

# The Partner Business Opportunity for Red Hat OpenShift Cloud Services



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# Executive Summary

IT services continue to play a critical role in providing value to end customers and driving business success. In addition, IT services are not static (i.e., all partners are continually transforming and creating services that drive value for end customers in new ways and across new technologies).

IDC spoke with an array of partners engaged in selling Red Hat OpenShift cloud services about its impact on their businesses. IDC's Business Value research shows that these partners already earn significant revenue from these Red Hat services and that future market trends will provide robust continued growth. Additionally, partner customers appreciated the core value proposition of Red Hat OpenShift's cloud services and the added value that partners provide through their own professional and managed service offerings. Red Hat partners gained substantial revenue from their partnership with Red Hat, which IDC calculates at an annual average of \$45.18 million, with an average gross margin of 28%.

## IDC identified the following factors as driving this business growth for Red Hat partners:

- Strong and sustained demand for Red Hat OpenShift for running enterprise workloads that leverage public or hybrid cloud offerings
- A wide range of viable upsell and cross-sell opportunities for partner-provided services that primarily include managed and professional services
- The ability for OpenShift partners to secure and strengthen their existing customer base through better market differentiation
- Validated profitability for partners going forward as they establish the value-add aspects of their tailored services
- Significant partner-related growth in gross margins and attach rates



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## BUSINESS VALUE HIGHLIGHTS

**\$45.18M**

average annual revenue

**28%**

average gross margin

**37%**

average growth rate

**41%**

growth rate related to professional services

**21%**

increased professional services revenue attached to OpenShift cloud services

**26%**

growth rate related to partner delivered managed services

**7%**

increased partner delivered managed services revenue attached to OpenShift cloud services

# Situation Overview

An IDC global survey of 2,200 partners conducted late in 2023 indicated the number one investment or transformation priority for partners aiming to remain competitive was expanding their service portfolios and capabilities.

**IDC believes that partners are engaging and expanding service offerings for the following key reasons, all of which contribute to a partner's increased revenue and profitability:**

**1. Value proposition:**

IT services allow partners to elevate their value propositions across a host of services that provide a more comprehensive approach to their customers' specific needs. This helps retain existing customers for the long term and win new customers.

**2. Market differentiation:**

Specialized IT services (e.g., specific industries or solution areas) can help partners differentiate their businesses from end customers. Services tailored to specific industry or technology needs help partners stand out as experts in their fields, driving revenue growth and brand recognition.

**3. Sustainable/recurring revenue streams:**

Many partners deliver IT services based on subscription models offering recurring revenue. Partners still provide time and material project-based services, but the subscription model can help stabilize those financial peaks and valleys over time and provide profitable outcomes with the potential for further service sales.

**4. Customer retention and loyalty:**

Effective service delivery fosters long-term customer relationships and lifetime value. Partners that consistently meet or exceed service expectations are more likely to retain customers for life and benefit from ongoing service engagements.

**5. Customer outcomes:**

Partner-delivered IT services can help customers realize the full potential of their IT investments, which generally leads to better end-customer business outcomes and satisfaction.

**6. Strategic alignment:**

Partners adept at IT services are viewed as valuable allies in an IT vendor's ecosystem. This strategic alignment leads to valued benefits, such as early access to new products, co-marketing opportunities, and enhanced support, which can further the partner's capabilities and market presence.

# Red Hat OpenShift Cloud Services for Red Hat Partners

## Red Hat OpenShift

Red Hat OpenShift provides an application platform that accelerates innovation and streamlines development workflows, allowing developers to deploy new and modernized applications to production faster. It offers a consistent cloud-like experience with automated operations across on-premises, public cloud, and at the edge, supporting hybrid cloud environments with major cloud platforms such as AWS, Azure, IBM Cloud, and Google Cloud.

Whether self-managed or managed by Red Hat, OpenShift ensures continuous security with enterprise support. Additionally, as an application platform, it abstracts technical complexities such as containers and Kubernetes, providing developers with essential and integrated components such as runtimes, build tools, CI/CD, and observability to focus on application development without worrying about underlying infrastructure intricacies.

## Red Hat OpenShift Cloud Services

Red Hat cloud services is a fully managed Red Hat OpenShift service **that** seamlessly integrated into hyperscaler consoles, enabling partners to build, deploy, and oversee Kubernetes applications for clients within the public cloud environment.

Red Hat OpenShift cloud services simplify the difficulties associated with containerized applications, streamlining the development, deployment, and operation process. Moreover, they accelerate time to value, enhance operational efficiency, empower developers to concentrate on innovation, and deliver a consistent experience across on-premises, cloud, and edge environments.

Red Hat's key differentiators lie in its collaborative efforts with leading cloud providers, delivering cloud native, joint solutions, a turnkey application platform, and a consistent hybrid cloud experience. Red Hat's cloud services offer integrated software development tools, joint support and engineering, automation for day two operations, security, and compliance adherence. These capabilities are provided under a single invoicing structure, providing transparency in cloud utilization and committed spend.

With Red Hat OpenShift cloud services, partners can grow their businesses and increase revenue from professional services including migration/development, planning, implementation, and management, which extend beyond the public cloud.

Additionally, partners can boost margins and recurring revenue via the resale of Red Hat OpenShift cloud services by utilizing the managed service offerings on Azure (Azure Red Hat OpenShift), AWS (Red Hat OpenShift Service on AWS or ROSA) and OpenShift Dedicated on Google Cloud Platform, along with cloud infrastructure sales. Leveraging the hyperscalers' marketplaces facilitates smoother transactions, reducing friction, lowering sales transactions and legal costs, and expediting deal closures.

# The Business Opportunity of Red Hat Partners

## Study Firmographics

IDC conducted in-depth interviews with seven Red Hat service integrator partners to assess the business opportunity for selling Red Hat OpenShift cloud services and associated professional and managed services. These interviews were designed to understand and lay out the financial impact for partners for their Red Hat-focused services and solutions and set expectations for customer attachment and growth going forward.

**Table 1** (next page) presents the study firmographics. The partners that IDC interviewed had an average base of 102,292 employees and total average annual revenues of \$11 billion. On average, these partners had 4,164 customers, 127 of whom relied on Red Shift OpenShift cloud services. In addition, \$45.2 million in annual revenue was related to using the Red Hat platform. In terms of geographical distribution, six partners were based in the United States and one was in Spain.

**TABLE 1**  
**Firmographics of Interviewed Red Hat Partners**

	Average	Median	Range
Number of employees	102,292	800	700,000
Number of customers	4,164	1,500	15,000
Annual revenue	\$11.00B	\$1.25B	\$22.7M–\$64B
Annual revenue related to Red Hat OpenShift cloud services	\$45.20M	\$3.86M	\$750,000–\$300M
Number of customers using Red Hat OpenShift cloud services	127	25	5–700
Countries	United States (6), Spain		

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

## Business Drivers of Red Hat OpenShift Cloud Services

Red Hat OpenShift cloud services offer a strong value proposition for enterprise customers with a production-ready, turnkey application platform designed to help companies take advantage of joint solutions with leading cloud providers to offer a consistent hybrid cloud experience. This trajectory offers Red Hat partners various cross-selling and upselling opportunities related to a variety of professional and managed services that augment OpenShift. These services include Azure Red Hat OpenShift and Red Hat OpenShift Service on AWS. As such, these benefits represent a strong win/win situation for Red Hat and its partners.

IDC’s interviews with these Red Hat partners yielded various insights into the value of these relationships for partners and customers alike. These partners reported that they appreciated the core value proposition of Red Hat technology, which enabled them to leverage their expertise as a value-add to provide solutions that strengthened their existing relationships and paved the way for new ones. They also noted that many of their customers were engaged in converting applications from VMs to containers and felt that Red Hat’s proven technology was the best way to achieve this.

## Interviewed Red Hat partners elaborated on these advantages:

### **Easy demonstration of the advantages of the cloud-based application approach:**

*“In most of the cases, my customers are trying to convert their applications from VMs to containers. The best choice in the market is probably OpenShift, so if you’re going to persuade a customer to convert their workloads to Azure Red Hat OpenShift or ROSA, it’s because, first, they’ve done a project on-prem. With these kinds of customers, it’s easy to demonstrate the advantage of moving these workloads to the cloud. They’re going to enjoy a lot of advantages in terms of operations, availability, and cost.”*

### **Red Hat referrals from the Partner Practice Accelerator program:**

*“My organization gets customer referrals from Red Hat based on our being part of the Partner Practice Accelerator program.”*

### **Existing business relations:**

*“We sell Azure Red Hat OpenShift and ROSA through the marketplace by definition. We also leverage our current install base, and there is a pretty direct path between our existing client base and personas who are already familiar with Red Hat OpenShift. We have a huge Microsoft business, and we consider that base as a great opportunity to sell Azure Red Hat OpenShift cloud-managed services.”*

## Most Significant Business Benefits of Partnership with Red Hat

IDC’s business value analysis identified various aspects of the overall value proposition for Red Hat partners.

### These include but are not limited to the following:

- Improving market differentiation
- Expanding into new lines of service
- Growing their customer base
- Strengthening the current book of business

Partners generally benefit from strong and sustained market demand for Red Hat OpenShift to run enterprise workloads that leverage multicloud offerings. This afforded them a wide range of viable upsell and cross-sell opportunities for partner-provided services that primarily included managed and professional services. This market augmentation allowed the OpenShift partners to strengthen their existing



customer base through offerings that span the hybrid cloud. It also provided additional opportunities for profitability going forward, including significant IDC-calculated growth in gross margins and attach rates, as will be presented.

Study participants directly linked these benefits to the ability to offer native cloud services and associated professional and managed services to augment and support those services. Interviewed partners reported that their customers clearly appreciated the additional expertise they could provide. They also highlighted and confirmed the opportunities to cross-sell and up-sell various services in their portfolios. Study participants also noted that engagements had low barriers to entry, with customer investment directed toward value-add activities such as application development modernization, migration, and DevOps. The benefit of access to Red Hat training materials and dedicated resources that assisted in sales activity was also called out.

### Interviewed partners elaborated on these and other benefits:

#### **The ability to cross-sell services:**

*“A significant benefit of Red Hat OpenShift cloud services is that it enables my organization to be closer to applications because it’s a building block. This makes it very easy to upsell and cross-sell new services. It is not just one transaction when you’re working on this kind of project. That’s probably the main advantage of working with Red Hat OpenShift cloud services.”*

#### **Low barrier to entry:**

*“It is easy to get OpenShift cloud services up and running. When we’re working with a customer, the barrier to entry is lower. The time the customer would pay us for professional services is either taken away or else the money is put toward value-add activities like modernization, migration, and DevOps. Instead of spending time and money getting it up and running, we’re taking that time and money and getting to what the customer needs from OpenShift.”*

#### **Modernized application development:**

*“Red Hat OpenShift is recognized as the industry leader when it comes to features and functions, so that creates a solid platform for us to build a modern app practice around. The platform of OpenShift, which aligns well to our hybrid cloud strategy and investments, really unlocks our ability to go after modern application development as a services opportunity.”*

#### **Business modernization:**

*“A significant benefit of being a Red Hat partner is that it enables the modernization of our business. My organization has much greater agility and speed to market from the containerization aspect of OpenShift.”*

**Access to dedicated Red Hat resources:**

*“Our partnership with Red Hat allows my organization to get access to training materials and dedicated resources that can assist in sales motions and collaboration around specific clients. We also do some opportunity identification or lead generation with Red Hat, which is another business benefit.”*

## Significant Operational Benefits with Red Hat Partnership

Interviewed Red Hat partners discussed several direct operational benefits resulting from their partnership with Red Hat. These resulted in significant additional sales through by leveraging public cloud solutions’ availability. By utilizing the innovation of open-source technology, Red Hat partners could augment their competitive profiles in a complex marketplace, sell more customer-driven solutions leveraging their expertise, and build certified products. These partnerships also provided access to Red Hat software, documentation, standards, and team support to accomplish these goals.

Study participants noted that Red Hat OpenShift cloud services enhanced and enabled application developer and DevOps capabilities. They observed that the partnership added functionality to their portfolios, including the ability to scale across multiple environments while maintaining performance because of efficient cluster management. Ease of management due to automation features and direct access to Red Hat engineering resources were also called out.

### Interviewed partners offered specific comments describing these benefits:

**DevOps productivity and capabilities:**

*“Red Hat OpenShift cloud services have enabled developer productivity and DevOps capability. The integrated pipeline of development and deployment makes for greater efficiency. We have also gained the ability to do highly secure development and deployment across multiple environments. Red Hat OpenShift cloud services also have given us the ability to scale across multiple environments and maintain performance because of efficient cluster management.”*

**Elimination of operational work:**

*“Azure Red Hat OpenShift and ROSA eliminate a very high degree of the operational work and tasks that my organization or the client have to take on. From an operational perspective, ROSA and Azure Red Hat OpenShift are extremely efficient and have strong statements around reducing operational costs. As far as building a managed services practice at my organization, to run an on-prem or DIY install of OpenShift requires a large amount of operational skill around Kubernetes. Azure Red Hat OpenShift and ROSA have that built into the managed service offering, which eliminates that need to build operational capabilities down to the Kubernetes layer for a service provider.”*

**Easy to manage service:**

*“Red Hat OpenShift cloud services is easy to manage and obtain automation. At the end of the day, your reliability, performance, and customer satisfaction are all increasing. Both we and the customer are more able to put our energy into other relevant tasks.”*

**Direct access to Red Hat engineers:**

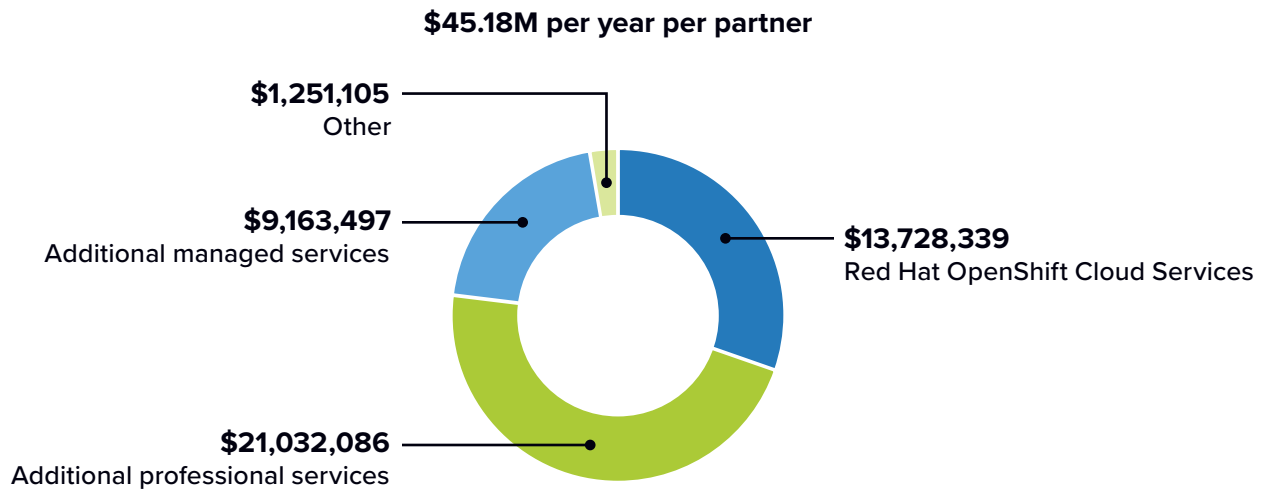
*“My organization is a premier partner with Red Hat. We are one of their Partner Practice Accelerators. This means we get access to different levels of support and collaboration with Red Hat’s back end. If one of our employees is running into an issue they’ve never seen before, and it turns out to be a potential bug, we have direct access to Red Hat’s engineering team to get a patch or a workaround. It helps us win customers. They like the fact that we have a direct line to Red Hat where they may not through a standard or premium support contract.”*

**Trusted Red Hat support:**

*“It is helpful just to have familiar points of contact that can assist with things at Red Hat. We’ve been working with individuals at Red Hat; they get to know our company, skills, and clients. Those individuals become valuable resources in escalations, opportunities, and initiatives that we’re trying to drive internally.”*

IDC looked at how partner-driven valued-add services were being apportioned in **Figure 1** (next page). This data clearly establishes that partners have increased their opportunities beyond offering Red Hat OpenShift cloud services to include significant levels of business from professional and managed services and other more specialized offerings. Interviewed partners told IDC that, on average, 30% of their current Red Hat-related revenue comes from the sale of Red Hat OpenShift cloud services. Regarding ancillary offerings, the greatest sales activity was sourced from professional services (47%), followed by managed services (20%). This data clearly establishes that partners have increased their opportunities beyond offering Red Hat OpenShift cloud services to include significant levels of business from professional and managed services.

**FIGURE 1**  
**Current Red Hat OpenShift Cloud Services-Based Businesses**



n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

## Partner Value Derived from Professional and Managed Services

Selling professional and managed services with Red Hat OpenShift cloud services has benefitted partners and their customers. It fostered the forging and development of new business relationships that allowed these partners to demonstrate specialized expertise that led to more effective use of their Red Hat services and platforms, thereby providing higher value to their customers. Ultimately, this led to deeper, more sustainable customer relationships and greater lifetime customer valuation.

Study participants offered specific observations to confirm these benefits in their comments to IDC. They noted how their partnership with Red Hat helped their organizations become more DevOps-centric. An important recurring theme in partner discussions was how the Red Hat relationship strengthened the core values and customer-centric culture already in place. Gaining access to best-of-breed technology and expertise via Red Hat’s extensive base of resources was also called out.

## Study participants made these detailed observations:

### **Development of close customer relationships:**

*“At the end of the day, the most important thing that Red Hat OpenShift cloud services has helped my organization with is being closer to our customers and what our customers want to do, including being more DevOps centric. They want the best resources dedicated to their business to help them go to market and develop new features. Generally, they look to us to help them be more competitive. If you have a provider that can help you manage your daily operations, you don’t have to worry about the ordinary tasks and better align your business.”*

### **Robust technical experience to build customer trust:**

*“The greatest value we can offer our customers is the fact that we have been involved with OpenShift from the beginning. Most, if not all, our OpenShift consultants have very extensive IT backgrounds. The extensive tenure that our technical people have puts us in a very strong position to do migration projects because we know the older environments from which people are migrating and the new environment to which they’re migrating. Our team that does the work is not just experienced in OpenShift — they have broad experience. Our tech people have the capacity to build trust with our customers.”*

### **Industry and technical expertise:**

*“My organization is a trusted advisor that brings the best-of-breed technologies that are in the client’s best interest, including Red Hat OpenShift cloud services. A large value that my organization provides to our customers is that we have deep industry and technical expertise. We put things in the context of what it means for that industry and translate solutions into value for our clients.”*

### **Experience-based value:**

*“A large value my organization brings is that we have already made mistakes so that we know what not to do. We’ve been implementing this for so long, we’ve even put out best practice guidelines of functional/nonfunctional requirements that we published on our own to help people. We provide jumpstarts that get people up and running quickly. From there, they can choose to have us continue with them or not. But we provide knowledge of operations from day 2. We can harden security and get it to a production-ready state.”*

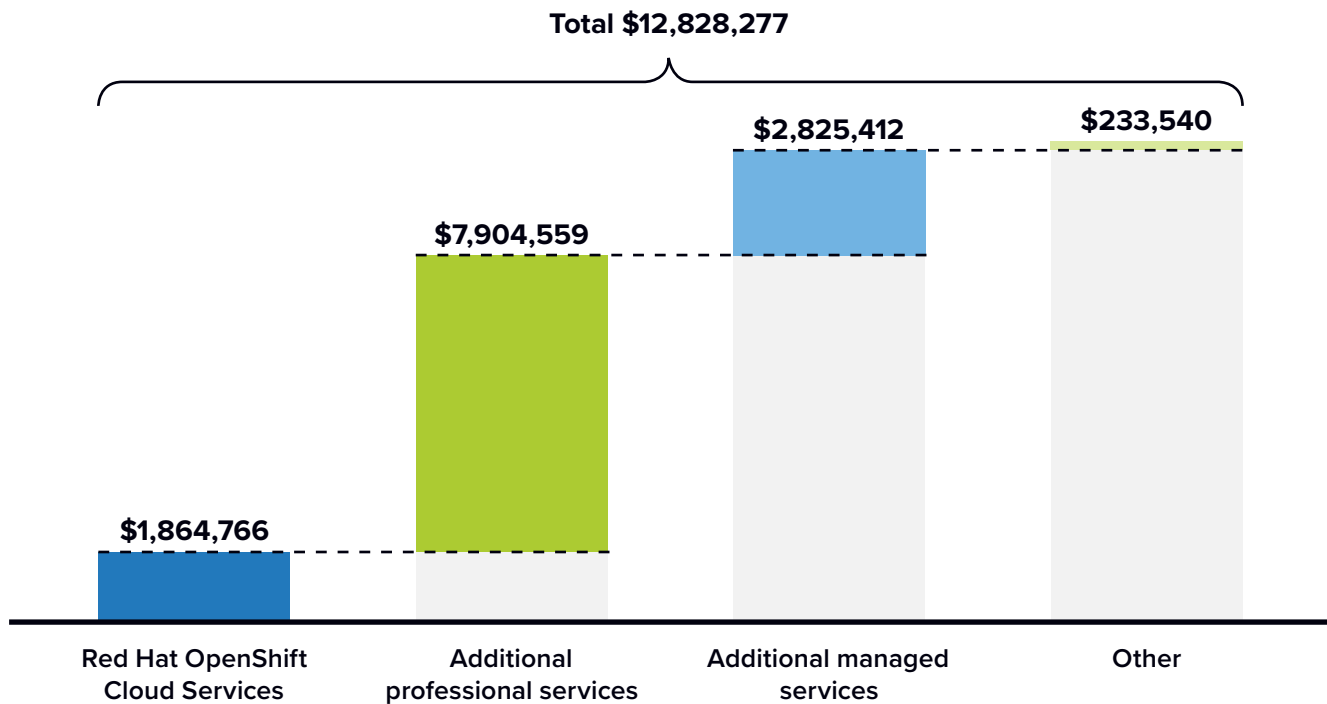
IDC then drilled down on how Red Hat partnerships yielded specific and measurable financial benefits, beginning with a look at gross margins derived over time. IDC found that, based on an average weighted gross margin of 28%, there were strong margin opportunities for partners across Red Hat OpenShift cloud services.

The highest margins were identified with add-on services (**Figure 2**, next page).

Of particular note are the significant margins derived from professional services, which IDC calculated at \$7,904,559, given a 38% gross margin. In addition, managed services offered a 31% gross margin. In terms of business results, these substantive margins for the combination

of OpenShift, professional, managed, and other services clearly establish the long-term value of partner investment in developing and maintaining their relationships with Red Hat and resources.

**FIGURE 2**  
**Gross Margins from Red Hat OpenShift Cloud Services**  
 (\$ per year per organization)

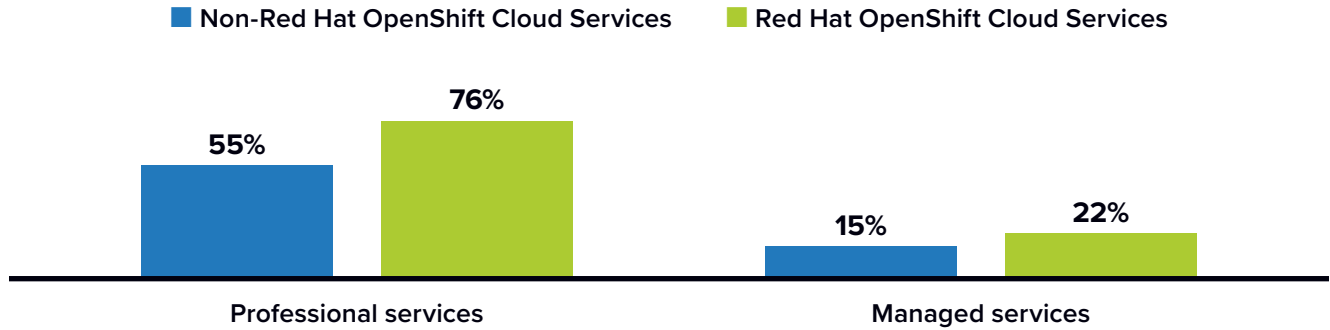


n = 7; Source: IDC Business Value In-Depth Interviews, March 2024  
 For an accessible version of the data in this figure, see [Figure 2 Supplemental Data](#) in Appendix #.

The Red Hat partners that IDC interviewed also noted improved attach rates for the professional and managed services they added to their portfolios. Attach rates indicate the ease and fluidity with which the four service categories can be added to customer portfolios. In general, interviewed partners reported greater success in selling professional and managed services as add-ons to Red Hat OpenShift cloud service engagements than other services.

**Figure 3** (next page) shows incremental revenue from higher attach rates for these services. Professional services were projected at 21 percentage points higher with Red Hat compared to 7 percentage points higher for managed services.

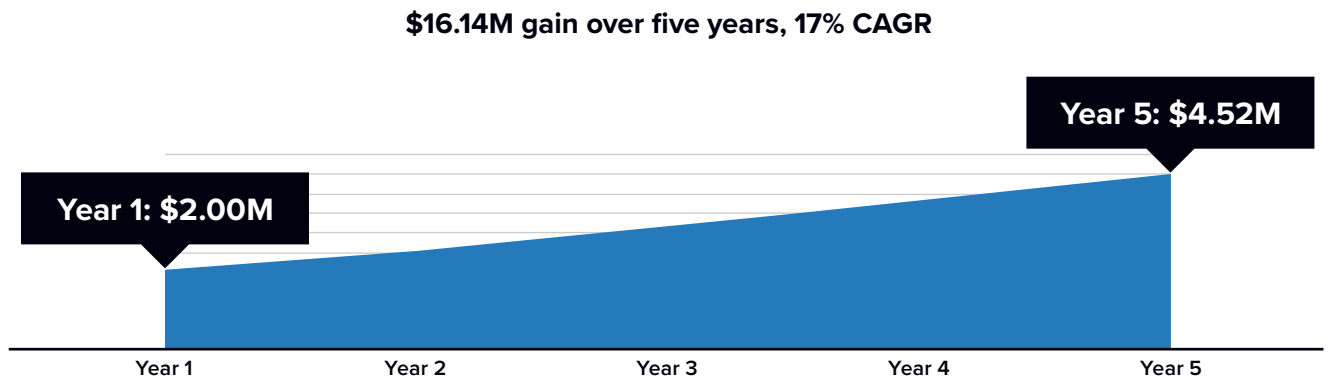
**FIGURE 3**  
**Impact on Attach Rates for Professional and Managed Services**  
 (Percentage)



n = 7; Source: IDC Business Value In-Depth Interviews, March 2024  
 For an accessible version of the data in this figure, see [Figure 3 Supplemental Data](#) in Appendix 2.

Better attach rates translated into improved overall business results for interviewed partners. Interviewed partners reported greater success in selling professional and managed services as add-ons to Red Hat OpenShift cloud service engagements than other services. Over time, this suggests that the Red Hat connection offers a strong financial incentive for a continuing relationship with Red Hat. IDC projected additional gains over five years, culminating in \$16.14 million in additional incremental revenue gains at the end of the period (Figure 4).

**FIGURE 4**  
**Incremental Revenue from Higher Attach Rates**  
 (Additional revenue per year per partner)



n = 7; Source: IDC Business Value In-Depth Interviews, March 2024  
 For an accessible version of the data in this figure, see [Figure 4 Supplemental Data](#) in Appendix 2.

**Table 2** shows IDC’s calculations for growth rates concerning the four broad service categories. These results indicate very positive prospects for the partner business model going forward. As shown, partners can expect solid growth for all businesses related to Red Hat OpenShift cloud services, especially (as noted previously) with respect to the professional services category, which shows a growth rate of 41%, equivalent to the growth for OpenShift services themselves. With an average growth rate of 37% for all services combined, IDC calculates a significant additional annual revenue gain of \$16,638,643 for partners.

**TABLE 2**  
**Partner Growth Rates Related to Red Hat OpenShift Cloud Services**

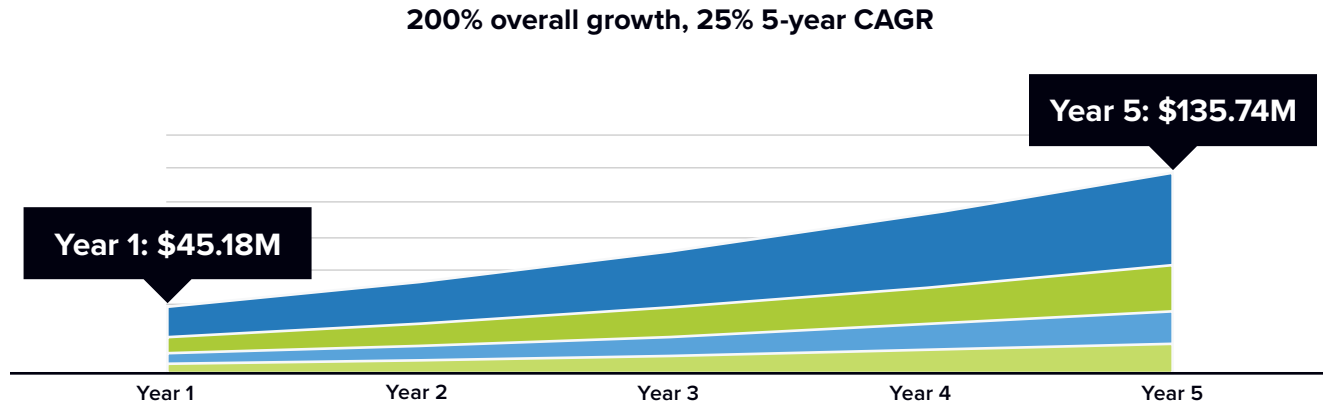
Average per Partner Interviewed	Average Growth Rate	Calculated Additional Revenue per Year
Red Hat OpenShift Cloud Services	41%	\$5,589,395
Additional Professional Services	41%	\$8,517,995
Additional Managed Services	26%	\$2,421,781
Other	9%	\$109,472
<b>Total</b>	<b>37%</b>	<b>\$16,638,643</b>

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

Summing up, the business value data that IDC developed confirms that Red Hat partners have established and will continue to establish robust new revenue streams as a result of the business decision to sell Red Hat OpenShift cloud services in conjunction with upsell opportunities to provide business-relevant professional, managed, and other services. As seen in **Figure 5** (next page), IDC’s five-year projection shows that the total business income of these services resulting from partnering with Red Hat will increase from \$45.18 million to \$135.74 million with a 25% compound annual growth rate (CAGR).



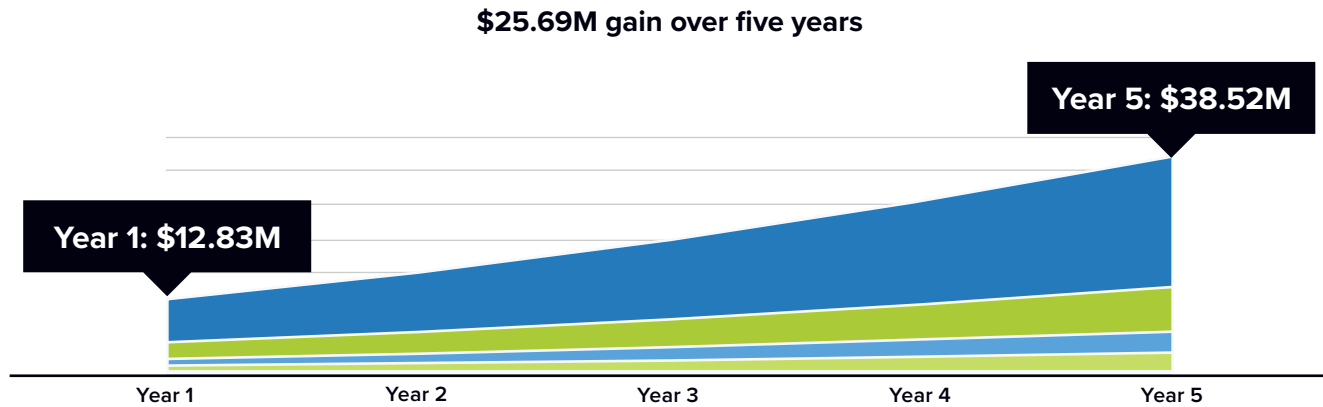
**FIGURE 5**  
**Total Revenue Related to Red Hat OpenShift Cloud Services**  
 (Revenue per year per partner)



n = 7; Source: IDC Business Value In-Depth Interviews, March 2024  
 For an accessible version of the data in this figure, see [Figure 5 Supplemental Data](#) in Appendix 2.

Finally, IDC projected 5-year gross margins for OpenShift partners (**Figure 6**). These calculations show an increase over five years from \$12.83 million in year 1 to \$38.52 million in year 5. Note that the figure breaks down these margin projections into the four major categories discussed previously.

**FIGURE 6**  
**Gross Margin Related to Red Hat OpenShift Cloud Services**  
 (Margin per year per partner)



n = 7; Source: IDC Business Value In-Depth Interviews, March 2024  
 For an accessible version of the data in this figure, see [Figure 6 Supplemental Data](#) in Appendix 2.

# Challenges/Opportunities

The OpenShift cloud services opportunity is clear and compelling for Red Hat and its partners. In practical terms, Red Hat OpenShift cloud services offer a way for enterprise customers and the Red Hat partners that serve them to seamlessly transition to the cloud, taking advantage of modern multicloud and hybrid cloud configurations. Moreover, these workloads, irrespective of where they reside, all run on trusted infrastructure and leverage familiar management models and processes. As such, Red Hat OpenShift cloud services will likely represent an attractive option for many enterprises looking to expedite and consummate their hybrid cloud journeys.

Concerning challenges for Red Hat and its partners, the primary obstacle will be ensuring that enterprises are aware of all the capabilities, features, and use cases that Red Hat OpenShift cloud services can address. Mitigation may require reaching out and engaging with traditional Red Hat constituencies and buying centers and confirming that cloud-oriented lines of business and developers are aware of the convenience, reach, and value that Red Hat OpenShift cloud services can provide. Ensuring that the Red Hat OpenShift cloud services' value propositions are appreciated and understood across all enterprise constituencies and buying centers will be essential for Red Hat and its ecosystem to capitalize on the market opportunity fully.

Of course, there will be competitive challenges as well. Other IT infrastructure vendors are devising hybrid cloud strategies and building bridges to public clouds through partnerships. An opportunity and a challenge are represented by multicloud, hybrid cloud, and the edge as enterprises increasingly look to multiple public clouds and on-premises environments when they consider optimized workload placement in an increasingly blended cloud-native world.

## Conclusion

The findings from IDC's Business Value research study on the business impact of selling Red Hat OpenShift cloud services point to a positive outlook for engaged partners. The significant partner revenue attained and forecasted and a healthy average gross margin underscore the financial benefits that partners can achieve in partnership with Red Hat.

**Based on IDC's findings, Red Hat partners are encouraged to focus on a few key areas to deepen their engagement with Red Hat and OpenShift cloud services:**

**1. Leverage market demand:**

Partners should focus on creating/exploiting Red Hat OpenShift demand by emphasizing the value proposition of Red Hat solutions in their marketing and sales strategies.

**2. Expand service offerings:**

Partners can upsell and cross-sell additional services related to OpenShift. To that end, partners should focus on developing and offering a range of managed and professional services that complement core offerings.

**3. Enhance market differentiation:**

To secure and strengthen their customer base, partners should work on distinguishing their offerings in the market. Offerings could involve specializing in industry verticals or other complementary technology arenas.

**4. Focus on profitability:**

Partners should continually seek to optimize their service models and operational efficiencies to maximize margins. Capabilities could involve automating routine tasks and improving service delivery processes.

**5. Invest in training and certification:**

To ensure partners are equipped to meet the demands of engaging with Red Hat OpenShift cloud services, they should invest in continuous training and certification of their teams. Partner education can improve service delivery and enhance the credibility and attractiveness of their offerings to customers.

**6. Build long-term customer relationships:**

By providing value-added services and demonstrating a deep understanding of their customers' business needs, partners can foster stronger and more enduring relationships, which are key to recurring business and referrals. Use OpenShift cloud services as a wedge to further engagements.

# Appendix 1: Methodology

IDC's standard Business Value/ROI methodology was utilized for this project. This methodology is based on gathering data from Red Hat partners that are currently selling Red Hat OpenShift cloud services, associated native cloud solutions, and attached professional and managed services. Based on interviews with these Red Hat partners, IDC has not only calculated their current Red Hat OpenShift cloud services-related revenue but also forecast the expected revenue over the next five years. Note: All dollar figures in this white paper are in \$ USD.

*Note: All numbers in this document may not be exact due to rounding.*

# Appendix 2: Supplemental Data

This appendix provides an accessible version of the data for the complex figures in this document. Click “Return to original figure” below each table to get back to the original data figure.

## FIGURE 2 SUPPLEMENTAL DATA

### Gross Margins from Red Hat OpenShift Cloud Services

	Gross Margin
Red Hat OpenShift Cloud Services	\$1,864,766
Additional Professional Services	\$7,904,559
Additional Managed Services	\$2,825,412
Other	\$233,540
<b>Total</b>	<b>\$12,828,277</b>

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

[Return to original figure](#)

## FIGURE 3 SUPPLEMENTAL DATA

### Impact on Attach Rates for Professional and Managed Services

	Professional Services	Managed Services
Non-Red Hat OpenShift Cloud Services	55%	15%
Red Hat OpenShift Cloud Services	76%	22%

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

[Return to original figure](#)

## Appendix 2: Supplemental Data (continued)

**FIGURE 4 SUPPLEMENTAL DATA**

### Incremental Revenue from Higher Attach Rates

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Additional Professional &amp; Managed Services</b>	\$2,046,700	\$2,573,000	\$3,170,600	\$3,827,100	\$4,522,200

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

[Return to original figure](#)

**FIGURE 5 SUPPLEMENTAL DATA**

### Total Revenue Related to Red Hat OpenShift Cloud Services

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Additional Professional services</b>	\$45,175,028	\$61,813,671	\$82,526,032	\$107,322,538	\$135,740,693
<b>Additional Managed services</b>	\$24,142,941	\$32,263,590	\$42,204,946	\$53,937,421	\$67,220,895
<b>Other</b>	\$14,979,444	\$20,678,311	\$27,864,026	\$36,564,420	\$46,633,889
<b>Red Hat OpenShift Cloud Services</b>	\$13,728,339	\$19,317,735	\$26,396,304	\$34,993,958	\$44,967,236

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

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## Appendix 2: Supplemental Data (continued)

FIGURE 6 SUPPLEMENTAL DATA

### Gross Margin Related to Red Hat OpenShift Cloud Services

	Year 1	Year 2	Year 3	Year 4	Year 5
Additional Professional services	\$12,828,276	\$17,556,000	\$23,435,265	\$30,467,081	\$38,518,842
Additional Managed services	\$4,923,717	\$6,450,094	\$8,281,256	\$10,403,174	\$12,766,818
Other	\$2,098,306	\$2,877,967	\$3,859,473	\$5,046,499	\$6,419,158
Red Hat OpenShift Cloud Services	\$1,864,766	\$2,623,992	\$3,585,498	\$4,753,346	\$6,108,050

n = 7; Source: IDC Business Value In-Depth Interviews, March 2024

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# About the IDC Analysts



**Megan Szurley**  
Business Value Manager, IDC

Megan Szurley is a senior research analyst for the Business Value Strategy Practice, responsible for creating custom business value research that determines the ROI and cost savings for enterprise technology products. Megan’s research focuses on the financial and operational impact of these products for organizations once deployed and in production. Prior to joining the Business Value Strategy Practice, Megan was a consulting manager within IDC’s Custom Solutions division, delivering consultative support across every stage of the business life cycle: business planning and budgeting, sales and marketing, and performance measurement. In her position, Megan partners with IDC analyst teams to support deliverables that focus on thought leadership, business value, custom analytics, buyer behavior, and content marketing. These customized deliverables are often derived from primary research and yield content marketing, market models, and customer insights.

[More about Megan Szurley](#)



**Paul Edwards**  
Director, Software Channels Research, IDC

Paul is focused exclusively on providing research-backed guidance to leading software and cloud vendors on partner strategy. In his role, Paul extensively studies vendor and partner dynamics as they relate to and impact go-to-market strategy with partners. This includes analysis of business models and practices in the development, implementation, and management of effective partner strategies across the ecosystem.

[More about Paul Edwards](#)





**Jim Mercer**

**Program Vice President, Software Development, DevOps & DevSecOps, IDC**

Jim Mercer is a program vice president managing multiple programs spanning application lifecycle management (ALM), modern application development and trends, emerging generative AI software development, DevOps, DevSecOps, open source, PaaS for developers, and cloud application platforms. His focus areas are DevOps and DevSecOps Solutions research practices. In this role, he is responsible for researching, writing, and advising clients on the fast-evolving DevOps and DevSecOps markets. Mr. Mercer’s core research includes topics such as rapid enterprise application development, modern microservice-based packaging, platform engineering, GitOps, application security, software supply chain security, and automated deployment and lifecycle/management strategies as applied to a DevOps practice. In addition, he examines how the move to DevOps methodologies impacts enterprise use of open source and preferences for using on-premises computing and development platforms vs. public cloud services. Further, He examines how organizations prioritize DevSecOps and use automation to insert security assessments into the DevOps delivery pipeline (i.e., shift left). Mr. Mercer advises Senior IT, business, and investment executives globally in creating strategy and operational tactics that drive the execution of digital transformation and business optimization.

[More about Jim Mercer](#)

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