SHI

Optimize before you modernize

A VMware cost and readiness guide



Summary:

Cut the waste, simplify licensing, and get your VMware estate in shape before October 2027 forces a decision. What you do over the next 12 months will decide whether modernization pays for itself or costs you twice.

Don’t migrate the mess

October 11, 2027, is a key date that VMware customers keep circling. It’s when Broadcom ends its standard updates and security patches for vSphere 8, and everyone still running the vSphere hypervisor has to decide what comes next.

The date itself is the straightforward part. The harder question is what you take with you.

Most VMware estates have been built up piece by piece over a decade or more, usually without much documentation along the way. Mergers brought in new clusters, urgent projects added virtual machines (VMs), and the standard answer to a capacity problem was to add another host. The result is an environment that few teams can describe accurately: oversized VMs, hosts sized for workloads that retired years ago, storage no one has audited since the last refresh, and licensing shaped by old purchasing decisions rather than what you consume today.

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77%

of U.S. technology decision makers are dealing with moderate to extensive technology sprawl.

The numbers back this up: "Flexera's 2026 State of the Cloud" report found organizations **estimate 29% of their infrastructure and platform spending is wasted**, up from 27% the year before, and Forrester found 77% of U.S. technology decision makers are dealing with **moderate to extensive technology sprawl**.

Move that estate across as it stands and you pay for it twice: once in the new license, and again every year you run it.

This guide makes the case for a different order of operations: optimize first, modernize second. Use the runway to 2027 to find the waste, right-size what you have, rationalize licensing, and only then choose between **VMware Cloud Foundation** (VCF), VMware vSphere Foundation (VVF), a full private cloud operating model, or something else entirely. Do it well, and the savings you find in the first phase helps pay for the second. We are not suggesting every organization should end up on the same platform. Whichever one you choose, you should not be paying to move problems you could have fixed first.



October 2027 is a planning window, not a cutoff

If you treat the milestone as nothing more than a licensing event, you will probably spend a lot of money to end up roughly where you started. It is also the first good reason to take a proper look at your infrastructure.

Infrastructure decisions move slowly. Hardware refreshes, budget cycles, licensing negotiations, and migration waves take months, often years. Teams that start assessing now get to modernize on their own terms. Teams that wait tend to negotiate under renewal pressure while other infrastructure decisions are still midstream, which usually means higher costs and more waste. Nobody gets a good deal from that position.

So before you sign on for a migration to VMware Cloud Foundation, ask the bigger questions:

- **We virtualized these workloads years ago. Do they all still need to be virtualized?**
- **What should be retired, consolidated, or re-platformed instead of migrated?**
- **Does our roadmap need virtualization, or a genuine private cloud operating model with automation to match?**
- **How do core counts, renewal dates, and the next hardware refresh change the math?**

Where the money leaks today

Consider an estate that's been running for a decade, and you'll find money sitting in places nobody thought to look. None of these choices were deliberate. Application growth, acquisitions, and shifting priorities leave a wake, and without regular review that wake turns into a line item. Cost optimization starts with visibility, not with a purchase order.

Five problems come up over and over:

1. **Overprovisioned infrastructure.**

   Virtual machines routinely get far more CPU and memory than they ever use, because whoever built them sized for a worst case that never arrived. Every oversized VM ties up capacity you have already paid for and gets in the way of the consolidation that would bring your core count down.

2. **Infrastructure sprawl.**

   Test and development VMs keep running long after the project that needed them has finished. Storage volumes stay attached to applications that no longer have an owner. Tools bought by a team that has since reorganized keep renewing because no one questions the invoice. Each one is small enough on its own to survive a review, but together they take up cores, capacity, and support hours that you will pay to license all over again.

3. **Storage inefficiency.**

   Data keeps growing faster than storage budgets, and the current supply squeeze means you can no longer buy your way out of the problem the way you could a few years ago. Duplicate copies, dormant workloads, and arrays designed for a different era all add cost and limit your options.

4. **Licensing misalignment.**

   "Flexera's 2026 State of ITAM" findings show that 84 percent of organizations cite AI adoption and tracking as a top challenge, while only 31 percent have visibility into AI software, resulting in "shadow AI," where employees use unapproved AI tools without oversight from IT or security teams. In short, AI is scaling faster than the operating model around it.

5. **Operational drag.**

   In a lot of estates, patching, provisioning, and reporting are still done manually. That work never shows up as a budget line, but every hour your team spends on routine maintenance is an hour it cannot spend on the modernization work you are asking it to deliver.

Fixing these issues before you migrate lowers what you spend now, and it gives you a much more accurate picture of what you need from the next platform.



Six questions worth asking before you sign on the dotted line

1. When did we last compare VM allocations against real consumption?
2. Are our hosts and clusters sized for today's workloads or for 2019's?
3. How much storage is dormant data we've never audited?
4. Do we know our licensed core count, and can we justify every one of them?
5. Which storage efficiency features are we already entitled to but haven't turned on?
6. Is our renewal date driving the strategy, or is the strategy driving the renewal?

Optimize before you modernize: The four steps

Good VMware strategies start with an inventory rather than a product decision:

1



What is running

2



What it costs

3



What it is licensed for

4



What the business needs it to do next.

These four steps will give you a plan for the 2027 milestone instead of a scramble:

Look at an estate that has been running for a decade and you will usually find money tied up in places nobody thought to check. None of it was a deliberate choice. Applications grew, companies were acquired, priorities moved on, and without regular review the leftovers turn into a permanent line item. The first job is working out what you actually have.



Four moves to make before you migrate

1. Right-size existing infrastructure

Applications, user demand, and business priorities all change. Resource allocations rarely do. Right-sizing surfaces years of overallocation that internal teams stop noticing, largely because every allocation looked reasonable at the time it was made.

A right-sizing exercise looks at these factors:

- CPU and memory utilization, to find overprovisioned resources and consolidation headroom
- Virtual machine sizing, to match allocations to real workload behavior
- Storage consumption and growth trends, including data no one has touched in years
- Workload placement, to balance performance against the cores you're paying to license

Right-sizing pays off whichever platform you land on. Reclaim cores, memory, and terabytes now, and every calculation that follows (licensing, hardware refresh, the VCF business case) is built on real numbers instead of inherited assumptions.



2. VMware licensing rationalization

For most organizations, the biggest VMware saving sits in the licensing model rather than the infrastructure, and it starts with understanding how the environment lines up against that model.

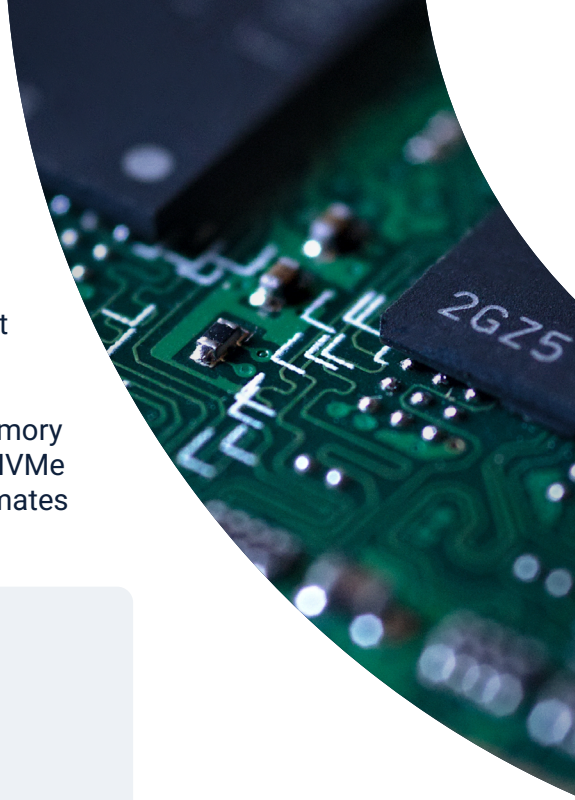
Growth, acquisitions, and years of shifting priorities leave most estates licensed for conditions that have changed. Under core-based subscriptions, that gap costs real money, particularly with Broadcom's 16-core-per-CPU minimum and today's high-core-count processors.

Run a licensing rationalization before you commit to VCF, not after. Look at these factors:

- Core utilization, and overall infrastructure efficiency
- Cluster and host design, where a consolidation or redistribution may improve operational and licensing alignment
- Entitlement alignment, matching what you pay for to the features you genuinely use
- Bundle fit, since VMware Foundation (VVF) and VCF include very different components and several legacy SKUs are gone
- Growth plans, so you're not buying twice for the same capacity

Plenty of organizations find they are still licensing resources they no longer need, or running an environment sized for a business requirement that disappeared several reorganizations ago.

Anything you free up here is money already sitting in your budget, which makes it the cheapest way to fund modernization.



3. NVMe memory tiering

Memory has become one of the most expensive things in the data center. Shortages and elevated prices are not transitory, and some forecasts expect the squeeze to persist for years. Buying your way out with more DRAM is an increasingly poor use of budget.

NVMe memory tiering offers a different route. It extends effective memory capacity by holding less-active memory pages on high-performance NVMe devices, reserving DRAM for the workloads that need it. VMware estimates the approach can cut costs by around 40 percent.

In practice, that means the following:

- Less exposure to DRAM pricing
- Higher workload density on hardware you already own
- Deferred host purchases and a longer refresh cycle
- A better return on infrastructure you've already paid for

The concept is straightforward, though choosing the right candidates takes work. Put the wrong workloads on tiered memory and you will pay for it in performance, so analyze memory consumption patterns and application requirements before you enable it broadly.



4. vSAN data reduction

Storage is in much the same position as memory. The capacity squeeze has made "buy more" an expensive habit, so it is worth asking how much more you can get out of the arrays you already own.

Modern vSAN environments include several data reduction capabilities:

- Deduplication, so identical blocks are stored once rather than dozens of times
- Compression, fitting more data into the same footprint
- Thin provisioning, allocating capacity as workloads need it instead of reserving it up front
- Space efficiency policies, applied continuously rather than as a one-off cleanup

This is where a lot of teams lose money. Many organizations are already entitled to these capabilities and have never fully enabled them, so they pay for storage efficiency and then buy hardware as though they had not.

Turn them on with proper monitoring and capacity planning behind them and you can extend the life of your current arrays well past the migration.

Which path fits your organization?

Optimization does more than save money. It gives you a clear view of what you are choosing between. Once you have real utilization, licensing, and workload data in front of you, the platform decision rests on evidence rather than guesswork.

Path	Best fit when...	Watchouts
Optimize current environment	The priority is near-term cost reduction and better planning visibility.	May not address long-term automation, governance, or private cloud goals.
Move to VVF	The organization needs a more straightforward virtualization path.	May not provide the full operating model needed for private cloud.
Move to VCF	The organization needs integrated private cloud operations, automation, and lifecycle management.	Requires planning, skills alignment, governance, and a clear business case.
Prepare for VMware Private AI Cloud	The organization has sensitive AI workloads, data governance needs, or public cloud cost concerns.	Requires clarity on AI use cases, data readiness, and infrastructure requirements.
Evaluate alternatives	The current VMware estate no longer maps cleanly to business needs.	Requires workload-by-workload analysis and migration planning.

Most organizations land on more than one of these. A stable back-office estate may sit happily on a simpler virtualization model while a growth platform justifies the full private cloud operating model. That is a perfectly good outcome, as long as it is a decision rather than a default.

Where AI fits and where it doesn't

83%

of organizations are repatriating workloads to private clouds

AI belongs in this conversation. On its own, though, it is not a reason to move every environment to the same architecture. Some organizations already have AI workloads in production and know exactly what they need. Plenty of others are still working out which use cases earn their keep.

The center of gravity is clearly shifting, though. Broadcom reports that 83% of organizations are repatriating workloads to private cloud, and cost is the driver: cost has overtaken data security as the top public cloud concern, with 97% of IT leaders convinced some of their public cloud spend is wasted. One economic analysis put private cloud AI at up to 60% cheaper than the public cloud equivalent over three years.

David Linthicum, founder and lead researcher at Linthicum Research, made the case bluntly in an interview with theCUBE: VMware "has the ecosystem that you need for the next generation of AI. Whether it's governance, whether it's security, whether it's operations. What it's going to take to run AI on-premises, which is really going to be the destination for [AI] given how much it costs to run in the cloud."

That does not mean you need a private AI platform next quarter. It does mean the infrastructure decisions you make over the next 18 months will either keep your options open or close them off. A licensing structure, a storage architecture, or an operating model chosen now could still be in place five years from now.

You're a stronger candidate for a private AI cloud model if you have:

- Sensitive or regulated data
- Significant existing VMware investments
- Growing AI ambitions but limited AI operational maturity
- Desire to control AI costs
- Need to run AI close to enterprise data
- Concerns about public-cloud AI governance

If that does not describe your organization yet, that is fine. Just do not let AI become the only reason to modernize, or a reason to overbuild three years early.

A well-architected VCF environment can reduce operational complexity today while leaving room for automation, cloud-native applications, tighter governance, and AI workloads when the business is ready for them. The organizations that get the most out of this transition use it to fix the economics and simplify operations, not just to satisfy a support deadline.

What should you do next?

The VMware 2027 milestone is not simply a deadline to migrate. It's an opportunity to understand your current environment, identify cost and licensing risks, and determine the best path forward for your business.

Before making decisions, organizations need a clear picture of where they stand today and what options will create the greatest value over time. That's why many organizations begin with a strategic assessment.



SHI VMware Strategic Assesment

Working with SHI, an assessment can help you evaluate:



Current workload utilization and resource efficiency



VMware licensing exposure and renewal risks



Broadcom licensing impacts on future costs



Infrastructure and hardware refresh requirements



VVF, VCF, and private cloud fit



AI readiness and future workload demands



Operational, governance, and skills considerations



Priority actions based on value, risk, and timing



Ready to optimize before you modernize?

SHI helps organizations assess before they commit. We turn the 2027 milestone into a planning exercise rather than a migration you were forced into. Your team can move forward with a clearer business case, a leaner environment, and a roadmap that supports both near-term savings and long-term flexibility.

Book a VMware Strategic Assessment