

WHITEPAPER

The First 12 Months of Broadcom's Stewardship of VMware

Author:
Steven Dickens
CEO and Principal Analyst

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Executive Summary

The past year under Broadcom's stewardship has been a pivotal one for VMware, marked by a mix of highs and lows that have significantly shaped customer perception and the market outlook. Broadcom finalized its acquisition of VMware in November 2023, promising investments in innovation and R&D while transitioning VMware toward a more commercially focused model. However, the journey has been far from seamless.

In the upside column for the 12 months is VMware Cloud Foundation (VCF) 9.0. VCF was a standout achievement in the first 12-months, signaling Broadcom's intent for advancing VMware's core technologies and providing some much needed production based direction. VCF 9.0 introduced critical enhancements in unified management, advanced memory tiering, and integrated multi-tenancy, setting the stage for modernized private cloud operations and improved support for emerging technologies like AI. VMware Explore 2024 was another high point, showcasing a clear vision for VMware's future, with co-engineered solutions and partner updates reinforcing its role in enterprise cloud strategies.

However, the downsides have been equally prominent. The AT&T lawsuit, which alleged exploitative pricing practices, drew sharp criticism. While Broadcom and AT&T ultimately reached a settlement, the dispute underscored the growing dissatisfaction among customers regarding Broadcom's aggressive pricing strategy. VMware customers have reported significant cost increases, with some facing hikes as high as 200–500%, compounded by reduced engagement and support due to organizational restructuring. Although Broadcom is positioning the bundling of VCF as a counter saying that while the overall agreement price has gone up, so has the value it has delivered.

Challenges in the partner channel further delivered headwinds for Broadcom in year one. Key partners expressed frustrations with Broadcom's revised channel policies, citing diminished profitability and complexity in reselling VMware products. While the simplification on the sheer volume of SKU's was appreciated by the channel, any change is always a challenge. Although initiatives like the Value-Added OEM (VAO) program introduced promising co-engineered solutions with partners like Dell, HPE, and Lenovo, the transition to new models created significant friction.

Despite these challenges, customer migration away from VMware remains limited, with CIOs largely adopting a wait-and-see approach. High profile cases like AT&T and Geico have garnered lots of column inches, the actual migrations have been few and far between. As Broadcom balances innovation with commercial pressures, the next 12 months will be critical in determining VMware's long-term market position.

Pricing, SaaS and SKU Consolidation

On December 11, 2023, VMware marked a seminal moment in its evolution by transitioning its portfolio entirely to subscription-based models, ending the availability of perpetual licenses. While this move has drawn criticism from some quarters, it aligns VMware with broader industry trends, where SaaS-based pricing models are becoming the norm. This shift has underpinned much of the negative narrative but rather represents VMware's strategic response to changing market expectations, focusing on delivering simplified licensing models, and a focus on bundled approaches all while aligning with the wider industry trend to offer SaaS based models.

Historically, VMware's vast array of products and licensing models had become increasingly complex for both customers and partners. The sheer number of SKUs often made it challenging to navigate options, leading to inefficiencies in deployment and planning. Over the last two years, VMware has been on a path to rationalize this complexity, and the December 2023 announcement represents the culmination of these efforts. By consolidating its offerings into VMware Cloud Foundation (VCF) and VMware vSphere Foundation (VVF), VMware has significantly streamlined its portfolio, making it more accessible and intuitive. The rumor was that Hock Tan told the executive leadership team that they had a limit of ten product SKU's for the new model. This simplification benefits customers by reducing decision-making friction, making the channel GTM model simpler, all while enabling VMware to focus its innovation on these core platforms.

Critics of the transition have pointed to concerns over pricing predictability and potential cost increases associated with subscription models. However, VMware's move mirrors shifts made by many industry leaders, reflecting the inherent value of SaaS-based solutions. Subscription models ensure customers gain access to the latest updates, enhanced security, and the ability to scale based on changing needs. Additionally, the introduction of flexible "Bring Your Own License" options demonstrates VMware's commitment to accommodating hybrid and multi-cloud environments, providing a degree of flexibility often absent in traditional licensing schemes.

This strategy also addresses the industry's growing demand for integrated solutions. VCF now includes a full-stack infrastructure platform with management, networking, and storage components, while VVF caters to traditional data center optimization needs with built-in Kubernetes support. Optional add-ons for generative AI, disaster recovery, and other advanced use cases enhance VMware's value proposition, reinforcing its commitment to addressing diverse customer needs.

Ultimately, VMware's shift reflects a broader industry reality: enterprises seek simplicity, innovation, and scalability, all of which are better served through subscription-based models. In the long term once this model beds down, and the initial churn has dissipated, we expect to see clarity and traction, especially for VCF as a result of the changes.

VMware Cloud Foundation 9.0: A New Era for Private Cloud

VMware Cloud Foundation (VCF) 9.0 launched back in August marked a critical evolution in VMware's private cloud strategy, and the first real opportunity for Broadcom to lay out actual product based features. VCF 9.0 looks to offer a host of new features designed to simplify operations, enhance performance, and strengthen security. This release is a testament to VMware's ongoing focus on product based development despite the operational and commercial challenges accompanying Broadcom's acquisition.

One of the most significant updates in VCF 9.0 is the consolidation of management consoles, reducing the number required from over a dozen to just two. This focus on the practical being a cornerstone of Broadcom's wider approach. This streamlining introduces a unified self-service portal and integrated workflows, looking to provide users with a seamless experience from deployment to day-to-day operations. Other key features include enhanced insights and analytics that empower administrators to proactively manage infrastructure, reducing downtime and operational complexity.

Another standout feature is advanced memory tiering with NVMe, tailored for data-intensive applications such as AI, real-time analytics, and large-scale databases. By leveraging NVMe for frequently accessed data, VCF 9.0 significantly reduces latency and accelerates data throughput. This capability is particularly critical for enterprises deploying AI workloads, as it enables faster model training and inference while ensuring efficient resource utilization.

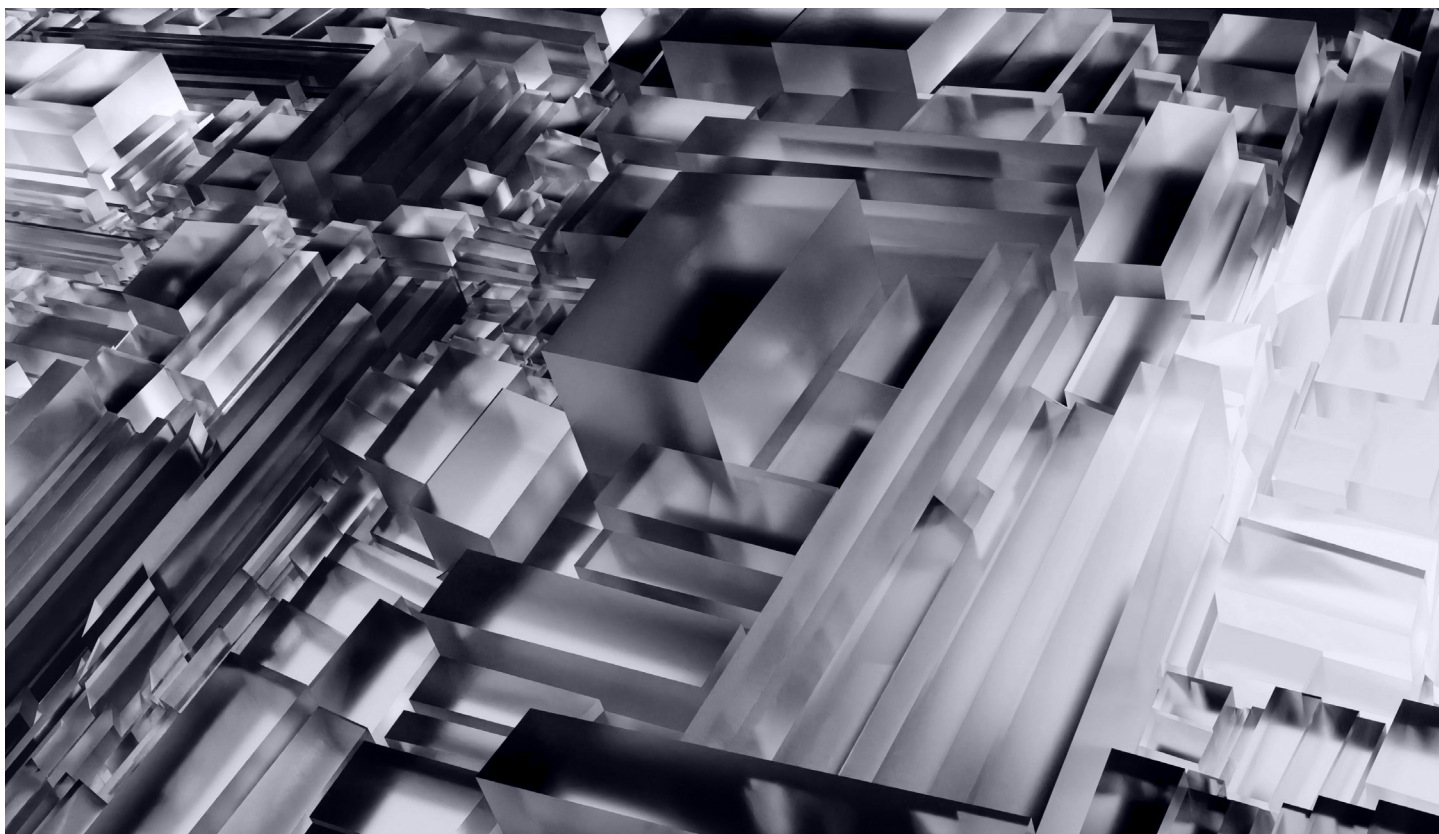
Security enhancements also take center stage in VCF 9.0, with centralized fleet-level security management offering fleet-wide configuration drift detection and advanced threat prevention through vDefend. Additionally, deep snapshot capabilities in vSAN provide robust disaster recovery and data resilience by supporting immutable snapshots and orchestrating enterprise-grade replication. These measures look to bolster compliance and mitigate risks associated with modern workloads, which will be well received by clients.

Multi-tenancy, previously offered via VMware Cloud Director, is now integrated directly into VCF. This integration simplifies management for enterprises supporting diverse business units or development teams while maintaining workload segmentation. Combined with native virtual private cloud (VPC) deployment, which simplifies networking and enhances self-service connectivity, these features exemplify VMware's commitment to delivering an intuitive and scalable private cloud platform.

Moreover, VCF 9.0 introduces innovations that enhance application support. Its robust support for both virtual machines and containerized applications aims to deliver a frictionless deployment experience. The inclusion of VMware Private AI Foundation with NVIDIA further highlights a strategic focus on AI workloads, offering new capabilities like GPU reservations, vGPU profile visibility, and AI agent builder tools.

Beyond the technology itself, VMware Cloud Foundation 9.0 underscores Broadcom's investment in customer success. Initiatives like the Private Cloud Maturity Model, Jumpstart Program, and enhanced training programs reflect a broader commitment to empowering customers. These efforts aim to streamline the adoption of VCF 9.0 while helping organizations modernize infrastructure at their own pace. VMware will do well to align its approach with the 'beyond code' approach taken by their counterparts in the mainframe software team, who have really focused on delivering value through skills and training programs.

In summary, VCF 9.0 looks to position VMware as a leader in private cloud modernization, and while it's too early to declare this a success the delivery on the roadmap starts to demonstrate progress. VCF 9.0 not only seeks to address the operational demands of today's enterprises but also is showing signs that it can accommodate the evolving requirements of AI and data-centric workloads. For customers navigating the complexities of hybrid cloud, VCF 9.0 offers a comprehensive, unified solution that balances innovation with reliability. Whether these early signs of robust product-driven innovation will gain traction is largely dependent on wider industry sentiment on VMware's trajectory under Broadcom stewardship, but from a product perspective it is a great first step.





Embedded Solutions: VMware's Role in the Ecosystem

VMware's deep integration with partners like Dell, HPE, and Lenovo has long been part of its attraction, and after a bumpy start, remains a cornerstone of its strategy, particularly through co-engineered solutions built on VMware Cloud Foundation (VCF). These partnerships aim to deliver pre-integrated, turnkey private cloud solutions that simplify deployment and management, appealing to enterprises seeking to offload the complexity of build-your-own infrastructures. Ricky Cooper, Vice President of OEM Sales at Broadcom, took to the VMware blog site to lay out more details back in August, and a key takeaway from my conversation with him during VMware Explore is that the Value-Added OEM (VAO) program initially emerged in an atmosphere of disruption and uncertainty following Broadcom's acquisition of VMware, with concerns around pricing strategies and channel complexities. Now, with co-engineered solutions from partners like Dell, HPE, and Lenovo, the program has transitioned onto a more stable footing and you could argue is entering the strategic phase, offering streamlined private cloud adoption that reduces complexity and looks to position VMware as a critical enabler of modern workloads, including AI.

Amongst this core approach to OEM based solutions, the obvious players emerge HPE, Dell and Lenovo being the stand out names, with Hitachi also in the frame for consideration.

Dell's VMware Cloud Foundation on VxRail exemplifies the strength of these partnerships, offering a tightly integrated solution that combines VMware's software with Dell's robust hardware platform. The partnership delivers end-to-end solutions for private cloud environments, optimized for workloads ranging from traditional enterprise applications to modern AI and analytics.

Similarly, HPE's GreenLake for VMware Cloud Foundation leverages VMware's technology to provide an as-a-service private cloud experience. HPE integrates VCF into its GreenLake platform, enabling customers to deploy scalable, workload-ready environments without the upfront investment in hardware. The GreenLake model aligns with the broader market trend toward consumption-based pricing, offering enterprises flexibility in scaling infrastructure on demand. Another point to note is that HPE is playing both sides of the virtualization landscape with its recently announced approach based on Morpheus, which we will cover later.

Lenovo's ThinkAgile VX Series with VMware Cloud Foundation rounds out the trio, emphasizing simplicity and agility. Lenovo's solution is particularly targeted at mid-market enterprises and supports a range of workloads, including emerging AI applications. The ThinkAgile VX Series highlights Lenovo's focus on providing cost-effective solutions without sacrificing performance or scalability.

These embedded solutions address a growing demand for streamlined private cloud deployments. By reducing time-to-value and operational complexity, they help enterprises modernize IT infrastructure while maintaining control over security and compliance. However, the success of these partnerships hinges on VMware's ability to maintain strong partner relationships amidst Broadcom's evolving commercial strategy. Continued investment in these co-engineered solutions will be critical in ensuring VMware's sustained relevance in the enterprise ecosystem.

Public Cloud or Private?

VMware's Shifting Cloud Strategy

Broadcom's acquisition of VMware initially signaled a strong commitment to private cloud environments, with VMware Cloud Foundation positioned as the linchpin of this strategy. However, the recent announcement of Amazon Elastic VMware Service (Amazon EVS) suggests a potential softening of this stance, reflecting broader shifts in customer demand and market dynamics.

Amazon EVS, introduced in late 2024 notably a few days ahead of AWS re:Invent, represents a significant step in VMware's public cloud strategy. This native AWS service enables customers to run VMware Cloud Foundation (VCF) within their Amazon Virtual Private Cloud (VPC), providing a seamless path to migrate VMware-based workloads to AWS. With features like license portability, guided configuration, and automated deployment, Amazon EVS simplifies the transition to the cloud while preserving the familiar VCF management experience.

This announcement is particularly noteworthy as it broadens VMware's narrative to include public cloud alongside its traditional private cloud focus. Amazon EVS addresses a growing demand for hybrid cloud flexibility, allowing enterprises to extend on-premises workloads to AWS without the need for extensive re-platforming. By integrating with native AWS services, EVS positions VMware as a key enabler of hybrid and multi-cloud strategies, blending the control of private environments with the scalability of public clouds.

This shift also reflects competitive pressures. Rivals like Nutanix and Red Hat have made significant inroads in hybrid cloud solutions, and VMware's alignment with AWS is a strategic response to this competition. At the same time, it underscores Broadcom's recognition that hybrid and public cloud adoption will be essential to retaining VMware's customer base.

While Amazon EVS is a positive development, it also raises questions about VMware's long-term positioning. Will Broadcom's focus on private cloud innovation continue, or will the lure of public cloud partnerships shift its priorities? The next 12 months will reveal whether VMware can balance these dual narratives effectively.

Competitive Landscape

The competitive landscape for VMware has unsurprisingly intensified significantly over the past year, with established rivals and emerging players vying for market share amidst the uncertainty surrounding VMware's future under Broadcom's ownership. While VMware remains a dominant force in virtualization and private cloud solutions, competitors such as Nutanix, Red Hat, and most recently HPE have seized the opportunity to capitalize on market disruption, offering alternatives tailored to shifting customer preferences and pain points.

Nutanix has long positioned itself as a leading alternative in hyperconverged infrastructure (HCI) and hybrid cloud management and has doubled down this year as the default alternative. The company's simplified licensing, ease of deployment, and robust capabilities in managing hybrid and multi-cloud environments resonate strongly with organizations looking to reduce complexity. Nutanix has also focused on mid-market customers and sub-200 VM environments, areas where VMware's pricing and licensing changes have created the most disruption and dissatisfaction. By emphasizing customer-centric flexibility and cost-effectiveness, Nutanix has gained traction in segments that are less dependent on VMware's deep ecosystem integrations.

Red Hat, with its OpenShift platform and KVM-based virtualization, has extended its reach into private and hybrid cloud markets, particularly among organizations committed to open-source technologies. The recently announced Red Hat OpenShift 4.17 seeks to bring meaningful enhancements to Red Hat OpenShift Virtualization, improving the management of virtualized workloads. The integration of OpenShift with advanced container management and Kubernetes orchestration positions Red Hat as a compelling choice for enterprises prioritizing cloud-native application development.

Hewlett Packard Enterprise (HPE) has recently emerged as a formidable competitor with its Morpheus-based solutions, which are integrated into the GreenLake ecosystem. At HPE Discover Barcelona in November the company announced its own in-house solution focused on unified virtualization management, fast object storage and disconnected private clouds. By combining multi-cloud

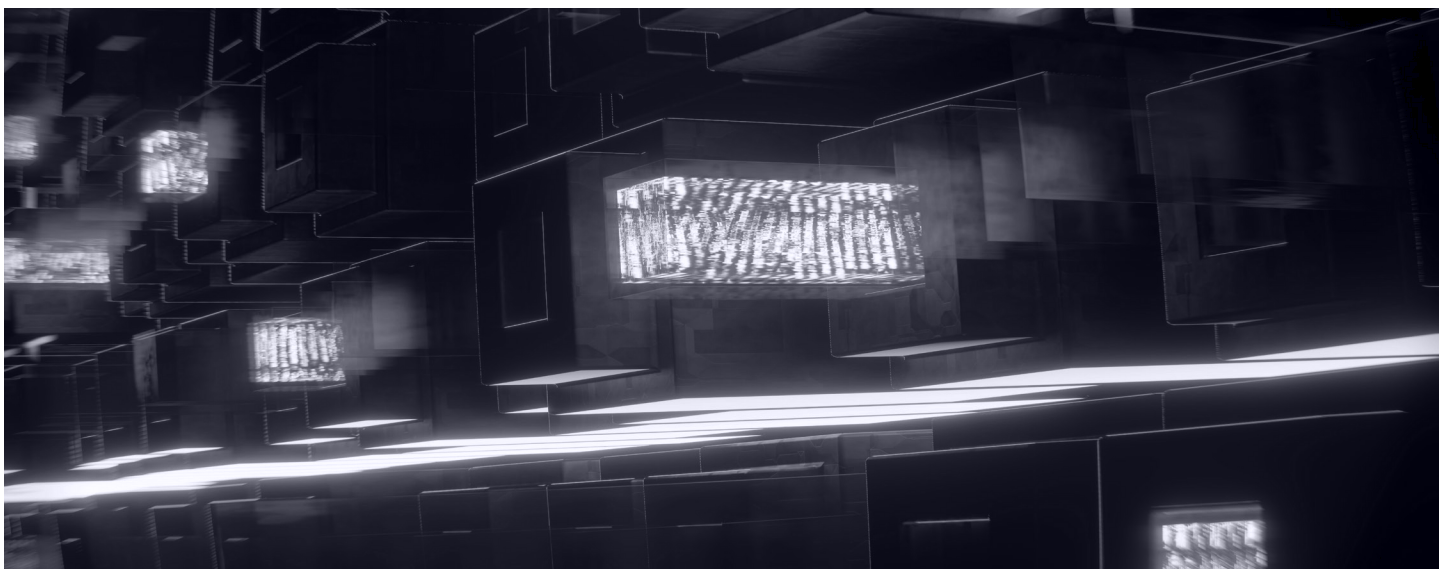
management with a consumption-based pricing model, HPE is targeting enterprises looking for agility and scalability without long-term commitments. Morpheus's ability to manage diverse cloud environments, including VMware, positions HPE to compete not only as a replacement but also as a complementary solution for organizations exploring hybrid cloud options.

The newly announced VM Essentials (VME) Software looks to offer a unified virtual machine management solution architected to provide organizations with choice and flexibility in managing virtualized workloads across hybrid environments. This new platform streamlines management by enabling seamless integration of existing virtualized workloads with the HPE VME hypervisor, based on KVM. Key features include support for leading storage protocols, distributed workload placement, high availability, live migration capabilities, and integrated data protection, positioning it as a comprehensive solution for hybrid workload management.

OpenStack is experiencing a resurgence as organizations reassess their cloud strategies in the wake of Broadcom's acquisition of VMware. Companies like Geico are exploring OpenStack as a viable alternative, drawn by its open-source flexibility, cost-effectiveness, and ability to avoid vendor lock-in. The platform's advancements in scalability and integration with modern cloud-native tools have made it increasingly attractive for firms looking to modernize their private cloud environments. This renewed interest underscores a growing appetite for open-source solutions that provide greater control and align with shifting enterprise priorities in hybrid and multi-cloud deployments. HyperFRAME does however remain skeptical of OpenStack's appeal given the dearth of skills in the market.

While these competitors have made inroads, VMware continues to hold a strong position in large enterprise environments where its ecosystem depth, broad workload support, and established partnerships remain significant barriers to migration. That said, the longer-term impact of Broadcom's pricing and support changes could erode VMware's grip if rivals continue to refine their offerings and execute effectively. The next year will be pivotal in determining how VMware balances innovation, customer satisfaction, and competitive pressures to retain its leadership in this evolving market.





Looking Ahead: Both Challenges And Opportunities for Broadcom

As VMware navigates its second year under Broadcom, it faces a landscape of both opportunities and challenges. Competitors, primarily like Nutanix and Red Hat, and to a lesser extent, HPE with its recently announced KVM based solution have capitalized on the uncertainty surrounding VMware, gaining traction particularly in smaller environments with sub-200 VM workloads. These competitors are looking to leverage pricing stability and ease of use as key differentiators, presenting attractive alternatives for mid-market customers.

However, large-scale migrations away from VMware remain rare, despite the rhetoric to contrary. Enterprise CIOs, while expressing dissatisfaction with Broadcom's pricing and support, are generally reluctant to undertake the complexities of transitioning core workloads to new platforms and the inherent risks a lengthy migration would incur. This inertia plays to VMware's advantage, buying Broadcom time to address customer concerns and refine its strategy.

The launch of VMware Cloud Foundation 9.0 and Amazon EVS signals Broadcom's intention to innovate across both private and public cloud domains and augers well for times ahead. These developments highlight VMware's technical strengths and its ability to address diverse workload requirements, from AI and analytics to traditional enterprise applications. HyperFRAME will be watching for more evidence of product led, feature based execution from Broadcom in the months ahead.

Looking ahead, Broadcom's ability to maintain a balance between commercial goals and technological innovation will be critical. Investments in co-engineered solutions with partners like Dell, HPE, and Lenovo must continue to evolve, ensuring that VMware remains central to enterprise IT strategies. These OEM channels are also crucial GTM partners in the landscape of virtualization. Simultaneously, Broadcom must address partner dissatisfaction, oftentimes behind closed doors, and execute on the simplification of its channel programs to rebuild trust and loyalty.

The next year will also test VMware's hybrid cloud narrative. As public cloud adoption continues to accelerate, VMware's partnerships with AWS and crucially other hyperscalers will need to deliver tangible value to customers. Success in this area could cement VMware's return to the role of a leader in hybrid and multi-cloud environments, mitigating competitive pressures from emerging players.

Ultimately, VMware's resilience lies in its ability to adapt to market demands while preserving its core value proposition. Broadcom's stewardship over the long term will be judged not only by financial performance but by its capacity to sustain VMware's relevance in a rapidly evolving cloud landscape.



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CONTACT HYPERFRAME RESEARCH:

Steven Dickens

CEO & Principal Analyst | HyperFRAME Research

Email Address:

steven.dickens@hyperframeresearch.com

Telephone Number:

+1 845 505 1678

X: - @StevenDickens3

LinkedIn: Steven Dickens

BlueSky: Steven Dickens

CONTRIBUTORS

Steven Dickens CEO & Principal Analyst

HyperFRAME Research

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