STRATEGIC BRIEFING FOR CIOS & IT DECISION MAKERS

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THE GREAT INFRASTRUCTURE RESET

Surviving the Cyber Surge, the VMware Recalibration, and the Power Crunch

WHY THIS CONVERSATION NOW?

Three market forces are colliding simultaneously

CYBER IS NOW THE #1 DRIVER

Cyber recovery has overtaken natural disasters as the primary declaration driver.

VMWARE ECONOMICS SHIFTED

Subscription licensing, VCF bundling, and new hardware requirements have reset the cost baseline.

POWER & CAPACITY CRUNCH

Colocation inventory is tightening and power availability is becoming a critical constraint.

Individually manageable. Together, they're forcing urgent design decisions.

CYBER HAS CHANGED

From infrastructure failure to calculated adversary strikes

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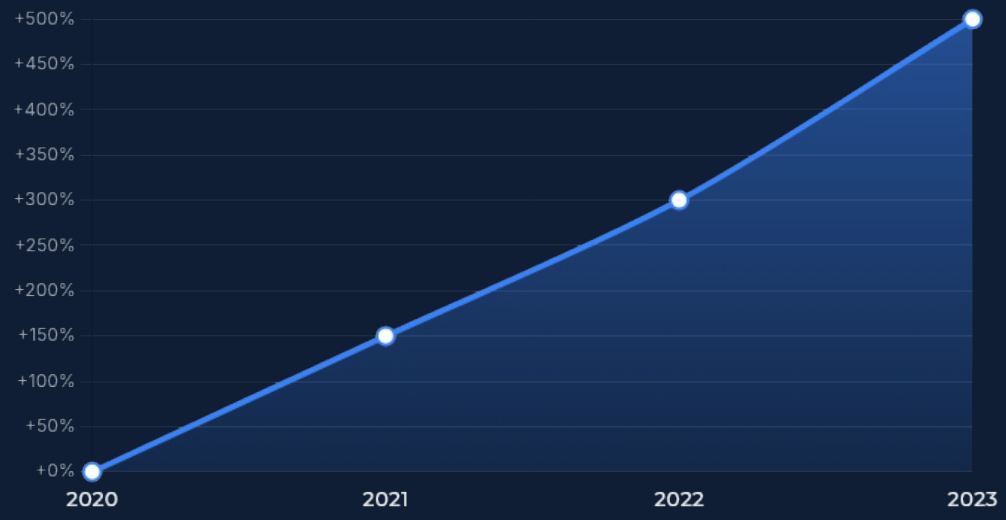
Cyber-Related Recoveries (2020–2023)



Exponential growth observed in declaration events

#1

Reason for Declaration in 2024

Surpassing natural disasters and hardware failure.

65%

Declarations by 2025

The majority of all DR events are now cyber-induced.

Primary Targets

Backups & Identity

Attackers now disable recovery paths first.

Recovery is no longer a disaster event. It is an adversary event.

DR VS CYBER RECOVERY

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Understanding the shift from restoration to investigation

Disaster Recovery

- **Infrastructure Failure** Traditional hardware, power, or natural events.
- **Known Outage Window** Clear start time and expected duration.
- **Restore Fast** Objective is RTO (Recovery Time Objective) speed.

VS

Cyber Recovery

- **Adversary-Driven** Active threat actor targeting backups & systems.
- **Unknown Compromise Window** When did it start? What is infected?
- **Validate Before Restore** Must analyze forensics before bringing data back.
- **Contain, Then Phase** Isolated environments first, production later.

Different discipline. Different preparation.

CYBER FOUNDATION: UNDERSTAND, PROTECT, EXECUTE

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A disciplined framework for modern resilience

01 UNDERSTAND VITAL DATA ASSETS

- **Identify data that would cripple business if lost for 6+ months.**
- Map application dependencies and integrity risks.
- Distinguish what can be restored vs. what must be rebuilt.

02 PROTECT WHAT MATTERS MOST

- **Implement immutable backups and air-gapped copies.**
- Encryption everywhere (in-flight + at-rest).
- Enforce MFA & least-privilege access protocols.
- Deploy real-time anomaly detection tools.

03 EXECUTE WITH DISCIPLINE

- Document IR plan with assigned roles.
- **Maintain clean room recovery environment.**
- Define clean-data validation methods.
- **Conduct regular recovery testing exercises.**

Resilience = Clarity on Data Impact + Disciplined Execution

WHERE RECOVERY BREAKS: THE 3 C'S

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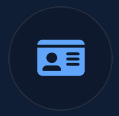
Critical failure points in modern cyber recovery execution



01. CREDENTIALS

Restore date must match identity state. *The gap: Password rotations, service accounts, and key changes often break access post-restore.*

02. CONFIGURATIONS

Metadata makes systems operational. *The gap: Firewalls, DNS, IAM, routing, and backup configs are often lost or mismatched.*

03. CLEAN ROOM

Isolated, governed recovery environment. *The gap: Needs independent identity, segmented networking, and controlled reintroduction protocols.*

Most failures are not data failures. They are control failures.

VMWARE: STACK CONSOLIDATION MOMENT

Navigating the shift from virtualization utility to platform ecosystem

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WHAT CHANGED

- Subscription-only licensing model
- Per-core minimums enforced
- VCF bundling emphasis (No al-a-carte)
- Stricter hardware compatibility requirements

THE EMBEDDED STACK

Included in VCF

Organizations are now paying for a broad platform. The opportunity lies in utilization.

Aria Suite
Automation, Monitoring, Logs

NSX
Software-Defined Networking

vSAN
Integrated Storage

Tanzu / K8s
Container Platform

COO PERSPECTIVE

"This is not just a price increase. It is a forced consolidation moment. Many organizations layered best-of-breed tooling on top of VMware. Now you own the full stack."

- Eliminate duplicate tooling
- Collapse overlays

Outcome: Cost Realignment

AI-DRIVEN HARDWARE SHOCK

⚠ Structural Supply Constraint — Not Temporary Volatility

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ROOT CAUSE

Hyperscale Capex
Committed **$150–$200B** to AI infrastructure build-out.

The Bottleneck
Memory (DIMMs) supply is effectively constrained for **18–24 months**.

Fabrication
Foundry timelines are long and fully committed.

MARKET IMPACT

Pricing Surge
Server pricing has **doubled or tripled** in many configurations.

Vendor Exposure
Cisco Hit hardest
HPE Moderate Impact
Supermicro Supply Tight

Future Outlook
Expect upward pressure for **18-24 months**.

PROCUREMENT REALITY

Warning

Lead Times
Dell: ~7 days
HPE: ~2 weeks
Cisco: ~30 days

Commercials
Discounts **shrinking or eliminated** outright.

Risk
Post-order repricing is emerging as a norm.

COO STRATEGIC GUIDANCE

RUN SERVERS HOTTER
Optimize utilization tighter. Delay refresh where safe.

SECURE SUPPLY NOW
Expand to alternate OEMs if necessary to guarantee delivery.

LEVERAGE SALVAGE VALUE
Existing hardware value is elevated. Factor this into TCO.

STRATEGIC TIMING WINDOW

Convergence of market forces creates a rare decision point

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MARKET REALITY

Expensive Refresh Cycle

Hardware costs are at cyclical highs due to AI demand and component scarcity.

+

High Salvage Value

Secondary market demand is strong, offering peak resale value for existing gear.

The Pivot Opportunity

If you are ever going to exit or reduce your on-prem footprint, **this is the moment.**

Refresh costs are inflated + Resale is strong = Managed capacity absorbs the volatility.

STRATEGIC PATHS

1 Pay Elevated OEM Pricing

Absorb 20-30% higher capex costs. Lock into 3-5 year depreciation on inflated assets. High capital risk.

2 Navigate Secondary Market

Source refurbished hardware yourself. Lower cost, but higher operational complexity and support risk.

3 Shift to Hosted / Managed

Offload hardware volatility to a provider. Monetize existing assets now. Convert Capex spike to predictable Opex.

This is not a tactical refresh decision. It is a **structural architectural shift**.

RETAIL COLOCATION IS STRUCTURALLY SHRINKING

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Market economics are forcing a permanent shift in capacity allocation

THE ECONOMIC DRIVER

Traditional Retail
Low Revenue / Sq Ft

vs

AI Workloads
3x-5x Revenue / Sq Ft

Providers are mathematically incentivized to reallocate space to high-density AI clients.

WHAT IS HAPPENING NOW

Rate Doubling

Renewals in some major metros seeing 100%+ price increases.

Forced Exits

Smaller tenants being non-renewed to clear contiguous halls.

Hall Consolidation

Retail cages are being collapsed to create AI-ready suites.

AI Density Retrofits

Power cooling is being diverted to support 50kW+ racks.

Strategic Implication

Retail colo (5–50 racks) is increasingly non-viable alone. It must be paired with **Managed Services** to remain strategic for providers.

REIT Only = Misalignment

Colo + Services = Value

This is a structural shift — not isolated incidents.

COLOCATION: STRUCTURAL SIGNALS & CONTRACT PROTECTION

Evaluate provider viability before signing the renewal

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DATA POINTS TO GATHER

Structural Indicators (Due Diligence)

- **Ownership Model**
  Do they own the facility or sub-lease? (Sub-lease = Risk)
- **Footprint Trend**
  Is their retail footprint growing or shrinking?
- **Managed Services Strategy**
  Are services expanding or being divested/spun off?
- **Physical Inspection**
  Is your hall being repurposed for high-density AI?

CONTRACT LEVERS

Negotiation & Protection

- **CPI Caps (Inflation)**
  3–5% Reasonable **<3% Strong** **>5% Punitive**
- **Pre-Negotiated Renewal**
  Lock terms now: 3-year term + 3-year option with defined CPI.
- **Extended Notice**
  Require 60+ days minimum notice for facility closure/exit.
- **Displacement Protection**
  Financial coverage / "No-Move" clauses if forced to relocate for AI.

"The reaction you receive when negotiating tells you everything."

POWER OUTLOOK

The grid faces a 3–5 year period of intense structural tightness

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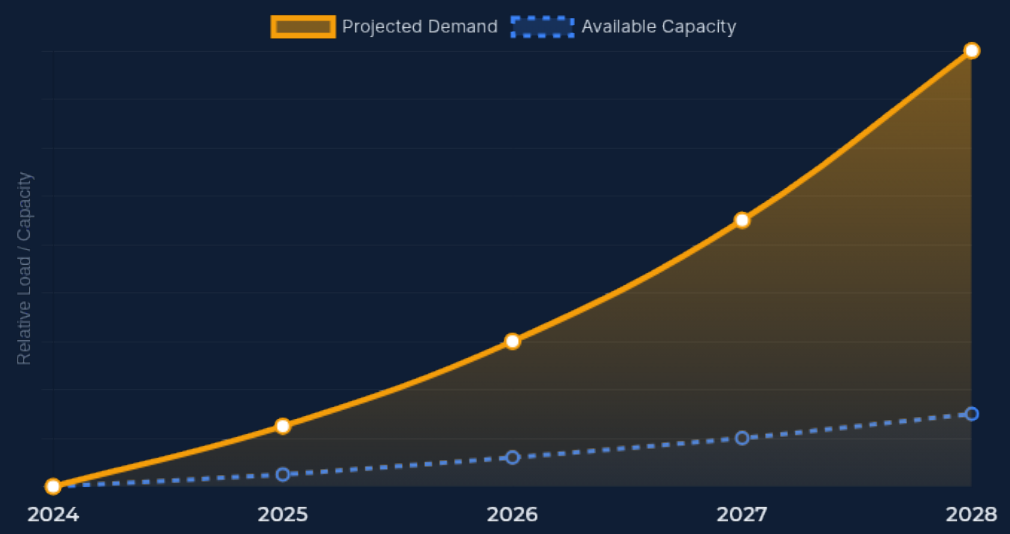
Projected Demand vs. Capacity (2024–2028)



Gap widens as AI demand outpaces utility expansion

3–5 YEARS

Utility Expansion Lag

Infrastructure upgrades cannot match current pace.

EXPLOSIVE

AI & Datacenter Demand

Hyperscalers consuming capacity before it's built.

FUTURE FIXES

Nuclear & Federal

Incentives and restarts emerging, but timelines are long.

This is structural, not temporary.

POWER MITIGATION PLAYBOOK

Five strategic levers to navigate the capacity crunch

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Evaluate Secondary Markets

Look beyond saturated Tier 1 hubs (Ashburn, Santa Clara). Identify Tier 2 markets with available power and lower latency penalties.

Reduce Footprint via DRaaS

Stop paying for idle secondary colo power. Shift disaster recovery targets to a managed service to reclaim budget and capacity.

Optimize Density

Consolidate older, inefficient hardware before renewals. Higher density per rack reduces total footprint required.

Lock Capacity Early

Treat power like a commodity future. Secure commitments 12-18 months in advance of need, not at renewal time.

Cloud for Peak Demand

Don't build on-prem capacity for 100% of peak load. Use public cloud bursting to handle temporary spikes and relieve base load.

Strategic Principle: Hybrid Architecture = Hedge Against Grid Risk

EXECUTIVE CLOSE: THE CONVERGENCE

Summary of structural forces and strategic imperatives

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CONVERGING FORCES

- VMware Stack Consolidation
- AI-Driven Hardware Scarcity
- Retail Colo Contraction
- Procurement Scale Advantage
- Contract Exposure Risk

CURRENT MARKET REALITY

↑ Cyclical Highs

Hardware refresh costs are inflated due to component scarcity.

Salvage Peak

Secondary market value for used gear is at historic highs.

Supply Constrained

Memory supply chain is structurally tight for 18-24 months.

Colo Economics

Retail colo viability is deteriorating without managed services.

Resilience is no longer just operational. It is now an Architectural Decision.

Strategic Pivot

THE NEXT 12–24 MONTHS

The market will reward CIOs who evaluate **infrastructure structure** — not just renewal pricing.

- Pivot away from owned assets.
- Lock in capacity early.
- Align with scale providers.