



Breaking Down the Myths on Broadcom-VMware

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Last year, Broadcom announced its intention to acquire VMware, a move that would significantly improve VMware's ability to compete in the multi-cloud market. The acquisition is still pending regulatory approval, but if successful, customers could realize an industry-leading multi-cloud offering from VMware.

The proposed acquisition has generated both excitement and skepticism within the industry. Some experts believe it could lead to significant innovation and growth for both companies, while regulators ask whether it potentially reduces competition. Nevertheless, the acquisition marks a significant development in the tech industry and might have a profound impact on computing platforms that go beyond the cloud, notably on-premises and virtualization. This report will explore some of the synergies and potential pitfalls as Broadcom and VMware navigate the acquisition.

Myths Around VMware and the Broadcom Acquisition

This section will cover a number of the key myths that are prevalent in the market concerning VMware's acquisition by Broadcom.

Myth: There are already tons of options for companies and enterprises considering a move to the cloud or to tap cloud computing technology.

Fact: Many in the industry believe that there are already diverse options for companies and enterprises looking to move to the cloud or use cloud computing technology. However, this is somewhat of a myth. Currently, three major tech companies — Amazon Web Services (AWS), Microsoft Azure, and Google (GCP) — dominate the cloud computing market. This concentration of cloud services providers has for many stifled competition. While Oracle Cloud Infrastructure and IBM are gaining ground with their own offerings, many see the big 3 hyperscalers exerting oversized influence and seeking to lock consumers in both technologically and contractually. Government regulators are investigating the public cloud market and citing a lack of competition and innovation, as well as consumer lock-in.

Broadcom's proposed acquisition of VMware presents an opportunity for innovation if executed well; to improve upon existing technologies for creating private clouds, develop tools for customers to run workloads and move data across different cloud environments, and create cloud-native apps. One of the major challenges facing enterprises today is the interoperability of cloud platforms, especially when it comes to data and workload portability. Broadcom aims to increase interoperability and choice for customers. If the strategy delivers it should boost competition and innovation among cloud providers and reduce the potential for vendor lock-in.

With Broadcom's support, VMware would be well positioned to offer customers the flexibility to choose where they run their workloads, which means keeping some workloads and data on-premises and/or in a private cloud, and putting others in a hybrid or public cloud. One of the key benefits for clients, if the underlying strategy for the Broadcom-VMware transaction is successfully executed, will be to help satisfy customer desire for choice and flexibility.



The FTC's recent call for public comments on the business practices of the leading cloud service providers, and similar concerns expressed by regulators globally, highlights the need for increased competition in the cloud computing market. We believe Broadcom's acquisition of VMware will help create more robust competition for cloud-service providers, increasing customer choice and driving innovation.

Myth: Customers already have everything they need to operate in the cloud or capitalize on cloud computing to fit their specific needs.

Fact: Despite the widespread adoption of cloud computing, customers still face challenges operating in public clouds and navigating the multi-cloud landscape. According to public statements by Broadcom, its proposed acquisition of VMware focuses on addressing these challenges and enabling customers to manage their multi-cloud deployments more effectively and efficiently.

A recent [Deloitte survey on the "Future of Cloud"](#) found that cloud investments have the potential to drive organizational strategies forward, but most organizations are missing out because their innovation capabilities are not aligned with their strategic priorities. The report reveals that for all nine outcome areas under successful innovation areas, there is a significant gap between the level of strategic priority and innovation success.

We believe that Broadcom's R&D-driven approach will accelerate VMware's growth and momentum in the multi-cloud ecosystem. Multi-cloud offerings have great potential for greater competition and innovation to break through a calcified market, as well as for increased flexibility in data management. The growth of sovereign cloud offerings and requirements in and outside of Europe increases the need for multi-cloud capabilities that enable enterprises to move data and run workloads in different environments.

The global growth of interest and investment in multi-cloud presents opportunities for VMware, which will give customers a user-friendly way to operate in a multi-cloud environment securely, efficiently, and cost-effectively by creating private clouds and enabling easy switching between public cloud vendors, and between public and private clouds and on-premises. Different regions across the world will benefit from hybrid multi-cloud as their local and regional companies and entrepreneurs gain more flexibility and choice in their business infrastructure.

Myth: VMware already does multi-cloud and does it well.

Fact: VMware is in the early stages of its journey to enabling multi-cloud. It has made the transition to offering "software as a service," which allows it to offer software as a subscription to customers. With Broadcom's investment, focus, and experience modernizing technology, VMware will be able to offer better private cloud software to customers, who then can put their data and workloads into a private cloud. VMware will flourish even more with Broadcom's support to invest in and scale its technology for the multi-cloud era, making it a bona fide multi-cloud player. If you look at the public earnings statements, you can observe that VMware has been underperforming growth-wise against peer comparisons such as those of Red Hat and SUSE amongst others so continued investment is needed.

VMware Tanzu's portfolio launched in 2019, and it provides enterprises with a cloud-native platform for multi-cloud app delivery and management across any Kubernetes distribution. Tanzu has brought a compelling offering for a multi-cloud to market, especially as Kubernetes and cloud-native have become the default deployment option for many enterprises. Enterprises truly require a solution with the ease and benefits of the cloud but in their own data centers. We believe that to make private data centers and multi-cloud deployment options more appealing options for customers, VMware will benefit from Broadcom's vision and planned multi-billion-dollar investment in R&D and customer support. Broadcom's investment can also help VMware build cloud-native applications through its Tanzu portfolio, enabling enterprises to run different workloads on different platforms, enabling the benefits of multi-cloud environments to be fully realized. Broadcom President and CEO, Hock Tan has affirmed that Tanzu's centrality to VMware's software portfolio and multi-cloud strategy will remain after Broadcom's acquisition of VMware closes. Currently, Tanzu makes sense for many VMware customers but anecdotally is getting less traction with customers that don't already have a significant VMware relationship and deeper investment will address this dynamic.

If Broadcom makes significant R&D investments in VMware, as planned, it would ultimately improve workload mobility, enabling the promise of multi and hybrid-cloud environments. By improving its existing technologies, VMware can compete more effectively for workload placement by making the private data center space a more competitive alternative to the public cloud. Additionally, by developing tools for customers to better run workloads across different cloud environments VMware can make it harder for larger cloud providers to lock-in customers, which would create more customer choice.

[A recent Deloitte survey](#) highlighted that a Broadcom-acquired VMware will have a significant growth opportunity in the private and public cloud markets. The survey found that 26% of workloads currently running on private cloud would increase to 29% in three years, while 27% of workloads currently on public clouds with SaaS would increase to 32% in three years.

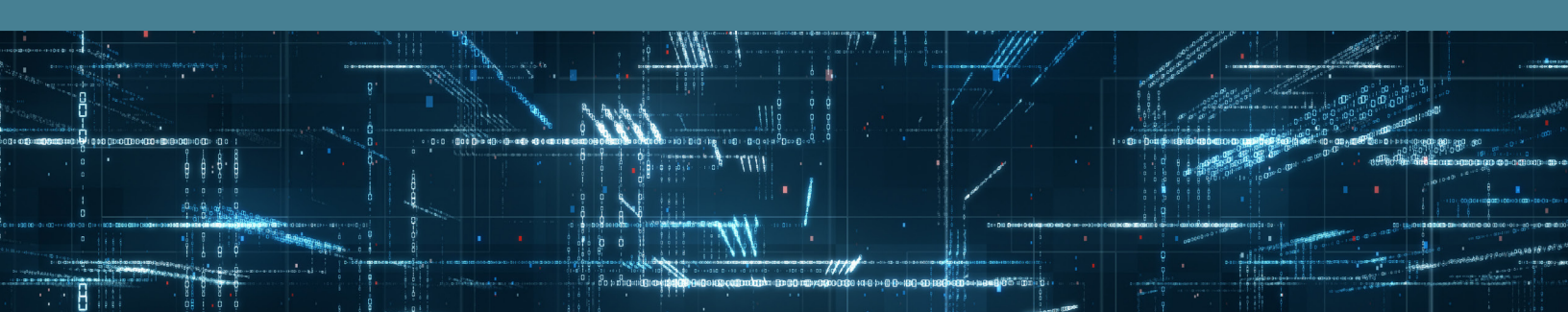
While VMware has a strong foundation in virtualization software, it will benefit from Broadcom's support to invest in and scale its technology for the multi-cloud era. This partnership has the potential to create a more competitive environment in the cloud marketplace, offering customers ease of use and benefits of the cloud while remaining in their own data centers. VMware and Broadcom need to work together to bring compelling offerings for a multi-cloud to market, enabling better workload mobility and greater customer choice.

Recommendations and Benefits

The proposed acquisition of VMware by Broadcom has the potential to further establish the combined company as powerful player in the multi-cloud market. Here are some benefits of the Broadcom-VMware solutions and recommendations on how enterprises should consider them.

Innovation. One of the key benefits of Broadcom-VMware solutions is the potential for increased innovation. [We recently provided a deep dive into the innovation that Broadcom has brought to market](#). Suffice to say that the combined company will have a proven and deep capability to innovate. This can lead to increased productivity, reduced costs, and improved customer satisfaction.

Execution Experience. Broadcom's technology expertise can be combined with VMware's hybrid multi-cloud offerings to create a more comprehensive solution for customers. This will enable enterprises to deploy and manage applications more efficiently as they look to further adopt the cloud, leading to reduced operating costs as well as productivity increases from IT Operations teams. To make this combination a compelling challenger to incumbents, Futurum believes that the post-acquisition Broadcom needs to further invest in research and development, ensure that the solutions they provide are user-friendly and easy to integrate, and focus on building a strong sales and marketing team.



The proposed acquisition of VMware by Broadcom has the potential to turn VMware into a market-leading multi-cloud provider. The combined companies would look to enhance their respective strengths to deliver superior products and services that meet the growing demand for multi-cloud computing, and virtualization.

Conclusions and Looking Ahead

VMware is already a well-established and respected company in the multi-cloud space, with a strong track record of bringing to market innovative products and services that have gained broad market adoption. Broadcom, on the other hand, has a rich portfolio of networking and connectivity technologies as well as a strong mainframe software solution stack that can complement VMware's offerings.

However, the proposed acquisition of VMware by Broadcom is not without potential challenges and pitfalls. The first is cultural alignment. While ensuring cultural alignment is a challenge in any large acquisition, Broadcom needs to be mindful of how deeply VMware's culture is engrained among employees. This will be particularly important to ensure a smooth integration between Broadcom and VMware teams, especially with regard to R&D.

Another pitfall that needs to be avoided is in the realm of Go-To-Market. Broadcom needs to focus on building a strong sales and marketing team that can effectively promote and sell its own and VMware's products while retaining the VMware channel structures. The combined company should maintain a deep understanding of customer needs and pain points, as well as a strong commitment to delivering exceptional customer service and support without commercial disruption.

Overall, enterprises should be looking to actively consider Broadcom-VMware solutions as they will most likely offer increased innovation, flexibility, scalability, and security. Futurum believes that the combined company has the potential to become a market leader in the hybrid multi-cloud space, and businesses that adopt their solutions will be able to benefit from a broad scope and robust suite of products and services that can ultimately help them stay competitive in a rapidly evolving and dynamic market.

To ensure the success of the acquisition on both financial and technology market leadership vectors, Broadcom needs to continue investing in research and development and to keep delivering innovative solutions that can meet the evolving needs of customers, especially as they continue to migrate to the cloud. This will require significant investments in both time and resources, as the multi-cloud market is highly competitive and rapidly evolving. In addition to research and development, Broadcom also needs to address potential regulatory concerns that may arise during the acquisition process. This will require close collaboration with regulatory agencies and legal experts to ensure that the acquisition is compliant with all relevant laws and regulations.

Futurum remains bullish on the proposed acquisition and believes that by combining their strengths, Broadcom and VMware can create a powerful portfolio of solutions that can address the growing demand for cloud computing and virtualization solutions. We believe the combined portfolio of products and services will be well positioned to enable businesses to build and manage complex multi-cloud deployments, as well as deliver solutions that enable enterprises to securely and efficiently manage their applications and workloads at scale while delivering secure operations all within a contained cost envelope.