



THE VALUE OF SALESFORCE APEXCHANGE FOR PARTNERS

A VALOIR REPORT

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A successful partner ecosystem is critical to scaling in the enterprise software market, and Salesforce's AppExchange has changed the way customers explore, buy, and install partner applications. It has also enabled hundreds of Salesforce partners to more rapidly build, market, and sell applications to Salesforce customers around the world. In Valoir's analysis of AppExchange, we found it enabled partners to accelerate time to market and reduce ongoing technology management costs. Because partners' solutions were validated by Salesforce, those partners were able to reduce the time for prospects' security and due diligence reviews by up to 80 percent. This savings, coupled with Salesforce's support in the sales process, enabled them to accelerate sales cycles by up to 20 percent. On the marketing side, taking advantage of AppExchange marketing enabled them to achieve greater marketing results with 30 percent fewer resources.

The situation

As customer relationship management (CRM) deployments have grown in size and complexity, organizations often look to vendor ecosystem partners to help them extend and enhance CRM functionality and deliver more value from their CRM investment. At the same time, CRM vendors have invested in partner programs to fill in gaps in their solutions' functionality, drive more use of their platforms, and deliver more value to customers.

Software vendors have long recognized the importance of partner ecosystems as a means to validate their platforms and increase value for customers. In the cloud CRM world, competition for partners has increased as vendors seek to differentiate their offerings and provide more complete, integrated solutions for customers. Vendors compete for partners by providing technical and marketing expertise and resources, supporting co-selling and lead generation efforts, and providing visibility and validation of partner applications to their customer base.

In light of that increased competition, Valoir has analyzed different CRM vendors' partner ecosystems and programs both in terms of their ability to deliver solutions to customers and to help partners grow their businesses. This report focuses on Salesforce's AppExchange. To better understand the potential benefits of AppExchange for partners, Valoir conducted in-depth interviews with more than 20 Salesforce partners representing multiple industries, geographies, and company sizes.

Salesforce AppExchange

Salesforce AppExchange is Salesforce's online marketplace for applications and experts, designed to help customers extend their use of Salesforce and more rapidly achieve digital transformation. When it was established in 2006, AppExchange was innovative because it provided not just partner information but also the ability to buy and install partner applications directly from the site. Many other vendors sought to replicate the Salesforce model, with varying degrees of success.

Today, more than 7000 partner applications and experts are available on AppExchange. Salesforce customers can search AppExchange to find solution recommendations and customer reviews, connect directly with Salesforce partners via e-mail or chat, and directly access and install partner applications. In Spring 2022, Salesforce announced that more than 10 million applications had been installed from AppExchange.

AppExchange is more than just a marketplace. Partner applications must undergo a rigorous code and security review before they can be certified and listed on AppExchange, meaning Salesforce has performed due diligence on the performance and security of all the applications listed.

Why AppExchange

Valoir found that the key factors differentiating Salesforce and the AppExchange partner program when compared with other CRM partners were Salesforce's market reach, its connections with customers and prospects, and its technology reputation and expertise.

MARKET REACH

Salesforce is the global leader in CRM in terms of market share, and Salesforce AppExchange partners benefit from Salesforce's market reach and its ability to expose partner solutions to its customer base. Partners cited Salesforce's penetration in the market as well as its relationships with marketing and sales leaders in key accounts as a key reason for investing in building on the Salesforce platform and listing their applications on AppExchange. Partners said:

"Salesforce touches every one of our prospects and customers, and 60 percent of our business is generated through AppExchange interactions."

"Salesforce is the top CRM in terms of pipeline and customers."

"We have access to 10 times more customers through AppExchange than we would reach otherwise."

Partners with experience with other vendor ecosystems in the CRM market cited the depth of Salesforce's relationships in accounts, beyond the IT department, as a key differentiator in partnering with Salesforce as well:

“As a cloud service provider, AWS has some leverage in the IT world but all their relationships are on the IT side and that’s not helpful to us.”

“Right now we’re not really doing anything meaningful with AWS or Google. Their relationships are mostly with IT and we don’t sell to IT; they’re not really talking to our buyer in the way a Salesforce rep would be.”

“As a cloud service provider, Microsoft has some leverage in the IT world, but their whole go-to-market [with business applications] is partners. They want to partner, but their relationships are all on the IT side.”

Exposure to Salesforce’s customer base, as well as the ability to connect partners with key contacts in sales and marketing within those accounts, were key factors in partners’ decisions to invest in building on the Salesforce platform and list their applications on AppExchange.

TECHNOLOGY REPUTATION AND EXPERTISE

Partners also cited Salesforce’s reputation as a technology leader and the “halo effect” that being on AppExchange gave them from a technology perspective as a key differentiator of the AppExchange program. Partners said:

“If a customer sees we’re listed it’s a tremendous validator, because we’ve been through the security review process.”

“There are a lot of benefits in saying that we’re on AppExchange and we’re a certified partner that has gone through security review.”

“Going through the [AppExchange] security review process shows that Salesforce has tested our connector and gives a better reception from CIOs and IT who have to validate solutions.”

Partners said customer perceptions of Salesforce as a technology leader was another reason to choose Salesforce over other potential CRM partners, which contributed to the benefits of reduced due diligence time and, as a result, accelerated sales cycles.

Key benefits

Valoir identified four key benefits that Salesforce partners experienced from participating in the AppExchange program: accelerated sales cycles, reduced security and due diligence efforts, reduced infrastructure management costs, and increased marketing reach with fewer internal marketing resources.

ACCELERATED SALES CYCLES

Valoir found that partners that were certified on Salesforce as part of the AppExchange program were able to accelerate sales cycles and increase win rates because an AppExchange listing validated their solutions or applications in the eyes of Salesforce customers. Partners said:

“The sales cycle is about 20 percent shorter and deal size is 50 percent larger when Salesforce is in the account.”

“Even in cases where the lead doesn’t come from Salesforce, because of the partnership we get influence in the deal, and our win rates are significantly higher because of the partnership.”

“When Salesforce is involved in the conversation, our deal size is 20 to 25 percent higher and close rate is 25 percent faster.”

“AppExchange does a very good job of prescreening and reducing risk to the customer. Customers coming to the AppExchange can see your reviews, competition, and differentiators.”

Although the length of sales cycle obviously differs by the type of partner and application, Valoir found AppExchange partners are able to accelerate sales cycles by up to 20 percent because of their partnership with Salesforce.

REDUCED SECURITY AND DUE DILIGENCE BURDEN

AppExchange partners have to complete an extensive business, security, and code review before they can be listed on the AppExchange site. Valoir found that because Salesforce customers are aware of this vetting process, AppExchange partners are able to reduce the time and resources associated with prospects’ security and IT due diligence requirements. Partners said:

“It reduces our security review process by 90 percent, which is a huge amount of value because it has a big impact on sales cycles.”

“Especially if you’re native, every piece of code that you write goes through review by Salesforce and we ride on Salesforce’s security and compliance standards.”

We found that being on AppExchange enables partners to reduce prospects’ security and due diligence time by up to 80 percent. Additionally, newer partners said that they gained access to larger accounts that would never have considered them without the technology “halo” that being on AppExchange brings.

REDUCED INFRASTRUCTURE MANAGEMENT COSTS

Not surprisingly, Valoir found that companies leveraging the Salesforce platform to build and deliver their applications were able to reduce the time and cost of building and managing applications versus building from scratch or building on other cloud platforms that provided only basic infrastructure such as AWS.



AppExchange partnerships enable ISVs to accelerate sales cycles by up to 20 percent.



AppExchange partners are able to reduce prospects’ security and due diligence time by up to 80 percent.

By virtually eliminating the need to build out infrastructure and leveraging the prebuilt capabilities and components of the Salesforce platform, partners can reduce infrastructure management costs by up to 75 percent and focus their investments on product innovation. Partners said:

“Because it’s managed by Salesforce, it reduces a significant amount of variables we need to manage the application.”

“People don’t realize the value of the platform in delivering enterprise apps and extending them – it’s not a headache to take the next rev of my app and make it work with your existing customizations.”

“You can get to market a year faster and access 10 times as many customers.”

“With Salesforce it’s probably 30 to 50 percent faster and cheaper to bring an application to market.”

“You don’t have to worry about security and scale because the platform takes care of that. It gives you the freedom to spend 100 percent of your time focusing on the app.”

“Building on the platform is much more plug and play. You can build on top of something instead of having to build everything from scratch, and it keeps evolving regardless of what we do or develop.”

Partners also cited Salesforce’s ongoing investments in platform innovation as a benefit, enabling partners and their customers to take advantage of emerging capabilities such as Salesforce Einstein (Salesforce’s artificial intelligence (AI) capabilities) without needing to rearchitect applications or undergo the cost and disruption associated with traditional application upgrades.

REDUCED MARKETING RESOURCE REQUIREMENTS

On the marketing front, Valoir found AppExchange partners were able to achieve more with fewer marketing resources by taking advantage of Salesforce’s AppExchange Marketing Program (AMP) resources and co-marketing opportunities, as well as the sheer reach of Salesforce’s marketing efforts. Partners said:

“Without the resources of partner marketing, we’d need to double our marketing team to be able to get the same results, and even then we’d need creative and other resources.”

“We get the most leads through AppExchange – probably three times more than ServiceNow or Microsoft.”

“Salesforce is the greatest marketing company of all time, and we’re riding that wave. While others promise and underdeliver, I can rely on consistent performance from co-marketing with Salesforce.”



AppExchange partners are able to reduce infrastructure management costs by up to 75 percent.



AppExchange partners can achieve greater marketing outcomes with 30 percent fewer marketing resources.

“It’s not just the dollars but the reach. It’s an extension of your marketing team, and has cut our staffing requirements by one third to one half.”

Partners cited the strength of Salesforce’s marketing and creative resources, as well as the reach of Salesforce’s marketing programs, as key factors in helping them achieve results with limited marketing resources. Valoir estimates that taking advantage of Salesforce co-marketing opportunities and resources enables AppExchange partners to achieve similar or better marketing outcomes with 30 percent fewer marketing resources.

Best practices

Valoir found that there were a number of best practices that AppExchange partners followed to make the most of their partnership with Salesforce including:

- Investing in AMP programs. Partners investing in AMP programs were able to have a more consistent and predictable return on their marketing investments while increasing the volume of leads delivered by marketing activities.
- Taking advantage of AppExchange Chat. Only a limited number of partners Valoir interviewed had taken advantage of AppExchange Chat, a feature that enables prospects to directly connect with partners via live chat. However, those that had invested in Chat found it consistently delivered qualified leads at a significantly higher rate than other interaction opportunities.
- Treating AppExchange as a visibility opportunity to the entire ecosystem, not just prospects. Valoir found that partners that recognized the value of AppExchange as a way to gain exposure to other Salesforce teams and partners were able to take greater advantage of their AppExchange listing.

Looking ahead

Since Salesforce launched AppExchange in 2006, the program has accelerated the expansion of Salesforce’s ecosystem while enabling partners to more rapidly build, deliver, and sell their applications – and grow their businesses. However, much has changed in the world of cloud applications since 2006. As cloud applications have become more complex, so have customers’ CRM cloud footprints. Many applications listed on the AppExchange today reflect that growing complexity, and require the lengthy sales cycles, scoping, and due diligence associated with large software investments.

With that in mind, Salesforce has continued to evolve the AppExchange to help partners better target prospect personas and industries and increase engagement and conversion. Recent changes have included improved

search; personalized recommendations for customers based on their existing usage and profile; and new curated collections and categories that make it easier for customers to find what they need based on product, industry, and business need requirement. At the same time, additions such as integrated live chat have reduced the friction in connecting partners with prospects.

Salesforce has also added the ability for partners to make multiple listings for the same application, so partners can make their applications more visible to customers seeking specific industry or horizontal capabilities.

These improvements have made it easier for customers to find partners and applications on AppExchange. Salesforce has also recognized that partners need greater visibility into their relative performance on AppExchange. The company is investing in improving lead management capabilities for greater transparency around lead source and more intelligent lead qualification. Salesforce is also working to incorporate data intelligence and Tableau's analytics capabilities to help partners better understand how their listings and applications are performing for more data-driven business decision making.

Salesforce is investing in broadening the AppExchange to reflect its growing portfolio as well, investing in its customer data platform (CDP) and Commerce Cloud ecosystems to enable customers to more easily connect with partners that can help them to extend their CDP and Commerce Cloud capabilities. Valoir expects similar efforts to grow Salesforce's Tableau and Slack ecosystems as well.

Looking ahead from a functional perspective, Valoir expects further integration of Tableau and Slack to be reflected in AppExchange, providing partners with more data and insights as well as greater opportunities for collaboration with Salesforce staff, partners, and customers. Those efforts, coupled with AMP investments to continue to help partners leverage Salesforce's scale and marketing strengths, will give new and existing partners more opportunities to leverage Salesforce to grow their businesses by delivering compelling ecosystem applications to customers.

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