

2020 SAAS PRODUCT BENCHMARKS

SAM RICHARD & KYLE POYAR



TABLE OF CONTENTS

1 Introduction

2 Participant Overview

4 Features:
PLG Insights &
COVID-19

5 Customer
Journey
Insights

6 Acquisition
& Retention
Insights

7 Product
Metrics

8 Team
Insights

INTRODUCTION

To make the best strategic decisions and be held accountable in their roles, product and growth professionals *need* objective data. That's why we conducted our first annual SaaS Product Benchmarks Survey—the findings enable operators to compare themselves with their peers across the metrics they use most. Think of this report as your go-to resource for building better products.

“Product managers and founders who are taking a product-led approach—measuring usage, experimenting with new ideas and providing value for their users at low to no cost—end up building high-growth, enduring businesses.”

– Sam Richard

Director of Growth at OpenView

THE PARTNERS WHO MADE THIS POSSIBLE

OPENVIEW



PRODUCT
COLLECTIVE



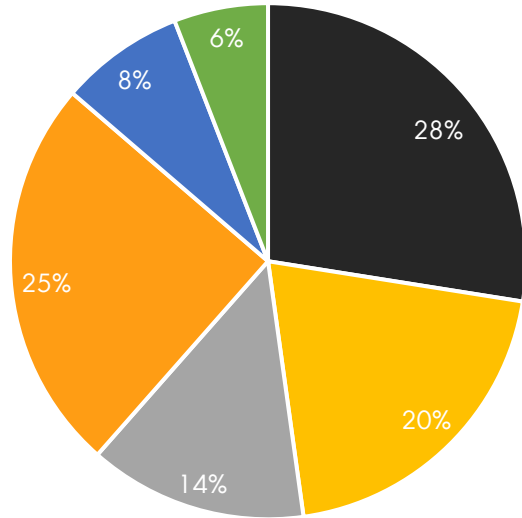
bōldstart



HEAVYBIT
INDUSTRIES

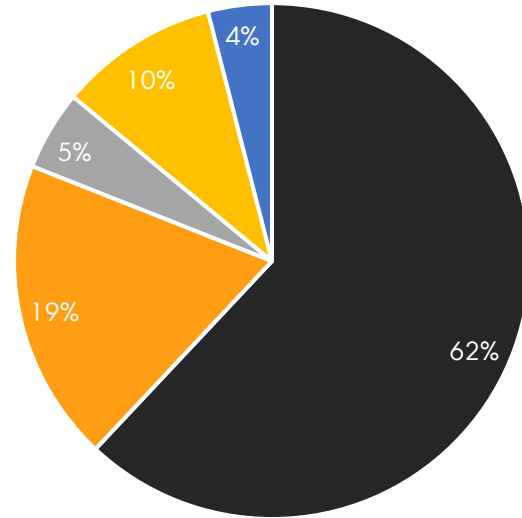
WHO TOOK THE SURVEY

DISTRIBUTION BY ARR



■ <\$1M ■ \$1-5M ■ \$5-10M ■ \$10-30M ■ \$30-100M ■ \$100M+

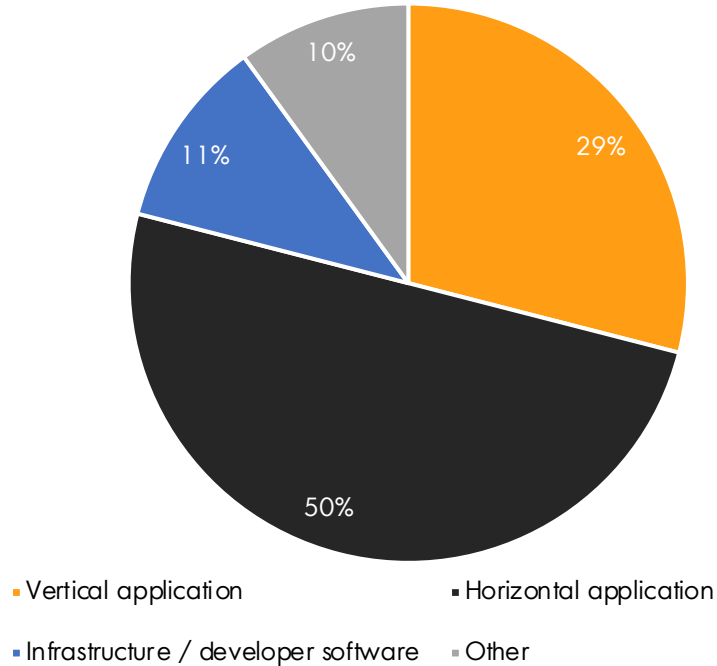
DISTRIBUTION BY GEOGRAPHY



■ US ■ Europe ■ Canada ■ APAC ■ Other

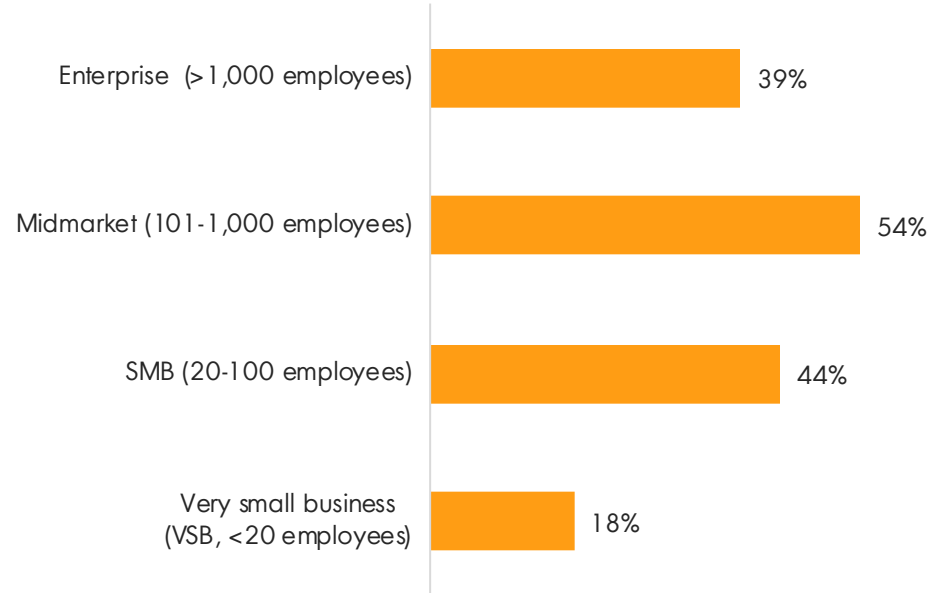
Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

DISTRIBUTION BY SOFTWARE CATEGORY



Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

DISTRIBUTION BY TARGET CUSTOMER SIZE*



Note: Respondents could select up to two responses.

PRODUCT LED GROWTH INSIGHTS 🤖🤖



WHAT IS PRODUCT LED GROWTH? 🚩

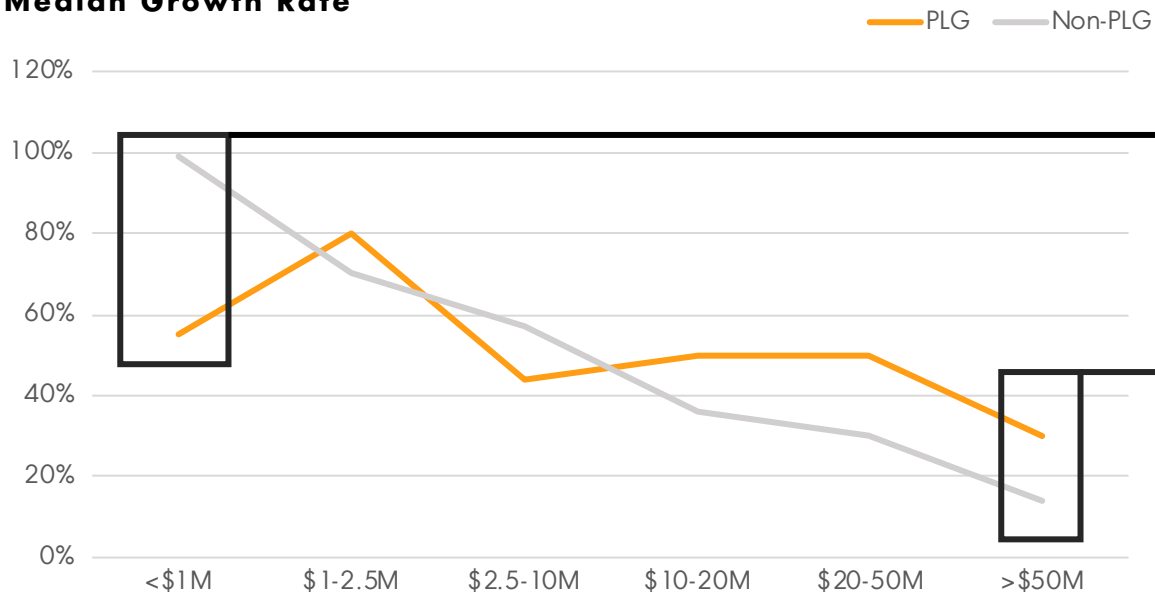
Product led growth (PLG) is an end-user focused growth model that relies on the product itself as the primary driver of customer acquisition, conversion and expansion.

Many of the fastest growing software companies, including standout public companies, employ PLG.



PRODUCT LED BUSINESSES GROW FASTER AT SCALE

Median Growth Rate

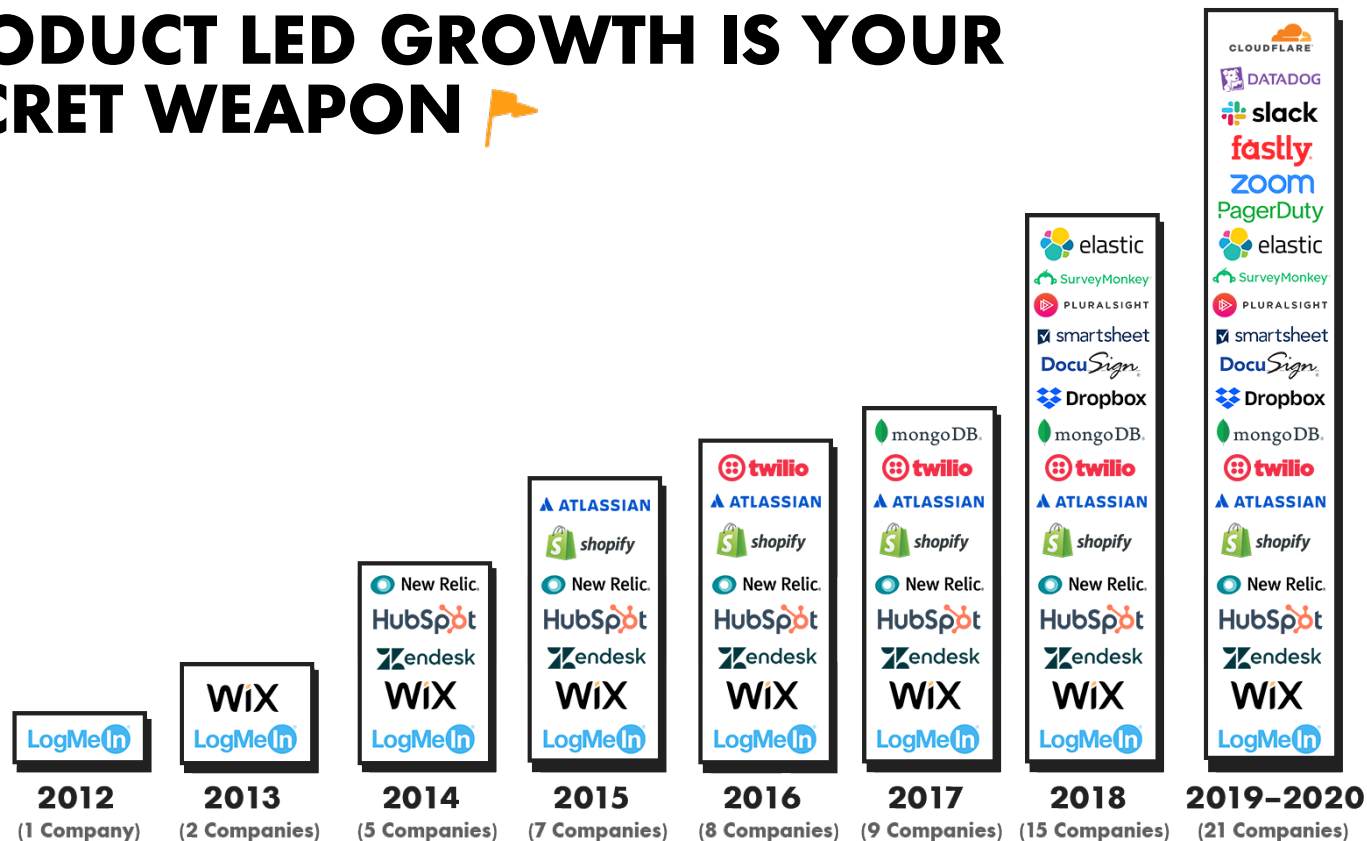


- PLG companies grow slowly in their early days, as it takes time to build a community of free users and convert those users to paying customers.
- After \$10M in ARR, the magic of PLG kicks in and these companies can scale faster. They aren't as limited by their ability to hire, onboard and feed leads to enterprise sales reps, and they've built up significant goodwill from their users.

Source: 2019 OpenView SaaS Metrics Survey, N=639. PLG Companies defined as those leveraging more than three of the 9 PLG strategies surveyed.

ARR Scale

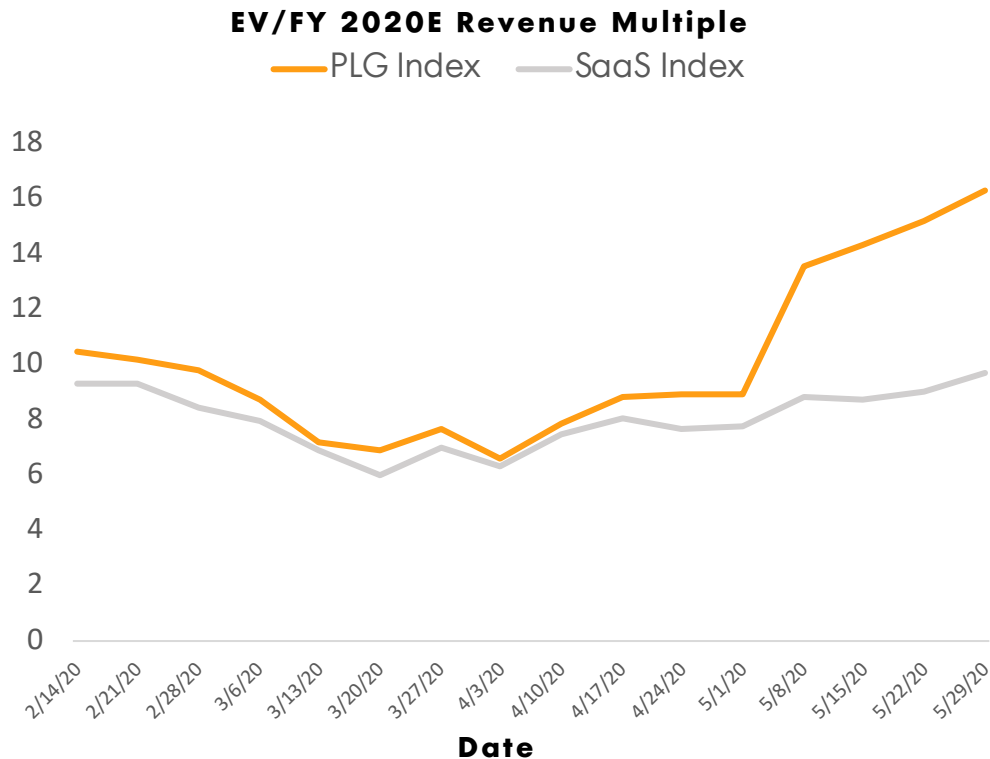
PRODUCT LED GROWTH IS YOUR SECRET WEAPON 🚩



Evolution of Public PLG Companies Since 2012

COVID-19 PROVES PRODUCT LED GROWTH IS YOUR SECRET WEAPON DURING A DOWNTURN 🚩

- While much of the data for this report was collected from Q4 2019 (Pre-COVID-19), it's important to understand how well PLG companies are performing.
- Before COVID-19 impacted the market, the PLG index and the SaaS index were trading at similar rates. After four months of an unprecedented global crisis, SaaS companies are bouncing back while PLG businesses are trading at almost 2x higher revenue multiples than they started with.



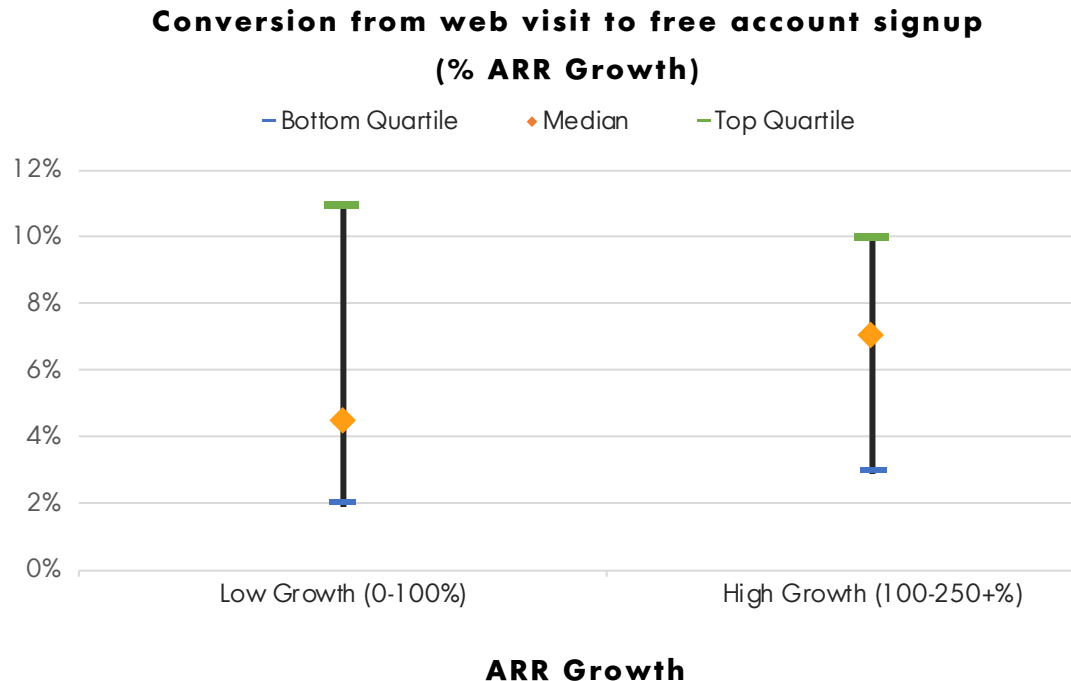
Source: Pitchbook. PLG Companies can be found on the [PLG Index here](#).

CUSTOMER JOURNEY INSIGHTS



WEB-TO-FREE ACCOUNT CONVERSION

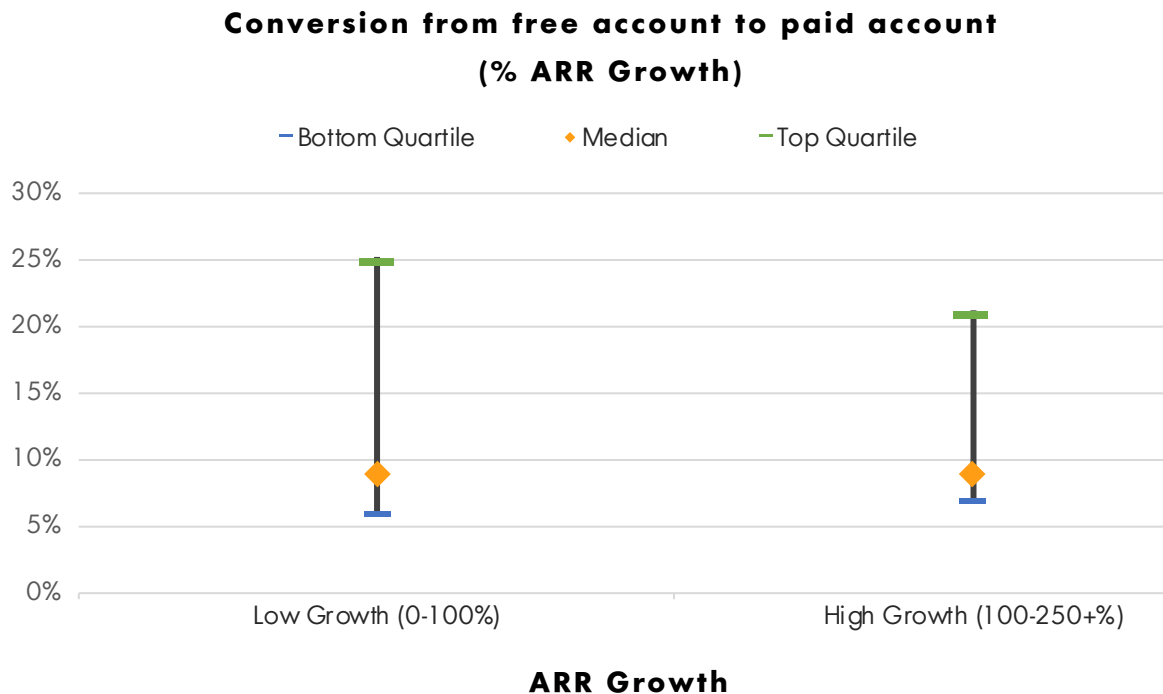
- For SaaS businesses with a freemium product or a free trial, getting users into the product is the single biggest source of leads.
- While conversion rates from the web to your product can vary dramatically, it's clear that high-growth businesses have a wider top of funnel to work with from the start.



Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

FREE-TO-PAID ACCOUNT CONVERSION

- At first glance, high-growth businesses don't have much of an edge on low-growth businesses in their free-to-paid conversion rate. But note that high-growth businesses have much larger web-to-free conversion rates, generating a larger top of funnel to convert over time.
- Note: Conversion from free to paid was measured in 12-month cohorts.



Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

FREEMIUM OR FREE TRIAL CONVERSION

Conversion from free account to paid account (freemium or free trial)



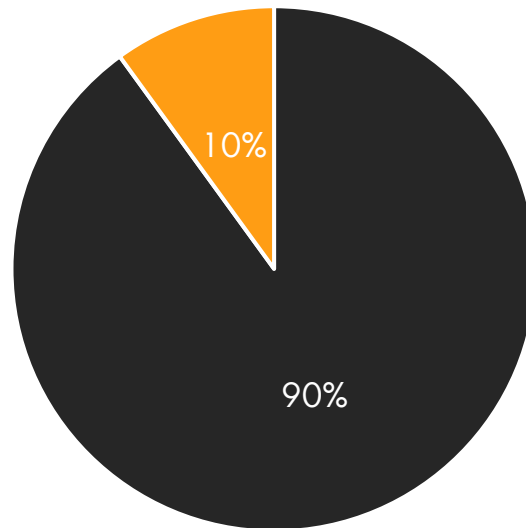
Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

OUTREACH TO FREE ACCOUNTS

- Its no secret that your product is the best way to generate leads.
- Most software companies with a free trial or freemium model leverage their product to the fullest by reaching out to prospects who are using their tools.

Outreach Mix (% Performing outreach to free accounts)

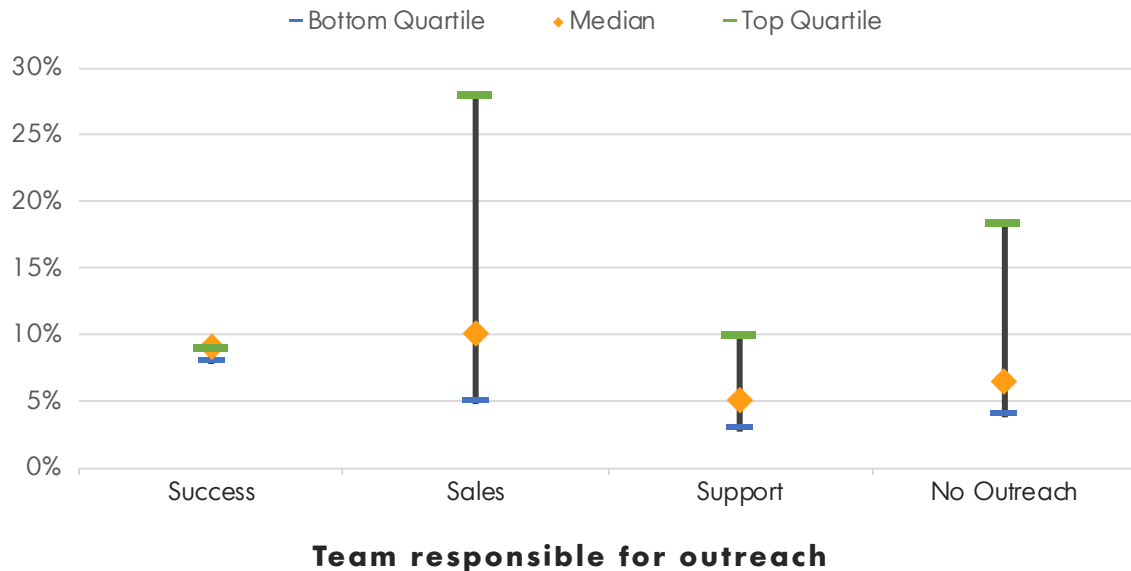
- Reach out to Free Users
- Don't Reach out to Free Users



Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

CONVERSION AND OUTREACH TYPE

Conversion from free to paid account (team performing outreach)



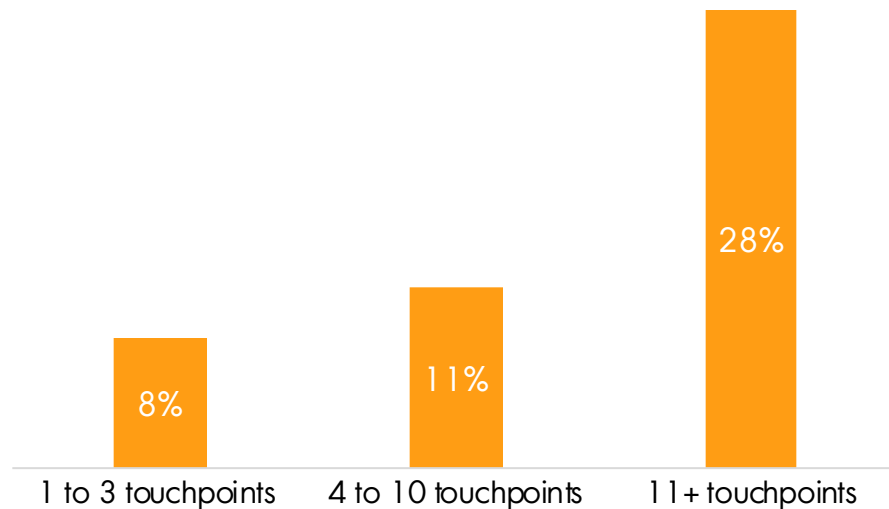
- At first glance, for the average company it doesn't matter which team owns outreach to new signups so long as they're sales or customer success.
- Note that top-tier teams deploy sales in a way that makes a big difference on conversion rates.

Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

TOUCHPOINTS AND CONVERSION RATE

- The real differentiator for conversion rates for free trials or freemium products isn't whether you're reaching out to users, it's how persistent your messaging is.
- Conversion rates increase as software companies add touchpoints with prospects. 11+ touchpoints performed 2x higher than other sales and marketing cadences.

Conversion from free account to paid account



Touchpoints during free trial or freemium use

Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

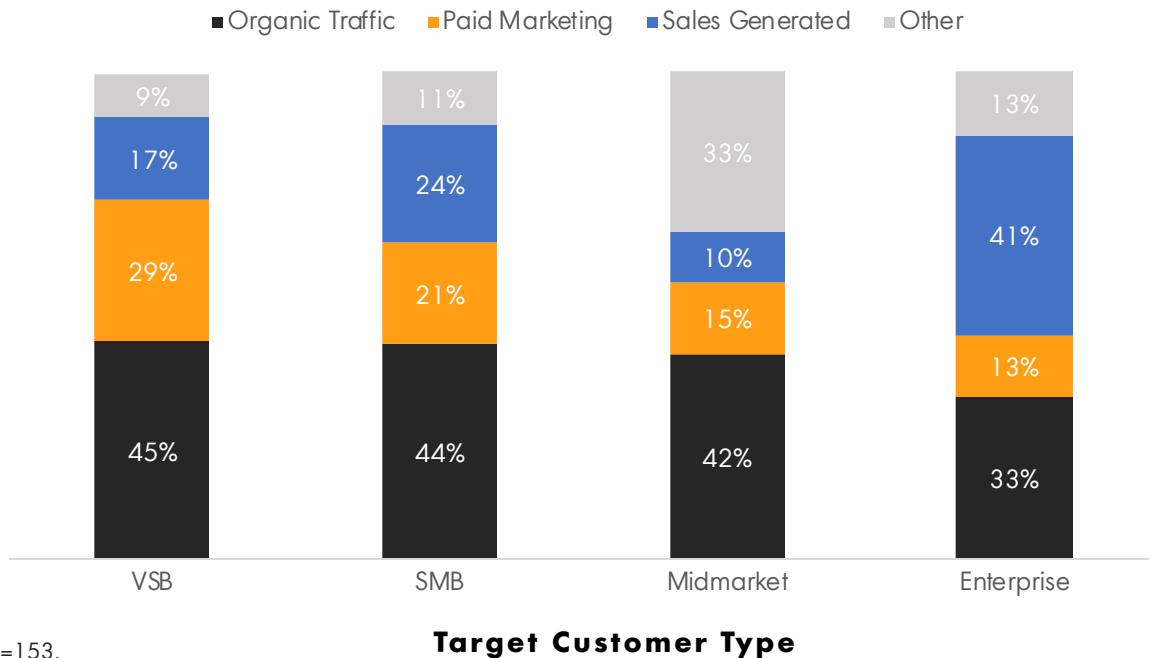
ACQUISITION AND RETENTION



ACQUISITION CHANNEL MIX BY CUSTOMER TYPE

- Organic traffic to your website represents a combination of marketing activities including press, social and referrals from one user to another.
- Overall, organic traffic seems to be most common for companies selling to smaller businesses, while sales is most popular at companies that go after Enterprises, which probably have larger deal sizes.

Average Percent of Leads by Acquisition Channel

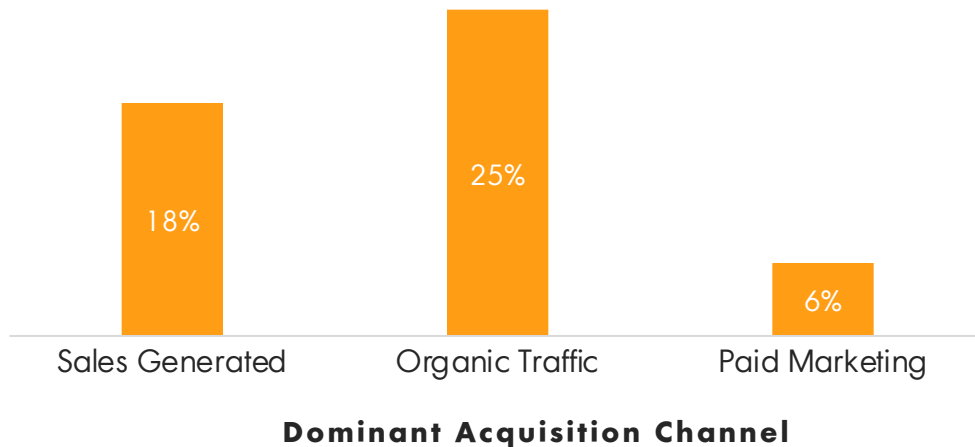


Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

DOMINANT¹ ACQUISITION CHANNEL AND CONVERSION 🚩

- Organic channels, where users find your product via word of mouth, content, social shares or by directly accessing your website, result in much higher end-of-funnel conversion rates for businesses that leverage them as their dominant acquisition channel.
- Paid marketing like SEM, retargeting ads and paid social should never be your primary acquisition motion because of the combined cost and conversion challenges.

Conversion from Free Account to Paid Account

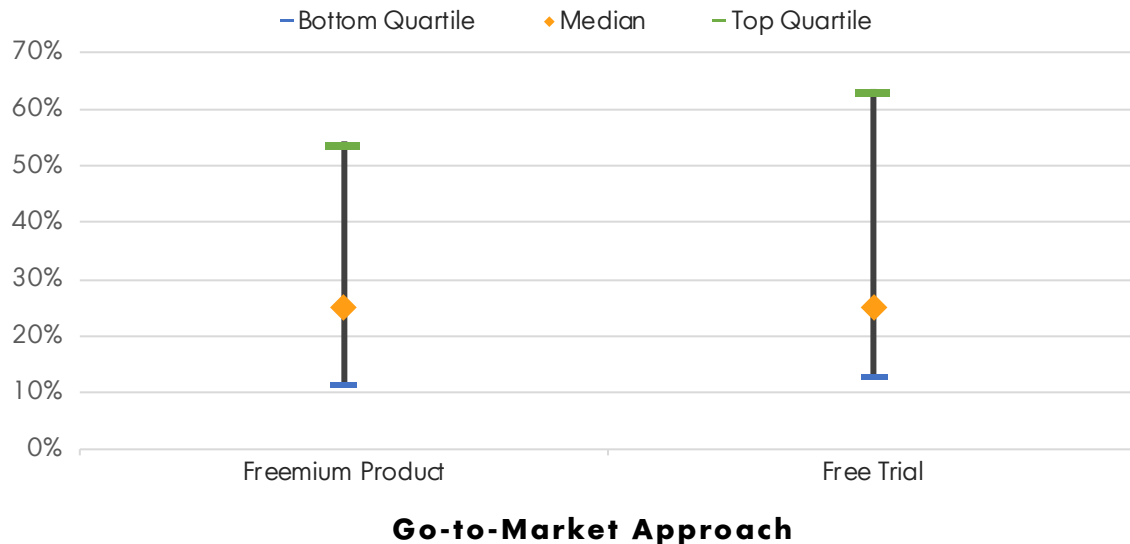


Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

1. Dominant channel accounts for >50% of web visitors.

RETENTION RATES BY GTM APPROACH

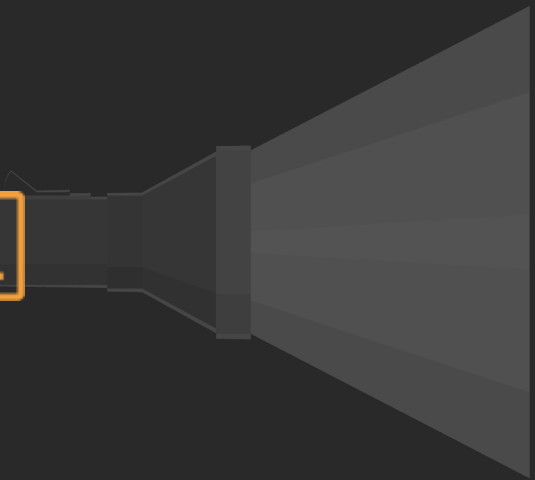
Retention rate after one month by GTM approach



- Retention is key to building an enduring software business. Especially for businesses with a free trial or freemium motion, this retention of users within the product, even just a month after signup, can prove difficult.

Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

PRODUCT METRICS

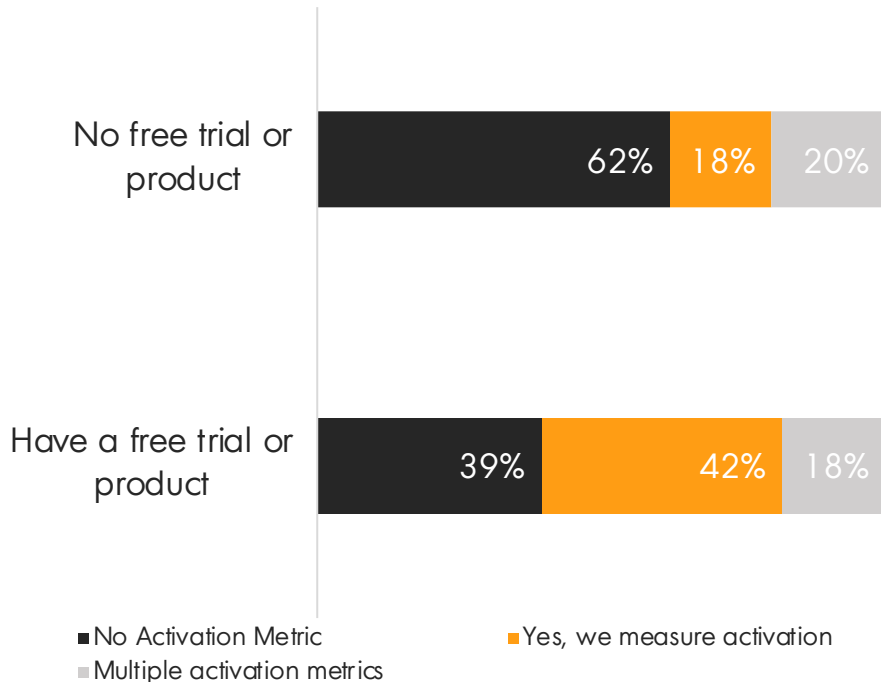


ACTIVATION

- Product activation is the moment when your product delivers on the value that it promised. Getting a user isn't enough—they must find value in your product.
- Companies that offer a free version or trial of their product are 2.5x more likely to measure that “aha” moment for users than their counterparts who don't allow users to try the product before purchase.

Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153

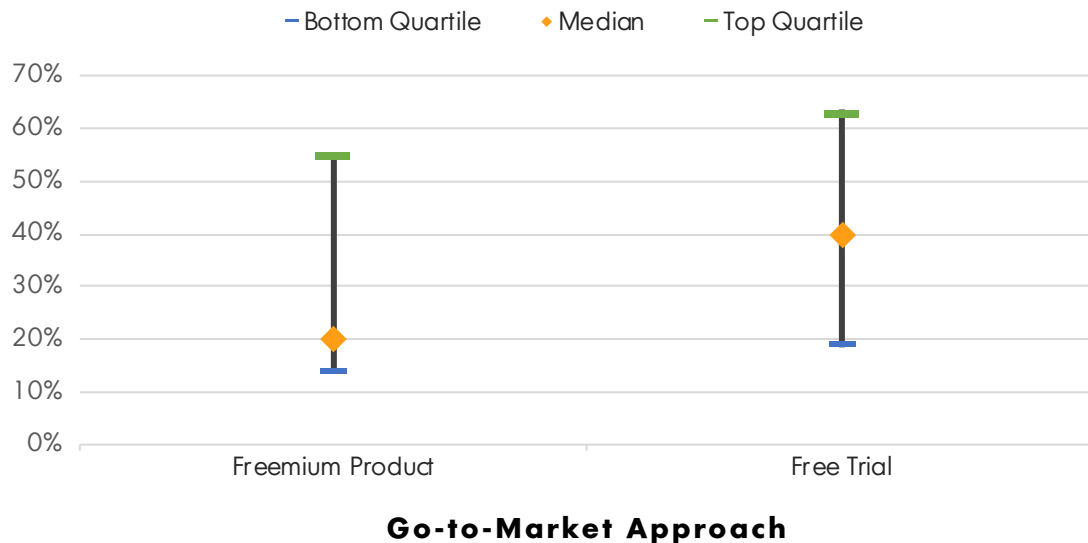
Organizations Measuring Activation



Responses

ACTIVATION RATE BENCHMARKS

Activation Rate by GTM Approach



- It's important to note that in OpenView's work with best-in-class product led companies, we've seen activation rates average around 33%.
- It makes sense that activation would be lower for freemium products, as they have a wider top of funnel than tools that offer a free trial, and a free trial makes users feel that the clock is ticking on product use.

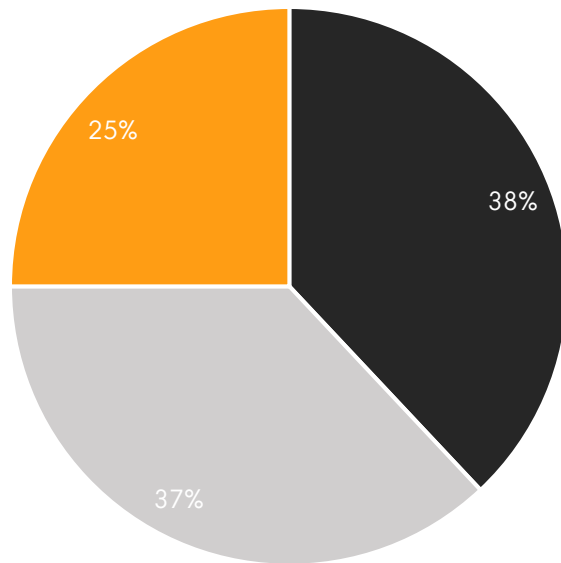
Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

PQL METRICS

- A product qualified lead (PQL) is occasionally confused with an activation metric. A true activation point can occur for a user only once, while PQLs can be made up of multiple layers of engagement in the product.
- It's evident that this confusion between the two metrics is common at software companies, as most aren't creating or tracking PQLs.

Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

Respondents Tracking PQL



■ No ■ No, but it's on our roadmap ■ Yes, we have a PQL metric

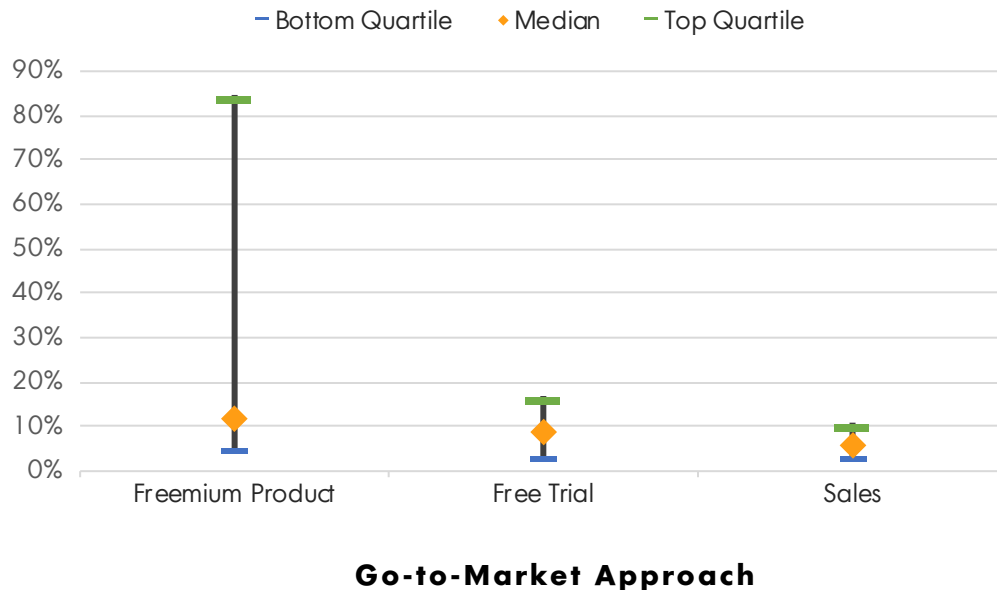
HOW TO CALCULATE YOUR NATURAL RATE OF GROWTH (NRG)

$$\text{NRG} = 100 \times \text{Annual Rate of Growth} \times \% \text{ of Organic Signups} \times \% \text{ of ARR Products}$$

NATURAL RATE OF GROWTH

- OpenView uses the [Natural Rate of Growth](#) (NRG) metric to better understand the growth engine inside of a company if you were to strip away the sales and marketing engine.
- While the NRG for everyone who took our survey was low compared to heavy-hitters like Slack, it's clear from the data that while medians are the same across go to market approaches, best-in-class freemium software companies have extremely high NRGs.

Natural Rate of Growth by GTM approach

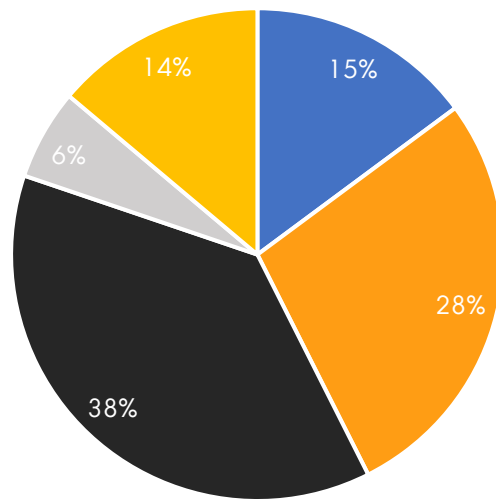


Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

DAILY, WEEKLY AND MONTHLY ACTIVE USE 🚩

Respondents Tracking Daily Active Use (DAU), Weekly Active Use (WAU), Monthly Active Use (MAU) or Aren't Tracking Anymore

- Historically, SaaS companies have worked to understand user engagement with their product by measuring if users were active on a daily, weekly or monthly basis.
- This practice seems to remain common at software companies today.



■ DAU ■ WAU ■ MAU ■ Not anymore ■ Not tracking

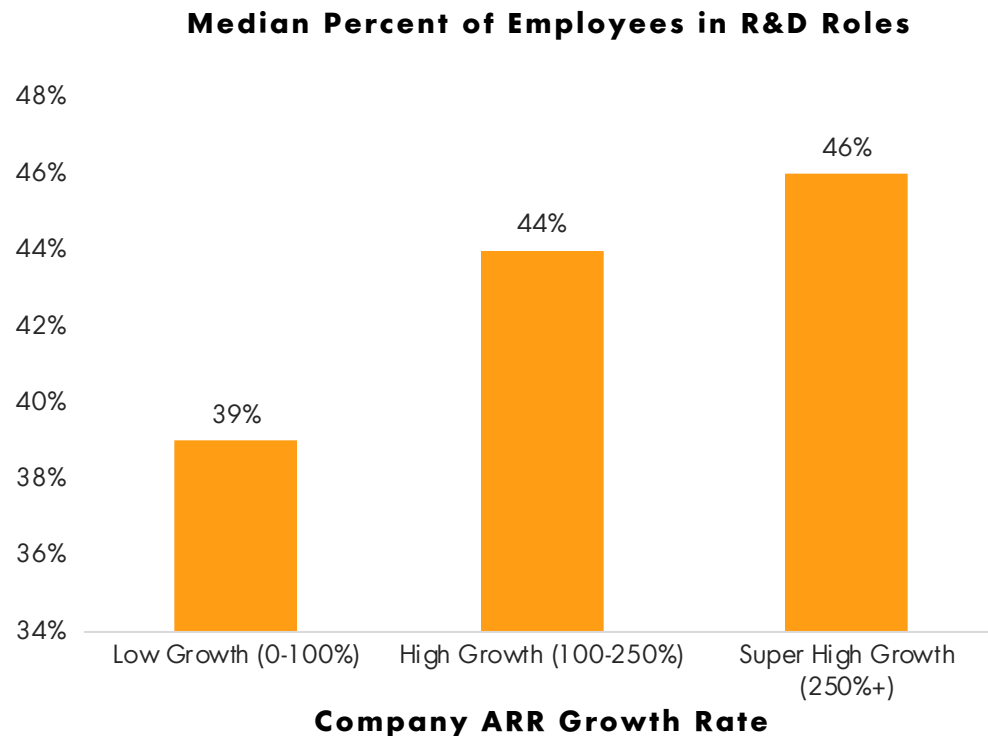
Source: 2020 OpenView SaaS Product Benchmarks Survey, N=153.

TEAM MAKEUP



INVESTMENT IN R&D: DOES IT DRIVE GROWTH? 🚩

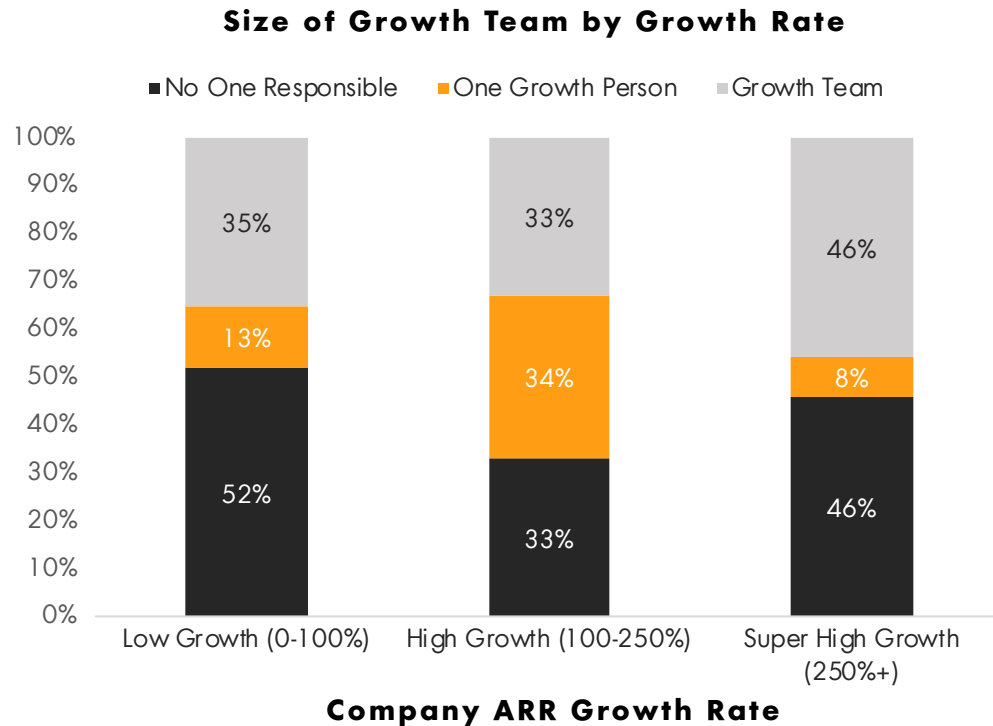
- Note: We defined R&D roles as FTEs in Product or Engineering departments. Most companies surveyed are heavy on R&D employees overall, but higher growth organizations make more of an investment in R&D.
- This percentage flattens as a company gains in ARR, as most businesses need to add more heads in GTM roles.



Source: 2020 OpenView Product SaaS Benchmarks Survey, N=153.

GROWTH TEAMS: DO THEY DRIVE GROWTH? 🚩

- Based on responses from the businesses that participated, the size of your “Growth Team” doesn’t correlate with how quickly your business is growing.
- Some organizations decide to create “Growth Squads” made up of individual leaders from other focus areas in the organization to tackle the biggest opportunities for growth.



Source: 2020 OpenView Product SaaS Benchmarks Survey, N=153.

ARE GROWTH TEAMS RUNNING EXPERIMENTS?

Number of Monthly Growth Experiment by Growth Team Size

	None	1-3 Experiments	4-10 Experiments
No One Responsible	77%	23%	0%
Yes, One Person	44%	44%	13%
Yes, Growth Team	19%	72%	9%

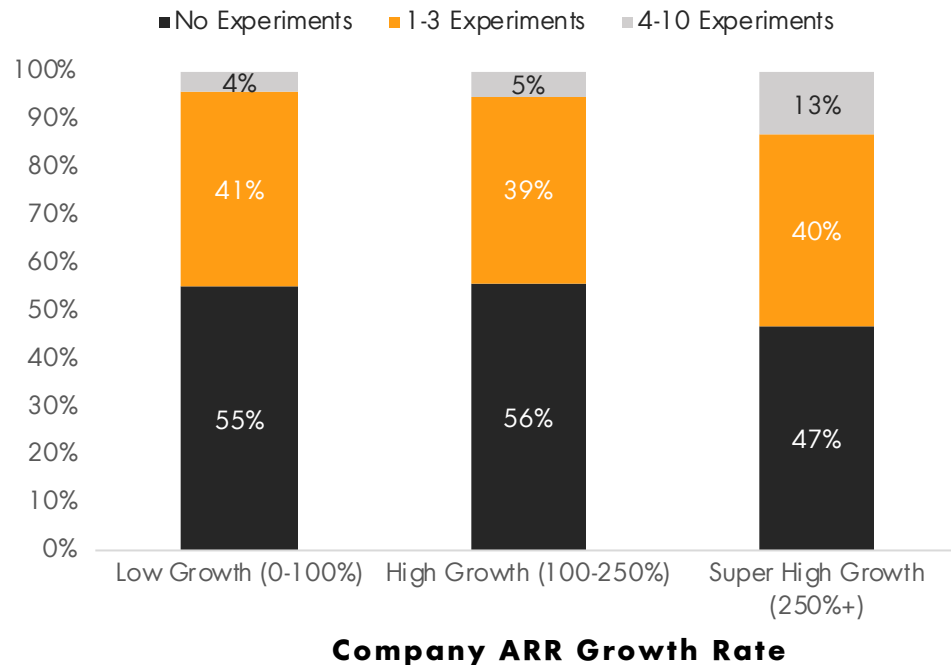
- Growth is a team sport, so it must involve many other functions, but having at least one growth hire in place makes companies at least 2x more likely to be running experiments on a regular basis.

Source: 2020 OpenView Product SaaS Benchmarks Survey, N=153.

MONTHLY GROWTH EXPERIMENTS

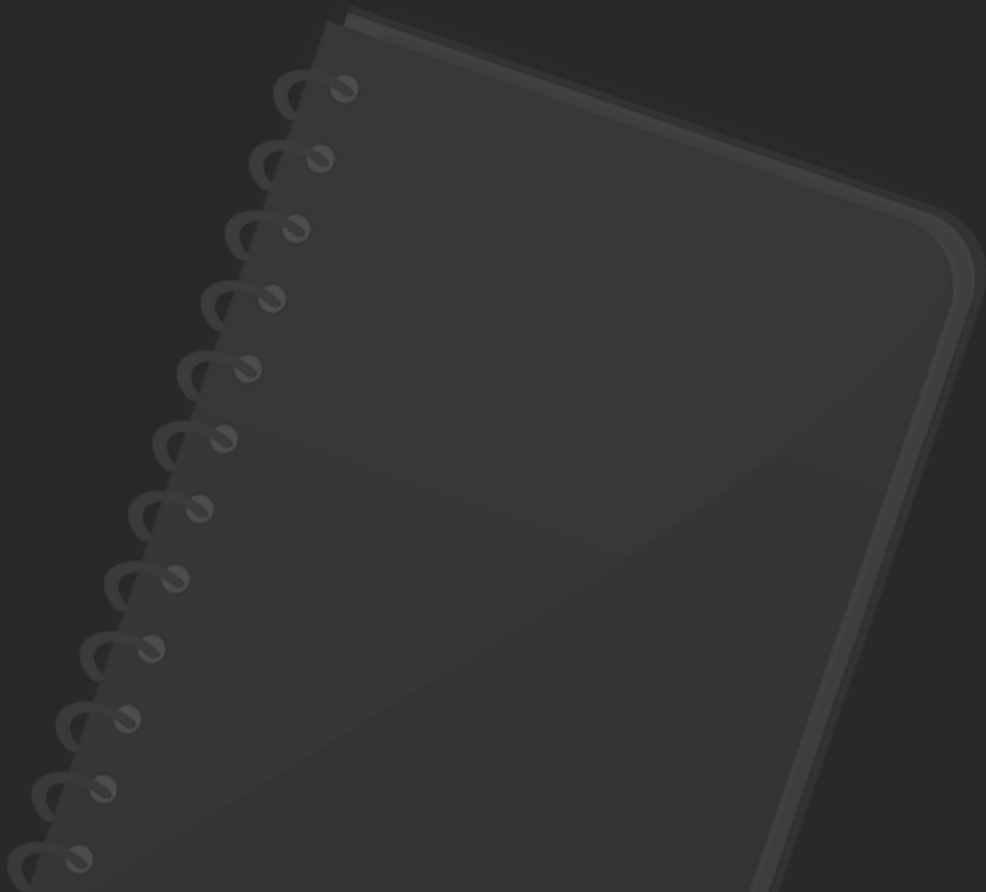
- It doesn't appear that simply running experiments can help to make a marginal impact on a company's growth.
- It's worth getting buy-in from stakeholders on your experiment roadmap to better understand what hypotheses other teams feel would have the biggest impact on the business.

Number of Monthly Growth Experiments by Growth Rate



Source: 2020 OpenView Product SaaS Benchmarks Survey, N=153.

ABOUT THE AUTHORS





SAM RICHARD

Director of Growth

Sam Richard is Director of Growth at OpenView, helping our portfolio accelerate top-line growth through establishing best practices and processes to support product led growth. At OpenView, Sam works closely with portfolio leadership teams to discover and implement the most impactful strategies for improving the customer journey, including onboarding and retention optimization, expansion strategy, funnel optimization and channel/partner strategy.

 sam@ov.vc  [@samcrichard](https://twitter.com/samcrichard)  [/sam-crowell-richard](https://www.linkedin.com/company/sam-crowell-richard)

KYLE POYAR

VP, Market Strategy

Kyle helps OpenView's portfolio companies accelerate top-line growth through deep insights into their market landscape and customers. He leads segmentation, positioning, channel/partner strategy, new market entry and packaging/pricing initiatives, partnering closely with portfolio leadership teams.



kyle@ov.vc



[@poyark](https://twitter.com/poyark)



[/kyle-poyar](https://www.linkedin.com/in/kyle-poyar)



THE EXPANSION STAGE SOFTWARE VC

Our mission is to improve people's working lives.

We do this by:

- Investing in the best software companies
- Helping our portfolio companies accelerate growth and become market leaders

Learn more at ov.vc



THANK YOU!



PRODUCT PERFORMANCE BENCHMARKS

SIZE AND GROWTH

Percent R&D Employees	% of full-time equivalent product and engineering employees at the end of 2019.
Annual Recurring Revenue (ARR)	Company annual recurring revenue (ARR) scale at the end of 2019.
YoY Growth Rate	Change in annual recurring revenue at the end of 2019 vs. 2018.

CUSTOMER JOURNEY

Free to paid conversion	The conversion rate from a free trial or freemium product to a paying customer within 12 months of signup.
Self-serve conversion	Users who convert on their own without assistance from sales.
Users who receive outreach	% of all free (trial or freemium) users who receive proactive outreach from sales, success, or support.

ACQUISITION + RETENTION

Organic Acquisition	% of web traffic from word of mouth, direct traffic, press, search, content, or social media.
Retention	% of users from the Q4 2019 cohort that were still using the product after a month

METRICS

Activation	% of new users that have achieved some initial success with the product e.g. by taking certain high value actions
Natural Rate of Growth	Annual Growth rate * % Organic Signups * % ARR that starts in the product