

Software ecosystem playbook

How industry-leading software
companies create best-in-class
marketplaces

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Introduction

As a software company, success requires constant innovation—creating new solutions to business problems, pioneering new business models, and finding new ways to grow customer value. But no company can achieve and sustain this on their own.

The answer is to build an ecosystem of third-party solutions that complement and extend your core offerings, creating a powerful value proposition for all involved.

Ecosystem owners

Building a successful ecosystem helps offload the research and development pressure to third parties while driving new revenue streams, improving customer stickiness, and creating competitive differentiation for your core offerings.

Zendesk users frequently leverage the ecosystem, with 50% using more than one app. The leader of their technology partner ecosystem explains, “the more apps a customer installs with their Zendesk solution the stickier they are. ARR goes up, churn decreases, and there’s longer customer lifetime value.”

Ecosystem partners

Participating in a vibrant community helps partners expand their reach and grow their customer base. For example:

Deputechtechnologies Pty Ltd has a total addressable market (TAM) of roughly 2.4 billion people for its Deputy work scheduling product—which they couldn’t reach through direct sales alone. To pursue this enormous TAM, the company looked to a partner with a digital ecosystem to deploy its product through indirect channels, allowing the company to grow exponentially instead of on a linear growth curve.

Customers

Your customers benefit from having a trusted source to help them solve their business problems.

According to a Gartner® report¹, over 70 percent of the largest SaaS companies and hyperscalers have app stores or marketplaces. And buyers expect information on solutions from the vendor and partners will be available online in a readily consumable format.

Despite all these benefits, many software companies struggle to successfully build ecosystems and launch marketplaces. In this ebook, you’ll find practical advice and examples for making the ecosystem and marketplace journey successful, based on analysis of AppDirect customer experiences over the past 10+ years.

¹ Gartner, “Providers Should Offer Ecosystem Community Sites to Help Buyers Map Solutions to Targeted Outcomes,” Mark Paine, October 26, 2021



Sales produced by digital
ecosystems will eclipse

\$50 trillion

by 2025

SOURCE:
GARTNER, "HOW DIGITAL ECOSYSTEMS DRIVE GROWTH
AND EXPANSION FOR TECH CEOS," MARK WESKER AND
CHRISTOPHER LITTLE, OCTOBER 12, 2021





01 Define the vision and goals

While the value of building an ecosystem is clear, success requires far more than a “build it and they will come” approach. You need to start by creating a vision for the ecosystem that will guide your decisions along the way.

One software company that set out on its ecosystem journey roughly a decade ago formulated its vision by considering the customer problem it wanted to solve. This company focused on reducing the additional effort and frustrations its customers felt when using multiple, non-integrated systems to solve their business problems. Offering an ecosystem of pre-integrated solutions would eliminate redundant data entry and administrative headaches.

This led the company to the following vision: To create the largest open ecosystem that equips customers with the flexibility, choice, and confidence to make their business work better.

The company then defined its goals as:

- Get to market quickly with a best-in-class marketplace
- Make sure the marketplace is easy to use for both customers and partners
- Create unique value for customers through the power of data enabled by pre-integrated applications and robust APIs
- Attract third-party developers and service providers by enabling them to promote and sell their offerings on the marketplace

QUESTIONS TO ASK WHEN DEFINING YOUR VISION AND GOALS:

01

What **outcomes** will our ecosystem enable for customers?

02

Which **capabilities** are core to our product and which make sense for partners to fulfill?

03

What **value** will our partners get from being part of our ecosystem?

04

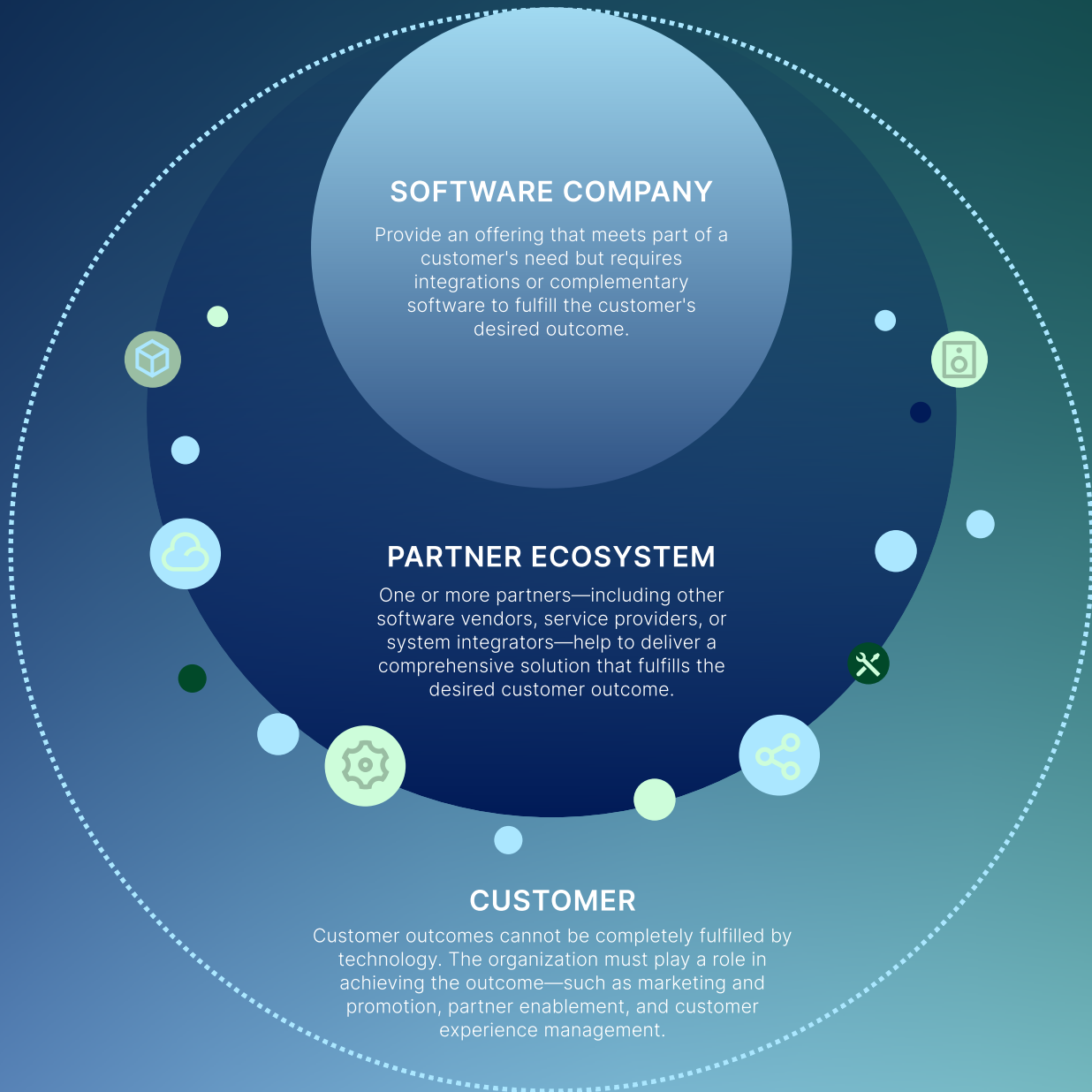
What will partners need to do/invest **to participate in our ecosystem?**

05

How can customers best **take advantage** of the ecosystem?



Delivering on outcomes for customers





Get buy-in and alignment

An ecosystem strategy must be organizational, not departmental. To achieve this, start by gaining executive buy-in and then using that c-level support to align the strategy across the organization.

An executive sponsor is not only an important resource for insight and guidance but conveys confidence to the rest of the company in the value of pursuing an ecosystem strategy. This was critical for one software company as it needed to overcome internal objections to inviting competitors and near-competitors to become partners in the ecosystem.

Learning to co-innovate, collaborate, co-market, co-sell, and co-retain customers is an important step for software companies embarking on the ecosystem journey. Putting the customer at the center of the ecosystem and focusing on the outcomes for the customer means working with partners in a cooperative relationship to deliver end-to-end, seamless, and tailored experiences. Executive sponsors can help the company prepare to take this step.

A LEADING SOFTWARE COMPANY RECOGNIZED THE VALUE OF CROSS FUNCTIONAL ENGAGEMENT:

Sales engagement is critical. We worked hard in the early stages of our marketplace, but our success really took off once we fully engaged our sales team. We included third-party revenue as part of the pay structure for our sales team to help make the transition to a digital marketplace successful.”

It's imperative to take the time to get cross-functional alignment with marketing, sales, product, finance, legal, IT, and other teams. Success requires alignment centered around a common definition of objectives, clear milestones, and agreed-upon metrics.

Getting the involvement of these teams early in the planning for your ecosystem and marketplace journey will help your company make sure it has the resources in place—both people and budget—to be successful.



Identify and attract partners

Before launching a marketplace, you need to plan your ecosystem and get the first partners on board.

It's important to realize that an ecosystem is different from a traditional partner program. Unlike conventional channel partner programs, ecosystems put the customer experience in the middle. Everything revolves around that experience and the outcomes that the ecosystem provides.

This means that your approach to partnering will likely look different for your ecosystem than what you may have experienced or created in a partner program. One aspect of this is the inherent opportunity to foster co-innovation and collaboration with partners to create a win-win-win for all involved.

Will your ecosystem help third-party developers reduce their time to market with new capabilities? Will it help both your company and your partners close more deals? It absolutely should do these things, and more.

Keep this in mind as you begin to shape the plan for your ecosystem and marketplace in more detail. Taking the time to understand how you want the ecosystem to work will help you know exactly what to look for when recruiting the strategic partners you'll want to have onboard when you launch.

DO YOUR HOMEWORK BEFORE YOU START RECRUITING PARTNERS:

- ✓ Create a one-page explanation of your company's value prop to convince potential third-party developers why your company should be their partner of choice
- ✓ Define the parameters for your ecosystem and explain how it will work for partners
- ✓ Understand what your company will do to make it easy for partners to participate and help them achieve benefits they could not obtain on their own
- ✓ Focus on three to five partners with the highest potential and over-invest in making those partnerships successful



Choose the right technology

In the past, this step might have included making the buy-versus-build decision regarding your online marketplace. After all, a software company is in the business of creating technology, so why not create an ecosystem platform and marketplace internally?

Today, this is no longer a question. Companies realize that launching an ecosystem and getting to market fast outweighs any benefits of building it themselves. Companies also understand that they can't do it all, and what they should do is focus on what they do best. This means choosing a SaaS ecosystem management platform and configuring and customizing it to achieve the capabilities they'll need.

To choose the right platform, start by thinking about the must-have functionality you'll require to help you manage your ecosystem and launch a new marketplace. Consider the partner experience.

What capabilities will you need to streamline, manage, and optimize the ecosystem experience and processes for your partners?

For example, self-service onboarding of new products, including pricing and descriptions, makes it easier and faster for partners to participate. Once you offer commerce within your marketplace, capabilities such as taxation, invoicing, reconciliation, and payout will be critical to have.

For your customers and partners, you'll want an easy-to-use marketplace experience, with product search, filtering, content and partner management, and subscription lifecycle management. Think about whether you will want to segment and personalize the marketplace experience and offerings for customers based on business size, geography, or other factors. Another important criteria is the ability to easily customize the appearance and branding of your marketplace.

CONSIDERATIONS FOR CHOOSING A PLATFORM PROVIDER:

Open and agnostic for ease of integration with your existing technology stack

Continuous platform evolution

Scalability to support your ecosystem and requirements as they grow

Flexibility to meet your evolving business needs

Ongoing subscription management capabilities to manage upgrades, downgrades, and changes

Low code/no code options for quick adaptability without developer support



Take a phased approach

When it comes to launching a marketplace, most software companies opt for a phased approach. In the words of one software company with a successful ecosystem, “Go live, then get better.”

So while your go-to-market strategy needs to be fully formed, your marketplace doesn’t. You can aim for an initial launch that targets a limited number of use cases. Often companies choose to launch as a referral marketplace with the goal of creating an easy path to commerce once they’re ready.

One software company launched its marketplace with a handful of apps, which allowed it to sign up partners early on to validate the model and show demand. Now it has hundreds of apps available in its marketplace from hundreds of partners, with double-digit partnership growth still occurring.

Here’s a proven approach based on more than 10 years of helping companies launch their ecosystem platforms and marketplaces:



PHASE 1: LAUNCH

This is where you define your initial use cases, then go to market quickly with a customized marketplace and a comprehensive go-to-market plan that includes budget and resources to drive customers to it. If you’re starting with referrals only, you should have your lead tracking and management in place when you launch.



PHASE 2: SCALE

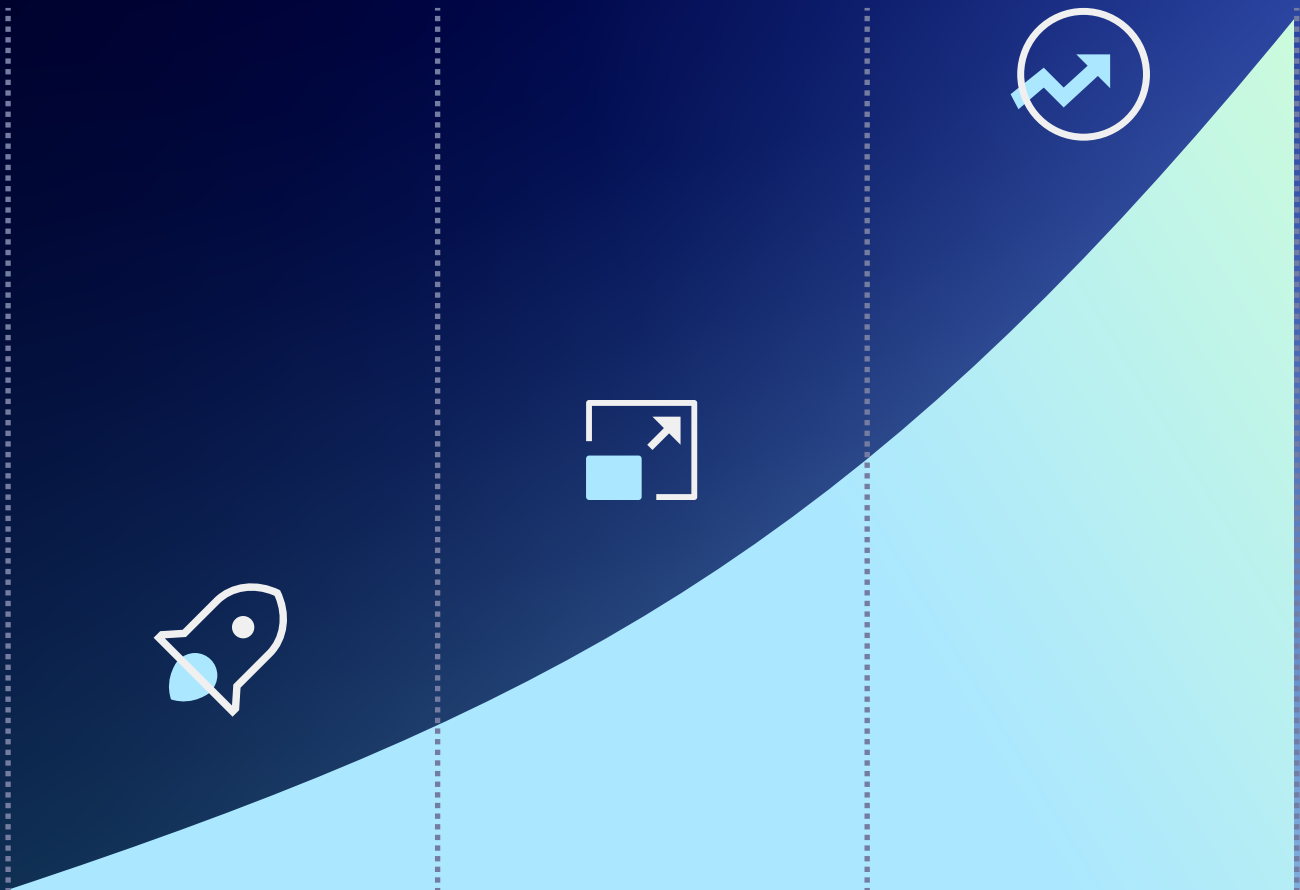
In this phase, you can begin turning on commerce in your marketplace. One approach to help you get started quickly is to secure reseller agreements with your top referral partners and begin capturing those sales in place of the referral model. Building on the success of your early commerce adopters, you can promote the ecosystem to a wider range of potential partners and expand your inventory of solutions in the marketplace.



PHASE 3: OPTIMIZE

As your ecosystem matures and grows, adding more automation will help you further streamline processes such as provisioning of digital services, adding new payment gateways, and simplifying invoice processing.

A phased approach



LAUNCH

Go to market quickly with a comprehensive GTM plan

SCALE

Add commerce, deepen partnerships, and expand inventory

OPTIMIZE

Streamline processes through integrations and automation



Measure and accelerate

Going back to your original goals for the ecosystem, how will you measure success? Which key performance indicators (KPIs) will signal that you're achieving your goals? Here are a few ways software companies can match their goals to metrics that demonstrate success.

Sample goals	Sample key performance indicators (KPIs)
Grow revenue	Revenue from ecosystem commerce Customer lifetime value Deal size growth
Improve the customer experience	Customer engagement Churn rate Customer satisfaction Net promoter score
Differentiate your offering	Product usage Trials started Product adoption
Expand market share	Number of customers Number of net new customers Market percentage
Attract partners to the ecosystem	Number of participating partners Average partner revenue/number of leads Partner satisfaction score

Keep in mind that success is different for every company. If your vision is to create a curated ecosystem and portfolio that offers a differentiated solution for specific customer problems, your success metrics will look very different than a company aiming to have the broadest range of solutions, with hundreds or thousands of apps in their marketplace.



ONE SOFTWARE COMPANY CREATED A SET OF NORTH STAR METRICS FOR ITS MARKETPLACE, WHICH INCLUDED USER EXPERIENCE, CUSTOMER ENGAGEMENT, AND SALES.

“We continuously improve on our user experience online and use our North Star KPIs to make sure we are doing the right thing to achieve our goals.”

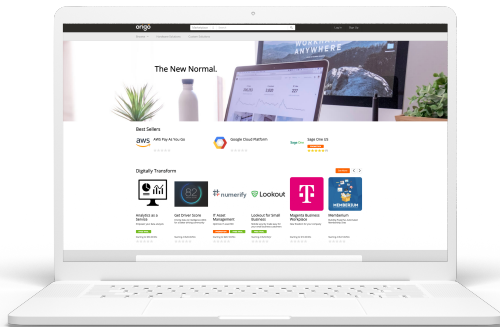


07

Get started

A successful software ecosystem and marketplace requires a technology platform to automate and manage end-to-end partner and customer journeys. The right platform will offer robust capabilities to power a seamless experience for customers, partners, and internal staff across sales, marketing, product delivery and deployment, vendor management, customer support, lifecycle management, and other processes.

AppDirect has the technology, deep expertise, and experience in helping companies launch software ecosystems faster, with less risk, and a greater return on investment. Whether you're just beginning to develop an ecosystem or expanding an existing one, we're here to help.



Try the [AppDirect Starter Edition](#) to get hands-on experience creating a marketplace risk free.

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ABOUT APPDIRECT

AppDirect is a San Francisco-based B2B subscription commerce platform company that brings together technology providers, advisors, and businesses to simplify how they buy, sell and manage technology. More than 1,000 providers, 10,000 advisors and 5 million subscribers rely on the AppDirect ecosystem of subscription marketplaces to power their innovation, growth, and success.

For more information about AppDirect, please visit www.appdirect.com

