

# The Partner Opportunity For Red Hat OpenShift

A Total Economic Impact™ Partner Opportunity Analysis

January 2022

**Table Of Contents**

**Executive Summary .....1**

**The Partner Journey .....6**

    Partner Goals, Challenges, And Drivers .....6

    Selecting The Right Partner Program .....7

**Increased Partner Revenue And Profitability.....8**

    Red Hat OpenShift Subscriptions .....8

    Project Work — Deploy, Migrate, Integrate, Build .9

    Managed Services .....10

    Building And Selling Technology Solutions.....11

    Closing More Deals And Bigger Deals.....13

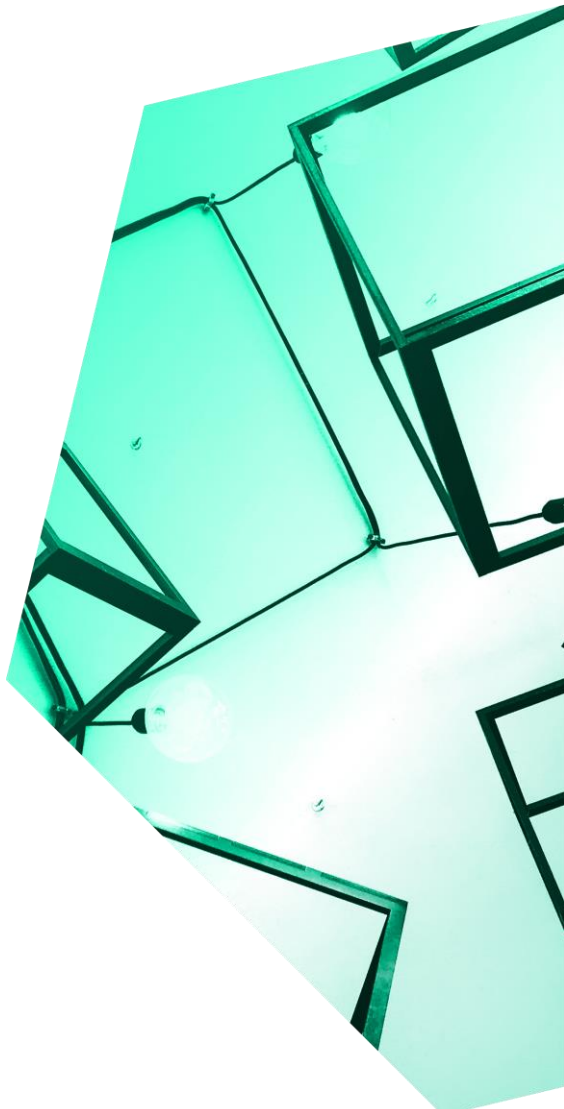
    Unquantified Benefits .....14

**Partner Investments And Best Practices .....15**

**Conclusion.....17**

**Appendix A: Endnotes .....18**

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## Executive Summary

Companies of all sizes and industries are quickly adopting containerization, and more specifically Kubernetes. Red Hat OpenShift is an enterprise-grade Kubernetes platform, and it has created many opportunities for Red Hat partners to deliver implementation and ongoing management services, as well as to build their own technology solutions that increase the value of Kubernetes and Red Hat OpenShift. Taken all together, this significantly increases partner revenue and profitability.

This Total Economic Impact™ (TEI) study provides potential and existing partners selling [Red Hat® OpenShift®](#) with a framework to evaluate the business opportunity associated with selling, implementing, developing upon, and managing Red Hat OpenShift. Red Hat OpenShift is an enterprise-ready Kubernetes container platform that enables a cloud-like experience wherever it is deployed. It enables enterprises to build, deploy, and run applications through a consistent experience no matter whether it is in the cloud, on-premises, or at the edge. Red Hat partners make up an important part of the Red Hat OpenShift value proposition ensuring that customers get the best results from containerization. Therefore, Red Hat commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity for partners that build and scale a Red Hat OpenShift practice.<sup>1</sup>

Forrester interviewed fifteen decision-makers across eleven partners organizations that have successfully brought Red Hat OpenShift services and solutions to market while offering Red Hat OpenShift subscriptions. There were four main revenue

**“Almost everyone uses Kubernetes in some way, so we are trying to get them onto OpenShift. It creates larger opportunities and economies of scale for us.”**

CTO

### KEY STATISTICS



Increased revenues: \*  
**2.5x**



YOY increased number of deals:  
**30%**

\*For every \$1.00 in subscription revenues, partners can make an additional \$2.50 by providing value-add services and solutions.

opportunities: 1) selling Red Hat OpenShift subscriptions, 2) delivering project-based work to deploy Red Hat OpenShift and subsequent modernization efforts, 3) offering managed services, and 4) selling their own intellectual property (IP) that extends the value of Red Hat OpenShift. These represent an opportunity for partners to expand beyond reseller subscription revenues and into more profitable areas.

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, at their organizations to determine the likely increased revenue and profitability opportunities 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 actual \$250,000 by 75%.

## KEY FINDINGS

**Revenue opportunities.** Forrester quantified four ways interviewed partners are expanding revenues from Red Hat OpenShift customers, as well as an associated ongoing growth opportunity (see the body of the study for more details):

- **Reselling Red Hat OpenShift subscriptions.** Most of the interviewed partners are selling Red Hat OpenShift subscriptions to some or all of their customers, and they usually retain between 5% and 15% of the total annual subscription value.
- **Delivering projects to deploy Red Hat OpenShift and subsequent migration and modernization activities.** System integrators and other project-based partners described a wide range of multiyear project opportunities. The additional partner revenue opportunity was estimated to be equal to 100% of the customer's annual Red Hat OpenShift subscription spend.
- **Selling managed services.** Partners said that managed services are growing rapidly and that their organizations are very excited about it. Many customers were keen to buy managed services because it would be prohibitively expensive to build these competencies themselves and it is difficult to find staff with the right skillset. This additional partner revenue opportunity was estimated to be 75% of the customer's ongoing Red Hat OpenShift subscription spend, but some partners reported this being much higher.
- **Building and selling technology solutions.** Some services-based partners are beginning to create IP in an independent software vendor

(ISV) model to sell to customers, and there are also pureplay ISVs that only sell these solutions. The Red Hat OpenShift [OperatorHub](#) and [Red Hat Marketplace](#) are becoming important channels for these solutions. For non-ISV partners building solutions, the additional revenue opportunity can be worth 75% of the total Red Hat OpenShift subscriptions.

- **Closing more deals and bigger deals.** The normalized values previously described are based on the opportunity at the time of interviews. Partners are also closing more deals because Kubernetes is becoming more widely adopted and Red Hat OpenShift is seen as a leader in that space. This means that win rates are improving, with the number of new deals growing 30% per year.

Partners also said that deals are getting larger every year as containerization is more widely adopted for different use cases. The typical growth was 10% per year.

**“Our win rates when including OpenShift are 70% to 80%. Non-OpenShift deal win rates are only 40% to 50%.”**

*Director*

**Key outcomes.** Other benefits partners experienced that contributed to the quantified ones include achieving trusted advisor or strategic partner status with their customers and increasing employee satisfaction.

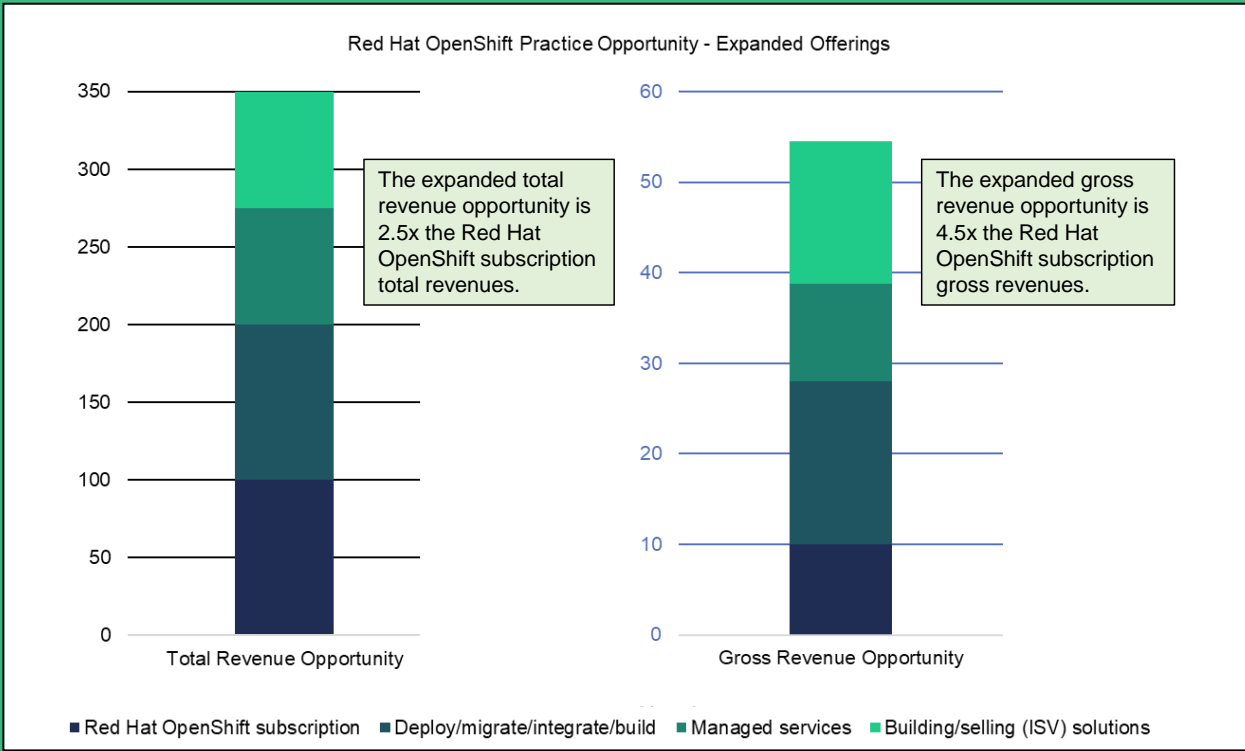
**“When we are hiring and tell people that we are working with OpenShift, people want to work for us.”**

*Sales director*

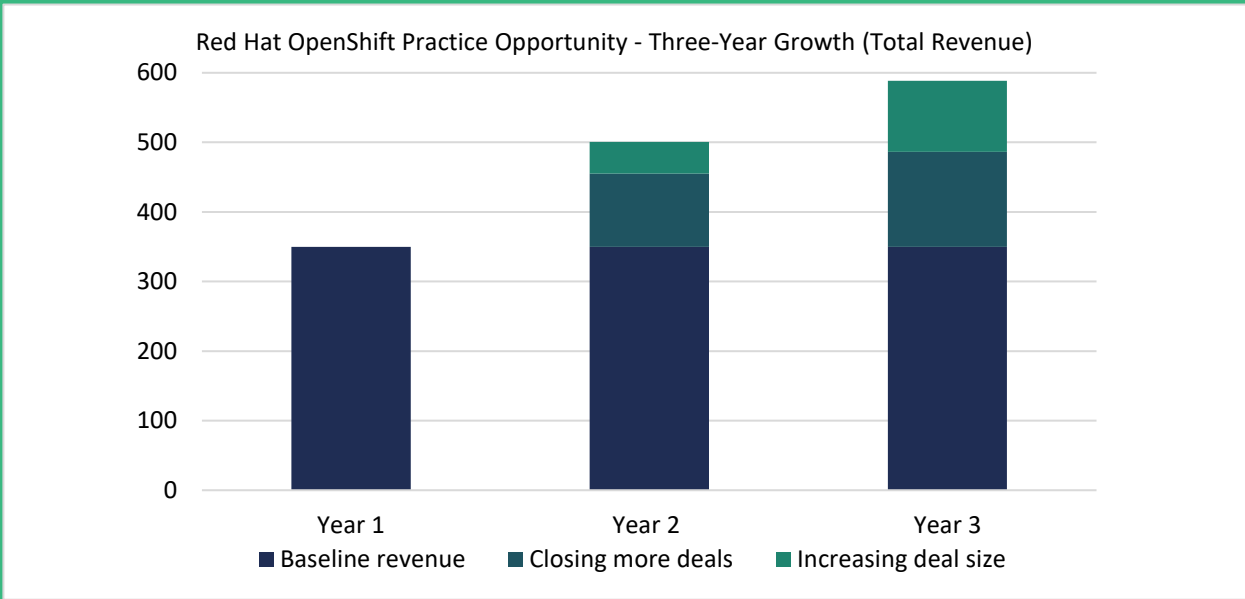
**Investments and best practices.** Beyond people-related delivery costs, which are embedded in the gross margin calculations of each revenue stream, partners also invested in the following areas that they consider best practices contributing to their success: recruiting, training, methodology and solution development, managing the Red Hat partnership, and sales and marketing.

**“ We believe Kubernetes will be the operating system of the cloud, so we have made the shift as a business to OpenShift. This makes our offerings more interesting to customers and creates large-scale growth. ”**

**— CEO**



Each revenue stream is a way for partners to increase their revenues and profitability. For example, for every \$100 in Red Hat OpenShift subscription revenue, the total additional opportunity is \$100 in project work, \$75 in managed services, and \$75 in selling (ISV) solutions.



This graph builds on the total revenue story that a partner's total revenue opportunity can greatly expand beyond Red Hat OpenShift subscription revenues (350 vs. 100). Over time, average deal size increases by 10% per year for reasons other than adding revenue streams, and the total number of customers is growing 30% per year.

## 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. This includes the revenue streams, investments, and best practices that affect the investment decision.

### 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 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 the OpenShift opportunity.



### DECISION-MAKER INTERVIEWS

Interviewed 15 decision-makers at 11 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 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 Partner Journey

■ Drivers leading to the Red Hat OpenShift practice investment

Interviewed Decision-Makers			
Interviewees	Partner Type(s)	Region	Red Hat OpenShift revenues (converted to USD)
CTO	CCSP, Reseller, ISV, MSP	Europe	\$16 million
<ul style="list-style-type: none"> <li>• CEO</li> <li>• Sales director</li> </ul>	SI	South America	\$4 million
Director	MSP	APAC	\$8 million
<ul style="list-style-type: none"> <li>• CEO</li> <li>• CTO</li> <li>• Partnership manager</li> <li>• Head of cloud</li> </ul>	Reseller, SI, MSP	Africa	\$15 million
CEO	Reseller, SI, MSP	North America	\$8 million
Principal architect	Reseller	Global	\$20 million
Sales director	CCSP	Europe	Confidential
Head of strategic partners and products	VAR, SI	APAC	\$5 million
Senior director for product alliances	Reseller	APAC	\$3 million
Product manager	ISV	Global	Confidential
Managing director	GSI	Global	\$400 million

## PARTNER GOALS, CHALLENGES, AND DRIVERS

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

- **Taking advantage of rapidly growing solution areas around containerization and cloud.**

Interviewed partners, whether they had a preexisting relationship with Red Hat or not, said that they built Red Hat OpenShift practices because of the rapidly expanding opportunity containerization and Kubernetes represents. Forrester’s Business Technographics® research surveyed 3,608 infrastructure decision-makers and found that 79% are currently or planning to

adopt “containers with a Kubernetes-orchestrated platform.”<sup>2</sup> Partners also called out the hybrid and multicloud capabilities within Red Hat OpenShift as a major reason why they and their customers are interested in Red Hat OpenShift and its rapid growth. They can take advantage of various versions of Red Hat OpenShift to deliver value to customers, whether they are on-prem, in the cloud(s), or hybrid, and regardless of which hyperscaler they work with.

**“OpenShift has been a major driver of growth. We were 15 people when we started and are now at 47. It has enabled us to move upmarket into the enterprise space.”**

CTO



- **Becoming a more strategic partner and avoiding commoditization.** Many partners said that their traditional reseller business was becoming commoditized and that building Red Hat OpenShift practices helped them deliver more value to their customers and become more relevant. All partners, regardless of type, said that Red Hat OpenShift made them more strategic in their customers' eyes and helped them go broader and deeper into those accounts. Everyone described Red Hat and Red Hat OpenShift as an important competitive differentiator.

**“OpenShift makes us more relevant to our customers. It makes our conversations with customers more strategic and forward-looking than the conversations our traditional VAR [value added reseller] and infrastructure practices are having.”**

*Principal architect*

### SELECTING THE RIGHT PARTNER PROGRAM

In choosing a partner and platform around which to build their Red Hat OpenShift practices, decision-makers emphasized the importance of the following factors:

- **The quality of Red Hat as a partner.** All interviewees valued Red Hat as an organization and its commitment to the partner program. Smaller partners in particular said that Red Hat was better to work with than other large vendors. This extended across joint go-to-market initiatives, engineering support, and commercial models. Taken all together, it was a major driver of the growth quantified in this study.
- **The value of the Red Hat brand.** Related to quality of partner, the Red Hat brand was said to be well respected by customers in the open

source and containerization spaces. Culturally, Red Hat was viewed as a trusted player to partners and customers around the world.

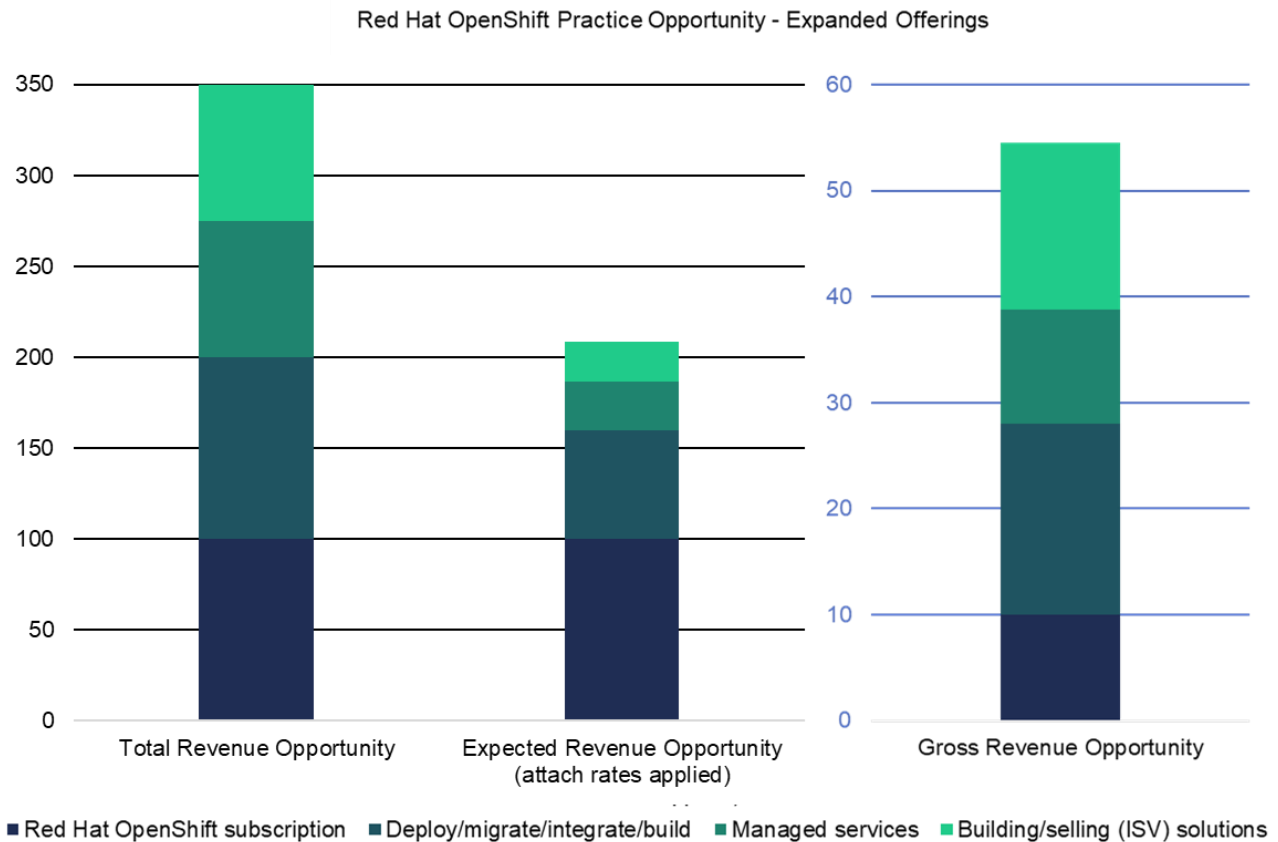
**“Red Hat understands the word ‘partner’. You would be surprised how many vendors don’t.”**

*CEO*

- **The breadth and depth of the Red Hat OpenShift solutions.** Partners liked that various Red Hat OpenShift solutions aligned with customers' needs and created multiple revenue streams. These solutions covered all levels of the development stack, and they supported public cloud, private cloud, on-prem, and hybrid deployments. Regardless of how Red Hat OpenShift was used, partners in this study made money from selling Red Hat OpenShift, migrating customers to Red Hat OpenShift, managing their environments, and creating value-add solutions to sell on top of the Red Hat OpenShift platform.

# Increased Partner Revenue And Profitability

■ Quantified benefit data



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.

## RED HAT OPENSIFT SUBSCRIPTIONS

For most partners, selling Red Hat OpenShift subscriptions is a revenue stream. That said, not all partners resell subscriptions, or they may have new customers that already have the necessary subscriptions. Total subscription revenues vary greatly based on the size of the customer, its maturity with containerization, and which Red Hat OpenShift solutions it is using. For that reason, expected subscriptions are normalized to 100% of the subscriptions a Red Hat OpenShift practice’s customers consume, whether they sold them or not. Readers can multiply all of the numbers in the tables on the following pages as percentages to their

current revenues to determine the impact of creating or expanding their Red Hat OpenShift practice on their total revenue and profitability.

**Evidence and data.** Interviewees provided the following information on how they make money with Red Hat OpenShift subscriptions:

- Single customer subscription costs ranged from \$10,000 to \$1,000,000 per year.
- One partner said that expected subscriptions for an enterprise customer with between 2,000 and 5,000 employees was \$700,000 per year.

## INCREASED PARTNER REVENUES AND PROFITABILITY

- Another partner said that a typical enterprise-wide project resulted in approximately \$200,000 in annual subscriptions.
- The portion of revenues that partners keep for themselves ranges from 5% to 15%, depending on sales price, partner type, and any Red Hat incentives. This can be thought of as their gross revenue from subscriptions.
- A partner’s anticipated total annual subscription revenues are normalized to 100.
- It is assumed that the partner is selling all of the subscriptions for a 100% attach rate. For partners that are not selling subscriptions, they should normalize against the subscriptions that their anticipated customers are bringing with them.
- Ten percent of the total subscription revenues are the partner’s average revenue share opportunity.

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

Red Hat OpenShift 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

All but two ISV partners had consulting offerings to help customers deploy and migrate to Red Hat OpenShift. Partners also had offerings around application modernization and building new applications in a containerized environment. Customers bought consulting work most of the time, although the mix of services varied greatly. Custom application development was generally seen as the

biggest opportunity area, and this was a multi-year effort in most cases. Altogether, the various project opportunities were equal in revenue opportunity to the total annual subscription revenues.

**Evidence and data.** Interviewees provided the following information on how they make money through project-based work:

- The most common response was that consulting revenues are equal to subscription revenues, although the smallest percentage given was 50% of subscriptions for smaller customers.

**“Custom application development is where most of the opportunity lies. Application development can be 3 to 5 times the initial configuration work, and 70% of the time we are still working on this three years later.”**

CEO

## INCREASED PARTNER REVENUES AND PROFITABILITY

- Project roadmaps often start small and expand as customers experience the benefits of containerization. One customer expanded from 14 nodes to 100 nodes over two years.
- Training for customer IT organizations is included in the project work.
- Customers use partners for these projects because building internal teams would be prohibitively expensive and not core to their business.
- Project gross margins ranged from 15% for partners new to Red Hat OpenShift to 40% for more established partners. 30% gross margin was the most common response.

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

- Total project consulting revenues, across a wide range of opportunities, is equal to 100% of the annual Red Hat OpenShift subscriptions.

**“The number of applications we develop depends on a customer’s maturity but, most of the time, app modernization is a multi-year engagement.”**

*Principal architect*

- Customers buy consulting services, on average, in 60% of the cases in which they are adding subscriptions for new initiatives. This attach rate is higher for new customers that are still learning containerization and may decrease in subsequent phases for easier projects where there are internal resources with the necessary skills.
- These projects have an average gross margin of 30%.

### Project Work — Deploy, Migrate, Integrate, Build

Ref.	Metric	Source	Normalized
B1	Total revenue	A1*100%	100
B2	Attached revenue	B1*60%	60
B3	Gross revenue	B2*30%	18

## MANAGED SERVICES

Managed services are emerging options for many partners, but something they are very excited about. Service options vary widely, including managing the Red Hat OpenShift environment; supporting DevOps, application development, and infrastructure teams; and managing containerized applications. The nature of the services vary depending on if Red Hat OpenShift is deployed on-prem, in a private cloud, or in a hyperscaler’s public cloud. Customers were eager to partner with managed service providers

**“More and more, customers don’t want to manage OpenShift themselves. They can’t get the skills fast enough.”**

*Head of strategic partners and products*

because they could not hire these resources internally or did not have the scale to complete the work efficiently in house.

**Evidence and data.** Interviewees provided the following information on how they make money as managed service providers:

- One partner said that a 100-node customer results in around \$75,000 in annual managed service fees to administer the platform.
- A global system integrator (GSI) reported managed service contracts ranging in value from \$1 million to \$10 million.
- Of partners selling managed services, attach rates for new customers ranged from 25% to 100%, and the value of the services was typically 75% of the total Red Hat OpenShift subscription revenue. This can be thought of as 75% uplift in total deal revenue compared to subscriptions alone.
- Partners new to managed services have lower gross margins as they invest in the people and tools to efficiently deliver the services. One thing that partners especially liked was the economies of scale in which a new customer could be added

without having to hire more employees to support growth. One partner reported having 35 managed service resources to support 200 customers. More mature partners achieved gross margins of between 60% and 70%.

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

- The total managed service revenue opportunity is equal to 75% of the total Red Hat OpenShift subscription revenues.
- Managed services attach at a rate of 35%.
- The gross margin for managed services is 60%.

**“We started offering managed services two years ago, and I wouldn’t be surprised if we are primarily a managed service company three years from now. I could see our margins getting as high as 70%.”**

CEO

Managed Services			
Ref.	Metric	Source	Normalized
C1	Total revenue	A1*75%	75
C2	Attached revenue	C1*35%	26
C3	Gross revenues	C2*60%	16

**BUILDING AND SELLING TECHNOLOGY SOLUTIONS**

Partners approach building solutions from two directions. The vast majority are service partners that previously created solutions for their own use to make migrations and managed services more efficient and now create solutions in an ISV model to sell directly to customers. The second group consists

of ISVs with a primary business model of creating and selling software solutions. Partners are attracted to this revenue stream because of its scalability and long-term opportunity for very high gross margins.

The Red Hat Marketplace and Red Hat OpenShift OperatorHub give partners global reach and its online commercial model makes it more efficient to scale software sales and reduce delivery costs. Partners

can also use these marketplaces to create private offers for a specific prospect and complete the transaction online. This can remove friction in the sales process. Additionally, some partners are bundling their Red Hat OpenShift offerings with various hyperscaler offerings and selling them in hyperscaler marketplaces.

**“We are selling all of our solutions in OperatorHub, and that gives us a lot of street cred.”**

*Product manager*

**Evidence and data.** Interviewees provided the following information on how they make money by building and selling technology solutions:

- A certified cloud and service provider (CCSP) partner that created open source tools is now looking to move them into Red Hat OpenShift OperatorHub to “create land-and-expand sales opportunities.”
- A reseller launched an internet-of-things (IoT) chatbot developed in a Red Hat OpenShift container. This is the first of several solutions they have planned to “create value in the market.”
- An ISV said that customers new to containerization typically spend \$100,000 to \$200,000 per year on their solutions.
- Pricing models vary but are often based on a per virtualized compute instance (e.g., virtual machine, node). One solution was priced at around \$2,000 per node.
- Software partners often sold professional services with their solutions. This included upfront implementation work as well as ongoing services in the form of a technical account manager (TAM).
- Non-ISV partners estimated that the annual revenue opportunity is approximately 75% of the total Red Hat OpenShift subscription revenues a partner’s customers are consuming.
- More mature partners achieved margins in line with general software-as-a-service (SaaS) margins, which can range from 70% to 80%.

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

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

Building And Selling Technology Solutions			
Ref.	Metric	Source	Normalized
D1	Total revenue	A1*75%	75
D2	Attached revenue	D1*30%	23
D3	Gross revenues	D2*70%	16

### CLOSING MORE DEALS AND BIGGER DEALS

The first four benefit areas examined how partners can expand their offerings today to increase their total practice revenue opportunity and profitability. Additionally, partners described how Red Hat OpenShift helps them to win more deals and to increase the size of each deal over time. There are many factors that contribute to growing their overall practices, including the increased adoption of containerization, Red Hat OpenShift’s market leadership, and go-to-market activities with Red Hat. These things increase the sales funnel with more leads and improve win rates with more added customers.

There are several reasons that deals continue to get larger. These include customers expanding their use of containerization, customers adopting more components within the Red Hat OpenShift solution stack, and partners creating new offerings. When a customer moves up the Red Hat OpenShift solution stack from the Container Platform level to the Platform Plus level, it creates expanded revenue opportunities. Partners are starting to see more customers express interest in the Platform Plus.

**“When we position everything that comes in OpenShift, we have a higher win rate. When we talk about the full benefits of the platform, prospects want to learn more.”**

*Sales director*

**Evidence and data.** Interviewees provided the following information on how partners are selling more deals and deal size continues to grow:

- Partners said that the number of new customers grew by 20% to 50% per year. Some said they could grow even faster, but they struggled to hire enough people to keep up with demand.
- Partners said that deals with a similar solution set (i.e., not moving into new revenue streams described earlier) increased in total contract value by 10% per year. This is mainly due to customers going deeper and broader with their containerization initiatives.

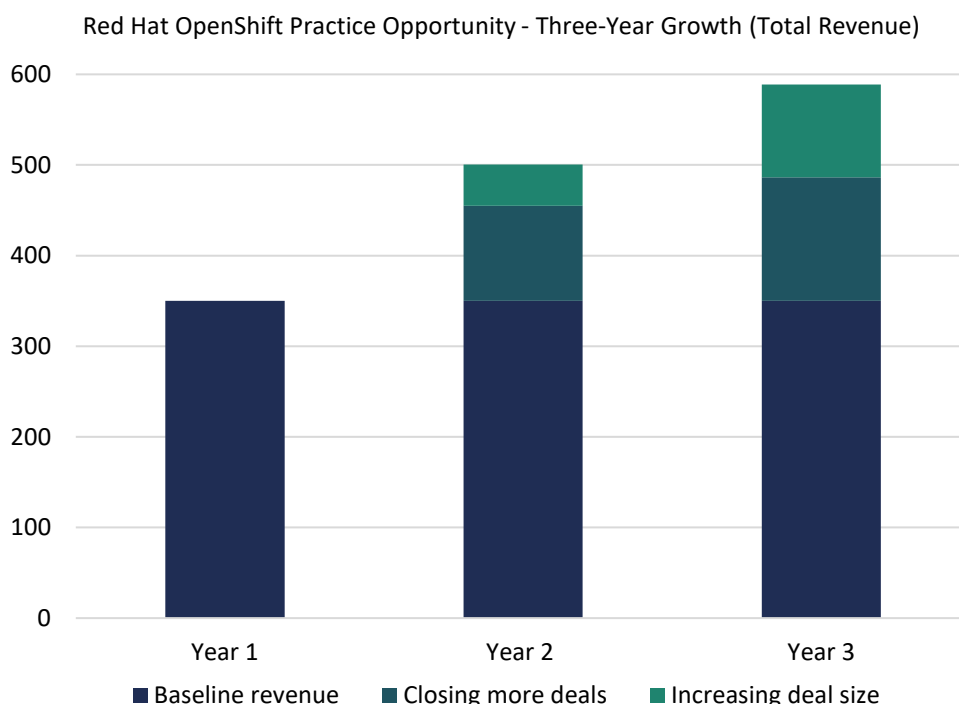
**“OpenShift doubles the total opportunity pie and gets us a bigger slice of it.”**

*CTO*

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

- The model takes the current total opportunity and expands it out three years based on partner-reported typical growth rates.
- The benefit begins in Year 2 because Year 1 is the current year.
- The number of new deals grows by 30% per year.
- The size of an existing customer grows by 10% per year, with compounding effect resulting in 21% increase in Year 3.

Closing More Deals And Bigger Deals					
Ref.	Metric	Source	Year 1	Year 2	Year 3
E1	Baseline expected revenue	A1+B1+C1+D1	350	350	350
E2	Increased revenue from closing more deals	(E1 <sub>cy</sub> +E2 <sub>py</sub> )*30%	0	105	137
E3	Expected revenue (baseline + more deals)	D1+D2	350	455	487
E4	Increased revenue from selling bigger deals	Y2: E3*10% Y3: E3*21%	0	46	102
E5	Total revenue growth	E3+E4	350	501	589



**UNQUANTIFIED BENEFITS**

Partners described two other benefits that Forrester did not quantify separately but contribute to the quantified benefits described above.

**Trusted Advisor And Strategic Partner Status**

Every interviewee said that aligning themselves with Red Hat OpenShift, and Red Hat in general, increased their status with customers. There were several reasons for this, including demonstrated leadership in an area of rapid innovation and growth,

**“People are prouder when they work with innovation. If we did not have OpenShift as an innovation platform, we would lose developers.”**

CEO

benefits from the Red Hat brand and product leadership, and conversations conducted with business decision-makers rather than just IT decision-makers. Additionally, the multicloud and hybrid nature of Red Hat OpenShift demonstrated that partners deliver what is in the customer’s best interest, which was very valuable. This contributed

**“Our brand gets elevated by Red Hat’s brand and Red Hat’s open source culture. This helps us stand out from our competitors and creates more engaging discussions with prospects and stronger relationships with customers.”**

*Head of strategic partners and products*

significantly to partners expanding their practices in terms of number of deals, size of deals, and profitability.

**Increased Employee Satisfaction**

Looking internally, partners said that having a Red Hat OpenShift offering made them appear more innovative and appealing as a workplace to potential and existing employees. Working with innovative technologies increased employee satisfaction and retention. This is very important because people with Kubernetes skills are in high demand. As noted earlier, many partners said that their growth was more limited by the supply of talent than by customer demand.



# Partner Investments And Best Practices

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

The previous section described the various ways interviewed partners 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 made investments in other areas that they consider to be best practices.

Firstly, partners worked hard to recruit more people with Kubernetes and the Red Hat OpenShift experience. Most expanded their recruitment capabilities to hire enough employees to meet demand. One partner has even opened overseas offices solely for delivery capabilities rather than to sell into the local market. The most successful Red Hat partners offering Red Hat OpenShift considered the ability to recruit and retain employees a best practice.

**“Our biggest problem now is not selling, it is recruitment. We are expanding our recruitment team to meet this need.”**

*CEO*

Partners invested in their people in the form of training around Kubernetes and Red Hat OpenShift. This included employees achieving various certifications that Red Hat offers. Training was a mix of just-in-time training while on projects as well as more formalized training programs. Training was especially important for upskilling existing employees and moving them into the Red Hat OpenShift practice

from other parts of the organization that were growing slower or even shrinking. One partner reported a training budget of \$5,000 per employee plus five days spent on achieving certifications, attending conferences, etc. Another partner said that when they accounted for consultant non-project time set aside for training, the investment was upwards of \$35,000 per person per year.

**“Our people get additional training every quarter. Certifications are built into our internal KPIs.”**

*Director*

Partners invested in methodologies and tools to improve and streamline their delivery capabilities. Creating efficiencies helped them deliver more with fewer people, which partially addressed the resource constraint issue discussed previously. This was especially important for the cost-effective delivery of managed services, where automation is a key best practice. One partner had a dedicated resource spend one year developing a Red Hat OpenShift integration methodology. A related investment was in demonstration or proof of concept labs. These included Red Hat OpenShift as well as any hyperscalers a partner works with.

**“Investing in OpenShift efficiencies has improved profitability by 5 to 10 percentage points. If we didn’t achieve the level of standardization and automation we have, we would need to double the people in our managed services organization.”**

*CTO*

**“We have people responsible for our comarketing activities with Red Hat, which includes building out a quarterly plan and doing joint demo sessions. Twenty percent of our pipeline is tied to these activities.”**

*Sales manager*

Investing in the Red Hat partner relationship was very important to partners' success. If a partner did not already have one, they would designate an existing or new employee to lead the relationship. There could be multiple people involved in partner management depending on size and geographic reach. Partners wanted to deepen their partnership with Red Hat across sales and marketing along with engineering. Partners said that the more they put into the relationship the more they got back from Red Hat, especially in coselling and comarketing activities.

For partners that were not already experienced in containerization, there was an upfront need to bring

their sales and marketing organizations up to speed on how to sell Kubernetes and Red Hat OpenShift. Partners usually did this with Red Hat's support. Even well-established partners hired more sales and marketing people to take advantage of increasing customer demand, and they moved marketing budget. Partners said that the additional investments in sales and marketing they made, as well as the necessary structural adjustments, was critical to their success.

**“We have created an outbound sales and marketing process that includes advertising, webinars, and workshops. We have more registrations than we know what to do with. One-third to half of all participants translates into new business, and some of this is funded by Red Hat.”**

*Principal architect*

## Conclusion

Forrester's interview with fifteen people across eleven partners found that Red Hat OpenShift is an area of rapid and strategic growth for everyone. Partners came from different entry points — reselling subscriptions, integrating and developing on Red Hat OpenShift, offering managed services, and selling ISV solutions that complement Red Hat OpenShift — and the total practice revenue opportunity can increase 250% by moving into all four revenue streams. Additionally, many of the new areas that partners are moving into are more profitable and viewed as more strategic than their traditional offerings, which can increase total gross revenue 450%.

Partners also reported that the total opportunity is growing quickly in terms of new prospects and customers because the interest in Kubernetes and Red Hat OpenShift is so great. The bigger challenge is keeping up with demand rather than filling a sales funnel. To meet this demand and achieve success, partners are investing in five areas that they consider best practices — recruiting, training, methodology and tool development, Red Hat partner management, and sales and marketing. Interviewees were all excited about their success to date and expect future growth to exceed what they have achieved so far.

**“When we look at the environments where people deploy our solutions, OpenShift is clearly the biggest. OpenShift represents 70% of our customers in terms of workloads being managed, and those deals are 50% bigger.”**

*Product manager*

## Appendix A: Endnotes

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<sup>1</sup> 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.

<sup>2</sup> What are your organization's plans to adopt infrastructure for software containers? (Adopting vs. Not adopting). Base: 3,603 infrastructure decision-makers. Source: Forrester Analytics Business Technographics Infrastructure Survey, 2021.

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