VMware's announcements at Explore Europe may result in an increase in the value of its operator B2B services

December 2022

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VMware announced new solutions and partnerships that could support operators' B2B services at its Explore Europe event in November 2022. These included an extension of its SD-WAN offering, a portfolio of new sovereign SaaS solutions and new Sovereign Cloud providers.

Analysys Mason's surveys and trackers already demonstrate that VMware is popular with operators, especially for SD-WAN/SASE and sovereign cloud solutions, and the new developments should help to cement its position. However, VMware must continue to innovate to keep pace with other players in these highly competitive markets.

VMware has announced a variety of solutions that are relevant to operators' B2B interests

The main announcements at Explore Europe 2022 that were related to business telecoms services were as follows.

- **'Soft' SD-WAN client.** One of the main focuses of VMware's SD-WAN announcement was the inclusion of a new 'soft' client that will enable users to securely connect to their companies' applications and data without needing CPE. This is particularly useful for remote workers, and will act as an alternative to a VPN. However, this is not unique to VMware; other SD-WAN vendors such as Cato Network have already established soft client solutions.

- **Extended SD-WAN footprint.** VMware is expanding its SD-WAN and SASE footprint in Asia–Pacific, Latin America and Europe, the Middle East and Africa by adding 16 new points of presence. This reflects the rapid growth in the take-up of SASE in these regions.

- **Sovereign SaaS solutions.** VMware announced a new portfolio of sovereign SaaS solutions. It claims that these solutions will enable its partners to deliver services that are equivalent to those found in the public cloud, but with data sovereign assurance. The new solutions include VMware Tanzu[1] on sovereign cloud and an operations compliance pack for sovereign cloud. They will be delivered by VMware software that runs, without a connection to VMware, in partners' own data centres to ensure data sovereignty. These solutions will help partners to evolve the solutions that they currently offer from their data centres into sovereign solutions to address the growing demand for data sovereignty.

- **New Sovereign Cloud providers.** VMware announced that there are now 25 VMware Sovereign Cloud providers; this is more than twice the number of such providers in 2021. Some of the newest Sovereign Cloud providers include the operators AIS, Chunghwa Telecom, Macquarie Telecom, NTT Data, Tata

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[1] VMware Tanzu is a range of products that enables enterprises to build, run and manage apps on Kubernetes and virtual machines.

Communications, Telecom Italia, Telefónica and stc. These operators are mainly located in Western Europe and Asia–Pacific, which is where the demand for sovereign cloud services is currently the highest. These providers will help to deliver sovereign cloud solutions to public administrations and highly regulated industries where the use of public cloud services may be restricted.

The innovations listed above are not unique to VMware, but they will increase the potential value of VMware's services to operators nonetheless.

VMware is popular among operators and its partnerships are valued

VMware is currently a popular choice among operators that require support for their B2B services for SD-WAN and sovereign cloud. It also partners with a large number of operators to offer other services including private cloud and edge compute.

Our *SD-WAN vendor tracker* shows that VMware is the fourth most popular vendor for SD-WAN among operators (after Cisco Viptela, Cisco Meraki and Fortinet). VMware has also announced five new operator partnerships since the start of 2021; this is the second highest number of new partnerships of all vendors. Furthermore, it increased the number of enterprises served by 40% between 2020 and 2021, thereby further demonstrating the popularity of its SD-WAN proposition. We expect that VMware's success in the SD-WAN market will continue following its recent announcements, though it will need to bolster its security proposition to remain competitive as the demand for integrated SASE solutions increases.

The results of our operator cloud survey show that almost all of the operators surveyed that offer, or are planning to offer, sovereign cloud services provide services based on VMware technology. In many cases, this builds on operators' current use of VMware's other solutions, which are now being repositioned to support and emphasise data sovereignty aspects. The number of operators partnering with VMware for sovereign cloud services has the potential to increase further with the release of VMware's new sovereign SaaS solutions.

Our survey results also show that VMware plays a significant role in operators' edge compute portfolios. Over 60% of operators that offer, or plan to offer, edge compute services partner with VMware; this is more than with any other vendor. VMware is also rated above-average or market-leading in terms of overall impression by more operators than any other vendor for both customer and network edge. This is consistent with multiple operators selecting VMware as an early partner for edge compute services.

VMware's approach is gaining traction with operators

We think that VMware's current approach of focusing on the areas in which its solutions are already popular is a valid one. Many of the markets in which VMware is investing (SD-WAN, SASE, sovereign cloud, edge, multi-cloud and hybrid cloud) are growing rapidly. Additionally, some end customers and operators prefer to work with fewer vendors, especially in the mid-market where the cost to serve needs to be low for operators and where businesses typically prefer to use a single vendor than have a best-of-breed solution. As such, VMware's decision to offer more capabilities is likely to be well-received.

Many operators offer multi-vendor solutions to their enterprise customers and we believe that VMware's latest announcements put the vendor in a strong position to continue to be a popular choice. However, it will need to continue to invest to keep pace with the other players in the SD-WAN/SASE and sovereign cloud markets. It is

not yet clear whether the proposed purchase by Broadcom will strengthen or weaken VMware's ability to make such investments.