

THE 4TH ANNUAL

STATE OF APPEXCHANGE PARTNERS REPORT

THE GREAT SEPARATION

Examining the Ecosystem in a Time of Change



2021

CODE SCIENCE

The background of the slide is a stylized, layered mountain landscape. The mountains are represented by various shades of green and teal, with some peaks appearing as dark silhouettes. In the foreground, there are dark green evergreen trees. At the bottom of the slide, there is a blue area representing water, with some lighter blue, wavy shapes indicating ripples or reflections. The overall aesthetic is clean and modern, with a focus on natural elements.

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Executive Summary

Background

The launch of our 4th Annual State of AppExchange Partners Report coincides with a pandemic that has fundamentally changed the lives and landscape of the world at large. Additionally, as a people, we are confronting what it means to be diverse and inclusive as a society and within our workforces.

We have continued to refine our survey to surface the most pertinent and impactful data partners need to understand the trends of the ecosystem and the performance of their peers.

Over the past four years, the scope and shape of our report have changed. What started with the release of our first report in 2017 at Dreamforce has grown to become our most requested asset each year.

Our State of AppExchange Partners Report provides an independent look at the Salesforce AppExchange and shares insights for those who are building their business there. In this year's report, there are two main themes to which we'll return—The Great Separation and the Resilience of Partners within the ecosystem.

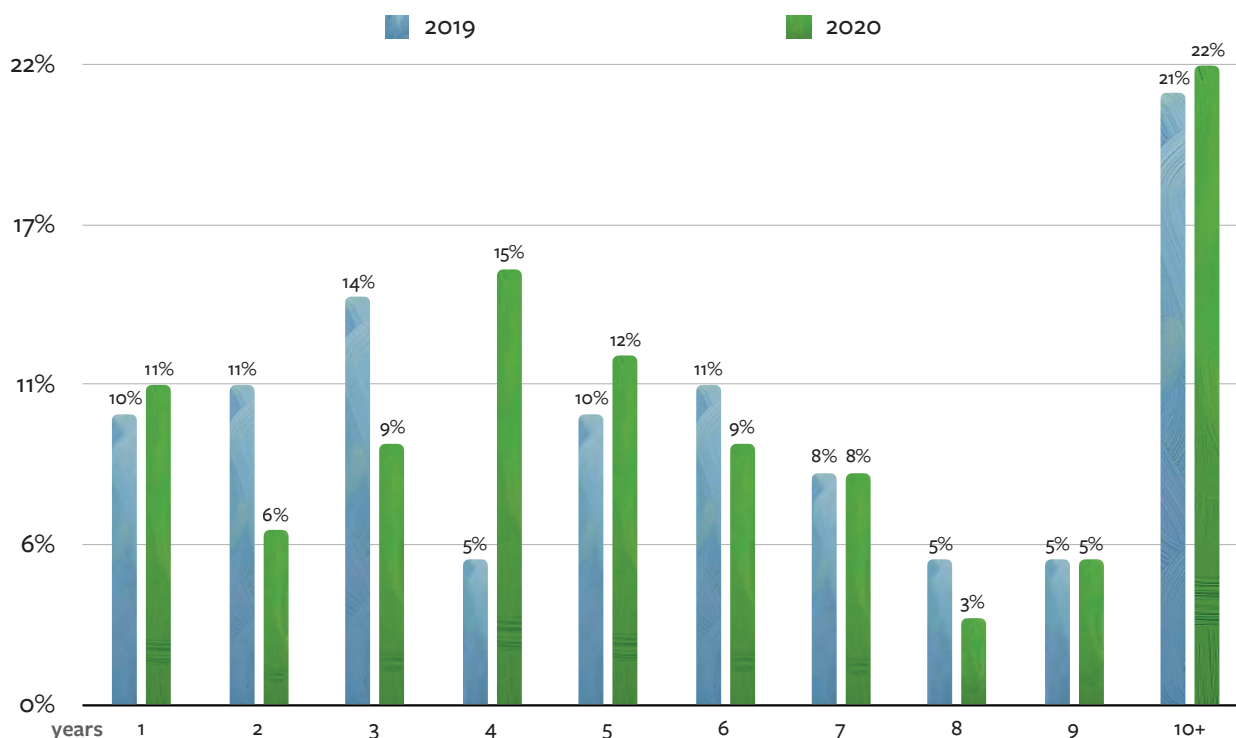
The report is broken down into six sections, and you'll discover how other AppExchange partners are leveraging Salesforce in the following categories:

1. Product & Company
2. Growth
3. Technology & Platform
4. Salesforce as a Channel
5. Diversity & Inclusion
6. Investments (powered by Crunchbase)

Methodology

As in previous years, we gathered insight from around 100 senior-level executives, with 67% being C-Suite or VPs from companies spanning the Fortune 5 to high-growth SaaS startups. Our respondent set continues to represent a solid cross section of the makeup of the AppExchange.

HOW MANY YEARS HAVE YOU BEEN A SALESFORCE APPEXCHANGE PARTNER?



We are delighted to continue our partnership with Crunchbase for a second year to provide an in-depth examination of the investment landscape for SaaS and Salesforce Partners.

Crunchbase is the leading platform for professionals to discover innovative companies, connect with the people behind them, and pursue new opportunities. Over 50 million professionals—including entrepreneurs, investors, market researchers, and salespeople—trust Crunchbase to inform their business decisions. And, companies all over the world rely on Crunchbase to power their applications, making over a billion calls to our API each year.

crunchbase

The Great Separation

Throughout this year, we have seen companies that operate on the spectrum of surviving, adapting, and thriving. These categories have helped us contextualize the challenges businesses face, their priorities for investments, and the forecasts they are making for their future. This year's survey went to ISVs across all spectrums of this framework, and the responses drove further research into what separates companies who are thriving from the rest.



Those companies that are thriving through COVID are growing faster than ever. They are lapping their competitors and are the dominant forces in their respective spaces. Amazon, Salesforce, Slack, Zoom—these winners are creating decades of lead beyond the rest of the pack, and their growth doesn't seem to be slowing down.

There are three common characteristics underpinning companies that are thriving:

1. They are repackaging existing technology into new solutions that solve the challenges customers are facing.
2. Said solutions are positioned as business continuity, rather than digital transformation.
3. The companies are all investing heavily in R&D, Sales, and Marketing.

EXPLORING THE APPEXCHANGE ECOSYSTEM UNCOVERS COUNTLESS EXAMPLES OF ORGANIZATIONS FOLLOWING THIS SAME CRITICAL PATH TO A THRIVING STATE.

#1 nCino

nCino, which celebrated a massive IPO in July of this year, followed this same blueprint for success. After nine years of being in the market, their banking product is exceptionally mature and battle-tested. The nCino solution, while perfectly positioned to help banks digitally originate loans, required untenable deployment times for banks during COVID. nCino's CPO, Trisha Price, led the company in repackaging their technology to handle the specific use case of the U.S. Government Paycheck Protection Program (PPP Loans)—a massive fund of over \$500B. The new nCino SBA solution, deployable in mere days, enables banks to originate SBA PPP Loans. And originate they did—the solution processed approximately 10% of the entire fund in less than three months. Repackaging existing technology as a business continuity solution enables nCino to thrive.

#2 Skedulo

Skedulo has been enabling mobile workforces in the Salesforce ecosystem since 2013. In the year before COVID, their CEO, Matt Fairhurst, recognized the strategic value in providing scheduling, dispatching, shifts, and rostering for the mobile workforces their product already supported. As COVID set in, he quickly realized that by repackaging their technologies together, they could provide a turnkey solution for governments and businesses that needed to supply COVID-19 tests. Their solution underpinned the NFL, NBA, MLB, New York City, and the city of Berkeley in the gargantuan tasks of handling scheduling and coordination of all COVID-19 tests. Repackaging existing technology as a business continuity solution enables Skedulo to thrive.

#3 Salesforce

In many ways, Salesforce set the stage and provided the ultimate example. Amid a global recession, selling Sales Cloud can be seen as quixotic. However, they leveraged the same playbook, repackaging existing technology to solve the existential challenges that businesses have faced. The Work.com suite, for both businesses and schools, provides the tools necessary for companies and schools to bring their people back—location tracking, self-attestation, learning, smart workflows, and so much more. For the most part, this functionality existed before and was repurposed: self-attestation is Salesforce Surveys; learning is MyTrailhead; smart workflows are Lightning Flows. Repackaging existing technology as a business continuity solution enables Salesforce to thrive.





The leading companies in the ecosystem are thriving and separating from their competition. Researching publicly disclosed earnings, our survey responses, and the interviews with ISVs all back up this hypothesis. The drive to stay relevant and solve critical problems is sound operating advice. In 2020, however, this has led to the great separation of the market leaders from the rest of the pack.

The Resiliency of the Ecosystem

As we look to the next segment of our framework—companies in the adapt segment—we expected to see existing customer and financial challenges. We hypothesized that attrition (i.e., churn) would become a significant issue, with renewal rates decreasing throughout the year. Companies weren't reporting that at all. In fact, the top three challenges are:

1. Acquiring new customers
2. Evolving our product offering
3. Hiring new employees

Acquiring new customers has been the #1 concern for all four of the State of the AppExchange reports; however, it increased 17 points to 57% of all respondents. Acquiring new customers has become more difficult this year for three key reasons:

1. Loss of in-person marketing and sales events
2. Changing buying patterns
3. Changing customer needs

The first and secondary are relatively obvious: during the early days of the COVID pandemic, it was unclear how to build trust and execute B2B deals entirely through virtual tools. Sales and marketing teams have been iterating through approaches non-stop, as World Tours and Dreamforce itself have all shifted formats or paused.

The tertiary reason speaks directly to the secondary challenge ISVs reported, “Evolving our product offering.” It's not that the products don't work any longer; it's that the customers' challenges have changed. Thriving companies successfully repackaged their solution for their customers' current challenges. Those ISVs in the adapt phase are still evolving their product.

Finally, the challenge of hiring a remote workforce has proven daunting for many companies. CodeScience has been fortunate to be a remote-first company since our founding 12 years ago, and has mature recruiting, interviewing, and hiring processes that leverage virtual tools. We advised dozens of companies this year on hiring during COVID and witnessed the difficulties they face.

Exploring why churn was not a significant issue uncovered our secondary theme for the report—the ecosystem’s resilience. Three key factors highlight why our ecosystem is resilient:

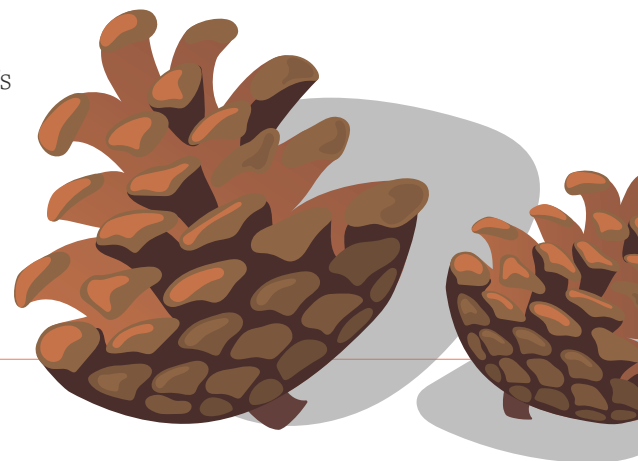
1. The underlying Lightning Platform allows ISVs to move quickly to build new solutions. The powerful no-code and low-code tools operate seamlessly with the fully custom applications that ISVs build, providing the flexibility and power ISVs need to innovate and iterate quickly. Salesforce built the Work.com products, mentioned above, in under two months, leveraging the same tools that every ISV uses. The platform is wicked fast to build on and scales to the enterprise.
2. Salesforce leads the ecosystem by example, staying relevant and consistently delivering innovation to their customers. Their growth provides opportunities for ISVs to grow alongside, *if they can also be relevant and provide ongoing innovation.*
3. Salesforce technology is generally a system of record (SOR) for many business processes, be it Sales, Service, or Marketing. Systems of record like EHRs, CRMs, and ERPs are at the bottom of the technology stack and can’t be removed on a whim. They are a naturally resilient business for both the ISV and their ecosystems.

Diversity & Inclusion

We have added a section to the report this year representing the investments ISVs are making in diversity and inclusion initiatives. The tragic racial and social injustice events this year have brought a new focus on systemic issues that continue to plague the U.S. A dear friend of CodeScience encouraged us to use the platform of the State of the AppExchange Partners Report to explore how the AppExchange ecosystem is working through diversity and inclusivity issues, and we are thankful for the encouragement.

We are committed to having this be a permanent addition to our annual report. I am confident that our first attempt is not sufficient and is only a starting point. After reading through the survey results, it is apparent how elementary our approach is to survey these issues. Only 1% of respondents said that diversity and inclusion were not important to their company. In retrospect, who is really going to stand up and say that diversity and inclusion are not important?
[ed: well, at least 1% did!]

Ultimately, the message we are bringing to partners for this year’s report is a message of opportunity. When the clock struck midnight and the calendar turned to January 1st, no one could have predicted what this year would hold. While the definition of normal has changed, while unrest and injustice plague our





country, all organizations are searching for their opportunity to grow and succeed. Whether you are thriving already or just now finding your footing, the ecosystem provides a path to move forward.

We are thankful for the companies that did extended interviews with our researchers to learn more about how they are investing to address social and racial issues. In a similar fashion to Salesforce's leadership by staying relevant in technology and marketing, Salesforce's leadership in equality and diversity issues has provided an example for the ecosystem to take action. The underlying theme is that Salesforce's leadership over the past decade in this area offers ecosystem executives the permission, and encouragement, to take action as well.

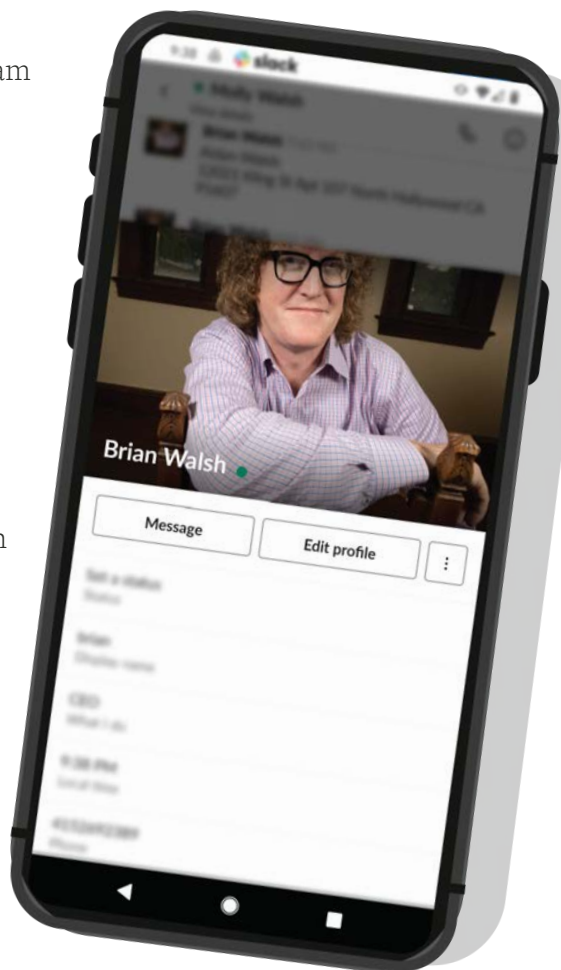
I want to thank each of you for taking the time to read through the 4th Annual State of the AppExchange Partners Report. I am so proud of our team that puts this together and the incredible insights they uncover. We do not take for granted the responsibility we have in reporting our ecosystem's state, and I hope you find it valuable.

As we wrap up 2020, I wish the best for you, your families, your organizations, and your communities. Our thoughts are with all who have suffered losses because of the challenges of the year. I am bullish that the year ahead will provide greater prosperity and health for our world.

Brian Walsh
CEO

PS: I would be remiss not to acknowledge the incredible outreach that the entire Salesforce Partner team did to the ecosystem throughout the beginning of COVID. Watching Woodson, Tyler, Andrew, and Mike do 1-on-1 outreach to partner organizations was breathtaking and reassuring.

One of my favorite quotes from the TV show, *The West Wing*, is when a father shares with two presidential aides, *"I don't need this to be easy. It should be a little easier—just a little easier."* My personal experience is that they made leading through COVID *"just a little bit easier,"* and for that, I am thankful.





1. Product & Company

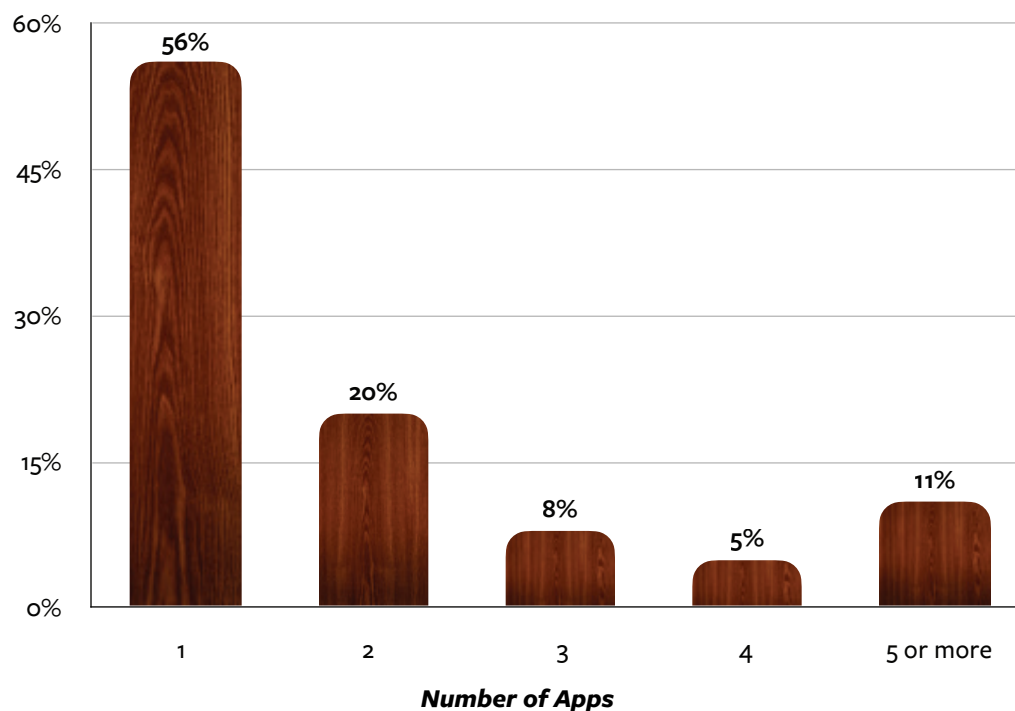
KEY FINDINGS:

While our response rates and partner composition change from year to year, in examining our response pool of partners, we find our grouping skews toward younger ISVs. This gives us some interesting data to chart against and measure as it relates to the strategy and approach of the Salesforce AppExchange and broader ecosystem.

MORE THAN ONE APP

2020: 44%

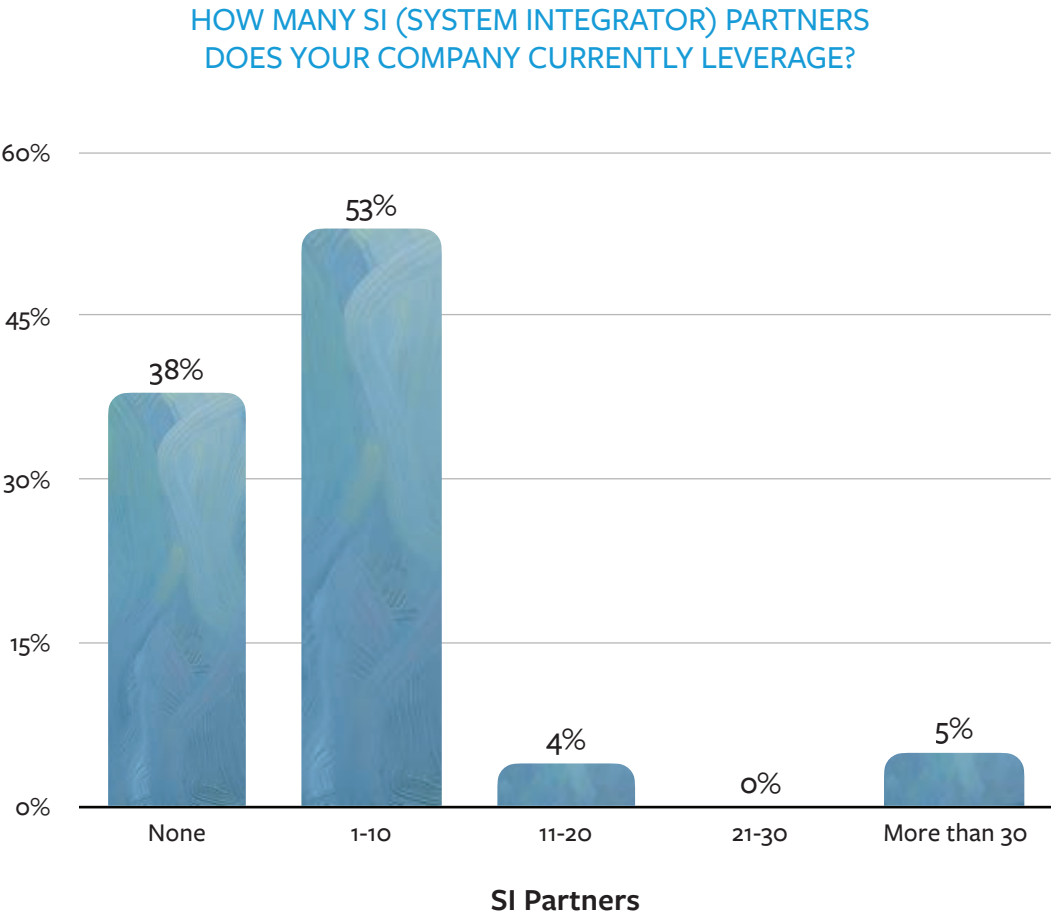
HOW MANY APPEXCHANGE APPS DOES YOUR COMPANY CURRENTLY LIST?



With just under half of respondents stating they have more than one app, the multi-app approach remains to be a solid strategy for some ISVs. The majority of partners who are entering the ecosystem as strategic partners are often more focused on a multi-app/product suite approach. Often, this is because larger or more mature organizations are focused on solving multiple problems and coordinating their businesses with Salesforce to do so.

This year, we asked participants if they planned on adding new products to the AppExchange in the next 12 months. Over half the respondents (53%) noted yes.

Overwhelmingly, nearly 3/4ths (74%) of those with more than one app state they are planning to add an additional app. When compared to respondents with only one app on the AppExchange, 36% plan on launching a new application. As partners expand their application strategy from one to many, the level of complexity in your go-to-market infrastructure (product marketing, sales, product management, delivery, integration, and more) scales. Each area of your business is now multi-threaded and requires ownership to ensure effective delivery and execution.

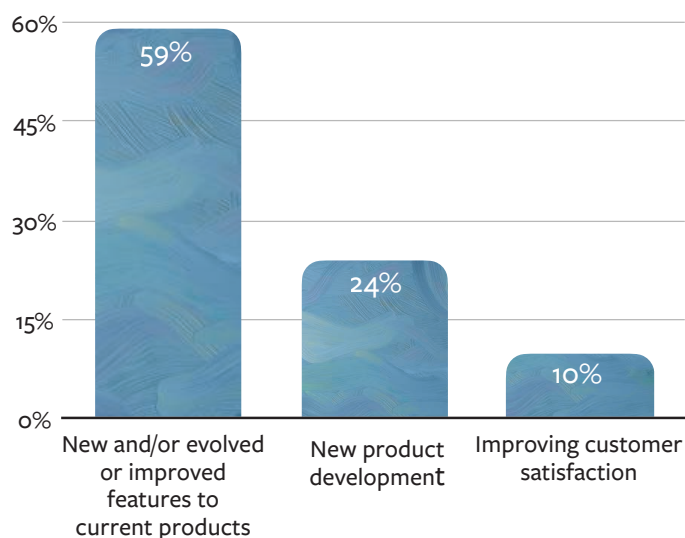


This year’s findings showcase an area for future examination in subsequent reports. Last year, there was a 50% reduction in the number of partners who do no work with SI partners. However, in this year’s responses, the number is back to previous levels (38%). While our respondent set skews to smaller partners, this may reflect a perceived reduction in SI usage.

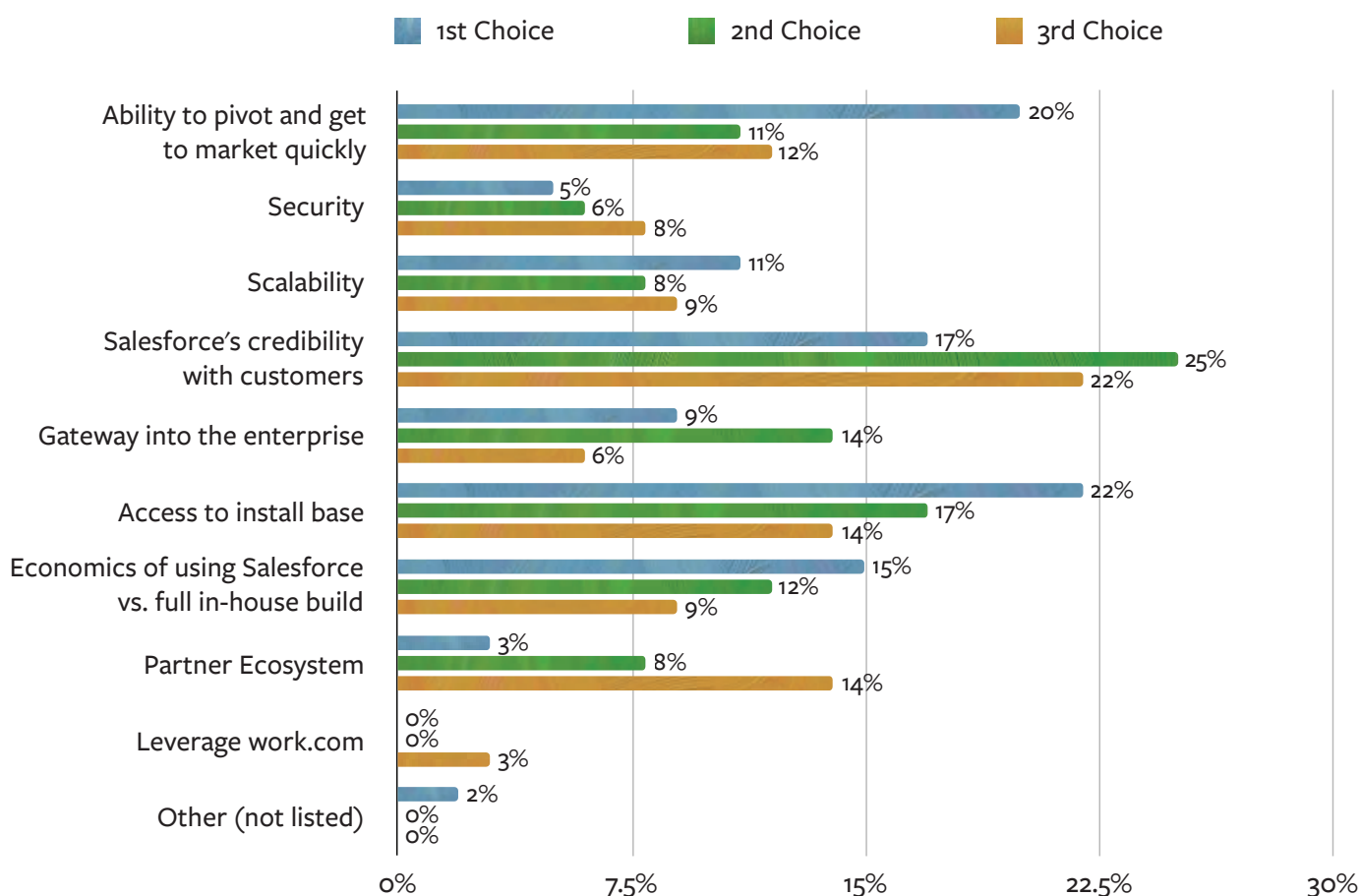


A new question this year we asked respondents was focused on partner product priorities—overwhelmingly developing features and launching new products were top of mind. As you’ll see in the Growth section, year-over-year investment into R&D is only down 2% points overall—even in these uncertain times.

WHICH OF THE FOLLOWING IS AMONG YOUR PRODUCT PRIORITIES?

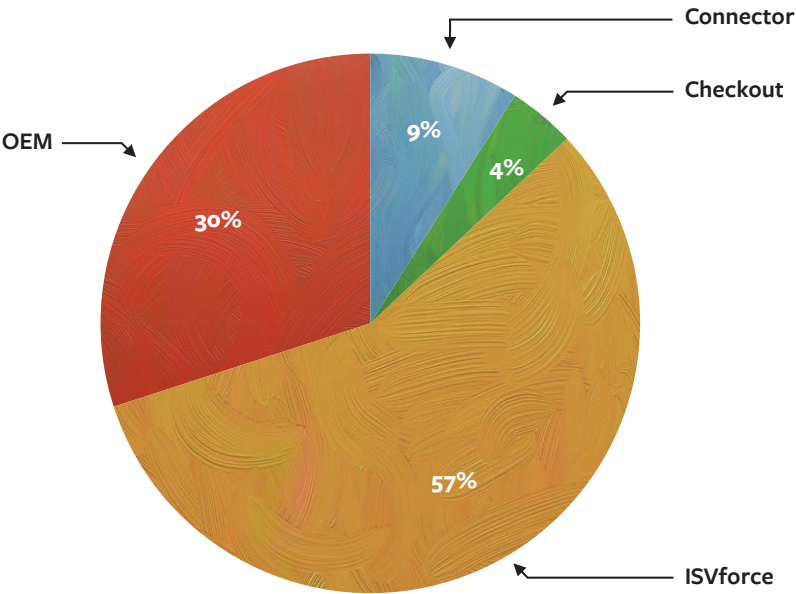


WHAT ATTRIBUTES OF THE SALESFORCE PLATFORM AND THE APPEXCHANGE WILL BE MOST CRITICAL TO YOUR ORGANIZATION’S ABILITY TO SUCCESSFULLY NAVIGATE THE POST-PANDEMIC MARKETPLACE?

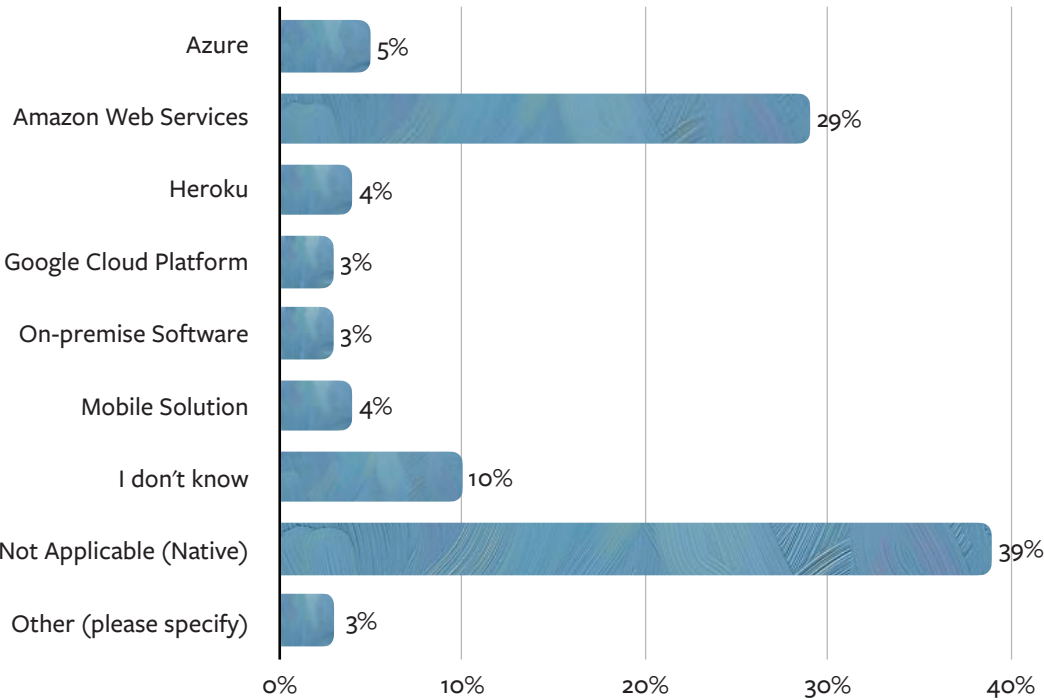


While business drivers around acquiring new customers, filling the funnel, and closing business will always remain a top priority for business leaders, the rise of evolving our product offering as a stated challenge is echoed in the sentiment of being able to pivot and get to market quickly.

WHAT KIND OF DISTRIBUTION AGREEMENT DOES YOUR COMPANY HAVE WITH SALESFORCE FOR YOUR APPEXCHANGE PRODUCTS?

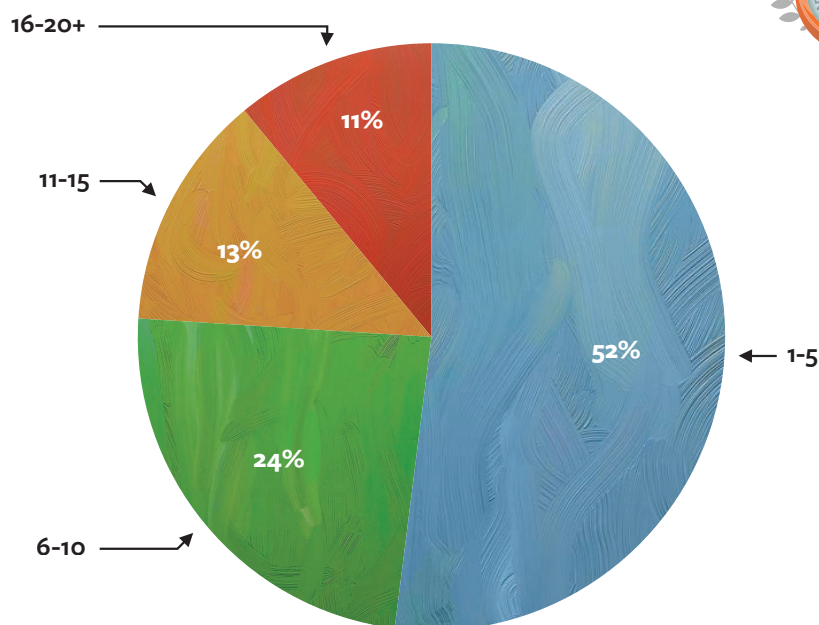


ENVIRNONMENTS FOR COMPOSITE APPLICATIONS





NUMBER OF INDUSTRIES YOUR APPLICATION SERVES



Only 19% of respondents state they are focused on a single industry. However, those partners selling into 1-5 industries remain the largest segment. With partners evolving their product offerings and searching for new channels to generate business, those who are creating industry-specific features within their application are accelerating growth, decreasing the costs of their deployments, and increasing close rates by showcasing industry expertise.

Just like last year, our respondent set shows about half (42%) of respondents sell into all three business segments (Enterprise, Midmarket, and SMB).

Those who can reinterpret their solution as business continuity are part of the “Great Separation.”

FEDERICO LARSEN
CTO & Co-Founder
Copado

In tech, there has always been a desire for speed, but the need for speed has intensified. In the face of this global pandemic, the need for companies to quickly turn around to help their customers, their employees, their communities is more important than ever. If you need to transform your digital platform or processes, you can't wait six months. Not today.

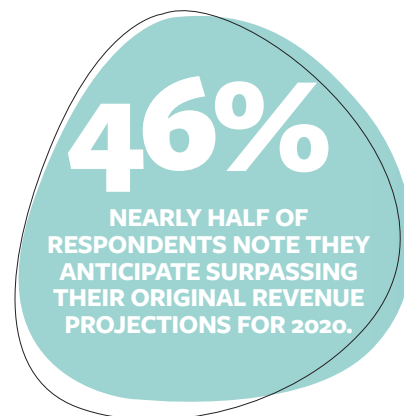




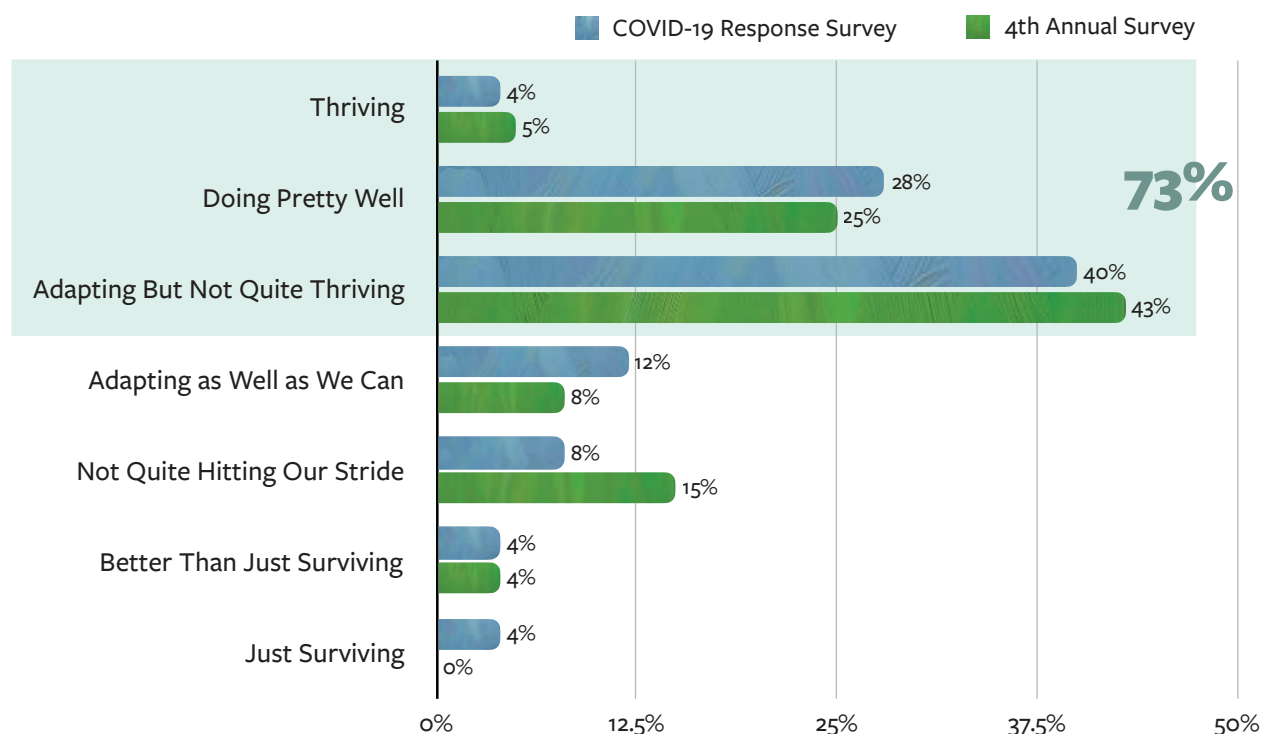
2. Growth

KEY FINDINGS:

Conventional wisdom might find growth unlikely in 2020, but our responses indicate differently. What we see is not an ecosystem that is struggling. Rather, we find that, by and large, many partners are growing for the reason highlighted in the executive summary of our report. This is echoed when we asked, “*How would you describe how your company is faring in the face of the COVID-19 crisis?*” In April, we launched a small survey to see how partners were fairing and saw many believed they were in the **Adapting to Thriving** side of the spectrum.



HOW WOULD YOU DESCRIBE HOW YOUR COMPANY IS FARING IN THE FACE OF THE COVID-19 CRISIS?

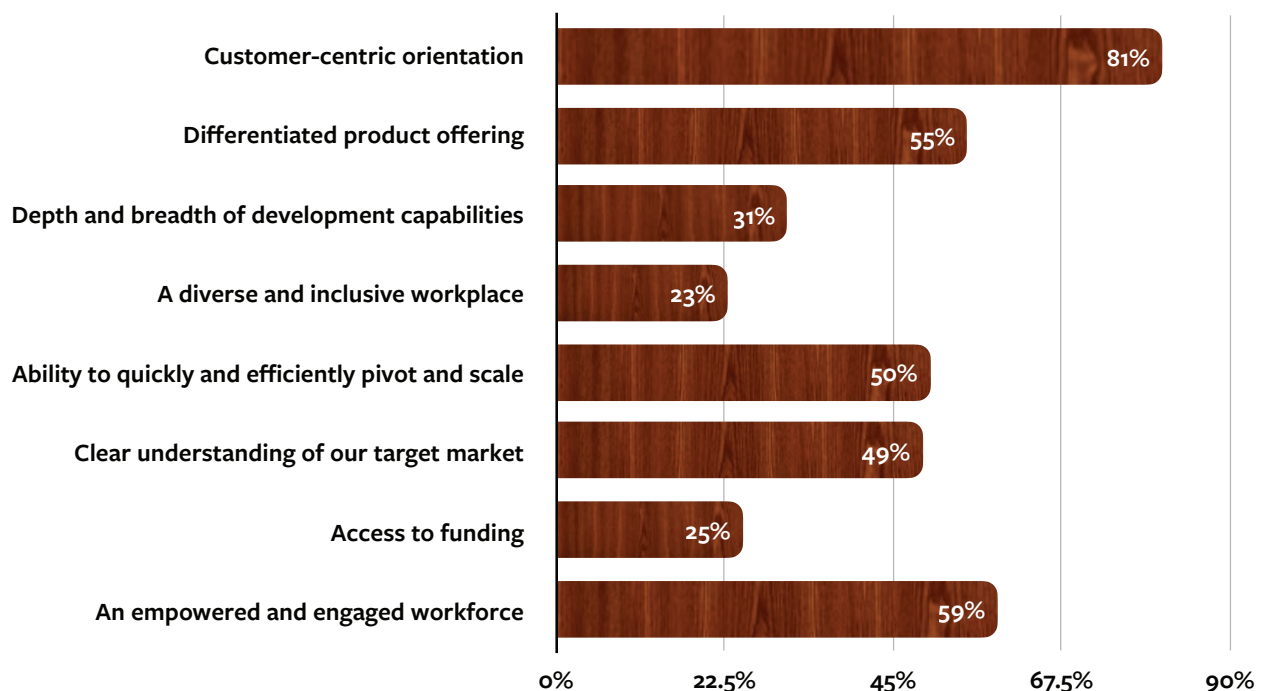


While more partners note they are **Adapting But Not Quite Thriving**, the number of partners stating that they are **Thriving** increased. Overall, those on the positive side of the spectrum have grown slightly since our COVID-19 response survey.

Through our conversations with partners, we find that smaller companies are more significantly impacted by market forces. Of those stating they are struggling in the face of marketplace challenges, 79% are companies with an anticipated revenue of less than \$5 million. Conversely, they make up 55% of the responses stating they are doing better than **Adapting as Well as We Can**.

This gap is where marketplace resilience is key. Because recurring revenue is the lifeblood of SaaS organizations, those who are minimizing churn during economic shifts are able to weather the storm—and those who can pivot and showcase themselves as essential are the ones who **Thrive**.

WHAT WOULD YOU SAY ARE THE KEY THINGS THAT HAVE CONTRIBUTED TO YOUR COMPANY'S PERFORMANCE IN THE FACE OF UNPRECEDENTED CHALLENGES

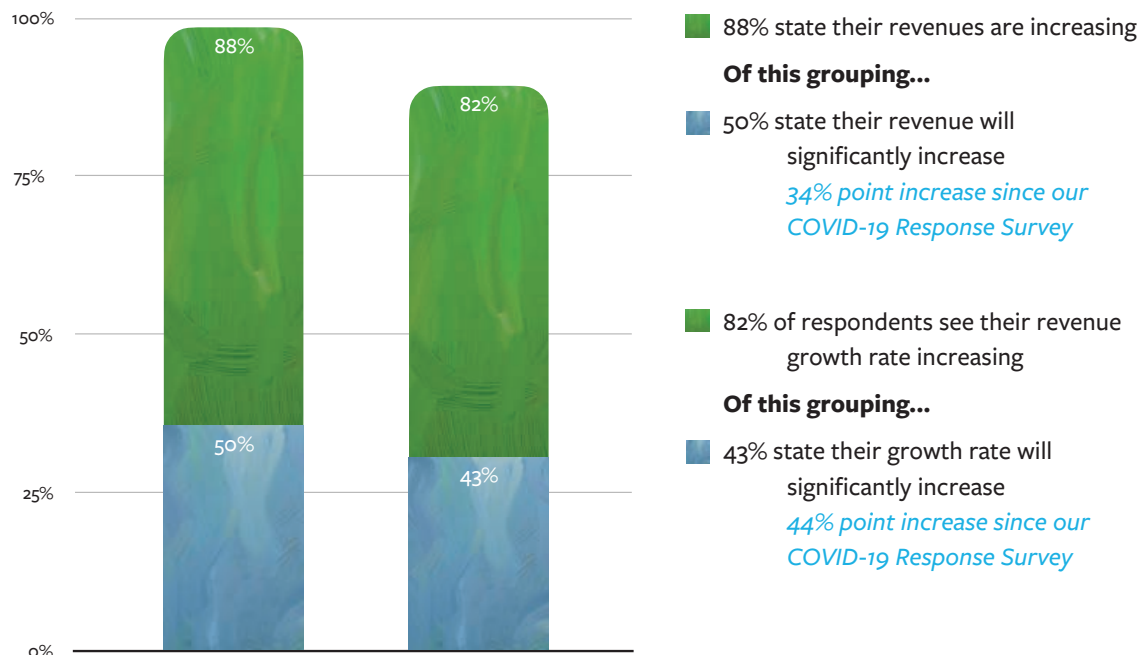


Based on the responses to the question, “How would you describe how your company is faring in the face of the COVID-19 crisis?”, nearly 3/4ths of respondents state they are on the positive side of **Adapting to Thriving**—even in the face of an uncertain marketplace.

Therefore, it is not surprising almost half of all respondents indicated 5 of the 8 options as key to their success. This suggests to not just ‘survive’ but ‘thrive,’ an organization can’t just rely on its product or infrastructure but has to be a customer-centric organization that tends to its workforce.

Overwhelmingly, we see that being focused on your customers is perceived as a key-value to not only defensibility but also as a core asset to growth.

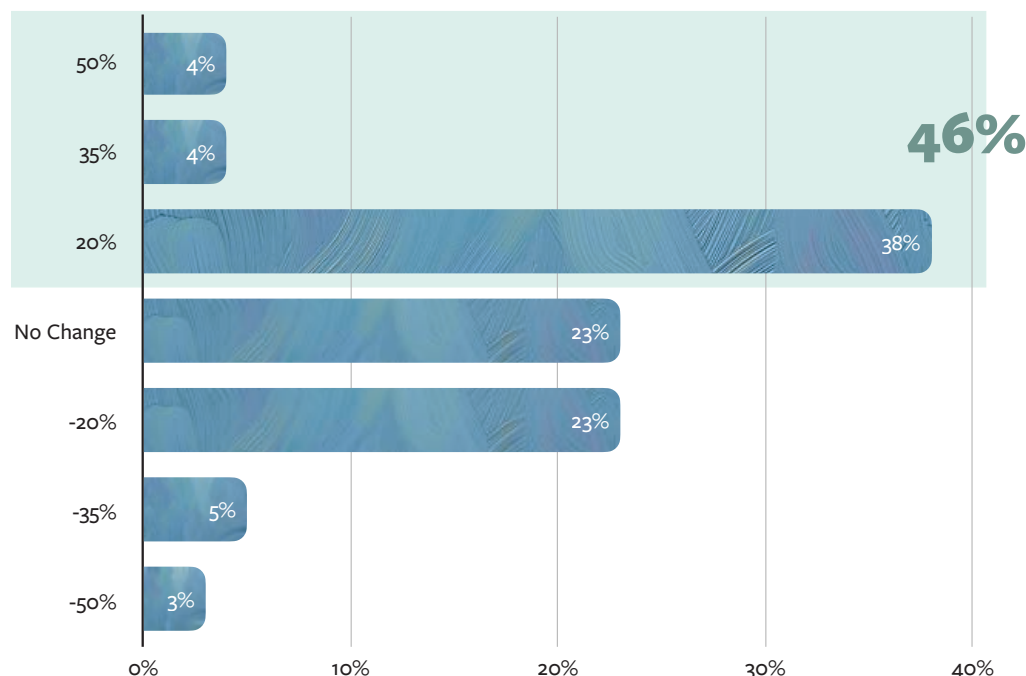
HOW DO YOU EXPECT YOUR COMPANY TO CHANGE IN THE FOLLOWING AREAS?



Confidence for many respondents has increased, with more than 4/5ths of respondents noting positive revenue indicators.

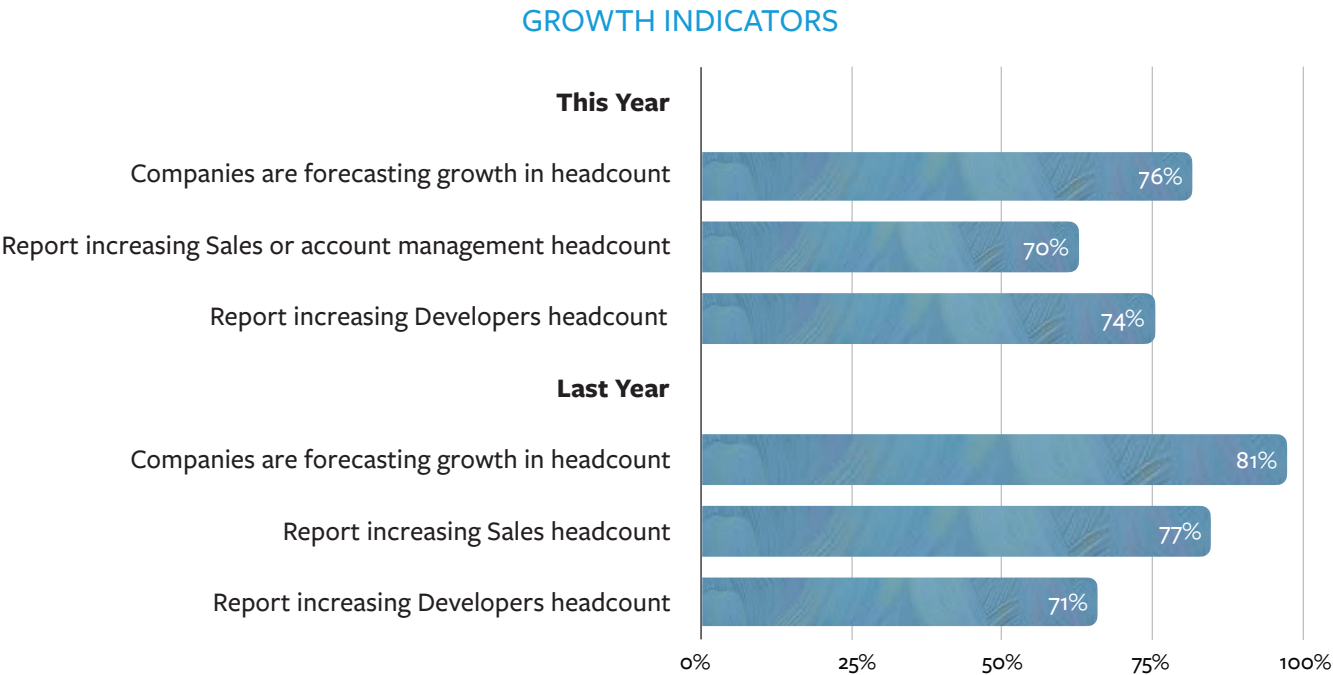
In fact, we asked participants to rank how their current revenue projection compared to their original plans for 2020.

HOW DOES YOUR CURRENT REVENUE PROJECTION COMPARE TO YOUR ORIGINAL PLANS FOR 2020?



With the need to innovate quickly, respondents, when asked about the R&D investments, expect investment levels will remain roughly consistent with last year's report. 68% (down 2% YoY) of respondents are increasing internal R&D and 30% (down 1% YoY) are increasing external R&D through PDOs.

In examining survey sentiments during our COVID response survey, there is an 18% increase in internal R&D investment and a 3% decrease in stated investment in external R&D. This drop is interesting to note where resources may be normalizing to last year levels or external projects in response to COVID-19 are wrapping up, and funds are being reinvested back into internal R&D.



Investment in the three major indicators of growth has cooled slightly, but partners are still broadly optimistic in the coming year. The resilience the ecosystem creates an opportunity for partners to continue to invest in their business and enhance their product offerings.

For those companies stating they anticipate increasing revenues significantly, 43% also state they will substantially increase employee headcount. While only 25% of those stating revenues will significantly increase also state their R&D (both internal and external) will also significantly increase.



TOP 3 CHALLENGES YOU FACE

2017	2018	2019	2020
Acquiring New Customers	Acquiring New Customers	Acquiring New Customers	Acquiring New Customers
Hiring Engineers	Hiring Engineers	Hiring Engineers (Tie) with Hiring Sales	Evolving our product offering
Reducing Implementation Costs and Time	Moving Upmarket	Increasing Customer Lifetime Value	Hiring employees

Since the inception of our report, partners have noted acquiring new customers is a primary challenge for their organization—this year, more than half of all respondents (57%) noted it is their number one challenge.

New this year, however, partners note the challenge of evolving our product offering. Respondents consistently rank this challenge as a priority across all three priorities, and this suggests a connection between evolving a product to meet potentially shifting customer demands and needs.



We are going to hire more people this year than we've ever hired.
We're on track to hit, if not potentially exceed, our original numbers for sales and revenue.



TOM MARTIN
CEO
Glance



Because of COVID, allocated Travel & Entertainment budgets have blown up, making money available to put into productivity tools such as video and other digital solutions.



KEVIN O'BRIEN
VP Strategic Partnerships &
Business Development
Vidyard



If anything, COVID has opened up our hiring options.
We no longer view geography as a barrier to hiring the best talent.



JASON HUBBARD
VP Partnerships & Alliances
SalesIntel





3. Technology & Platform

KEY FINDINGS:

We see a slight drop in the multi-app approach, potentially based on the younger composition of our response set. However, the multi-cloud approach for applications has grown 10% points to 66%. A multi-cloud strategy enables a strong cross-functionality. As newer ISVs seek to establish their product-market fit, they can bring features to market for a variety of customers.

With 73% of our respondents indicating they are building on Sales Cloud (which is a return to the levels of our 2nd Annual Report), we believe it is the avenue with which many new younger ISVs get started. Sales Cloud is Salesforce's premiere product—ISVs often build here first to access the largest install base.

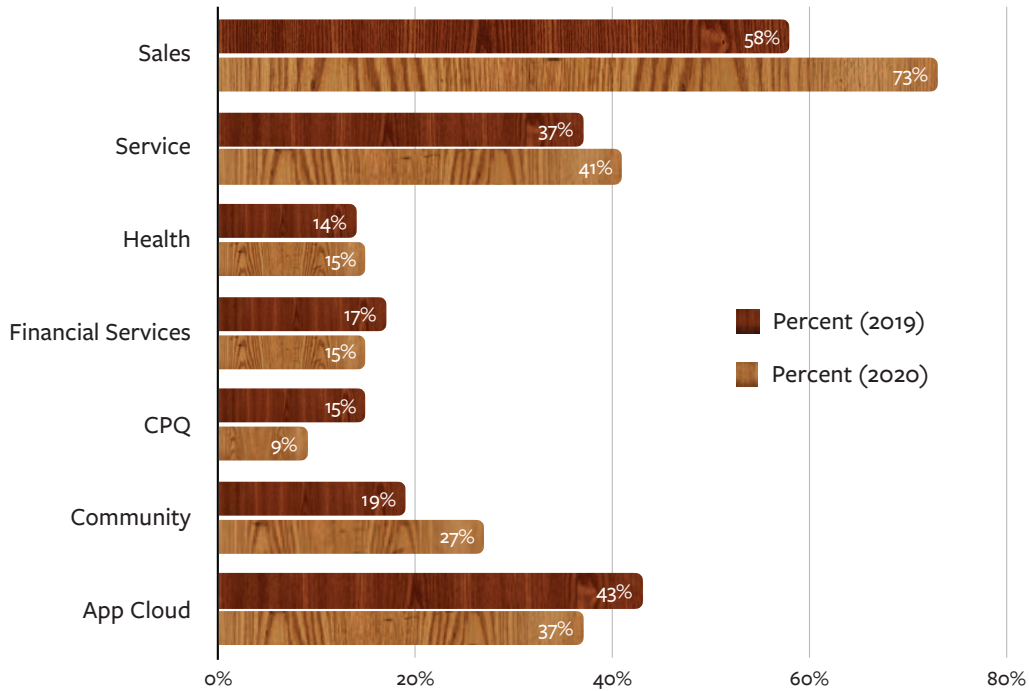
In continuing our analysis of **Lightning Platform** clouds separated from **Non-Lightning Platform** clouds, there are only moderate shifts (fewer than 5% points) for a majority of the clouds, with the exceptions being: **Sales Cloud** (up 15%), **Community Cloud** (up 8%), **App Cloud** (down 6%), and **Field Service Lightning** (up 8%).

NUMBER OF CLOUDS
BUILT UPON
(% change from 2019)

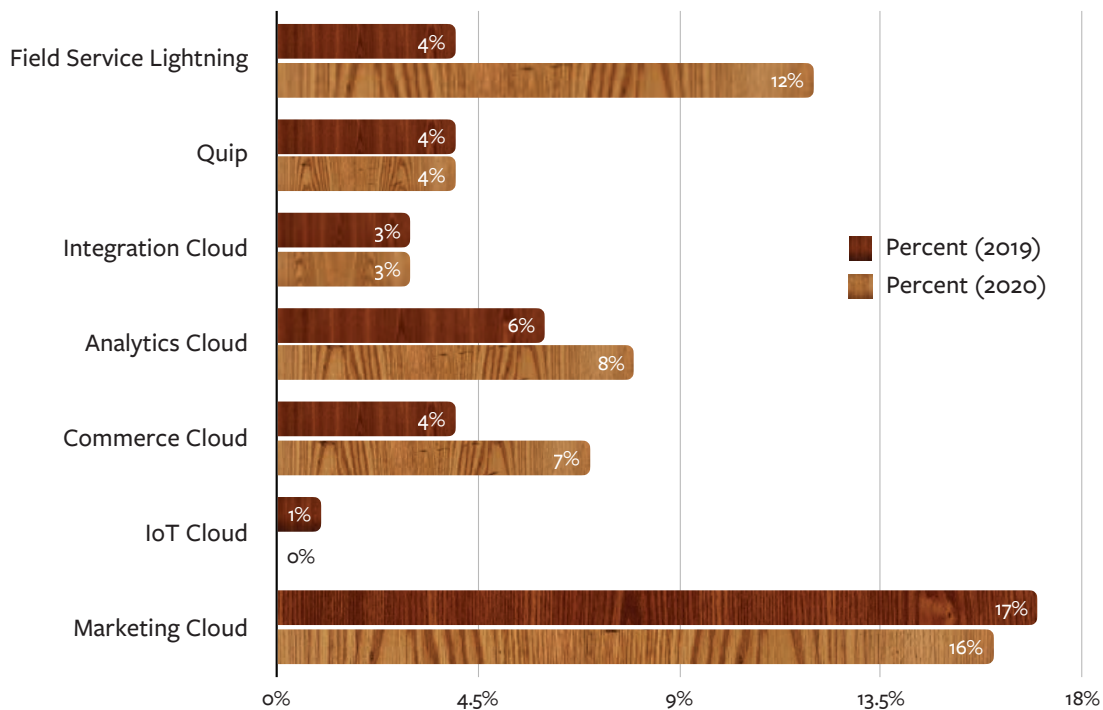
1	34%	- 10%
2	28%	+ 10%
3	16%	+ 1%
4	6%	0%
5+	16%	+ 2%

ON WHICH OF THE FOLLOWING SALESFORCE CLOUDS IS YOUR PRODUCT(S) BUILT?

LIGHTNING PLATFORM BREAKDOWN



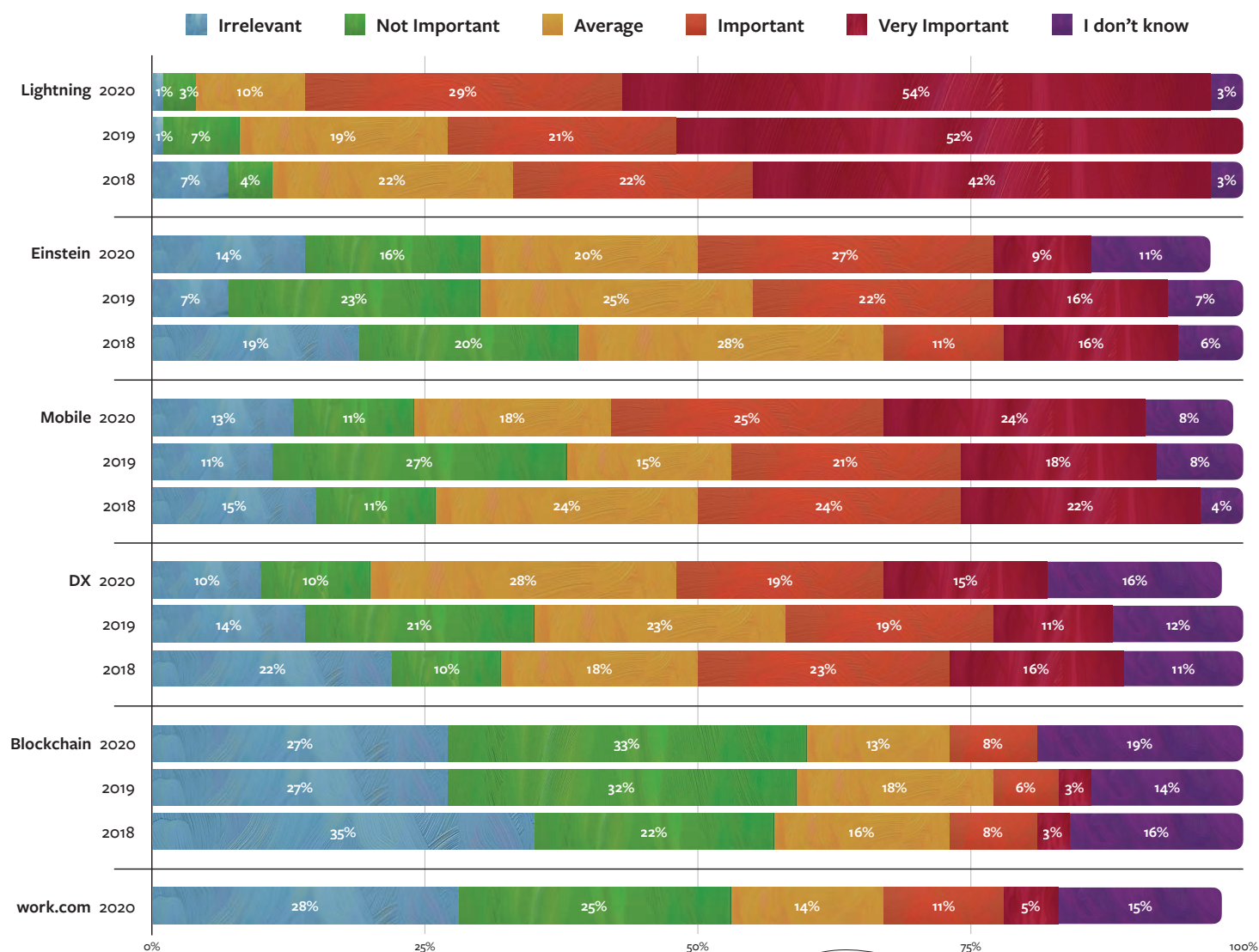
NON-LIGHTNING PLATFORM BREAKDOWN





From last year's report, a trend we are seeing continue is the idea of ISV-ready—where the longer a feature is in market, the more important it becomes to ISVs. However, this is a non-linear journey and follows the Forrester Adoption Curve. For some features, there is an initial spark of interest and a gradual cooling, as ISVs are able to evaluate and adapt into their products, which then results in a slower climb back up as the feature matures.

HOW IMPORTANT IS THE FOLLOWING FOR YOUR COMPANY? 2018-2020



BRIAN WALSH
CEO
CodeScience

Partners that leverage Salesforce for both technology and distribution have the greatest chance of winning. Architect your products to solve critical customer needs, scale to the enterprise, and provide flexibility in go-to-market opportunities.





4. Salesforce as a Channel

KEY FINDINGS:

Brandon Metcalf, CEO & Founder of Place Technology, encapsulates his sentiment of Salesforce as a channel perfectly:



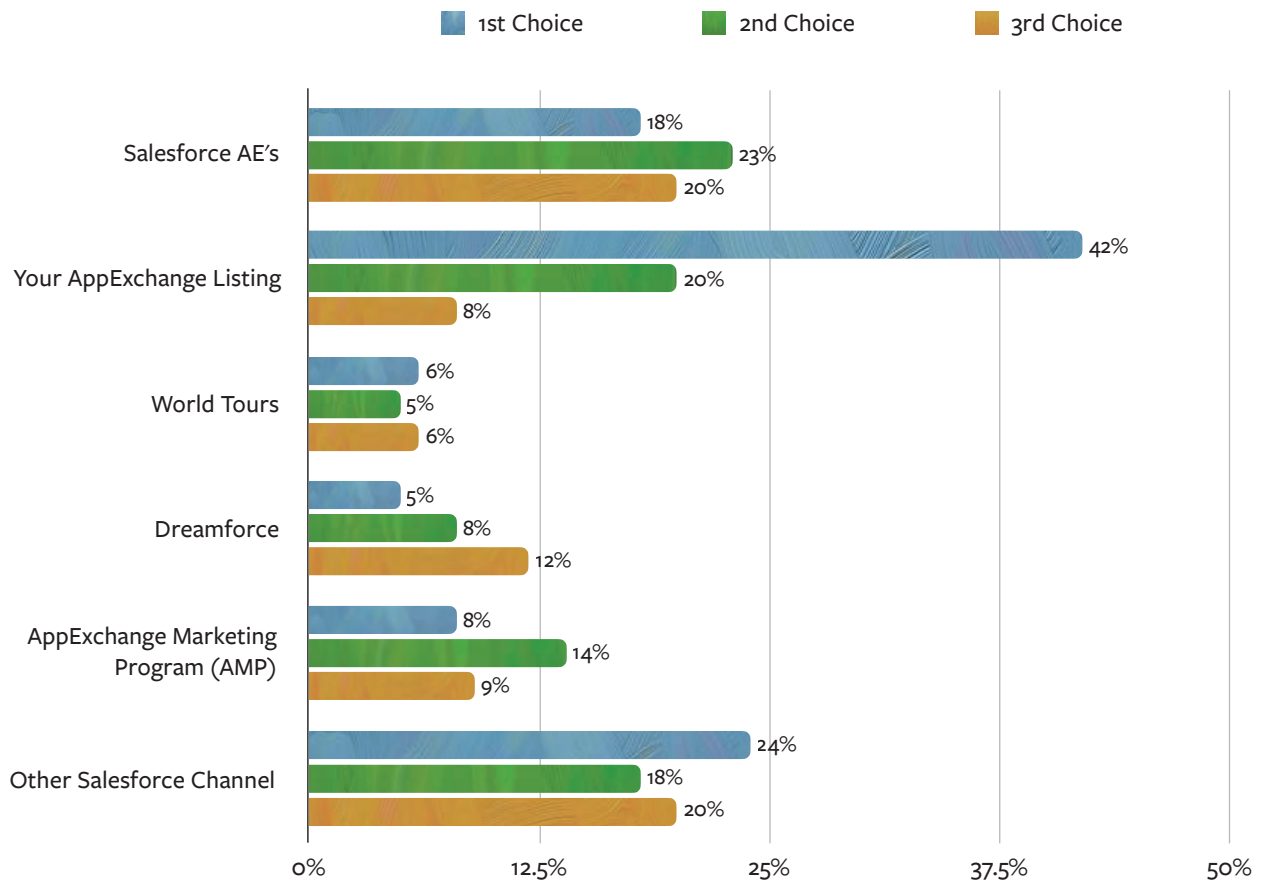
From both an investor and customer standpoint, Salesforce is reliable, stable, secure, all in all comfortable, and well known. It just checks all the boxes. When being asked to invest, two things investors look for are, one, a proven founder and two, a product that can capture a large amount of the market share in your space. Being built on a best-in-class platform dramatically accelerates that.

With Salesforce, you don't have to worry about getting hacked or if the technology is going to fail, so you can focus more on the actual problem you are solving. The platform comes with a lot of built-in features, so your agility and speed to market are greatly enhanced. This means that when you compare the cost savings and accelerated revenue that it brings to the percentage of your license you pay Salesforce, it doesn't even equate.



BRANDON METCALF
CEO & Founder
Place Technology

RANK YOUR TOP 3 SALESFORCE RELATED LEAD SOURCES FOR 2020



Respondents' **AppExchange Listings** remain the primary lead driver for the channel (42%). We've noticed an acute focus from partners on insights and analytics from the AppExchange. This year we saw the partner program evolve, and new features within the AppExchange and in-app analytics become available for many more partners. As these investments continue, it will be interesting to see the trends for next year as events remain uncertain.

Again, like last year, **Salesforce AEs** claim the second spot, with 18% of respondents noting it as their primary lead driver and nearly a quarter (23%) noting it as their second.

56% of last year's survey respondents note they were increasing or maintaining their investment in Dreamforce. With Dreamforce transitioning to a fully virtual format having yet to be announced during our survey period, this leaves a major question mark for us this year on how respondents would respond.

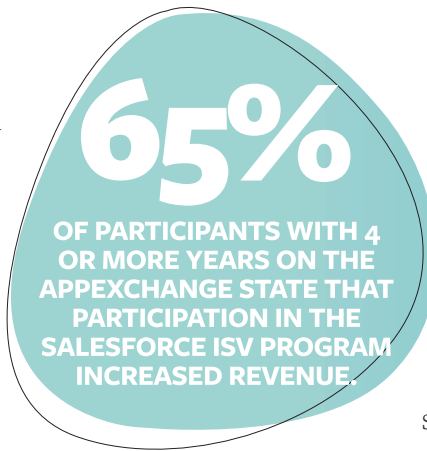
For the tertiary lead source, the catch-all category of **Other Salesforce Channel** tied with **Salesforce AEs**. ISVs with strong alliances programs and investments are the ones who traditionally garner the most results from these channels. However, Alliance programs cannot be stood up overnight and require continued investment and effort. Next year's survey will provide an



interesting look at partner lead sources.

Overall, more than half of participants state that their participation in the Salesforce ISV program increased their revenues.

However, there seems to be an inflection point for partners where a longer tenure in the program generates greater success.



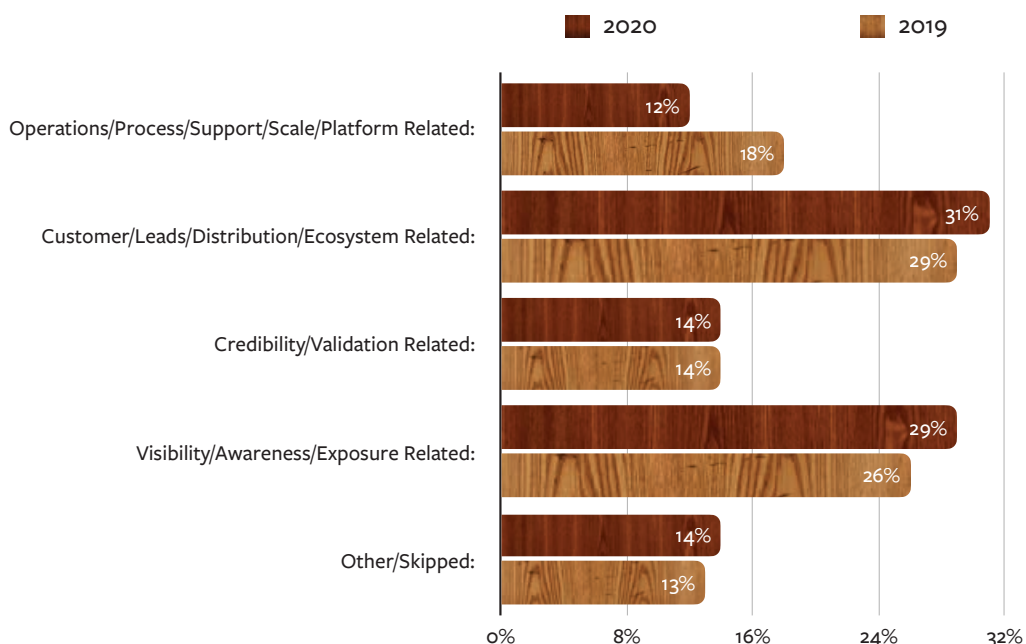
The responses show that once you hit the four-year mark, you're more likely to note that participation increases revenues. While we have noted there were more smaller companies and younger participants in this year's survey, it will be interesting to examine, based on next year's findings, if this trend stays the same.

CHANNEL SENTIMENTS

With the overwhelming amount of responses we received in last year's survey, we again wanted to give partners a chance to share their feedback about the ecosystem—both what has been beneficial and the areas in which Salesforce can improve. Given the unique conditions we find ourselves in, we rephrased the questions slightly. *“What would you say is the most beneficial thing about the AppExchange for Partners?”* and *“What could Salesforce do to better support your company's ability to not just adapt but thrive in today's economy?”*

We've adjusted the themes slightly from last year, but most of the sentiments remain the same:

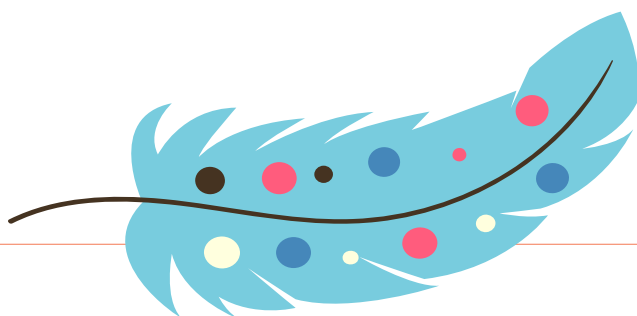
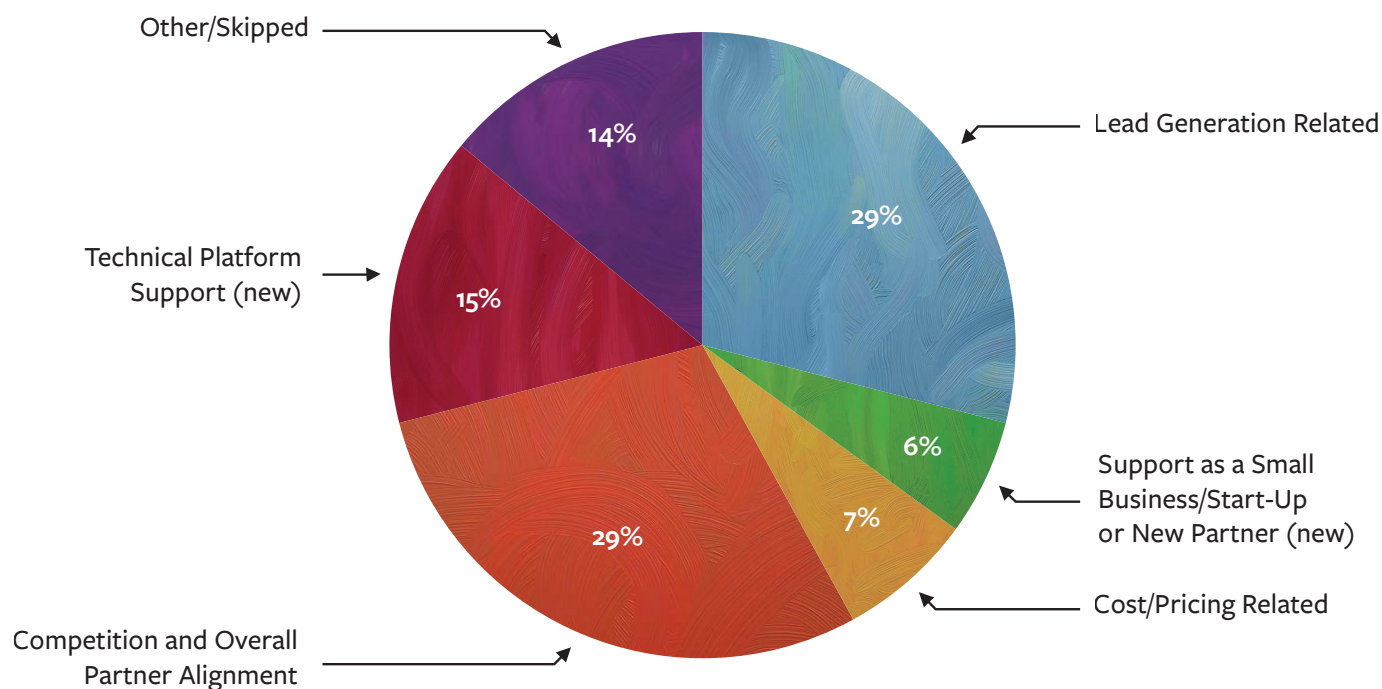
WHAT WOULD YOU SAY IS THE MOST BENEFICIAL THING ABOUT THE APPEXCHANGE FOR PARTNERS? (90% RESPONSE RATE)



- *“The ability to quickly distribute and implement a solution to customers.”*
- *“Exposure to Prospects + Exposure to SF AEs & SEs.”*
- *“Security vetting, credibility, presence.”*

There are slight increases in the mentions of Customer, Leads, and Distribution-related responses and visibility-related concerns. Noting the statements from respondents around the importance of acquiring customers, Salesforce’s credibility, and access to the install base—these increases are not surprising. These themes remain consistent regardless of the companies’ size—however, smaller companies include a few more mentions around operational and platform benefits.

WHAT COULD SALESFORCE DO TO BETTER SUPPORT YOUR COMPANY’S ABILITY TO NOT JUST ADAPT BUT THRIVE IN TODAY’S ECONOMY? (85% RESPONSE RATE)





Given the change in the question, a few different themes emerge. Respondent sentiment didn't come across as any more urgent or desperate than last year, but we do see distinct requests around support emerge.

LEAD GENERATION

Respondents are hungry for leads to support their businesses. Notably, this year, there is almost a 3x increase in requests for support in lead generation. Responses also include requests for new packaging and pricing opportunities for marketing, as well as shortcuts in to find their “fit” with Salesforce.

SUPPORT AS A SMALL BUSINESS/START-UP OR NEW PARTNER

While these requests represent the smallest pool of requests, there was a notable pattern in each of these where the respondent called out they are a small business or start-up. As Salesforce has launched products to smaller businesses, the partner ecosystem is catching up, and now ISVs are looking for ways in which to ensure their programs succeed.

COST/PRICING RELATED

Concerns around costs and pricing revolve primarily around reducing the complexity of the new program that was announced at last year's Dreamforce. Additionally, respondents

express some frustration around the new pricing structure for platform add-ons, which are part of the new partner program.

COMPETITION AND OVERALL PARTNER ALIGNMENT

While channel conflict is always noted as an area for improvement, this year's responses took a different shape—respondents are requesting more time with their AEs and PAMs to collaborate around opportunities. Additionally, there are requests around finding support with the direct team to incorporate their solution.

TECHNICAL PLATFORM SUPPORT

Requests in this section revolve around challenges with the feature releases and partner enablement. Requests span from “clearer documentation” to more frequent communications through a wider variety of channels to partners. Some partners also note frustrations in the Security Review process, where applications were processed too slowly, or the issues surfaced within that process were not clear.





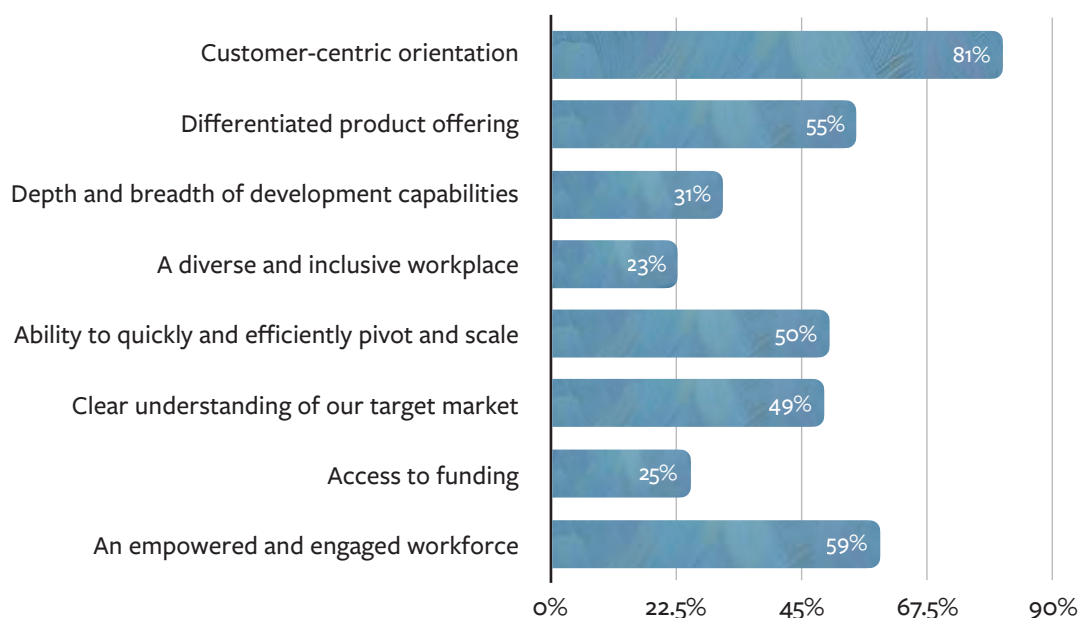
5. Diversity & Inclusion

Protests erupted in the U.S. after the deaths of George Floyd and Breonna Taylor, dominating headlines and conversations. They also generated urgent reflections on our role in the technology industry, in solving diversity, inclusivity, and equality issues. Zen priest, Rev. angel Kyodo williams shared in an interview, *“What is dying, I think, is the willingness to be in denial...and when it happens in enough of us, in a short enough period of time, at the same time, then you have a tipping point.”*

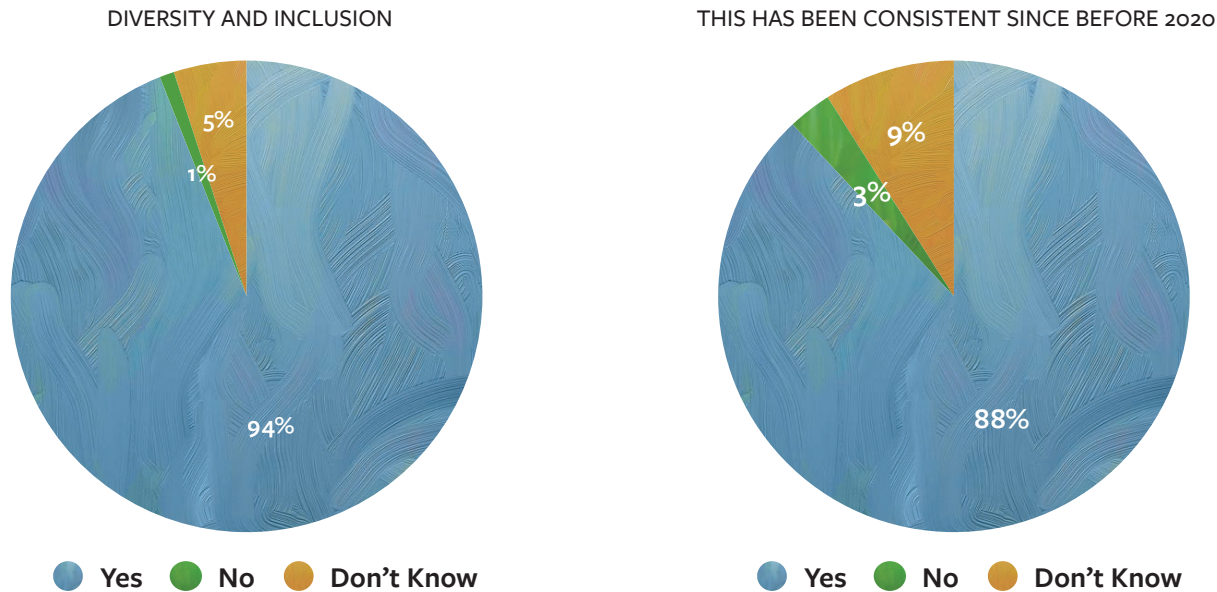
This section examines if the ecosystem views this year as a tipping point and a catalyst for elevating diversity and inclusivity issues. It is important to note that we, at CodeScience, are learning about diversity and inclusivity, and are far from perfect. We overcame our initial hesitation by accepting that we will make mistakes in reporting on this subject, but we are committed to its importance.

BY THE NUMBERS

WHAT WOULD YOU SAY ARE THE KEY THINGS THAT HAVE CONTRIBUTED TO YOUR COMPANY’S PERFORMANCE IN THE FACE OF UNPRECEDENTED CHALLENGES?

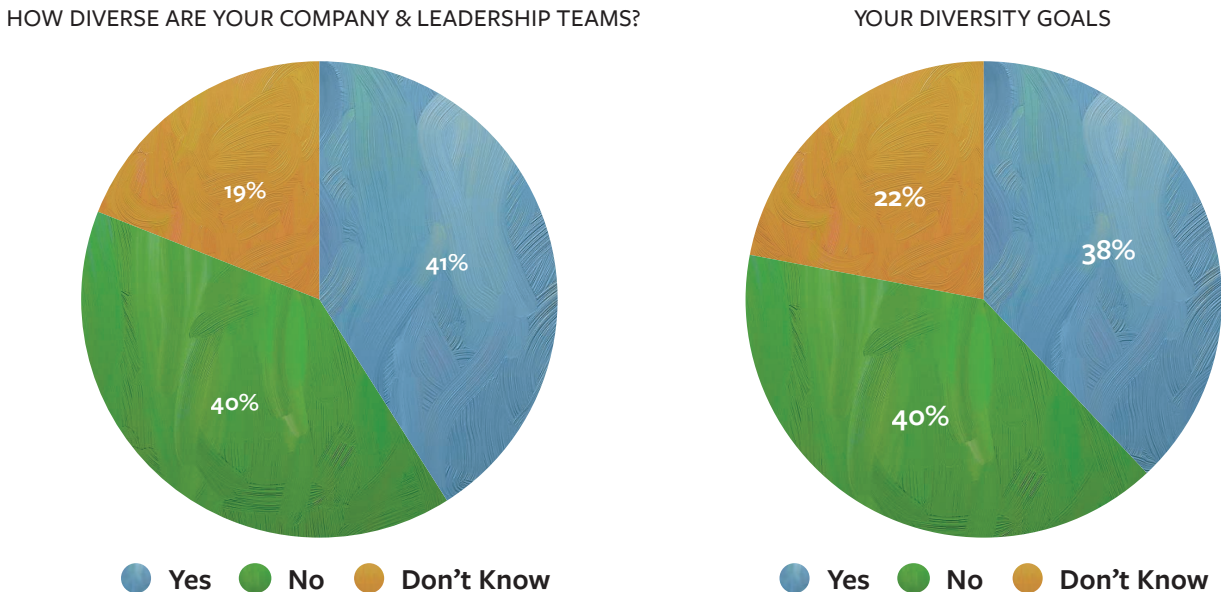


AT MY COMPANY, OUR SHARED VALUES AND PRIORITIES INCLUDE...



Only 23% of respondents indicate that a diverse and inclusive workplace was a key driver that contributed to their company’s performance. However, an overwhelming majority of respondents state Diversity & Inclusion is a priority and has been a priority since before 2020. While we note the shortcomings of the question presented—where many will not actively state that D&I initiatives are not a priority—the gap between these two questions indicates respondents may not have a clear understanding of how D&I contributes to their organizational performance and success thereof.

DOES YOUR COMPANY CURRENTLY MAKE AVAILABLE INFORMATION ABOUT...





With over half the respondents noting “No” or “Don’t Know,” there is a tremendous opportunity for respondents to report on the diversity composition of their leadership team, as well as their diversity goals.

We had the chance to sit down with a number of ISVs to get a deeper understanding of their initiatives in D&I.

HOW SERVICEMAX ADDRESSES THESE ISSUES

At ServiceMax, they have partnered with the Young Women’s Christian Association (YWCA) to deploy a company-wide program called the “21 Day Challenge.” ServiceMax’s Diversity, Equity & Inclusion Officer, Amber Logan, outlines the initiative:


“To help our employees better understand some of the current issues affecting us as a society and help us collectively drive change, we introduced a program in collaboration with the YWCA called the “21 Day Challenge.” This voluntary learning opportunity is designed to foster open and honest conversations around social justice habits, particularly those dealing with issues of race, power, privilege, and leadership.

Participants receive a daily email with challenges such as reading an article, listening to a podcast, or reflecting on personal experience. At the end of each week, our Diversity, Equity & Inclusion team hosts a wrap-up discussion where employees can share their learnings, connect, and identify ways to dismantle racism and other forms of discrimination that impact our community.

The challenge is run quarterly, with new topics introduced each time. Following the “21 Day Challenge,” our teams are encouraged to put their learnings into action by providing community support through company-led volunteer initiatives.”

AMBER LOGAN
Diversity, Equity, & Inclusion Officer
ServiceMax

Here are insights from ServiceMax employees about the program.



Everything is connected. While that is an overwhelming realization to the individual, our focus groups give me hope that communities of individuals can come together to work for changes. This unjust and harmful system is working as intended by a few—it will take many of us to transform it.

ANGELA L.

This program helped me realize how many people are still fighting for something that is their right to have. The “21 Day Challenge” is pushing me to think about how we can take action and foster change!

MAURO P.

I hope Diversity, Equity, & Inclusion groups & programs like the “21 Day Challenge” are implemented in all businesses because it’s needed. No one race is better or worse than another & asking to be treated equally & fairly is not too much to ask.

SERVICEMAXER

BE THE CHANGE YOU WANT TO SEE

In order to attract a more diverse workforce, people need to be able to imagine themselves doing certain jobs, working in the environment companies have created. Dory Weiss, VP of Engineering of nCino built upon the idea, “when you see yourself reflected in a company, particularly in a leadership team, that is powerful.” All of our interviewees echoed Weiss’ belief that a diverse team helps develop communities and reinforces diversity.

To reflect diversity and inclusivity in a company is not a passive process. Weiss shared with us some of the programs nCino has adopted to ensure that Diversity and Inclusion are core to their business.

First and foremost, nCino created a Diversity and Inclusion Council—a group of employees who represent the diversity needs of the organization. Each month, this group meets with Pierre Naudé, CEO of nCino, to discuss the experiences of underrepresented employees, check-in on the active initiatives, and prioritize future efforts. This ensures that everyone at nCino has an opportunity to excel.

So far, these initiatives have yielded Affinity Groups—employee-created and led groups for those “with a shared identity or experience that fundamentally affects their experience as employees of nCino.” To date, three groups have emerged:

- Diaspora: For African-American employees
- nPride: An LGBTQ+ group
- Veterans Network



To ensure support, each group has an executive sponsor from nCino's C-suite. And while this initiative is in its starting stages, the Diaspora group has created specific programming around the anniversary of the 1898 Wilmington Coup.

Part of its ongoing recruiting initiatives, nCino is expanding and establishing long-term relationships with Historically Black Colleges and Universities (HBCUs), non-profit organizations focused on diversity, and minority networking groups.

As nCino's workforce continues to expand, leadership is creating annual employee training initiatives around allyship and implicit biases, with other topics to be defined by executives and their Diversity and Inclusion Council.

Weiss highlighted that diversity and inclusion are not a secondary thought, sharing, "Diversity and Inclusion are core to our values. This enables us to position these efforts as central to who we are, rather than a set of initiatives or policies that we layer on top."

Crunchbase took action by integrating diversity data into its core product. As of June 2020, [Crunchbase integrated a diversity spotlight](#) so companies can be found based on diversity information. With this feature, entrepreneurs are now able to highlight diversity on their own company profiles. Investors are able to create visibility into the diversity of their portfolio. Mark Chan on the product team at Crunchbase shared, "At Crunchbase, we're using our product and platform to help our customers achieve their goals when it comes to Diversity and Inclusion."

The screenshot displays the Crunchbase Pro interface for a company profile. At the top, there's a search bar and navigation tabs. The main header shows the company name 'Acme Co.' and a 'SAVE' button. Below this, there are tabs for 'Summary', 'Financials', 'People', 'Technology', 'Signals & News', and 'Admin'. The 'Overview' tab is selected, showing key metrics: 'Total Funding Amount' at '\$20M' and 'CB Rank (Company)' at '4,141'. A 'Description' box states: 'Acme Co. provides a platform for finding information about private and public companies.' A 'Diversity Spotlight' callout box is overlaid on the left, with the text 'Black Led, Black Founded'. The 'Industries' section lists 'Analytics, Big Data, Business Intelligence, Communities, Venture Capital'. Other details include 'Headquarters Location' (San Francisco, California, United States), 'Founded Date' (Jul 1, 2017), 'Operating Status' (Active), 'Last Funding Type' (Series C), 'Estimated Revenue Range' (10M - 50M), 'Legal Name' (Acme Company), 'IPO Status' (Private), and 'Company Type' (For Profit).

crunchbase pro Search Crunchbase Advanced

Search Investors Q, SAVE SEARCH

Companies People Investors Funding Rounds Acquisitions Schools Events Hubs Saved

Filters CLEAR 1-50 Next > of 100,000+ results EDIT VIEW EXPORT TO CSV

Diversity Spotlight
Q E.g. Black Led, Latinx Founded

Type
☐ Venture Capital
☐ Individual/Angel
☐ Private Equity Firm
☐ Accelerator
 + More Options

Number of Investments
 Enter number - Enter number

Number of Exits
 Enter number - Enter number

Number of Portfolio Organizations
 Enter number - Enter number

Organization/Person Name	Number of Investments	Number of Exits	Location	Number of Diversity Investments
1. Investin VC	3,729	98	Brussels, Brussels Hoofdstedelijk Gewe...	1
2. MarketCapital Inc.	2,865	231	Boulder, Colorado, United States	56
3. Acme VC	2,842	285	Mountain View, California, United States	78
4. Investorz Inc.	2,276	229	San Francisco, California, United States	48
5. Investment Street VC	1,724	44	Princeton, New Jersey, United States	7
6. Capital Gainz Inc.	1,643	361	Menlo Park, California, United States	17
7. Invested Inc.	1,420	293	Palo Alto, California, United States	6
8. Dollar Mountain Ventures	1,362	401	Santa Clara, California, United States	6
9. Success Valley VC	1,346	86	Boston, Massachusetts, United States	6

crunchbase pro Search Crunchbase Advanced

ACME VC SAVE

Summary Financials Investments People Technology Signals & News Admin

Diversity Investments

Number of Diversity Investments 22

What type of diverse organizations has this organization most actively invested in? HIDE

Diversity Investments by Type

Announced Date	Organization Name	Organization Diversity	Funding Round	Money Raised
Oct 27, 2019	Pipers Co.	Black Founded	Series C - Pipers Co.	\$30M
Apr 6, 2017	OMIS	Black Founded	Series B - OMIS	\$18M
Jan 17, 2017	Investorz	Latinx Founded	Series B - Investorz	\$100M
Sep 22, 2015	Market Capital	Black Founded	Series A - Market Capital	\$6.5M

THE SALESFORCE ECOSYSTEM AS AN AGENT FOR CHANGE

Salesforce hired Tony Prophet as their Chief Equality Officer in September of 2016. They have been very public in their goals for establishing a diverse, equitable, and inclusive workforce, publishing their report card online at <https://www.salesforce.com/company/equality>. This work internally attracts entrepreneurs who share similar values.



Ashley Allen, CEO & Co-Founder of ITequality, attended a Salesforce sponsored event where a woman walked on stage and said, *“Hello. My name is Mary Scotton, and I am a lesbian, and we’re going to spend the next hour talking about equality.”* For Allen, this was evidence they could work with Salesforce, feeling safe to be open about their backstory and who they love. *“I could be out in a safe place. That is why I chose to work with Salesforce as a partner while emphasizing diversity in the way ITequality does,”* Allen explained. *“I wanted people to be able to see a company like ours where they can say, ‘I can be accepted and have a good job in tech without having to erase my own identity.’”*

Emphasizing the definition of partnership, Allen is empowered to push Salesforce’s boundaries as well. They have been working with the Office of Supplier Diversity to improve the AppExchange

Marketplace, adding functionality to search for apps and partners that are owned by underrepresented groups. They have also been working with the Office of Equality to assist with things like gender-neutral bathrooms.

AN ONGOING JOURNEY

Skedulo’s Co-Founder and CEO, Matt Fairhurst, outlined their path on investing in D&I initiatives. He highlighted that fast, significant change is an unrealistic expectation. Each improvement made in diversity metrics is just a step in a marathon that never actually has a finish line. However, each step should be shared broadly and celebrated.

Our hope for future reports is to provide greater insight into how underrepresented employees, leaders, and business owners are highlighted and celebrated across the ecosystem.

When you’re a part of a minority in a field, companies can spend a lot of money trying to recruit. They might sincerely want to attract that talent, but if you’re the first one like you in a company, that can be a really difficult thing to be—there’s a point at which critical mass makes a difference.

DORY WEISS
VP of Engineering
nCino

While diversity and inclusion embrace a lot more than gender diversity—in my optimistic days, of which I have many—I think things have really changed for women in the tech field.

STACEY EPSTEIN
Chief Marketing & Customer
Experience Officer
ServiceMax



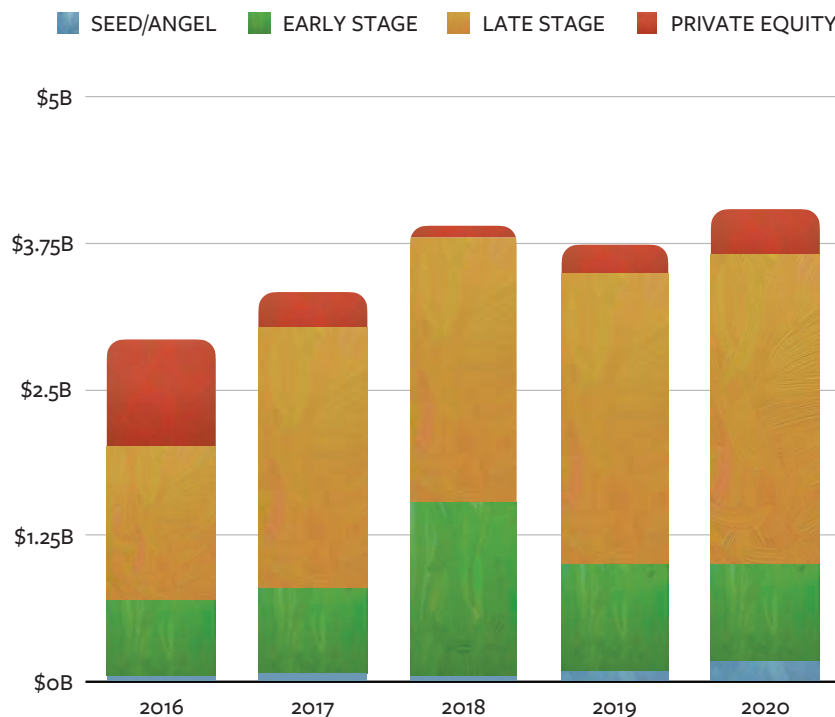
6. Investments (powered by crunchbase)

For the second year in a row, we have partnered with Crunchbase to gather deep insight into the broader investment ecosystem for companies on the AppExchange.

KEY FINDINGS:

Despite a global pandemic, funding has remained strong in AppExchange companies this year. As of December, venture funding to those companies has reached over \$4 billion, representing over 8 percent growth of the \$3.7 billion invested in 2019. Investment in late-stage rounds account for 66 percent of funding so far in 2020, and funding at seed/angel has reached \$181 million, a record for this stage in the last five years.

VENTURE FUNDING FOR APPEXCHANGE COMPANIES



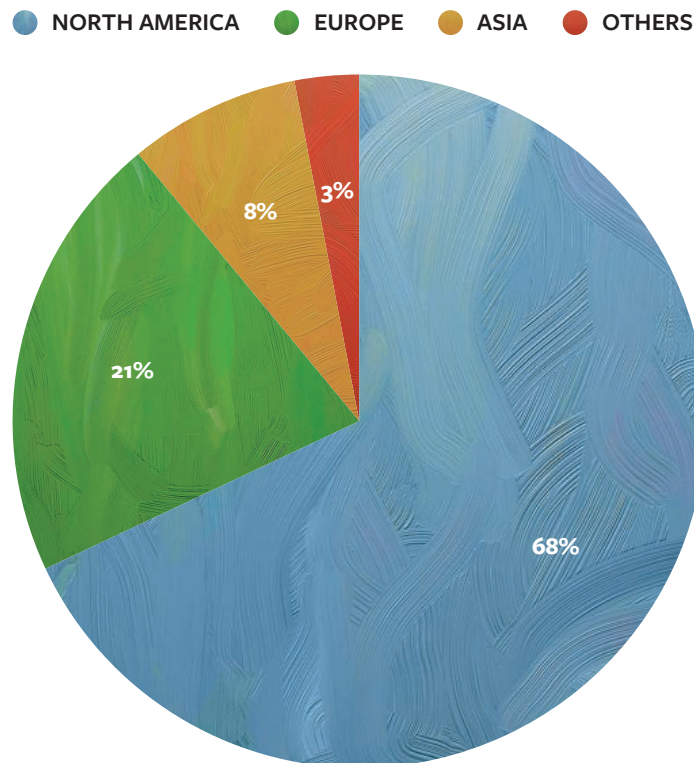
The largest funding rounds in AppExchange companies in 2020 include:

- A \$340 million Series G for [Netskope](#), a cloud security provider based in Santa Clara, California
- A \$225 million Series E for [UiPath](#), a New York-based robotic process automation company
- A \$200 million Series C for [AvePoint](#), a cloud governance provider, based in Jersey City

LOCATION

The majority of companies in the AppExchange are headquartered in North America at 68% (61% total in the U.S.), 21% are based in Europe, and 8% are based in Asia.

LOCATION OF APPEXCHANGE COMPANIES



ACTIVE INVESTORS

The most active investors in 2020 so far include [Salesforce Ventures](#), based out of Silicon Valley; [Insight Partners](#), a growth-stage software investor based in New York; and [Norwest Venture Partners](#), a growth equity and venture investor based in Silicon Valley. Along with leader [Salesforce Ventures](#), the past five years has seen [Insight Partners](#) and [Lighter Capital](#)—with 15 and 14 companies, respectively—as the top investors in AppExchange companies.

TOP APPEXCHANGE INVESTORS (2016–2020)

INVESTOR	COMPANY COUNT
Salesforce Ventures	54
Insight Partners	15
Lighter Capital	14
Accel Capital	12
Shasta Ventures	10
Battery Ventures	9
Goldman Sachs	9
Kleiner Perkins	9
ICONIQ Capital	8
Norwest Venture Partners	8
Lightspeed Venture Partners	8
Alumni Ventures Group	7
Andreessen Horowitz	7
Bessemer Ventures	7
M12	7
Scale Venture Partners	7

ACQUISITIONS IN 2020

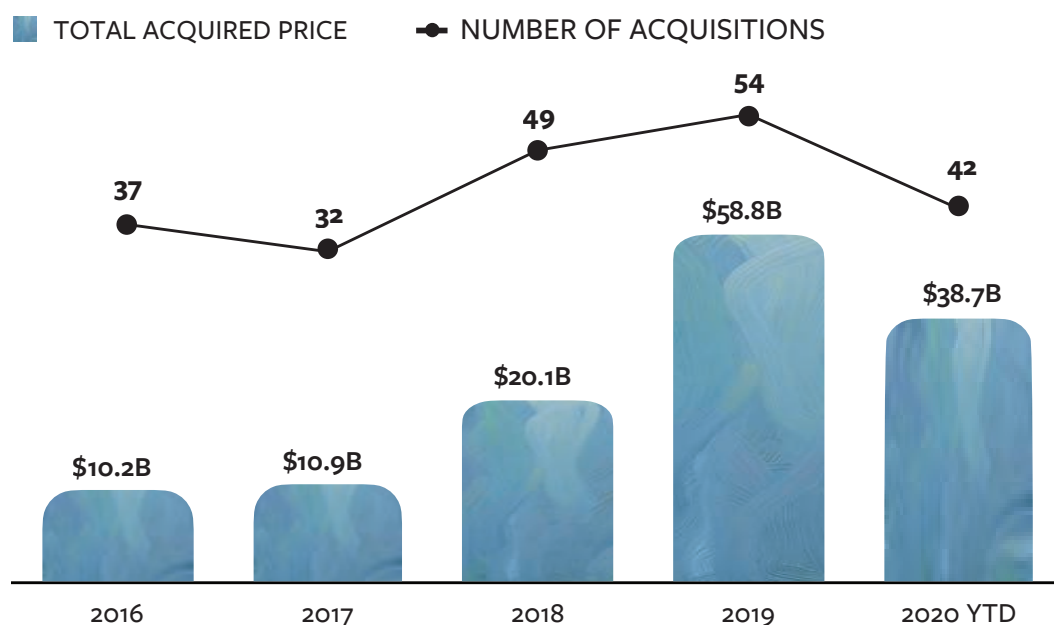
The largest acquisition of an AppExchange company in 2020 was that of workplace collaboration software [Slack](#), acquired by [Salesforce](#) for \$27.7 billion. Other \$1 billion-plus acquisitions so far in 2020 include:

- Insurance technology company [Vertafore](#) acquired by [Roper Technologies](#).
- Talent management platform [Saba Software](#) acquired by [Cornerstone OnDemand](#)
- Cloud deployment and digital transformation company [Vlocity](#) acquired by Salesforce
- Customer success platform [Gainsight](#) acquired by [Vista Equity Partners](#).
- Intelligent language and content company [SDL](#) acquired by [RWS Group](#)

Compared to 2019, 2020 has been a slower year in terms of acquisitions. Notable 2019 acquisitions include [Tableau](#) (acquired by Salesforce) and [Symantec](#) (acquired by [Broadcom](#)).

Since 2016, private-equity firm [Thoma Bravo](#) and Salesforce are tied for acquiring the most AppExchange companies at seven each. Among Thoma Bravo's acquisitions were business productivity software provider [Nintex](#) and business process management company [Apttus](#). [Vista Equity Partners](#) comes next with five acquisitions, and [Marlin Equity Partners](#), [Insight Partners](#), and [E2open](#) each acquired three.

APPEXCHANGE COMPANY ACQUISITIONS





IPOS

Three AppExchange companies went public in 2020, all on Nasdaq. B2B contact provider [Zoominfo](#) IPO'd in June with a valuation of \$8.2 billion. Cloud-based bank operating system [nCino](#) and tax solutions provider [Vertex](#) both went public in July, with valuations of \$2.8 billion and \$2.7 billion, respectively. Notable 2019 IPOs included [Slack](#), [Zoom](#), and [PagerDuty](#).

UNICORNS

From the current AppExchange dataset, [Lucid Software](#) and [Dialpad](#) are the only new companies to reach unicorn status in 2020 so far. Lucid Software, a Utah-based visual workplace software company, raised a [\\$52 million Series D](#) from [ICONIQ Capital](#) in April, valuing the company at \$1 billion. Cloud communications company Dialpad raised a [\\$100 million Series E](#) round from [OMERS](#)

[Growth Equity](#) in October, valuing the company at \$1.2 billion. In 2019, [Coveo](#), [Druva](#), and [Icertis](#) all joined the Unicorn list.

EMERGING UNICORNS

Crunchbase also tracks emerging unicorns—companies with a valuation of between \$500 million and \$1 billion. In 2020, Ireland-based client, lifecycle management company [Fenergo](#) joined the ranks. In 2019, [Highspot](#), [Tealium](#), and [People.ai](#) all reached emerging unicorn status.

METHODOLOGY

We found that 1,946 companies in the AppExchange ecosystem matched Crunchbase data. Out of those companies, 631 have received at least one round of venture funding. So far in 2020, 15% of those venture-backed companies have received funding.



We believe in the power of the Salesforce ecosystem and invest in the most innovative enterprise cloud companies and founders globally. Innovation takes many forms beyond solving business challenges and we incorporate philanthropy, diversity, and social responsibility into our investment focus and processes. This year, we launched a new \$100M Impact Fund for companies driving positive social change. We also launched the Black Venture Institute, a curriculum-based program for Black operators looking to become angel and venture investors. Salesforce Ventures believes that business is the greatest platform for change.



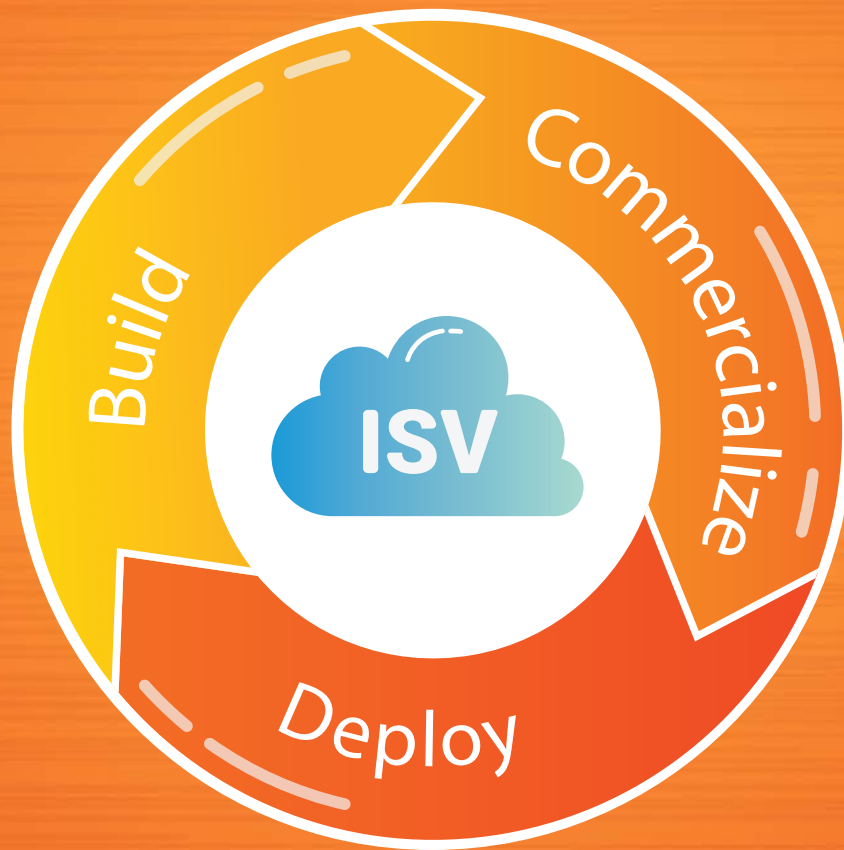
KATIE SCHWARTZ
Principal
Salesforce Ventures

BROUGHT TO YOU BY
CODESCIENCE

CodeScience helps partners thrive on the AppExchange.

No matter if you are evaluating your opportunity on Salesforce or are researching how your existing product can do more, we support partners through the entirety of the Salesforce lifecycle.

That's why we put you, the ISV, at the center of our business.



CodeScience is the first and only organization to
achieve the PDO Expert Designation.

What that means is no other organization can deliver the
same quality of application on the Salesforce AppExchange.

There's a reason why we've helped build 10% of the AppExchange.

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