Twitter Thread by Bucco Capital



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(1/8) The best, most succinct, description of network effects in SaaS that I've ever heard:

Good companies only have one vector on which to monetize, which is selling software.

Generational companies have two vectors. Software contracts and net-new users added to the network.

(2/8) The dirty little secret of SaaS is that software is rapidly becoming commoditized. It's too easy to build

Network effects are how you build a defensible moat around your business

Marketplaces are how you monetize those network effects.

Let's look at $ADBE as an example

(3/8) To my count $ADBE has five marketplaces:
- Software: Integrations + Apps built for $ADBE ecosystem
- Services: Onboarding, training etc
- Talent: Hiring people who know Adobe
- Assets: Buy and sell creative assets
- Education: Resources to Teach with Adobe

(4/8) Software Marketplace: App Exchange.

$ADBE has 3 Clouds - Creative, Experience, Document.

2 types of activity. Integration of existing apps, but also apps built specifically for $ADBE. Rev split is 90/10.

$ADBE is stickier the more it integrates w/ everything else.

(5/8) Adobe Solutions Partners

$ADBE offers services by thousands of Partners in every region of the world. Everything from training, onboarding to integrations and more.

1) It’s not feasible for $ADBE to deliver these in house
2) Customers get regional, specialized support

(6/8) The Assets, Talent, and, Education exchanges are similarly focused on making it as easy as possible to grow your business and your career within the Adobe ecosystem.

Many of these transactions are free since they accelerate growth/usage across their products.

(7/8) If software is being commoditized. The marketplaces are the moat around the product.

$ADBE has built 5 interlocking marketplaces that are a fortress around their 3 clouds.

You can “copy” $ADBE’s apps. You can’t copy their ecosystem.

(8/8) When I mention a company having a “center of gravity” this is what I mean.

The economic opportunity of $ADBE’s five interlocking marketplaces are sucking in agencies, apps, and talent who are all adding their own incremental value.

It’s a very powerful flywheel.