

CII Reality Report

VMware Acquisition Aftermath

The current state of IT leaders' sentiment and planned response to the effects of Broadcom's acquisition of VMware.



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Overview

Broadcom's \$61 billion acquisition of VMware in November 2023 has sparked unprecedented disruption and concern among VMware customers and partners. Within weeks of the deal closing, Broadcom made sweeping changes, including discontinuing perpetual licenses in favor of subscriptions, withdrawing support for previously purchased perpetual licenses, and announcing plans to end VMware's Cloud Services Provider partner program in April 2024, potentially impacting tens of thousands of businesses. Broadcom also directly seized control of VMware's top customer accounts, reducing VMware's established channel ecosystem. These rapid and far-reaching changes have left many VMware customers facing the prospect of steep price increases, forced packaging of products they may not need, reduced innovation, deteriorating customer support, and potential security risks, given Broadcom's spotty track record in these areas.

Goals

This study aims to provide timely insight into the real-world customer impact, the future of the VMware installed base, and the virtualization and cloud market landscape by understanding how IT leaders are currently responding to the massive changes stemming from Broadcom's acquisition. The study's findings can help IT leaders understand what other companies are thinking and assist them in navigating uncertainty to make informed decisions about their VMware investments and overall IT strategy. Additionally, it presents an opportunity for VMware competitors and partners to understand the market dynamics and potential opportunities arising from this monumental acquisition.

Key takeaways

300

IT decision-makers surveyed

May 9-23, 2024

Dates conducted

Media reports and rumors would have you believe that there is a mass exodus of VMware users from Broadcom and a feeding frenzy for competitors, but the data tells a very different story.

- Most likely go-forward strategy for companies is to **keep a part of VMware or stay with VMware without changes**, while only a very few had plans to move away completely.
- Data seems to show that priority for most companies for the short term is to de-risk, while creating optionality.

Methodology

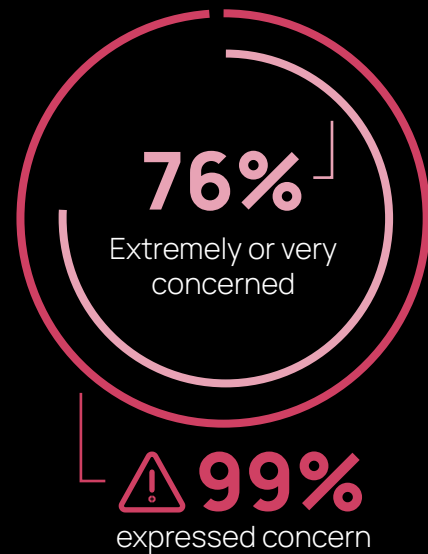
Despite the massive impact of the acquisition, very little data beyond the speculative and anecdotal has been known regarding how the market is viewing the acquisition and what companies are actually planning to do in response. To remedy that, CloudBolt Software commissioned Wakefield Research to conduct a market sentiment survey that aims to gauge the sentiment of IT decision-makers at medium and large enterprises using VMware solutions and understand how they are reacting to the disruption.

The survey, conducted from May 9-23, 2024, targeted 300 IT decision-makers (director level or higher) with primary decision-making authority for VMware-related IT decisions across all major verticals. Key objectives include assessing levels of concern, perceived disruption, planned actions and timelines, consideration of alternatives like other hypervisors and cloud solutions, anticipated price increases, at-risk VMware products, and typical engagement models with VMware.

KEY FINDING #1

High level of concern about Broadcom acquisition

An overwhelming majority of respondents (99%) expressed concern about the potential impact of Broadcom's acquisition of VMware on their business, with 76% being extremely or very concerned.

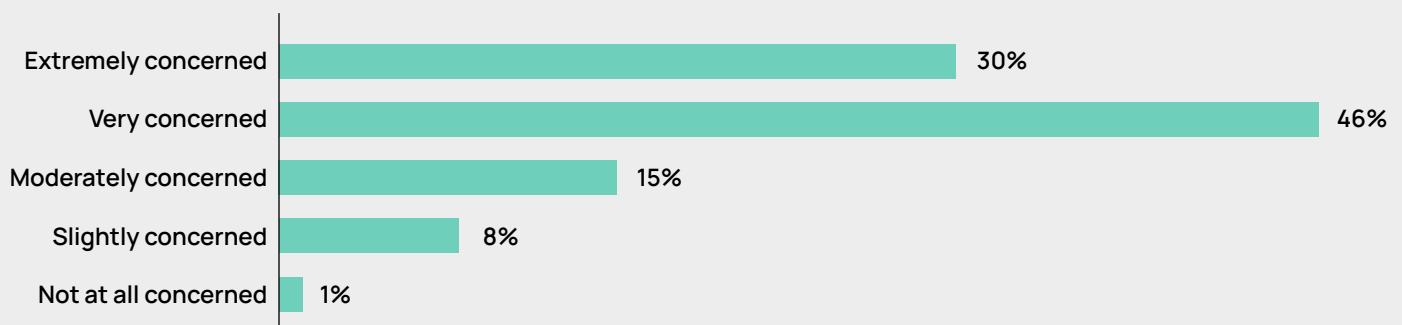


CII observations

The near universal concern VMware customers express, regardless of industry, size, region, or executive level, highlights the far-reaching impact of Broadcom's acquisition. However, as this study shows, widespread apprehension does not necessarily translate into hasty decisions or abandonment of VMware solutions. Organizations are taking a more measured and pragmatic approach in responding to the disruption caused by this significant M&A event, having likely experienced or observed similar situations with Broadcom.

Data set

How concerned are you about the potential impact of Broadcom's acquisition of VMware on your business?



KEY FINDING #2**Acquisition viewed as disruptive to IT strategy**

95% of respondents consider the acquisition disruptive to their IT strategy, with 46% viewing it as extremely/very disruptive.



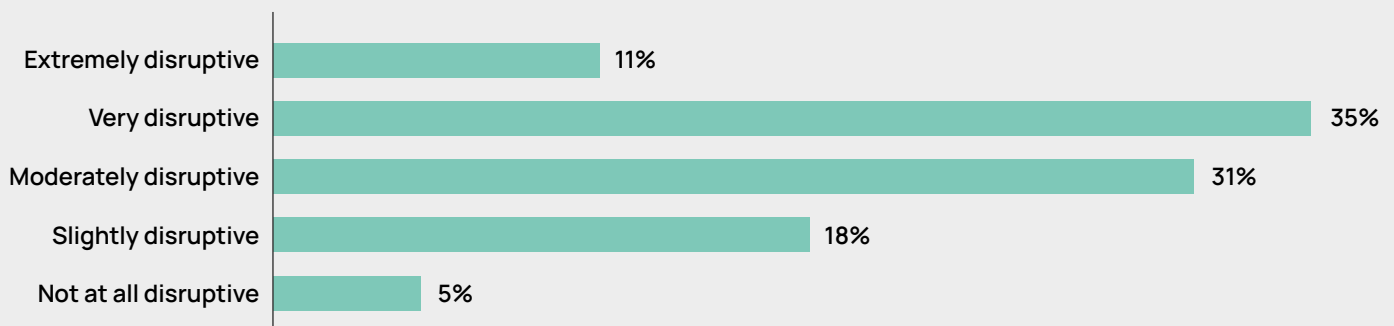
95% say acquisition is disruptive to IT strategy

CII observations

The disruption caused by Broadcom's acquisition of VMware manifests in various ways for different organizations. For some customers, it may be limited to facing steeper prices, having accepted the reality of staying with Broadcom. But for those planning a partial or complete shift away from VMware, the short-term disruption is expected to be severe, given the extensive planning and risk mitigation such migrations would entail.

Data set

To what extent is the Broadcom acquisition of VMware disruptive to your IT strategy?



KEY FINDING #3

Expectations of steep price increases

All respondents signaled that they expect VMware prices to increase, with **73% anticipating more than a 100% price hike under Broadcom's ownership.**



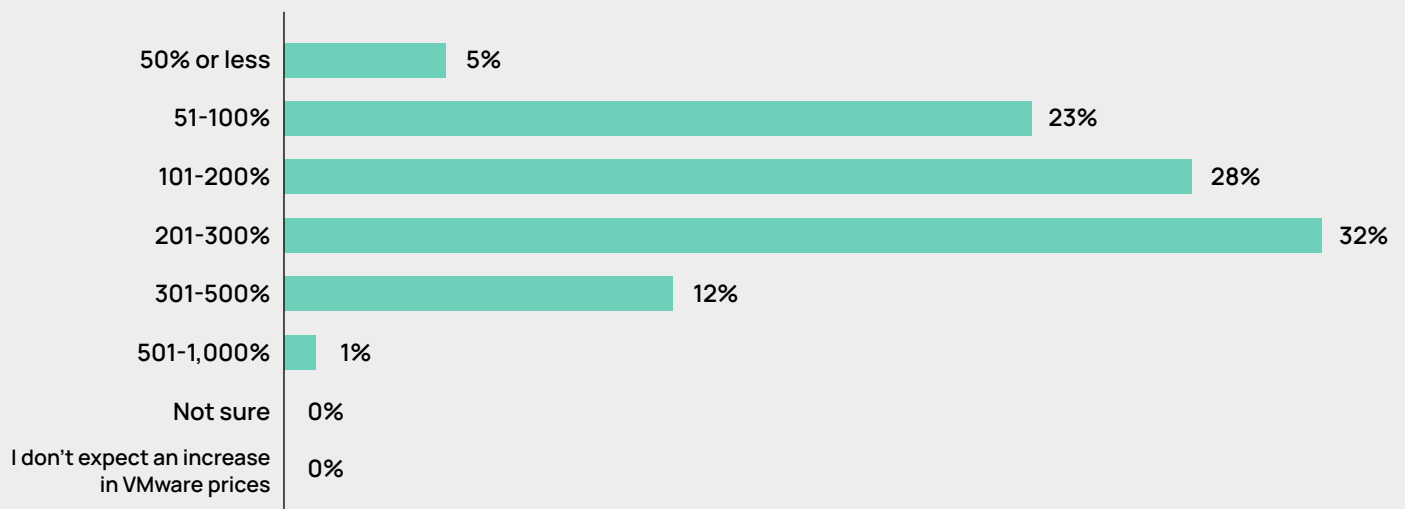
73% anticipate more than a 100% increase in cost

CII observations

The survey data corroborates the numerous anecdotal reports in the media about impending VMware price hikes under Broadcom. At this juncture post-acquisition, most larger enterprises seem to have a clear understanding of how their next procurement cycle with Broadcom will be impacted from a pricing and packaging standpoint.

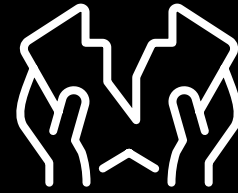
Data set

How much do you expect VMware prices to increase under Broadcom?



KEY FINDING #4**Contract expirations coming soon**

69% of companies surveyed have VMware contracts expiring within the next 12 months.



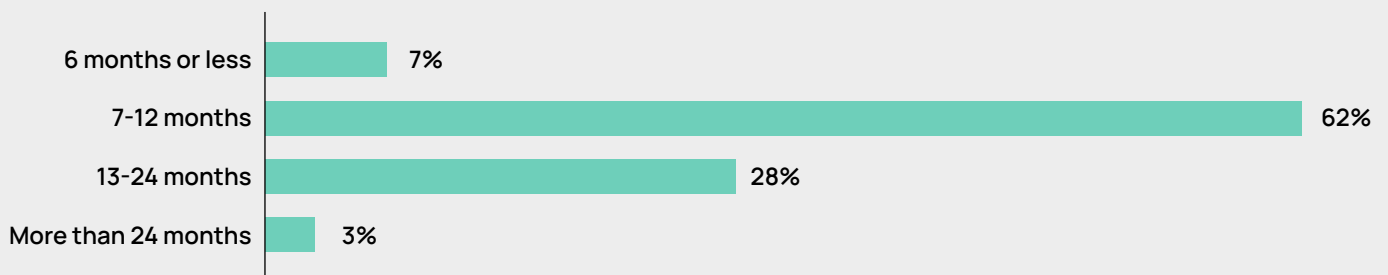
69% have contracts expiring in the next 12 months

CII observations

It is unclear from our data whether organizations feeling the pressure of impending contract expirations intend to enter short-term “stop-gap” contracts to allow more time to plan their augmentation, migration or ramp down from VMware options. It should also be noted that the question was not specific about the type of VMware contract - in many cases at enterprises, timing for contracts for various VMware components acquired over time do not line up. So while the assumption is that respondents answered holistically, there is a possibility that they were speaking about a specific component.

Data set

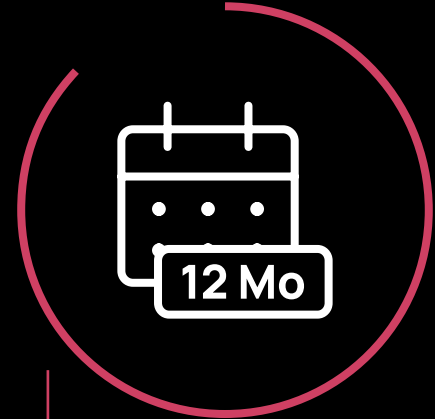
When does your current VMware by Broadcom contract expire?



KEY FINDING #5

Decisions happening within the next year

While only 5% have already decided on their go-forward response to the acquisition, 58% plan to decide within 6 months, and **87% within the coming year**.



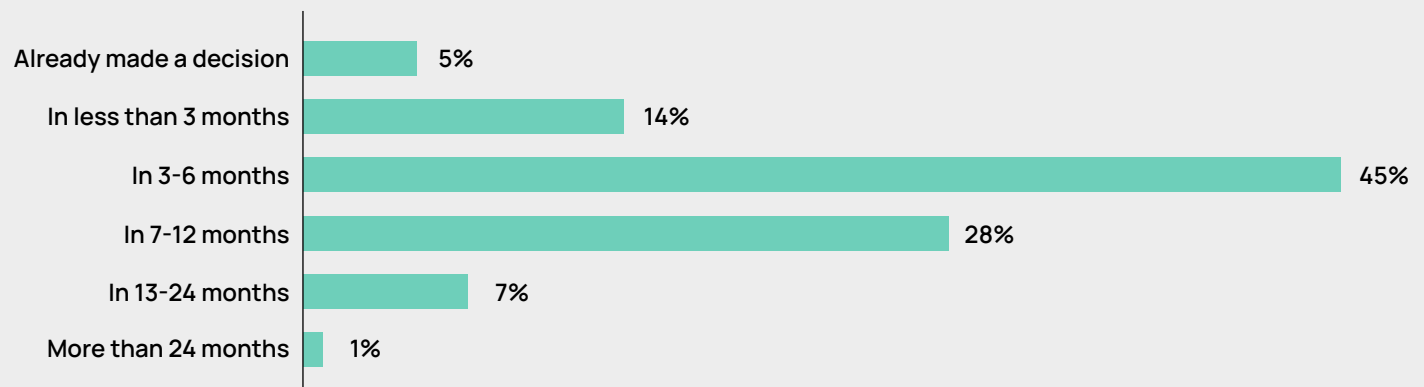
87% plan to decide next steps within 12 months

CII observations

In the wake of the acquisition, enterprises are faced with making critical decisions across short, medium, and long-term time horizons. Yet, they must contend with navigating these choices amid a still evolving and uncertain landscape.

Data set

When does your organization plan to make a decision regarding your response to Broadcom's acquisition of VMware?



KEY FINDING #6

Multi-pronged approach of keeping and replacing VMware

When asked to select all possible courses of action under consideration, the top two responses were **keeping some VMware solutions (43%)** or **remaining with VMware altogether (40%)**.

43%

Keep some VMware solutions

40%

Remain with VMware

38%

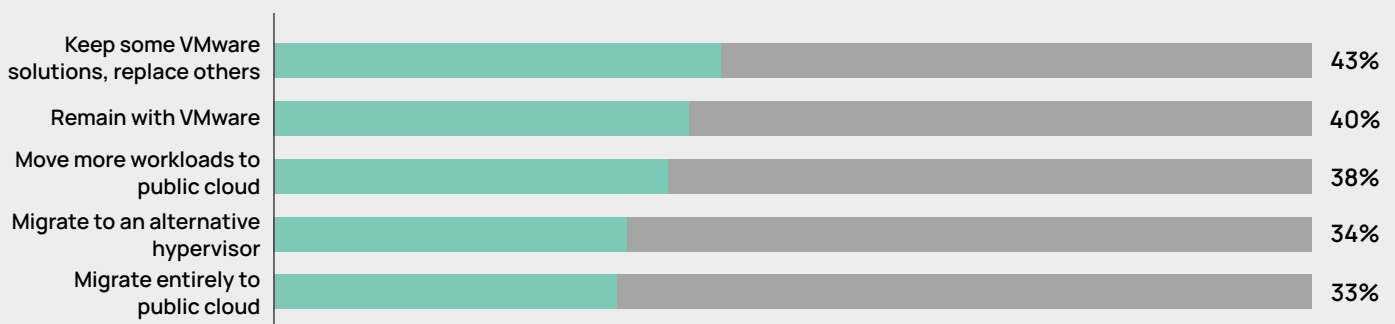
Move more workloads to public cloud

CII observations

The expected avalanche of customers away from Broadcom/VMware does not appear to be happening in the near-term with people selecting either staying with VMware completely or partially as their top two options under consideration. Nevertheless, given the breadth of other options selected, it is clear that many companies are exploring pursuing multiple, non-mutually exclusive strategies as they adapt to the post-acquisition reality. This indicates a multi-pronged approach of retaining some VMware solutions while replacing others and utilizing more public cloud and to a lesser degree alternative hypervisors allows organizations to hedge their bets. Companies appear to want to mitigate risks of vendor or strategy lock-in, while maintaining the highest level of optionality as they ultimately figure out their way forward over the coming years.

Data set

What are the options your organization is considering when it comes to VMware by Broadcom?
(Choose all that applies)



KEY FINDING #7

Equally dispersed concerns leading to change

Top factors for companies moving away from VMware in part or whole are equally dispersed across various factors, with no single one being the primary reason. These include:



Uncertainty about Broadcom's plans: **36%**



Concerns about support quality: **36%**



Partner relationship updates: **36%**



Required shift to subscription licensing: **34%**



Anticipated price increases: **33%**



Personal negative experiences with Broadcom: **33%**



Broadcom's reputation from past acquisitions: **32%**



Forced packaging/bundling of products: **30%**



Worries about reduced innovation: **29%**

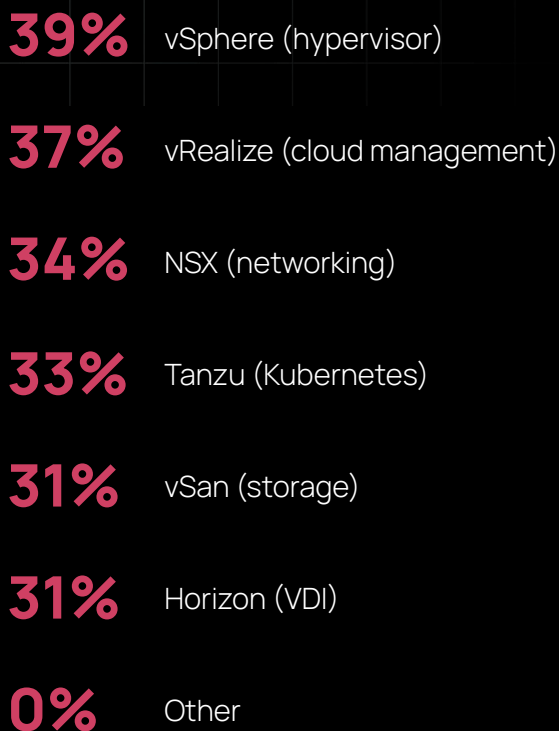
CII observations

Broadcom's established playbook from past acquisitions has VMware customers justifiably worried about a wide range of factors that could negatively impact the relationship. However, many also recognize that the current disruption marks the beginning of a prolonged period of uncertainty and change if they choose to remain with Broadcom.

KEY FINDING #8

All VMware solutions under examination

Of companies who plan to abandon VMware solutions, vSphere (hypervisor) and vRealize (cloud management) were the top listed products. However, it should be noted that every primary VMware offering (NSX, Tanzu, vSAN, Horizon) received more than 30% likeliness to abandon.



CII observations

With Broadcom's recently reported move towards increasingly bundled "all or nothing" licensing for VMware solutions, it's expected that companies evaluating migration would likely need to abandon multiple products, not just individual components. The fact that respondents indicate all major VMware offerings are nearly equally under consideration for replacement underscores the extensiveness of the potential upheaval.

Use & attribution

This study, commissioned by CloudBolt Software and conducted by Wakefield Research, aimed to understand how IT decision-makers are responding to the disruption caused by Broadcom's acquisition of VMware. When referencing the survey findings, please adhere to the following guidelines to ensure accurate representation of the research:

Referencing the study

Always use the full study title *CloudBolt Industry Insights Reality Report: VMware Acquisition Aftermath* in the first reference. Subsequent mentions can be shortened to “the survey” or “the study.” Be sure to mention that CloudBolt Software commissioned and Wakefield Research conducted the survey.

Example: “According to the latest CloudBolt Industry Insights Reality Report: VMware Acquisition Aftermath, commissioned by CloudBolt Software and conducted by Wakefield Research, ...”

Describing the methodology

Include key details about the survey methodology when citing specific results:

- The survey included 300 IT decision-makers at the Director level and above
- Respondents were from companies headquartered in North America that use VMware
- The survey was fielded from May 9-23, 2024, using an email invitation and an online questionnaire

Example: “The survey of 300 IT decision-makers at the Director level and above whose companies use VMware found that ...”

Providing full citation

Any references to survey data should include a footnote or endnote with the complete study details, including:

- Full study title
- Sample size and composition
- Field dates
- Margin of error

Suggested format:

The CloudBolt Industry Insights Reality Report: VMware Acquisition Aftermath was conducted by Wakefield Research among 300 IT decision-makers at the Director level and above at companies of all sizes that use VMware between May 9th and May 23rd, 2024, using an email invitation and online survey. Results subject to sampling variation of ± 5.7 percentage points at the 95% confidence level.”

Maintaining research integrity

Always convey survey results objectively as reported in the research deliverables. Interpretations of the data should be clearly distinguished from the factual results. Do not misrepresent or selectively reference findings in a way that distorts the overall conclusions of the research.

By following these guidelines, you can help ensure the CloudBolt Industry Insights Reality Report: VMware Acquisition Aftermath and its findings are accurately represented and attributed. Proper citation allows readers to evaluate the credibility and reliability of the information presented.

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About CloudBolt Industry Insights

CloudBolt Industry Insights is the research arm of CloudBolt Software. CII regularly develops reports on the state of the cloud industry to determine the reality of the challenges IT leaders are facing and how they plan to overcome them. Discover CloudBolt's CII reports at <https://www.cloudbolt.io/category/industry-research/>.

About CloudBolt Software

CloudBolt is The Cloud ROI Company™. We are singularly focused on solving the most pressing problem with cloud today: increasing return on investment (ROI). With the introduction of our Augmented FinOps capabilities, CloudBolt is leveraging AI/ML-informed insights and applying intelligent automation and orchestration proactively and retrospectively to make complete cloud lifecycle optimization a reality. CloudBolt enables organizations to realize the full potential of any cloud fabric by closing the “insight to action” gap. By streamlining, clarifying, and optimizing spend and control, we help organizations place value at the center of every cloud decision. For more information, visit www.cloudbolt.io.

About Wakefield Research

Wakefield Research is a full-service market research agency offering quantitative and qualitative options as well as custom, proprietary hybrid methodologies. Wakefield Research is a partner to the world's leading brands and agencies, including 50 of the Fortune 100. We conduct research in over 100 countries. Our surveys appear daily in top-tier media. Wakefield Research specializes in intelligent, practical consultancy with an emphasis on results, the customer experience, and building long-term strategic relationships. More information can be found at <http://www.wakefieldresearch.com>.

Ready to learn more?

Considering your options with the recent changes at VMware? Whether you're looking to fully migrate away or just find the right combination of tools for your environment, CloudBolt can help you maximize your cloud ROI.

How we can help

CloudBolt is The Cloud ROI Company™. We are singularly focused on solving the most pressing problem with cloud today: increasing return on investment (ROI). With the introduction of our Augmented FinOps capabilities, CloudBolt is leveraging AI/ML-informed insights and applying intelligent automation and orchestration proactively and retrospectively to make complete cloud lifecycle optimization a reality. CloudBolt enables organizations to realize the full potential of any cloud fabric by closing the "insight to action" gap. By streamlining, clarifying, and optimizing spend and control, we help organizations place value at the center of every cloud decision.

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