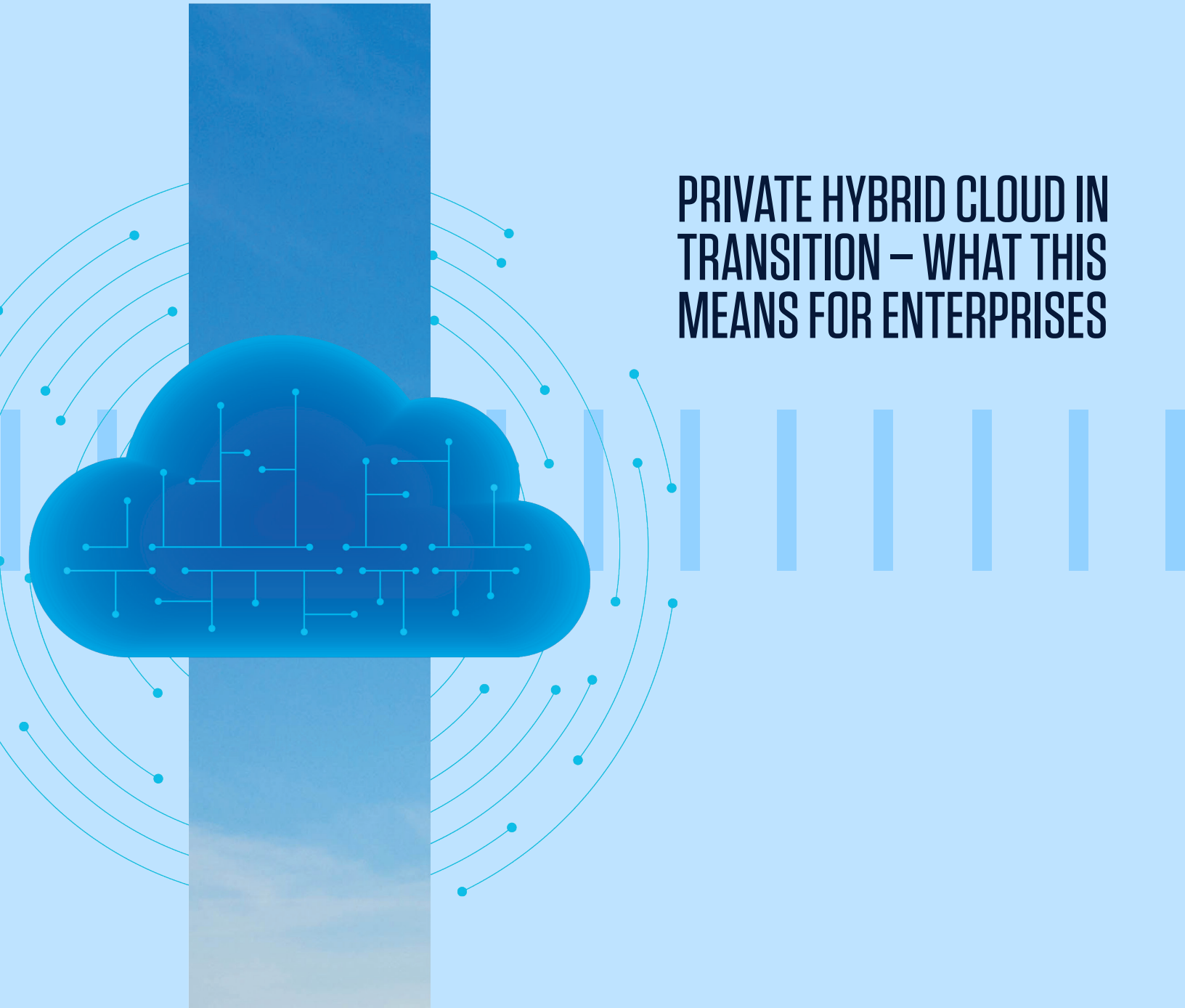


# PRIVATE HYBRID CLOUD IN TRANSITION – WHAT THIS MEANS FOR ENTERPRISES





Server virtualization and private cloud have profoundly revolutionized and transformed enterprise IT by enabling significant advancements in infrastructure, cost management, efficiency, scalability and overall operational agility. VMware has led this space and has continuously been recognized as a market leader by all leading analysts. As per IDC, VMware and Microsoft have 73% of the global market share for infrastructure virtualization, with the former having the lion's share of the market. Interestingly, 92% of Fortune 1000 customers run their business systems on VMware, and the VMware platform across private and public clouds powers over 85 million virtual machines.

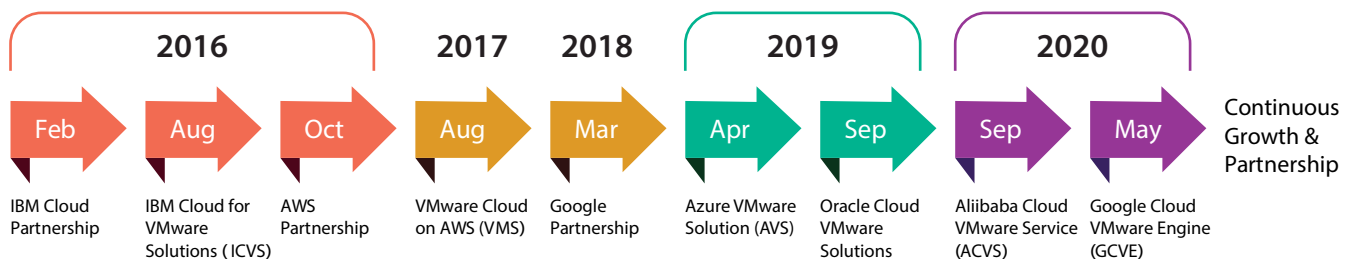
Ever since VMware disrupted the market with its flagship product for server virtualization, it has maintained its pole position and continued to invest in its cloud offerings across product lines to increase wallet share.

VMware's journey from the launch of ESX 1.0 in 2001 to developing, expanding, and evolving its

products and services for multi-cloud deployment over two decades is a remarkable feat. The company's vision to simplify customers' digital transformation journey across all evolving platforms is evident in its multi-cloud Software-Defined Data Center (SDDC) with AWS in 2017 and its subsequent extension to all major hyperscalers over the next three years.

VMware has firmly established itself as a pioneer in the SDDC space, offering enterprise solutions that have garnered a loyal customer base and strong brand recognition. The company's SDDC skills have become highly sought-after in the industry, particularly after it became mainstream for software-defined hybrid cloud journeys, with many referring to it as a Private Hybrid Cloud in a hyperscaler environment.

The timeline chart below (partnership and launch date information sourced from the public domain) depicts the major announcements in SDDC's partnership with leading hyperscalers and OEMs.





## Why Private Hybrid Cloud is in transition

Broadcom completed the acquisition of VMware in November 2023. Since then, several announcements have called out 'right from partner channel ecosystem program change' to 'customer licensing model changes' to 'product SKU changes.' This has created significant confusion and buzz across businesses and has given another disruptive topic to the industry, which features in every CXO discussion today.

### Fundamental changes across the VMware value chain that have been introduced since Nov 2023:

- Change in license model for VMware products - From 'Perpetual' to 'Subscription Based Pricing'
- Product Portfolio Rationalization – VMware Cloud Infrastructure product now has only two SKUs. Other SKUs have been discontinued and

will not be available for purchase as a standalone solution

- VMware Cloud Foundation (VCF) - Scalable, elastic private cloud IaaS solution comprising vSphere, vSAN, NSX and Aria.
- VMware vSphere Foundation (VVF) - Enterprise workload engine with intelligent operations comprising vSphere, vSAN and Aria.
- VMware add-on services (Live Recovery, Private AI Foundation) are available for both VMware vSphere Foundation and VMware Cloud Foundation to enhance the customer's journey and address additional storage, security, disaster recovery, Generative AI and other specific use cases.
- End of sale of perpetual licenses, Support and Subscription (SnS) renewals.
- Termination of VMware partner program across all resellers service providers (65000+ global partners).
- Invitation-based onboarding of partners to Broadcom's Advantage Partner Program.

## Impact on Business and IT

Though Broadcom assures that the change will simplify and improve the business journey, from Broadcom's historical acquisition and customer transition journey stories (such as CA Technologies and Symantec), the path ahead does not look easy or free of disruptions.

The change from perpetual to subscription licensing and SKU consolidation will impact the IT budget. The forced transition to a new subscription operating model will mean increased subscription spending. Some businesses may not need all software components in the cloud infrastructure SKU, but they cannot pick and choose in the new model. On the other hand, if they plan to use it, it means additional technology, implementation, capability and competency investments. Businesses may also not have factored for these in their budget planning and will find it hard to fund the transition.

Customers running on perpetual may choose not to go for a subscription-based model; however, by selecting this path, they will not get any product support from Broadcom and expose the systems to vulnerability and risk.

Discussions and debates on migrating the workloads running on VMware private cloud to competing platforms (such as Hyper-V, OpenStack, Nutanix) have picked pace; the solution and journey are far from reality as this path has its pros and cons, from program timelines, business case, IT operating model, skills availability and partner ecosystem compatibility.

The evolving narrative of Broadcom's bundling of Private Cloud SKUs to offer the stack as a 'Cloud Operating System' has its takers, and market pundits call it forward thinking. With changes still evolving and competition actively investing to attract customers to their platforms, it is only making the decision process complicated. With so many options, what is right for business needs expert partner support for business-aligned consulting, technology radar, roadmap and strategic planning.

## What's next

VMware cloud infrastructure base varies from under 100 cores to over 100000 cores, depending on the size and scale of the business. It is obvious that the bigger the scale, the bigger the impact, be it a change of technology platform or adapting the new license SKU. According to Forrester, 20% of enterprises are considering changing vSphere as the underlay hypervisor platform for their business systems in 2024 and evaluating VMware exit options. Announcements like 'AWS is no longer VMware Cloud on AWS reseller' only fuel the intense discussions. Though Broadcom made it clear that the solution is still available, it can only be subscribed to through Broadcom or an authorized Broadcom reseller. This created a narrative in the marketplace and sparked VMC migration conversations, a move that industry experts have not welcomed.

Tapping onto the opportunity, AWS announced a major rehaul in their strategic incentive program (Migration Acceleration Program), designed to enable open-source, cloud-native alternatives to the customer's technology problem. Under this program, AWS has introduced special customer credits and incentives for partners to accelerate VMware to AWS native migration initiatives. It has also broadened the cap on customers planning cloud native migrations, which could not have come at a better time.

The Broadcom VMware disruption presents both opportunities and challenges. While there may not be an easy pathway or cookie-cutter solution for change, a lot depends on existing investment and integrations in upstream and downstream ecosystems. The cloud-native approach presents a sustainable pathway for enterprises to achieve long-term viability, operational excellence and competitive edge in a dynamic and increasingly complex business landscape.



### About the Author:

Jasjeet Singh is a Senior Practice Engagement Manager at Infosys, responsible for driving AWS business for the APJ region. He has over 2 decades of diverse ICT experience and in his role, he works with business leaders, partners, internal practice teams to solve complex business problems with modern architecture, technologies, and new ways of driving change. He believes in creating win-win partnership economics by applying critical and creative thinking to address uncertainty and complexity with simplicity.

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