

Broadcom and VMware: How Far Should the Bundle Go?

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A strategy case for MBA students and working professionals

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A first full year, a new commercial model

On December 20, 2024, Broadcom filed its fiscal 2024 annual report. It was the first full fiscal year in which Broadcom's results included VMware, acquired in November 2023. VMware brought a large infrastructure software business into a company whose other major business was semiconductors. The acquisition had closed, products had been reorganized, and customers were approaching contract renewals under a changed licensing model.

For the team responsible for VMware's next commercial phase, the immediate question was how to execute through fiscal 2025. Should Broadcom move eligible customers quickly toward a small set of broad subscription bundles and concentrate partner support around selected routes? Should it give more customers a wider menu of standalone subscriptions and add-ons? Or should it keep the new platform as the destination while staging migration by customer readiness, preserving transition support and using renewal evidence to set the pace?

The company had already announced the end of perpetual licensing for VMware Cloud Foundation (VCF) and VMware vSphere Foundation (VVF), along with a simplified portfolio. Existing contract terms continued through expiration, so customer decisions would occur at renewal. The question was no longer whether to announce a subscription shift. It was how much flexibility and transition support to preserve while turning the new offer into durable customer value.

The public record did not provide a VMware-specific renewal rate, price change, customer migration count, stand-alone operating margin, or an incremental investment budget. Broadcom's team would need to recommend a direction without treating those missing measures as known.

A platform inside a diversified company

Broadcom described its infrastructure software as supporting enterprises' mainframe, distributed, private-cloud, hybrid-cloud and security environments. VMware's products included compute virtualization, software-defined storage and networking, and cloud management. VCF brought compute, networking, storage, management and security capabilities together. VCF subscriptions also carried license portability for supported environments across on-premises data centers and certain cloud endpoints.

Broadcom had acquired VMware on November 22, 2023, in a cash-and-stock transaction. VMware stockholders received about \$30.8 billion in cash and 544 million split-adjusted Broadcom shares valued at \$53.4 billion. Broadcom funded the cash portion with \$30.4 billion in term loans and cash. In July 2024, it sold VMware's end-user computing business to KKR for \$3.5 billion after working-capital adjustments, saying that business did not align with its strategic objectives.

Broadcom's FY2024 revenue was \$51.574 billion, 44% above FY2023. Semiconductor solutions contributed \$30.096 billion, up 7%; infrastructure software contributed \$21.478 billion, up 181%. Infrastructure software represented 42% of revenue, compared with 21% a year earlier. Broadcom attributed the infrastructure-software growth primarily to VMware. The comparison spans a pre-acquisition FY2023 and a FY2024 that included VMware for most of the year.

The infrastructure-software segment reported \$13.977 billion in operating income, compared with \$5.639 billion in FY2023. That segment included VMware and other software businesses. Broadcom said it was impracticable to determine VMware-attributable net income because it had immediately integrated VMware into ongoing operations. Its FY2024 Form 10-K did identify \$12.384 billion of net revenue attributable to VMware. That revenue figure did not reveal a VMware stand-alone margin or return on the acquisition.

Integration brought expenses as well as revenue. Broadcom's research and development expense rose \$4.057 billion, or 77%, from FY2023, primarily because of higher compensation and headcount after the VMware merger. Selling, general and administrative expense rose \$3.367 billion, or 211%, primarily for the same reason. Restructuring and other charges were \$1.533 billion; the filing said these primarily included employee termination costs from merger-related cost reduction activity. The company-wide changes could not be assigned wholly to VMware or read as a direct measure of recurring savings.

Exhibit 1. Broadcom reported FY2024 revenue

USD billions; fiscal years ended November 3, 2024 and October 29, 2023. Source: Broadcom FY2024 Form 10-K. Mix and growth calculated from reported figures.

Segment	FY2024	FY2023	Change	FY2024 share
Semiconductor solutions	\$30.096	\$28.182	+7%	58%
Infrastructure software	\$21.478	\$7.637	+181%	42%
Total	\$51.574	\$35.819	+44%	100%

Infrastructure software is a reportable segment, not VMware alone. FY2023 ended before the November 2023 acquisition; FY2024 includes VMware for most of the period. Growth is not a like-for-like VMware growth rate.

What customers and partners would encounter

In January 2024, VMware by Broadcom announced that VCF and VVF would be subscription-only. A number of separate point products and perpetual license options were moved into bundles or made unavailable for new sales. The announcement also listed standalone subscription offers for some customers with narrower needs. Existing customer contracts would continue through their terms; the new commercial choice would become most immediate at renewal.

The offer reflected two possible customer propositions. A customer that wanted an integrated private-cloud stack could buy a platform combining multiple capabilities under one subscription. A customer that used only a limited portion of VMware's portfolio might instead face a broader package than it needed, even with selected standalone offers available. The public announcements described products and licensing rules, but did not disclose customers' component-level use, new contract prices, discounts, renewal terms, or comparative total cost of ownership.

The route to market was also changing. A Broadcom partner FAQ said invitations to the Broadcom Advantage program began on a rolling basis in January. Active VMware resellers and value-added solution providers could expect invitations at equivalent tiers; distributor participation followed a separate request-for-information process, and other routes had longer transition periods. Partner engagement on strategic accounts was to be decided case by case, with a stronger focus on partners providing high-margin value-added services. The FAQ described the new program's rules, but did not establish the net change in active partner count or service coverage.

Broadcom continued to describe a mix of direct and partner routes for VMware: resellers, distributors, hyperscale cloud providers, value-added OEMs and cloud service providers. Its annual report also described large enterprises with multi-vendor environments as its software customers. VMware's mission-critical role could support renewal and cross-product adoption, but could also increase the implementation effort and risk of moving workloads. How those forces balanced across customer types was not disclosed.

Competitors see an opening

Nutanix competed in virtualization and hybrid-cloud infrastructure. In its FY2024 Form 10-K, it said it had more than 26,000 end customers as of July 31, 2024. It also stated that an increasing number of VMware customers were exploring alternatives after Broadcom changed VMware's product portfolio and pricing.

Nutanix had a clear commercial interest in describing an opportunity. Its filing did not count completed VMware migrations or show what share of interested customers could migrate, when they might do so, or which workloads were suitable. The claim pointed to a competitive option and a potential customer concern, while leaving the scale and commercial consequence uncertain.

Customers also had reasons to stay with VMware: existing workloads, trained staff, established operations and the cost and risk of migration. They could accept a larger bundle if they valued the integrated capabilities, support or portability. They could also retain their current environment until renewal, negotiate, use a narrower VMware subscription where suitable, or evaluate another platform. The choice would differ across customers.

Three approaches for fiscal 2025

Broadcom's team could recommend one of three implementation paths:

1. **Bundle by default.** Make VCF or VVF the primary renewal path wherever the bundle fits. Direct sales and selected partners would focus on platform adoption, integration and subscription expansion. This could simplify the portfolio and reinforce the integrated proposition, but some customers might pay for capabilities they did not need or consider alternatives.
2. **Preserve a broader menu.** Use available standalone subscriptions and selected add-ons more actively, and retain more route-to-market flexibility. This could fit narrower customer needs and reduce transition resistance. It could also make product, pricing, support and sales operations more complex and slow the shift toward an integrated platform.
3. **Stage the transition.** Keep VCF as the platform destination, but sequence customer migration by workload fit and renewal readiness. Maintain explicit migration assistance and partner coverage during transition, and expand the bundle-first approach as customer and operating evidence accumulates. This can preserve learning and flexibility but may extend dual-running complexity and delay economies from standardization.

Each path requires investment in customer support, product integration, security, sales and partners. Each also implies different measures of progress. A contract signed is not the same as a workload migrated; a bundled license is not proof of customer value; a partner invitation is not proof of effective service coverage.

The recommendation

What commercial architecture and route-to-market should Broadcom use for VMware through FY2025 renewals? Which customers should be the first priority? What would demonstrate that the subscription bundles are creating value for customers as well as revenue for Broadcom? How should the team adapt its approach if renewals, migration burden, support needs or partner coverage differ from expectations?

Prepare a recommendation that identifies the choice, the assumptions on which it rests, the customer groups most affected and the measures that should trigger expansion, adjustment or pause. The public evidence establishes the scale of the acquisition, the reported segment results and the announced transition. It does not provide a VMware standalone margin or a measured rate of customer loss.

Discussion questions

1. What decision remains open after Broadcom announced its subscription and portfolio changes? What elements are already fixed, and where can implementation still vary?
2. Compare the bundle-by-default, broader-menu and staged-transition approaches. Which customer segments and partner routes benefit or bear risk under each?
3. What does Exhibit 1 indicate about Broadcom's portfolio shift? What can it not establish about VMware's performance or the acquisition's economics?
4. Which customer, partner and operating measures should guide the next phase? Define denominators and distinguish leading indicators from realized outcomes.
5. Recommend a FY2025 approach. State the assumptions that matter most and identify evidence that would cause you to change course.

Sources and cutoff

This case uses information public by December 20, 2024. Primary sources include Broadcom's FY2024 Form 10-K filed that day; its December 12 FY2024 earnings release; VMware by Broadcom's January 22 licensing announcement; Broadcom's April 2024 VMware Partner FAQ; and Nutanix's FY2024 Form 10-K filed September 19, 2024. Academic mechanisms are summarized in the accepted research review. Exact citations, access depth and locators are in the source register; calculations and evidence limits are in the evidence extraction.

The decision team and choices in this case are constructed for teaching. They do not represent private Broadcom deliberations. No information after the cutoff is included.