

NetApp signals to 'Alt-V' with portfolio enhancements, but VMware remains the default

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Introduction

NetApp Inc. says that more than 85% of NetApp ONTAP customers run their VMware by Broadcom workloads on NetApp (and it, in turn, relies heavily on VMware in its own internal infrastructure); there are more than 20,000 joint NetApp-VMware customers. As such, the vendor's alternative virtualization portfolio is designed to appeal to customers that may already be using or evaluating other virtualization options for some portion of their workloads more than wholesale migration.

THE TAKE

451 Research's Voice of the Enterprise: Cloud Native, Server Virtualization/Hypervisor Strategy 2024 survey suggests that most organizations are satisfied with running virtual machines on their current platforms. However, apart from the nontechnical disruption caused by VMware's sale to Broadcom Inc. and the resulting (and ongoing) changes in VMware pricing and other contract terms, many organizations are also looking at reducing their VMware licensing bill. NetApp says it finds 40% of its customers that use VMware by Broadcom are exploring how to reduce their VMware footprints in the next two years. Where this disruption has accelerated conversations regarding platform migration and cloud-native modernization and containerization, such as the alternative virtualization (Alt-V) movement, NetApp has this covered. Most of NetApp's customer base uses VMware in some shape or form on its storage products, but, like many vendors, it is foregrounding ways to help customers better optimize their VMware estates (as a first step), compare the total cost of ownership of different workload data management outcomes, and improve access to Alt-V platforms where required.

Context

NetApp notes that IT leaders at organizations that rely on VMware and that may face cost increases as current licensing expires are stepping back to reevaluate key infrastructure and consider out-of-the-box alternatives to optimize mission-critical VMware environments for cost and performance. The company says it also faced these challenges and has successfully overcome them through what it calls its unified data storage strategy, which it believes helps its customers and itself adapt and move forward strategically.

Products and strategy

In the wake of Broadcom's VMware license and distribution changes, NetApp has made it easier for customers to optimize their existing VMware environments. It expanded support for VMware Cloud Foundation (VCF), added new capabilities for Microsoft Corp.'s Azure VMware Solution and enhanced VM optimization features for its NetApp Data Infrastructure Insights (formerly Cloud Insights) — specifically, a DII VM Optimization capability enabling customers to increase VM density and run storage at better price-to-performance ratios. It also extended the NetApp BlueX DR Disaster Recovery service (guided workflows to design and execute automated disaster-recovery plans for VMware workloads) with support for VMFS datastores (previously supporting NFS) and added a BlueXP workload factory advisor that helps VMware customers migrate and re-platform to AWS EC2. At the same time, NetApp is keen to surface the broad and continuing synergies between itself and VMware. It highlights VMware VCF Operations and NetApp DII, which both manage IT infrastructure. VMware VCF Operations works with environments that require detailed VM and physical hardware monitoring while NetApp DII provides broader SAN insights to storage and IT teams. NetApp believes DII enables customers to right-size their VMware environments to lower virtual infrastructure costs.

As far as Alt-V options are concerned, NetApp provides support for RedHat OpenShift Virtualization and Microsoft Hyper-V. NetApp says two-way migration capabilities delivered by its NetApp Shift toolkit offering enables customers to shortcut migration to OpenShift, Hyper-V and other on-premises virtualization formats (including Oracle Linux) as well as automating the subsequent remediation required (IP addressing, mapping, etc.). It says interest from NetApp customers seeking to add these platforms alongside their VMware deployments or replace them entirely has been less significant than it had expected. In NetApp's view, one of the issues with Hyper-V is that being included with a Windows license no one is especially incentivized to sell Hyper-V; moreover, in its view, customers see Microsoft's Hyper-V manageability story as a challenge. NetApp is also adding support for other Alt-V offerings such as upstream KVM offerings like Proxmox. Other alternatives include Citrix, XCP-ng and Harvester.

NetApp estimates some 10% its of customers are choosing to deploy Alt-V offerings using NetApp alongside their VMware estates, or in a handful of cases swap them out. It believes customers are attracted to NetApp equipment and software because it does not lock them in. Overall — as our survey data finds — the company says NetApp customers are largely satisfied with their VMware environments. However, the VMware license, pricing and distribution changes mean more customers are now evaluating specifically what is required and what is needed from their virtualization estates to get tasks done and that some have chosen to move certain tasks and workloads to other virtualization platforms for cost or other benefits. NetApp says its total cost of ownership calculator can be used to determine the cost of migrations and running workloads in different virtualization environments.

More broadly it finds customers are using the revaluation of VMware deployments as an opportunity to examine broader modernization and containerization strategies but believes the overwhelming majority are set to retain VMware for everything mission-critical. A handful of customers that have wanted or do want to move off of VMware on NetApp are typically large, sophisticated organizations that no longer want to do business with Broadcom, either because of the risk posed by a perceived lack of clarity around future relationships or simply the size of the bill. Furthermore, NetApp sees what it believes is a perceived under-investment in some VMware technologies versus VCF, such as vSAN and VxRail, plus the price point of new-generation vSAN are driving customers to NetApp products.

Competition

NetApp faces key rivals — such as Dell Technologies Inc., Hitachi Vantara, Hewlett Packard Enterprise Co., IBM Corp. and Pure Storage Inc. — with broad product portfolios covering primary and secondary storage use cases. All these vendors are keenly focused on a number of industry trends and customer requirements, including infrastructure for artificial intelligence, ransomware protection, and the transition to hybrid and multicloud environments. The hyperscalers continue to cut into on-premises storage sales

SWOT Analysis

<p>STRENGTHS</p> <p>NetApp is improving support for, access to and migration services for Hyper-V, Red Hat OpenShift Virtualization and other Alt-V platforms. Overall, it is NetApp’s vision for intelligent data infrastructure that represents the future of NetApp as a vendor that can help organizations extract the maximum value from data, regardless of the flavors of VMs or containers in use.</p>	<p>WEAKNESSES</p> <p>Despite the turmoil following Broadcom’s licensing and packaging changes in 2024, VMware remains the default setting for server virtualization in the enterprise, according to our recent survey. However, Microsoft Hyper-V has improved and is the second-most-commonly-deployed primary virtualization platform.</p>
<p>OPPORTUNITIES</p> <p>Vendors are seeking to capitalize not only on a perceived opportunity created by VMware’s sale to Broadcom — and the ensuing changes around licensing, pricing, partnerships and distribution that are affecting enterprise IT decision-making — but also on IT estates’ re-platforming to modern cloud-native approaches. Despite the ubiquity of VMs and the incumbency of VMware, many vendors see sufficient opportunity to foreground alternative approaches in hopes of attracting customers eager to accelerate their transition to cloud-native or more cost-effective architectures.</p>	<p>THREATS</p> <p>NetApp is paying attention to Alt-V in a pragmatic way, with enhanced services for those wanting to go in those directions. More existentially, cloud storage continues to cut into on-premises storage array sales, and although NetApp works with the major hyperscaler players on first-party cloud storage services, its on-premises storage revenue is much higher. This is why NetApp is putting more weight behind landing workloads (particularly AI deployments) on its core storage and data management products (which currently generate 90% of revenue) than on its cloud assets and services.</p>

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