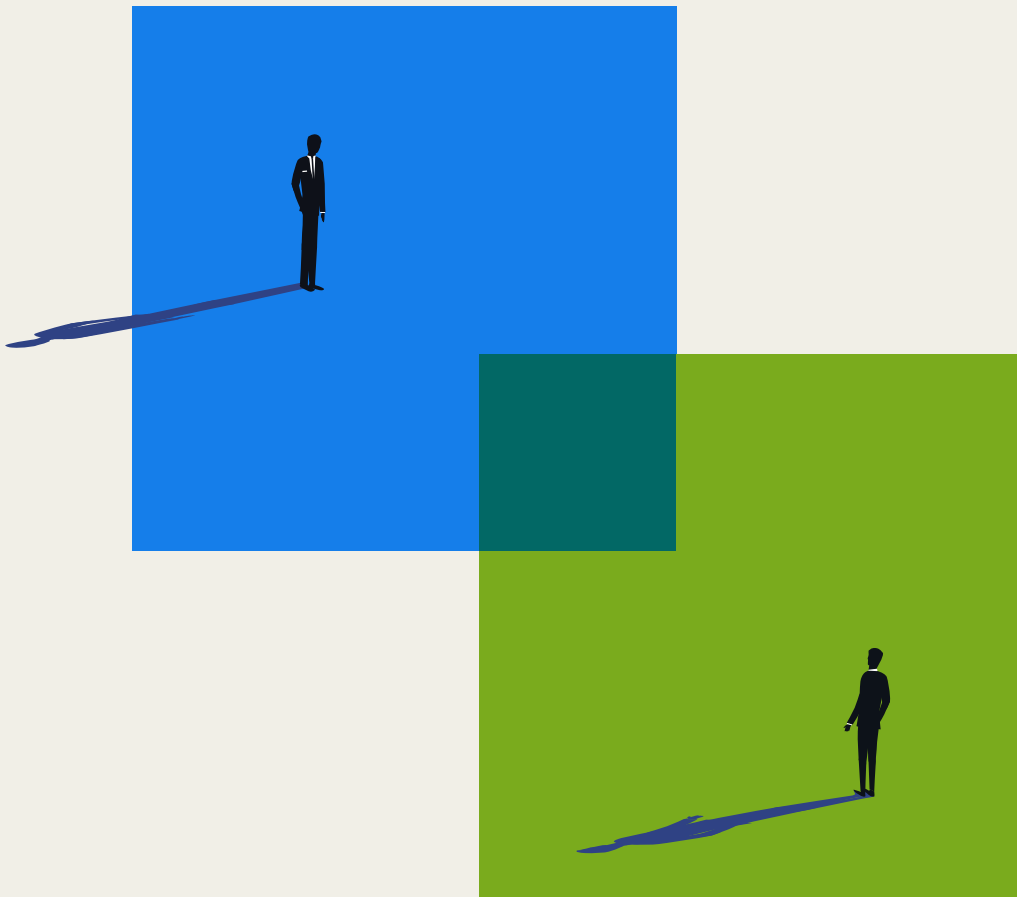# Beyond the Headlines

How IT Decision-Makers View Broadcom's VMware Acquisition

CONTENTS

EXECUTIVE SUMMARY

Broadcom's acquisition of VMware marked a pivotal shift in the IT and cloud computing landscape, with Broadcom steering VMware towards a subscription-based licensing model and prioritizing hybrid cloud environments. This strategic realignment reflected broader industry trends but also raised concerns among VMware customers, partners, and the media.

OVHcloud, a longstanding VMware partner, sought to navigate these changes by understanding the sentiment among IT decision-makers at small to medium-sized businesses. To cut through the media noise and gain actionable insights, OVHcloud commissioned Arlington Research to survey 250 IT leaders in July 2024. The survey revealed that contrary to the alarmist tones in social and mainstream media, the majority of VMware users are optimistic about the transition.

Key findings:

▶ **VMware customers' plans:** Most VMware customers plan to stick with VMware in the short term, with 91% intending to continue using its products. In the long term, many expect to move towards cloud or hybrid cloud solutions offered by VMware.

▶ **Alternatives to VMware:** If they consider alternatives, over half of VMware customers would choose a similar solution, such as Nutanix. Others might move to the public cloud or develop DIY solutions.

▶ **Potential migration paths:** Nearly two-thirds of the IT leaders said that they expect to move to a cloud or hybrid cloud solution offered by VMware.

Overall, the data suggests that while some adjustments will be necessary, IT leaders see the Broadcom acquisition as an opportunity for innovation, particularly in cloud adoption and IT infrastructure modernization. Additionally, the research findings align with feedback that OVHcloud executives and sales representatives have been hearing from their customers anecdotally.

OVHcloud, as a newly designated VMware Pinnacle Partner, is positioned to lead in helping organizations navigate these changes, offering new solutions while helping keep data accessible and secure.

INTRODUCTION

In November 2023, Broadcom's $69 billion acquisition of VMware dramatically altered the IT and cloud computing landscapes. This move represented a significant shift in Broadcom's strategy and heralded a fundamental change in the development, marketing, and utilization of VMware's product suite. Central to Broadcom's acquisition is the strategic aim to bolster cloud services, steering VMware towards a subscription-based licensing model and prioritizing cloud or hybrid cloud environments. This transition mirrors a broader industry trend towards service-oriented architectures and away from traditional, perpetual license models.

For VMware and its extensive customer base, the acquisition brought about substantial changes in the way they would conduct business together. It also marked a significant transition for VMware's network of Managed Service Providers and Cloud Service Providers, further emphasizing the wide-reaching impact of Broadcom's new direction for VMware.

BACKGROUND

OVHcloud's relationship with VMware

OVHcloud has more than 13 years of experience providing services that leverage VMware's capabilities in a unified cloud architecture, forming a solid connection that focuses on offering businesses a seamless transition from on-premises environments to the cloud.

Prior to VMware's reorganization, OVHcloud offered a Hosted Private Cloud solution powered by VMware, helping ensure flexibility, security, and cost control. This collaboration allowed businesses to manage their cloud and on-premises environments using familiar VMware tools like vSphere and vCenter. Additionally, OVHcloud leveraged VMware's technology for disaster recovery, backup, and automation, enhancing clients' overall cloud experience.

Under Broadcom, VMware made a strategic shift

Broadcom's changes to VMware included alterations to its licensing models and product focus. Customers with expiring Enterprise License Agreements must transition to the subscription model, which now uses CPU core-based pricing. VCSP Registered Tier partners have been given an extended deadline to make decisions about their business transition. These changes have caused some VMware users to reconsider their reliance on VMware solutions, with specific concerns including

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> **A hybrid cloud environment combines on-premises data centers with public clouds, allowing data and applications to be shared.**

> **A Subscription-based licensing model is where users pay recurring fees to access software instead of buying a one-time perpetual license.**

> **OVHcloud is well-equipped to support businesses transitioning to VMware's new model.**

the shift from perpetual licenses to subscription licensing, the end of the VMware Cloud Services Provider program, the divestiture of the End-User Computing division (including VMware Horizon VDI solutions), and the end of General Availability for certain products like the VMware vSphere Hypervisor.

Media and social media reaction

Since the acquisition was announced, mainstream and social media have cast a pessimistic tone. Still, it's hardly surprising when you consider that this acquisition stands as one of the largest tech industry deals on record.

Some VMware customers posted on social media that they were worried about the potential price hikes and changes in licensing models. Others posted concerns about significant price increases. Some expected VMware prices to more than double, with a few anticipating hikes of up to 500%. This vocal segment, in large part, painted a picture of chaos spreading across the industry. Most of the concerns were related to consolidation of the number of solutions offered, changes to the licensing model, and reducing the number of partnerships, leading to diminished support.

Do the headlines reflect reality?

The media chaos did not align with the feedback OVHcloud executives and sales representatives were hearing anecdotally from their customers. OVHcloud is committed to understanding and addressing customer concerns. To ensure that OVHcloud was acting in the best interests of its stakeholders, the cloud provider needed to gain a better understanding of IT leader perceptions regarding Broadcom's new VMware strategy and partner ecosystem. They also needed to uncover insights into how VMware customers plan to proceed in the short and long term, what alternatives to VMware they are considering, and potential migration paths they might pursue.

Cutting through the noise

To cut through the media and social media clamor and gain context around business customer sentiment about VMware's new business model, OVHcloud took an empirical approach and engaged Arlington Research to interview IT decision-makers at small to medium-sized businesses directly. These firms spend between $10,000 and $100,000 per month on IT. The research firm talked to 250 owners, senior and middle managers, technical managers, developers, and specialists between July 29 and August 1, 2024.

FINDINGS

Almost all VMware users plan to stay with VMware.

When asked if Broadcom's changes initiated a desire to cut ties with VMware entirely or if cutting ties would be too disruptive

The vast majority of existing VMware users were much more measured than those on social media. Almost all VMware users plan to stay with VMware.

▶ 91% of VMware users said they plan to stay with VMware following the acquisition.

▶ 83% are happy with the change: 46% said it will require some internal reorganization, but it will be for the best in the long run, and 37% said that they were planning to move to a subscription-based service anyway.

▶ Only 17% of users were unhappy with the change, with 9% saying the changes did not suit their business and that they would stop using VMware entirely.
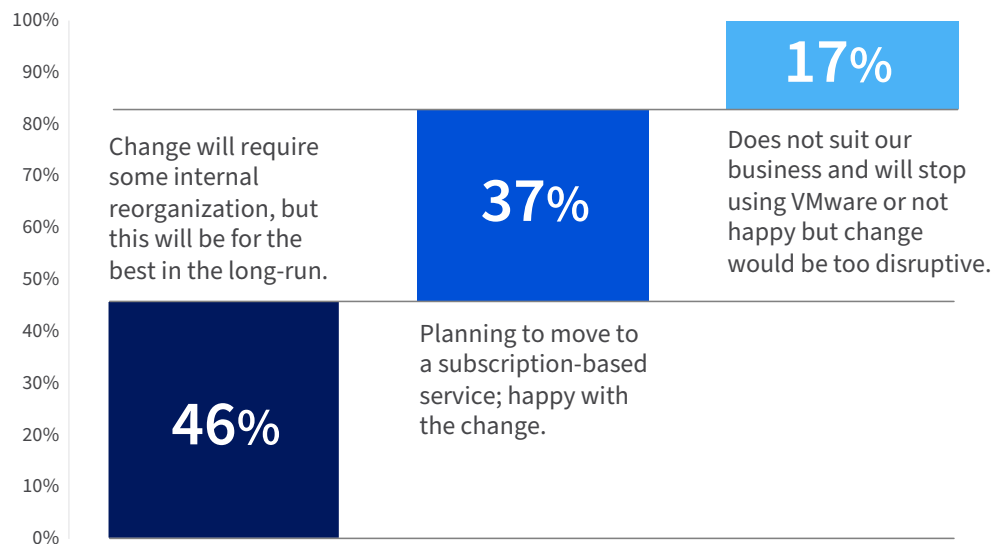
Almost two-thirds said that they expect to move to a cloud or hybrid cloud solution.

65% currently use VMware and/or a Pinnacle/Premier Partner and plan to continue doing so.

93% said that they are currently using a public cloud, considering it, or planning such a move.

Are businesses more willing to move from using VMware as an on-prem solution to a cloud solution?

VMware clients currently use the solution more on-prem than in the cloud: 40% of users said they currently use VMware as an on-prem solution, 20% as a cloud-based solution, and 40% as a hybrid solution.

However, nearly two-thirds said that they expect to move to a cloud or hybrid cloud solution: 38% of those currently using VMware as an on-prem solution expect to continue doing so, with 40% expecting to move to a cloud solution and 22% expecting to move to a hybrid solution.

40% Currently using VMware as an On-prem Solution

22% Shift Toward a Hybrid Solution

38% None/Remain On-prem

40% Shift to a Cloud Solution
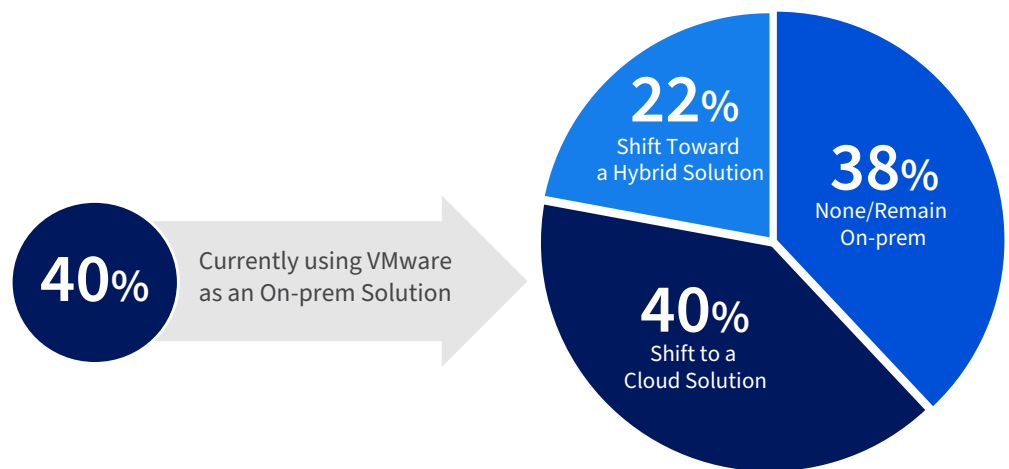
Overall, VMware users appear to be open to a cloud solution: 62% expect to continue using a cloud solution or move to one in the future.

Have the Broadcom changes initiated a shift in IT server, cloud, and supplier management strategy?

The feedback was encouraging as the survey explored post-acquisition attitudes toward cloud solutions and working with Pinnacle and Premier partners: 65% currently use VMware and/or a Pinnacle/Premier Partner and plan to continue doing so. 19% are moving their contract to a VMware or a Pinnacle/Premier Partner, while 21% are exploring alternatives to VMware.
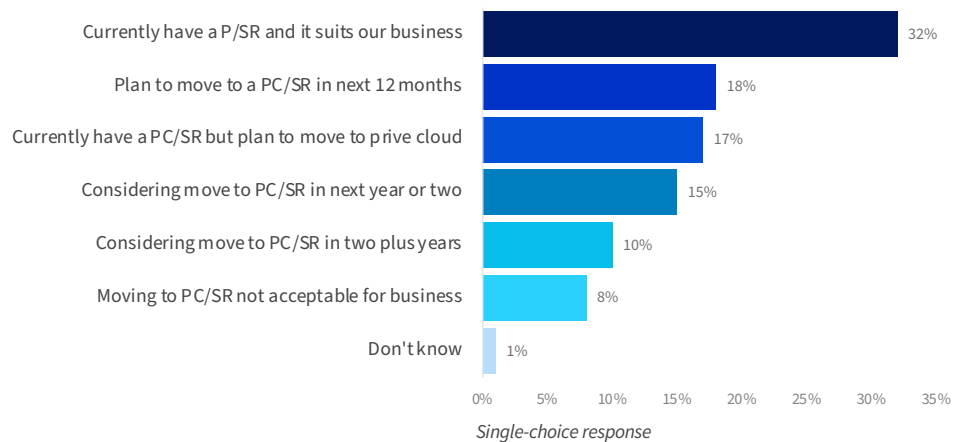
Have Broadcom's changes initiated a willingness in organizations to move to a public cloud/shared resource solution, or is hosting data alongside others unacceptable for internal or regulatory reasons?

Of the 250 IT leaders surveyed, 93% said that they currently use a public cloud/shared resource solution or are either considering or planning such a move.

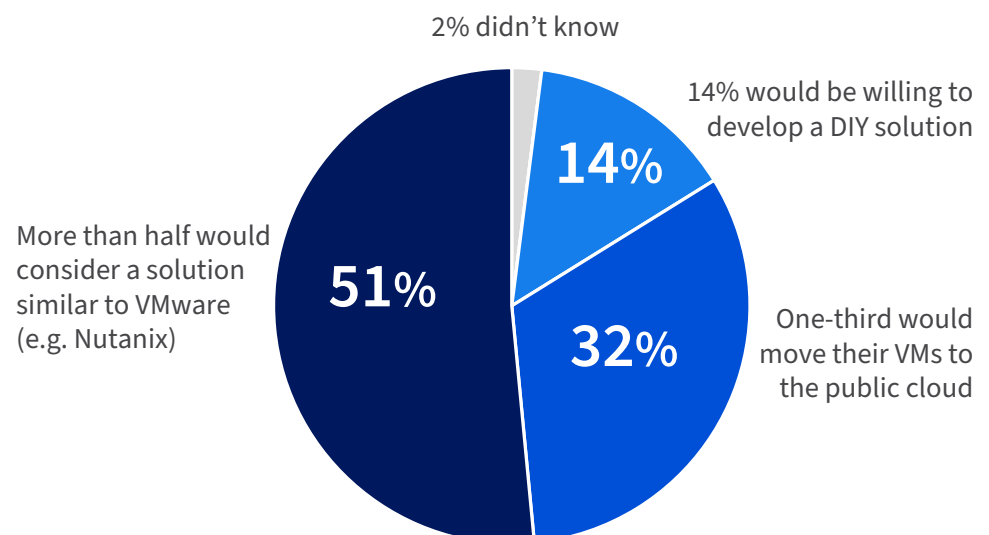**If customers were to move away from VMware, most would choose a comparable service.**

Among the IT leaders who were VMware customers, most were comfortable using a public cloud/shared resource solution: 32% said they currently use a public cloud/shared resource solution. 41% are considering or planning to move to a public cloud/shared resource solution. Only 6% said moving to a public cloud/shared resource solution would be unacceptable for internal or regulatory reasons.

How do VMware users feel about moving towards a public cloud/shared resource (PC/SR) solution?

- Currently have a P/SR and it suits our business — 32%
- Plan to move to a PC/SR in next 12 months — 18%
- Currently have a PC/SR but plan to move to prive cloud — 17%
- Considering move to PC/SR in next year or two — 15%
- Considering move to PC/SR in two plus years — 10%
- Moving to PC/SR not acceptable for business — 8%
- Don't know — 1%

Single-choice response

Have the Broadcom changes affected preferences for potential alternative solutions?

If they were to move away from VMware, most would choose a comparable service. 51% of current VMware users would select a similar solution, such as Nutanix, 32% would move their VMs to the public cloud, and 14% would be willing to develop a DIY solution. 2% didn't know what they would do.
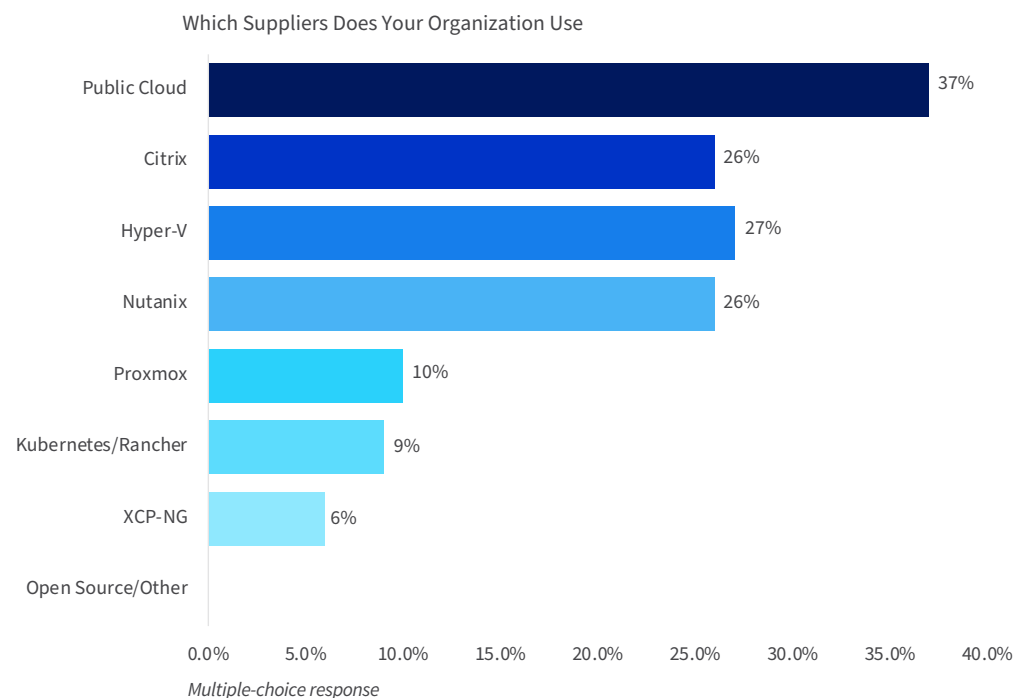
2% didn't know

14% would be willing to develop a DIY solution

More than half would consider a solution similar to VMware (e.g. Nutanix) — 51%

One-third would move their VMs to the public cloud — 32%

9

Do VMware customers use other technologies alongside VMware?

VMware customers are not exclusive to a single solution. Users often combine VMware with other technologies for a variety of reasons. Some users may adopt different virtualization approaches based on their specific needs, while others might be exploring alternative technologies to avoid relying solely on VMware in case of changes. Additionally, they may have incorporated different technologies through acquisitions. Notably, around a quarter of VMware users also use Nutanix. Furthermore, close to four in ten users are leveraging the public cloud, either by migrating applications to a more cloud-native approach or by developing new applications within a cloud-native environment.

> **VMware customers are not exclusive to a single solution. Users often combine VMware with other technologies.**
>
> **Close to four in ten users are leveraging the public cloud.**

Technologies Used In Conjunction with VMware

Which Suppliers Does Your Organization Use

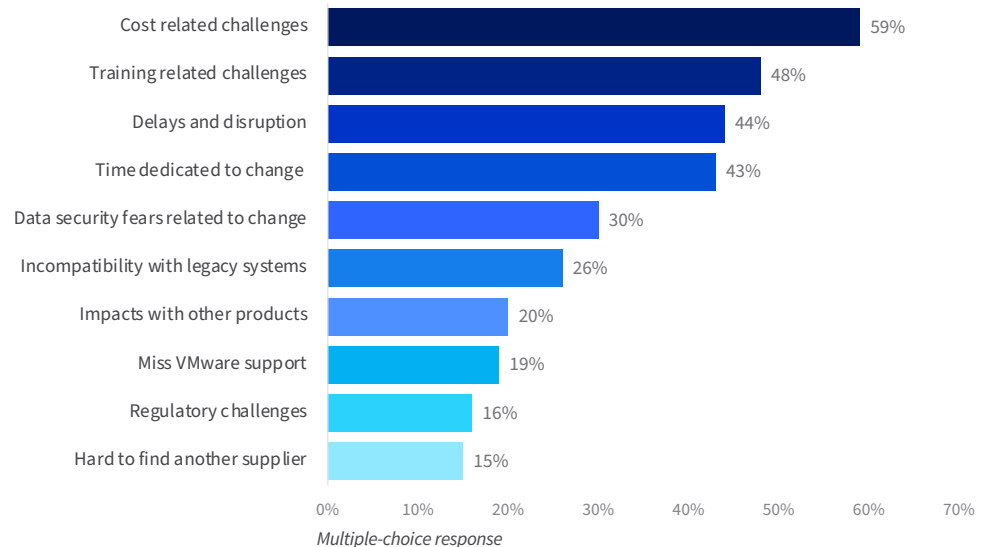| Supplier	Percentage
Public Cloud	37%
Citrix	26%
Hyper-V	27%
Nutanix	26%
Proxmox	10%
Kubernetes/Rancher	9%
XCP-NG	6%
Open Source/Other	

Multiple-choice response

Customers were concerned that if they transitioned away from VMware, they would spend more time and money.

What are the primary challenges expected if customers decide to transition away from VMware?

VMware clients expressed concern that if they transitioned away from VMware, they expect to spend more time and money adapting to a new vendor.

► If the IT leaders were to transition away from VMware, 59% anticipated cost-related challenges, such as an impact on IT operations budget, potential costs of a new supplier, and/or difficulty finding another supplier in their budget; 48% anticipated training-related challenges, including having to train employees in new ways of working and/or training them on new systems; 44% anticipated challenges relating to delays and disruption to workflow and/or delays in project timelines.

► 33% said IT time taken up implanting the changes would be a challenge, while 30% had data security fears relating to changing suppliers, and 26% feared incompatibility issues with legacy computing systems.

► 20% anticipated challenges relating to knock-on impacts on other products they use, 19% would miss the corporate support they get with VMware, 16% said challenges pertaining to regulatory requirements, and 15% felt they would face difficulty finding another supplier.

Anticipated impact of leaving VMware

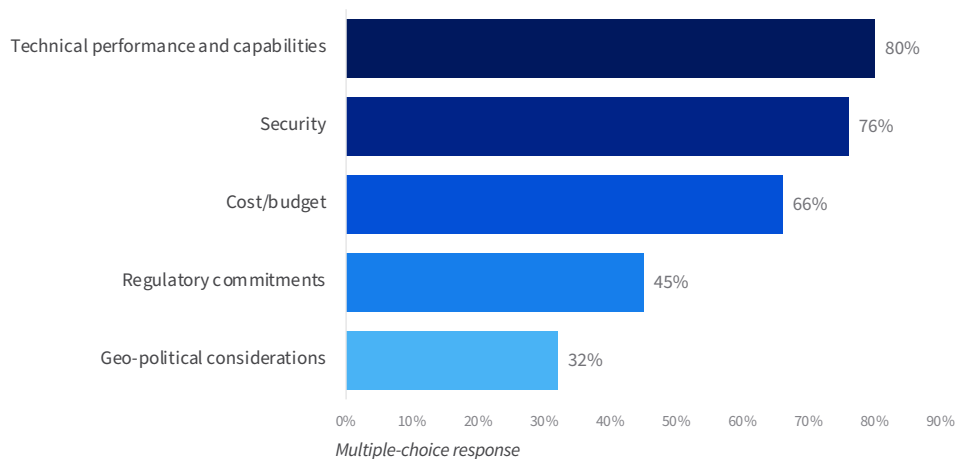| Challenge	Percentage
Cost related challenges	59%
Training related challenges	48%
Delays and disruption	44%
Time dedicated to change	43%
Data security fears related to change	30%
Incompatibility with legacy systems	26%
Impacts with other products	20%
Miss VMware support	19%
Regulatory challenges	16%
Hard to find another supplier	15%

Multiple-choice response

When discussing business virtualization and cloud computing strategies, we asked what top three contributors are driving change.

The top factors driving changes in strategies are technical performance and capabilities, security, and cost/budget considerations. Regulatory commitments and geopolitical considerations also play significant roles but to a lesser extent.

▶ 80% of all respondents said that technical performance and capabilities of the solution were among the top three most important factors driving their business' virtualization/cloud computing strategy, with 76% saying security.

▶ Looking at rank order, security was ranked as the number one most important factor by 31%, and technical performance and capabilities of the solution ranked number one by 27%.

▶ Cost/budget was rated in the top three by 66% (22% ranked it number one), whereas regulatory commitments were ranked in the top three by 45% (12% ranked it number one), and geopolitical considerations were ranked in the top three by 32%.

Which three of the following are the most important in driving your business' virtualization/cloud computing strategy?

Technical performance and capabilities	80%
Security	76%
Cost/budget	66%
Regulatory commitments	45%
Geo-political considerations	32%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90%

Multiple-choice response

We asked participants who were aware of Broadcom's acquisition of VMware to think about the impact this will have on virtualization and cloud computing services.

IT leaders are excited about the opportunities presented by Broadcom's acquisition of VMware and think that it will reduce pricing complexity.

▶ 82% were excited about the opportunities (selecting "agree" or "strongly agree")

▶ 81% felt that the acquisition would help to reduce pricing complexity (selecting "agree" or "strongly agree")

▶ 81% felt that Broadcom's acquisition makes VMware a more attractive option when considering a cloud computing partner (selecting "agree" or "strongly agree")

Here are some additional insights from the survey pertaining to participants who do not currently use VMware. Of the 250 IT decision-makers surveyed, 105 were not VMware users.

Only 61% of them were aware of the Broadcom/VMware acquisition.

86% reported previously using VMware. When asked what they are using now:

▶ 30% moved away from VMware in favor of another similar solution (e.g., Nutanix)

▶ 23% move to the public cloud/cloud-native solution

▶ 18% move to an open-source solution

▶ The rest are either doing something different or have developed an in-house solution.

CONCLUSION

> Broadcom's acquisition of VMware will reduce pricing complexity.
>
> It will pave the way for innovation and growth, positioning VMware and its partners to thrive.
>
> Pinnacle partner status demonstrates OVHcloud's advanced technological expertise and ability to address complex customer issues.

In today's fast-moving media and social media environments, hyperbole sells! OVHcloud looked beyond sensational headlines to hear directly from a random sample of IT leaders in small- to medium-sized businesses. OVHcloud's intent in commissioning this research was to gain meaningful context about the business community's reaction to Broadcom's acquisition of VMware.

Despite the initial concerns highlighted in the media and on social platforms, the survey results indicate that the majority of IT decision-makers at small and medium-sized businesses remain optimistic about the transition. The data reveals a strong inclination to continue using VMware products, with many respondents viewing the shift to a subscription-based model and the focus on hybrid cloud environments as positive developments that align with broader industry trends.

The findings suggest that while some internal adjustments may be necessary, most IT decision-makers believe these changes will ultimately enhance their operations, particularly in terms of flexibility, security, and cost efficiency. Furthermore, the enthusiasm for cloud and hybrid solutions underscores the growing acceptance of these technologies as the future of IT infrastructure.

In closing, IT decision-makers think the Broadcom acquisition will pave the way for innovation and growth, positioning VMware and its partners to thrive in a rapidly changing industry. Cloud service providers, like OVHcloud, can lead the way in helping VMware customers navigate the new VMware ecosystem.

What's Next for VMware and OVHcloud?

Broadcom has chosen OVHcloud as a VMware Cloud Service Provider Pinnacle partner in the Broadcom Advantage Partner Program. This status demonstrates OVHcloud's advanced technological expertise and ability to address complex customer issues. As a result, OVHcloud US will be adding the new VMware Cloud Foundation (VCF) to its portfolio of hosted private cloud services. VCF will help organizations modernize their infrastructure with the best possible total cost of ownership (TCO), provide a seamless self-service experience for developers with support for both VM and container-based workloads on a single platform, and offer enterprise-grade resilience and security. OVHcloud US also plans to support the new license portability feature of VCF, providing customers with a flexible hybrid cloud experience.

Furthermore, OVHcloud has secured an agreement with Broadcom to offer price stability for VMware licenses over the next four years for products such as vSphere, vCD, vSAN, and NSX.

ABOUT THIS SURVEY

OVHcloud US selected Arlington Research, a UK-based full-service international market research company. Their experience and expertise span B2B research, consumer research, and communications and PR research as core service offerings. OVHcloud US wanted to confirm that the positive feedback that company executives and employees have been receiving from their clients reflected the attitudes and opinions of the broader community of IT decision-makers.

Methodology

Arlington Research conducted fieldwork between July 29 and August 1, 2024, interviewing 250 IT decision-makers from small to medium companies (2 - 4,999 employees) who spend between $10,000 and $100,000 on IT and use virtualization technology. Of these, 145 respondents were current VMware users, while 105 were not. However, of those who didn't currently use VMware, 86% had previously done so.

53% of survey participants use a hybrid model with some workloads on-premise and some workloads in the cloud, 34% use an OpEx model (with cloud subscription-based pricing), and 12% use a CapEx-heavy model developed in-house solution operated on-premises or in a colocation.

Survey participant profile

Organization size

1000 to 4999 employees	▶ 27%
500 to 999 employees	▶ 27%
250 to 499 employees	▶ 22%
up to 249 employees	▶ 24%

Role within the organization

Developer, specialist, professional	▶ 2%
Technical manager	▶ 36%
Middle management (Director)	▶ 19%
Senior management (CEO, VP, Managing Director)	▶ 28%
Owner, co-owner, partner, founder	▶ 14%

Financial model currently being used

Capex heavy model with in-house solutions operating on-prem or colo	▶ 2%
Opex model with cloud subscription-based pricing	▶ 36%
Hybrid model with some workloads on-prem and some in cloud	▶ 19%
Unknown	▶ 28%

OVHcloud US is a subsidiary of OVHcloud, a global player and Europe's leading cloud provider operating more than 450,000 servers within 43 data centers across four continents. For over 20 years, the company has relied on an integrated model that provides complete control of its value chain, from the design of its servers to the construction and management of its data centers, including the orchestration of its fiber-optic network. This unique approach allows it to independently cover all the uses of its 1.6 million customers in more than 140 countries. OVHcloud now offers latest generation solutions combining performance, price predictability, and total sovereignty over their data to support their growth in complete freedom.

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