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Published in Techcirle
September 26, 2025

Explained: Why VMware customers are migrating their workloads



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Article Content:

In the next three years, more than a third of workloads running on VMware will migrate to other platforms. This analysis was made by Gartner research VP Julia Palmer during the firm's Symposium event in Australia.

VMware, an American cloud computing company that specialises in virtualisation, was acquired by Broadcom in a \$61 billion deal that was completed in November 2023. A month after the acquisition, Broadcom transitioned VMware offerings from a perpetual license to a subscription-based model in a bid to grow the business model with predictable, recurring subscription income over one-time upfront sales that the perpetual license offers.

This change impacted licensing and budgeting for many organisations. Many customers have flagged this since the change in the model. In recent times, Tesco is suing Broadcom, VMware, and reseller Computacenter over invalidated perpetual licenses and forced subscription costs; while AT&T filed a similar suit over support renewals before reaching a settlement. In a separate case, Broadcom is accusing Siemens of using multiple VMware products without proper licenses.

Gartner's Palmer also said that Broadcom has now changed the licensing program further so that the hyperscalers like Microsoft Azure and AWS can not sell VMware subscriptions to users of their hosted VMware services, as reported by The Register. It means VMware customers can no longer buy licenses through third parties or cloud providers, but only from Broadcom directly. Additionally, if a customer wants to run VMware workloads on public cloud platforms, they must use Broadcom's "portable license entitlements" to move their existing VMware licenses into those cloud environments.

"Broadcom's decision to cut hyperscalers from reselling VMware Cloud Foundation (VCF) licenses is part of a broader strategic overhaul aimed at tightening control over customer

engagements. Hyperscalers are just another 'bare metal' platform for VMware Cloud Foundation to land on. During Q3 2025 earnings calls, Broadcom CEO Hock Tan said that VCF 9 'provides the real alternative to the public cloud'," Palmer wrote in an email response to TechCircle.

VMware customers are now considering alternatives like Nutanix, Microsoft Hyper-V, and Red Hat Virtualization as well as open-source options such as KVM-based solutions and Proxmox.

Nutanix told TechCircle that in the fiscal year 2025, it added over 2,700 new customers, its highest in four years. "We added more new customers this past fiscal year than we have in the past four years. Broadcom is shedding customers, we are adding customers," said Faiz Shakir, VP & Managing Director for Nutanix Asia.

Customers re-evaluating cost and value will likely start moving smaller or non-critical workloads elsewhere, especially to public cloud, experts opine. VMware still has deep roots, but over time its grip on the virtualization market is likely to loosen.

"Enterprises will need to rethink their IT budgets, shifting more spend from CapEx to recurring OpEx. Renewals and contracts will be scrutinized more closely, and some may adopt hybrid strategies to soften the blow. Expect longer procurement cycles and more intense cost-benefit checks before signing new deals," said Sameer Jain, Managing Director of consulting firm Primus Partners.

Defending its decision, Broadcom has said that VMware's old model was too complex and costly, so the focus has shifted to a simpler strategy centered on VCF. Customers asked for simpler products, constant innovation, and stronger security. Broadcom has committed billions in R&D, cut VCF pricing by half, and is positioning it as a seamless private cloud solution competitive with public cloud, Broadcom CEO Hock Tan said in an April 2024 blog.