

The Partner Opportunity For Red Hat Ansible Automation Platform

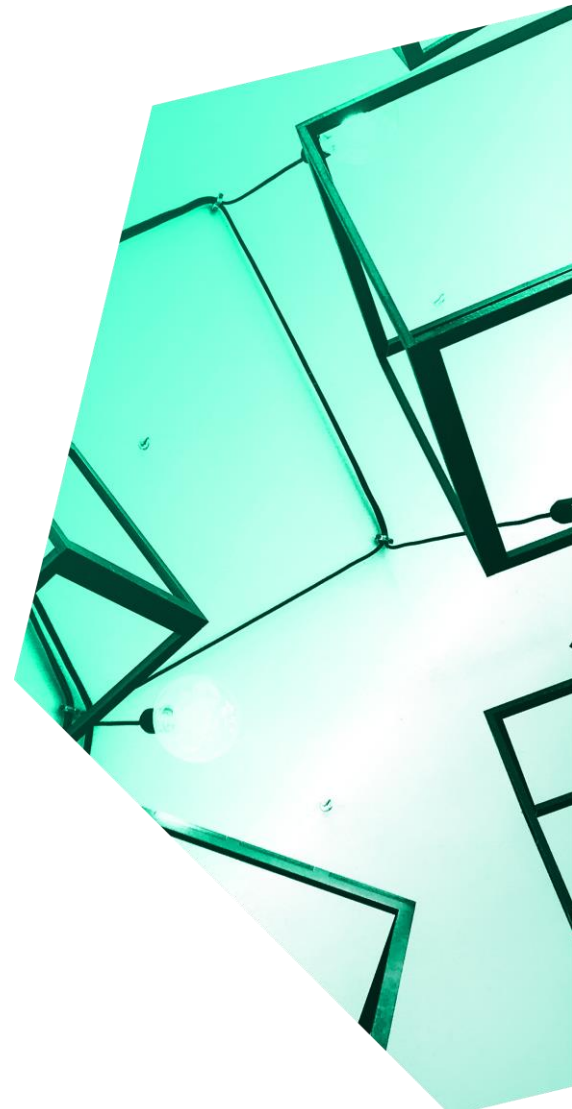
A Total Economic Impact™ Partner Opportunity Analysis

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Executive Summary

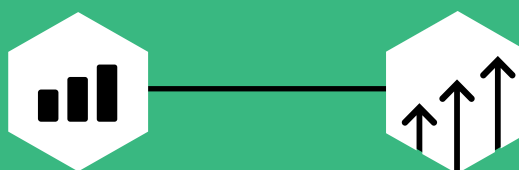
Automation technology adoption is growing rapidly, and Red Hat Ansible Automation Platform has emerged as a leading enterprise-grade solution. Red Hat Ansible Automation Platform creates multiple opportunities for partners to increase their top-line revenues and profitability, including reselling subscriptions, architecture and implementation and ongoing use case deployment services, and ongoing managed services. Altogether, this makes partners more strategic, a trusted advisor, and “sticky.”

This Total Economic Impact™ (TEI) study provides potential and existing partners offering Red Hat® Ansible Automation Platform® with a framework to evaluate the business opportunity associated with selling, implementing, developing upon, and managing the subscription version of Red Hat Ansible Automation Platform. Red Hat Ansible Automation Platform provides the necessary tools and certified collections to build, deploy, and manage end-to-end automation at enterprise scale.

Red Hat partners are an important component of the overall Red Hat Ansible Automation Platform value proposition, including partner-created certified collections co-supported by Red Hat and its partners. Therefore, Red Hat commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study to examine the potential business opportunity partners may realize by building and scaling a Red Hat Ansible Automation Platform practice.

To better understand the potential benefits, necessary investments, and partner best practices, Forrester interviewed 14 representatives across 10 existing Red Hat partners with experience collaborating with Red Hat to build or innovate and ultimately scale their Red Hat Ansible Automation Platform practices. There were four main revenue opportunities: 1) reselling Red Hat Ansible Automation Platform subscriptions; 2) delivering initial deployment projects and quick-win automation use cases; 3) ongoing professional services to expand and implement automation use cases; and 4) offering

KEY STATISTICS



Increased revenues:* **4.6x** YOY increased number of deals:** **40%**

*For every \$1.00 in subscription revenues, partners can make an additional \$4.60 by providing value-add services.

**Interviewees reported closing more deals as automation adoption grew and Red Hat Ansible Automation Platform was seen as a leader.

managed services (including cloud service providers) directly tied to Red Hat Ansible Automation Platform as well as other services that leverage Red Hat Ansible Automation Platform. Additionally, these opportunities increase profitability because gross margins on services are higher than subscription reselling. Many partners are also creating their own intellectual property (IP) to automate their services delivery, and some ISV partners are creating their own IP that they deliver directly to customers. This last benefit is [discussed in the study](#) but not included in the core financial analysis because it only applies to a subset of partners.

All financial results shown in this study are normalized against the current or anticipated total value of the Red Hat Ansible Automation Platform 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 streams. For example, if a partner's customer collectively spends \$250,000 per year on Red Hat Ansible Automation Platform subscriptions, that value is set to 100% of current revenues (100). The total initial deployment, implementation, and training opportunity at the customer is 160% of the subscription revenues, so its value is normalized to 160. A partner could calculate the \$400,000 opportunity by multiplying the actual \$250,000 by 160%.

KEY FINDINGS

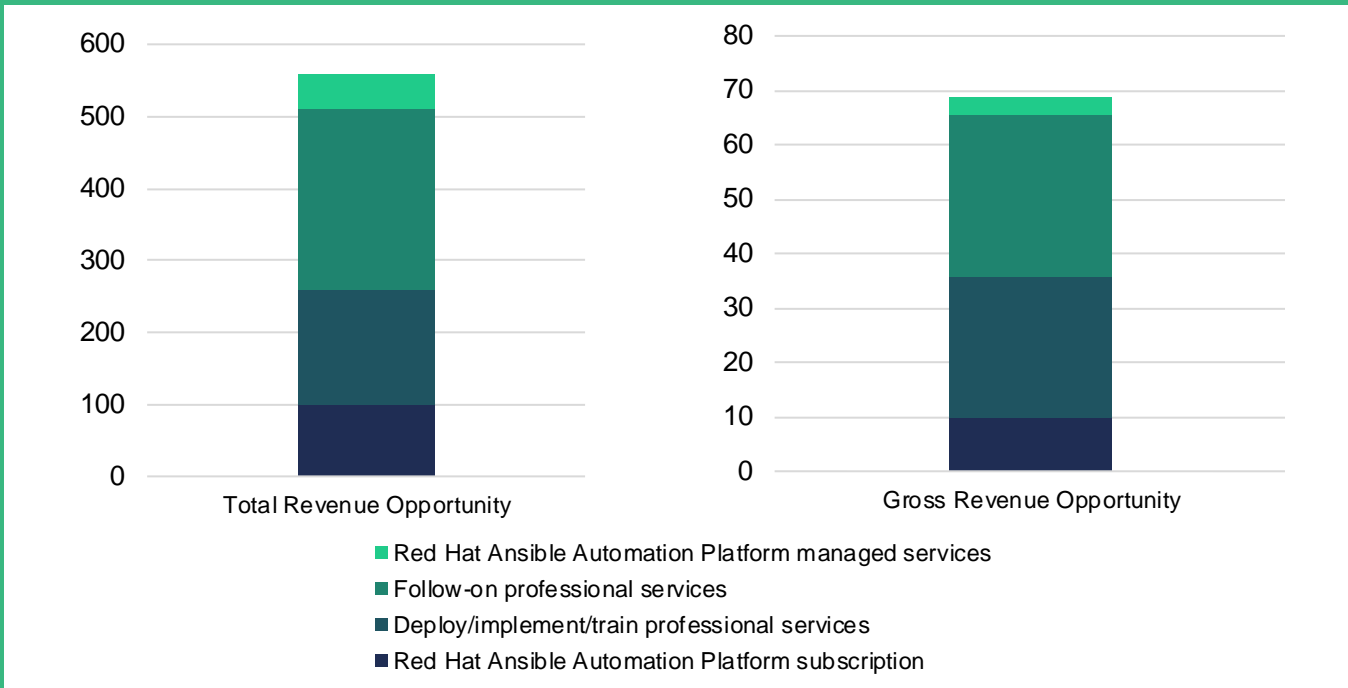
Revenue opportunities. Based on the interviewees' organizations, Forrester quantified four ways partners are expanding revenues, as well as an associated ongoing growth opportunity.

- **Reselling Red Hat Ansible Automation Platform subscriptions.** Red Hat partners, except for pure-play ISVs, are selling Red Hat Ansible Automation Platform subscriptions to some or all of their customers. They usually retain between 5% and 15% of the total annual subscription.
- **Delivering projects to deploy, implement, and train.** Red Hat partners that offer services such as systems integrators and value-added resellers explained that enterprises desire assistance in implementing Red Hat Ansible Automation Platform. This can include upfront planning, architecture, and strategy work; a proof of concept; standing up the solution; automating some quick-win use cases; and training the IT organization. This additional partner opportunity was estimated to be 160% of a customer's annual Red Hat Ansible Automation Platform subscription spend.
- **Delivering follow-on professional services as part of an automation transformation journey.** Customers often looked for partners to stay involved beyond the initial implementation to assist with additional automation projects across their enterprise and domains. This was, on average, larger than the initial project opportunity and worth 250% of subscription revenues.
- **Selling managed services.** Partners described two managed services opportunities — direct-managed services tied to Red Hat Ansible Automation Platform and broader managed services for activities that leverage Red Hat Ansible Automation Platform, e.g., Day 2 operations including patch and change management. Only the first scenario is included in the financial analysis because any broader managed services offered can vary greatly among partners, even though it further increases the partner opportunity, often quite substantially. The direct managed services opportunity was 50% of subscription revenues.
- **Closing more deals.** The normalized values previously described are based on the opportunity at the time of interviews. Partners are also closing more deals because automation is becoming more widely adopted and Red Hat Ansible Automation Platform is seen as a leader in the space. The number of leads is increasing and win rates are improving, with the number of new deals growing 40% per year.

Key outcomes. Other benefits that partners experienced included being viewed more as a strategic advisor, creating longer-lasting engagements, and increasing employee satisfaction from working with the latest technologies.

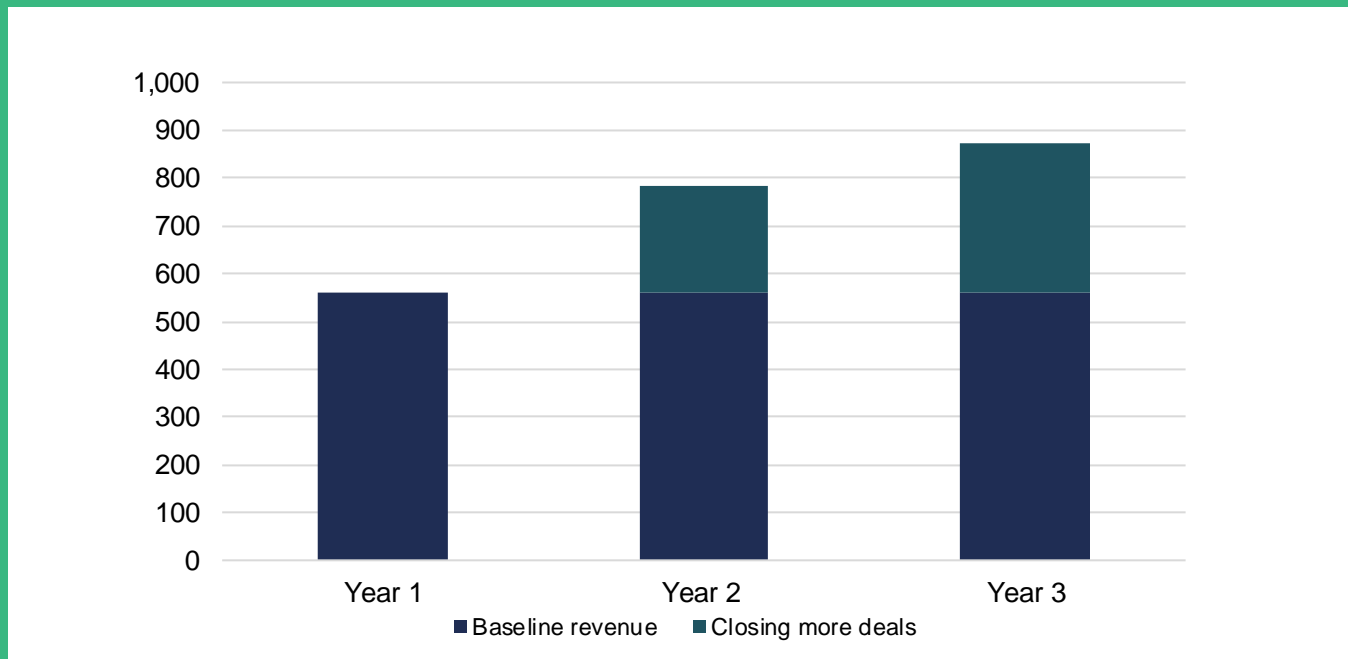
Investments and best practices. Beyond the people-related delivery costs embedded in the gross margin calculations of each revenue stream, partners also invested in areas they consider best practices contributing to their success: talent acquisition, training, research and development, partnership management, and sales and marketing.

Red Hat Ansible Automation Platform Practice Opportunity — Expanded Offerings



Each revenue stream is a way for partners to increase their revenues and profitability. For example, for every \$100 in Red Hat Ansible Automation Platform subscription revenue, the total additional opportunity is \$160 in project work, \$250 in follow-on project work, and \$50 in managed services.

Red Hat Ansible Automation Platform Practice Opportunity — Three-Year Growth (Total Revenue)



A partner's total revenue opportunity can expand beyond Red Hat Ansible Automation Platform subscription revenues (560 vs. 100). Over time, the total number of customers grows 40% 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 Ansible Automation Platform 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 Ansible Automation Platform 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 Ansible Automation Platform 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 Ansible Automation Platform.



INTERVIEWS

Interviewed 14 representatives at 10 partner organizations with existing Red Hat Ansible Automation Platform practices to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite partner organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the impact of a Red Hat Ansible Automation Platform practice: revenue, investments, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of investment and partnership decisions. Please see Appendix A for additional information on TEI methodology.

The Red Hat Ansible Automation Platform Partner Journey

■ Drivers leading to the Red Hat Ansible Automation Platform practice investment

| Interviews | | | | | |
|---|--|--------------------------------------|----------|-----------|----------------|
| Role | Partner Type(s) | Headquarters | Reach | Employees | Revenue |
| Head of Red Hat and open source division | Systems integrator (SI) | Europe | Global | 3,500 | \$500 million |
| Solution leader | Value-added reseller (VAR) | Europe | Global | 13,500 | \$7.7 billion |
| General manager Account manager | VAR | Latin America | Regional | 50 | \$50 million |
| Director | Global systems integrator (GSI)/managed service provider (MSP) | North America | Global | 90,000 | \$18.5 billion |
| Senior strategic business development manager | Independent software vendor (ISV) | North America | Global | 3,600 | \$2.7 billion |
| General manager and cofounder | VAR | Europe | Regional | 25 | \$9 million |
| Business development manager Automation practice lead | VAR | North America | Global | 7,000 | \$14 billion |
| GM, DevSecOps business | ISV | North America | Global | 2,400 | \$500 million |
| Director vendor management Principal solutions architect | Distributor | North America, Asia Pacific division | Global | >25,000 | \$50 billion |
| Sales director Business development executive | VAR | Latin America | Regional | 50 | \$2.5 million |

See Appendix B for the names of the Red Hat partners who agreed to be named in the study.

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 Red Hat Ansible Automation Platform businesses for a myriad of reasons, including:

- **A lack of open source, extensible, and modern automation tools.** Interviewees told Forrester the automation tools they used pre-Red Hat Ansible Automation Platform were lacking, leading to searches for novel solutions. The director at a GSI/MSP said: “We wanted a solution that was going to be more open than the technology we used previously. We wanted something that was going to be more extensible, and that’s how we settled on Ansible.”

“I’ve been in this business quite some time with several different companies. This is the best relationship I’ve ever had between two ISVs.”

GM, DevSecOps business, ISV

- **Creating more value for customers.** Resellers and distributors were especially eager to move beyond being an order taker. The reasons were twofold: avoiding commoditization and increasing total customer lifetime value.

SELECTING THE RIGHT PARTNER PROGRAM

In choosing a partner and platform around which to build their Red Hat Ansible Automation Platform solutions, interviewees emphasized the importance of the following factors:

- **Red Hat Ansible Automation Platform’s market leadership.** Interviewees saw Red Hat as a leader, with Red Hat Ansible Automation Platform as the premier automation option. The senior strategic business development manager at an ISV said: “We went deep with Ansible years ago, realizing they were the default leader in this space because they were agentless, and they were overtaking competitors. ... We wanted our customers to adopt automation to drive efficiency, improve operational sophistication, improve time to value, and so forth.”

“We selected Ansible as our primary tool at the start of our journey [offering network and security automation services] because it’s extremely effective for delivering network change, and it was where a lot of our customer interest was.”

Solution leader, VAR

- **Red Hat Ansible Automation Platform’s technology.** At the core, interviewees selected Red Hat Ansible Automation Platform for its effectiveness in serving customers. The director at a GSI/MSP said: “[Ansible] was more modern than what we were using. It was more open. ... All that ended up being the big selling point for us on why we wanted to do a transition.”

- **Customer interest.** Interviewees told Forrester that many of their customers either already used or wanted to use Red Hat Ansible Automation Platform. The solution leader at a VAR shared: “I don’t know exactly how many of our customers already have Ansible, but it’s prevalent. It pops up in every conversation. It’s usually the decision point to go with Ansible as the tool of choice.”

“We took a vote with a customer, and it was one solution versus Ansible, and Ansible overwhelmingly won. The other solution is a bit too narrow in its focus from a deployment perspective. Ansible can go a lot broader, particularly with networking, and deal with a lot more use cases.”

Solution leader, VAR

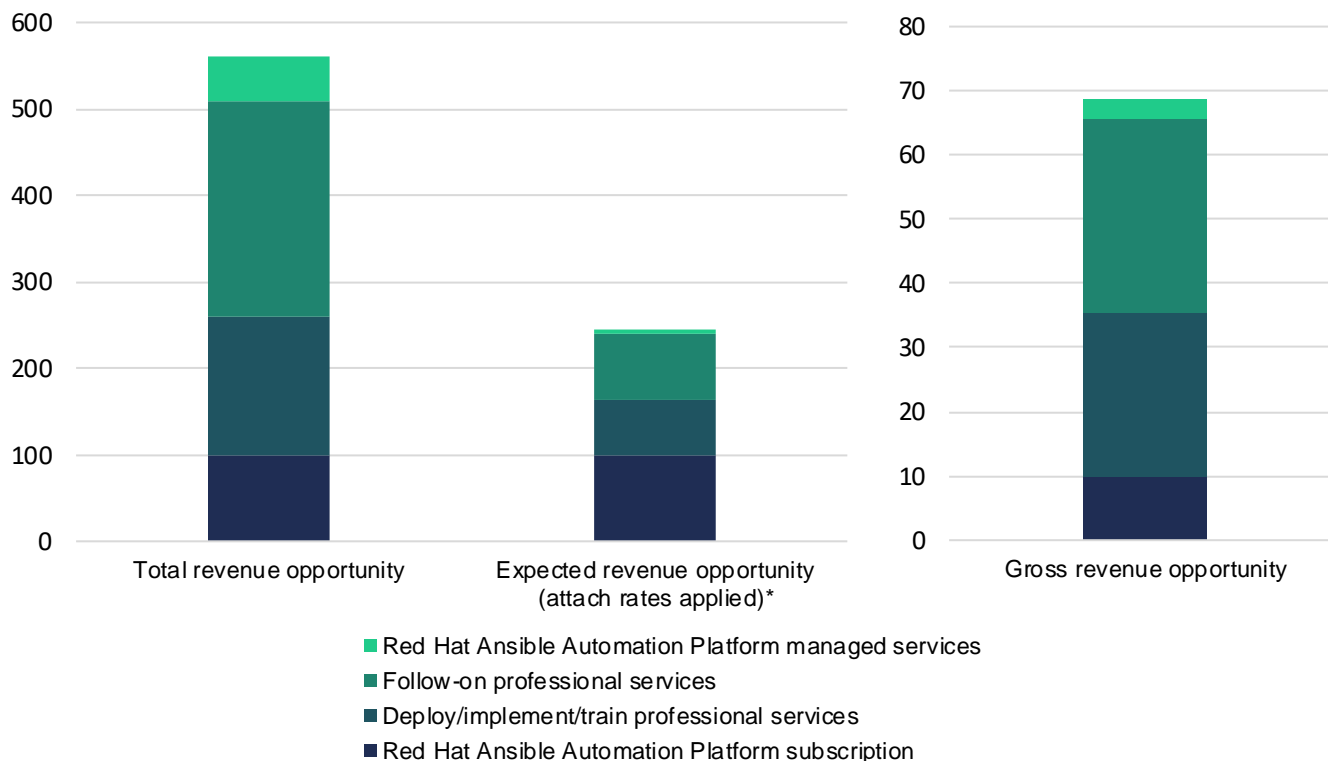
- **Preexisting relationships.** Many interviewees worked with Red Hat before adding Red Hat Ansible Automation Platform to their practices. The solution leader at a VAR told Forrester, “We were already working with Red Hat on the Linux distribution with their Satellite product, and we were also working with them for OpenShift.”

“Our Red Hat relationship started with OpenStack,” the senior strategic business development manager at an ISV said. The director of vendor management at a distributor had a pre-Red Hat Ansible Automation Platform relationship with Red Hat as well, saying: “We have been engaged with Red Hat since the early 2000s. We have put the focus on Red Hat Ansible the last three years.”

Increased Partner Revenue And Profitability

■ Quantified benefit data

Red Hat Ansible Automation Platform Practice Opportunity — Expanded Offerings



*Note: The attach rate is the likelihood of a customer buying a particular service or solution. For example, interviewees with a professional services offering said they sell it to 40% of their customers.

“There is a lot of space to deliver professional services because the tool is powerful, and when the tool is powerful, it needs professional services to be correctly used. That's what we're doing.”

— General manager and cofounder, VAR

RED HAT ANSIBLE AUTOMATION PLATFORM SUBSCRIPTION

Evidence and data. Through their partnership with Red Hat, most interviewees’ organizations capitalized on the opportunity to sell Red Hat Ansible Automation Platform subscriptions and benefited from both the resale margin and the chance to do further work with the subscription purchasers. The solution leader at a VAR highlighted this opportunity, telling Forrester, “Our main service involves reselling, implementing, and enabling.”

Total subscription revenue varied based on customer sizes, according to interviewees, so Forrester has normalized expected Red Hat Ansible Automation Platform subscriptions to 100% of the Red Hat Ansible Automation Platform subscriptions consumed by Red Hat partners’ customers, whether the partner sold them or not. By normalizing the data Forrester gathered through interviews, the reader can adjust the numbers of this case study to determine the impact of creating or expanding a Red Hat Ansible Automation Platform practice on total revenue and profitability.

- Reported deal sizes covered a broad range and varied greatly by region. Interviewees spoke of deals less than \$10,000 and more than \$250,000.

- Red Hat Ansible Automation Platform presented a large subscription resale opportunity according to interviewees of all sizes. The general manager at a VAR commented: “We sell to companies in the enterprise market, and they buy many subscriptions of all Red Hat’s products. Red Hat Ansible is 20% of this amount.” The general manager and cofounder at another VAR echoed this sentiment, stating, “Ansible is between 15% and 20% of our reselling volume.”
- Interviewees reported resale gross margins ranging from less than 5% to 15%. On the low end, the general manager and cofounder at a VAR stated: “The value is the professional services. If you talk about an academic customer, the gross margin could be even less than 5% at 3% to 4%.” On the high end, the general manager estimated, “The percentage of subscription revenue we keep is near 15%.”

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

- The composite partner’s anticipated total annual subscription revenues are normalized to 100.
- Red Hat Ansible Automation Platform subscriptions attach at a rate of 100%.
- The subscription resale gross margin is 10%.

| Red Hat Ansible Automation Platform Subscription | | | |
|--|------------------|-------------------|------------|
| Ref. | Metric | Source | Normalized |
| A1 | Total revenue | Financial example | 100 |
| A2 | Attached revenue | A1*100% | 100 |
| At | Gross revenue | A2*10% | 10 |

DEPLOY/IMPLEMENT/TRAIN PROFESSIONAL SERVICES

Evidence and data. After selling Red Hat Ansible Automation Platform subscriptions, interviewees told Forrester they benefited from professional services opportunities deploying and implementing Red Hat Ansible Automation Platform and training customers to automate with the platform for up to three months.

- Highlighting the short-term services journey, the solution leader at a VAR told Forrester: “We work with our customers ... bringing them on the [automation] journey with us. Our automation services are about taking away some of the pain of choosing a platform because we've built something that's integrated and secure, provide foundational training, ... and lead guided sprints giving hands-on experience. We'll unstick customers along the way, keeping them moving and giving a bit of coaching. We'll pick up a few of those tasks, and we'll build a few of them for customers.”
- Interviewees said their initial Red Hat Ansible Automation Platform professional services revenue was anywhere from equal to subscription revenue to double. Deals interviewees recalled included \$6,000 in subscriptions with \$10,000 in professional services; \$10,000 vs. \$15,000; \$25,000 vs. \$50,000; and \$300,000 vs. \$300,000.
- The general manager and cofounder at a VAR commented: “We have between 75 and 100 Red Hat Ansible resell customers every year. For services, we serve one-third of that. We work with between 25 and 30 companies every year

on Red Hat Ansible.” They also clarified that the professional services opportunity could be even greater, saying, “We resell much more than we can provide professional services for because our bandwidth is limited.”

- Interviewees reported gross margins for professional services ranging from 35% to 45% or more. The general manager and cofounder told Forrester, “the margin is between 35% and 40%.”

“The professional services opportunity is an average of three weeks... to help them set up the platform, integrate the platform in their environment, transfer knowledge, write the first playbooks, and so on.”

General manager and cofounder, VAR

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

- The total professional services revenue opportunity is 160% of the total Red Hat Ansible Automation Platform subscription revenue.
- Professional services attach at a rate of 40%.
- The professional services gross margin is 40%.

Deploy/Implement/Train Professional Services

| Ref. | Metric | Source | Normalized |
|------|------------------|---------|------------|
| B1 | Total revenue | A1*160% | 160 |
| B2 | Attached revenue | B1*40% | 64 |
| Bt | Gross revenue | B2*40% | 26 |

FOLLOW-ON PROFESSIONAL SERVICES

Evidence and data. Not only did interviewees offer their Red Hat Ansible Automation Platform customers professional services including deployment, implementation, training, and more for up to three months, but they also offered follow-on services ranging from continued Red Hat Ansible Automation Platform work, related Red Hat work, further automation and digital transformation work, related consulting, and more.

- The GM of DevSecOps business at an ISV explained the follow-on opportunity, saying: “The Ansible use case is a land play. It’s simple to get started. It’s a great door opener. There is other, more lucrative work to do once we get in the door.”
- The general manager and cofounder of a VAR valued the follow-on opportunity: “Many Ansible services customers go on to buy more services. You can move to another technology in the Red Hat pot, so it’s easy to sell. You can do tons of cross-selling. There are many open doors.”
- “It’s easy to understand automation, so we use it to get into the customer as the first step towards digital transformation,” the head of the Red Hat and open source division at an SI said. They continued: “Ansible is very flexible, so we can use it with every technology. When we get inside [the customer] with Ansible, we can take the first step to get rid of useless operations and allow the customer to hear about our real innovation. Automation can be the first step towards these transformation processes.”

- Interviewees said the total revenue opportunity for follow-on professional services was massive. With a typical \$250,000 to \$300,000 Red Hat Ansible Automation Platform subscription and \$300,000 of initial professional services, the automation practice lead at a VAR said, “The follow-on opportunity is usually in the millions.” Similarly, the general manager at another VAR estimated that with a \$25,000 Red Hat Ansible Automation Platform subscription and \$50,000 of initial services, the follow-on opportunity was \$200,000.
- Interviewees told Forrester they retained many Red Hat Ansible Automation Platform services clients for further work. The general manager and cofounder of a VAR highlighted this: “At least half of Ansible service clients go on to buy more. You can build many things on top of Ansible, so it is easy to upsell because it’s fundamental. You can then get creative with your customer. There are many things you can do once Ansible is set up and used.” The business development manager at another VAR echoed this, saying, “I would say 90% of the time, we remain involved with the customer beyond the initial deal.”

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

- The total follow-on professional services revenue opportunity is 250% of the total Red Hat Ansible Automation Platform subscription revenue.
- Follow-on services attach at a rate of 30%.
- The professional services gross margin is 40%.

| Follow-On Professional Services | | | |
|---------------------------------|------------------|---------|------------|
| Ref. | Metric | Source | Normalized |
| C1 | Total revenue | A1*250% | 250 |
| C2 | Attached revenue | C1*30% | 75 |
| Ct | Gross revenue | C2*40% | 30 |

RED HAT ANSIBLE AUTOMATION PLATFORM MANAGED SERVICES

Evidence and data. While Red Hat Ansible Automation Platform was easy to use, interviewees did say there was potential for managed services.

- Some interviewees had already created Red Hat Ansible Automation Platform managed services offerings. The head of the Red Hat and open source division at an SI said, “We made a managed services offering for Red Hat Ansible from our private cloud.”
- Other interviewees saw themselves adding managed services offerings in the future. The solution leader at a VAR stated, “There will be managed services opportunities around automation.” The general manager at another VAR added, “Yes, I am sure there will be managed services. ... We always offer managed services for all the services that we sell.” They estimated that the total managed services opportunity would be worth up to 160% of the Red Hat Ansible Automation Platform subscription revenue.

“We have been developing professional and managed services capabilities for over a decade to try and pivot towards services as much as, if not more than, technology sourcing.”

Solution leader, VAR

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

- The total managed services revenue opportunity is 50% of the total Red Hat Ansible Automation Platform subscription revenue.
- Managed services attach at a rate of 10%.
- The managed services gross margin is 60%.

Red Hat Ansible Automation Platform Managed Services

| Ref. | Metric | Source | Normalized |
|------|------------------|--------|------------|
| D1 | Total revenue | A1*50% | 50 |
| D2 | Attached revenue | D1*10% | 5 |
| Dt | Gross revenue | D2*60% | 3 |

CLOSING MORE DEALS

Evidence and data. Interviewees told Forrester about their various revenue streams and how they can expand their offerings to increase their Red Hat Ansible Automation Platform practices' total revenue opportunity and profitability. Additionally, interviewees told Forrester that they were growing and expected to bring even more customers on board for Red Hat Ansible Automation Platform due to Red Hat Ansible Automation Platform's position as a market leader, increased adoption of automation, and go-to-market activities with Red Hat.

- Interviewees were enthusiastic about Red Hat Ansible Automation Platform and excited about the future of automation. The general manager mentioned, "in the next three years the cloud will be growing very fast" in their region and "Ansible is growing naturally."
- The sales director and business development executive expected that the next year would "be their Ansible year," and they would be closing automation deals with 25% of targeted potential customers over the next one to two years as automation education and interest proliferates.
- "I will call it a strategic and growing area for us because we have built a practice around hyper automation as a category," the director of vendor management at a distributor said. They continued, "It involves a multitude of different types of automation. ... It's a fast-growing category for us."

- The head of the Red Hat and open source division at an SI summarized the automation interest well, saying, "I speak with a lot of people and customers, and within the last month, many are focused on automation." They elaborated:, "Ansible is a good part of the revenue of the open source division that is growing fast and ... started from scratch. Ansible makes up 30% of our service revenue, without a doubt."

"We're going to turn this capability from where we're doing two or three automation engagements with customers a year to a point where most of our customers are not only thinking about it, but they're also doing something about it. It's building momentum."

Solution leader, VAR

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

- The model takes the current total opportunity and expands it out beginning in Year 2 based on interviewee-reported typical growth rates.
- The number of new deals grows 40% per year.

Closing More Deals

| Ref. | Metric | Source | Year 1 | Year 2 | Year 3 |
|------|---|----------------------------|--------|--------|--------|
| E1 | Baseline expected revenue | A1+B1+C1+D1 | 560 | 560 | 560 |
| E2 | Increased revenue from closing more deals | $(E1_{CY}+E2_{PY}) * 40\%$ | 0 | 224 | 314 |
| Et | Total revenue growth | E1+E2 | 560 | 784 | 874 |

UNQUANTIFIED BENEFITS

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

- **The Red Hat brand and collaboration.** Interviewees noted benefits from associating with the Red Hat brand and comarketing, coselling, and otherwise collaborating with the company.

The senior strategic business development manager at an ISV summarized: “We benefit from Red Hat’s brand substantially. We have integrations, and we’ve seen significant success on both sides of the house. . . . We benefit from our alliance, and we also have competitors in common.”

- **Expanded and enhanced managed services.** Besides offering managed services for Red Hat Ansible Automation Platform, interviewees noted opportunities to expand and enhance their managed services offerings.

The head of the Red Hat and open source division at an SI said, “We’re working with our divisions to let them use Ansible for automating the operations and managed services.” The solution leader at a VAR added, “We have developed automation to help us with our managed services, but that’s behind the scenes.” The director at a GSI/MSP said: “We’re delivering security and compliance and patching for incident remediation for our clients and automation. Ansible is the platform we use to do that,”

- **Improved customer satisfaction and retention.** Interviewees noted that they served their customers better when their practices used Red Hat Ansible Automation Platform, leading to higher satisfaction ratings and retention rates. The senior strategic business development manager at an ISV stated, “Ansible impacts customer retention. It’s cheaper to maintain a customer.”

Building And Selling Technology Solutions

Besides the professional and managed services opportunities interviewees highlighted, some also spoke of opportunities around building and selling technology solutions that included or integrated with Red Hat Ansible Automation Platform.

One interviewee, the GM of DevSecOps business at an ISV, explained that for their software, they had a \$50,000 per year licensing opportunity for their Red Hat Ansible Automation Platform use case. Furthermore, they explained, “We expand 90% of the time to other use cases.”

“Over time, I would say we are looking for a 10:1 expansion,” the GM of DevSecOps business said. They added, “That would be the opportunity space if we landed in Ansible and hadn’t touched another application.”

Interviewees saw other benefits to building with Red Hat Ansible Automation Platform including the GM, DevSecOps business who noted: “I see a considerably shorter POV (Proof of Value) cycle. The customer could try it and see it works in a few hours, versus having to put a large effort into it. It gives me better productivity out of the sales force because it’s a quicker win.”

“We’ve had accounts do some hyper automation based on the framework,” the director at a GSI/MSP said. They continued: “We have seen customer satisfaction improvements. We’re delivering a lot faster at a higher quality, delivering good value, and freeing up people to work on more customer-specific projects.”

- **Increased employee satisfaction and skill set.** Employees enjoyed working with Red Hat Ansible Automation Platform and building their skill sets according to interviewees. The senior strategic business development manager mentioned, “From an employee satisfaction perspective, my group and the engineers on my team benefit massively from digging into cutting-edge tech (notably Kubernetes and automation).”

“Ansible resonates internally from a cultural standpoint, both from an open source side and a technology side,” the director at a GSI/MSP said. They continued, “Our team is getting more exposed to more relevant skills versus the older stuff we were doing.”

“What we’ve seen over the last year and a half is ... less-sophisticated organizations are starting to become curious and adopt automation. The less-sophisticated customers are starting to come to the table and really dig in on automation.”

Senior strategic business development manager, ISV

“Automation is a fairly complicated endeavor. It gives us another professional services stream because we're following the complexity. We transformed our capability in line with this idea.”

— Solution leader, VAR

Partner Investments And Best Practices

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

Beyond the services costs, partners invested in other areas they considered to be best practices, including:

- **Talent acquisition and hiring.** To start, interviewees noted that they needed the right people to serve their customers. Some interviewees hired people who could learn Red Hat Ansible Automation Platform quickly, and others hired candidates more experienced with Red Hat Ansible Automation Platform and automation.

“I don’t hire anyone focused on Ansible but rather people who can learn Ansible in two or three weeks,” the head of the Red Hat and open source division at a partner organization said. The GM, DevSecOps business at an ISV added, “A good number of people already have some Ansible experience, so there’s not a lot of lift to take everyone from zero to Ansible like there would be on a more esoteric environment.” Other interviewees hired those with a bit more experience, like the solution leader at a VAR, who said, “We focused on automation with Ansible skills for our hires.”

“The approach we’ve taken is to transform our team of network experts to be automation engineers. We’re on the right track supplying those skills and capabilities. The fact that they’re extremely scarce means we could get away with charging more.”

Solution leader, VAR

“I used learning subscriptions from Red Hat to train the first people I hired. Now, they’re going to train each other. Anyone entering the company will be able to do Ansible.”

Head of Red Hat and open source division, SI

- **Training.** Beyond hiring new Red Hat Ansible Automation Platform-focused employees, interviewees commented on the need for both initial training and ongoing training not only for those delivering services, but other members of the team too.

“Ansible is something our employees can learn quickly,” the head of the Red Hat and open source division at an SI said. The senior strategic business development manager at an ISV added, “We have Ansible trainings our service systems engineers have to go through ... lasting a day or so.” The solution leader at a VAR commented, “We roll out the training element of our service to everybody on the team, so we will all get Ansible and Python as foundational skill competencies.” The director at a GSI/MSP said, “The certification training was a week’s worth of time.”

Interviewees told Forrester about other best practices for ongoing education. The director at a GSI/MSP explained: “There’s ongoing education all the time with the community to let them know about new best practices. We do that weekly through a couple different times for an hour each.

We've got more non-meeting-oriented education in terms of newsletters, heartbeats, and things we can blast out to everybody keeping them aware of all the various new resources that are available or new updates they can go use for their own development.”

- **Research and development.** Interviewees noted a need to invest in methodologies, tools, playbooks, labs, private cloud servers, and more. The senior strategic business development manager at an ISV explained the scale of their organization’s investment in this area saying: “We have a product manager and product development teams of two to three people who are not only building and maintaining but expanding the Ansible collections on a regular basis. That’s the biggest investment.”

“Playbooks and modules are all things that we have, and we’re always doing investments around,” the director at a GSI/MSP said. They continued, “We also have funded efforts to focus on building out more use cases. We do investments all the time in terms of creating additional content.”

- **Partnership management.** Making the most of the relationship with Red Hat necessitated some level of partnership management, according to interviewees. The senior strategic business development manager at an ISV told Forrester, “I spend about 25% of my time on Ansible-related activities and the rest on core Red Hat.” The automation practice lead at a VAR added: “We have partner managers. They work with us every day, and there’s two of those.”

“A best practice is that we have the hands-on labs. We’ve invested in hands-on labs that we run regularly, and there’s a lot of customer interest. There remains a lot of customer interest after several years of doing this.”

Senior strategic business development manager, ISV

- **Sales and marketing.** Lastly, interviewees spoke of their sales and marketing investments.

“We do put a pretty big investment in sales and marketing,” the GM, DevSecOps business at an ISV said. They continued: “We go to a lot of the small Red Hat events and Ansible events. We’re building white papers.”

With interest in automation growing, interviewees also ran their own educational events. “We run our own workshops,” the automation practice lead at a VAR said. The senior strategic business development manager at an ISV added: “We do additional Ansible hands-on labs with Red Hat that drive a lot of customer attendance. They’re oversubscribed and quite successful.”

“We do a lot of joint marketing together. We go to each other’s events. We’re constantly in front of customers. We do tons of cross-promotion, and our sales teams work together on joint opportunities. It’s a tight relationship.”

GM, DevSecOps business, ISV

Conclusion

Forrester's interview with 14 interviewees across 10 partners found that Red Hat Ansible Automation Platform is an area of growth and strategic significance for their organizations. Interviewees' organizations came from different entry points — reselling subscriptions; offering deployment, implementation, training, and other initial professional services; offering follow-on professional services; and offering managed services — and the total practice revenue opportunity can increase 460% 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 gross revenue by 586%.

Interviewees also told Forrester that the total opportunity is growing. They are acquiring new customers and expect to grow faster over the next

few years as interest in automation expands and customers demand Red Hat Ansible Automation Platform solutions. To grow their practices and effectively meet this demand, interviewees' organizations are investing in talent acquisition and hiring, training, research and development, partnership management, and sales and marketing. In summary, interviewees valued their partnerships with Red Hat and were excited to grow their Red Hat Ansible Automation Platform practices even further over the coming years.



“It's such a hot market, and Ansible is the leader. From a business perspective, we are flooded continually with opportunities.”

— Automation practice lead, VAR

Appendix A: Total Economic Impact

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.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: List Of Participating Partners

Of the ten partners who participated in the study, the following agreed to be named:

- F5
- Kyndryl
- INACOM
- STARTX
- TRIMIX
- Var Group

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