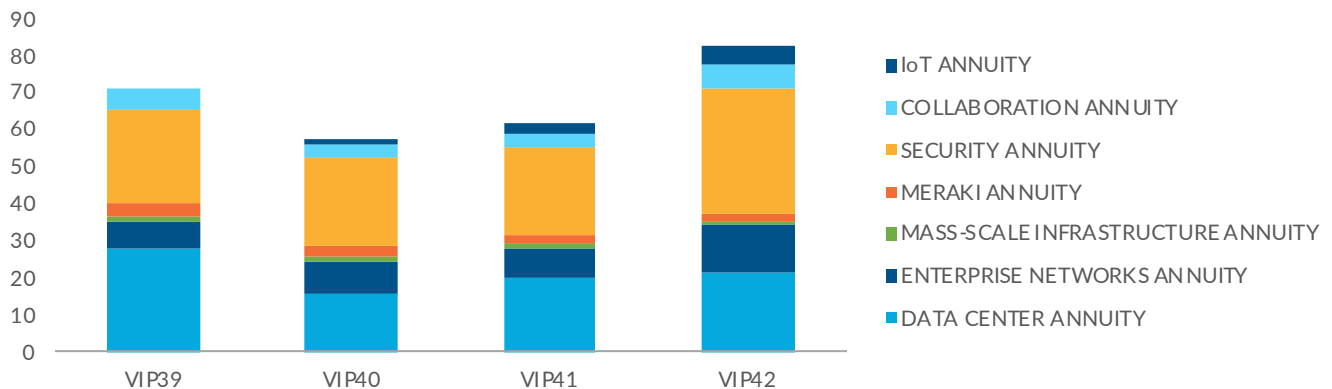
FIG 9. NETFORMX VIP42 INDEX ANNUITY BASE



- The Base Annuity Netformx VIP Index grew slightly in VIP42, reaching 62.72NVI.
- The Security subtrack (25.8NVI) continued to dominate the Annuity NVI by providing the greatest opportunities for payouts.
- The IoT Annuity NVI grew 70% between VIP41 and VIP42, thanks to a 70% increase in SKUs, though the totals remain small.
- Mass-scale Infrastructure and Security NVIs grew 15% and 13%, respectively, from VIP41 to VIP42.
- Most 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

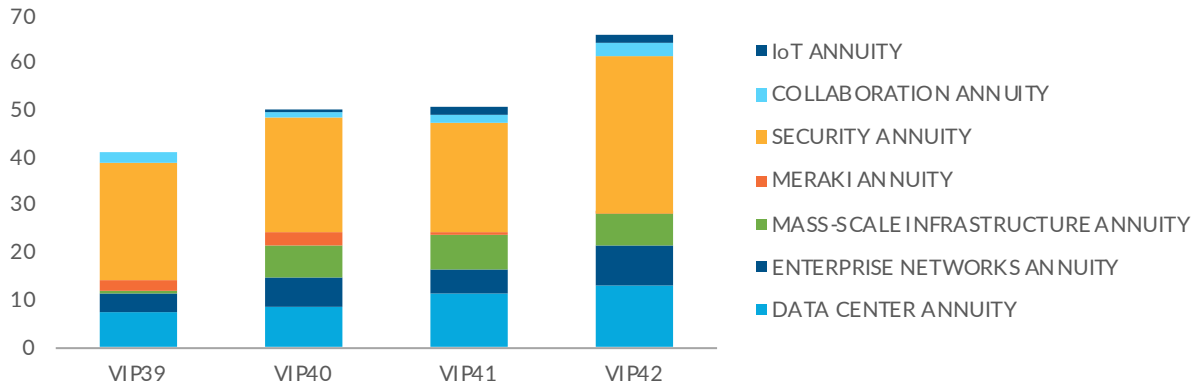
FIG 10. NETFORMX VIP42 INDEX ANNUITY L&E BONUS



- The Land & Expand Bonus had a total of 82.56NVI. Security dominated with an NVI of 34.12, followed by Enterprise Networks at 12.63NVI.
- The Collaboration NVI doubled from VIP41 to VIP42, to 6.63NVI, Security grew by 44% to 34.12NVI, and Enterprise Networks by 56% to 12.63NVI. Meraki declined by 32% to 1.76NVI.

## Annuity Renewal Bonus NVI

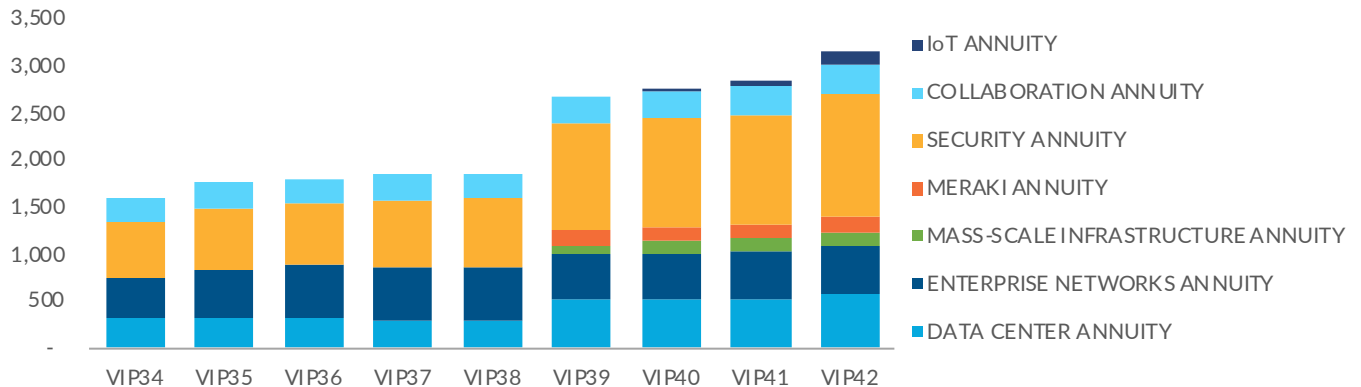
FIG 11. NETFORMX VIP42 INDEX ANNUITY RENEWAL BONUS



- Security dominated (50%) the 65.99NVI renewal bonuses with 33.02NVI, followed by Data Center at 12.7NVI (19%).
- Collaboration grew 104% to a still small 2.86NVI and Enterprise Networks grew 63% to 8.83NVI.
- Meraki, already small, decreased by 95% in VIP42 to 0.04NVI.

## Annuity SKU Count

FIG 12. NETFORMX VIP42 ANNUITY SKU COUNT

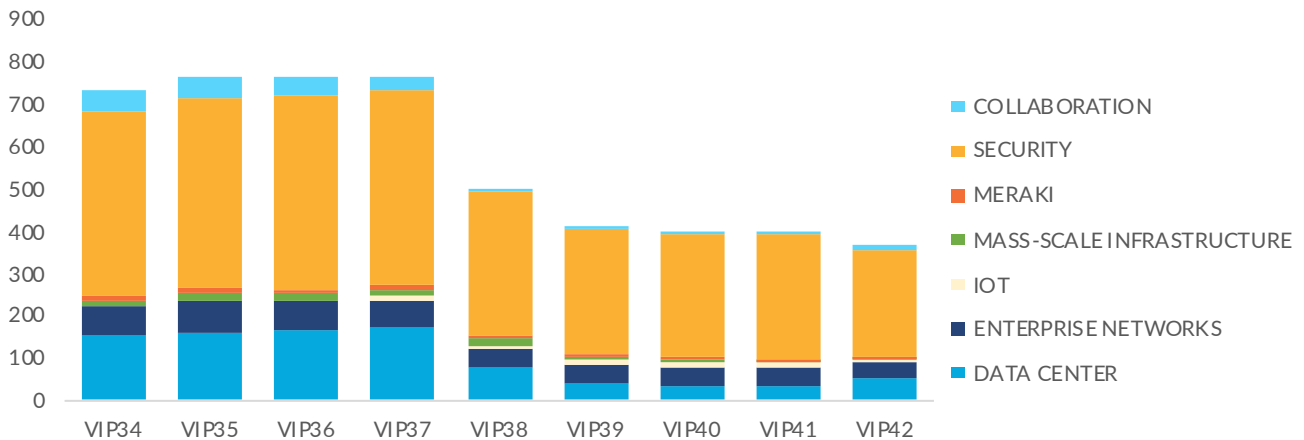


# Architecture Track Trends

Architecture rebates continued their slow decline (8%) in Netformx VIP Index (NVI) between VIP41 and VIP42.

## Architecture SKU Base Payout NVI

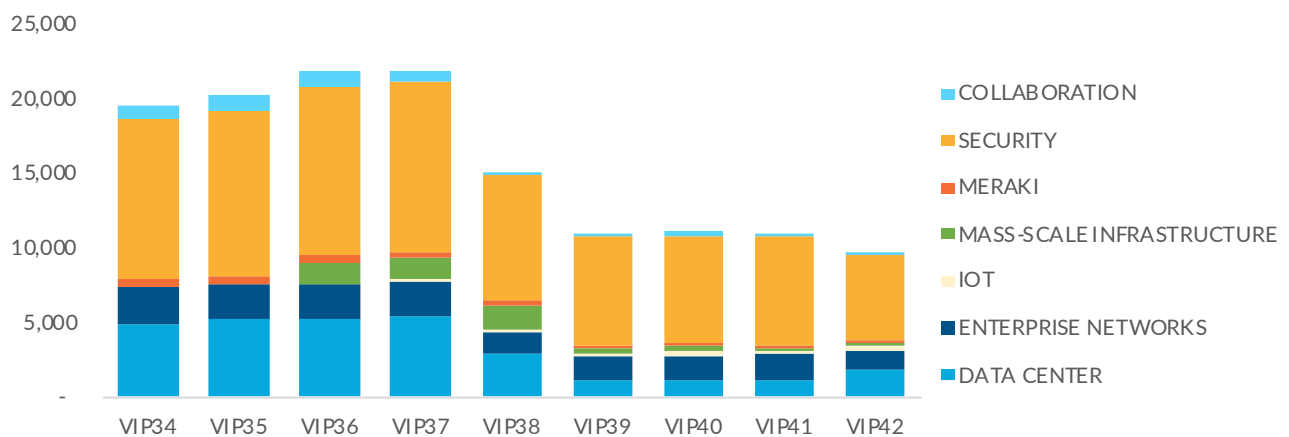
FIG 13. NETFORMX VIP42 INDEX ARCHITECTURE



- The Architecture Track had a total 366.09NVI in VIP42.
- Security continued to provide the largest (69%) benefit at 252.69NVI, though down 14% from VIP41.
- Data Center grew 49% to 55.94NVI. Mass-scale Infrastructure grew 19% to 2.37NVI, and Collaboration 4% to 8.03NVI.
- All the remaining Architecture subtrack NVIs decreased.

## Architecture SKU Count

FIG 14. NETFORMX VIP42 ARCHITECTURE SKU COUNT



- The Architecture SKU count decreased 11% from VIP41 to 9,692 SKUs.
- The Security subtrack continued to dominate with 58% of the Architecture SKUs, despite having 1,622 fewer SKUs than in VIP41, a 22% decrease. Enterprise Networks SKUs also decreased 22%.
- The number of Data Center SKUs grew 65%, to 1,805.
- IOT and Mass-scale Infrastructure SKUs both grew 15%



## In Summary

---

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. The Solutions Track has become Cisco's major focus and Security plays a dominant role across all Tracks.

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 a combination of 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 by providing VIP and LCI insights before the deal is completed, 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 in flight. 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.

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

