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PRODUCT LED GROWTH: THE END USER ERA

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Product Led Growth: The End User Era

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PRODUCT LED GROWTH: THE END USER ERA

FOREWORD

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AS WE ENTER A WHOLE NEW DECADE, IT'S IMPORTANT TO RECOGNIZE THAT WE ARE ALSO ENTERING A WHOLE NEW ERA OF SOFTWARE: THE END USER ERA.

Software purchasing power is increasingly moving down the org chart—away from executives and toward end users.

What does this look like in real life? Think about how your company adopted Slack. My guess is that you didn't learn about Slack by visiting their booth at a trade show or by receiving a cold call from a sales rep. Instead, it's much more likely that an individual employee brought it to work one day and started using it to chat with their team. And before you knew it, Slack had spread through your organization like wildfire.

This is not just happening with Slack. In fact, there's a reasonable chance your whole software stack was adopted this way—from AWS to Datadog to Atlassian to Zoom to Calendly, and everything in between. End users are picking the software products they want to use at work, and telling their boss which ones to buy.

Dropbox might have said it best in their S-1 filing, "Software purchasing decisions have traditionally been made by an organization's IT department, which often deploys products that employees don't like and many refuse to adopt. As individuals increasingly choose their own tools at work, purchasing power has become more decentralized. Bottoms-up adoption within organizations has been critical to our success as users increasingly choose their own tools at work."

This market evolution can't be stopped, and software companies need to adapt their product and distribution to fit the new world order.

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. PLG is how you adapt to the End User Era. It's all about building a product for end users, and then distributing that product to the same end users.

Like many things in life, PLG is simple, but not easy. You're in luck though because we've pulled together the definitive collection of PLG founder stories, case studies and how-to guides to help you win by embracing the all-powerful end user.

BLAKE BARTLETT
Partner
OpenView

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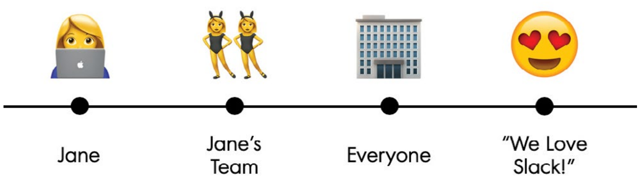
WHAT IS PRODUCT LED GROWTH? HOW TO BUILD A SOFTWARE COMPANY IN THE END USER ERA

by Blake Bartlett

BLAKE BARTLETT
Partner
OpenView

HOW DID YOUR COMPANY ADOPT SLACK?

I don't know your company's story, but I'm guessing it went like this: Jane heard about Slack from a friend, so she signed up and started using it with her team. Pretty soon the whole company was on Slack, and no one can remember life before it.

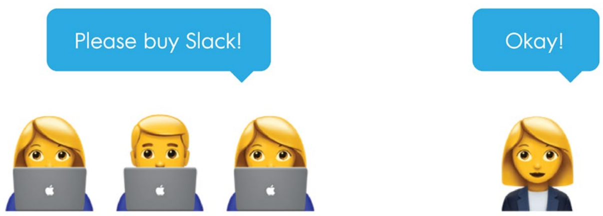


Most software companies dream of seeing people adopt their product like this. But they don't know how to get there. From the outside, it looks like magic.

It used to be hard for a company to adopt new software. Long sales processes, complex implementation, formal training and certification—the list goes on.

All this took a lot of time—months, quarters, sometimes even years.

But today, software just shows up in the workplace unannounced. End users are finding products on their own and telling their bosses which ones to buy. And it's all happening at lightning speed.



This dynamic is new, but it's not magic. The best software companies have recognized this market shift and put end users at the core of their business.

In its S-1 filing, Slack stated,

"MANY ORGANIZATIONS ADOPT SLACK INITIALLY AS PART OF OUR SELF-SERVICE GO-TO-MARKET APPROACH. ORGANIC GROWTH IS GENERATED AS USERS REALIZE THE BENEFITS OF SLACK."

And it's not just Slack. Atlassian's S-1 says,

"WE RECOGNIZE THAT USERS DRIVE THE ADOPTION AND PROLIFERATION OF OUR PRODUCTS." AND YOU'LL FIND SIMILAR QUOTES IN THE S-1S OF ZOOM, SHOPIFY, TWILIO, DROPBOX AND OTHER RECENT IPOS.

What about your company? Is your product being "magically" adopted by new customers? Do you describe your business with the same end user language that Slack and Atlassian use in their S-1s?

Or is this idea still a total head-scratcher to you?

We are at an inflection point. The software market is continually evolving, and we are witnessing the rise of the end user. The harsh truth is that software companies must adapt and embrace the end user if they want to remain relevant.

How Did We Get Here?

When I first observed this trend, my goal was to get down to first principles. I wanted to see if this thing was real and if it deserved further attention.

After some digging, I uncovered four foundational elements that drive evolution in the software market:

- **Infrastructure:** Where does software live?
- **Cost:** How much does it cost to build and buy software?
- **Buyer:** Who evaluates and selects software products?
- **Distribution:** How do software products get in front of the buyer?

These interconnected factors all feed off of each other. As infrastructure evolves, software becomes cheaper to build and easier to buy. These cost savings are passed on to the customer and the purchase price falls. More affordable software that's easier to buy drives decentralization in purchasing power and the buyer persona moves down the org chart. As you might expect, distribution continually adapts to fit the evolving market landscape.

A HISTORY OF SOFTWARE IN THREE ERAS

When you examine the history of the software industry with these drivers in mind, things quickly snap into three primary eras: the CIO Era, the Exec Era and the End User Era.

The CIO Era

The CIO Era dates back to the 80s and 90s when the software industry really got going. Back then, software lived in a physical box installed on a physical rack inside of a physical data center. This monolithic on-prem software was expensive to build and expensive to buy—think 6- to 7-figure CAPEX purchases.

The CIO was the buyer and her key decision-making criteria was IT compatibility—will this product work in my environment?

During this period, software distribution was defined as "sales led growth" with blazer-clad field sales reps taking CIOs out to fancy steak dinners in hopes of winning the RFP.

Yeah…the CIO Era was the stone ages.

The Exec Era

The Exec Era began in the 2000s and you know the story. Virtualization eventually drove software out of the data center and into the cloud. On-prem became on-demand, and SaaS companies made sure to specify that their software was proudly "single-instance, multi-tenant."

Development costs fell as it became possible to build, maintain and continuously improve a single codebase for all customers. This drove a huge economic shift for customers: you don't buy the expensive software anymore; you rent it for a fraction of the cost.

The CIO went the way of the data center and we saw the rise of the non-technical executive as the new buyer.

The decision-making criteria was now all about the ROI and the KPIs—will this product help our team achieve its goals?

These huge paradigm shifts brought us "marketing led growth" as a distribution model, and we all started using fun terms like MQL and SDR for the first time. Inbound marketing fueled high-velocity inside sales, and we jumped on the treadmill of chasing demo after demo, gong after gong.

The Exec Era should feel familiar. This is what the VCs and SaaS talking heads are still droning on about online, on stage and in the boardroom, even though it is rapidly declining in relevance as software evolution continues at a breakneck pace.

"THE END USER ERA IS HERE. PRODUCT LED GROWTH IS HOW YOU THRIVE IN IT."

The End User Era

And so we come to the present day and the End User Era. While the shift in focus to the end user feels like a hard pivot, it's just the next logical step in the market's evolution. Infrastructure has become an elastic utility that scales as needed, and developers have gained further superpowers from APIs and other modular tools and services.

Developers increasingly compose software by stitching together building blocks with new logic, rather than hand-coding everything from scratch. The efficiency gains passed along to customers mean that it's cheaper than ever (usually free) to try out a new product. Thousands of shiny new products are just a few clicks or taps away. The affordability and accessibility of software has fully democratized purchasing down to the end user.

The decision-making criteria is now personal productivity—will this product actually help me day-to-day?

Software distribution today is best described as "product led growth," and it looks a lot like consumer growth models. When you need to attract tons of individual end users to a free product, human-dependent growth doesn't scale. The only choice is to de-labor the distribution engine behind your product by empowering end users to find, evaluate and adopt your product on their own.

There is an inexorable march toward the End User Era that simply can't be stopped. As a software company, you can't opt-out of this secular shift. It's pretty damn obvious that you wouldn't build an on-prem product geared for the CIO Era. While you can still get away with building your business for the Exec Era, that wave has already crested and its days are numbered.

The End User Era is here. Product led growth is how you thrive in it.

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 companies will say they're fully aligned with the end user, but they're usually only thinking about a small aspect of it, like consumer-grade design or freemium pricing. Those things are important, but they're only small parts of the greater whole.

In order to succeed today, software companies must go all in by building a product for end users and distributing that product directly to the same end users.

HOW TO BUILD A PRODUCT FOR END USERS

Successfully building a product for end users is rooted in two fundamental principles:

- **Design is not enough**
- **Solve end user pain**

Design Is Not Enough

Design first became critical to software success around 2011-2012 when the consumerization of IT was all the rage. The basic premise was that legacy software was clunky. But as consumers, we had gotten used to well-designed apps and websites. Naturally, we all wanted the software we used at work to look and feel more like the well-designed consumer apps and websites we loved.

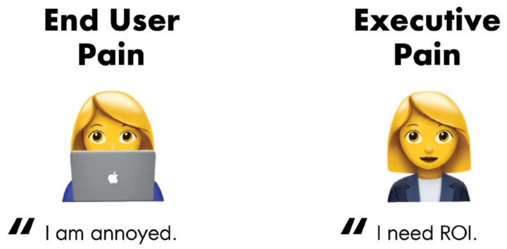
So product design became a thing. And for a while, it was a differentiator. A new product could upset a clunky incumbent by focusing on design. The consumerization of IT totally worked, and we are all its beneficiaries.

Good design is imperative today, but it has been downgraded from a differentiator to table stakes. It's not unique, and it can't take sole credit for the dominance of companies like Slack. There is clearly more to their success than pretty pixels and intuitive navigation.

Solve End User Pain

In order to attract end users, your product must solve end user pain.

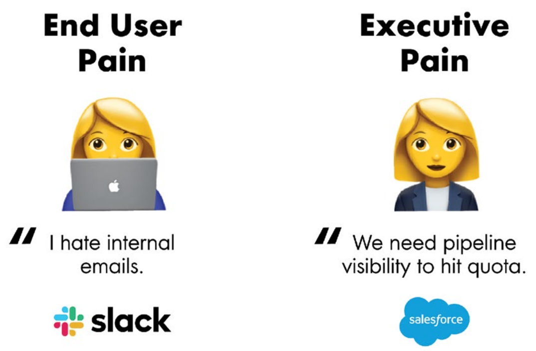
Every software product has two possible personas: executives and end users. And they each think about pain very differently.



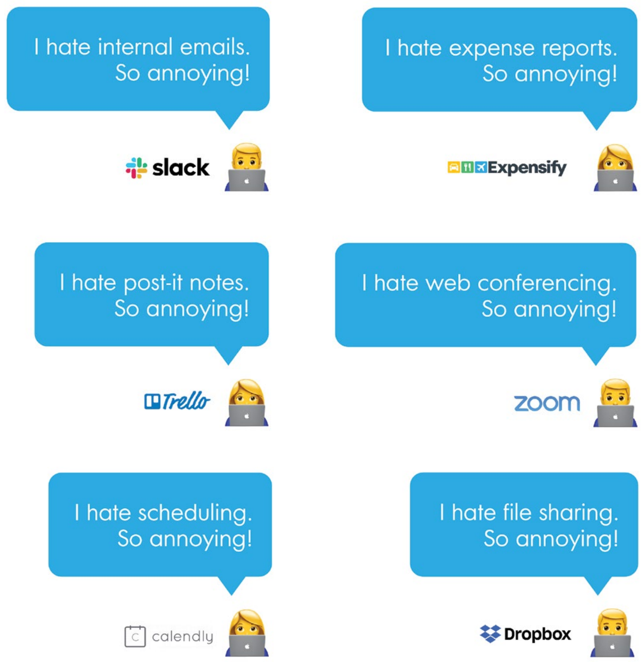
Executives are usually looking to increase ROI by improving an underperforming KPI. This is your standard businessperson fare. At the other end of the spectrum, end users are usually looking to automate or simplify an annoying task.

"BEAUTIFUL DESIGN, FRIENDLY MASCOTS AND EMOJI SUPPORT IN THE APP AREN'T ENOUGH. YOU HAVE TO ACTUALLY SOLVE A PROBLEM."

Successful software products are tailored to a primary persona and their pain. For example, check out Slack vs. Salesforce:



It can be tempting to dismiss end user pain as petty whining. The ROI-oriented lingo of the executive sounds much more business-y and professional, so it's no wonder we are drawn to it when building business software. But this is a mistake in the End User Era. The most successful software companies have figured out that end user annoyance spells opportunity:



Building a product for end users is about aligning to their pain. Beautiful design, friendly mascots and emoji support in the app aren't enough. You have to actually solve a problem.

HOW TO DISTRIBUTE A PRODUCT TO END USERS

You've built a product for end users. Now you have to get it into their hands.

It's important to avoid the trap of trying to sell an executive on the value of a product designed around solving end user annoyance. They just won't get it. It will always feel like a nice-to-have to a KPI-focused executive. In other words, pick a lane and stick to it.

Aligning distribution to the end user requires that you think like a consumer rather than a businessperson. After all, end users are just consumers who happen to be at work.

With that in mind, what do consumers hate when looking for a product online? Friction. To effectively distribute your product to end users, you must remove the friction from the process by:

- **Distributing your product where users live**
- **Making it easy to get started**
- **Delivering value before the paywall**
- **Hiring sales last**

DISTRIBUTE WHERE THEY LIVE

End users are always looking for solutions to their pain. Your job is to make it easy for them to find your product. Which screens do your end users live in all day at work? Sales reps live in Salesforce. Online merchants live in Shopify. Knowledge workers live in Chrome or Slack. Non-desk workers live on their smartphones.

Every end user has 2-3 primary screens where they live at work. It's probably while working in these screens (or toggling between them) that they get annoyed. Your product's proximity to end user annoyance is key.

If your user lives here

Distribute here too

If your end users live in Chrome, distribute through the Chrome Web Store. If they live in Slack, distribute through the Slack App Directory. If they live on their smartphone, distribute through the App Store. You get the idea: multiple screens, multiple distribution channels.

Make It Easy to Get Started

Once end users find your product, you want to make it as easy as possible for them to get started. No delays. No hoops to jump through. And definitely no commitment. End users demand self-serve signup and onboarding. Remember that end users are just consumers at work, so impatience is their default factory setting.

Friction in the signup and onboarding funnels is usually caused by humans. No matter how helpful and friendly your team is, end users don't want to talk to them. Remove the humans from your signup and onboarding funnel, or end users will abandon the funnel.

Humans in the funnel

Request Demo · Talk to Sales · Contract · Order Form · Configuration · Implementation · Training · Support Tickets

No humans in the funnel

Sign Up · SSO · Ts & Cs · Automated Onboarding · Documentation · Knowledge Base · Bots · Community

Think of yourself as a consumer. You don't want to order from an Amazon sales rep, you want the ease and speed of a 1-click purchase. You don't want to DocuSign a contract from Instagram to accept the Ts & Cs. You don't want an onboarding call from a CSM at Uber before you can take your first ride. When in doubt, ask if you would tolerate it in a consumer app.

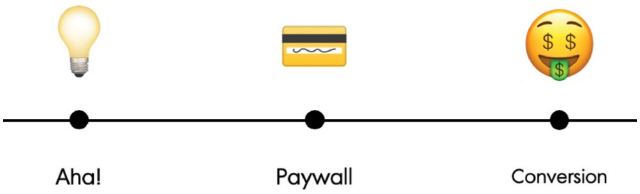
Deliver Value Before the Paywall

Once an end user is set up on the product, you need to immediately solve the pain that brought them to you. And this has to happen before they hit the paywall.

Again, think of yourself as a consumer—how often do you pay for an app or subscription without trying the service first? You might happily subscribe to Spotify, but only after you've browsed the library and made some playlists. You want to get value before you buy. End users now expect the same from business software.

What is the "aha moment" in your product? For Zoom, it's after you've hosted your first meeting. For Expensify, it comes at the end of the month when you realize your expense report is ready to submit and all you did was snap a few pictures.

If you put the paywall before the "aha moment," you kill your conversion rate. It feels like a broken promise on the call-to-action that brought the end user to you, and they will bounce.



You are in a value exchange with end users. Deliver value before requesting value in return.

Hire Sales Last

Despite all this talk about end users being consumers at work who want a self-serve experience, you do still need a sales team. You just don't need them right away.

In the old world of sales led growth and marketing led growth, you couldn't get new customers without salespeople. Someone on your team had to pitch the budget-holding executive and convince them to buy.

But in the End User Era, hunting for executives with budget is a losing proposition. Software buying has flipped, so your hiring should follow suit. You used to hire sales first, but now you should hire sales last.

The goal today is to leverage product led growth to turn your product into an end user magnet. Once you have end users, the first thing they need is support. So you hire a support team to help end users with anything you can't automate or defer to the community.

The product itself then drives end user conversion and expansion through increased usage, viral loops, collaboration and word-of-mouth referrals. As your product footprint expands from individual end users to teams, they will need help with new use cases, deeper integrations and perhaps switching to a team account with an invoice. And since these teams are all-in on the product, you should be proactively helping them get the most out of new features and releases. Sounds like a great time to hire a success team.

The end users and your success team are now working together to drive continued expansion inside the customer's organization. As small teams become big teams, the customer needs more help. Your product has become a big deal to the customer—both in terms of value and cost. It eventually becomes a big enough deal that you start running into the customer's internal red tape—budget approvals, executive sponsors, procurement, legal, etc. All the fun stuff.

Your customer wants to buy more of your product, but they need your help. This is the perfect time to hire a sales team to help your champion navigate their company's buying process, hand-in-hand.

Product led growth is not anti-sales. But in a product-led company, sales takes a consultative approach that looks and feels more like customer success than traditional sales. End users love your product and are happy to pay for it. Remove friction and help them expand usage by letting the product lead, while support, success and sales follow.

PRODUCT LED GROWTH IS TAKING OVER

Which software companies do you admire most? If you're looking for companies to emulate, may I suggest the following:

shopify Dropbox twilio

slack zoom ATLASSIAN

These companies have recognized that we are in the End User Era, and they're all in on product led growth:

Employees are increasingly empowered to "bring your own software," leading to the user-driven viral adoption of new software products.

ATLASSIAN | S-1 filing

As free hosts realize the benefits of our platform, they often subscribe to a paid plan to gain access to additional functionality.

zoom | S-1 filing

The Shopify platform provides merchants with an intuitive user experience that requires no up-front training to implement and use. Merchants can set up their shop in less than 15 minutes.

shopify | S-1 filing

People love using Slack and many become advocates for wider use inside of their organizations.

slack | S-1 filing

We put a commercial transaction after the customer is experiencing success with our products. We call this "inverting the traditional enterprise sales model."

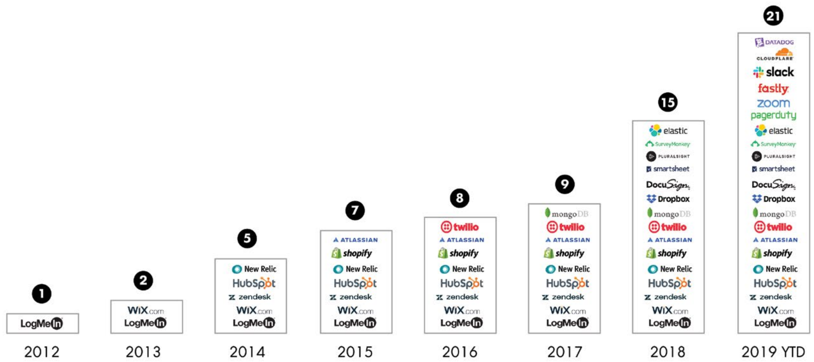
twilio | S-1 filing

As individuals increasingly choose their own tools at work, purchasing power has become more decentralized.

Dropbox | S-1 filing

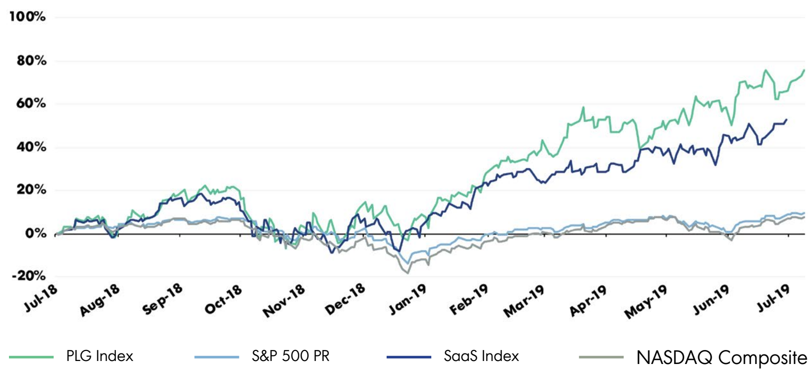
A few years ago, only a handful of young public companies had adopted a product led growth model. Today, there are 19 large public companies with a PLG model. And the PLG IPO wave continues to build momentum:

Public PLG Companies



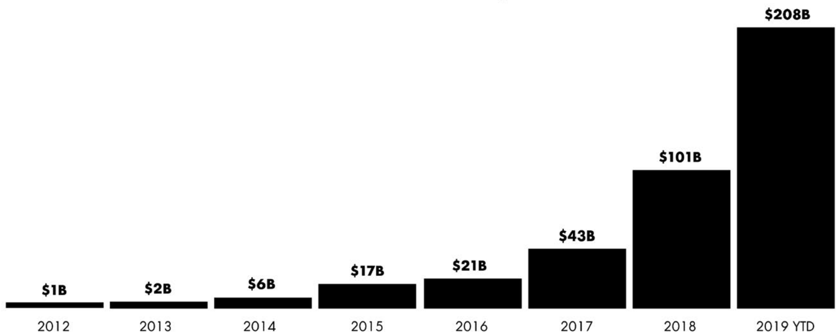
Post-IPO, PLG companies perform better than other companies, including the non-PLG SaaS companies that were built for the bygone eras of selling to CIOs and Execs.

Post-IPO Stock Performance



Product led growth has already created more than $200B of market value, and we're still seeing exponential growth:

Cumulative Market Cap of Public PLG Companies



It pays to embrace product led growth. Your company wins when end users win.

BE LIKE SLACK

"Be like Slack" is not particularly helpful advice. But your favorite VCs and tech bloggers are saying things like that all the time. The appropriate response is, "No shit. How?"

The End User Era is upon us, but many software companies are still relying on decades-old advice about sales and marketing led growth models that are human-dependent and untenable in the current market environment.

The software market is constantly evolving and you need to evolve with it. The forces driving us to the End User Era aren't going anywhere, and it's time to adapt.

Be like Slack. Remember how Slack got adopted at your company? It all started with Jane.

She's an end user, and she's calling the shots these days. So yeah…be like Slack. Go get Jane. ■

IT'S A ROUGH TIME TO BE A STARTUP. HERE'S WHAT YOU CAN DO ABOUT IT.

by Kyle Poyar

SaaS is now ubiquitous. Salesforce, which turned 20 in March, surpassed $13 billion in annual revenue this year. Everywhere you look, there are dominant SaaS companies with thriving products. That's certainly true in developer tooling (AWS), sales and support (Salesforce), MarTech (Adobe), commerce (Square), HR tech (Workday) and even vertical markets (Veeva).

This begs the question: how much room is left for emerging startups?

Benchmarking data shows that it's harder than ever for new SaaS companies to gain initial traction and reach the expansion stage. More and more startups are vying for traction against extremely well-capitalized SaaS powerhouses. Not surprisingly, most struggle to break through. The median growth rate of startups with $1-2.5M in ARR fell from 100% to 64% in just the last year.

SaaS companies now report 9 competitors on average, up from just 2 back in 2013. Those on the front lines know that more competition means greater saturation of traditional marketing and sales channels, increasing customer acquisition costs (CAC). In fact, the cost of acquiring a customer has gone up by 65% in the past five years, according to a ProfitWell survey of 800 companies.

It now takes a war chest to be visible everywhere it matters: content, search, social, review sites, analyst reports, podcasts, video, events... I'm exhausted even thinking about it all. Search, once seen as a low cost way of driving demand, has lost its effectiveness as the amount of digital content has exploded. Meanwhile, marketing teams from every competitor fight to rank on the same top keywords, driving costs per click through the roof.

Do we even need to get into outbound prospecting, the hot marketing channel of a decade ago? If the public LinkedIn shaming of hard-working SDRs is any indication, buyers feel increasingly fed up with the onslaught of unsolicited emails and phone calls from dueling software vendors. Tools like Outreach—which recently reached

SELECTION OF DOMINANT SAAS COMPANIES

unicorn status—make it exceedingly easy to contact potential prospects across all channels at scale. As every SDR gains access to these types of sales engagement tools, response rates will no doubt continue to dwindle.

Competition not only increases CAC, but it simultaneously decreases customer lifetime value (ouch!). We're seeing three drivers of lower lifetime value: feature commoditization, less pricing power (price wars) and worsening churn.

Remember when the ability to integrate with another software product was a premium feature, reserved for enterprise-grade packages? Now it's table stakes. If software users can adopt Zapier to connect 1,500+ apps, what reason do they have to pay you thousands of dollars for that built-in capability?

It's not just integrations that have gone to $0. Features have lost 70% of their value in just the last five years, according to an analysis of 900,000+ data points from ProfitWell. As the pace of releasing new features has accelerated, it takes less and less time for competitors to copy your latest product innovation. This commoditizes features and exacerbates price wars, eroding pricing power in the market.

We've even seen the rapid commoditization of entire product categories. While we've come to expect price wars from disruptive startups, these are even coming from dominant SaaS powerhouses looking to protect and expand their moat. HubSpot, for example, launched a 100% free CRM product in 2014. If that weren't enough, they've since added free live chat, shaking up an otherwise rapidly growing product category led by Intercom and Drift. Tldr: it's gotten easier to start a SaaS company, but harder to get real traction.

HERE'S WHAT YOU CAN DO ABOUT IT

You're not going to win by playing the same game as larger, better-funded competitors. What if you didn't have to play that game?

How people use and buy software is changing, which creates a new go-to-market playbook: product led growth. Product led growth—where the product is front and center in how a company acquires, converts and expands users—offers the potential for disruptive growth by championing the user, not just the buyer.

Today's SaaS powerhouses scaled with a dated playbook: sales-led growth. They pinpoint a budget holder in an organization, often a functional leader at a mid to large company. Their messaging makes it clear that they're helping a buyer solve an organization-wide pain from the top-down. For example, Concur aims to "simplify travel, expense and invoice management for total visibility and greater control," directly speaking to the finance exec and not the individual who's actually booking travel and submitting expense reports. The buying process is therefore quite complex and time consuming. Steps include discovery calls, demos tailored to the prospect's use case, solution validation, customized proposals and back-and-forth negotiation.

Power is shifting away from executive buyers and we're seeing the rise of the individual user. You've heard this trend called a number of things, both positive ("consumerization of IT") and negative ("shadow IT"). Zoom's S-1 describes it particularly well:

"71% OF EMPLOYEES WANT THEIR COMPANIES TO PROVIDE THE SAME LEVEL OF TECHNOLOGY AS THEY USE IN THEIR PERSONAL LIVES... EMPLOYEES ARE INCREASINGLY THE PRIMARY FORCE FOR IT MODERNIZATION AT WORK AS THEY BRING THE LATEST TECHNOLOGIES FROM THEIR PERSONAL LIVES TO THEIR JOBS."

Let's unpack this phenomenon.

When we look at the typical sales-led SaaS company, they're great at solving organization-wide pains. That regularly comes at the expense of the individual user. Salesforce is a prime example. They are amazing at helping organizations understand the health of their sales pipeline and keeping all their sales data in one central location.

"Simplifies travel, expense and invoice management for total visibility and greater control."
SAP Concur

"Software for automated tax compliance."
Avalara

"Helps marketers master the art & science of digital marketing to engage customers and prospects."
Marketo An Adobe Company

Ask yourself: how many sales reps love using Salesforce? I challenge you to find one. If anything, Salesforce creates additional headaches for the reps. They're constantly worrying about being called out by the 'CRM police' and have to spend hours of their time every week just on manual data entry and required CRM updates.

Individual employees no longer have patience for bad (or, let's face it, even mediocre) user experiences. They feel emboldened to bring their own preferred tooling to work, even if that tooling isn't sanctioned by the broader organization. Individuals are opting for products that solve their specific pain, offer an amazing user experience and allow them to get started for free. There are usually tens or hundreds of these individual users for every one buyer, meaning that individual users can create a groundswell inside an organization that ultimately leads to an enterprise-wide purchase.

This is how purchases now get made even at large companies with thousands of employees. Brian Halligan, the CEO of HubSpot, explained how this buying process plays out inside his 3,000+ person company during a talk at SaaStr:

"EVERYTHING WE BUY... STARTS WITH A LITTLE PROJECT AT THE EDGE OF THE ORGANIZATION. SOME DEVELOPER'S TINKERING WITH SOMETHING. A COUPLE OF SALESPEOPLE, A COUPLE OF MARKETERS, AND THEN IT ENDS UP ON THE CIO'S DESK AS, 'BOY, WE'RE USING THIS STUFF. WE'VE GOT TO BUY IT.' [SOFTWARE BUYING HAS] BEEN TURNED ON ITS HEAD, AND SO YOU NEED TO MARKET AND SELL TO HUMANS AND ENABLE THOSE HUMANS TO PUT IT TO WORK FOR YOU."

Expensify, the expense reporting app, has cleverly tapped into this new buying process. While competitor Concur sells top-down, solving organization-wide pain points, Expensify does the opposite. Expensify focuses all of their efforts on the individual user, whether that's in their messaging ("You weren't born to do expenses"), Super Bowl ad (featuring 2 Chainz) or pricing (freemium model with paid plans starting at only $4.99). By winning the individual user, Expensify is able to assemble an army of happy users inside of an enterprise. These users do the work of selling on Expensify's behalf. The result: Expensify has signed up enterprises like Xero, Atlassian and GitHub all without quota-carrying sales reps.

A similar strategy has propelled Zoom's jaw-dropping 118% year-on-year growth (profitable growth, I would add). Zoom genuinely delivers on solving the user's pain ("I hate video conferencing") and boasts an NPS score of 70. User happiness is the central element of Zoom's growth flywheel: happy users invite people to Zoom meetings, more people discover Zoom, invitees create their own Zoom accounts, they invite people to Zoom meetings. They've made the process of adopting Zoom as frictionless as possible, allowing people to join or host meetings for free. In fact, 55% of Zoom's customers that spend $100k+ actually started with a single non-paying user according to the company's S-1.

Key SaaS Metric	zoom	slack	2018 SaaS S-1 Cohort Median*
Growth (Scale)	118% ($331M)	82% ($401M)	38% ($192M)
Gross Margin	82%	87%	73%
Operating Cash Flow (Burn)	$4M / month	$(12)M / month	$(0.5)M / month
Net Dollar Retention	140%	143%	117%
CAC Payback	7 months	13 months	30 months

* Includes data from Adaptive Insights, Anaplan, Avalara, Carbon Black, Docusign, Domo, Dropbox, Elastic, Pivotal, Pluralsight, Qualtrics, Smartsheet, SurveyMonkey, Tenable, Zscaler, Zuora

THE NEW PLAYBOOK: PRODUCT LED GROWTH

Zoom and Expensify have mastered product led growth, where the product drives user acquisition, conversion and expansion.

They aren't alone. There are now hundreds of companies that have adopted product led growth. These companies come from all types of product categories, spanning developer and product (Zapier, Auth0), back office and operations (Stripe, ZipRecruiter), customer engagement (MailChimp, Drift) and productivity and collaboration (Lucidchart, Calendly). It's clear that product led growth is a global phenomenon as well, since the best products are winning regardless of where the company is headquartered. Current product led growth standouts include companies from Finland (Supermetrics), Egypt (Instabug), Australia (Deputy), Israel (Logz.io), France (Algolia) and more.

While still a new phenomenon, a majority of the SaaS companies that have IPO-ed since 2018 have actually embraced product led growth. This list includes Docusign (DOCU), Dropbox (DBX), Elastic (ESTC), Eventbrite (EB), PagerDuty (PD), Pluralsight (PS), Smartsheet (SMAR), SurveyMonkey (SVMK) and Zoom (ZM). And I'd be remiss to leave out the highly anticipated public debut of Slack, which is arguably the fastest growing enterprise software company we've seen to date (potentially second only to Zoom).

Product-led businesses are performing well, too. The public companies that have embraced product led growth beat their peers across nearly every SaaS value driver. They're growing faster, demonstrate better margins and trade at a 50% premium relative to forward revenue. On the back of this success, sales-led SaaS companies are now being pushed to adopt product led growth to both reinvigorate their growth and drive greater go-to-market efficiency.

HOW TO ADOPT PRODUCT LED GROWTH

To get started, first ensure your product is ready for product led growth. This means addressing real user pain (not only buyer pain) and finding the one thing that you do better than anybody else. Users have limited attention spans: it's critical to deliver value immediately and strip out anything that's not essential to activation. In-product guides and email cadences are low cost ways of steering users toward activation without engineering work or new customer success headcount.

Your marketing should start to mimic a B2C business. Messaging needs to speak to the end user, not just the executive buyer. Your website design should point prospects down the path of self-service and remove any friction that impedes user sign-up. You have an opportunity to use your product as a marketing channel, enabling virality through referral paths and user review campaigns.

> You weren't born to do expenses.
> Expensify

> Flawless video. Clear audio. Instant sharing.
> zoom

> Helps you schedule meetings without the back-and-forth emails.
> calendly

Product led growth may require rethinking your pricing and packaging as well. You should start with free or self-service offerings that deliver value before asking the user to pay. Paywalls should then be in place only after the user has activated. Paid packages must be transparent and easy for customers to understand. While initial paid packages might be inexpensive, make sure that you preserve your opportunity to expand accounts as they grow into enterprise-wide deals.

There is still room for sales in a product-led business, but sales should start to look more like customer success. It's particularly urgent that all customer-facing employees become fluent in the product. Moreover, the sales team should prioritize their time based on an account's activity in the product, leveraging a product qualified lead (PQL) methodology rather than just marketing qualification.

All of these initiatives require a rock-solid analytics foundation. You'll want to capture product usage activity across features and user cohorts. Product data should then be connected with other systems of engagement (e.g. CRM or marketing automation). Most importantly, make sure that key employees have self-service access to this data in order to make data-driven decisions.

Remember that product led growth is a journey. It takes sustained resources, focus and executive leadership in order to master it. But it's not some shiny object: product led growth is your best bet at building a large and enduring software business.

THE STATE OF PRODUCT LED GROWTH

by Kyle Poyar

KYLE POYAR
VP, Market Strategy
OpenView

How people use and buy software has been changing, creating a new go-to-market playbook: product led growth. The most successful product-led companies (think Zoom, Slack, Expensify) flip the script on everything from how they design their user experience to how they approach pricing and packaging. We're no longer in the era of the top-down, buyer-centric sale. Instead, these companies are orienting everything they do around the end user, and are being rewarded for it in public and private markets.

But how far along are companies in adopting product led growth? To find out, we surveyed 500+ SaaS leaders about how they leverage (or don't leverage) product led growth to scale their businesses.

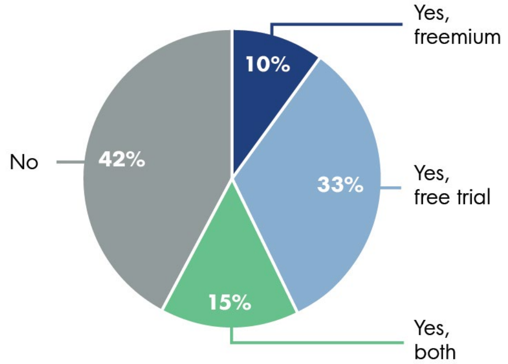
Here are the top ten insights from the survey, which shed light on the popularity of freemium pricing, how companies are using product analytics to make better decisions, the role of sales in a product-led company, and much more.

1. ALLOWING CUSTOMERS TO 'TRY BEFORE THEY BUY' IS THE NEW NORM

Offering a free experience is a baseline tenet of product led growth. The name of the game is to remove any friction from getting end users to sign up and try the product before they buy. Paywalls should come only after a user has 'activated' and seen value in the product (but more on that later).

Three-in-five respondents (58%) say that they offer a free version of their software, indicating it is becoming the norm in the market. When a free version is available, it is most frequently a time-limited free trial. One-in-four (25%) have a freemium version; most with a freemium offering also have a free trial (likely to serve larger customers with more complex needs).

WHETHER FREE VERSIONS OF THE PRODUCT ARE OFFERED:



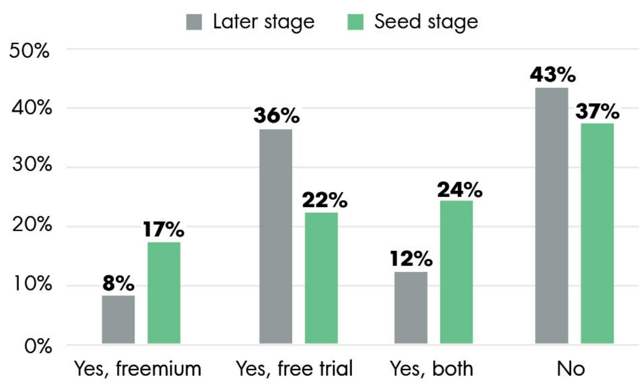
2. EMERGING STARTUPS ARE EMBRACING FREEMIUM AT 2X THE RATE OF THEIR LATER STAGE PEERS

A few years ago, SaaS companies seemed to be abandoning freemium, recognizing that it can be extremely difficult to convert free users into paying customers and fearing that free users would be too much of a drain on scarce resources. Since then, SaaS companies have gotten smarter about how they design freemium offerings to open the floodgates of user acquisition while still preserving the ability to monetize those users over time (for example, by pairing freemium products with targeted sales engagement and a product qualified lead methodology).

Take HubSpot for instance. The formerly sales- and marketing-led company now offers freemium versions of their CRM, marketing and sales products. CEO Brian Halligan has described this revamped go-to-market motion as "a flywheel where the customers are the main driver that pulls in prospects" and boasts that half of HubSpot's new customers use the free product before they buy.

We're now seeing emerging SaaS startups building with freemium in mind as a way to outmaneuver later stage peers. In fact, seed stage companies in the survey are 2x more likely to offer a freemium version compared to later stage ones (41% vs. 20%, respectively, had a freemium version).

WHETHER FREE VERSIONS OF THE PRODUCT ARE OFFERED BY COMPANY MATURITY:



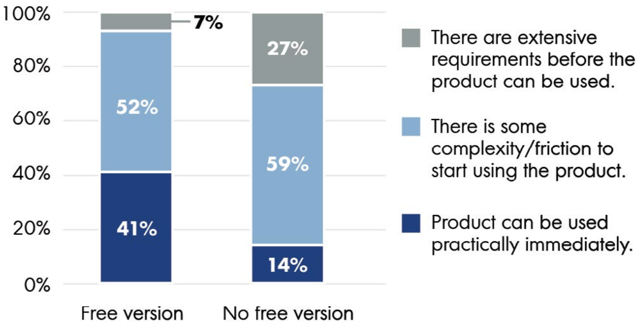
3. FREE OFFERINGS AREN'T ONLY FOR CONSUMER-LIKE PRODUCTS

There is a misconception that offering a free version is only applicable to consumer-like products that can be used with minimal setup (read Evernote, Trello, Zoom). The reality is that three-in-five companies with a free offering actually say that there is some complexity and friction to start using their product. In other words, friction isn't an excuse to gate your product!

But…we would definitely advise keeping an eye out for these hiccups in order to improve the user onboarding experience over time.

One useful example is Pipefy, an enterprise-grade process management platform used by the likes of large brands such as IBM, Randstad and Santander. Pipefy mitigates the complexity of their product by giving free users easy-to-use process templates based on the most common use cases that customers have. This helps free users see the potential value of the product, even if their specific use case requires a more in-depth implementation.

EASE OF PRODUCT ADOPTION FOR END USER:



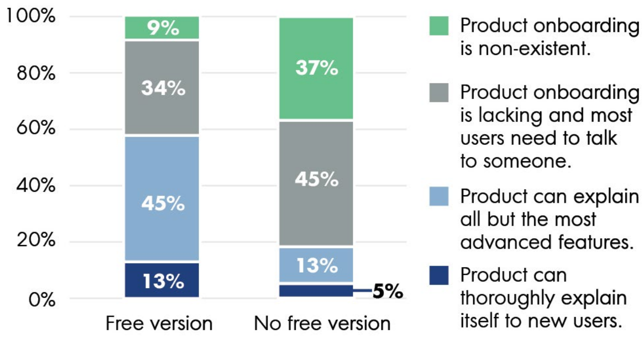
4. ALL COMPANIES, ESPECIALLY THOSE WITH A FREE OFFERING, NEED TO OPTIMIZE THEIR IN-PRODUCT ONBOARDING

Users now expect the same quality of experience in their SaaS applications that they have in their personal apps. They want to comprehend the product quickly (ideally in hours or minutes) and without sitting through formal training. To achieve this, it is critical to onboard and guide users in-app. The stakes are especially high for companies that have a free offering, since free users have no 'skin in the game' and will quickly abandon something that seems too complicated in favor of a simpler competitive product.

The data shows that we're still in the early days of smooth in-product onboarding. Almost nobody, even those with a free offering, believes that their product can thoroughly explain itself to new users. Those without a free offering are especially bad; more than 80% of them admit that their in-product onboarding experience is lacking. This negative experience will naturally impact a user's likelihood to recommend the product and invite others into it.

The good news: companies don't have to build this capability in-house with their own engineering resources. There are now a number of third-party tools that can help.

CURRENT IN-PRODUCT ONBOARDING EXPERIENCE:

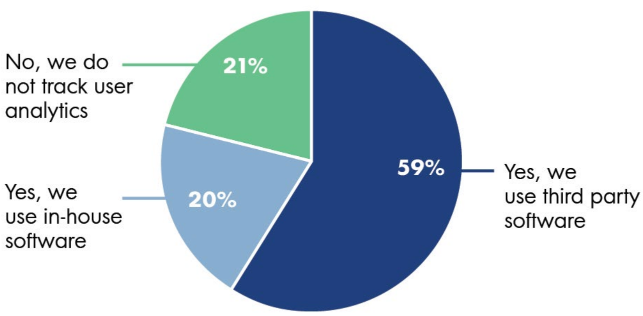


5. PRODUCT ANALYTICS HAVE REACHED MASS ADOPTION, BUT ARE COMPANIES ACTUALLY USING ALL OF THIS BEAUTIFUL PRODUCT DATA?

We were pleasantly surprised to see that nearly 80% of companies have adopted in-product tracking and analytics, mostly leveraging third-party software that they can plug into their application.

Collecting data on in-product activity is only part of the equation. The data needs to inform actual decision-making. One tip: make the data accessible to all key functions in the organization: product (for prioritization of new features), growth (to optimize in-product onboarding), sales (to reach out to the right users at the right time), customer success (to flag users at risk of churn) and more.

USAGE OF TOOLS FOR IN-PRODUCT TRACKING AND ANALYSIS:



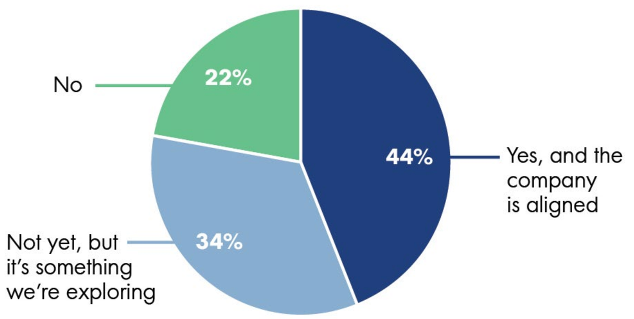
6. STEP ONE TO LEVERAGING PRODUCT ANALYTICS—DEFINE USER ACTIVATION. ONLY 44% OF COMPANIES ARE DOING THAT TODAY

In-product analytics can be overwhelming and can lead even a strong data scientist down an endless rabbit hole. The first priority should be to leverage product data to define user activation, i.e. the minimum point when a user has reached their "aha moment" and found value in the product.

Once a customer has activated, they are much more likely to continue to use the application (and thereby generate revenue in the future). The classic example is Facebook, which aims to get a new user to reach 7 friends in their first 10 days. A company could have one specific activation point or could have a suite of product actions that represent activation.

The idea of measuring user activation appears to be gaining traction in the market. While fewer than half of respondents have a consistent definition today, another 34% say that they're actively evaluating it.

WHETHER THERE IS A CONSISTENT DEFINITION OF AN 'ACTIVATED USER':

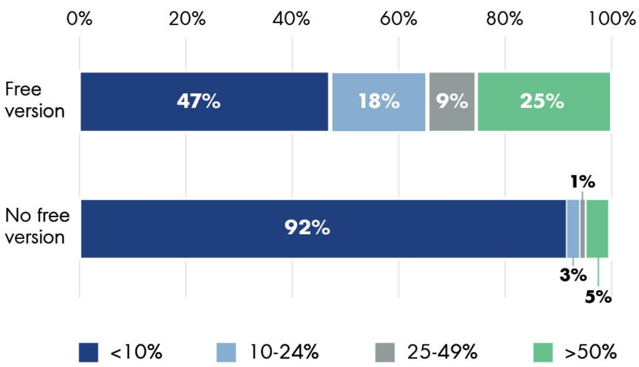


7. SALES ISN'T A FOUR-LETTER WORD: SALES STILL PLAYS AN IMPORTANT ROLE IN PRODUCT-LED COMPANIES

Having a free version doesn't necessarily mean that all customers convert via self-service. Of SaaS companies with a free version, only one-in-four see >50% of their paying customers buying purely via self-service.

Sales reps are still important to educate users and facilitate the buying process. Studies consistently show that salespeople increase conversion rates. But how can companies take a product-led approach to sales?

PERCENT OF CONVERSIONS WHO BUY WITHOUT TALKING TO A SALESPERSON:



8. SALES AND CUSTOMER SUCCESS EFFORTS SHOULD BE DIRECTED AT PRODUCT QUALIFIED LEADS—ONLY ONE-IN-FOUR DO THAT TODAY

While sales has an important role in a product-led company, we're not suggesting that product-led companies adopt a traditional sales playbook (i.e. hiring an army of inside sales people, running lengthy product demos and the like). A product-led approach to sales should be more

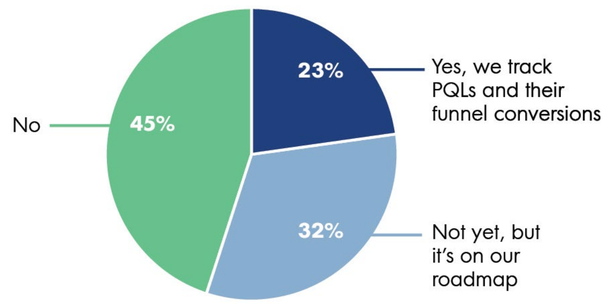
"INDIVIDUALS ARE OPTING FOR PRODUCTS THAT SOLVE THEIR SPECIFIC PAIN, OFFER AN AMAZING USER EXPERIENCE AND ALLOW THEM TO GET STARTED FOR FREE. "

consultative, targeted and contextual, thereby providing a better customer experience while maintaining low customer acquisition costs. It should leverage product data to supercharge the sales team by helping them identify which targets are most likely to convert.

Enter the product qualified lead (PQL). PQLs are users who've demonstrated in-product behavior that triggers sales engagement. This in-product behavior can be reactive (people who have more complex needs and want help) or proactive (people who are showing signals that they're ready for an organization-wide purchase). PQLs already see value in the product and typically exhibit much higher rates of conversion than traditional MQLs. What's not to like?

We're still in the early days of PQL adoption. Only 23% of those surveyed track PQLs and their funnel conversion. Fortunately, that appears to be changing fast: another 32% say that PQLs are on the roadmap.

WHETHER THEY TRACK PRODUCT QUALIFIED LEADS (PQLs):



9. PRODUCT-LED COMPANIES NEED GROWTH TEAMS TO DRIVE THESE INITIATIVES FORWARD

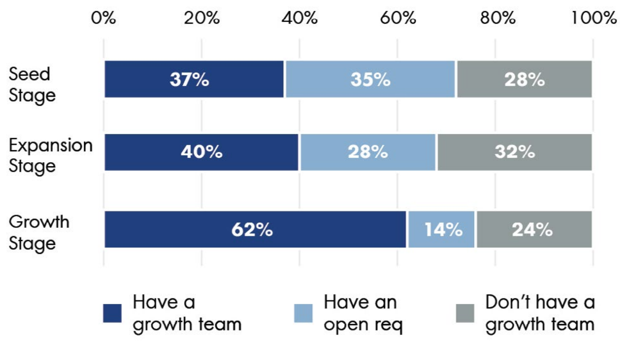
Yes, everyone in a company should be responsible for growth. But without a clear owner, growth initiatives can take a back seat to more urgent, day-to-day responsibilities.

GROWTH TEAMS ARE BECOMING MORE COMMON, EVEN AT EARLY AND EXPANSION STAGE COMPANIES.

By the time a company has reached the growth stage (north of $20M in ARR), 62% now have a dedicated growth team.

Despite the rise of these teams, there isn't always clarity regarding what these teams do and how to hire for the role.

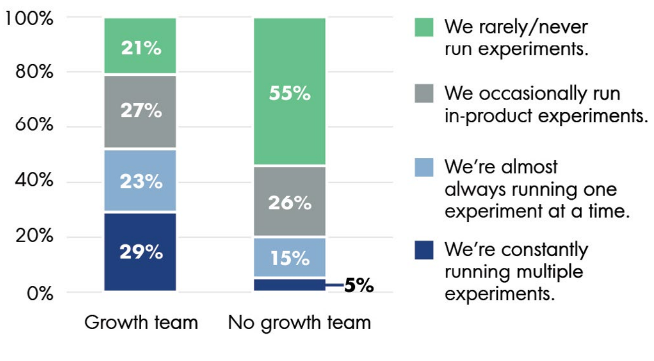
WHETHER COMPANY HAS A GROWTH TEAM:



10. GROWTH TEAMS ALIGN THEIR COMPANIES AROUND KEY METRICS AND FOSTER A CULTURE OF CONTINUOUS EXPERIMENTATION

The presence of a dedicated growth team dramatically impacts the pace at which companies embrace key elements of product led growth. Those with a growth team are 2.6x more likely to be running one or more experiment at a time, which drives continuous rapid improvement throughout the funnel. They're also 50% more likely to have a definition of an activated user, which helps ensure that those experiments actually impact user behavior (and ultimately revenue). Tldr: growth teams are high ROI teams; hire them early. ■

FREQUENCY OF RUNNING GROWTH EXPERIMENTS:



"COLLECTING DATA ON IN-PRODUCT ACTIVITY IS ONLY PART OF THE EQUATION. THE DATA NEEDS TO INFORM ACTUAL DECISION MAKING."

THE PRODUCT LED GROWTH MARKET MAP

Product led growth (PLG) is the future of SaaS. While the terminology is new to many of us, this go-to-market strategy has been gaining popularity across the software ecosystem for years. Don't believe us? Check out our PLG Index to see how public companies employing this strategy are outperforming their peers.

WE DEVELOPED THE PRODUCT LED GROWTH MARKET MAP TO ILLUSTRATE THE BREADTH AND DYNAMISM OF THIS POWERFUL GROWTH STRATEGY.

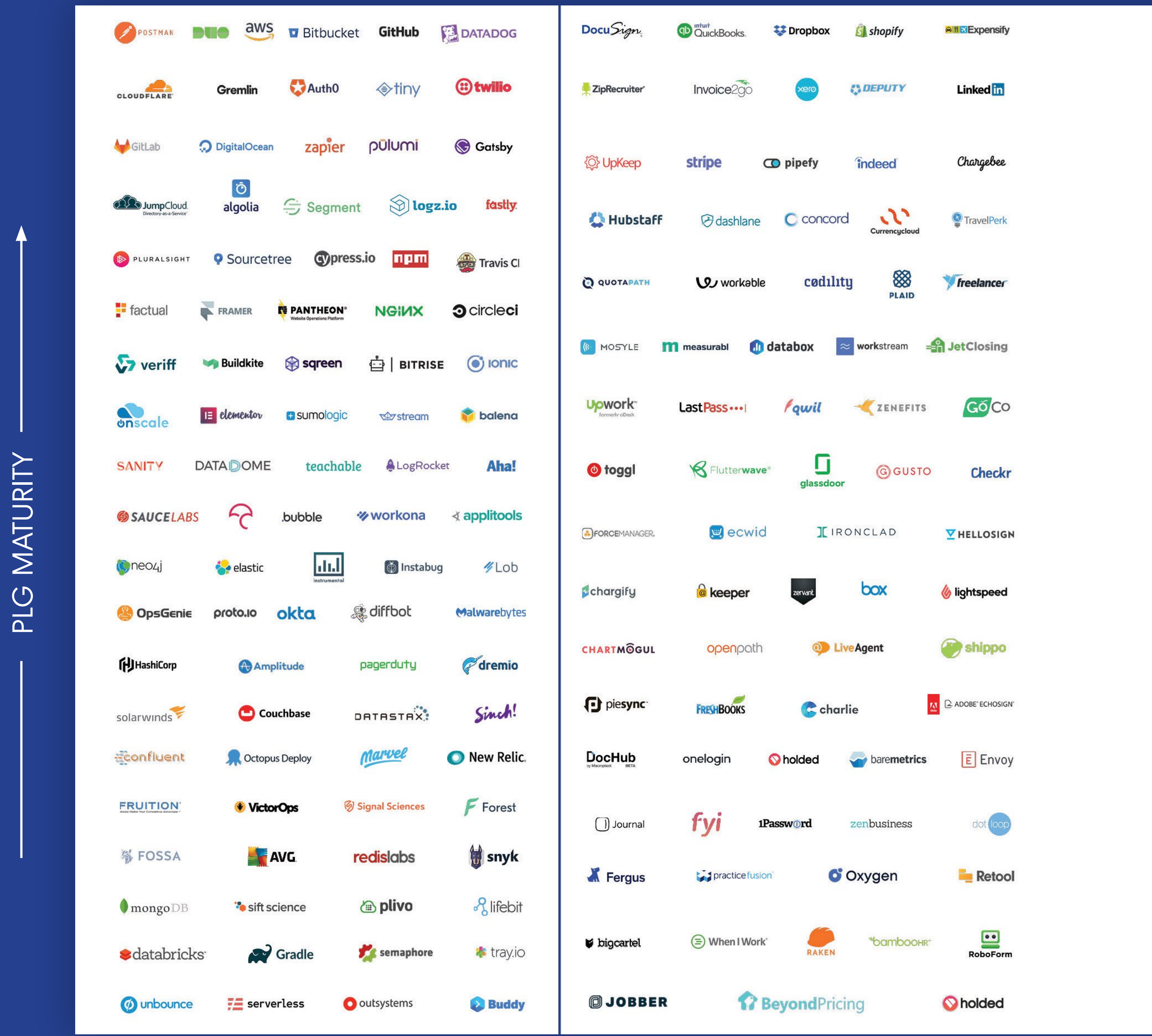
The Market Map shows us that PLG is being adopted across all product categories, from developer tools to finance applications to enterprise-grade solutions. The most mature companies have built a flywheel where their product is acting as the primary driver of acquisition, retention and expansion. We're excited to see that many companies are incorporating incredibly efficient product led growth strategies into their broader go-to-market plans – and they are getting better at it every day!

More than 500 companies are featured in our Market Map. You'll recognize publicly traded SaaS standouts like Datadog, Dropbox, Slack and Shopify. Look closely and you'll also find less well-known, yet still high performing, PLG all stars like Lucidchart, Calendly, Deputy and Mixmax.

We expect to see continued growth and innovation in the coming years, and will continue to track new and existing companies leading the pack with product led growth strategies. For now, please let us know if we missed anyone.

DEVELOPER & PRODUCT TOOLS

BACK OFFICE & OPERATIONS



COMPANIES THAT ENABLE PRODUCT LED GROWTH

CUSTOMER ENGAGEMENT

PRODUCTIVITY & COLLABORATION

Updated November 2019

ACQUISITION
ACQUISITION
ACQUISITION

IT'S TIME TO FLIP THE SCRIPT ON ACQUISITION.

We're squarely in the End User Era and go-to-market effort should be pointed at the end user audience. It's no longer about inside sales, BDR teams, list building and outbound emails. Instead, acquisition comes in the form of freemium, word-of-mouth, inbound marketing and virality. In reality, this is a natural extension of inbound marketing, but it puts the end user at the epicenter of product development and marketing efforts.

Marketing, product AND growth teams are now working hand in hand to accelerate top of funnel lead acquisition. The more tightly aligned these leaders and teams are around your ideal customer profile, end user needs and buyer journey, the better the results.

All in on PLG? Take a page out of Calendly's book and focus on value-driven growth. The Calendly team is lucky to work on an inherently viral product, but they certainly don't take it for granted. They are constantly thinking about customer pain and have developed a weekly process to review every single piece of customer feedback. They are troubleshooting, problem-solving and bringing new ideas into their product roadmap at scale in order to drive a seamless user experience.

Bought in to PLG, but work for a midmarket or enterprise company? Laura Borghesi from MongoDB shares her experience pivoting go-to-market efforts and incorporating product-led tactics that are complementary to existing sales and marketing strategies. She started by shifting from online ads to SEO and customer marketing programs, but ultimately had to drive a mindset shift and the ability to think about product as a sales channel.

Calendly and MongoDB are just the start. In this section, we learn from experts who have experience building and scaling GTM at leading PLG companies like Stripe, Google, GitHub, GitLab, Shopify and more! Whether you are incorporating PLG tactics into your existing go-to-market motion, or are building from the ground up, we have you covered!

LIZ CAIN
Partner
OpenView

THE PLG PIVOT: COMPLEMENTING TRADITIONAL GO-TO-MARKET TACTICS WITH PRODUCT-LED ELEMENTS

by Laura Borghesi

LAURA BORGHESI
Senior Director,
Growth Marketing
MongoDB

Product led growth (PLG) is something most people consider the exclusive territory of the latest batch of SaaS startups. While it's true that a product-led approach comes naturally to many of these organizations, PLG can also offer more traditional companies a very effective way to innovate and grow. They just have to be willing to give it a try.

I have spent most of my career helping to build and grow companies that exist in the SaaS, cloud-based, PLG space. I spent many years at Google where I led the web strategy to drive new customer acquisition for G Suite (including Gmail, Google Calendar, Google Drive, etc.) and Google Cloud. Later, I spent time at Stripe, also working on growth marketing.

About a year ago, I transitioned into a role with MongoDB, the leading modern general purpose database platform that had historically taken a traditional, sales-led, enterprise-style approach to their go-to-market strategy. As the market has evolved and new opportunities have presented themselves—such as the launch of our first cloud-based product, MongoDB Atlas—has done a fabulous job of integrating product-led/self-serve elements into their offering.

When I first joined the company, the growth marketing team was almost entirely focused on online ads. My first shorter-term, tactical mission was to broaden the scope of growth beyond top-of-funnel ads. I began implementing SEO and a wide range of customer marketing programs including email, chat and so forth.

On the longer-term, strategic side, I focused on coordinating the marketing, product and analytics teams to help drive a shift in the internal mindset around how we were selling. My goal wasn't to switch the organization completely away from their existing method of selling; it was more to expand the organizational mindset to include some product-led methods of driving product adoption.

In working through this process with the MongoDB team, I identified three core ingredients that are absolutely critical if you want to successfully pivot from a wholly traditional marketing strategy to one that leverages PLG elements: data, an experimentation-driven mindset and the ability to think about your product as a sales channel.

REQUIREMENT #1: DATA

Let's start with data because that's the foundation on which you build your experiments and your overall PLG strategy. Data is your window into the minds of your buyers and customers. It helps you understand their needs through both explicit input (data they share directly) and implicit input (behavioral and engagement information).

The advantage we have as modern marketers is access to a wealth of data generated via online interactions. Each interaction is an opportunity to collect additional data points not only about individual prospects, but also about what the customer journey looks like overall. The key to extracting value from all this information is knowing how to harness it to reveal insights that inform your sales and marketing efforts.

In the case of integrating product-led elements into a traditional go-to-market strategy, your data can help you identify key touchpoints in the customer journey—where a user learned about your product, heard about your company, first interacted with your product and so forth. More importantly, data can help you identify any friction points that occur during that customer journey.

This data-driven approach is so much more efficient and effective than the old way of collecting anecdotal information from prospects, users and your sales team. Not only are

"PLG CAN ALSO OFFER MORE TRADITIONAL COMPANIES A VERY EFFECTIVE WAY TO INNOVATE AND GROW. THEY JUST HAVE TO BE WILLING TO GIVE IT A TRY."

you able to get a much broader range of information by collecting vast amounts of digital data, you can also be assured that the information is much more accurate because it comes, as they say, straight from the horse's mouth.

And once you have all this data and are able to analyze it to uncover the truth of how people are interacting with your product, you can use that information to improve the customer journey and tailor your sales and marketing messaging, content and tactics.

REQUIREMENT #2: EXPERIMENTATION-DRIVEN MINDSET

If data is the most important physical asset you need for a successful PLG initiative, an experimentation-driven mindset is the most important philosophical asset you need in your toolbox.

Bringing product-led elements into the mix requires using data to identify the points of highest friction so you can reduce or—optimally—eliminate them. The only way to do this is to experiment and iterate until you know how to deliver the best experience. The challenge for any organization (but especially for more traditional ones that are used to operating within a fairly static enterprise-style marketing and sales process) is the need for constant change.

To win this particular battle, you need:

The Ability to Embrace Change and "Failure"

Experimentation is, by its nature, risky because you don't know the outcomes ahead of time. It's all about learning from what works, and—just as importantly—what doesn't. You're not always going to get the "right" answer, but you will always learn something. You will break things, but you will be able to minimize damage by iterating quickly—rebounding from one "failed" experiment to the next. You have to accept that you're playing a long game. While you may have some short-term wins along the way, you should always be looking ahead to the ultimate outcome and know that even when you feel like you're going backwards, you're still moving in the right direction.

A Lot of Executive Buy In

It almost goes without saying that getting an organization to adopt this kind of change-friendly approach requires a lot of buy in from leadership. No matter how carefully you introduce these ideas, they will cause some disruption, so it's very important to have executives who not only support the effort, but will champion it within the company.

An Educated Team

Likewise, anything you can do to educate others within your organization about the PLG concepts will help smooth the way for your work. Most human beings are not that comfortable with change, especially change they don't control. Bringing your colleagues into the fold by sharing your plans and explaining how a PLG strategy can help them in their roles will go a long way toward encouraging the cross-functional collaboration that you need to make things work.

The Right People

Finally, as you begin to think about augmenting your own team, you're going to want to consider carefully the attributes to look for in new hires. In most cases, it's best to hire people who have already worked in a PLG environment and are used to the dynamic nature of the beast. Alternatively, you can also look for people who are eager to step into this space and have the personality to thrive in a state of constant change.

REQUIREMENT #3: ABILITY TO THINK ABOUT PRODUCT AS A SALES CHANNEL

With your data assets in order and the groundwork laid to shift your team's mindset, you can start to focus more closely on leveraging your product as an efficient sales channel. There are philosophical and tactical elements to this.

On the philosophical end, you need to help people wrap their heads around the idea that the product and the experience you create around it are not only two sides of the same coin, they also encompass many pieces of your sales process.

For buyers who have a pretty simple decision-making process and don't require any human interaction, you can provide a self-serve option that allows them to try your product and then buy it without needing to go through a salesperson. Adding this path into your existing customer journey is what will drive incremental product led growth.

For buyers with a more complex decision-making process that does rely on sales support, your product takes on the role of being your best lead generation engine. Not only is your product the first entry point for these more complex buyers, but it's also the vehicle through which you can collect specific data on each prospect. You can see what they are using, how they are using it and where they get hung up. And with this information in hand, you can tailor your marketing and sales approach to align perfectly with each prospect's specific situation and needs. It's a very powerful way to provide a more personalized and relevant buyer experience.

IT'S NOT AN EITHER/OR SITUATION

Product-led and sales-driven growth strategies are not mutually exclusive. They can actually complement each other beautifully, giving you the best of both worlds. While it's typically been more common to hear about product-led companies adding a sales-led component as they expand into enterprise markets, we're also starting to hear more about companies with traditional go-to-market strategies pivoting to embrace the product-led mindset and tactics.

It's not always an easy road to travel. As we've covered here, there are some pretty major cultural changes that need to take place if you're going to successfully integrate PLG into the mix. But if you can get all the pieces to fall into place, the combination of these two strategies can be extremely effective in driving growth from multiple directions.

At the end of the day, it all comes back to doing what's best for the user. Our job as growth marketers is to eliminate friction in the customer journey. Whether that journey starts outside the product and works its way in, or begins and ends within the product, the end result is the same. Let your buyer's best interests drive your decisions, and you can't go wrong. ■

"PRODUCT-LED AND SALES-DRIVEN GROWTH STRATEGIES ARE NOT MUTUALLY EXCLUSIVE. THEY CAN ACTUALLY COMPLEMENT EACH OTHER BEAUTIFULLY, GIVING YOU THE BEST OF BOTH WORLDS."

THE NETWORK EFFECT: THE IMPORTANCE OF THE VIRAL COEFFICIENCT FOR SAAS COMPANIES

By Ashley Smith

It seems like everyone wants to "go viral." From SaaS startups to Instagram celebrities, businesses and wannabes are searching for the magic moment that will propel them into the stratosphere. But, even the founders of so-called "unicorn" companies know that magic isn't a viable growth strategy.

There are, however, more predictable and controllable ways to harness viral and network effects. These more replicable strategies are behind the success of many of the most well-known SaaS companies. What makes these non-magic approaches so powerful is the fact that they are built on a foundation of things you can actually control: product quality, intrinsic shareability, collaboration features and so forth.

"GOING VIRAL" (AKA "OUTBREAK VIRALITY") IS NOT SOMETHING YOU CAN ENGINEER. IT HAS MORE TO DO WITH RANDOM LUCK AND THE WHIMS OF THE ZEITGEIST THAN IT DOES WITH VISIONARY INNOVATION.

The types of things that manage this kind of explosive reach—Pokemon Go and certain YouTube videos, for example—often seem to come out of nowhere and go from zero to global awareness in 60 seconds. Interestingly, the vast majority of these shooting stars tend to burn out fast, either fading into obscurity or, in some cases, becoming the punch line of future memes.

SaaS companies that want to harness the potential of the network effect in a sustainable way need to understand exactly what it is, what it isn't and how it applies to their specific product.

THE "K" FACTOR: WHAT IT IS AND WHY IT MATTERS

Let's start with a little context to make sure we're speaking the same language. There's a fair amount of confusion about what people mean when they talk about viral and network effects. We've already established that "outbreak" virality—which, let's be honest, is a pretty awful term—is not something you can reliably create or even influence. So, let's take that off the table right now.

The network idea that is more relevant to SaaS businesses focuses on something called the "K factor" or the "viral coefficient." The viral coefficient is the number of new users generated by existing users. The formula looks like this:

(#) Invitations Sent per User x (%) Conversion Rate = (#) Viral Coefficient

So, for example, if your average user sends 10 invitations and you have a 20% conversion rate on those invitations, your viral coefficient is 2. In other words, each existing customer will generate two new customers. Obviously, when it comes to the viral coefficient, higher is better.

Another example is if each existing user sends out 15 invites, and you had a 40% conversion rate, that would give you a viral coefficient of 6. So, each user would be generating 6 new users.

Note: not all viral or network effects rely on actual invitations, some rely on sharing or word-of-mouth. Those aspects can stand in for invitations in the equation above.

Where things really get interesting is when you start to scale this equation across a growing user base. While it can become a little complicated, the theory is easily illustrated by the SNL spoof of the classic '80s shampoo commercial. It's the old he-told-two-friends-and-they-told-two-friends-and-they-told-two-friends model.

Over time, this drives exponential growth.

Let's look at the growth of a company with a viral coefficient of 3 over several cycles of viral growth. For this exercise, you need to factor in the number of existing customers at the beginning of the time period you're measuring.

Cycle 1:

(10 initial users x 10 invites each) x 30% conversion rate = 30 new users

Add that to your existing 10 users and now you have 40 total users.

Cycle 2:

(30 new users x 10 invites each) x 30% conversion rate = 90 new users

Add that to your existing 40 users and now you have 130 total users.

Cycle 3:

(90 new users x 10 invites each) x 30% conversion rate = 270 new users

Add that to your existing 130 users and now you have 400 total users.

It's important to only apply the conversion rate to the new users in each cycle since you can't count on existing users to send additional invites.

It's also important to think about the cycle time because a quicker invite cycle translates into faster growth.

"EVEN THE FOUNDERS OF SO-CALLED 'UNICORN' COMPANIES KNOW THAT MAGIC ISN'T A VIABLE GROWTH STRATEGY."

NETWORK STRATEGIES: THERE'S MORE THAN ONE WAY TO GET THE WORD OUT

Now that you have a basic understanding of the K factor, we can look at the different types of viral and network effects, how and when they apply and some examples of companies that have put them to good use.

"THE KEY TO WoM IS SIMPLE: HAVE A PRODUCT THAT IS SO AWESOME PEOPLE JUST CAN'T STOP TALKING ABOUT IT."

Word-of-Mouth (WoM)

We love being the first one to discover the latest, greatest tool or gadget or hot spot and then share it with our friends and colleagues. This human tendency to share what we know is at the heart of word-of-mouth growth.

The key to WoM is simple: have a product that is so awesome people just can't stop talking about it. Then—to help ensure those conversations turn into conversions—make sure your product is simple to describe (so it's easy for current users to explain it to would-be users) and easy to find (as in, it has a memorable, unique name).

Google is a great early example of a brand that grew enormously because of WoM. Back in the day, when people were still searching on Alta Vista and Ask Jeeves, early adopters of Google's new search engine were quick to advise others to make the switch for superior results.

Later on, as smartphones became more ubiquitous, people discovered the usefulness of Evernote for syncing notes between mobile devices and computers. Folks who were in-the-know about this fabulous new tool were quick to tell friends and co-workers about it, spreading the word and earning Evernote tons of new users.

Incentivized WoM

As its name suggests, Incentivized WoM is simply WoM with the added element of a little extra something to help motivate existing users to share. This something extra might be a discount on the product itself, access to premium features, or it could be something completely separate from the product like a gift card or good, old-fashioned cash.

PayPal ran a very successful incentivized WoM campaign in its early days, giving users $10 in cash for each friend they referred. Dropbox incentivizes users to refer new customers with additional storage space. And car services like Uber and Lyft incentivize WoM with discounted or free rides.

This strategy works best when a company is able to offer an incentive to both the existing user and the new user. Payment apps sometimes do this by offering, say, "$5 to you and $5 to your friend" as part of a referral sign-up bonus. And Uber and Lyft sometimes offer discount incentives to both parties in the referral as well.

Demonstration Virality

Demonstration virality is a show-don't-tell strategy. It doesn't require that existing users overtly recommend a product or invite others to join. Instead, users get non-users interested in a product simply by letting them see it in action.

This approach works best for products with straightforward, easy-to-grok value. Your existing user needs to be able to illustrate the "aha moment" quickly, and that moment needs to command attention. Prospective users need to immediately see and understand what's in it for them.

Brands like Instagram and Pinterest have benefitted from demonstration virality. Instagram got a nice boost when they integrated sharing tools that allowed users to post their Insta photos on other social networks (Twitter, Facebook, etc.). Friends would see the cool Insta photos and want to know how they were created. In a similar way, existing Pinterest users demonstrate the platform's capabilities when they share a Pinterest board. Since you don't need to have a Pinterest account to view a board, non-users can experience the product without any commitment, and then they often decide to create their own account.

Demonstration virality has also helped drive growth for non-social/non-visual brands. Existing users of car services like Uber and Lyft, for instance, are constantly demonstrating the value of these apps just by using them. Whether the existing user is coordinating a ride for a group leaving a business meeting or some friends heading home from a night out, simply using the product piques the interest of other people in the party.

Infectious Virality/The Network Effect

The Network Effect comes into play when a product doesn't have a single-player option. This means that a user won't experience the value of the product until they invite other people in their network to get on board. Often, it also means that there's a direct correlation between the level of value and the size of the user's network—so, the more people you get to join up, the more value you'll get out of the product yourself.

This approach is a perfect fit for products that either require multiple users and/or are designed to facilitate collaboration. Most meeting-and-communication-related products, for example, only make sense with multiple users. You can't use apps like Calendly, Slack or Zoom on your own because you're not going to send yourself a meeting invite or talk to yourself via a messaging platform.

Other types of products may have some single-user options, but are much more effective when used by teams and larger organizations. A product management tool like Asana, for instance, may have some single-user applications, but it's true power lies in its ability to manage teams and projects for multiple users.

Dropbox is another great example of a product that has seen success with the Network Effect. While a single user could use Dropbox to simply store files in the cloud for their own access, the beauty of the product is being able to share documents easily and remotely with colleagues.

For SaaS companies, the most advantageous application of the Network Effect is when a company adopts a product for use across their entire organization, making it part of their core toolset and workflows. A company that does this is effectively mandating the Network Effect.

DON'T BE AFRAID TO MIX AND MATCH NETWORK GROWTH STRATEGIES

The best-case scenario is to be able to harness multiple viral/network methods within a single product. This multi-prong approach will allow you to double down on your efforts and drive growth quickly.

Calendly, for example, uses a variety of strategies to optimize their viral growth:

WoM: The quality and usefulness of the product inspires users to talk about it simply because it's such a great solution to a common problem—finding a mutually agreeable meeting time without the agony of endless back-and-forth negotiations.

Demonstration Virality: Sharing is a built-in feature of Calendly that kicks in each time a meeting organizer sends a Calendly link to a meeting participant. Once the invitee sees how easy and painless it is to schedule time on the other person's calendar, you can bet they want to know more about how they can use Calendly for their own scheduling needs.

Network Virality: Finally, Calendly is much more fun and effective when used with multiple calendars across teams. This is a product that just makes more sense when adopted widely throughout a network. Whether that expansion is driven from the bottom up or from the top down, it will have the same positive effect on Calendly's growth.

To take full advantage of viral and network effects in your own product growth strategy, you need to integrate supporting elements into your product from day one:

Focus on building the best product possible in order to inspire WoM.

Consider how you might create different kinds of incentives to help sweeten the deal for users who could be persuaded to invite people to join.

Make it easy for users to demonstrate the value of your product by enabling a variety of sharing methods, including online and in real life.

Be careful about product naming to ensure that when someone tells friends and colleagues about your product, you've chosen a name that's easy to remember and easy to find.

Build in collaboration tools that drive greater depth of value as users grow their own network within the product.

TWO FINAL TIPS:

Don't forget to take advantage of every chance you get to convert people who are experiencing your product as non-users. For instance, brands like Calendly, Dropbox and Zoom proactively invite non-users who are participating in a meeting or accessing a document to sign up for their own accounts.

Don't overlook the value of building a strong community. Depending on what type of product you're selling, strong developer relations can affect your growth either directly or indirectly. In either case, it's an opportunity that's worth exploring. ■

HOW CALENDLY HARNESSES PLG AND VIRALITY FOR GROWTH

by Oji Udezue

For a SaaS company striving to take things to the next level, there are few game plans more efficient and effective than combining a product led growth (PLG) go-to-market strategy with an inherently viral product. Even on their own, each of these elements is a powerful way to put your entire user audience to work helping you grow your company. Together, they can create unstoppable momentum.

I have had the good fortune to work at a number of high-caliber companies, including several that taught me a great deal about how to harness the power of PLG and virality. I am an engineer who failed to launch as a programmer; I transitioned into a career as a product manager because I found that I was gifted at understanding what customers wanted, generating ideas to solve those problems and leading the team building the solution.

I honed my skills in this role at Microsoft, Bridgewater, my own startup and Atlassian. Most recently, I have joined Calendly as VP of Product and Design. Calendly is a company that has found tremendous product-market fit and is growing really fast. I came on board because the founding team is exceptional and because this is a particularly exciting chapter in the company's growth story.

Calendly is an automated scheduling tool that helps millions of people save time by eliminating the scheduling dance of where and when to meet. Pairing calendar integrations with a beautiful booking page and a number of optional workflows, Calendly makes setting meetings and related tasks easy for professionals, small business owners, entrepreneurs, doctors, lawyers, hairdressers, consultants, salespeople and anyone else who might need to book a meeting.

Calendly is also a great example of a product that has used PLG and virality to great advantage.

PRODUCT-MARKET FIT: A NON-NEGOTIABLE STARTING POINT

Before diving into PLG, it's essential to back up for a minute and acknowledge the importance of having a strong product-market fit. In a sense, it's the combination of a strong product-market fit with a PLG strategy that provides the right conditions for virality to take hold.

There are three elements to product-market fit: the product, distribution and customers. Product-market fit is achieved when you have a product with a clear value proposition that resonates with customers whom you know how to reach and convert. In other words, build a great product that solves a real problem and make sure you have a way to get it to the people who need it.

IT SOUNDS SIMPLE, BUT SIMPLE DOESN'T ALWAYS MEAN EASY.

There is no universal model for finding product-market fit because the number of variables makes each case unique. There are, however, plenty of common pitfalls including the lack of a market, a sub-par product, broken distribution systems and any general misalignment between the three elements.

The bottom line is that finding product-market fit is not optional if you want to adopt a PLG approach. You've got to get it right.

PRODUCT LED GROWTH: AN ALL-IN AFFAIR

Once you've nailed your product-market fit, then you can start thinking about how PLG can help drive growth. At its core, PLG is value-driven growth. It's focusing on customer value and building that as carefully and methodically as possible. PLG works only when every feature—what it does, how it does it and how it's delivered—solves a real problem for your customers and makes them so happy that they are more likely to adopt your solution over the alternatives. Again, it sounds simple, but there's more to taking away customers' pain than meets the eye.

In addition to the problem-solving element, PLG also means that you don't engage in any high-pressure sales tactics. Instead, the product sells itself. In fact, with a true PLG approach, the first interaction with your company or product is typically through the product itself. For most of your customers, sales and marketing don't even come into play until after that initial interaction.

In my opinion, PLG really is the most efficient way to build a company, but there are plenty of ways it can go wrong. To keep things on track, there are three key ideas to keep in mind:

Set Yourself up for Success with Total Alignment

For PLG to work, everyone in the organization needs to recognize that the company is taking a product-led (versus a sales-led or marketing-led) approach. There has to be real alignment. It's imperative that every functional group is clear on their roles and responsibilities. Product becomes the center of gravity, so to speak, as everyone aligns around supporting the product team to help the entire company grow. Each member of the team has to believe that PLG is the best approach and will ultimately benefit everyone and the growth of the entire company.

Start with the Customer's Pain

Since PLG is all about creating value for the customer, it makes sense that the first thing you need to do is talk with your customers. It's amazing to me how many companies fail to invest time in this critical step. At Calendly, we have a weekly process in which we collect almost every piece of customer input and triage it to zero. This is a painstaking process, but we've learned how to do it at scale so that we can stay on top of customer pain points and absorb all the new ideas for how to deal with that pain. It's important to remember that this isn't a one-and-done task. Always be talking to your customers. Uncover the pain, solve the problem and then build on ramps that allow customers to share more of their pain so you can repeat the cycle. Note that I don't mean ask customers what features will satisfy them—that's an endless and thankless dark path. Instead, focus on core needs and use the team's ingenuity to find solutions consistent with your vision.

Adapt Your Growth Tactics Based on Context

Who owns the growth function in a PLG company can be a tricky question. My rule of thumb when working with a viral product is to use a growth team when there's a lot of unoptimized upside for virality and network effects, and then—once that opportunity has been exhausted—take a more decentralized approach in which everyone in the company is tasked with looking for and exploiting growth opportunities. It's a matter of aligning your efforts around the most attainable prize. When viral opportunities give you a clear path to growth, take advantage of that. And when those have plateaued and opportunities are less clear, work toward a different kind of growth culture by investing in training and refining the product processes so that even people at the edges of your growth effort can help you spot your next best move.

> **"FINDING PRODUCT-MARKET FIT IS NOT OPTIONAL IF YOU WANT TO ADOPT A PLG APPROACH. YOU'VE GOT TO GET IT RIGHT."**

VIRALITY: AN OFTEN MISUNDERSTOOD TERM

"Going viral" has become something of a buzz phrase that has taken on multiple meanings over time. To be able to identify and cultivate a viral effect within your own product, you first have to be clear about what "virality" is, and what it isn't.

The most common point of confusion is thinking that a viral loop and a network effect are the same thing. While many people use these terms interchangeably, they are actually two different phenomena. A truly viral product has intrinsic virality, meaning that it's designed around something that naturally involves other people, things that create a two-sided benefit. My to-do list, for instance, isn't viral; but if it became a team to-do list, that has the potential to become viral. In general, virality is essentially about creating channels that expose your product to more and more customers in the product design itself. A truly viral product does its best to remove any barriers to joining and gaining benefit.

The Network Effect, on the other hand, is about value; specifically compounding value. When a customer who has already joined, gains incremental benefit from the latest person who became a customer, you have network effects. A good example of different kinds of network effects are products like Slack and Hipchat. These are both micro social networks inside a company. They have a strong network effect because the more people who use them within an organization, the more likely it is that even more people within that organization will join. But, they aren't really designed to integrate users from outside the organization's network (Slack has a few features, but they're hard to configure), so there's no extra-company network effects built in.

Sometimes, what people refer to as virality is really just savvy marketing. Slack is also a good example of this scenario. Slack definitely takes advantage of a network effect to land and expand within an enterprise, but it does not intrinsically have the ability to jump from organization to organization. It does, however, have the benefit of a very smart marketing team with good media relationships. In Slack's case, virality is really just very effective word-of-mouth.

There are also cases in which the viral element of a product is the result of the product attaching itself to an external viral medium. When I built a micro social network called Intermingl, we pushed certain pieces of content to Facebook. This is a bootstrapping technique that can help create the illusion of product virality.

Calendly is a truly viral product. There is no single-user version of engagement with Calendly; it's only relevant when there are at least two people involved—the meeting planner and the meeting invitee. The product

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is inherently collaborative. Each time someone sends an invite via Calendly, they are also automatically promoting the product and starting a viral loop. The invite recipient experiences the product firsthand and can immediately see that it can solve their pain around scheduling meetings with other people. They sign up and start using the product to book their own meetings, perpetuating the viral loop of value, which is what drives our growth. And because we are a global open network that solves a universal problem, there are almost no barriers to entry.

THE LONG-TERM PLAN: OPTIMIZING YOUR VIRAL FACTOR

Once you've established that your product has a bona fide viral loop, you'll want to think about how to build on and optimize that asset. This means measuring virality so you can improve on it. At Calendly, we use a standard K factor that reflects the number of invitations sent. Each time someone uses Calendly, they are essentially inviting other people into our space and giving us an opportunity to ask them if we can solve the same problem for them. We see a huge number of people convert in this way. We also look at the ratio of people who accept those invitations. Looking at the number of invitations sent, how many are accepted and how many invitees are turning into actual users gives us a pretty complete picture of our overall conversion rate. It also gives us multiple ways to optimize because, while these elements are related, we can actually optimize on them separately to achieve different objectives.

There are a number of tactics you can employ to improve the outcomes of a viral loop. To begin with, it's very beneficial to get a deep understanding of what makes the user say yes. What makes them convert? Is it the value itself, or the way the value is presented? Really looking at things from the user's perspective is critical.

You can also work on building network effects. We've established the difference between virality and network effects, but that doesn't mean that they can't work together. If you're already a viral product and can create a situation in which there's mutual benefit in having large numbers of people join your network, you should definitely take advantage of that opportunity.

Sometimes, there are also opportunities to "consumerize" the enterprise. In many ways, Calendly and other PLG companies like it, that use viral and network effects are really just targeting consumers inside an enterprise. Many tactics similar to those used on consumers in general can be applied to good effect.

Finally, to keep on track with both PLG and virality, you need to stay focused on your core product. As your user base expands and your company evolves, it can be tempting to divert resources to various efforts to build more virality, exposure and searchability. None of these efforts is a bad thing, as long as you aren't cannibalizing the energy you put into your core product and how it solves customer problems. That's where your primary value is. Everything else is an add on.

THE BOTTOM LINE: IT'S ALL ABOUT SOLVING PROBLEMS

There may be all kinds of complex strategies and tactics rolled up under PLG: good product-market fit, viral loops and more; but at the end of the day it all boils down to one simple core idea: solve your customer's problems. This means listening to your customers, understanding their pain, building a product that takes that pain away and then aligning your entire organization around supporting that product and its mission so that your users fall in love with your solution and want to share it with everyone they know. ■

HOW TO EARN LOVE ON PRODUCT HUNT

by Hiten Shah

HITEN SHAH
Serial Entrepreneur

Product hunt describes itself as, "The place to discover your next favorite thing."

It's definitely that, but it's also much more. Founded by Ryan Hoover, someone who really loves product, Product Hunt is the go-to place to announce your product or new feature. It's also a thriving community, resource and support group for product geeks.

As a repeat founder (including Crazy Egg, KISSmetrics and my latest company—FYI), I was one of the very early adopters on Product Hunt. While I love launching on the platform, what really keeps me engaged is the community—people who provide valuable feedback when you ask and who cheer you on even when you don't ask. These are people who know what it's like to be in the trenches at a startup.

I believe that the collection I started, called 'Free Stuff for Startups,' is the #1 most popular collection on Product Hunt.

Recently the FYI team and I launched a resource called the 'Product Resources List.' It's a free, curated collection of 251 templates for product management that includes documents designed for a wide variety of tools from Google Docs and G Suite to Airtable, Coda, Tettra, Slite and a whole bunch of others. It's a pretty straightforward idea, but one that makes a great mini case study for what goes into a product that does well on Product Hunt.

THE FIRST THING TO REALIZE ABOUT HOW PRODUCT HUNT WORKS IS THAT THERE IS NO SILVER BULLET FOR GETTING TO NUMBER ONE.

In fact, my first piece of advice is to stop worrying about being number one. While there are tactical details that will help (like having great thumbnail images, sending emails to invite people to check you out on Product Hunt, etc.), there are simply too many factors outside your control. This isn't a system to be gamed.

The 'Product Hunt Resources List' worked as well as it did because it was built on a strong foundation of the basics.

It solved an actual problem. We just wanted to create something good, something our team wished existed. The idea evolved out of what we kept hearing over and over again from customers who were trying to find templates for documents they wanted to create such as a product roadmap, or to mimic the process that Spotify uses to manage their team like using squads, or some other business need. So we set out to help these folks find the best templates all in one place so they could improve the work they did.

It aligned perfectly with the audience. Matching your product to your audience is key in any market with any community, and the same goes for Product Hunt. We knew who the people on Product Hunt were and we knew how much they needed this resource. It was a match made in heaven.

We did the research. Research is the best tool a product person has. It's a lot like SEO in that if you have all the data—backlinks and which pages people are ranking for, etc.—you can reverse engineer your way to the best possible page and experience. We looked at everything people were showcasing on Product Hunt that was related to what we wanted to build, and we looked at the items that were hitting number one. We learned what was working and what wasn't, and we used that information to inform our own approach.

We thought about it like a product. We user tested the Product Hunt experience for the Product Resources List before we launched it. We mocked up a fake Product Hunt page that actually ended up being just like that real one, with comments and everything and based on the learnings from the user tests we ran, uncovered exactly what needed to be tweaked. As the saying goes, "Luck favors the prepared."

Finally, we remembered that Product Hunt isn't a marketing channel, it's a community, and we treated it like one. That's the number one trick. And it isn't a trick at all. It's being human—engaging with people in the comments, getting them to respond, asking them for feedback. If you engage with the community in a constructive way, they're going to love you. ■

5 STEPS TO BUILDING A STRONG DEVELOPER COMMUNITY

by Ashley Smith

ASHLEY SMITH
Venture Partner
OpenView

Since joining OpenView as Venture Partner a few months ago, I've had many conversations with founders around the intersection of product led growth (PLG) and community. I find myself answering a similar set of questions about how to build a developer community the right way on a daily basis, so I hope this article is helpful to those looking to build a community around their product, project or company.

COMMUNITY IS A POWERFUL THING.

It bonds people together, provides an arena in which to share ideas and creates opportunities for collaboration. With the right setup, a community of like-minded people with shared interests and goals can become a surprisingly efficient and effective tool for exploring and solving problems together.

In the SaaS world, well-built developer communities offer software companies unique insight into the minds of the people who are creating the code that powers the digital age. A developer community serves a crucial role not only in helping newcomers to learn the ropes, but also in getting them excited about your product and—more to the point—about being part of the team behind your product.

And the best developer community takes on a life of its own, expanding your product's overall reach to a new and broader audience.

Building a successful developer community is not an easy task. Developers can be rather particular about how brands engage them and, if you're building a community solely for the sake of marketing, you're doing it wrong. The usual marketing tactics don't usually land well with this discerning and highly analytical group. They can smell an inauthentic pitch a mile away, and if you make a bad first impression, you may not get a second chance to make a good one.

Putting your best foot forward is a matter of understanding the ideal attributes of a strong developer community, knowing the steps to take to create that kind of environment and making sure you give back as much as you gain.

"THE BEST DEVELOPER COMMUNITIES ARE THE ONES THAT ACTUALLY OFFER MEMBERS A WAY TO BE ACTIVELY INVOLVED IN WHAT'S HAPPENING WITH THE PRODUCT AND AMONG USERS."

FIVE STEPS TO A STRONG DEVELOPER COMMUNITY

The most effective and sustainable developer communities are much more than a fan club or a thinly veiled way to generate demand. The best developer communities are the ones that actually offer members a way to be actively involved in what's happening with the product and among users. These communities offer developers a variety of ways to engage—learning from others, teaching others and even partnering with the product team. The space should be open, collaborative and respectful. And it should encourage dialogue.

But before you can attain such heights, you have to start where every other developer community starts—at ground zero.

Create Content—Give Them Something to Talk About

The human brain is wired for story, so it's no surprise that content is one of the most powerful tools in the arsenal when it comes to driving community engagement. Publishing a steady stream of content that inspires, informs and challenges readers is one of the most reliable ways to draw developers into a dialogue about your product.

And the good news is, you don't have to do it all yourself. In fact, inviting people to create content for your community turns out to be an excellent way to build a community. When people are fired up and eager to share what they know, they will happily write content for you. From customer stories and case studies to tutorials and product comparisons, developers are an incredibly valuable source of front-line material to power your content engine.

Two brands that harnessed this source well are Digital Ocean and GitLab. Digital Ocean's 'Write for Donations' program invites applicants to "teach others and grow as an author while supporting tech-focused nonprofits and charities doing important work in the field." Digital Ocean compensates writers who submit approved tutorials and other content, giving community writers the chance to share their knowledge and giving their brand the benefit of dipping into a deep pool of expertise. GitLab's 'Community Writers Program' uses a similar approach to solicit articles from their community on a wide range of topics.

The main idea is to give people a platform to share experiences and insights not only about your product, but about the entire ecosystem around your product. Let your community connect the dots between topics to create a comprehensive archive of relevant content for your whole audience.

Be Available Online—Keep the Conversation Going

Once you've got some content out there creating buzz, you need to maintain your momentum. This means keeping the lines of communication open on social media and in online forums. Nothing will turn a community member off more than being ignored. People want to be heard. They want to feel like they are truly involved and can make a real difference.

Of course, one of the main challenges to maintaining the conversation and being accessible and available to your community members is finding the resources to cover all the conversations in a timely manner. Not only do you need to be responsive, but you also need to ensure that the people engaging with your community know what they're talking about.

For smaller organizations of 10 people or less, this role usually sits with founders and the engineering team. They are the most well-versed on the relevant topics and are best suited to addressing incoming questions. Once an organization gets a little larger—say 10 to 50 people—it may be necessary to add reinforcements from the technical support team and developer advocates group. And for companies of more than 50

"THERE ARE LITERALLY COUNTLESS WAYS TO GIVE YOUR CHAMPIONS A LITTLE SOMETHING EXTRA. BE CREATIVE."

people, the best solution may be to start thinking about a technical social media developer advocate or a community advocate.

When you reach the point of pulling in community members to help manage the conversation, you'll need a way to identify and attract the right folks to take up that role. You can keep it informal, or launch a program like Twilio's 'Champions Program,' which extends an invitation to "passionate members of the Twilio developer community" to share their expertise with others.

However you organize your response team, the main goal is just to keep people engaged by following up in a timely manner and in a way that provides value, extends the conversation and draws more people in.

Find Your Champions—Treat Them Well

Speaking of champions, identifying these individuals and building a strong relationship with them is a really great way to inject more energy and activity into your community. Champions are people who really love your product, people who are passionate about not only the technology, but also about what they can do with it. You might find these people in client companies, incubators, at vendors who sell your product or experts who write about it. You should explore your entire ecosystem. These aren't people you're trying to get cheap labor from in exchange for a free t-shirt; these people are the lifeblood of your product and you should treat them as such.

The great thing about champions is that you really don't have to look too hard to find them. You just need to pay attention. They will usually raise their hand by being really active with your support team or sales team. They will engage with you regularly on social media and in forums, jumping into conversations, answering questions and sharing your content. They will seek you out at in-person events to tell you how much they love your product. These people are the superfans who can't contain their enthusiasm.

Once you've identified a champion, let them know you see them and recognize their contributions to the community. Send a private message. Send them a t-shirt. Invite them to a meetup or to take part in a roundtable discussion. Make it clear that you're thankful for their support and their engagement.

After getting them on board—either formally or informally—as a product champion, keep the love alive by continuously working to make them feel welcome and valued. Your appreciation can take many forms: early access to betas, a seat on customer advisory boards, special pins and badges, free invites for your products and don't forget swag!

There are literally countless ways to give your champions a little something extra. Be creative. GitPrime gave their champions a hard copy of their book *20 Patterns to Watch for in Your Engineering Team*, a strategy that not only helped express their gratitude, but also did double duty as a way to expand the reach of their own message in a meaningful way.

Be Where Your People Are—Get on a Plane

Stepping away from the screen and into the real world, there's definitely something to be said for in-person events. But, you want to be intentional about how to engage in real life. Major industry or company-sponsored events have their place, but they are not always the most effective venue for nurturing and strengthening developer relations. While a huge conference will get you face-to-face with a lot of people, it's not conducive to the in-depth conversations that help solidify a relationship.

As a complement to large events, you may want to experiment with more casual, smaller, localized events. A pizza party with a dozen developers can be a really valuable event that generates great conversation, ideas and even collaborations. You can hold indie events in any location you like—key cities around the world—or coordinate your events to take place adjacent to larger conferences.

When considering these kinds of events, you have a lot of topics and format options to choose from. Don't take all that responsibility on yourself. Engage your community to find out which topics they're most interested in, which problems are top of mind and which meeting structure is most appealing. Depending on your situation and your community's preferences, you could do a lunch-and-learn series, put together a developer advisory board, or coordinate some informal "birds-of-a-feather" meetups around subgroup interests.

While in-person events are not for everyone, it's unwise to overlook the power of this tactic for the community members who like getting together IRL. These groups can take on a life of their own.

Parse, for example, is a product that was shut down years ago, but faithful users are still organizing meetups on their own to collaborate on the open source version of the platform. That's staying power.

Give Them Swag—Don't Underestimate the Power of Cool Stuff

Finally, while "trinkets and trash" are often considered frivolous bits of marketing fluff, they also have a surprising level of staying power. Everywhere I've worked, it's always given me a little thrill to see my company's swag out there in the wild—a t-shirt on the street or a decal on a laptop. We gave away so many Twilio t-shirts that, for a while, I think a lot of people thought we were an apparel company.

As silly as it might seem, people get excited about this stuff. You can even find unboxing videos (Chalk up another win for the Twilio t-shirt brigade!). In addition to delivering little moments of delight to individuals, swag also has some real pull when it comes to increasing brand awareness. They say that a person has to be exposed to an ad seven times before they can recall it. The more swag you have out there in the world, the more times people will see your brand.

More importantly, when people are wearing/carrying your goodies as a badge of honor, that says a lot about their love of and loyalty to your product. The fact that they are literally willing to wear their heart on their sleeve for you says a lot.

Everyone Wants to Be Part of Something

It's human nature. People like being involved. They like having influence. They want to be heard and they want to contribute. Your job as the creator of a developer community is to give them the space to do all those things.

The biggest mistake companies make when embarking on this venture is to assume that they have all the answers. The whole purpose of a community is to create an open dialogue. Don't fall into the trap of creating a community only to keep information to yourself. A community won't work if your product is a black box. Be open. Share your roadmap, ask for feedback, do beta releases with your champions (and give them ample opportunity to provide honest feedback), hold customer and developer advisory boards. In short, engage your community to give you the feedback you need to make your product the best it can be. You don't have all the answers and you never will. Tap into your community. That's where the gold is. ■

"TAP INTO YOUR COMMUNITY. THAT'S WHERE THE GOLD IS."

CONVERSION
CONVERSION
CONVERSION

PRODUCT LED GROWTH IMPACTS EVERY PART OF A COMPANY'S GO-TO-MARKET MOTION.

Conversion may be the place with the most change from the traditional B2B software funnel. In PLG companies, the product delivers value from the very beginning straight to the end user. These companies focus on removing as many barriers to entry and steps in the sales and onboarding process as possible. It's easy to look at a product-led company and wonder where sales fits into the equation. When value is strategically placed before the paywall and self-service reigns supreme, how does conversion work and what does a sales team look like?

Even with this shift in go-to-market strategy, some things never change, including the fact that companies still need customers. Even though the order of operations changes by delivering value before the paywall and your sales team takes on a more consultative role, conversion remains crucial.

Adopting a product led growth strategy means you're aligning your strategy with a shift in buyer power. Companies are now focused on selling to the end user and empowering the individuals most capable of solving a particular problem to seek solutions quickly and without needing to jump through bureaucratic hoops. Successful conversion happens when you solve the pain point for the end user, not the corporate buyer.

In this section, you'll hear about how sales still plays a large role in a PLG company, even though their approach to selling has shifted. They support complex sales processes and act more as a consultant and thought leader to potential customers. They also allow your product to serve customers who want a human touch or need help with a specific hurdle prior to purchase.

As this happens, the lines between sales and customer success often blur. As Chris Savage, Co-founder and CEO of Wistia, puts it, "In both cases, we're just helping people get the most out of our products. It's just that one group helps existing customers and one group helps prospects."

This section will help you frame your strategy for solving problems for the end user with a data-driven approach. You'll also find out why solving problems for the end user is a competitive advantage throughout the entire funnel, from trial optimization to conversion. Lastly, you'll get insights into how product led growth aligns your product and go-to-market teams. Marketers no longer need to only worry about filling the top of funnel and sales reps about converting opportunities. PLG breaks down silos and aligns teams on a continuum, where touch points can be coordinated among teams and personalized experiences can be created for each prospect and customer.

JEFF CURRAN
Director of Business Operations
OpenView

PLG AND SALES: A POWERFUL ONE-TWO PUNCH

by Brianne Kimmel

BRIANNE KIMMEL
Founder and Managing Partner
Work Life Ventures

The fastest growing software companies in recent years have something in common: they started with no sales team. A term coined by OpenView, product led growth (PLG) describes a go-to-market strategy that puts the product front and center at every stage in the customer journey—making product usage the primary driver of user acquisition, retention and expansion.

PLG has played a transformative role in the growth of many of the biggest names in enterprise software: Slack, HubSpot, Intercom, Lucidchart, Mixmax, Typeform and ZipRecruiter, just to name a few. PLG also plays a central role at Zendesk, where I led growth programs through multiple iterations of their go-to-market organization, including self-serve, up-market and account-based marketing.

It's easy to see why PLG is so attractive to both tech company CEOs and investors. PLG jump starts revenue through low-cost channels, runs a wide variety of experiments, and predicts outcomes and revenue more accurately than many traditional go-to-market motions. In addition, even though PLG is operationally light, it has proven to be an effective way to gain traction quickly, even in competitive markets.

Another appealing attribute of companies who are able to use a product-led strategy is their maniacal focus on selling directly to the end user of the product and a strong understanding of an entry point to land and then expand within an organization. This is critical information for any company, but especially for those in the fast-moving world of SaaS products.

The opportunity some product-led companies miss, however, is integrating a sales team to get the most out of their PLG strategy. It may seem counterintuitive at first, but PLG and sales are not mutually exclusive. In fact, together, they make a very powerful combination.

"IT MAY SEEM COUNTERINTUITIVE AT FIRST, BUT PLG AND SALES ARE NOT MUTUALLY EXCLUSIVE. IN FACT, TOGETHER, THEY MAKE A VERY POWERFUL COMBINATION."

PLG AND SALES—NOT AN EITHER/OR PROPOSITION

PLG is a very effective way to unlock early revenue growth, but it does have its limitations. There are certain challenges that face any company relying heavily on self-serve users. For one thing, self-serve users typically churn at a much higher rate than users who have the support of a customer success team or inbound SDRs. A lack of focused support and/or sales guidance also leads to self-serve users tending to have a really low expansion rate. On average, only 15 to 20 percent of freemium users will convert on their own to paying customers.

Despite these facts, companies with technical founders or a naturally more product-led culture may find it difficult to layer in the sales function. Even before such a company starts tackling the tasks of finding the right kind of salespeople and sorting out who owns which responsibilities, there are other, more basic hurdles to clear. For example, teams that have seen their initial PLG strategy take them extremely far may not feel any sense of urgency to rock the boat by introducing a new element.

It's easy to get addicted to self-serve growth once you've found a strategy that works; it's predictable and fairly low-touch. But often times, focusing strictly on PLG puts a company at risk of overlooking the potential value of expansion revenue, and that's where you really start to see meaningful traction with SaaS companies.

I tend to think about sales as a support system or a kind of superpower. Looking at sales through this lens can be especially helpful for people who are coming from a product background and may lack a full understanding of the capabilities and functions of a sales team.

A DIFFERENT KIND OF SALES TEAM—PRODUCT-MINDED SALES

Product teams tend to have grand visions for their products. Even as they are just starting to see traction with their initial hero use case, they are already thinking ahead about how to evolve that product into a platform. Sales teams, on the other hand, make sure no one is leaving money on the table. They add value by mining for opportunities to layer additional revenue on top of the initial product's success and create a plan that allows the company to drive expansion revenue and product development in parallel.

As an example, when I joined Zendesk, we built out an entire product suite including everything from live chat to a robust analytics offering. Over a fairly short period of time, we essentially went from offering one product to offering seven. We discovered that while most of our early customers understood how to use Zendesk for customer support, they weren't able to fully utilize the entire suite of new products on their own. We recognized the opportunity to educate our existing customer base and took advantage of it by bringing in sales to focus on expansion revenue.

SaaS businesses have a unique opportunity to engage in what I call "product-minded sales." This approach of adding a consultative layer into the sales motion allows you to become an in-house expert and thought leader for your customers. It involves spending quality time with early customers so that you have the knowledge to perform deep account optimization, layering

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in new features and premium functionality that will educate your customer and ultimately influence their core KPIs.

Because product-minded reps require ongoing training and serve as the gatekeeper between product teams and customers, it's important to be aware of other influencing factors:

» **Product Complexity:** To successfully consult with customers, a salesperson has to have broad and deep knowledge about the product. The more technically complex a product is, the more technically savvy a salesperson needs to be. SaaS companies that sell directly to developers, for instance, need salespeople who deeply understand how to engage with developers and drive a more technical discussion.

» **Sales Associate Motivations:** Traditional salespeople get excited about hitting quotas. Product-minded salespeople get excited about becoming technology experts. They aren't just hungry for the sale; they want to understand the product in a deep and meaningful way.

» **Internal Training Capabilities:** Once you've found salespeople who are excited about becoming experts, you need to make sure you have the resources to properly train them. There are a number of companies (Lessonly, for one) who do this at scale.

At Zendesk, one area we focused on was layering in competitive analysis as a key component of new sales rep training. This was invaluable to reps as they got into conversations about how Zendesk compared to the new competitors who were entering the market at the time. We also gave our reps technographic data to identify which internal tools a prospect was already using so that they could have rich discussions on current pain points, ways to improve existing workflows and ultimately add value from the first conversation.

TEAM STRUCTURE—THE RIGHT SET UP

In addition to how to find and train the right kind of salespeople, another question that frequently comes up is how to structure PLG and sales teams within a company. There are a number of models to consider.

In some cases, an independent pod structure that combines a product manager, engineers and marketers makes sense. Other companies prefer to start out with the growth team reporting to a VP of Product, someone who owns the entire product experience.

Sometimes, teams are organized around different parts of the funnel—one team owns acquisition while another team owns engagement and retention and so forth. This model gives teams clear ownership and a unique ability to specialize.

At Zendesk, we started out with an online business unit, which was essentially a PLG team that included our web engineers, data science and marketing. This team handled paid acquisition, homepage optimizations and in-product experiments.

While an online business unit is highly effective for acquiring self-serve users, a sales-assisted growth team focused on inbound and outbound sales can be a powerful tool to drive more high-touch activities, for example, converting free trial users to paid users.

Many startups today start with a product led growth motion, which starts by building a product experience where the end user can easily try, buy and use the product with little to no human touch. Calendly, a viral calendar application with over 2 million users, allows you to try the product for free (simply enter your email address on their homepage). After your two-week free trial ends, you will automatically be downgraded to the free version unless you decide to enter your credit card information to upgrade to a premium subscription. There is no contact with a salesperson at any point during the buying process.

With every product led growth strategy, it's critical to establish clear tracking and attribution across the marketing and sales funnel. As your startup starts to scale, you'll need to watch for blind spots and make sure every lead is tracked and nurtured accordingly by automated nurture campaigns and sales check-ins.

PLG (AND SALES)—HERE TO STAY

PLG is more than just a cost effective go-to-market motion for startups, it's also a strategy that aligns well with how consumers want to buy software today. The bottoms-up nature of PLG gives more power to the functional experts within a company, which means each team can choose best of breed tools without additional layers of approval.

In addition, a PLG strategy eliminates the need for big, multi-year contracts, which can be constricting both for the buyer and for the technology solution. Many buyers don't want to get locked into an annual contract. And what many SaaS companies discover is that a bottoms-up approach allows for a more collaborative customer relationship that ultimately translates into greater flexibility around product development.

Interestingly, it's not only early-stage companies that are taking advantage of PLG. There are a growing number of big players, including companies like Salesforce and HubSpot, that are currently implementing small internal motions to add self-serve experiences to different parts of their products. I expect we'll see more acquisitions of highly viral SaaS products that deeply understand technology integrations and how to sell using a bottoms-up motion, rather than a top-down sale.

While it's clear that PLG is here to stay, my advice to startups is don't rely on PLG alone. Even the most viral SaaS products ultimately add a sales team. Continue to invest in your self-serve product experience, while you build your army of product-minded sales reps.

FREEMIUM CAN WORK AT ANY STAGE OF GROWTH IF ANCHORED TO VALUE

by Lindsay Bayuk

LINDSAY BAYUK
VP of Portfolio Marketing
Pluralsight

I've been a part of building freemium strategies at three companies: Pure Chat (seed round), ProfitWell (bootstrapped) and Pluralsight (Nasdaq: PS). I only work at companies that start with the letter "P." Just kidding.

I've learned that freemium can accelerate growth after you nail product-market fit. In this article, I'll share with you my three freemium insights learned through personal experience:

- Why customer value is key
- Why freemium is an acquisition strategy, not a revenue model
- Why you need a lot of data before testing freemium

WHY CUSTOMER VALUE IS KEY

After leading product management and product marketing at a $100M software company, I thought I'd put my product led growth strategies to the test at Pure Chat. My hypothesis was that if we applied customer-driven product development and value-based messaging, we could accelerate growth. After a ton of qualitative customer interviews, it was clear that our target market was true small businesses under 50 employees. We learned that while most of the live chat space was focused on customer service (logging tickets, etc.), small businesses and startups were using live chat on their websites to talk to prospects. In other words, the value metric for our customers was new leads.

At the time, our pricing was built around the number of live chats (real-time conversations). If you got more than 15 live chats in a month, you needed to upgrade. And when you weren't available to have real-time conversations, our chat window switched over to a simple form.

If you've ever met a small business owner or a startup founder, you know this—they don't have a lot of time. This means they really don't have a lot of time to wait for the serendipitous moment when a prospect on their website happens to have a question.

Next, we started looking at usage data with this lens. It turned out that we had a decent amount of customers who hit the live chat limit each month and converted. We had even more free customers who got way more than 15 leads each month using our software and the pop-up form!

The product was delivering tangible, measurable value beyond the initial intent, and with this insight, we optimized the business for this metric. Aligning customer value to the product and go-to-market was key. Conversions from free to paid grew immediately when we changed our packaging. For the year that followed, annual recurring revenue grew 230%.

WHY FREEMIUM IS AN ACQUISITION STRATEGY, NOT A REVENUE MODEL

When I joined ProfitWell, they were much further down the freemium path. The problem ProfitWell was solving in the early days was accurate SaaS metrics all in one place. Very few companies had really figured out how to calculate accurate SaaS metrics in real time based on all the nuances of different billing system APIs, subscription models, etc. Once you had a clear picture of your SaaS metrics, you could see where you needed to improve. And if you happened to need help with churn, ProfitWell had a paid product to help with exactly that. The free product helped identify what the paid product solved.

What happens when you give away a superior product? Happy customers. And what do happy customers do? They tell their friends. Word-of-mouth is the most effective marketing channel on the planet.

How do we know it works? Research from ProfitWell has found that customer acquisition cost (CAC) is up 50% in the last five years across B2B and B2C. Comparatively, CAC for freemium businesses is only up 25%.

WHY YOU NEED A LOT OF DATA BEFORE TESTING FREEMIUM

We know freemium done right works as a terrific product led growth strategy. It's important, however, to get really clear on what I mean by freemium. Traditional freemium is an acquisition strategy. It's an offering that's free forever—giving access to limited, yet valuable functionality. It is not a free trial. Free trials are typically time-bound (i.e. Spotify or Netflix) and may or may not give access to limited functionality.

No matter the stage of growth of your business, it's important to get clear on objectives before testing into a freemium strategy. If done correctly, freemium allows you to create a wider top-of-funnel, creates a more cost-effective path to paid (in-product conversions, automation, word-of-mouth) and enables usage and data collection to inform further product insights.

There are a lot of examples of freemium gone wrong (sorry Evernote, I use you daily but you've given me no reason to give you any money). And there are a lot of examples of killer freemium strategies from giants like Dropbox and Slack.

Before you test this strategy for your own business, you'll want to consider a few key components and analyze a lot of data sets.

- **Cannibalism:** Don't build your packaging in a way in which your free offering cannibalizes your paid offerings. Don't give away the whole meal. Give an appetizer. And if you don't know what your target customers value most about your product, don't do freemium (yet). Collect survey data or conduct some interviews to understand value.
- **Customer Experience:** Intentionally design your free experience so that it maximizes the speed to value and makes it easy to upgrade. Also, if you're a small startup, make sure you have an infrastructure built to scale. A slow or disruptive experience will work against you. Gather data through prototype testing first!
- **Channels:** Make sure you track and understand which acquisition channels (paid ads, paid social, organic social, content syndication, etc.) are most effective. Not all channels are created equal, so some channels will work better for freemium than others.
- **Conversion:** The paid product and message should be aligned with the customer value in the free offering. The upsell should be compelling. Be prepared to optimize conversion paths using in-product CTAs (without being annoying), nurture sequences, re-targeting, etc.
- **Funnel Metrics:** If you don't have a predictable upsell model in place (segmentation, automation and even sales reps when applicable), don't try freemium. Make sure you have clearly defined stages of your marketing funnel and processes built and working to convert prospects through each stage.

Based on all of these lessons I had learned, it became fairly clear how to test freemium at Pluralsight. We had acquired technology that allowed users to measure their tech skills in 5 minutes or less. We knew that this functionality was truly unique and vastly superior to anything else in the market. Conventional thinking might argue that we should have kept it behind the paywall, but we didn't.

Once we had an idea of how we wanted to implement, we went to work! It took a few months (and a little convincing) for the product teams to separate this feature from the rest of the platform in a way that we could securely permission it for free users. We also needed a few months to test this strategy from a marketing perspective. We had this free offering available (and unbranded) in the market for several months before our official launch. During the testing period, we gathered data around usage, conversion rates and the percentage of net new contacts to our database. We officially announced Skill IQ, the first member of the Pluralsight IQ family, in August 2017 at Pluralsight LIVE.

We made it possible for anyone, anywhere to measure their proficiency in more than 130 technologies for free with Skill IQ (and get access to a few free courses from our experts).

Using Skill IQ, more than 1.6 million technology skills have been benchmarked worldwide (as of Q4 2018).

We have now launched two major freemium products—Role IQ and Skill IQ—that feed the marketing funnel in a substantial way. These products, which include a social-sharing component, have also contributed to brand awareness.

I hope these three real-world experiences highlight why getting customer value right, intentionally building an acquisition strategy and leveraging a ton of data to inform freemium can help your business accelerate growth at any stage. ■

"WHAT HAPPENS WHEN YOU GIVE AWAY A SUPERIOR PRODUCT? HAPPY CUSTOMERS. AND WHAT DO HAPPY CUSTOMERS DO? THEY TELL THEIR FRIENDS. WORD-OF MOUTH IS THE MOST EFFECTIVE MARKETING CHANNEL ON THE PLANET."

EMBRACING SALES IN A PRODUCT-LED COMPANY

by Chris Savage

Integrating sales into a product-led company isn't always easy. And while we've developed our own way of doing sales at Wistia, I wasn't always a believer. In fact, I had almost religious beliefs about sticking to a strict self-serve model. At that time, my perception of sales was very black and white. Today, it's clear to me that there's actually quite a bit of gray on that spectrum.

Wistia is a video software service that helps small and medium-sized businesses grow with video. We're an angel-funded company that's been in business for a little over twelve years now, and we're proud to say that we're profitable. Being independently funded has given us the freedom to be true to who we are and take risks that prioritize the long-term employee and customer experience over short-term revenue growth. This has made a huge difference in the kind of company we've become over the years.

That dedication to sticking to our company values has trickled down to the way we run our sales program here as well. We've learned that being committed to our way of doing things usually turns out to be the best for our business and our customers.

A LITTLE BACKGROUND—PROFILE OF A PLG COMPANY

It's helpful to understand that Wistia has always been a product-led company, but our approach to leveraging that model has evolved over time. In the beginning, we offered a free trial/demo that we assumed would be a great way for prospects to get to know our product. The problem was that the trial was for a limited time, which meant that once it ended, whatever video the prospect had uploaded would be taken down. As you can imagine, that created a pretty unfortunate customer experience that didn't sit too well with our audience.

After we'd been in business for about seven years, we felt like we had enough experience and customer insight to take the risk of adding a free plan. Lucky for us, this move ended up being a phenomenal success. It delivered an exponential increase in the number of people who were willing to give our product a try now that there wasn't a time limit on how long their video would remain on the platform.

Today, the free plan continues to be a great way to get new prospects engaged with our products. Typically, most people discover us through our educational content, which includes blog posts and—of course—videos. Many small and medium-sized business owners and marketers lack confidence when it comes to using video. They're intimidated by the medium and unsure how to shoot video, edit it, distribute it and so on. Beyond the execution, they're afraid that if they miss the mark with their content, they can really hurt their brand—and they're not wrong.

This knowledge-gap actually gives Wistia the opportunity to provide people with truly helpful how-to content that answers their most pressing questions about video. At the end of the day, sharing this type of content is a long-term play—we don't expect everyone to sign on as customers right away. For example, one of our most successful videos is a tutorial on how to turn a conference room into a video studio. People loved this video so much that they'd share pictures of them in their "Wisita studios" on social, but then they'd upload their videos to YouTube (because no one gets fired for using YouTube). At first, that felt like a failure, but we've come to realize that content is an important way for us to educate and build our audience.

Sales comes into play in this scenario when someone in that audience we've built has needs that are too complex to be handled by our self-serve onboarding experience.

SALES STRATEGY—IT DOESN'T HAVE TO BE ALL POLYESTER SUITS AND HIGH-PRESSURE TACTICS

As I mentioned earlier, I wasn't on board with sales at the start. Like many product-led founders, I had my doubts (that verged on outright aversion). I wasn't initially able to see past the negative stereotype of a pushy salesperson trying to convince the prospect to buy. It didn't take long for me to realize, however, that there are many different flavors of sales, and you can choose which one is right for your company.

The right sales approach should be an expression of your company values. Don't assume you have to do sales like everyone else does sales. Instead of worrying about what might go wrong, ask yourself what could go right. Reframe things by thinking about how the right sales approach can make things better for your company, your customers and your prospects.

Our products were completely self-service when we introduced sales about three years ago. The first thing we noticed after bringing sales into the mix was that our total monthly number for self-serve customers went down slightly. This initially caused a little panic that maybe we'd made the wrong decision, but we quickly realized that the drop in self-serve was natural. The truth was that there had always been people who wanted to talk to a salesperson, and now they could get their questions answered up front instead of diving immediately into the self-serve onboarding process. Ultimately, integrating sales was a value-add for these prospects.

These early insights combined with a focus on our core company values (long-term thinking, creativity, presentation and simplicity) helped us develop a relationship-driven sales approach that aligns with how we do business. We've found that—done properly—sales is a valuable part of the overall brand experience that uses honesty and authenticity to help a prospect figure out if Wistia is a good fit for their business. If it is a fit, we help them through the process. If it's not a fit, we don't force it. In fact, we're so transparent that if a direct competitor is a better fit, we'll tell the prospect that.

"IN ESSENCE, OUR SALES APPROACH ISN'T THAT DIFFERENT FROM OUR CUSTOMER SUCCESS APPROACH. IN BOTH CASES, WE'RE JUST HELPING PEOPLE GET THE MOST OUT OF OUR PRODUCTS."

"DON'T BE AFRAID TO TRY SOMETHING DIFFERENT OR LOOK AT SOMETHING AS TRADITIONAL AS SALES THROUGH A WHOLE NEW LENS."

CHRIS SAVAGE
Co-founder and CEO
Wistia

Our goal is to recreate the kind of experience we've come to expect from the Apple store—a friendly environment filled with experts who are ready to answer your questions, teach you about products and help you solve your problems. We think of customers not only as people who have purchased our products, but also people who might someday purchase our products.

SALES TACTICS—IT'S CRITICAL TO FIND THE RIGHT BALANCE BETWEEN SALES AND SELF-SERVE

The vast majority of our sales activity is responding to inbound requests from people who have more complex needs than the average person. It's basically an informal PQL model in which our sales team is assigned to people who are not yet customers and are tasked with helping them get up to speed on the best way to use Wistia to solve their problems. In essence, our sales approach isn't that different from our customer success approach. In both cases, we're just helping people get the most out of our products. It's just that one group helps existing customers and one group helps prospects.

Knowing when to get a salesperson involved is always a little tricky. One of the reasons we were originally completely self-serve was to keep our prices down so we were within reach of small and mid-sized companies. Taking sales out of the mix was an effective way to reduce overhead. That's why when it comes to bringing sales back into the equation, it needs to be done in a cost-effective way.

To strike the right balance, we're always looking for opportunities to expose different parts of the product through our self-serve onboarding experience. We do this by paying attention to the kinds of questions people ask when they work with sales and then identifying instances where a certain feature could be simplified enough to be integrated into our onboarding process. We're constantly evaluating the trends that are coming up in these conversations to identify when we should change the product itself, update a support resource, develop a video series or connect a prospect with a salesperson. Whichever tactic we choose, the end goal is always the same: help customers find answers to questions faster.

This ongoing evaluation of our approach helps us scale both customer support and success. On the support side of things, we're constantly expanding the educational resources we have available in our knowledge base, which requires continuous communication with our product team—all of which helps keep the volume of support tickets under control. On the success side, we tend to focus on more complicated parts of Wistia that are usually most relevant to larger customers, like marketing automation integrations. In both cases, our whole team is always on the lookout for opportunities to simplify as much as we can so we can make it more broadly accessible to self-serve customers.

INNOVATION—IT'S LESS ABOUT SHINY NEW OBJECTS AND MORE ABOUT JUST DOING THINGS YOUR WAY

Wistia has come a long way since we first incorporated sales into our business. Despite not being able to initially envision what sales the "Wistia way" would look, we found the approach that was right for us by building on our core values and not being afraid to do things our own way.

We're also lucky to be able to take chances throughout all areas of our business. For example, in addition to developing our own sales strategy, we're also doing some unique things on the marketing front. Our recent collaboration with Sandwich Video, an L.A.-based video production agency that's worked with brands like Slack, Warby Parker and Square, embodies this spirit. We partnered with Sandwich last year and challenged them to create three video ads with three very different budgets—one for $1,000, one for $10,000 and one for $100,000. We then created a four-part docuseries called, *One, Ten, One Hundred* (now available on Amazon Prime), about the entire process with a focus on how money impacts creativity.

Just like our sales team is focused on helping prospects find the best ways to get the most out of Wistia, *One, Ten, One Hundred* is focused on actually helping our prospects figure out how to stretch a small budget and still create a top-notch video. So, don't be afraid to try something different or look at something as traditional as sales through a whole new lens. That's how you uncover the innovations that make a real difference to your customers and to your business. ■

RETHINKING THE PRODUCT DEMO FOR PRODUCT LED GROWTH

by Greg Dickinson

Full disclosure: I started my career as a pre-sales engineer. Call me biased, but what other job inside a software company allows you to exercise so many skills at one time? Part show person, part geek, part industry expert, part teacher!

I love the pre-sales role and the demo. A B2B software buyer's early product experience is arguably the most critical part of any software sales cycle. But as the way in which software buyers want to buy continues to evolve, and vendors adapt to changing buyer demands and market conditions, the role of pre-sales and the demo must inevitably change.

The opportunities to speak with buyers, complete a discovery call and show them a demo are shrinking. A recent Gartner study of 750 B2B software buyers points to them spending only 17% of their entire buying journey meeting with vendors. If you assume that buyers will check out at least three products, that means that less than 6% of all the time they spend on different buying activities is spent speaking with individual vendors. A similar study from Forrester Research reports that 68% of buyers prefer to research online on their own. If every buyer wants to experience your product before making a purchasing decision, and they spend 94% of their available time buying independently, how can vendors provide them with a satisfactory product experience?

Pre-sales resources are at a premium. Go to any pre-sales engineer meetup or get-together and chances are that every pre-sales manager there will mention that they're hiring. A quick search on LinkedIn will pull up more than 10,000 open reqs for pre-sales engineers in the US alone.

Pre-sales engineers—and in-person demos—are also expensive. ProfitWell's research points to B2B CAC costs rising steadily over the past five years. This is a concern for many of the CEOs and heads of sales I speak with, whether it's enterprise software companies moving into SMB markets or companies with low-ticket, high-volume sales models. They're looking for ways to scale traditional pre-sales resources and demo processes that satisfy the demands for more and earlier product experiences from today's autonomous buyer.

THE FREE TRIAL—THE "OTHER" DEMO?

The product trial is not a new concept. What is new is using trials as the default way to offer an early product experience—what OpenView has coined as product-led. In most cases, software companies adopting this approach offer no demo options. The demo is replaced by the product trial. Buyers get an immersive product experience by using the product, versus someone showing it to them.

OpenView's research points to the impressive conversion rates of companies that have adopted this approach. It's also worth noting that this model is not for everyone.

I'm a big fan of product-led and think product trials are great—if you're selling a product that is relatively easy and uncomplicated to a very knowledgeable buyer and your organization is built around servicing a trial customer. Or, to put it another way, if your products are bought rather than sold.

REMEMBER, CUSTOMERS ARE TRYING TO MAKE AN INFORMED BUYING DECISION IN THE SHORTEST TIME POSSIBLE.

Is your process optimized to help buyers quickly experience your product's "aha moment?" Or are you expecting in-trial customers to complete what amounts to an implementation process before they can begin to see the value of the product?

3 REASONS FOR POOR TRIAL CONVERSION

There are many reasons for low trial conversion rates, including the following:

1 First, every software buyer wants to see and experience the product before they buy. If there's no demo option, buyers are forced to start a trial simply to see the product. The trial becomes a poor substitute for the demo.

2 Second, buyers want to validate that the product's functionality will address their needs and deliver the value they're expecting. If the trial is the first time that the buyer is seeing the product in action, they're wasting too much time figuring out what the product can do, versus if and how it can do it. Particularly for more complex products, buyers can't afford the investment of time to evaluate products this way.

3 Third, most companies are still organized around customer acquisition and selling, not customer success which is required for successful trial conversions. The inability to quickly help in-trial buyers understand and experience functionality that's relevant to them results in too many buyers becoming frustrated and giving up.

3 WAYS A PRODUCT LED GROWTH STRATEGY CAN IMPROVE TRIAL CONVERSION RATES

Thankfully, there are ways to scale your pre-sales team and leverage your product demo today that allow any company to start becoming product-led and drive higher trial conversion rates. Here are three suggestions:

Use your product to drive buyer enablement and help the autonomous buyer learn about your product wherever and whenever they want to. Make your demo interactive and available to your buyers directly from your website and through your digital marketing. This will allow multiple buyers within the same company to experience their individual "aha moments" and become immersed in the product on their own time. Use the analytics from the buyer's interaction with your online demo to gain visibility into where buyers are in their buying journey.

If you've already moved to a product-led model and are offering product trials, but not experiencing the conversion rates you had hoped for, consider providing access to a high-quality, professional demo that buyers can access before they commit to a trial. You no longer have the typical expenses of in-person discovery and demos, but your buyers benefit from experiencing your product through a great demo before they begin their trial.

Offering buyers this type of demo results in more buyers self-qualifying themselves for trials. And assuming the demo is correctly structured, buyers engage with the trial in a more informed and prepared manner. The demo has already answered the buyer's "can the software do…." questions, allowing the trial to answer their "how does your software do…." needs. As a result, this approach improves trial conversion rates.

Most B2B software buyers are looking for solutions that provide multiple benefits and have their individual list of questions they want answered before they'll consider buying your product. Use the demo to provide answers to those questions before or during the trial. This will let the buyer understand the breadth of value your product offers. Trials are limited in helping buyers quickly understand the breadth of value they will gain. As one of our customers told me about a recent software trial experience: "We were able to go an inch wide and a mile deep, instead of a mile wide and an inch deep."

FINAL THOUGHTS

As the way we make buying decisions as consumers continues to infiltrate the way we buy at work, we need to consider when and how the demo fits into our customer acquisition processes. Using our products to deliver relevant product experiences early and often in the buyer's journey not only enables buyers to buy more easily, but helps us sell more effectively. ■

POSTMAN ON DESIGNING FOR THE END USER AND PRODUCT LED GROWTH SUCCESS

By Abhinav Asthana

ABHINAV ASTHANA
Founder and CEO
Postman

If you start digging into the origin stories of leading software companies, you'll notice a pattern. A lot of companies emerge out of founders' personal pain. Technical founders are an enterprising breed who detest inefficiency. If they are suffering from some lack or shortcoming in the available tools, it only makes sense to them to go out and build something better. And sometimes that something better turns into a viable business idea.

That's pretty much the story behind Postman. We are the only complete API development environment on the market, and the reason we're here is that I got tired of struggling with API-related issues in my own projects.

I was working at Yahoo Bangalore when I first had to confront the inadequacy of existing API tools. Most of what we were building used APIs as the glue between the backend code base and the frontend code base, but there was a lot of friction in the process.

I went on to found a small company called TeliportMe that built applications for Android, iPhone and the web. We had a single API that powered all these applications from the back end, but developers would typically write their own clients. Having each developer bring their own tooling left us with a very convoluted experience that had a steep learning curve and carried big risk for failure.

It was around this time that I decided to try to build something that would be more convenient (as well as reliable, elegant and flexible) for my own purposes, and that's how Postman was born. Since launching in 2014, we have grown to a team of 150 employees who operate all over the world. Our product is used by nearly eight million developers in more than 400,000 companies worldwide.

WE BUILT THIS COMPANY AND ACHIEVED THIS SUCCESS BY STAYING TRUE TO THE THING THAT GOT US STARTED: ALLEVIATING THE END USER'S PAIN.

Based on our own experiences as developers, we adopted a product-led approach that keeps us focused on our users and our community rather than on a traditional sales model. And we supplement our customer-centric strategy with data-driven insights that help us validate our gut feelings.

TWO DESIGN PRINCIPLES FOR PRODUCT-LED COMPANIES

Product led growth models lead to fundamentally better products because they are designed for the end user first. Instead of being designed for the buyer—who may or may not be a user—they are designed for the person who will experience the product first hand. To do right by this person, you need to really care about who is using the product, why they need it, how they are using it and whether or not it is solving their problem.

We were naturally product-led right from the start, and had immediate and unfiltered insight into our user base because we were our own first customers. Looking at the product through that lens, we arrived organically at a development strategy based on two design principles that we still use today.

Keep it Simple

Our first principle is to keep our product really, really simple. If someone comes into Postman to send a request, we want them to be able to complete that job really quickly. We avoid overloading the experience with too many extraneous things. Instead, we focus on getting to that first unit of value as soon as possible. Once people are hooked in and getting their work done, we continue keeping things simple so that there isn't any friction between those first steps and next steps, whether that is doing more things with API development or integrating with other workflows.

Embrace Your Community

The second principle that has served us well since day one is taking a community-driven approach to development. We've built a user-driven feedback loop that allows us to observe what users are doing in the product and then bake those behaviors and features back into additional flows. Over time, our observations uncovered two key insights that helped shape the Postman product.

The first insight was that developers really didn't have the right tools for working with APIs. They were often forced to repurpose existing tools, many of which were sold by other vendors to specific functional areas or companies. That was a far cry from the single tool we wanted to build. The second insight was recognizing that since these tools were designed for specific use cases and then hacked together, they didn't naturally lend themselves to collaboration.

Keeping simplicity in mind, making sure we really listen to users, and then baking their insights back into the product cycle have helped us to continuously innovate and improve on the overall Postman experience.

CUSTOMER SUCCESS INSTEAD OF SALES

The product-led approach and these core design principles have always made a lot of sense to me. As I learned more about product-led strategies, I became increasingly interested in how this approach affects the marketing and sales functions as well as the customer experience.

At Postman, we have a customer success team instead of a sales team. We initially implemented this strategy based on what we saw other successful companies, like Atlassian, doing. We stuck with it because seeing how it enabled us to build a really good business made us firm believers. By focusing on helping our customers succeed instead of selling to them, we are able to join our users in their journey. They get excited. We get excited. We create a sense of everyone being in this thing together. This helps us build stronger customer relationships, which then helps us stay ahead of the market because they provide direct insight into key user challenges.

At this stage in our company's evolution, we're working on figuring out new ways to communicate with users at scale. It's a common challenge for a growing organization. Right now, we're focusing on how to scale our support function. Each time we get a working solution done, that's one more way we are able to differentiate ourselves from our competitors.

THE DATA-DRIVEN ADVANTAGE

One of the other key opportunities for product-led companies is the ability to take advantage not only of real experimentation, but also truly data-driven decision making about product features and go-to-market strategies. We are a very bottoms-up business, which means we need to be conscious about every interaction with our users—inside and outside the product—to ensure that we're delivering value in every way possible. Data plays a big role in helping us measure and quantify this.

There are a few things to keep in mind if you want to take advantage of your data:

Own Your Data (Or at Least Know Where It Is and Have Ready Access to It)

You don't want to have to jump through any hoops or go through a vendor to get at your own data. At Postman, we hired engineers and data scientists early on and built a data infrastructure pipeline.

"WE BUILT THIS COMPANY AND ACHIEVED THIS SUCCESS BY STAYING TRUE TO THE THING THAT GOT US STARTED: ALLEVIATING THE END USER'S PAIN."

Understand That Data Isn't Magical

Often, people who aren't data experts have unrealistic expectations about what it takes to extract insights from data. You don't just wave a magic wand. You have to work closely with data scientists, explain your product, work out exactly which key metrics you need to look at and so forth. There's no one-size-fits-all solution. You need to craft the data strategy that makes sense for your specific business. And it's key to work with someone who can filter out what you don't need. You could easily drown in data if you're not careful.

Have a Process for Working With Your Data

In a similar vein, you will get more out of your data analysis if you have a set process. A basic but effective approach is to:

- Develop a hypothesis and then frame it as a question.
- Propagate the question with individual teams and across other functions and the higher levels of management.
- Once you've collected input from the various teams, work with your data science and engineering teams to look for ways to answer the question using available data sets.
- Then, as you start to uncover insights, re-evaluate your hypothesis. Often, whether your analysis validates or disproves your hypothesis, the process will lead to more questions than definitive answers. This is your opportunity to keep digging and see what other information you can uncover.

As an example, one hypothesis we explored led to fundamental changes in our business model. We built our company on the belief that APIs form three kinds of relationships: technical, business and people. When we started exploring the data around this idea, we discovered some interesting things. We saw that public APIs were sharing their Postman collections, which were then being consumed by third-party developers. (Collections are a series of API requests). We then did qualitative studies between teams within companies and found that they were also sharing collections, and that their workflows were tied together.

In both these cases, we could use our data to visualize the networks that were forming. More importantly, we could recognize that users wanted better sharing and collaboration capabilities. This insight led us to open up our free trial to allow people to invite as many people as they wanted and collaborate up to a certain limit. This led, in turn, to a massive increase in conversions.

Avoid Bad Science

Too many so-called data-driven companies fall into the trap of skewing their results by viewing data with the intent—conscious or subconscious—to prove their case. It's human nature, but not the most effective way to work with data. This is why, very early on, we set up a process of trying to discover if our hypotheses were wrong. Rather than trying to make the data fit a predefined conclusion, we are very intentional about testing out the negative hypothesis to make sure that we're getting the most accurate information possible.

STICK WITH YOUR INSTINCTS...AND YOUR USERS

After all these years, we're still on a journey. We're still learning every day. But we feel confident that the core culture we've built around our product-led approach is the right choice for us. We stay focused on our end users and on solving their problems. We keep things simple, and we listen to our community. We make them our partners in ensuring that Postman exceeds their expectations.

Listening to our users is a major part of our product-led strategy. We have learned to believe them over any expert. There was a moment when we felt we had to bring in some functional expertise. We wanted to get the "best" designer, marketer, etc. to help us move forward. But, what we learned was that each of these experts brings their own mental models from their respective disciplines; and those models don't always gel well with what really resonates in your community and with your team.

Over time, we realized that the initial thoughts we had about how to build the best product for our users might not be applicable to other products, but they were the exact right principles for building Postman. It made sense, for instance, for our three founders to put time in on the support team. And it didn't make sense for us to drop support for our freemium users (even though we saw a lot of other companies choosing that path). We learned to respect our instincts and our users.

Your best bet is to make decisions based on the value your users are getting. Make that your compass rather than relying on a predefined success template. Put your end users first and let your product take the lead in developing the relationship, and you can do amazing things.

STOP FOCUSING ON SALES AND GET BACK TO PRODUCT

by Ryan MacInnis

Hard stop. I'm not saying that sales teams aren't important. We know that in order for companies to be successful, every department, including sales, needs to be highly-functional and supported (more importantly) to execute on the goals the company has set out to achieve.

Instead of defending my position, I'm going to lay out some facts about teams in growth stage companies, and how everything has changed. This is bigger than moving from lead scoring to product qualified leads, instead of blog posts viewed and demo requests. This is about one holistic view where sales and product equally influence revenue. Just like sales and marketing, I'd argue that marketing and product need to be fully integrated, and highly collaborative, in order to achieve true product led growth.

LET'S DIVE IN.

THE ORIGINS OF PRODUCT-MARKET FIT

Industry leaders have said that some of the best marketing comes from your product. Will people use it? Will they pay for it? Will they tell everyone about it? When you've found product-market fit, or that segment of the market that has a problem your product can solve, then you can really scale your business. From lemonade stands to Wendy's locations, every entrepreneur has gracefully danced with how to find product-market fit fast enough to win the market, and not run out of money.

That's why, early on, most companies hire product and engineering way before marketing. According to the Atlantic, about 30% of employees are in product and engineering at startups. Forbes also noted that of the first five employees of a startup, about 50% are in technical or product roles.

Early companies lean toward product-led companies, and right around a B round of funding into the growth phase, the go-to-market arm ramps up, and sales and marketing consume 50% of the roster.

Why do we distance ourselves from our roots? Why do we pour fire on a new arm of the business, instead of what got us this far?

GENERATING LEADS IN A GROWTH STAGE COMPANY

Now that you've found product-market fit, you want more leads—of course! If you work for a company with a killer free trial, your challenge is conversion to paid accounts. If it's a higher barrier to entry, you focus on better education and conversion down the funnel. More of the marketing and sales collabs at this stage consist of creating MQL activities and sales enablement materials to push the buyer along.

But what if a current customer looks exactly like that passive blog subscriber who downloaded an eBook three months ago? How can you bring them relevant information that you've learned further down the funnel, from company ABC?

You need to view generating leads in growth stage companies as a process that comes from both sides: insights and triggers in the product to generate upsells and advocacy, and at the top from sales and market movement.

Here's how to do it.

HOW TO INTEGRATE PRODUCT, MARKETING AND SALES

For years we've talked about how to get sales and marketing to communicate better; about how to convert better leads and educate buyers down the funnel. The challenge is that the sale doesn't stop there. In fact, I'd argue that MQLs, SQLs and PQLs should all be viewed in the same journey. Hand-raising actions on a demo or pricing page is just as impactful as someone in your product trying to add more users when their account doesn't let them.

Just like there are product marketers bridging the gap between product and marketing, I'd argue we need customer success to evolve to be a buyer engineer or a customer architect, where every insight within the buyer journey can influence different parts of the funnel.

We have the luxury of trying to figure all of this out in an age where email opens are low and click-through-rates are even lower. We're building incredible product experiences and slamming demo requests and BANT (sales acronym for readiness to buy) processes down customers' throats. It's time we all work together so that product can influence sales and sales can influence better product experiences. ■

"IT'S TIME WE ALL WORK TOGETHER SO THAT PRODUCT CAN INFLUENCE SALES AND SALES CAN INFLUENCE BETTER PRODUCT EXPERIENCES."

THE POWER OF SIMPLICITY: HOW AUTH0 TAKES ON COMPLEX IDENTITY CHALLENGES WITH A DEVELOPER APPROACH

by Eugenio Pace

EUGENIO PACE
Co-founder and CEO
Auth0

Technology is often associated with the complex and cutting edge, but some of the most helpful and successful technologies are built on simple, logical ideas. You don't always have to come up with something that's never been seen before or tackle a problem that's never been solved.

This is the path we've taken at Auth0. As the the identity platform for application builders, we provide thousands of global customers across many industries with an all-in-one identity solution for web, mobile, IoT and internal applications. We seamlessly authenticate and secure more than 2.5 billion logins per month, which tells us we're doing something right.

We jumped into the ring to help solve the age-old problem of helping developers easily understand who a user is and what that individual is allowed to do—the two fundamental questions underlying any authentication and authorization requirements—because we saw a growing need that wasn't being met as broadly as it could be. While these questions have remained essentially the same since the first mainframe decades ago, the world has become incredibly complicated with whole new categories of user types and use cases across a wide range of devices.

Our goal was to wrangle all this complexity with a simple solution that kept developers from having to spend all their time figuring out the intricacies of identity.

THREE DESIGN PRINCIPLES TO LIVE BY

I have always been a problem solver who is fascinated with the potential of technology to make life better. I was fortunate enough to land a job at Microsoft way back in 2000. I joined the company in the country where I was born—Argentina—but later came to the Redmond headquarters in Washington.

While at Microsoft, much of my time was focused on then-emerging cloud technologies. I co-authored a couple of books about modern identity management, which we published in 2009 and 2011. The experience made it really clear to me that the issue of identity was getting bigger and becoming more complex as emerging technologies created new scenarios and needs. At that point, the question became, do we write another book, or do we build something that just solves the challenge?

Matias Woloski, my Co-founder, and I decided to build something.

Then, as now, there are three design principles that are encoded into our DNA: simplicity, extensibility and a true commitment to designing around our developer customers.

Simplicity

Something that looks very simple on the surface probably has a lot going on behind the scenes in order to achieve the appearance of simplicity. As any designer or developer will tell you, it's always easier to add things than to remove them. Especially hard if, at the same time, you are removing features while you also increase the functionality delivered. Think about how long it took to remove all the buttons from a mobile phone, and how much more we can do with a button-less phone.

Many software companies get caught on the slippery slope of adding more features. We all understand the temptation, but we also know what tends to happen if you give in to this urge: feature overwhelm, off-the-charts complexity, brittle solutions that weaken the overall system, slower run times, a greater risk for bugs, unpredictable interactions and scalability issues.

The old adage, "Less is more" is especially true when it comes to software; but we don't want to confuse "simplicity" with a lack of sophistication. Often, the reverse is true. Companies like Auth0 and Stripe, for instance, have to address a vast amount of complexity in order to provide a simple, plug-and-play solution. Stripe delivers a single API that hides all that complexity from the developer. No need to worry

"THE OLD ADAGE, 'LESS IS MORE' IS ESPECIALLY TRUE WHEN IT COMES TO SOFTWARE; BUT WE DON'T WANT TO CONFUSE 'SIMPLICITY' WITH A LACK OF SOPHISTICATION."

about how banks and clearing houses work. At Auth0, we deliver an API so you no longer need to know all the ins and outs of storing user credentials, retrieving them and renewing passwords. No need to manually work through the behavior of different types of sign-in methods—Apple, Google, Facebook, LDAP, active directory or something more obscure—we've got it all covered.

In the course of developing our solution, we began by focusing on the most common 20% of use cases. At first, we supported five social logins, and then—over time—we began incorporating the other 80%, which leads to our next design principle.

Extensibility

Extensibility was built-in very early on because it allowed our customers to decouple themselves from engineering. We wanted to empower our customers, developers as the vast majority of them, to tweak the way our system works in a way that's comfortable for them: with code. We want them to be able to write code that runs in our system, augments what we do and—when necessary—overrides common behavior.

It's similar to the idea of Excel spreadsheets. As an Excel user, you don't need to write the formula to perform functions like finding the sum or average for a range of numbers. Excel provides these functions built-in so that you can easily manipulate data right out of the box. However, you can also write your own formula if you can't find one to suit your needs in the standard set. You don't have to wait for Microsoft engineers to write that formula, you can create your own macro and get what you need without having to depend on anyone else.

Our approach to extensibility is the same idea. It allows our customers to do whatever they want. They can, for example, challenge the user with a quirky, multi-factor authentication that's proprietary to their company. Of course, as certain things gain critical mass, we bake them into the product because, at that point, it makes sense for them to be part of the standard feature set. So, for instance, we've integrated multi-factor authentication and time-based one-time passwords.

But, at its heart, extensibility is about giving developers the freedom and access to do things exactly the way they want to do them, which speaks to our third design principle.

Developer-centricity

Our focus on application builders has been the distinguishing element of Auth0, our teams and the way we go to market, from day one. In

"TO US, DOCUMENTATION IS DIFFERENTIATION. AFTER ALL, WHAT GOOD DOES IT DO TO MAKE A PRODUCT THAT CANNOT BE EASILY UNDERSTOOD AND CONNECTED TO OTHER APPS?"

addition to being deeply committed to the up-front work of learning everything we can about our customers, there are several ways that we walk the walk when it comes to being a truly customer-centric organization, where our customers are application builders.

On the front end, we have invested a lot of time and resources into creating a lot of really great content. We hired a relatively large team, and they created a huge library of material, much of which does not even focus on our product, but rather on the common challenges and obstacles developers face. We know that developers don't like the whole sales pitch approach. They aren't interested in flash and slick messaging. They are interested in solving problems. Content marketing made sense for us because it let us put the problems front and center, and then offer valuable information to help developers solve those problems.

Over time, this effort gained momentum and awareness of our content grew within the community. By delivering content with intrinsic value (and never forcing anyone to use our service as part of the solutions we offered in our content), we earned our way into people's minds. Ultimately, our content is a sort of contribution to the greater good of engineering.

The other way we bring our developer centricity to bear on our growth is by being a product-led organization that's committed to delivering value before we capture it in more ways than one.

THE POWER OF A PRODUCT-LED APPROACH

Similar to how our content provides value with no strings attached, we have long embraced a product-led approach that embeds customer success in sales and aims to enable our customers through our product as much as possible.

Our initial foray into product-led was inspired by looking at companies that were doing similar work in different domains. These companies solve problems that maybe aren't super sexy, but which represent core functionalities that companies need to manage well if they are going to succeed. We looked at companies like Twilio, SendGrid and Stripe, paying special attention to the unique way they designed their go-to-market strategy and built their products to align with their respective markets.

We essentially mimicked their approach of stepping away from the traditional model of hiring a massive sales team and doing a lot of cold calling. This was a strategic move—based on trying to replicate their success—but it was also a matter of practicality because we didn't have any money or big investors at the time.

Instead, we focused on making it easy for developers to access and use our product, so that they could experience its value for themselves. We removed barriers to entry like forcing people to schedule a demo or a trial, obscuring pricing and requiring a developer to interact with our sales team. None of that made sense based on what we knew about our developer audience.

I think about how I like to work as a developer, and something I call the "rainy Sunday project scenario." We get a lot of rainy Sundays (and other days, too) in Seattle, and I might be working on a pet project and find a service that looks interesting to me. I don't want to have to call someone or wait until Monday to get more information. I want to click a button, get access to the service, play around on my own, read the documentation if needed, download tools and generally be able to tinker with things without having to interact with anyone.

It's only once I've decided that the service I'm testing out might be a viable solution in the long term that I may want to talk to someone. At that stage, I want to get into specifics about my use case and the service's functionality, scalability, pricing and so forth.

Based on that kind of scenario, we've put a lot of effort into being predictable, transparent, accessible and open. This means putting the product first and giving prospects access to our entire product for 30 days, and forever free access to a specific subset of features. This allows the developer who is just messing around on a pet project to use Auth0 in that project forever.

It has a lot to do with putting customer success first. And a big element of that is having excellent documentation. Our customers often commend us on the thoroughness of our technical docs, but we have to give credit where credit is due and I acknowledge Microsoft as the inspiration behind our comprehensive documentation and overall education approach.

For every feature we ship, we release a document, a tutorial, an SDK and offer enablement. To us, documentation is differentiation. After all, what good does it do to make a product that cannot be easily understood and connected to other apps? The easier it is to understand the product capabilities, and the faster you get to the "aha moments"—with the help of hands-on interaction with the product—the better off you and your users will be. ■

WHY PMs SHOULD CARRY A SALES QUOTA

by Jonathan Kim

The way we buy products has fundamentally changed. It's not enough to just see a SaaS product before buying, we now need to actively test and use a product before we decide it's worth the price.

We see this in the wild. Companies who are product-led—like Slack, Twilio and Atlassian—are the ones that are winning.

AND IN THIS PRODUCT-LED WORLD, YOUR BEST SALESPERSON IS YOUR PRODUCT.

And because it's your best salesperson, you should assign the team that owns it what you assign every other salesperson—a sales quota. Maybe even an aggressive one.

HOW TO ENABLE YOUR PRODUCT TO SELL

Before you can assign your product team a quantifiable quota, there are a few things to consider to ensure you're correctly enabling your product to be ready to sell.

The first is to decide on either a freemium or a free trial experience. The second is to transition to PQLs. The third is to know—and improve—your product's time-to-value. Finally, you'll want to optimize your product with personalized in-app experiences.

Let's explore how to do each of these four things.

FREEMIUMS AND FREE TRIALS

In a product-led world, your users need to be able to get their hands on your product before paying and without being blocked by needing to speak to a sales representative.

Our friends at ProfitWell put together incredible research on the benefits of both freemium and free trials (see top right graph).

What they found was folks who converted from a freemium plan have a 10% better net retention on an absolute basis than their free trial counterparts. But, those on a free trial still have about a 10% better retention than those who aren't using either free play.

ProfitWell also reported that both free trial and freemium models reduce customer acquisition costs (CAC) (see bottom right graph).

Ultimately, either strategy can be hugely beneficial. You just need to figure out what works with your product and your company.

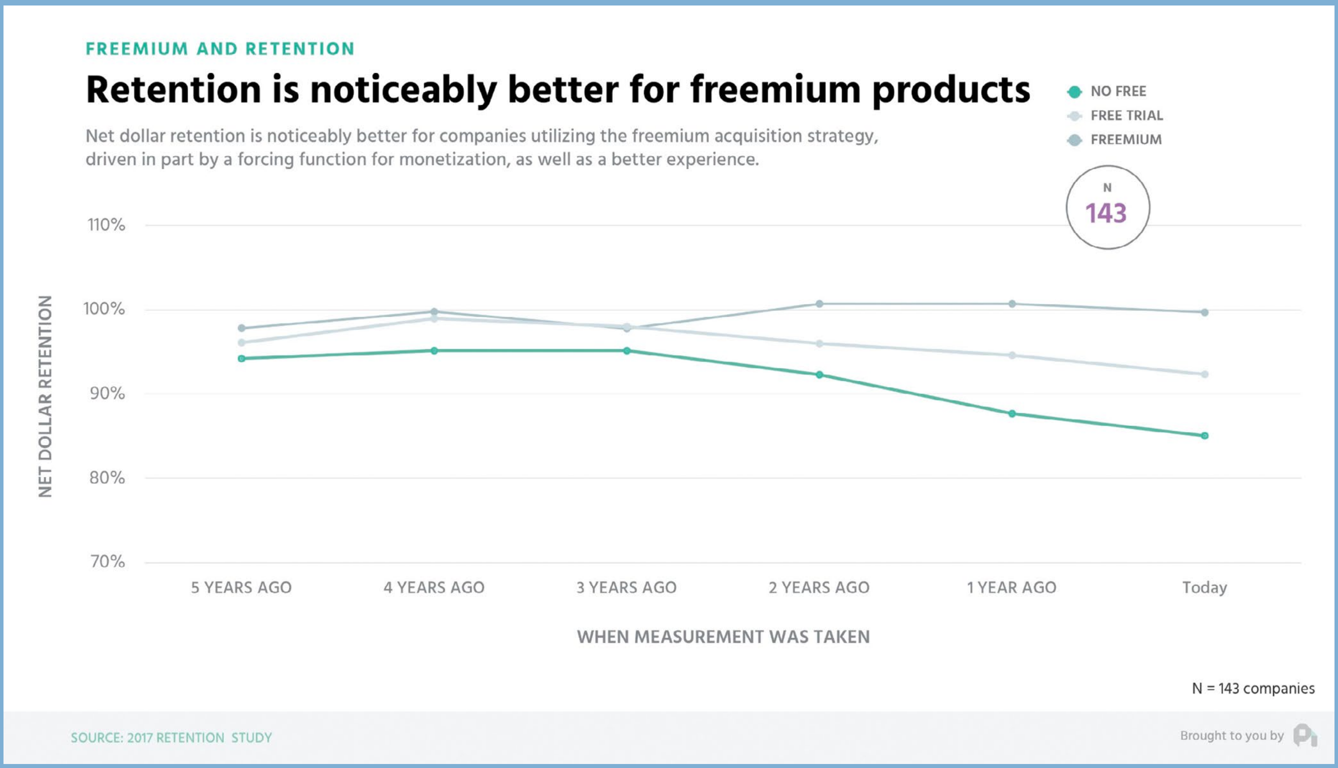
FROM MQLS AND SQLS TO PQLS

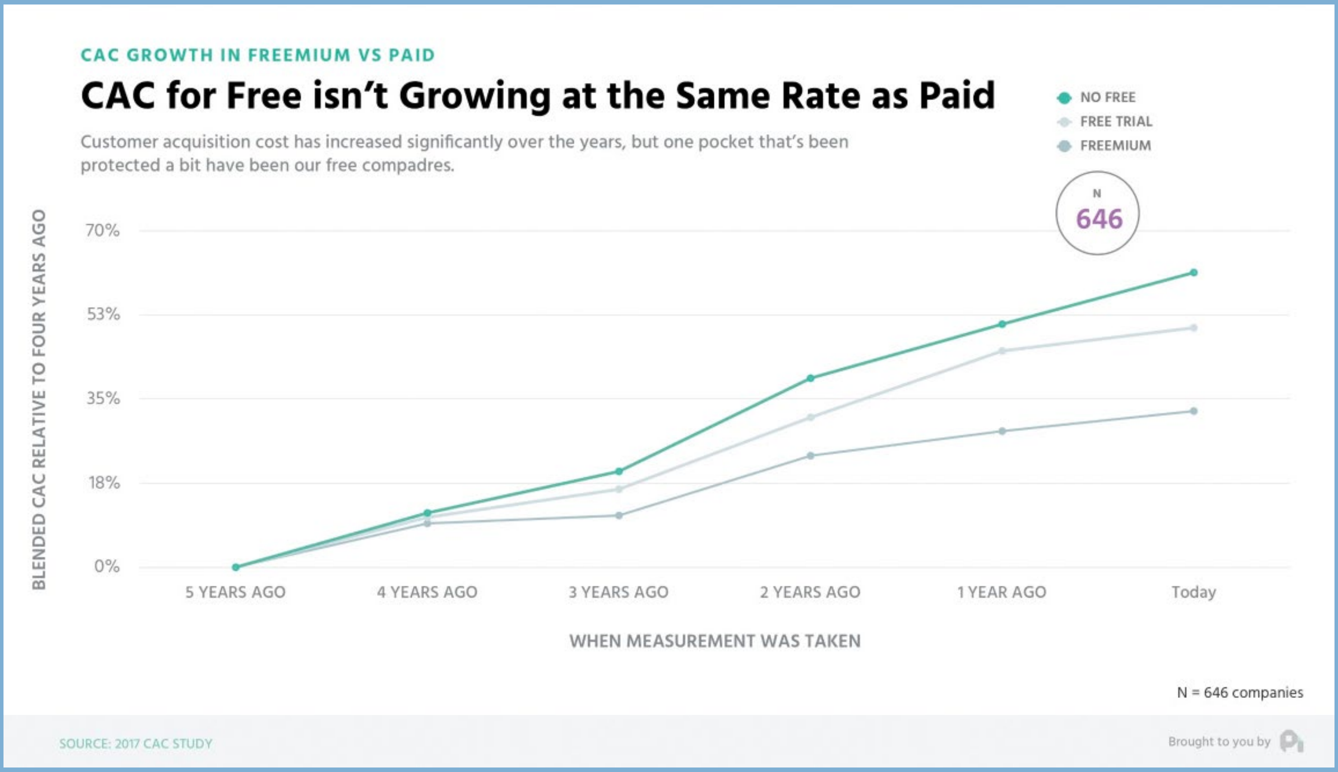
The second step in enabling your product to sell is to have a better predictor of a sale.

Traditionally, marketing teams have used marketing qualified leads (MQLs) or sales qualified leads (SQLs) to benchmark willingness to buy. Once your product has a free trial or freemium experience, you can use it as the indicator that a user is ready to buy—that's a product-qualified lead (PQL).

In 2016, Mitch Morlando reported that PQLs convert more than 10 times more revenue than MQLs.

So if a PQL is a user of your product who has triggered some intent criteria, to find those criteria you'll need to consider what actions in the product might show that a user is ready to either buy in a free trial, or is ready for an upgraded plan in a freemium product.


FREEMIUM AND RETENTION
Retention is noticeably better for freemium products
Net dollar retention is noticeably better for companies utilizing the freemium acquisition strategy, driven in part by a forcing function for monetization, as well as a better experience.
NO FREE
FREE TRIAL
FREEMIUM
N
143
NET DOLLAR RETENTION
110%
100%
90%
80%
70%
5 YEARS AGO
4 YEARS AGO
3 YEARS AGO
2 YEARS AGO
1 YEAR AGO
Today
WHEN MEASUREMENT WAS TAKEN
N = 143 companies
SOURCE: 2017 RETENTION STUDY
Brought to you by


CAC GROWTH IN FREEMIUM VS PAID
CAC for Free isn't Growing at the Same Rate as Paid
Customer acquisition cost has increased significantly over the years, but one pocket that's been protected a bit have been our free compadres.
NO FREE
FREE TRIAL
FREEMIUM
N
646
BLENDED CAC RELATIVE TO FOUR YEARS AGO
70%
53%
35%
18%
0%
5 YEARS AGO
4 YEARS AGO
3 YEARS AGO
2 YEARS AGO
1 YEAR AGO
Today
WHEN MEASUREMENT WAS TAKEN
N = 646 companies
SOURCE: 2017 CAC STUDY
Brought to you by

There are a few ways to do this:

1. Look at cohort analyses of previous purchasers
2. Create gated premium features and tracking clicks or learning more information about those
3. Limit use of features and tracking when their limit is tripped

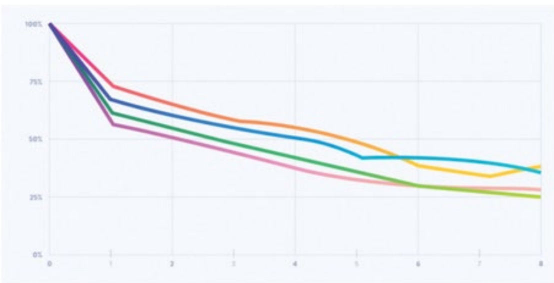
TIME-TO-VALUE

The third step to enabling your product to sell is to make sure your product delivers value quickly.

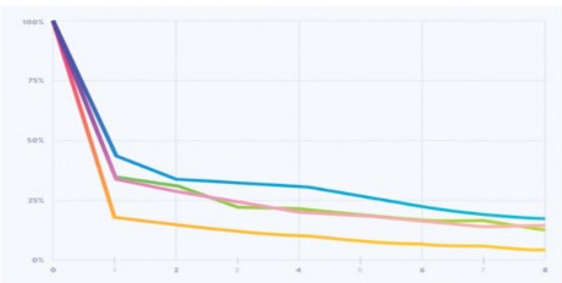
Mixpanel, a product analytics company, published a report in 2017 analyzing 572 products and 50 billion events. In their research, they found that the top 10% of products outperformed the average by nearly 100% when it comes to retention.

Retention trends in digital software

Comparing 8-week retention for top 10% of companies to the median.



Elite SaaS company = 38% retained



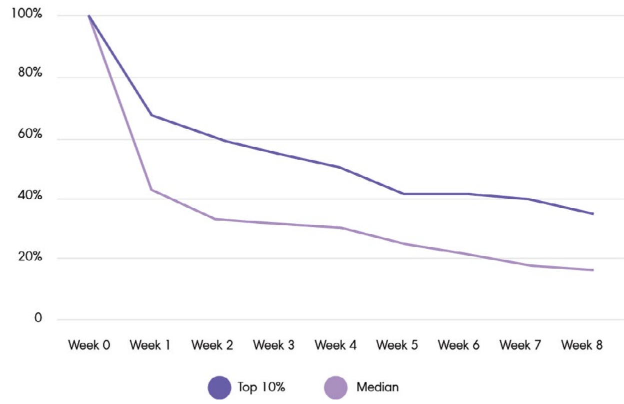
Median SaaS company = 20% retained

That's a massive difference that trickles right down to revenue.

So what's the difference?

FIRST IMPRESSIONS REALLY DO MATTER

The slopes are roughly the same, except for the week 1 drop-off.



If we superimpose the two graphs on top of each other, we see it pretty clearly. The slopes are basically identical. What's different is what happens in week one. There are a lot of industry terms for this—activation, time-to-value, or the "aha moment." No matter what you call it, user onboarding is crucial to get it right.

Now conventional wisdom has told us that delivering an incredible user experience is hard, it's time consuming and it's expensive. One of the things we know about onboarding is that it's something that most companies struggle with. Whether because they misunderstand it or don't execute properly, there's just a lot of confusion.

We also know that if done well, effort put into improving onboarding can have an outsized effect on a business. Even mature, highly optimized companies like AdRoll, Canva and YotPo have been able to see major gains with even just simple improvements in their time-to-value with improved user onboarding.

PERSONALIZED IN-PRODUCT EXPERIENCES

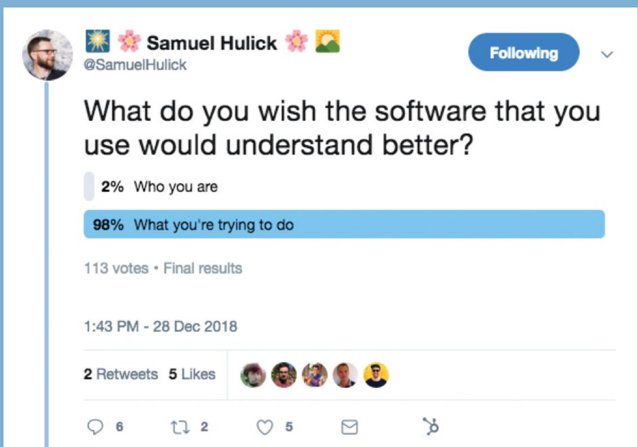
The final step to enabling your product to sell is to empower it to be as personalized as a salesperson could be.

Why is that important? Even companies like Apple, Snapchat and Uber struggle with user experience and explaining their products in an intuitive way. And that's because all products and all businesses have at least two types of customers.

You can break that down into low spenders and high rollers, new users versus existing users, savvy versus non-savvy customers. Any product that is optimized only for one is missing out on a group of another.

Warby Parker, for instance, is a company that makes glasses for both men and women. Now, they could use some fancy technology to try to predict whether a user is looking for men's frames or women's frames, but instead, they just ask. That information helps them personalize the next experience after that.

Whether you ask or use imported data from a service like Clearbit, make sure your product is responding to the unique needs of the individual user.



But remember, the important thing about a personalized experience isn't the product knowing who the person is, but rather what they want to do.

WAIT—WHAT DOES THIS MEAN FOR OUR SALES TEAM?

So, if the product team is now responsible for all of these things—showing a user the product, defining leads, getting a user to value and providing a personalized experience—what are your sales folks going to do?

The good news is that—by definition—PQLs are the warmest of leads. They have used your product, they know its value and they are (hopefully) happy campers. That should be music to a salesperson's ears.

But again, your product should be selling most of them. So what work does that leave for your sales team?

In short, the high-value, strategic work. Instead of sales selling features (the folks they are talking to already know and use those), they can become a strategic lever. They should be prescriptive about how to use the product strategically and tailor it to each specific organization they are talking to.

It also means that who you're looking for as a salesperson will change. Find sales folks who are passionate about your product or the problem that it solves. Find folks that are so helpful that they blur the lines between customer success and sales and focus on great customer experience above all.

A SHIFT BEYOND JUST PRODUCT AND SALES

All of this might sound like it's only a shift for your sales team and your product team, but in fact, it's a shift for your entire company.

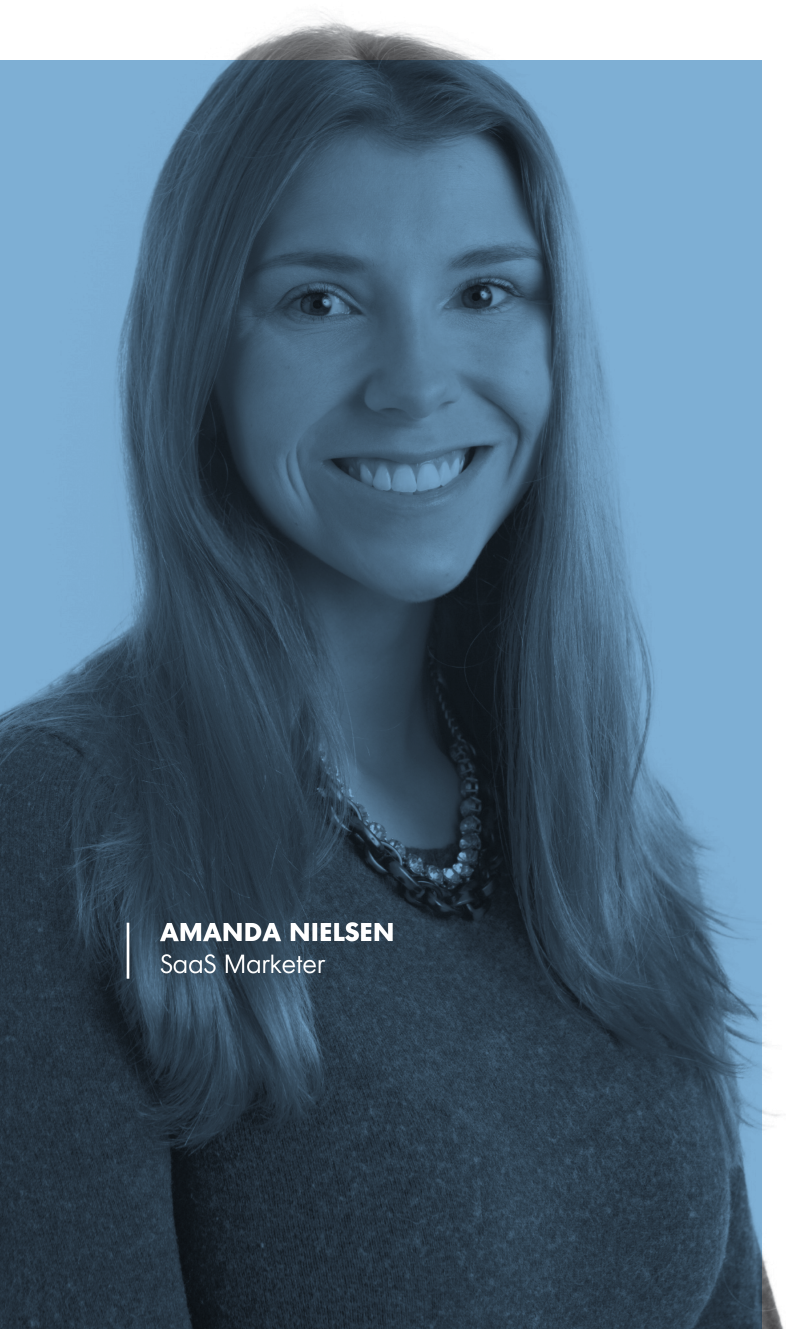
Assigning your product team a sales quota requires significant cross-functional work, one that requires an intense focus on user and customer experience. For example, marketing will need to be responsible for a user's journey far longer than they would traditionally—from early awareness all the way to becoming an active PQL.

As with any cross-functional endeavor, it's important to have a common language and reporting system to enable internal alignment. A big part of this will be selecting the right success metrics. Consider cross-functional metrics like average revenue per user (ARPU), net churn or customer lifetime value (CLV). These metrics are important, but slow moving.

Transitions are never easy, but being product-led is worth it. Now, all that's left is figuring out how to get your product to ring your office's sales gong. ■

HOW TO TRANSLATE FREEMIUM TO ANY BUSINESS MODEL

by Amanda Nielsen



AMANDA NIELSEN
SaaS Marketer

It may seem counterintuitive to offer part of your product or service for free, but sometimes, it can be the most powerful marketing strategy at your disposal.

Freemium, a combination of "free" and "premium" is a business model used widely by software companies to promote product led growth.

The idea behind freemium is this: by enabling prospective buyers to test out the software for free, you'll show the value in it before they ever spend a dime. Eventually, they'll hit a paywall where they can't access certain key features without purchasing the premium product. Because they've experienced the benefits of the free version, paying for the upgrade feels like a natural next step.

If that seems dubious to you, think again: countless companies, including Dropbox, Hulu, LinkedIn and MailChimp, have seen major success with this model. It works because it allows the product to sell itself, reducing the burden on sales and marketing teams.

HOW TO TRANSLATE FREEMIUM INTO ANY BUSINESS MODEL

Freemium has proven to be a great strategy for software companies, but that doesn't mean non-software companies can't spin up their own version of freemium offers as well. When you boil it down, freemium is a classic inbound way to sell products and services: give value before extracting value.

However, if you're looking to take a freemium approach to your business, there are a few things you should consider first.

Will a Freemium Model Be Cost-efficient for Your Business?

The main danger with a freemium business model is that if it doesn't make sense for your business, you could lose a lot of revenue in the long run. Before you weave freemium into your business strategy, you have to be sure you have all the resources you need to sustainably grow with this model.

In general, businesses will need to be at a certain growth stage for a freemium model to make sense. To figure out whether or not freemium will generate a sustainable return on investment for your business, ask yourself:

- » **Is my product or service robust enough to support a freemium model?** If your product or service only has three features, and you want to offer two of those features for free, people probably won't feel inclined to purchase the premium model.
- » **Is my product or service simple enough for people to easily try it out?** If the barrier to using your product or service is too high—for example, if implementation involves a cumbersome data migration and other complicated hoops to jump through—people won't be likely to use the free model at all.
- » **Is there a demand for my product or service?** If there's no demand for your product or service, it probably doesn't make sense to start off with a freemium model.

Bottom line: don't jump into the freemium mode just because it's worked for others in the past. Decide whether or not the upfront investment of your time and money will be worth it in the long run, and consider what works best for your business and your buyer personas.

In What Ways Can Your Company Provide Value for Free?

Providing value to your prospects before they even become customers is a unique and effective way to show your sales pitch, rather than tell it through a long sales cycle and nurture campaign. Start thinking about the different ways your company might be able to give your customers a glimpse of what it will be like to use your product, work with your business or purchase your service. Great ways to provide value upfront include product demos, limited samples, free assessments or initial consultations.

New Breed, for example, is a services company, and their product is their people. To provide value upfront, they offer one-on-one consultations with their prospects about any topic of their choice. They might audit their HubSpot portals, assess their Salesforce data or talk about anything else they might be struggling with—for free. This gives prospects a chance to get a sense of what it's like to work with their strategists and see the value and education they can provide right away.

How Much Value Is Too Much Value?

Whatever you decide to offer, it's important to be able to distinguish the line between just enough value to encourage freemium users to buy, and so much value that there's no sense in them purchasing the full product. Obviously, you don't want to give away your entire product or service for free, because any additional purchases will be seen as add-ons.

Find the sweet spot. Put the paywall for the premium version in front of crucial features, but don't limit your freemium offers enough to hinder your prospects' ability to extract value. A great example of this is the freemium model of Vidyard's GoVideo: The free GoVideo Chrome extension allows users to take videos, but it doesn't allow them to see granular tracking or choose their thumbnail image. Putting the paywall in front of little inconvenient things like this gives users more incentive to purchase the full product in the long run.

FREEMIUM: A UNIQUE BUSINESS MODEL WITH HUGE POTENTIAL

The freemium business model has the potential to work for any company, as long as you approach it strategically. Decide whether or not the upfront costs of offering free services will reap enough revenue in the long run to be a smart choice for your business. Be creative about the different ways you can provide free goods or services to your prospects—but be careful not to give too much away all at once.

By incorporating freemium into your business model, you have the ability to begin delighting your customers before they're customers at all. Ultimately, this will set your business up for generating recurring revenue, creating loyal brand evangelists and seeing long-term success. ■

HOW THE BEST TECH COMPANIES RUN GROWTH EXPERIMENTS

by Kieran Flanagan

A critical part of growth in product-led companies is their approach to experiments. It's the experiments that often unlock the door to opportunities you wouldn't have otherwise discovered. They help you to understand your users better and give you insights on how to create more value for them.

We've gotten advice from Patreon, Pinterest, SurveyMonkey, Invision and more on how to make growth experiments a roaring success in your company.

HERE ARE FIVE GREAT PIECES OF ADVICE YOU CAN USE TO IMPROVE YOUR APPROACH TO GROWTH EXPERIMENTS.

1. A HYPOTHESIS IS NOT A PREDICTION

The hypothesis is a central part of your experiment doc—it's a statement you believe to be true about your users.

A common mistake when forming your hypothesis is to state it as a prediction based on a metric you think will improve, something that fails to articulate what you believe to be true of your users.

Let's take an example of a growth team who's trying to improve the checkout flow of an online e-commerce store and compare two common hypothesis types.

Prediction-based Hypothesis:

> "Adding an option so users can save their progress and complete their purchase at a later date will increase conversions by 100%."

User-based Hypothesis:

> "We believe adding an option allowing users to save their checkout progress, so they can complete it at a later date will increase conversions. We believe that to be true because users have told us they often proceed to the last screen at checkout to get a final price. At that point, they leave to get a comparison from competitors before returning to complete the purchase."

The problem with basing a hypothesis on a prediction formed around a metric is that you haven't articulated what you believe to be true about your users. By not doing this, you won't be clear on what learning the experiment has provided you about those users.

"There are a lot of problems with stating your hypothesis as a prediction. If your experiment is a success or failure, how do you know what you've learned? What is the fact about your users that you now believe to be false? Or what is the assumption about your users that you now consider to be true?"

TAL RAVIV | Growth, Patreon

It's difficult to articulate what you've learned from an experiment if you don't have a clear hypothesis.

2. AN EXPERIMENT HELPS YOU UNDERSTAND THE POTENTIAL UPSIDE OF AN INITIATIVE

Nearly all experiment docs will contain a section for the predicted upside from an experiment. If this is successful, how will it impact one of your core business metrics?

The reality is, if you could accurately predict the upside of a potential change, you wouldn't need to run the experiment in the first place.

"If we had a good way of guessing the predictive impact of an initiative we wouldn't need to run the experiment."

TAL RAVIV | Growth, Patreon

Experiments are another form of research. They help you to better understand the potential success or failure of an initiative and how it could impact your metrics if successful.

3. YOUR ABILITY TO PROPERLY SCOPE AN EXPERIMENT WILL HAVE A SIGNIFICANT IMPACT ON THE SUCCESS OR FAILURE OF YOUR GROWTH TEAM

To minimize your risk from taking on experiments, continuously look for ways to cut down on the scope of that experiment.

If you can keep the scope of your experiments low:

- It's easier to get buy-in from stakeholders because you're reducing the potential downside of the experiment failing.
- You won't be so dependent on a small number of experiments succeeding as you'll be able to run a higher volume of experiments that require a smaller amount of work.

However, your scope also needs to be meaningful enough that if your experiment fails, you're happy to move on. This is where a lot of growth teams make mistakes.

If you continually look to reduce the scope of your experiments, it can stop you from pursuing initiatives that have both higher rewards and risks. Minimize the scope of the experiment too much and what you end up executing on might not be sufficient enough to prove or disprove an idea is worth investing in.

"THE PURPOSE OF EXPERIMENTS IS ULTIMATELY TO LEARN SOMETHING. YOU HAVE A CLEAR HYPOTHESIS ABOUT SOMETHING, AND RUNNING EXPERIMENTS CAN HELP YOU UNDERSTAND IF YOU'RE RIGHT OR WRONG."

"So what is the smallest change you can make that is still big enough that if it doesn't work, you're done."

TAL RAVIV | Growth, Patreon

You need to find a balance between minimizing the amount of work you put into the test while understanding the level of investment required to understand if your hypothesis is right or wrong. That means if the experiment fails, you're not left wondering:

"What if we had made the user experience a little better? Was the experience we put live a fair enough representation of the end product that it gave us enough data to make a final decision on this initiative?"

But how do you manage experiments that are a higher risk because they need a considerable upfront investment?

"If you have something that is a higher risk experiment, you want to hedge against that risk with a lot of smaller tests to decrease your exposure. You want to have a mix, where you're investing in some big initiatives and a lot of smaller initiatives where you're more confident of success."

JEFF CHANG | Growth, Pinterest

Adopting this approach means, at the very worst, if the big initiative doesn't work, there is still a lot of potential for success with the other things you're doing. That's the best way to manage risk, with diversification.

That's how you can decrease the cost of taking big swings.

4. AUTONOMY IS THE BEST WAY TO SCALE EXPERIMENT IDEAS

The best way to scale ideas across your growth team is to create an environment where no one person owns the ideation process.

At Pinterest, one of the fastest growing tech companies on the planet, they work to empower individuals to not only come up with different ideas for experiments, but to also be responsible for taking that idea from concept to execution.

They've found this approach has helped them to get a better diversity of experiments along with better quality of work as the person who has the original idea is also responsible for executing on that idea.

Every two to three weeks they have a meeting called the 'Experiment Idea Review.' Everyone attends that meeting—engineers, PMs and designers. Each person who is submitting an idea needs to complete a template based on Jeff's hype framework.

"Each person who attends writes down their experiment hypothesis, the investment they'll need if we've done anything like this before and gets feedback from the group if the idea is worth pursuing."

JEFF CHANG | Growth, Pinterest

Once the person receives feedback from the community, they're free to pursue that idea whether the feedback was positive or negative.

SurveyMonkey has also taken this approach to experiments. They restructured their team to democratize growth across the company.

"We built out an internal testing tool that gives all teams the ability to conduct tests and prioritize traffic against it. All product and engineering teams now can conduct experiments on their own pretty quickly."

BRITTANY BINGHAM | VP Growth, RaiseMe

They still keep a centralized team to make decisions around best practices as well as the prioritization of tests, but providing the company with these tools has allowed them to develop a culture of experimentation at scale.

5. EXPERIMENTS ARE A GREAT WAY TO INTRODUCE THE COMPANY TO GROWTH

The purpose of experiments is ultimately to learn something. You have a clear hypothesis about something, and running experiments can help you understand if you're right or wrong.

Like any other form of research, what you learn can benefit people across different functions within your company. Growth teams can also learn a lot by talking with other groups in the company (e.g., sales, support, services).

So how can you use experiments to get more people in your company involved in growth?

"We created a system whereby all employees were given some coins or fake money that could be used to vote on the result of an experiment. It got everybody outside of just marketing and optimization looking at the data, seeing the results and understanding the value of what we were doing."

SOPHIA ENG | Growth, Invision

Use the above advice from the experts in growth to turn experiments into high impact wins for your company.

And remember the GrowthTLDR podcast aims to provide you with the best expert advice for growing your product-led funnel.

RETENTION & GROWTH

RETENTION & GROWTH

RETENTION & GROWTH

ONCE USERS SEE VALUE IN YOUR PRODUCT, THEY'LL GO TO BAT FOR YOU.

Your most engaged users are disproportionately likely to convert to paid accounts, renew their subscriptions and evangelize your product to others both inside and outside of their company.

Kick things off the right way with an intentional self-service onboarding experience for new users. Make a point to always be reducing friction so that users experience value quickly and intuitively. Then, deliver outsized value right out of the gate. Appcues, for example, decided to ungate the features in their free offering as a way to wow users from the start.

Not everything can (or should) be fully automated. It helps to layer in people who can partner with your users to solve their problems and expand your footprint in an account. Typeform, for example, segments their user base and adjusts the customer experience accordingly. A small portfolio of high-value customers receive proactive, high-touch, one-to-one engagement, while the vast majority of individual users receive automated engagement in the form of one-to-many campaigns via email and in-app messages.

Stripe—a company built by developers, for developers—recommends being particularly intentional in how you build and equip your sales team. In Stripe's case, this means training sales to reach out at the precise moment when a user needs help based on usage signals, such as rising API calls in test mode. They also make it clear what sales should not do: no hard pitch, no rehearsed objection handling, no competitor depositioning, no trying to convince a reluctant developer to sign a bad deal.

Make sure to collect the right data to keep tabs on customer health, retention and expansion. This means looking beyond lagging indicators like retention rates and toward leading indicators instead. In Typeform's case, leading indicators are features that instantly make customers more "sticky," like their teams feature or integrations. Go beyond Net Promoter Score (NPS) surveys and track KPIs like actual referrals, customer health scores and product stickiness.

Another upside of having happy customers is that they want to buy more from you. Hiten Shah, Founder of Crazy Egg, KISSmetrics and FYI, urges founders to take time to validate whether they're solving a common pain point that's actually worth solving. Research is an overlooked key to success. SendGrid, which extended beyond email APIs into two new product lines, recommends making new product initiatives a CEO-level priority, investing in high-end project leads and using an iterative launch strategy with incremental checkpoints.

While retention and growth initiatives touch almost every function at a company, there's not always a clear owner. Dedicated growth individuals or teams can help fill the gaps. Ashley Murphy unpacks what these teams should be responsible for and how to hire for growth.

KYLE POYAR
VP, Market Strategy
OpenView

THE POWER OF INTENTIONAL ONBOARDING FOR PRODUCT-LED COMPANIES

By Jonathan Kim

The vast majority of SaaS companies are missing out on an important growth opportunity.

Recent research found that one of the things the top 10% of SaaS companies have in common with each other is a retention rate that's 20% higher than the median. More to the point, the typical drop off that led to a decrease in the competition's retention happened within the first week of use. It's not hard to connect the dots and figure out that onboarding plays a central role in influencing short- and long-term retention rate.

The critical misstep many SaaS companies make is failing to be intentional about their onboarding experience. Done right, the onboarding experience is a gold mine of opportunity. Done wrong, it can sink your customer relationship before it's even gotten off the ground. In the same way that it's easier to retain or upsell an existing customer than it is to land a new one, it's easier to get a new user to develop a new habit than it is to reengage a lapsed user who failed to develop the habit in the first place. Nailing your onboarding experience is crucial to getting users on the right path right from the start.

My company, Appcues, works with product managers, growth marketers and customer success teams at bottoms-up, product-led companies to help them iterate more quickly and effectively on their onboarding UX. We enable folks to create a superior customer experience that's personalized to each and every user. This helps them drive adoption, retention and overall customer satisfaction.

And really good UX isn't just something we do for our clients; it's something we think about all the time for our own company. Experience has shown us that even a moderate level of effort can deliver huge returns, and a strategic effort can shift a business' growth substantially. More than just a way to get your customers started with your product, onboarding is a powerful tool that helps you deliver value, provide support and improve ease of use, all of which result in happier customers, improved activation, increased retention and higher profitability.

THE ONBOARDING OPPORTUNITY: GET INTENTIONAL

With its ability to deliver all those game-changing benefits, a well-structured and customer-centric onboarding UX should be high priority; but the sad truth is that most products have no intention behind their onboarding experience. In far too many cases, the product just drops the user into a dashboard with all zeros and no instruction about what to do next. This is the biggest low-hanging fruit I see—to just put some focused thought into how your onboarding can improve the customer experience.

The next-biggest opportunity is to think about the onboarding experience for invited users—what we call 'the nth user problem.' Ten out of ten companies that we talk to at Appcues never consider what happens when someone is added to an existing account. In a lot of cases, there's no onboarding at all, and even when there is some level of invitee onboarding, it lacks the depth of what initial users see. Invited users are rarely driven to webinars, connected with their CSM or alerted to features that they might like. If a company does think to bring some of this content to invited users, it's usually via email or a blog post and hardly ever embedded into the product.

AS YOU CAN SEE, THERE IS A TON OF OPPORTUNITY TO DO BETTER.

The problem is that the traditional approach to iterating on your onboarding experience is not built for speed or ease. Frankly, it's an outdated process that involves getting changes added to the backlog and working with engineering to implement even the tiniest optimization. It eats up a lot of time and makes it almost impossible for product teams to respond to user needs in a timely manner.

We built Appcues to help solve that problem by creating an entirely new, fast, simple, code-free process that allows anyone—product managers, growth teams, marketing staff—to iterate on the user experience. We have a couple of goals for our customers—speed and personalization. Accelerating improvements to customer UX helps companies achieve a much more competitive time to value. Shifting from a one-size-fits-all to a personalized UX with contextual experiences based on who the user is and how they have engaged with a product can make a major difference in engagement and, ultimately, retention.

EASY WAYS TO GET STARTED WITH INTENTIONAL ONBOARDING

If you're just getting started with a more intentional approach to onboarding, it's important to know that there's no universal onboarding solution that will fit every type of product. There are, however, a few things that can be adapted to pretty much any company.

To start, just welcome new users to your product. Not only does this humanize their experience, it helps them remember how they got where they are and why they signed up in the first place. In most cases, they probably came from a marketing website that touts the product's benefits. They've gone through however many steps there are in the signup process, and then they land in the product. Take a moment to say hi, thank them for being there and close the loop on the conversation you started in the marketing materials. If they clicked through from a landing page about a specific feature, use that information to get them started with that feature. A big part of onboarding's role is to help people orient themselves within your product so that you can help them build momentum toward getting the value that you promised. Make sure you take every opportunity to guide them.

"DONE RIGHT, THE ONBOARDING EXPERIENCE IS A GOLD MINE OF OPPORTUNITY. DONE WRONG, IT CAN SINK YOUR CUSTOMER RELATIONSHIP BEFORE IT'S EVEN GOTTEN OFF THE GROUND."

At Appcues, we use a variety of other tools and techniques to address the cold start issue that exists in any product, and many of these tactics can be adapted for other kinds of products as well. For example:

- **Tool Tip Tour with Video:** As soon as someone signs up for Appcues, they get a welcome module that asks if they'd like a walk-through of the product. If they say yes, the product takes them through a "tool tip tour" that teaches them about our editing experience. This presentation ends with a video from one of our product managers who talks about the context the user is about to enter, and from there the user can jump right into building their initial experience.
- **Experience Templates:** We also have some templates built into the welcome experience. These templates will actually try to pull in data from the user's site—logo, metadata about the company, etc.—in order to do some initial customization of the template. This potentially allows the user to just hit publish and they're off and running.
- **Chrome Preview Extension:** We have also implemented a Chrome extension that allows a user to preview—without installing anything—an Appcues module as if they were an end user. This means that someone can see what the product will look like on their site before ever talking with a salesperson or inserting a credit card or involving the in-house dev team. It's a great way to help remove friction from the process.

> **"OUR MISSION AT APPCUES IS TO HELP TEAMS CREATE PRODUCTS THAT THEIR USERS LOVE."**

THE BIGGER PICTURE: VALUE, SUPPORT AND EASE OF USE

Onboarding is one element in a broader strategy that focuses on delivering tangible value, providing appropriate support and always improving ease of use.

Value: Bring It or Go Home

Our mission at Appcues is to help teams create products that their users love. Everything we do—both in our product and outside of it—is in service to that mission. In addition to working hard to create our own excellent UX, we provide a lot of education through our User Onboarding Academy and our website ReallyGoodUX. This educational content helps us teach people—customers and non-customers—about how to do onboarding really, really well. This valuable content empowers our customers to think about onboarding in a better way.

Another way we provide value is through our full-featured usage-based trial model. Like a lot of startups, we initially tried a limited-time trial. We gave people fourteen days to check out our freemium plan, but soon figured out that fourteen days wasn't enough time for people to experience the value Appcues could deliver. Instead, because our price point is relatively low, people would hit the end of the trial period and just buy the product, with the intention of testing it out later. Unfortunately, a lot of people apparently got distracted, didn't circle back to fully test out the product, and churned. By switching up to a usage-based trial (which included having 100 flows seen by end users), we ensure that a) prospects are going to put this into production and b) they will get the chance to see the real value in the real world.

Support: Sales Is Not a Dirty Word

Onboarding is clearly an important support tool that helps your customers get started with your product and—over time—deepen their engagement by adding features, users, etc. Support, however, comes in a variety of shapes and sizes—even for a product-led self-serve company like ours.

Take sales. Internally, we have a lot of debate about the role of sales in our product-led organization. While it's pretty typical for product-led folks to view sales as—best case—a crutch and—worst case—something that reflects negatively on the product, we've always tried to keep an open mind. We've found that customers who talk with a salesperson consistently close at a higher rate compared to customers who are left to their own devices. If you can hone in on the economics of these two scenarios, you can create a very effective strategy that combines self-serve and sales-enabled tactics. One of the best ways to clear the usual aversion to sales is to reframe it as a method of helping prospects solve their problems and get the most value out of your product. Flipping the script in this way helps remove the stigma associated with "pushy" salespeople by replacing it with a sincere desire to help people find the solutions that will make their lives easier.

At Appcues, we design our product to be as intuitive as possible in terms of features and functionality. Where sales comes into play is when a customer who is using our product and sees the value it delivers needs to navigate their own organization to get additional buy-in or pitch our product to another internal group. Our salespeople are uniquely situated to be able to empower that champion with sales collateral or to hop on a call to help explain the product value in very concrete terms, illustrated by case studies. Stepping in this way is just another method of supporting our customers' efforts to get the most value out of our product.

Ease of Use: Always Be Reducing Friction

All product-led companies struggle with achieving the right balance between handling feature requests and focusing on building out the product led growth engine. There's no simple answer to this delicate equation, but the bottom line on both fronts is that you need to improve ease of use. It's almost a chicken-and-egg scenario—the easier it is to use a product (UX and features), the more effective and efficient the product led growth model will be.

At Appcues, we like to think of the product and the PLG engine as one and the same, but in reality, we know that's not true all the time. To help us manage the constant push and pull between these two demands on our resources, we categorize growth projects into three buckets: long-term platform building (which supports our long-term vision), automation (which is particularly important in the free trial experience) and segment-specific work (to address the needs of specific customers like enterprise or mid-market).

No matter which area we're working in, we're always focusing on making things easier for users because that serves everyone. It helps customers get more value out of the product while saving them time and also reducing the number of support tickets we have by simplifying and streamlining tasks.

WHAT'S NEXT: DON'T GET LEFT BEHIND

There's no question that more SaaS brands are moving toward a self-serve/PLG/freemium model, and it's a trend that keeps growing. As more companies enter the space, it's going to get more competitive in all areas, including onboarding. The companies that succeed in this new paradigm will be the ones who understand the importance of integrating the product-led approach into everything they do. It needs to be part of the company's DNA, permeating all functional areas.

To get to that point, companies will need to execute a cultural shift away from the more traditional sales-driven growth model. While there is, as we've noted, a place for sales within a product-led company, it's important to create an environment that encourages everyone on the team to look at their work through the lens of the product and think about ways to embed tasks in the product. There are opportunities across all areas of product, from the trial experience to onboarding to feature adoption to driving users to webinars and so on. Companies need to be set up in a way that enables people from any team to take advantage of those opportunities. That's a big part of what we're working to do at Appcues—to help everyone on the team take ownership of growth. ■

"WE'RE ALWAYS FOCUSING ON MAKING THINGS EASIER FOR USERS BECAUSE THAT SERVES EVERYONE."

INSIGHTS FROM TYPEFORM: LEVERAGING CUSTOMER SUCCESS TO SCALE YOUR BUSINESS

By David Apple

Successful customers are happy customers. Happy customers stick around and recommend your company to their friends. This is what makes customer success such an important part of any SaaS company's success, and it's especially critical for companies that employ a product-led approach to growth. But how do organizations make customer success work at scale?

Typeform is a unique online form and survey solution that makes the data collecting process more conversational and engaging for respondents. Since I joined in 2014 as the 15th employee, the company has seen phenomenal growth and now boasts a user base of close to four million people. Over this time, our headcount has grown by over 10x, and our revenue has grown by over 60x.

Focusing on customer success from the very early days of Typeform has been instrumental in improving both retention and acquisition, and has played an important role in our overall achievements. Because of our high volumes and low ARPA, our approach to customer success was focused on scalability from day one.

WHY IS CUSTOMER SUCCESS SO IMPORTANT TO TYPEFORM?

Typeform's primary growth driver is virality. More than half of our monthly new business is generated by the viral loop created when people click the 'Powered by Typeform' button at the bottom of our forms and surveys. The virality in our product is so strong that acquisition wasn't our biggest challenge in the early days of Typeform. The challenge was retention.

Focusing on retention kills two birds with one stone. By making our customers more successful, we keep them around longer, and they end up driving more virality, which translates into more new business. It's effectively a win-win-win for our customers, our retention and our new business.

While we made the early decision to invest in customer success, the structure of the team behind these efforts has evolved over time. I was originally hired as Head of Sales, but quickly transitioned to building out our customer success team in order to proactively improve retention. We started almost five years ago with a small support team of four people. Today, the team is about 40 people structured into six sub-teams within the customer success department including Support, Education, Customer Experience (CX), Customer Success Managers (CSMs), CS Operations and Sales.

MAKING CUSTOMER SUCCESS SCALABLE

Early on, we invested in building two teams that you don't always see in an early-stage customer success team: our education team and our customer experience team.

Education Team

Our education team is responsible for driving self-service through educational content, mainly in our Help Center. We analyze support tickets, help center visits and other feedback in order to get insight into which topics and questions are most pressing for customers. We then use that information to make data-driven prioritization decisions on which content to produce.

Through our churn survey, we found that a lot of our churn isn't actually due to customers being unhappy, but rather from people successfully completing a project and not knowing what to do next. As a result, beyond the typical "feature-based" content one would expect in a help center, our education team also creates content that is "job-to-be-done-based" in order to inspire customers to do more with Typeform than they had initially intended.

Customer Experience (CX) Team

Our customer experience team is a bit of a hybrid that combines research and one-to-many campaigns.

On the research side, our CX team creates a quarterly "customer voice" report which aggregates data from support tickets, NPS, churn surveys, sales calls, CSM calls, etc. The customer voice serves two purposes:

1. To close the loop with product and influence the product roadmap
2. To generate insights and help us decide which projects to prioritize within CS

A good example of this is the fact that the majority of our churn is due to the lack of another use case (as described above). This insight inspired us to create the, "What's your next Typeform?" campaign, which promotes inspirational content to customers who have completed a project. It's triggered when a Typeform that was previously active (i.e. collecting results) all of a sudden stops collecting results, and it's tailored to the customer's profile (i.e. marketers will receive different content than HR professionals).

OPERATIONALIZING CUSTOMER SUCCESS: SEGMENTATION AND KPIS

Segmentation

Our customer success teams work together to offer Typeform customers a range of experiences tailored to their profile. We segment our user base into three categories:

1. **Automated tech-touch.** This segment is for customers who don't pay enough to justify engagement from a CSM (in our case, this is 99% of our user base). This segment receives proactive automated engagement from our customer experience (CX) team's one-to-many campaigns via email and in-app messages.
2. **Proactive high-touch.** This segment is a small portfolio of high-value customers who work with the customer success managers (CSMs) in a high-touch, one-to-one engagement. They receive personalized onboarding and periodic catch-ups on the progress of their projects.
3. **Just-in-time low-touch.** This segment sits between the CX and CSM teams to take advantage of any opportunities for expansion or reactivation. For example, we may engage with a customer in a one-to-many (low-cost) campaign, but we offer the customer the ability to reply to us and turn the engagement into a one-to-one conversation if they're ready to expand, or if they're at risk of churning.

North Star Metric

Early on, we decided that our department's North Star Metric would be net retention. Eventually, I realized that while this was very motivating for my team, it ultimately did more harm than good. The problem was that other departments assumed customer success had retention covered, and therefore didn't include retention as part of their quarterly goals. This led to a lack of collaboration from other teams on projects that required cross-functional collaboration. The typical response was, "Improving net retention isn't part of my OKRs, so I can't prioritize this project." While I still believe that net retention should remain our North Star Metric, we shifted from being the "owner" of net retention to becoming the "champions"

"FOCUSING ON CUSTOMER SUCCESS FROM THE VERY EARLY DAYS OF TYPEFORM HAS BEEN INSTRUMENTAL IN IMPROVING BOTH RETENTION AND ACQUISITION, AND HAS PLAYED AN IMPORTANT ROLE IN OUR OVERALL ACHIEVEMENTS."

of net retention and elevating it to a company-wide metric (rather than solely a customer success one). As the "retention champions," we're still responsible for analyzing and reporting on retention KPIs and insights, but we're no longer responsible for driving it alone.

Besides our common North Star Metric, each team in customer success has its own set of leading metrics that it focuses on improving.

Leading vs. Lagging Indicators

Retention is a lagging indicator. For this reason, it's important to identify leading indicators that we can focus on improving, and which will improve retention in the longer-term. At Typeform, we're lucky to have a great data team that generates insights for us about which behaviors are leading indicators to our customers sticking around. For example, we learned that the leading indicator that correlates most highly to retention is the number of Typeforms a customer creates. This is a leading indicator we try to impact through CX campaigns and inspirational education content.

There are also some features that instantly make customers more "sticky" and are leading indicators of retention. Examples at Typeform are our team feature and integrations. Basically, customers that use our team feature and/or our integrations don't churn. This insight helps us focus on making sure that we promote the adoption of those features, and that those features are particularly well-documented in our Help Center.

Some leading indicators might not be as obvious as others. For example, the leading indicator that's most important for our CSM team has nothing to do with usage or features. For our CSM team, having a proper kickoff call with the customer's team is the best leading indicator of whether one of our high-touch customers will stick around in the long term.

SALES AS PART OF THE CUSTOMER SUCCESS JOURNEY

At Typeform, sales is a small team of four people that help inbound leads make the decision about whether or not to purchase a Typeform license. The sales team fell under customer success somewhat by accident as I was the only person at Typeform with a sales background at the time we decided to build the team. That said, if I were to do it all over again today, I would have the same setup.

At Typeform, we approach sales in a very different way than what most people associate with a traditional sales function. For example, our sales team isn't commissioned, which removes the negative incentive to try to close deals that might not be the right fit for the customer. Instead, we take more of a consultative approach and openly tell customers if we don't think that we are the best tool for them given their circumstances. We want to make sure that we are setting our customers up for success.

Another unusual aspect of our sales team is that we only give ourselves credit for the revenue we bring in if the customer is still paying after two months. As a result, our sales team and the rest of our customer success team are all working to achieve the same outcomes—which removes a lot of the typical friction companies get between their CS and sales departments.

GETTING STARTED WITH CUSTOMER SUCCESS—THREE TAKEAWAYS

I am regularly asked by early-stage startups what I think are the most important ingredients in building a scalable and impactful customer success organization. Below are my top three:

1. **Hire the right people.** What this really means is "be patient and invest whatever time it takes to interview and hire the right people." The reason we've done well in CS at Typeform is that we have a high-performing team with a great culture.
2. **Pay attention to the data.** Understanding leading indicators is invaluable when it comes to knowing where your team needs to focus. Using the data will help you go from being reactive to proactive.
3. **Collaborate.** Retention is a company-wide team effort, and everybody needs to keep that in mind. When you're setting up a customer success team, you need to make sure that everyone else—from product to marketing—is on board with your goals and the projects you're prioritizing.

Happy customers are everyone's responsibility, but a well-organized and empowered customer success team can help bring strategic focus and operational efficiency to the larger effort so that the whole thing can scale as your business grows. ■

**David is the current Head of Customer Success & Sales at Notion.*

"WE WANT TO MAKE SURE THAT WE ARE SETTING OUR CUSTOMERS UP FOR SUCCESS."

DAVID APPLE
VP of Customer Success and Sales
Typeform (former)

HOW STRIPE BUILT A SALES ORGANIZATION TO SUCCESSFULLY SELL TO DEVELOPERS

By James Allgrove

JAMES ALLGROVE
Head of Revenue & Growth,
US East Coast
Stripe

As software pervades every sector of the world economy, the developers building it are rapidly becoming the most important buyers of technology and infrastructure in companies of all sizes. As a company that builds economic infrastructure for the internet—Stripe's ability to connect with developers is central to our mission.

Too often, developers are treated as an idiosyncratic and difficult audience—hard to reach, tricky to engage and challenging to sell to. Furthermore, developers and software engineers are often treated as a monolithic group, when in reality there are dozens of disciplines with specific needs. This is simply a bad stereotype and a hangover of outdated selling techniques. As the balance of power within companies shifts to technical roles and sales teams understand that selling to developers is about building with them, not talking at them—progress is being made. Still, many shy away, creating an advantage for those companies that can engage.

At Stripe, we sell to developers all over the world. In our mission to increase the GDP of the internet, we work with both small startups and public companies, helping them remove the complexity of processing the payments that are the heartbeat of every business. Before Stripe, developers had to invest countless hours and dollars building infrastructure from scratch to carry out straightforward tasks like accepting payments and moving money around the world. We've successfully reached developers thanks to an intentional sales strategy, and the creation of a team and company culture that treats the sales process as an opportunity to understand and solve our customers' most critical problems and improve our product.

Stripe is a company built by developers, for developers. As we've grown, we've come to understand that developer sales isn't about selling in a traditional sense. The hard pitch, the feature list, rehearsed objection handling, competitor depositioning—none of these things matter when the buyer of a product is the person that builds with it, rather than a procurement professional. At Stripe, sales isn't about trying to convince a reluctant developer to sign a big deal. It's about enabling developers to try our product, and understand how it can transform their business and build a case for them to use internally.

STEP 1: (REALLY) KNOW YOUR AUDIENCE

If traditional sales approaches don't work with developer audiences—how can companies sell to them? We've found that the product experience is a crucial component of the sales process. If a developer is looking to solve a specific problem, the best way to show them value is to get them using and exploring the product.

The only thing that will convince a developer to consider your product is firsthand experience of its value. Your job is to make it as easy as possible for them to gain this experience. Developers expect a quality product, strong documentation, frictionless, self-serve signup and the ability to experiment without commitment.

Builders want to build. At Stripe, we provide instant self-serve signup and API keys so developers can begin experimenting immediately. They don't have to sign a contract. We don't make them speak to a salesperson—unless they want to. We give open access to the tools they need to explore our products and build confidence with experimentation. Our job is to stand by and unblock any challenges they might face—then help them make their internal case for adoption. The rest can come later once they know that our platform is what they want to build on.

This isn't the typical SaaS sales approach. That normally begins with an initial 'discovery' conversation, a demo and a walk-through of features. That said, our product-led approach doesn't keep us from being proactive about sales. A lot of our business is built on developing larger relationships from inbound leads and self-serve signups. We are—of course—very responsive when prospects reach out to us for support, but only in certain situations do we make the first move. When reaching out, it's important to position yourself as enabling them to ramp quicker on the product.

We also watch for specific behaviors and signals that tell us when a prospect or existing user has the potential to convert into a new or more valuable customer:

» **Product Interactions:** If we see an uptick in engagement—rising API calls in test mode, new products being activated or tested, increasing velocity of logins to the dashboard, etc.—that's a strong signal of momentum building within an organization.

» **Direct Contact:** We are a product-led organization, but we see it as a good thing when prospects reach out to us directly. Sometimes, they reach out because they can't find something (in which case, we know we have a problem we need to fix). But, usually any direct engagement is a positive signal for sales. If we reach out too early, our sales team has less signal at best and is annoying for customers at worst.

» **Customer Value:** We look at basic things like how big a company is, what their current revenue is, how much of that revenue is derived from online business, etc. But, we also look at more nuanced information, like whether they have raised VC funding (a good indicator of future growth) and what other technical tools they use (as an indicator of ability to integrate Stripe).

» **Complex Use Cases:** Typically, the more complex a use case or business model is, the more differentiated our product is. So, when we see something that's more challenging than average, it's usually a good sign that we're going to have a more in-depth conversation that will ultimately lead to a more robust relationship. These situations are where applying sales resources can be very valuable.

STEP 2: HIRE THE RIGHT PEOPLE

To work successfully with the discerning developer audience, you need salespeople who have sufficient technical prowess in order to earn their trust. They don't need to be able to code, but they do need to deeply understand the logic and functionality of the API and be able to translate that knowledge into relevant solutions for each prospect, based on what they've understood the customer is looking to achieve.

The profile of people we hire into sales has evolved over the years. We began with a generalist profile, a common strategy for younger companies that are still figuring out product-market fit and defining the buyer audience. For the most part, that early team was comprised of people who had some technical experience—in product or consulting—but not necessarily a lot of hands-on sales experience. A common mistake that startups make is to hire too experienced a salesperson as their first sales hire. This profile often fails as early sales is about finding and refining product-market fit rather than closing as many deals as possible.

As our company matured and we gained more clarity about our position in the market, our sales process became more sophisticated and segmented. Now, we've refined our salesperson profile to focus on those who not only have lots of sales experience, but also have a specific type of experience. We need people who are familiar with selling to a technical audience, know how to sell a more complex product and are comfortable with a consultative sales approach. Here, it's important to think of analogous products to yours and find people who've successfully sold those products. These may not be immediately obvious or similar products to yours.

We also look for people who can operate successfully in a product-led organization with a strong engineering focus, and with strong opinions about what products should and shouldn't do. This is critical for us because we rely on sales to provide customer feedback to our product organization. They need to bridge the gap between the front lines and our own developer team, but we need them to do so impartially. We don't want them trying to unduly influence the roadmap in order to close a specific deal. Our goal is to build products that help all of our users, not cater to one demanding customer.

That said, there is great value in partnering closely with a few larger customers to help inform how we evolve our product. Shopify is a great example of this kind of relationship. We listen very carefully to their needs and they work with us as a beta user on emerging features and products. Often, they are building at the cutting edge of ecommerce and we listen very carefully to their needs and often adjust our roadmap to accommodate. What we build for them can often be useful for other users, so this speeds up our product development.

STEP 3: STRUCTURE YOUR ORGANIZATION CAREFULLY

Many SaaS companies struggle when faced with the question of whether to go broad or deep on their product offerings. At Stripe, we've been able to circumvent that issue by taking an API-led, platform approach. Our core payments platform (Payments and Connect) sits on top of our cloud-based infrastructure, and our suite of applications to manage revenue, prevent fraud and expand internationally sit on top of that platform.

While powerful for our customers, this structure does create some additional complexity for our salespeople. Instead of only having to train them on a single product with a limited number of straightforward use cases, we now have to train our sales team on a range of interrelated products that address a wider range of more nuanced use cases and have variations in functionality depending on how they are implemented using the API. It also means that each time we add a new product, we also have to consider the resulting connections and interactions between all the other products.

We believe, however, that the trade-off is worth it. The platform approach delivers a much higher quality product and experience for our customers. We have several ways to make the situation more manageable for our sales team, both on the product side and the sales organization side.

Platform Structure

Each of the Stripe add-on products—Radar, Sigma, Billing and Atlas—is anchored to our core payments platform. None of the applications can be used stand-alone. Instead, each one is additive to the overall Stripe experience. This makes it easier for us to scale because we can sell to our existing customers. It also makes it more straightforward for our customers because each component is pre-integrated, so it requires less work to implement. Even though we're adding more products, from a technical perspective we're just adding to the scope of the existing API. This model makes a lot of sense because it gives customers the ability to easily do more without much incremental work, which creates a lot of product stickiness. This, in turn, results in higher retention, which leads to greater customer LTV. It's a win-win.

Sales Support

Over the years, we've iterated our sales organization, but at the core is a commitment to making sure each salesperson has deep knowledge about not only each of our products and their various uses cases, but the larger ecosystem that encompasses all possible combinations and interactions. This allows them to adapt solutions based on specific customer needs.

As we've grown, we've used customer segmentation to enable sales specialization. In addition to segmenting by company size, we further segment based on vertical. This means that while each salesperson still has to be familiar with all the products, they can focus on the ones that are most common to the group of customers they are serving. Being able to specialize creates more opportunities to develop even more tailored solutions for that customer segment.

Finally, we've added additional supporting functions who step in to help facilitate larger, more complex sales. Our solutions architects help to flush out technical details during the sales process, while our deployment team helps with planning and managing the integration process. The lead salesperson remains involved, but having these additional resources helps to ensure that each member of the team is spending their time as productively as possible.

Collaboration is Critical

How you sell is as important as what you sell, especially when it comes to working with developers. You may have an amazing product, but if you aren't able to capture your audience's interest, they will likely not take the first step and experiment with it. To succeed, you need to align how your customers want to buy with how your sales team sells. If you're selling to developers, this means taking a collaborative, product-led approach that leaves many of the more traditional sales approaches way behind.

Building the right kind of sales organization is no small undertaking, but it doesn't need to be as complicated as you might think. Start by taking the time to gain a deep understanding of your buyers—who they are, what they need and the kind of sales experience that will genuinely help them achieve their goals—and then over deliver on their expectations. Then, invest in hiring the right people to deliver this. These people are the face of your company. They are on your front line day in and day out, and their collaboration with and dedication to your customers can make or break the trajectory of your company. Choose wisely.

Always be strategic about how you structure and expand your sales organization alongside your products. Think ahead so that you don't paint yourself into a corner on either front and maintain sufficient flexibility. Make sure you keep your sales team well informed and well supported so that they can develop as your product does.

"ALWAYS BE STRATEGIC ABOUT HOW YOU STRUCTURE AND EXPAND YOUR SALES ORGANIZATION ALONGSIDE YOUR PRODUCTS."

GROWTH: WHAT DOES THIS ROLE ACTUALLY MEAN?

By Ashley Murphy

Over the past few years, the term "growth" has been one of the most frequently used buzzwords in the SaaS world, especially at product led growth businesses. Recently, I surveyed over 350 SaaS companies and found that 43% of B2B software companies already have a dedicated growth team and 27% are looking to fill a growth role. Job functions such as growth marketing, growth hacking and growth engineering all came onto the scene and it feels like every tech startup developed some type of growth team including Facebook, Uber and SurveyMonkey. There are over 256,000 candidates on LinkedIn across industries with current job titles such as Director of Growth, Growth Manager or Growth Hacker.

Despite the rise of this buzzword, there is not much clarity regarding what growth actually means and what this team should be responsible for.

WHAT DOES GROWTH ACTUALLY MEAN?

Back in 2014, Brian Balfour described growth as the "blending of marketing, product and engineering into one tight knit team." He explained that growth teams "focus on the funnel in a holistic way [...] because their mission is about the growth rate of a metric that tells a more complete picture of the business."

Similarly, Sean Ellis, who coined the term "Growth Hacker" in 2010, suggests that "growth is not just a concern of sales and marketing, but of product, engineering and support too. It is this organization-wide commitment to growth that ultimately sets companies apart."

Marketing teams typically focus on the top of the funnel metrics. They are incentivized to improve KPIs that align with awareness and acquisition such as number of visitors, leads, MQLs, etc. Product teams often concentrate on usage metrics that align with retention and expansion.

The genesis of growth teams at a startup is often to fill the gaps between these departments. Typically, growth teams are established to focus on a key metric in the lead or customer funnel that may lack one central owner. The team is created because there are known inefficiencies in the funnel; their job is created to enhance metrics related to customer acquisition or expansion while improving the customer experience.

WHAT THEY SHOULD BE RESPONSIBLE FOR

It's obvious that the number one goal of every startup is to achieve quick and sustainable growth. Shouldn't all team members of a startup be striving for the company's growth?

On the surface, this goal seems pretty easily achievable, but in reality, it's not. A huge benefit of a growth team is that it can overcome the barrier of siloed departments. Growth teams can quickly fill gaps and build bridges between the departments as the team often consists of cross-functional team members (think product, marketing, design, engineering and/or business intelligence).

Elena Verna, SVP of Product & Growth at Malwarebytes, suggests that "growth teams are built to fundamentally challenge existing concepts and existing beliefs." In order to be able to challenge existing beliefs and concepts, the growth team typically "runs rapid experiments across different departments within the organization in order to spot new growth and innovation opportunities." This is mainly achieved by developing hypotheses which are then A/B tested in experiments.

HIRING FOR GROWTH

After understanding the importance of a growth team, it is critical to develop hiring criteria for this relatively new field.

A candidate in this role must be able to truly understand the customer's needs and have empathy with their pain points. They must also be process and data-driven in order to test their hypotheses in a scalable and methodological way. Suitable employees usually have an insatiable drive to improve current processes and take the company/product to the next stage, while not being afraid of failure.

Darius Contractor, former Growth Engineering Lead at Dropbox, recently shared his recipe for success in the setup of growth teams on OpenView's BUILD podcast. He combines alignment on key metrics with low-stakes testing. "When I'm working with a company that's starting growth teams, I tell them the best thing to do is find a metric everyone cares about," Darius says. "That's usually either user growth or revenue growth." After that, Darius recommends identifying a surface area where you can make a lot of changes without disrupting other teams or needing to jump through too many hoops. For example, the payment page or the onboarding flow—places where you have the freedom to try out a lot of different things quickly in order to figure out how to create success.

KEEP IN MIND, YOUR GROWTH TEAM WILL EVOLVE AS YOUR COMPANY EVOLVES.

At an early stage startup, growth may just be one engineer and data-driven resource. As it scales, you will find growth is truly a team sport and is simply about how to best ensure all teams are working together and staying focused on KPIs that matter. Growth can be the pinch hitter in your organization that can step in and fill the gaps.

At the end of the day, it doesn't matter if you have someone in your organization with "growth" in their title, what matters is that someone owns every critical KPI that will drive growth for your business. If you're a leader at a SaaS company, I challenge you to think about the key metrics that don't have clear owners at your company and find a way to dedicate your own pinch hitter(s) to improve these metrics. ■

**Ashley is the current Director of Market Insights at Toast.*

ASHLEY MURPHY
Senior Director of Growth
OpenView (former)

CAN'T WE DO BETTER THAN NPS?

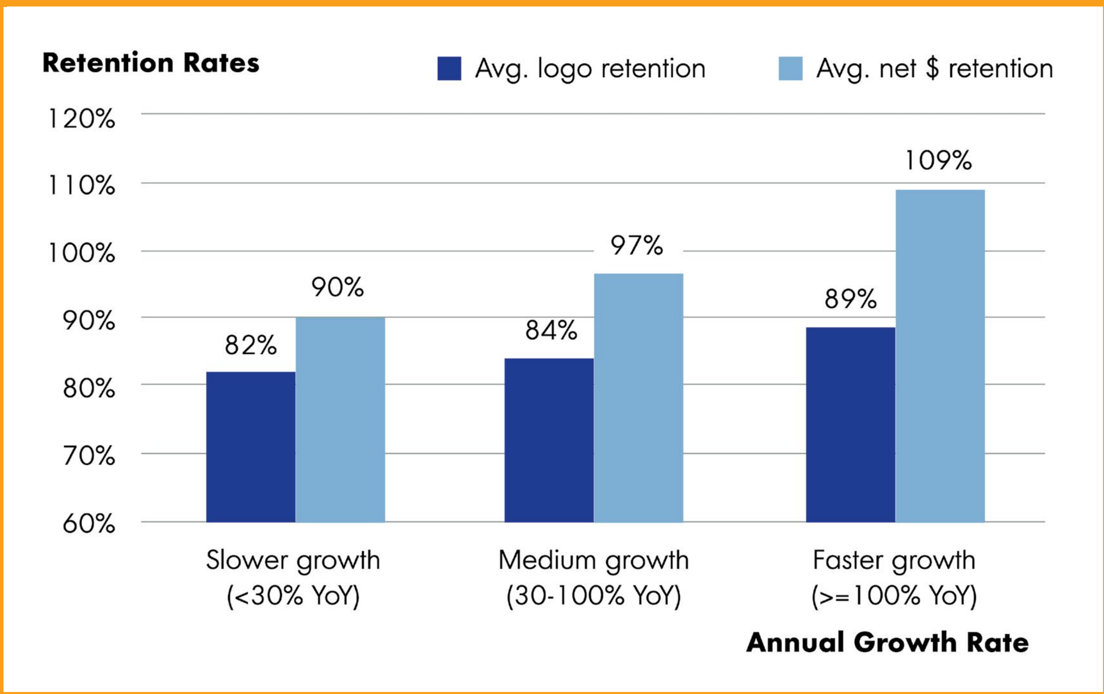
By Kyle Poyar

Investors look closely at retention rates as a signal of customer health, product stickiness, competitive differentiation and pricing power. Happy customers are the best long-term source of value at your disposal. They drive word-of-mouth adoption, demonstrate credibility with prospects in the sales cycle and fuel continued innovation.

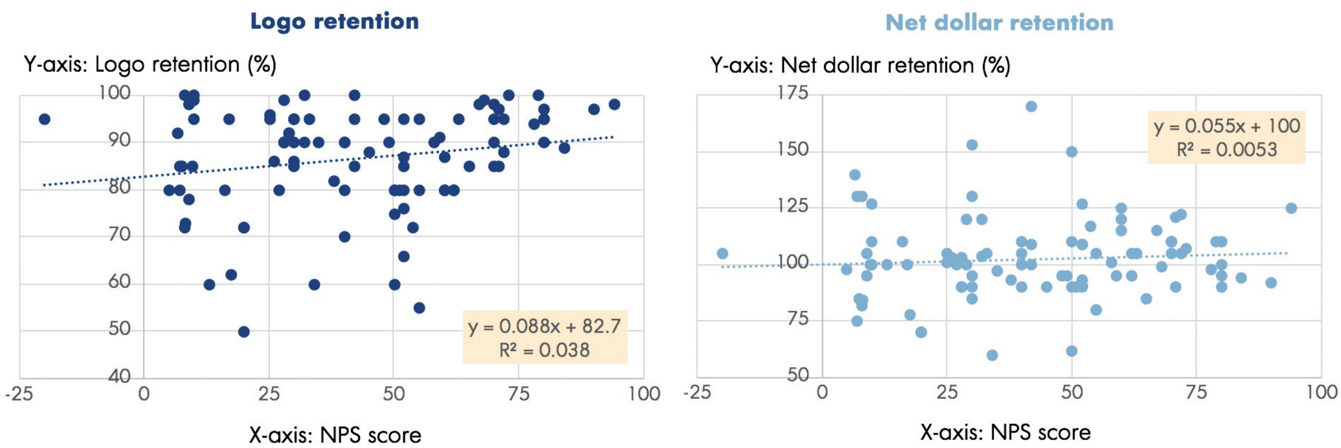
Retention rates—particularly net dollar retention—also strongly predict a SaaS company's growth rate. The fastest growing SaaS companies see 89% annual logo retention and 109% net dollar retention (NDR) in their cohorts, according to data from OpenView's SaaS benchmarking survey. That's compared to 82% and 90%, respectively, among slower growing companies (see graph below).

Somehow, NPS has become synonymous with retention. These days, it's difficult to find a SaaS company that isn't tracking their NPS on an ongoing basis (or boasting about their impressive NPS relative to peers). NPS is even a board-level discussion point at many companies.

IT'S TIME TO TAKE A STEP BACK AND ASK: IS NPS REALLY THE BEST WE CAN DO?



Correlation Between NPS and Retention



Source: OpenView 2018 SaaS benchmarks; n=97 SaaS companies

There are certainly some admirable benefits to measuring NPS. To (over) simplify, tracking NPS:

» Enables a culture of customer obsession

» Helps you see (and address) unhappy customers before they churn

» Creates a conversation across teams/functions to spot and address problems

» Allows you to easily benchmark against peers on an ongoing basis

THE PROBLEM: NPS DOES NOT EQUAL RETENTION

NPS doesn't have mystical powers and it should not be exalted. For starters, NPS doesn't turn out to be very predictive of logo retention or net dollar retention rates across SaaS companies, according to new analysis of OpenView's 2018 SaaS benchmarking data.

There does appear to be a correlation between NPS scores and logo retention rates (see graphs above), but it is extremely small.

For every 10 additional points to a company's NPS scores, there's only a 0.9% higher logo retention rate. For statistics nerds out there, the R-squared is only 0.038, which means that NPS only explains 3.8% of the variance in logo retention rates across SaaS companies.

The correlation is even weaker when comparing NPS scores and net dollar retention rates. For every 10 additional points to a company's NPS, there's just a 0.55% higher net dollar retention. The R-squared is a measly 0.0053.

Now, to state the obvious, this analysis is comparing across all different kinds of SaaS companies and ignores a number of potentially confounding factors such as the size of the SaaS company, their target customer and their product market.

"NPS DOESN'T HAVE MYSTICAL POWERS AND IT SHOULD NOT BE EXALTED."

Even still, it doesn't look good for NPS and I think that's because there are all sorts of measurement issues with collecting NPS data. Just off the top of my head, those include:

» **Low response rates.** Even when measured in-app, response rates for NPS surveys aren't all that great.

» **Different sampling approaches.** Who in the account do you send the NPS survey to—the economic buyer, the champion, the individual users, all of the above? Which accounts do you send the NPS survey to—everyone or only those who've implemented the product? Who sends the survey—the sales rep, an independent third party?

» **Data manipulation.** At this point, NPS is such a well-known and widely adopted metric that it's particularly prone to manipulation from respondents.

» **Sensitivity.** By the nature of how NPS scores are calculated (i.e. subtracting detractors from promoters), they're extremely sensitive to slightly different scores. Every 5 or 6 can have a radical impact on the overall score. NPS scores tend to fluctuate quite a bit month-to-month or quarter-to-quarter for no great reason.

MOVING PAST NPS

It's certainly fine to track NPS, but let's be realistic about what it tells us and what it doesn't. And let's complement NPS with other metrics that better predict customer satisfaction, advocacy and stickiness.

Here are three KPIs to add to your list.

1 **ACTUAL Referrals**
NPS scores are a measurement of intention, not action. NPS quantifies how many customers would be likely to refer a product to their friends or colleagues. Why not measure what percentage of customers have actually made a referral and the average number of referrals per customer? Perhaps NPS surveys could be replaced (or supplemented) with actually asking a customer for a referral?

2 **Customer Health Score**
Defining a customer health score is by no means new, but it's often under appreciated and neglected. When set up thoughtfully, customer health scores can strongly predict a customer's likelihood to churn well before they actually churn. They can also be refreshed in real time across all customers, not just a select few who answer an NPS survey. Let's redirect some time and resources away from NPS and toward creating a best-in-class customer health score.

3 **Product Stickiness**
One useful emerging metric is to ask customers how disappointed they would be if they could no longer use your product. Would they be "very disappointed," "somewhat disappointed," "not at all," or "N/A—already stopped using it?" If 40% or more of your customers would be "very disappointed" without your product, you're on the right track. This is a great measurement of product stickiness and product-market fit. ■

"IT'S CERTAINLY FINE TO TRACK NPS, BUT LET'S BE REALISTIC ABOUT WHAT IT TELLS US AND WHAT IT DOESN'T. AND LET'S COMPLEMENT NPS WITH OTHER METRICS THAT BETTER PREDICT CUSTOMER SATISFACTION, ADVOCACY AND STICKINESS."

3 STEPS TO CHOOSING YOUR NEXT PRODUCT BUILD

By Hiten Shah

Most of the time, the problem isn't building your product, it's figuring out which product to build. You typically don't have a lack of ideas; there are only so many hours in the day, so you need to make smart choices about where you invest your time. My secret sauce for picking the "right" product to work on is to only choose products that allow me to deliver a unique solution to a pronounced and widespread problem.

I came to this approach after realizing how many people make the mistake of choosing what to build based on their personal passions. While this might make sense in a do-what-you-love/love-what-you-do sense, it's not always the right move for the market. Every once in a great while, you'll hear a story about a founder who followed their passion and managed to tap into the zeitgeist. But those are usually outlier cases, not the norm.

STEP 1: A BETTER WAY TO DECIDE WHAT TO BUILD

A more reliable approach to choosing what to build is to identify where your audience is experiencing acute pain and then go as deeply as possible into the nature and causes of that pain so you can build a product that solves the problem in an innovative way. Find the pain. Solve the pain. And do it in a way that gives you the opportunity to make your go-to-market messaging about how your specific approach to solving the problem is new, different and better than the status quo.

Here are a few examples of how companies I have founded follow this method:

Crazy Egg helped pioneer the category of heat maps for websites, giving site owners visual analytics that provide an easy-to-understand overview of visitor behavior on a web page. The problem it solved: too many bar graphs and pie charts getting in the way of a site owner's ability to quickly and easily understand what's working on their sites, and what isn't. The solution solved a major pain point and did it in an innovative way that literally drove an entire analysis category forward.

KISSmetrics, which started out as a funnel analytics tool, was always much more than that because of the pains we discovered and how we uniquely solved them. We developed this product to address a number of different problems with analytics including the inability to tie data back to individuals, the 24-hour lag time that used to exist between tracking data and being able to view it in an interface and the constant need to debug the data before you could actually do anything with it. To overcome all these issues, we built a really good API and what we call a debugger, which is a real-time view of the analytics—something that didn't exist in that form until we built it. This innovation allowed engineers and non-engineers to see exactly what data was getting into the system when they were integrating analytics. The other really useful thing we did was to build a left-to-right funnel—something that may seem pretty mainstream today, but which, when we first invented it, was a completely different way of looking at the steps people are taking on your website or with your business. This new approach made it really easy to segment your data by anything you wanted, because it looks like a table and was really intuitive.

FYI, my latest company, helps people find their documents in three clicks or less—solving the universal and super annoying problem of having to search through multiple locations for way too long before you can put your hands on the document you're looking for. Our solution connects to all the cloud services people use—Asana, Slack, Dropbox, G Suite, Windows, etc.—to deliver a centralized way to organize and search all your documents in one place.

Each of these products arose out of a desire to provide relief around a common pain point. It sounds simple, but it can be a challenge to find a problem that's actually worth solving. It's also important to acknowledge that you probably won't get it right on the first try. We worked through at least ten or eleven failed products before we found Crazy Egg. The good news is that, if you're paying attention, your learning curve will level out as you continue to build new products. These days, it only takes a couple of tries before my team lands on the right solution.

One of the often overlooked keys to success is doing your research. This applies to the phase before you've landed on a product and the phase leading up to building that product. Interviews, surveys and general market research are a powerful way to hone in on your audience's number one challenge. And then once you've decided what you're going to work on, become an expert on that problem. After building FYI, I can go on for days about documents and all the different kinds of issues companies have around productivity, document organization, search and workflow. We collected more than 2,000 survey responses and did more than 200 customer interviews to make sure we were getting all the details from potential customers.

STEP 2: THE 5-DAY MVP

Having all those details and such a deep understanding of the users and the challenges they face is a critical step in a successful product launch. It's only from that strong foundation of immersion into the world of the problem you're trying to solve that you can build an effective solution.

Once you have that foundation, I've found that an efficient way to get to the next step is what we call a "five-day MVP." For FYI, as an example, we built an initial version of the product in 3 days, shipped it internally, iterated on it for 2 more days and then shipped it to a group of approximately 20 people. At that point, the entire interface consisted of a search box and the ability for the user to connect three cloud accounts—G Suite, Dropbox and Box. That was it, but we learned so much. And from there, we were able to iterate based on the feedback to get to where FYI is today.

STEP 3: CUSTOMER-CENTRIC ASSESSMENT

Along the way, as your product's user base grows, you'll want to identify a few indicators that can tell you how things are going and whether what you are doing is hitting the mark or missing by a mile. Personally, I like to focus on the sentiment of the customer and look at that from both a qualitative and a quantitative perspective.

On the qualitative side, I keep an eye on things like whether people are excited about the product—are they telling their friends about it, tweeting about it, emailing us? On the quantitative side, we look at the standard KPIs—retention and engagement—paying special attention to where people are falling off and which ones are most engaged.

From there, we can triangulate to determine what's working and what's not. And even if we feel like—overall—the product isn't hitting the mark, we still take the time to look for pockets where it's working.

You never know what you'll learn and how your product will evolve until you get it in front of people. ■

PRODUCT-ASSISTED GROWTH: THE BEST KEPT SECRET OF PRODUCT-LED COMPANIES

By Travis Kaufman

When it comes to product led growth, most of us are quick to think that there's no need for human involvement—after all, the product leads the sale. This couldn't be further from the truth. Infusing a human element into your product-led go-to-market strategy gives you the best of both worlds.

The SaaS world of today adheres to two main go-to-market strategies. Sales- and marketing-led and product-led. But there's a third strategy that most SaaS companies are moving toward. Introducing, product-assisted growth.

THE PROBLEM WITH TRADITIONAL GO-TO-MARKET STRATEGIES

Sales- and marketing-led strategies have been the norm for some time. Marketing teams create messaging to attract buyers. Salespeople then help prospective customers evaluate their solution. It's not until they're further down the funnel that the prospect is even presented the product and even then, it's done in a safe, canned demo environment.

Sales- and marketing-led growth is great for finding product-market fit, as salespeople are highly in tune with customer needs. However, as you scale, you are likely to discover a gap between what customers think your product can do and what it's actually capable of. Then you're left scrambling to patch the revenue leak with additional customer success.

Product-led strategies live on the other end of the spectrum. Prospects are offered the chance to see the product before they speak to a salesperson. This is usually in the form of a limited functionality freemium offer or a free trial. In some low-touch purchase models, salespeople aren't involved at all. Slack, Dropbox and Atlassian are all poster children for the growth outcomes of a product-led go-to-market strategy done well.

Product-led strategies bridge this customer expectation gap by getting customers into your product from very early on during their evaluation. But, if your freemium product or trial environment isn't built to drive a prospect to the buying stage, you lose the fight before it even begins. And there's no salesperson to assuage the situation and help them along.

Product-assisted strategy lives between sales-led and product-led strategies. Prospective customers can gain access to a product without speaking to a sales rep, however, they must interact with one if they want to purchase the offering.

THE BENEFITS OF A PRODUCT-ASSISTED STRATEGY

According to a 2018 study by TrustRadius, directly experiencing your product increases a buyer's trust. When it comes to information sources buyers trust most, having prior firsthand experience in the product ranks number one, followed closely by the opportunity to engage in a free trial/account. There is no better way to establish trust with your prospective buyer.

Establishing trust is one of the most difficult things to achieve at scale. Trust between a vendor and customers is key to unlocking a flywheel of growth across new customers, repeat customers and referrals.

SETTING YOUR PRODUCT-ASSISTED STRATEGY UP FOR SUCCESS

In order for your sales team to highlight the most compelling areas of your offering to prospects, they need information. This information is collected in a variety of ways, the most critical being the "discovery call." The best sales reps understand the challenges a prospect is looking to address and highlights how their product or service addresses these pain points in the most compelling way possible.

With a product-assisted method, your prospects are exploring ways your product can help them without direct influence from your sales team. This can cause apprehension in your sales team, since it can feel like you've taken away something that was fundamental to their job. "What happens if someone signs up for my product and leaves before I have a chance to highlight all the key areas?"

It's a legitimate concern. While there are many product questions you need to be able to answer before moving to a product-assisted go-to-market motion, the most important one is (and be honest), "How intuitive is my product? Are my in-app engagements good enough for users to realize value without hand-holding?" This doesn't mean your product isn't valuable, but it's unlikely that a customer will endure an unintuitive product or a complicated setup process if they aren't bought in on a value proposition that's perceived to be worth the effort.

In my article, "Boost Enterprise Sales with Leads From Product Trials," I listed the three operational components you need: mapping the buyer journey to your sales process, measuring product qualified leads and creating the product-to-sales handoff.

Once you've got the operational pieces in place, you're able to then make your sales team part of the product trial experience.

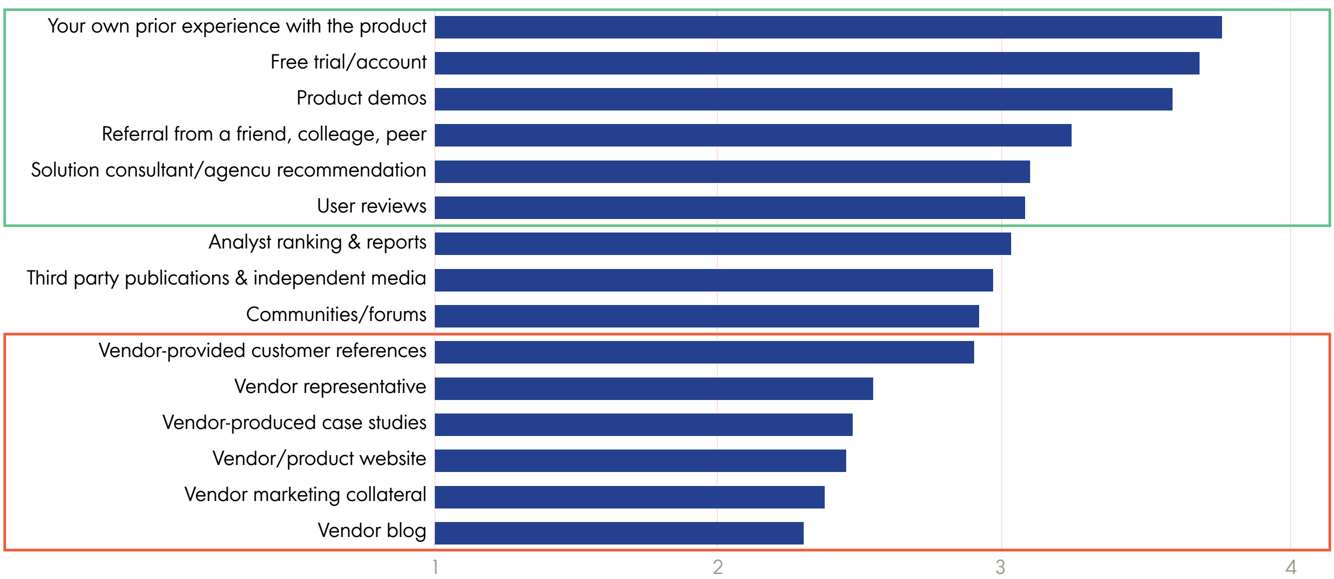
HOW GAINSIGHT DOES PRODUCT-ASSISTED GROWTH

Let me walk you through an example of our product-assisted model here at Gainsight PX. We offer a free tier of our product. A prospect can sign up and directly access a full-featured version of our product, or if they choose to speak with someone first, they can request a demo as well.

The "Request a Demo" route follows the traditional path—a prospect is introduced to a sales team member to evaluate if our offering is best for them. If the prospect signs up for our free product trial, we initiate a behavior-driven nurture in the app and via email. These engagements are meant to educate and guide them through our product so they can find and solve their personal pain points.

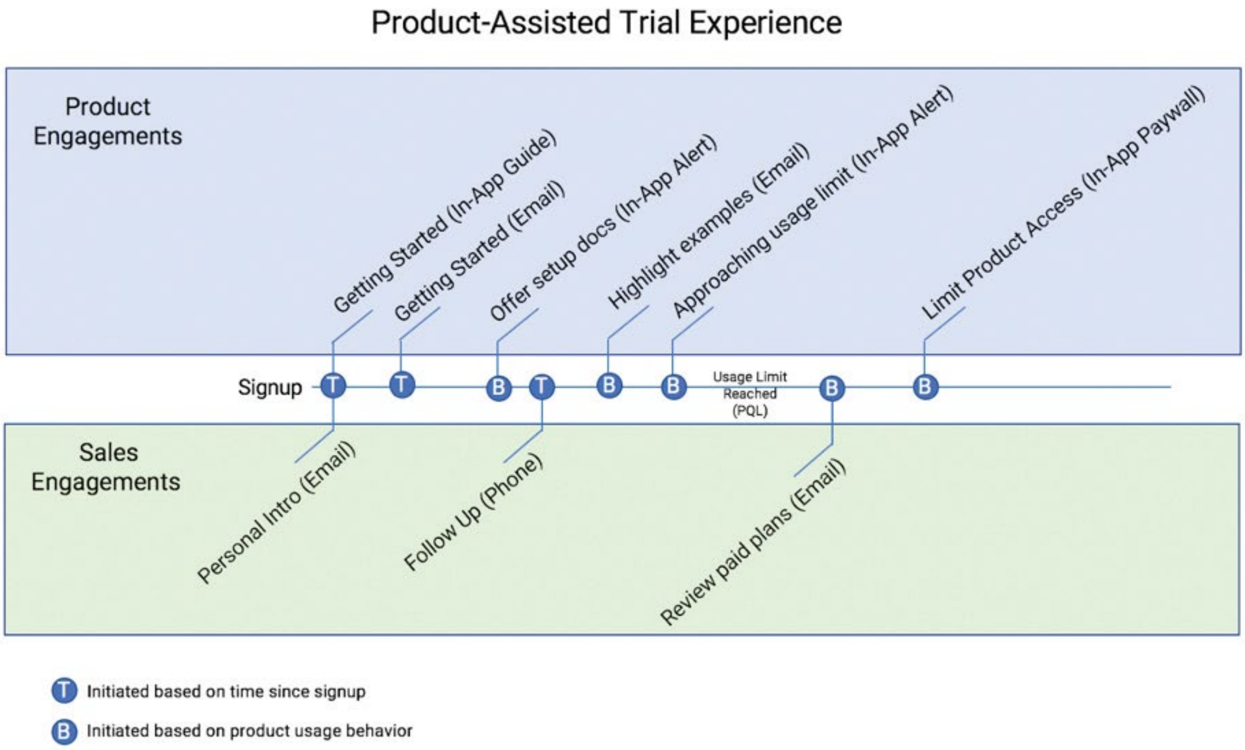
If the person who signs up matches our ideal customer profile, our inside sales team will research the customer and then reach out via email to let the prospect know there is someone available if they have questions. This adds value for the prospect while providing your sales rep with a compelling reason to initiate contact. If the prospect prefers to continue use of the free offering unassisted by one of our reps, the rep will pause outreaches until the next critical moment occurs.

Which Information Sources do Buyers Trust More?



Source: TrustRadius Buyer-Vendor Survey 2018

TrustRadius



We've seen that email outreaches from our sales team, immediately following a free trial signup, have a 67% open rate and an 18% reply rate. Compare that to the reply rate of other email outreaches following an inbound activity, such as downloading a white paper or attending a webinar, and you're looking at a 6x increase. Information like what features the prospect uses or doesn't use, or who they invite to join them in the trial, becomes insights reps can use to personalize their follow-ups.

When the prospect reaches the usage threshold offered within the free tier, they become a PQL, or product qualified lead. The customer experience through this process is outlined in the diagram above.

The prospect's experience with the product changes at this point. This triggers an automated email to the prospect informing them they have a limited time left to use the offering, as they have exceeded the usage limit. We then offer a path to contact one of our reps to review the paid offering that is most aligned with their objectives.

This email is followed with an introduction to the sales rep they will be speaking with. The rep has visibility into what the prospect has done with the product and is in a better position than before to recommend the appropriate offer. With any free offering, there can be an opportunity for misuse. We limit opportunities for misuse by revoking access to the product if there isn't an open dialog with our sales team. In other words, the prospect reaches the "paywall."

PRODUCT-ASSISTED GO-TO-MARKET: A POWERFUL, NEW WAY TO GROW

Leveraging two powerful forces within your company—your product and your sales team—can help you successfully cultivate trust with your prospects. This not only results in a quicker sales cycle, but leads to long-term satisfied customers. All product-led and product-assisted approaches are works-in-progress and evolve based on our learnings as a community. The key to improvement is to define and understand your baseline conversion metrics, research and run experiments and measure the impact.

How can you build a better product experience that promotes growth? What's stopping you from creating this synergy in your company? I'd love to hear your thoughts.

"LEVERAGING TWO POWERFUL FORCES WITHIN YOUR COMPANY— YOUR PRODUCT AND YOUR SALES TEAM— CAN HELP YOU SUCCESSFULLY CULTIVATE TRUST WITH YOUR PROSPECTS."

THE TRADITIONAL PRODUCT MANAGEMENT METHOD IS BROKEN

By Willie Tran

According to the State of Salaries report from Hired, Product Manager (PM) was the highest paid role of 2018. And yet, the overwhelming majority of companies aren't leveraging their product managers to the greatest advantage. In fact, many of these companies have set up a structure in which PM incentives are completely out of alignment with the ultimate goals of the company.

This pattern has cropped up again and again in conversations I've had with colleagues and other people in my network. It's a phenomenon I'm personally interested in because of my own experience as a PM. I joined Testlio as Head of Product when the company had fewer than ten employees, and by the time I left, they had nearly fifty. When I joined Dropbox as a Growth PM, our team was about a dozen people, but grew to sixty+ in the two-and-a-half years I was there. Today, I'm a Growth PM at MailChimp.

I've found that—in an ideal world—there would be no need to differentiate between a "growth PM" and a "traditional PM" because all PMs would operate from a growth mindset. The traditional product management method is broken and needs to be permanently retired.

THE PROBLEM IS FOCUSING ON THE SOLUTION

The underlying issue that creates a disconnect between PMs and company objectives is a basic cart-before-the-horse problem. Most PMs are too focused on creating solutions, when they should be paying more attention to the actual problems they are trying to solve.

Far too often, the product roadmap is based on solutions and features. That's not a product development roadmap, that's an execution roadmap—first you do this, then you do that. An effective roadmap isn't simply a list of features; it's a strategic guide constructed around a framework of problems to solve and areas to investigate. Instead of being driven by bells and whistles, it's driven by a coordinated and strategic effort to deliver specific business outcomes. Solutions are easy to create. The hard thing is figuring out which is the right problem to work on to achieve an intended outcome.

By adopting a feature-focused approach to product management, a company sets itself on a track that weakens the PM role. To begin with, the misunderstanding of how to build a product roadmap leads many inexperienced companies to grade and incentivize their PMs based on output. When you think about it, output is a ridiculously stupid metric on which to measure a PM. But many, many companies continue to reward PMs based on whether or not they released features. It doesn't matter if the features make any difference to the big picture as long as the PM got them done.

In this kind of environment, PMs naturally tend to only want to work on sexy projects with high visibility. They aren't interested in doing any in-the-trenches experimentation because they need visibility in order to score promotions. They also know that they will be rewarded even if whatever they launch doesn't do well because by the time anyone has analyzed the data and figured out that whatever they did failed to move the needle, they've already collected their reward and moved on to the next sexy project.

In the worst case scenario, a traditional PM may intentionally overlook or downplay a project's lack of viability because they are more focused on pushing something out the door than on making smart decisions for the product. So, instead of putting a DOA project out of its misery, they forge ahead, wasting time, resources and money in the process.

It's not hard to understand how companies end up operating this way. In addition to the widely held assumption that the traditional PM approach is the only way to go, there are other factors that contribute to companies getting caught up in pursuing the wrong "roadmap." There's the issue of company leadership making casual product suggestions without understanding the weight their words carry (If a founder or CEO asks if the team has considered doing such-and-such, the members of the team are likely to assume that they need to get to work making such-and-such happen). There's the scenario in which a founder has a hard time giving up control. I've often seen this when someone in a position of power invites non-experts to the table and lets their opinions skew the conversation in non-productive ways. And then there is the common issue of a company culture that's simply not set up to make good use of data. If the higher-ups aren't equipped or predisposed to make data-driven decisions, the rest of the company usually won't be either.

THERE IS A BETTER WAY

At the opposite end of the spectrum, growth PMs are all about data and experimentation. They start with the problem instead of jumping prematurely to solutions. Growth PMs are beholden to a KPI, so they have a reason to see their efforts all the way through. They care about the data and the outcome, not just checking off a series of releases.

INSTEAD OF BEING RESPONSIBLE FOR DELIVERING A LIST OF FEATURES, GROWTH PMS ARE RESPONSIBLE FOR DELIVERING RESULTS.

For instance, rather than being tasked to release a new functionality, a growth PM might be asked to take on responsibility for new user activation—figuring out what's working and what's not working, where there are opportunities, which elements warrant further investigation and how all of it can be used to achieve a specific business outcome.

This approach requires data literacy and experimentation skills. Frankly, it's upsetting how many PMs I've come across who don't know how to make solid, data-informed decisions. Understanding data, knowing how to navigate it, being able to detect biases—all of these should be basic requirements for any PM. And all PMs should be experimenting. Experimentation is how you deconstruct a problem so that you have the information you need to build the right solution. It's a tool that every PM should be using to get to the desired outcome more efficiently.

And there are other tools and strategies that all PMs would do well to use. The squad model, for instance, is a powerful product management strategy that revolves around an autonomous cross-functional team dedicated to solving a very specific problem. Typically, such teams include a PM, a designer and however many analysts and engineers are needed to get the job done. They can build whatever they want without worrying about anyone (even the CEO) derailing their efforts. Their only task is to solve the problem they've been given.

DISCOVER THE VALUE OF PRODUCTIVE PUSH BACK

All of this boils down to a pretty simple bottom line. If you want to switch gears from a traditional PM model to a growth PM model, you need to have the gumption to constantly push back and ask the big question: "Why?"

A company with a growth-mindset approach to product management is a company where the culture encourages PMs to ask the hard questions:

» What problem are we solving?

» How big is this problem?

» Why do we think this solution will solve the problem?

» Did the solution solve the problem?

And from there, the PM has to be empowered to demand the data that backs up the answers to those questions. While the PM can keep an open mind about every request, they have to have the right to create their roadmap and make their decisions based on the data. They have to be allowed to put every request through the full set of paces, including full analysis and experimentation, before green lighting any project.

It's a smarter, more efficient approach to product management that will ultimately save a company time, money and a lot of wasted effort building features that were doomed to fail from the start. ■

PLG AND PRODUCT MANAGEMENT: TIPS FROM SENDGRID'S VP OF PRODUCT

By Scott Williamson

There are a lot of moving parts to managing a product. In addition to building the actual product and figuring out the best way to get it to market, you also have to prioritize your roadmap, understand the tradeoffs between building new features and optimizing for growth, wrangle pricing and—as your business and user base evolves—potentially figure out how to successfully launch a new product inside your existing company.

IT'S A LOT TO JUGGLE.

I've had the benefit in my career of working with two distinctly different kinds of companies, one that used a more traditional sales- and marketing-led go-to-market strategy and one that employed a strongly product-led approach to growth (PLG). At CA (which acquired a startup called Wily Technology), I worked on a single, complex and costly product that was sold to enterprise IT shops with heavy direct sales involvement. At SendGrid (recently acquired by Twilio), the approach is the exact opposite—a product-led, self-serve model with a much lower price point.

Over the years—10 with Wily/CA and 6 at SendGrid/Twilio—my various roles within these organizations taught me some invaluable lessons on a wide range of product-related topics.

PLG—NOT JUST ABOUT GROWTH

PLG is an enormously effective (and increasingly popular) way to sell a SaaS product, but it only works in certain circumstances and with certain kinds of products. The complexity and price point of the CA product, for instance, required us to engage in a long sales cycle that involved partnering a highly-paid sales rep with a highly-paid sales engineer who could talk about integration into the client's environment. SendGrid, however, was designed to sell itself, and this was possible because the product was much simpler and the price point was much lower.

The dynamics of each scenario create a ripple effect into other areas of the company, including things like R&D spend, staff allocation and your product roadmap.

R&D

If your go-to-market strategy requires a heavy direct sales investment, then the envelope you have to work with for R&D spend tends to be smaller. At CA, we spent approximately 15% of revenue on R&D for my particular product line (Application Performance Management), while at SendGrid (where the PLG approach kept us from needing to make such a steep investment in sales) we were able to invest approximately 25%+ of revenue into R&D.

Staffing Allocation

There was also a corresponding difference in the ratio of engineers to product managers based on the demands of each go-to-market strategy. At CA, the ratio of engineers to product managers was 20:1 and we had to share a pool of designers. At SendGrid, we have a 6:1 ratio of engineers to product managers and a 1:1 ratio between designers and product managers. As you can imagine, the variance between the makeup of these two teams creates two very different product development experiences.

Product Roadmap

Another area in which these two models vary greatly is who has influence on the product roadmap, and to what extent. At CA, where the client roster was relatively small, but comprised of very large companies, a single customer could have an inordinate amount of influence over which features we added to the product. When you have a single customer that's paying you $60 million over the course of 8 to 10 years, you tend to listen to that customer and feel obligated to cater to their needs. The problem with this is that it can very quickly lead to feature bloat, which ultimately leads to long-term subpar product results.

SendGrid, on the other hand, has about 80,000 paying customers, and even our top 10 largest customers represent only a small percentage of our total revenue. Because revenue is spread out over a large number of smaller clients, no one customer can tank our quarterly financial performance. Just as importantly, having a widely distributed customer base means that we can listen broadly and focus on implementing features that benefit the masses instead of the few.

While it's natural to pay more attention to your larger customers, best practice is to focus your efforts on doing things that the majority of your customers will understand and appreciate. We're pretty ruthless at SendGrid about fighting unnecessary complexity. Our self-serve audience needs to be able to grasp the user experience immediately without the support of a sales team, so we need to be very careful about any changes we make. One way we've found to compromise in situations where a larger customer is insistent about a particular feature is to turn it into a service offering for high-end customers. This allows us to keep the core product free of feature bloat that would confuse and annoy our primary audience. It also gives us the opportunity to monetize more complex services.

DEVELOPMENT PRIORITIES—PRODUCT VERSUS PLG ENGINE

A question that often comes up for PLG companies is how to prioritize product development against development of the PLG engine that drives acquisition. It's a question that can feel a little like a chicken-and-egg quandary, but if you look at it through a different lens, things clear up pretty quickly.

At SendGrid, because 98% of our customers come in through our self-service engine, we view the website and signup flow as part of the product, not separate from it. We have core engineering teams that focus on those parts of the customer experience and how they roll up through the product. This holistic approach allows us to consider all aspects of the user experience together—from the time someone visits the website or looks at our docs all the way through to purchase and engagement. And at each step in that journey, our primary goal is to remove friction.

Overall, we prioritize tasks and projects within this holistic view using the RICE system—reach, impact, confidence and effort. And we look at projects in terms of potential outcomes, comparing potential project-to-project results. This gives us an objective method by which to rank importance. Using this approach, we consistently prioritize smoothing out the onboarding process at least as highly as adding new features. We also invest heavily in foundational things like scaling up and making sure we have the security, availability and APIs, etc. we need to be able to deliver on our original brand promise. We know both these areas have very strong ROI for the company.

Our formal growth team is comprised of three teams that together manage our acquisition funnel.

» Our **revenue marketing team** handles demand generation to fill the top of the funnel. They're involved in SEM, SEO and brand building through various web channels to ensure our customers can find us.

» Our **website team** is in charge of the initial experience—how we present the product including pricing and our signup page. This is where the whole flow and customer experience begins, so it's critical to have a team focused on these areas.

» And then our **growth engineering team** manages the signup funnel and things like in-app messaging and running tests and experiments to reduce friction as people move through the funnel.

The three teams meet on a weekly basis, review funnel metrics and prioritize tasks. They define and drive small projects to make incremental improvements at each stage of the customer journey, and consistently chip away at those objectives.

NEW PRODUCTS—WHEN AND WHY TO BUILD THEM

Another common question—and a super hard one—is whether it's a good idea to build a new product and, if it is, how to do it. It's an inevitable question because, at some point, any fast-growing company is going to need to expand.

Though every case is unique, in general you need to be really careful about this question because any time you

"TALK TO YOUR CUSTOMERS, UNDERSTAND THE VALUE YOU'RE DELIVERING. DO ALL THE HOMEWORK TO MAKE SURE THAT YOU'RE GETTING ALL THE DETAILS RIGHT."

introduce a new product, it distracts from your original one. You need to pick your moment. And you need to realize that the question is going to open a Pandora's box of other debates, such as whether you're building a platform or an application.

The platform versus application debate was in full swing when I joined SendGrid. More precisely, leadership was asking whether we wanted multiple developer tools sitting next to email, or to be an email communications company. Those are very different paths, and each one had the support of about 50% of the company. Ultimately, we zeroed in on being an email communications company, and that drove the decisions that followed.

In terms of new products, we built two: Marketing Campaigns and Services. The decision to develop Marketing Campaigns was driven by customer needs. Like our core product, our email API is targeted at technical developer types, but we saw a need for a way to enable the non-technical part of the company to also be able to use SendGrid. Companies wanted to aggregate all their email functions into SendGrid, so we needed to give them a way to do that.

Market dynamics also played a role in our decision to move ahead with Marketing Campaigns. Our core email infrastructure market is modestly sized, and we knew it couldn't continue to sustain 30%, 40% or 50% growth rates. Marketing Campaigns allowed us to tap into an adjacent market called email marketing, which is five to six times larger than email infrastructure. The combination of filling a customer need and simultaneously giving ourselves more market headroom to accommodate rapid growth made this decision a no brainer.

The other product we developed was Services, and it came about for different reasons. Rather than increasing market size, Services allowed us to improve customer outcomes for clients in our existing market. As an added business benefit, customers who use Services tend to be stickier and have better retention. They spend more with us over time and tend to have a higher NPS. Before implementing Services, we were essentially giving a lot of that away via our support and our customer success teams. The approach we chose allowed us to improve customer outcomes and our incremental revenue run rate at the same time.

NEW PRODUCT BUILD—FOUR BIG-PICTURE STRATEGY TIPS

If you do decide that it's the right time to build a new product, you can save yourself a lot of trouble if you keep a few things in mind.

Make the Project a Priority

First things first, when you make the decision to move forward, make sure that everyone—from the CEO down—knows the project is a priority. In our case, SendGrid's CEO made it very clear that we needed to invest "disproportionate energy" on the project in order to succeed. If you aren't really clear about this, people will be unsure if they should divert resources. We actually created a company within the company, kind of like a mini business unit. This helped give people a shared sense of purpose, ensured better lines of communication between all the key players, and gave us a familiar way to hold everyone accountable.

Invest in High-End Project Leads

Take care to invest heavily in a really high-end architect, engineering manager and PM. You want people who have experience on the kind of project you're working on. It doesn't have to be the exact same thing, but at least something of a similar scale and level of technical challenge. You want to be sure that your team has the expertise to be able to guide you through the process and help you avoid the pitfalls.

Use an Iterative Launch Strategy

Instead of trying to do everything in one go, break things down into iterative developmental milestones and create a plan that clearly defines what you want to accomplish during each phase. This way, you'll know how big the task is, you can hire the right size team (with the right skills), and make sure you have an appropriate checkpoint to review whether you've done what you intended, are getting the traction you expected and so forth. Having these incremental checkpoints allows you to manage the build, testing and release processes much more effectively.

Get Everyone on Board with the Launch

Finally, once you reach the go-to-market phase, you need to circle back to the idea of making the product a priority across your entire organization. Failing to do this can leave your new product floundering. In one case, we didn't know the new target user or market well enough, and we didn't do a great job of convincing the company that this was an effort we needed to prioritize. As a result, in the early days, our sales team was afraid to sell the product and our customer success team was afraid to recommend it. Everyone was tiptoeing around it because it was new and we didn't have the information and training we needed to put it out there with confidence.

Once you've launched the product, there are two success indicators you can always rely on to let you know how things are going. First, money talks. If the market is responding well to the product—signing up, sticking around—and you're hitting your projected milestones, you're likely in good shape.

The other signal is internal buy-in. At SendGrid, we developed a multi-hat marketer target persona for Marketing Campaigns named Olivia. We knew things were coming together when we started hearing people in customer support or sales talking about Olivia. When your teams begin internalizing the target user, market and competitors, you know things are clicking.

Pricing—Something to Invest In

Finally, you can't talk about product without talking about pricing. And yet, it's often one of the most underappreciated levers, almost an afterthought. Sometimes, this is because people get so wrapped up in product features that pricing just gets overlooked. Other times, it's because people are risk averse and worried about making a bad move. Either way, pricing is something you need to address head on. Even small pricing changes can have a huge impact on your bottom line. If you miss on pricing, it can cost you in a big way.

I think about pricing as part of the product experience. With the vast majority of our customers in the self-serve bucket, we have to make sure our pricing is self explanatory. A new user has to get it right away, understand the value and be convinced that they should buy.

At SendGrid, we decided several years ago that it was important to build a pricing function that would be responsible for doing the necessary homework to get pricing right. We engaged a director, who owns several functions, and we hired two pricing professionals whose job it is to think about pricing all day every day. That might seem like a big investment, but it's been worth every penny.

We treat these pricing experts like product managers. They are trained on the same skills as product people—customer interviewing, problem and solution validation and so forth. They often ride along with PMs to make sure they understand the product, the solution and the target user.

Just like with so many other aspects of product development and management, it's critical to avoid guessing as much as possible. Talk to your customers, understand the value you're delivering. Do all the homework to make sure that you're getting all the details right. ■

**Scott is the current Vice President of Product Management at GitLab.*

LEADERSHIP
& STRATEGY

LEADERSHIP & STRATEGY

LEADERSHIP
& STRATEGY

"DO THEY HAVE PLG DNA?"

I hear this question over and over from our team as they evaluate potential investments. This might sound like a bunch of buzzwords, but it means so much more: it means building your business, strategy, leadership team and structures around your customer.

Building a product-led business is hard, and requires leaders to have conviction in the strategy from the beginning: organizations can't become product-led overnight. PLG businesses aren't the result of an executive offsite, or a top-down decision by a board, they're the result of hundreds of small decisions made daily by an organization. You have to have your strategy, people and structure in place to ensure all of those decisions go right: Product led growth has to be in your organizational DNA.

A PLG strategy is driven by end user obsession. OpenView Founder, Scott Maxwell, discusses how challenging the path to product led growth can be, noting that truly remarkable companies enable their product to sell itself, not with a massive sales team, but by leaning into product attributes where users find the most value. Trello is a perfect example of a team that takes this strategy to heart; they built a tool that delivers immediate value to the end user (for free) and, in turn, positions the tool for strong word-of-mouth and viral growth within an enterprise. Zapier's success has grown by providing value to Zap creators long before they encounter a paywall, and continuously ensuring that the product is embedded into key workflows before prompting any upgrade. This customer obsession has even made its way into the go-to-market strategy of retail brands like Allbirds and Warby Parker, and their success in a troubled retail sector shows the value of customer-centric culture.

Everyone at your business interacts with customers. Their diverse viewpoints matter, so you must ensure that your leaders are empowered to capture these experiences and share them. Pendo enables customer empathy by making customer success part of every single employee's job. Jeff Diana warns against creating unbalanced operations and alienating the experience of sales, marketing and customer success teams by becoming too engineering and product-centric. Hiten Shah, serial entrepreneur, proposes shared revenue targets. This helps balance the scales across leadership and builds a strong foundation for collaboration. When the whole business shares a goal, healthy teamwork happens naturally, and dreaded silos can be prevented.

Outside of creating a collaborative culture, other successful product-led businesses develop teams and assign resources to cultivate opportunities for growth. Deputy, led by Ashik Ahmed, has a "growth squad" that builds momentum by continuously talking to users, hypothesizing what will add value for users, and shipping changes on a nightly basis. Akshay Rathod emphasizes the importance of the research performed by these types of teams, and recommends assigning a significant percentage of your resources, time and money to long-term growth.

SAM RICHARD
Director of Growth
OpenView

THERE ARE TWO PATHS TO PRODUCT LED GROWTH. ONE IS HARDER AND POSSIBLY MORE EFFECTIVE.

By Scott Maxwell

SCOTT MAXWELL
Founder and Partner
OpenView

"Remarkable" is an overused word that has come to mean "really great." But as marketing guru Seth Godin has noted, something that's remarkable is something that we feel compelled to remark upon.

Godin's famous example is a purple cow. You don't talk about all of the black-and-white cows that you've seen, but a purple cow, that's remarkable.

In the SaaS category, there are two paths to become remarkable. One is to establish and maintain a high-bandwidth dialogue with customers and then automate as many customer-pleasing activities as possible into the product. The other way is to release a minimum viable product and then focus on evolving it to meet as many consumer needs as possible. Both paths will get you there, but the second may be a better way to build lasting value.

WHAT IS PRODUCT LED GROWTH?

As we have previously defined it, product led growth is a go-to-market strategy that relies on product features and usage as the primary drivers of customer acquisition, retention and expansion. It's a capital-efficient way to engage customers and prompt them to evangelize your company in a way that leads to hypergrowth.

For example, Expensify's flagship offering is an app for creating expense reports. The app lets users take a picture of their receipt and then gleans all of the relevant info. While no one gets excited about doing expense reports, Expensify's product takes the pain out of the process.

You could imagine a new employee complaining about having to log expenses, but then a seasoned coworker says, "No worries. They use Expensify here. It's really easy. It will take you like five minutes." Yes, that sounds like an ad, but the goal of product led growth is to get real people to talk that way.

PATH #1: HIGH-BANDWIDTH DIALOGUE WITH CUSTOMERS

Typeform markets conversational forms and surveys that businesses can use to learn more about their customers. Not surprisingly, this focus has helped Typeform to view sales differently than the typical organization.

As Pedro Magriço, former Director of Growth at the company, has explained, the focus is on helping customers to get the most out of the product rather than looking for larger sales opportunities. "The message is very much, 'Hey, I saw that you just started using Typeform. That's great. I'm here to make you successful. How can I help?'"

In this scenario, the sales team assumes a different role. Sales reps become trusted advisors who understand their buyers' pain points and direct them towards solutions that will help their businesses. Dialogue with such customers fuels the evolution of products to get your product to do as much as possible.

PATH #2: FOCUS ON THE PRODUCT

The other path is to operate with little or no sales outreach. Consider the case of Expensify. Like many great companies, Expensify started out as something completely different. Founder David Barrett had originally created a prepaid debit card. But people who saw the demo said while the card was cool, the expense report function—which he built merely to provide proof-of-concept for the card—was even cooler.

"We would go to our users and say, 'Look, you seem to be excited about whatever it is we're doing. Tell me why,'" Barrett told OpenView. That sort of feedback informed Expensify's growth.

Barrett's discussions with customers were the same as the kind Typeform's sales team was having. The only difference was that Expensify relied more on the product to sell itself. This type of focus is a little like burning the boats in the harbor—you have to close off other options and put all of your focus into one thing, the product. As Barrett explained it, he would talk to customers about their dream product and then modify the product to suit their dreams.

THE PATH LESS TAKEN

Typeform and Expensify are both great companies that got to the same place taking separate paths. Betting everything on your product development is a tougher way to go, though, and I would bet if you took 100 companies that took the first path and 100 that took the second, that the first group would come out a little ahead.

That's because one hazard with the sales-based approach is that the enterprise-level buyer has more say than the end user. "The enterprise buyer will just make crazy requests. They'll pick anything under the sun. They'll be like, 'I want a helicopter pad,' and the salesperson, because they're commission-oriented, says 'Done, helicopter pads on the way,'" Barrett has said. That salesperson thinks they'll get a huge commission out of one huge deal so they'll promise more than they can deliver even if what they're promising makes no sense."

Leaning on a great sales team can also allow you to put less emphasis on the product because you can rely on their selling acumen instead of making the product great.

That's not the end of the story because either path can work fine. Business success isn't so much about following a game plan as it is figuring out what customers want and giving it to them. What they want most of all is a purple cow. ■

THERE ARE TWO PATHS TO PRODUCT LED GROWTH. ONE IS HARDER AND POSSIBLY MORE EFFECTIVE.

PRODUCT-LED COMPANIES— WHY AND HOW THEY WORK

By Hiten Shah

Product led growth (PLG) is a term that has become pretty mainstream in SaaS circles, but some companies still miss out on the full potential of the concept because they think of it more as a pricing model or maybe a variation on the bottoms-up growth concept. Product led growth is related to those things, but it's also much more. It's about product being the core DNA of your company, so much so that the default mode for solving problems—including growth challenges—is to figure out how to use the product to address whatever issue is at hand.

PLG has far-reaching applications across a wide range of product types. It's inevitable that it will eventually spread across all categories. It's an attractive model for all kinds of businesses because being able to drive growth through product usage is really critical if you want to lower your customer acquisition costs and increase customer lifetime value.

These days, the majority of my growth conversations are about PLG. Whether I'm talking with internal teams at my own companies (Crazy Egg, Product Habits, FYI) or consulting with other brands, everyone is excited about the prospect of being able to harness the power of PLG for their own company. While there's no one way to do this, there are a few key considerations that must be addressed if you're going to make a run at a PLG approach.

PEOPLE LIKE FREE STUFF.

When I'm thinking about markets to focus on and businesses to build, I'm always looking for opportunities to build a product that's free. People like free. Typically, I find that if I can build a free product, I will be in the market. If I cannot build a free product, I will not be in the market. It's that simple.

Free fits the way people want to buy—they don't want to have to pay to get started with a product. I love freemium because it's is the best way for me to get a product into the hands of more people faster. This doesn't mean that there isn't a time and place for a sales-led, enterprise go-to-market strategy. If that's the kind of product and business you want to build, go for it. I prefer to take advantage of the fastest go-to-market option available, and that tends to be a product-led freemium model.

This model not only eliminates a lot of barriers to product use, it has the added benefit of creating an exponentially larger user base. This is obviously an advantage in that it provides more opportunities to ultimately convert free users to paying customers, but having that larger audience also makes it easier and more effective to run various kinds of tests to refine the product and optimize the user experience, thus driving even more adoption.

IN A PRODUCT-LED COMPANY, WHO'S RESPONSIBLE FOR REVENUE?

People considering a product-led approach to growth often find it difficult to wrap their heads around exactly who in the company is responsible for the revenue and growth numbers. In a traditional, sales-led model, the responsible party is usually the VP of Sales or the CRO. But, in a PLG company, which individuals or functions are responsible really depends on the culture of the company. There are two basic ways to go—a dedicated growth team or a more "distributed" approach.

With a dedicated growth team, the key is ensuring that the company culture is built to handle having one team responsible for the "ins and outs" of customers, because that's really what a growth team does—it manages the whole process of customers coming in and customers leaving. The company also has to be set up so the growth team is able to collaborate closely with each piece of the organization, similar to how a team like finance works with every other department. When companies dismantle dedicated growth teams, it's usually because they were set up ineffectively—in silos instead of in a way that allows them to help all the other teams. The optimal role for a dedicated growth team is helping all other areas of the company be successful.

The other approach is to make everyone in the company responsible for growth. While I have a lot of respect for folks who have built dedicated growth teams, in my opinion, everyone in the company should be focused on growth. Everyone should be responsible for revenue. Exactly what this looks like will vary from company to company based on which teams have the most say on what ends up getting built and shipped. Usually, the groups with the most influence on product will include product engineering and founders; but sometimes it might be sales or even marketing.

However, in order for this model to be successful, each member of the team needs to understand how what they're doing impacts the business. They need to have hyper clarity about their role and why they're doing what they're doing, down to the level of which metric they are focused on improving. This really gets traction when a team starts implementing OKRs, or other metrics-based accountability frameworks and starts looking at how individuals can affect specific leading and lagging indicators. For example, at Uber, everything bubbles up to the GMV number. Knowing this, Uber measures all activities against that single focus point, aligning everyone around the same ultimate growth goal.

"FREE FITS THE WAY PEOPLE WANT TO BUY—THEY DON'T WANT TO HAVE TO PAY TO GET STARTED WITH A PRODUCT."

PRODUCT-LED AND SALES—CAN YOU/SHOULD YOU DO BOTH?

Just because you've adopted a PLG approach doesn't mean you have to turn your back on sales altogether. Sometimes, it makes sense to put bandwidth toward talking with larger customers pretty early (assuming you have the features and certifications they require). More typically, a PLG company should start to layer in some sales-oriented individuals and activities when the company not only has the product right, but also has some amount of inbound coming from larger companies.

When the time is right, I strongly recommend having founders do sales for at least the first year. Being on the front lines of sales-based customer conversations will provide them with a deep understanding of how to sell the product–insight they can then share with other salespeople as they come on board.

If your company founders have an aversion to sales, you might try having them look at sales as part of customer success. Challenge them to think about the sales process not as trying to sell something, but as trying to solve the customer's problem. Suggest that they position themselves as a customer champion, someone who will walk them through the conversion process. After all, if customer success is proactively helping people who already pay you money, sales is really about proactively helping prospects who aren't yet paying you. Both groups of people need support to move through their journey, and some need a little more handholding than others. Salespeople don't need to live up to the stereotype. They can put themselves in the role of a partner who is there to help the prospect become a customer so they can get maximum value out of the product.

MARKETING—WHAT DO YOU DO DIFFERENTLY IN A PRODUCT-LED COMPANY?

On the marketing side of things, I've found that product-led companies lend themselves to a more direct approach that doesn't require you to spend a lot of time and energy producing a ton of content in order to capture emails. Instead of relying on the gated content model, I like to cut to the chase by focusing efforts on creating a home page or landing page experience that drives a very high—in the 20%, 30%, 40%-plus range—signup rate. With my companies, we don't really care about getting someone's email. We care that they sign up and start using the product as quickly as possible.

This is a very different strategy from capturing contact info and then pursuing prospects via an email-based nurturing campaign. For a product-led company, I recommend skipping all that and figuring out how the product leads to conversion. You want to know what kind of product experience you need to create to get people to sign up, and then—down the road—what the product needs to do to retain those people, engage them more deeply and potentially upsell them.

The key to all of this is successful onboarding. A good onboarding experience leads to high retention, which leads to paid conversion. To get onboarding working properly, you need to really understand your customers—their needs, pain points and typical behaviors. You can then use that information to create an effective product experience.

I have a similar philosophy about word-of-mouth. People are always looking for ways to crack the code on word-of-mouth, but it's not really that complicated. The "secret" is to deliver value. You need to create such a great experience during onboarding that people feel compelled to tell other people about it. For my company, FYI, this means ensuring that when someone signs up, within two minutes they can connect to the apps they already use and find the document they are looking for in three clicks or less. That's the promise. Our goal is to deliver on it as quickly as possible in order to prove our product's value to people who sign up.

It's an absurdly simple concept, but—as with most things in life—simple does not translate into "easy." In terms of execution, we have to do a lot of things right in order to successfully deliver the value we promise. That's part of the beauty of a product-led approach. The byproduct of addressing all your business challenges through the product is that you wind up with a stellar product that customers love. ■

"IT'S AN ABSURDLY SIMPLE CONCEPT, BUT—AS WITH MOST THINGS IN LIFE—SIMPLE DOES NOT TRANSLATE INTO 'EASY.' IN TERMS OF EXECUTION, WE HAVE TO DO A LOT OF THINGS RIGHT IN ORDER TO SUCCESSFULLY DELIVER THE VALUE WE PROMISE."

HOW PENDO LEVERAGES A GREAT PRODUCT, CUSTOMER-CENTRICITY AND STRONG CULTURE FOR SUCCESS

By Todd Olson

There are two parts to building a successful and enduring company. The first is having a good idea. The second is developing and sticking to a set of core principles that serve to guide and shape your team, your product and your organization.

The idea for Pendo arose out of a need I had experienced firsthand while working as the VP of Product at an enterprise SaaS business. Despite all the technology available, it was increasingly difficult for me to accomplish two key growth tasks. It was very difficult to get fast, accurate insights into exactly what my customers were doing in the product, information that was critical to prioritize product development efforts. In addition, when we did ship a new feature, it was tough to successfully drive user engagement.

My personal frustration was not reason enough to launch a company, but I quickly realized just how acute and pervasive these problems were for a variety of roles across many industries. With software "eating the world," as Marc Andreessen wrote in the WSJ back in 2011, every company was going to be facing these technology-related problems.

WE HAD AN IDEA. WE HAD A MARKET. THE OPPORTUNITY WAS HUGE, AND THE TIMING WAS RIGHT.

The next step was building the organization and the product that could deliver a winning solution to the world. Like most serial entrepreneurs, I have some strong biases about how I like to run a company, and Pendo was no exception.

PRINCIPLE 1: BUILD A GREAT PRODUCT

We built Pendo on a foundation of three main principles, the first of which is to build a great product. While this might seem like it should go without saying, there's more to it than meets the eye because delivering a great product inherently means that you're delivering value. And that's often easier said than done.

Since the early days, we've said that our company is "more steak than sizzle," meaning that we tend to overdeliver on the product and underdeliver on marketing that product. Our main objective is making sure that what we build works and delivers tangible value to our customers. This isn't just an inspirational concept, it's a matter of survival.

Like many others in the SaaS space, we adopted a product-led approach to growth. It not only made sense given our internal focus on the product, it made sense given the nature of today's market. In 2019, success isn't simply about your customers' successes or how good your sales and marketing campaigns are. It's about delivering consistent, reliable value.

It's easier than ever before to build and ship software; and it's easier for users to switch providers. The shift from on-premise, contract-based software to cloud-based, month-to-month SaaS solutions means that costs are lower and relationships are more flexible. This flexibility combined with the broad range of solution options available today gives organizations the ability to change providers at any time for any reason. Many end up switching based solely on the quality of the product experience.

This is why there's such a strong focus in growth arenas on shortening the time to value. Conventional wisdom says best practice is to deliver value up front before you ever ask for any value—payment—from the user. Alternatively, you might deliver a little bit of initial value, and then ask for a financial commitment to unlock additional value. Those strategies make sense for a lot of companies, but there are outlier cases that make use of other models. The email company Superhuman, for instance, doesn't even let customers see their software until they receive a credit card. Seems crazy, but it works because of the amazing culture they've built around the product.

For Pendo, we take a hybrid approach. We sell software that provides user insights and user guidance, communication and feedback tools to help digital product teams deliver software users love. We can articulate our value immediately simply by explaining what data we can collect, but we don't typically generate revenue for our customers in the first 30 days. The process involved in collecting the data and then helping our customers apply it is more involved and customized to each organization. We make a point of establishing that context and setting expectations accordingly so that everyone is on the same page.

A company with a product that can affect immediate change has the option of taking the deliver-value-first approach. Pendo, however, delivers value by changing customers' perspectives and processes based on what the data tells us. For instance, we often need to change a customer's idea of what "done" means. Companies often come to us right after they've launched a product that hasn't taken off. We help them understand that sometimes shipping is the beginning of the journey, not the end. We guide them through assessing their adoption strategies and help them, when needed, back up and rethink their release strategy to ensure a smoother, more effective rollout. That kind of value takes longer to realize and needs to be tailored to each individual situation, so a customer needs to have engaged us formally before we can dig into things at that level.

"SUCCESS ISN'T SIMPLY ABOUT YOUR CUSTOMERS' SUCCESSES OR HOW GOOD YOUR SALES AND MARKETING CAMPAIGNS ARE. IT'S ABOUT DELIVERING CONSISTENT, RELIABLE VALUE."

PRINCIPLE 2: PUT THE CUSTOMER AT THE CENTER OF EVERYTHING

The second foundational principle for Pendo is a maniacal focus on the customer. To say we are customer-centric doesn't quite capture the full reality of how committed we are to putting our customers at the core of everything we do.

My own initiation into the cult of customer-centricity came at the young age of fourteen when I worked at MBNA Bank, which had an amazing customer-first culture. The experience had a big impact on me. When I started my first company, I remembered how good it felt to be part of an organization that treated customers so well, and I knew that would be a core part of my company.

Saying your company is customer-centric is easy. Actually being customer-centric requires that you lead by example and walk the walk every day in every situation. It's true what they say—your culture is how you treat difficult customers behind closed doors. It's about what you say when you think no one is listening. At Pendo, we never complain or say anything derisive about our customers, and this is because we have empathy for them. When they are struggling, we're struggling. We truly feel their pain, and just want to help fix whatever problem they are having. We spend a lot of time looking at things from the perspective of how we'd feel if the tables were turned.

At Pendo, customer success is everyone's job. Each and every team member is willing and able to step up to help a customer succeed. I still jump in to answer questions on the support queue from time to time, and everyone on our team—from engineers to marketing people—participate in our public forums. We hire people who are ready to embrace this responsibility. An engineer who isn't comfortable getting on the phone and talking with a customer won't be a good fit for us. We need every team member to be able to pitch in directly when it comes to customer success.

In addition to walking our own customer-centric walk, we also encourage our customers to implement customer-centric elements in the way they build and market their products. For instance, we recommend using personalization to create an experience that's specific to each customer. We see this all the time in commerce experiences that leverage past behaviors to deliver hyper-relevant search results and product suggestions. Another highly effective strategy is to use interactivity to drive greater engagement. In general, people prefer exploring products through hands-on activities, not by reading documentation or marketing materials. This is where the product-led approach comes into play—letting prospects get in there and start experiencing the product and the value it delivers firsthand.

All of these customer-centric tactics are designed to get people to the "aha moment" faster. Facebook did a study years ago, and found that once a user had a certain number of friends on the network, they were able to

TODD OLSON
Founder and CEO
Pendo

experience the value of the platform. Every product has this threshold that new users have to cross before they "get it." The trick is figuring out how to help users reach and clear that hurdle more quickly and easily so you can get down to the business of delivering value.

PRINCIPLE 3: BUILD A STRONG COMPANY CULTURE

The third and final principle behind Pendo is to build a culture that attracts the best people. This one can be a little bit of a chicken-and-egg dilemma since people are the raw ingredients that go into creating your company culture. The key to living by this principle is to hire the best people right from the start, and then keep the bar set high for every new person joining the team. This is so critically important that I am still involved in the interview process for pretty much every new hire.

It's important to note that when we think about the "best" people, we're not just talking about skills or experience. We're talking about personality and beliefs. Your company culture acts as a beacon that can either attract or repel candidates, so it pays to be really definitive about your company's values. Knowing who you are—and advertising that openly and clearly—will filter out a lot of candidates whose temperament or work style wouldn't align with your organization.

We define our culture at Pendo through seven core values. Two of those seven are particularly unique, and also happen to be good indicators of whether someone is going to be a good fit on the team.

Transparency is a value that many companies claim to hold, but not everyone commits to it fully. This is a really hard one to stick to when things get real. We're tested on it all the time. For example, if you're having a challenging quarter and transparency demands that you share that information with the entire company, there are going to be a lot of questions. How will you handle those questions? How direct and honest are you prepared to be? These are tough decisions.

An example of how we integrate transparency into our regular routine is the biweekly town halls that we hold. These are a forum in which anyone can ask anything, and the questions are all anonymous. We get some really tough questions, and I've had people ask me if I ever get frustrated by that. The answer is no. It's important to get these water cooler conversations out in the open where we can address them together.

The other unusual core value we hold at Pendo is something we call "brutal honesty." It's related to transparency, but kind of taking the idea to the extreme. People who can embrace this value are the ones who like to be direct, and can handle getting the same treatment in return. If someone's ego can't handle hearing that they could have done a better job, they aren't going to work out for us.

Which isn't to say that we don't celebrate our wins. We do. But, even when things go well, we still take the time to pick things apart and identify what we could have done better. It can come off a little harsh to people outside of our organization. I once had a new investor approach me after a board meeting where we'd reported a really good quarter and tell me that he thought we were really hard on ourselves.

He wasn't wrong. We are hard on ourselves, and on each other. But that's just our nature. We're not about taking victory laps and getting pats on the back. We just want to be really great, so we focus on what it will take to get us there. That means never accepting our last achievement as the best we can do. There's always a way to level up. What can you learn? What can you do better next time? This is how you continue to grow and achieve new success. ■

"THERE'S ALWAYS A WAY TO LEVEL UP. WHAT CAN YOU LEARN? WHAT CAN YOU DO BETTER NEXT TIME?"

PRODUCT LED, BUT PEOPLE FOCUSED

By Ashik Ahmed

Sometimes, the best ideas come from the most unexpected places. Deputy, for instance, was a reimagining of an in-house tool that took on a life of its own once we combined the core technology with the idea of product led growth and the power of a cloud-based platform. While Deputy officially launched back in 2008, its origin story actually goes back some twenty years. I built a platform to help my future Co-founder, Steve Shelley, automate the management of his staff scheduling and time and attendance tracking.

Deputy is a global company that provides small business owners to global enterprises and franchise operators a workforce management solution that simplifies employee scheduling, timesheets, tasking and communication. Deputy makes managing work life easier for both business owners and their workers.

Today, more than 200 million shifts have been rostered on Deputy by more than 185,000 workplaces in more than 100 countries.

It all started because Steve saw an opportunity to take our in-house tool to the rest of the world. And it all came together in a successful model when we realized how we could combine automation and people not only in our product, but also in how we sell our product.

THE CATALYST—THE HYBRID PRODUCT/HUMAN SOLUTION

The first time I worked with Steve was back in 2003. At that point, he was about ten years into building a business in the aviation industry. Over that first decade, he had grown the business from 2 people to 200. He loved the entrepreneurial aspects of what he was doing, but—as the company grew—was becoming increasingly bogged down with the manual administration of his workforce. He didn't have time to focus on the big picture anymore.

I came on board and built an in-house version of what eventually evolved to become Deputy, and Steve was able to scale his business from 200 to 1,400 people over the next three years.

With my job done, I resigned with intentions of pursuing work with the Big Four. But then Steve came back with an idea to take our workforce management tool to the world. The rest, as they say, is history.

Interestingly, it was our experience with the aviation industry that actually led to our adoption of the product led growth philosophy at Deputy. In the early days, I traveled a lot. I flew into pretty much every runway that could accommodate a 737 or an A320. Quite often, my flights were full, so I would end up in the jumpseat, that little auxiliary seat right behind the captain and first officer. From that vantage point, I realized that pilots do very little when it comes to actually flying the plane. Their main task is to engage the autopilot, which does most of the heavy lifting. In essence, pilots are really expensive backup to guard against autopilot software failure.

This sparked an epiphany: if you can get software to perform a task, and only need people as backup when/if that software fails, you can do amazing things.

A solution that relies too much on people will never be scalable. But, if your solution is built to run on autopilot, so to speak, and you only need a human being to step in when something goes wrong, that's a whole different situation. Not only does it offer you almost unlimited scalability, it also provides a built-in mechanism for mitigating software failures. Each time there's a failure and a person needs to step in, you can learn why the failure happened and figure out how to fix it.

Turns out this product/human hybrid solution has a name: product-led.

THE PHILOSOPHY—WHY PRODUCT-LED MAKES SENSE

Building on that initial epiphany, we developed our own take on the product-led approach to growth (PLG). The strategy made a lot of sense for us because the Sydney market, where we are based, is rather small. We needed a way to power up our brand for global domination without having a global presence on the ground.

I was personally motivated to adopt a PLG strategy because I'm an introvert who was invested in figuring out how to build a business without having to engage in too much conversation. In the early days, we adopted Homer Simpson as an avatar for our target customer. The caption on the poster read, "If something is hard to do, then it's not worth doing." The idea was that we wanted to create a user experience that was the opposite of hard.

I wanted to create an experience that was similar to Dropbox or Facebook. I never had to speak with anyone to use either of these products, and yet I was able to get a lot of value out of them. To make the strategy even more appealing, none of our competitors were doing anything remotely like what we were planning.

THE APPROACH—MAKE THE USER FALL IN LOVE

Our PLG journey was long and started with a lot of failure. Out of the first 1,000 people who signed up online, only two converted. Not a very auspicious start. But now—after we've experimented and optimized and iterated—our conversion rate is closer to a consistent 30 to 40 percent.

To get from 2 percent to 40 percent took a lot of growth hacking. We created a dedicated "product squad" whose sole job is to ensure that we deliver a tremendous amount of value when someone signs up. We don't ask for a credit card because that's like asking for someone's hand in marriage on the first date. You just don't do that. We don't even ask for phone numbers because that tends to feel too intrusive. Instead, our strategy is to let people try Deputy for free and then make them fall in love with the product.

Our approach is to let the product speak for itself and create value right out of the gate, before we attempt to capture any value from the user. We make it as easy as possible for anyone to get into the software without needing any intermediary "help" from a person. Ultimately, we want the product to carry things for the first mile of the customer journey, and help create momentum before we ever have to step in with a human interaction.

That said, we do have "pilots" on the team as well—people who jump in and grab the joystick if something seems to be going wrong. Some of these pilots are actually part of the product (like automated invitations

"OUR APPROACH IS TO LET THE PRODUCT SPEAK FOR ITSELF AND CREATE VALUE RIGHT OUT OF THE GATE."

to book a demo), and some are humans from our SDR team who reach out and get involved when there's a need.

GROWTH STRATEGY— COLLABORATION AND MOMENTUM

Aside from embracing a product-led approach, the development of our growth squad was one of the biggest growth turning points for our organization. This dedicated team brings together the best people across all functions. It enables close collaboration between our best people in a variety of key roles: product manager, iOS engineer, Android engineer, web developer, etc. This team works together using all the data that we have available to increase our conversion rates using any means necessary. We even incentivize this group by basing bonuses on the percentage of increase in the conversion rate.

Each member of this team has to have a deep understanding of the product. They also have to have a growth mindset, and be willing to live by a company value that some might find shocking: perfect is BS.

Our growth squad needs to be 100 percent committed to an aggressive cadence of shipping and learning and shipping again. We are not worried about building the most perfect and beautiful onboarding flow, but we will ship something, and then we'll learn from it so we can make it better tomorrow. The approach is basically putting hack after hack in order to prove a theory. We try something, shift something, maintain momentum and eventually land on the thing that works.

Early on, our growth squad settled into a cadence of nightly releases. They measured the engagement scores of the previous day's signups, identified obstacles to the flow and then made overnight adjustments. In some cases, this constant, fast iteration led to some really terrible mistakes, but because they all report to me, I'm able to give the team cover in those instances. That's how we've managed to drive such significant growth—by constantly taking steps toward a solution that's a little bit better than the last one, even if that process involves taking a few missteps along the way.

The growth squad and the product team work closely together, but not necessarily in tandem. The product team tends to build for the long term, while the growth squad is reacting to current engagement data and other indicators that help uncover opportunities to shift the experience, either to reduce friction or drive toward a different behavioral outcome. There are many ways the work of these two teams intersects:

- The growth team may layer something on top of what the product team has built—an additional element like an in-app guide or prompt that supplements the user experience.
- The growth team may develop a hypothesis around a particular feature or user behavior and then—once that hypothesis has been validated—pass the information onto the product team so they can implement the corresponding change or addition.
- Sometimes, the product team builds something really outstanding, but customers are unable to swallow it without some additional assistance. In such cases, the growth team steps in to remove friction from the process in whatever way is necessary.
- Most of the time, the product team builds something awesome that adds significant value for the user, and then the growth team focuses on how to help users adopt that something and realize its value more quickly and easily than they would on their own.

The product led growth mindset is a focus not only of our product and growth squad teams, but of our entire organization. In fact, while we do track the usual SaaS metrics, we put a lot of emphasis on something called "engagement score," which refers to how someone interacts with different parts of the product. A low engagement score may be due to a complex use case or maybe the need for third-party integration. When we see a low engagement score, that triggers an inquiry into the cause, and then we can activate our "pilots" to step in as needed.

On a day-to-day basis, I focus less on revenue numbers (which I often will only review at board meetings) and more on our conversion rate. Conversion rate tells the engagement story and reflects the work of our product team and the growth squad, and that's where the action happens.

THE BOTTOM LINE: DELIVER VALUE

One of the often overlooked truths about being a product-led company is that you really have to deliver value all the time. When you are relying on your product to do the heavy lifting of driving engagement and conversion, it needs to be able to deliver on whatever promises you've made. You need to do everything in your power—even if that means making some mistakes along the way—to constantly iterate so that you're always improving the user experience.

If you can delight your users—providing them with a truly superb experience—they will take your product with them from company to company. They will make your product part of their personal toolkit for getting their job done. This is critical for Deputy since the market we service is hourly paid workers in hospitality, retail, healthcare, transportation, construction, education and other verticals. These people represent 60 percent of the global workforce, and we want Deputy to serve as many of them as possible. Right now, here in Sydney and also in New York, for example, you can't walk 100 yards in any direction without bumping into a Deputy customer. That's the kind of ubiquitous presence we want to establish all over the globe, and product led growth is how we believe we can do that. ■

"IF YOU CAN DELIGHT YOUR USERS—PROVIDING THEM WITH A TRULY SUPERB EXPERIENCE—THEY WILL TAKE YOUR PRODUCT WITH THEM FROM COMPANY TO COMPANY."

THE GROWTH MINDSET: AN OVERVIEW OF KEY GROWTH STRATEGIES AND TACTICS

By Akshay Rathod

My road to managing products and growth was a winding one, but I'm glad to see that the ideas I've been learning, developing and practicing over the years are becoming standard business practice. I recognize that a lot of my work is still pretty niche, but as more people are exposed to the world of user growth, more of them are showing a desire to apply that approach to their businesses.

Adopting what I call the "growth mindset" requires tackling top-line and bottom-line growth as an interdisciplinary practice. My personal and professional backgrounds contributed to my tendency to see the world through many mental models. I was born in Bombay, but grew up in New Jersey and was acutely aware of the juxtaposition of those two places in terms of economic development, politics and culture. I wanted to be a neuroscientist in college because I was so interested in the combination of the scientific method and the study of human behaviors. I found the application of these ideas within the business context to be more rewarding; the velocity of the business experimentation feedback loop has allowed me to immerse myself in multiple sandboxes.

I started learning the true value of user growth frameworks as I worked through a handful of startups, constantly learning and iterating on ways to grow a business. One of these startups was Dia&Co, a personal styling service for women sizes 14+. I started the growth team and scaled Dia&Co's customer acquisition and retention strategies. The team developed a digital community playbook and created a viral growth engine focused on maximizing lifetime value and minimizing cost per acquisition. This helped scale Dia&Co to now over 4 million users and over $90 million in venture funding. Now, I am the Founder of USONIA, a holistic growth auditing platform and service for customer growth. The business focuses on generating profit at scale through the growth mindset. I have worked with a wide range of companies—from public to pre-seed —and in starting USONIA, I've helped shape the strategy and implementation for CPA, LTV and user experience maximization.

I'd like to share a few thoughts on the growth mindset and holistic user growth.

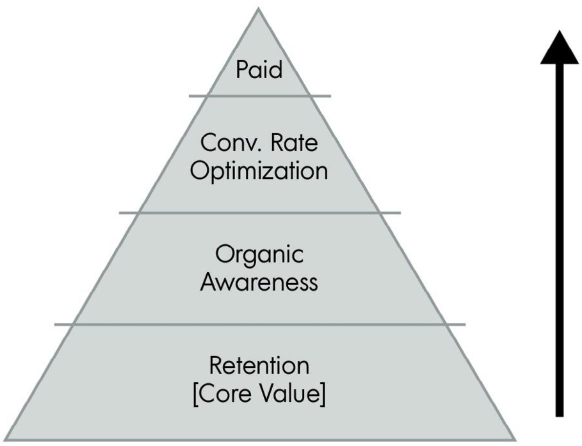
THE FOUR GROWTH LEVERS—FOUNDATIONAL BUILDING BLOCKS

Part of what drew me to study and develop growth systems for startups was the appeal of using a scientific approach to problem solving. I like a methodology that allows you to work through a problem by starting with a hypothesis, moving through a set of expected outcomes, developing and implementing an experimental design and then seeing the results in real time. I find that kind of feedback loop really satisfying.

Growth systems provide this feedback loop, and—because behaviors are constantly shifting—the details of how you think through each problem are always a little bit different. It makes for a very creative, innovative and intellectual discipline.

To build an effective and efficient growth engine, I start a foundational framework to assess and prioritize growth opportunities. This assessment must be integrated across all functions because growth sits at the intersection of all other elements of your business—marketing, technology, product development, data and research.

When it comes to assessing growth, there are four building blocks you need to look at: retention, virality, onboarding, and user acquisition. I call this the growth pyramid. I look at these four key growth levers through the outputs of LTV (lifetime value), CPA (cost per acquisition), and user experience. I want to see how each block is working on its own and in unison with the other three.



The overall framework includes three phases:

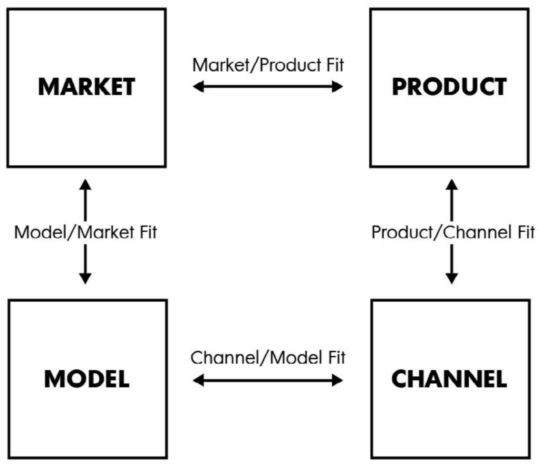
- **Growth Audit:** I analyze multiple data sets and interview key stakeholders to generate recommendations and models to help the business uncover the biggest growth opportunities.
- **Testing and Validation:** I develop a growth roadmap based on using hypothesis-driven experiments across a variety of channels and tactics.
- **Ongoing Support:** I provide long-term advisory services to keep the growth on track and supported within the organization.

Throughout the process, I am looking for inefficiencies in the existing system and finding ways to turn those inefficiencies into value for the business and its customers.

PRODUCT FIT—NOT JUST ABOUT THE MARKET

In addition to the general misconceptions about what actually drives growth, I often find that companies misunderstand the big-picture context of product-market fit. Product-market fit is a term discussed all the time. I know it's a critical component of growth, but what many companies fail to recognize is that "product-market" is only part of the fit equation.

What's Needed to Build $100M+



Brian Balfour's more extensive fit framework provides a much more accurate overview of what it takes to achieve a certain scale. His framework takes growth's interdisciplinary nature into consideration by weaving in additional elements and connections. To use his approach, you need to look at four kinds of fit:

- Market-Product
- Product-Channel
- Channel-Model
- Model-Market

"WHEN IT COMES TO ASSESSING GROWTH, THERE ARE FOUR BUILDING BLOCKS YOU NEED TO LOOK AT: RETENTION, VIRALITY, ONBOARDING AND USER ACQUISITION."

To grow your business to $100M+, you have to achieve the right fit in each of these areas. The challenge is that the relationships between these elements is always evolving, meaning that the fit that worked yesterday may break tomorrow.

The key to succeeding in all four quadrants is to build for things that already exist. Anthropologists know that it's easier to build on top of existing habits and societal behaviors—to fit into an existing and accepted routine—than it is to try and force people into a new behavior that sits outside their normal existence. It's the same with software products. Instead of starting with the product or service you want to sell, start with looking at the platform you want to build from and uncovering the unmet need that already exists. Shift your focus from internal (what you're building) to external (where is there an existing opportunity to fill a gap). Solving for cognitive thresholds is critical. Given the unprecedented pace of technological adoption in the last few decades, we are observing so many new behaviors that encounter various forms of friction. Growth comes from identifying these friction points and lowering the cognitive threshold toward true value.

STACKABLE VIRALITY: A GROWTH SHORTCUT

Talking about building on top of existing infrastructure—either physical or behavioral—another powerful strategy for growth is stackable virality. As search-based platforms expand to massive scale (think Amazon, Airbnb, GrubHub, etc.), new ecosystems are springing up with viral networks that create valuable product-channel fit opportunities for innovative companies. The idea is to build your product-channel fit on top of existing high-volume, high-intent, low-cost distribution channels.

The potential is immense and always expanding. Consider, for instance, that there are eight different one-billion-user Google products, and any one of them is a potential gold mine of a distribution channel just waiting to be discovered. All that's needed is the right model.

But even without looking to the future, there are plenty of examples of stackable virality that clearly demonstrate the value of this strategy. Take PayPal and eBay. PayPal stacked itself over eBay and reaped the benefits of an already thriving ecosystem that was built for transactions. PayPal was able to recognize the opportunity to serve eBay's middle-America, auction-loving audience (which was completely different than the payment app's original target audience of affluent and professional early adopters), and were able to take advantage of eBay's viral nature to drive exponential growth.

"THE BEAUTY OF THE 5% CHALLENGE IS THAT IT'S ONLY 5% OF YOUR BUDGET. IT'S A SMALL ENOUGH AMOUNT THAT IF THE RISK YOU TAKE DOESN'T PAY OFF, IT'S NO BIG DEAL."

You do have to be cautious, however. Not all such relationships have happy endings. The symbiotic relationship between Zynga and Facebook, for instance, didn't last very long after Facebook deprioritized its apps. Zynga, which had driven early growth through a series of apps built on the social network's platform, was unable to transition to another platform and that proved to be their downfall.

COMMON GROWTH MISTAKES

While putting all your eggs in a basket you don't own (with no backup plan) is one potential growth mistake to watch out for, there are plenty of others to keep in mind as you start looking at your business with a growth mindset. There are four in particular that I see quite frequently:

Incorrect Data Interpretation

It takes some experience to accurately read data in a way that will allow you to formulate a solid growth hypothesis. Often, because the process and language is new to the company, the key performance indicators (KPIs) are not clearly delineated so the metrics you're aiming to move might also be a little fuzzy. You need to have a clear understanding about cause and effect—what will happen when you change this or that.

Tactical Uncertainty

On a related note, it's easy for a company to miss the mark when trying to determine which efforts will have the biggest effect—which lever to pull. Should you focus on improving the click-through rate or increasing the conversion rate? Will it have a better bottom-line outcome if you improve the active cart rate or the checkout rate? What difference will it make if you achieve a 10% incremental improvement at the top of the funnel versus the bottom? It's important to model these scenarios out thoroughly so you know where to allocate your resources for the best ROI.

Poorly Designed and Implemented Experiments

This is another area where experience matters. Even if the company is able to determine that their best move is to increase click-through rates by ten percentage points, they may not know how to design an experiment to validate the hypothesis. And if they can't set up the test properly, they won't have enough data to make follow-up decisions with any conviction.

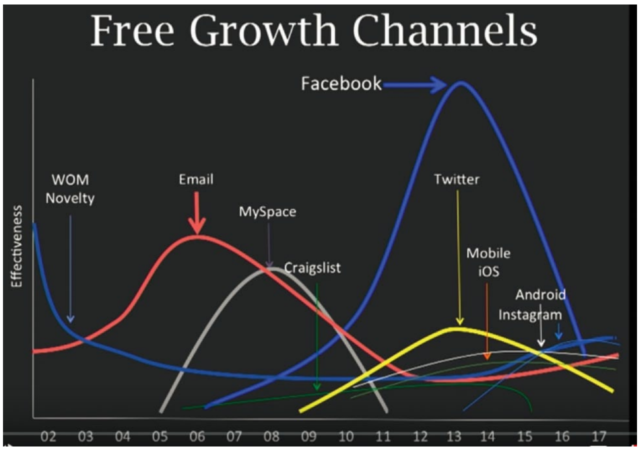
Results You Can't Replicate

Finally, a good test is one that's repeatable and scalable. While it might be exciting to pull off a really successful ad hoc test, I will always prioritize my time to pursue the thing that gives me half the result, but can be repeated ten times.

BIG PICTURE ADVICE—THE 5% CHALLENGE

Because each growth case is unique, it's hard to give universal advice. That said, it's always a good idea to think about different time horizons when you're thinking about growth. You will have short-term wins and long-term wins. Most of the time, founders focus on the short term because they are most concerned with getting to the next day or week or month. But there's a lot to be said for taking what I call the 5% challenge.

Go ahead and allocate 95% of your resources, time and money into staying on top of your short-term objectives; but take the remaining 5% and put that into making longer-term bets. Spend some time thinking about what's next, what's just emerging that could make a huge difference for your business. What's new used to be things like community and podcasts. Now it might be streaming TV. The law of diminishing returns is real. To stay ahead, you need to be ready to jump on the next big thing before the other business does.



Research is a function that's very underutilized in most companies. It's my job to think about these things day in and day out, but most companies aren't asking the hard questions about their customers. Every company should have a head of research who can give the organization a qualitative understanding of the market, the competition and the customer base—all at the same time and in relation to one another.

The beauty of the 5% challenge is that it's only 5% of your budget. It's a small enough amount that if the risk you take doesn't pay off, it's no big deal. On the other hand, if it does work, that's the clinch. You've found an inefficiency. You've found a stackable virality play that no one else has discovered yet. At that point, the sky's the limit.

WHAT MAKES TRELLO TICK? SIMPLE STRATEGIES FOR PRODUCT-LED SUCCESS

By Justin Gallagher

JUSTIN GALLAGHER
Head of Product Management
Trello

Whoever said that a product has to be complicated and boring to provide value or be taken seriously? No one. And yet that's the mistaken assumption people make all the time.

After eight years leading Trello's product team, I've found that keeping a product intuitive, immediately valuable for users and fun to use, is a great strategy for delivering a ton of value to customers. I would even go as far as to say that a connection between simplicity, fun and immediate value for users is what sits at the core of successful product led growth.

Straight out of school, I started my career in a very different role as a consultant and data analyst for Deloitte. My team built apps to help our clients analyze large amounts of data and pinpoint anomalous and fraudulent transactions. In this role, I learned a lot about how to work with clients, tackle new projects, communicate clearly and generally just be a professional. While I enjoyed the work, I ultimately decided that I wanted to go a bit deeper on the product side. We'd spend months understanding the project and crafting a custom app for a client. Just as we got to a place where it was really working and useful, the project would end and we'd start over from scratch with a new client. I found myself craving the experience of iterating and making the product better and better.

To bolster my resume for the transition from consulting to the world of startups, I taught myself to build iPhone apps just after Apple released their first set of developer SDKs. Throughout the learning process, I spent a lot of time on Stack Overflow (a Q&A site where developers answer each other's questions). This activity caught the eye of Stack Overflow Co-founder, Michael Pryor, and he recruited me to work at his other company, Fog Creek Software. Luck was on my side, and shortly after joining Fog Creek, we started an innovation initiative to build new products and I became one of the first two people to work on the idea that evolved into Trello. As our team grew, I found my way into a product manager role and quickly realized that it pulled together many of the things that I loved most: solving real-world problems with code, great design and user experience, data and analytics and working closely with talented people to build great things.

After nine months, we launched Trello on stage at TechCrunch Disrupt in September 2011. Just a few days after launch, we had already rocketed from a few hundred private beta users to more than 50,000 registered users. We really knew we were onto something when we spoke with some of those early users and learned just how passionate they were about what we'd built.

Since that launch, we've grown Trello into a product with over 35,000,000 registered users and at least one user in every country in the world. Here are some of the strategies that have helped us get there.

PRODUCT-LED BASICS

All along, our product-led strategy at Trello has been pretty straightforward. It's less about trickery and optimization, and more about just building something useful in a way that connects with people. Something that is simple, customizable, visual–and even fun. Something that has some personality and gives people something to talk about.

To break that down a bit, let's start with keeping it simple. In everything we do, we aim to eliminate friction and avoid complexity. We focus on doing the basics really well and strive to smooth out every experience so we can help the user get into the product as easily as possible and deliver value to them as quickly as we can.

The most effective thing we've done is fine-tune our onboarding process. Over the years, we've made sure of two things. One, that our signup process is as streamlined as possible; and two, that when someone signs up for Trello—whether they're coming in cold or because someone invited them—that we demonstrate the product's value in a way that's immediately useful to them.

We've spent a lot of time working out the best ways to teach new users how to get the most out of the product. Being product-led, we use the product itself to teach people how they can use it. For this to work, we have to have a clear hierarchy in our minds about which features are most important to users right away and which ones we can show off to them as they gain experience and expertise. We try to resist the temptation to overwhelm people early on by showing them everything we have all at once.

Overall, all of this is about following through on the expectations you set. You make promises on your landing page and need to deliver on those within the product. So we pay close attention to getting those basics right. We don't overcomplicate the product and get the user to value as quickly as possible. It's a strategy that's worked really well for us.

PRODUCT LED GROWTH—THE DAY-TO-DAY PERSPECTIVE

Of course, at a certain point, you need to think about growth in a slightly more formal way. We have teams that focus on growth-related aspects of the product and we encourage all of our teams to adopt a growth mindset driven by attention to metrics and a willingness to experiment and test ideas. This holistic approach means that we're constantly making small changes that help to grease the wheels of growth in subtle, but meaningful ways.

From the start, we were very intentional about how we positioned Trello in the market to support strong word-of-mouth and virality. We always made sure people understood that Trello is a collaborative tool. It was important to us to occupy this space in people's minds (rather than being thought of as a personal to-do list or a notes app) so that we weren't limited by the perception that Trello was for individual use only. We wanted to lay the groundwork for sharing by making sure people expected to use Trello with their colleagues, friends and families.

That was only the first part of the equation. Once we'd established Trello as a collaborative tool, we needed to deliver value to the individual quickly. It might sound counterintuitive, but we knew that unless we were able to follow through on the promises we made in our marketing materials, they wouldn't have enough reason to share it with others. Trying to speed up the viral loop before demonstrating value is a mistake I see many SaaS companies falling into. They make a big ask, like connecting your address book or inviting your entire team way too early; before you have seen how the product can be of use to you. There are a lot of products out there for people to use. Some are good, some aren't. People don't want to look foolish by spamming their colleagues or friends with invitations to something that turns out to be a bust. You need to establish trust with people by delivering value before they will feel comfortable recommending your product. Don't put the cart before the horse.

With those pieces in place, we started to refine aspects of our product that could influence virality and network effects. For instance, we enabled people to customize the message that was sent when they invited their colleagues into Trello with them. Through conversations with users, we uncovered a common scenario in which people wanted to collaborate with others, but they weren't using the in-product invitation mechanism we'd built. Instead, they'd sit next to their colleague and walk them through the generic signup flow. After they'd signed their friend up, they'd then add them to existing boards so they could work together. By thinking about how this process was unfolding in the real world, human-to-human, we were able to craft an in-product collaboration experience that more closely emulated what people did naturally. We changed the invite process to include the option to customize the message so you could explain what you were inviting people to and why. We also started to notify the person who sent the invitation when the invitee signed up so they didn't feel like the system was a black box. We even went a step further and prompted the inviter to help the person they invited get up to speed just after they got into the product.

We've also used one of our paid products, Trello Gold, as an incentive to drive product led growth. Developed for individuals, Trello Gold provides additional features and some other fun extras. We offer free months of Trello Gold in exchange for people inviting others to the platform. As an added benefit, we see users opt in to paying for Trello Gold after their free months run out because they enjoy the features.

While these kinds of incentive schemes can help drive growth, I've found that it's the core elements of the product experience that deliver the best ROI. The contributions of things like free months of Trello Gold are dwarfed by the returns from a streamlined signup process, intuitive onboarding experience and natural in-product collaboration. It pays to get the basics right.

"TRELLO'S SENSE OF FUN AND FOCUS ON SELF-EXPRESSION IS PART OF WHAT HELPS PEOPLE LOVE IT AS MUCH AS THEY DO."

PRODUCT LED GROWTH—A BIGGER PICTURE

New challenges often crop up as growth escalates, including how to prioritize between core product development and your growth engine as well as how to identify the right metrics to help track engagement and growth.

The core product vs. growth engine often becomes an issue because people assume that these two efforts are at odds with one another. We've avoided that dilemma at Trello by making sure that everyone is focused on building a really great product and an elegant experience. Even when we're testing a specific conversion optimization point, we're also looking at long-term metrics. This ensures we're not inadvertently damaging long-term retention in the name of short-term optimizations. We look at the whole picture to make sure we're balancing our efforts across the full customer lifecycle.

On the metrics side of things, we look at the typical SaaS metrics around acquisition, activation, retention, revenue, referrals and so forth. But we've also developed a Trello-specific metric that is tailored to our particular use cases. Our "4 in 28" metric is an active usage metric that focuses specifically on content creators.

In Trello, we have two different kinds of users: creators (people who add cards, move them around, write comments, attach files, etc.) and observers (managers, executives and so forth who view boards to follow progress, but aren't creating as often). If creation slows down, we know observing will soon slow too, so we need to keep an eye on those creators. We have found this to be a good benchmark for the right level of engagement for our product and use cases. A user is considered to be 4 in 28 if they have done any kind of content creation in the product on 4 different days over a 28-day period. This metric is key for us because it really hones in on how users are engaging with the product. Whenever we're running experiments, we're always asking if what we're doing will also help drive up 4 in 28. It keeps our efforts focused and effective.

BRANDING AND MARKETING—ALSO PART OF A PRODUCT LED GROWTH STRATEGY

Our focus on product led growth doesn't mean we don't also recognize the importance of solid branding and marketing. From how we position ourselves in the market, to the voice and tone used throughout our landing pages and beyond, our marketing efforts follow a lot of the same principles as our product.

When it comes to marketing, we know that it's not just what you say, it's how you say it. We strive to cultivate a brand voice that has a very human tone, is helpful and sometimes even funny. We want to create a brand personality that resonates with people and makes it easy for them to connect with us.

We're also careful to be really consistent with our voice. I notice companies sometimes slip up here by developing a really cool, fun voice for their marketing materials, but then failing to carry that through into the product. We work hard to preserve our voice through every touchpoint people have with us; from marketing materials to landing pages and through every product interaction including things like help documentation and notification emails. Every customer interaction weaves in our brand's voice and personality; even pricing changes, terms of service updates and general drip campaigns. We want our customers to hear the Trello voice clearly in every interaction they have with us.

THE SECRET TO PRODUCT-LED SUCCESS: MAKE A GREAT PRODUCT THAT PEOPLE LOVE

We have distilled our philosophy down to a list of 10 principles that describe Trello: universal, easy, personal, visual and tactile, familiar, succinct, direct, flexible, collaborative and fun.

People are sometimes surprised that our principles aren't more unique. After all, who doesn't want to build a product that's easy, flexible, collaborative or fun? But that's intentional. Our principles are intended to come to life when they're combined. An experience that's visual and tactile, collaborative and fun–that sounds like something that'd fit well at Trello.

If I had to pick favorites, I'd say it's a dead heat between two: "direct" and "fun."

Direct speaks to how Trello enables users to manipulate objects on their screen directly, without wading through forms or settings menus. People can get things done quickly and intuitively by clicking, tapping and dragging. This provides a much more intuitive user experience than the old-school method that forces people to fill out forms to indirectly make changes. The direct approach mimics the real-world experience more closely. If you were moving a Post-it® note across a wall, you'd just pick it up and move it. Trello gives you that same experience, only digitally.

Fun is all about the idea that even when work is hard, it can still be fun. Trello is a productivity tool that's all about being organized and collaborating effectively; but through our customization features and visual nature, Trello helps people express themselves and the identities of their team. In the same way that you might decorate the walls of your office to make you feel inspired and comfortable, customizing the background and setup of your Trello board morphs it from just a tool for organization into a home for your most important work. Trello's sense of fun and focus on self-expression is part of what helps people love it as much as they do.

The combination of these two attributes sum up the essence of Trello nicely. It's a product that resonates with people by being useful and enabling them to work the way they want to work. And to me, that's the essence of product-led success: build something that people love so they want to share it with everyone they know. ■

HOW TOP B2C BRANDS EMBRACE PRODUCT LED GROWTH

By Casey Renner

CASEY RENNER
Executive Network Director
OpenView

To be successful, B2B businesses need to think like B2C businesses and remember that their end user is an actual thinking, feeling human that expects a quality product and a personalized experience.

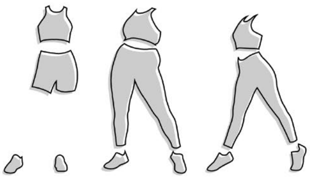
Enter product led growth (PLG), a go-to-market strategy that relies on the product itself to drive acquisition, retention and expansion. This strategy is how some of the world's hottest B2C brands, like Allbirds, Venmo and Bumble, to name a few, have become so successful.

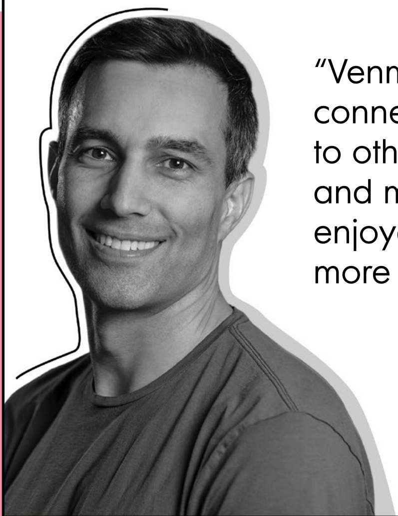
While OpenView invests exclusively in B2B software, many of our investments have been keen to learn from the best in B2C, given how important marketing and building a frictionless product experience for the end user has become as the first touchpoint.

We've compiled a list of quotes from leaders at some of our favorite B2C brands to highlight why all B2B companies could (and should!) take a page out of the B2C chapter and why it's not just black and white (or B2B and B2C) anymore. Especially when it comes to PLG.

"Through the way we message, the team we've built, and the customers we attract, we put people at ease. It's not something that we're trying hard to do, but there's this natural ease about the way we've built a community."

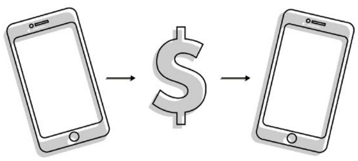
—Tyler Haney
Founder, Outdoor Voices





"Venmo's also about the experience in connecting people to what matters the most—to other people, to businesses, to other apps—and making that experience much more enjoyable. It's simpler and, in a lot of ways, more fun."

—Michael Vaughan
COO, Venmo

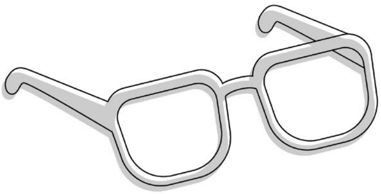


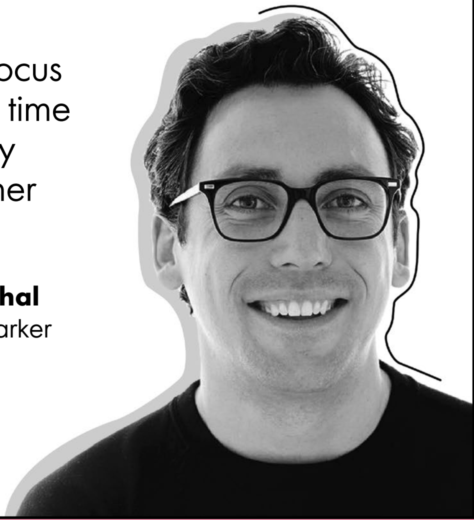
"Google may have 44 million robotic cars on the road, but Waze has 44 million users, and they make Waze's maps better by using them."

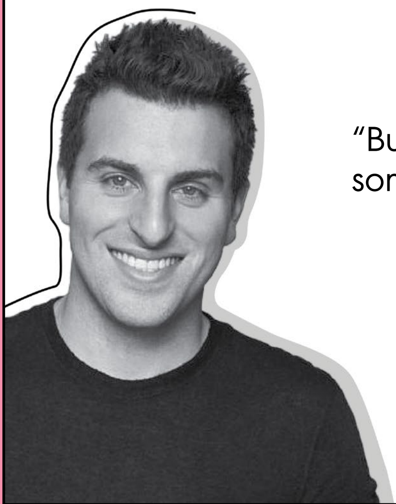
—Noam Bardin
CEO, Waze

"At Warby Parker, we moved our focus to promotion only after we'd spent time creating our product, a user-friendly website, and an on-the-ball customer experience team."

—Neil Blumenthal
CEO, Warby Parker

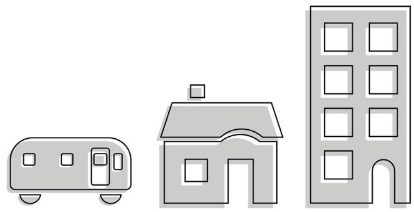






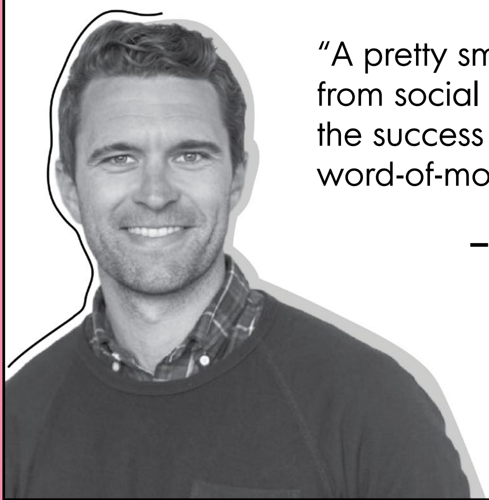
"Build something 100 people love, not something 1,000 people kind of like."

—Brian Chesky
CEO, Airbnb



"Anyone can replicate a product. There are lots of brilliant minds out there that know how to code, but there's a unique DNA to a brand. You cannot have a brand without people. That is the most important asset you will ever have."

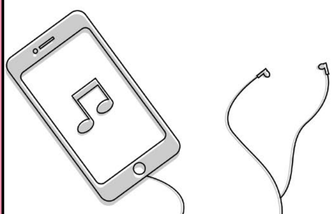
—Whitney Wolfe Herd
Founder and CEO, Bumble



"A pretty small amount of sales comes from social media advertising. A majority of the success we've had has been driven by word-of-mouth."

—Tim Brown
Co-founder, Allbirds

"When I'm in the startup stage—and this depends on where I am in the startup lifecycle—I likely haven't nailed my product/market fit. A lot of my product thinking is outward-facing—I go out and talk to people to learn about my user needs."



—Jason Schwartz
Product Director, Growth, Spotify

"If you can create content that goes viral, it's going to be cheaper for you to build your business."

—Michael Dubin
Founder, Dollar Shave Club

HOW TO AVOID ALIENATING NON-PRODUCT TEAMMATES IN YOUR PRODUCT-LED COMPANY

By Jeff Diana

One of the hidden challenges faced by product-led organizations is a tendency to focus so much on product that other functional areas end up feeling less appreciated. This can lead not only to dissatisfaction, unmotivated teams and reduced efficiency, but can also interfere with a company's ability to retain top talent.

It's understandable how product-led companies find themselves operating in a distinctly unbalanced way that favors product teams to the detriment of other areas such as sales, marketing and even customer success. Many such organizations are led by founders and CEOs who started out as engineers and who naturally have a more product-centric approach to building and growing a company. Often, it doesn't even occur to them that there's any kind of imbalance because the lens through which they view the market is all product all the time.

Even in such instances, there are steps you can take to help balance the scales and give your organization a stronger foundation on which to operate. It's important to keep your team aligned and ensure that each member feels not only like they are contributing, but that those contributions are valued. Only then can you expect your organization to reach its full potential. After all, once a product finds market fit and a company begins to grow, it simply cannot execute or scale without all its functions doing their part to create success.

THE FIRST STEP IS ADMITTING THERE'S A PROBLEM

The first step to rebalancing your organization is to acknowledge that there's a bias. A simple gut check to help you assess your company culture is to ask yourself if you can easily and clearly articulate your business' strategy for areas outside of product. Do you have clear goals and deliverables that you hold at the same level of importance as product development for areas like sales, marketing, customer success, human resources and so forth? If you see each of these functional areas as important, you should be measuring both your investments in those areas and their performance against a master plan.

From looking at functional areas, you can then drill down to individual people on your team and how you reward them. It's likely that people in product and engineering may be considered the most valuable, and therefore, rewarded most heavily. They may get more than their share of equity when you compare their collective percentage of material stock grants against their numbers within the overall population. If you discover a major disparity, it may be time to spend some energy focusing on how you value and compensate individuals outside of product with retention in mind.

"IT'S IMPORTANT TO KEEP YOUR TEAM ALIGNED AND ENSURE THAT EACH MEMBER FEELS NOT ONLY LIKE THEY ARE CONTRIBUTING, BUT THAT THOSE CONTRIBUTIONS ARE VALUED."

In order for a product-led company to create sustainable growth, it needs visionary leaders who can inspire people throughout the entire organization. Finding and retaining great people who can instill team members with a sense of purpose and passion is key. It's well worth the effort to make sure you're not inadvertently alienating these pivotal players.

THE NEXT STEP IS GETTING PROACTIVE ABOUT CREATING BALANCE

One popular and effective ritual that can help you recognize the achievements of all your teams and also demonstrate how those achievements support the overall mission of the business is the Painted Picture Process. This exercise provides a framework that considers all parts of the business and all stakeholders. The benefit for product-led companies is that it forces even the most product-centric organization to think about other parts of the business and understand that each functional area—yes, even product and engineering—are parts of a greater whole. In other words, the process reminds everyone that product, while important, is not the center of the universe.

The Painted Picture Process is a visualization method that asks participants to come up with aspirational three-year goals for all the different parts of the business. The idea is to then think about how each of those goals will affect the business in various ways—in terms of brand, operations, people and culture, customers, partners and so forth. Thinking about goals across all functional areas and then further considering how the effects of each proposed goal will ripple through and touch all different aspects of the business in an excellent way to drive home the fact that it takes a coordinated effort to achieve any company's ultimate goals. No one team can do it on their own, and the decisions and actions of each team will influence the success of all the others.

WHEN IN DOUBT, HIRE AN EXPERT

Another tactic technical founders can employ is bringing a Chief People Officer on board sooner rather than later. While technical founders have a lot of knowledge about and passion for product, engineering and technology, they often lack the skills to manage the people side of things to deliver the best outcome. There's nothing wrong with this—no one can be an expert at everything. The trouble arises when a technical founder either neglects or refuses to get the help of someone who knows how to manage and optimize the people-related issues.

Technical founders need time to grow into the non-technical parts of their leadership role. This evolution takes time and is greatly aided by support from people whose experience and expertise lies in complementary areas. A Chief People Officer provides critical insight into the rest of the business, helps a founder/CEO think holistically across all the functions needed for success and develops strategies for creating a business that can scale.

MAKE SURE TO FOLLOW THROUGH—ARE YOUR EFFORTS PAYING OFF?

You've done the gut check, acknowledged the bias, and put some strategies in motion to help right the balance of recognition across all your departments. How do you know if your efforts are working? While digging into people analytics such as employee turnover and retention by department can be helpful, there are other indicators that bear watching as well.

One thing you want to follow is how engaged teammates are with their work. Do they feel like their work matters? Do they feel connected to the critical mission of the company? Are they excited and passionate about their contributions? While there may not be hard data to capture this, there are ways you can ask questions that will give you a sense of where people's heads are at about their work.

Another element to look at is promotion velocity. Here, you want to keep an eye out for an imbalance in promotions from department to department that might reveal a leadership bias for moving people in product-related functions up the ladder more quickly than people in other areas. These kinds of hidden biases can derail performance and growth by causing valuable team players to look elsewhere to accelerate their careers.

Finally, you can learn a lot about how you're doing by listening to what other people in the market are saying about your company. If an organization is too tightly wound around product, people will talk. If quality leaders perceive your organization as one that only caters to product and engineering teams and considers everyone else a second-class citizen, they won't come looking to join your team. When prospective teammates ask around, you want them to hear that your organization is the kind of place where all leaders are valued equally and all functions are considered important. When you've earned that kind of reputation, you'll be able to land the innovative and inspiring functional leaders you need to motivate each of your teammates to fulfill their potential and help fuel your company's overall growth and success. ■

"WHEN PROSPECTIVE TEAMMATES ASK AROUND, YOU WANT THEM TO HEAR THAT YOUR ORGANIZATION IS THE KIND OF PLACE WHERE ALL LEADERS ARE VALUED EQUALLY AND ALL FUNCTIONS ARE CONSIDERED IMPORTANT."

FROM BOOTSTRAPPED TO CATEGORY LEADER: LESSONS FROM ZAPIER'S FOUNDERS

By Wade Foster

WADE FOSTER
Co-founder and CEO
Zapier

When Bryan Helmig, Mike Knoop and I first had the idea for Zapier, I was still working my day job at Veterans United. We put in long months of late nights, early mornings and weekends before we were ready to graduate from side project to full-fledged business. Even in those very early days, we were intentional about running things as efficiently as possible. Initially, it just made sense to take a bootstrapped approach; but even as things got more real, we continued to always think carefully about each decision.

We've never gotten hung up on doing things the way everyone else does, and that has served us well.

Today, we are a 100% distributed team of over 250 people providing millions of loyal users with the ability to connect business apps and automate workflows. We currently support more than 1,500 apps, and our library is always growing.

Since our founding in 2011, we've come a long way. Interestingly, many of our earliest decisions as founders still hold up, even after years of growth and evolution.

BUILD EVERYTHING AROUND THE CUSTOMER

The customer has to be at the forefront of any business.

Pre-Zapier, my day job at Veterans United was in marketing automation. At the same time, I was doing freelance work that involved common tools like WordPress, MailChimp, Wufoo, etc., and I was running into challenges around how to get these different apps connected and working together well.

In the course of my personal research, I saw many other people on forums asking for integration and noticed the threads were lengthy and old. That was our hint that people wanted to connect tools and get their software working together. Additionally, the age of the threads indicated the companies behind these products weren't prioritizing integrations.

SO, THE IDEA FOR ZAPIER EMERGED AS A DIRECT RESULT OF LISTENING TO THE NEEDS OF THE PEOPLE WHO WOULD EVENTUALLY BECOME OUR CORE CUSTOMERS.

Since then, we've remained committed to supporting our customers. We did a lot of hand-holding with our first dozen or so customers in order to ensure that they got value out of our product. And then, when we started bringing on new team members, we made sure that every new hire regularly worked a customer service shift, because that's where you gain the deepest appreciation for what customers really need (and want).

We continue that practice today, and extend it to include roles that aren't typically exposed to customers—operations people, accountants, recruiters, etc. We find that becoming personally acquainted with our customers is beneficial to all our team members. For instance, recruiters with first-hand customer experience are able to give job candidates real examples of what it's like to work at Zapier. This helps ensure we bring on people who truly understand what our company is all about.

In Silicon Valley, it's easy to get turned around and focus on the wrong things—investors, the ecosystem, your peers. But we've never lost sight of who we're here to serve, and that's been a core pillar of our success.

WHEN THE CUSTOMER EVOLVES, YOU EVOLVE

When Zapier first launched, our customers were technically-forward solopreneurs and entrepreneurs. These people weren't engineers; they were early adopters of SaaS products who were trying to figure out how to get everything working together. Our users were also our buyers, which made it easy for us to understand who we were talking to and who we needed to listen to.

But as we grew, our customer base expanded to include larger businesses. We were no longer dealing exclusively with owner/operators; there were additional layers of people and often our buyers were not using our product directly. Things got a little more complicated.

While we had always been dedicated to providing value long before attempting to capture it, we had to be even more careful about where we put paywalls and how we established that value. We had to address the needs and questions of multiple audiences. We also needed to shift our focus a little to ensure that our product was embedded into key workflows within larger businesses. When Zapier becomes a core part of how a business works, it's much easier for users to make a strong case to a non-user buyer about the importance of upgrading and renewing.

When you're just starting out, knowing what your customers want and need is a little bit of a guessing game. You don't have much data to go on, so you have to listen closely to the few customers you already have, lean on your own experience as a buyer/user, and then trust your product intuition. You make decisions, and then watch to see what happens.

Maybe you add a new pricing level and then watch to see if people convert. If they don't, you investigate why not. You iterate and optimize, and eventually, you get more data and you can put everything you've learned into developing a scalable model that's more effective and sustainable for the long run.

The point is, no part of your business is ever "done." Your customers will change, so your business must change.

COLLECT DATA EVEN BEFORE YOU CAN USE IT

Speaking of data, collecting it is something we advise every startup to do as early as possible. While we didn't have any problem jumping into the breach when we needed to (our original pricing structure was based on the Fibonacci sequence with tiers priced at $11, $23 and $58), we always made an effort to use whatever data we had available.

One of the smartest things we did was to set up events on tons of little things that were happening in our product so that we could track all these different elements. Even though we couldn't do much with the data at the time, we collected a lot of it right out of the gate. This meant that once we started bringing in data scientists and analysts, they had a wealth of historical information to work with right away—no need to wait while the data collection engine revved up.

You don't even need a super sophisticated approach to this. We used Redshift. The key is to get started immediately. It'll put you miles ahead later in the game.

FIGURE OUT HOW TO TELL YOUR STORY SO CUSTOMERS GET IT

Before you can get users to experience the value of your product, you have to be able to explain your product's value in a way that makes them want to try it. Explaining what Zapier is in one sentence has always been a challenge. We can talk about connecting apps and automating things and increasing productivity, but even then, people aren't left with a clear understanding about what Zapier actually does.

When we were first trying to attract new customers, we found that the best way to tell our story was to wrap it around specific use cases. For instance, one use case might be about the way Zapier can automate sending contact information from a Wufoo form to a marketing database in MailChimp. This is a use case that immediately interests anyone using those two apps for email marketing and on-site forms.

Once we established that the use cases were the best way to illustrate Zapier's value, we built out content around the different use cases—landing pages, case studies and blog posts. We knew that in those early days, most users wouldn't walk in through the front door, so to speak, so we made sure to provide other relevant points of entry. The whole strategy mirrored the forum posts that were the inspiration for Zapier. We focused on addressing customers' specific challenges rather than a broad and generic sales pitch.

"THE POINT IS, NO PART OF YOUR BUSINESS IS EVER 'DONE.' YOUR CUSTOMERS WILL CHANGE, SO YOUR BUSINESS MUST CHANGE."

INCLUDE A FREEMIUM OR TRIAL OPTION

One thing we didn't get right immediately was offering a freemium option or even a free trial. This wasn't part of our initial strategy, but we made a quick adjustment to add a freemium offer. This is pretty mandatory for product-led companies because it provides a mechanism that allows you to accelerate time to value and—ultimately—help drive users to paid options.

Having a way to deliver value before attempting to capture it is a powerful tool, especially for a company like ours that was essentially creating a new category. Being so new to the market, few people had ever heard of, never mind used, a product like ours. Our freemium plan was a way to help us educate our potential customer base. It removed any friction that would have kept prospects from getting into the product and playing around to see what they could do, and that was critical.

THINK CAREFULLY ABOUT YOUR FUNDRAISING NEEDS

A lot has been written about our once-and-done approach to fundraising. Like many other aspects of our company story, our commitment to being capital-efficient is really a product of our circumstances as much as a philosophical or strategic choice.

We founded Zapier in Columbia, Missouri, which is not a hub of VC activity. We also held our employer, Veterans United, up as an example of how to scale without raising a dime. That company was owned and run by two brothers who had grown the business to more than 1,000 employees who managed billions of dollars in VA home loans each year. This inspired us to focus on building a product people loved, pricing it fairly and then getting it into the hands of the folks who needed it in a scalable and efficient way.

With this mindset, we looked at capital-efficient businesses versus capital-intensive businesses. Capital-efficient businesses tend to have really strong network effects (like referrals) and efficient scaling strategies (like search). Capital-intensive businesses, on the other hand, tend to have heavy sales models and major capital requirements around things like labor and equipment.

Keeping this context in mind, we did a small seed round in 2012 and otherwise made business development decisions that would help us stay squarely in the capital-efficient category. We avoided the temptation to fundraise for the sake of filling bank accounts or getting media coverage. We didn't feel compelled to follow the traditional playbook if it didn't make sense for our company. We decided to only raise money if we actually needed it, and it turned out we didn't need any beyond that first round.

Instead, we invested in our product in ways that would drive growth and revenue through increased acquisition and upselling additional services to existing customers. Mostly, this was about filling feature gaps that we hadn't anticipated in early iterations of the product—things like built-in Zapier apps including formatter, email parser, filter and so on.

Expanding and enhancing our developer platform has also been really key to our short- and long-term success. This platform allows our partner ecosystem—which now includes more than 1,500 partners—to build the integrations into Zapier. In fact, the majority of our app library has been built out by the ecosystem, so it's a very efficient model for us. Overall, extensibility has been a key component of our success. When users can take your product and adapt it to their unique needs, that creates big ecosystems that are hard for rivals to compete against.

CONSIDER THE POSSIBILITY OF BEING A DISTRIBUTED COMPANY

Finally, another area in which we were kind of accidental pioneers is the remote working trend. Zapier is a fully distributed company with all 250 of our employees working remotely. While this business concept has become much more mainstream, when we were starting out, it was definitely an anomaly.

At first, it was mostly a matter of necessity. In the beginning, Zapier was a side project, and side projects don't have offices. Instead, we collaborated via chat, GitHub and other online tools. We got so used to working this way (and it was so efficient and productive) that when we started to hire we didn't see a need to change our approach.

This was especially helpful since we were in the Bay Area and our first hires were people we'd worked with back in the Midwest. Even when we were only a half dozen people, we were spread out across three or four different cities.

Though we came to the distributed model by default, we wouldn't change a thing. It's not for everyone, but there are many benefits to working this way. Being distributed gives us access to a wider talent pool, lowers our overhead and helps with employee satisfaction and retention. And going remote is easier than ever because of new technology and tools—like Zapier—that help teams communicate, collaborate and get things done.

TRY NEW THINGS. MAKE YOUR OWN WAY.

One of the throughlines that weaves in and out of all our experiences and choices at Zapier is a commitment to trying different things and being unafraid to take a non-traditional approach.

When I was first out of school, I didn't have a really clear focus. I'd done well academically, but didn't have a lot of pursuits beyond that. And then the 2008 financial crisis hit, and it didn't take me too many weeks of trying to land a job (or even an internship) to realize that being book smart wasn't enough—you need real experience and you need passion. You need to get interested in things.

That's when I started playing around with the internet a lot more. I saw people having success with new business models and software. So I dove in, and I learned. And I learned a lot. That try-anything mindset and willingness to do things differently than people expect is what eventually led Bryan, Mike and I to connect the dots around the idea for Zapier and then make that idea a reality.

So get out there and try new things. Experiment. Learn. Choose your own path, and don't feel like you have to do everything by the book. The book is constantly being rewritten by people just like you. ■

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WELCOME TO THE END USER ERA: the generation of software that puts the individuals living their lives in the product first, and the executives with large checkbooks second; the generation of product funnels, not sales development funnels; the generation of stickiness through design, quality, virality and network effects, not lock-in through painful switching costs and binding contracts. We're here, and it's an exciting time for all of us using software—we're in the driver's seat and free to use products that make our lives easier.

With this new generation of software, there are still many questions to be answered. How will people find software when salespeople aren't finding them? Will platforms like Product Hunt, Reddit, HN, Twitter, Google Apps, Shopify App Store, Apple App Store and others drive software discovery? Will tools that are inherently viral have the ultimate competitive advantage, especially in industries less present in online communities?

And as product led growth takes over more complex disciplines, how will product teams make products simple enough to be adopted by users in a self-service way and sophisticated enough to solve complex business problems?

We're defining the new rules of the road as we continue the shift into the End User Era. But it's the early days, and there's still much to be figured out. It's an exciting time to jump in and help pave the way.

ARIEL WINTON
Vice President
OpenView