



A GUIDE TO
**PRAGMATIC
PRODUCT-LED
GROWTH**
FOR B2B SAAS
COMPANIES



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There is no question that the way software is made and sold has dramatically shifted in the last 20 years.

Blake Bartlett of OpenView Partners is well known in the SaaS world for coining the term “**product-led growth**” and for consistently backing companies that are leaders in this approach.

Product-led growth advocates the importance of focusing on the end user, emphasizing that the product should be designed around making a user’s day-to-day better. The age of executives making solo software buying decisions for their teams is over.

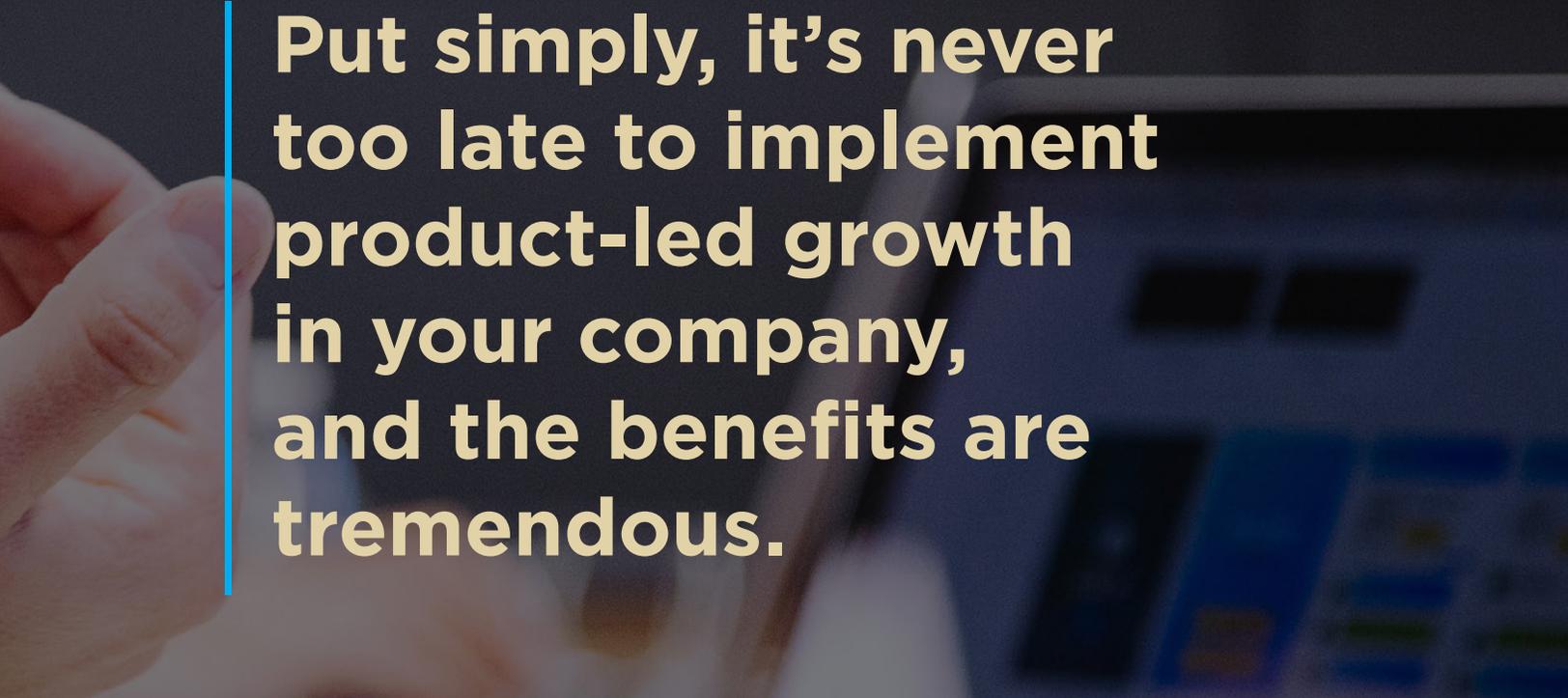
That said, we think it’s possible—and ideal—to appeal to both end users and their leadership teams. While it’s important to provide delightful individual user experiences, it doesn’t have to come at the expense of showcasing value to the higher-ups from the outset, or convincing department leaders to buy your product for the entire organization. While getting an individual to download your product and upgrade to a paid version is efficient and low-friction, selling into an entire team or department is still a viable go-to-market strategy, and offers opportunity for additional scale and growth.

Pragmatic product-led growth focuses on both the product experience and on adding value across the organization, from individual product users all the way up to the C-Suite.

This strategy has proven beneficial to all sorts of companies, but is especially powerful for B2B software companies. Why? Because when a product is easy and fun to use, it's more likely to quickly and clearly demonstrate value. Organic growth and product-market fit follow, as long as teams take the right marketing and sales approach.

Additionally, SaaS products are not “one and done” purchases. Usually there is an opportunity to expand, up-sell, and renew contracts monthly or annually. **So, you need to demonstrate value at every turn to ensure success.**

Pragmatic product-led growth can also be layered into an organization that wasn't necessarily founded around it.



Put simply, it's never too late to implement product-led growth in your company, and the benefits are tremendous.

In this e-book, we'll unpack a pragmatic product-led growth approach, sharing:

How it can help your business • How to get started • How to measure success

Pragmatic product-led growth defined

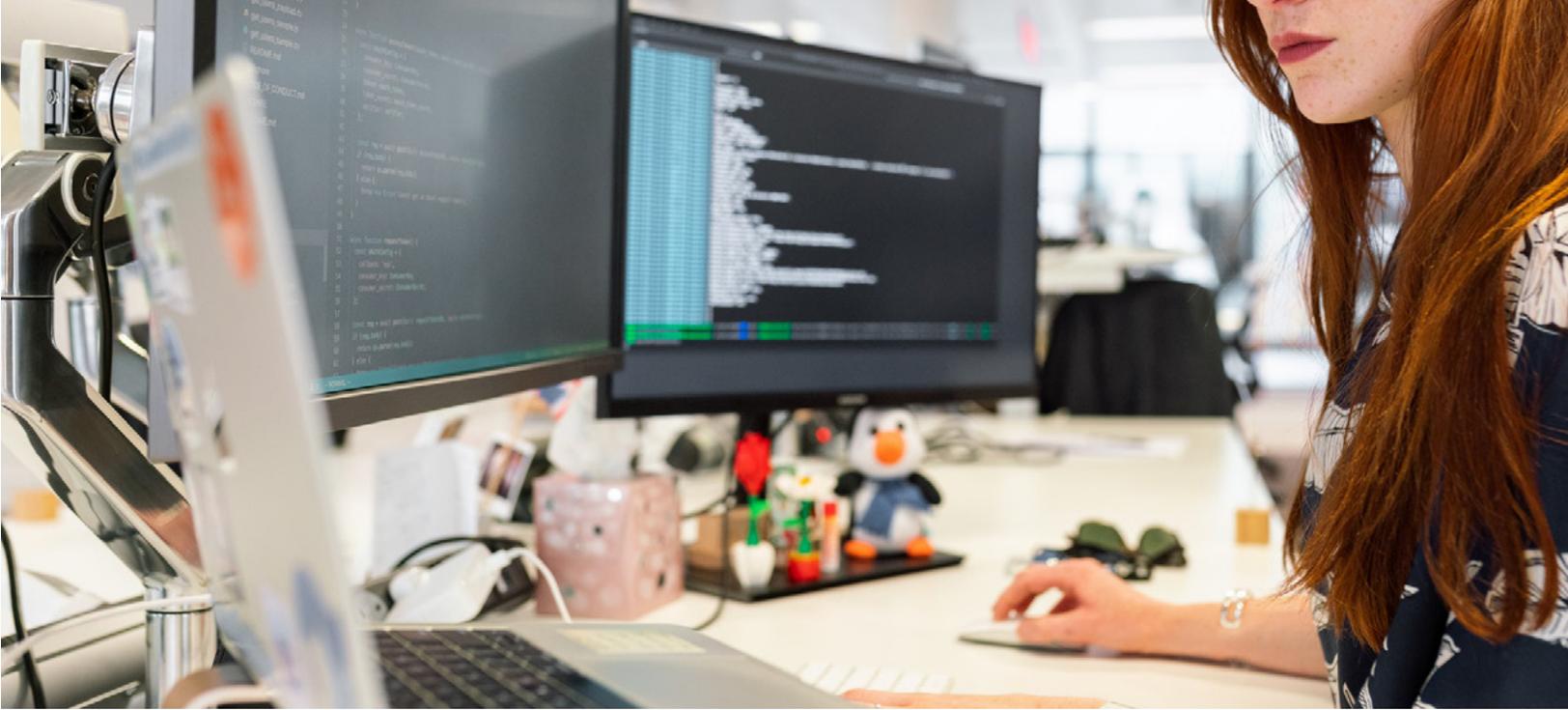
Product-led growth, as defined by Bartlett is, “an end user-focused growth model that relies on the product itself as the primary driver of customer acquisition, conversion and expansion.” This process usually starts by delighting the individual end user through a great product experience that begins with a free trial or free tier (also known as a freemium model).

Pragmatic product-led growth builds on the concept. It posits that stellar product experience is table stakes, but a company needs to be intentional in showcasing a proven return on investment throughout the entire organization. It’s critical that companies taking a product-led approach demonstrate to decision-makers and leaders how much time, money, or chaos the product is saving their organization. These savings will compound as more people in the organization use the product, establishing the coveted network effect that helps increase growth and decrease customer acquisition costs for SaaS companies.

At-a-Glance: Shortening Sales Cycles at

A great example of pragmatic product-led growth in action comes from **ActivTrak**, a SaaS application that collects workplace data and provides advanced analytics on productivity trends. Their goal is to optimize the employee and customer experience. Using a high-velocity model that deeply integrates sales and marketing with the product experience, the organization was able to nurture self-directed buyers with relevant content based on the right buying stages. From there, inside sales could demonstrate value to qualified prospects immediately, shortening sales cycles. The product itself is the foundation of being able to move fast and achieve more rapid sales cycles.

The benefits of a pragmatic product-led growth approach are myriad. In addition to driving down direct customer acquisition costs, these growth strategies enable companies to organize and hire more efficiently. For example, senior outside sales reps with lavish commissions and budgets are less critical to the success of a product-led growth company. These businesses can lean on junior reps who are highly analytical and able to identify bottlenecks in conversion cycles, and who can work in partnership with the product team to optimize opportunities for conversion in the customer journey.



How to showcase value throughout the product experience

One of the key ways to implement pragmatic product-led growth is to demonstrate value throughout the entire product experience, from a user's first interaction with the brand to renewal periods and beyond. Pragmatic product-led growth should simplify and streamline everything from marketing and sales to customer retention by continually and clearly proving the value and ROI of the product for the buyer(s). Here's how to showcase value throughout the product experience.

Freemium

Giving customers access to a limited feature set for free is one option for pragmatic product-led growth companies. A freemium model can be used in lieu of a free trial or after the free trial expires. If you take the second approach, you may want to consider having the free trial be a souped-up, top-tier version of the product, so that it's clear to users how much value they would get out of an ongoing paid subscription at the higher level vs. the more basic free configuration.

Dan Schoenbaum, an Elsewhere Operating Advisor (OA) who is a go-to-market strategist for **ActivTrak** and **OpsCompass**, among other SaaS companies, emphasizes that "generosity" is core to the success of this approach. **"Be really generous in solving a problem for customers for free so they'll fall in love with you and the product,"** he says.

Freemium (Continued)

When customers opt not to upgrade during the trial period and instead land on the free product, companies should look at this as an opportunity to further refine and prove their value proposition. Freemium users clearly have some interest in and need for your product. You can learn from these users without the time pressures of a free trial. It's on the company to figure how to properly convince them they are delivering enough value for them to upgrade.

Chad Savoy, Chief Revenue Officer (CRO) at **Airbrake** and an Elsewhere OA, emphasizes that this always-on customer base presents rich opportunities for testing, learning, and remarketing. He notes that, at IT management platform **SolarWinds** (NYSE: SWI),

20% of overall revenue came from leads that were remarketed to in the freemium context.



Testing can also be leveraged extensively, and in many different ways. One example is experimenting with which features you'd include in a free vs. paid version of the product and seeing how that impacts conversions. Other things to test include which features customers touch the most, how often they engage with certain features, at which times, and more. Depending on the conversion rates, you can better optimize your freemium and paid tiers.

Timeboxed free trials

As briefly referenced above, freemium models are often used together with free trials. In other words, there may be a free tier or “community version” of the product, but everyone starts with a full-featured, timeboxed free trial first. A limited-time trial that gives a user access to the full feature set enables a company to tease the worth and ROI of its product to both users and leaders, but the company behind the product must be disciplined in using each day of the trial period wisely.

Critical here is making account set-up as fast as possible and showcasing value in a concrete way. Savoy says that **a successful setup requires that your product can be installed in “minutes vs. hours”** and doesn’t require the security team. (Though not all hope is lost if your product is very security-oriented; more on that below.)

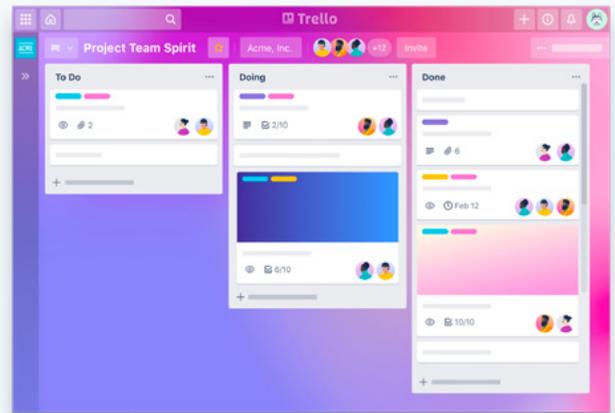


Free trials should harness real assets and data as quickly as possible. Savoy points to his experience working as VP of Sales at **Datadog** (NASDAQ: DDOG), whose product aims to pull a customer’s infrastructure, applications, and data into one unified view. Integrations are central to the Datadog product, so its trial experience includes pre-configured alerts and reports for each integration installed to drive product “stickiness.” Datadog is a success story in product-led growth—and embraces a value-building mindset as well. Providing an engaging individual user experience is core to what they do, but this stickiness reaches throughout the organization and reshapes workflows beyond the primary user—making the whole company more empowered and efficient.

SolarWinds would, similarly, ask customers for IP addresses and discover devices tied to those addresses within minutes. Providing this value so quickly after a download would further engage the customer throughout the remainder of their trial period.

Free tools

Beyond freemium and free tiers, many startups choose to introduce free tools that are helpful to their prospects, but don't necessarily directly relate to the paid products. For example, **Atlassian** offers Trello as a free collaboration tool, completely independently of its other products. However, its other solutions like Jira and Confluence can be used by the same audience to accomplish more in-depth project management and issue tracking, code management and more. The ultimate goal is to create an easy-to-use, adjacent product that would lead a prospect to explore paid products for more complex use cases.



Shareability

Communicating the true value of a product, particularly for people in organization who aren't directly using it (yet), requires building shareability and virality into the product trial or freemium experience. Examples include features that enable you to invite a team member to view and experience the product first-hand, or reports that can easily be exported and shared. Hubspot makes it easy to share various reports with non-marketing and sales colleagues with the click of a button, for example.

Taking Lessons from Consumer Marketing

On the consumer side, a great example of virality is the “Spotify Wrapped” year-in-review snapshot of the most-listened songs of the year. Spotify made this report visual and shareable with others, so (for better or worse) people can learn about the listening habits of their peers. Some B2B companies like ActivTrak replicate a consumer-like experience by creating reports that are shareable with C-level management and highlight positive user behaviors vs. problems.

Integrations

Taking the Datadog example above a step further, many teams have deeply entrenched tools they already know and love. Ensuring that your product is open and interoperable with these can help immediately demonstrate value throughout the organization.

For example, companies like **Zapier** have built an entire business by creating API integrations between products. Offering native API integrations and allowing for the open exchange of data immediately makes a product more valuable. The days of walled garden enterprise software suites are largely over. Current trends are strongly in favor of best-of-breed products with well-instrumented and open APIs for integration. Ultimately, everyone benefits when valuable products play nicely together.

One company that has successfully used this strategy is **Acquia**. By creating an open platform, and API integrations with other popular marketing and development tools, the company has landed its product at 40% of all Fortune 100 companies, and expanded from simple website hosting deployments to far more complex development and marketing operations that impact the entire digital business ecosystem.

Built-in ROI calculations

Additionally, the product should demonstrate its value through reports or ROI calculations vs. putting the burden on an individual user or buyer to prove the use case to their higher ups when it comes time for budgeting conversations.

In a security or monitoring product, this could include the number of compliance issues that were identified and/or solved, how many prior pieces of infrastructure were unknown to the team, or how a customer's company is more secure because of that product (e.g., number of vulnerabilities remediated).

For a marketing product, results should be directly tied to revenue as much as possible. An infrastructure product would likely want to demonstrate cost savings or improved uptime. And so on. The bottom line is that building value demonstration into the product itself (or the product's website) will make it a no-brainer for businesses to expand and renew with you.

Enabling employees to deliver more value

“I think people want to feel confident in their roles, especially in thankless, tough jobs,” says Schoenbaum. Among the thankless departments is DevOps. Other departments largely don’t think about them much when things are going well. But when they aren’t, everyone notices.

This is where **OpsCompass** has focused its product. They’ve built a security platform for organizations whose infrastructure spans multiple cloud platforms. The company’s approach to pragmatic product-led growth enables DevOps engineers to level up and produce more than they could without the product. Individuals who feel more confident and successful in their roles quickly become advocates and recruit peers. The goal here is to get a team of two or three DevOps engineers to function like a team of five or six—an increase in productivity (and headcount savings) that the C-level can easily appreciate.

“If something makes you look better in your job, it’s hard to say no to that. Plus, if someone is able to do their job better or more efficiently, it’s easy for their managers to understand why the product is worth its price tag.” - Dan Schoenbaum

It’s not all-or-nothing: Incorporating elements of pragmatic product-led growth

While pragmatic product-led growth requires products that are easily downloadable by individuals, more complex security- and compliance-oriented companies are still prime candidates for these strategies. That’s because a higher level decision-maker is required to approve incorporating a new SaaS tool into their security infrastructure—which means you may have to shift your tactics slightly.

This can be tough to do on a trial basis, but sales and product teams can create demo websites with manipulated data that showcase the value of the product and convince buyers to upgrade. A prepopulated and easy to use sandbox environment can help teams understand exactly how the product would function in their environments without having to integrate their organization’s sensitive data right off the bat. In the security industry, free risk assessments are another way to get a product in the door, and demonstrate value via risk mitigation strategies.

How to design your organization around pragmatic product-led growth

While pragmatic product-led growth models require an excellent product experience, implementing this strategy isn't as simple as building a good product and assuming it will sell itself. It requires marketing, product, engineering, and sales to be working in concert, and at its best brings efficiency and a tight focus to each department. Their marching orders should be very clear.

C-Suite

Pragmatic product-led growth is something that requires buy-in and dedication from the top. The good news, says Schoenbaum, is that even if you don't have that mindset or prior experience in your leadership from day one, you can infuse expertise through other parts of the organization who can in turn evangelize the approach. He recalls his time as CEO of a company that was strong at product-led growth, despite the fact that he had no prior experience in the strategy.

"I had a team that was pushing in that direction—I learned from them. They were willing to take risks that I wasn't even aware we should be taking," Schoenbaum says, explaining that his team was aggressive and creative in getting customers to experience the free version of the product.

The ability to keep an open mind, listen to all functions within the company, and adapt your strategy as new data and insights come in are equally important here (and a keystone of any innovative startup culture).



Product and engineering

As the name “product-led growth” implies, product teams are critical to the design of a successful pragmatic product-led growth strategy. At its simplest, this means engineering a product that is easy to use and install.

For ActivTrak, that meant designing a product that’s loved by employees and managers alike. The ActivTrak product team leverages data to understand active user behavior and isn’t afraid to make changes to demonstrate value within the product. For example, at the onset of the pandemic, many managers and HR leaders turned to ActivTrak to keep an eye on employee productivity and avoid wasted time and money. (Let’s just say, the “Big Brother” philosophy didn’t have employees jumping up and down to use the software.)

However, in looking at actual employee data, many organizations—including ActivTrak themselves—happened upon an interesting revelation. By and large, remote employees weren’t wasting time at all. But there were some key opportunities for management and leadership to implement small changes to help them increase their productivity. By flipping the script from Big Brother to empowerment, ActivTrak rapidly increased user adoption.

ActivTrak also changed their product reporting dashboard to focus on what individual managers and line of business leaders are doing right to help employees, leading to an increase in implementations (and report shareability) across more departments. Sometimes, somewhat counterintuitively, shining the spotlight on what’s going well can have a huge impact.

Product teams should also have clearly defined use cases for the product, with specific end users in mind.

For example, ActivTrak relies on creating very intentional hooks within its product that appeal to particular buyers’ pain points. A workforce data platform can mean many things to many people. By creating a hook, such as a dashboard to visualize potential employee burnout, the team can appeal to HR leadership to generate new signups based on human factors that are normally very hard to quantify.

Other hooks include an inventory of cloud app usage across teams, and a productivity dashboard to understand trends across the organization. Each of these hooks is based on a real product feature that appeals to a different buyer, helping to demonstrate value across the entire organization. The marketing team is tightly integrated with the product team, so these reports are leveraged as a go-to-market strategy—all of which leads back to the same product.

Marketing

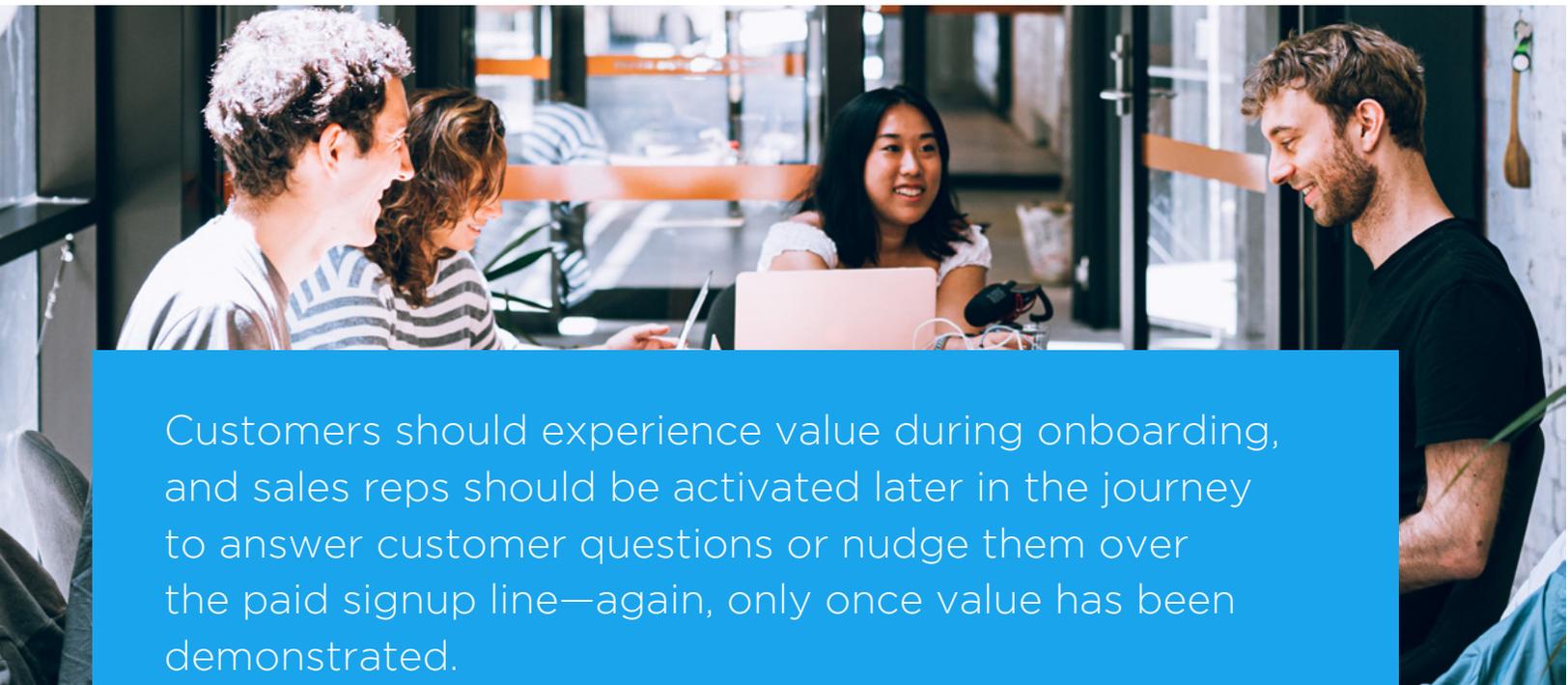
Pragmatic product-led growth perhaps reshapes sales and marketing functions the most dramatically. Content marketing methods that don't drive towards product signups won't yield strong returns in a product-led world.

"I see companies that have great products, yet are relying on an old school marketing model and are spending tons of money on content, pay-per-click, and white papers," says Schoenbaum.

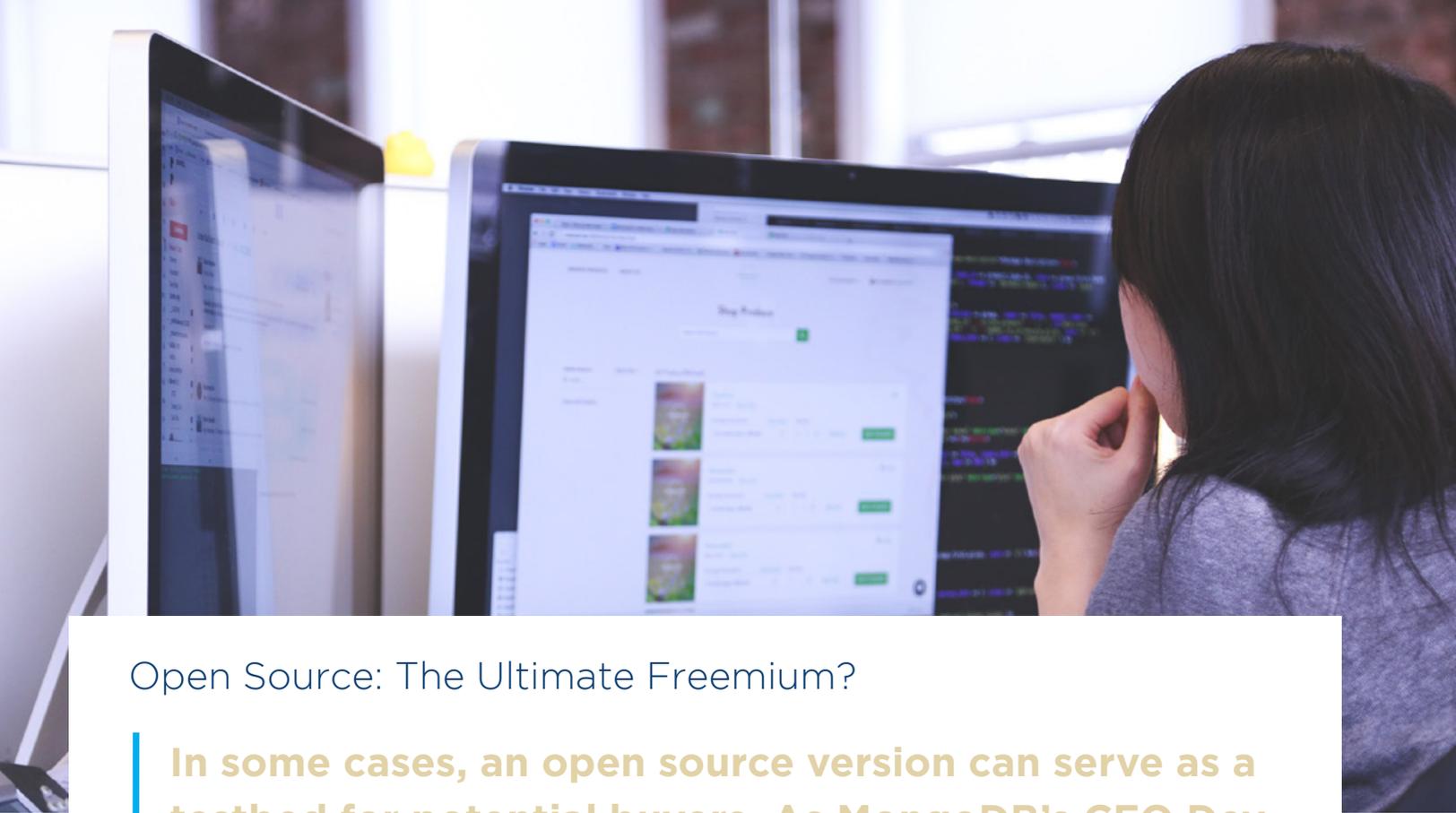
"You can grow a lot faster with a product-led model, with less reliance on marketing and lower cost to acquire."

- Dan Schoenbaum

Content marketing campaigns should bring potential customers directly to a free trial or freemium signup, not to another step that requires human intervention (read: a sales call). This may require a mindset shift for many organizations that were used to collecting customer emails and contact info, and then setting up sales demos. In an organization leveraging pragmatic product-led growth, your product is your best asset and should be put in customers' hands as quickly and easily as possible.



Customers should experience value during onboarding, and sales reps should be activated later in the journey to answer customer questions or nudge them over the paid signup line—again, only once value has been demonstrated.



Open Source: The Ultimate Freemium?

In some cases, an open source version can serve as a testbed for potential buyers. As MongoDB's CEO Dev Ittycheria once explained, "We open-sourced as a freemium strategy, to drive adoption." Free and open source tools have gained massive adoption among developers and are no longer considered "fringe" or renegade options by leadership teams. According to a survey last year from Red Hat, 95% of enterprise IT leaders stated open source was strategically important to their organization. - Dev Ittycheria

Remember how we said a product team's focus should be on articulating and building around clear customer use cases? This approach provides a strong roadmap for product marketing teams to create content around those to be delivered throughout the trial or freemium experience—and clearly guide users on the journey from free to paying customers. Savoy emphasized that in the case of Datadog, marketing teams would provide in-app messaging around popular integrations and persuasive content, nurturing them through critical steps in the customer journey.

In this case, selling to customers isn't simply about building a better product. It's about telling stories that make it easy for customers to understand the value being delivered.

Sales

In pragmatic product-led growth models, sales pipelines are driven by free trial and freemium signups. This dynamic inherently shortens sales cycles and increases the predictability of sales forecasts. They add efficiency for every function, but this impact is perhaps nowhere more clear than in sales.

“If you nail free trials and/or freemium, pipeline management becomes very systemic. Pipeline is the engine and the fuel source is a download,” says Savoy.

In this world, all departments can be working towards the same goal of increasing freemium or trial downloads. From there, customer relationship management (CRM) platforms should be well architected to alert sales teams to show exactly where customers are falling out of the pipeline.

This sales process should be far more predictable due to its heavy reliance on data, which ultimately changes the role of sales. A senior enterprise sales rep running a months-long sales cycle that involves high-touch tactics (think expensive dinners or an extensive proof of concept process) can be far less effective than someone newly out of college who closely tracks CRM data and follows up accordingly. Savoy emphasizes that organizations will be able to much more quickly identify who does and doesn't perform in this world.

“If an inside sales rep has an issue, it’s very easy to isolate that and coach them,” he says. “You can tell if a rep is going to make it within 60 to 90 days. You’re not wasting resources trying to fit a round peg into a square hole. With outside sales, it can take a long time to measure their worth, especially when sales cycles are so long.” - Chad Savoy

In keeping with this approach, even inside sales reps should be mindful to not come across as too salesy. Instead, Schoenbaum favors sales representatives that take a very customer-centric approach. For example, a rep ensures users are getting the most out of their free trial or freemium membership and reaches out at opportune moments to help them get unstuck. The old-school approach involves prematurely aiming to close the sale before the customer has experienced any true value.

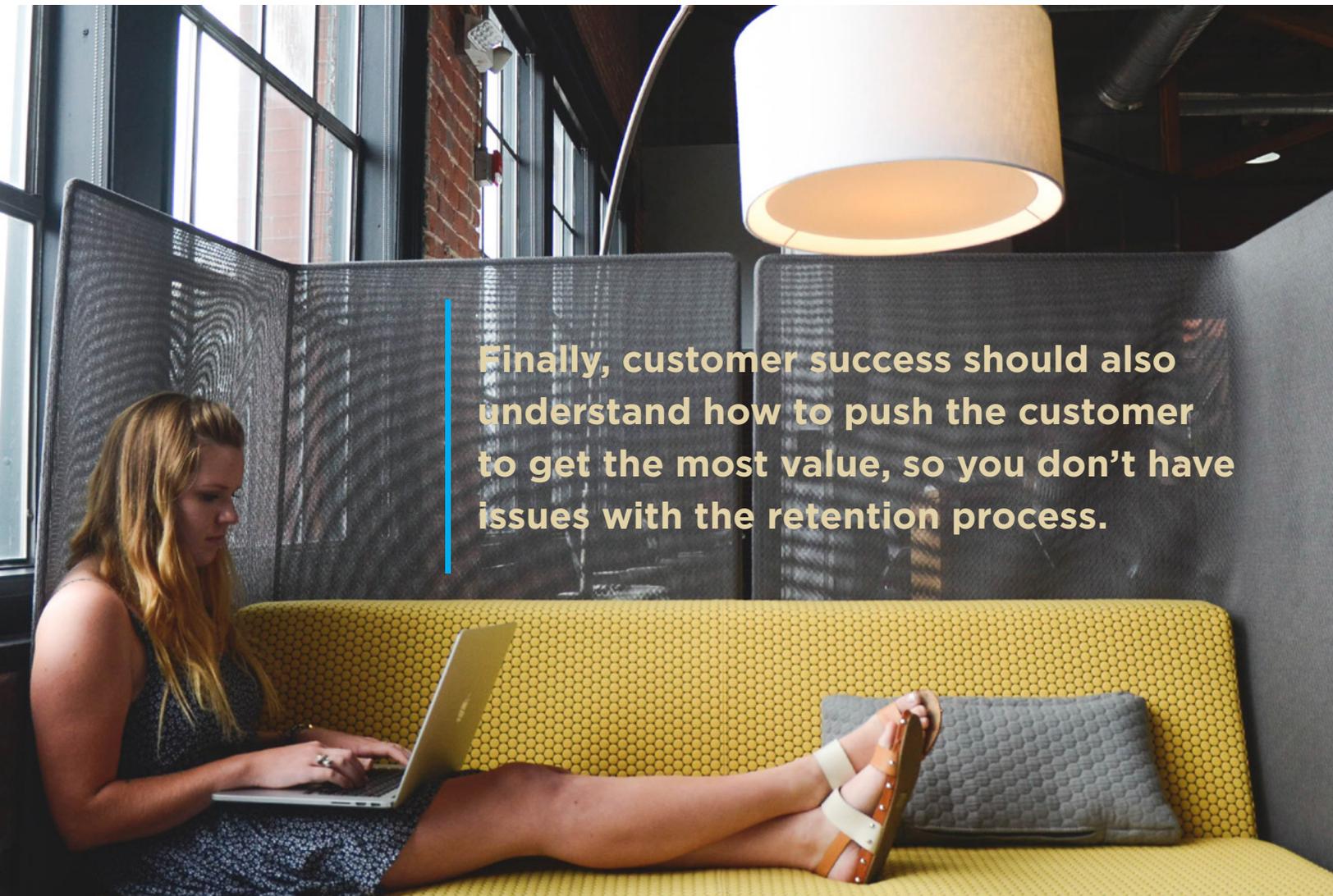
Tying Marketing and Sales Together in PPLG

Heather Zynczak, Elsewhere OA and former CMO of **Pluralsight**, echoes this sentiment, adding that a solid understanding of the customer is the foundation of any successful sales and marketing partnership.

She adds that a deep understanding of the customer is paramount to sales success. “Train your SDRs and BDRs to speak to the right audience. With Pluralsight, there was a big difference between a prospect that was a dev manager and a CIO. Then we trained the sales team to know how to close a deal for each of those profiles.

“The most important relationship you’ll have as the head of marketing is with your head of sales.”

- Heather Zynczak



Finally, customer success should also understand how to push the customer to get the most value, so you don’t have issues with the retention process.

How to make pragmatic product-led growth work for your business

Even if you don't have this framework in place today, your organization can still choose a pragmatic product-led growth path for the future.

Bringing in outsiders with experience and success in pragmatic product-led growth is one smart strategy. If your company is at the stage of seeking outside funding, evaluate potential investors through this lens. Have they backed other companies who have been value-driven successes? Do they have a stable of advisors who have done it as well and can be activated to guide your company through this important inflection point? Product-led growth consultants are another avenue if you aren't in the fundraising stage at the moment.

How to measure pragmatic product-led growth success

Focus on steps in the journey

There are hundreds of ways to measure marketing and sales success. For ActivTrak, the measurement journey starts with capturing website visitors, converting web traffic to leads, nurturing via email and content to drive conversions, and qualifying those leads through actual product experiences (such as the product hooks described above). From there, sales teams are measured on closing actual deals from that pipeline and nurturing the customer experience to demonstrate further value to both primary and secondary users throughout the organization.

Each step in the journey can be measured, but should be thought of in context of the customer's pain points and needs. Only then can you successfully convert on a value-driven product strategy.

Always be closing- experimenting

Pragmatic product-led growth strategies are perhaps best shaped and shepherded by interdisciplinary growth teams that combine all of the above functions. Their mission should be to continuously launch and test new approaches that improve both free downloads and conversions to paid.

While ActivTrak's early success was based on speaking to customers and gut instincts, adjusting to in-product data led the team to iterate and succeed faster. For example, by changing their reporting from real-time user monitoring to a dashboard summarizing how people were working on a daily basis, they were able to dramatically increase user adoption. More iterative changes are in the works for the future, as well as a similar data-driven approach to test new features with customers.

Don't let perfect be the enemy of good, though. Schoenbaum says the thing that made him a believer of the pragmatic product-led growth approach as a CEO was seeing the sheer volume of potential customers showing up to try the product for free.

"We invested in making something really simple that was available to a huge audience, and we figured out the best way to convert them over time," he says. Whether this is through conversations with customers or intensive data-driven efforts, the ability to refine your product to adapt to customer needs is key.

"They should have 20-30 experiments running at any given time,"



"And share insights with others to create a groundswell, instilling that DNA throughout your organization."

- Dan Schoenbaum

Product-led growth is the most pragmatic approach

While many startups still find great success with an enterprise sales approach, product-led growth can be more accessible to those that don't have the resources for lavishly compensated outside sales reps or complex POCs and on-premise installs. Cloud computing has changed the way software companies are built and has introduced a slew of products that have dramatically improved the productivity and sanity of workers everywhere—at attractive price points.

Management and executive buyers will always be stakeholders to some extent, though. While building great products will get the attention of the most junior employees, designing a platform to deliver value allows those users to evangelize the product to their management teams, who will in turn become advocates to the C-level.

We should all be glad that the revolution in SaaS touches every layer of an organization. To build and scale something great, we don't have to choose grassroots growth over widespread value: both are possible through pragmatic product-led growth.

