



Three Questions to Ask Before Launching a Developer Ecosystem

Once the domain of only large software companies, today vendors of all sizes are grappling with whether to launch a developer ecosystem. Better technology, such as open APIs, have made it possible for almost any ISV to launch an ecosystem that can enable them to offer more innovative products faster than ever before.

But should they? Some ISVs have seen incredible benefits from developer ecosystems. Consider Salesforce.com; the company's AppExchange has been so successful that by 2022, the Salesforce.com ecosystem will be more than five times bigger than the company itself, meaning that for every dollar Salesforce.com will make, its ecosystem will make \$5.18.¹

"The creation of open APIs—and developer ecosystems around them—will allow enterprises to massively scale distribution of their digital platforms and services through third-party digital innovators, accelerating adoption and revenue." —IDC²

Clearly, a thriving ecosystem of partners and products can have a tremendous impact on an ISV's bottom line. However, you can't just snap your fingers and expect success. Ecosystems require careful planning and deployment, and long-term commitment. Here are three questions to ask before launching a developer ecosystem of your own.

¹ "The Salesforce Economy Forecast: 3.3 Million New Jobs and \$859 Billion New Business Revenue to Be Created from 2016 to 2022," IDC, October 2017

² "IDC Predictions Provide a Blueprint and Key Building Blocks for Becoming a Digital Native Enterprise," IDC, October 2017



1. Are your solutions right for an ecosystem?

When you launch an ecosystem, your core solutions will be at the center of a group of products orbiting around it. Do your offerings have enough gravity to maintain a strong pull?

The answer lies in the return on investment that you can offer your developer partners. Are there enough opportunities for them to fill in the gaps and create products that add value to your solutions? Perhaps more importantly, can they drive revenue with the applications they develop?

In a recent survey by Accenture, 69 percent of developers said return on investment is the most important factor when choosing an ecosystem.³ Determining the ROI that your ecosystem can offer is a critical first step in planning your platform strategy.

2. What type of ecosystem do you want to create?

Today's advanced technology allows companies to experiment with a wide range of ecosystem types, but most fall into two general categories: add-on, where your products benefit from additional features and functionality developed by third-parties; and sell-with, where your products benefit from third-party products that aren't developed specifically for your solutions but still offer complementary features and functionality.

Which type of ecosystem is right for your business? It depends on a few factors, including what type of products you offer and your target customers. For example, Pivotal—a PaaS development platform—allows customers to buy add-on services from its ecosystem by coding directly from the command line. This is a much different use case than, say, a small business looking for a backup and recovery solution to complement its office productivity suite.

Often, it's not an either / or choice; some ISVs offer a hybrid ecosystem, or start with sell-with and transition to add-on, for example. With the right underlying technology, ecosystems offer almost limitless possibilities.

3. Do you have an ecosystem mindset?

For decades, a winning business mindset has been to create great products and build fortress-like walls around them to keep out competitors. In today's digital economy, companies that cling to this outdated belief will be left behind. As the World Economic Forum explains, "ecosystems allow [companies] to accelerate innovation and develop features at a pace that is not possible when they operate alone."⁴

To create successful ecosystems, ISVs must always be open to new ways of collaborating to deliver value to customers. With an ecosystem mindset, a near-competitor may actually be a partner if the value proposition makes sense for each party. Or it could mean making part or all of your solutions accessible via open APIs. Whatever the strategy, ISVs with an ecosystem-first mentality will beat out those that don't.

40% of executives believe that adopting a platform-based business model and engaging in digital ecosystems are very critical to their business success.⁵

Ease of Ecosystem Participation

If you decide an ecosystem is right for your business, your success will hinge on your ability to make it easy for developers to participate. When sign-up, on-boarding, marketing, pricing, and other essential steps are simple and straightforward, developers will flock to your ecosystem and drive more revenue, both for themselves and for you.

3 "Engaging the Developer Community: What Developer Ecosystems Need to Know," Accenture, 2018

4 "Digital Transformation Initiative: Telecommunications Industry," White Paper, World Economic Forum, January 2017

5 "Platform Economy: Technology-driven business model innovation from the outside in," Accenture, Technology Vision, 2016



Overall, a developer program should be designed to reduce friction whenever possible. This means making it as easy as possible for developers to get test accounts and API access, as well as making it a top priority to create crystal-clear documentation with samples. Generally speaking, becoming a developer on your platform should be as self-service as possible.

The Bottom Line: Ecosystems Are the Way to Win



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Ecosystems of all types are generating a lot of interest and excitement. For one, they make perfect business sense; providers always seem to have a long list of features and functions that need to be built, and never enough resources to develop them. When providers fill these gaps with third-party products, they can push risk onto developers but share the reward when the software gives customers a more complete solution.

Ecosystems can also unlock new use cases for your products and drive retention, since customers are more likely to continue using your solutions as third-party products enhance their feature sets. Last but not least, ecosystems can help you stay ahead of your competitors. With an ever-growing product catalog, you can quickly close the gaps in your offerings and keep the competition at bay with features that are more advanced and innovative.

The days of developing applications in isolation are over. To be successful in the fast-growing, ever-changing world of software, creating and nurturing a strong software ecosystem will be the only way to win.

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For more information contact
info@appdirect.com
or visit www.appdirect.com.

650 California Street, 25th Floor
San Francisco, CA 94108

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