

# VMware Cloud On AWS Accelerates Journey To The Cloud And Reduces Capital Expenses

Forrester Consulting conducted a Total Economic Impact™ (TEI) study to provide readers with a framework to evaluate the potential financial impact of VMware Cloud on AWS on their organizations. To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed several customers with experience using VMware Cloud on AWS. This summary is based on a full TEI study, which can be downloaded [here](#).

In addition to the original four customers interviewed, Forrester has conducted more interviews with customers to highlight their experiences. The following spotlight highlights the experience and benefits of a customer not included in the original study.

## The VMware Cloud On AWS Customer Journey

For this spotlight, Forrester conducted an interview with an entertainment firm in the United States, with roughly \$10 billion in annual revenue and 10,000 employees. The organization has eight VMware Cloud on AWS nodes, with 210 VMs supporting 40 applications in the cloud.

Prior to its VMware Cloud on AWS investment, the organization determined that it would embark on a cloud-first journey and decommission at least one of its two costly data centers. The organization had planned network upgrades due in 2020, creating an urgency to complete its goal in 2019. Originally, the organization had planned on a fully AWS-native deployment but quickly realized that refactoring its entire portfolio would be a costly and lengthy journey; refactoring would require investment in additional talent and delay the time-to-value in decommissioning the data center.

The head of infrastructure explained: “Closing a data center was a main goal for us, but the larger goal was achieving our cloud journey. We started down the native route, but we found it was going to take longer for us to refactor our applications. VMware on AWS was a good intermediate stop for us on the journey because it is really an extension of our data center. We don’t have to refactor any applications, and at the same time, we eliminate the upfront capital-intensive costs of buying hardware when we need more on demand.”

Over the course of roughly eight months, the organization migrated predominately back-end database applications from one of its data centers — moving 210 virtual machines and 40 applications to its VMware Cloud on AWS environment. The organization shut down the data center, with some additional workloads migrated to the remaining data center. By discontinuing use of the data center, the organization was relieved of its operating expenses and avoided future upgrade costs.

The head of infrastructure explained: “VMware on AWS lets us achieve our goal of getting out of the data center, without moving directly to EC2 [Amazon Elastic Compute Cloud]. We avoid a lot of disruption in terms of operation and setup. We don’t have to maintain network, servers, and storage in the data center, and we’ve kept all of our compliance that we did when running on-premises.”

### SUMMARY

Based on a commissioned study, “The Total Economic Impact Of VMware Cloud On AWS.”

### METHODOLOGY

The objective of the TEI framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact of VMware Cloud on AWS, including interviews with Forrester analysts, VMware stakeholders, and four current VMware Cloud on AWS customers. Forrester constructed a financial model representative of the interviews using the TEI methodology.

### COMPOSITE ORGANIZATION

This analysis uses a composite organization, based on the interviewees, to present the aggregate financial analysis.

### RISK ADJUSTMENT

Forrester risk-adjusted the financial model based on issues and concerns of the interviewed organizations to account for uncertainties in benefit and cost estimates.

## Key Business Results

The interviewed organization shared the following business outcomes as a result of its VMware Cloud on AWS investment:

- › **Retired data center, saving millions in ongoing operating costs.** As a result of its cloud migration, the organization could retire one of its two data centers and discontinue millions of dollars in ongoing maintenance spend. Furthermore, the organization avoided future hardware refreshes and upgrades resulting in further capital expenditure savings. The manager of global technical services stated: “From leaving the data center, we’ve recognized roughly \$1.4 million in savings. On top of that, there is maintenance and manual labor costs avoided; if you have to maintain the data center, we need to put in a couple more million dollars just on capital updates, infrastructure upgrades, as well as network upgrades. We decided it would be better to just shut down and use VMware on AWS as part of this cloud journey.”
- › **Avoided refactoring and accelerated cloud journey.** The interviewees highlighted the ability to easily move workloads onto the cloud as a key decision driver in choosing VMware on AWS. Their organization wanted to quickly recognize benefits from decommissioning its on-premises hardware, and doing a fully native migration would delay its ability to do so. The manager of global technical services explained: “It’s about the business need and timing. We have a lot of legacy applications and commercial off-the-shelf. It can be very difficult to move those two to native by conversion and would need a lot of talent from the application development side. It would have been very expensive and hard to do in the timeframe that we were looking to close the data center.” By choosing VMware on AWS, the organization could quickly migrate applications out of its data center without lengthy and expensive refactoring. The head of infrastructure told Forrester: “Hypothetically, even if there is minor refactoring required, there is a lot of cost incurred from application development. However, just moving the virtual machines to VMware on AWS is really fast.”
- › **Optimized costs, moving from capex to opex model.** A key driver of the organization’s cloud journey was reducing capital expenditures and moving to a usage-based operating cost model. VMware on AWS helped the organization quickly move to the cloud and eliminate future capital investments in on-premises hardware. The head of infrastructure stated, “We try to force ourselves into a very low-cost model. We don’t want to have these multimillion-dollar capital investments every three to five years and then depreciate all that. We wanted an opex model where we can manage the variable cost, and anticipating that there’s no big heavy-duty uplift costs in the future is a big benefit for us.”
- › **Lowered effort to accommodate acquisitions.** Being in the cloud allows the organization to easily incorporate new acquisitions, regardless of geography. The head of infrastructure explained: “Acquisitions happen quite a bit now, and cloud really helps us. Instead of having to find out requirements, wait, and then add physical capacity, we can just spin up right away even in locations that we don’t have a physical footprint.”

“From an operations perspective, [VMware on AWS] is somewhat seamless. No training required, and it works alongside the data center you are running if you are a VMware shop. It’s very straightforward, in terms of both maintenance and moving the workload from on-premises to the cloud.”

— *Manager of global technical services, entertainment*



“The application team doesn’t have to know anything because, from their perspective, the virtual machine was running on-premises, and now it’s running somewhere else. They do not even know it was moved — it is that seamless. It is a big value proposition with our application team — the idea that we are not refactoring or touching anything.”

— *Head of infrastructure, entertainment*



“With public cloud migration the time could really vary. It could be as easy as a week if it’s a small and simple platform. It could be a year-long project if it’s a complicated application. We know for sure that once VMware on AWS is set up, the VM migrations are very seamless, and the time it takes is quite minimal.”

— *Head of infrastructure, entertainment*



## The Total Economic Impact Of VMware Cloud On AWS

To better understand the benefits, costs, and risks associated with VMware Cloud on AWS, Forrester interviewed four customers across four industries with multiple years of experience using VMware Cloud on AWS. Based on these interviews, Forrester constructed a TEI framework, a composite organization profile representative of the interviewed organizations, and an associated ROI analysis that illustrates the areas financially affected. The following benefits were indicative of those the interviewed customers experienced and represented in the composite organization financial model.

**Quantified benefits.** The following risk-adjusted quantified benefits are representative of those the interviewed companies experienced:

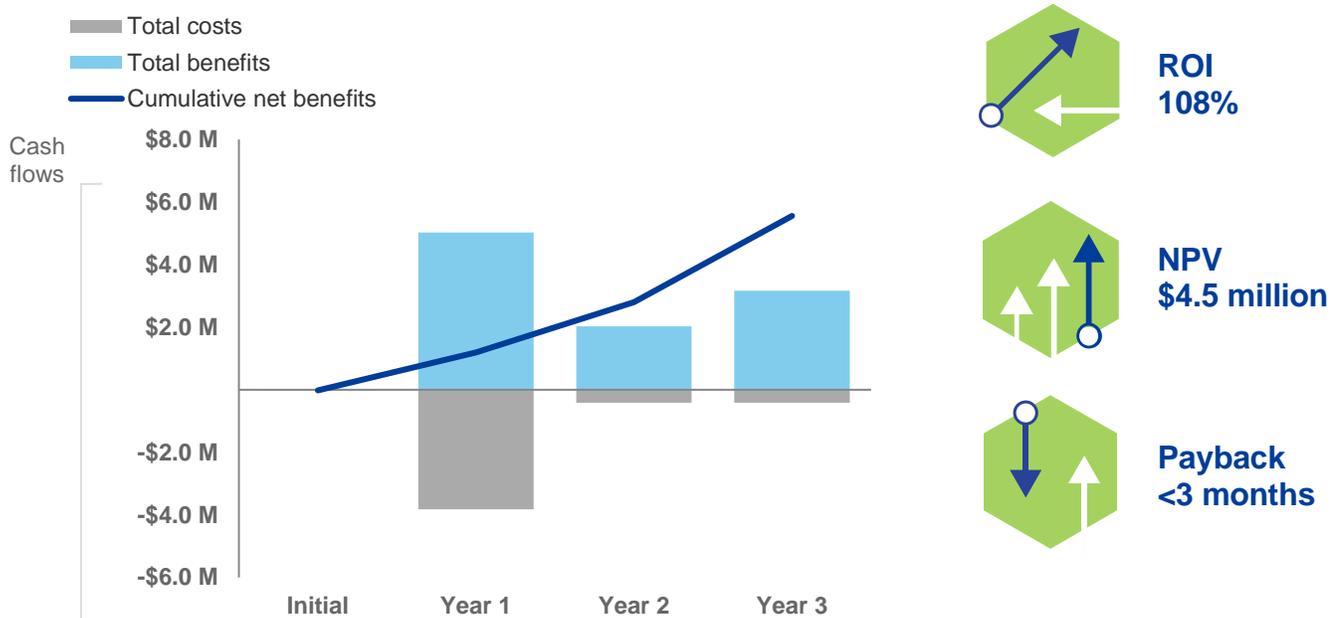
- › **Avoided application redesign, saving \$2.7M.** Organizations utilized VMware's vMotion bidirectional live application migration to seamlessly transition their vSphere workloads to the cloud and existing software-defined data center (SDDC) technologies to avoid application redesign.
- › **Reduced labor hours for operations, saving \$1.2M.** Eliminating physical servers and networking hardware, along with simplifying operating models, created a reduced demand for operations staff who were dedicated to managing on-premises VMware environments within interviewed organizations.
- › **Reduction in data center operating costs, saving \$1.4M.** Organizations retired their on-premises deployments, eliminating the power, cooling, and facilities staff expenditures.
- › **Software and hardware savings of \$3.2M.** Organizations used their migrations to the cloud as an opportunity to consolidate their networking and storage environments, facilitating a reduction in licensing fees. Furthermore, organizations avoided hardware refreshes required to maintain modern data center operations.

**Unquantified benefits.** The interviewed organizations experienced the following benefits, which are not quantified for this study:

- › **Redeployed legacy servers to accommodate user upgrades.** One organization redeployed legacy servers to provision additional memory for end user email accounts.
- › **Accelerated speed of disaster recovery operations.** Organizations found their new disaster recovery infrastructures to be faster and more reliable than their previous on-premises deployments.
- › **Improved security and reduced likelihood of business disruptions.** Having more secure and responsive cloud-based disaster recovery operations reduced the risk of business disruptions.
- › **Enabled new agile operations.** Being in the cloud enabled organizations to develop new business operations. One interviewed organization in broadcast media planned to use its new capabilities to rapidly deploy remote telecast teams.
- › **Improved employee morale.** Interviewees explained that shifting resources from legacy networking to modern tools was more interesting for employees, noting that the reduction of maintenance time allowed teams the opportunity to explore new innovative projects.
- › **Enabled the termination of expensive commercial leases.** Organizations in high-rent urban locations planned to not renew leases for buildings that were housing data centers when they reached the end of their contracts.

## Financial Summary

The financial results calculated in the Analysis Of Benefits and Costs sections of the initial study can be used to determine the ROI, NPV, and payback period for the composite organization's investment in VMware Cloud on AWS. Forrester assumes a yearly discount rate of 10% for this analysis.



For more information, you can download the full VMware Cloud on AWS TEI analysis [here](#).

## Disclosures

The reader should be aware of the following:

- › The study is commissioned by VMware and delivered by Forrester Consulting. It is not meant to be a competitive analysis.
- › Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in VMware Cloud on AWS.
- › VMware reviewed and provided feedback to Forrester. Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning.
- › VMware provided the customer names for the interviews, but did not participate in the interviews.

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### ABOUT TEI

Total Economic Impact™ (TEI) is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders. The TEI methodology consists of four components to evaluate investment value: benefits, costs, risks, and flexibility. <https://go.forrester.com/consulting/content-marketing-consulting/>

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