



# BUILDING A PLATFORM BUSINESS REQUIRES BALANCE—LESSONS FROM SALESFORCE

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Multi-sided platforms (MSPs) facilitate the connection of various actors.<sup>1</sup> Platform businesses based on MSP business models have become highly popular: they are used by half of the world's ten largest companies by market capitalization, including Apple (which offers iOS), Microsoft (Azure), Alphabet (Google Cloud Platform), Amazon (Amazon Web Services, or AWS), and Meta (Platform). These platform owners provide a technological base—an external developer platform<sup>2</sup>—that innovators can use to create digital innovations (e.g., apps) and facilitate their exchange between the innovators (partners) and innovation users (customers) via a marketplace (e.g., Apple's App Store).

Non-digital-native companies, too, have opened their digital platforms to external developers. For example, Royal Philips created the HealthSuite Digital Platform,<sup>3</sup> which supports the company's connected solutions; and Schneider Electric offers its EcoStruxure platform, the company's technological foundation, which underpins Schneider Electric Exchange, a space for innovation.<sup>4</sup> A key challenge for such companies, though, has been advancing beyond maintaining external developer platforms to creating value-generating platform businesses.

To help non-digital-native companies better understand what it takes to generate value from platform businesses, we studied Salesforce Platform, a platform business supporting over 4,500 third-party developers that contributed

almost \$6 billion—about 20 percent—to Salesforce's total revenue in FY 2023.<sup>5</sup>

Although it's a digital-native company, Salesforce considers itself, like many non-digital-native companies, to be a product company rather than a platform company. Salesforce's products include market-leading customer relationship management (CRM) software-as-a-service (SaaS) offerings such as Sales Cloud and Service Cloud. A shared digital platform of common components underpins the CRM products. In 2004, Salesforce opened up this digital platform first to Salesforce's customers, so they could customize their Salesforce products, and then to the company's partners, so they could build their own apps and offer them to Salesforce customers. The company ultimately called the resulting platform business Salesforce Platform.

Running a platform business requires Salesforce to manage the conflicting interests of three kinds of constituents: customers, the company's internal CRM product teams, and partners. In this briefing, we draw on our case study of Salesforce's Platform business<sup>6</sup> to illustrate one approach to managing the interests of these constituents.

## FOCUS ON VALUE FOR THE CUSTOMER

Salesforce created Platform to increase value for Salesforce's CRM customers in two ways.

First, Salesforce built Platform primarily to enhance the company's successful CRM product. Platform allows any Salesforce customer who pays a subscription fee to use Platform to adapt the CRM system to their needs, without Salesforce having to modify the original CRM products.

1 Examples of the actors connected via a multi-sided platform are buyers and sellers in transaction MSPs and app developers and app users in innovation MSPs. In this research briefing we focus on innovation MSPs. See more about MSPs in Geoffrey Parker and Marshall Van Alstyne, "Platforms: Their Structure, Benefits, and Challenges," in *Introduction to Digital Humanism*, ed. Hannes Werthner et al. (Springer Nature, 2024): 523.

2 An external developer platform is a digital platform that supports an ecosystem of partners who contribute to and use the platform. A digital platform is a repository of business, technology, and data components facilitating the rapid innovation of new offerings and enhancements. See Jeanne W. Ross, Cynthia M. Beath, and Martin Mocker, 2019, *Designed for Digital: How to Architect Your Business for Sustained Success* (Cambridge: The MIT Press, 2019), 101–117.

3 "HealthSuite Digital Platform," Philips, <https://www.hsdp.io/>.

4 "Schneider Electric Exchange," Schneider Electric, <https://exchange.se.com/>.

5 Salesforce's annual report for FY 2023 combined reporting for Salesforce Platform and Salesforce's Slack product in a "Platform and Other" segment. Salesforce, FY23 Annual Report, March 8, 2023, 6, 58, [https://s23.q4cdn.com/574569502/files/doc\\_financials/2023/ar/salesforce-fy-2023-annual-report.pdf](https://s23.q4cdn.com/574569502/files/doc_financials/2023/ar/salesforce-fy-2023-annual-report.pdf).

6 M. Mocker and I. M. Sebastian, "How Salesforce Built its Platform Business," MIT CISR Working Paper No. 462, April 2024, [https://c isr.mit.edu/publication/MIT\\_CISRwp462\\_SalesforcePlatformBusiness\\_MockerSebastian](https://c isr.mit.edu/publication/MIT_CISRwp462_SalesforcePlatformBusiness_MockerSebastian).

Second, Salesforce opened up Platform for access by partners (third-party developers) so they can build apps that complement the functionality of Salesforce’s core products, just like iOS apps complement the functionality of Apple’s iPhone. Customers can use these apps to modify the CRM to fulfill specific needs without having to develop the functionality themselves. In 2023, 91 percent of Salesforce’s more than 150,000 CRM customers used apps from the company’s marketplace, AppExchange.<sup>7</sup>

*First and foremost, we are a CRM company, not a platform company. Our view of Platform is that it is related to our business, CRM. If you think about a platform generically as a technical platform to build whatever applications you want, you can lose sight of why you are building a platform, if you’re not careful. Salesforce has been successful with its Platform because we remained laser-focused [on the CRM business] so we don’t get wrapped up in technology for technology’s sake.*

**PARKER HARRIS, CO-FOUNDER AND CHIEF TECHNOLOGY OFFICER, SALESFORCE**

## SUPPORT INTERNAL PRODUCT TEAMS

Salesforce drew on the *internal* digital platform that provides shared technology components for the company’s core CRM products to build its *external* developer platform. The Platform engineering team develops shared components for use by both internal products teams and external partners. Demands to enable and improve the platform for external partners, who help the Platform business generate revenue by paying a cut from their app sales, compete with demands to support and advance the internal use of the shared components for the core CRM products and third-party apps.

*Striking the right balance between the revenue-generating and the company-supporting aspects [of the platform] is super important. For the benefit of the company, you don’t want to make 20 million from Platform but then lose 40 million in Sales and Service Cloud contracts because you didn’t do something [Sales and Service Cloud] needed.*

**EMIN GERBA, EXECUTIVE VICE PRESIDENT AND HEAD OF PLATFORM ENGINEERING, SALESFORCE**

If the general manager for a platform business is incentivized only by their own profit—driven by revenues from customer

subscriptions and partners—internal platform users will get deprioritized. That is why Salesforce’s decision criteria for use in prioritizing Platform investments include, alongside expected financial impact, the company’s corporate values of trust, customer success, and innovation.<sup>8</sup> For example, regarding trust, at any time more than half of all Platform resources are invested in security- and compliance-related features. One way the Platform engineering team alleviates resource constraints for building internal capabilities is by allowing internal CRM product teams to temporarily reassign their people to the Platform team.

## DEVELOP AN ECOSYSTEM OF PARTNERS

One reason companies pursue new, digital business models is to generate new sources of revenue. One way Salesforce generates revenue from its platform business is to take royalties from partners. When customers buy an app via AppExchange, Salesforce collects the revenue, deducts a share (between 10 and 25 percent), and passes the remainder on to the partner. The value-creation potential of opening a platform to third parties is huge, besides that it alleviates the burden on the company to have all the best ideas for solving customers’ problems and the capacity to implement them. Platform businesses generate innovation without bearing all related costs and risks.

Salesforce’s AppExchange marketplace plays a key role in Platform’s business model: in 2023, AppExchange contributed roughly \$500 million to company revenues, having grown to over 7,000 apps provided by around 4,500 partners. To achieve this, Salesforce needed to expand its focus beyond just creating great products with features that customers want to buy. The company needed to attract and enable other companies (partners) to build products and services that Salesforce customers or their own customers might want. It also needed to shift from maximizing value for the customer to optimizing value creation in a network of customers and partners, including app developers and consulting and integration partners who help customers customize their CRM implementations. In other words, Salesforce needed to adopt an ecosystem mindset.

Early on, Salesforce needed to address challenges that came with adopting an ecosystem mindset. For example, not everyone within Salesforce was incentivized to embrace this mindset; internal product teams sometimes viewed third-party apps as an indicator that they had missed creating key features in the core products. To build up goodwill,

<sup>7</sup> “What is the AppExchange?,” Salesforce AppExchange, Salesforce, accessed November 6, 2023, <https://appexchange.salesforce.com/mktcollections/curated/whatisappexchange>.

<sup>8</sup> Corporate Governance, Salesforce Investor Relations, <https://investor.salesforce.com/corporate-governance/default.aspx>.

Salesforce heavily promoted its Platform business internally, compensating sales account managers for any AppExchange app a customer bought, even if the account managers did not know their customers were using the app.

Indeed, Salesforce views its community of partners as “part of the secret sauce,” in the words of Christophe Coenraets, senior vice president of Salesforce’s Technical Audience Relations. The company goes way beyond enabling app development on Platform to supplying partners with resources on the Salesforce developer portal; giving them free development licenses; providing free, gamified, online training modules on its Trailhead platform;<sup>9</sup> and running developer-focused conferences. Salesforce’s Developer Relations team is committed to helping developers build a professional career with their Salesforce-related skills. Instead of evangelizing to partners, the team aims to be developer advocates acting as trusted advisors.

Cultivating an enthusiastic community of partners also creates stickiness. Salesforce observed that customers extending their Salesforce CRM system using AppExchange apps were more likely to renew their CRM subscriptions. Tying into—and truly caring about—the larger community of developers, consultants, integrators, and many other roles, and encouraging them to enhance the value of the entire ecosystem, helped create sustained success for Salesforce.

*In my mind a healthy ecosystem makes you too big to fail. A key to health in an ecosystem is understanding [...] stakeholder groups [...].*

ZAYNE TURNER, SENIOR DIRECTOR, ARCHITECT RELATIONS, SALESFORCE

## BALANCE CONSTITUENT INTERESTS TO ENSURE A SUCCESSFUL PLATFORM BUSINESS

What are the implications for your company? Building a successful platform business is a long journey. Up until 2014—ten years after commencing its Platform efforts—Salesforce noted in its annual reports that it was “uncertain whether our efforts [around Platform] will ever result in significant revenue for us.”

Building a platform business is not for every company. For those companies that have decided to embark on the journey, we suggest that leaders prioritize and balance the needs of core constituents such as customers, internal product teams, and partners—guided by three lessons:

- 1. Identify the primary source of value.** What is the primary goal of building your platform business? For established companies, this is likely to be enhancing value for existing customers. Determine opportunities to enrich your existing offerings from opening your company’s digital platform, like by allowing customers to customize your products to their needs. Even though that will not create direct revenue from partners, the indirect benefits from better serving your customers’ needs can be substantial. The alternative could be to sacrifice this opportunity to competitors.
- 2. Synchronize internal and external interests.** You have limited resources. When push comes to shove, do you prioritize feature requests from internal product teams or partners? Establish governance mechanisms around platform resource allocation that reflect your priorities, but also recognize that you need to serve both internal and external platform users. Otherwise, you’ll either compromise your successful core business or set your new platform business up for failure.

**Running a platform business is different from running a product business because it requires building an ecosystem of various constituents with differing interests.**

- 3. Nurture and optimize value for the entire ecosystem.** Even if your primary goal is to enhance customer value, you need to ensure that partners also get value. Once you open your digital platform to external partners, you might want to treat them that way: as partners. Caring about the success of partners will prove important for creating a sustainable ecosystem. You can see the consequences of ignoring this in recent reactions toward external developer platforms and marketplaces perceived as “abusive” and practicing “extortion.”<sup>10</sup> On a scale from “family” to “extortion,” how does your approach to managing partners rate? Reflect the value of partners in how you share value with them.

Running a platform business is different from running a product business because it requires building an ecosystem of various constituents with differing interests. That can make the journey challenging, but also rewarding.

<sup>9</sup> Salesforce developed Trailhead, a gamified learning platform, to house its skill development programs and training modules.

<sup>10</sup> Morgan Meaker, “Developers Are in Open Revolt Over Apple’s New App Store Rules,” *Wired*, February 12, 2024, <https://www.wired.com/story/developers-revolt-apple-dma/>.

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