

FROM RENEWAL SHOCK TO PREDICTABLE VM SPEND

Virtualization used to be one of the most stable layers in enterprise IT. That assumption no longer holds. Licensing changes and renewal shocks have transformed virtualization into a volatile cost center—one that can disrupt budgets, stall innovation, and force difficult tradeoffs at the leadership level.

At the same time, most organizations can't afford disruption. Mission-critical workloads still need to run reliably, and risky rip-and-replace migrations are rarely an option. IT leaders are under pressure to reduce costs now—without downtime, forced change, or loss of control.

The path forward is not a wholesale replacement of what already works. The winning approach is a cost reset while minimizing disruption: keep stable environments in place, introduce lower-cost options selectively, and govern everything through a unified operating model. This allows organizations to reduce licensing exposure quickly while maintaining operational continuity.

By combining coexistence, transparent economics, and standardized operations, organizations can move from renewal shock to predictable VM spend. The result is immediate financial relief, stronger cost governance, and a clear modernization runway—supporting private cloud operations today and AI-ready infrastructure tomorrow.

The factors driving costs skyward

What's changed

Virtualization costs are no longer tied cleanly to usage or growth. Changes in licensing structures and renewal terms have introduced volatility that makes forecasting difficult and long-term planning unreliable. What was once a predictable infrastructure expense is now subject to unexpected swings—often disconnected from actual workload demand.

Environments have grown more complex. Hybrid architectures are now the default, with workloads spread across on-premises systems, private cloud platforms, and public cloud services. As footprints expand, so does operational overhead. Fragmented tooling, inconsistent processes, and manual management increase both direct costs and the hidden cost of time—slowing response to new application demands, performance issues, and security events.

The result is compounded pressure: licensing volatility undermines planning, while hybrid sprawl drives up day-to-day operational expense—just as the business expects greater agility and tighter cost control.

Why the easy answers fail

When virtualization costs spike, organizations often look for a quick exit—but the most common paths rarely deliver lasting relief.

Lift-and-shift moves to public cloud frequently replace one cost problem with another. Fragmented workflows, limited workload mobility, and growing cloud consumption charges can erode expected savings and introduce new forms of unpredictability.

At the other extreme, rip-and-replace migrations promise long-term change but carry unacceptable risk. Mission-critical workloads can't tolerate downtime, and wholesale platform changes demand time, skills, and capital most organizations don't have available. As a result, many teams delay action altogether—absorbing higher costs simply to avoid disruption.

Neither extreme works. Organizations need a way to reduce virtualization costs now—without forcing disruptive migrations or trading one form of volatility for another.



A four-step approach to rein in costs

Step 1: Diagnose cost exposure and quick wins

Effective cost reduction starts with clarity. Most virtualization environments have accumulated years of unused licenses, over-allocated resources, and hidden dependencies, making true cost exposure difficult to see.

The first step is an estate-level assessment that maps workloads, licensing models, and utilization patterns to identify where costs concentrate and which workloads can change safely. This creates a clear baseline, surfaces low-risk savings opportunities, and allows organizations to model diversification and right-sizing scenarios before acting.

By grounding decisions in data, teams can move quickly and confidently—aligning IT, finance, and leadership around a shared view of cost and opportunity.

Step 2: Enable coexistence—without forced migrations

With cost exposure understood, the priority becomes action without disruption. Most organizations can't tolerate downtime or wholesale platform change, especially for mission-critical workloads.

Coexistence enables a phased approach. Existing environments remain stable while lower-cost options are introduced alongside them. Suitable workloads move first, based on risk and business priority—not renewal or vendor timelines.

This selective diversification reduces licensing exposure quickly while preserving operational continuity. It turns cost optimization into a controlled process rather than a disruptive event.

Step 3: Standardize operations under a unified operating model

Cost savings don't last if they introduce new complexity. When organizations diversify virtualization environments without standardizing operations, tool sprawl and manual effort quickly erode financial gains.

At this step, establish a single operating model for provisioning, governance, and day-2 management across environments. By standardizing templates, policies, and workflows, teams avoid duplicating tools or processes as environments diversify.

This unified approach simplifies day-to-day operations, reduces administrative overhead, and ensures that cost optimization does not come at the expense of control, security, or efficiency. It also gives IT leaders consistent visibility across environments, making growth easier to manage without reintroducing cost creep.

Step 4: Lock in predictability—and fund what's next

With costs reduced and operations standardized, organizations can move from reactive cost management to long-term financial control. Predictable virtualization economics restore confidence in budgeting and planning, eliminating renewal-driven surprises.

Just as important, savings created through diversification and automation can be reinvested. Rather than simply maintaining legacy platforms, organizations can fund modernization priorities—such as private cloud capabilities, increased automation, improved resilience, and support for future workloads.

This final step turns cost optimization into a strategic advantage. Virtualization spend becomes stable and governable, while the operating model created along the way provides a clear runway for continued modernization and growth.

Core HPE capabilities

Resetting virtualization economics requires more than cost cutting. It requires capabilities that reduce licensing exposure, prevent operational complexity, and create a durable foundation for modernization. The following core HPE capabilities enable organizations to move from renewal shock to predictable VM spend while minimizing disruption.

Predictable VM economics

At the foundation is a transparent, forecastable cost model that replaces volatile, renewal-driven pricing. By shifting virtualization economics toward predictable unit-based models, organizations can align spend with planning cycles, restore confidence in forecasting, and eliminate budget surprises.

Predictable economics are essential not just for IT teams, but for finance and executive stakeholders who need long-term visibility into infrastructure costs.

Coexistence and phased workload movement

Cost relief must not come at the expense of stability. HPE supports full coexistence across virtualization environments, allowing organizations to keep critical systems in place while introducing lower-cost options alongside them.

This enables a phased, workload-by-workload approach: move what makes sense, when it makes sense—based on business impact and risk tolerance, not vendor timelines. The result is immediate licensing relief without forced migrations or downtime.

Unified management and governance

Diversification only works if operations remain simple. HPE provides a single operating model for provisioning, policy enforcement, and lifecycle management across environments, preventing tool sprawl and duplicated effort.

Unified governance ensures consistent controls, clearer visibility, and lower operational overhead—so cost optimization does not introduce new complexity or risk.

Automation as a cost multiplier

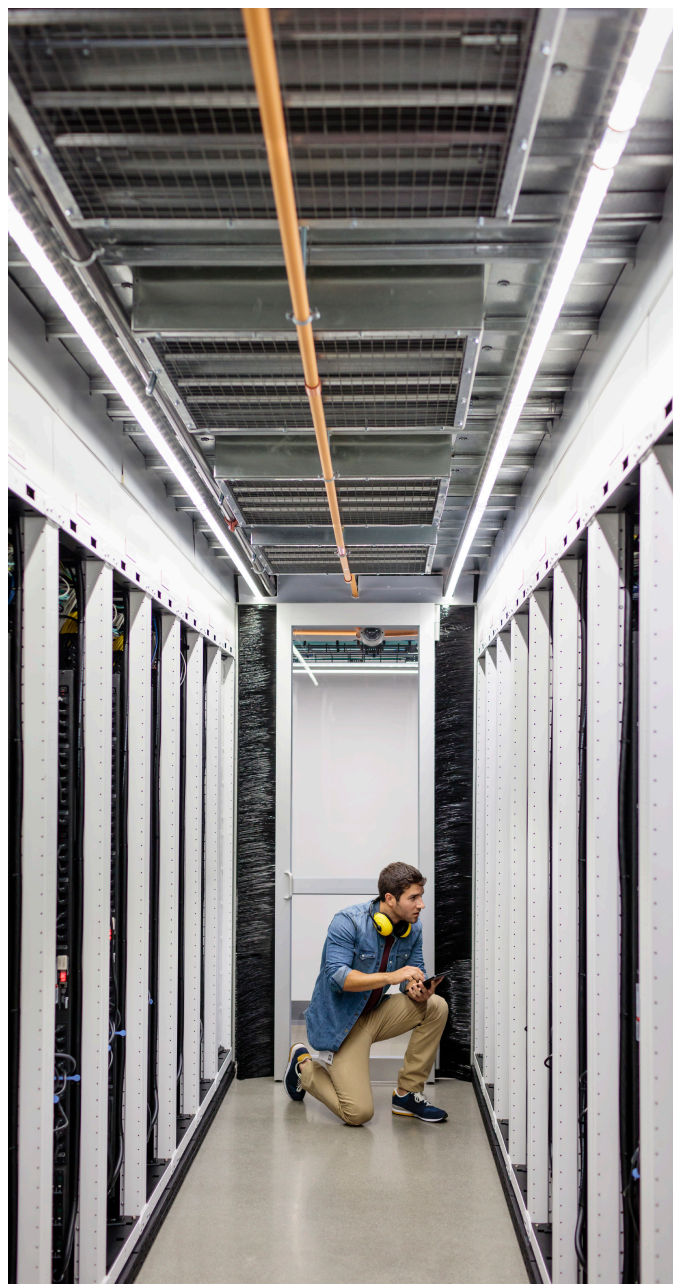
Automation is what makes savings stick. HPE embeds automation into provisioning, scaling, and day-2 operations, reducing manual effort and accelerating delivery without sacrificing performance.

By standardizing workflows and eliminating repetitive tasks, automation amplifies the financial impact of diversification and enables teams to operate efficiently as environments evolve.

A foundation for what's next

Finally, these capabilities are not a dead end. Together, they establish a modern operating foundation that supports private cloud operations today and emerging workloads—such as AI-driven applications—tomorrow.

Cost optimization becomes the starting point for modernization, not the end of the journey.



From renewal shock to predictable control

Virtualization cost pressure has forced many organizations into reactive decisions—delaying action to avoid risk or making changes too quickly under renewal pressure. Neither path restores control.

The difference is not a new platform, but a new operating posture. By separating cost reduction from disruption, organizations can regain predictability without destabilizing critical systems. Licensing exposure becomes manageable, operations remain consistent, and decisions are driven by business priorities—not vendor timelines.

Most importantly, cost optimization stops being a one-time reaction. It becomes a durable foundation for modernization, supporting private cloud operations today and creating flexibility for what comes next.

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