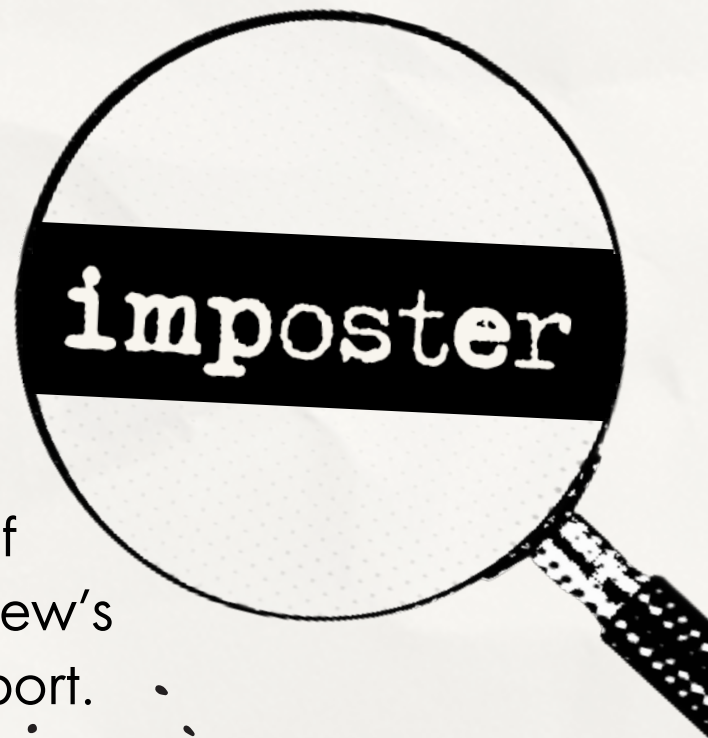


ARE YOU A PRODUCT-LED



Find out by comparing yourself
to 250+ companies in OpenView's
2021 Product Benchmarks Report.



PRODUCT BENCHMARKS

Sam Richard & Kyle Poyar

Case No.: 2021

Operation: Find the product-led imposter

Status:

SOLVED

WHAT'S NEW THIS YEAR:

We put the latest data under the magnifying glass and found:

- Trends in product-led adoption
- Which businesses are innovating on product-led growth
- How the role of growth is changing
- The right way to apply sales and marketing in a product-led model

Ready to find out where your organization excels?

Let's investigate

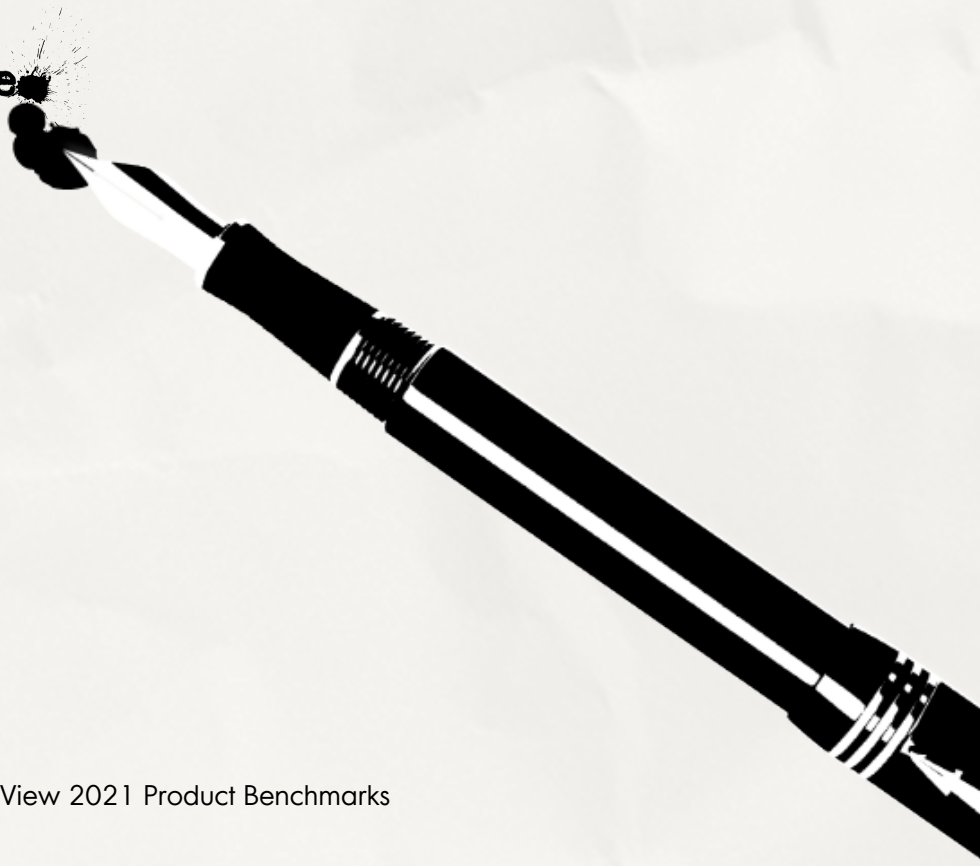


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OUR PARTNERS WE **LOVE**



PRODUCT
COLLECTIVE

HEAVYBIT
INDUSTRIES



Clearbit

GREYCROFT

A graphic featuring several black ink splatters of varying sizes. A black rectangular banner is tilted diagonally across the center, containing the word "Assignment:" in a white, typewriter-style font.

Assignment:

Enable adoption of product-led best practices by providing benchmarks to product-minded founders and operators.

INTRODUCTION

Our base of responses grew **70%** over last year.

FACTS ABOUT RESPONDENTS:

Most companies are in the expansion stage, with 48% of them between \$1M–10M ARR.

More large companies responded this year (19% had over \$30M in ARR), which represents a growing interest in product metrics and product-led growth.



"The events of 2020 forced many companies to change the way that they did business. For many, that means implementing product-led best practices.

This report is intended to serve that community with frameworks to follow to move to the next step of product-led maturity."

Sam Richard

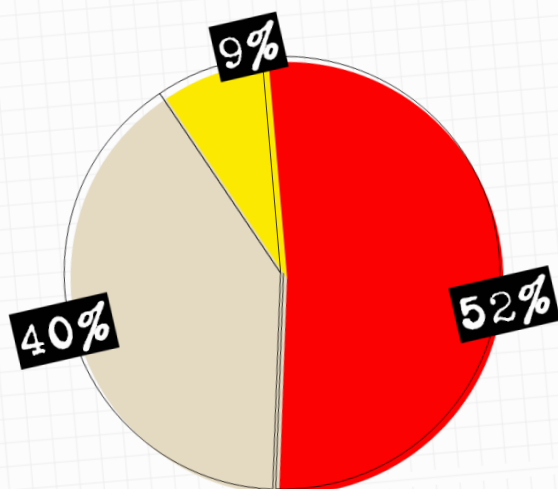
VP OF GROWTH AT OPENVIEW



**PLG
Expert**

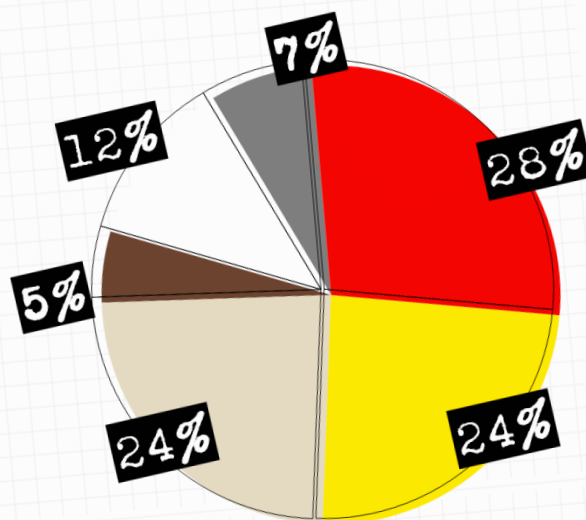
WHO TOOK THE SURVEY?

Growth Rate



- 0-100%
- Not sure
- 100%+

ARR

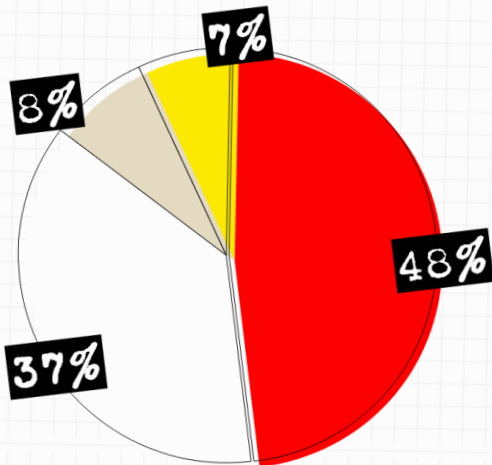


- Less than \$1m
- \$1-\$5m
- \$5-\$10m
- \$10-\$30m
- \$30-\$100m
- \$100m+

Source: 2021 OpenView SaaS Product Benchmarks Survey, N=258.

Product Types

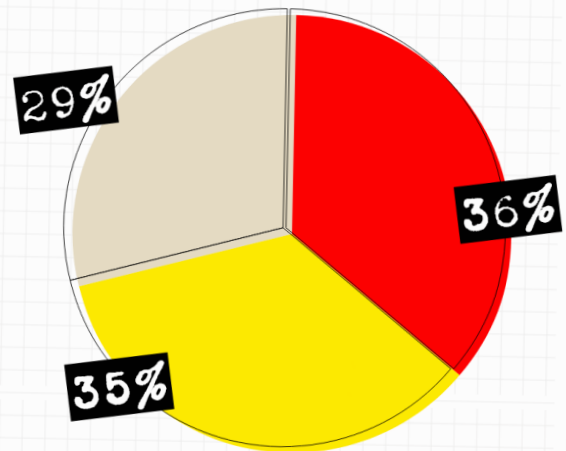
Most Common



- **Horizontal App**
(Slack, Salesforce, Asana)
- **Vertical Application**
(Toast, Veeva)
- **Developer Software**
(Datadog, Auth0)
- **Other/Don't Know**

Respondents

Job Title



- **Founder/CEO**
- **Product Leader**
- **Other Leadership Role**

Source: 2021 OpenView SaaS Product Benchmarks Survey, N=258.

PRODUCT-LED ADOPTION

What is **PLG**?

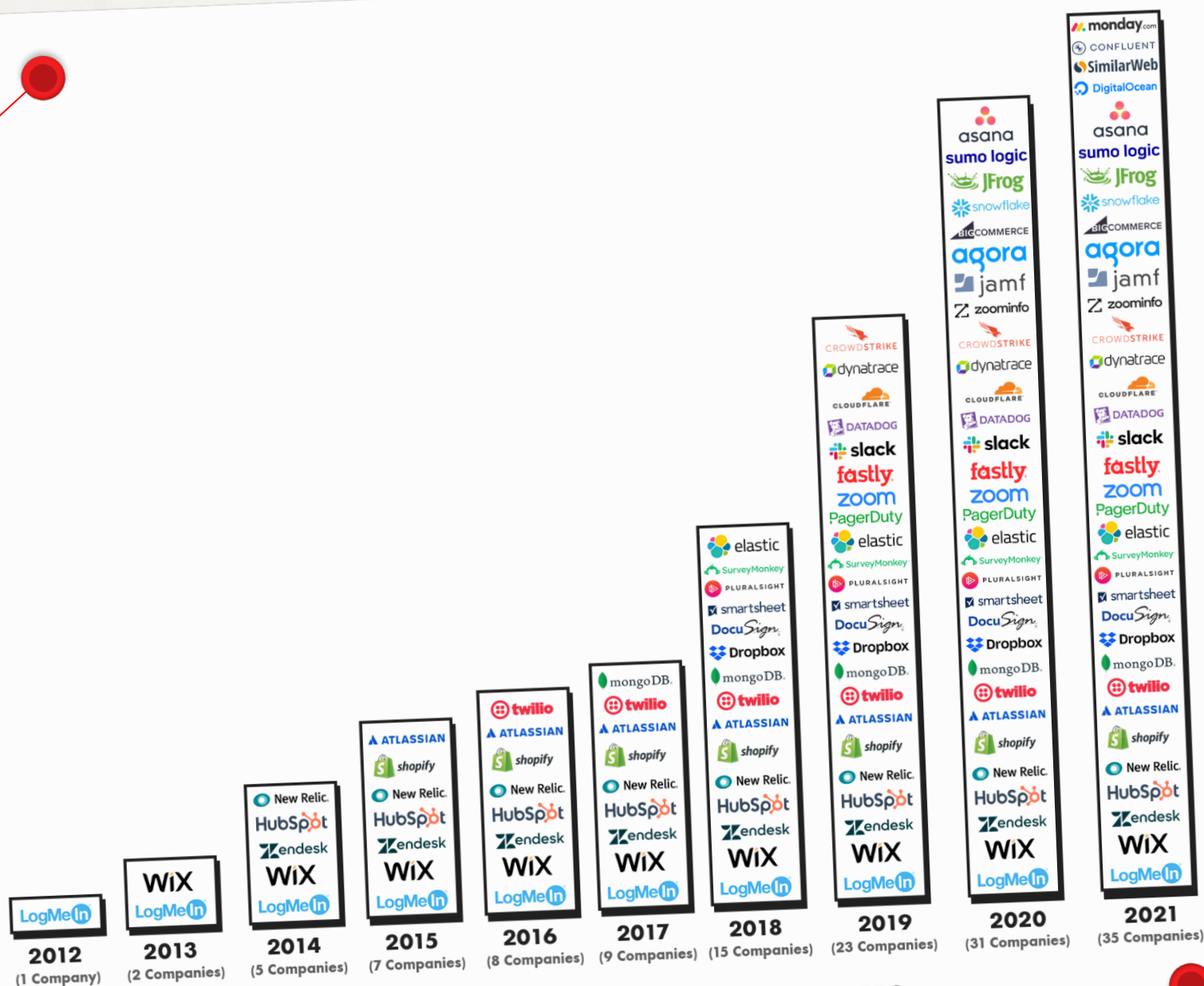
Product-led growth (PLG) is an end-user focused growth model that relies on the product itself as the primary driver of customer acquisition, conversion, and expansion.

[CLICK TO INVESTIGATE FURTHER](#)

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



PRODUCT-LED GROWTH IS YOUR SECRET WEAPON

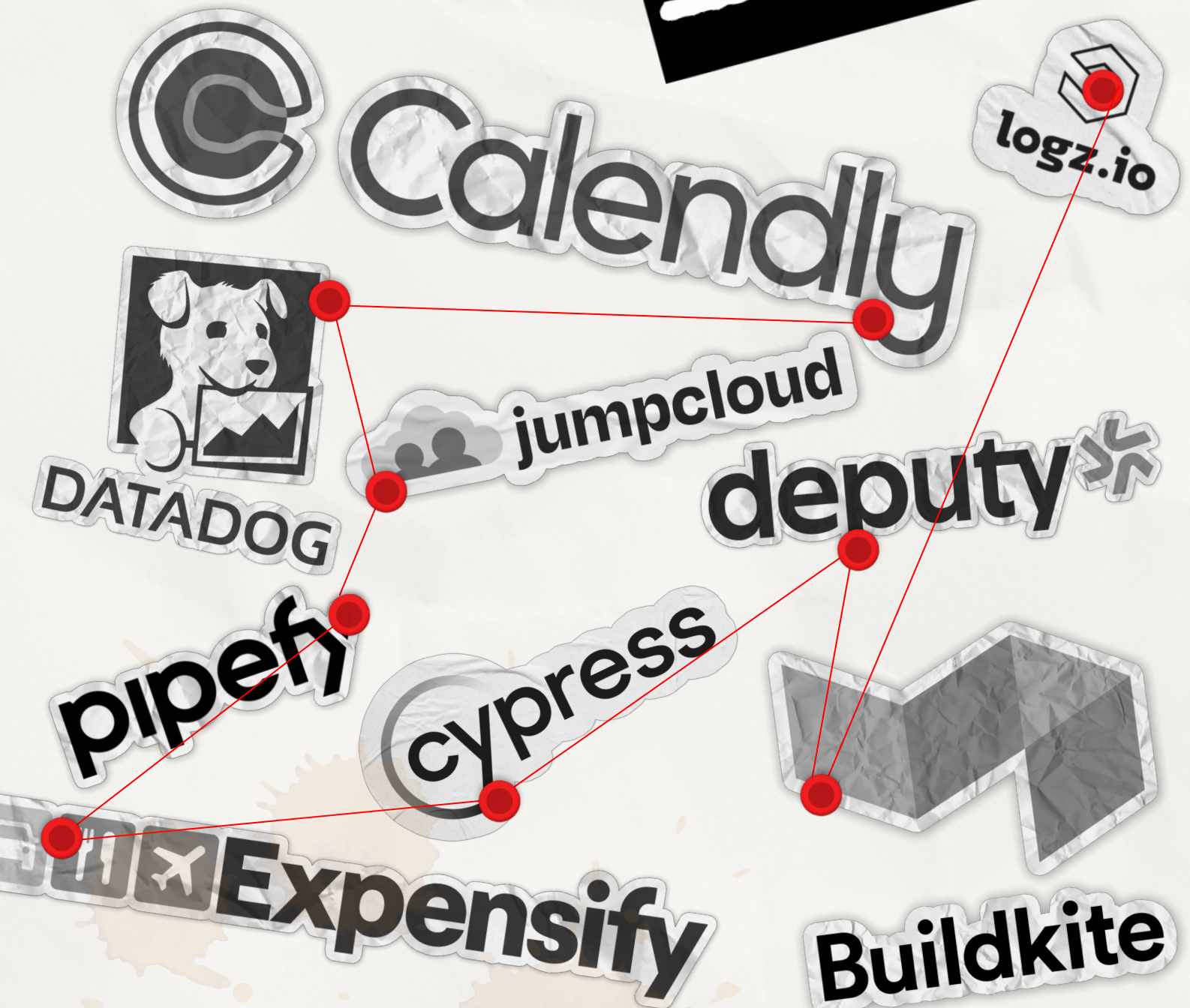


Evolution of Public PLG Companies Since 2012

OPENVIEW

KNOWS

We're proud to have invested in these PLG companies.



Free product offerings grew across lower growth profiles

A freemium product or a free trial can be a huge source of leads for a B2B SaaS product.

We attribute part of this shift to an unprecedented amount of employees working from home in 2020, rendering them unreachable by BDR-focused methods.

Growth Rate	2020 Free/Trial	2021 Free/Trial
High	49%	49%
Low	41%	44%

Note: High indicates a growth rate of 100%+

NOTABLE SHIFTS TO A FREE MODEL INCLUDE:



Free offerings moved up market

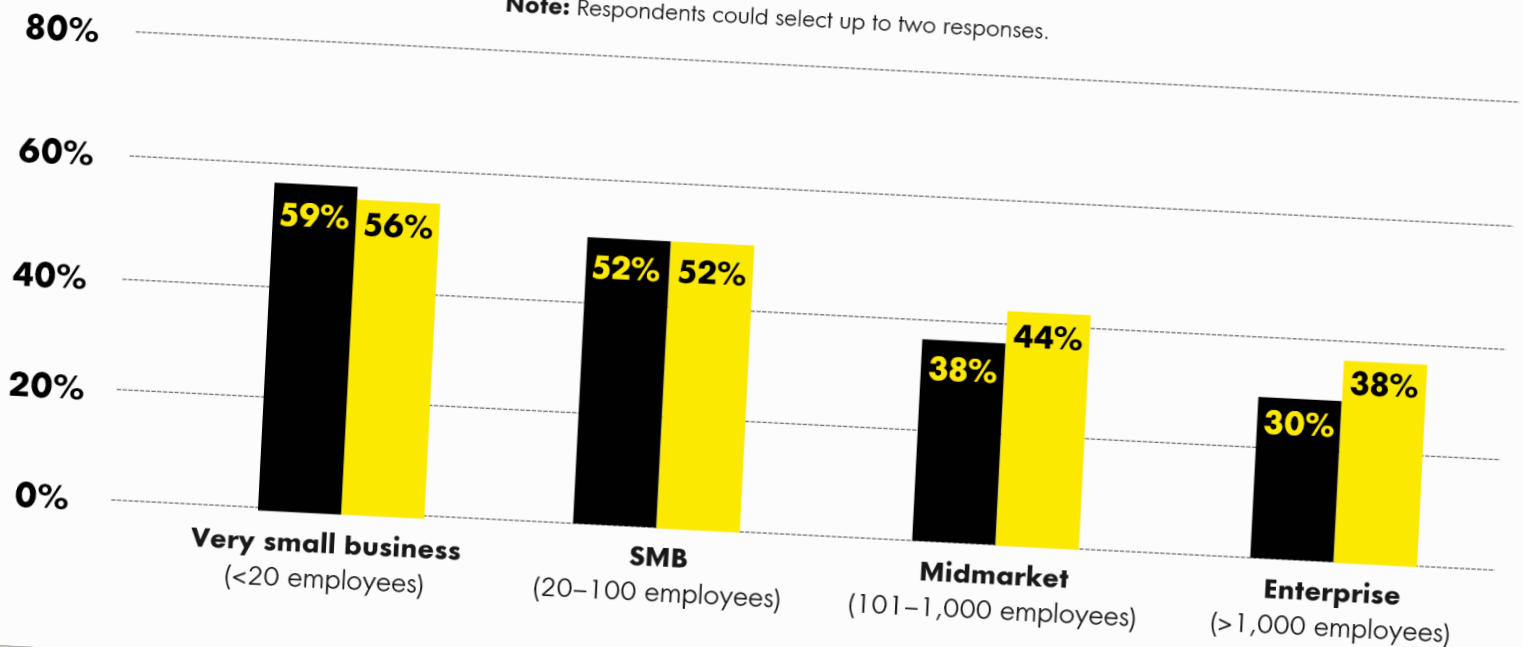
Businesses that sell to very small and small-sized businesses are the most likely to adopt a free product offering. This is because sales outreach can be costly, and average order values are expected to be low.

In our dataset from 2021, we see similar levels of adoption in the lower ends of the market, but rapid adoption of a free approach by businesses that sell to larger-sized businesses.

Free Over Time By Customer Target Size

● 2020 free trial ● 2021 free/trial

Note: Respondents could select up to two responses.

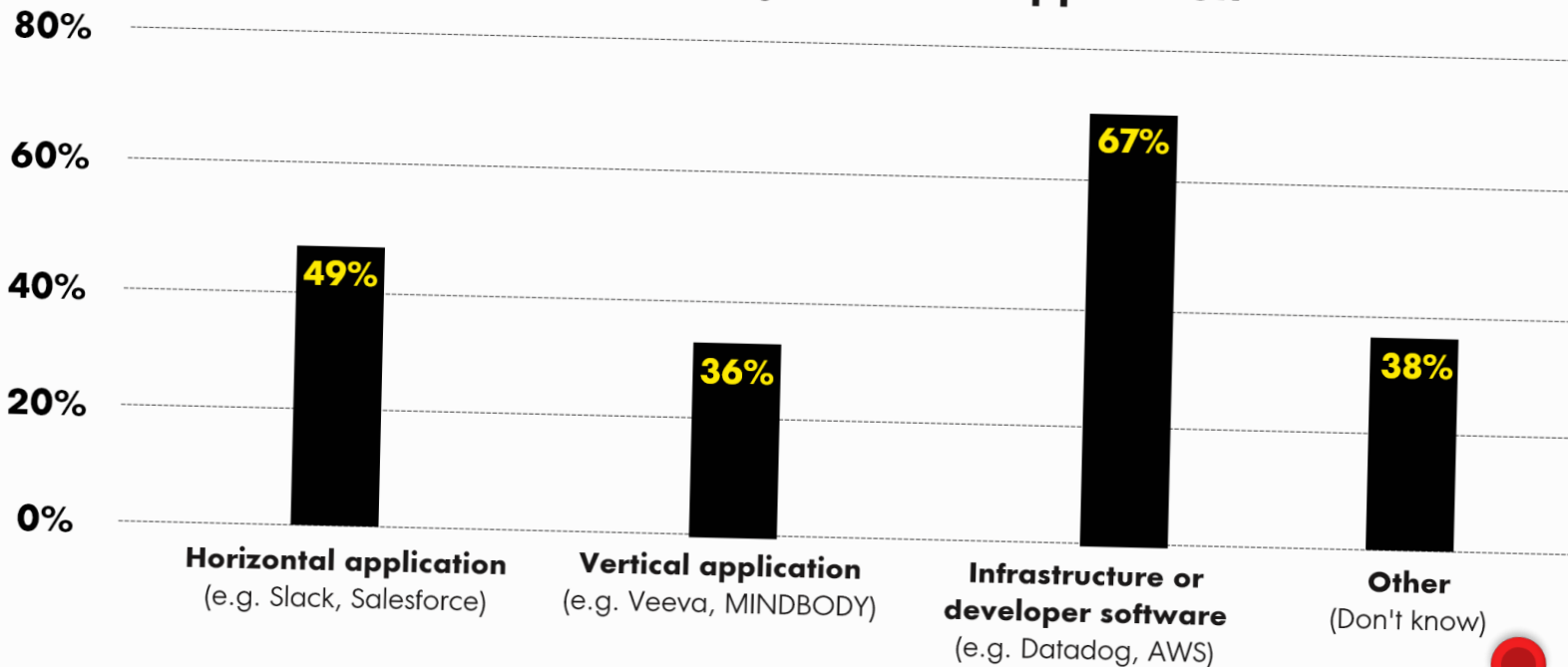


Developer-focused models are most likely to adopt a product-led approach

The secret's out: Developers prefer to try products before they buy them.

Businesses that sell to software developers saw the largest transition to a product-led model.

Free Over Time By Software Application



Looking to learn more about marketing to developers?

GET OUR PLAYBOOK

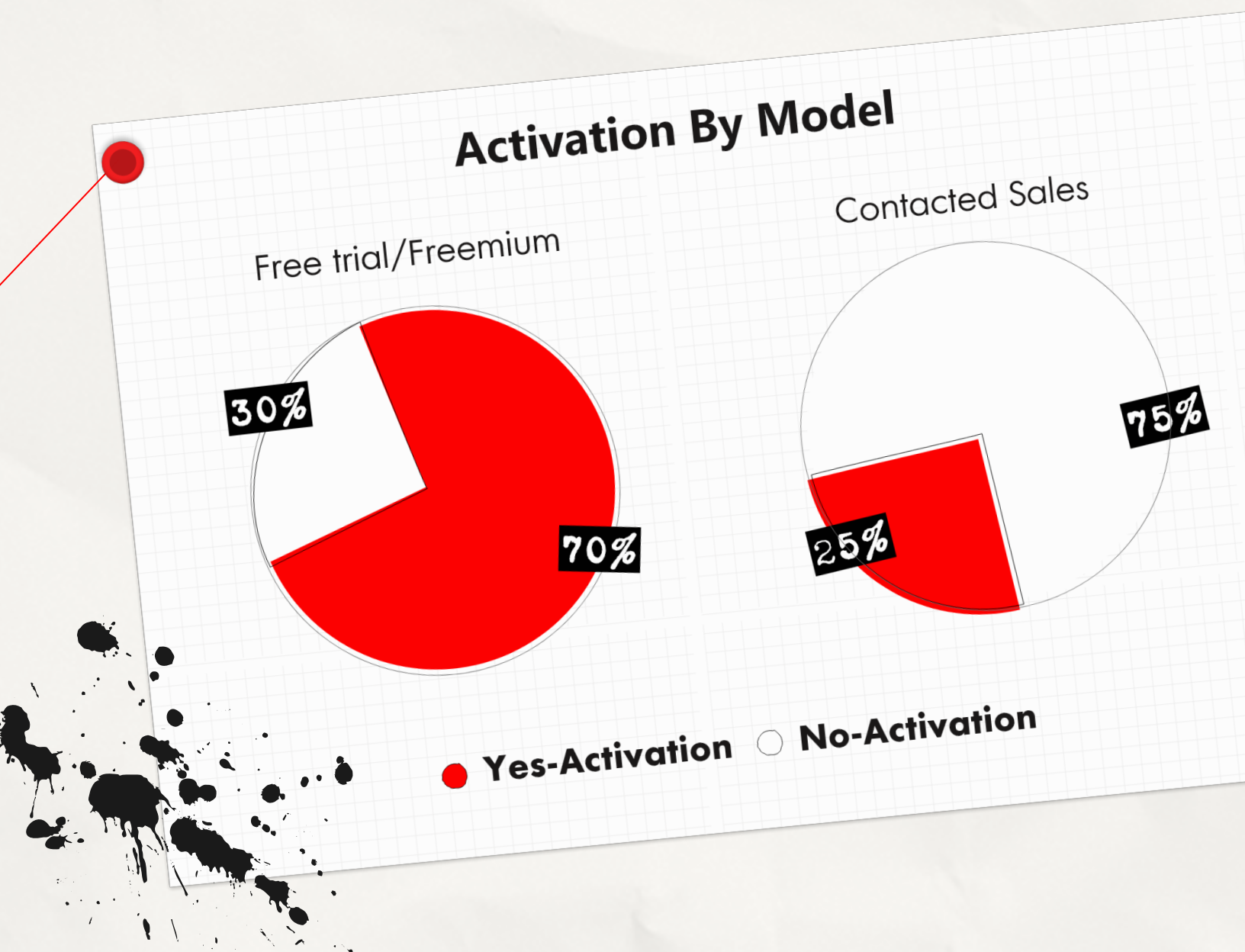
KEY PRODUCT-LED METRICS

Metric	Definition	Example
Activation	Activation is the moment when your product delivers on the value that it promised. Sometimes referred to as the “aha” moment, it’s when someone understands why they would use a product.	Typeform qualifies their activation metric as five unique responses to a Typeform.
Product Qualified Leads (PQLs)	Free users who meet a threshold of significant actions taken to qualify for sales outreach.	For an OpenView portfolio company, spending >30 min in the application in your first or second visit makes you a PQL.



In PLG models, we see more tracking of activation

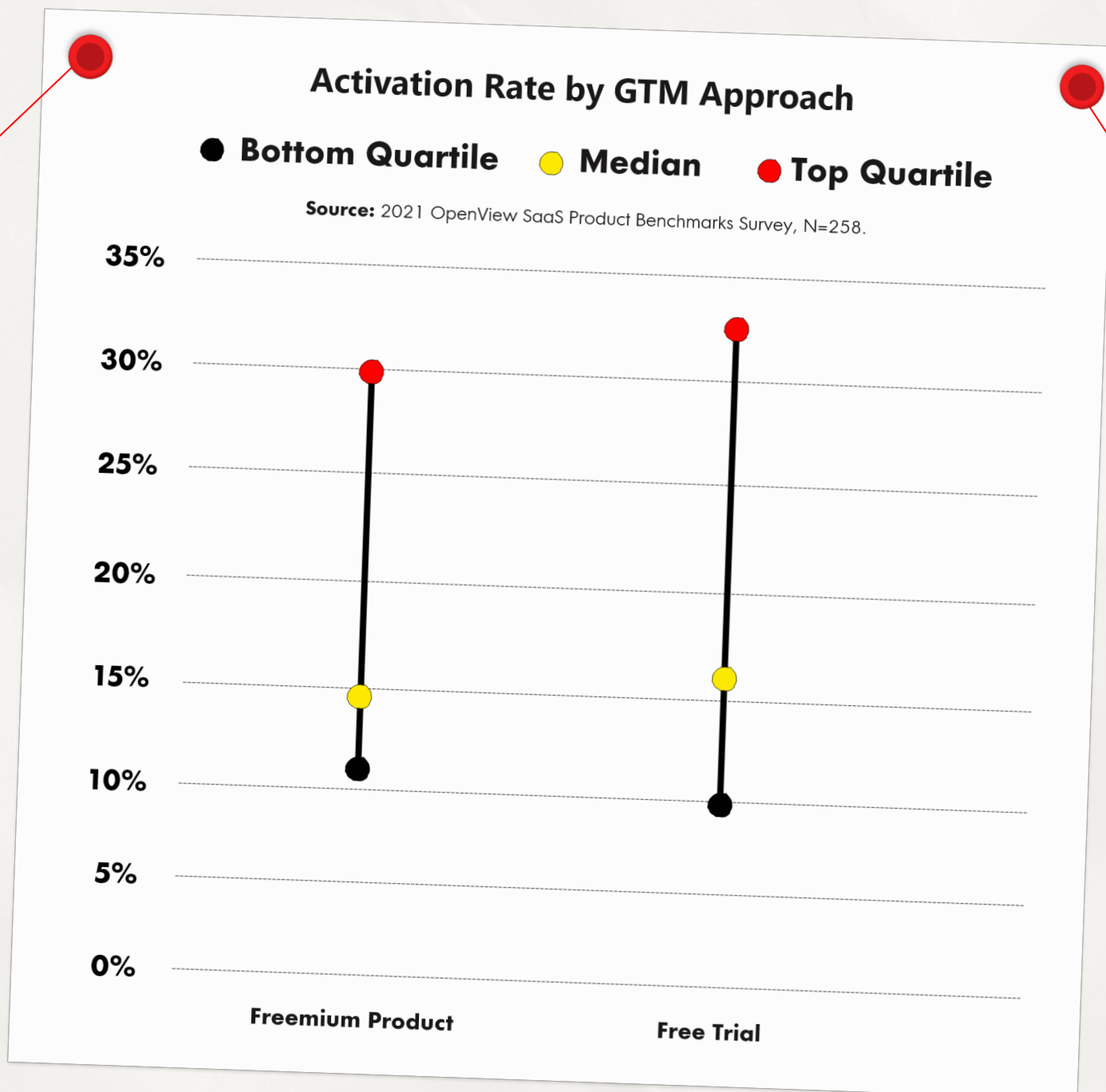
The vast majority of freemium or free trial-forward software has an activation metric, which is key in understanding the performance of the product as a growth lever—and for “narrowing the funnel,” or picking out the highest quality conversations for sales-focused teams.



Activation rate benchmarks

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. But it's surprising that they're so close.

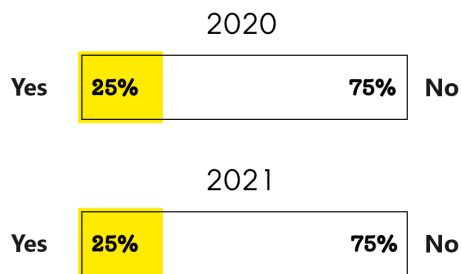


PQL adoption **isn't growing**

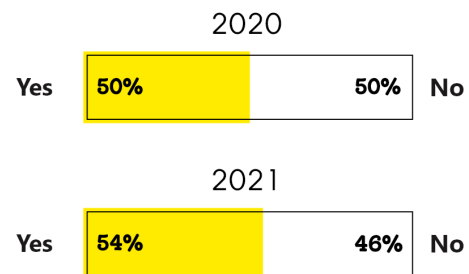
Product qualified leads (PQLs) are product users who, upon reaching certain thresholds of product usage, become viable candidates for a conversation with sales. They're more likely to convert or expand than other users.

We're shocked that this metric isn't more widely used across SaaS businesses adopting a free model, which means that PQLs are not a top priority.

PQL



ACTIVATION



We believe this lack of adoption could be caused by:

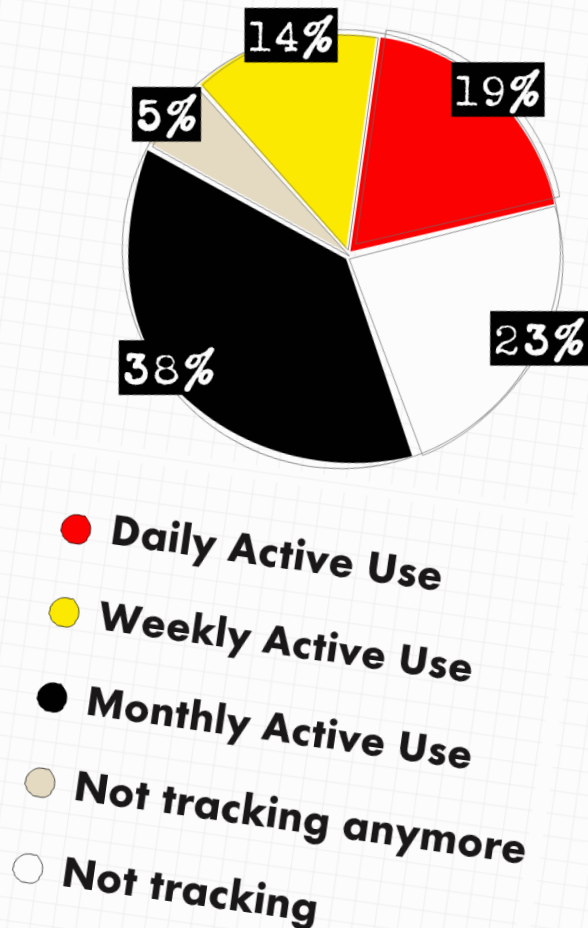
- 1** A rapid switch to a product-led model because of the shift to remote work in 2020 (infrastructure is still catching up).
- 2** A lack of experienced talent in the market to support these initiatives.
- 3** The time to see ROI from these efforts—PQLs don't typically result in an impact on top-line revenue for a quarter or so.

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.

Respondents Tracking



Source: 2021 OpenView SaaS Product Benchmarks Survey, N=258.

“Most product teams measure too many metrics, not too few. You can have a much bigger impact by focusing on the activation of a few core events - those aha moments when users realize the value of your product.

Studying and optimizing for those, is how you achieve success in product.”

Todd Olson
CEO AND FOUNDER AT PENDO



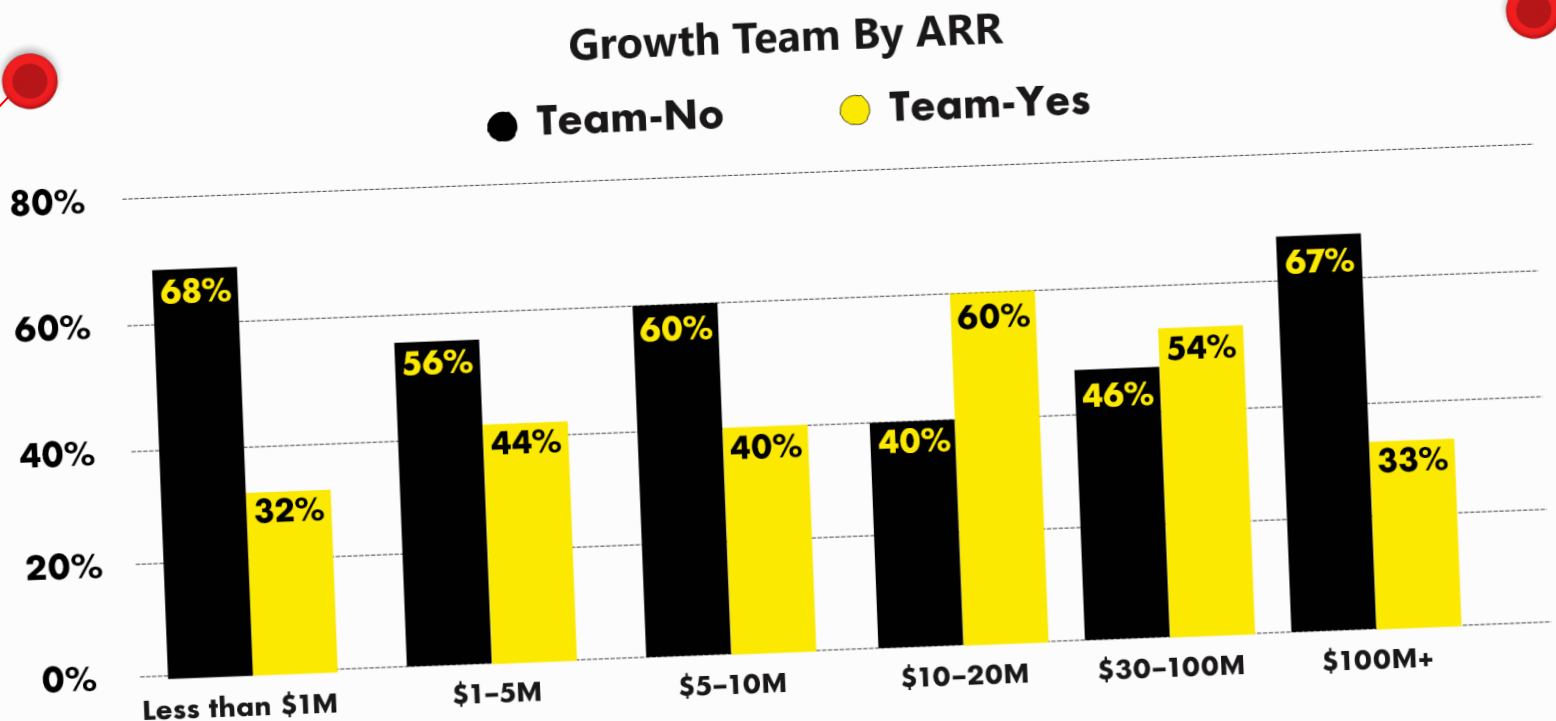


ORGANIZATIONS

When does a growth team emerge?

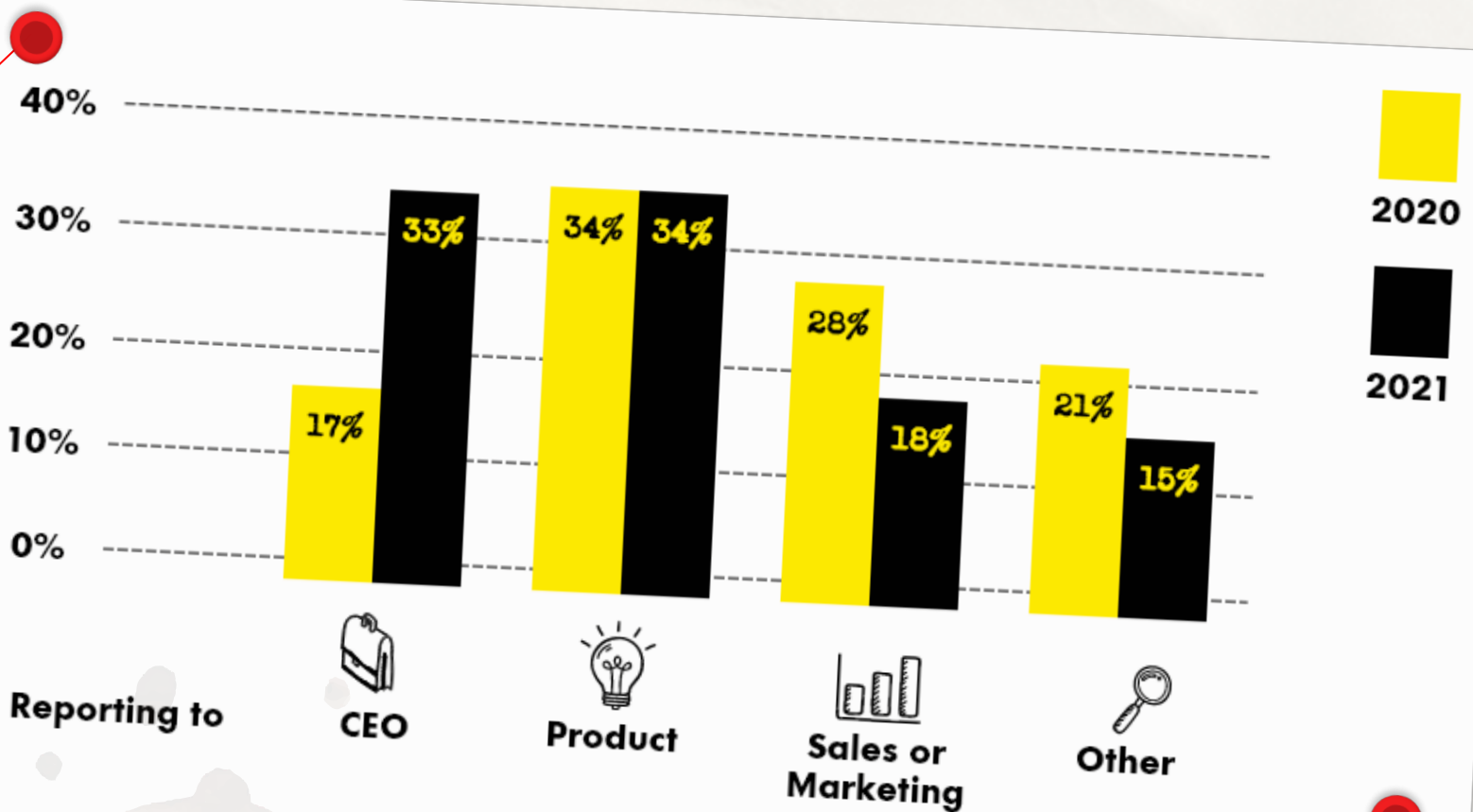
We're beginning to see trends in the ownership and professionalization of growth teams.

At the surface level, having a growth team is a "nice to have" for businesses pre-\$10M in ARR, but companies growing at a 100%+ rate annually are more likely to have them than slower growers.



Growth teams are professionalizing

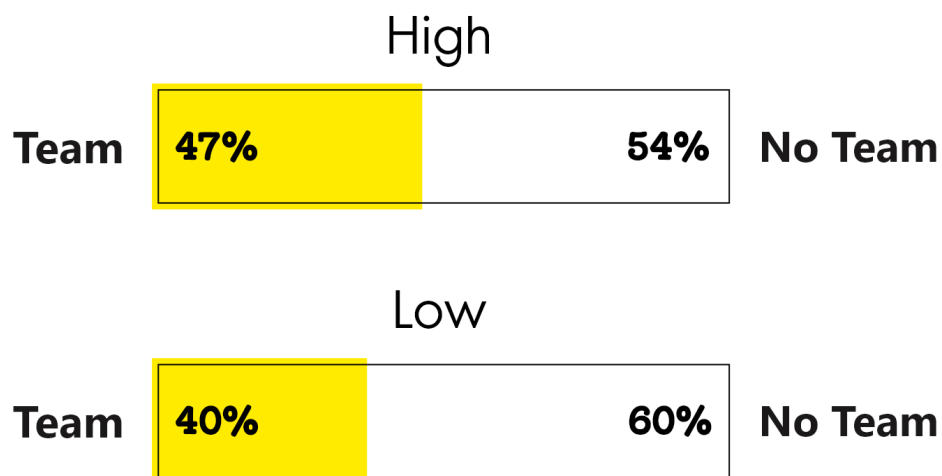
Growth teams have made a substantial transition in the past two years—from mainly reporting to product, marketing, and sales toward reporting directly to the CEO.



Do growth teams **grow businesses?**

While the existence of growth teams is still emerging, it's no surprise that having a growth team makes you more likely to be high-growth.

Growth Team By Growth Rate



Note: "High" means growth rates above 100%. "Low" means below 100%

Growth teams **drive conversion**

Growth teams pay for themselves in a 20–33% increase in conversion from visitor to signup and free to paid users.

Free-to-Sign-Up Conversion	Median
Growth Team	7%
No team	5%

Free-to-Paid Conversion	Median
Growth Team	12%
No team	5%

CONVERSION: WHERE MARKETING AND SALES COME IN

LL

"Cross-functional collaboration across all teams is critical to becoming a product-led organization.

For example, product-led marketers will review how users behave in app, identify key events that lead to higher satisfaction, then work with product, sales, and customer success to optimize tactics, identify advocates, and improve in-app messaging. This is really new behavior. "

Todd Olson

CEO AND FOUNDER AT PENDO



Web-to-free account conversion

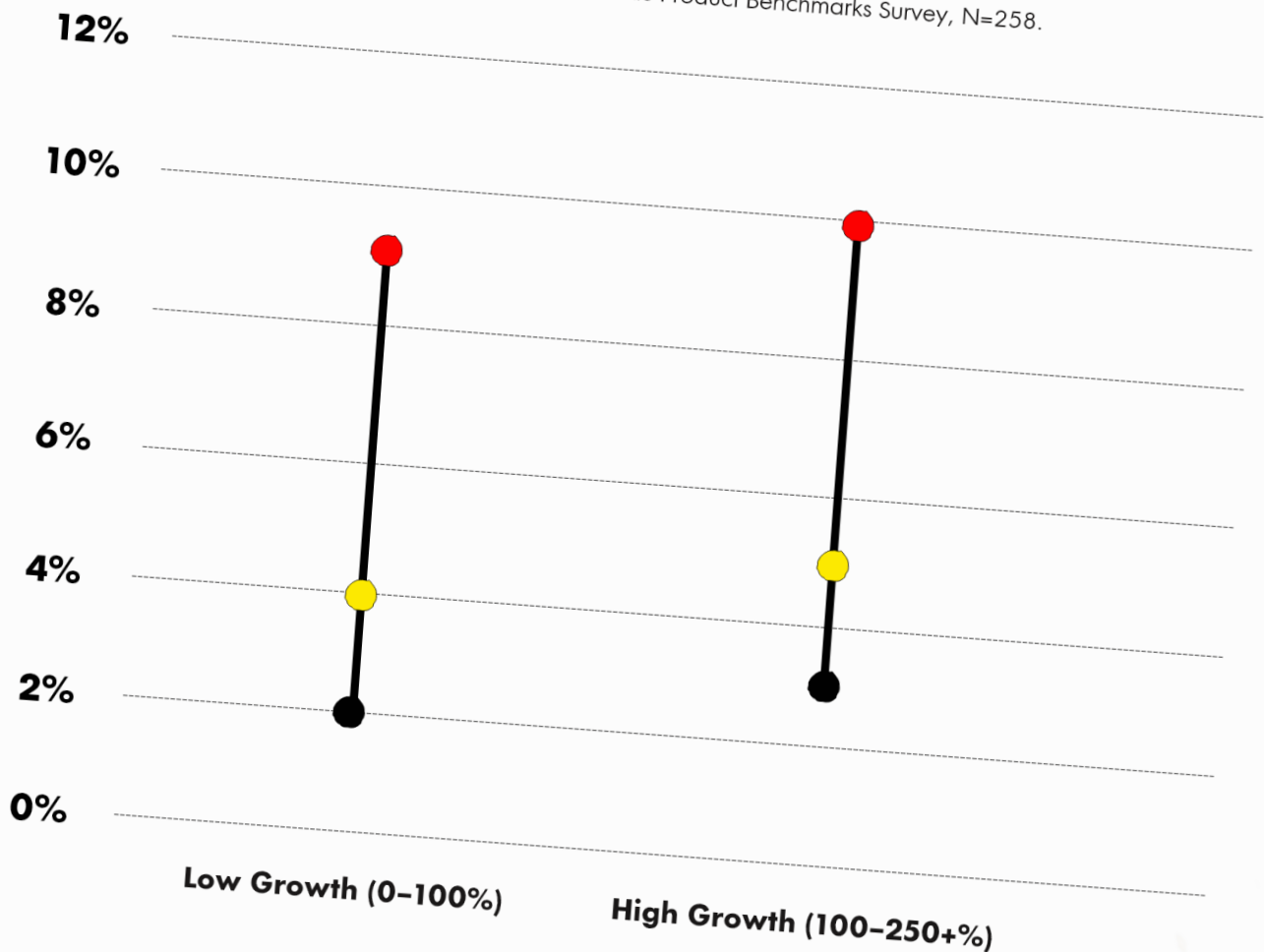
For SaaS businesses with a freemium product or a free trial, getting users into the product is the single biggest source of leads.

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.

Conversion from Web Visit to Free Account Signup

● Bottom Quartile ● Median ● Top Quartile

Source: 2021 OpenView SaaS Product Benchmarks Survey, N=258.



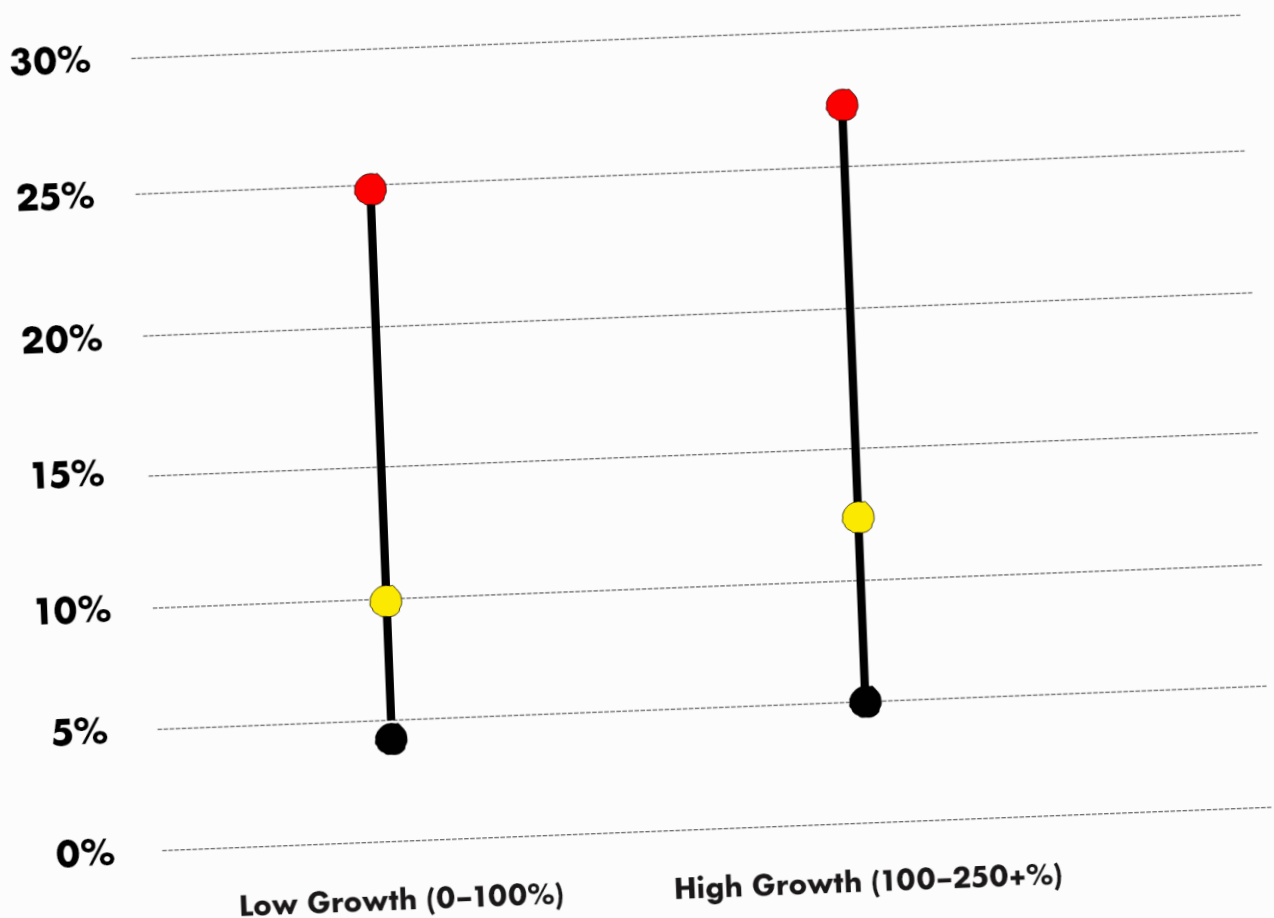
Free-to-paid account conversion

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.

Conversion from Free Account to Paid Account

● Bottom Quartile ● Median ● Top Quartile

Source: 2021 OpenView SaaS Product Benchmarks Survey, N=258.



Outreach to free accounts is shrinking

It's no secret that your product is the best way to generate leads, but more businesses are only leveraging the product to convert free users.

Last year, 90% of survey respondents reached out to free users.



IN CONCLUSION

The biggest signs you're a product-led imposter:

1

You don't offer a free trial or a free version of your product.

2

You don't have a growth team—or even a single growth expert.

3

You don't have a sales team.

4

You don't have a marketing team.

5

You aren't measuring activation.

ABOUT THE AUTHORS

Sam Richard is VP 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.



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**Sam
Richard.**



**Kyle
Poyar.**

Kyle leads OpenView's Growth Team, responsible for advising portfolio executive teams on strategies to increase revenue growth and dominate their markets. The team has helped the portfolio generate over \$100 million in additional enterprise value in the last three years.

Kyle specializes in pricing & packaging strategy, which is the most effective yet overlooked growth lever at a SaaS company's disposal. He's an expert in Product Led Growth, optimizing go-to-market strategies, and SaaS benchmarks.



kyle@ov.vc

OPENVIEW

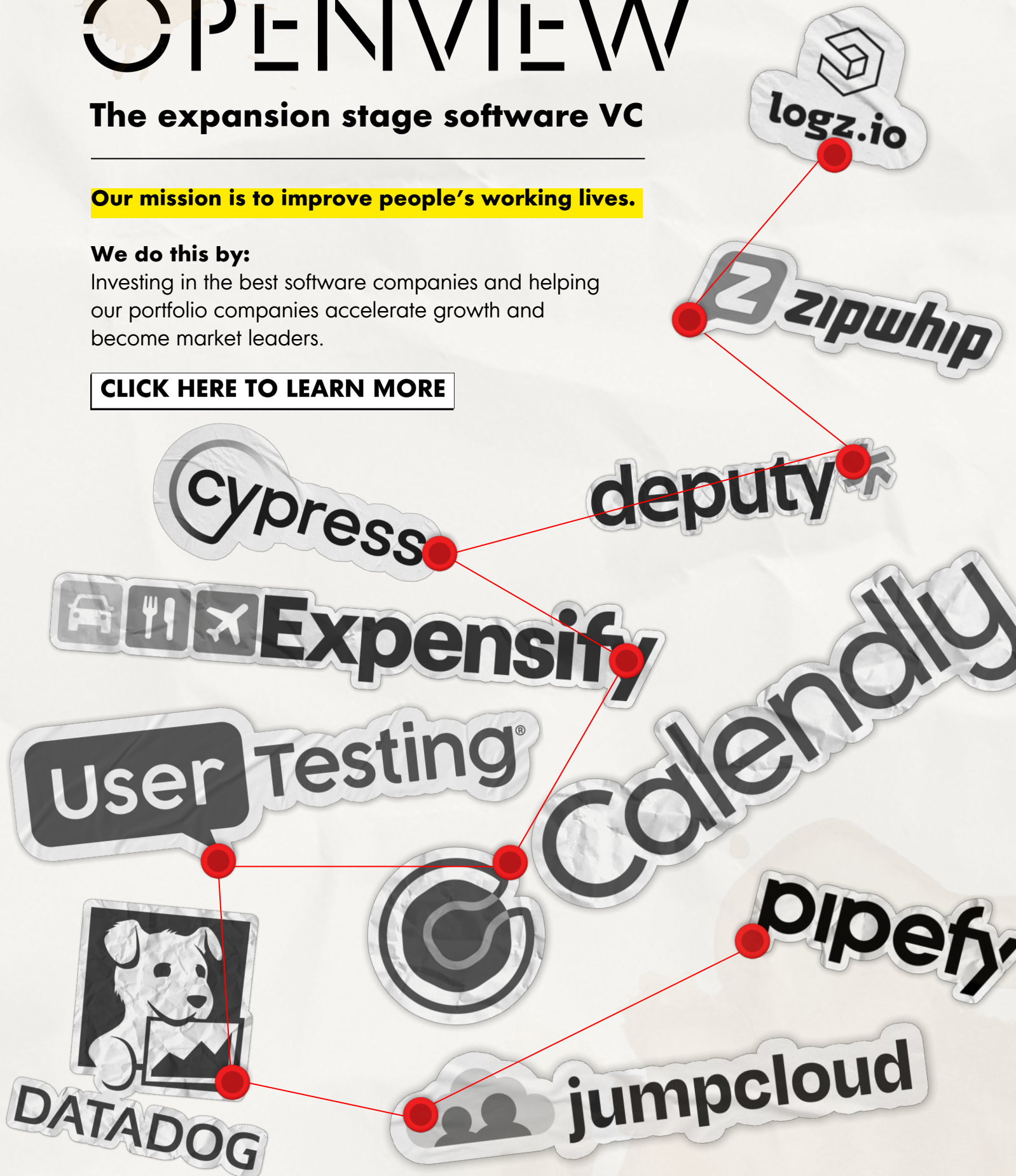
The expansion stage software VC

Our mission is to improve people's working lives.

We do this by:

Investing in the best software companies and helping our portfolio companies accelerate growth and become market leaders.

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CASE CLOSED