The application platform opportunity

Proven ways to grow partner business with Red Hat OpenShift

Red Hat

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Introduction

The business value of an enterprise-ready application platform

Time is money, and the faster an organization can respond to and deliver amidst changing market conditions, the better positioned it is to surpass its competition.

Your customers depend on software applications to meet their users' changing needs. The ability to modernize, innovate, and scale existing applications is critical to your customers' success. However, many organizations lack the tools and skills needed to efficiently develop and modernize their most critical applications.

To efficiently modernize applications, increase innovation, and boost business success, organizations need a cloud-native solution.

Red Hat® OpenShift® provides a single hybrid cloud platform for enterprises to build, deploy, run, and manage intelligent applications with a security focus at scale. A single, consistent application development and deployment experience provides greater flexibility and consumption options. Red Hat OpenShift supports a variety of application use cases

across your customers' hybrid cloud environments, including private cloud, public cloud, and edge deployments, helping them not only meet their users' needs but also grow their business.

A closer look at the combined solution

Red Hat Application Foundations accelerates application modernization with frameworks and technologies that help teams build, extend, and connect applications and services with existing applications as they move to the cloud and containers.

According to Gartner research,

75%

of organizations will have switched from multiple-point solutions to DevOps platforms by 2027 to modernize and streamline application delivery, up from 25% in 2023.[1]

[1] Gartner. "Gartner Magic Quadrant for DevOps Platforms." 5 June, 2023.

Using Red Hat OpenShift and Red Hat Application Foundations together provides industry-leading platform and application services that are consistent across application models, clouds, and on-premise. From expanding capabilities on a single infrastructure to deploying across a mix of infrastructure targets, Red Hat OpenShift provides a single interface regardless of where it is deployed.

> Gartner named Red Hat OpenShift a leader in the first-ever Magic Quadrant (MQ) on Container Management.[2]

Gartner also recognized Red Hat's strengths in **Market Understanding, Product Capabilities, and Strategic Focus**.[2]

Red Hat OpenShift earned this distinction through a rigorous evaluation by Gartner, qualifying Red Hat OpenShift as an agile, elastic, and innovative container management solution with capabilities to accelerate the development and delivery of applications across hybrid environments from the datacenter to the cloud, and the edge of the network.

Responding to your customers' needs by providing a unified application platform such as Red Hat OpenShift can provide multiple business benefits:

- **Services and integration partners** can expand their offerings and provide high-margin managed services to their clients.

- **Independent software providers** can build solutions that are flexible enough to be deployed into virtually any cloud or hybrid cloud infrastructure.

- **Cloud providers** can host clients with Red Hat Cloud Services to help customers build, deploy, and manage applications across their cloud environments.

- **Hardware partners** can be certified with Red Hat OpenShift to show their reliability, scalability, and security focus.

- **Resellers and distributors** can expand their offerings and revenue opportunities with Red Hat OpenShift solutions.

This guide provides proven ways partners like you can use Red Hat OpenShift to generate new revenue streams, optimize customer solutions, and strengthen customer relationships.

[2] Gartner. "Gartner Magic Quadrant for Container Management." 20 September 2023.

82%

of IT leaders are more likely to select a vendor that contributes to the open source community.[3]

Chapter 1

How Red Hat OpenShift can help grow partner business

A closer look at the market opportunity for Red Hat partners

The emergence of new software delivery models has created the need for organizations to be able to respond quickly to competitive threats and retain their existing customers.

Many companies have moved to application platforms that are based on containers or require hybrid cloud environments. They are also increasingly looking for open source solutions while proprietary software installs are dropping, and enterprise open source solutions are being adopted at an accelerating rate.[3]

Red Hat OpenShift provides a security-focused, containerized solution that can help your customers:

- Shift and mature their application development strategy.
- Build and scale efficiently anywhere.
- Provide a flexible solution that meets their developer, security, and operational needs.
- Meet their customers' needs today and into the future.

[3] Red Hat report. "The State of Enterprise Open Source." 22 February 2022.

Solutions for today's market needs

Over the next 5 years, the predominance of virtual machines (VMs) as the platform of choice for applications will shift as more workloads are developed and deployed in cloud-native environments. The developer community has been quick to recognize the potential of containers and has embraced the technology.[4]

Whatever your customer's strategy, Red Hat OpenShift can help implement it across environments and clouds. Red Hat OpenShift supports any approach to containerization, whether your customer wants to move 1 application today, or 50 applications in a year. Customers will need a solution that gives this flexibility while providing the right level of security, authentication, and automation.

The revenue opportunity

For Red Hat partners with an application modernization and cloud practice, Red Hat OpenShift can unlock new revenue including consulting, training, application development, and managed services. By focusing on your customer's life cycle, you can access these new revenue streams and increase gross revenue or enhance the services that you offer.

The following are some of the ways Red Hat partners have boosted revenue by providing Red Hat OpenShift.

Provide high-margin managed services

Finding and retaining specialized skills in-house is difficult and can be expensive. Many customers lack the scale to maintain an appropriate service team and complete the work efficiently in-house. Many partners offer managed services to customers to take advantage of the significant margins they can achieve, with mature Red Hat OpenShift implementations showing margins in the range of 60%.[5]

Typical managed services offerings include managing the Red Hat OpenShift environment. This includes supporting DevOps, application development, and infrastructure teams, and also managing containerized applications. The nature of the services varies depending on how clients deploy Red Hat OpenShift, whether on-premise, in a private cloud, or a hyperscaler's public cloud.

> Red Hat partners have seen the revenue opportunity in managed services to be about 75% of the customer's ongoing Red Hat OpenShift subscription spend, with mature partners achieving gross margins between 60% and 70%.[6]

[4] Illsley, Roy. "Omdia Universe: Container Management Solutions, 2022-23." 22 April 2022.

[5] Forrester Consulting, commissioned by Red Hat. "The Partner Opportunity for Red Hat OpenShift," June 2023.

[6] Forrester Consulting, commissioned by Red Hat. "The Partner Opportunity for Red Hat OpenShift," January 2022.

Managed services not only have a high margin, they can also be a low-impact way to drive new revenue. Many partners have found economies of scale in providing these services, adding customers without necessarily having to hire more employees to support growth. One partner reported having 35 managed service resources to support 200 customers.[6]

Expand offerings through Red Hat subscriptions

One of the key revenue sources for many partners is selling Red Hat OpenShift subscriptions to some or all of their customers through Red Hat subscriptions. Partners typically retain between 5% and 15% of the total annual subscription value.[6]

> Your application modernization practice is vital for customers so they can migrate, modernize, and replace legacy systems and platforms to meet their current and future business goals.

As a Red Hat partner, you can access components to expand your offerings along with Red Hat OpenShift, leading to additional revenue. For infrastructure projects, partners can add Red Hat Enterprise Linux® to expand their infrastructure projects.

You can also access Red Hat Ansible® Automation Platform to accelerate customer automation projects. These additional subscriptions can provide new revenue streams along with the Red Hat OpenShift subscription.

Build and sell technology solutions

Many services-based partners are beginning to create intellectual property in an independent software vendor (ISV) model to sell to customers.[5] Red Hat OpenShift provides scalability and long-term opportunity for high margins on partners' technology solutions.

Red Hat OpenShift OperatorHub is the web console interface in Red Hat

OpenShift Container Platform that helps cluster administrators to discover and install operators. It gives Red Hat partners global reach and its online commercial model makes it more efficient to scale software sales and reduce delivery costs. Partners can also use these marketplaces to create private offers for a specific prospect and complete the transaction online,

removing friction in the sales process. Additionally, by bundling Red Hat OpenShift offerings with various cloud provider offerings and selling them in cloud marketplaces, partners can find new sales opportunities for their intellectual property.

[6] Forrester Consulting, commissioned by Red Hat. "The Partner Opportunity for Red Hat OpenShift," January 2022.

Deploy and build project-based work on Red Hat OpenShift

Many partners' core business consists of software implementation projects that help customers transform and modernize their technology and applications. Global systems integrators (GSIs) have seen millions of dollars in revenue from these projects.[5] Red Hat OpenShift represents a key opportunity for increasing revenues in builds and deployments.

As they work with clients, partners often identify opportunities to sell additional work for more applications or other business units. In fact, while project work is often similar to subscription revenue at the beginning of customer relationships, partners have seen project revenue grow to represent a greater share—120% to 140% of subscription revenue in many cases—as the relationship progressed.[5]

The strategic partnership opportunity

Selling Red Hat OpenShift can help enhance your relationships with your customers. Rather than working as a supplier of products and services, partners can use their work with customers to become strategic partners and trusted advisors.

> Expertise with Red Hat OpenShift can be critical to help partners sell more and bigger projects to existing customers, and to become a central part of their digital transformations.

Transformation and modernization initiatives that involve Red Hat OpenShift require a thorough knowledge of customers' businesses and a deep understanding of their digital challenges. This positions Red Hat partners to work not just as technology vendors, but as advisors on complex IT initiatives. Red Hat OpenShift helps partners to sell more to existing customers because partners are in an ideal position to advise customers to do more with containerization and their existing platforms.

[5] Forrester Consulting, commissioned by Red Hat. "The Partner Opportunity for Red Hat OpenShift," June 2023.

Why Red Hat OpenShift is right for your customers

Help your customers see results more quickly

Your customers are looking for solutions that improve productivity, reduce downtime, enhance security, and improve the speed and frequency of software releases and updates.

According to Forrester Research, customers who deployed Red Hat OpenShift Platform Plus overcame these challenges and were able to improve software developer productivity, reduce application downtime, and avoid hiring additional DevOps engineers with Kubernetes experience.[7]
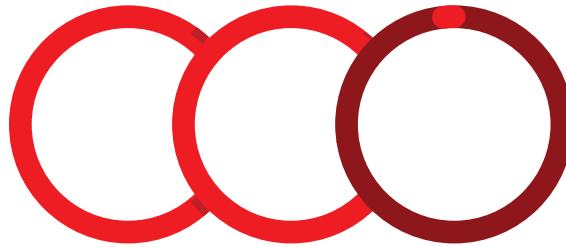
In a study by Forrester, Red Hat OpenShift customers have seen an average

203%

return on investment (ROI) and an investment payback in just 12 months.[7]

Global enterprises such as UPS, DAB Pumps, Poste Italiane, and Exolgan use Red Hat OpenShift and Red Hat Application Services to help transform their organization to better deliver new applications and modernize existing ones, helping their business to become more flexible, efficient, and responsive.

Help your customers optimize costs

Growing revenue is just one part of the customer success equation, another key component is optimizing costs. With Red Hat OpenShift, customers can see significant reductions in operating costs, and they can free their resources to focus on high-value work.

For example, a major telecommunications firm moved to infrastructure automation based on Red Hat OpenShift and Ansible Automation Platform. The company was able to consolidate and integrate its automation tools into a unified platform, dashboard, auditing, and reporting system.

[7] Forrester Consulting, sponsored by Red Hat. "The Total Economic Impact™ Of Red Hat OpenShift Platform Plus," 31 January 2023.

The results of the project included: [8]

$ — 30%
year-over-year
cost savings.

1,000
saved staff hours.

Reduced
security and
compliance risks.

99%
faster provisioning
of Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) compared to before having Red Hat OpenShift and Ansible Automation Platform.

Reduce risk for your customers and your business

For customers concerned about the risks involved in making changes to their infrastructure, Red Hat OpenShift can help. Red Hat container software is trusted by thousands of customers running production workloads across financial services, retail, energy, government, and other sectors.

The widespread adoption is due in part to Red Hat's 24x7 site reliability engineering (SRE) coverage built into Red Hat OpenShift on AWS, and Microsoft Azure Red Hat OpenShift. With workloads running on Red Hat OpenShift, your customer gains the stability, reliability, and interoperability to decrease downtime with the flexibility to move from an on-premise private cloud to the public cloud with ease.

Help prepare customers for new and emerging technologies

Almost every business has a use for artificial intelligence (AI) and machine learning (ML). For example, healthcare companies are adopting AI for increased clinical efficiency, faster and more accurate diagnoses, and improved outcomes. Financial services companies are using AI and ML to provide more personalized services to improve their risk analysis and predictions, and reduce fraud.

AI and ML represent an important opportunity for partners to provide their customers with a platform that can not only optimize emerging technologies but prepare them for what's next. Red Hat OpenShift AI is a portfolio of products that helps customers achieve a consistent and scalable infrastructure across the full life cycle of AI and ML to achieve production-ready AI models and applications.

Want to learn more about MLOps?

Read the 5 ways to implement MLOps in your organization.

Read the checklist

[8] Red Hat case study. "Vodafone Idea Limited automates to improve IT infrastructure." Accessed August 2023.

Creating the models, whether they are generative AI, financial forecasts, recommendation engines, or next-best actions, is just one step in the process. Maximizing the value from those models requires a platform and tooling that allows customers to deliver those models consistently, with a security focus, and with efficiency across their enterprise.

Red Hat partners are in an excellent position to respond to these emerging needs by providing customers with the Red Hat OpenShift AI portfolio to build, train, test, and deploy models optimized for hybrid cloud environments.

Building and expanding on the proven capabilities of Red Hat OpenShift and Red Hat OpenShift AI provides a consistent, scalable foundation based on open source technology for IT operations leaders. It also provides a specialized partner ecosystem to data scientists and developers to capture innovation in AI. As AI applications continue to challenge organizations with high levels of resource consumption, the resource efficiency provided by Red Hat OpenShift AI is a major benefit to present to customers.

Provide a complete solution

Red Hat OpenShift is more than a container platform. It's a complete solution, providing a wide range of benefits to customers that will help them optimize their IT investment, improve their infrastructure, and get solutions to market more quickly and effectively. When a customer implements Red Hat OpenShift, they also have access to a suite of tools to help get the most from their IT investment.

Chapter 3

Ready to get started?

Your Partner Account Manager can help answer questions, provide information, and help get you started. Discover how your customers can try Red Hat OpenShift today.

Additional resources

Try our interactive learning scenarios on Red Hat OpenShift

Learn more

Not a Red Hat partner?

Become one today

Our partner programs can help you access new markets, broaden your company's expertise, and build stronger customer relationships. Learn more about how Red Hat partners can grow their businesses with:

Begin your journey to reach more customers and grow your business with hybrid cloud.

Take the next step by discovering the Red Hat partner program.

Learn more

Proven technology

Open technologies are mature and proven in the enterprise. Build applications for scalability, interoperability, and flexibility. Accelerate deployments with modern DevOps practices, reducing cost, and complexity.

Profitable growth

Gain recurring revenue streams through our subscription model and target newer markets with offerings supported by innovative technologies. Maintain lasting relationships with robust go-to-market strategies.

Customer demand

Whether for the datacenter, cloud, or at the network edge, customers are looking for reliable, flexible, and cost-effective solutions. Red Hat has a proven track record of answering customer demand.

Competitive advantage

Get ahead of the competition and learn about emerging technologies. Generate more opportunities with sought-after industry skills as a benefit of program membership.

About Red Hat

Red Hat is the world's leading provider of enterprise open source software solutions, using a community-powered approach to deliver reliable and high-performing Linux, hybrid cloud, container, and Kubernetes technologies. Red Hat helps customers develop cloud-native applications, integrate existing and new IT applications, and automate and manage complex environments. A trusted adviser to the Fortune 500, Red Hat provides award-winning support, training, and consulting services that bring the benefits of open innovation to any industry. Red Hat is a connective hub in a global network of enterprises, partners, and communities, helping organizations grow, transform, and prepare for the digital future.

facebook.com/redhatinc
@RedHat
linkedin.com/company/red-hat

North America
1 888 REDHAT1
www.redhat.com

Europe, Middle East, and Africa
00800 7334 2835
europe@redhat.com

Asia Pacific
+65 6490 4200
apac@redhat.com

Latin America
+54 11 4329 7300
info-latam@redhat.com