TABLE OF CONTENTS

1. Introduction
2. Participant Overview
3. Features: PLG Insights & COVID-19
4. Customer Journey Insights
5. Acquisition & Retention Insights
6. Product Metrics
7. Team Insights
INTRODUCTION

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

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

– Sam Richard
Director of Growth at OpenView
THE PARTNERS WHO MADE IT POSSIBLE
WHO TOOK THE SURVEY
**DISTRIBUTION BY ARR**

- <$1M: 28%
- $1-5M: 20%
- $5-10M: 14%
- $10-30M: 25%
- $30-100M: 8%
- $100M+: 6%

**DISTRIBUTION BY GEOGRAPHY**

- US: 62%
- Europe: 19%
- Canada: 14%
- APAC: 5%
- Other: 4%

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

Note: Respondents could select up to two responses.
PRODUCT LED GROWTH INSIGHTS
WHAT IS PRODUCT LED GROWTH?

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

Many of the fastest growing software companies, including standout public companies, employ PLG.
PRODUCT LED BUSINESSES GROW FASTER AT SCALE

Median Growth Rate

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

Source: 2019 OpenView SaaS Metrics Survey, N=639. PLG Companies defined as those leveraging more than three of the 9 PLG strategies surveyed.
PRODUCT LED GROWTH IS YOUR SECRET WEAPON

Evolution of Public PLG Companies Since 2012

2012 (1 Company) 2013 (2 Companies) 2014 (3 Companies) 2015 (7 Companies) 2016 (8 Companies) 2017 (9 Companies) 2018 (15 Companies) 2019–2020 (21 Companies)
COVID-19 PROVES PRODUCT LED GROWTH IS YOUR SECRET WEAPON DURING A DOWNTURN

• While much of the data for this report was collected from Q4 2019 (Pre-COVID-19), it’s important to understand how well PLG companies are performing.

• Before COVID-19 impacted the market, the PLG index and the SaaS index were trading at similar rates. After four months of an unprecedented global crisis, SaaS companies are bouncing back while PLG businesses are trading at almost 2x higher revenue multiples than they started with.

Source: Pitchbook. PLG Companies can be found on the PLG Index [here](#).
CUSTOMER JOURNEY INSIGHTS
WEB-TO-FREE ACCOUNT CONVERSION

- For SaaS businesses with a freemium product or a free trial, getting users into the product is the single biggest source of leads.

- While conversion rates from the web to your product can vary dramatically, it’s clear that high-growth businesses have a wider top of funnel to work with from the start.

FREE-TO-PAID ACCOUNT CONVERSION

• At first glance, high-growth businesses don’t have much of an edge on low-growth businesses in their free-to-paid conversion rate. But note that high-growth businesses have much larger web-to-free conversion rates, generating a larger top of funnel to convert over time.

• Note: Conversion from free to paid was measured in 12-month cohorts.

Conversion from Free Account to Paid Account Freemium or Free Trial

GTM motion

OUTREACH TO FREE ACCOUNTS

• It’s no secret that your product is the best way to generate leads.

• Most software companies with a free trial or freemium model leverage their product to the fullest by reaching out to prospects who are using their tools.

CONVERSION AND OUTREACH TYPE

Conversion from Free to Paid Account (Team Performing Outreach)

- At first glance, for the average company it doesn’t matter which team owns outreach to new signups so long as they’re sales or customer success.

- Note that top-tier teams deploy sales in a way that makes a big difference on conversion rates.

TOUCHPOINTS AND CONVERSION RATE

• The real differentiator for conversion rates for free trials or freemium products isn’t whether you’re reaching out to users, it’s how persistent your messaging is.

• Conversion rates increase as software companies add touchpoints with prospects. 11+ touchpoints performed 2x higher than other sales and marketing cadences.

ACQUISITION AND RETENTION
ACQUISITION CHANNEL MIX BY CUSTOMER TYPE

- Organic traffic to your website represents a combination of marketing activities including press, social and referrals from one user to another.

- Overall, organic traffic seems to be most common for companies selling to smaller businesses, while sales is most popular at companies that go after Enterprises, which probably have larger deal sizes.

**Average Percent of Leads by Acquisition Channel**

**Target Customer Type**

DOMINANT ACQUISITION CHANNEL AND CONVERSION

- Organic channels, where users find your product via word of mouth, content, social shares or by directly accessing your website, result in much higher end-of-funnel conversion rates for businesses that leverage them as their dominant acquisition channel.

- Paid marketing like SEM, retargeting ads and paid social should never be your primary acquisition motion because of the combined cost and conversion challenges.


1. Dominant channel accounts for >50% of web visitors.
Retention is key to building an enduring software business. Especially for businesses with a free trial or freemium motion, this retention of users within the product, even just a month after signup, can prove difficult.

PRODUCT METRICS
**ACTIVATION**

- Product activation is the moment when your product delivers on the value that it promised. Getting a user isn’t enough—they must find value in your product.

- Companies that offer a free version or trial of their product are 2.5x more likely to measure that “aha” moment for users than their counterparts who don’t allow users to try the product before purchase.

**Organizations Measuring Activation**

<table>
<thead>
<tr>
<th>Have a free trial or product</th>
<th>No free trial or product</th>
</tr>
</thead>
<tbody>
<tr>
<td>39%</td>
<td>62%</td>
</tr>
<tr>
<td>Yes, we measure activation</td>
<td>No Activation Metric</td>
</tr>
<tr>
<td>42%</td>
<td>18%</td>
</tr>
<tr>
<td>Multiple activation metrics</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** 2020 OpenView SaaS Product Benchmarks Survey, N=153
It’s important to note that in OpenView’s work with best-in-class product led companies, we’ve seen activation rates average around 33%.

It makes sense that activation would be lower for freemium products, as they have a wider top of funnel than tools that offer a free trial, and a free trial makes users feel that the clock is ticking on product use.

PQL METRICS

- A product qualified lead (PQL) is occasionally confused with an activation metric. A true activation point can occur for a user only once, while PQLs can be made up of multiple layers of engagement in the product.

- It’s evident that this confusion between the two metrics is common at software companies, as most aren’t creating or tracking PQLs.

HOW TO CALCULATE YOUR NATURAL RATE OF GROWTH (NRG)

NRG = 100 \times \text{Annual Rate of Growth} \times \% \text{ of Organic Signups} \times \% \text{ of ARR Products}
• OpenView uses the Natural Rate of Growth (NRG) metric to better understand the growth engine inside of a company if you were to strip away the sales and marketing engine.

• While the NRG for everyone who took our survey was low compared to heavy-hitters like Slack, it’s clear from the data that while medians are the same across go-to-market approaches, best-in-class freemium software companies have extremely high NRGs.

DAILY, WEEKLY AND MONTHLY ACTIVE USE

• Historically, SaaS companies have worked to understand user engagement with their product by measuring if users were active on a daily, weekly or monthly basis.

• This practice seems to remain common at software companies today.

TEAM MAKEUP
**INVESTMENT IN R&D: DOES IT DRIVE GROWTH?**

- Note: We defined R&D roles as FTEs in Product or Engineering departments. Most companies surveyed are heavy on R&D employees overall, but higher growth organizations make more of an investment in R&D.

- This percentage flattens as a company gains in ARR, as most businesses need to add more heads in GTM roles.

GROWTH TEAMS: DO THEY DRIVE GROWTH?

• Based on responses from the businesses that participated, the size of your “Growth Team” doesn’t correlate with how quickly your business is growing.

• Some organizations decide to create “Growth Squads” made up of individual leaders from other focus areas in the organization to tackle the biggest opportunities for growth.

ARE GROWTH TEAMS RUNNING EXPERIMENTS?

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

<table>
<thead>
<tr>
<th>Number of Monthly Growth Experiments by Growth Team Size</th>
<th>None</th>
<th>1-3 Experiments</th>
<th>4-10 Experiments</th>
</tr>
</thead>
<tbody>
<tr>
<td>No One Responsible</td>
<td>77%</td>
<td>23%</td>
<td>0%</td>
</tr>
<tr>
<td>Yes, One Person</td>
<td>44%</td>
<td>44%</td>
<td>13%</td>
</tr>
<tr>
<td>Yes, Growth Team</td>
<td>19%</td>
<td>72%</td>
<td>9%</td>
</tr>
</tbody>
</table>

MONTHLY GROWTH EXPERIMENTS

• We found that running growth experiments correlated much more strongly with growth rates.

• It’s worth getting buy-in from stakeholders on your experiment roadmap to better understand what hypotheses other teams feel would have the biggest impact on the business.

SAM RICHARD
Director of Growth

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

VP, Market Strategy

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

We do this by:

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

Learn more at ov.vc
THANK YOU!
# PRODUCT PERFORMANCE BENCHMARKS

## SIZE AND GROWTH

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent R&amp;D Employees</td>
<td>% of full-time equivalent product and engineering employees at the end of 2019</td>
</tr>
<tr>
<td>Annual Recurring Revenue (ARR)</td>
<td>Company annual recurring revenue (ARR) scale at the end of 2019</td>
</tr>
<tr>
<td>YoY Growth Rate</td>
<td>Change in annual recurring revenue at the end of 2019 vs. 2018</td>
</tr>
</tbody>
</table>

## CUSTOMER JOURNEY

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free-to-Paid Conversion</td>
<td>The conversion rate from a free trial or freemium product to a paying customer within 12 months of signup</td>
</tr>
<tr>
<td>Self-Serve Conversion</td>
<td>Users who convert on their own without assistance from sales</td>
</tr>
<tr>
<td>Users Who Receive Outreach</td>
<td>% of all free (trial or freemium) users who receive proactive outreach from sales, success or support</td>
</tr>
</tbody>
</table>

## ACQUISITION + RETENTION

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organic Acquisition</td>
<td>% of web traffic from word of mouth, direct traffic, press, search, content or social media</td>
</tr>
<tr>
<td>Retention</td>
<td>% of users from the Q4 2019 cohort that were still using the product after a month</td>
</tr>
</tbody>
</table>

## METRICS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activation</td>
<td>% of new users that have achieved some initial success with the product e.g. by taking certain high value actions</td>
</tr>
<tr>
<td>Natural Rate of Growth</td>
<td>Annual Growth rate * % Organic Signups * % ARR that starts in the product</td>
</tr>
</tbody>
</table>