

SpringSource Acquisition Will Extend VMware's Market Reach

Mark Driver, Thomas J. Bittman, Yefim V. Natis, Eric Knipp

VMware's plan to acquire the Java technology leader SpringSource would expand the range of its product strategies from virtualization to cloud computing platforms.

Event

On 10 August 2009, VMware announced that it has entered into a definitive agreement to acquire privately held SpringSource, which focuses on enterprise and Web application development and management. The deal is for \$420 million in cash and equity, plus the assumption of approximately \$58 million in unvested stock and options.

Analysis

VMware is a market leader in IT virtualization solutions. SpringSource is the originator and commercial force behind the popular Java Spring application developer framework. By acquiring Hyperic, SpringSource also recently expanded into middleware runtime solutions and management tools. Gartner believes that the planned deal between VMware and SpringSource has been driven principally by VMware's effort to expand beyond its traditional market segment and establish an application-platform-as-a-service (APaaS) technology portfolio. Toward this end, VMware is likely looking to SpringSource in three areas:

- VMware hopes to establish a more direct relationship with the Java developer community through SpringSource. More than three million Java developers have leveraged the Spring framework.
- SpringSource has focused much of its own commercial road map on its emerging middleware offerings (such as tc Server and its dm Server products), including its upcoming cloud offerings. VMware will integrate SpringSource middleware products with its own virtualization technology to provide the foundation for an APaaS technology stack.
- VMware will leverage SpringSource's Hyperic IQ and Hyperic HQ management products to provide management services around its APaaS technology stack.

The acquisition will bring together unique technologies from both companies, but VMware faces several challenges in making it succeed:

- SpringSource's independence from major platform vendors has been one of its strengths. As part of VMware, SpringSource will continue to compete with vendors such as Oracle and IBM, and even Amazon (via EC2).
- Gartner believes the price of the deal will likely put pressure on VMware to monetize its investment aggressively.
- The application infrastructure market is a new area for VMware, which must evolve its sales and marketing efforts to reach a broader customer base.

Recommendations

VMware and SpringSource customers: Consider the acquisition a positive and retain existing investments; however, know that, as is often the case, VMware's ability to execute and maximize its investment during the next 18 months will ultimately dictate its success or failure. In particular, VMware's ability to monetize SpringSource assets while retaining the integrity of the broader Spring Framework community will be key to the long-term success of this deal.

RECOMMENDED READING

- "Spring: Past, Present and Future" — Since its inception, Spring has been a top competitor to Enterprise JavaBeans. The upcoming release of Spring 3 extends the product's legacy of simplicity. **By Eric Knipp**
- "Criteria for Evaluating a Vendor's OSS Strategy in 2009" — Competitive pressures from open-source models are influencing vendor success, but vendor support is also driving adoption in the open-source software market. **By Mark Driver**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509