



Broadcom's Acquisition of VMware: **A Summary of Everything You Need to Know Before Renewing**

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In November 2023, the semiconductor and software developer Broadcom announced its [\\$69 billion acquisition](#) of the virtual-computing company VMware. The deal, which had faced strict regulatory supervision internationally, went ahead days before the deadline after clearing its final hurdle with China.

For organizations around the world that depend on VMware to run their operations, the fallout has been seismic. More than six months later, many CIOs are still unsure of what this means for their organizations. In a [June 2024 survey](#) of 300 decision-makers across the field, 95% classified the acquisition as "disruptive" to their IT strategy, with three out of four bracing themselves for price hikes greater than 100%. Tellingly, barely 5% had decided what to do in response to the announcement.

If you're a VMware customer in this turbulent moment, it can feel like you're stuck between a rock and a hard place. But *you do have options*, and the choices may be better than you thought. In this e-book, we lay out three key points to consider before making any final decisions about renewing:

- 1 Subscriptions and licensing considerations
- 2 Infrastructure approaches and alternatives
- 3 Assessment of cloud and hybrid investment



1.

Think through subscriptions and licensing considerations.

Broadcom has a history of buying other tech companies and changing their business models—and VMware is no exception. VMware customers have already experienced drastic changes to both offerings and pricing models, leading to uncertainty and greater expense for many organizations. Here are four of the biggest changes:

No more perpetual licensing

Broadcom is transitioning away from perpetual licensing in favor of a subscription-based licensing model. Perpetual licensing allows for permanent ownership of software upon payment of a one-time fee. With the switch to a subscription model, all users must now pay a monthly fee to access VMware products. The fee will be dependent on the length of the contract acquired, leading to price increases ranging between [150% and 500%](#).

Bundling services

Broadcom has eliminated some 30 products and packaged others into bundles. Although bundling may look like a practical way to make additional features available to customers, it really becomes a way to make them pay for components they neither want nor need.

No more discounted rates

Broadcom is phasing out a series of discounts and is threatening to do the same with educational and public-sector pricing. Combined with the move to a subscription-based licensing model, product bundling and the reduction or elimination of discounts have translated into [real-world increases of well over 1,000%](#).

Ending partnerships with resellers

Finally, VMware has changed to an invitation-only partnering program, [terminating its previous program](#) and leaving many partners out in the cold. This means customers will have to acquire licenses through an authorized partner, limiting their options. For example, as of April 30, 2024, AWS could no longer resell the managed cloud offering VMCloud (VMC) on AWS Service. As a result, AWS will be less likely to integrate its tools with VMware, making services like disaster recovery (DR) more difficult for VMware users—and adding hurdles for VMware users who are also AWS customers.

Broadcom Increases Prices 150–500%

One of Broadcom's biggest changes is moving everyone onto a subscription model, where they must pay a monthly fee to access VMware products. Although dependent on the length of the contract, price increases have ranged between [150% and 500%](#).

Before making any moves, you need to understand your current licensing situation.

First, identify which license versions you have deployed. This will determine when you can migrate and how complex that migration will be. Two immediate factors to consider are size and type.

Size

In general, the larger the size of your deployed version, the greater the complexity and the accompanying cost of migration.

Type


An on-prem license will be easier to navigate than one hosted by a provider (like Microsoft or VMware). Hosted licenses tend to be more complex simply because another provider is involved, creating dependencies that become more involved to work through.

Conducting an optimized license assessment (OLA) is one of the most powerful tools at your disposal to help craft a migration strategy. An assessment can be run with or without an agent installed in your environment and takes stock of all of your systems, identifying:

- 1 License counts and versions of both hardware and software
- 2 Expiration dates and costs

Armed with this diagnosis, the OLA will lay out a plan and timeline of actions to take, making it much easier to determine when and how to act. Whatever the case, the path forward will be clear: renew, go hybrid, or go cloud. ScaleCapacity routinely works with data from an OLA to create a specific migration strategy for your environment.

AWS Optimized License Assessment (OLA)



AWS offers an OLA to help your organization right-size your environment by identifying underutilized assets, eliminating redundancies, and optimizing resource allocation.

Analyzing additional results from the OLA will allow you to potentially eliminate up to 60% of your current licensing cost due to over-provisioning and explore more flexible licensing options.

Funding options may also be available to support this work.

2.

Understand the infrastructure approaches and alternatives available to you.



VMware users are now faced with important decisions—but not making a decision might be the most dangerous choice of all. Here are the “big four” options available:

Transition to the Cloud

The past decade has seen an exponential increase in organizations moving to the cloud, thanks to pay-as-you-go cost savings, the ability to scale infrastructure needs up and down, and the freedom from maintaining legacy hardware. In fact, according to Gartner, the cloud will shift from a “nice to have” to a [business necessity](#) by 2028.

In this context, for many organizations, VMware’s drastic changes might be the push they have been waiting for. And when it comes to cloud, there are strong reasons to choose Amazon Web Services (AWS), currently serving [2.38 million businesses](#), the largest cloud provider with over 50% market share. For companies interested in this option, AWS is able to provide assistance to ease the transition both in terms of consulting and funding options (you can learn more about this at the end of the e-book).

Move to Nutanix Cloud Clusters (NC2) on AWS

Worried you don’t have enough time to make an operational transition to the cloud? NC2 is a hybrid multicloud platform that enables your applications to run in a variety of environments—on-premises, private, or public clouds—all operated as a single cloud. This solution is a good “intermediate” option that will buy you more time because it allows you to continue to run your existing VMware on Nutanix until the time is right to make a full migration to AWS.

Consider potential hidden costs of porting licenses

For VMware Cloud Foundation (VCF) customers, there is now an option to port on-premise VCF licenses to Google Cloud VMware Engine or Azure VMware Solution. Although this option offers companies more time to figure out a long-term plan (similar to NC2), there are short-term complications. First, the offer only applies to recent VCF customers—those who purchased after Dec. 13, 2023 and are running version 5.1 or above. Second, [according to The Register](#), companies that have tried this option have experienced major complications, including problems locating license keys, not having licenses appear on the Broadcom site, and trouble getting their accounts activated.

Stay and renew with VMware/Broadcom

Of course, the final option is to make no decision at all and accept whatever price increases and content restrictions Broadcom continues to add. In light of the changes already implemented since the acquisition, prospects on this front are not particularly encouraging. Besides being much more expensive, there is a big risk in not knowing Broadcom's ultimate plans, increasing operational uncertainty and making future planning difficult.

Why Migrate to AWS?

Lower migration costs

Leverage AWS best practices, tools, and promotional credits to reduce VMware migration costs, including offsetting expenses from running parallel environments.

Accelerate migration timelines

Use AWS Application Migration Service to rehost VMware Cloud on AWS workloads to Amazon EC2 without refactoring, minimizing downtime. Earn AWS Promotional Credits when migrating 40+ VMware servers per month.

Mitigate risk

Set predictable schedules and budgets by rehosting workloads that can be easily migrated. Meet critical timelines, control costs, and prioritize modernization plans.



3.

Assess the impact of cloud and hybrid investments against your current fiscal strategy.

If you do decide to migrate to the cloud, you will need to rethink your budgeting strategy. Those familiar with accounting will know the difference between operating expenses (OPEX) and capital expenses (CAPEX): the former refers to expenses necessary for the day-to-day operations of a business, and the latter refers to up-front investment costs that extend over a larger period, usually in tangible assets. The former are expensed; the latter, are capitalized.

In an on-prem or perpetual-license environment, costs are mostly up-front investments—CAPEX. With a subscription or pay-as-you-go model (including cloud), however, the payment framework shifts. Instead of confronting a three-year cycle for maintenance based on a previously acquired license, for example, you may now find yourself creating yearly budgets built on a monthly spend.



If you do decide to migrate to the cloud, you will need to rethink your budgeting strategy.

Learn to Budget in the Cloud With AWS

The [AWS Cloud Economics](#) team is designed to help companies improve in areas like staff productivity, operational resilience, business agility, and sustainability. This team can help you compare your current solution with an AWS Cloud solution, walking you through options and costs. If you're already working with an AWS Partner like ScaleCapacity, you will have access to the AWS Cloud Economics team.

How to Take the Next Step

The Broadcom acquisition of VMware, and the need to adjust to turbulent changes in its wake, has left companies all over the world feeling overwhelmed. If you're feeling the same way, know that getting prepared doesn't have to be costly—and that you're not alone.

How can ScaleCapacity help?

An AWS Cloud-native services company, ScaleCapacity helps organizations bring the best out of their people and technology, accelerating their cloud-native journey. As an Amazon Advanced Tier Partner, we know the AWS Cloud inside and out—but we also have certified VMware specialists on our team. We understand the technical nuances of both environments, resulting in a smooth transition for our customers.



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ScaleCapacity's VMware Differentiators

At ScaleCapacity, we have a proven track record of successfully guiding clients through the VMware transition. Here's what sets us apart:



Licensing

We understand that licensing costs can present a significant barrier to VMware migration for some customers. That's why we offer a path to a no-cost assessment service through AWS, designed to help you navigate this challenge.



Migration

We leverage our extensive migration experience to assist customers in crafting a tailored migration strategy from on-premises environments to AWS. Drawing upon years of successful migrations, we provide comprehensive guidelines and best practices to help you navigate the myriad of options, including refactor, replatform, and rehost.



Migration Costs

We recognize that budget constraints can pose significant obstacles to VMware migration. That's why we're committed to providing comprehensive support through AWS funding programs, ensuring that financial limitations don't hinder your transition to the cloud. Whether it's through AWS credits, grants, or other financial incentives, we'll work tirelessly to secure the funding necessary to offset migration costs.



AWS Skills

We understand that lacking AWS skills can present a significant hurdle to VMware migration. That's why we offer a comprehensive suite of services to address this challenge head-on. Our immersive training sessions and hands-on immersion days provide practical experience and guidance, empowering your staff to manage and optimize your AWS-native environment.

Learn More About Funding Assistance for VMware Migrations

There are several funding mechanisms available through AWS and ScaleCapacity that can help make your migration as pain-free as possible. Ready to learn about your options? [Click here](https://www.scalecapacity.com/vmware), and we will help you get started. www.scalecapacity.com/vmware