The Partner Opportunity For Red Hat Enterprise Linux
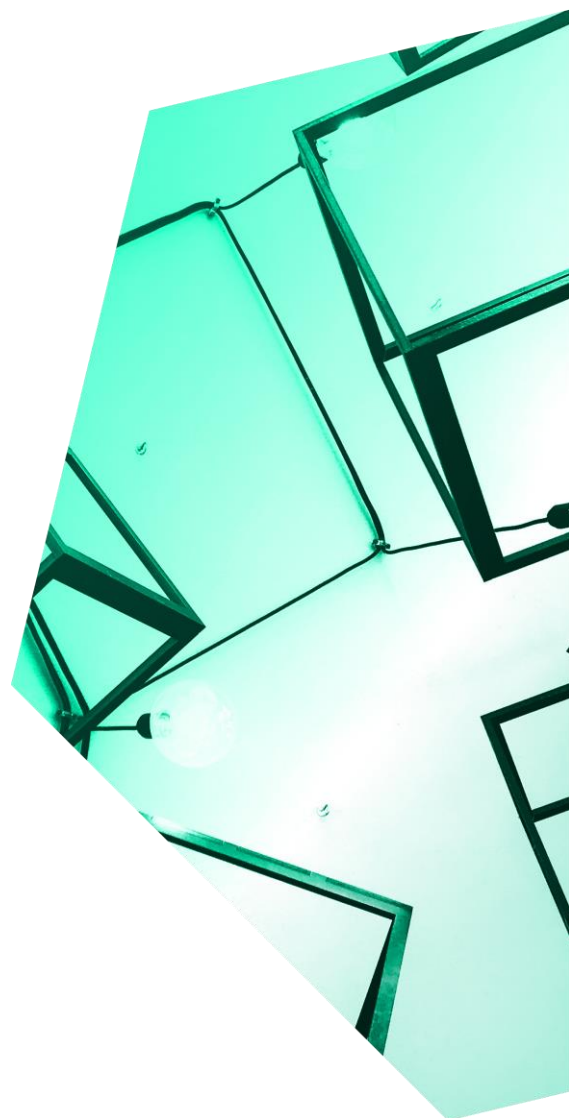
A Total Economic Impact™ Partner Opportunity Analysis

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Executive Summary

> The complex reality of hybrid cloud environments requires stability and security to consistently meet business and customer needs and flexibility to innovate on any footprint. Red Hat partners solve these issues for their customers, while also generating multiple revenue streams, by reselling, deploying, and providing services for Red Hat Enterprise Linux. In addition, partners use these projects to sell, build, and provide services for additional Red Hat technologies, expanding their practice and relationship with customers.

Red Hat Enterprise Linux (RHEL) is the operating system for a significant percentage of enterprise information technology in the world and is certified on hundreds of clouds with thousands of hardware and software vendors.[1] It provides a stable and flexible foundation that enables customers to deploy applications and workloads faster with a consistent experience across datacenter, cloud, and edge environments.

This Total Economic Impact (TEI) study provides potential and existing partners offering Red Hat Enterprise Linux with a framework to evaluate the business opportunity associated with selling, implementing, and managing subscriptions for customers. Red Hat provides partners and their customers the necessary tools, training, and support to deploy and build upon infrastructure environments at enterprise scale.

Red Hat commissioned Forrester Consulting to conduct a Total Economic Impact (TEI) study to examine the potential business opportunity partners may realize by building and scaling a Red Hat Enterprise Linux practice.[2] The purpose of this study is to provide potential and existing partners with a framework to evaluate the potential business opportunity associated with building, managing, and selling Red Hat Enterprise Linux.

To better understand the revenue streams, investments, and risks associated with a Red Hat Enterprise Linux practice, Forrester interviewed 11

KEY STATISTICS

Increased revenues:*
3.5x

Managed services gross margin
33%

* For every $1.00 in subscription revenues, partners can make an additional $3.50 by providing value-add services.

representatives across eight existing Red Hat partners with experience collaborating with Red Hat to build or innovate and ultimately sell and scale Red Hat Enterprise Linux. These partners have been selling Red Hat Enterprise Linux for years, and more often, decades, and have successfully expanded their Red Hat Enterprise Linux practice to be a significant proportion of their overall business.

Partners described three main revenue opportunities: 1) reselling Red Hat Enterprise Linux subscriptions; 2) initial consulting projects to build or migrate Red Hat Enterprise Linux environments into corporate infrastructure; and 3) ongoing professional services across a range of functions, from high-level monitoring of environments to detailed IT support including patching, analysis, and level 1 and 2 ticket response. Partners identified additional revenues

enabled by Red Hat Enterprise Linux in building additional Red Hat technologies, such as Red Hat Ansible Automation Platform and Red Hat OpenShift, on top of Red Hat Enterprise Linux environments. These separate Red Hat technologies have been financially quantified through additional Forrester analysis, and are not included as a core part of the Red Hat Enterprise Linux analysis.

All financial results shown in this study are normalized against the current or anticipated total value of the Red Hat Enterprise Linux subscriptions a partner's customers are likely to consume. By doing so, the findings can be applied by both smaller and larger partners at their organizations to determine the likely increased revenue and profitability opportunities from expanding into each of the three revenue streams. For example, if a partner's customer collectively spends $75,000 per year on Red Hat Enterprise Linux subscriptions, that value is set to 100% of current revenues (100). The total initial deployment, migration, integration, and building opportunity at the customer is 73% of the subscription revenues, so it is normalized to 73. A partner could calculate the $54,750 deployment, migration, integration, and building opportunity by multiplying the subscription revenue of $75,000 by 73%.

> **"The value that Red Hat brings to the table is huge. They are taking all that open source innovation and turning RHEL into something that is supportable and not a project for IT."**
>
> *Practice director, North America*

KEY FINDINGS

Revenue opportunities. Based on the interviewees' organizations, Forrester quantified three ways partners are expanding revenues.

- **Red Hat Enterprise Linux subscriptions.** All interviewees' Red Hat practices sold Red Hat Enterprise Linux subscriptions in one- to three-year contracts. Partners usually retained between 5% and 12% of the total annual subscription revenue.

- **Project work — deploy, migrate, and integrate.** Partners often helped customers to deploy and migrate Red Hat Enterprise Linux to their infrastructure, including cloud, on-premises, hybrid, and edge environments. This consultative work generally took place over one to two months and was billable by the week. The additional revenue from these consulting opportunities was typically between 60% and 100% of the Red Hat Enterprise Linux subscription revenue. Partners usually retained between 20% and 40% of the revenue from this work as gross revenue.

- **Managed services.** After partners sold Red Hat Enterprise Linux subscriptions and performed consultative services to deploy, migrate, and integrate it into their customers' environments, additional services were sold to manage the environments. The level of this service varied across customer and segment types. Simple managed services included high-level oversight of infrastructure health. More involved managed services included partners providing IT support to their customers, often using tools provided to partners from Red Hat. This service included patching devices running Red Hat Enterprise Linux, security and performance optimization, and servicing level 1 and 2 support calls.

Key outcomes. In addition to driving revenue from expanding their Red Hat Enterprise Linux offerings, partners enjoyed additional benefits such as deepening relationships with their customers and building their own expertise. In addition, Red Hat Enterprise Linux projects often created opportunities to sell, manage, and build on top of additional Red Hat technologies, such as Red Hat Ansible Automation Platform and Red Hat OpenShift.

Investments and best practices. Beyond labor costs associated with selling and providing services for Red Hat Enterprise Linux, which are embedded in the gross margin calculations of each revenue stream, partners also invested in partnership management, marketing efforts, and sales enablement efforts.

"You have to have support all the way down to the base level from a software and hardware standpoint. That support is what customers are looking for, and that is what Red Hat is doing at every turn."

Practice director, North America

Red Hat Enterprise Linux Practice Opportunity – Expanded Service Offerings

Red Hat Enterprise Linux Subscription   Deploy/migrate/integrate   Managed services
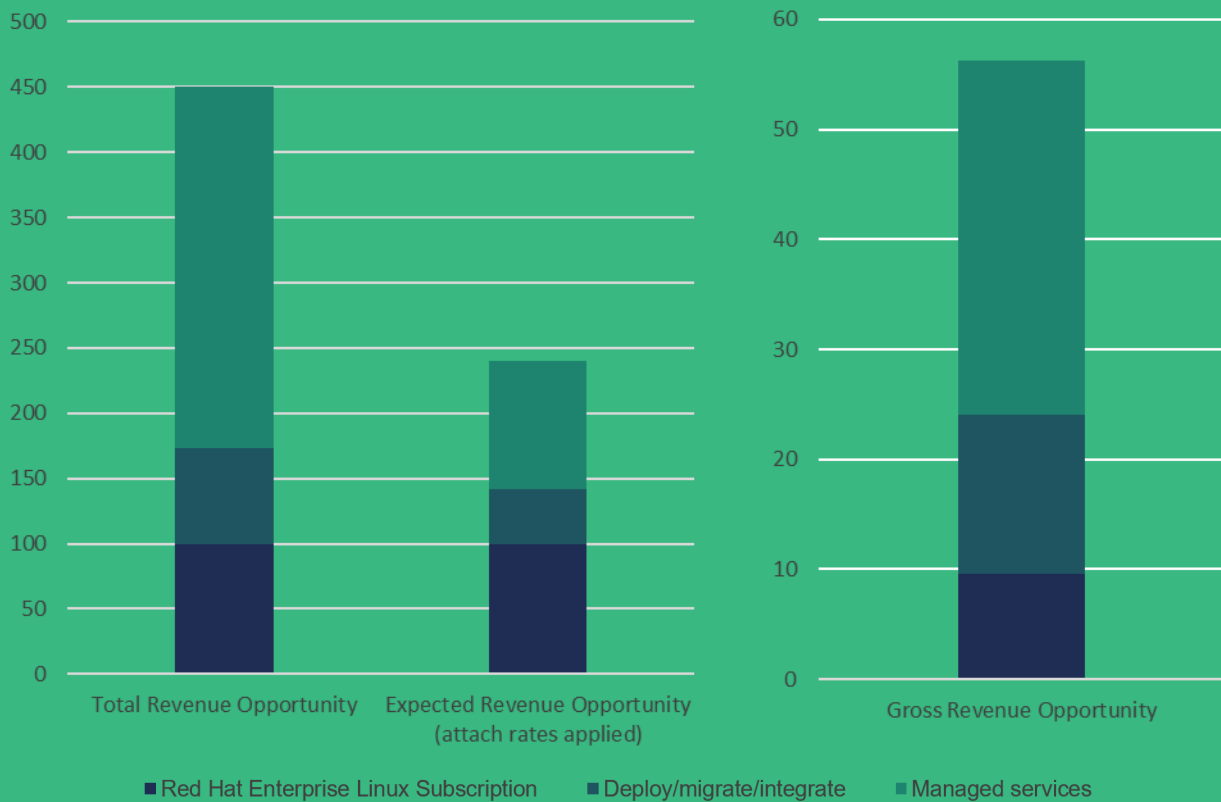
Each revenue stream is a way for partners to increase their revenues and profitability. For example, for every $100 in Red Hat Enterprise Linux subscription revenue, the total additional opportunity is $73 in project work, and $277 in managed services.

"I sell RHEL because it's more than just the product — it's the complete spirit of open source. It's the fact that you get support, and it's something I can trust to sell to customers. That's value to us."

— Cofounder, EMEA

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those partners considering building and growing a Red Hat Enterprise Linux practice.

The objective of the framework is to identify the revenue streams, investments, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the holistic opportunity for partners building and growing a Red Hat Enterprise Linux practice.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by Red Hat and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential benefits that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in a Red Hat Enterprise Linux practice.

Red Hat reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

Red Hat provided the partner names for the interviews but did not participate in the interviews.

DUE DILIGENCE
Interviewed Red Hat stakeholders and Forrester analysts to gather data relative to Red Hat Enterprise Linux.

INTERVIEWS
Interviewed 11 representatives at eight partner organizations with existing Red Hat Enterprise Linux practices to obtain data with respect to costs, benefits, and risks.

FINANCIAL MODEL FRAMEWORK
Constructed a financial model representative of the interviews using the TEI methodology. It normalizes all results, as compared to the expected customer Red Hat Enterprise Linux subscriptions.

CASE STUDY
Created a case study that explains the benefits and investments a partner can expect when building and expanding a Red Hat Enterprise Linux practice. The case study also explores partner best practices that have made them successful.

The Red Hat Enterprise Linux Partner Journey

Interviews			
Role	**Region**	**Estimated Revenue**	**Estimated Employees**
· Practice manager	APAC	$1 billion	10,000
· Chief executive officer · Sales manager · Account manager	APAC	$10 million	25
· Chief technology officer	APAC	$20 million	50
· Cofounder	EMEA	$10 million	50
· Chief services officer	EMEA	$50 million	200
· Practice director	North America	$20 million	50
· Chief technology officer	North America	$500 million	250
· Chief executive officer · Software business development manager	North America	$250 million	500

PARTNER GOALS, CHALLENGES, AND DRIVERS

Partners were diverse in type, size, background, and functional and vertical specializations. They partnered with Red Hat to build and scale their Red Hat Enterprise Linux businesses for a myriad of reasons, including:

- **Take advantage of a growing customer demand for Red Hat Enterprise Linux.** Interviewees noted that their customers sought out Red Hat Enterprise Linux as a supported and stable open source operating system that could be the foundation of their ecosystems, especially for critical parts of the business. Interviewees recalled that customer demand for Red Hat Enterprise Linux grew rapidly in the early 2000s, which is when many of their organizations first began to partner with Red Hat. Growth then continued as Red Hat Enterprise Linux became the standard open source foundation for enterprise environments.

- **Support increasingly complex customer needs.** Interviewees found that their customers are under growing pressure from investors, regulators, and internal stakeholders to improve their security position while also maintaining increasingly complex infrastructure. Partners needed to create and manage environments that could meet these demands in the short term, while being flexible enough to adapt and scale in the long term.

- **Enable a broad range of projects around modernization and automation.** In the past few years, many of the opportunities to expand Red Hat Enterprise Linux practices came from industry-driven changes in modernizing and automating business infrastructure and environments. Many companies did not have the technical expertise to do this on their own, and so Red Hat partners would plan, build, deploy, and manage these environments. While many types of technologies were involved, Red Hat

Enterprise Linux was the foundation and provided confidence to partners and their customers of stability and security of the result.

SELECTING THE RIGHT PARTNER PROGRAM

In choosing a partner and platform around which to build their Linux solutions, interviewees emphasized the importance of the following factors:

- **Red Hat's reputation for Red Hat Enterprise Linux customer support.** Each interviewee strongly endorsed Red Hat's support for Red Hat Enterprise Linux and mentioned it as a major driver in their practice's success. Many interviewees found that success in selling Red Hat Enterprise Linux was dependent on their own customers' trust in Red Hat's support, and the belief that this support would continue long-term.

    The chief services officer of a Red Hat partner in EMEA said: "RHEL is the core of Red Hat. It has the biggest features that customers like, such as management tools and security. If you need a patch, it almost comes the same day."

> **"Red Hat was a good bet for us. If I compare them with [another vendor], they may both have open source products, but Red Hat has better support, newer features, more R&D, and local presence in our markets. They also have better vision for customer needs and the ability to adapt their products to meet those needs."**
>
> *Chief services officer, EMEA*

> **"Red Hat's partner relationships and openness to the community as a whole means they aren't locking themselves into one specific way of doing things."**
>
> *Practice director, North America*

- **Red Hat's partnership support and collaboration.** Red Hat's openness and collaboration was another major driver in partners' desire to invest in their Red Hat Enterprise Linux practice. Often, teams would meet with Red Hat on a biweekly or monthly basis to review product roadmaps, best practices, tricky issues, and marketing and sales efforts. Interviewees found that this time spent strategically aligning with Red Hat paid significant dividends toward the success of the Red Hat Enterprise Linux business.

    The practice manager of a Red Hat partner in APAC said: "I'd say Red Hat is more communicative than other vendors. They have monthly catchups to ask what they can do for us and how they can help improve our relationship. They also offer us a higher level of learning and training."

- **Ability to build additional Red Hat technologies.** Interviewees reported increasing demand for Red Hat Ansible Automation Platform and Red Hat OpenShift as their customers moved toward automating and containerizing their environments. Red Hat Enterprise Linux was seen by the interviewees and their customers as the optimal operating system to build these projects onto to ensure the stability, support, and security required for project success.

The chief technology officer of a Red Hat partner in North America said: "Everyone thinks of Red Hat as the operating system, but they own all these different offerings too. This is a great opportunity as a partner, and bringing in these other Red Hat technologies will often solve more problems for customers and save them budget."

The chief technology officer of a Red Hat partner in APAC said, "If we have a RHEL opportunity, 99 times out of 100, we will sell Ansible as well."

Red Hat Enterprise Linux Practice Opportunity — Expanded Service Offerings

■Red Hat Enterprise Linux subscription   ■Deploy/migrate/integrate   ■Managed services
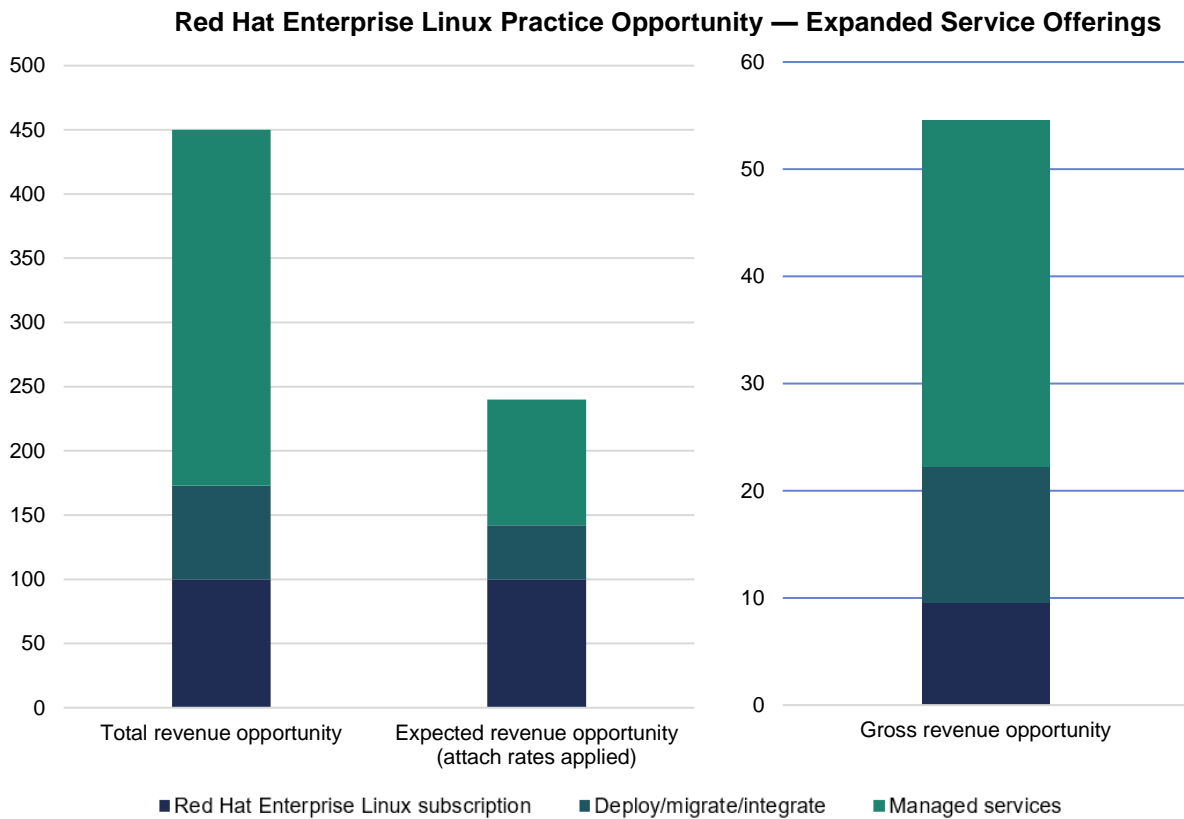
RED HAT ENTERPRISE LINUX SUBSCRIPTIONS

Evidence and data. Partners saw Red Hat Enterprise Linux as the foundation of their Red Hat practice, as projects would often start by either creating a new Red Hat Enterprise Linux environment for the customer or migrating customers from another OS. Reselling Red Hat Enterprise Linux then was one of the earlier revenue streams recognized by the partners as a part of their relationship with the customer. Interviewees who successfully expanded their Red Hat practice found Red Hat Enterprise Linux revenues followed suit.

For this analysis, total Red Hat Enterprise Linux revenue has been normalized as an index to the Red Hat Enterprise Linux subscription. Readers can

multiply all numbers in the tables in this analysis by conforming the average annual Red Hat Enterprise Linux subscription revenue to determine the impact of expanding their Red Hat Enterprise Linux business.

- Red Hat Enterprise Linux revenue subscription was sold as part of a one- to three-year contract, and the amount varied by customer size. Some deals were only a few thousand dollars, while others were multimillion.

- When interviewees were asked about a typical deal size for Red Hat Enterprise Linux subscription revenue, most responded that it was between $50,000 and $100,000 per customer, per year. The average across partners was $75,400.

- The gross margin for Red Hat Enterprise Linux subscriptions was between 5% and 12% across partners, with an average of 10%.

Modeling and assumptions. For the financial example, Forrester assumes:

- A partner's anticipated annual Red Hat Enterprise Linux subscription revenues are normalized to 100.

- It is assumed that partners are selling Red Hat Enterprise Linux subscriptions to all customers where Red Hat Enterprise Linux is involved, so the attach rate is 100%. Partners should adjust this attach rate if some customers purchase their Red Hat Enterprise Linux subscription elsewhere.

- The average gross revenue is 10% of the total subscription revenue.

Risks. The actual revenue from a partner's Red Hat Enterprise Linux practice will vary among organizations depending on the following factors:

- Some partners working with public cloud providers did not sell Red Hat Enterprise Linux to all customers, as those customers purchased through the cloud provider instead. This was a

very small proportion of total customers, but it could potentially lower the attach rate.

- The size of Red Hat Enterprise Linux subscription revenue varied by segment and customer type, with larger accounts tending to purchase more Red Hat Enterprise Linux.

> **"The recurring revenue, that's just easy, and management loves it. You're signing customers up for a one- to three-year contract, which means we talk to them every time it comes up, and we take those opportunities to learn more about their environments."**
>
> *Practice director, North America*

Red Hat Enterprise Linux Subscriptions			
Ref.	Metric	Source	Normalized
A1	Total revenue	Financial example	100
A2	Attached revenue	A1* 100%	100
A3	Gross revenue	A2*10%	10

PROJECT WORK — DEPLOY, MIGRATE, INTEGRATE, BUILD

Evidence and data. Customers purchasing Red Hat Enterprise Linux asked partners to help them deploy it into their environment. In many cases, customers hired partners to complete a larger modernization project, so the environments also needed to be designed and created specifically on top of Red Hat Enterprise Linux.

- Revenue from deploying, migrating, integrating, and building Red Hat Enterprise Linux environments tended to be between 60% and 100% of the revenue from selling Red Hat Enterprise Linux. The average across partners was 73%.

- The attach rate of consulting work varied across partners. Those who served private industries and smaller and midsized enterprise organizations (fewer than 50,000 employes) tended to see nearly all Red Hat Enterprise Linux engagements result in consulting work. However, those serving larger customers or government groups saw closer to 10% result in consulting attachment. The average attach rate across all partners was 58%.

- Partners would spend between one and six months in this process, although most were completed in fewer than two months. Customers would often pay a weekly rate during this time.

- Most partners realized a 20% to 40% gross margin of revenue from deploying, migrating, integrating, and building Red Hat Enterprise Linux environments. The average gross margin across all partners for consulting services was 34%. However, this figure was closer to 30% after removing an outlier partner with a significantly higher gross margin than the rest.

Modeling and assumptions. For the financial example, Forrester assumes:

- Total revenue from deploying, migrating, integrating, and building Red Hat Enterprise Linux environments is 73% of the annual Red Hat Enterprise Linux subscriptions.

- Of all Red Hat Enterprise Linux projects, 58% attach to consulting services to deploy, migrate, integrate, and build Red Hat Enterprise Linux environments for customers.

- Gross revenue equals 30% of all consulting engagement revenues.

> **"The sweet spot is customers who need us to do consultative services. We get them off the ground, build on that recurring revenue, and then we end up coming back the next year and doing more."**
>
> *Practice director, North America*

Risks. The actual revenue from a partner's Red Hat Enterprise Linux practice will vary among organizations depending on the following factors:

- As stated before, partners who primarily served the largest enterprise organizations (more than 100,000 employees) or government groups with predefined contracts tended to have lower attach rates. Readers with similar customer types should carefully consider adjusting the consulting attach rate for their evaluation of building or expanding their Red Hat Enterprise Linux practice.

- Partners serving customer groups with simpler environments and requirements tended to see smaller projects and lower revenues from consulting engagements.

Red Hat Enterprise Linux — Deploy, Migrate, Integrate, Build

Ref.	Metric	Source	Normalized
B1	Total revenue	A1*73%	73
B2	Attached revenue	B1*58%	42
B3	Gross revenue	B2*30%	13

MANAGED SERVICES

Evidence and data. Red Hat partners offered managed services to their customers at a range of levels, charged through billable hours. In some cases, customers only needed high-level support with ensuring critical infrastructure was maintained and major updates were patched through. Customers with their own developed IT groups were more likely to ask for this level of assistance as the other IT functions were handled internally.

In other cases, partners took over many functions of the customers' IT group, including environment management, level 1 and 2 support, and scaling Red Hat Enterprise Linux to additional environments. These environments included cloud, on-premises, hybrid, and edge environments. Customers looking for this more in-depth level of service tended to be relatively smaller (less than $100 million in revenue) and found it more efficient for partners with Red Hat certification to look over their environments and employee IT support.

- Annual revenues from managed services tended to correlate with the size of Red Hat Enterprise Linux subscription revenue. However, the magnitude of difference varied depending on the partner, the customer segments they serviced, and the level of support customers required.

- Partners who provided basic services to customers with their own developed IT support tended to see Red Hat Enterprise Linux managed services revenue equal between 25% and 50% of Red Hat Enterprise Linux subscription revenues.

- Partners who provided more involved Red Hat Enterprise Linux services tended to see managed services revenues between 350% and 500% of Red Hat Enterprise Linux subscription revenue. However, one partner who specialized in smaller businesses and startups saw their Red Hat Enterprise Linux managed services revenue over 800% of their Red Hat Enterprise Linux subscription revenue.

- Attach rates also differed by customer type. Partners servicing customers with more developed IT groups found managed services attach rates between 10% and 40%. For partners servicing customers who required more expertise, attach rates were closer to 90% to 100%.

- Red Hat Enterprise Linux managed services gross margin was more consistent across partners, regardless of the types of customer segments serviced. Most partners reported managed services gross margins between 20% and 40%, with one partner reporting closer to 70%. The average gross margin across all partners was 37% but was closer to 33% after removing the partner with a 70% gross margin.

> **"There have been a lot of new instances of customers needing RHEL for quality assurance, testing, development, and other areas. We thought it would be a problem to manage all of this, but Red Hat's tools make it very easy. Almost with one click, I can patch all my IT landscape. This gives the customers spare time and helps the budget because we don't need to spend money on additional tools or resources."**
>
> *Chief services officer, EMEA*

Modeling and assumptions. For the financial example, Forrester assumes:

- The total Red Hat Enterprise Linux managed services opportunity is equal to 277% of the total Red Hat Enterprise Linux subscription revenues.

- Managed services attach at a rate of 36%.

- The gross margin for managed services is 33%.

Risks. The actual revenue from a partner's Red Hat Enterprise Linux practice will vary among organizations depending on the following factors:

As seen in these examples, both the amount of revenue and the attach rate of managed services varied significantly by partner depending on the type of customers served and the needs of those customers. Readers should adjust the assumptions in this financial example based on their own target customers and the ranges outlined earlier.

> **"Our biggest business goal is to grow our managed services, and what we do with Red Hat is an important part of making that happen. RHEL is one of the fastest-growing parts, in part because its security capabilities are a better help for customers."**
>
> *Chief technology officer, APAC*

Red Hat Enterprise Linux — Managed Services			
Ref.	**Metric**	**Source**	**Normalized**
C1	Total revenue	A1*277%	277
C2	Attached revenue	C1*36%	98
C3	Gross revenue	C2*33%	32

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their partner organizations experienced but were not able to quantify:

- **Deepened customer relationships by leveraging Red Hat Enterprise Linux tools and services.** Interviewees found that Red Hat Enterprise Linux tools and services created by Red Hat allowed them to provide higher-level strategic value to customers. This in turn deepened those customer relationships.

  For instance, some partners used Red Hat Insights to help customers improve their own security posture and build greater trust with industry stakeholders. Other partners were able to use Red Hat's management tools to provide customers' business leaders with valuable insights about their environment's health and performance. This made the partners' value more visible to key decision-makers in the customers' company. In some cases, leveraging Red Hat Enterprise Linux tools and services resulted in additional services work and revenue during the years following the initial Red Hat Enterprise Linux deployment.

- **Enabled opportunities to sell additional Red Hat products and services across customer environments.** All interviewees expressed that a major value of Red Hat Enterprise Linux was that it allowed Red Hat partners to sell and provide services for additional Red Hat products, especially Red Hat Ansible Automation Platform and Red Hat OpenShift. Additional Red Hat sales often provided an additional 50% to 100% revenue on top of Red Hat Enterprise Linux deals. Some of this growth was attributed to industry compliance needs around automation and containerization.

  After an initial Red Hat Enterprise Linux engagement, partners often found opportunities for Red Hat OpenShift, Red Hat Ansible

Automation Platform, and other Red Hat products to benefit customers. In this way, Red Hat Enterprise Linux "opened the door for overall Red Hat practice growth.

The chief technology officer of a Red Hat partner in APAC said: "Let's say Ansible is managing RHEL, and RHEL grows by 30%. Our Ansible subscription would also grow by 30%. But then we could begin using Ansible to manage the customer's network cloud and other environments, and we would see even more growth. So, total Ansible growth would probably be 50% to 60%."

> **"As a partner, Red Hat is an inroad for me. They're the fastest-growing part of my business and the most strategic partner my company has. They allow me to be a lot more consultative with every customer interaction, and we can pull in whatever the customer needs — like RHEL, Ansible, and OpenShift. Because they are open solutions, I can have a relevant conversation regardless of if the customer is in the cloud or on-prem."**
>
> *Practice director, North America*

Forrester evaluated the partner opportunity for a Red Hat OpenShift practice and found that the total revenue opportunity was up to 5.2 times higher than subscription revenues and managed services had a gross margin of 60%.[3]

Forrester has also evaluated the opportunity for a Red Hat Ansible Automation Platform practice, and its analysis showed the revenue opportunity for services was up to 4.6 times higher than subscription revenues and managed services had a gross margin of 60%.[4]

Both detailed studies are available for partners to download at this link to the Red Hat Partner Connect website.

Partner Investments And Best Practices

Beyond the service costs accounted for in project work and managed services gross margins, partners invested in other areas. These investments enabled their Red Hat Enterprise Linux business to grow and were considered by interviewees to be best practices, including:

- **Talent acquisition and training.** To sell and service Red Hat Enterprise Linux, Red Hat practice leaders needed to hire those with the right skill sets and then further train and certify their workforce. Almost all employees joining Red Hat practices were proficient in Linux and related technologies and could begin billable hours almost immediately. However, some additional training was required before staff were considered fully independent and could lead projects. This time from hire to independence was typically between three and six months. This time did not add extra costs as staff were assisting with other Red Hat Enterprise Linux projects.

  The practice manager at an APAC Red Hat partner said: "Out of my past 10 hires, I've only had one who isn't familiar with Linux, which was an anomaly. We put him on an accelerated learning plan, and now he's billable after three months."

  The chief technology officer of a North American Red Hat partner found Red Hat's programs helped further accelerate time to value for employees with less experience. They said, "Red Hat offers an entire ecosystem of training for people who aren't technically proficient to understand the capabilities of our portfolio."

- **Ongoing certification.** Red Hat offered partners a broad range of technical training and certification programs. Interviewees found that having their staff fully certified helped to win service business from savvy customers who wanted reassurance that their environments would be properly set up and maintained. Staff would usually spend a few hours each month obtaining Red Hat certifications as well as honing new technical skills.

- **Regular meetings with Red Hat account managers.** Red Hat's support was a critical component of Red Hat Enterprise Linux's value proposition for partners, just as it was for end customers. Many interviewees found that having regularly scheduled connections with their Red Hat account managers provided significant returns to them and their practice and more effectively facilitated Red Hat's support.

> **"Stay in regular contact with Red Hat. Stay up to date with what's happening. The help is there, and they are really, really good with it. It's not just a great product but also great people to work with."**
>
> *Practice manager, APAC*

Sessions with Red Hat were typically once or twice a month and were spent reviewing product roadmaps, analyzing customer trends, and discussing roadblocks to expansion. Often, insights from these sessions would prove critical to growing revenues for Red Hat Enterprise Linux and other Red Hat offerings.

- **Marketing.** All interviewees invested in their Red Hat practice through marketing campaigns and events. These campaigns involved customer case studies, customer references, conference talks and sponsorships, and in-person technology demonstrations. Marketing efforts complemented ongoing sales enablement to discover and win new business. The chief technology officer of a Red Hat practice in APAC said, "We have a lot of customers referred our way because we've got good case studies and references in our area."

Each interviewee also mentioned that Red Hat provided comarketing funds, so the end cost to the partner was minimal (typically less than 1.5% of total Red Hat Enterprise Linux revenues).

"A lot of the marketing is covered by Red Hat. They do a great job of funding us."

Practice director, North America

Conclusion

Forrester's interviews with 11 practice and business leaders across eight partners revealed that Red Hat Enterprise Linux is a core offering that not only provides partners with revenue from subscription sales and services but also enables organizations to become a strategic partner for their customers.

The total Red Hat Enterprise Linux revenue opportunity can increase by 350% by moving into all three revenue streams. Significant additional revenue opportunities are possible by using Red Hat Enterprise Linux as an entry point into diverse customer environments where additional Red Hat technology can provide improvement, such as containerization through Red Hat OpenShift or

automation through Red Hat Ansible Automation Platform.

Interviewees told Forrester that the total opportunity for Red Hat Enterprise Linux is growing, fueled by customer needs for stability, industry requirements for security, and a widespread interest in open source solutions for enterprise technology systems. To effectively meet these needs, interviewees' partner organizations are investing in relationship management with Red Hat, hiring and certifying to build Red Hat and Linux expertise, and creating opportunity pipeline through regular marketing and sales enablement efforts.

"You need a partner to care about the road map and R&D. Besides that, you need to understand the support you are going to get. If you compare with other suppliers, Red Hat puts in the R&D every year, they have a full road map for every product, and the support that they are going to give you is unbeatable."

— Chief services officer, EMEA

Appendix A: Supplemental Material

Related Forrester Research

"The Forrester Wave™: Infrastructure Automation, Q1 2023," Forrester Research, Inc., March 21, 2023

"The Benefits Of An Open Source Strategy," Forrester Research, Inc., April 3, 2020

"The Forrester Guide To Open Source Cloud Projects," Forrester Research, Inc., August 2, 2021

Stephanie Balaouras, "Enterprise Security Vendors Need An Infusion Of Open Source Culture," Forrester Blogs

Online Resources
More information about Red Hat's partner programs is available at https://www.redhat.com/en/partners.

Appendix B: Endnotes

[1] Source: "Everything to Know About Red Hat Enterprise Linux," PackageCloud, May 15, 2023 OR Forrester's Infrastructure Hardware Survey, 2022

[2] Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

[3] Source: "The Partner Opportunity for Red Hat OpenShift," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, June 2023.

[4] Source: "The Partner Opportunity for Red Hat Ansible Automation Platform," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, November 2022.

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