Demystify Cisco DNA Enterprise Agreements to Improve Your Negotiating Position and Optimize Your Network Spend

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Initiatives: Data Center Infrastructure and 1 more

I&O leaders struggle with Cisco's Digital Network Architecture subscription-based licensing options, mandatory for all Catalyst 9000 series switches and ISR 4000 series routers. This research helps I&O leaders negotiate and optimize network spend on Cisco DNA licensing enterprise agreements.

Overview

Key Challenges

- Cisco is eager to increase Digital Network Architecture (DNA) Center adoption, increasing pressure on I&O leaders to implement technology with an unclear value proposition for their organizations.

- Cisco offers discounts, and claims that discounts and costs are better over the long term, to entice customers to enter so-called enterprise agreements (EAs). But many I&O leaders struggle to evaluate these offers compared with a la carte agreements.

- Factors such as organizational preparedness and contract length can impact the value of enterprise agreements, making it difficult for I&O leaders to calculate the real costs.

Recommendations

I&O leaders focused on data center infrastructure must:

- Improve their bargaining position for both a la carte and enterprise agreements by leveraging low DNA network adoption and competitive offerings from other vendors to negotiate deeper discounts.

- Evaluate offers to enter enterprise agreements by benchmarking a la carte DNA licensing discounts to ensure that they are in an appropriate discount band.

- Quantify the value of entering an enterprise agreement by detailing technical, business and financial use cases for the technologies covered under the EA.
Strategic Planning Assumption

By 2025, 35% of enterprises will enter into network-specific enterprise agreements as software-controlled network infrastructures become mainstream and companies adopt a unified policy based network fabric, which spans the data center, campus and WAN edge.

Introduction

Cisco is driving its customers to new DNA licensing and subscription-based licensing. Enterprise agreements are tied to DNA licensing covering three specific technology licensing silos:

- DNA for SD-WAN and routing
- Campus switching
- Wireless networking

However, I&O leaders are unsure how these Cisco licensing mechanisms can support their current and future network infrastructure, architecture and operational vision. As a result, they struggle to quantify or qualify the cost-to-value ratio of DNA a la carte licensing, let alone how an enterprise agreement would be advantageous to their organizations. This research focuses on Cisco DNA licensing for campus switching, wireless and software-defined WAN (SD-WAN) because they have been a part of a critical transition from perpetual licensing to subscription-based licensing and comprise the largest segment of Cisco’s enterprise portfolio.

Analysis

Leverage Low DNA Technology Adoption Rates

With the technology OEM market shifting to differentiation by software and not hardware, Cisco often states that it is transitioning from its traditional focus on hardware into becoming a software company. As such, Cisco is investing heavily in architectures that are differentiated by software features instead of only firmware for control and intelligence. At the core of the transition is Cisco’s Digital Network Architecture, which is an all encompassing assembly of campus networking features, inclusive of its core management suite, DNA Center. DNA Center replaces, and in many cases runs alongside, Cisco Prime and is the controller for its Software-Defined Access (SD-Access).

Cisco has pivoted its go-to-market strategy so that it now leads with Nexus 9000 and software-defined data center architectures, Catalyst 9000 and DNA Center/SD-Access in the campus, and cEdge/vEdge with vManage on the WAN edge. However, as illustrated in Figure 1, Cisco is challenged with driving DNA Center adoption. DNA is the centerpiece of its campus technology strategy and a necessary component to drive subsequent SD-Access adoption.

![Figure 1. Approximate Cisco DNA Center Deployment](image-url)
However, Gartner client inquiries conducted between 2018 and 2020 have demonstrated that many Cisco customers struggle to understand the value of DNA Center other than as a replacement for Cisco Prime.

Cisco has had limited success with DNA adoption, even with mandatory licensing, and is attempting to drive adoption through enterprise agreements. Cisco has been largely unsuccessful in making the case for DNA adoption to technical teams and their leaders and is now attempting a top-down sales approach by appealing to corporate procurement and financial teams to drive adoption.

Therefore, I&O leaders should leverage relatively low DNA adoption as part of negotiations with Cisco on both a la carte and enterprise agreement discounts. Cisco wants to drive adoption of DNA, SD-Access and other related technologies in the campus, which can be of value to the enterprise. But first, they must demonstrate the intrinsic value of the technology. The path of least resistance for Cisco to motivate its customers is by aggressively discounting a la carte and, to a greater extent, enterprise agreements. Furthermore, I&O leaders who have made the decision to invest in the Cisco Catalyst 9000 as the predominant campus architecture should be testing DNA Center for suitability in their production environments. This is true even when multiple network vendors are deployed, but Catalyst 9000 is the predominant network technology. Thirty-six-month DNA licensing is mandatory with all Catalyst 9000 switches, therefore, customers not using DNA Center are not extracting the optimal value from their technology investment.
IT leaders in charge of networking and procurement should account for mandatory feature licensing in their capital budgets as network OEMs continue to pivot from static differentiation through hardware to driving continuous value through flexible software feature subscriptions.

**Benchmark Basic Discounts Before Negotiating Enterprise Agreements**

Inquiry with Gartner clients between 2019 and May 2020 revealed a pattern in which Cisco offers increased discounts to motivate its customers to enter an enterprise agreement (EA). However, Gartner inquiries have revealed that many customers could still attain better-than-average discounts without the need to sign an EA to drive that discount.

Historically, enterprise routing and switching equipment discounts have averaged between 50% and 60%. However, Gartner inquiries between 2018 and 2020 show that discount range trends have increased to between 55% and 60%. This increase in discount could reflect the discounts required to offset Cisco price increases over the same period of time and to offset a marked increase in competition in enterprise accounts from network OEMs such as Hewlett Packard Enterprise (HPE) Aruba, Extreme Networks, Fortinet, and Juniper.

We also see increased discounts on Cisco’s newest generation switches, that is, the Catalyst 9000 family versus Cisco’s legacy 2000, 3000, 4000 and 6000 platforms. This is to be expected as Cisco’s newest generation of switches is inclusive of a separate 36-month mandatory DNA license subscription, versus the legacy platforms that have no such requirement. I&O leaders should negotiate equal discounts for 9000 hardware DNA licensing (see Figure 2).

**Figure 2. Approach to Negotiate Your Base Discount**

**Approach to Negotiate Your Base Discount**

- **Business Goals and Network Vision**
- **Competitive Options**
- **Past, Present, Future Spend**
- **Plans for DNA-C/SDA Adoption**

Source: Gartner

DNA-C = digital network architecture center, SDA = software defined architecture

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1. Leverage historical spend over the past two years, and anticipated spend over the next 36 to 60 months to establish Cisco loyalty.

2. Telegraph a detailed business and network vision to Cisco as incentive for your account team to offer deeper discounts. Convey to Cisco existing DNA Center adoption levels to drive further discount incentives as a reward for helping to drive DNA and SD-Access adoption.

3. Compile a list of viable competitors as well as detailed pros and cons of competitors versus the Cisco solution.

4. Adopt DNA Center, if it is an appropriate fit for your organization, and prepare a roadmap to SD-Access adoption.

Determine If an Enterprise Agreement Is Right for Your Organization

Once base discounts outside of the guise of an EA are negotiated, calculate the real costs of entering an enterprise agreement. Most EA proposals are replete with anticipated savings over the term of the agreement, with most of the savings based on deep adoption of the technologies offered under the EA. As proposals are positioned as “all you can eat” packages, I&O leaders should ask the following critical questions to quantify and qualify the costs and risks of entering into an EA.

Is My Network Infrastructure Prepared to Take Advantage of DNA Licensing Levels?

An infrastructure that has migrated to Catalyst 9000 or newer 3000 or 2000 equipment, or will be migrating in the immediate future, may be prepared to adopt DNA. However, most enterprises that still have a high percentage of legacy switches and routers are not prepared. Therefore, I&O leaders must determine when the infrastructure will be ready to adopt DNA and recognize the advantages of signing an enterprise agreement today versus waiting until the infrastructure has been upgraded. As mentioned in the previous section, getting good base hardware and licensing discounts should not be contingent on signing an EA.

Will I Use DNA Technology If I Sign an EA?

Cisco announced at the April 2020 CX Analyst Forum that approximately 5% of all Cisco 9000 switch customers are actively using DNA Center, which is up from Gartner’s 2019 estimates of approximately 1% to 2%. However, we expect that the percentage of 9000 users that have deployed SA-Access into production will be lower.

Additionally, enterprises are unsure how much of the technologies included in an EA could be useful for deployment in the short and long term. As such, would entering into an EA make sense to a company that has not even developed an internal roadmap and business case for adopting DNA and SD-Access technologies? I&O leaders must develop the use case first and then work with
Cisco to structure a possible EA around that use case. Otherwise, Cisco will structure an EA around a general use case for you, and that usually does not offer the specific fiscal value or the technical fit for your organization.

I’ve Decided That an EA is Right for My Organization Based on Our Technical Roadmap and Use Case. Can I Use All of the Included Technologies Now to Realize Value on Day 1?

Many of the technologies and features included in various DNA EA levels such as ISE, Stealthwatch, Prime Infrastructure, etc. have been empirically proven to be stable and effective due to widespread use and time since launch. Conversely, SD-Access is still a work in progress. And while it continues to improve in stability and feature usability, Gartner does not yet recommend immediate adoption in all environments. Therefore, the ability to realize all benefits on Day 1 of an EA contract may be difficult in a best-case scenario and impossible in a worse-case scenario.

The decision to enter an EA should be contingent on three things: (1) a technical use case, (2) a business use case and (3) a financial use case. If any stakeholders are still unsure, or the benefits are not clear, avoid entering an EA.

The “carrot” of immediate discounts should never be the compelling reason to rush into an EA. Companies that have done so have found that the “stick” soon followed, in the form of suboptimal discounts, unachievable spending clauses and licenses for technologies that never get deployed.

Combine EA Proposals From Multiple Technologies Into Negotiations

Cisco breaks up enterprise agreements into three buckets and approaches each as a separate entity:

- Unified communications (Flex Plan)
- Security
- Enterprise networking (router and switches)

While Flex Plan and security EAs are not covered in this research, it is important to mention that they exist and can be used as further leverage for the DNA EA. I&O leaders should document potential spend in each category to leverage negotiations across EA types. For instance, if you are negotiating an EA but there is a potential for a subsequent Flex Plan EA, use the value of the potential spend as incentive for deeper discounts during the current EA negotiation.

Additionally, Cisco customers continue to push back against the complexity of having to manage and negotiate multiple enterprise agreements, which will drive change to Cisco’s EA strategy. Gartner predicts that Cisco will unify its EA offerings into a true enterprisewide portfolio by the end of calendar-year 2022.

Is a Three- or Five-Year Enterprise Agreement Right for My Organization?
Once you have done the requisite due diligence, an enterprise equipment EA has been determined to be a right fit, and the right licensing level has been determined, the next consideration is the length of the contract. I&O leaders should use the following considerations to weigh the pros and cons of a three- or five-year contract length.

Based on your detailed technical use case, how long will it take to deploy the enterprise hardware that can operationalize the technologies covered under the EA? For many large enterprises, the answer is that this effort is a multiyear, global program and not simply a project. In such cases, locking in a wide variety of technologies under an EA is optimal, especially when considering licensing for thousands of switches and other networking equipment that will benefit from the EA. Additionally, companies deploying pervasive software-defined architecture across the enterprise should commit to a five-year EA because they are embracing an expansive and evolving suite of Cisco advanced technologies based on the 9000 platform for the long term.

For companies with no clear plans to deploy advanced technologies like SD-Access in the immediate future, but with plans to deploy DNA Center, ISE and moderate levels of automation, a three-year contract makes sense. Since a three-year DNA license is required when purchasing all Catalyst 9000 hardware, the three-year EA enables capabilities to adopt and expand usage without the risks of being locked in to a five-year contract. Additionally, a shorter EA term lessens exposure if it is ultimately realized that DNA advanced technology path is not the right fit for the enterprise.

I&O leaders considering a Cisco EA should also weigh enterprise wired and wireless switching architectures from HPE Aruba, Extreme Networks, Juniper, and others before making a final determination on the Cisco offering and an enterprise agreement commitment. Additionally, is vendor lock-in a consideration? A three- to five-year financial commitment to Cisco is the opportunity cost of possibly adopting technology from other vendors. This is especially problematic as new(er) technologies such as SD-WAN and SD-LAN and branch technology evolve and other OEMs continue to deliver attractive architecture alternatives to Cisco.

Therefore, Gartner recommends that three-year contracts be considered for the overwhelming majority of Cisco EAs, and that five-year contracts be considered only after extensive due diligence, and then with extreme caution. Only enter five-year EA contracts when there are not only compelling business and technical cases, but also a minimum of a 6% uplift versus a three-year contract, which would make the longer contract a compelling fiscal case.

Evidence

Among Gartner I&O analysts, the number of interactions specific to Cisco DNA licenses increased 292% from 2018 and 2019, and that trend continues through May 2020, with 2020 trending to show year-over-year inquiry growth specific to DNA of at least 100% through the end of the year.

“Cisco DNA Enrollment for Cisco Enterprise Agreement (EA)”

“Cisco Enterprise Agreement”
Recommended by the Authors

How to Achieve the Deepest Discounts on Cisco SmartNet and Optimize Existing Spend

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