



The Netformx VIP43 Index Report – Insights on VIP program trending



VIP43

Do you know what new Solutions subtrack has been added? Or which subtrack dominates all the Solutions, Annuity, and Architecture tracks? This Netformx VIP Index Report provides insights, beyond those in Cisco's resources, to key VIP43 changes.

Cisco has **announced** a planned simplification of the partner incentive program that will combine Value Incentive Program (VIP), Lifecycle Incentives (LCI), and Cisco Services Partner Program (CSPP) into an integrated Cisco Partner Incentive. For now Cisco continues to use VIP as a back-end incentive to reward partners for selling SKUs that align with Cisco's strategy. Some savvy partners also consider those back-end rebates as part of their total margin when selling Cisco offerings and where deal price is a differentiator.

For years, Netformx has been helping partners earn more rebate and reward benefits. Our powerful solutions such as ChannelXpert and Pipeline Insight Tool (PIT) already provide the data and analysis you need to simplify the management of your VIP, LCI, and CSPP program participation. We provide presales and post-sales insights to your business that are not available in Cisco's tools, such as modeling specialization scenarios to determine which provide the best earnings based on your selling motions.

As Cisco migrates to an integrated incentive program, Netformx will be ready to support you during the transition and in the future. The insights Netformx can provide are very powerful and we are happy to share them with you.

VIP43 Index Report Overview

Many partners are asking how VIP43 changes may impact their rebate earning potential and their overall profitability. Most importantly, with VIP43, Cisco continues its shift away from architectures toward annuities and solutions. Specializations now focus primarily on Cisco Powered Services for managed services and a growing number of Solution and Business specifications. Architecture specializations continue to be phased out.

In this report, we are happy to share the results of our Netformx VIP Index (NVI) analysis of VIP43 and program changes. Leveraging our deep understanding of Cisco programs, we look at how Cisco planned to reward partners at the launch of each VIP period and compare it to the newest period, VIP43. To acquire any VIP rewards, certain minimum requirements, based on your region, must be met for total VIP bookings across Architecture, Annuity, and Solutions tracks. The VIP43 incentive period runs from January 28, 2024, to July 27, 2024.

For the analysis, 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 be duplicated in other tracks.

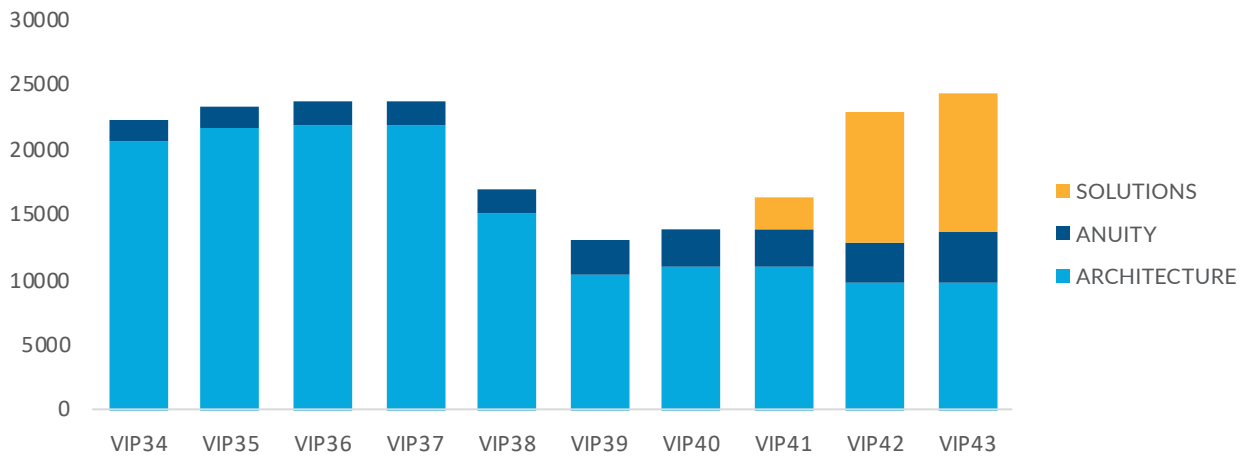
While your actual payout will depend on product cost, monthly or total contract value, or various accelerators and bonuses, the NVI reflects which SKU areas have the largest potential returns. The resulting NVIs give insights into the best opportunities for increased rebates. The higher the index, the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

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

VIP43 Analysis Overview

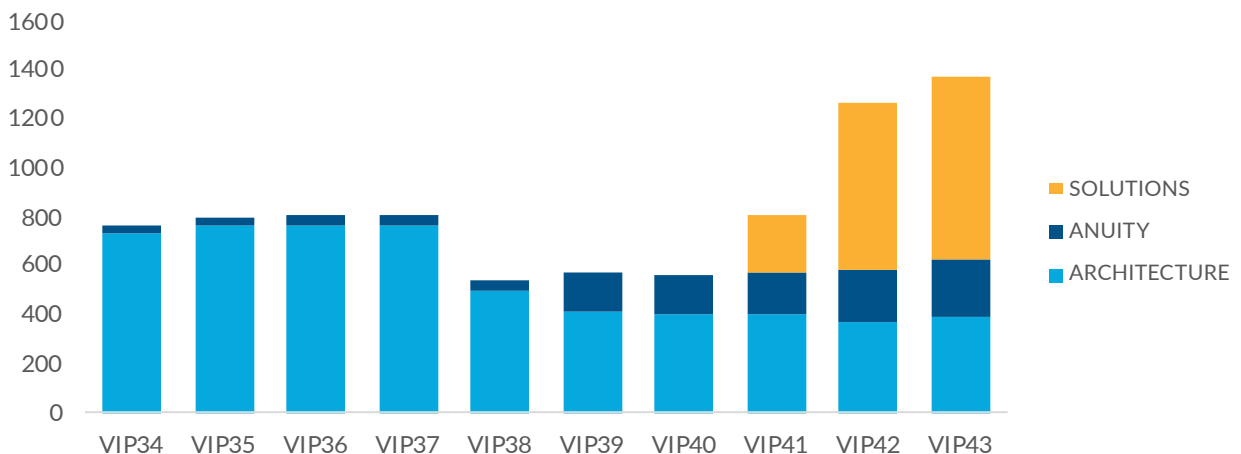
The VIP43 results continue to echo Cisco’s strategic direction since VIP41 to align the program with their desired migration from hardware to software and solutions, and from single sales to lifecycle (annuity) sales.

FIG. 1 VIP43 SKUS BY TRACK



- The Annuity track has the largest growth in SKUs in VIP43 (20%), from 3,136 to 3,762. However, the track only represents 15% of the total SKUs.
- The SKUs are again dominated by the Solutions track (44%) with 10,705 SKUs and the Architecture track (41%) with 9,871 SKUs. Both the Solutions and Architecture tracks have only single digit growths in SKUs (7% and 2%, respectively).
- As noted earlier, some SKUs appear in multiple tracks and have been counted more than once in this chart, so some metrics have rounding errors that should not be considered material. However, the takeaway is: as you achieve your Solutions track specializations your rebate potential will most likely increase despite selling the same SKUs.

FIG. 2 VIP43 NVI BY TRACK



- VIP43 has a total 1.372.47NVI, a growth of 8% from VIP42.
- The Solutions track, including its SKU, Land, Expand, and Renewal incentives, dominates the total VIP43 with a 748.51NVI value rating, contributing 55%, a growth of 9% from VIP42.
- The VIP43 Annuity track, at 237.96NVI, increased 13% from VIP42 but represents only 17% of the VIP43 NVI.
- The Architecture track remains stable at 386NVI, a growth of 5%, and is 28% of the total NVI.
- Given Cisco’s ongoing strategy, it is important to move your business quickly toward Solutions selling.

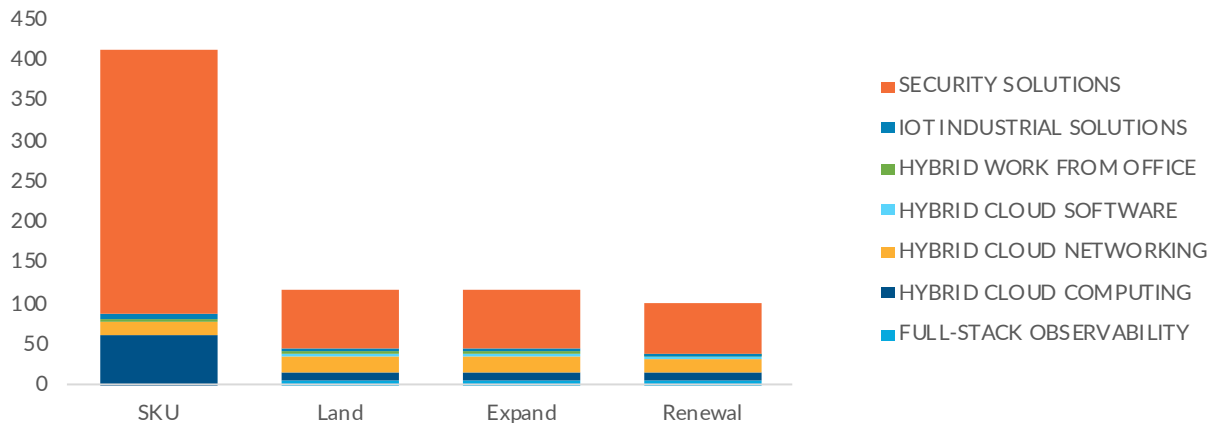
Solutions Track Trends

The Solutions track, which began in VIP41, includes new offers, a new IoT Industrial Solutions subtrack, and enhanced rebates on renewals. In addition, SASE, Hybrid Cloud, and Sovereign Cloud Cisco Powered services specializations now provide access to the Solutions track. They join the recently launched Hybrid Cloud Networking, Hybrid Cloud Computing, and Hybrid Cloud Software solution specializations.

Solutions track base SKU incentives now range from 0% to 8%, depending on the subtrack and SKU, plus additional incentives for Land (ranging from 0 to 10%), Expand (ranging from 0 to 10%), and Renewal (ranging from 0 to 9%). 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 the Solutions track to continue to grow in importance. Our best advice is partners should not wait to invest in Solutions.

FIG. 3 NETFORMX VIP43 SOLUTIONS TOTAL INCENTIVE NVI



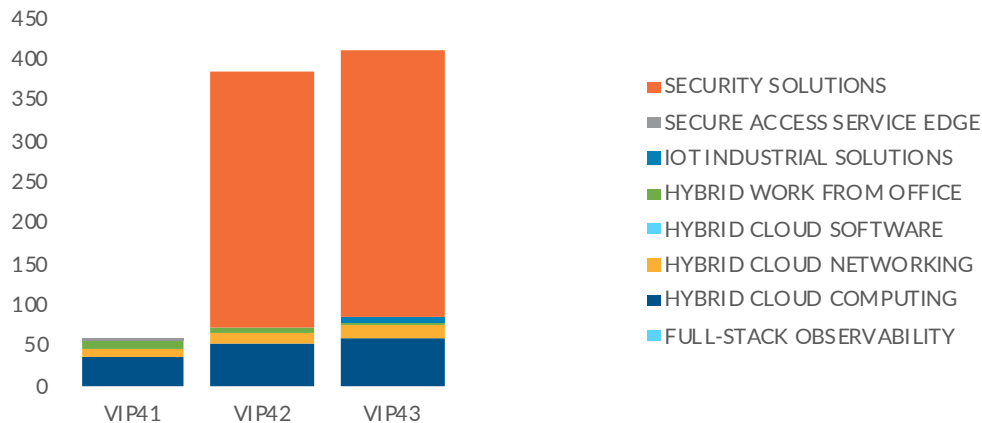
- Now in its third VIP period, the Solutions track creates substantial reward potentials, with a total 748.51NVI for the track.
- The Security Solutions subtrack dominates each step of the VIP43 Solutions track lifecycle with 71% (535.14NVI) of the track’s total NVI.
- Hybrid Cloud Computing follows next, with 13% of the Solutions track and a 97.29NVI.
- IoT Industrial Solutions enters its first year as a Solutions subtrack, with an 18.24NVI.

Where did our partners benefit most from the Solution track in VIP42?

Reach out to us if you have an interest in learning about the top selling SKUs in the Solutions Track. Contact your Account Manager or sales@netformx.com.

Solutions SKU Incentive NVI

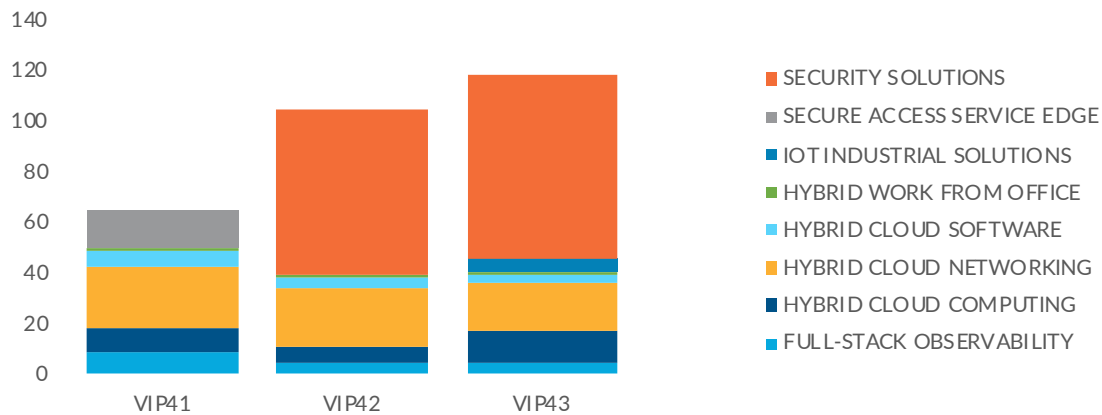
FIG. 4 NETFORMX VIP43 SOLUTIONS SKU INCENTIVE NVI



- The Solutions SKU incentive has a large Netformx VIP Index of 411.41NVI based on 10,705 SKUs. The Solutions SKU NVI increased 6% from VIP42.
- The Security Solutions subtrack represents 79% (325.25NVI) of the Solutions SKU NVI.
- It is followed by Hybrid Cloud Computing (14%, 59.55NVI).
- The new IoT Industrial Solutions subtrack has 2% (6.44NVI).
- There are no SKU incentives for the Full-Stack Observability or Hybrid Cloud Software subtracks in the VIP43 Solutions track; however, those subtracks do have incentives for Land, Expand, and Renewal.
- In VIP42, the Secure Access Service Edge (SASE) subtrack was incorporated into the Security subtrack.

Solutions Land and Expand Incentive NVIs

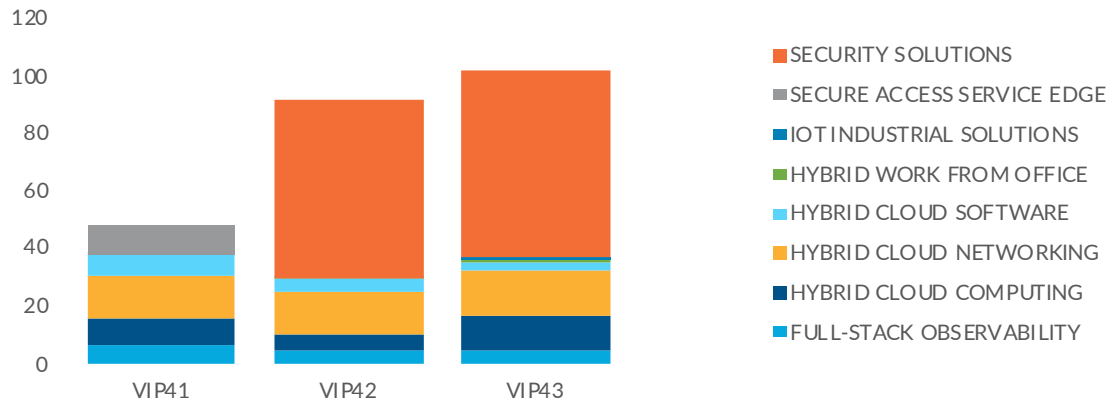
FIG. 5 NETFORMX VIP43 SOLUTIONS LAND & EXPAND INCENTIVE NVI



- The Solutions track Land and Expand incentive NVIs are identical at 117.79NVI and are a 12% increase over VIP42.
- Security Solutions represent 62% (72.81NVI) of the total Land and Expand NVI, an NVI growth of 10%.
- Hybrid Cloud Networking is at 16% (18.88NVI), followed by Hybrid Cloud Computing at 11% (12.58NVI).
- IoT Industrial Solutions entered the Solutions track fairly strongly at fourth place with 4% and 5.14NVI.

Solutions Renewal Incentive NVI

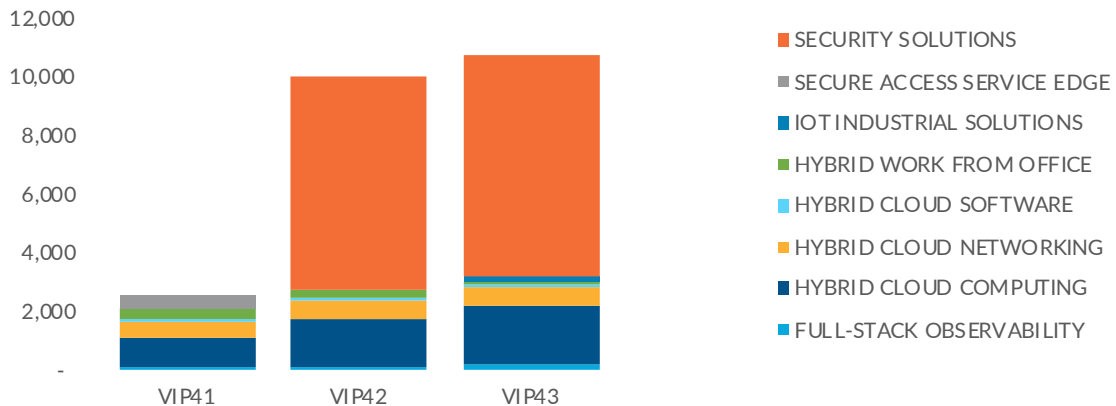
FIG. 6 NETFORMX VIP43 SOLUTIONS RENEWAL INCENTIVE NVI



- The Solutions track Renewal incentive NVI grew 11% to 101.52NVI.
- Security Solutions represents 63% (64.27NVI) of the Renewal NVI.
- Hybrid Cloud Networking is at 15% (15.24NVI), followed by Hybrid Cloud Computing at 12% (12.58NVI).

Solutions SKU Count

FIG. 7 NETFORMX VIP43 SOLUTIONS SKU COUNT

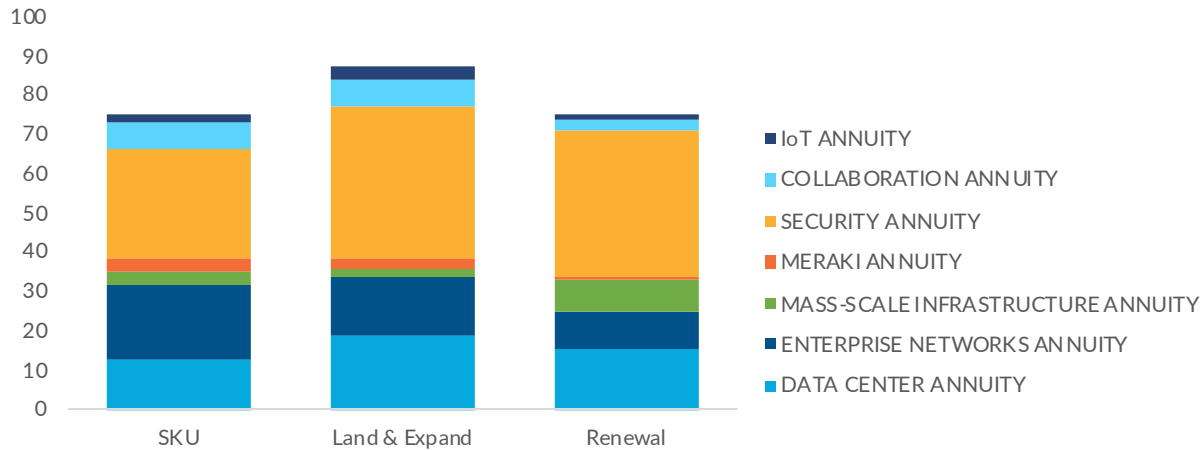


- There are 10,705 Solution track SKUs in VIP43, compared to 9,978 in VIP42, an increase of 7%. As noted earlier, some Solution SKUs duplicate Architecture and Annuity SKUs, but are only paid out for one track, with Solution SKUs having precedence.
- Security Solutions leads by far with 7,477 (70%) of the SKUs, with only a 3% growth from VIP42.
- Hybrid Cloud Computing grew 22% from VIP42 to 2,011, resulting in 19% of the VIP43 Solutions track SKUs, but is overshadowed by the leader, Security Solutions.
- The new IoT Industrial Solutions subtrack begins with 224 SKUs (2% of the total track SKUs).
- On the other hand, Hybrid Work from Office SKUs fell 71% in VIP43, to 73 SKUs.

Annuity Track Trends

The Annuity track Base SKU payouts continues at 2% (a few SKUs ranged from 0-4%; we assumed 2% in our calculations). Land & Expand bonuses range from 0-8%. Renewal bonuses range from 0-7%.

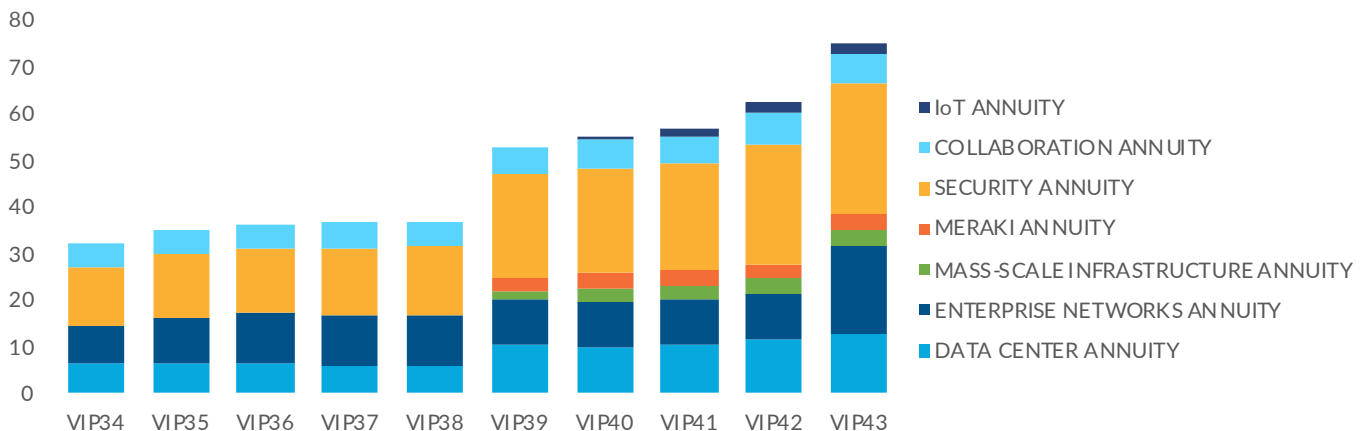
FIG. 8 NETFORMX VIP43 ANNUITY TOTAL INCENTIVE NVI



- The VIP43 Annuity track has a total 237.96NVI, an increase of 13% from VIP42.
- Security annuities dominate all Annuity track incentive categories, with a total 103.74NVI (44%).
- Data Center annuities follow with a total 47.38NVI (20%) and Enterprise Networks with 43.28NVI (18%).

Annuity SKU Base Payout NVI

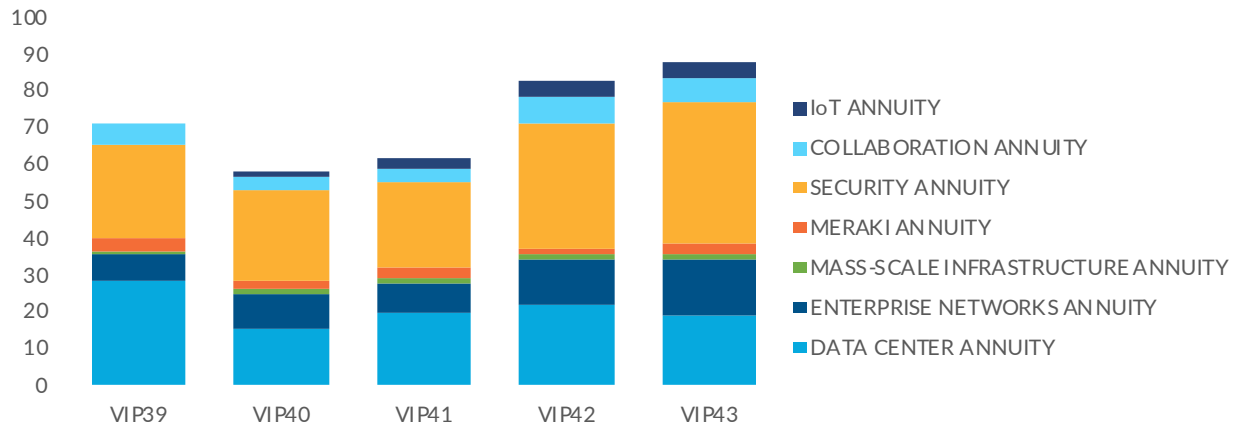
FIG. 9 NETFORMX VIP43 INDEX ANNUITY BASE



- The Base Annuity Netformx VIP Index grew 20% in VIP43, reaching 75.24NVI.
- The Security subtrack (27.7NVI) continues to dominate the Annuity NVI by providing the greatest opportunities for payouts.
- The largest growth from VIP42 is in the Enterprise Networks Annuity, which grew 88% to 18.8NVI.
- Meraki Annuity grew 22% to 3.78NVI and Data Center Annuity grew 13% to 12.94NVI.
- The IoT Annuity NVI decreased 21% to 2.3NVI. Note that the IoT Industrial Solutions subtrack was added to the Solutions Track in VIP43 as a suggested change in selling motion.
- Most of the base payouts remain at 2%. A small number of SKUs have a payout range of 0-4%; we assumed 2% in our NVI calculation.

Annuity Land & Expand Bonus NVI

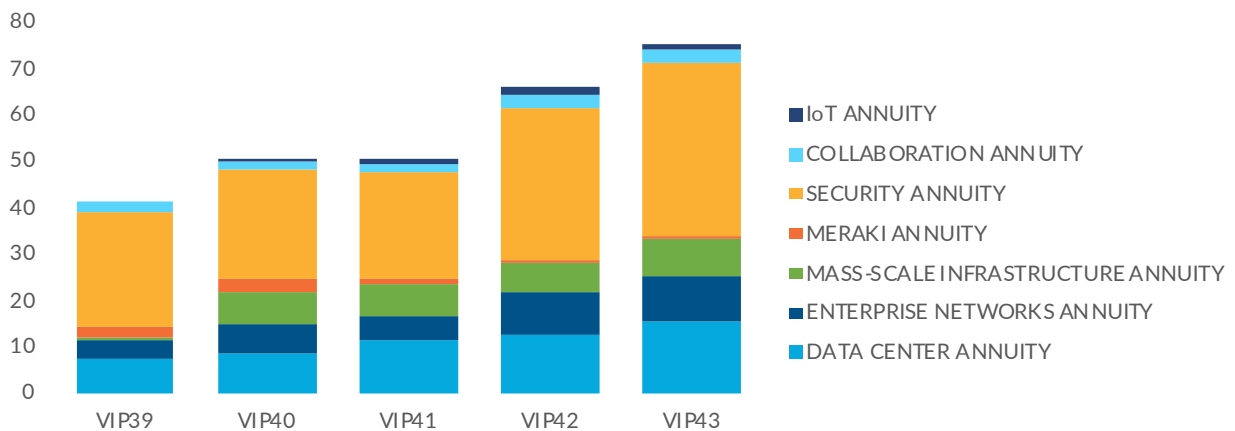
FIG. 10 NETFORMX VIP43 INDEX ANNUITY L&E BONUS



- Land & Expand Annuity bonuses range from 0 to 8%.
- The Land & Expand Bonus has a total of 87.45NVI, a growth of 6%. Security dominates with an NVI of 38.69, followed by Data Center Annuity at 19.04NVI.
- Though the numbers are small, the Meraki NVI grew more than 50% from VIP42 to VIP43, rebounding to 2.67NVI.
- Mass-scale Infrastructure grew by 19% to 1.6NVI, Enterprise Networks by 19% to 15.02NVI, and Security by 13% to 38.69NVI.
- Data Center fell 12% to 19.04NVI and IoT fell 17% to 3.7NVI.

Annuity Renewal Bonus NVI

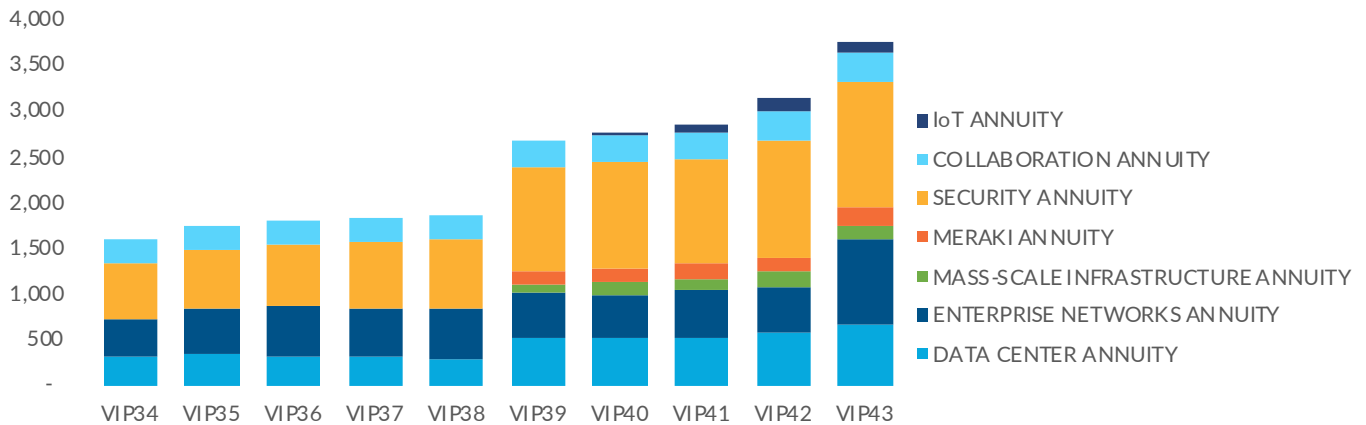
FIG. 11 NETFORMX VIP43 INDEX ANNUITY RENEWAL BONUS



- Renewal Annuity bonuses range from 0 to 7%.
- Security dominates (50%) the total 75.27NVI renewal bonuses with 37.35NVI, followed by Data Center at 15.4NVI (21%).
- Enterprise Networks grew 7% to third place with a 9.46NVI.
- Meraki came back to life with a small 0.66NVI

Annuity SKU Count

FIG. 12 NETFORMX VIP43 ANNUITY SKU COUNT



- The Annuity SKUs grew by 20% overall to 3,762.
- Security Annuity SKUs continue to dominate with 1,385 SKUs, a growth of 7% from VIP42.
- Enterprise Networks Annuity SKUs grew a whopping 87% to 940, followed by Meraki growth of 22% (189 SKUs).
- Data Center SKUs grew 13% to 647 and Collaboration SKUs held steady at 326.

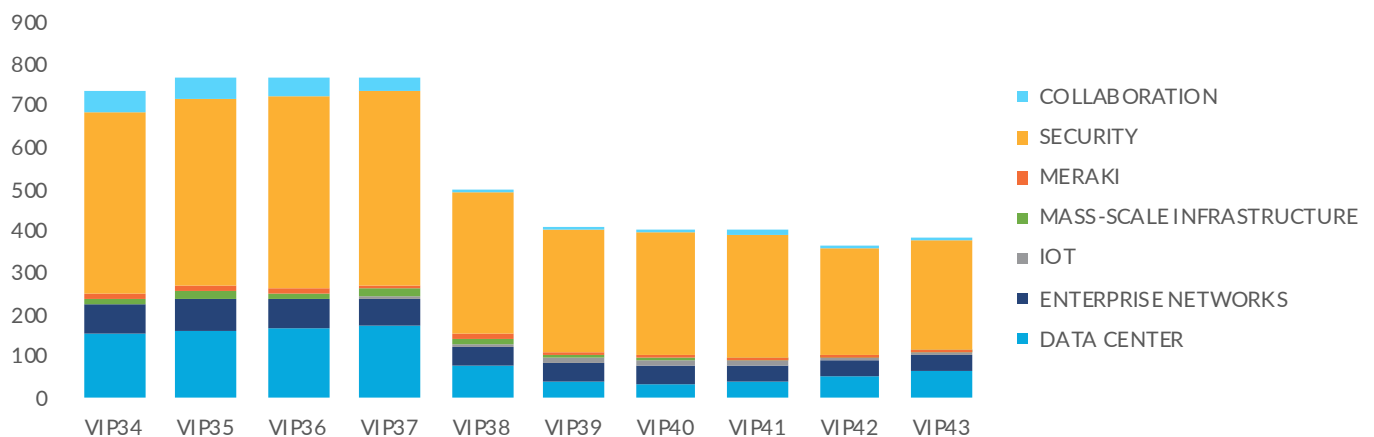
Architecture Track Trends

Architecture rebates increased 5% in Netformx VIP Index (NVI) between VIP42 and VIP43.

These data center architecture specializations are being retired at the end of the Cisco fiscal year: Data Center, Advanced Data Center Architecture, and Master Data Center and Hybrid Cloud. Cisco recommends working with your PAM on how to adjust your selling motions to a different line of business (such as the Cloud offerings in the Solutions Track) to maintain your profitability.

Architecture SKU Base Payout NVI

FIG. 13 NETFORMX VIP43 INDEX ARCHITECTURE

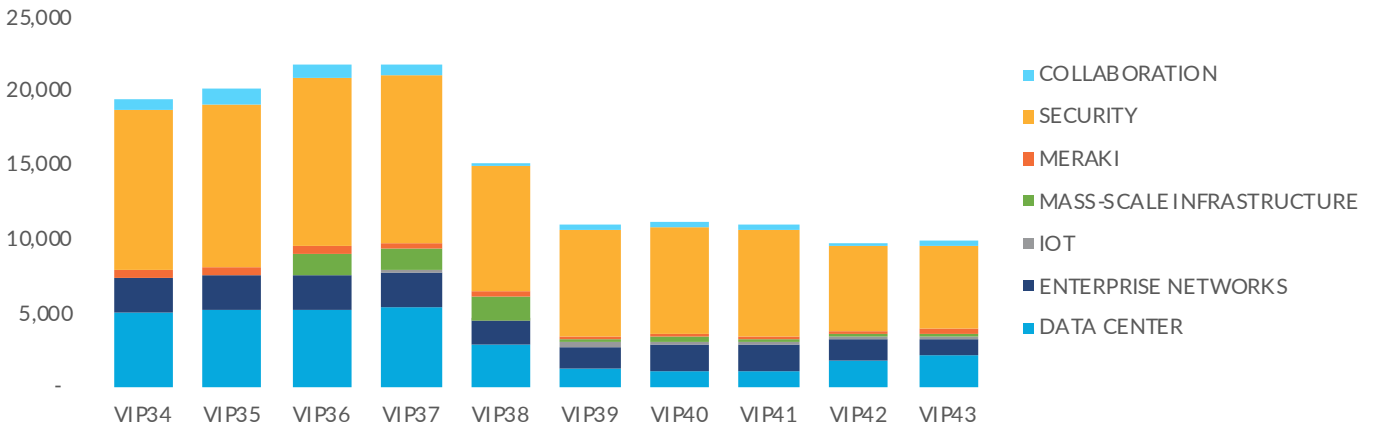


- The Architecture track has a total 386NVI in VIP43, a 5% increase over VIP42.
- Security continues to provide the largest (67%) benefit at 258.2NVI, a growth of 2% from VIP42.

- Data Center grew 21% to 67.42NVI despite the specializations being sunset.
- Mass-scale Infrastructure grew 27% to a still small 3.02NVI and Meraki 25% to 7.72NVI.
- IoT decreased 16% to 6.58NVI. Note that in the Solutions Track for VIP43 IoT Industrial Solutions subtrack was added as a suggested change in selling motion.

Architecture SKU Count

FIG. 14 NETFORMX VIP43 ARCHITECTURE SKU COUNT



- The Architecture SKU count increased just 2% from VIP42 to 9,871 SKUs.
- The Security subtrack continues to dominate with 58% of the Architecture SKUs, adding 112 SKUs, a 2% increase over VIP42.
- The number of Meraki and Mass-scale Infrastructure SKUs grew 29% and 26%, both to 234.
- Data Center SKUs grew 14%, to 2,052 and Collaboration 10% to 286.
- Enterprise Networks SKUs fell 12% to 1,195 and IoT fell 50% to 149.

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. Cisco suggests that Partners put a strong emphasis on taking advantage of accelerators and bonuses to maintain profitability.

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 large 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 and LCI programs. We leverage our program expertise and apply logic to all the Cisco and partner distributor data that is automatically fed to us through a defined process. This provides added insights to a partner's business that they will not see in Cisco's tools.

For example, major insights we can provide for **presales** opportunities are the ability to:

- **Increase payouts** by identifying VIP and LCI insights before the deal is completed
- **Run “what if” scenarios** to compare the impact your and your competitor’s Specializations have on a VIP deal

Our **post-sales** solutions provide:

- **Extra reporting, as well as filtering** capabilities to efficiently manage Cisco’s many promotional programs
- Capability to **assess how you are investing your energies** in Cisco’s programs and look at how to adjust your go-to-market strategies to be even more successful at optimizing and maximizing rebates and rewards

Netformx is the only solution that audits your Cisco transactions against all the Cisco programs to help you assure you did not leave any of your money on the table or to identify whether Cisco made a mistake in their calculations.

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