

The Partner Opportunity For Red Hat OpenShift

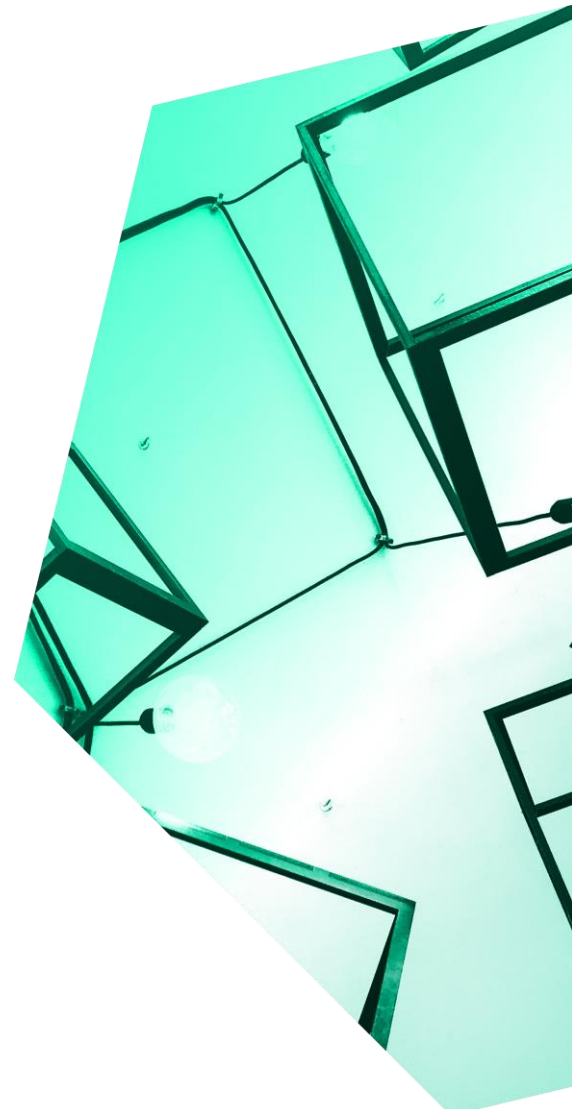
A Total Economic Impact™ Partner Opportunity Analysis

June 2023

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Executive Summary

Demand for containerization using Kubernetes continues to grow rapidly because it enables organizations of all sizes and industry verticals to consistently and reliably deploy, scale, and manage software. Red Hat OpenShift partners can capture this demand not only by selling the platform, but by developing a range of profitable services. These range from deploying and building upon Red Hat OpenShift to managing these systems for customers to marketing their own Kubernetes-based solutions.

Red Hat® OpenShift® is a unified platform to build, modernize, and deploy applications at scale, including a complete set of services for bringing apps to market on an organization's choice of infrastructure. A broad range of technology firms — from global system integrators and managed service providers to small independent software vendors (ISVs) — partner with Red Hat to build, modernize, and deploy applications at scale for customers on their choice of infrastructure.

Red Hat partners make up an important part of the Red Hat OpenShift value proposition, ensuring that customers get the best results from containerization, so Red Hat commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity and return on investment (ROI) partners may realize by building and scaling a Red Hat OpenShift practice.¹

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 OpenShift as part of the Red Hat partner ecosystem.

To better understand the revenue streams, investments, and risks associated with a Red Hat OpenShift practice, Forrester interviewed nine representatives of seven existing Red Hat OpenShift partners with experience collaborating with Red Hat to build or innovate and ultimately sell and scale their solutions using Red Hat OpenShift.

KEY STATISTICS



Revenue multiplier
5.2X



Blended gross margin
39%

There were four major revenue opportunities which partner organizations realized. Interviewees noted that, aside from selling Red Hat OpenShift subscriptions, partners engaged in several activities that allowed them to quickly expand their business into more scalable and profitable areas. As a second revenue stream, partners built and modernized applications for customers on top of Red Hat OpenShift. Thirdly, many offered managed services for Red Hat OpenShift and the applications running on it. Finally, partners some intellectual property (IP) they created to extend Red Hat OpenShift's value.

All financial results shown in this study are normalized against the current or anticipated total value of Red Hat OpenShift subscriptions a partner's customers are likely to consume. By doing so, the findings can be applied by both smaller and larger partners to determine the likely increased revenue and profitability opportunities they may experience from expanding into each of the four revenue stream areas.

For example, if a partner's customer spends collectively \$250,000 per year on Red Hat OpenShift subscriptions, that value is set to 100% of current revenues (100). The total managed services revenue opportunity at the customer is 75% of the subscription revenues, so its value is normalized to 75. A partner could calculate the \$187,500 opportunity by multiplying the \$250,000 subscription revenue by 75%.

KEY FINDINGS

Revenue opportunities. Interviewees from partner organizations allowed Forrester to quantify the four types of revenue streams mentioned above and estimate the market growth impact of burgeoning customer interest in containerization:

- **Selling Red Hat OpenShift subscriptions.** All interviewees said their partner organizations sell Red Hat OpenShift subscriptions, but some prioritize this income stream more than others. Interviewees reported healthy margins averaging 11% on an ongoing basis, although they agreed that the incentives Red Hat provided for new business made the initial year(s) of a subscription much more profitable.
- **Deploying and building on Red Hat OpenShift.** The bulk of the work interviewees described — what most of them considered their organization's core business — consisted of projects to help customers transform and modernize their technology and applications. While it was accurate to call it project work, these revenues ran into the millions of dollars in the case of global system integrators.

Interviewees estimated that this revenue was roughly equal to subscription revenue at the beginning of a customer relationship (100 index), but quickly grew to represent 120% to 140% of subscription revenue as the relationship progressed and the partner sold in additional work for more applications or other business units at a customer. Interviewees estimated that

this revenue commanded a gross margin of 25% to 50%.

- **Providing managed services for Red Hat OpenShift and the workloads running on it.** Interviewees reported that this type of ongoing, steady revenue was an increasingly important part of their business as many customers returned after initial deployment to seek help running and optimizing the solutions. Managed services revenue was approximately equal (100 index) to subscription revenue at inception, but quickly grew to two times the subscription revenue or more at a margin in the range of 60%.
- **Creating their own solutions based on Red Hat OpenShift.** Forrester was not able to interview any partners for this study who sold their own software-as-a-service (SaaS) solutions built on Red Hat OpenShift. Instead, this study included findings from the June 2022 Forrester study titled, "The Partner Opportunity for Red Hat OpenShift."² Partner-owned software was a significant revenue source for some partners, averaging 75% of Red Hat OpenShift subscription revenue and commanding margins of roughly 70%.

Key outcomes. The interviewees noted two benefits that provided significant value for partners but were not quantified for this study, including their organizations' ability to achieve trusted advisor status with customers and the additional revenues available with [Red Hat Enterprise Linux](#) (RHEL) and [Red Hat Ansible Automation Platform](#):

- **A more strategic relationship with customers.** Most interviewees noted that, since their Red Hat OpenShift partner organizations began their relationships with customers as subscription and individual solution providers, they were understandably eager to develop an ongoing relationship where these customers would see them in a more strategic advisory role. Their recognized status as masters of Red Hat

OpenShift provided that opportunity and was critical to their ability to continue selling more and bigger projects to existing customers.

- **Revenues from additional Red Hat infrastructure and automation opportunities.**

Partners pointed out that their relationship with Red Hat also allowed them to expand their business in infrastructure projects and in automation using RHEL and Red Hat Ansible Automation Platform.

Investments and best practices. Beyond the personnel costs of delivering solutions, which were embedded in the gross margin calculations of each revenue stream, partner organizations made other investments in their practice's success. These included recruiting, training, solution development/innovation, marketing, and Red Hat partnership management.

“When we were only doing the implementation work, that was it. The stickiness was very loose because we weren’t seen as part of their larger business transformation. [Red Hat] OpenShift actually helped us to be a central part of our customers’ drive to those digital transformations.”

Director, APAC



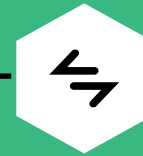
TOTAL REVENUE
MULTIPLIER
5.2X



EXPECTED REVENUE
MULTIPLIER
3.8X

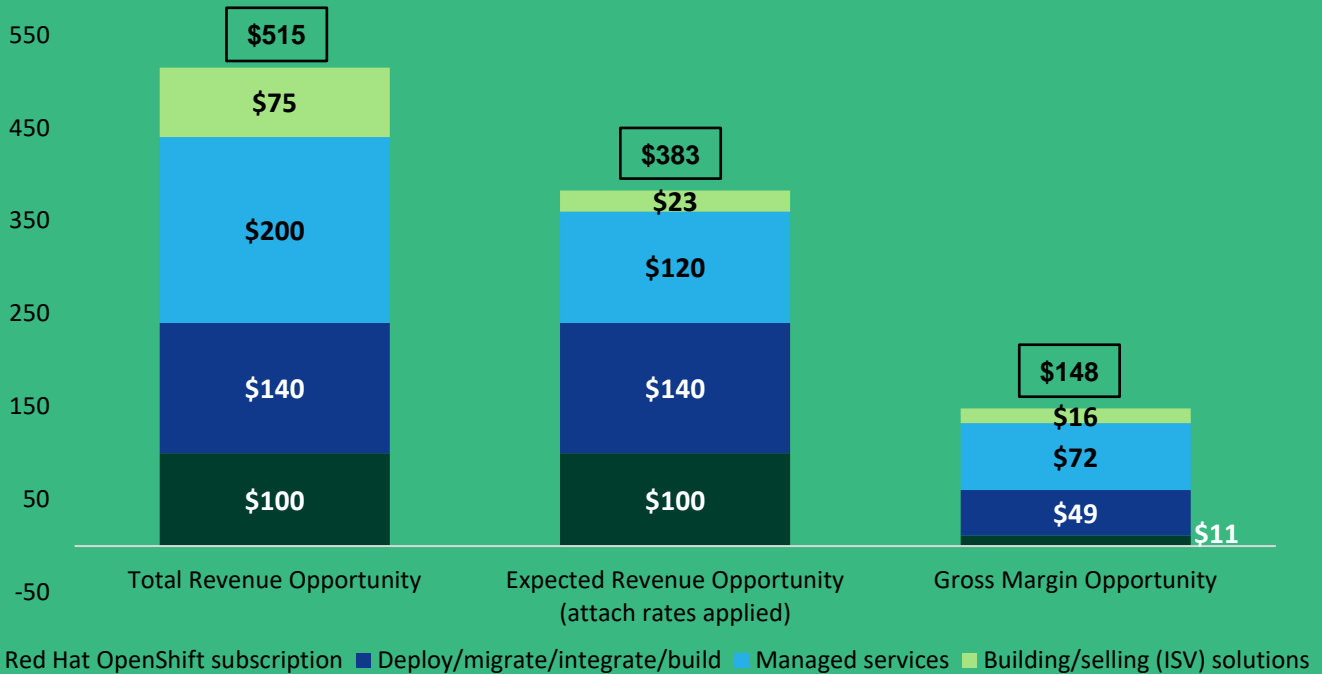


GROSS MARGIN
MULTIPLIER
1.5X



BLENDED
GROSS MARGIN
39%

Red Hat OpenShift Practice Opportunity — Expanded Offerings



Each revenue stream is a way for partners to increase revenue and profitability. For example, for every \$100 in Red Hat OpenShift subscription revenue, the total additional opportunity is \$140 in projects, \$200 in managed services, and \$75 in ISV solutions.

“A lot of customers understand they need to go on this modernization journey. They do some research, [Red Hat] OpenShift comes up and then they call us. Red Hat OpenShift does open doors.”

— Chief executive officer, Africa

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 OpenShift 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 OpenShift 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 ROI 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 OpenShift 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 OpenShift.



INTERVIEWS

Interviewed nine representatives at seven partner organizations with existing Red Hat OpenShift practices to obtain data with respect to benefits, investments, and best practices



FINANCIAL MODEL FRAMEWORK

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



CASE STUDY

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

The Red Hat OpenShift Partner Journey

■ Drivers leading to the Red Hat OpenShift practice investment

Interviews			
Role	Region	Estimated Red Hat Practice Revenue (USD)	Partner Type
Managing director	Global	\$320 million	Systems integrator
Head of strategic partnerships	APAC	\$8 million to \$10 million	Systems integrator
Regional chief technology officer	APAC	\$15 million	Systems integrator
Sales lead	Europe	\$20 million	Technology services
Principal architect	Global	\$500 million	Systems integrator
Director	APAC	\$5 billion	Systems integrator
<ul style="list-style-type: none">• Chief executive officer (CEO)• Chief technology officer (CTO)• Chief commercial officer (CCO)	Africa	\$1 million	Technology services

PARTNER GOALS, CHALLENGES, AND DRIVERS

Partners were diverse in size, background, functional and vertical specializations, type, and degree of engagement with Red Hat. They partnered with Red Hat to build and scale their application platform businesses for several reasons, including:

- **Capturing growing interest in cloud modernization using containerization solutions.** As enterprises look to rationalize and optimize their multicloud estates, they are increasingly turning to containerization. Forrester's most recent Technographics® survey of 1,390 cloud decision-makers revealed that 80% were either using containers within a Kubernetes-orchestrated platform or were planning to do so within 12 months.³

Interviewees told Forrester repeatedly that their customers and prospects were convinced that they needed to adopt containerization solutions, but they were not confident in their understanding of it, so they looked to experts in the field to help them strategize, deploy, and use

“After the first implementation, we come back and talk to them again about how to optimize this DevOps they have, and that’s when we do the upsell. So, the technology will be getting bigger and bigger at each customer.”

Director, APAC

containerization. These partners were building their Red Hat OpenShift practices in order to take advantage of the continuing explosion of interest in this technology.

- **Differentiating themselves and growing by becoming strategic advisors to customers.** Interviewees said that because Red Hat OpenShift — and containerization in general — requires a specific and hard-to-find set of skills, it

“We are becoming part of a digital transformation arm to help the financial services industry, in particular, to onboard or release applications in their DevOps using Red Hat OpenShift technology.”

Director, APAC

presents an opportunity for partners to specialize in those skills and reap the benefits. Interviewees recognize that their customers need these skills, but that the customers cannot or do not want to invest in capturing them in-house. This puts partners in a unique position to collaborate with enterprise leadership on key technology initiatives while facing lower competition from other solution providers who have not committed to containerization.

SELECTING THE RIGHT PARTNER PROGRAM

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

- **Recognized and reliable technology.** Interviewees repeatedly told Forrester that Red Hat OpenShift was the obvious choice to partner with, especially for those who have been working in containerization for more than a few years.

One chief technology officer (CTO) at a partner based in Africa recalled: “It was probably the most well-operationalized Kubernetes platform for enterprises when we got started. And we’ve seen the ecosystem just grow and evolve. Being a very strong Red Hat partner prior to Red Hat OpenShift, it became very much just a natural fit

for us to build a practice around Red Hat OpenShift.”

The chief commercial officer (CCO) at the same partner explained: “Red Hat has done a lot of work around integrating into all the correct places. They’ve done a lot of work on what the platform provides out of the box, and they’ve also got a lot of additional products that very simply add a lot of features like security and multicluster management.”

- **Respect for the partner ecosystem.** Interviewees agreed that Red Hat is a strong and respectful partner who understands the value of the partners in its ecosystem and who works with them to close win-win opportunities. The same CCO told Forrester: “I just came out of a meeting with one of our other vendors. They go directly to customers and try to move business away from us. Red Hat does not do that, and we know that the stronger the relationship between the partner and the vendor is the more we can go and solve customer problems together.”
- **Value of the Red Hat and Red Hat OpenShift brands.** The interviewed executives agreed that the Red Hat and Red Hat OpenShift brands are well-known and respected globally. They believed that this made it easier for them to secure meetings with prospects, and reduced concerns that may arise with less familiar brands.

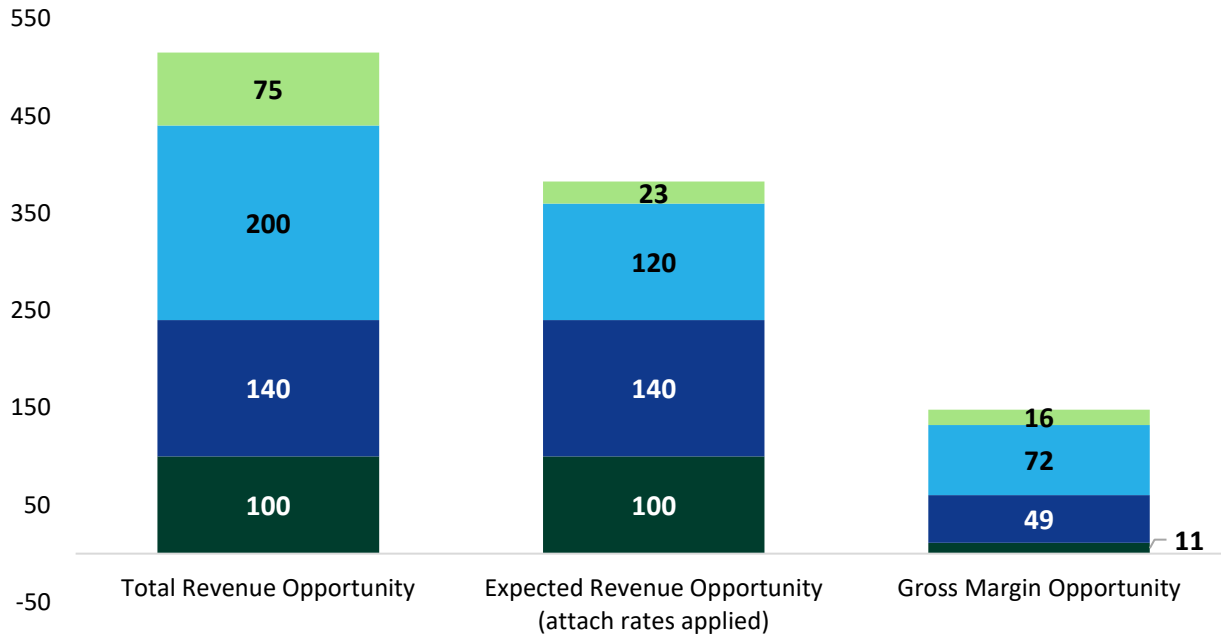
“When looking for products that help you implement the architectural patterns of cloud-native, [Red Hat] OpenShift is going to be the most mature for enterprise customers.”

Principal architect, global

Increased Partner Revenue And Profitability

■ Quantified revenue data

Red Hat OpenShift Practice Opportunity — Expanded Offerings



■ Red Hat OpenShift subscription ■ Deploy/migrate/integrate/build ■ Managed services ■ Building/selling (ISV) solutions

Attach rate is the likelihood of any given customer buying a particular service/solution. For example, partners with a managed service offering said that they sell (attach) it to 35% of their customers.

SELLING RED HAT OPENSIFT SUBSCRIPTIONS

Evidence and data. Interviewees agreed that, while selling subscriptions is not their primary business, those subscriptions provided the foundation upon which they could build out their practice with the work they considered core. Some customers come to the partners with subscriptions already in place but, most often, the recurring subscription fee was revenue for the partner.

- A CCO at a partner based in Africa asserted: “Red Hat OpenShift is a very good base. We have got five or six different offerings that we take into the market. The containerization with Red Hat OpenShift is the first layer which is effectively the foundation. We then have a lot of other services that sit on top of that, like

observability, data integration, public cloud, and multicloud management. OpenShift starts those conversations.”

- A sales lead at a European partner added: “The attractive thing for us is that it’s yearly revenue as compared to our consulting business, where we go there, do the project, and then need to sell another one. Subscriptions are a nice recurring business.”
- A CTO at an African partner agreed: “We do resell and the resell options are quite compelling. Red Hat products tend to be quite good value in the first instance — they’re not at the high end of enterprise software costs. But the resale margins are quite strong just for traditional subscription resell.”

Modeling and assumptions. For the financial model, Forrester assumes the following:

- The partner’s OpenShift subscription revenues are normalized to 100.
- Although not every partner sells OpenShift subscriptions or sells them to every customer, the model assumes the partner is selling all the subscriptions for a 100% attach rate.
- For partners that are not selling subscriptions, they should normalize against the subscriptions their customers are bringing with them.
- The partner earns an 18% margin in Year 1 of a subscription contract and 8% every year after that. Over the three years of the model, assuming a 50% year-over-year new customer growth rate, this equates to an 11% gross profit per year.

Selling Red Hat OpenShift Subscriptions

Ref.	Metric	Source	Normalized
A1	Total revenue	Financial example	100
A2	Attach rate	Interviews	100%
A3	Expected revenue	A1*A2	100
A4	Gross margin (weighted)	Interviews	11%
A5	Gross profit	A3*A4	11

DEPLOYING AND BUILDING ON OPENS SHIFT

Evidence and data. Most of the interviewees described their partner organizations as solution providers or integrators, and the bulk of what they do falls into the category of (mostly project) work that involves helping customers transform and modernize their technology and applications. They provided consulting services to help achieve this, deployed Red Hat OpenShift for those customers, and then built solutions that help modernize their operations.

After bringing a new customer on board, partners looked to continually sell additional projects, either to the same team or to other teams in the customer’s organization. This was a major source of growth. In addition, this kind of consulting and project work has a higher margin than the subscription business — and could become even more profitable over time as the partner became more efficient at doing the work.

“Deploying OpenShift can be lucrative, especially when we start from scratch with architecture, do a proof of concept, evaluate the proof of concept, then build up the production environment. From a business standpoint, it’s more revenue than the subscription.”

Sales lead, Europe

- The CCO of the African partner explained: “It’s in our purpose to accelerate customers into the future. By that very definition, we’re always

working on technology that very few people understand. In fact, there is a global skill shortage around what it is that we do. So that lends itself to people wanting to use our services to assist them.”

- A director at an APAC partner stated: “That’s where \$1 becomes \$1.50 and then becomes \$2 actually. We become not only a technical, but also sort of a business advisor for them as well.”
- Finally, the sales lead at a European partner pointed to the profit opportunity associated with these projects: “For deploying OpenShift, the consulting business is, of course, high margin work. We can charge high rates for our engineers because it’s a technology that is very desirable in the market. All the good OpenShift engineers are either at Red Hat or here at our company.”

Modeling and assumptions. For the financial model, Forrester assumes the following:

- While the initial revenue for the deployment and development projects is equal to the partner’s subscription revenue in Year 1, it increases to 140% of subscription revenue as the partner grows project work with established customers.
- This consulting and project work is the partner’s primary sales objective, so the example assumes an attach rate of 100%. Essentially, the partner sells subscriptions only to customers for whom it does more value-added work.
- Gross margin is assumed to be 35%, a conservative figure based on partner estimates of 25% to 50% margins on this revenue stream.

Deploying And Building On OpenShift

Ref.	Metric	Source	Normalized
B1	Normalized revenue	Interviews	140
B2	Attach rate	Interviews	100%
B3	Expected revenue	B1*B2	140
B4	Gross margin	Interviews	35%
B5	Gross profits	B3*B4	49

PROVIDING MANAGED SERVICES

Evidence and data. Interviewees told Forrester that, once their organizations built solutions on Red Hat OpenShift, customers often asked them to run those solutions. The work they described was quite complex and required a skill set that was very difficult for nontechnology organizations to recruit and retain. As a result, partners reported that more customers were hiring them for ongoing managed services engagements. This work tended to be at least as

“[Many customers] think they’ll just quickly do this; then they come back to us, realizing actually it’s way more difficult than they anticipated.”

CEO, Africa

profitable — and certainly steadier — than the project work of deploying and building solutions.

- The sales lead at a European partner organization pointed out: “OpenShift is the foundation for a lot more business, because if [the customer] has the platform itself, it is great, but it’s not enough. They need to build the software on top. They need to run it, so they need to know how to run it and how to update it. This is where we, as an IT partner, have the chance to benefit from helping customers use OpenShift.”
- A CTO at an African partner explained: “The solutions that sit on top of an OpenShift platform are typically sufficiently complex or challenging that you need a managed service provider for the solution on top. If you had an easy problem, a simple web app somewhere, then that’s not the use case for an OpenShift deployment anyways.”
- As a result, a managing director at a global partner explained, “About 50% of our business is

now in managed services and it is growing rapidly.” On average, interviewees in this study who provide managed services reported an attach rate of approximately 50%.

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

- Partners who provide managed services tend to see revenues that represent twice the value of their OpenShift subscriptions.
- Attach rates have been, and are expected to continue, growing as OpenShift installations become more common and more complex over time and companies choose to outsource running them.
- The gross margin on the managed services business reported by interviewees fluctuated around 60%, so the example assumes similar profitability.

Providing Managed Services			
Ref.	Metric	Source	Normalized
C1	Normalized revenue	Interviews	200
C2	Attach rate	Interviews	50%
C3	Expected revenue	C1*C2	100
C4	Gross margin	Interviews	60%
C5	Gross profits	C3*C4	60

CREATING PARTNER-OWNED SOLUTIONS

Evidence and data. Virtually all interviewees described a set of proprietary solutions their organizations had created. For some, these were accelerators or other tools to help customers realize value from their OpenShift solutions more quickly and efficiently. The interviewees said their partner

organizations could use these simply as strategic differentiators or actively sell them on a subscription basis, similar to an ISV model.

A managing director at a global partner explained: “We are not selling through marketplaces, but we have created some joint IP through our center of excellence. So, we have accelerators to help

customers migrate to [OpenShift Container Platform]; there are automation accelerators. We've done some solution development in Edge and Sovereign Cloud; these are used as a differentiator in proposals to show prospects we can get them to the cloud faster.”

Other interviewees noted their partner organizations sold their proprietary solutions as standalone SaaS products. For these partners, the Red Hat OpenShift [OperatorHub](#) and [Red Hat Marketplace](#) facilitated marketing and selling these subscriptions. Some interviewees’ partner organizations also bundled their Red Hat OpenShift offerings with various hyperscaler offerings and sold them in hyperscaler marketplaces. In general, interviewees reported being attracted to this revenue stream because of its scalability and long-term opportunity for very high gross margins, reported in the range of 70% and potentially higher.

The interviewees’ partner organizations included in this year’s analysis were not particularly active as ISVs. They tended to use their proprietary solutions

as differentiators or to improve their own speed and efficiency, rather than as straightforward revenue. However, Forrester’s 2022 study of Red Hat OpenShift included several partners who were more focused on the ISV opportunity.⁴ Forrester is using the data from those interviews in this study to ensure that this important revenue stream is represented here.

Assumptions. For the financial example, Forrester uses the data captured from partners in the 2022 study regarding this revenue stream:

- The total technology solution sales revenue opportunity is equal to 75% of total Red Hat OpenShift subscription revenues (75 index).
- The solutions attach at 30% (for non-ISV partners).
- The gross margin for building and selling these technology solutions is 70%.

Creating Partner-Owned Solutions			
Ref.	Metric	Source	Normalized
D1	Normalized revenue	Interviews	75
D2	Attach rate	Interviews	30%
D3	Expected revenue	D1*D2	23
D4	Gross margin	Interviews	70%
D5	Gross profits	D3*D4	16

UNQUANTIFIED BENEFITS

Interviewees cited benefits that their organizations experienced but were not able to quantify.

- **A more strategic relationship with customers.**

Interviewees agreed that they gained a deeper understanding of their customers' businesses and digital challenges while working on the kind of transformation initiatives that involved Red Hat OpenShift. Their contribution to these complex initiatives also earned the respect of those customers' IT organizations. As a result, executives believed customers perceived their firms as advisors, not just technology vendors.

As the principal architect at global partner related: "Red Hat OpenShift helps us to have conversations with our customers that are not just about legacy infrastructure. We can sell more to existing customers, because we can advise them on how to do more with containerization and their existing platforms."

- **Revenues from additional Red Hat infrastructure and automation opportunities.**

As Red Hat partners, interviewees noted they had access to other respected products to build their businesses. Red Hat Enterprise Linux (RHEL) delivered revenue in connection with infrastructure projects and Red Hat Ansible Automation Platform allowed partners to accelerate customer automation initiatives.

Forrester evaluated the partner opportunity for a Red Hat Enterprise Linux practice and found that the total revenue opportunity was up to 4.5 times higher than subscription revenues and managed services for RHEL had a gross margin of 33%.⁵

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%.⁶

Both of these detailed studies are available for partners to download [at this link](#) to the Red Hat website.

FLEXIBILITY

The value of flexibility is unique to each partner; there are scenarios in which a partner might build a Red Hat OpenShift practice and later realize additional opportunities, including:

- **Ability to address evolving customer needs in the future.**

The sales lead at a European partner described how Red Hat OpenShift's flexibility ensured they could solve their customers' problems today and in the future: "We have a lot of on-premises installations so there is a huge potential for hybrid cloud business in both deployment and managed services. We can say, 'Hey, we can do both OpenShift installation and managing OpenShift, and we can do it on-premises or on a hyperscaler so [the customer] can move the cloud from left to right.'"

- **Freedom to implement applications whenever and wherever the customer prefers.**

The managing director at a global partner noted: "[An enterprise] can develop its containerization strategy with Red Hat and implement its security controls and it will work on multiple clouds. It'll be there even if they're moving one application today and 50 next year. They can implement that container strategy and use that to carry over across environments and different clouds and still rely on it being the right level of security and authentication and automation. That's why clients go to a container strategy. And Red Hat is at the top of the game with containers."

The head of strategic partnerships at an APAC partner echoed: "There's an enormous amount of flexibility you get with Red Hat OpenShift as a hybrid cloud platform. We can build it on OpenShift and then, whatever the customer has, however they want to redeploy it, we can literally just shift all of it."

Partner Investments And Best Practices

■ What best-in-class partners are doing to be more successful

The previous section described how partner organizations made more money by expanding their offerings into new revenue streams and taking advantage of an overall growing market for containerization. Delivery costs, included as costs of goods sold (COGS), are implied in the gross margin components of the financial analysis. This includes professional services employees for project delivery and managed services, as well as engineering investments in technology solutions being sold in an ISV-type model. Beyond this, partners invested in other key areas that they consider best practices.

Recruiting and talent development. According to interviewees, hiring and retaining the scarce and highly sought-after talent that allows Red Hat OpenShift partners to exceed customer expectations is the “secret sauce.” It was, thus, the focus of their investments. While all the interviewees agreed that their organizations spent a great deal on OpenShift certifications for technical and sales employees, they felt this was just the beginning.

- A CTO at a partner in Africa stated: “There’s been a lot of technical expertise that has been accrued across the team. Not just in terms of certifications — although that is a big requirement and obviously an investment from a time perspective — but also in terms of upskilling and scaling our team from a platform engineering perspective. We have spent a significant amount of time and resources getting really good at OpenShift.”
- The director at an APAC partner described how their investment in building the team to another level allowed them to expand their customer base and service offerings: “Being certified for Red Hat is only one aspect, which is the technical aspect. Since we’re helping the customer with their

“We do tech labs — free hands-on sessions on OpenShift. That was one of our bigger marketing activities. We had many customers who wanted to touch the technology, so our OpenShift architects gave the training. We gained many new customers thanks to these labs.”

Sales lead, Europe

transformation, we get an understanding of their industry, their business. That lets us help customers in similar industries to adopt this transformation process by sharing, and so on.”

Innovating to improve delivery capabilities. A sales lead at a partner in Europe testified to their innovation at a critical point in time when they recognized the potential of Kubernetes: “We created our own brand to meet our customers’ needs. It’s really a brand covering all kinds of Kubernetes services from our company and also managed services from another company we have partnered with. So, this is actually the offering that we built up all based on OpenShift, and now we have seven years of success and growth with it.”

- A managing director at a global partner cited their company’s investment in creating a center of excellence (including dedicated market development people and solution architects) and

“There’s a cost to our development centers and the infrastructure we keep to be able to build out and offer new solutions to our customers. Red Hat picks up the cost of some funded heads who are working on joint solutions, and that is appreciated.”

Managing director, global

multiple development centers where engineers worked on building new solutions, often in partnership with Red Hat.

- Partners also noted that Red Hat participated in these innovation investments with development funds and other contributions.

Marketing, comarketing, and coselling. Most interviewees believed that their organizations’ marketing efforts were critical to their success, and they also mentioned Red Hat’s participation in their efforts from helping to fund digital marketing campaigns to supporting FTEs in innovation centers.

- Smaller partners cited tech labs, YouTube videos, meetups, and networking roundtables to attract prospects and engage customers. The sales lead at a smaller European partner explained: “It’s really a community we’re building up. We do meetups where we talk to customers in person; we still know all our customers from day one. We have our own public chat where you can ask questions on OpenShift, and you receive the answers for free as well. This was all really a huge investment for us.”
- Larger partners pointed to investments in dedicated partner relationship managers, solution

architects who craft winning proposals to achieve outcome-based objectives, and frequent in-market collaboration with Red Hat. The managing director at a global partner firm described this kind of joint marketing and selling: “[Our company], Red Hat, and AWS or [our company], Red Hat, and Azure — the three of us can get together and look at the hyperscaler consumption that is being used at a particular customer. Together, we can determine what might be left on the table and how we can get additional value for clients as well as additional work for our three companies together. Those conversations are taking place at a go-to-market field level.”

Conclusion

Forrester's in-depth interviews with nine people across seven partner organizations that vary in size and vertical found that Red Hat OpenShift provided an opportunity for rapid and strategic growth, driven by market demand for cloud services overall and containerization in particular. In fact, Forrester forecasted sales of overall cloud infrastructure services to more than triple from \$159.3 billion in 2022 to \$495.5 billion in 2026.⁷

Interviewees noted that their partner organizations could recognize various revenue streams with their Red Hat OpenShift practice, including reselling subscriptions, building on Red Hat OpenShift, providing managed services, and creating proprietary software solutions that complement Red Hat OpenShift. The total practice revenue opportunity could grow to 4.5 times the initial subscription opportunity when partners moved into all these practice areas. Additionally, many new areas that interviewees' partner organizations moved into were higher margin businesses and were viewed as more strategic than their traditional offerings, which could increase total gross profits for the practice tenfold.

Interviewees also reported that the overall opportunity was growing quickly in terms of new prospects and customers because interest in Kubernetes and Red Hat OpenShift remained strong and customers recognized that they needed help to maximize their investments in it. The challenge for most partners was keeping up with demand rather than filling a sales funnel. To meet this demand successfully, partners invested in recruiting and talent development, innovation, and sales and marketing (including Red Hat partner management).

Interviewees were unanimously excited about their success to date with Red Hat OpenShift and they expected future growth to continue at the same pace or higher. Several also mentioned additional opportunities to build out their business with offerings in infrastructure (with RHEL) and in automation (with Red Hat Ansible Automation Platform).

“Our relationship with Red Hat is very strong. We can combine our relationships and, as a team, solve customer problems. This makes the conversation a lot easier, because if you’ve got the vendor and the partner together solving a problem, a customer feels very good about that.”

CCO, Africa

Appendix A: Endnotes

¹ 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.

² Source: "The Partner Opportunity for Red Hat OpenShift," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, June 2022.

³ Source: Forrester's Infrastructure Cloud Survey, 2022.

⁴ Source: "The Partner Opportunity for Red Hat OpenShift," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, June 2022.

⁵ Source: "The Partner Opportunity for Red Hat Enterprise Linux," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, June 2023.

⁶ Source: "The Partner Opportunity for Red Hat Ansible Automation Platform," a commissioned study conducted by Forrester Consulting on behalf of Red Hat, November 2022.

⁷ Source: "The Public Cloud Market Outlook, 2022 To 2026," Forrester Research, November 9, 2022.

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