VMware Advisory Services

VMware Licensing Under Broadcom

From Confusion to Clarity

Broadcom's November 2023 acquisition of VMware fundamentally reshaped the virtualization landscape, introducing sweeping changes to licensing models, product offerings, and support structures.

Despite this upheaval, VMware retains its market dominance in virtualization by serving every Fortune 500 company, making these changes impossible for enterprise IT teams to ignore. Organizations are now grappling with new subscription-based bundles and revised licensing metrics that have swept away the familiar world of perpetual licenses.

To succeed in this new landscape, you need three things: a clear picture of your current VMware landscape, a strategy to align your existing setup with the new offerings, and an approach that keeps costs and compliance under control.

The New VMware Licensing Framework

Broadcom has completely restructured how VMware licensing works, turning what used to be around 250 individual licenses into just four core subscription bundles. While this sounds simpler on paper, the reality is that most organizations face a complex transition that forces them to rethink their entire VMware approach. The days of buying perpetual licenses and adding Service & Support (SnS) contracts are over. Everything is now subscription-based, which means ongoing costs instead of one-time purchases.

The technical changes run deep as well, starting with a shift from CPU-based pricing to per-core licensing that requires a 16-core minimum per processor. This hits particularly hard if organizations are running older hardware or specialized configurations that don't line up with today's processor designs. Broadcom has also bundled previously separate tools into subscription packages, which might be cost effective for organizations using multiple VMware products, but creates challenges for those needing only specific components. Support has been revamped, too, keeping production support levels while adding select support tiers with better service and dedicated resources.

In short, companies can expect 150-350% cost increases for like-for-like subscription conversions, though some organizations might find opportunities to manage their expenses through strategic hardware refreshes and core alignment.

Key Considerations for VMware Environments

Organizations now face four main subscription options. VMware vSphere Standard (VVS) covers basic virtualization needs, while vSphere Enterprise Plus (VVEP) adds advanced features for demanding environments. vSphere Foundation (VVF) bundles vSphere, vSAN, and Aria Suite Standard together, and Cloud Foundation (VCF) delivers full private cloud capabilities with integrated management that can significantly reduce operational complexity for organizations ready to embrace the complete stack.

The tricky part? Current setups probably don't map neatly to these new bundles, which means organizations could end up paying for features they don't need or losing functionality they rely on. However, organizations using multiple VMware products often find the bundled approach delivers better value than purchasing components separately, while VCF's new capabilities—including enhanced hybrid cloud integration and streamlined operations—can justify the investment for comprehensive private cloud strategies.

The switch to per-core pricing with the 16-core minimum per CPU will hit budget calculations hard, especially for organizations running mixed environments with different processor generations. Teams need accurate core counts for every piece of hardware and solid projections for future growth. The timing of hardware refreshes now carries licensing implications—get this right, and organizations can manage costs by aligning processor upgrades with core-efficient configurations while taking advantage of performance improvements in newer VMware releases. Because vSAN capacity allocations come bundled in, storage needs must be evaluated alongside compute licensing.

The compliance side got stricter, too—you can expect 30-day notice periods for audits and verification requirements that demand detailed deployment records. These reporting requirements stick around for the entire subscription term plus 12 months after, and territory restrictions mean businesses need clear organizational boundaries, especially multinational companies with complex subsidiary structures.

Strategic Planning Framework

Before making any moves, VMware users need to know exactly where they stand with their current setup. Take stock of what licenses exist, how infrastructure is deployed, and when renewals are coming up. A baseline assessment is critical for understanding your available options. Then look ahead: what will the business need from virtualization in the next few years? Consider growth projections, technology changes, and how the new subscription bundles might or might not fit those plans.

Don't assume that staying with VMware is the only choice. Take a hard look at alternatives like infrastructure improvements, cloud migration, hybrid setups, or even third-party support for existing perpetual licenses. Whatever direction seems most promising, map out timelines carefully so renewal dates line up with business planning cycles. Budget for the new cost structures and payment schedules, and build in risk management for compliance requirements, audit preparation, and documentation. Getting these fundamentals right now will save major headaches later.

SoftwareOne's VMware Advisory Approach

Working through VMware's new licensing structure requires a systematic approach, and we recommend starting with complete licensing reconciliation and gap analysis to understand exactly what you have and identify opportunities for improvement. Follow this with current and future state analysis that delivers practical recommendations aligning technical needs with business goals while maintaining cost control.

The subscription transition should be methodical. Evaluate all options and make decisions based on thorough assessment of technical, financial, and operational factors. Implement solid license key management and compliance monitoring processes so your teams can focus on core business operations rather than administrative overhead.

When negotiating new agreements, apply experience and market knowledge to secure favorable terms while maintaining full compliance. Prepare for potential audits by establishing proper verification processes and documentation standards. Stay informed about ongoing changes and emerging opportunities as VMware's offerings continue to evolve under Broadcom.

Moving Forward: Preparing for Success

Most VMware users face a critical decision about their virtualization strategy under Broadcom's new rules. If organizations are considering a move to comparable VMware licensing, they should start planning now, well before renewal discussions begin. The complexity of new product bundles, licensing metrics, and compliance requirements means teams can't afford to wait until the last minute.

Expert guidance can be essential when dealing with licensing decisions that significantly impact budgets and operations. Moving from perpetual licenses to subscriptions requires careful analysis of long-term costs, compliance obligations, and how well the technical pieces fit business requirements. SoftwareOne has decades of VMware experience and can help organizations work through this transition successfully.

Learn more about how <u>SoftwareOne can support your VMware licensing</u> adjustments on our website.

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