Partner White Paper

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Cisco 60–30 Renew on Time Initiative 60-Day Renewal Rate Look Back Promotion, and Performance Metrics Central

We are planning changes to Cisco® Services Performance Metrics Central (PMC) effective Q3FY14. These changes help ensure that partners' renewal rate in PMC is not negatively affected in situations in which customers complete renewals by the end of the entitlement period rather than by the contract end date.

Why Are We Making This Change?

To understand the changes being made, it is important to understand how Cisco's entitlement practices affect the measurement of partner's renewal metrics. With Cisco's current entitlement practices, end customers are granted service entitlement for 60 days beyond the end date of their service coverage. Partners have pointed out that this practice affects their renewal rate metrics. If an item in a renewal rate has an end date within 60 days of a quarter's end, the customer continues to receive entitlement beyond the end of the quarter in the event of a late renewal. This entitlement reduces the sense of urgency for the customer to complete the renewal on time. Consequently, it makes it more difficult for partners to achieve renewals on time.

Currently, Cisco is using a feature in our renewal rate measurement called the 60-Day Renewal Rate Look Back promotion, which was implemented to address partner concerns about the way Cisco entitlement practices affect their metrics. The promotion allows the final measurement of a partner's quarterly renewal rate to occur after all entitlements for the quarter have ended.

The changes we recently announced to PMC are designed to replace the 60-Day Renewal Rate Look Back promotion. **Note that these changes do not change the average amount of time that a partner has to renew items in the PMC renewal rate metric.** After the lookback promotion has ended and this new measurement is in place, a partner will have exactly the same amount of time to renew items as the partner did under the lookback promotion. Cisco is not taking anything away from partners and is not tightening the rules for the renewal rate measurement. Partners will still receive renewal credit for items that are renewed prior to the end of entitlement.

What Is Changing?

In Q3FY14, Cisco will discontinue the 60-Day Renewal Rate Look Back promotion. It will be replaced with a new capability in PMC. This change will occur two quarters after Cisco reduces the entitled overdue period from the current 60 days to 30 days.

The current renewal rate metrics detail download file has a column labeled Renewal Obligation Date. Until the changes are implemented in FY14, the Renewal Obligation Date will be the same as the item's end date. When the changes are implemented in Q3FY14, the Renewal Obligation Date will be equal to the item's end date plus 30 days.

Historically, PMC has used the item's service end date to assign an item[1] to a given quarter. After this change is implemented, PMC will use the renewal obligation date rather than the service end date to assign the item to a quarter. At a high level, that is the only change.

Example Scenarios

Here, in more detail, is what this change means to the renewal rate measurement. At a high level, this change means that the quarters shift back by a month. For example, traditionally Q3 has measured items with an end date in February, March, or April. Under the new system, using a renewal obligation date 30 days beyond the end date, Q3FY14 will measure items that have end dates in January, February, and March (Figure 1).

Figure 1. Comparison of Old and New Renewal Rate Metrics

	Old Item End-Date Quarter Assignments					
	Q3			Q4		
January	February	March	April	May	June	July

New Item End-Date Quarter Assignments						
Q3			Q4			
January	February	March	April	May	June	July

Consider an example of an item that has an end date of April 30. Under the old measurement, this item would be classified as a Q3 item. If it were not renewed by the end of Q3, the partner would not receive renewal credit at the Q3 end measurement. Two months after the end of Q3, the Q3 lookback calculation would be performed. If this item was renewed[2] at this time, the partner would be given renewal credit. The lookback promotion gave the partner 60 days beyond the end date of this particular item to renew it. Under the new measurement, an item with an end date of April 30 will be classified as a Q4 item, because the end date of April 30 plus 30 days will yield a Renewal Obligation Date of May 30. We will be using the renewal obligation date rather than the service end date to assign items to quarters in the new measurement. Because this item is now considered a Q4 item, the partner has until the end of Q4 to renew and still receive renewal credit.

Now let's look at an example of an item that has an end date of February 1. Under the old measurement, this item would be classified as a Q3 item. This means that under the old measurement the partner would have until the end of the Q3 look back period (June end) to renew this item. Under the new measurement this item will still be considered a Q3 item because the end date of February 1 plus 30 days yields a renewal obligation date of March 1. This item will remain a Q3 item since March 1 falls within Q3 and the partner must renew before the end of Q3 to receive PMC Renewal Rate credit.

The amount of extra time beyond the end date of an item that the item can be renewed with a retroactive start date and still be credited as a renewal in PMC Renewal Rate varies depending on the end date of the item. Under the old measurement, items that expired the last day of a quarter had an extra 60 days. Items that expired on the first day of the quarter had five months – three months in the quarter plus the 60 day lookback. This concept remains true under the new measurement. The only change is which items will receive the extra time. Under the new measurement, an item that expires on the last day of the first month of a quarter will have 60 extra days past the

1 For multiyear items, the item start date is used to assign them to quarters.
2 And there is a retroactive start date

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end date. An item that expires on the first day of the third month of a quarter will shift to the next quarter and can be renewed up to four months beyond the service end date. On average, there will be 30 days less time than there was under the old measurement. These 30 days correspond to the 30 day reduction in post end date entitlement given to the end customer.

Timeframe for Targeting Renewals Remains the Same

It is important to understand that this change does not change the timeframe in which partners should be targeting renewals. Early and on-time renewals are in the best interest of customers, partners, and Cisco. **Partners should always begin the renewal process far in advance of the expiration of a customer's coverage.** If renewals are early or on time, the metrics will take care of themselves.

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