



VMWARE NEW BUNDLES & PRICING: IMPACT TO IT BUYERS

Research Brief

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VMware by Broadcom (VMware) [recently announced](#)¹ changes in how VMware products will be licensed and sold, consolidating offerings into two primary bundles, along with two feature-constrained offerings for smaller environments. VMware will stop selling individual products outside of these primary bundles – though there are add-ons. Popular products like vSphere Enterprise Plus, Aria Suite, NSX Networking, and vSAN, for example, can now only be purchased as part of a bundle.

Shortly after announcing the new bundles, the company said that it will also be reducing the subscription price of VMware Cloud Foundation (VCF) “by half,” surprising many industry experts and customers, as Broadcom had previously indicated plans² to nearly double VMware's profitability from its current \$4.7B to \$8.5B within three years of closing the acquisition.

While the moves might seem positive on the surface, it raises significant questions about whether IT buyers are saving money as more clarity emerges on the details of VMware's new bundling scheme and the operational limits on its products.

Many existing VMware customers will be surprised by the changes and should look carefully at the overall impact. Let's first look at the details of VMware's new bundles and pricing, then delve into a few examples of how existing VMware customers may be impacted.

CONSOLIDATING INTO LIMITED BUNDLED OPTIONS

VMware unveiled a revamped subscription offering that aims to simplify its product portfolio. Under this new approach, the company consolidates current products into two primary offerings: vSphere Foundation (VVF) and VMware Cloud Foundation (VCF). At the same time, VMware will stop selling individual products outside of these bundles.

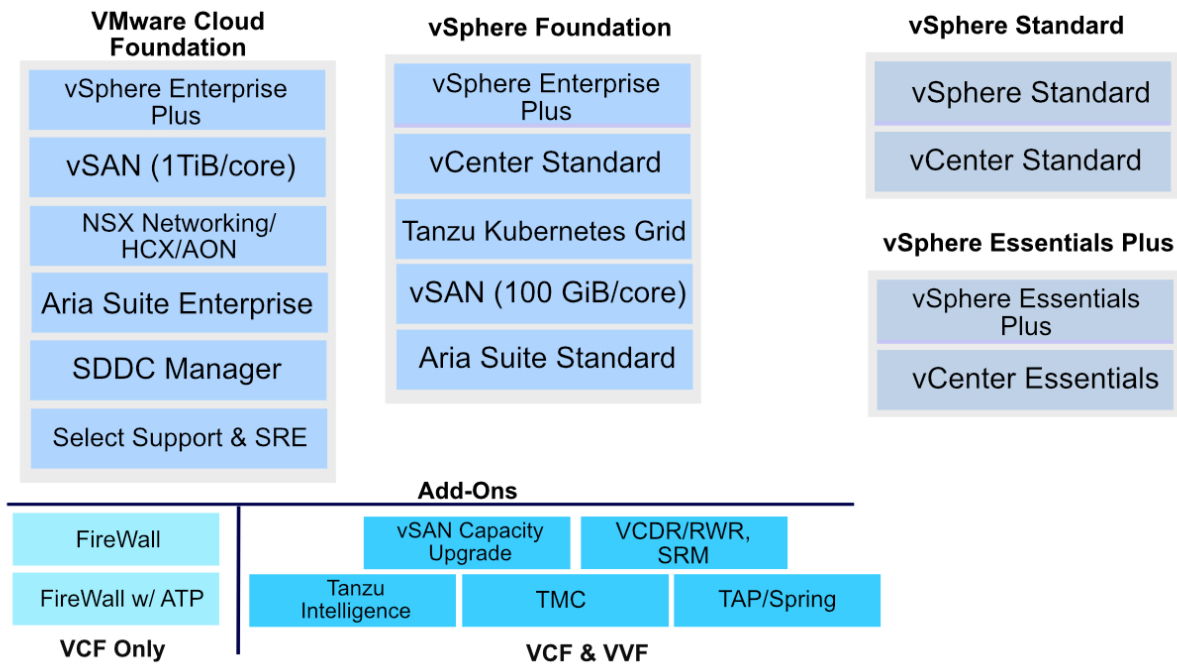
VMware Cloud Foundation has long been VMware's flagship offering, integrating several key VMware technologies and components into a unified stack. Under the new bundling scheme, the contents of VCF are shifting, with some products now being offered as add-ons to a VCF subscription.

¹ Broadcom/VMware Blog Post: <https://news.vmware.com/company/vmware-by-broadcom-business-transformation>

² The Register, May 4, 2023, https://www.theregister.com/2023/05/04/broadcom_vmware_research_funds_pledge/

As part of its new bundling, VMware introduced VMware vSphere Foundation. VVF is a more modest offering bundle for mid-sized and smaller customers who may not need the full range of products available in VCF.

VMware also offers entry-level customers basic vSphere Standard and vSphere Essentials Plus packages. These packages do not support any add-ons, with customers being required to upgrade to VCF or VVF for additional functionality.



VMware Bundles & Add-Ons (source: Broadcom)

NEW PRICING

VMware announced a 50% price reduction for VMware Cloud Foundation as part of its new pricing plan for VCF. Even with reduced pricing, however, the new bundles will likely force overall customer spending to rise for many existing VMware vSphere customers.

VMware’s new pricing strategy involves eliminating standalone options, introducing high-priced bundles, and introducing a capacity-based vSAN licensing model.

The following table details the list price for a 3-year average contract pricing.³ for the new offers, though most enterprise customers, in practice, will pay a discounted rate. VMware offers contracts in 1-, 3-, and 5-year terms, with a minimum license requirement of 16 cores per CPU.

³ Pricing provided by Broadcom, current as of December 20, 2023.

Offering	3-year ACV
VMware Cloud Foundation	\$350/core
vSphere Foundation	\$135/core
vSphere Standard	\$50/core
vSphere Essentials Plus	\$35/core

Add-On	3-year ACV
vSAN Capacity Expansion	\$210 per TiB
VMware Cloud DR w/ VMware Ransomware Recovery	\$360 per protected VM + \$842 per protected TiB
Firewall	\$120/core
Firewall w/ Advanced Threat Prevention	\$200/core
Avi Load Balancer	\$5,695 per service unit

ANALYSIS: IMPACT TO IT BUYERS

Eliminating standalone products removes the flexibility of VMware's traditional "a la carte" options. Some customers will be surprised that functionality previously included in their license is now offered as an add-on.

Other customers will find their costs increase as the bundles force them into the highest-priced VCF offering at \$350 per core, while also forcing them to pay for and manage licenses for software they don't need.

Let's examine a few examples of how the licensing and bundling changes impact existing VMware customers.

IMPACT TO EXISTING VSPHERE SUBSCRIBERS

Existing VMware vSphere subscription customers will find that some functionality previously included in their subscriptions is now available only as an add-on, resulting in costs that exceed the new bundle pricing. This impact is greatest for existing vSphere Enterprise+ customers who must now upgrade to the new VVF or VCF bundles.

While vSphere Standard is still offered as a standalone product, most customers will not find this a viable option due to the amount of functionality that has been limited to vSphere Enterprise+. One notable example is VMware's Distributed Resource Scheduler (DRS), which most enterprises rely on to solve the "noisy neighbor" problem.

At the same time, downgrading from vSphere Enterprise+ to vSphere Standard isn't a viable option, as those customers would lose a significant amount of functionality:

vSphere Enterprise+ Features Lost when Downgrading to vSphere Standard

<i>Distributed Resource Scheduler (DRS)</i> <i>Storage DRS</i> <i>Host Profiles and Auto Deploy</i> <i>Proactive HA</i> <i>vSphere Persistent Memory</i> <i>VM level Encryption</i> <i>Customizable Base OS Images</i> <i>vSphere Trust Authority</i> <i>Fault Tolerance for >2-vCPU</i> <i>Container Registry Service (TKG)</i> <i>NLB (TKG)</i> <i>TKG LCM</i>	<i>NVIDIA Grid vGPU</i> <i>NVIDIA AI-Ready Platform Support</i> <i>Accelerated Graphics for VMs</i> <i>Distributed Services Engine (DPU Support)</i> <i>Vendor Device Groups</i> <i>SR-IOV Support</i> <i>Distributed Power Management (DPM)</i> <i>I/O Controls (Network and Storage)</i> <i>Distributed Switch</i> <i>VM Registry Service (TKG)</i> <i>Workload Availability Zones (TKG)</i>
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Customers are advised to consider the potential cost impact of previously included capabilities that are now offered as add-on features to the new bundles.

IMPACT TO STANDALONE VSPHERE ENTERPRISE+ USERS

Many VMware customers that use standalone vSphere Enterprise+ will run into limitations that will force them to purchase a higher-priced bundle.

The following table illustrates several features that are no longer included in VCF:

<i>Feature</i>	<i>Old VCF</i>	<i>New VCF</i>
<i>Tanzu Kubernetes Grid Service</i>	Included	Included
<i>Tanzu Integrated Services</i>	Included	Add-On
<i>Tanzu Mission Control Essentials</i>	Included	Add-On
<i>Advanced Load Balancer Essentials</i>	Included	Add-On

Current VMware customers are encouraged to do their own comparisons using the latest information available from VMware.

IMPACT TO VSAN USERS

The move to capacity-based pricing for vSAN customers significantly changes how VMware licenses the product. In addition to forcing customers to buy vSAN as part of a bundle, the new pricing, coupled with relatively low baseline capacities in VVF and VCF, will lead to unexpected for many (if not most) vSAN customers.

Let’s look at how VMware’s new licensing could impact a typical vSAN configuration. The new VMware vSphere Foundation bundle is the most comparable to a basic installation comprised of vSAN Enterprise and vSphere Standard. VVF supports 100GiB per core as part of its baseline \$135 per core licensing cost.

Keeping things simple, let’s assume a basic vSAN node containing two 24-core processors. The new VVF bundle allows for 100Gib per core, which yields a total capacity of 4.8TiB per node. A moderately sized vSAN configuration contains about 50TiB of capacity, roughly ten times what’s allowed in the baseline VVF bundle for a two 24-core processor node.

The following chart shows an estimated price difference between an existing vSAN configuration comprised of vSAN Enterprise and vSphere Standard against the new VVF bundle. There's a significant price increase as the system is scaled up.⁴

	Existing vSAN Enterprise + vSphere Standard	New VVF
<i>Base License, 2P x 24 Cores (total 48 cores)</i>	\$6,000	\$6,480
<i>Capacity Upgrade to 50Tib @ \$210/TiB</i>	<i>Included</i>	\$9,450
Total	\$6,000	\$15,930

Additionally, a VVF customer can no longer purchase 24x7 support, Aria Suite Enterprise, NSX Networking, 24x7 support, or access to SRE as standalone products without upgrading to the new VMware Cloud Foundation bundle.

Configurations vary, of course, and this example is provided to illustrate the complexities involved. Any current vSAN customer is encouraged to calculate costs based on their environment and actual license pricing (as many customers will have contractual discounts with VMware that is less than published list prices).

ADVICE TO IT BUYERS

While VMware lowered the base price of its VMware Cloud Foundation, the new bundling scheme and elimination of its standalone products could result in higher prices for many VMware customers, especially for customers currently running vSphere Enterprise+.

⁴ Existing pricing is based on a survey of average prices across a range of resellers.

The new vSAN capacity pricing is another area to pay particular attention to, as the entry-level configurations of 100GiB/core for vSphere Foundation and 1TiB/core for vSphere Cloud Foundation is lower than the storage typically found in an HCI cluster.

VMware's moves come just weeks after Broadcom closed its acquisition of the company. In those few weeks, VMware has implemented the license changes described in this research note and confirmed the layoffs of nearly 3,000 employees.⁵, and vacillated on whether it's divesting its desktop and Carbon Black businesses⁶. This creates significant uncertainty.

As in any period of uncertainty involving critical technologies, we advise that IT organizations take a comprehensive look both the costs and risks before committing to any significant VMware deployment or renewing long-term license agreements.

Whenever feasible, IT buyers should look to mitigate risks with a dual-vendor approach. Many VMware customers across the board are already adopting alternative or dual-sourced solutions where possible while looking at alternative solutions for greenfield projects.

With the industry watching, Broadcom's stewardship of VMware in the coming fiscal year will be a critical test of its strategic vision for enterprise software dominance. While Broadcom is clearly focused on getting the financial aspects of the acquisition quickly under control, how the company will deliver long-term value to its VMware customers remains unclear.

Until there's clarity, however, IT organizations should continue to act cautiously as they manage the risk and uncertainty of Broadcom's continuing integration (and divestiture) of VMware's people, products, and services. The significant changes within VMware in its first few weeks as a Broadcom asset are telling, and further shifts are likely to unfurl as Broadcom focuses on its publicly stated profitability goals.

⁵ Channel Futures, November 30, 2023, <https://www.channelfutures.com/mergers-acquisitions/broadcom-layoffs-officially-above-2-100-post-vmware-deal>

⁶ TechTarget, November 27, 2023, <https://www.techtarget.com/searchvirtualdesktop/opinion/What-happens-to-VMware-EUC-and-Carbon-Black-under-Broadcom>

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