



Ecosystem-Led Growth: **Sticky Traction**

Fuse product & customers with
integrations and marketplaces



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Growth Models

The 3 common models emphasize the direction of growth.

Growth is central to most modern operations. Leaders in any organization, whether for-profit or not, want to increase their impact. The CEO of a publicly traded SaaS business has an explicit mandate (required by law) to maximize the value of a corporation. A non-profit board of directors ensures that their group continues to be organized by some purpose other than

generating profit; they might be measured by the growth of membership, improvement of public health, or advancing a particular philosophy.

DEFINITIONS

Product-Led Growth

Product-led growth, a form of “inbound” growth, begins within the company through its products or services. This strategy focuses on getting as many hands as possible to use the product. Following that, users will (hopefully) either recommend it to others, upgrade to a higher-paid tier, or both.

Sales-Led Growth

A Sales-Led growth strategy organizes tactics to get the message of a product close to the eyes and ears of a firm's dream customers (i.e., the ones who will pay them). The product has to be good, but more importantly, the story needs to be phenomenal. Perhaps the product hasn't even been built; web pages and sales calls must still manage to fuel excitement and demand.

Ecosystem-Led Growth

The ecosystem-led growth strategy requires more than one company. It assumes that the business operates within a larger system: a network filled with consumers and providers. In this model, partnerships are important, but integrations are critical. After all, a contract might compel one company to lead sales calls with mention of their partner, but hungry customers will demand that an app work natively on their smartphone.

Usually, an organization employs multiple strategies in pursuit of its goals. Most companies offer a product or service which they also promote and sell. However, a lot of attention goes to one particular growth strategy.

Growth strategies can be categorized in several ways, but here we'll consider the following groups:

- Inbound (Product-led)
- Outbound (Sales-led)
- Network (Ecosystem-led)

Some experts might choose fewer groups, while others may add additional ones. For simplicity, we'll assume that marketing, partner, and community activities fall within the three described above.



What's Different about ELG?

How is an Ecosystem-Led Growth strategy different from other growth strategies?

You could be forgiven for mistaking Ecosystem-Led Growth with any other type of growth strategy, because there are common elements across all types. One way to think about each strategy is to look at who your organization listens to.

Product-led, inbound businesses often have a technical founder, and staff look to product leaders for guidance.

Sales-led, outbound businesses prioritize the client-facing team and often have an influential sales leader.

The ecosystem-led organization, on the other hand, places a significant focus on the system where its product operates. Usually, a network of partnerships and integrations grows around the business, and these strengthen and accelerate the product flywheel.

There are some areas where network growth overlaps with both inbound and outbound strategies.

1. Ecosystem-Led Growth depends on a good **product** that consumers in the ecosystem need and want to use. Often, these consumers have choice between competing products, so first-mover advantage may only last until the second player enters the system.

2. Ecosystem-Led Growth depends on good **stories** told by the business about their product. If the ecosystem includes a lot of technical users, it might be possible to win users based on features alone, but as the audience diversifies, more users expect to be shown why they should use one product over another.

There are other areas where network growth has its own unique dynamics.

1. **Integration:** A product existing in an ecosystem must somehow benefit the users of complementary products. For example, a snow plow manufacturer can use the best grade of steel and finest coatings to prevent chipping or road damage, but without a compatible vehicle to push it, its plows will sit with no use.

2. **Use cases:** A single product might serve a single purpose, but for more complex use cases, consumers may need to leverage multiple products. As imaginative as some users may be, a network growth team does a major service by curating use cases. This is how Lego bricks are most widely distributed; different interlocking items are packaged for a specific use case. A schematic of a castle or a race car demonstrates the outcome, and instructions guide the consumer through steps needed to interlock parts properly.

3. **Distribution:** How ecosystem users get access to product might be just as important as what product is available. Distribution is always a point of friction. If a consumer wants to use the item right away, they must get access through a retailer or a website download; orders placed to a distant warehouse cannot be transported to the consumer immediately (at least, not yet). Network growth relies in part on some interconnected space where friction to product access is reduced. As the steps needed to go from one product to another decrease, it becomes easier for consumers to try out your product.



What scenarios are ripe for Ecosystem-Led Growth

Find the low-hanging fruit to leverage marketplaces.

1

Software-to-software integration

Salesforce offers a powerful CRM tool for businesses to manage their customer and prospect relationships. That business likely needs to contact those customers and prospects. For this, they would use an email marketing tool like Mailchimp to send targeted email campaigns. An integration between Salesforce and Mailchimp allows the company to automatically sync leads from Salesforce to Mailchimp, segment leads based on Salesforce data, and track email campaign performance data back in Salesforce.

Without an integration, someone would have to manually export leads from Salesforce, import them into Mailchimp, and then manually track the performance of their email campaigns. This takes more time and could lead to errors. However, with this software-to-software integration, the company can save time, reduce errors, and get a more complete view of its lead management and email marketing efforts.

2

Complex product implemented with services

Enterprise Resource Planning (ERP) systems, such as SAP or Oracle, are each complex products that often require specialized services for implementation. These ERP systems are designed to manage virtually every aspect of a large business's operations, including finance, human resources, supply chain, manufacturing, services, procurement, and more. Due to their complexity and the critical role they play in a company's operations, implementing an ERP system can be a massive undertaking.

For example, a manufacturing company might want to use an ERP system to streamline its supply chain management. This could involve integrating the ERP system with existing inventory management software, setting up automated workflows for procurement, and configuring the system to generate real-time reports on supply chain performance.

Implementing this would require a deep understanding of both the ERP system itself and the company's specific supply chain processes. It would likely involve data migration, system configuration, user training, and potentially custom software development.

Due to the complexity of this task, companies often hire consulting firms to assist with the implementation. These firms have the expertise needed to navigate the complexities of the ERP system and tailor it to the company's specific needs.



Devices like the Amazon Echo, powered by a voice assistant, serve as a central control point of control for devices comprising the Internet-of-Things (IoT). While the Echo itself is a powerful tool for tasks like streaming music or answering queries, its true potential is unlocked when it's integrated with other IoT devices.

IoT Device Integrations

Alexa can connect and communicate with a wide array of IoT devices that are not manufactured by Amazon. This includes smart lights from Philips Hue, smart thermostats from Nest, security systems from Ring, and even smart appliances from companies like Samsung and LG. When these devices are integrated, Alexa can control them, enabling users to manage their entire smart home ecosystem through voice commands.

Alexa Skills for IoT

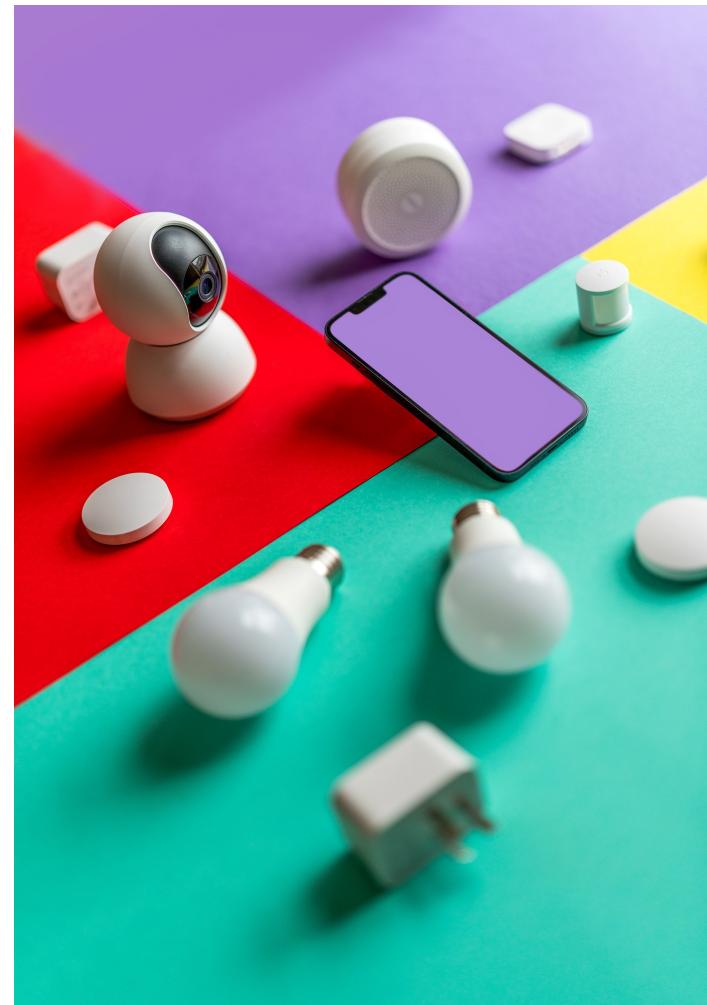
Alexa Skills, developed by third-party creators, further enhance the capabilities of Echo. These skills range from controlling specific IoT devices and automating home routines to interacting with connected cars like a Tesla. While Amazon provides the platform, these skills are developed by other companies or independent developers, expanding the Echo's functionality without Amazon having to create these features itself.

In this context, the Amazon Echo transitions from being a standalone product to a central hub in an IoT ecosystem. Its value is amplified by the multitude of IoT devices and skills it supports, most of which are developed outside of Amazon, showcasing the power of integration in the IoT landscape.



Hardware-to-software integration

3



The Advantage of Choice

A competitive marketplace can benefit all participants.

It might seem crazy to make it easy for customers to choose a competing product over yours in an ecosystem. However, competition and choice within an ecosystem can offer several advantages for a company:



Quality Improvement

With multiple competitors battling for the same customers, there's a constant push to improve quality. Companies that don't meet customer expectations risk losing market share to those that do. This can result in quality inflation, which benefits all consumers.



Price Competition

Competition can also drive down prices, as companies seek to attract customers by offering better value for money. This can make the ecosystem more attractive to price-sensitive customers.



Customer Choice

A diverse ecosystem gives customers a range of choices, allowing them to select the products or services that best meet their needs. This can lead to higher customer satisfaction and loyalty. This enables each member of the ecosystem to optimize their selection based on whatever they deem most important.



Innovation

Competition encourages companies to innovate to differentiate themselves from their competitors. This can lead to the development of new products, services, or features that enhance the overall value of the ecosystem. Without pressure from competition, a monopoly provider may rest on their cash cow products for years.



Collaboration

While competition is a key aspect of an ecosystem, so too is collaboration. Companies can often find ways to work together to enhance their offerings, such as through integrations or partnerships.



Risk Mitigation

Having multiple options within an ecosystem can also reduce risk. If one product or service fails or doesn't meet expectations, there are others that can take its place. Even if your own product fails, your customers will be much more satisfied when there is a simple way to migrate to a similar product and maintain their tasks.



Competition and choice within an ecosystem can drive innovation, improve quality, lower prices, and increase customer satisfaction, all of which can benefit the companies operating within that ecosystem.

The Dilemma: ELG, or a more direct go-to-market?

With such an interconnected digital landscape, technology companies often face a critical decision when launching a new product: use a direct go-to-market strategy or leverage a networked ecosystem. While both approaches have their merits, certain circumstances may favor a networked ecosystem.

In a networked ecosystem—a collaborative network of companies, including partners, suppliers, competitors, and customers—value is created through interdependencies. This contrasts with a direct go-to-market strategy, where a company aims to reach its customers directly, often through its own channels and based on its unique value proposition alone.

A key factor to consider when choosing the GTM approach is the nature of the product itself. If the product is designed to function as part of a broader system, or if it can be enhanced through integration with other products, launching through a networked ecosystem might be beneficial. For instance, a smart irrigation device for lawn care might gain more traction if it's launched as a component of the Google Home framework, where it can integrate with existing climate and lighting devices to maintain whole-home energy efficiency.

Another GTM factor is the competitive landscape. Launching through a networked ecosystem in highly saturated markets can help a product stand out by offering unique integrations or partnerships that competitors can't match, at least initially. This can be particularly effective if

the ecosystem includes well-established brands that can lend credibility to the new product.

The company's resources and capabilities should also be considered. Launching a product through a networked infrastructure often requires significant technical expertise to ensure seamless integration with other products in the ecosystem. However, it can also reduce the need for extensive marketing or distribution resources, as the ecosystem itself can provide exposure and access to customers. There's another interesting benefit here; early adopters who see the ecosystem value may share their own integrations. This lowers the development expense for a company; meanwhile, the customer becomes more attached to the product because of their own investment.

Finally, customer expectations and preferences play a crucial role. Convenience and seamless user experiences are more important as technology takes over more parts of the human experience. If launching through a networked ecosystem can make the product easier to use or more compatible with other products the customer already uses, it can promote higher customer satisfaction and adoption.

A direct go-to-market strategy is effective for certain products and in certain markets, but a networked ecosystem approach can offer significant advantages. As with any strategic decision, a business must carefully consider the specific circumstances for its product in a given market, and make the choice that best aligns with overall goals and capabilities.

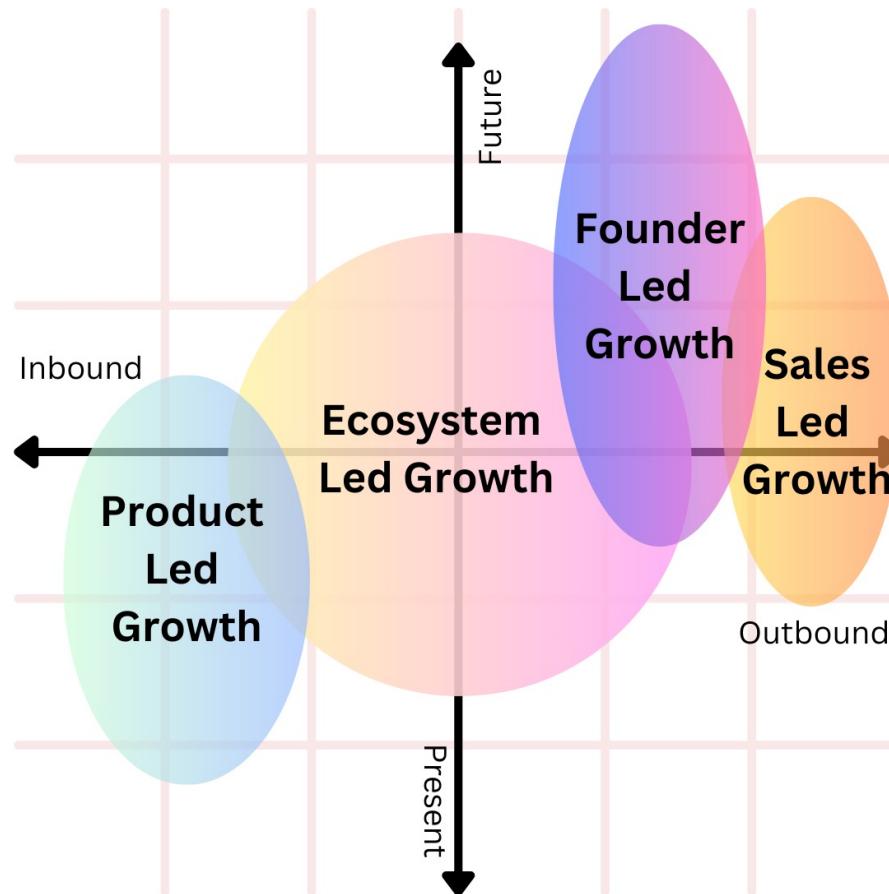


The Ecosystem ROI

Leveraging the assets of your environment to grow sustainably.

The resources and capabilities of the tech stack around your product allow several unique opportunities for growth. While specific ROI can vary widely, key performance indicators in three areas track the success of this approach.

Lower upfront investment, increased sales and marketing resources, and reduced churn quantify how well ELG works for your product. Your investment in the system landscape supports this flywheel engine that continues to yield multiples even as you maneuver changing economic conditions.



Operations

From launch to distribution to support, an ecosystem simplifies and accelerates your go-to-market. Critical infrastructure is available, secured, and launched without your own capital investment.



Direct Revenue

There's much more value to capture as partners and third-party integrators leverage your product in their sales process. Your presence in this marketplace drives awareness that might otherwise be impossible for you.



Innovation

Professional third-party engineers and citizen developers effectively join your R&D team, motivated by the opportunity to create more value with your platform. Their investment creates new solutions and a stickier relationship with you.

Amplifying any growth strategy with community

Bring the Voice of Your Customer into your ecosystem



Building a robust user and customer community can completely change the effectiveness of any go-to-market strategy. However, its impact is particularly profound when launching a product through a networked ecosystem.

A community serves as a vibrant hub for users to share their experiences, solve problems for each other, and exchange ideas. This collaborative environment fosters a sense of belonging, which can significantly enhance customer loyalty and product adoption. Meanwhile, demand on company resources goes down when customers handle some of their own support and success needs.

When integrated with a networked ecosystem strategy, a community can become a powerful engine for innovation and growth. Users provide real-time feedback on integrati-

-ions, suggest new ones, and even develop their own, effectively becoming co-creators within the ecosystem.

This not only accelerates product development but also ensures that the ecosystem evolves in line with user needs and expectations.

This thriving community can amplify the reach of the ecosystem. Every user becomes a potential advocate, spreading the word about the product and its ecosystem. This organic marketing can significantly enhance the visibility and credibility of the product, driving customer acquisition. Once again, customers take on some of the burden normally managed as a business expense, but at little or no cost to the company.

Furthermore, a community can provide invaluable insights into customer behavior and preferences. This data can inform decision-making, helping to refine the ecosystem strategy and ensure it remains focused on the Voice of the Customer.

A community can transform a networked ecosystem from a simple catalog listing of products and services into a dynamic, customer-driven platform. By fostering collaboration, driving innovation, amplifying reach, and providing insights, a community can significantly enhance the effectiveness of a networked ecosystem strategy, leading to sustainable growth and success.



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