# Increasing Cisco Partner Profitability

*This paper is intended for Cisco VAR and Service Provider partners who dedicate a significant portion of their business to the resale of Cisco hardware and software. If you are reading this you are probably leading or involved in your company's digital transformation and play an important role in the sales process and customer experience delivery.*

# with Design to Quote Automation

## Executive Summary

Cisco partners have unique requirements to optimize their sales operations. Challenges are faced on both the "buy side" and "sell side" of the customer solution resale practice. In this paper we examine the process and draw attention to **StrataVAR Partner Quoting Workspace** (PQW), built to address the specific requirements of Cisco reseller partners.

## Cisco Commerce Workspace as a Partner Configuration Tool

The "buy side" of acquiring Cisco hardware and software is controlled by Cisco Commerce Workspace (CCW), a powerful and complex Configure/Quote/Price (CPQ) tool developed by Cisco to guide resellers through the selection of products from the Cisco catalog. Technical validation is performed at the "box" level, and the final configuration, or BoM, is created as an estimate or deal registration that is viewed through the secure online CCW portal hosted by Cisco. A valid configuration from CCW is the single source of truth for every deal and forms the basis of a contract between Cisco and the reseller.
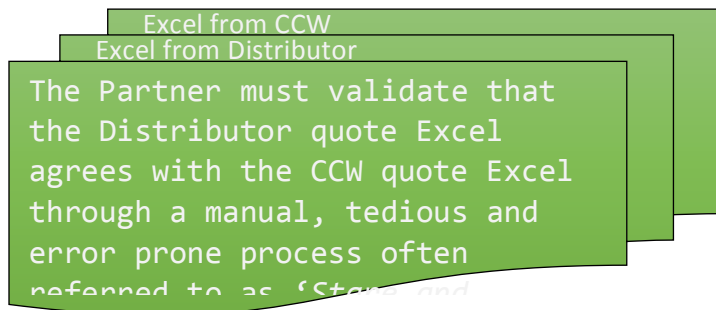
Market leading CPQ tools are unable to replace CCW for two main reasons: (1) the volume and pace of changes occurring in the Cisco catalog make it virtually impossible for third party tools to maintain up to date data, and (2) the CCW validation logic cannot be duplicated. CCW output therefore remains the single source of truth for partner buy side purchases. For this reason, the StrataVAR solution does not replace CCW, but rather automates the

integration of data from CCW into the partner's own system of record. StrataVAR's single-click download replaces the partner's manual copy/paste workflow that relies on Excel output from CCW, eliminating errors and saving untold hours of tedious manual effort. As the BoM changes throughout the sales process, StrataVAR provides a single-click refresh to update the partner's system with the latest information.

# Determining Partner Pricing and Discounts

Partner buy side cost of goods sold (COGS) pricing comes from two fulfillment options: (1) directly from Cisco if the partner has met the requirements of becoming a Direct VAR (DVAR), or (2) indirectly through a Cisco distribution partner. Two tier Cisco partners fulfill indirectly and about half of DVAR business is also fulfilled indirectly. Estimates from CCW do not contain discounts, but they can be moved into CCW deal registration to be eligible for transactional discounts, in which case the net price is displayed for orders fulfilled directly by Cisco. In cases where distributor fulfillment is selected, the net cost does not appear and this data must come from the distributor, that is, the COGS for the BoM come from the distributor quote in the form of an Excel file. This file should contain the same BoM and list price as provided by CCW, but will also include negotiated and transactional discounts, as well as "special discounts" for each SKU.



Excel from CCW
Excel from Distributor
The Partner must validate that the Distributor quote Excel agrees with the CCW quote Excel through a manual, tedious and error prone process often referred to as 'Stare and

Approximately half of all distributor quotes are sent back for revisions at least once in this process. Uncaught errors create installation problems later, negatively impacting both partner margin and customer satisfaction. For this reason, StrataVAR has automated the process and uses the partner system of record to compare the quotes side by side, flagging inconsistencies for reconciliation. Once resolved, the distributor costs are recorded in the partner's own system, providing data that is essential for understanding margin and Cisco Value Incentive Program (VIP) rebate calculations.

Cisco VIP is a back end rebate that can make a significant contribution to a partner's annual profitability. The amount of potential VIP, based on COGS, is not calculated by Cisco or the distributor and is nearly impossible for the partner to calculate manually. This can lead to one or more percentage points of margin not being known on the deal. StrataVAR addresses this issue by tracking the potential VIP rebate for each SKU based on the partner's enrollment options. This not only solves the immediate need to know the complete net COGS but also adds this valuable data to the partner's system of record for advanced business intelligence that can be used for period end reconciliation, program evaluation and advanced margin analysis.

# Other Complications

Complex use cases, such as reusable non-standard discounts (RNSD), require special attention because they are "virtual deal registrations" containing special pricing for particular customers with specific products over a defined time period. It may be necessary to use one or more line items from the RNSD to build a final customer BoM. This is a good illustration of the need for a partner quoting system to be able to integrate and manipulate data from multiple sources, rather than just a single BoM from CCW.

Quoting is often a "many to one" process, bringing together multiple data sources to create the final customer BoM and quote. Each of these data sources can present its own issues in terms of partner workflow requirements. For example, multiple Excel file copy/paste functions; multiple Cisco portal queries; version control for complex deals, and so on. The absence of automated data integration from such sources into the reseller's system makes assembling the final customer BoM, with all known costs verified, a significant challenge for the reseller, and contributes to wasted time and lost margins.

# Overcoming Challenges to Quickly Create Accurate Quotes

On the partner "sell side", producing a customer quote based on the final BoM requires another set of skills, in addition to integrating data specific to the particular account. Standard discount off list price is a common pricing method, with margin calculated as net price above COGS, but there are many variations on how the end result achieves a winning quote. Many customers have negotiated standard or special discounting for various families of hardware and software and the pricing must accurately reflect this data, which may be stored in other files or on shared drives. StrataVAR unifies this data and adds the ability to enrich data, for example accounting for the customer's negotiated discounts for certain categories of products. This saves valuable time and eliminates embarrassing mistakes during the customer quoting process since the correct data is already in the partner's system.

Additional challenges in customer quoting include the ability to use custom templates for specific customers, grouping the BoM appropriately for presentation in each unique customer scenario, modifying data that is visible or hidden in the quote, and adding boilerplate notes and messages that are unique to each customer. StrataVAR Partner Quoting Workspace (PQW) addresses these challenges by providing a user friendly interface to easily modify quotes through point and click. Because "grouping" of the final BoM is often important, StrataVAR provides a unique hierarchical tree structure that makes it quick and easy to move line items to major and minor groupings within the quote as desired. Multiple physical locations, hardware versus software,

technology types, and multiple vendors are other examples of the variables in the quoting process that are supported by StrataVAR.

# The Value of an Integrated Data Base Solution

Many Cisco partners already leverage powerful CRM systems such as Salesforce or Force.com. As data is collected, validated, calculated and managed by rules on these systems, StrataVAR PQW allows the customer quote to be created on this same system. In other words, every step in the entire process is performed and recorded within the partner's CRM system. Data now becomes available for reporting, queries and dashboards that are easily created by ordinary CRM users. Flags, alerts and permission levels are easily set, for example for service attach ratio, margin percentage, etc., to ensure that the entire process receives the required approvals at any threshold.

The entire process from CCW estimate to final customer quote can be accomplished in as little as two minutes for a simple quote. For more complex quotes, StrataVAR PQW supports a collaborative process and phased project approach that can be implemented over an extended period of time. All work is performed on one system and virtually all of the Excel copy/paste operations that previously dominated the partner workflow are eliminated from the process. Data calculations are performed as needed for any variable, including VIP rebates, margin by technology type, and just about anything other requirements the partner has.

Every piece of data pertaining to every deal is now readily accessible for advanced business intelligence and integration with back end office systems such as ERP and accounting systems used by the Partner.

| StrataVAR Return on Investment | |
|---|---|
| Total sales cycle time for operations workflow | 20-60% reduction in time and effort |
| - CCW import to quoting | 40-80% reduction in time |
| - Percentage of quotes without errors | 15-20% improvement |
| - Cycle time to create a customer quote | 40-80% reduction in time |
| - Time and effort to revise customer quotes | 2 minutes from CCW to new quote |
| Net profit increase from VIP rebate data | 5-20% for each six (6) month program period |
| Increased revenue from fast, efficient quoting | 10-15% annual increase |
| Increase profit margin through efficiency, error reduction, timely access to information during sales cycle and advanced business intelligence | 10-30% annual increase |