

THE 5TH ANNUAL
STATE OF APPEXCHANGE PARTNERS REPORT

A RISING TIDE

LIFTS ALL BOATS



2022
CODESCIENCE

Preface

Background

The launch of our 5th Annual State of AppExchange Partners Report comes as we continue to inch slowly toward a “post-pandemic” world. Yet despite the uncertainty around “life after Covid,” the AppExchange has never been stronger, demonstrating that even a seemingly never-ending global pandemic cannot slow its swell.

Over the past five 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, the main theme to which we’ll return is “A Rising Tide.”

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

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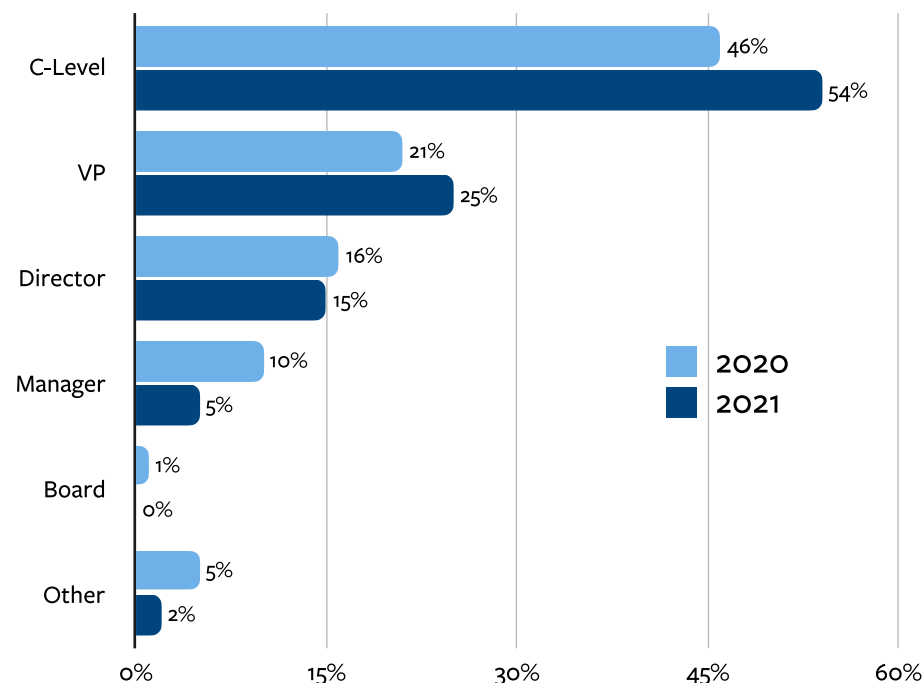
The report is broken down into six sections, and you'll discover how other AppExchange partners are leveraging Salesforce in the following categories:

- Product & Company
- Growth
- Technology & Platform
- Salesforce as a Channel
- Diversity & Inclusion
- Investments (powered by Crunchbase)

New this year is a special supplement, “Navigating the Channel,” where we’ve distilled key learnings and sage advice from our recent Alliances Leader Roundtable focused on building Salesforce success from an alliance perspective.

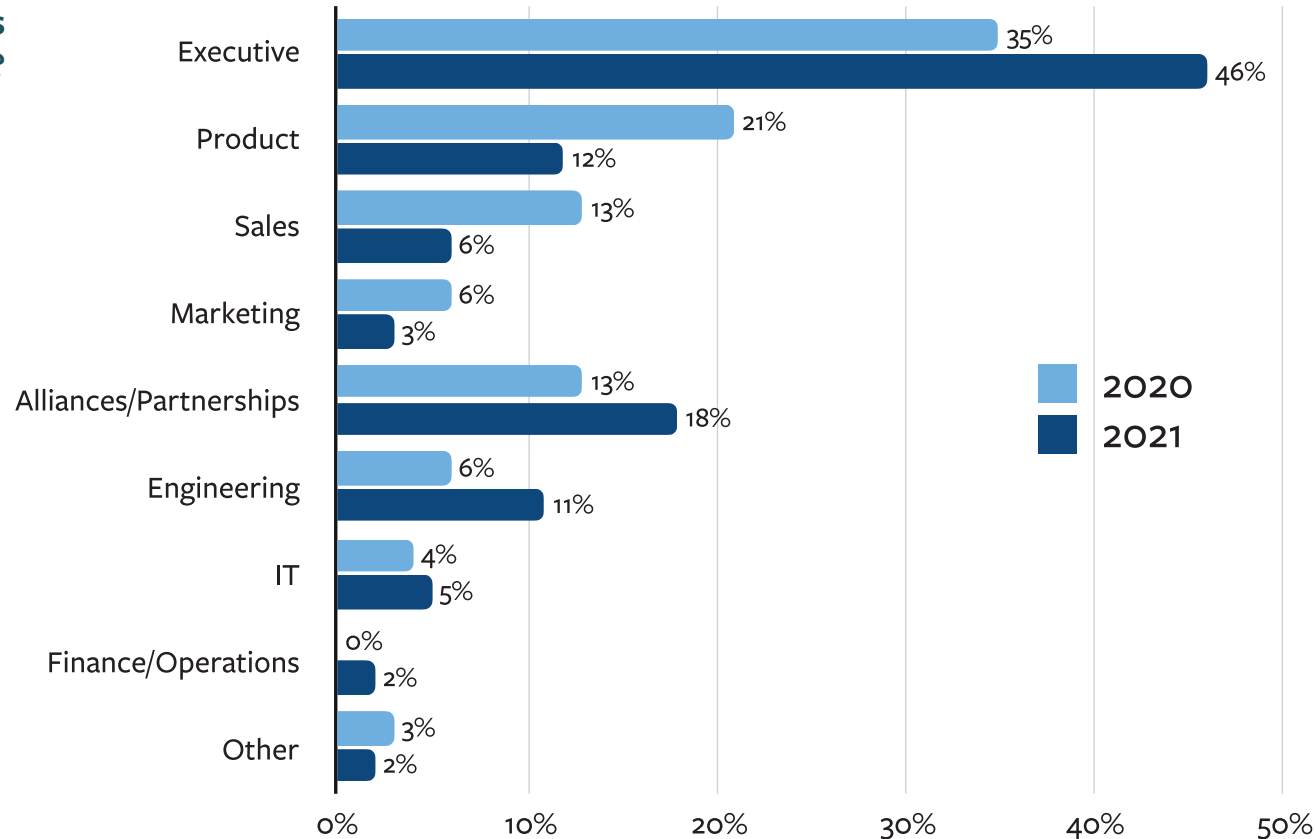
Methodology

Which of the Following Best Describes Your Role in Your Company?



As in previous years, we gathered insights from approximately 100 senior-level executives, with 80% 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 make-up of the AppExchange. We also conducted interviews and leveraged publicly available data.

What Best Describes Your Job Function?



This year saw a shift in the respondent demographic with a notable increase in Executives, Alliances/Partnerships, and Engineering participating in the survey.

We are delighted to continue our partnership with Crunchbase for a third year to provide an in-depth examination of the

investment landscape for SaaS and Salesforce Partners.

This year, to provide a better frame of reference for the AppExchange data, Crunchbase expanded its analysis beyond the AppExchange to include investment data for the Microsoft AppSource, Google Cloud, and Shopify App Store ecosystems.

Introduction

“A rising tide lifts all boats.”

— unknown

The pandemic was an earthquake that generated a tsunami of digital transformation unprecedented in the industry. Salesforce responded through 2020-2021 with an incredibly aggressive product expansion, achieved both organically and inorganically. A decade's worth of innovation was purchased in a matter of months through acquisitions of Vlocity, Mobify, Slack, and LevelJump. This, coupled with building out products like Work.com, Commerce Cloud, and new platform technologies like Omniscript, has helped their revenues surge from \$4.87 billion in FY21Q1 to \$6.86 billion in FY21Q3. This rising tide is floating all boats; lifting the underlying foundation of the ISV ecosystem—technology, customer base, and all.

The market has taken notice and those participating in the ecosystem are flourishing. By Q3 of 2021, over 500 new products were listed on the AppExchange, putting it on track to be the most ever listed in a year. Investors took notice as well, more than doubling 2020's investment with over \$10 billion, as of October 2021. Massive acquisitions in CY21 include Change Healthcare (\$13 billion) and Mailchimp (\$12 billion). An already strong message of ecosystem growth is further supported by the introduction of enterprise companies evolving into product companies. Honeywell, Rocket Mortgage, and Ford announced large partnership deals where they will leverage the AppExchange to distribute their new products.

Emerging through our research and interviews is a trend that shows companies leveraging the AppExchange to find Product Market Fit (PMF) before branching out to multiple SaaS platforms. This strategy is based on the premise that the AppExchange has the largest install base of customers combined with the most mature partner program to assist with growth. The two largest examples of this in action are OwnBackup, a data backup solution company, and Copado, a CI/CD DevOps and Testing suite. In each case, their functionality is a valuable solution across any SaaS product. However, both CEOs, Sam Gutmann and Ted Elliott respectively, chose to find PMF through the AppExchange before raising a large

growth round of capital (OwnBackup: \$240 million and Copado: \$140 million) and announcing expansion of their footprints across multiple ecosystems. Sam Gutmann quipped, “*I believe that most startups fail because they fail to focus, so we’ve been exclusively focused in the largest B2B SaaS ecosystem that there is.*” Here at CodeScience, we have spoken with dozens of new startups in the last year that are following this same approach to launch their companies.

A common thread through this report over the past five years has been how ISVs deal with channel conflict. Salesforce’s expanding product footprint exposes challenges for the ecosystem in dealing with this and the number of partners facing it is growing rapidly. As an example, Salesforce announced at Dreamforce this year that it is bringing back its data recovery product and launching a platform native solution in the coming year—directly competing with OwnBackup and an ecosystem rife with other data solutions. However, the opportunity in this marketplace is so vast that it is not a winner-take-all environment. There will be multiple winners in each space, some of which will include Salesforce. As Sam Gutmann points out, OwnBackup has captured only 1% of the 200,000 Salesforce customers so far, and there is plenty of room for growth. It’s a big harbor with a lot of room for all boats to rise with the tide.

The opportunity for ISVs to partner with other SaaS platforms has never been larger. While the AppExchange is, by far, the most mature and deep, the number of SaaS ecosystems actively recruiting new partners is growing rapidly. Telling investment insight

across the different ecosystems is revealed through our Crunchbase partnership. The hidden nugget in our data set is actually the representation of ISVs per ecosystem:

Across four marketplace ecosystems, we found that 1951 companies in AppExchange, 115 companies in Google Cloud, 316 companies in Microsoft AppSource, and 85 companies in Shopify-matched Crunchbase data. Out of those companies, 1079 have received at least one round of venture funding.

It is yet another data point reinforcing that the AppExchange continues to be the most mature SaaS partner program driving the largest results.

We leave you with this note on the overall mood and tenor of this year’s annual “temperature check” of the AppExchange. In 2019, there was a marked fervor in our interviews, echoing the strength of the ecosystem. Last year, in the heart of the pandemic, was a tense time and our interviews reflected that sentiment. Partners were still positive, but tempered. This year’s interviews present a resounding affirmation that the economy is back and that the ecosystem is sailing full steam ahead. CY22 is looking to be incredible.

¹ youtu.be/DGNOxzO_hcM?t=73

Executive Summary

Product and Company

KEY FINDINGS:

Over half (54%) of you have been a partner for six or more years.

About three-quarters of all responses (77%) state new and improved features along with net new product as this year's product priority.

Even though this year's survey benefits from a more level distribution of larger companies than last year's, the breakout in terms of developer and salespeople full-time employees (FTEs) remains relatively consistent with previous years.

Company size does not appear to affect the number of industries an AppExchange partner works within, with 75% of you serving less than ten industries.

Salesforce's credibility with customers is clearly perceived as being the dominant factor in your success in the marketplace. Also of significant importance to your success is the gateway to the enterprise, access to install base, and partner ecosystem.

Growth

KEY FINDINGS:

As with the previous year's survey, we see an ecosystem that continues to succeed in the face of the pandemic's challenges. On average, a healthy majority of you stated your businesses were in the "successfully adapting but not quite thriving" range. Amidst these unprecedented challenges, success was predicated on being customer-centric with a clear understanding of target markets, while offering products differentiated from the competition.

Returning to normative levels after a spike in 2020, acquiring new customers continues to rank as the number one challenge to be faced over the next 12 months.

Almost a quarter of you (22%) anticipate ending 2021 with revenues in excess of \$100 million.

Consistent with 2020, revenue projections for the next year remain bullish with almost half of you predicting significant increases and, along with that, growth in your workforce.

Technology and Platform

KEY FINDINGS:

2021 is on track to have the most apps ever launched in a calendar year, demonstrating that AppExchange growth is showing no signs of slowing.

67% of apps are Lightning Ready—a massive achievement by the AppExchange team and the ecosystem.

Salesforce as a Channel

KEY FINDINGS:

Regardless of the company size, visibility/exposure and access to Salesforce's install base top the reasons a company elects to participate as an AppExchange partner.

Your AppExchange listing ranks highest as a lead source, with Salesforce AEs coming in second. Virtual events, such as webinars, appear to be your best lead driver with the absence of live events.

Participation in the Salesforce ISV program resulted in increased revenue for 65% of you, up from 53% in 2020.

Diversity and Inclusion

KEY FINDINGS:

The vast majority of you stated diversity and inclusion to be a priority area; however, only 31% ranked it as one of the keys to recent business success.

Less than half of you have an understanding of your company's diversity goals or the levels of diversity already realized within your company.

The majority of you intend to reach your diversity and inclusion goals by centering on hiring strategies or practices.

Investment (powered by Crunchbase)

KEY FINDINGS:

Funding has significantly increased in AppExchange companies this year. As of October 2021, venture funding to those companies reached over \$10 billion, double the \$5.3 billion invested in 2020.

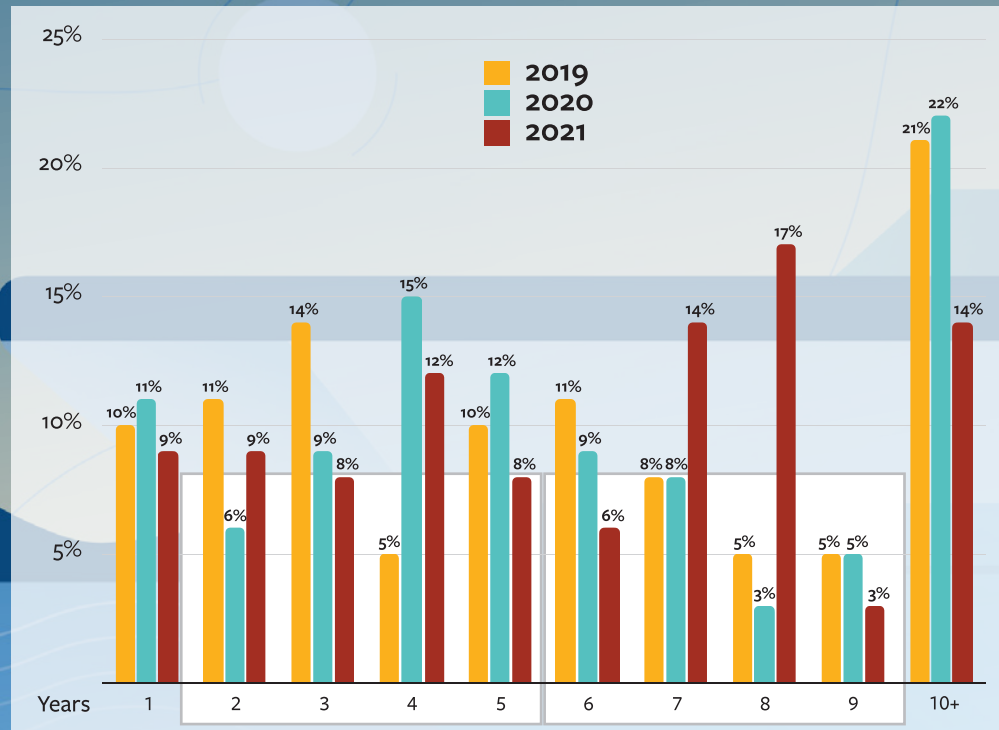
Investment in late-stage rounds accounts for 77% of funding as of October 2021, and funding at seed/angel accounted for \$24 million this year, a significant decrease from prior years. This is in alignment with late-stage rounds of investment across Microsoft AppSource, Google Cloud, and Shopify.

The trend of the past two years has flipped in 2021 with half of you believing you will experience a new round of financing in the next 12 months. This is in line with Crunchbase's tracking of overall technology investments globally.

Compared to 2020, 2021 has been a strong year in terms of acquisitions.

Product & Company

How Many Years Have You Been a Salesforce AppExchange Partner?

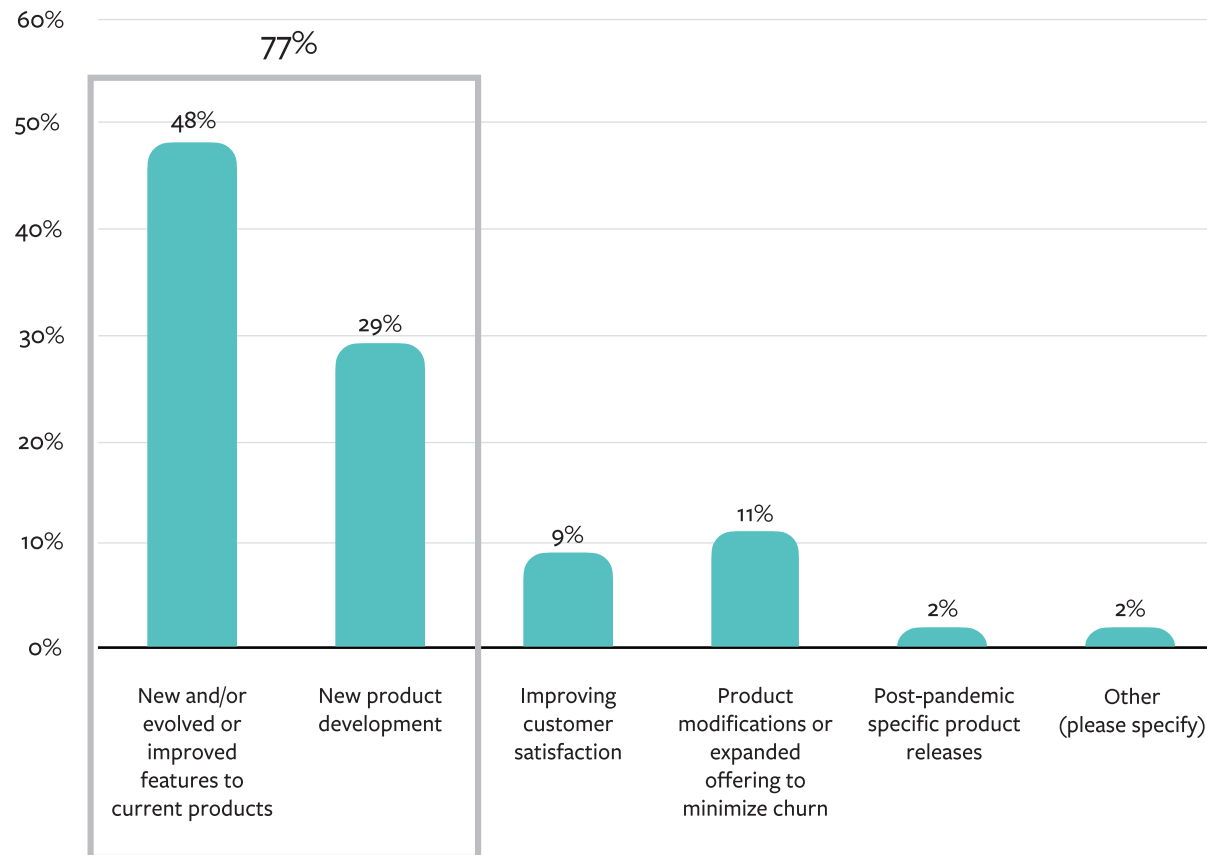


Recording a first in three years, companies who have been Salesforce AppExchange partners for 10+ years did NOT account for almost a quarter of survey respondents.

The number of you representing two, seven, and eight years as partners increased substantially: three, five, and fourteen points respectively.



Which of the Following Are Among Your Product Priorities?

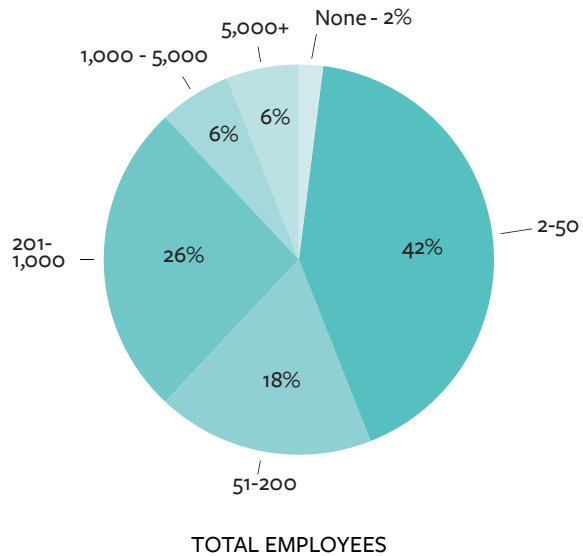


Although the mix between new and improved features vs. net new product development may have shifted year to year, when combined, these product priorities remain dominant at about three-quarters of all responses (78% in 2020 vs. 77% in 2021).

When product priorities are analyzed based on role or department within an organization, there is a relatively even distribution among all of the priority choices.

- Executives (vs. sales, product, alliances, or engineering) appear the most concerned with churn
- Sales seem to put a bit more emphasis on a “new product” (vs. just improvements)—which makes sense as it provides them something new to “sell”

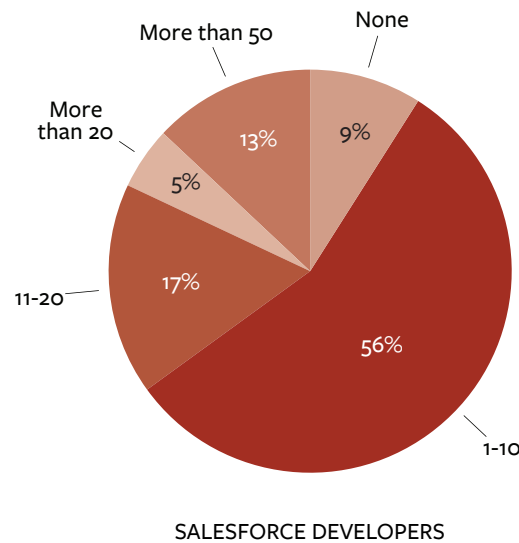
How Many FTE Employees Does Your Company Currently Have?



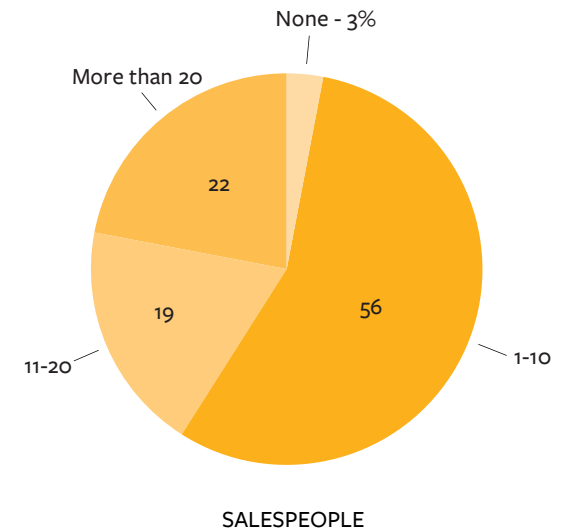
Although 42% of you employ between 2 and 50 people, this year's survey benefits from a more even distribution of larger companies than last year's.

The breakout in terms of developers and salespeople remains relatively consistent year to year since 2019.

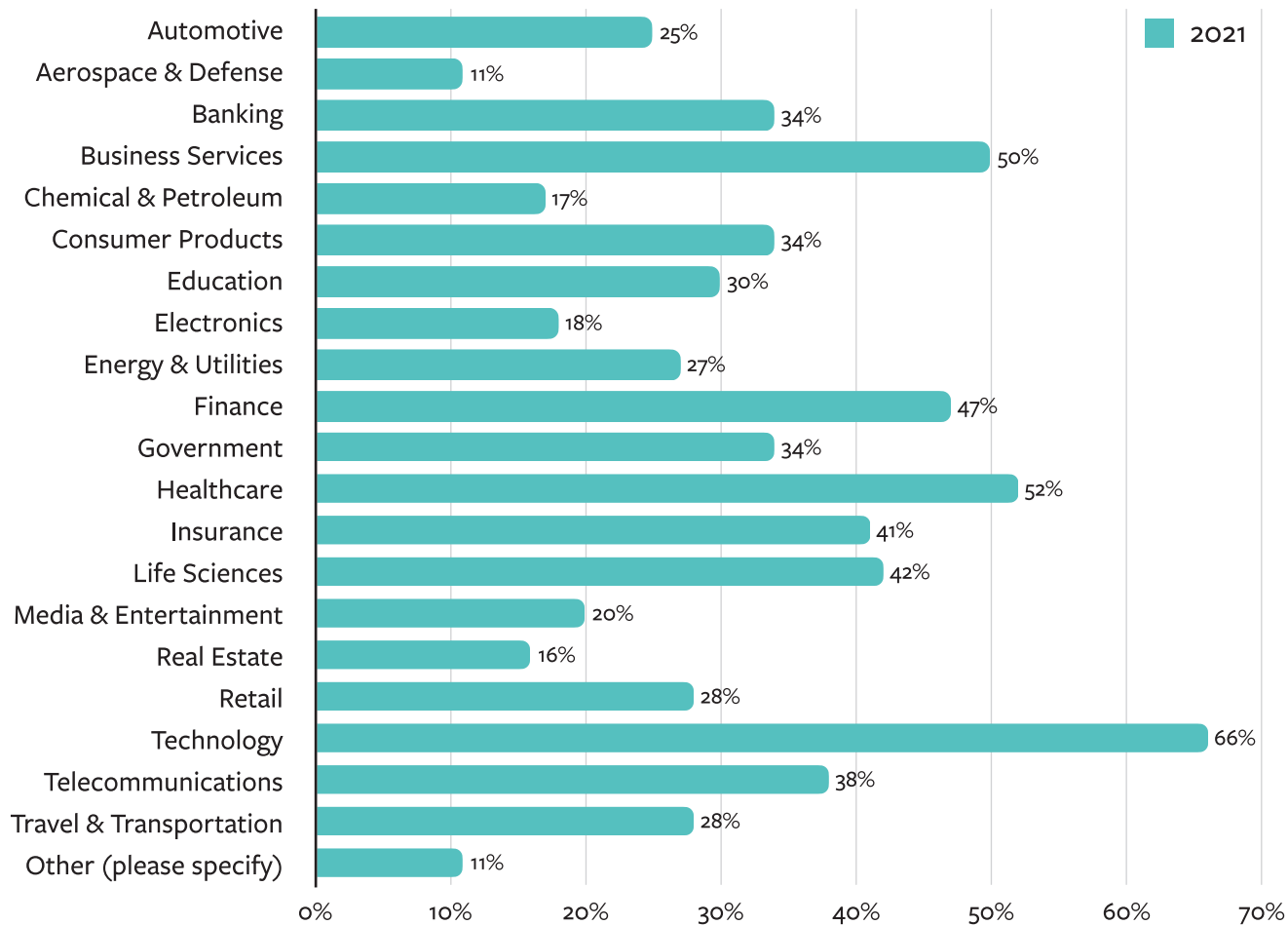
Estimated in Terms of FTEs, How Many Salesforce Developers Do You Have on Staff?



Estimated in Terms of FTEs, How Many Salespeople Do You Have on Staff?



What Industry (Industries) Does Your Product(s) Serve Primarily?

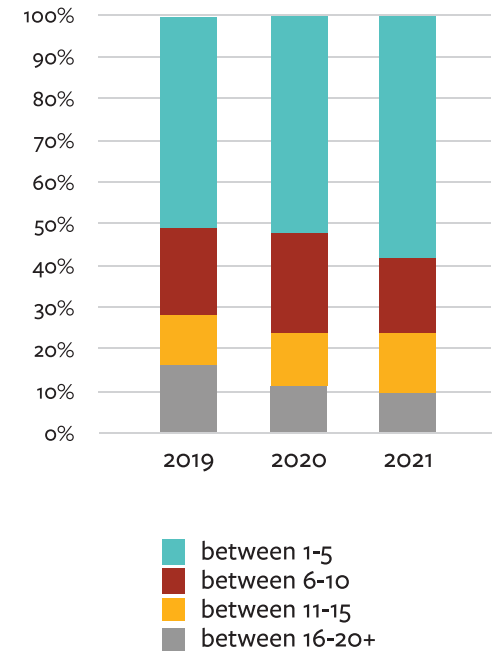


This year's survey sees little overall change from last year's with regard to industries served.

Company size does not appear to affect the number of industries an AppExchange partner works within.

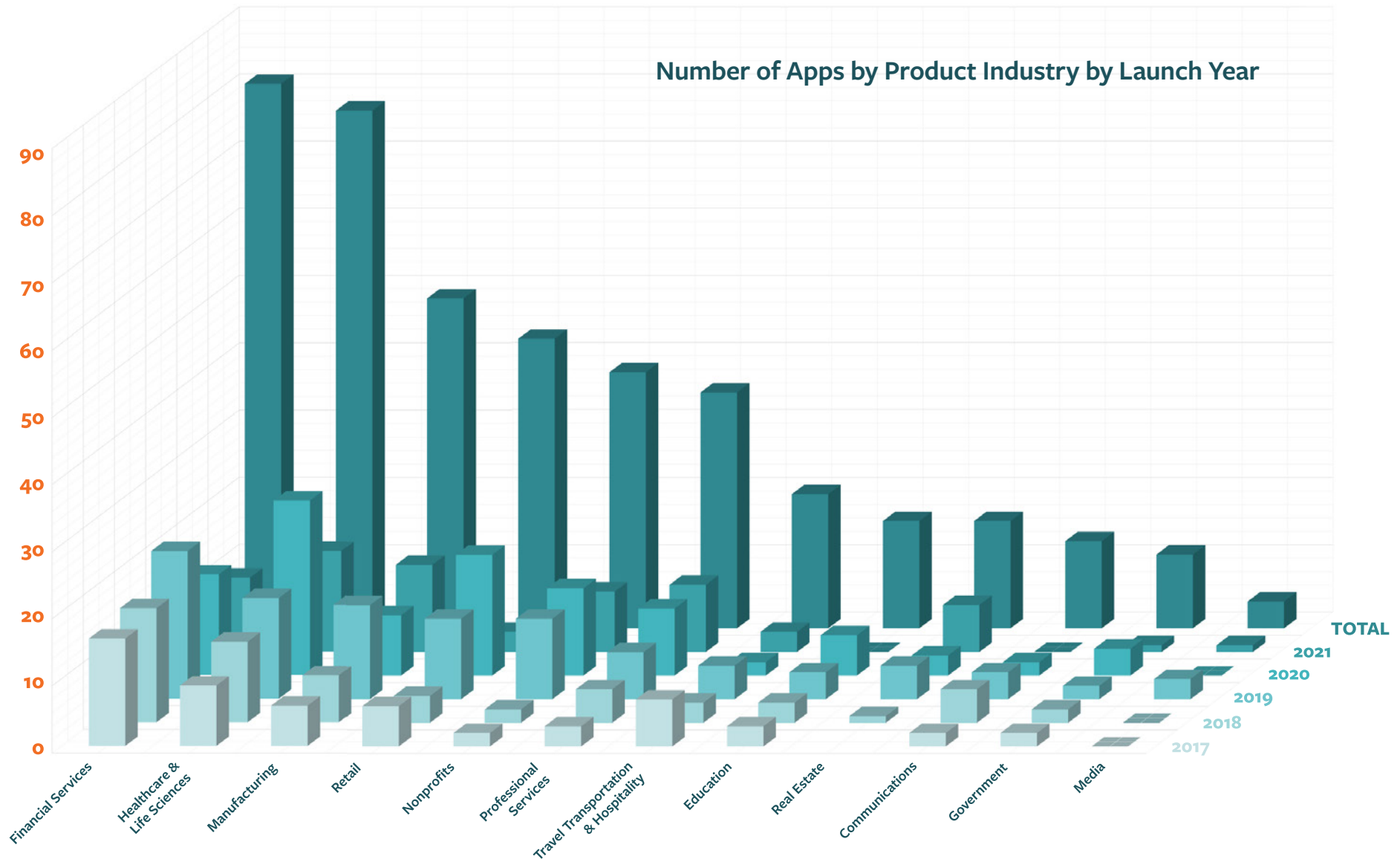
Even though this year's survey includes larger companies in the mix, only 23% (vs. 30% in 2020) of you serve in excess of ten industries, while 75% serve less than ten. On the fringes, 3% of you serve all 20 industries, while 16% serve only one.

Number of Industries Survey Respondents Work With



Beyond the survey, our analysis of the entire AppExchange revealed that 22% of apps are industry-specific. Since Salesforce made its initial push into industries, there has been a heavy emphasis on recruiting industry-specific ISVs. The success

of recruitment correlates with the success of the individual industry clouds, with Financial Services, Healthcare and Life Sciences, Manufacturing, Retail, and Nonprofit Clouds leading the charge from ISVs.

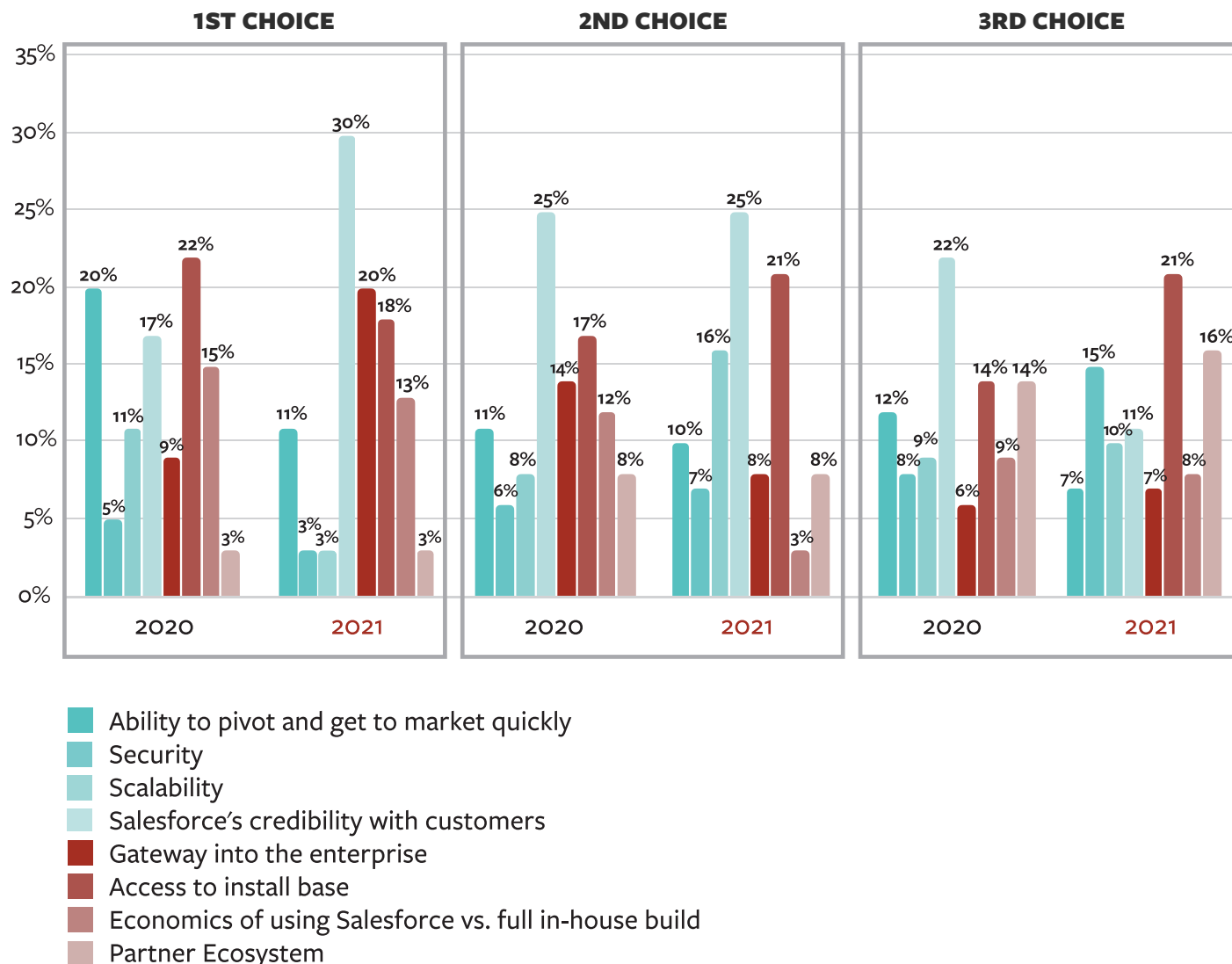


What Attributes of the Salesforce Platform and the AppExchange Will Be Most Critical to Your Organization's Ability to Successfully Navigate the Post-Pandemic Marketplace?

Salesforce's credibility with customers is clearly perceived as a dominant factor in your success in the marketplace.

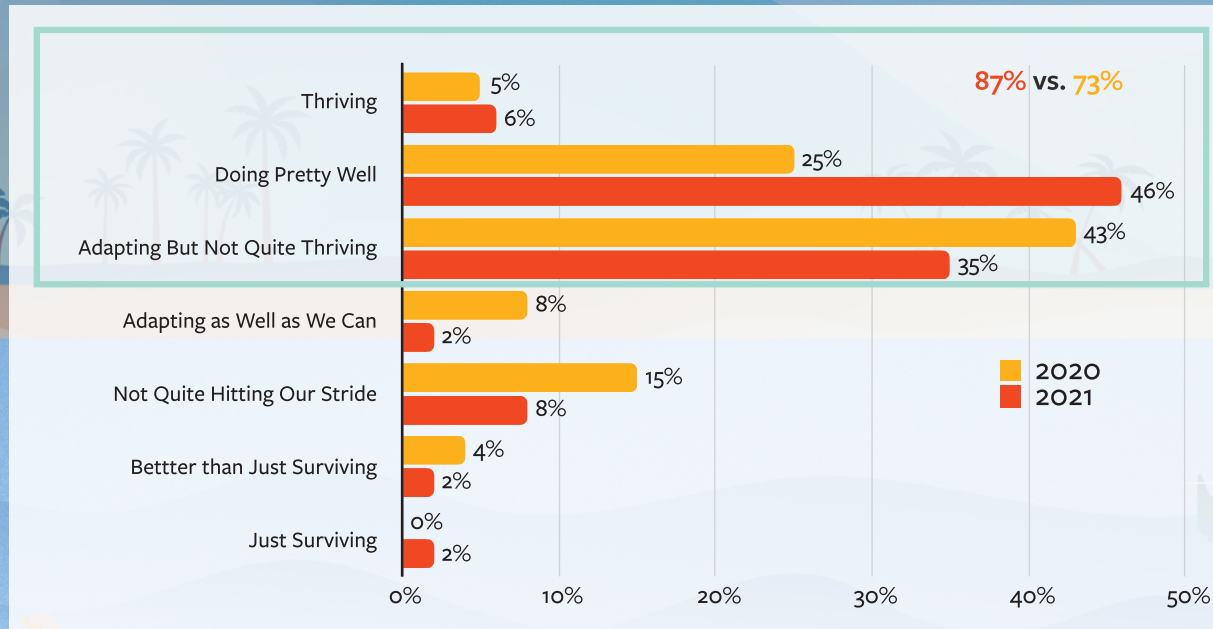
Also of significant importance to your success is the gateway to the enterprise, access to install base, and partner ecosystem.

The ability to pivot and get to market quickly appears to have diminished somewhat in importance this year as a leading component in your success in the marketplace. It is possible that in post-pandemic uncertainties, it is less about a new product or shifts in sales approaches and more about differentiation and risk mitigation.



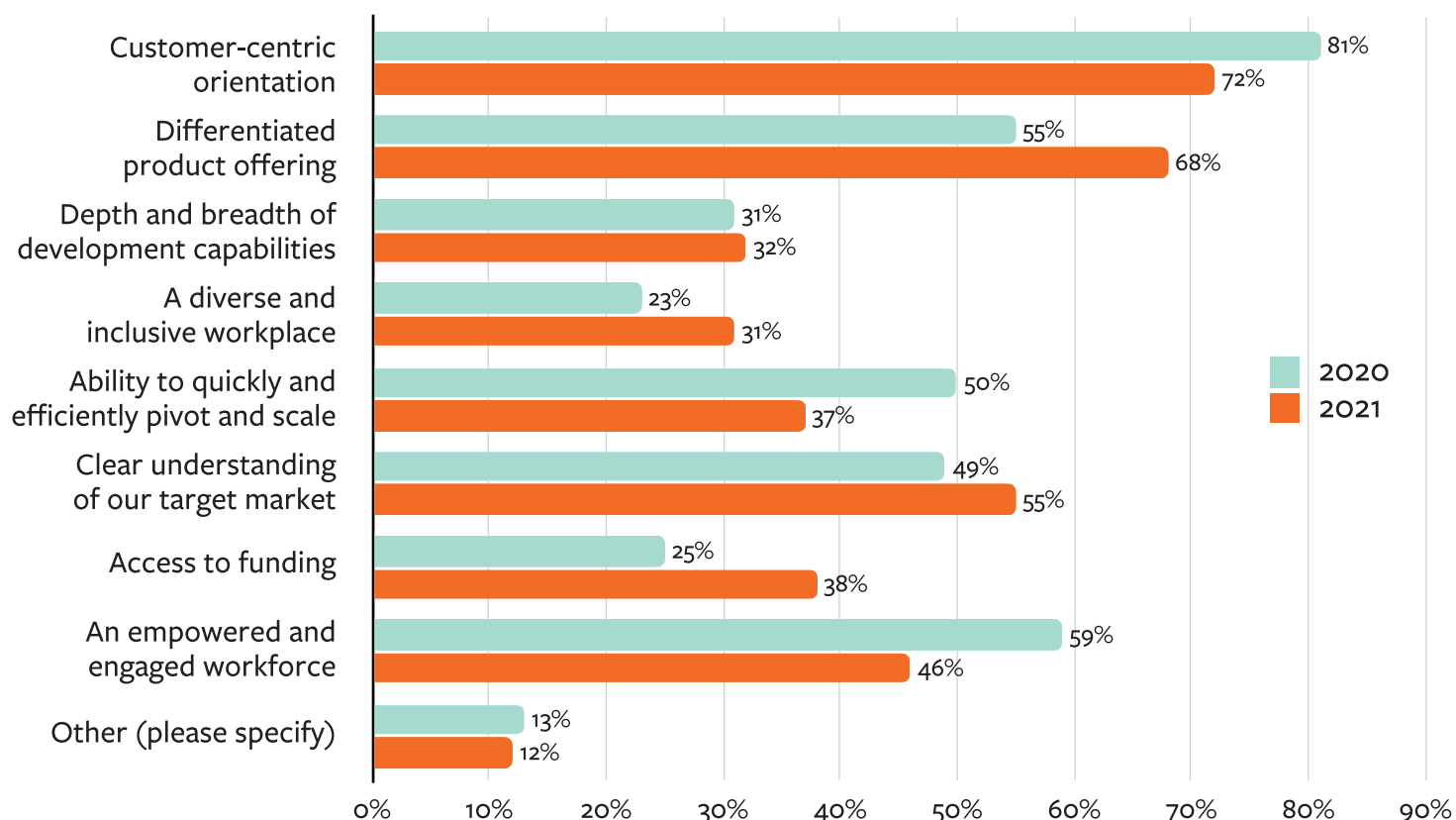
Growth

As We Move Toward a Post-Pandemic World, How Would You Say Your Company Has Fared Through the Crisis of 2020?



This year's survey suggests the rising tide in the ecosystem is floating boats regardless of the storm of the pandemic, with 87% of you (vs. 73% in 2020) reporting to be adapting fairly well. Some have even reported thriving through it all.

What Would You Say Are the Key Things That Have Contributed to Your Company's Performance in the Face of Unprecedented Challenges?



While accounting for less than 15% of the total response sample, it appears that smaller companies (less than \$5 million) make up the majority (90%) of those struggling in the face of marketplace challenges coming out of 2020.

Although having a customer-centric orientation was down slightly from last year, it maintained a slight overall lead in terms of importance to success. With a corresponding increase in the

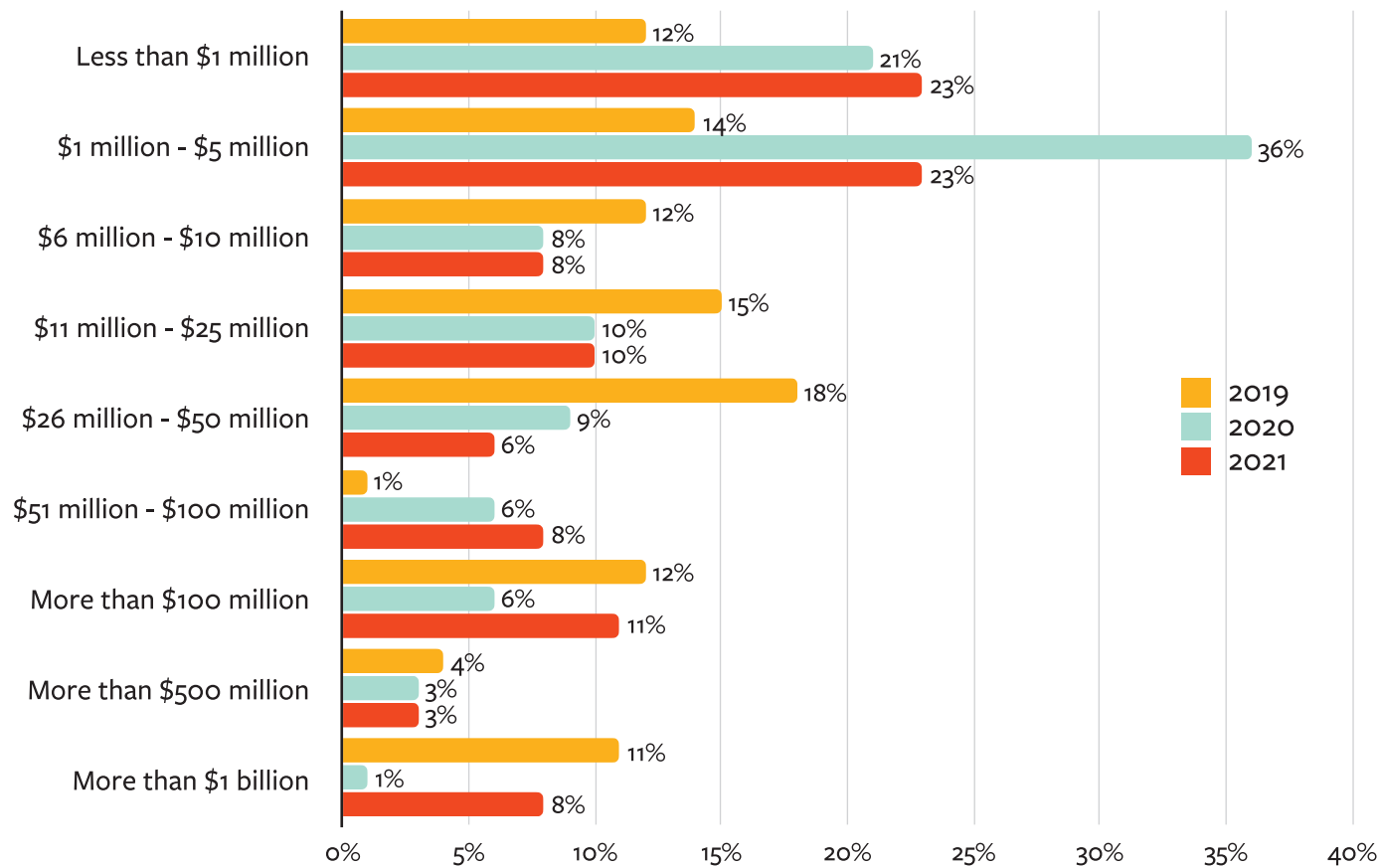
number of you acknowledging the value of a clear understanding of your target market, it is safe to speculate that customer needs, rather than developer capabilities, are differentiating product development from the competition.

Almost half of you chose four or more of the eight options as key things that contributed to your company's success over the past year. What we learned last year was reinforced: in

order to “thrive,” an organization cannot rely on its product or infrastructure alone; it has to work from a customer-centric point of view while valuing its workforce.

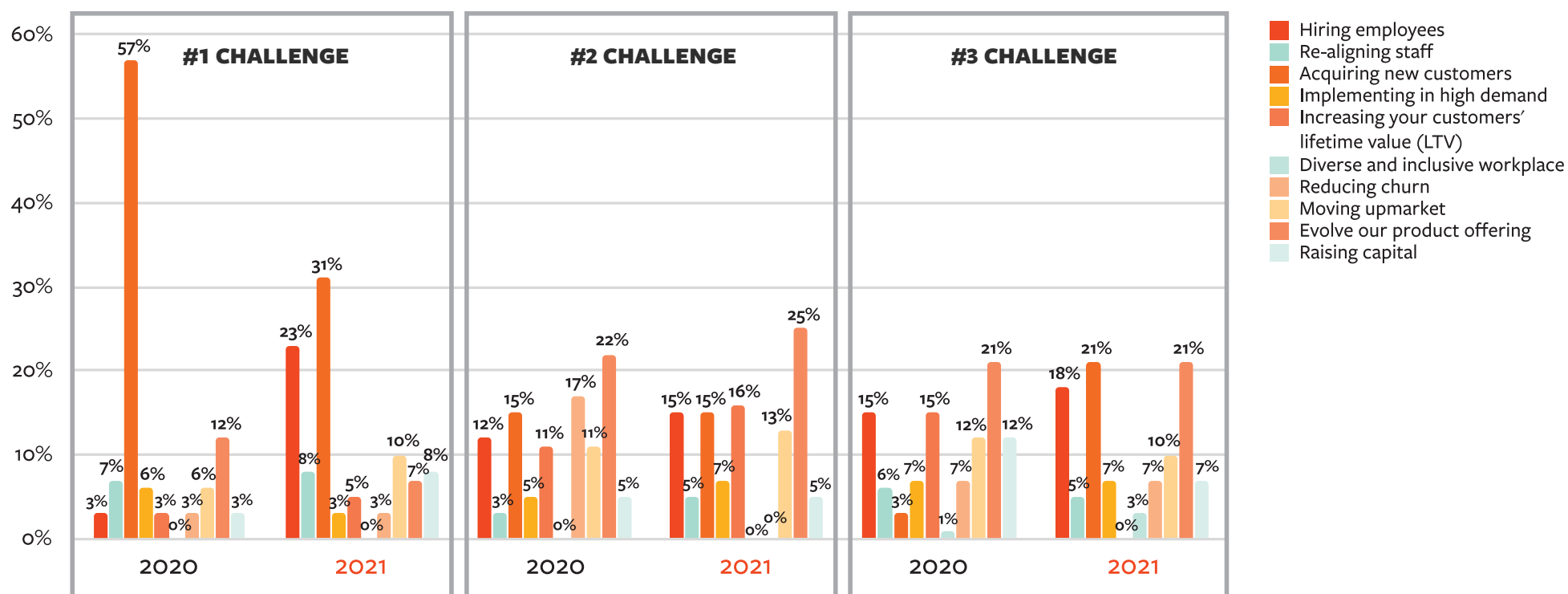
Responses to the “Other (please specify)” category leaned more heavily into “right product at the right time” over last year’s focus on “financial management and leadership through difficult times.”

What Is Your Company's Anticipated Revenue in 2021?



While 46% reported revenues of \$5 million or less (down from 57% in 2020), 22% of you anticipate ending 2021 with revenues in excess of \$100 million (up from 10% in 2020).

What Are the Top Three Organizational Challenges Your Company Will Face Over the Next 12 Months?



Albeit returning to normative levels after a spike in 2020, acquiring new customers continues to reign supreme among survey responses with 31% of you ranking it your number one challenge.

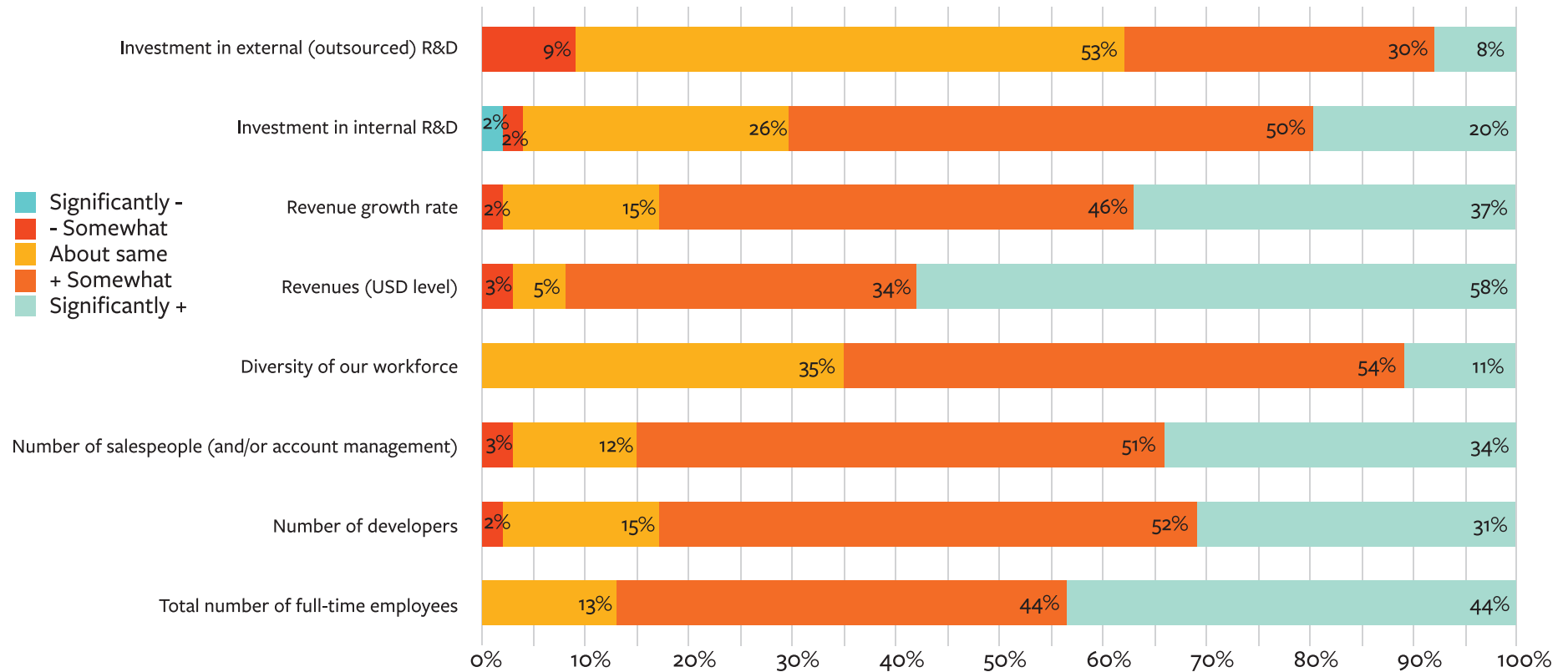
While the pandemic was still very much in play at the time of the 2021 survey, there seems to be a renewed confidence and willingness to return to hiring new employees. The spike in this category supports it as the

second-ranked #1 challenge over the next 12 months. Hiring as a priority/challenge also returned to historic levels after only 3% of you felt it a priority in 2020.

Consistent with almost half of you putting product evolution/improvement as a clear priority in the question *Which of the following are among your product priorities?*, evolving product offerings is reported as a strong second or third-ranked challenge.

The most interesting of the response sets might be the ranking of your #2 challenge. In line with responses to the question, *Which of the following are among your product priorities?*, it appears that evolving product offering is most important. However, the question is whether product evolution is seen as the key to acquiring new customers, increasing LTV, and/or moving up market—all split relatively evenly at around 15% of responses.

Looking into 2022, How Do You Expect Your Company to Change in Each of the Following Areas?



Looking ahead to next year, it appears that things are not going to stay the same. Consistent with last year, a majority of you remain bullish on your revenue projections as the world continues to emerge from two years of a pandemic-influenced marketplace. Almost half of you are predicting significant increases in revenue and, along with that, growth in your workforce.

In keeping with the emphasis on hiring from the question, *What are the top three organizational challenges your company will face over the next 12 months?*, it is logical that increases are predicted (both somewhat and significant levels) in terms of full-time employees, developers, and salespeople/account managers.



Technology & Platform

The AppExchange as a marketplace really only represents the Customer 360 Platform and Marketing Cloud, not the full breadth of Salesforce technologies (like Tableau, Slack, and Heroku). The all-inclusive ecosystem and use of technology is much broader. However, in keeping with the spirit of this report, we believe it is a good benchmark of the AppExchange.

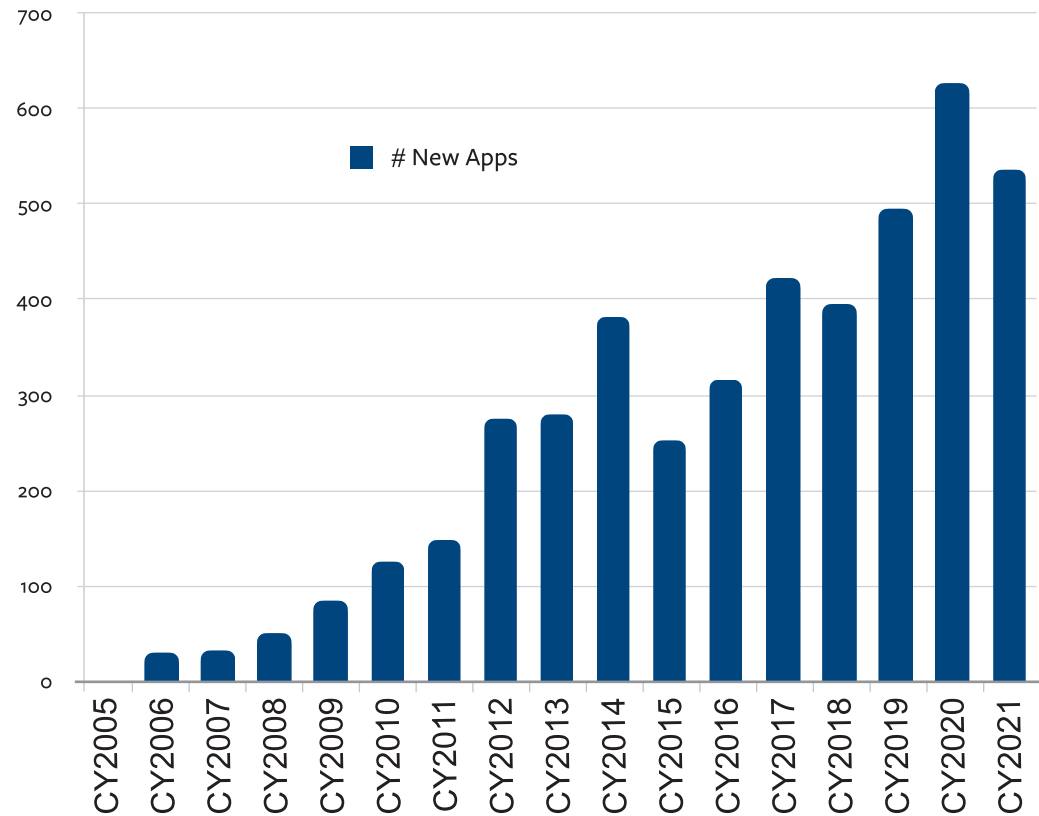
It should be noted that in previous reports, the majority of our respondents indicated they are building on Sales Cloud. We continue to believe it to be the avenue through which many new ISVs get started. Sales Cloud is Salesforce's premier product, which often leads ISVs to build here first as a means to access the largest install base.



AppExchange Product Stats

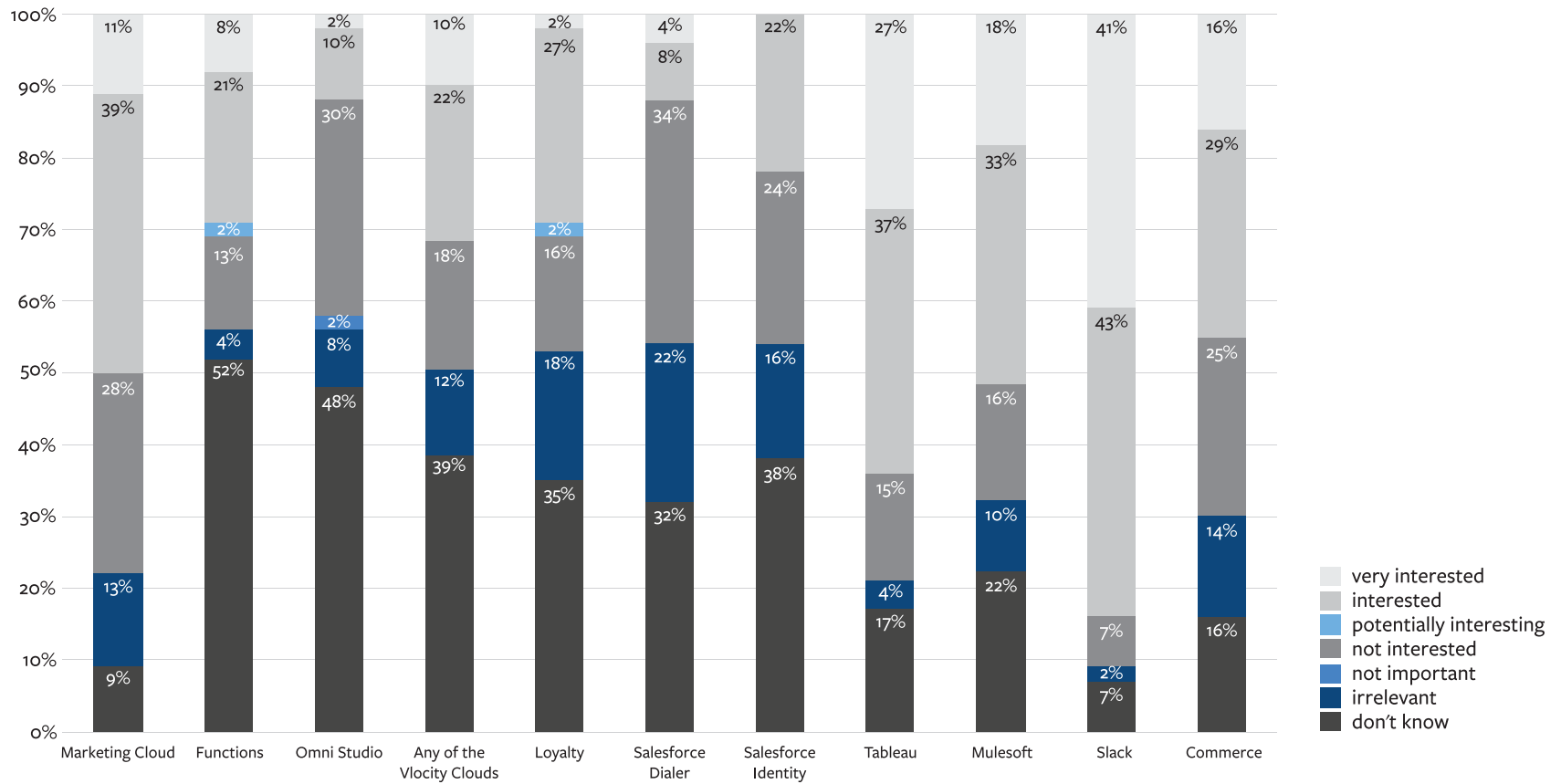
Our analysis of the entire AppExchange product base revealed the following findings:

- 32% of apps are enterprise and up
- 67% of apps are Lightning Ready
 - This is a huge achievement by the AppExchange team and the ecosystem. The majority of the ISVs that have not achieved Lightning Ready status are either OEM apps, where they are largely a single app, or apps that are more than 8 years old
- 8% of apps are 100% Salesforce-native
 - It is not surprising that ISVs leverage multiple stacks, either for technology or business reasons
- The growth of the AppExchange is showing no signs of slowing down. The number of new ISV products per year continues to increase, with 2021 being on track to have the most apps ever launched in a calendar year



Note: CY2021 only goes through Q3

Which of These Salesforce Technologies Would You Be Interested in Using for Your Product?



Interest levels (interested and very interested) in leveraging new Salesforce technologies ranged from 11% (for Dialer and Omni Studio) to 84% (for Slack).

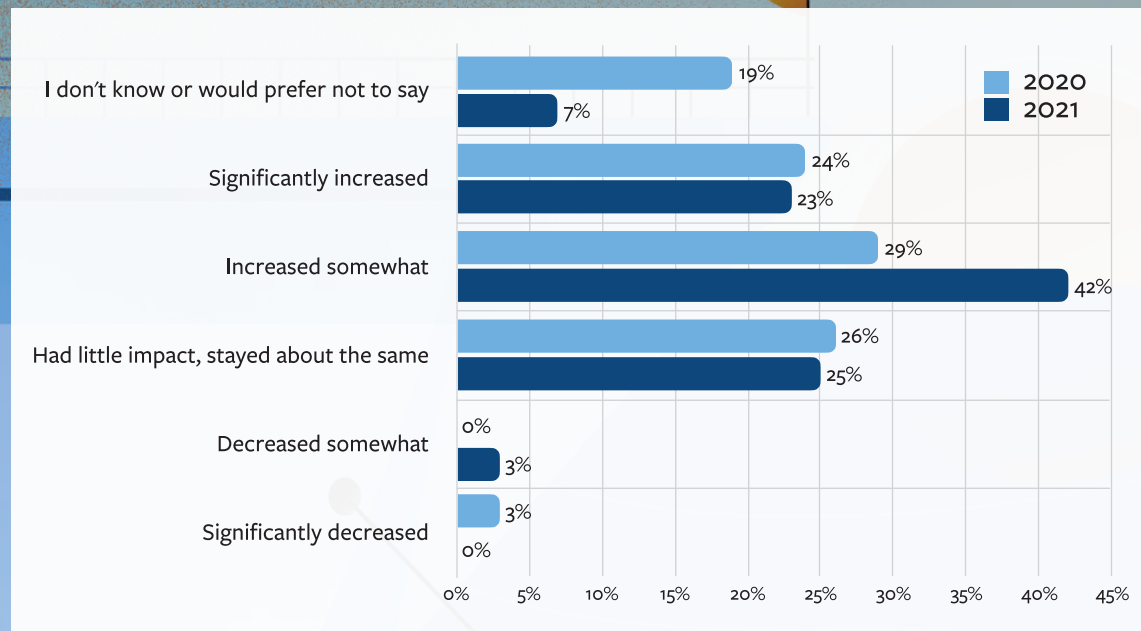
Six of the eleven technologies experienced “don’t know” percentages upwards of 30%, perhaps indicating a lack of ISV-readiness and/or a lack of thorough understanding around how these technologies could integrate with or positively impact products.

When sorted by company size:

- The “don’t know” response was remarkably consistent across all revenue levels
- Tableau and Slack garnered the most interest from companies with revenues of \$1 million or less
- Companies between \$1 million and \$10 million exhibited interest in the broadest range of products with Marketing Cloud, Mulesoft, Slack, and Commerce receiving the most interest
- Tableau, Mulesoft, and Slack received the most interest among companies at \$100 million or more

Salesforce as a Channel

How Has Participation in the Salesforce ISV Program Changed Your Company's Revenue Year Over Year?

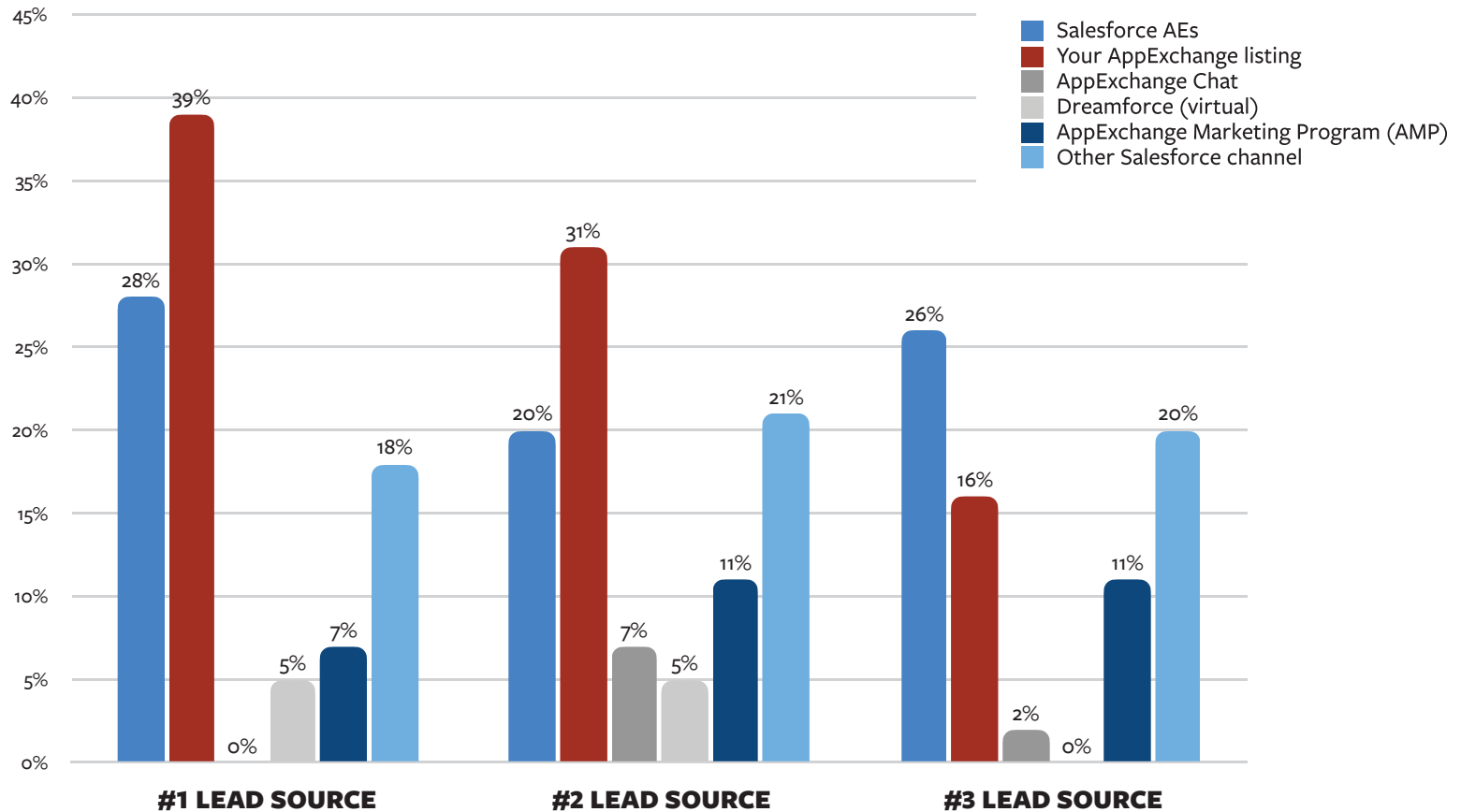


There has been a rebound to 65% of you citing increased revenue (whether somewhat or significantly) year to year from your participation in the Salesforce ISV program, up from 53% in 2020. This comes after a slight decline in this belief from 2019 to 2020. Only 3% of you experienced a decrease.

It might be worth noting that the shift from doing okay to doing well (realizing revenue growth) might be driven by a better representation/distribution of larger companies in the 2021 response set vs. 2020.

Down significantly from 19% last year, 7% of you did not know or declined to say how participation impacted you.

Rank Your Top Three Salesforce-Related Lead Sources for the Past 12 Months.



Exhibiting modest to little change since last year, your AppExchange listing continues to be of primary importance, with Salesforce AEs coming in second and other Salesforce channels third.

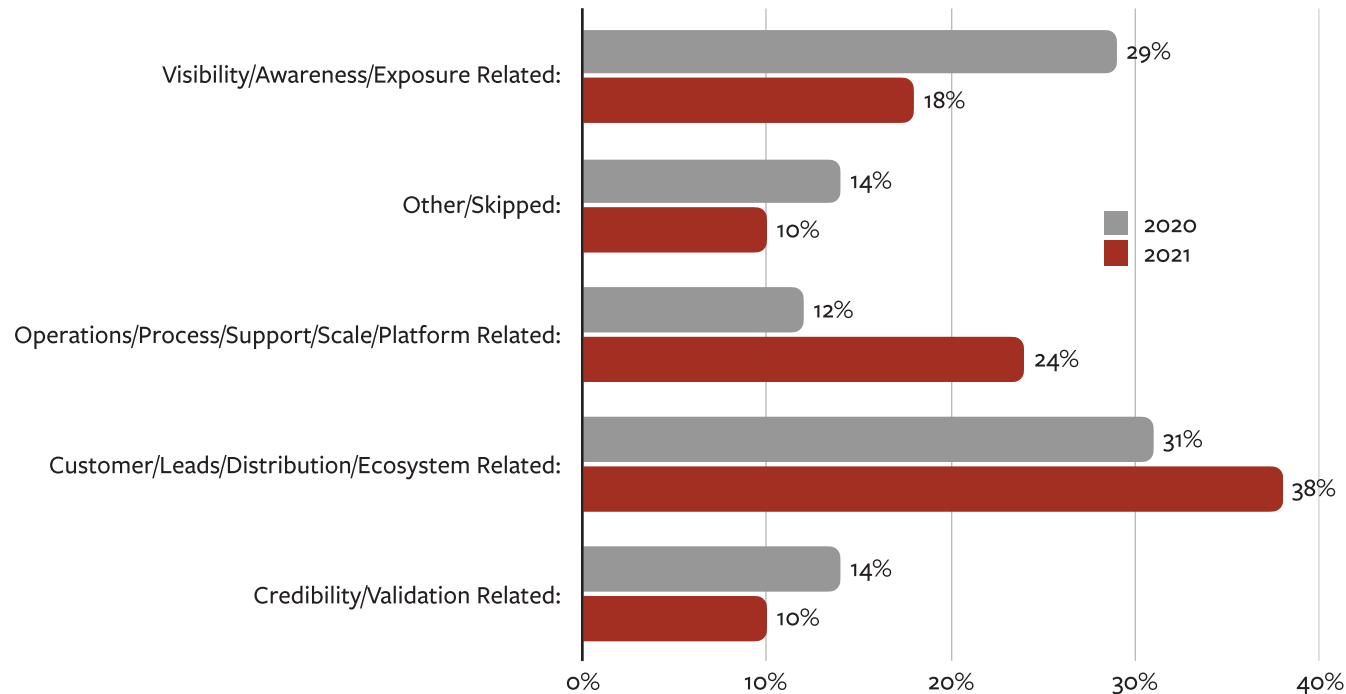
With the absence of live events over the past 18 months, it appears that about 20% of you relied on virtual events, such

as webinars, to connect with both current customers and prospects.

Many of you report turning to outbound marketing techniques such as online advertising, email, posting on social media sites such as LinkedIn, and “picking up the phone.”

Channel Sentiments

What Would You Say Is the Most Beneficial Thing About AppExchange for Partners?



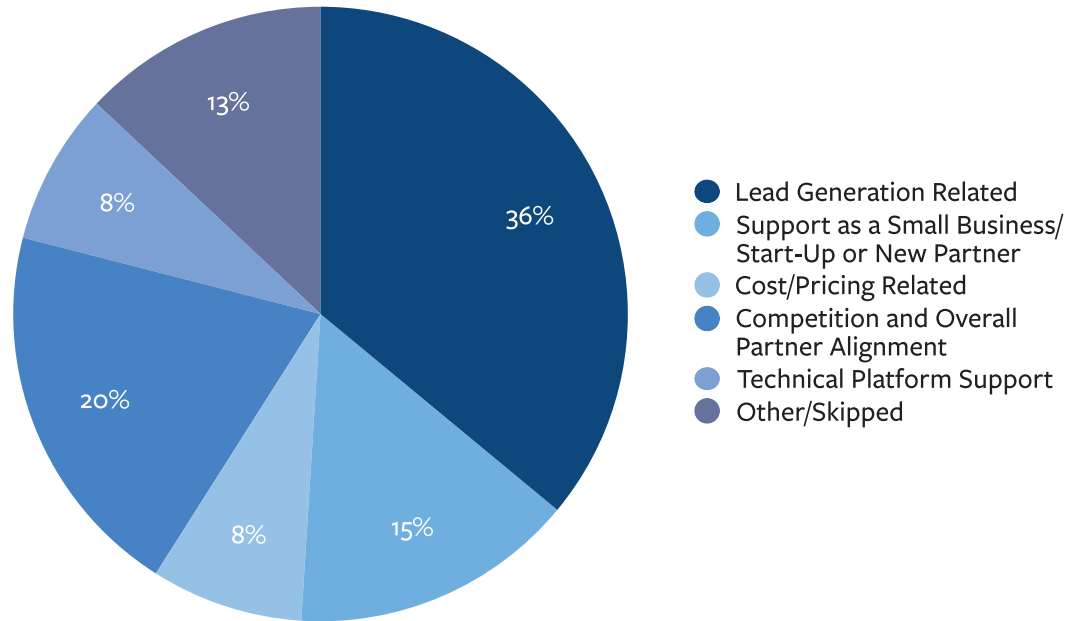
As evidenced in the question, *What are the top three organizational challenges your company will face over the next 12 months?*, the continued push for customer acquisition, regardless of the size of the company, has access to Salesforce's install base rising to the top of reasons why a company elects to become, and remain, an AppExchange partner.

Salesforce's platform scalability and visibility/exposure lend themselves as important supporting assets.

Some quotes from the data:

- "Visibility and access for potential customers to our app."
- "Access to the Salesforce install base."
- "It's a highly credible partner ecosystem that solves real business challenges for customers every day."
- "The built-in customer base and fast time to implement due to the architecture and platform."
- "The most?? It's all about visibility, visibility, and visibility."

What Could Salesforce Do to Better Support Your Company's Ability to Thrive in Today's Economy?



Although pricing does receive mentions, it is not nearly as important in this year's response set as it has been in past years.

This year, AppExchange partners seem to be asking for:

- More support; better communication, access to AEs, and (actual) human interaction
- An update to the look and feel, speed, SEO, and flexibility of the AppExchange
- Leads (as might be expected), as well as guidance with, or inclusion in go-to-market strategies and programs
- Salesforce to listen more closely to, or be more attentive to, ISV partners

- *"Help ISV partners better understand where Salesforce is headed, Salesforce priorities and investments (more tactically, not just strategically), navigating Salesforce internal teams, and how initiatives may or may not align."*

Themes were mostly consistent across all revenue levels. The smaller your organization, the more outside support you want and/or need. The larger of you expect more from Salesforce in terms of guidance and open communications.

As discussed in the Introduction section, channel conflict is an issue. A few of you expressed the need for Salesforce to respect the proprietary nature of your ideas and to refrain from competing with you as an AppExchange partner.

Navigating the Channel:

An Alliances Leader Roundtable

In late 2021, CodeScience hosted a roundtable discussion focused on building Salesforce success from an alliance perspective. Moderated by CodeScience Chief Revenue Officer, Sean Hogan, the roundtable featured Gauri Chawla, VP of Global Partners and Alliances at Inriver; Drew Quinlan, VP of Strategic Alliances at RingCentral; and Matt Morris, VP of Alliances at Odaseva. On the following two pages, we've distilled key advice and lessons learned from their experience as alliances leaders.

Building Alliances Momentum

Gauri, Matt, and Drew agreed that it is essential to have a structured, disciplined approach to building your momentum with Salesforce and the alliances you make with other partners within the ecosystem. As Matt explained, “...it's a big harbor, the

tide's rising, and you kind of need to make your pick about which boat you're on and which boats you're tethered to, so to speak, along the way.”

I mean, it's a big harbor, the tide's rising, and you kind of need to make your pick about which boat you're on and which boats you're tethered to, so to speak, along the way.

MATT MORRIS

Gauri noted that while it can be overwhelming when you're first learning how to navigate Salesforce, pausing to develop a plan can set you up for success. “I had to take a step back at a certain point and say, ‘How do we do this in a structured, programmatic way that is going to be able to first, help our customers, two, provide a story and value to Salesforce, and three, internally help our leadership, our entire organization, and our board understand the opportunity here?’”

Thoroughly addressing each aspect of this question is critical to building momentum. Without a solid plan in place, ISVs will



quickly find themselves floating untethered in the vast open sea of the ecosystem, wondering what scuttled their investment.

Gaining Traction with Salesforce

As most ISVs quickly learn, getting the attention of Salesforce AEs is not a given. It takes a thorough understanding of how Salesforce operates and the ability to answer what Drew believes is the single most important question at the sales rep level: *“How is my product helping them sell more of their own stuff? If you can nail home truthfully and communicate to the reps exactly how you’re helping them sell more of their core product set faster, easier, more seats, et cetera, that’s where you’re going to start to gain a significant amount of traction.”*

Gauri shared that reaching out to external resources with experience in the ecosystem made a big difference for her team. *“We had an outside consultant help us put together a strategic plan that helped us communicate internally the opportunity, but also how we were going to talk to Salesforce, how we were going to market to them, how we were going to talk to their customers about what we do well with Salesforce, and what’s in it for them.”*

Internal Investment & Alignment

Crafting your internal story, securing internal investment, and aligning your internal teams are also key pieces to building successful alliances. In all of this, regularly communicating the value of the partnership is essential. Our panelists agreed that “...tell-

ing your story consistently and often,” is critical. *“I think the right cadence is as often as you possibly can,”* Drew noted. *“I’m trying to sing our song wherever people will let me do it.”*

Gauri noted that it’s important to have a comprehensive communication plan to make sure your Salesforce partnership is top of mind for everybody and everyone understands how they’re tied into it and how it affects them. Their strategy is working: *“We’ve exponentially improved. Now we’re just a machine moving forward because internal enablement is constantly happening.”*

The Right Alliance Metrics

An important aspect of building internal investment is establishing and reporting on the right metrics, so that you’re communicating the value of the partnership effectively. As Drew points out, *“A lot of executives want to box you into a single metric, which is source revenue—period. And if you measure your partnership with Salesforce purely from a source revenue perspective, you’re going to be disappointed.”*

Instead, he recommends focusing on influence revenue. *“It’s a crowded ecosystem. To get any kind of scale and attention, it takes a tremendous amount of investment and time and energy and effort. So what I do internally is I ensure that everybody understands that there are multiple pieces of value that you can extract from a partnership like this. Influence revenue is huge. Having a very strong story about how you fit your product set into people’s existing tech stack is worth its weight in gold.”*



Back to Basics: Lessons Learned

The roundtable wrapped up with a few key lessons learned from our panelists:

Matt reinforced this idea: *“When people start to recognize you as a solution creator, that’s where they’re going to invest.”*

- **Getting your product to market is not the finish line; it’s the starting line.**

As Matt stated, *“If you haven’t planned all the way through to launch, support, success, that kind of stuff, then you haven’t actually started.”*

- **Focus, focus, focus.**

“Find your buyer, find your profile, find your tribe and really that just creates alignment in so many ways,” Matt explained. Sean added, *“Wins beget more wins and focus creates the wins.”*



So picking an area to focus on and excelling in it is the expansion formula. Going too thin, too fast is a recipe for a stall and the market tells you that really quickly.”

- **Trust is crucial.**

“It’s a core Salesforce tenet for a reason and there is no faster way to kill any momentum that you’ve built inside the ecosystem if you lose any kind of trust on the product side or on the go-to-market side,” Drew cautioned.

- **Take a step back to see what gaps you may be overlooking.**

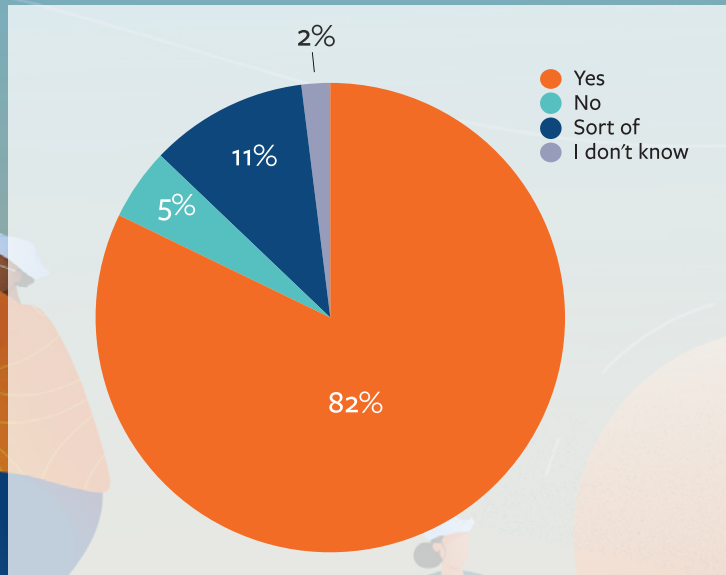
For RingCentral, this meant taking a look at their install experience after realizing 70% to 80% of their support cases weren’t really bugs. *“People just couldn’t install the package appropriately,”* Drew explained. After working with CodeScience to resolve the installation issues, *“We have a lot of new users all of a sudden. The support calls dropped dramatically. Then our AppExchange ratings went up over a full star. So, taking a step back has absolutely had a significantly positive impact on the alliance overall.”*

“
Having a very strong story about how you fit your product set into people’s existing tech stack is worth its weight in gold.
”

DREW QUINLAN

Diversity & Inclusion

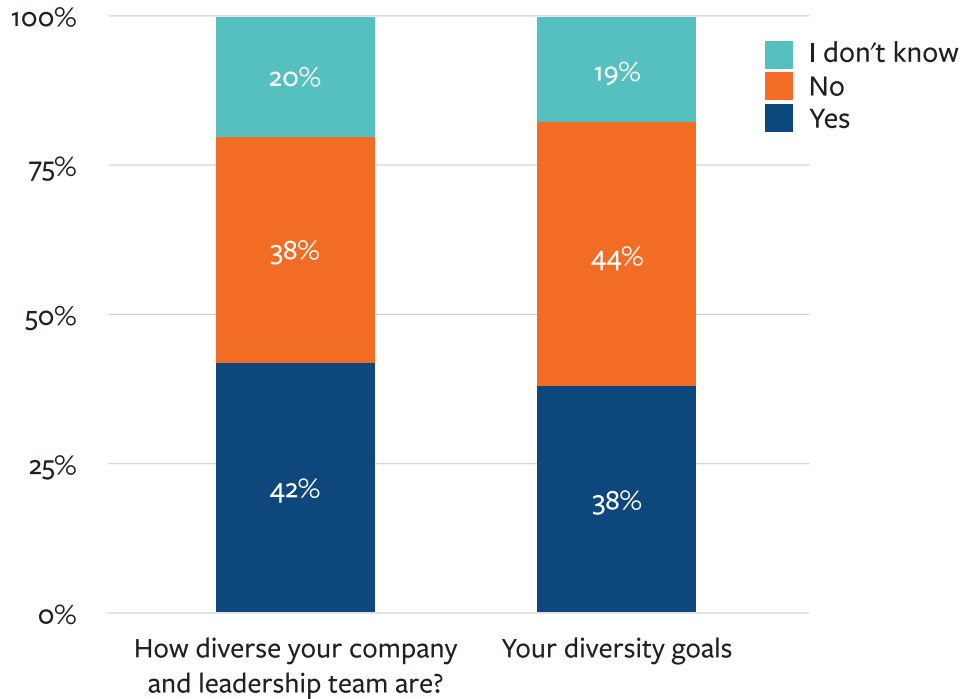
Diversity & Inclusion Continue to Be One of My Company's Shared Values and Priority Areas.



Similar to last year, while a vast majority of you responded that diversity and inclusion is a priority area, only 31% rank it as one of the keys to recent business success. This is up from 23% in 2020.

Of those who answered “no,” “sort of,” or “don’t know,” the vast majority were in the 2 to 50 employees size company and were likely at the lower end of that range.

Does Your Company Currently Make Available Information About...



Consistent with last year's survey, 42% of you have an understanding of your company's diversity goals or the levels of diversity already realized within the company.

Among companies of 1,000 employees or more, all but one of you said that you were not informed of your company's diversity goals. There was a fairly equal split between "yes" and "no" among the smaller companies.

The largest percentage of "don't know" responses came from companies between 201 and 1,000 employees.

Consistent with last year, a majority of you intend to reach your diversity and inclusion goals by centering on hiring strategies or practices, including internships and mentorships.

Salesforce's Talent Alliance was mentioned a couple of times as a viable resource.

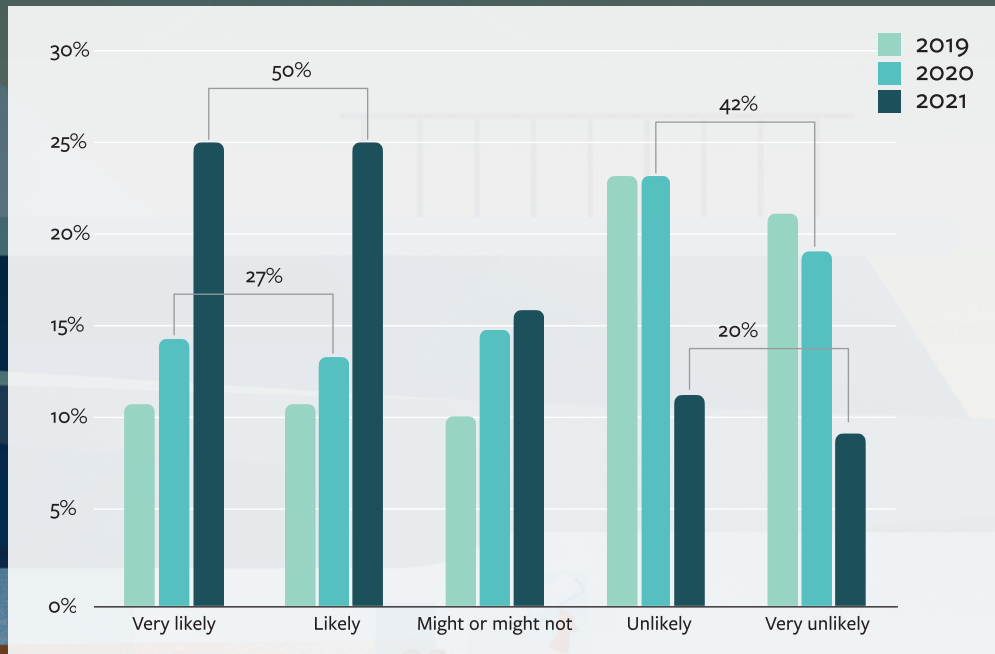
Although 69% of you weighed in on this important issue, 11% stated it wasn't an issue for you (some pointing to the size of your organization), you weren't sure, or you didn't know.

As pointed out last year, the findings from the question, *Looking into 2022, how do you expect your company to change in each of the following areas?*, indicates that the increase in the diversity of the workforce does not appear to keep pace with the prediction of a significant increase in the number of full-time employees.

Although diversity might not be predicted to keep pace with the increase in employees, the findings from the question, *Looking into 2022, how do you expect your company to change in each of the following areas?*, also indicate that almost half of you acknowledge the diversity of your workforce should improve/increase somewhat over the next year.

Investments *(powered by crunchbase)*

How Likely Is It That Your Company Will Have a New Financing Round in the Next 12 Months?



Even in the face of the uncertainties of a global pandemic, last year we observed a very slight increase in the percentage of you expecting to experience a new financing round within the next 12 months.

2021 has flipped the trend of the past two years with half of you believing you will experience a new round of financing in the next 12 months. This is in line with Crunchbase's tracking of overall technology investments globally.

Of note, 42% of you remained skeptical about a new round of financing in the next 12 months. 9% of you didn't know or didn't want to say.



The record funding pace continues into the third quarter of 2021 with \$160 billion invested globally, matching the huge funding increase in the second quarter and up 78% year over year."



GENÉ TEARE,
CRUNCHBASE

Crunchbase Insights

For the third year in a row, we partnered with Crunchbase to gather deep insight into the broader investment ecosystem for companies on the AppExchange. This year, they also included funding information for the Microsoft AppSource, Google Cloud, and Shopify App Store ecosystems to provide context for the AppExchange data.

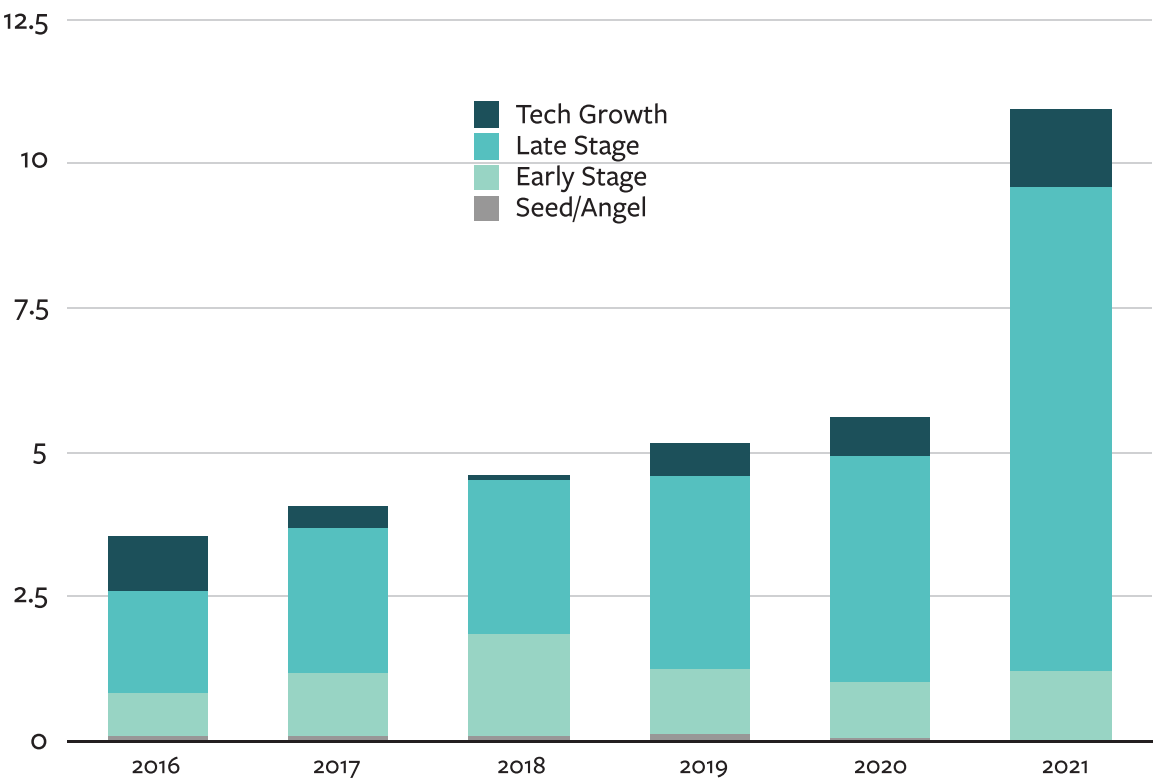
KEY FINDINGS:

Funding has significantly increased in AppExchange companies this year. As of October 2021, venture funding to those companies reached over \$10 billion, double the \$5.3 billion invested in 2020. Investment in late-stage rounds accounts for 77% of funding so far in 2021, and funding at seed/angel accounts for \$24 million this year, a significant decrease from prior years.

The largest funding rounds in AppExchange companies in 2021 include:

- A \$800 million Series C extension for [MessageBird](#), a cloud communications platform based in Amsterdam, The Netherlands
- A \$750 million Series F for [UiPath](#), a New York-based robotic process automation company
- A \$600 million Series H round for [Stripe](#), a payment processing company based in San Francisco, California

VC Funding for AppExchange Companies

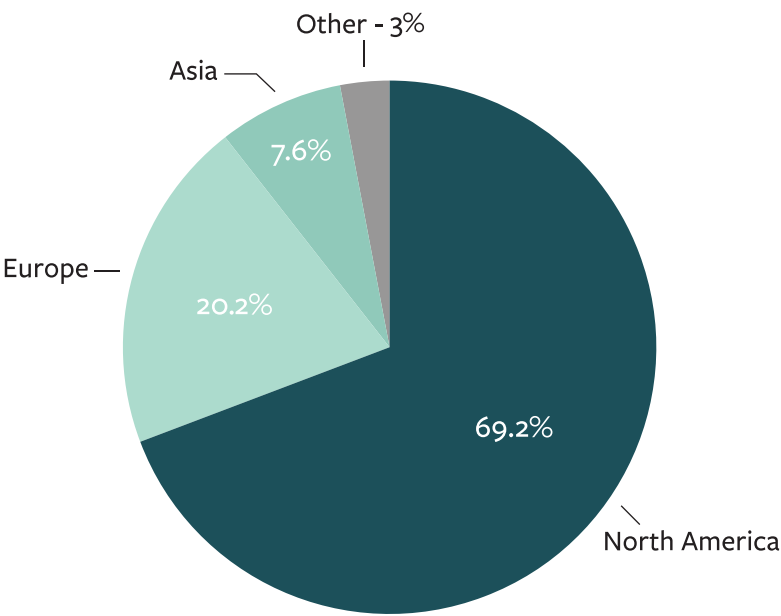


Source: Crunchbase

LOCATION

The majority of companies in the AppExchange are headquartered in North America at 69% (61% total in the U.S.), 20% are based in Europe, and 8% are based in Asia.

Location of AppExchange Companies



ACTIVE INVESTORS

As of October 2021, the most active investors include [Salesforce Ventures](#), based out of Silicon Valley; [Tiger Global Management](#), an investment firm based in New York; [Insight Partners](#), a growth-stage software investor based in New York; [Accel](#), a Palo Alto-based early- and growth-stage VC; and [Norwest Venture Partners](#), a Palo Alto-based venture and growth-stage VC.

INVESTOR	COMPANY COUNT
Salesforce Ventures	67
Insight Partners	25
Accel	20
Tiger Global Management	16
Battery Ventures	14
Lightspeed Venture Partners	13
Bessemer Venture Partners	12
Sapphire	11
Norwest Venture Partners	11
Kleiner Perkins	11
Silicon Valley Bank	9
Shasta Ventures	9
Sequoia Capital	9
Lighter Capital	9
Bain Capital Ventures	9
Alumni Ventures	9
Scale Venture Partners	8
New Enterprise Associates	8

ACQUISITIONS IN 2021

The largest acquisition of an AppExchange company in 2021 was that of healthcare technology company, [Change Healthcare](#), acquired by Optum (already an AppExchange partner) for \$13 billion. Other \$1 billion-plus acquisitions so far in 2021 include:

- Cybersecurity company [Proofpoint](#) acquired by Thoma Bravo for \$12 billion
- Marketing automation platform [Mailchimp](#) acquired by Intuit for \$12 billion
- Biotechnology company [PRA Health Sciences](#) acquired by ICON for \$12 billion

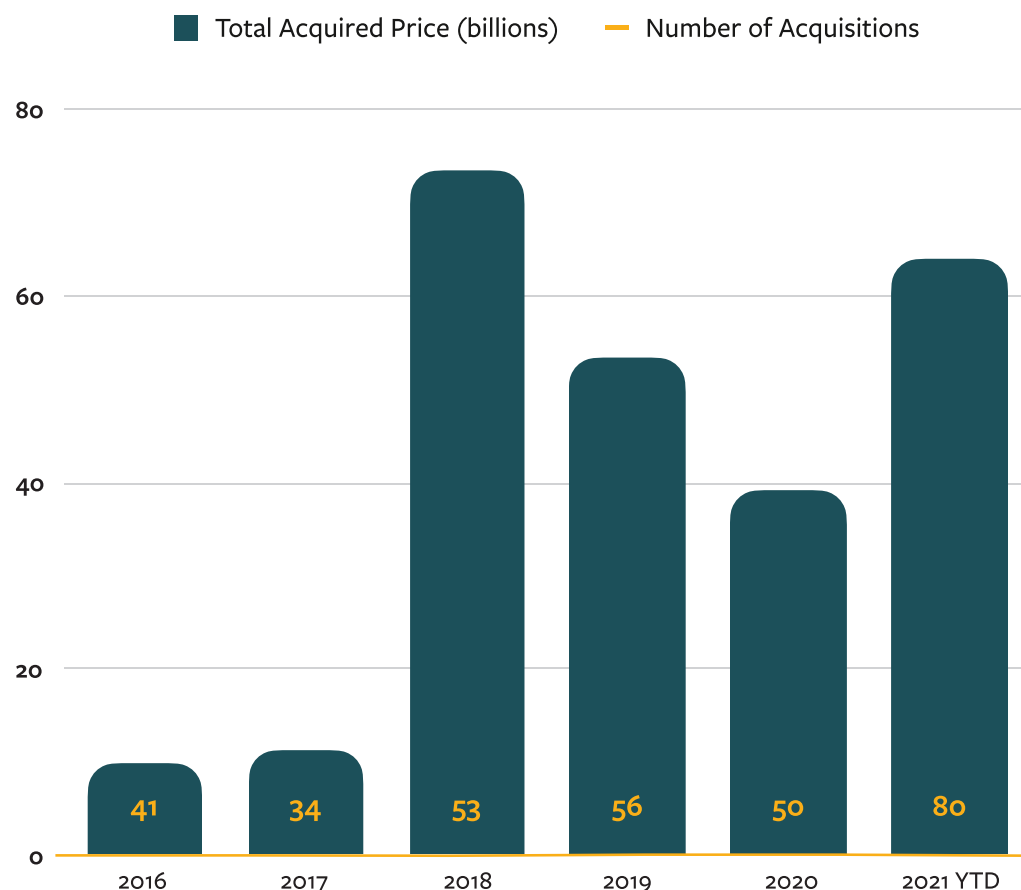
Compared to last year, 2021 has been a strong year in terms of acquisitions. Notable 2020 acquisitions included [Slack](#) (acquired by Salesforce) and [Vertafore](#) (acquired by Roper Technologies).

Since 2016, private-equity firm Thoma Bravo has acquired the most AppExchange companies at 11. Among those acquisitions were customer experience management company, [Medallia](#), and insurance software provider [Majesco](#). Salesforce is next with 7 acquisitions, and Vista Equity Partners at 6.

IPOS

Eleven AppExchange companies went public in 2021. Notable IPOs include: experience management platform [Qualtrics](#) IPO'd in January with a valuation

AppExchange Company Acquisitions



of \$15 billion; robotic process automation company [UiPath](#) IPO'd in April at a \$35 billion valuation; customer engagement company [Freshworks](#) IPO'd in September with a valuation of \$10 billion.

Notable 2020 IPOs included [nCino](#), [ZoomInfo](#), [Asana](#), and [Duck Creek Technologies](#).

UNICORNS

From the current AppExchange dataset, 22 companies reached Unicorn status in 2021, so far. Notable companies include [Zapier](#), which was valued at over \$4 billion post-money in a secondary market transaction by Sequoia Capital; [OwnBackup](#) which raised a Series D at \$168 million, valuing the company at \$1.4 billion post money led by Sapphire, Salesforce Ventures, and Insight Partners; [Highspot](#) which raised a \$200 million Series E led by Tiger Global Management, with a valuation of \$2.3 billion post money.

EMERGING UNICORNS

Crunchbase also tracks emerging unicorns—companies with a valuation of between \$500 million and \$1 billion. In 2021, New Jersey-based analytics company [Axtria](#) and personalization company [Bloomreach](#) both joined the ranks. In 2020, [GoCardless](#) reached emerging unicorn status.

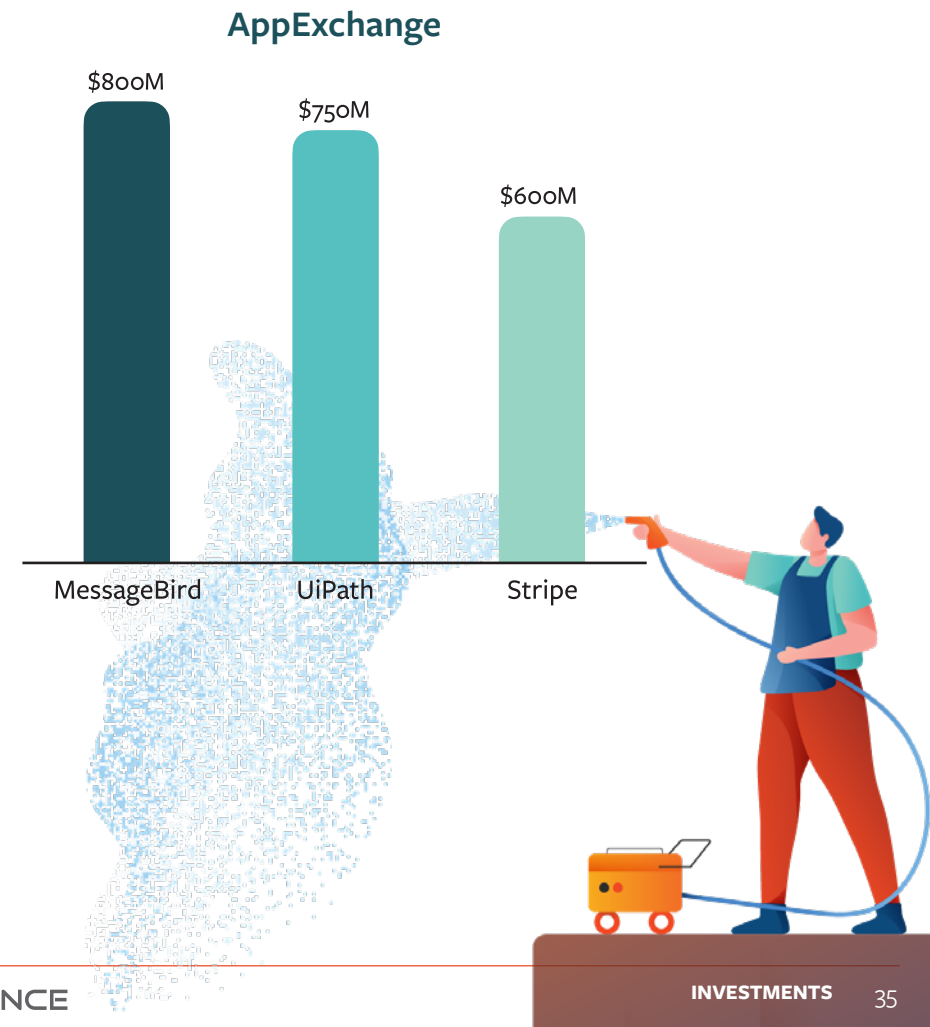
CROSS MARKETPLACE ECOSYSTEM COMPARISON

Funding

Across four marketplace ecosystems (**AppExchange**, **Microsoft AppSource**, **Google Cloud**, and **Shopify**), late-stage round investments account for the majority of funding so far in 2021.

The largest funding rounds in **AppExchange** companies in 2021 include:

- An \$800 million Series C extension for [MessageBird](#), a cloud communications platform based in Amsterdam, The Netherlands
- A \$750 million Series F for [UiPath](#), a New York-based robotic process automation company
- A \$600 million Series H round for [Stripe](#), a payment processing company based in San Francisco, California



The largest funding rounds in **Google Cloud** companies in 2021 include:

- A \$1.6 billion Series H for [Databricks](#), an AI-driven data company based in San Francisco, California
- A \$565 million Series D for [Fivetran](#), an Oakland-based data warehouse company
- A \$530 million Series F for [Snyk](#), a security intelligence company based in Boston, Massachusetts

The largest funding rounds for **Microsoft AppSource** companies in 2021 include:

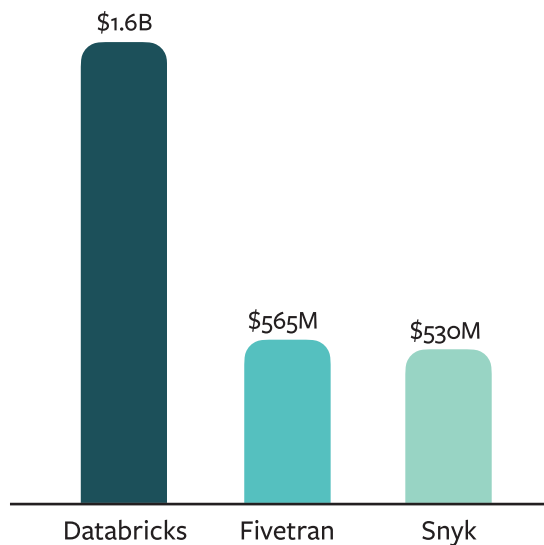
- A \$300 million venture round for [Netskope](#), a data visibility and threat protection platform based in Santa Clara, California
- A \$240 million Series C for [ActiveCampaign](#), an email marketing automation platform based in Chicago, Illinois
- A \$230 million Series D for [Talkdesk](#), an enterprise contact center platform based in San Francisco, California

Of note, all three of these companies also participate in the AppExchange ecosystem. [Talkdesk](#) is another example of an ISV finding PMF on Salesforce before branching to other ecosystems.

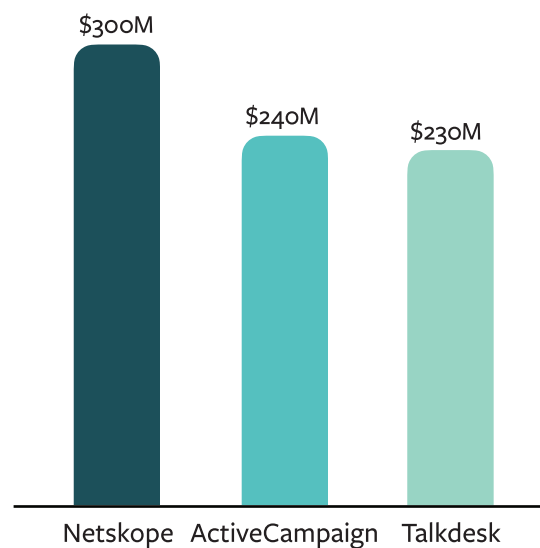
The largest funding rounds for **Shopify** companies in 2021 include:

- A \$425 million Series D for [Plaid](#), a digital financial services company based in San Francisco, California
- A \$320 million Series D for [Klaviyo](#), a marketing automation and email platform based in Boston, Massachusetts

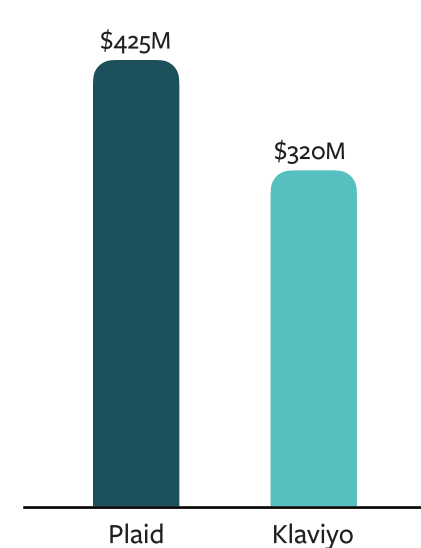
Google Cloud



Microsoft AppSource



Shopify



LOCATION

On average, 87% of companies across all ecosystems are located in North America.

ACTIVE INVESTORS

Across the four marketplace ecosystems, the most active investor is [Tiger Global Management](#), an investment firm based in New York.

As of October 2021, the most active investors include [Salesforce Ventures](#), based out of Silicon Valley; [Tiger Global Management](#), an investment firm based in New York; [Insight Partners](#), a growth-stage software investor based in New York; [Accel](#), a Palo Alto-based early- and growth-stage VC; and [Norwest Venture Partners](#), a Palo Alto-based venture and growth-stage VC.

The most active investors of Google Cloud companies as of October 2021 also include [Accel](#); [Tiger Global Management](#); and [Andreessen Horowitz](#), a stage-agnostic VC based out of Menlo Park, California.

The most active investors of Microsoft AppSource companies as of October 2021 include [Tiger Global Management](#) and [Sapphire](#), an early- and growth-stage VC based in Palo Alto.

The most active investors of Shopify companies as of October 2021 include [Glynn Capital Management](#), an investor of private and public technology growth companies.

METHODOLOGY

Across four marketplace ecosystems, we found that 1951 companies in AppExchange, 115 companies in Google Cloud, 316 companies in Microsoft AppSource, and 85 companies in Shopify matched Crunchbase data. Out of those companies, 1079 have received at least one round of venture funding.



crunchbase

Crunchbase is the leading platform for professionals to discover innovative companies, connect with the people behind them, and pursue new opportunities. Over 70 million professionals—including entrepreneurs, investors, market researchers and salespeople—trust Crunchbase to inform their business decisions. Companies all over the world also rely on Crunchbase to power their applications, making over 6 billion calls to their API each year. An AppExchange partner, Crunchbase for Salesforce helps salespeople by enriching leads in their sales pipelines with actionable company data. This includes funding data and key buy signals.

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