Devirtualization vs. Revirtualization

VMware Acquisition Ignites New Industry Trend

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Table of Contents

Executive Summary

- **Devirtualization**: A small but growing trend of migrating workloads from virtual to physical environments, driven by cost considerations and licensing changes.

- **Revirtualization**: A more mature trend involving migration from VMware to alternative hypervisor vendors.

- Increased focus on optimization and hybrid cloud environments.

- Potential for 2-3x cost increases for some VMware customers under new licensing models. These trends are expected to shape the virtualization market over the next several years, with a projected CAGR of 18.1% reaching $317.6 billion by 2032.

Impact of VMware Acquisition on Virtualization Market

The Broadcom acquisition of VMware for $69 billion, completed in November 2023, has sent ripples through the virtualization market. This acquisition has led to significant changes in VMware's product offerings, licensing models, and strategic focus, which in turn are driving new trends in the market.

Key Changes Post-Acquisition

1. **Product Portfolio Simplification**: Broadcom has merged many VMware products into two main offerings: VMware Cloud Foundation and VMware vSphere Foundation.

2. **Licensing Model Shift**: VMware has transitioned from perpetual licenses to subscription-based models.

   - This change aligns with broader industry trends but may lead to increased costs for some customers.

   - Gartner reports that some businesses may face 2-3 times higher costs under the new licensing models.

3. **Strategic Focus**: Broadcom is emphasizing private and hybrid cloud environments, investing heavily in VMware Cloud Foundation

4. **Divestment of End-User Computing (EUC) Portfolio**: Broadcom has decided to divest VMware's EUC division, including products like VMware Horizon. These changes have prompted many organizations to reassess their virtualization strategies, leading to the emergence of devirtualization and revirtualization trends.

Devirtualization

Devirtualization, the process of migrating workloads from virtual to physical environments, is an emerging trend in response to the Broadcom-VMware acquisition.

Key Observations

- **Current Adoption**: Gartner estimates that about 1% of organizations are considering devirtualization.

- **Target Workloads**: Large or dedicated server VMs with marginal consolidation benefits are prime candidates for devirtualization.

- **Drivers**:

  1. Increased costs associated with new VMware licensing models.

  2. Potential for cost savings on specific workloads.

  3. Desire to reduce exposure to licensing changes and potential vendor lock-in.

Challenges

- **Complexity**: Devirtualization requires investment in complex and costly infrastructure to replace virtualization benefits like live migration and host-based recovery.

- **Portability**: Moving workloads to physical hardware necessitates replacing portability functions, which can be costly and require business buy-in. While devirtualization is currently a niche trend, Gartner predicts it could take 5-10 years to reach widespread adoption.

Revirtualization

Revirtualization, or virtual-to-virtual migration, involves moving from VMware to alternative hypervisor vendors. This trend is more mature than devirtualization and is gaining traction in the wake of the Broadcom acquisition.

Key Observations

- **Current Adoption**: Gartner estimates that 5-20% of enterprises are already adopting revirtualization strategies.

- **Drivers**:

  1. Desire to mitigate technical deficiencies or address commercial risks introduced by incumbent providers.

  2. Seek alternatives to VMware's new licensing and pricing models.

  3. Explore open-source or alternative technologies.

Challenges

- **Total Cost of Ownership**: While revirtualization may reduce exposure to increased audit and contractual issues, it can potentially increase the total cost of ownership.

- **Operational Challenges**: Migrating to a new hypervisor vendor introduces new operational challenges and learning curves for IT teams.

Predictions for Virtualization Market

1. **Market Growth**: The global virtualization software market is expected to grow at a CAGR of 18.1%, reaching $317.6 billion by 2032.

2. **Optimization**: There will be an increased focus on optimizing On-Prem & Cloud environments for performance and cost-effectiveness.

3. **Hybrid Cloud Dominance**: Broadcom's focus on VMware Cloud Foundation suggests a continued emphasis on hybrid cloud solutions.

4. **Consolidation of Virtualization Vendors**: The market may see further consolidation as larger tech companies acquire virtualization specialists.

5. **Rise of Alternative Solutions**: As organizations seek alternatives to VMware, other virtualization and container technologies may gain market share.

6. **Increased Adoption of Kubernetes**: The trend towards containerization and Kubernetes adoption is likely to accelerate, potentially impacting traditional virtualization markets.

Devirtualization vs. Revirtualization Trends

While both devirtualization and revirtualization are responses to the changing virtualization landscape, their trajectories are likely to differ over the next several years.

Devirtualization Trend

- **Slow Growth**: Given its current low adoption rate (1%) and significant challenges, devirtualization is likely to see slow but steady growth.

- **Niche Application**: It will likely remain a niche strategy, primarily for large, resource-intensive workloads where virtualization benefits are marginal.

- **Maturity Timeline**: Gartner predicts it could take 5-10 years for devirtualization to reach the "plateau of productivity".

Revirtualization Trend

- **Faster Adoption**: With current adoption rates of 5-20%, revirtualization is likely to see faster growth in the near term.

- **Broader Appeal**: Revirtualization offers a more familiar path for organizations looking to mitigate risks associated with VMware's changes.

- **Vendor Diversity**: The revirtualization trend is likely to benefit alternative hypervisor vendors and open-source solutions.

Conclusion

Both trends are expected to evolve, but revirtualization is anticipated to experience more substantial growth over the next five years. Nonetheless, the overall virtualization market is projected to maintain strong growth, with on-premises and cloud optimization emphasizing hybrid cloud solutions, which will be pivotal in shaping the industry's future.

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