# BUILD

## THE PRODUCT LED GROWTH EDITION

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BUILD: The Product Led Growth Edition


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Designed by Carolyn Hoffman

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# FOREWORD

We believe that Product Led Growth (PLG) is the future of SaaS. Not just another buzzword, PLG refers to instances when product usage serves as the primary driver of user acquisition, retention, and expansion.

While the terminology is new to many of us, this go-to-market strategy has been gaining popularity across the software ecosystem for years. Our PLG Market Map illustrates 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. More than 200 companies are featured spanning well-known, publicly traded companies as well as emerging startups experiencing hypergrowth.

Public market investors have woken up to this phenomenon as well. Our PLG Index shows that public companies that employ this strategy – companies like Dropbox, Shopify, Pluralsight and SendGrid – are outperforming their peers on nearly every metric. They are growing faster, have higher gross margins, acquire customers more efficiently and, as a result, are rewarded with revenue multiples that are tracking 29% higher.

So how do these companies actually leverage PLG? The best PLG companies flip the script on every aspect of their business. They put their customers first and are obsessive about measuring (and optimizing) every aspect of their funnel. Product usage – not just marketing qualification – becomes the most important trigger for conversion and expansion. The sales team has a product-first mindset and they look and act more like customer success.

In this edition of BUILD, you'll see real-life examples of how leading SaaS companies have successfully implemented PLG strategies across acquisition, conversion and success. The book features in-depth advice from leaders at HubSpot, Intercom, Lucidchart, Mixmax, Typeform, ZipRecruiter, Zendesk, and more. We hope you enjoy it and find strategies that you can take back to your own businesses.

The OpenView Team

PS – We know some of this terminology is new. Check out the glossary at the end of the book for brief definitions of what we mean.

# ACQUISITION



# CONVERSION

# SUCCESS



# EXTRAS

# ACQUISITION

# SCALING WHILE BOOTSTRAPPING: HOW LUCIDCHART REACHED 10 MILLION USERS ON A SHOESTRING BUDGET

Interviewed by Kyle Poyar

Lucidchart may be the poster child for doing (way) more with less. This visual productivity platform has not only scaled to 10 million users (an impressive achievement in itself), they have bootstrapped their growth all the way. In fact, even after their rampant success helped them raise a hefty round of funding, they didn't need to spend it. How's that for efficient?

I recently had the opportunity to sit down with Dave Grow, Lucidchart's President and COO. He walked me through his team's approach to delivering stellar sales and marketing results while keeping spend low. The team's multi-level strategy adapted to the company's growth and evolving objectives, allowing them to take advantage of whatever strengths and leverage they had at each stage along the way.

## STARTING OUT: KEEP IT SIMPLE AND FOCUSED

Dave came to Lucidchart by way of his own SaaS startup and a stint in consulting. While he was still in school, he raised a pre-seed round for a niche product idea he had, but ended up running out of funds before he could establish a viable business. Realizing he might not be quite ready to build a business from scratch, he shifted gears and took a job with Bain & Company. After honing his business fundamentals with the firm, Dave was more than ready when Karl Sun, Lucidchart CEO, invited him to join the team in Utah.

"Right out of the gate, what I focused on almost every minute of every day was how to drive more users to the top of the funnel," Dave recalls of his first days at Lucidchart. "I knew that everything further down the funnel – pricing, messaging, email nurture campaigns, etc. – could be exceptional, but it wouldn't matter unless we could get people to the top of the funnel."

With his objective clearly identified, Dave's next challenge was figuring out the best strategy to reach his goal. He quickly realized that there wouldn't be much of a marketing budget. "We've always been a product-first company. It's in our DNA," he says. "If we had the means to support additional investment, it usually came in the form of another engineer who could help accelerate our product vision." So, from the start, Dave's primary marketing resources were his own time and his willingness to hustle. Based on this, he took a scrappy approach of fast, down-and-dirty experimentation to identify the most efficient ways to get Lucidchart in front of a lot of people. Ultimately, he decided to focus on SEO, a channel he knew something about and one that was designed to drive traffic to the top of the funnel.

## OPTIMIZING: BUILD ON WHAT'S WORKING

With his foundational sales and marketing strategy in place, the next part of Dave's plan was to begin optimizing against that activity. For this stage, he has two key pieces of advice: focus on what's working and invest in data you can trust.

Many companies, especially young ones, fall into the trap of thinking they have to implement every sales and marketing strategy at the same time. It's easy to hear buzzwords like "holistic" and "integrated" and assume that the only way forward is to produce all the content and distribute it through all the channels, from social media to user conferences. In reality, that can be a recipe for disaster. It can dilute your message and your efforts. "The most important thing you can do in the early days," Dave says, "is to find one or two channels that really work and which have the potential to scale, and then double down (or even triple down!) on those channels."

Dave recommends spending 80 – 90% of your time working in whichever channels are the best fit for your business, wringing out every last drop of their potential. In Dave's case, working with SEO, he started by focusing on low-funnel keywords with high purchase intent. Once he had established content and ranking for that set of keywords, he started moving up the funnel and adding other tiers of keywords and phrases, all the way up to broad search terms like "what is an org chart?" in order to maximize every SEO opportunity. "We are now seven years into this effort, and we still haven't exhausted the opportunities within this one channel," Dave says.

The other lesson Dave learned in his early days with Lucidchart was the value of good data. After earning some success with SEO, the next logical step was to start investing in PPC and AdWords. The strategy was solid, but the team hit a snag on the data side. "We had built an internal system to attract visitors based on their source and to help us understand whether those people registered and so on," Dave recounts. "I watched our internal dashboards day after day and week after week, and the results just didn't make a lot of sense. According to our data, no one was paying."

Based on that data, Dave and his team shut down the campaigns. They rebooted a few times, but the data always showed poor performance, so they kept abandoning the tactic. It wasn't until they decided to integrate a third-party analytics platform with their system that they realized the problem wasn't with the channel (which actually turned out to be wildly profitable); the problem was with the data. The internal analytics system had some fatal flaws that were skewing results substantially.

**"INVEST IN ANALYTICS AND ACCURATE DATA SO YOU CAN MAKE SMART DECISIONS. IN OUR CASE, A LACK OF THAT IMPORTANT ASSET COST US TWO YEARS OF GROWTH IN WHAT IS NOW A PHENOMENAL CHANNEL FOR US."**

## ADAPTING: EXPERIMENT TO FIND YOUR NEXT WIN

At some point, it will be time to branch out into other channels. You may be spending 80 – 90% of your time and energy in the one or two channels that are giving you the best return on investment, but that still leaves 10 – 20% of your time to experiment with new opportunities. You want to stay true to what's working, but also engage in consistent experimentation on the side so that you're ready to identify and layer on the 'next big thing.'

"You don't want to get to the point where you're cresting, where you've tapped out a channel, and not know where to go next," Dave says. In other words, stay one step ahead. At the same time, it's important to stay the course in terms of taking a focused and cost-effective path. As you reach certain growth milestones, you may feel some pressure to increase spending – especially as you prepare to move into new channels – but that's not always the best choice. Lucidchart's product led, capital-efficient approach has served them well because they stay committed to it. They maintain an active, behind-the-scenes conversation about where and when to invest in new opportunities, but they don't spend just because they can.

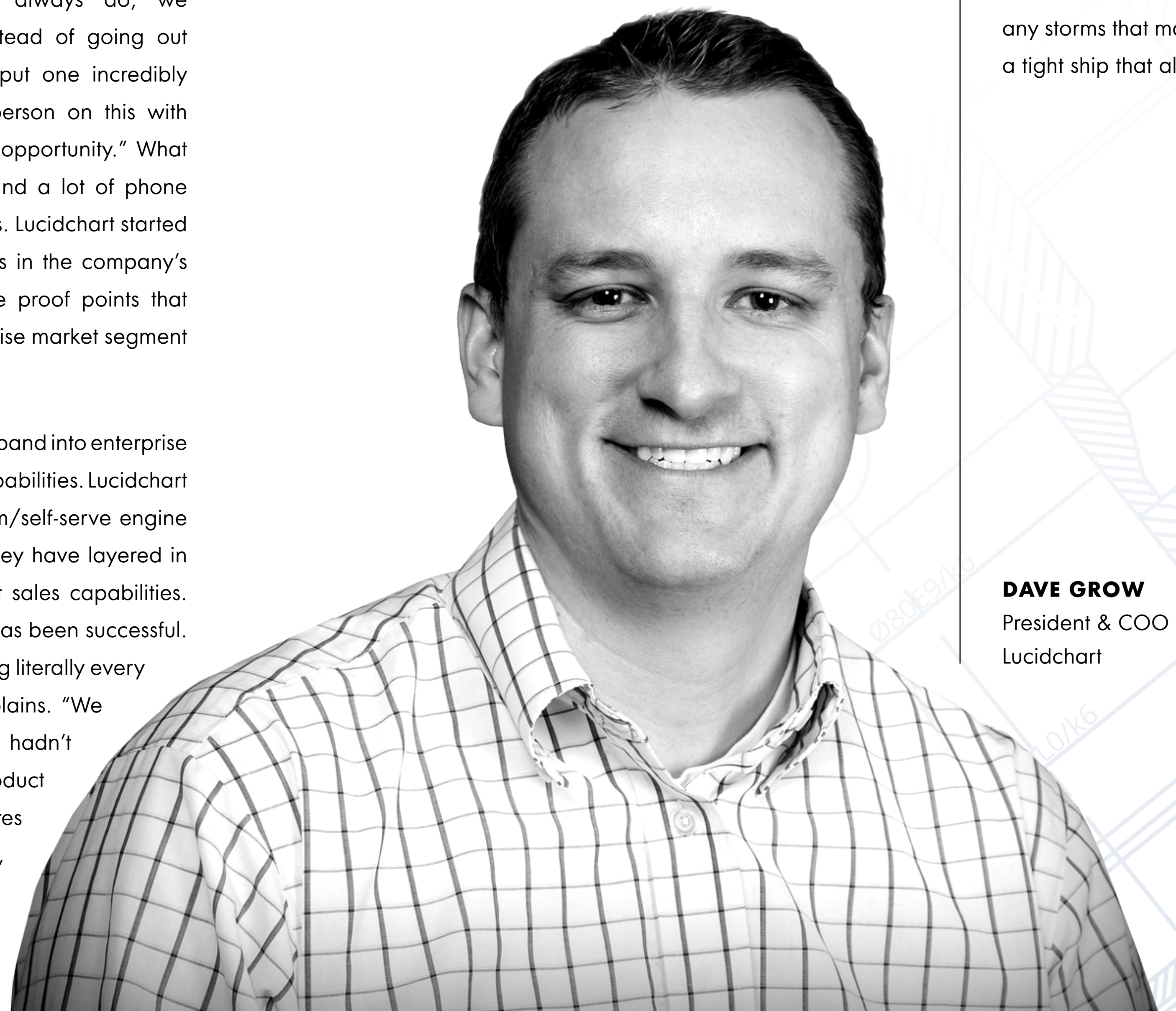
## EXPANDING: STAY TRUE TO YOUR APPROACH

After a while, Dave had a pretty solid go-to-market strategy in place, and then everything started to change. After a few years of complete focus on a freemium, self-serve approach, Lucidchart began getting inbound requests from enterprise-size companies that wanted to roll the product out broadly. At first, these inquiries were handed off to a member of the executive team who would manage the sales process as an ad hoc event. But as the number and frequency of incoming requests increased and the scale of the deals also grew, the team knew it was time to expand the business in a new direction.

"To start, we did what we always do, we experimented," Dave says. "Instead of going out and hiring twenty people, we put one incredibly smart, talented, and strategic person on this with the assignment to figure out the opportunity." What followed was a series of tests and a lot of phone calls with the inquiring companies. Lucidchart started closing some of the largest deals in the company's history, providing some valuable proof points that supported going after the enterprise market segment with more vigor.

Dave describes the transition to expand into enterprise as the layering on of additional capabilities. Lucidchart has intentionally kept its freemium/self-serve engine as strong as its ever been, but they have layered in and integrated inside and direct sales capabilities. The shift hasn't been easy, but it has been successful. "Making this work meant changing literally every part of the company," Dave explains. "We were hiring for sales roles that hadn't existed before, building new product functionality and security features for enterprise administrators, and the go-to-market strategy was no longer just about driving people to the top of the funnel and putting them through a frictionless self-serve campaign. Now we had to identify key decision makers within organizations and deliver a highly tailored value proposition."

Looking at it today, Dave sees that Lucidchart is fundamentally a different product and company than it was just a few years ago. He also acknowledges that, as the company has expanded into enterprise sales and the world of customer success, there are more correlations between revenue growth and the number of people working to generate that revenue. "The enterprise play is definitely more high touch and a more expensive endeavor," he says, "but it's certainly been the right one for us to tackle."



**DAVE GROW**
President & COO
Lucidchart

## THE REASON TO RUN LEAN

Huge success. Big numbers. Impressive expansion. Why does Lucidchart continue to run lean, even after they've "made it?"

"We've always felt strongly that we want to be in control of our own destiny," Dave says. "We want to always be in a position where we can do right by our employees and our customers. We never want to put ourselves in a position where our fate is dependent on that next round of funding." Dave's philosophy was certainly shaped by his own early experiences in the software industry. Coming out of college in 2008 just as the great recession hit, he saw many friends lose their jobs as companies went under. He never wants to see Lucidchart in those dire straits, so he's always careful to have a plan to help the company weather any storms that may come, and that includes running a tight ship that allows for autonomy. «

# SALES IS NOT BINARY

Interviewed by Blake Bartlett

You either love or hate sales. You can go all-in on self-service and let the machine handle customer acquisition. Or you can hire an army of reps and let the humans sell. There is no in-between.

This commonly held view of sales is wrong. Sales is not binary. FullStory's Scott Voigt says the answer is a bionic approach to sales. Man plus machine. Human, but more than human.

## EMPATHY AND CLARITY

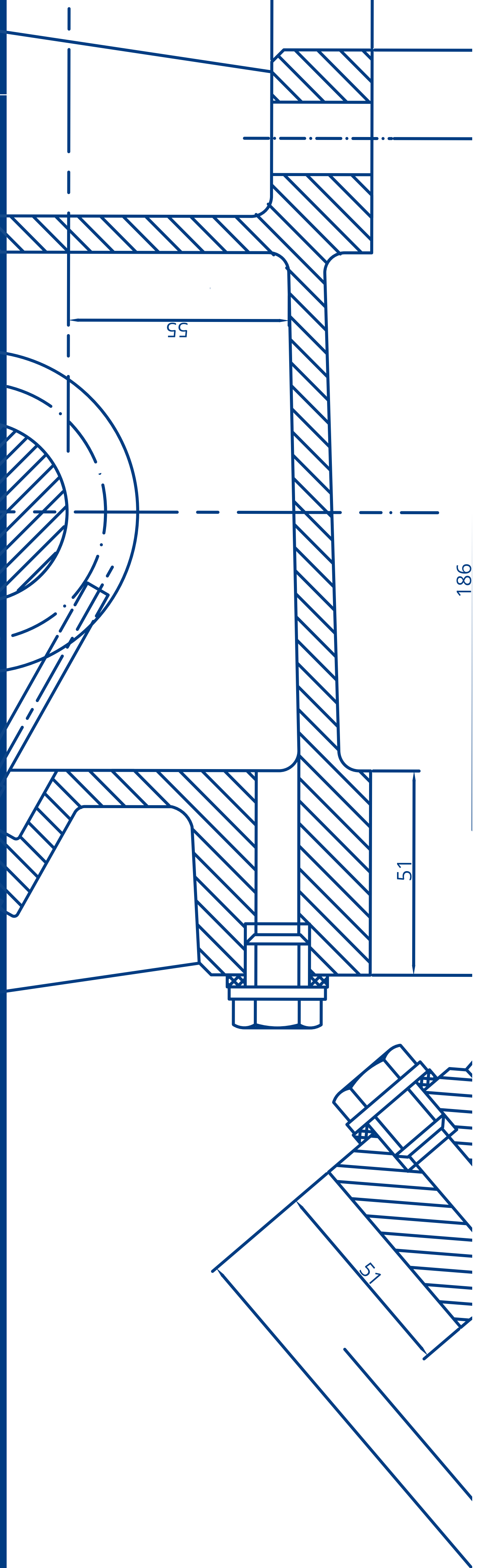
Two of FullStory's guiding principles – empathy and clarity – led them away from sales early on.

"A lot of people don't enjoy being sold to, including the folks at FullStory," says Voigt. "As a company, we are super leery of anything where we have to talk to someone in order to see the product."

Having to talk to someone suggests that something needs to be hidden – most likely the product's cost or complexity. "We just want to cut to the chase and quickly understand the product and pricing."

Valuing empathy leads to the Golden Rule. If FullStory doesn't like being sold to, it would be weird if they turned around and aggressively sold their product to others.

Valuing clarity leads to transparency. Simplicity and clarity is easier said than done when it comes to product marketing, website copy and pricing pages. But customers are desperate for it.

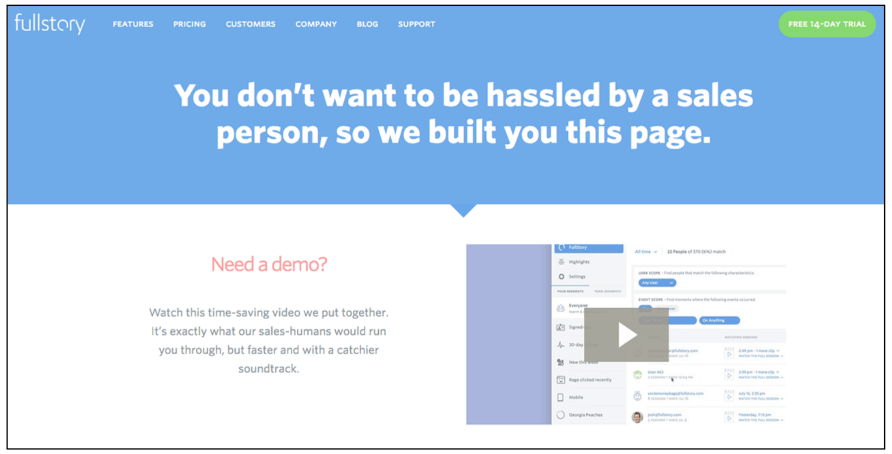







## DOES IT WORK FOR EVERYBODY?

FullStory's focus on empathy and clarity means the company leads with self-service. I mean, look at the messaging on their awesome sales page:




But self-service doesn't work for all customers. "I wish it worked for everybody. But in fact there is a correlation between the size of a company and the complexity of the buying process for that company," says Voigt.

Complexity means your buyer needs help. The self-service machine falls down under the weight of a complex buying process. And if one of your humans doesn't step in, the customer will turn to someone else's human (and ultimately someone else's product) to help them.

Empathy isn't partial. You need to cater to the needs of both the "leave me alone" people AND the "help me buy your product" people.

## MAKING THINGS BIONIC

Empathetically coming to the aid of people with complex buying processes means embracing sales. But after initially avoiding it, FullStory wasn't eager to do sales in the traditional way.

"Old school customer interactions are remarkably inefficient," Voigt says. "Hire an army of sales reps to get new customers and a boatload of support folks to keep them happy. We're living in the 21st century and there has to be a better way."

This is where FullStory's third operating principle comes in – making things bionic. It means making a human process more scalable through technology. But it's not robotic automation stamping out generic crap. "The human component is the heart of bionics, because of that all-important first principle: Empathy. Being bionic helps us scale empathy. It allows us to be human with an ever-growing number of customers," Voigt explains.

What does this look like in practice? FullStory provides intelligent, personalized customer success to anyone using the product. All users are created equal, and there is no fundamental distinction between prospects and customers.

## "IF YOU'VE EVER TRIED OUR PRODUCT, YOU'RE A CUSTOMER."

Similarly, there is no fundamental distinction between sales, support and success efforts. "If everyone is a customer, then we want everyone to be successful."

The intelligence and personalization comes from FullStory using its own product to deliver an amazing customer experience. A common example is receiving a proactive note saying, "It looks like you may have tripped on a bug earlier today. I'm really sorry about that. We've fixed it now and you should be all set!"

FullStory does the same thing when it sees users expressing frustration at the product during a session. We've all been there – the site is slow and you aggressively click the mouse in hopes of a response. FullStory calls this user behavior "rage clicks." The team gets a rage click alert and the customer gets a message asking how they can help.

"Customers love this kind of care and attention. It leads to better customer conversion and satisfaction, but it would be impossible without bionics."

### ONWARD!

We've been sold a false dichotomy – that you must choose either the path of self-service or sales, but not both. But there is a better way, and it's called bionics. Man plus machine. Human, but more than human.

Onward to a better future for your company and your customers! «



## "OLD SCHOOL CUSTOMER INTERACTIONS ARE REMARKABLY INEFFICIENT," VOIGT SAYS. "HIRE AN ARMY OF SALES REPS TO GET NEW CUSTOMERS AND A BOATLOAD OF SUPPORT FOLKS TO KEEP THEM HAPPY. WE'RE LIVING IN THE 21ST CENTURY AND THERE HAS TO BE A BETTER WAY."

**SCOTT VOIGT**
Founder & CEO, FullStory

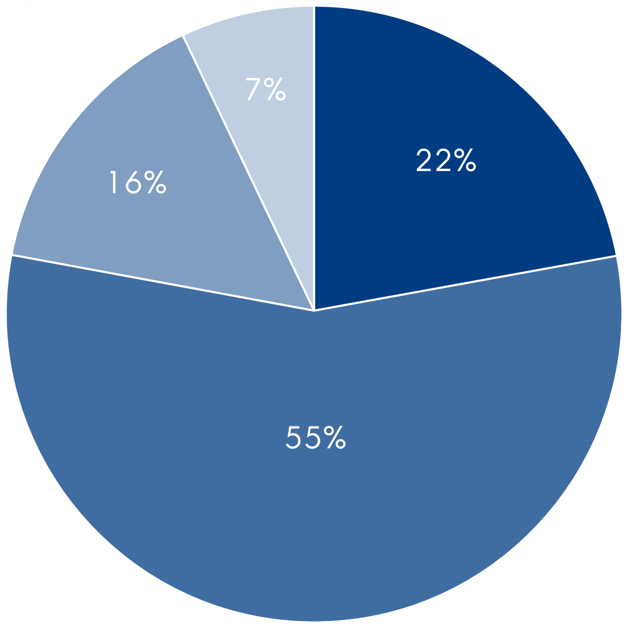
# REAL-WORLD STRATEGIES FOR STRONG SALES AND MARKETING ALIGNMENT

Interviewed by Ashley Minogue

"Building a strong and productive partnership between sales and marketing is easy," said no one ever. In fact, a recent survey conducted by OpenView all but proves the contentious relationship. Across a survey of more than 500 SaaS marketing leaders, only 22% claim to be fully aligned with their sales counterparts. The idealist in me says the response should be 100%, but based on my experience, I was surprised the number was even that high. And I have a feeling that had we posed the same question to sales leaders; the number would have dwindled further.

While sales and marketing leaders are ultimately playing for the same team and working towards the same goals, their individual perspectives and focuses often send them careening in opposite directions.

So, instead of simply complaining about this sometimes tumultuous relationship over a Friday afternoon beer, what can sales and marketing leaders do to drive alignment? Zak Pines, VP of Marketing at Bedrock Data, knows a thing or two about building cohesion. He's spent more than 15 years creating sales and marketing partnerships that work.




### STATE OF MARKETING/SALES RELATIONSHIP AT YOUR COMPANY

- 100% aligned, act like a single team
- Good working relationship, room for improvement
- Siloed, limited collaboration
- Combative, ongoing disagreements

"The buzzword is a-lign-ment," Pines says, distilling his broad experience and best practices into three syllables. "The question is, how do you get there?"

That is indeed the question, and it's one that Bedrock Data is helping its customers answer with an integration platform that's tailor-built to help marketing, sales, customer success, and operations teams connect, clean, and synchronize data across disparate SaaS systems.

This alignment of critical information across and within departments gives the sales team better visibility into key marketing interactions and enables marketing to improve targeting within CRM databases.

Technology, however, is only one part of the alignment equation. As Pines explains, **a successful sales and marketing partnership depends as much — if not more — on the human side of the relationship.**

## DEFINE WHAT'S DRIVING GROWTH

I think we all can agree with Pines, when he states, "There has to be alignment on goals and defining success. It starts with having a rationale around the targets, meaning we agree — at a leadership level — that as sales and marketing we have a specific bookings or revenue number as the key goal, and here's why. Being aligned around these key goals builds a natural sense of teamwork between the groups." Teamwork helps to develop mutual respect which is another thematic key to successful alignment.

It's also critical to ensure that the alignment is more than just skin deep. "There's an even broader alignment required outside of sales and marketing," Pines says. "Those teams must not only be aligned with each other, but also with finance, the CFO, the CEO, and the board." In fact, Pines emphasizes, that's where the alignment needs to start. "It's the responsibility of the leadership team, whether that's one person or multiple executives, to create that broader alignment. Once the overall target and growth strategy are in place, sub-goals for specific programs and channels will fall into place."

This is where most companies miss the mark. It is "easy" to define a KPI and a specific target goal, but the more challenging part is determining how you'll get there and staying in sync as you adapt to what it'll take to achieve the goal. Pines recommends focusing on one question to gain and maintain clarity around your goals. "A key to success is being able to define what's driving your growth," he says. "Which things do you all agree are the keys to growth? Is it key partnerships? Is it developing those partnerships and producing more leads, pipeline, and revenue through them? Is it new products? Is it building on proven success by scaling out more leads through proven channels?"

For every SaaS company, the answer will be different, and you'll be tempted to list 87 things that are the "key" drivers of growth. Here at OpenView, we have seen time and time again, that the most successful companies are the ones who are constantly forcing marketing and sales to answer this question, reach an agreement and stay focused on prioritizing the top three, not 87, drivers of growth.

## MAP OUT THE PATH TO PURCHASE

But it's not enough to align around just the big idea. Another, often overlooked, point of alignment is agreement on exactly what you're selling. It seems like what you're selling should be so obvious that you wouldn't need to define it, but it's easy to confuse the issue. "When I talk about aligning around what you're selling, I'm asking about the path to purchase for your product," Pines explains. "For example, are you all about free trials – getting more and more people to try the product? Or are you selling to specific use cases – the specific problems a customer can solve by using the product?" How you answer that question defines the path people take to buying your product. Once you've answered it, then the integrated customer buying experience you create – from your website to your marketing programs to your sales conversations and even your customer on-boarding – needs to align around this.

It's a deceivingly small detail that actually makes a huge difference. "If marketing and sales are aligned on what they're selling, you can build everything around that — your marketing programs, website content, everything," Pines says. "If you're not aligned on this point, then the way marketing generates leads can result in a lot of wasted effort because it won't deliver the kinds of leads sales is looking for." Alignment here is critical to creating an optimized lead funnel.

## USE METRICS AS A CONDUIT, NOT THE SOLE SOURCE OF TRUTH

One of the most common mistakes Pines has seen around building a working sales and marketing partnership is the misuse of metrics. Even when a company manages to get leadership buy-in, align around shared goals, and correctly position BDRs within the organization, they can still be tripped up if they apply metrics incorrectly.

"Metrics should be used to provide visibility into progress, guide collaboration, and allow for fluid decision making," says Pines. "They shouldn't be used to cast blame without context. For example, if lead numbers are viewed in a vacuum, that may cause friction. Rather than casting blame on one group or another, use the data as a guide to make good decisions."

Too often, Pines has seen teams assume that a performance problem is indicative of a specific function being ineffective, but there's almost always more to the story. "You can't reach the right conclusions without the right context and collaboration," he says. "For example, some lead sources may convert higher than others – but both have value. That's what I mean by context."

On a related point, Pines cites the backlash against MQLs. "Metrics can become overly black and white. There's nothing intrinsically wrong with the MQL metric, but it has been abused by some who have placed too much weight on it," he says. "Instead of making MQL (or any other metric) the sole point of measurement, metrics should be used as a conduit to create a dialogue between marketing and sales leadership."

"Ultimately, if the marketing and sales leadership teams stay focused on looking at everything from the perspective of solving for what you need to do to grow, good things will result."

## TACTICAL TIPS FOR GETTING STARTED

Another way to ensure positive results is to establish good rapport between sales and marketing. "I'd say start by helping them spend time in each other's shoes," Pines suggests. "If you're a marketer, offer to shadow a sales rep for a deal cycle, listen in on a sales call, or spend time in the field." Pines also encourages teammates to be curious and ask a lot of questions so they can gain a deeper understanding of day-to-day sales challenges.

Having previously led a team of B2B marketing analysts at Wayfair, I'd have my direct reports shadow 2 to 3 reps informally during their first 30 days on the job. This turned out to be a critical part of onboarding and was a real eye-opener both for the new team members and for me. As a marketer, it's easy to make an impact and see results right away. But for a sales rep, to make an impact (close a deal), much of the process can be out of their control. Learning about the day to day tasks of my counterparts made me a more compassionate marketer.

I'd also urge marketers to spend time with customers and lost prospects. You'd be surprised to hear what people are willing to share when they're not fending off a "sales pitch."

Pines concurs, "Customers are a great point to align around. Spend time with them. Interview them. This will not only help you generate insights about customers and the problems they're facing, but it will also build credibility with your sales team." Ultimately, the insights will help marketing teams develop more effective prospecting and engagement strategies, which in turn will accelerate the buying process.

From my own experience, it's been easier to have a conversation with sales based on "consumer insights" instead of funnel data metrics alone.

Finally, it's important for marketers to do a thorough and proactive job. "Be diligent and genuine about solving for growth," Pines says. "Don't think that just because you've generated leads, you're done. Continuously evaluate how you can help your company and your sales organization grow. That's what will help you generate appreciation and respect with the sales team so you can strengthen that critical relationship.

While creating true sales and marketing alignment is neither easy nor something that can be done once and forgotten, it's a worthwhile effort with very tangible benefits for sales, marketing, customer success, and your company's overall potential for growth. «

**"A SUCCESSFUL SALES AND MARKETING PARTNERSHIP DEPENDS AS MUCH – IF NOT MORE – ON THE HUMAN SIDE OF THE RELATIONSHIP."**

# B2C LESSONS FOR SOFTWARE MARKETERS: IT'S ALL ABOUT KEEPING THE CUSTOMER FRONT AND CENTER

Interviewed by Ashley Minogue

The consumerization of tech has transformed more than just how people buy and interact with technology. It's caused many B2C marketers to migrate to B2B and back again. Throughout my own career, I've worked across B2C and B2B companies of all sizes from CPG giants like Kimberly Clark and Kraft to Wayfair.com and now OpenView, where I consult exclusively with B2B software companies. In fact, at Wayfair, a well-established consumer company, I was charged with helping to build their B2B program. A key driver of Wayfair's rapid B2B expansion, 20 to 500 sales reps in 3 years, was leveraging the organization's best-in-class B2C marketing strategies.

My experiences on both sides of the marketing spectrum are becoming all the more common. Andy Freedman, a self-described recovering corporate brand marketer, has spent more than a decade working with some of the best-known consumer brands including Dunkin' Donuts, General Mills and Visa. But most recently, he transitioned into the software space as CMO of Riskified, an eCommerce fraud prevention solution for online merchants.

So how can B2B marketers apply consumer skills to help grow their software companies? Freedman explains in this exclusive interview.

## IT'S ALL ABOUT THE BRAND (WHICH IS ALL ABOUT YOUR CUSTOMER)

"One thing that is sometimes a struggle for B2B companies is being strategic about the way they interact with, listen to, and empathize with their early customers," Freedman says. "This is something that the good consumer brands do very well. They spend a lot of time and resources doing market research – talking with, watching, and interacting with customers. And that effort isn't just in the interest of user experience. It's about really understanding customer problems and identifying the insights that allow them to help solve those problems."

It can be challenging to prioritize this kind of brand work in the early stages of a startup, but that doesn't lessen the importance of making the effort. "At an early stage, you're always capped by resources to some extent, whether that's human capital or financial capital," Freedman says. But B2B companies are actually set up perfectly to get customer feedback (with a little preparation) in order to define their brand. Sales or customer success is talking to customers and prospects every single day. Yet I've seen too many B2B companies that fail to capitalize on this proximity. Marketers, this is your responsibility! Create a feedback cadence and framework to gain insights from your customers.

## THE IMPORTANCE OF (REALLY) KNOWING YOUR BRAND CHAMPION

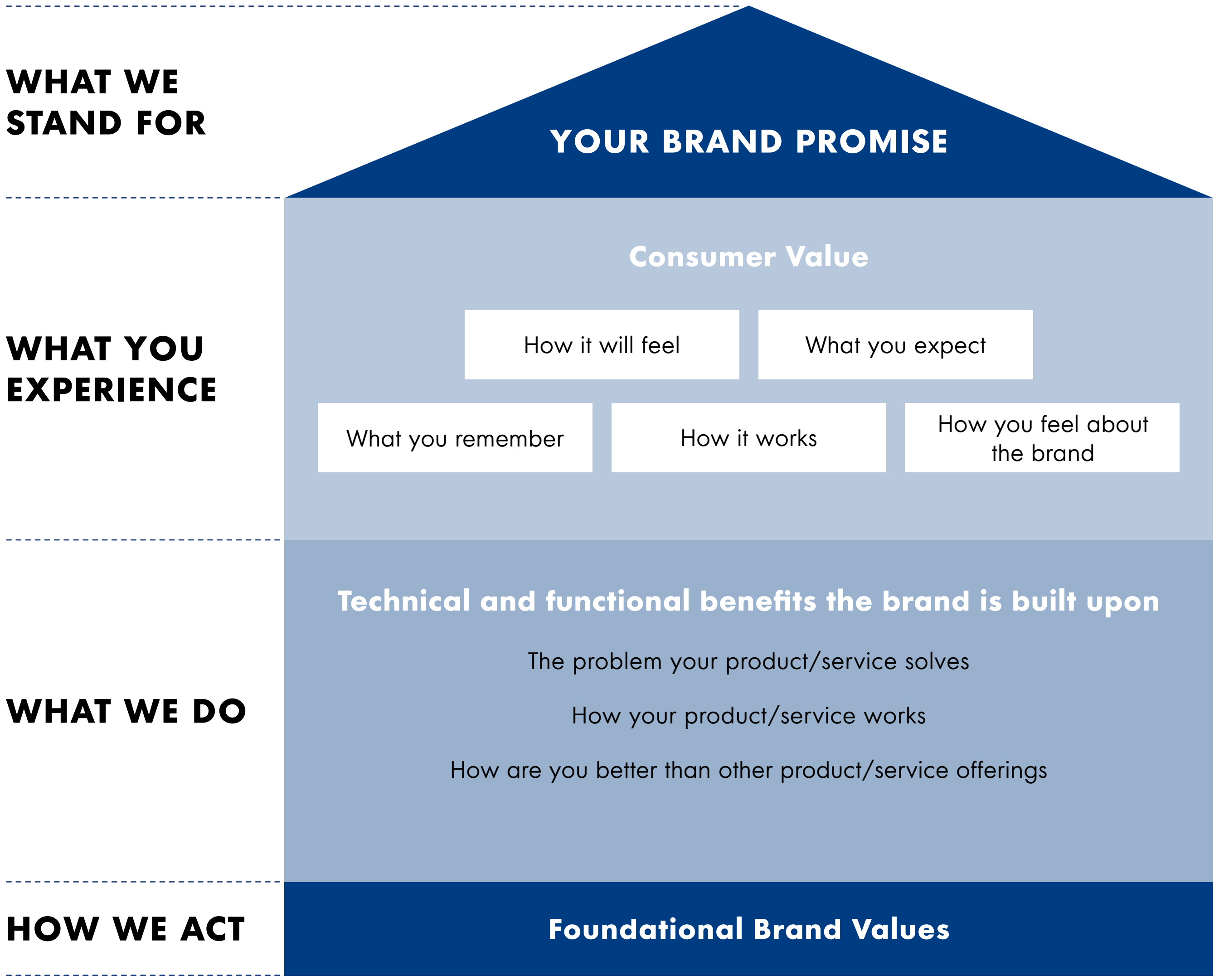
Whichever audience you're pursuing, Freedman advocates strongly for the concept of a brand champion. "We talked a lot about this at General Mills and it went much deeper than just describing a mom who is thirty-five years old, has two kids, and lives in a Boston suburb," he says. "We had to get a much more in-depth understanding of their likes and dislikes, what frustrates them, what gives them joy, and what problems they have. That's what we needed to know in order to go out and create the right products or market the products we had in a more effective way."

Freedman contends that the same attention to detail needs to happen in B2B marketing. "I'm quick to recommend that everyone in the organization should interact with early customers – not just product and customer success people, but also engineers and marketers," he explains. "Everyone should have exposure that helps them keep the voice of the customer in mind. This gets us away from speaking to potential customers as 'decision makers,' and helps us start to really understand who these people are so we can develop a really robust customer persona."

## THE BRAND BOOK: YES, YOU NEED ONE

Another brand asset that's more typically associated with B2C companies is the brand book or brand architecture, but it can be a valuable asset for any B2B company. "First, there's the internal process of building the document," he says. "And then there's sharing it inside your organization to make sure that everyone at the company – no matter their role – is operating off the same page." Your brand architecture doesn't have to be complex to start. A one pager that summarizes your brand is a great starting point:

Freedman emphasizes the importance of messaging consistency. "Everyone in your company needs to be able to clearly and succinctly define what you do and how you do it better than others," he says. "When that's done well and you're all using the same language, it's truly impactful. It influences not just your marketing communications strategy, but also product – the things you build – and the way you talk to customers and solve their problems. From marketing to the way your customer service team operates to how you send an invoice, that values-based messaging and language touches everything you do."




But building the book and standardizing on messaging aren't alone enough to get everyone on the same page. In a B2C company, testing new messaging can be as simple as changing your ad creative or emails and running a few experiments. But with B2B, I've personally seen that it's much more complex. You likely have BDRs personalizing email templates on their own and reps tailoring your pitch to their specific targets. It's imperative that your sales team understands your brand messaging and value prop so that the language they use is similar to the message prospects experience at the top of the funnel.

## CHANNEL MIX OPTIMIZATION: CONTINUOUS RAPID IMPROVEMENT

Consumer tech companies are especially savvy when it comes to constantly testing and optimizing their channel mix. Sure fewer steps in a consumer funnel might make this easier for B2C companies, but complexities shouldn't prevent you from unlocking the data driven insights you gain from experimenting. And early stage companies actually have an advantage here because a small team also means a more agile team.

"The beauty of being at an early stage growth company is that you have a willingness to experiment," Freedman says. "You should be willing to do things you can measure, invest heavily in things that work, and learn from the things that don't." But before you do start testing, make sure you have clean data and good visibility into your base metrics. Without these, it will be impossible to gain a clear picture of how leads flow through your funnel and where and why they convert. A trackable and succinct funnel is the foundation for all demand gen experiments.

On the surface, B2C and B2B companies and their marketing strategies appear vastly different. But when you break it down, every good marketer is after the same thing – understanding their customers so they can provide the best possible experience. «

# 10 OBSESSIONS OF A MODERN B2B MARKETING LEADER (AND HOW TO HIRE ONE)

Interviewed by Ashley Minogue

There's no question that B2B marketing has become increasingly complex and sophisticated. To keep up, today's top marketers have also become more complex and sophisticated. They possess a wide range of skills that blur the lines between marketing, product, brand, sales, and analytics.

With all these layers and specialties to consider, startups looking to fill their first marketing leadership position face major hiring challenges. How do you know which type of marketer to hire first? How can you tell which candidate will be the right fit? What's the best process for finding and evaluating candidates?

To get answers to these questions, I sat down with Erica Seidel, an executive recruiter who runs The Connective Good, a boutique retained executive recruiting practice helping high-growth companies attract talent they wouldn't find on their own. She also has special insight into high-level marketing positions after a stint running the CMO Group (a peer-to-peer networking business) for Forrester Research.

Based on her experience recruiting top leaders in marketing, marketing technology, and marketing analytics, Erica has developed a framework that helps explain the specific skill sets and mindsets (aka obsessions) of today's top performing B2B marketers.

Useful to both marketers who are building their careers and to companies looking to hire an A+ marketer, this list of 10 key marketing leader obsessions provides important insight into the tactical, strategic, and personality-based attributes of marketers who are at the top of their game:





### 1. BUSINESS FIRST, MARKETING SECOND

They contribute beyond marketing and know how to convert marketing lingo into terminology the CEO cares about. They focus on business metrics (MRR, net dollar/logo retention, and customer satisfaction) more so than vanity metrics (CTRs, impressions, etc.).

### 2. DATA

They make decisions based on data, not just feeling. They understand how they will measure impact before they enact change (and what the next set of experiments will be).

### 3. COLLABORATION

They serve as shuttle diplomats with low egos, not lone wolves. They know how to work well with sales, product, engineering, and operations.

### 4. REPEATABILITY WITH SCALE

"Nail it and scale it" is their mantra. This applies to their processes, technologies, and teams.

### 5. INNOVATION

They contribute to how the business will win tomorrow, not just today. (Note: some tension exists between innovation and repeatability, find the right balance).

### 6. CUSTOMER

They always have a pulse on the customer and are constantly honing in on an ideal customer profile. They can orchestrate the whole customer experience from awareness to education, usage to advocacy and know when to leverage other teams' expertise.

### 7. ACCOUNTABILITY

They share a revenue number with sales and understand the importance of a tight marketing to sales handoff.

### 8. TECHNOLOGY

They build the marketing technology stack to automate, scale and optimize marketing efficiency. They evaluate new technologies with a level-head and don't succumb to shiny object syndrome.

### 9. CONTENT

They understand the power of content and can empower a team to build a content engine to educate and engage, not just sell.

### 10. BRAND

They understand the role of brand in fueling growth. They can build product positioning, messaging, and industry marketing.

Building off this framework, Erica shared four of her best tips for making a successful marketing leader hire who emulates these obsessions.

## 1. THE FIRST STEP TO GETTING WHAT YOU WANT IS KNOWING WHAT YOU WANT

While Erica acknowledges that CEOs and founders have learned that marketing is much more than the "make-it-pretty" department – that marketing can be the "make-money" department – she notes that there is still a fair amount of confusion about the different kinds of marketing leaders and which ones are most appropriate for different stages of growth. A role in marketing leadership can cover a lot of different territory: digital marketing, marketing operations, brand marketing, product marketing, marketing communications, etc.

Based on her experience, Erica has simplified this vast field of specialties by defining four primary marketing leader archetypes:

» **Business Development:** Sales Partner

» **Brand Builder:** Product/Content

» **Brand Builder:** CMO Strategist

» **Demand Builder:** Growth Marketing/Digital

Each one of these archetypes has a unique perspective and corresponding set of skills and strengths that are designed to tackle a particular marketing objective. It's critical to understand which one your company needs, but companies often miss these distinctions.

"At the business development stage, a company wants to rev up demand. But, they might not be able to tell the difference between a marketer who can do that and a marketer who is more of a brand builder. The challenge is that, as extroverts, marketers are usually very articulate. They sound good. You have to remember that the person who interviews best isn't always the best person for the job."

You must recognize it is unlikely any single person will be a rockstar on all 10 obsessions. Hunting for the marketing leader "unicorn" is one of the top mistakes Erica sees companies make. She notes that everyone has their competencies and pursuing perfectionism in hiring is rarely a winning strategy. You must know what you need perfection in at your current stage and what you are willing to work with the person on.

## 2. HIRING SUCCESS DEPENDS ON YOUR ABILITY TO DEFINE THE JOB, NOT THE PERSON

Another common mistake Erica sees companies make is embarking on a hiring quest by creating a candidate profile such as "an MBA with 10+ years of experience." As it turns out, it's smarter to reverse engineer your search from the desired performance outcomes.

"I always ask clients to tell me the five business results we're looking for. I ask them to name the one thing that will make the CEO, team, and investors happy if the new hire gets it done in their first year."

Another exercise Erica employs is to think about what makes a company unique and how that helps define the kind of marketing support they really need. In her intake interviews, she asks questions like, "When will things get tense for this person?" By asking a company to think through the bottlenecks, conflicts, and other challenges the marketing person will confront, she starts to get a sense of the overall dynamics, which in turn helps refine the job description and identify candidates who will fit culturally.

Defining the job instead of the person is also more appropriate in today's evolving marketing landscape. Ten or fifteen years ago B2B marketing was a more general practice. Today, it's much more specialized, and many marketers are doing what Erica refers to as a "tour of duty" across a variety of disciplines – from demand gen to marketing operations and so forth. Erica draws this concept from Reid Hoffman, founder of LinkedIn, in his book Start Up of You.

**"WITH SPECIALIZATION, YOU NOW SEE PEOPLE WHO MIGRATE FROM AREA TO AREA. THEY'VE DONE THEIR TOUR OF DUTY IN DEMAND GEN. THEY'VE GONE TO MARKETING OPERATIONS AND PRODUCT MARKETING AND CORPORATE COMMUNICATIONS AND ANALYTICS. THEY ARE DELIBERATELY BUILDING THEIR CAREERS ACROSS THESE FUNCTIONAL ROLES."**

# "I ALWAYS ASK CLIENTS TO TELL ME THE FIVE BUSINESS RESULTS WE'RE LOOKING FOR. I ASK THEM TO NAME THE ONE THING THAT WILL MAKE THE CEO, TEAM, AND INVESTORS HAPPY IF THE NEW HIRE GETS IT DONE IN THEIR FIRST YEAR."

**ERICA SEIDEL**
Founder & Executive Recruiter
The Connective Good



## 3. THE HIRING TEAM IS MOST LIKELY TO BUY INTO THE OUTCOME OF THE RECRUITING PROCESS IF THEY HAVE HAD A SAY IN HOW THE DECISION WILL BE MADE.

Hiring a marketing leader is challenging in part because it's a role that will touch so many different areas of the company. The marketing leader will work with the sales team, the product team, the CEO, analysts, and even customers. For this reason, it's really important to clearly define the decision-making process for hiring.

What you don't want is a situation in which the CEO, for instance, knows exactly what he or she wants; but once the candidate gets in front of the sales leader or the product leader, they are deemed unviable. To ensure that the process goes smoothly, you need to know up front how the process will flow. Will it be a collaborative process in which people inform the CEO and then he or she makes the final decision? Or does the process require more of a consensus, so that everyone gets a say, but the whole process takes longer?

There is no one right way to do it; you just need to know which way is right for your company, and then make sure you do the upfront work to align everyone who will be involved in both the interview process and the decision-making process.

## 4. REALIZE THAT WHEN YOU HIRE A MARKETING LEADER, YOU'RE MARKETING TO MARKETERS. DO YOUR RESEARCH BEFORE YOU 'GO TO MARKET.'

A search for a marketing leader is actually an exercise in marketing to marketers. You have to pitch candidates on the job – what's cool about it, what the candidate will learn, how they will grow. Erica has found that to do this successfully, you need to treat hiring a marketer like a marketing project, complete with market research.

"When I'm kicking off a search, I often get on the phone with people I know who have done that role, and I interview them. I share the job spec and ask them how realistic the description is, if they can see any 'gotchas,' and what they read between the lines. This way, before we pitch the job, we collaborate with our customers to align the product to the talent market."

She also reminds companies, especially smaller ones that are in a growth stage, that it's okay to admit that you don't know everything. Doing the research to figure out what you need is a valid part of the process. It's also a smart approach to take with candidates. She doesn't advise trying to BS candidates during the interview process because they will see right through it.

Basically, it's smarter to do all the due diligence than to take a "post-and-pray" approach. Ask the questions, explore the possibilities, talk to people. Your results will be much better.

While there's no surefire way to make hiring your first marketing leader easy, following Erica's advice will certainly make the process more efficient and effective. «

# AGILE FOR MARKETING TEAMS: A ROADMAP

Interviewed by Ashley Minogue

Agile project management may once have been the exclusive domain of technical teams, but not any more. As the role of marketing expands to encompass an ever-wider range of functions and responsibilities, more of these non-technical teams are adapting the Agile methodology for their own use. To get the inside scoop on how one tech startup's marketing team made this work, I sat down with Kyle Lacy, VP of Marketing for Lessonly and certified SCRUM master.

## THE AIRTIGHT CASE FOR IMPLEMENTING AGILE: DO MORE WITH LESS

The Lessonly marketing group is made up of ten professionals across three teams – demand gen, brand and product marketing – and is responsible for everything from content and event strategy to direct mail and customer marketing. They cover the entire customer journey, from the top of the funnel to supporting customer expansion opportunities.

Like most startups, the team just didn't have the resources they needed to get everything done. Enter Agile Marketing. Adopting this methodology would not only build alignment within the team, it would increase productivity! In addition, the old system didn't include a mechanism to keep the team moving forward within a certain production time frame.

The Agile "sprint" – a development iteration that is restricted to a specific duration – was one of the most appealing aspects of Agile. "I love the sprint," Kyle says. "Agile encompasses much more than the sprint, but the sprint is where we've honed our skills as a marketing team. It's how we manage production; keep things moving; and deliver continuous, rapid improvement."

In short, Kyle's objective with Agile was to always be rapidly, continuously improving and to get twice the work done in half the time.

## THE AGILE APPROACH: ELEMENTS OF A WINNING PROCESS

While the most common duration of an Agile sprint is two weeks, Kyle's team launched their process with a one-week sprint because that was better suited to the nature of the constantly changing marketing priorities and fluctuating workload.

Within the one-week sprint, Kyle and his team implemented three changes to their project management routine:

- » **Weekly 60-minute planning meeting every Friday –** used to conduct a retrospective of the prior week, review goals, and plan the next sprint
- » **Daily 15-minute stand-ups –** used to review tasks for each individual team member and raise any impediments or blockers
- » **Trello for project and process management –** used in combination with Google apps to manage the more minute details and launch plans

The Lessonly team committed to using Trello on a daily basis across the entire team. After some experimenting, Kyle's team developed a project management approach that uses three types of Trello boards:

- » **Project boards –** built at the beginning of each quarter to provide a central location for all major projects
- » **Personal boards –** where individual team members manage their daily tasks
- » **An editorial calendar board –** which is used both to schedule and review content on a weekly basis

You can see some screenshots of Lessonly's Trello boards in Kyle's LinkedIn article, How to Build and Agile Marketing Team Using Trello and One-week Sprints.

## BIGGEST CHALLENGE: ACCURATE CAPACITY ASSESSMENT

One of the biggest challenges the team encountered was learning to estimate and manage team capacity. Not knowing whether the team had bandwidth to handle what was already on their plates or had room to take on more made it very difficult to achieve the higher level of efficiency that Kyle was after.

To help bring clarity to these crucial questions, the team used a Trello power-up (basically, a third-party app integration) to help each team member estimate their available time each week.

"The power-up allows you to put a number into each Trello card," Kyle explains. "This then enabled team members to allocate time to each task and meeting on their personal boards and come to the Friday planning meeting with a clearly defined and more accurate estimate of the time they actually have available."

In addition to taking this granular approach to resource management, each marketing team member also maintains a weekly buffer of five to ten hours so they can accommodate any emergencies or other unforeseen requests that come up. Project managers also acknowledge that available time varies by functional role. A designer, for instance, might have an average of thirty hours available each week while a Director of Marketing with six direct reports (and a ton of meetings) might only have an average of ten hours available each week.

**"THESE PRACTICES HAVE MADE US MORE PRODUCTIVE BECAUSE THEY HELP ENSURE THAT WE KNOW OUR ACTUAL CAPACITY. THAT'S PROBABLY BEEN THE BIGGEST CHANGE IN HOW WE PLAN SPRINTS AND ASSIGN PROJECT TASKS. IT'S ALMOST LIKE ASSIGNING POINTS TO EACH TASK – .25 OF AN HOUR TO 1.5 HOURS OR MORE – AND IT MAKES IT MUCH EASIER TO SEE EXACTLY HOW MUCH EACH PERSON HAS ON THEIR PLATE."**

## FOUR LESSONS LEARNED IN THE TRENCHES

For other marketing teams thinking about implementing Agile, Kyle offers four specific pieces of advice:

1. **Be vigilant about the 15-minute stand-up meeting.**

   "It's imperative that you do your 15-minute stand-up every morning and not push them off," Kyle emphasizes. "We had a two-week span during which we got kind of iffy on the stand-ups. We only did two each week, and it completely derailed a lot of what we were doing."

2. **Develop a marketing request form.**

   According to Kyle, the introduction of a marketing request form changed the team's entire process. Built on Typeform and connected to Trello, the form sends requests into the Trello inbox from members outside of the marketing team, allowing the team to quickly and easily create a new card that goes onto the backlog list. From there, they can easily review and prioritize requests depending on capacity.

   "The marketing request form gives your team the lever to redirect on-the-fly requests into a queue instead of having to react in the moment," Kyle says. "It also helps us to vet requests and manage our time more productively."

3. **Make good use of Trello and Trello extensions.**

   The Lessonly marketing team has made Trello an integral part of their Agile process because it's flexible, scalable, and offers a wide array of power-ups to expand functionality and connect Trello to other tools. In addition to the time estimation power-up, Kyle's team also uses Trello's Chrome extension to facilitate the marketing request form process noted above and manage to-do lists.

4. **Share what you're doing with the rest of your organization.**

   As the marketing team of a company that provides online training software, Kyle's team shared their use of Agile and Trello with their colleagues via a Lessonly lesson. Soon after, other groups within Lessonly started joining and using Trello and adapting the marketing team's process for their own projects.

   "Sharing how we've been using these tools and methods for continuous rapid improvement in marketing inspired our peers in other departments, and also helped us get better because we got new ideas from some of the other teams," Kyle says.

### TEAM BUY IN – NOT OPTIONAL!

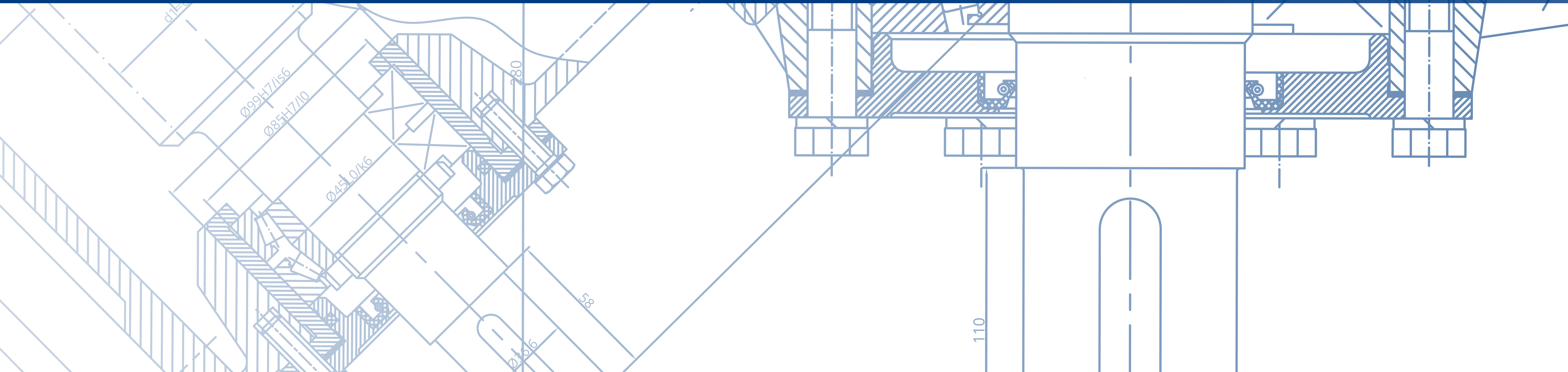
No project management process will work well without buy in from the whole team. It's critical to make sure everyone is on the same page and aligned in their intentions. On the day-to-day side of things, the Lessonly marketing team depends on project managers to create that alignment and get everybody working on the right timeline across departments. Sometimes, however, even the best laid plans can go astray.

On the big picture side of things, Kyle recommends proactively getting your team involved in planning and process development. He recently learned just how important this is after the dismal failure of an attempt to move from one-week to two-week sprints. "It was horrid," he recalls. "It was my idea, I didn't involve the entire team in the planning of it, and it failed. It might still have failed, but if I had involved the entire team in brainstorming before implementing the change, the attempt certainly would have gone more smoothly. And, even if it eventually failed, at least the team would have been bought in and working together."

### AGILE FOR MARKETING: SMOOTHER WORKFLOW, GREATER ALIGNMENT, IMPROVED PRODUCTIVITY

While, in the spirit of SCRUM and sprints, the Lessonly marketing team continues to iterate on their Agile process, they are all in agreement that the approach is working on many levels. From improved capacity management to more consistent on-time delivery, the methodology is delivering on its promises. If you're intrigued, but need a little more inspiration, learn more in our post, Scrum One, Scrum All: Why Agile Isn't Just for Technical Teams. Happy sprinting! «

**"WHEN A PROJECT MANAGER FAILS TO GET EVERYONE ALIGNED, THEY BECOME A BLOCKER. WE DISCUSS SUCH ISSUES IN THE FRIDAY PLANNING MEETING, AND – IF THE BLOCK HAPPENS MULTIPLE TIMES – IT BECOMES MY RESPONSIBILITY TO UNBLOCK IT. AND SOMETIMES I'M THE BLOCKER. ACTUALLY, MOST OF THE TIME, I'M THE BLOCKER."**

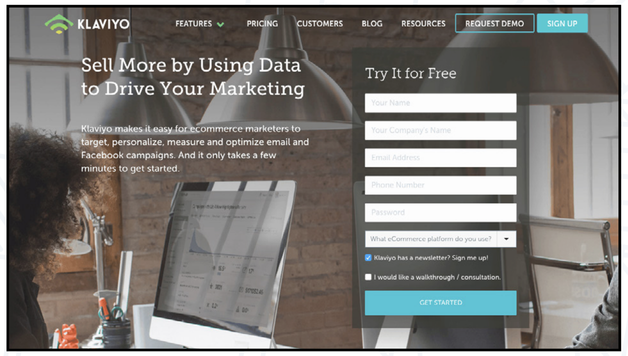


# HOW KLAVIYO MADE PARTNERSHIPS THEIR KEY DRIVER OF GROWTH

Interviewed by Blake Bartlett

Building a sustainable and healthy customer base through word-of-mouth marketing is in many ways the holy grail – it's effectively free, done through referrals (which are typically excellent for conversion) and builds good will beyond your wildest dreams.

Klaviyo, a marketing automation platform specializing in eCommerce, is one such beneficiary of word-of-mouth marketing, which has a lot to do with the small knit eCommerce community and the natural virality built into the product.




While word-of-mouth has served Klaviyo well to date, the company is expanding its customer acquisition channels in order to further accelerate the growth rate of its customer base. Partnerships are one of the areas in which they've found the most success.

"Partnering with businesses that play in the same space and have trusted partnerships with your target customers can be extremely beneficial," says Klaviyo VP of Marketing, Agata Celmerowski. "There are a lot of ways that can come to life. At Klaviyo, we've chosen to start with agencies and ecommerce platform vendors."

"The agencies and eCommerce platforms we partner with are strategically aligned with the rest of our business. These partners are already working with our target customers and are in a position to act as trusted advisors to the types of eCommerce stores we're looking to work with," says Alison Aldrich, who formerly headed up Partner Marketing at Klaviyo. "Usually they're implementing and advising on email strategy, assisting with the setup or migration of an eCommerce store or helping merchants grow their businesses. Klaviyo fits nicely into all of those goals."

While every market is different, there are usually a handful of complementary services, products, platforms and agencies with which you can build relationships in order to create fruitful partnerships. Here's what Alison recommends:

## 1. UNDERSTAND YOUR PROSPECTIVE PARTNER'S GOALS

"Always start off by learning what motivates the folks on the other side," explains Aldrich. "For some integration providers, that might be customer acquisition or increasing revenue booked. For others it's all about retention. Whatever it is, find out the goal and figure out how you can support them on it."

While churn is a consideration for some partners, others are interested in diversifying or launching a new integration. If a partner can get customers locked into more platforms with a more sophisticated setup, those customers are likely to stick around and grow their accounts.

You might argue that the most fruitful partnerships come when both sides are able to help each ensure the stickiness of the other's product.

"For example, platform partners like Magento and Shopify are looking to help their customers grow their businesses," adds Aldrich. "The more successful their merchants are, the more sales that go through their online store, the better it is for those platforms. Our partnership is beneficial because Klaviyo helps their customers drive more revenue through email."

## 2. EMBRACE CONSULTANTS AS PARTNERS

In addition to platform and software providers, consultant and service provider partnerships can prove beneficial. For Klaviyo, this means working closely with digital agencies. This model has been proven time and again by companies like HubSpot, Campaign Monitor, and now, Klaviyo.

"In eCommerce so much is outsourced to agencies that building these partnerships is a no-brainer," says Aldrich. "We provide our agency partners with training and support so they feel completely comfortable bringing their customers over from whatever platform they were using previously."

To make these partnerships really work, Klaviyo dedicates considerable resources to their agency partners. "More than just product info, we provide them with resources on how to do great email marketing, what it should look like, what features eCommerce stores should be looking for, and what that support should look like. We train our partner agencies on data-driven marketing 'the Klaviyo way,' and that helps them get better results for their clients." It's a win-win relationship and so far one that's paying off. "Agencies have been a really impactful driver of new business."

### 3. FOCUS ON DEPTH, NOT BREADTH

With so many potential partners, Klaviyo has decided to focus their time and attention on those that most closely align with their business goals, share a similar philosophy on data-driven marketing and have shown a commitment to making Klaviyo a part of their business.

"Our agency program is designed to reward those agencies that make a commitment to Klaviyo," explains Aldrich. "The more you invest in learning to do things the Klaviyo way and transitioning customers onto Klaviyo, the more time, energy and business we invest back into your agency. From joint marketing to content creation to new business opportunities, we're laser-focused on the agencies that are truly aligned with what we're doing here."

### 4. QUALIFY PARTNERS TO ENSURE THERE'S A FIT

When deciding who to partner with, it's ok to be picky. If not, you might end up spending a lot of time and effort on a partnership that doesn't pay off.

"You want to make sure you're working with people that are clear on what you do, understand why you're different and share the same perspective," explains Aldrich. "Whether it's a platform partner like Shopify or Magento, or an agency partner, we ensure that our partners share our approach and philosophy on data-driven marketing."

"If you're working with the wrong partners, you're going to spend a lot of resources just trying to convince them of why they should choose your solution," she adds. "The right partners already know why and are excited to grow your businesses together."

Approaching partnerships with these things in mind is one of the key ways Klaviyo has fueled their 3x growth in the last 12 months. The company's momentum isn't showing any signs of slowing, either – they're actively hiring in the Boston area. «

**Alison is the current VP of Partnerships at Privy.*

# "YOU WANT TO MAKE SURE YOU'RE WORKING WITH PEOPLE THAT ARE CLEAR ON WHAT YOU DO, UNDERSTAND WHY YOU'RE DIFFERENT AND SHARE THE SAME PERSPECTIVE."

**ALISON ALDRICH**
Director of Partner Marketing, Klaviyo (former)

# WHY DRIFT'S MARKETING IMPROVED AFTER DROPPING GATED FORMS

Interviewed by Devon McDonald

As of a few years ago at least, some 80 percent of marketers were requiring consumers to fill out a form if they wanted to read content like eBooks and white papers.

But some are challenging the orthodoxy that gated content is the path to conversions. Critics cite the fact that the click-through rate for such content is 55 percent lower than non-gated content and the cost-per-click is 224 percent higher, at least according to a recent Bizible survey. On the other hand, if your content is ungated then it's a lot harder to figure out if your marketing is generating leads – at least in theory. That can be particularly vexing problem for marketers, who like to show metrics illustrating that their content marketing efforts are working.

That's why Drift's decision to ungate its content a few years ago was such a bold move. Dave Gerhardt, the VP of Marketing for the company, said that prospective customers appreciate the non-intrusive nature of ungated content. He likens the online experience to shopping for sneakers.

"You walk in and somebody is like 'Oh hey Dave, you like those new Nikes? I'm here. If you need anything, let me help.' That, to me is everything about the modern approach to sales," Gerhardt said. "Gating content and then using targeted ads – a standard B2B marketing approach – is more like ignoring the consumer while he's in the store and then calling him five times a day and saying, "I saw you in the store today. How did you like that thing?"

## GENESIS OF AN IDEA

Gerhardt recalls that around 2014, Drift founders Elias Torres and David Cancel noticed that much of digital communication had shifted to chat. In the corporate world, that's when Slack started taking off.

"With the rise of that real-time communication, what happened was we now expect answers in real time from everybody in our personal lives," Gerhardt said. "And so, it now seems crazy that you have to go to a business' website, fill out a form, and wait to follow up." Another factor was that consumers were used to finding free information about companies online.

As a result, "You might never have heard of Drift, but you could do all your research, find everything about our company before you ever have to talk to somebody on our team."

The idea of ungating content was an admission that consumers had all the power now and companies like Drift had to do their best to accommodate them.

Gerhardt, who had previously been a marketing manager at HubSpot, joined Drift in 2015. At the time, he wasn't sold on the idea of ungating.

"In the early days I had to show the sales team something, and so I gated everything because I wanted leads," Gerhardt said.

One day though, Cancel called Gerhardt saying he wanted to kill all the gated content on Drift's website. Gerhardt was amenable but wondered how the company was going to measure his performance. Complicating things was the fact that Drift sells a marketing platform and was in the market talking up "conversational marketing." The company had to eat its own dog food or lose credibility.

Gerhardt's first move was very meta: He recorded a video and wrote a blog post about how real-time conversational marketing was the next big thing. Both went viral. He did that before Drift had the tools to support the move.

“GATING CONTENT AND THEN USING TARGETING ADS – A STANDARD B2B MARKETING APPROACH – IS MORE LIKE IGNORING THE CONSUMER WHILE HE’S IN THE STORE AND THEN CALLING HIM FIVE TIMES A DAY AND SAYING, ‘I SAW YOU IN THE STORE TODAY. HOW DID YOU LIKE THAT THING?’”

**DAVE GERHARDT**
VP of Marketing
Drift



## THE BENEFITS OF NON-GATED CONTENT

Going non-gated was a leap of faith. Now that Gerhardt had told the world that this was the way to go, the next step was to see if it actually worked. Though he did not reveal before-and-after stats, Gerhardt said that consumers have responded to this “friendlier” approach to marketing.

Another side effect was that the content did better. “It really blew up our brand because we got to focus on spreading our content as far as possible as opposed to saying, ‘I need to gate this because I need 100 leads from this piece of content,’” he said.

That’s not to say that Gerhardt doesn’t still track leads. He still has a lead number to hit every month. But the way Drift catches leads is different. “We’re using bots and real-time messaging to capture leads and book meetings,” he said. That moots the concept of a lead a bit since the prospect connects immediately to sales. Rather than looking at leads, the company looks at the number of meetings it has booked.

The non-gated approach also allows for conversations. If a customer has an objection, a rep can address it. That’s not an option if someone is just filling out a form.

This emphasis on real-time communication has been framed as a new take on marketing. But Gerhardt sees it as an, ahem, return to form. What’s weird, he said, is the way that we have all been carrying out marketing in the digital era. “You know, 20, 30 years ago, it would be a crazy idea to think that you’d have people that are interested in your business and you ignore them all,” he said, “But that’s basically what marketing automation had taught us to do.” «

# TYPEFORM: HOW TO SCALE A GLOBAL SAAS PLATFORM

Interviewed by Blake Bartlett

Scaling a growth engine starts with segmentation. Define your target customer, buyer and use case. Then focus your messaging and outreach on that that segment, and watch the MRR pile up. Easy, right?

But what if your product can be used by anyone, anywhere for anything? Not so easy.

This is the reality for Typeform. "We are a mass market tool that solves very different problems for very different people," says Director of Product Growth, Pedro Magriço. "We don't want to go after only one market."

The company started as a Q&A-style alternative to old school forms and surveys. But customers quickly began using the product for lots of other things – from job applications to eCommerce shopping carts. Where others might see chaos, Typeform saw the opportunity to build a platform.

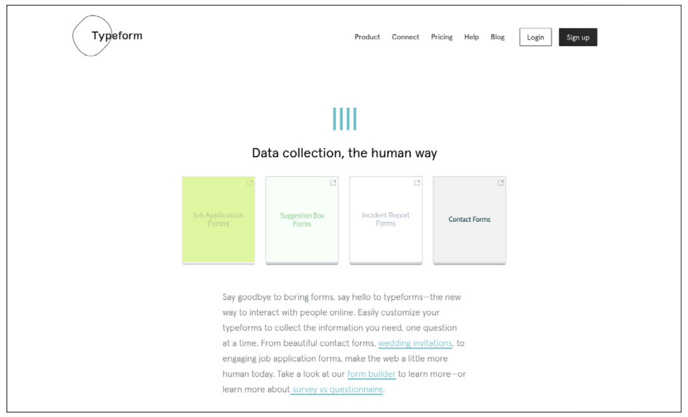
Scaling a SaaS product into a mass market platform is no easy task. Magriço has developed an approach to growth that allows Typeform to tackle unique challenges and embrace a diverse set of customers globally.

## THE MESSAGING CHALLENGE

Typeform has tens of thousands of customers spanning all sizes, industries, use cases and geographies. This kind of customer diversity creates a messaging challenge. With so many different customer segments, who do you target? Who's this product for and what exactly does it do?

"We can't be too narrow and turn people away. But super broad messaging comes across as vague and confusing," says Magriço. "A product that can do everything doesn't end up being used for anything."

Typeform's messaging focuses on the product's underlying value, regardless of the customer's size, industry or use case. "Typeform has a conversational interface, which feels more human and leads to higher completion rates."




Once a customer is in the funnel, they start seeing more content personalized to their role and Typeform templates relevant to their use case.

## AMPLIFYING VIRALITY WITH PRODUCT GROWTH

Customers usually hear about Typeform because someone else asked them to fill out a typeform. The product is inherently viral, and Magriço focuses on amplifying that virality through a strategy he calls "Product Growth."

Product Growth involves both marketers and developers, who together make changes to the product to increase top-of-funnel and optimize conversion. Sometimes the minor tweaks can have huge impact. For example, changing "Powered by Typeform" to "Create A Typeform" on the free product doubled the click-through rate from respondents.

"No one uses Typeform in single-player mode," says Magriço. "The sole purpose for creating a Typeform is to ask someone else for feedback. We use this to our advantage and do everything we can to enhance the product's virality."

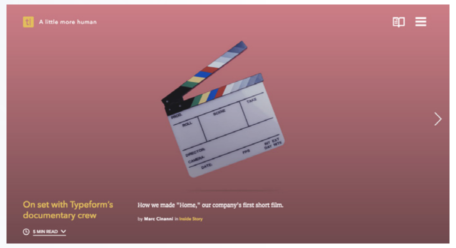
## A LITTLE MORE HUMAN

Beyond virality, the way you scale a mass market product is by developing a brand that people love. It's why MailChimp and SquareSpace are leaders in relatively commoditized categories. I'm not a MailChimp customer, but you better believe I rushed to claim the free Freddie action figure I heard about on a podcast advertisement.

"Ultimately, people find you and stick with you because you have a great product and a brand that resonates with them," says Magriço. "The web is amazing to reach a lot of people, but it puts you behind a screen and you lose the human element. We've designed our product around a conversational interface because it brings a more natural, more human feel to customer and employee interactions."

"We are here to make the web more human. That's our brand. You see it in our product, but you also see it in our content, our emails and even our tweets. We strive to make all of our marketing more engaging, beautiful and human."

Typeform's blog is called "A Little More Human" and the brand comes through loud and clear in their content:



## MAKING SALES MORE HUMAN

What about sales? People generally don't like being sold to and it feels way more transactional than human.

"Typeform is a mass-market product built on self-service, and we want to maintain that discipline as we grow. But we do have lots of large companies using Typeform at massive scale."

This means shifting from pure self-service to human touch. The goal is to help these large companies get more value out of Typeform. It's not about identifying and exploiting potential whales in the customer base.

To emphasize the human orientation, the sales team is a part of customer success rather than Magriço's growth team. 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?"

"We want to help our customers get more out of Typeform, whether or not they pay us more money." «

# FROM ZERO TO $100 MILLION: GROWTH LESSONS FROM BRIAN BALFOUR

Interviewed by Blake Bartlett

Every founder wants to know what will get their company to $100 million, but the usual advice – build a great product – falls well short of providing an actionable roadmap. The truth is, there are plenty of stellar products that struggle with growth, and plenty of subpar products that have achieved phenomenal growth. Product quality is important, but it isn't a silver bullet.

So, what is the secret to creating growth? More specifically, what's the secret to creating growth that feels almost effortless?

I recently spoke with Brian Balfour, Founder and CEO of Reforge and former VP of Growth for HubSpot's Sales Product Division. In his former role, Balfour, along with Mark Roberge, former HubSpot CRO, and Christopher O'Donnell, VP of Product at the company, led the team developing HubSpot Sales and the HubSpot CRM, a product that in two years grew its weekly users figure from a couple thousand to the high six figures.

"Brian Halligan, CEO, and JD Sherman, COO, at HubSpot did a really good job at giving us basically a startup within a larger company," Balfour says. "They made sure we had the space, headroom, and air cover to explore and screw up and try a bunch of new things that were so different from HubSpot's core playbook. The point was to not only build a whole new line of business, but to learn a ton as well."

During his tenure at HubSpot, Balfour learned what it truly takes to grow a startup from 0 to $100 million. His experience at HubSpot combined with his years working with dozens of other internal and external startups helped him develop an insightful new set of four stages of fit: Market-Product Fit, Product-Channel Fit, Channel-Model Fit, and Model-Market Fit. When aligned in a holistic framework, these four distinct pieces of the growth puzzle are instrumental in helping grow a company to $100 million and beyond.

## MARKET-PRODUCT FIT

On his blog, Coelevate, Balfour explains why he prefers the term Market-Product Fit over the more commonly used Product-Market Fit:

"The problem your company solves is something experienced within your market and by your audience, not something that lives within your product."

In other words, don't start with the product and then look for a market and problem that need your solution; start with the market and problem and build your product to meet the real-world need. Going at Market-Product Fit the wrong way is a classic case of putting the cart before the horse.

Balfour identifies four key market elements that his team looked at while they were working on HubSpot Sales:

- **Category:** What category of products does the customer put you in?
- **Who:** Who is the target audience within the category? There are always multiple personas within a single category, so this breaks it down further.
- **Problems:** What problems does your target audience have related to the category?
- **Motivations:** What are the motivations behind those problems? Why are those problems important to your target audience?

**"THE PROBLEM YOUR COMPANY SOLVES IS SOMETHING EXPERIENCED WITHIN YOUR MARKET AND BY YOUR AUDIENCE, NOT SOMETHING THAT LIVES WITHIN YOUR PRODUCT."**

Starting with these market elements, the team then aligned them with corresponding product hypothesis elements:

- **Core Value Prop:** What was the core value prop of the product? How did it tie to the core problem?
- **Hook:** How could the core value prop be expressed in the simplest terms?
- **Time To Value:** How quickly could we get the target audience to experience value?
- **Stickiness:** How and why will customers stick around? What are the natural retention mechanisms of the product?

One of the key metrics to look at in this early stage to gauge market-product fit is retention. "When I first started working on HubSpot Sales, the first thing we looked at was retention curves," Balfour says. "We wanted to see what the curve looked like, whether people were retaining on the product. If they are, that's an indication that the product is delivering a core value." Once you've established that the product is able to retain users, you're ready to move on to the next piece of the framework.

## 2. PRODUCT-CHANNEL FIT

Balfour says that Product-Channel Fit is what will make or break your growth strategy. It's also another fit that many companies approach from the wrong direction.

**"THE BIGGEST MISTAKE THAT MOST ENTREPRENEURS MAKE IS THEY THINK THEY CAN BUILD AN AMAZING PRODUCT IN ISOLATION, AND ONCE THEY HAVE A FEW CUSTOMERS LOVING IT, THEY CAN FRANKENSTEIN CHANNELS ONTO IT AFTERWARDS. BUT IT'S ACTUALLY THE EXACT OPPOSITE – YOU HAVE TO BUILD YOUR PRODUCT TO FIT THE CHANNELS. YOU CONTROL WHAT YOUR PRODUCT IS, BUT YOU DON'T CONTROL THE RULES OF THE CHANNEL."**

In his piece on Product-Channel Fit, Balfour offers some examples to illustrate his point:

» **Facebook** defines the rules of what content and feed items appear in people's feeds. They also define what is allowed via their API's. They also define which ads get shown and how expensive they are.

» **Google** defines what content appears in the top ten search results. They also control what the top ten search results look like. They determine what ads appear and the rules that govern their cost.

» **Email** clients such as Gmail determine what is spam, what ends up in the promo box, and what the content format is allowed in emails.

So, instead of thinking about your product and your channels as independent entities, you need to think of them as deeply interrelated elements of a whole. Then, you have to tailor your product to suit the appropriate channel.

Balfour recommends strongly against taking a kitchen-sink approach to testing channels. Instead, he suggests that you reverse engineer your way to the right channels by studying your audience and your product, "You look at five channels, build some hypotheses about which one or two are the right fit, do some experimentation, and iterate from there."

For the HubSpot Sales product, Balfour saw that they had a transactional model, a potential audience of millions of sales individuals, and a low friction signup. Based on these attributes, he determined that the best channel options were probably going to be some form of virality and some form of paid marketing. On the flip side, he could quickly rule out the sales and partnership channels since both were too expensive for this particular product to support.

"Once we had those hypotheses, we went in and started experimenting," Balfour says.

"Paid marketing showed strong results within 30 days. We were able to acquire users for less than $1 using Facebook ads. On the virality side, we put in some invite mechanisms, did a few tests, and proved out a modest K-factor. Then we modeled out that K-factor over time. Based on what we could drive, we had the potential to acquire millions of users using just these two channels."

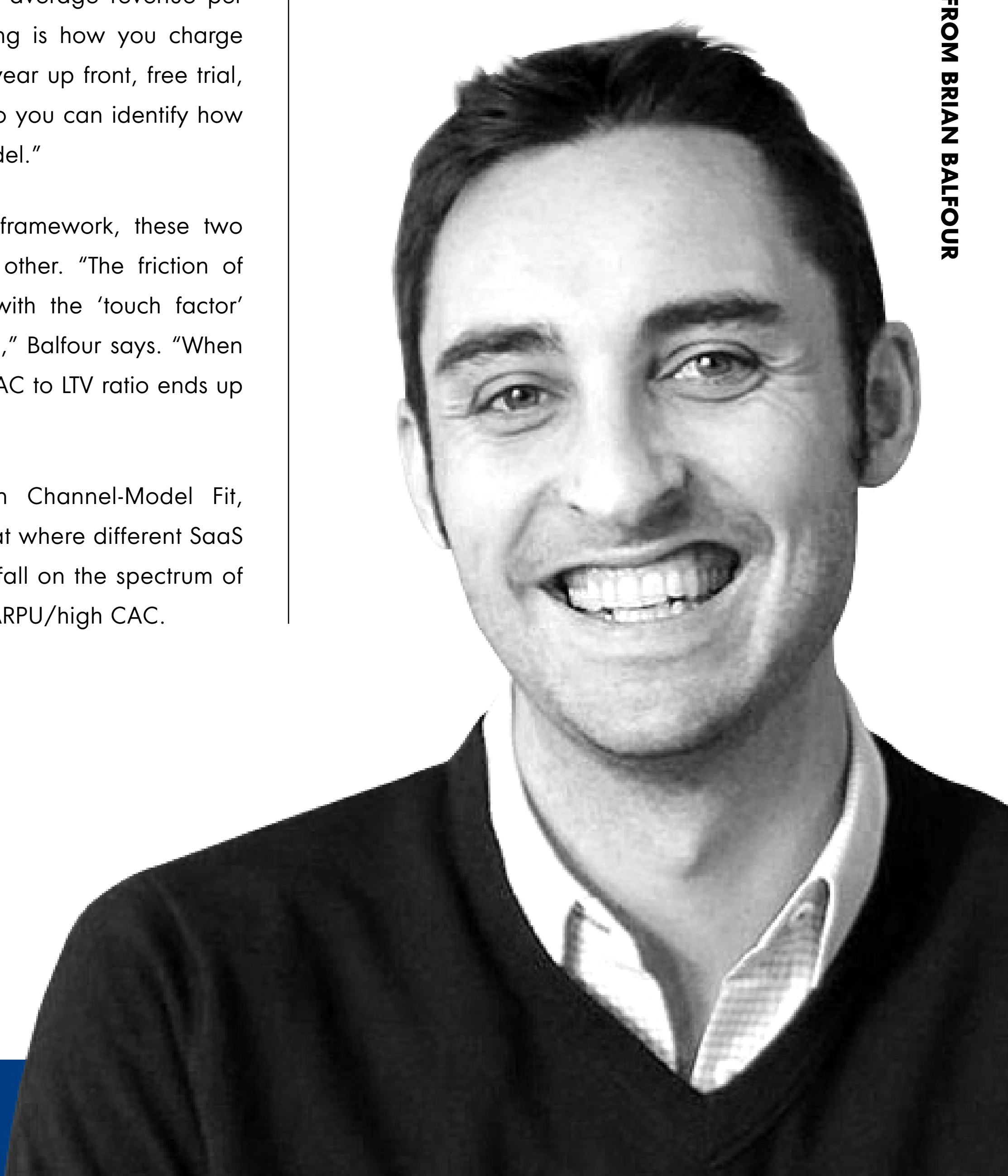
## 3. CHANNEL-MODEL FIT

"There are two components of the model. The main thing I look at is the annual average revenue per user (ARPU). The second thing is how you charge for your product – is it one year up front, free trial, freemium? This is important so you can identify how much friction exists in the model."

Like everything else in the framework, these two components influence each other. "The friction of the model needs to align with the 'touch factor' associated with your channel," Balfour says. "When those things misalign, your CAC to LTV ratio ends up out of whack."

In his Coelevate piece on Channel-Model Fit, Balfour looks in more detail at where different SaaS models and specific brands fall on the spectrum of low ARPU/low CAC to high ARPU/high CAC.

In general, however, it's simply important to remember the relationship between model friction and your channel. "What you charge and how you charge determines the amount of friction in your model," says Balfour. "You need to be able to overcome that friction with the appropriate channel. So, for instance, if you're using a really low-touch channel like virality or UGC SEO, you also need to have low friction on your model. On the other hand, if you have a transactional model like subscription eCommerce or a freemium combined with a low price, paid marketing might be the best channel.



**BRIAN BALFOUR**
Founder & CEO, Reforge

And, on the other end of the spectrum, sales and enterprise sales come into play in cases where the model has a lot more friction and customers need more help getting past that friction."

## MODEL-MARKET FIT

The last piece of the puzzle is Model-Market Fit, a concept Balfour developed based on an idea he'd first heard from Christoph Janz at Point Nine Capital.

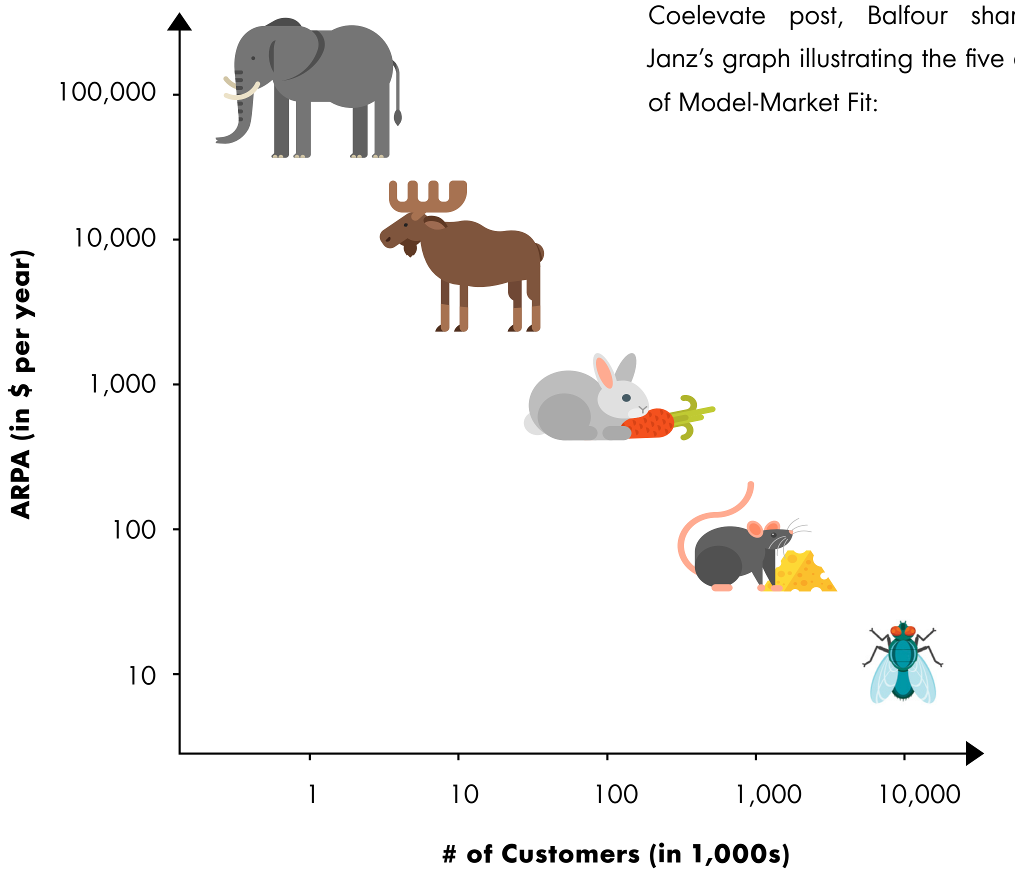
"The basic idea is that you can look at a few variables to determine if your product has the potential to become a $100 million business. You look at your average annual revenue per customer or user, the total number of customers or users within your target market, and then multiply it by the percentage of people you think you can capture."

***ARPU x Total Customers In Market x % You Think You Can Capture >= $100M***

"The core HubSpot business was mid-market, so our ARPU was somewhere between $8,000 and $10,000," says Balfour by way of example. "Based on that, the HubSpot marketing product needed about 10,000 customers to create a $100 million business. Within our target audience, there were a million or more of these mid-market businesses, so we only had to capture a very small percentage. That's a good Model-Market Fit."

"Had we looked at those dynamics and seen that we needed to capture 90% of the market, we would have known we didn't have Model-Market Fit," Balfour says. "No SaaS business that I know has captured 80% or 90% of the market."

As with Channel-Model Fit, there's a spectrum of variations for Model-Market Fit. In his Coelevate post, Balfour shares Christoph Janz's graph illustrating the five different kinds of Model-Market Fit:




*ARPA - Average Revenue per Account

**ELEPHANTS**
Products that get 1,000 customers paying $100K+ year. These are typically products built for enterprise customers like ServiceNow.

**MOOSE**
Products that get 10,000 customers paying you $10K+ per year. These are typically products built for the mid market like HubSpot.

**RABBITS**
Products that get 100,000 customers paying $1K per year. These are typically products targeting small businesses like SurveyMonkey, Mailchimp, or Gusto. Products targeting consumers at high value moments also live here. For example companies in real estate, insurance, etc.

**MICE**
Products that get 1M customers paying $100 per year. These are typically products that target prosumers like Dropbox, or companies that are subscription eCommerce like Ipsy or Dollar Shave Club.

**FLIES**
Products that get 10M customers generating $10 per year typically via ads. Facebook, Snapchat, Buzzfeed, etc. all live here.

**"YOU PLACE ONE MILESTONE OUT IN FRONT, AND IF YOU HIT IT, YOU INVEST IN THE NEXT MILESTONE. SUCCESS HAPPENS STEP-BY-STEP OVER TIME."**



Balfour's multi-faceted and highly integrated approach to fit is one that's worth deeper exploration and real-world application. It's also something of a moving target because, as he points out, not only do each of these fits influence the others, each one is also always evolving and shifting.

When I asked Balfour about how he knows when a product fit is working, he explained that — in his experience — there isn't one definitive point at which you know that for certain. "It happens gradually," he says.

At HubSpot, Balfour described the overall process as placing multiple small bets. "First, we looked at the retention curves, then we tried to move the needle on a few of our activation metrics, then we did some work on top of the funnel and tried to find a Product-Channel Fit that would allow us to start driving users at scale," he says. "At each step of the way, we developed new hypotheses that we had to prove out. We placed bets and performed experiments and kept going. By the time we had achieved a few million in ARR and could see where we sat in terms of customer feedback and in the larger space, we knew we had the potential to turn this into a $100 million line of business." «

# GOING VIRAL: HOW DROPBOX USED A PRODUCT LED GROWTH STRATEGY TO HIT $1 BILLION IN ONLY 10 YEARS

Interviewed by Ashley Minogue

It's a well-known story in the SaaS world—Dropbox reaching $1 billion in revenue in only ten years. But how did this online storage and collaboration startup gain the momentum to achieve this historic feat?

I had the opportunity to talk with Darius Contractor, Growth Engineering Lead at Dropbox, to get an inside look at just what went into the making of this SaaS legend. While Dropbox is widely recognized as a poster child for product led growth (PLG), not everyone has had the opportunity to see exactly how the plan came together. Darius generously shared some helpful insights about how to identify when a company is ripe for a PLG approach and also some details about exactly what went into their own go-to-market strategy and how they built the kind of team needed to bring that strategy home.

## PLG'S BOTTOMS-UP APPROACH: IS IT RIGHT FOR YOU?

When a company is considering adopting PLG, one of the first questions they need to answer is whether or not a bottoms-up approach to growth will be a good fit for their organization. After all, there is no one-size-fits-all solution; you have to make sure there is true alignment between your product, business model and growth strategy.

The traditional, top-down approach to SaaS growth involves building a product and then employing a sales team to manually sell it into companies. This process usually revolves around activities including attending conferences, implementing complex marketing campaigns and maybe setting up some workflows for inbound inquiries. With a bottoms-up approach, the goal is to develop a methodology that enables people to discover and adopt your product on their own without all the hand-holding, company-driven support of traditional marketing channels.

As Darius explained, there are three key markers that indicate your company might be a strong candidate for a PLG strategy:

1. **Simplicity**
   PLG works best when your product is simple enough that a user can not only easily understand what it is and how it works, but also be able to make a purchase decision independent of a sales person.

2. **The Viral Factor**
   The products that see the greatest success with PLG are the ones that require sharing in order to get the full value of the product. Dropbox is a perfect example because it's designed to facilitate collaboration with other individuals and groups, automatically creating additional users by constantly exposing new people to the product.

3. **Self-serve Channel**
   Finally, you want to create a channel in which prospects can discover and use your product without needing support from a human being. For example, if someone is searching for a solution like yours, and lands on your website, you want them to be able to sign up and pay for your service without needing a salesperson to complete the transaction.

If your product meets these three core criteria, PLG might be a winning growth strategy for your business.

## DROPBOX'S ONE-TWO PLG PUNCH

Dropbox's phenomenal growth is the result of using a PLG strategy that was fairly straightforward, but very effective. In the beginning, the company focused almost exclusively on growing their user base rather than monetization, which came later as the team took advantage of up-market opportunities. To drive exponential growth, Dropbox employed a one-two punch:

**Step One: Deliver a simple, usable product that meets a market demand.**

What initially made Dropbox an immediate success with users was the fact that it solved an existing problem with a very user-friendly UI. Dropbox replaced the onerous process of using FTP or local file servers with a simple, drag-and-drop interface that allowed instant access from any computer on the web. The product delivered an incredibly powerful and useful tool that was easy to use and free. Simply put, it was the best tool for sharing files.

**Step Two: Introduce features designed to take advantage of the viral factor.**

Once Dropbox had established a foothold in the market, the team launched a series of features that gave users even more reasons and ways to share the product with colleagues:

» **Shared folders** allowed teams of users to sync documents from multiple sources to a single cloud location, which in turn enabled groups of colleagues to facilitate collaborative online workflows directly in Dropbox.

» **A referral program** gave users an opportunity to increase their storage space by inviting new people to sign up for Dropbox. The freemium version of the product includes two gigabytes of free space, a generous amount, but is still not enough for power users. The referral program incentivized users by offering an additional 500 megabytes of free space for each referral. Users incorporated their referral codes on their blogs and shared them out to friends via email and so forth. The feature drove a lot of new users, which really increased Dropbox's profile.

» **Shared links** gave users the ability to share a file without requiring the recipient to sign up for Dropbox. The addition of this feature meant users had more flexibility to use Dropbox in a wider number of scenarios.

From day one, Dropbox focused on solving a problem for users and then making it easy for those users to share their solution with others. It was a brilliant strategy that allowed the product to promote itself through real-world use. As Darius explains, "These were three different viral sharing techniques that were incredibly helpful to users, matched their needs, and also spread the word about Dropbox in simple, scalable ways."

## TEAM STRUCTURE AND GETTING STARTED WITH PLG

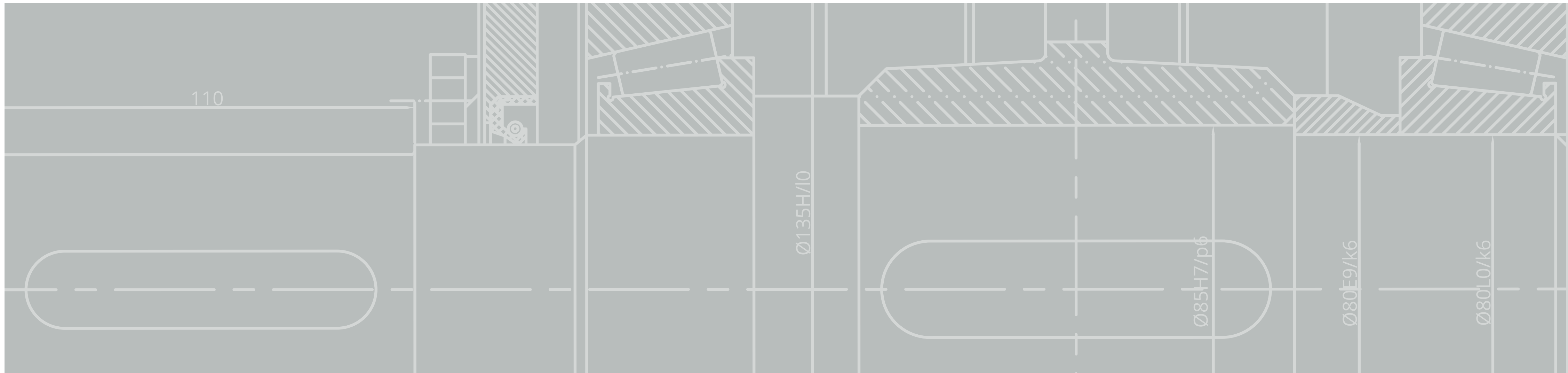
Even though a product led growth strategy doesn't require an army of sales and marketing people, it does require a cohesive and committed team. The Dropbox growth team has evolved as the company and strategy have evolved. In Darius' opinion, the smallest growth team that can still be effective is a team of two: a growth-minded product person or designer partnered with an engineer or web developer. In rare cases, the skills and qualities of both these roles can be combined in one person, but usually you'll need two individuals to get started.

As a team expands, Darius recommends adding a data analyst who can help make the overall team more data aware. "In many cases, looking at the data is how you are able to see the opportunities," Darius says. "Also, you need data awareness as you run experiments. You need a really sharp perspective on how to use your data and which data to look at. As the company grows, this will help identify which fires require more fuel."

With this small, core team, the initial approach to PLG involves a lot of experimentation all over the funnel. "You want to hit early stages, later stages, new users, older users," Darius says. "Follow the data and your intuition and explore aggressively to see what works. This will give you a good idea of what the levers are." At this point, you may be ready to hire more people for the growth team, bolstering product, engineering, and data support so you can pursue the opportunities you've uncovered.

Initially, the opportunities will be about making small tweaks, but as you learn more and your team expands, you can think about bigger opportunities, like exploring different pricing structures. As you scale the organization, branch out into separate growth teams, and start to make more substantial changes to workflows, it's critical to ensure that everyone is aligned around the same metrics. The challenge, as your efforts become more complex and involve overlapping service areas, is keeping track of who owns what and how it's all being tracked against central growth objectives.

Part of Darius' recipe for success is planned failure. 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.



## VIRALITY: THE SECRET OF PLG SUCCESS

Without question, one of the most important elements of large-scale PLG success is virality. For companies looking for an initial viral hook, Darius suggests taking a look at three areas:

**Where does your product require more than one person to work?**
"I like to say that a good viral product is broken without your friends," Darius says. "Meaning that without your friends, you won't get the full value of the product." Dropbox makes sharing a core part of the user experience that is front and center at all times. They feature a prominent share button on every file and a sharing tab that displays everything that others have shared with the user.

**What are the different roles that interact with your product?**
"There are all kinds of different roles within a company who might need to use your tool," Darius says. "See if you can surface those relationships and build features to serve the interactions of those roles." From creators to collaborators to approvers and related teams like IT and data analysts, think about how you can deliver more value for each kind of user.

**How can you encourage/make it easy to share?**
Darius recommends identifying "virality points" in the product and then finding ways to engage users at those points. "Take whatever you're doing, and make it shareable," he explains. "If you build presentations, build in sharing of presentations. If your product is a database, think about who else in the company might need to know about and access the database. Build in some virality and you build up free mind share within a company. "

Once you've established some of these viral elements, it's helpful to think about your product as a series of user reactions in order to maintain engagement and sharing. Darius uses Facebook as an example of how a user moves through a series of reactions to the initial invite, the prompt to invite friends, the prompt to begin posting. It's a sequence of small, simple steps that get the user more and more engaged with the product. For Dropbox, the flow has to do with users becoming aware of and then using additional features such as more storage, different kinds of sharing, and so forth. The trick is to make sure that one reaction leads to the next reaction so that you keep creating viral loops that lead the user deeper into the product.

## USER "PSYCH" AND HOW TO USE IT

To help sustain user engagement, Darius uses a concept he calls psych. "Psych is kind of like a gas tank of user excitement," he says. "When someone first arrives on your site, they have a certain amount of excitement about exploring it—let's say the gas tank is at 50%. If the marketing material effectively conveys how the product can solve their problem, they might get more psyched, maybe up to 65%. Then, as they fill out your forms and get into details like the pricing page, their psych might go down. They might start to think the process is too tough. But as long as their psych is above zero, they still have gas in the tank for finishing your flow."

To work effectively with "psych," you need to always be cognizant of how each point of interaction is affecting a user's level of excitement about your product. Think about each element on the page as an emotional interaction. Will it make the user more psyched or less psyched? Play around with A/B testing to help you evaluate the interactions. "Clicking the button to go to the next page takes some energy," Darius says. "And everyone has a hundred other things to do." Try different copy, different headlines, removing form fields—all of these tweaks have the potential to increase user psych and encourage people to complete the flow.

It's also important to step back and think about where user psych is most valuable for your business. For instance, help desk SaaS company Intercom makes a big ask of users very early in their flow. They ask users to copy and paste their widget onto every page of their website. This uses up a lot of "gas" from the psych tank, but it's a critical step that's incredibly valuable for onboarding with Intercom. So, in this scenario, Intercom builds up psych and then uses almost all of it on that one action; but—once a user takes that action—Intercom is able to do all kinds of things that are really valuable to both the user and to Intercom.

And that's really at the core of the kind of strong, sustained virality that took Dropbox to $1 billion dollars so quickly—creating something that delivers value for both the user and the company. It's a kind of partnership. As Darius points out, "It's very hard to get work done in the world without someone's help." «

# CONVERSION

# VC INVESTOR CHRISTOPH JANZ ON HOW TO SCALE TO $100 MILLION ARR

Interviewed by Kyle Poyar

As an early stage-investor, Christoph Janz from Point Nine Capital has an excellent track record of investing in high-growth technology companies – think FreeAgent, Geckoboard and Typeform. Perhaps one of the best-known companies in his portfolio, however, is also the first.

## "IT REALLY ALL STARTED WITH ZENDESK. I KNEW NOTHING ABOUT SAAS, BUT I FELL IN LOVE WITH THE IDEA OF THE CONSUMERIZATION OF ENTERPRISE SOFTWARE."

Christoph got involved with the company when it was about a year old and the product had only been in the market a few weeks. At that time, the fledgling company boasted a whopping fifty or so customers, each paying $100 per month. Today, Zendesk is aiming to hit a billion dollars in ARR within the next couple of years.

Clearly, the Zendesk team knows a little something about growth.

Yet it definitely wasn't smooth sailing all the way. After procuring a pretty small seed round, the company was on the hunt for its next round of financing, but nobody wanted to invest. Christoph describes it as a "difficult time," noting that while they did eventually land great Series A and B investors, he's sure there were plenty of issues he wasn't aware of at the time. It just goes to show that even the companies who are setting the bar had to start somewhere and clear their share of hurdles, just like everyone else.

Being as close as he was to the growth experiences of Zendesk and other ventures, Christoph has earned unique and valuable insight into why growth is so important and how to drive and manage it successfully. In a recent conversation, he shared some of his hard-won knowledge.

## KNOWING WHEN TO SCALE (AND PROVING IT'LL WORK)

One of the most crucial pivot points in a company's growth arc is the point at which you start to scale. But how do you know when you're ready to flip that switch, and how can you prove to investors and others that you can make it work?

Christoph's primary rule of thumb is that you're ready to scale when you are confident that you will be able to maintain your return on investment (ROI) as you grow. So, for instance, if you double your investment in sales and marketing, then you should be able to double your results – capture twice as many leads, convert twice as many customers, or drive twice as much revenue. "It's obviously not going to work overnight after you pull the trigger," Christoph says. "But, if you're starting off at a pretty small scale, you should see your results scale more or less in step with your efforts pretty immediately. If you don't see that, it's an indication that you're not really ready to scale."

Christoph has observed that, typically, the biggest obstacle to building a $100M+ company is identifying customer acquisition channels that are both profitable and scalable. Unlike in consumer sales, there aren't many mass-market advertising channels that work well for B2B. But, you can be pretty sure that you're at a point where you can overcome this additional challenge if:

» **New hires are hitting their quota.** This means not only that there's enough demand for your product, but also that you've been able to industrialize your sales process so that founders and superstar sales people are no longer necessary in order to make a sale.

» **Outbound sales is a strong channel for you.** Maintaining a reasonable CAC with outbound is difficult, so if it's working for you that's a strong indicator that you're ready to scale.

» **You're able to increase your SEM budget without jeopardizing CAC.** While this isn't a reliable indicator of future performance on its own, in combination with other positive factors, it helps to corroborate your claim that it's time to scale.

» **Your content marketing "machine" consistently generates more leads each month.** This means that you've found the narrative that resonates with your audience and that you've got the right marketing people on your team. Time to charge ahead.

Based on Christoph's experience, he notes that other prerequisites for successful scaling include a high return rate, a non-leaky funnel, and unit economics that make sense. If you're missing any of these puzzle pieces, it may mean you're not quite ready to start ramping up.

## THE TRICKY BUSINESS OF DEFINING "GOOD" GROWTH

"Venture capitalists have a kind of strange business model," Christoph says. "This is because the history shows that the vast majority of the returns in any venture capital fund are driven by a small number of extraordinarily exceptional outliers." This is one reason why an investor's perspective on growth can be very different from a founder's.

An investor might set a benchmark based on the incredibly fast and substantial growth of standout brands like Slack and Dropbox. These rare "unicorn" companies skew expectations, often to unrealistic heights. A founder, on the other hand, may be very happy to build a viable and profitable company that may eventually exit for a few hundred million dollars. Even that scenario represents a sort of outlier, but it's not enough to capture the attention of a large VC firm.

In addition to having to balance these different perspectives and opinions about what constitutes "winning" growth, there are many other factors that come into play. For instance, the market or vertical may be one that doesn't grow as fast as other markets. Sometimes, it pays to be patient.

## HOW TO GROW: MULTIPLE PATHS TO THE SAME DESTINATION

Just as there are different ways to define growth, there are different ways to create it. There's no one-size-fits-all strategy that will work one-hundred percent of the time. The right approach depends on the company, the product, the market, the vertical, and a number of other influences. In the SaaS industry, there's sort of a magic number that companies aim for: $100 million in ARR. This sweet spot is somewhat arbitrary, but it's also pretty universally recognized as an earmark of companies that are worth a billion dollars (or on their way to reaching that lofty goal).

Christoph created a framework to help SaaS leaders get their heads around which path their company might take to earn a coveted spot in the $100 million ARR club. He uses animals to define the different combinations of ARPA (average revenue per account) and number of customers that will get a company to $100 million in ARR. Here's a quick excerpt from his initial blog post on the topic:

To build a Web company with $100 million in annual revenues, you essentially need:

### THE ELEPHANT

1,000 enterprise customers paying you $100K+ per year each

### THE DEER

10,000 medium-sized companies paying you $10K+ per year each

### THE RABBIT

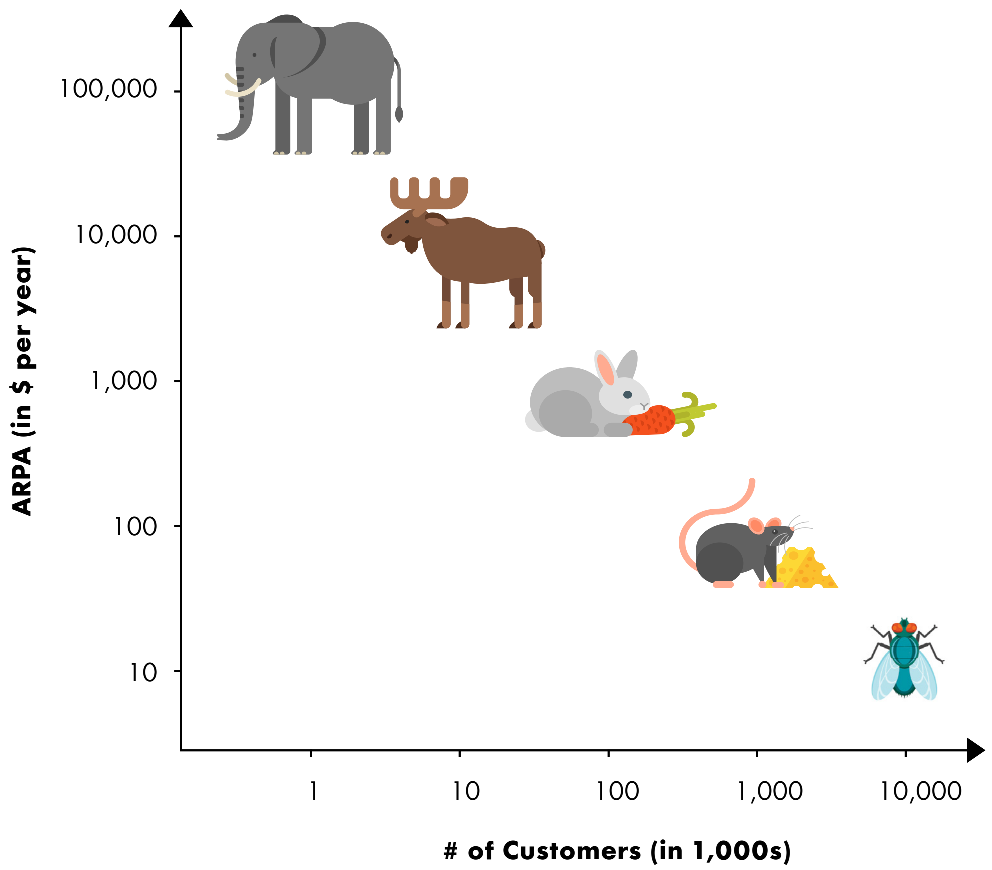
100,000 small businesses paying you $1K+ per year each

### THE MOUSE

1M consumers or "prosumers" paying you $100+ per year each (or, in the case of eCommerce businesses, 1M customers generating $100+ in contribution margin per year each)

### THE FLY

10M active consumers who you monetize at $10+ per year each by selling ads




*ARPA - Average Revenue per Account

“I’VE SEEN MANY CASES OF COMPANIES THAT ARE IN A SITUATION WHERE THEY HAVE TO APPLY FIELD SALES TO SELL A PRODUCT EITHER BECAUSE THE PRODUCT IS TOO COMPLICATED TO SELL OVER THE PHONE, OR BECAUSE THERE ISN’T ENOUGH ONLINE DEMAND. THE TROUBLE IS, IF YOU’RE NOT ABLE TO EXTRACT SIX FIGURES FROM EACH CUSTOMER, YOU’RE NOT GOING TO BE ABLE TO BUILD A PROFITABLE AND SCALABLE CUSTOMER ACQUISITION ENGINE.”

**CHRISTOPH JANZ**
Managing Partner, Point Nine Capital

Christoph points out in his original post (and a subsequent one, which added three new categories to his original framework: the Blue Whale, Dinosaur, and Microbe) that hunting each of these different “animals” requires a very different approach. You can’t hunt an elephant the same way you’d hunt a rabbit. (For the record, Christoph – who is a vegetarian – only uses the term hunting figuratively).

For each of these growth strategies, you need the right tools. “One of the biggest reasons why SaaS companies can’t find ways to grow beyond a certain scale is that they are hunting deer from an ACV perspective, but it takes elephant-type effort to acquire these customers,” Christoph explains. “I’ve seen many cases of companies that are in a situation where they have to apply field sales to sell a product either because the product is too complicated to sell over the phone, or because there isn’t enough online demand. The trouble is, if you’re not able to extract six figures from each customer, you’re not going to be able to build a profitable and scalable customer acquisition engine.”

## BOTTOM LINE: YOU NEED THE MATH TO WORK.

There really is more than one way to get from startup to $100 million in ARR; and how you get there depends a lot on your particular product, business model, market, and audience.

Christoph currently has a number of fast-growing companies in his portfolio – Front, Automile, Algolia, Contentful, and Typeform – each one taking their own approach to growth. Outside of his own investments, he admires Slack and Dropbox, two companies that have seen astronomical growth using a bottom-ups, product led acquisition model. “It’s probably no coincidence that these two companies – which are maybe the two fastest-growing SaaS companies in recent history – both have a bottom-ups, viral distribution element,” Christoph says. “It allows them to grow much faster while also being more capital efficient than traditional SaaS companies.”

Whether you’re collecting elephants or mice as a way of growing your company, you’ll have a better shot at reaching your goals if you’re clear and strategic about it. You will be more successful if you understand the different paths to that elusive $100 million ARR, where your product fits in Christoph’s business-building framework, and how to recognize the signals that it’s time to start scaling. «

# SELLING SAAS TO THE RELUCTANT BUYER: A TOAST CASE STUDY

Interviewed by Ashley Minogue

Like the world of SaaS, the restaurant business is not for the faint of heart. And, like building a successful software business, running a successful eatery of any kind requires passion, vision, commitment, strong culture, smart systems and attention to detail.

Ellie Mirman is the former VP of Marketing at Toast. This growing, Boston-based SaaS startup provides culinary business owners with an all-in-one restaurant management system that includes a robust point-of-sale (POS) system along with features that measure critical restaurant metrics in real time, giving business managers instant, remote access to the actionable insights they need to run their operations more efficiently and cost-effectively.

"Our wide-ranging customer base is all over the country," says Mirman, "and includes every kind of business from small cafes and food trucks all the way up to chain restaurants with hundreds of locations and fine dining establishments." In addition to its exclusive focus on restaurant tech and dedication to that audience, Toast has grown its business by successfully selling to reluctant buyers – people who don't have much experience buying technology products and / or simply aren't immediately willing to invest the time and money needed for a technology upgrade. The Toast team uses a number of smart tactics to win these less-than-enthusiastic buyers over.

## KNOW THE BUYER

"We engage many different types of buyers," says Mirman. "Besides the variations in business type, size, and geographic locations, we also have to consider whether they are in a major metro versus a more rural area, how long they've been in business, and their comfort level with technology." In other words, there are a lot of variables in play, some more easily categorized and others more nuanced. A successful sales conversation requires clear insight into the barriers to purchase.

"Ease of use is a big piece of the conversation, for example," Mirman explains. "Restaurant operators can sometimes be technical people, but oftentimes it's not their core focus. They don't want to have to spend time on that side of things, so – if they're comfortable with something they've used in the past – getting them to try something new can be a hard challenge to overcome." Understanding this buyer mindset is particularly important in the restaurant industry where the legacy solutions in the market run on very different models. "We're cloud and SaaS based," says Mirman. "That's very new to many of these people, so the idea of relying on the Internet and paying monthly for software as opposed to making a hardware purchase has required a really interesting mental shift." Toast's sales and marketing teams approach this challenge by being very intentional about educating their audience on the benefits of the SaaS model.

Understanding big issues like discomfort with technology or over-reliance on legacy solutions is important, but it's also important to understand the day-to-day barriers to a sale. "On top of having to get themselves up to speed on new technology, restaurant owners also have a huge staff to train," says Mirman. "And there's also substantial turnover in the restaurant industry, meaning that they are constantly having to train new hires." To help mitigate these concerns, Toast puts an emphasis on creating an intuitive product that's easy for staff to learn and use, and they also provide a comprehensive archive of management and staff training materials on the website.

**"WE DEFINITELY TRY TO LEAN INTO HOW OUR CUSTOMERS OPERATE SO WE CAN BEST PROVIDE EXACTLY WHAT THEY NEED."**

## CREATE A CONSISTENT & DELIGHTFUL CUSTOMER EXPERIENCE

"Customer service matters so much," says Mirman. "It seems obvious, but I think that, because they are in a service industry, our customers value that piece more than most. Service is such an integral part of how they succeed."

"It's also something they don't get from a lot of other companies," Mirman adds. "Usually, they get really poor service, so if we can surprise and delight them by actually providing great service, our efforts go that much farther."

Mirman goes on to point out that providing a delightful customer experience must be the norm, not the exception. "In a business like ours, you have many different people in the organization who interface with customers," she says. "We work hard to ensure that the customer experience we create is consistent and positive. It's really about getting everyone in the company – especially those who are customer facing – to be aligned in how we work with our customer base," says Mirman. "After all, you're certainly not going to be on every single call or be able to anticipate everything a customer might say."

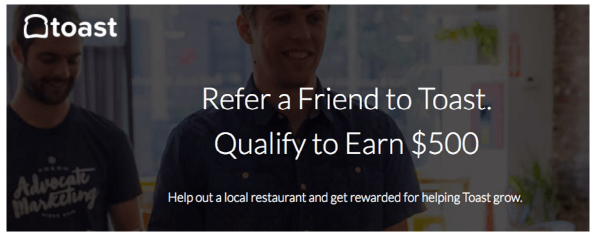
## ESTABLISH CREDIBILITY & RELY ON REFERRALS

Often, the most persuasive voices a reluctant buyer listens to come from outside the seller's company. While the restaurant industry might be highly competitive (in some cities, it might even be called "cutthroat"), it's also a strong community of entrepreneurs and established business owners who share a common set of challenges. For this reason, referral programs and customer stories are incredibly effective for Toast.

"The restaurant industry is a great network where everybody knows everybody and they rely on each other a lot," says Mirman. "Referrals and references play a huge role in our success, especially when you consider the fact that our buyers aren't necessarily techies, and ours is a technical product."

More than the typical consumer tendency to check ratings and reviews, restaurant owners are more likely to go straight to the source. "What do you do if you're buying something, but don't have all day to spend evaluating it? You ask your friend who runs a restaurant up the street," Mirman explains. "You ask which POS system your friend is using, and how they like it."

Toast makes the most of this network effect with a strong referral program. "We have a referral program that's actually open to everyone," Mirman says. "You don't have to be a restaurant owner or even a customer. Literally anyone can refer a restaurant to Toast."




While plenty of Toast's referrals do come from owners and customers, they also come from area influencers and restaurant staff. "For instance," Mirman says, "a bartender at one restaurant probably also bartends at another restaurant, and maybe they use Toast for one of the restaurants but not the other. The bartender can refer Toast and get paid for that referral."

In addition to direct networking and referrals, Toast also puts customer stories to work on their website, which features testimonial videos on the homepage and a dedicated customer stories page.

## BUILD PERSONAL RELATIONSHIPS

"One of the things that plays a really big role in any restaurateur's decision about choosing a partner is the personal relationship," says Mirman. "Because of this, we have a lot of people out in the field. Our customers love meeting face to face – they want to see and feel the product." The Toast team strives to deliver a personalized experience that complements the hands-on approach many restaurant owners tend to take. Sometimes, local reps bring examples of the Toast product to a potential customer, and sometimes they will bring the prospect into another restaurant that's already running on Toast.

And, when they can't be there on the ground, Toast does their best to recreate a personal conversation via video. "Since we can't always be there in person, one of the things we've tried to do is use video well to show the product," says Mirman.

"Videos on our website help buyers see the product in action, get insight into different workflows, and gain familiarity with the hardware. This helps us bridge the gap when we want to be face to face, but it's not possible."

## DEMONSTRATE YOUR PRODUCT'S REAL-WORLD VALUE

Finally, one of the most effective ways to convince the reluctant buyer is to demonstrate your product's value in terms the buyer can understand. "In most cases, the biggest thing you can do is tie your product back to a dollar value," Mirman says. Quantifying a monetary value can be difficult when you're talking about a product that is designed to save time and increase efficiency, but it's not impossible.

"One good example scenario we use is the difference between having all orders and other data for a restaurant tracked automatically (and being able to have real-time access to all that data) versus having to track all of that information manually," explains Mirman. "In addition to losing money because of an inefficient process, there are also very tangible costs associated with manual, pen-and-paper-based bookkeeping, including paying the bookkeeper."

Another way that the Toast team demonstrates value is by comparing the 24/7 technical support that's included as part of the SaaS model to the expense of having to hire an IT person to support

**"WE LOVE TELLING CUSTOMER STORIES AND PUT AS MUCH OF THAT AS POSSIBLE ON OUR WEBSITE," MIRMAN SAYS. "WE REALLY TRY TO LET CUSTOMERS TALK TO EACH OTHER, BECAUSE THEY RELY ON THAT A LOT."**

**ELLIE MIRMAN**
VP of Marketing, Toast (former)

a piece of technology that was bought outright without any service package.

A more subtle, but broader category of Toast's value proposition is its ability to improve the operational efficiency in little ways across all of a restaurant's buying, staffing, and general management tasks. "There's a serious lack of visibility into a business when you do things manually," Mirman explains. "When you're small enough, you can probably manage things, but as you get bigger and make more sales, there are lots of opportunities to increase efficiency around food and labor costs."

Toast's automated, real-time data helps managers reduce waste. "Whether it's overstaffing that leaves people standing around with nothing to do or not enough staff, making it impossible to serve all the customers, there are many fragile pieces of running an efficient restaurant," says Mirman. "From staffing balance to making sure you have enough food to sell (but not so much that it spoils) we can show how Toast helps cut down on wasteful spending."

Toast combines demonstrable value with a sense of urgency to further help reluctant buyers take action. "A lot of times, we're working with customers who don't have a particular deadline in mind," says Mirman. "In addition to the general lack of urgency, someone who is going from non-SaaS to SaaS will have a monthly component to the pricing; so there's no real incentive to start today versus next month." The Toast team uses the ROI story to help a prospect understand the costs they could be saving if they signed up this month instead of next. And if that's not enough, occasional promotions help encourage prospects to move now instead of later.

Knowing your customer, creating an outstanding customer experience, establishing credibility and strong relationships, and demonstrating value – these are Toast's five strategies for converting reluctant buyers into happy customers. And this multi-pronged approach has helped drive impressive growth for the Google-backed company. In fact, the Boston Business Journal reported that Toast is scouting for a larger, Boston location to house its growing team. Clearly, they're doing something right. «

**Ellie is the current CMO at Crayon.*

# "WE DEFINITELY TRY TO LEAN INTO HOW OUR CUSTOMERS OPERATE SO WE CAN BEST PROVIDE EXACTLY WHAT THEY NEED."

# XERO'S CRO ON DELIVERING EXCEPTIONAL CUSTOMER EXPERIENCE AT SCALE

Interviewed by Ashley Minogue

Customer acquisition is always front and center when a company is in high-growth mode. During periods of intense expansion, everyone is hyper focused on attracting and converting as many new customers as possible. Customer experience and customer education are far too often afterthoughts, thrown together without any real strategy. This is a big mistake.

I recently sat down with Amy Vetter, former Chief Relationship Officer at Xero. Amy has been responsible for leading teams to develop innovative customer experiences and education efforts. During our discussion she shared some insights about the best practices she employed to help contribute to Xero earning its spot as a market leader in driving customer engagement and adoption. Here are five of her top tips for delivering exceptional customer experience at scale:

1. Listen to Your Customer
2. Take a Team Approach (But Know Your Role)
3. Make NPS Your Guiding Light
4. Make Customer Education Fun
5. Go Beyond Onboarding

## 1. LISTEN TO YOUR CUSTOMER

Delivering exceptional customer experience starts with truly understanding the customer journey. And to understand it, you need to listen to your customer. Amy has seen a lot of tech companies fall into the trap of thinking they understand their customers' needs and work towards a solution while ignoring the voice of the customer.

"What doesn't happen nearly enough is a team going in and being silent. You need to go to the customers you're trying to attract and really watch how they work, listen to their customer interactions, and be a fly on the wall."

Amy also advocates strongly for developing deep subject matter expertise in order to understand your customers' perspective or contract someone who does to help inform decisions. Someone who has lived the life of the customer will have a much deeper understanding of customer pain points and in turn will be able to conduct more effective customer research. They will know not only when to dig deeper, but also exactly which follow-up questions will uncover the most important insights. This will unveil what's working, what's missing, and what your company can do to better support the customer to inform your customer success roadmap. As a CPA herself, Amy has truly walked in her customers' shoes and can connect with Xero's target market – accounting professionals. While not everyone in your customer success organization will have this luxury, ongoing voice-of-the-customer research will help keep you in tune with your customers.

## 2. TAKE A TEAM APPROACH (BUT KNOW YOUR ROLE)

Managing the customer relationship is tricky because – done right – it involves everyone in your company, which means there are a lot of moving parts. The most effective customer experience spans the entire customer journey, seamlessly connecting the dots from marketing and sales to onboarding, customer success, and beyond. Without a holistic "big picture" view, you can wind up with a lot of uncoordinated customer touchpoints.

The solution may sound like a dichotomy: you need a team approach, but you also need to identify one leader:

**"NO ONE OWNS A CUSTOMER RELATIONSHIP. IT SHOULD BE A TEAM APPROACH, BUT I ABSOLUTELY THINK THAT THE ACCOUNT MANAGER OR SALES REP WHO IS ASSIGNED TO A CUSTOMER NEEDS TO BE THE TEAM QUARTERBACK."**

In other words, success depends on having everyone involved, but also having really clearly defined roles and responsibilities that eliminate the risk of confusing crossover or duplication of efforts. You've got one person calling the shots, and everyone else knowing what they need to do to complete the play.

In most cases, the account manager will be the quarterback because that's the role with the closest customer relationship. They are often responsible for facilitating the customer journey, having conversations about the customer's ongoing business needs, identifying how the company can best support and educate the customer and bringing everything back to the larger team so they can execute against what they've learned.

## 3. MAKE NPS YOUR GUIDING LIGHT

When it comes to measuring the success of your efforts in customer experience and education, Amy looks to Net Promoter Score (NPS) as the absolute number one indicator of business health. While at its core, NPS is a straightforward question – Would you recommend this [company] to a friend or colleague? – it does the very important job of measuring customer loyalty and willingness to refer other customers. As Amy puts it:

**"IT'S A VERY SIMPLE QUESTION, BUT IT MEANS SO MUCH, ESPECIALLY IF YOU'RE TRYING TO INCREASE YOUR WORD OF MOUTH REACH. YOU NEED PEOPLE TO DO MORE THAN SAY SOMETHING WAS GOOD; YOU NEED THEM TO WANT TO TELL EVERYBODY HOW AWESOME IT WAS AND BE EXCITED ABOUT HAVING AN EXPERIENCE WITH IT."**

**AMY VETTER**
Chief Relationship Officer
Xero (former)






Word of mouth is critical for startup companies, especially those that sell into SMB markets with strong peer communities. NPS is a truly end-to-end metric that gives you an accurate sense of how your customers really feel about your product. NPS should be leveraged across your entire organization. What it reveals is relevant not just to the customer success team, but to all customer-facing teams.

## 4. MAKE CUSTOMER EDUCATION FUN

One thing that can contribute to stronger NPS is taking a truly innovative and customer-centric approach to how you educate your customers on your product. One of her first roles at Xero was global education. She and her team set as one of their first goals to overhaul the brand's global education experience to make it so different that the company's accountant customers would be inspired to tell their colleagues and peers about it. "I really stepped back and rethought our approach to education," Amy says.

"Knowing how busy accountants are, one of the things we did – which was a first in the accounting industry market – was eliminate a test for certification. We didn't want a situation where customers were dreading a test and feeling bad if they failed it. Instead we reorganized our content modules around roles so people could pick their learning path. We made the content fun by creating interactive activities that was relevant to their day to day jobs that they had to complete successfully along the way."

## 5. GO BEYOND ONBOARDING

Amy also highlighted that you need to think about your customer experience beyond just onboarding. While customer experience and education are instrumental in getting new customers up and running, they also have the potential to support customers far beyond their initial introduction to your product. Amy found great success in providing educational content that went beyond just the company's software.

**"WHEN YOU THINK ABOUT WHAT WE DO AS TECHNOLOGY COMPANIES, WE'RE TRYING TO HELP OUR CUSTOMERS CHANGE THEIR BUSINESSES FOR THE BETTER." AMY SAYS.**

"At Xero, we help customers think through all the business decisions they need to make. We know that if they are using Xero, but delivering their accounting services the same way they always have, they haven't built any efficiencies and they aren't taking advantage of the platform's power. So, we spend time with them as a consultant, providing support from a business perspective, and that has made a huge impact on speeding up their growth because they have nowhere else to look for that support."

Amy summed up her philosophy on customer experience and education perfectly when talking about Xero's mantra: recruit, educate, grow.

"That mantra makes so much sense to me because it's not just about acquiring the customer and then leaving them to fail. Education is a key piece of the customer journey. When you deliver it well, it completely changes the customer experience, and people have a different feeling about your product and your company because you're supporting them so well. This leads not just to growth within accounts, but growth across new accounts." «

**Amy is the current president and CEO of The B$^3$ Method Institute.*

# WHEN AND WHY IT MAKES SENSE TO DELIVER A MINIMUM SELLABLE PRODUCT, NOT A MINIMUM VIABLE PRODUCT

Interviewed by Ariel Winton

Jonathan Marks and Alex Wirth were in their junior year of college when they first had the idea for Quorum. "I was working in a computational biochemistry lab and taking computer science classes," Marks remembers. "Alex was working on the Hill, running into a lot of roadblocks while promoting the passage of a couple of resolutions related to a youth advocacy project he was working on."

As the two friends discussed the challenges Wirth was facing, they realized there was a real need for a tool that would help organizations grasp what was happening around a piece of legislation. "Organizations needed help understanding what was going on, both legislatively and also just related to what various people were talking about on Twitter, Facebook, or YouTube, in press releases, and on the floor. In addition, people and organizations needed a way to identify actionable insights about legislators based on who they know and which issues they care about."

From those initial conversations, Quorum developed to be a critically valuable tool for people whose job it is to influence the legislative process. From companies and nonprofits to advocates, startups, and members of Congress, people from a variety of sectors use this comprehensive software to track legislation and dialogue, target particular individuals as key players and identify potential allies.

How the co-founding team got from initial concept to flourishing SaaS company is an interesting story about how to create, instead of a minimum viable product (MVP), a minimum sellable product (MSP).

## BREAKING THE LEAN STARTUP MODEL

"We broke the lean startup model almost by accident," says Marks. "Originally, we were trying to follow the rules by delivering a very targeted product that did one thing: identify the relationships between legislators and provide information about which legislators know each other, how well they know each other, who is central within a network, and how you can move from one group of people to another in an intelligent way." This early version of the product was a targeted, analysis-focused computational product; but it was soon going to evolve into something completely different and much more complex.

"Alex took that early alpha to DC and put it in front of thirty people who represented our target audience," Marks says. "And, he heard different things from every single person." Over the course of that initial alpha review period, people provided feedback about other functions and features that they'd like to see, including things like the ability to see who is talking about whom, the ability to see the input related to bills and votes so it would be easier to understand how the product delivered certain conclusions, and the ability to generate reports that would help a user demonstrate to superiors the logic behind a particular decision.

"Over the course of just those first thirty meetings, we collected enough feedback and ideas that it ended up taking us two years to build it all," says Marks. "And the reason we decided to take that time was that right from the start with the initial product, there was so much demand for other things. That's what got us thinking about the idea of a MSP, or minimum sellable product, instead of a minimum viable product."

The basic idea was to figure out what people would be willing to pay for and then build that right out of the gate instead of launching with a less robust, freemium or low-cost product. "In the end, we have to generate revenue to survive," Marks says matter of factly. "So, from the very beginning, we pursued revenue wherever we could find it, and it just happened that the path led us to build out a very comprehensive set of tools. That breadth of functionalities then became part of our value proposition."

## IDENTIFYING THE "REAL" PROBLEM

The first step in developing the Quorum MSP was for Marks and Wirth to drill down into the "real" problem faced by their target audience. They started this process focused on one piece of the larger problem, but eventually found their way to the more fundamental need.

"The differentiator between our approach and a more typical approach, is that the typical approach is to focus on just one problem," explains Marks. "For example, one of the problems we were aware of was how hard it was to send bulk emails to staffers on the Hill and keep track of their responses in a personalized way that doesn't require repeating the same steps over and over again."

"The typical MVP approach would be to build a product that solved just that problem and solved it, to the best of your ability, perfectly," says Marks. And, in fact, there were several companies in the market who were launching those kinds of specialized products.

Instead of starting and stopping with that problem, Marks and Wirth took a closer look at the problem in order to get at the root of the issue. "Thinking the problem through, we realized that for our clients to be able to email the Hill, they needed a database about staffers that was not only up to date, but also enabled functionality like building reports and tracking relationships and interactions," says Marks. "Our clients needed to do more than just email staffers, they needed to be able to build institutional knowledge about their history and relationship with each particular staffer, and then be able to store additional information so that everyone in the organization can see it."

In the end, by thinking laterally, the Quorum team realized that they didn't need an email tool – they needed a flexible, accessible, and fully functional tool to analyze data and relationships. That was the real — much broader and more complex — need that people would be willing to pay for.

## BUILDING ON A BROADER FOUNDATION

"The minute we started building all the other things people had requested, we got into a position where our product's functionality was crossing over with some of the other products in the space," Marks says. "There were some things we did that other products didn't do, but there were also things other products provided that we didn't."

This created an additional challenge for Quorum because buyers were already having to use multiple products to meet their needs, and their budget constraints weren't likely to accommodate an additional purchase. "In this market, people traditionally buy separate products for federal and state," explains Marks. "They also might have one product to communicate with Congress, another to track relationships, another to message supporters, and so on. It's very fragmented." In the beginning, Quorum wasn't good enough to replace any of these existing solutions, but Marks and Wirth were quickly learning what they would need to build to set their product apart so that buyers could justify the purchase.

"Yes, they needed more access to data and a better interface that would allow them to search, slice and dice, and analyze that data," Marks says. "But we came to realize that, more than that, what they really needed was a product that would do all of these things in one tool. Having to push information between multiple systems and learn different interfaces for each task presented a cognitive load and a barrier that kept people from doing their job really well."

To deliver this all-in-one, broad product, Marks and Wirth needed to take a customized approach to the build. "We built our own search engine inside of our database that was powerful and fast enough to efficiently search for bills, documents, and giant data sets," says Marks. "Because we were able to invest in that kind of central infrastructure and centralize our technology, we've been able to enhance the quality and usability and speed of the entire system and all the products. It has also enabled us to iterate more rapidly."

Another key philosophy that the team embraced was moving away from building in silos. "The reason customers were having to use so many different tools to address their needs is that companies were building in silos," explains Marks. "A company would build one tool in one silo so that it did everything that one tool needed. Then they would build a second tool in a second silo that would perform a tangentially related task."

Instead of isolating feature sets within distinct silos, the Quorum team tackled a wide range of features all at once. "Even after just three months of development, we were trying to do legislative tracking, dialogue tracking, and analysis features along with building out productivity tools," says Marks. "At a very early stage, the list of features that we had built to support was very large and very broad, and then we continued to expand laterally within each product."

## KNOWING WHEN BROAD AND SHALLOW BEATS NARROW AND DEEP

Launching with a broad and shallow product isn't for everyone, but in the right circumstance, it's a powerful strategy. It's the best fit when your customers need a solution that offers broad functionality that's capable of addressing a multitude of use cases. "Our target buyers had many things in common," says Marks, "But one of the most important was that lots of them had multiple products with overlapping functionality. There was significant customer confusion over which products were the right choice to solve various problems."

"In our case, we still launched early because we needed the revenue and feedback, just like everybody else," says Marks. "But instead of launching a narrow but deep product, we launched a broad but shallow product and over time have built it out so that the depth is now greater than or equal to everything else on the market." «

# HOW ZENDESK EMBRACED AI WITHOUT LOSING ITS ZEN

Interviewed by Devon McDonald

In popular culture, "Zen" refers to the ability to remain self-contained and cool despite outward circumstances.

This attribute is a key component of the Zendesk brand. Launched in 2007 in a Copenhagen loft, the company recently hit a $500 million run rate. Their ability to live up to its promise of bringing Zen to customer service interactions has prompted that growth.

For Zendesk, the risk with any new product is that it will jeopardize that reputation.

Astha Malik, VP of Platform and Product Marketing, led the company's most recent product launch and took the brunt of that risk. Malik joined Zendesk in February 2017. Eight months later, she was behind the launch of Talk Enterprise, Chat Enterprise and Answer Bot. All three expanded Zendesk's enterprise and machine learning capabilities.

Malik's particular challenge with those launches was to navigate expectations around AI-based solutions. While AI is buzzy, it's also viewed with skepticism.

"When it comes to AI, we actually have this internal joke that everybody is talking about it and nobody is doing it. It's kind of like how teens talk about sex," she said.

Malik addressed the perception about AI's utility by involving the product marketing team early in the creation process. That ensured that the products were fully baked and met consumers' needs rather than being a tech-for-tech's-sake product.



## BEGINNING WITH THE CUSTOMER

Zendesk pairs the product teams with the product marketing teams. The two work in tandem to develop the product. Both work backwards from the customer's needs.

"I've always believed that if you organize the development based on how customers purchase from you and how they think about solving their problems in their company, everything just becomes easier from there on," Malik said.

Generally, most ideas come from the product team, but the product marketing team has a sense of how those products will go over with customers.

The customer in this case was Zendesk's core target – the support buyer. Such buyers were open to the new technology, but weren't sure how much they'd need or use it. That insight, uncovered in discussions with buyers, prompted Zendesk to go off script and offer a usage-based model for Answer Bot. (Zendesk typically charges on a monthly per-agent basis.)

"We came up with a unique way that looks completely different from every other product that we sell today," Malik said of Answer Bot's pricing. "But I think that is exactly the reason why that it has gotten so much success in the short amount of time that it's been out there."

## BUILDING A BUSINESS CASE

In a successful launch, the product must generate as much enthusiasm in-house as it does with consumers. For Zendesk, getting marketing and sales on board started with building a business case for the introductions. That meant mapping out the total addressable market for the product, identifying lookalike audiences and looking at the competition. Those insights prompted what Malik called "well-grounded goals and KPIs." Malik said despite some initial resistance, the team became motivated to pursue those goals, especially when they could see their individual impact.

When everyone aligned on the mission, the next step was to activate Zendesk's marketing and PR machine. Another key component was sales; Malik wanted to ensure that the sales team was delivering the same message as marketing teams. "You want to make sure that the messages are consistent," she said.

## ART, SCIENCE AND LUCK

Malik sees marketing as part art and part science. Even with AI assistance, there's a lot of human thinking – and human error – involved in the process. Though anyone will tell you that "listening to the customer" is integral to any launch's success, Malik is careful not to claim that she has a roadmap for any successful launch.

**"I'LL BE HONEST. SOMETIMES YOU DO YOUR BEST WORK, YOU DO THE BEST RESEARCH, YOU DO ALL THE THINGS THAT LOOK GOOD ON PAPER BECAUSE CUSTOMERS ARE TELLING YOU ONE THING, BUT THEN WHEN YOU LAUNCH SOMETHING, IT DOESN'T QUITE WORK OUT. THANKFULLY IN THIS CASE IT ACTUALLY DID," RECALLED MALIK.**

**In other words, it was a very Zen launch.** «

# ZIPRECRUITER'S CEO ON BUILDING A $150 MILLION BUSINESS FROM THE GROUND UP

Interviewed by Blake Bartlett

I recently sat down with Ian Siegel, Co-founder and CEO of ZipRecruiter, a data-driven hiring marketplace for employers and job seekers. As we talked about the substantial growth his company has experienced since its launch in 2010, Siegel shared his unique approach to routine areas of any software business: product development, pricing and marketing. It's his one-of-a-kind outlook that's enabled Siegel and team to build a business that's grown to north of $150 million and still climbing.

## PRODUCT DEVELOPMENT

Product management is an area that has diverted and/or diluted the focus of more than one company. It's challenging to maintain the discipline required to stay the course. It's too easy to be seduced by shiny-object syndrome, feature bloat, or any number of other focus-related product development pitfalls. My conversation with Siegel turned up several product management rules that will benefit any organization hoping to emulate ZipRecruiter's marketplace model.

### RULE #1: IDENTIFY YOUR "ONE THING"

Siegel is adamant that each business only really sells one thing. One of the main secrets of success is knowing what that one thing is and putting all your effort and resources into being the best at that. Obsess over it.

His tip for uncovering what your one thing is (if you're not sure) is to have a current customer who loves what you do describe your product to a prospect. How your happy customer describes what you do and the value it delivers is your one thing.

### RULE #2: STUDY YOUR CONVERSION FUNNEL

At ZipRecruiter, every idea and business case begins with the conversion funnel. The team looks at each step in the process to uncover where there's friction. The goal is to remove all the potential stumbling blocks so that new customers experience nothing but smooth sailing through the entire sign up, free trial, and so forth.

Whenever you discover a speed bump in your conversion funnel, your job is to test different ways of getting people past it. Talk to customers. Invite them to participate in surveys. Do A/B testing on page layouts and copy. It's not always obvious why people are getting hung up or abandoning a form, but it's always worthwhile to spend the time figuring it out.

### RULE #3: KEEP IT SIMPLE

As most teams will admit, it's easy to get caught up in adding features. It's natural to want to do more for your customers, but you have to remember why they became customers in the first place. Remember what you promised. Know which features you need to deliver on that promise. Everything else is fluff, or — worse — a distraction and/or resource drain.

The tricky thing about features is that they don't just add functionality, they also add complexity; and complexity slows things down. It makes the on-boarding process difficult, creates technical debt, and drives demand for additional customer service support. Siegel believes one of the real secrets of ZipRecruiter's success in a competitive market has been the restraint they've shown when it comes to adding more features. He's even thought about putting out press releases highlighting the features his company turns off each year due to low usage.

**IAN SIEGEL**
Co-founder & CEO
ZipRecruiter

## PRICING

When it comes to pricing, Siegel's best tactic is to keep things simple and focused. His two-step formula for success is to default each customer into a plan and then give them a single upgrade option. This approach is very different from the tiered plan that is the traditional way to present pricing, and which can cause prospects to pause in the conversion process while they try to figure out which option they want.

Instead, Siegel uses a "clarifying question" to help a customer self select into the appropriate subscription tier. He doesn't even bother showing them the other options, because they aren't relevant. Once customers have been sorted into the right plan, they see one more simple question, "Do you want standard or premium?" Again, the options for the customer are limited and simple.

A key element of this pricing tactic is knowing which feature is your "key feature" – the thing that people want most. It might be the number of user seats or the ability to white label the software or any number of other features. Learn which feature your customers covet most, and make that your premium feature. By focusing on exactly what your customers want most, you can increase your profits and stop leaving money on the table.

## MARKETING

When it comes to marketing, what works for one company won't always work for another. In fact, what works for one company today, may not work for that same company tomorrow. There's a lot of trial and error and optimization to be done, and that requires loads of discipline.

One of Siegel's main takeaways from his success at ZipRecruiter is that, once you have a solution that works, your job is to invest in it lock, stock and barrel. Build the biggest megaphone you can, and get the word out there. Remember, however, that while each marketing strategy and tactic has the potential to work for you, none of them are easy. You have to do a lot of intense, focused detective work and more than your fair share of due diligence and testing to find the formula that works best.

Before you get started, remind yourself who your customer is and make sure that your marketing strategy is designed to engage that audience. And then, start experimenting with different channels and mediums. For ZipRecruiter, some of the early failures were elevator ads and billboards; and some of the most effective channels were satellite radio and podcasts. Your results may vary, so you really have to do the work yourself.

On the other end of the marketing process, it's critical to measure everything. Attribution is hard, but it matters. Understanding how your customers are finding you and what's making them convert is some of the most valuable information you can have. One of the keys to solving attribution is to layer your channel launches. Don't turn everything on at once. Be thoughtful and test in small ways before taking it to the next level. You might be surprised at what actually works.

No one ever said that launching and growing a marketplace is an easy thing to do. But, it's clear, based on the stories of ZipRecruiter and other organizations with a similar philosophy, that staying focused, exercising discipline, and keeping things simple can take you far on the road to success. «

# LESSONS FROM HUBSPOT: HOW TO OVERHAUL PRICING IN 3 STEPS

Interviewed by Devon McDonald

Pricing. For expansion-stage companies, it's an important (and often ubiquitous) topic of conversation. While most company leaders recognize that there's an ongoing opportunity to improve pricing structure in response to market changes and other factors, the actual process of updating pricing can induce deep anxiety in even the most stalwart of CEOs. Change is hard, even when it's for the best. And changes in pricing might upset current customers or reduce your win rate with future customers. There's a lot at stake.

Brad Coffey, Chief Strategy Officer at Hubspot, has successfully run the pricing gauntlet twice in recent years as the inbound marketing giant implemented two major pricing initiatives. Many of the lessons Brad ultimately learned from going through these updates took months (even years) to fully play out, but in retrospect he was able to see that there is definitely a set of best practices that can be applied to launching a new pricing structure. Happily, Brad is willing to share the wisdom he's gained.

## EVERYONE HAS TO START SOMEWHERE

"In the beginning, we picked the price point out of thin air," Brad admits. This isn't an unusual way for a startup to determine initial pricing. But, as Brad points out, that baseline price often becomes the foundation for later pricing. In Hubspot's case, as they released new products, they created simple tiered pricing that was basically multiples of that initial price point.

The turning point that inspired Brad and the rest of the team to take a closer look at their pricing structure came while Hubspot was in the midst of a fundraising effort. In the process of analyzing their metrics for venture capitalists, the team realized that there was room for improvement. "We had a pretty good story, and there were parts of the business that were doing really well," Brad recalls. "We were acquiring customers and our retention was pretty good, but we weren't getting many upgrades." This insight inspired some soul searching, and they realized it was time to update their pricing to match the value they were actually delivering.



## THE MAJOR PRICING OVERHAUL IN 3 STEPS

The pricing overhaul process involved most of Hubspot's executive team as well as leaders of the product team and the company's founders. Working together, this group engaged in a three-step process to develop a new and more effective pricing strategy.

### Step 1: Do Your Homework

For Hubspot, the starting point for the pricing conversation was heavy analysis on two major data points. First, the team took a deep internal dive on retention. They wanted to uncover which parts of the product were most valuable by identifying correlations between particular features and people sticking with the product. The team's research helped them pinpoint the parts of the product that had a lot of sizzle in a demo, but that users dropped after a few months. They were also able to single out the parts of the product that were maybe harder to sell and set up, but which – once in place – played an important role in keeping users on board for the long haul. Specifically, for Hubspot, the feature that had the most influence on retention was contacts. "We realized that once a user got contacts into the system, they were going to stick around longer," Brad says. "Having contacts allowed them to get more value out of the platform."

To complement this internal data point, the team also analyzed the market to see how their competitors were pricing. This helped HubSpot understand what customers were used to paying and also gave them a window into pricing strategies that were different from their own, simple approach.

### Step 2: Get Input from Everyone

Based on their research and analysis, the team crafted their initial vision for the new pricing. Next step: get feedback from everywhere.

> "WE SOLICITED FEEDBACK FROM OUR PEERS, OUR CUSTOMERS, AND FROM ALL OUR EMPLOYEES. WE EVEN POSTED THE NEW PROPOSED PRICING ON OUR INTERNAL WIKI WHERE WE HAD A ROUSING DEBATE LEADING UP TO FINAL DECISIONS."



While there were plenty of external people HubSpot could have engaged in this process (including pricing consultants), the team decided to drive the process internally via their own staff and customers. Working with a very detailed high-fidelity mockup of the new pricing page, Brad shared the new strategy with anyone who would talk with him. "It was a little nerve-wracking," he says. "But it worked to get us the feedback, so it turned out to be a pretty valuable process."

In addition to benchmarking specific price points against HubSpot's competitive set, Brad interviewed customers to try and understand what they expected to pay for the product. It was, of course, important to understand how price factored into deals lost and won; but Brad ultimately felt that figuring out which price accurately reflected the value customers saw in the product was more important when it came to determining whether the new pricing structure would fly or flop.

**"IT'S IMPORTANT TO UNDERSTAND WHAT THE CUSTOMER'S VALUE AXIS IS AND HOW THEY EXPECT TO PAY FOR IT. WE NEED TO KIND OF PUT CUSTOMERS ON THE SPOT AND ASK THEM WHAT THEY THINK ABOUT CERTAIN TRADEOFFS."**

### Step 3: Implement Like a Pro

There were two keys to ensure a smooth transition: consistent weekly meetings and having all the right people involved – not only at each step of the process, but in the appropriate roles. The weekly meeting served as a valuable touchstone throughout the process, giving the team a chance to assess progress, proactively decide on next steps, and continuously engage different groups within the company to prepare for the changes.

The list of attendees shifted throughout the hundred days leading up to the launch. Initially, the focus was on people in the product and finance areas to ensure that the pricing model was in place in terms of packaging and the mechanics of delivering it to market.

"It was important for the product team to really own the process. More than just 'getting on board,' they needed to be able to drive the process in a way that delivers a lot of impact."

From there, different functional teams cycled into the meetings. The product marketing team attended as talk turned to positioning, promotion, and launch plans. The sales team got involved as the launch loomed closer so they could be fully trained on the new pricing and the marketing plan supporting it. Services-oriented groups were next and helped prepare for the rollout to the existing install base including customers coming up for renewal. Throughout the process, anyone who wanted to learn more about the pricing change was welcomed and encouraged to get involved.

## LOOKING BACK: CHALLENGES, LESSONS AND OUTCOMES

In retrospect, the pricing overhaul was a clear win for HubSpot, but that doesn't mean it wasn't without its challenges. For instance, Brad acknowledges that there was plenty of internal debate throughout the process. Rather than allow conflicts to bring things to a grinding halt, Brad stole the "disagree-and-commit" concept from Amazon. This approach allowed everyone to have a voice and ensured that the process was very transparent, but also made it clear that once a decision was reached, everyone needed be 100% on board. "I love that HubSpot is the kind of a company that encourages loud, boisterous debate," Brad says. "But with this approach, once we've made a decision, it's going to get done. If you disagree, it's your responsibility to speak up and let the team know you disagree; but it's also your responsibility to really get on board – not just give the project lip service, but to put everything in to make the effort as good an experience as possible for our customers."

In addition to internal machinations, there were also some customer-facing hurdles to clear. For one, the price change involved charging customers for adding contacts. Research had shown that the ability to add contacts was a highly valued feature that increased customer retention, but up until the price change, customers hadn't had to pay for contacts. "There was a voice in the back of my head that kept me up at night," Brad recalls. "It said, 'Let me get this straight, Brad. You want customers to add contacts to HubSpot, so you're going to start charging them to add contacts to HubSpot, and actually increase their price when they add more? Isn't that going to completely disincentivize them from doing the exact thing you want them to do?' I'm not going to lie. It was a little terrifying."

Happily, everything turned out great, an outcome Brad attributes in huge part to the company's inside sales model, which enabled everyone to clearly articulate the value of having contacts in HubSpot. It also helped that contact-based pricing was something the market expected because they were used to that kind of pricing structure. In the end, the pricing change ended up creating a great deal of alignment across the company. From the marketing positioning to the sales pitch and from services and onboarding to product development, each group within the organization was able to really focus on delivering value through contacts.

Another customer-facing challenge that almost always comes up was whether or not to grandfather in existing customers. This question inspired some great debate, but HubSpot's philosophy of being very generous with existing customers drove the team to uphold their standard – and very forgiving – grandfathering policy. "It may not be the right move for all companies in all situations," Brad says. "But we were lucky enough to be growing quickly so that as the install base churned over time and we added more customers, the economics shifted toward having the majority (and eventually all) of our customers migrated onto the contact tier pricing."

While it took some time to switch all customers over to the new pricing, the team committed and the resulting improvement in retention proved that was the right move. In 2011, the company's retention was in the low 70s and they were seeing approximately 2 to 3% in upgrades, so, overall, about 75% revenue retention. In 2014, after the pricing overhaul, retention jumped into the low 80s and upgrades increased to about 15%, resulting in almost 100% revenue retention. While the pricing update wasn't the only change HubSpot made over those three years, the shift in pricing strategy definitely made a big impact.

## LOOKING AHEAD: CREATING NEW OPPORTUNITY WITH A FREEMIUM PRODUCT

In 2014, coming off their IPO, HubSpot faced another major turning point: whether they should stay within their existing product footprint or go wide and expand from marketing into adjacent categories like sales and customer success. Ultimately, they chose to go wide, and they take the opportunity to try something radically different than anything they'd done before: enter the market with a freemium product.

Unlike the core pricing overhaul, which involved almost the entire company, the approach to developing the freemium sales product involved assembling a small group of some of HubSpot's best people – engineers, product folks, sales reps, service team members, etc. – to create an all-star team with a tight feedback loop.

"This was a completely new motion for us," Brad says. "We gave this group a lot of ownership and autonomy to figure things out. We didn't want it to become a process in which every executive was tossing their pet rock into the design or lobbying their opinions. We wanted to enable the team to make decisions really, really quickly." In addition to creative and decision-making autonomy, HubSpot also gave the team their own budget.

This experiment was mostly a success, though Brad notes that they did initially take the independence factor a little too far. "We wound up investing in a few different freemium motions at the same time and some of them were going after a different persona on a different tech stack with a different brand name," he explains. "Ultimately, we ended up putting everything on the same platform and tech stack, so that – if you did use all of our products – they looked the same, felt the same, and worked incredibly well together. We also brought all products back under the HubSpot brand and made sure that as people tried our freemium products, they were also aware of the other HubSpot products they could buy."

Because the sales category was an entirely new market for HubSpot, the team had the advantage of any win being a net positive. There was no existing revenue stream to compare to and no worry about cannibalizing existing business. The tightly coordinated team was able to launch the freemium product within about six months, an impressively short timeframe. Even better, the launch had a substantial impact on HubSpot's business. "Historically, we had three products – a basic, a pro, and an enterprise. Now, we're able to lead with a free product, which has been a dramatic shift," Brad says. "Now, instead of just getting our content, prospects can actually start to use and engage with our product and ultimately, via upgrade, touchlessly buy more. It's really shifted our frame of reference internally."

The freemium approach has also generated excellent NPS results, proving that the product is generating a lot of value for users. And, on the other side, the economics have also worked out well as the team continues to find and implement new ways to upgrade users either within the sales product or by adding the marketing product.

"We've been around for about ten years now," Brad says. "Early on, we were a single-product company, but we're now in the midst of what we think of as 'phase two,' which is about becoming a suite of apps. We have a marketing product, a sales product, and we announced a customer success product last fall. We built all of this on the foundation of a free CRM that's working really, really well for us. Eventually, we want to open that up and turn that into a platform that others can develop on top of – we're looking ahead and thinking broadly about how we can enable millions of businesses to grow. That's our ultimate mission." «

**"IT WAS IMPORTANT FOR THE PRODUCT TEAM TO REALLY OWN THE PROCESS. MORE THAN JUST 'GETTING ON BOARD,' THEY NEEDED TO BE ABLE TO DRIVE THE PROCESS IN A WAY THAT DELIVERS A LOT OF IMPACT."**

**BRAD COFFEY**
Chief Strategy Officer, HubSpot

# HOW SLACK'S COMMITMENT TO CUSTOMER EXPERIENCE DRIVES PHENOMENAL GROWTH

Interviewed by Ashley Minogue

Slack is a company that needs no introduction. They went from zero to a valuation of $7 billion in only five short years, and have become a poster child for the freemium, bottoms-up go-to-market strategy. Their early success with product led growth (PLG) has also made them a leader in this emerging discipline. But, despite their consistent attainment of stratospheric heights, it turns out that they have built their empire on some pretty down-to-earth concepts and philosophies.

Fareed Mosavat, Slack's Lifecycle Product Manager, came to the company with multifaceted experience. In addition to working at a variety of startups (including Instacart, RunKeeper, and Conduit Labs) he also spent seven years working in computer graphics at Pixar. Throughout his career, the one through line has been consistently working at companies whose products exist at the intersection of technology and the most fundamental parts of our human lives — health, sustenance, and communication.

At Slack, Fareed plays a pivotal role in the company's ongoing achievements. His broad experience within the organization gives him insight into all aspects of Slack's growth — from the foundational philosophy to the tactical strategy to the minutia of metrics.

## LIVING BY A DIFFERENT KIND OF GROWTH PHILOSOPHY

Slack's philosophy is reflected in the fact that Fareed's team is called the Lifecycle Team rather than the Growth Team. "Our role is all about customer experience," Fareed says. "Our mission is to help every company effectively adopt and scale Slack within their organization. For us, growth is a natural side effect of the customer impact we have, not the primary goal. It's how we measure our success at helping customers use Slack."

This unique perspective — looking at growth as an outcome, not an objective — helps Slack maintain a truly customer-focused approach to how they think about problems. It also serves as a touchstone for everything Fareed's team does. And they do a lot. "We're a full stack product team," he explains. "We own the underlying systems, not just driving growth or the marketing on top of that. We own billing, user administration, signup, and login along with the elements that are traditionally part of a growth team such as onboarding, free-to-paid conversion, and so forth."

On the other hand, Fareed's team does not own acquisition channels like paid marketing, SEO, or content. "We work closely with those teams, but we're focused entirely on the customer experience," he says. "From the second a user hits Slack and starts to use it, we're there to help them enable Slack within their organization."

## GETTING FREEMIUM RIGHT

Having worked on a variety of B2C and B2B products that used a freemium go-to-market model, Fareed has gained a good sense of what it takes to make this kind of strategy work. It's not right for every product, but when there's a good fit, it's a powerful tool. His rule of thumb is that a product needs to have three attributes in order for freemium to work:

» **Viral:** Successful freemium businesses are able to leverage virality, usually because they are naturally collaborative. Offering a freemium option means that one user can easily invite other users, leading to additional adoption and growth. Fareed warns against trying to hybridize this approach with an "almost free" option, "If you've ever heard of the penny gap, you know that getting people to pay even a single dollar creates major friction." The goal is to reduce friction as much as possible, ensure a strong understanding of the basic value proposition, and make it easy for teams to adopt your product from the bottom up.

» **Sticky:** The second attribute is all about retention. The product has to be easy to set up and activate so that users can instantly engage and see value. And the value should scale nonlinearly with usage, meaning that the more someone uses it, the faster they're able to generate value. This value acceleration might be due to a network effect, volume, or accessibility. Dropbox, for instance, becomes more valuable as a user adds more files and collaborators; and Slack becomes more valuable as the message archive grows.

» **Upgraded via Usage:** "The third thing a product needs to make freemium work is an alignment with a value metric or usage quota around which to build the upgrade path," Fareed says. "Freemium models built around premium features are really hard to get right. It's easier to succeed by scaling usage." The trouble with premium features is that different users will covet different features, so it's difficult to find a universal path that will move everyone. Building an upgrade path around usage allows you to tap into an aspect of the product that affects every user.

Which brings us to the challenges of the free-to-paid conversion. "Awareness is a huge problem area for freemium," Fareed says. "People can use your product for months as a free service and not have any idea how you make money." To combat this, Fareed and his team make sure that customers really understand not only what the paid plan options are, but also how they provide additional value to the customer. "Timing is important," he says. "We make sure we have the surface area within the free product to explain details about features and value at exactly the right time."

To effectively communicate with users about the upside of converting to a paid option, Fareed recommends being really clear on two specific fronts:

1. **Know your audience.** "You need to really understand your target customers," Fareed says. "Not only who they are, but also what kinds of plans will be right for them." For instance, the Slack team puts a lot of thought into how different size companies use their product so that they can build a tiered structure that makes sense to those audiences.

2. **Be clear about your core value metric.** For Slack, this is the size of the archive. Users get 10,000 messages for free, and after that there's a rolling window of 10,000 messages. Fareed's team makes sure that they've built surface area and paid future awareness inside the product so that users are constantly reminded about this threshold and what to do to increase it.

**"OUR MISSION IS TO HELP EVERY COMPANY EFFECTIVELY ADOPT AND SCALE SLACK WITHIN THEIR ORGANIZATION. FOR US, GROWTH IS A NATURAL SIDE EFFECT OF THE CUSTOMER IMPACT WE HAVE, NOT THE PRIMARY GOAL. IT'S HOW WE MEASURE OUR SUCCESS AT HELPING CUSTOMERS USE SLACK."**

## PRIORITIZING EFFORTS BETWEEN FREE AND PAID USERS

Every product team has to grapple with the question of how to allocate resources between freemium and paid users. On the one hand, it's important to provide an excellent freemium experience for new users. On the other hand, there's a strong argument for prioritizing the needs of paying customers so you can keep them around. To make smart decisions, you need to really understand your customer lifecycle.

"The most effective way to drive the size of our paid user base is making sure customers understand Slack, can use it inside their organization, and are happy with it right from the early days," Fareed says. To ensure all of this, Fareed's team expends an enormous amount of energy on early onboarding to get new users successfully through the first few days of using the product. The primary goal is to get new users to a place where they feel comfortable inviting coworkers to Slack. As Fareed points out, Slack is collaborative by nature and doesn't really have a single-player mode, so it's critically important to help users over the initial hurdle of getting other teammates on board.

Once a user has become more deeply engaged, Fareed's team transitions to thinking about how to move that user (and the associated team within the customer organization) to a paid plan. The approach to facilitating this conversion is very focused on the customer experience and looking at things from the customer's perspective. "Mostly, we tend to think about how to stay out of the way of early adoption," Fareed says. "We make sure that anything a user needs to gain a basic understanding of Slack, collaborate, or experience the usefulness and value of the product is part of the free version of the product." The goal is for Slack to be highly valuable to every user on the first day.

The kinds of things that fall into paid plans include expanded usage options and features that are valuable only once Slack has been deeply integrated into an organization, often as a formal or official solution. These include advanced administrative tools (such as an IT team might need), single sign on, interactive screen sharing, group calls, and so on.

"Overall, we're not just building for new customers who have just signed up and are ready to pay," Fareed says. "We also want to be sure that those who have already chosen to deploy Slack within their organization (and are already happily paying for it) continue to get more and more value over time and always feel like they are getting more for their money."

## MEASURING SUCCESS

When it comes to metrics, Fareed recommends keeping it as simple as humanly possible. "We define activation around the moment at which someone begins getting initial value," he says. "That's the point after which we see consistency in retention and engagement." Fareed refers to this point in the customer lifecycle as the moment of first value.

Every product has a moment of first value. For Instacart, it's the moment a user places and receives their first grocery order. For RunKeeper, it's the moment a user finishes their first run. The moment of first value is about getting the full experience of the product and seeing the value once the loop is closed. Ideally, you'd like users to reach this moment of first value in the first few minutes or even seconds, but it's reasonable to look at a longer period of time. The important thing is to clearly understand how and when a user experiences this pivotal part of their relationship with the product.

"For Slack, we build activation around having a certain number of users—usually three—in the product and having them send and receive approximately 50 messages," Fareed says. "This is the point at which we see higher customer retention."

More importantly, Fareed and his team understand the role they need to play in helping each user get to the next level of engagement. "Getting into that first conversation is the moment at which a new user starts to understand the basics and value of Slack," he says. "From there, we have a ton of work to do in order to demonstrate the full value of Slack throughout the lifecycle of the customer, but it's at that first moment that we know we have a shot at building a long-term relationship." Fareed's team is working on mapping out the full customer journey in order to build product experiences around how users deploy Slack. While no two customers are exactly the same, there are similarities in the journey from week one to week two and month one to month two. Fareed uses insights into customer behavior and needs to uncover ways to increase value and conversion.

## FAILING FORWARD (BUT NOT FAST)

While Fareed and his team may appear to always be one step ahead, the chaotic reality of a high-growth startup means that there are plenty of failures to go along with the wins. This is something that Slack has built into the DNA of how they operate. "We recently did some analysis on past experiments, and our hit rate is less than one in three." Fareed says, "So, we've just embedded that reality into our process. We understand that the vast majority of things we do won't work, and we're building learning loops around that. This isn't just about success. It's about updating your priors."

With this philosophy in mind, the team works hard to ensure that every experiment they release helps them learn something that will increase their chances of success the next time around. They think about the process holistically. Rather than measuring the success or failure of each experiment in isolation, they look at each test as a stepping stone to the next test.

Within this framework, they are careful to stay focused on maintaining good customer experiences. "I don't believe in the 'fail fast' mentality," Fareed says. "With a business product, you're dealing with customers who are paying you real money and have a low tolerance for problems, mistakes, and failure. You don't want to get in the way of the work they are doing, so you can't just throw things at the wall. You have to really understand why things work or don't work and have high confidence that every experiment has the potential to deliver a good experience, even if it doesn't end up having the impact you hoped it would."

## LOOKING AHEAD

Fareed expects to see a fundamental shift in how SaaS companies approach growth. "For a long time, growth teams were seen as separate and only there to solve a very specific problem," he says. "We need to think about growth more holistically, We have to move beyond thinking that a marketing team just drives leads and a product team just builds product. All the teams are part of a more comprehensive and consistent system."

Based on his team's approach to product management as a very data-driven discipline, Fareed also expects to see more growth teams adopting the lifecycle approach and using data as part of their core practice. Eventually, he surmises the need for separate growth teams might diminish over time as the role will be more fully integrated into the way companies develop and market products.

"At the end of the day, customers aren't concerned about your org chart or who owns which pieces of the product," Fareed says. "They just want to have a great, holistic experience from end to end. We need to be thinking about growth in the same way - through every part of product management." «

# SCALE-UP LESSONS: HUBSPOT'S JOURNEY FROM MQL TO PQL

By Kieran Flanagan

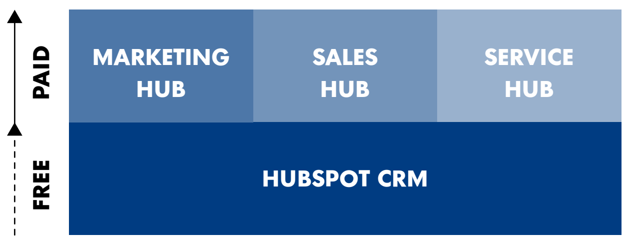
One of the best things about working for a scale-up company is you get an opportunity to work on many different challenges.

Scale-ups become scale-ups because they're able to find new growth engines to continue scaling the business.

At HubSpot, I've been lucky enough to work on two of those growth engines. I initially joined HubSpot as the marketing leader for international. My role was to grow both a team and a marketing funnel of traffic, leads, and MQLs for our target regions.

I next joined a small team within HubSpot who had a mission to turn a free Chrome extension into a freemium business. Instead of building a marketing funnel, we created a product funnel of traffic, free users, and product qualified leads (PQLs).

Freemium is now an integral part of HubSpot's go-to-market. You can start using our CRM for free, along with features of both our marketing and sales hub.




We learned a lot about what it takes to build a successful product funnel. In this post, I'll cover some of the main reasons we made that funnel successful.

## THE PRODUCT FUNNEL EQUATION

We broke the funnel down into two core components:

**Product Value + Product Demand = $$**

## HOW TO MEASURE AND ITERATE ON PRODUCT VALUE?

You want to track a metric that shows the number of people getting value from your product is growing over time. It's your north star metric and should have some correlation to better upgrades and retention. Improving this metric should help you to create sustainable growth for your product.

At HubSpot, we decided early on that our metric was weekly active teams (WATs). The more WATs we had, the better our freemium business would look.

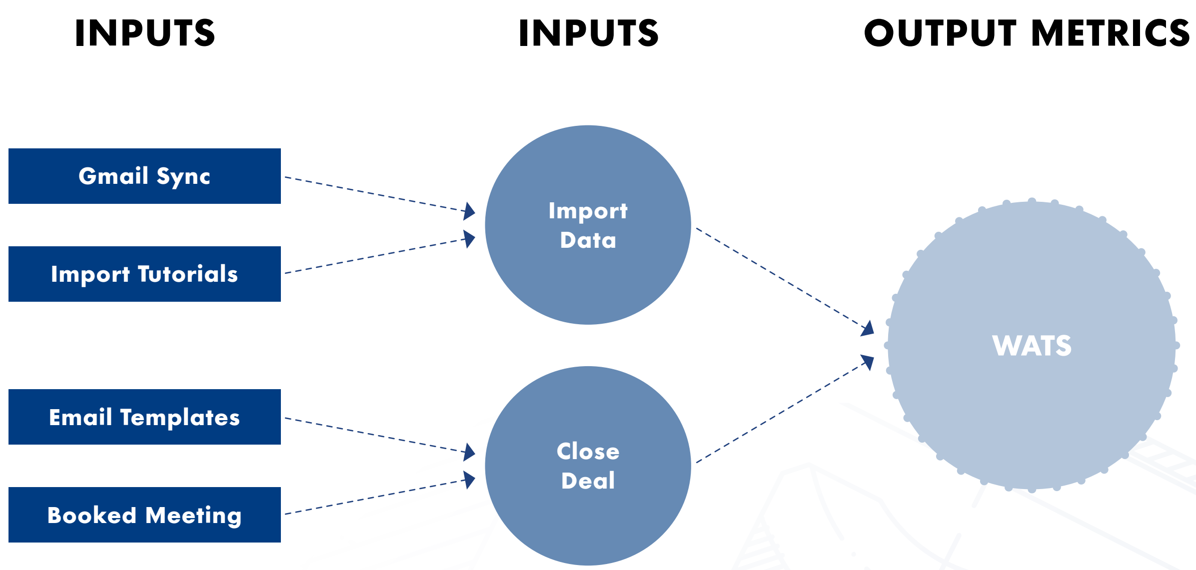
Metrics like WATs (weekly active teams) are challenging to create an actionable plan for. As Brian Balfour argues, they're too big, too broad, and not actionable. Instead, they're a lagging indicator of success, one that tells you if you're winning or not.





You need to break that metric down to its inputs by looking for common user actions that have a positive correlation to improvements on your north star metric e.g a high percentage of users who complete action X go on to become a [whatever you've defined as your north star metric].

**Let's take the following example for WATs.**




Instead of running experiments and measuring their success or failure by changes in WATs, you instead focus on having a measurable impact on the different inputs that go into WATs.

For example, if we find ways to get more users to import their data, or close more deals using our sales tools, our WAT number would increase.

We could go one layer deeper, by increasing the number of people who imported contacts via Gmail, who consumed in-app tutorials on how to import their data, who used our email templates or booked meetings via our scheduling app, our WAT number would eventually increase.

Taking this approach means you can run experiments against inputs where you get near instant feedback on whether your efforts were successful or not.

## HOW TO MEASURE AND ITERATE ON PRODUCT DEMAND?

Along with a 'product value' metric, we also obsessed over monetization.

We created product demand in the form of a touchless sale or a 'product qualified lead' for the sales team.

PQLs are a combination of product actions (how people are using the product), and whom that person is (using demographic and firmographic data).

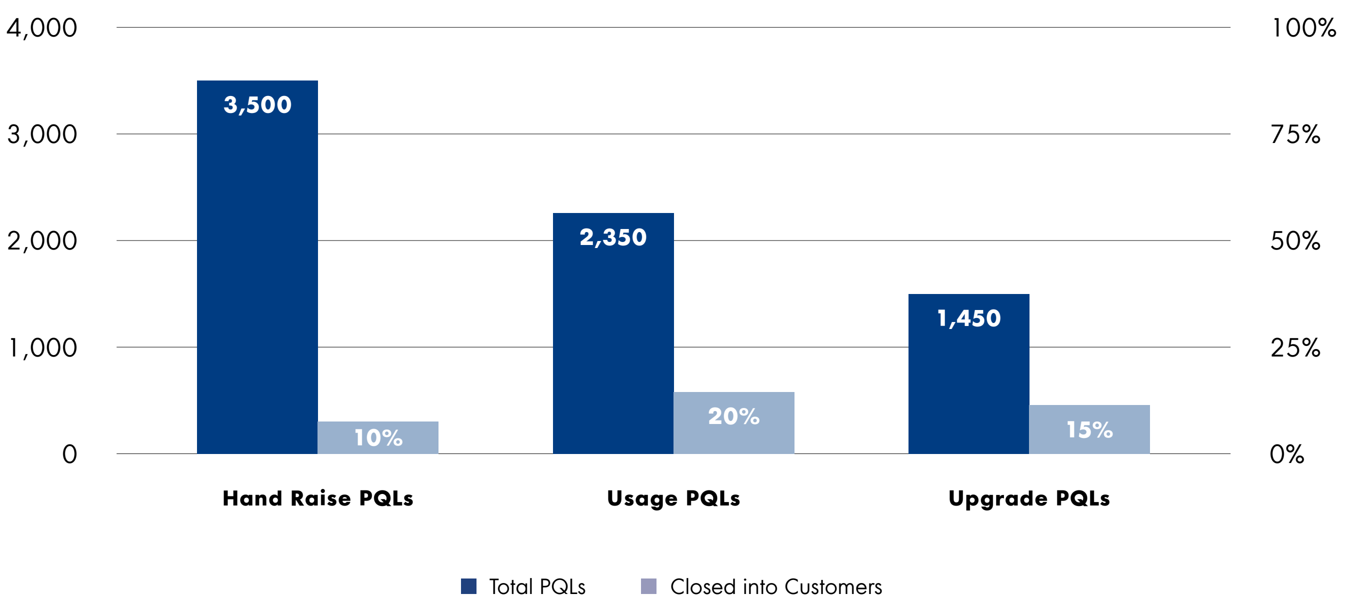
We categorized our PQLs into different buckets to find the best opportunities to grow revenue.

» **Hand Raise PQLs**
We would show free users call to actions (CTAs) within the product for paid only features or the opportunity to get assistance with a particular task, those users would interact with the CTA to reach out to us. We used them sparingly.

» **Usage PQLs**
We triggered a call to action based on product usage, for example using all of your free call minutes or email templates would trigger an option to upgrade or talk with sales.

» **Upgrade PQLs**
These were features only available to paid users, they would send users to an upgrade page.

## PQL VOLUME & CLOSE RATES: EXAMPLE DATA




Each PQL event was like a unique MQL so it had to be measured as its own funnel. The result was a giant spreadsheet that showed each PQL event, the category it belonged to, the number of times the PQL event had occurred, the amount of revenue we closed from that event and its conversion rate.

The spreadsheet helped us to not only decide on the PQL category we should focus on but the actual PQL events with the best potential upside for improvements in conversion rate and revenue.

| Weekly | | | | | | |
|---|---|---|---|---|---|---|
| PQL Event | PQL Type | Total PQLs | Closed Won | PQL > Deal Closed CVR | Total MRR | ASP |
| dashboard_zero_state | Hand Raise | 3855 | 500 | 12.97% | $ 56,789.00 | $ 114.00 |
| email_templates_expired | Hand Raise | 2020 | 450 | 22.28% | $ 43,582.00 | $ 97.00 |
| email_templates_meetings_cta | Hand Raise | 1003 | 675 | 67.30% | $ 21,450.00 | $ 32.00 |
| calling_expired | Usage Limit | 3709 | 489 | 13.18% | $ 32,450.00 | $ 66.00 |
| messages_gated | Hand Raise | 964 | 546 | 56.64% | $ 67,342.00 | $ 123.00 |
| dashboard_sidebar_cta | Hand Raise | 457 | 651 | 142.45% | $ 12,323.00 | $ 19.00 |
| sequence_gates | Upgrade | 986 | 345 | 34.99% | $ 10,900.00 | $ 32.00 |

## EXPERIMENTING YOUR WAY TO PRODUCT FUNNEL SUCCESS

How our product funnel works today is a result of the many experiments we ran since its beginning. Every test you run is an opportunity to learn something new. Those learnings slowly add up to real changes in how the funnel itself works.

Let's look at an example using three actual experiments with differing levels of complexity that build on each other.

Way back when we started building a product funnel, we prioritized experiments that were easy to implement and would increase the number of 'hand raise' PQLs generated.

For example, we had a hypothesis where we believed customers who had previously used a spreadsheet as their system of record struggled to import their data because a CRM was unfamiliar to them. We would experiment by showing a CTA at common points of friction that offered consultation to help that user get their data imported. The execution of this was pretty basic; we were just getting started.

That PQL event became one of our top upgrade points for a period. It also provided us with two crucial learnings, many free users wanted to reach out to us when using the product, and those calls provided us with a lot of information on how we could improve our freemium onboarding experience.

Over the months our CTA's evolved to a modal that free users would see when they completed specific events, e.g., hit a limit on a free feature. The modal provided an option to talk with sales, and an opportunity to buy via touchless.

Successful B2B companies of the future are going to be those who make it easy for their customers to buy their software. It sounds so simple, but most companies make you buy their products based on how they want to sell them to you.

One of the missions of our product funnel was to allow users to buy our software in the way they wanted to. We had a hypothesis that some of our free users didn't upgrade because we didn't have the right communication channel for them, so we experimented with providing different options in-app for them to reach out to us.

Initially, users could either reach out to talk with sales or upgrade themselves. We then experimented with providing them new options; schedule a meeting with a sales rep; they could live chat with someone to get their questions answered, or call a sales rep directly.

There was a lot more effort involved in running this experiment, but we saw a notable improvement in our conversion rate.

Making it easy for people to buy your software also means removing the hurdles they need to jump through to make a purchase. We continued to try and optimize the experience. Instead of making users click the 'Schedule a meeting' CTA, open a kickback email, click on a calendar link and book time with a rep, we experimented with allowing them to do it all from within the app. Once a user clicked on 'Schedule a meeting' our scheduling app would pop open and they could book a meeting with a sales rep without ever having to leave the app.

Again, we saw our conversion rates improve as a result of that test.

The experiments also provided us with new learnings, or reinforced learnings we had gotten previously:

» People liked to live chat; it was the best performing communication channel.

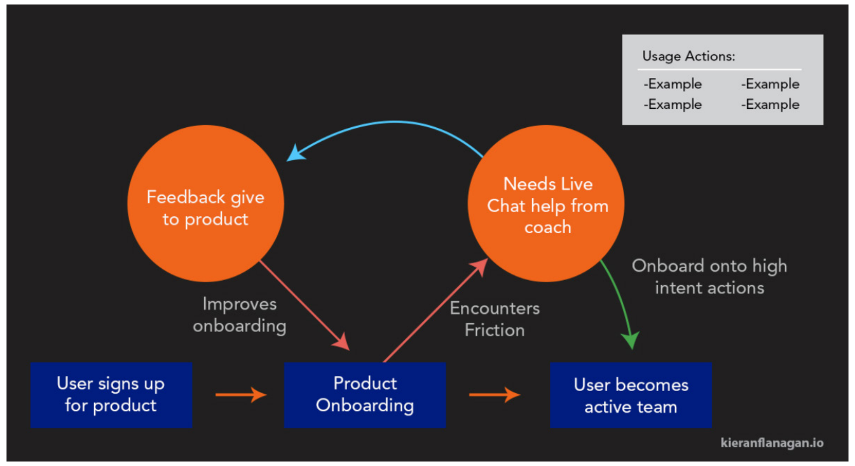
» Some cohorts of people needed help with getting on-boarded onto our freemium products.

» Gathering information from these people helped us to engineer away the points of friction and improve our onboarding.





**Using the previous learnings, I showed the following chart at one of our meetings:**




The idea was to show live chat to specific groups of users at different points of friction. User success coaches would help answer questions, and provide constant feedback to both our product and engineering teams.

Again, there was a lot more time, effort and resources needed to run an experiment like this, but your natural trajectory in growth is to get wins on the board, build trust with the leadership team and earn your right to tackle more complex opportunities.

After several iterations the experiment proved successful, and coaches are now a core part of our freemium go-to-market and a great way to gather information to continually improve our freemium onboarding.

As a scale-up, we're never happy with our current success. We always want to get better. We've managed to build a successful marketing funnel and product funnel both fueled by creating inbound demand, but it still feels like we have an ever-growing list of opportunities to keep getting better and that's exciting! «

# SUCCESS

# INTERCOM ON HOW PRODUCT EDUCATION PLAYS A CRITICAL ROLE IN THE CUSTOMER JOURNEY

Interviewed by Ashley Minogue

In my role as a Director of Growth I work with GTM teams across many SaaS companies. Marketing, sales, product, and customer success folks all ultimately want the same thing: happy customers. And yet, in my experience, startups rarely focus enough effort on setting customers up for success on day one. Nailing onboarding and activation is the biggest untapped opportunity I see.

There are, however, some organizations that are doing a stellar job in this area. For instance, I recently had the pleasure of speaking at length with Ruairi Galavan, Senior Manager of Product Education at Intercom. Intercom offers a suite of messaging-first products designed specifically to help businesses accelerate growth across the customer lifecycle, and they are evolving their onboarding strategy using a very specific and strategic approach to product education.

By focusing on creating happy customers, Intercom has achieved rapid growth, selling to over 30,000 businesses including New Relic, Atlassian, and Shopify. Ruairi and his team have taken the customer-first mentality and actually implemented this into their GTM strategy with the birth of the product education team. Product education, it turns out, is an often overlooked but critical part of a company's success with all stages of the customer lifecycle: onboarding, activation, retention, and expansion. If you are a SaaS business with a product led growth strategy, a product education team is non-negotiable. This team has the power to be the glue between your customers and your product, enabling you to service your customers in a capital efficient way at scale.

In this article, you'll learn from Ruairi how Intercom has invested in their product education team and continued to evolve their strategy since the very early days. There are a lot of great tips that other startups can use to begin building their own product education team – both at the foundational level and the executional level.

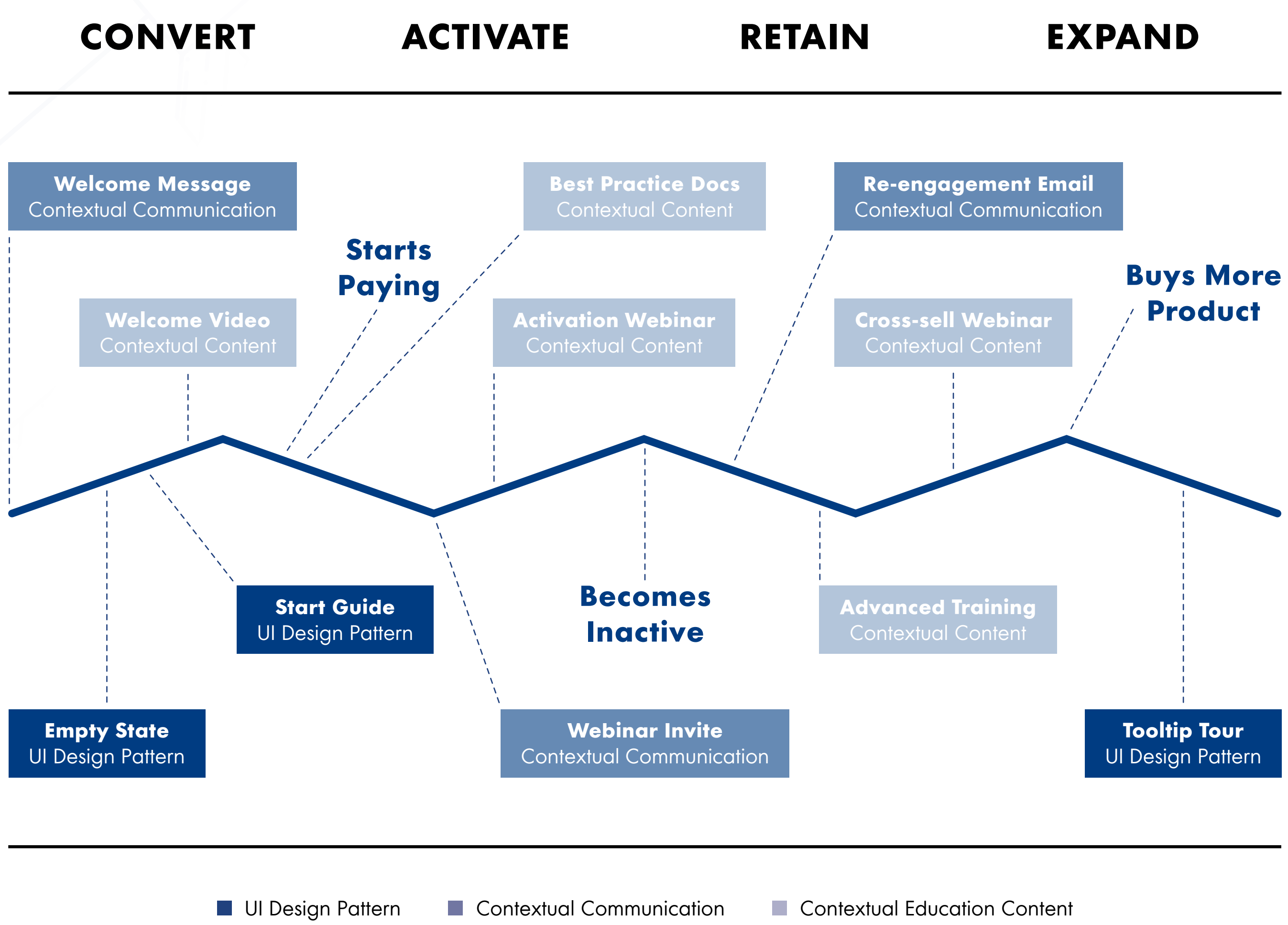




## BUILD A STRONG FOUNDATION: THE RIGHT ORGANIZATIONAL STRUCTURE

Ruairi's background is in UX design, research, and human-computer interaction. But when he first joined Intercom, it was as a "support content producer" and his focus was creating short videos to help customers get started using the product. Since then, his role has expanded along with Intercom's commitment to using product education to grow their business. Initially, Ruairi's team was organized by competency – writers, video editors, etc. Today, however, they take a different approach and organize around areas of value for the business.

"Today, we organize our team using the CARE framework for onboarding. Half our team is focused on conversion and activation while the other half is focused on retention and expansion. Each half of the team works closely with marketing, product, and sales; and within each half of the team we work on two types of projects. On the one hand, we create product education content that aligns with whatever the product team is shipping or launching. And in between all of that activity (which is a lot), we work to proactively and strategically broaden and deepen our customers' usage of Intercom."



We'll get into more detail about how all of these moving parts work together, but the main point to remember is that it's important to ensure that you take a holistic approach that is coordinated across all business functions.

Intercom's team has already gone through a lot of the growing pains it takes to establish a successful GTM strategy, but in the beginning they were operating in silos, which caused problems.

"We had (and sometimes still have) a problem where our various teams – sales, product education, product, etc. – are all doing onboarding, but doing it in their own silos. We wound up tripping over each other, sending repetitive or out-of-sync messages to customers, or missing opportunities to collaborate more effectively. A lack of consistency across our onboarding experiences meant that our organizational divisions were becoming visible to our customers. We sell a product that helps people deliver world class onboarding experiences, so we wanted to make sure ours was the same."

## MAKE YOUR PLAN: 5 STEPS TO A WINNING PRODUCT EDUCATION STRATEGY

To overcome the challenges his team was facing, Ruairi had to take a step back and rethink what the experience was and should be like for Intercom customers signing up. He realized his team was trying to get new customers to do everything in the first thirty days. This firehose approach created a massive product education message schedule that was very dense, demanded an aggressive cadence, and was, ultimately, not very effective. In fact, the barrage of product education content started to turn some customers off. With this context in mind, Ruairi's team began to reimagine Intercom's onboarding strategy, and they started with these five steps:

1. **Discover the less-is-more power of activation metrics.**

   Ruairi refers to activation metrics as the "anchor" for their entire onboarding strategy. Once you know what your activation metrics are, you can reverse engineer your entire onboarding plan from there.

   "Before we had activation metrics figured out, we kind of tried to get our customers to do everything," Ruairi adds. "Because we didn't really know what we should be saying, we just said everything. It was a lot of wasted energy. If we could have done one thing differently, I would have thought about activation metrics a lot sooner."

   In essence, activation metrics measure the specific behaviors that drive product value for the customer. In other words, they are the things your customers do that unlock value from your product and make them more likely to stick with it. For instance, in Twitter's case, one of their activation metrics was how many people a new user followed within the first three days. Twitter knew that if a user followed at least thirty people within that timeframe, they were way more likely to continue using the platform.

   The concept of activation metrics is simple: identify the one thing that matters most in terms of activation and then rally your whole team around improving performance against that single metric. In practice, however, the less-is-more approach can still get pretty complex.

   "The key to getting started is to only tell your customer to do whatever is important right now. We follow a rule called has done X, has not done Y. As an example, if you have a project management app, and a customer creates a project but hasn't yet shared it with their team, they're a good candidate to hear about the sharing feature. However, it doesn't make any sense to send you messages about sharing projects before you've even created one. It's about ordering your messages so that you're prioritizing activation steps, always relevant, and only ever speaking to a receptive audience."

**"THE THING ABOUT ACTIVATION IS THAT YOU CAN DO IT AT A USE CASE OR A PRODUCT OR EVEN A FEATURE LEVEL."**

**2. Align everyone around the same goals, principles, and plan.**

Once you have identified the appropriate activation metrics, your next task is to align all your teams around these metrics and the business goals to which they are mapped. In the ideal scenario, everyone in the company is in sync and working together toward achieving these really specific goals, but – as Ruairi acknowledges – most companies aren't organized in a way that facilitates that kind of total coordination.

**"I BELIEVE COMPANIES NEED TO START BRINGING CROSS-FUNCTIONAL COMPETENCIES TOGETHER AS A SINGLE ONBOARDING TEAM TO WORK COLLABORATIVELY ON THE BUSINESS RATHER THAN KEEPING EVERYONE IN SILOS."**

Ruairi adds, "You can't create a truly cohesive customer experience if sales is telling your customers one thing over here, the design team is designing the product over there, and the product education and other marketing teams are saying something different again."

While creating cross-functional alignment is a challenging piece of the puzzle, Ruairi maintains that it's incredibly important to tackle it anyway. "Everything you do needs to be about helping customers to see success," he says. "If we're all aligned around a single end goal and end metric, everyone's impact will be amplified. As an example, the sales team shouldn't just be working on closing the deal and handing off. They should also be working on activation. In other words, it shouldn't just be about making a sale; it should be about making a successful sale, and that means thinking ahead about activation and retention. And if marketing, support and product teams are all aligned behind that goal too, then that's when you'll really start to see the difference."

One caveat Ruairi notes is that certain types of customers may have different onboarding flows and requirements. For instance, companies whose customer base is divided up into tiers (typically based on business size), need to acknowledge these differences and adapt their onboarding and activation strategy accordingly. However, these adaptations should still fit with the overall strategy. "For example, while the general message might be similar for an SMB customer and an enterprise customer, the activation metrics could be very different. If Coca-Cola signs up and uses key features once or twice, we're not sitting back thinking "well that's Coke activated!" whereas with smaller customers, that actually is a really good sign."

Whatever adaptations your business requires, keep checking in to make sure that you aren't straying from the universal, activation metric-driven strategy. Even if the scale of the goal varies from one customer tier to another, the goal itself should be consistent and everyone on the team should be working in tandem toward that goal.

**3. Remember that relevance is paramount.**

When you know where you're going (your business goals and associated activation metrics), and everyone is on the same page (cross-functional alignment), you're much better equipped to live up to one of Intercom's key onboarding mantras: **Right message. Right time. Right place.**

This idea ties in very closely with the less-is-more concept, but it takes it a step further. As the team developed a more refined sense of exactly which customer behaviors they wanted to influence (i.e., the activation steps), they could also refine the specific messages that would drive those behaviors and identify the specific moments at which to deliver them to the best effect.

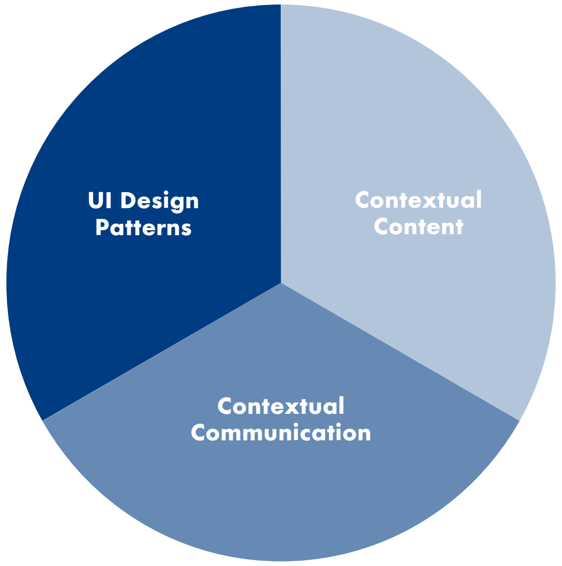
Ruairi's team is in the process of refining their product education activity down to a few core campaigns, each of which is closely tied to activation metrics and delivered via hyper-targeted and carefully timed communications. "You're only going to get a certain message if we think you're exactly the right candidate to hear that message," Ruairi says.

**"IT ALMOST NEVER MAKES SENSE TO MESSAGE YOUR ENTIRE CUSTOMER BASE AT ONCE. INSTEAD, FOCUS ON DELIVERING RELEVANT, TARGETED MESSAGING TO THE RIGHT PERSON AT THE RIGHT TIME AND PLACE, ALL THE WHILE ALIGNING TO YOUR BUSINESS GOALS. THIS APPROACH IS INSANELY POWERFUL."**

**4. Develop a tactical approach that includes all three core components of successful onboarding.**

Ruairi shared a post he wrote about the framework he's used to think about Intercom's onboarding funnel and product education strategy. In it, he talks about three specific components that have to work together to deliver onboarding and activation success:

- **UI Design Patterns:** This includes strong design and tactics like gamification, progressive disclosure, empty states, tooltip tours, audio guidance, and first-use/one-time tutorials. Ruairi cites the onboarding experience of the mobile podcasting app, Anchor, as an exemplary one that allowed him to create his first test podcast in less than one minute and fewer than three taps.
- **Contextual Educational Content:** This category includes demos, webinars, docs, videos, gifs, and even brief instructional copy; but the key to success is timing and placement. It's not enough to have this content, you need to deliver it to the user in the right context to ensure that it is immediately useful.
- **Contextual In-app Communication:** These well-placed and well-timed messages are an extremely effective way to encourage specific onboarding actions. In the best cases, they deliver just enough information to help the user complete the foundational actions that you want them to do on day one. Keep it short and simple.




In addition to these three components of onboarding, Ruairi and I also talked about the value of other channels, including – in his case – Intercom's own messenger product as well as email. "We rely on our own product to onboard a big, big segment of our customers in-app in the self-serve and sales channels," Ruairi says. "And sending email using Intercom is great for certain scenarios like welcome messages, and re-engaging customers who have stopped using your app and won't receive in-app messages. Emails are also very effective for promotional material, launches and other announcements."

**"I DON'T BELIEVE GREAT ONBOARDING IS SOMETHING THAT ANY ONE TEAM CAN ENGINEER ALONE. IT'S NOT JUST YOUR PRODUCT THAT ONBOARDS YOUR CUSTOMERS; IT'S ALSO A BUNCH OF OTHER STUFF THAT INFLUENCES DIFFERENT ASPECTS OF ONBOARDING."**

**5. Pay attention to the details.**

Finally, it's not enough to wrangle the big pieces of a holistic product education strategy, you also have to pay attention to the details. This includes things like ensuring that all your content is written in the same voice. For Intercom, this means creating copy that is direct, immediately useful, personal, and error free.

"Consistency of voice and messaging ties in closely with the whole idea of the product education team working closely with many other teams. In the past, we've run into problems such as customers receiving messages one right after the other, from different teammates, with different tones of voice. Everything needs to be unified under a single voice and experience. Retrofitting this is super hard. If you're just starting it, get this right early."

"Onboarding, adoption, and engagement are really all kind of the same thing. You need to think about it as an overall customer experience and a single problem to solve," Ruairi explains. "This liberates your team members from the narrow idea that their job is to sell more or send more messages or create more best practice content."

## START NOW

When I asked Ruairi for his number one piece of advice for people setting out to conquer product education, his response was short and sweet: Start now. "Just begin," he said. "Don't wait for it to be a problem. Value it from day one. If you've never considered onboarding before, you're actually at a great point from which you'll have more leverage in terms of effort versus reward. Start small and experiment across multiple channels. Even sending a couple onboarding emails or in-app messages will likely generate an immediate uptick in activation as long as the content you're providing is relevant, timely and helpful."

If you're serious about increasing product adoption, create cross-functional teams oriented around key activation metrics. You must work hard to create a seamless customer journey.

One last thought before we leave you – remember that in the same way your GTM evolves as your business grows, your product education strategy needs to adapt as well. Product education isn't a one-and-done task. It is a living, breathing part of your business – an ongoing mission and a company-wide mindset. You will never be finished with onboarding or product education, but that's a good thing. It means that your business is expanding and you have more new customers to educate and more ways to continue deepening the engagement of your existing customers.

**So, what are you waiting for? Go get started!** «

# PRODUCT MANAGERS: IT'S TIME TO MOVE FROM WHOLE PRODUCT TO PRODUCT LED GROWTH

By Scott Maxwell

Over the years, I've worked with a lot of B2B technology companies that have all had their own nuanced way of describing what exactly a "product manager" is responsible for.

In some businesses, PMs skew more heavily toward the product side — focusing on features, development, and user experience. In others, the job leans more toward sales and marketing — studying the market, interviewing prospects and customers, and investing time into figuring out how to deliver software products that are more valuable to the market.

**Which one is right?**

Frankly, I don't think there's a perfect way to describe the Product Manager role. Silicon Valley Product Group partner Marty Cagan's classic definition — "to discover a product that is valuable, usable, and feasible," which he outlined in his book Inspired — is pretty close. But even Marty would probably admit that his definition doesn't fully encompass how the role has evolved in modern software businesses.

In fact, I think the Product Manager's job today is much bigger than even most product managers know.

That's because the role no longer revolves only around making the product more valuable to users. It now includes making the product more valuable to the business by identifying ways to leverage the product as a tool to execute critical go-to-market activities. At OpenView, we refer to this as Product Led Growth (PLG), which we've defined as a go-to-market strategy that relies on product features & usage as the primary drivers of customer acquisition, retention and expansion.



## WHOLE PRODUCT AND ITS CONNECTION TO PRODUCT LED GROWTH

I've written about the idea of product led growth previously, but my belief is that tech product marketing has evolved to a point where some companies can do without a sales team at all.

Don't believe me? Study up on the early growth of a company like Atlassian, which grew from nothing to $100 million in revenue without hiring a single salesperson. The same could be said of Slack, Twilio, New Relic, Expensify, and other software companies that elected to take the whole product path to growth.

This approach means the business doesn't just build, market, sell, and service the features and functionality that live in the core product (i.e., the app or the software they sell).

Instead, it builds, markets, sells, and services everything a prospective customer or user would need to derive value from the whole product experience. Depending on the situation, this might include implementation and configuration services, product training, customer resolution, billing and payment, and any number of other things.

## GOING FROM WHOLE PRODUCT TO PRODUCT LED GROWTH

Whole product isn't a new concept to most product managers at B2B software companies. But there's a big leap from focusing just on the functionality that drives value for users to also focusing on the functionality that drives growth and creates value for the business. The latter is what we mean when we say product led growth.

As Slack Co-founder and CEO Stewart Butterfield wrote in a Medium post in 2014:

"Just as much as our job is to build something genuinely useful, something which really does make people's working lives simpler, more pleasant and more productive, our job is also to understand what people think they want and then translate the value of Slack into their terms.."

**"...A GOOD PART OF THAT IS 'JUST MARKETING,' BUT EVEN THE BEST SLOGANS, ADS, LANDING PAGES, PR CAMPAIGNS, ETC., WILL FALL DOWN IF THEY ARE NOT SUPPORTED BY THE EXPERIENCE PEOPLE HAVE WHEN THEY HIT OUR SITE, WHEN THEY SIGN UP FOR AN ACCOUNT, WHEN THEY FIRST BEGIN USING THE PRODUCT AND WHEN THEY START USING IT DAY IN, DAY OUT."**

Essentially, product led growth takes whole product a step further by encouraging product managers to think about the features and functionality that can be built into the product to:

- Drive awareness and interest with prospects
- Push them all the way through the sale
- Automate aspects of Customer Success and service

As I mentioned earlier, businesses like Atlassian, New Relic, Slack, Twilio, and Expensify are shining examples of this approach to PLG. Unlike most enterprise software businesses that build their sales and marketing strategies around landing big accounts, those companies relied on a bottoms-up adoption to drive enterprise penetration and, thus, business growth.

New Relic, for example, built its product in a way that solved major pain points for individual developers. As individual developers in one organization became advocates for the product, more developers began using it. And when that usage reached a certain critical mass within that organization, it became much easier for New Relic to sell the value of larger enterprise deals.

## WHAT PRODUCT LED GROWTH MEANS FOR THE FUTURE OF THE PRODUCT MANAGER ROLE

So, what does all of this mean for the future of the product manager job in software companies? It's simple: with PLG, product managers must balance two distinct roles:

1. **The core PM role**
   This encompasses all of the traditional responsibilities of the product manager role, including all of the digital and human interactions that take place between the company's products and services, and the users of those products and services.

2. **The go-to-market role**
   This includes all of the activities that drive market awareness and user growth, decrease churn, and increase product usage. Very simply, this role revolves around building features and functionality that help the product market, sell, and service itself.

Most product managers understand what goes into the first role. But what should you start thinking about to weave the second one into your product strategy? Here are two ideas:

- **Identify the features you could add to support go-to-market.** This might include functionality that makes it easier for users to read and share your content within the product, or it might mean building features that organically incentivize or encourage referrals and advocacy. Regardless, the goal is to think about the product as a sales and marketing tool—one that can increase awareness and remove sales friction inside of the product.

- **Build a backlog to incorporate go-to-market features.** This step should come naturally to product managers who are used to building backlogs for features that drive user value. The difference here is that a product led growth backlog will be filled with ideas that drive things like product awareness, adoption, and growth.

Once you build that backlog and begin executing against it, you might notice that you're not burning through it fast enough or you're not able to manage backlog prioritization well enough with existing resources. In that scenario, you might want to consider adding additional headcount.





## INCORPORATING PRODUCT LED GROWTH INTO YOUR REPERTOIRE

For a more detailed breakdown on what product led growth looks like in practice, I encourage you to read my earlier post on Medium. This article cover the nuances of different PLG strategies and their applications in different business structures.

The bottom line, however, is that PLG should be on every B2B software product manager's radar. The interaction between the product group and sales/marketing has always been important, but it hasn't always been as closely tied as it needs to be today.

Ultimately, product management is no longer just about creating value for users. It's about driving interactions with buyers and prospective customers, and developing relationships that fuel more effective and cost-efficient sales growth. In my opinion, the businesses that do that best over the next few years will be the ones that create a new category of winning companies. «

# DRIVING SAAS GROWTH WITH CONTENT: 3 TIPS TO MAKE IT WORK

Interviewed by Ashley Minogue

In 1996, Bill Gates published an essay titled "Content is King," which predicted the internet would become "a marketplace of ideas, experiences, and products—a marketplace of content." Almost twenty years later, Gary Vaynerchuk, an entrepreneur who used content marketing to grow his family's wine business from $3 million to $60 million, wrote a piece titled "Every Company Is a Media Company." Today, the power of content marketing is irrefutable, and there seems to be no end in sight.

Eric Siu, CEO of SingleGrain, has been on the front lines of this marketing evolution and has seen a trend of companies putting a heavy focus on content and SEO. His performance agency's work with fast-growing tech companies, including Uber and Amazon, is a testament to the viability and ROI of these marketing tactics over the long haul. "People don't want to continue to rely on the hamster wheel of paid advertising," he says. "So, they're either building out products to drive growth, or putting a lot more dollars into content and SEO so they can build their own defensible moat."

Eric uses a combination of these strategies to promote his own company. For instance, he built a SaaS SEO tool for A/B testing called ClickFlow. While he didn't originally intend for this product to drive business to SingleGrain, he found that many of the SaaS companies that used the tool eventually turned to SingleGrain for agency support. Another example is Eric's content platform, which includes two podcasts that together garner more than 800,000 downloads each month.

I recently had the chance to sit down with Eric to talk about why content is such an effective marketing tool. During our conversation, he shared some great tips that anyone can use to up their content game.

## WHY CONTENT WORKS

While Eric has had great success with podcasts, he doesn't suggest that everyone needs to do a podcast or, indeed, any other specific kind of content. He knows that what works for one company may not work for another. He does, however, believe in the universal value of content as a strong marketing foundation. The medium you use will depend on what suits your particular audience and capabilities.

One of the benefits of developing and publishing your own content is having an asset that you own. Instead of being at the mercy of third-party whims (as you are with, say, paid search), you are able to maintain complete control. Content allows you to connect directly to your audience without having to go through a middle man. This drives your advertising costs down and also gives you the opportunity to build a more meaningful relationship. Depending on the type of content you're producing, it may also allow you to open up a two-way conversation that can give you important insights into the mindset of your prospect and customer base.

Overall, content provides the foundation for a more manageable and sustainable kind of growth. While many startup companies try to emulate the Facebook-esque model of constant and aggressive growth, in reality, most of us aren't trying to build the next Facebook. "I was at a startup where the growth goals were something like 7% week over week," Eric recalls. "You can adopt that grow-at-all-costs mentality (and many companies do), but eventually you're going to burn out."

Content, on the other hand, supports a slower, more sustainable kind of growth. One that is less an all-or-nothing approach and more of a way to build up equity over time. It's also a smart way to ensure that your marketing contributes to your ongoing learning. "I love doing content marketing because I like educating people," Eric says. "And it also holds me accountable for being able to articulate my ideas, which means I'm always learning."

## THREE STEPS TO CONTENT SUCCESS

Along with the big-picture reasons content is such a powerful tool, Eric also shared three of his favorite tips for leveling up your content game. Together, they help loosely frame the development of a content strategy, each one building on the other to strengthen and expand your content's quality and reach.

**Step 1: Establish Your Foundation & Stick With It**

The key to any content effort is making an intentional decision about what kind of asset (webinar, podcast, blog, etc.) to use as the foundation of the overall content strategy. But just as important — maybe more so — is committing to the long haul. "Most people are just impatient," Eric says. "They say they've tried SEO and content, but when you ask them how much time they invested, you find out they only gave it three to six months. They weren't willing to wait for the return." Based on the desire to drive more immediate returns, many companies give up on content and turn to tactics like paid advertising. In the long run, they are missing out on great opportunities.

Eric ran his first podcast for two years with very little return. After the first year's worth of effort — research, recording, show notes, etc. — he was getting only nine downloads per day. A year later, he was only getting thirty downloads per day. Despite this, he kept at it because he believed in the strategy, and that podcast now gets about 100,000 downloads per month.

And those 100,000 monthly downloads translate into some very tangible brand awareness that in turn drives actual revenue. Case in point, while at SaaStr earlier this year, Eric was recognized by another attendee and introduced as the "podcast guy." The two exchanged contact info, and a few weeks later that connection reached out to SingleGrain to discuss what they might do with their $200K per month marketing budget. The moral of the story — content may not always deliver immediate ROI, but it does have the potential to drive some serious value over the long term.

**Step 2: Revisit, Repackage, Repurpose**

We all know that it's typically around six or seven times more expensive to acquire a new customer than to upsell an existing customer. Eric points out that a similar concept applies to content. He recommends "tending the garden" to make the most of the content you have. This includes using repackaging to repurpose a single piece of content into multiple content assets. This works in both directions. For instance, you can consolidate a series of blog posts into an ebook, or you can break a white paper down into a series of blog posts and an infographic. You can carve out pieces from a blog post to create social media content, or you can aggregate a series of social media posts to tell a larger story in a byline article.

Another smart tactic that is often overlooked is revisiting older pieces of content and updating them to give them a boost. This is part of SingleGrain's own playbook, and one they replicate for their clients. As Eric explains, "Our traffic continues to grow because we're not just consistently producing new content, we have a process for continually making the most of the content we already have." As an example, take a blog post that was getting approximately 700 visits per month. Eric's team did a quick update to remove some outdated bits and add in a couple more paragraphs, and now that same post is up to 2,800 visits per month. They repeated the process a couple months later, and that same post — with minor modifications — now gets more than 5,400 visits per month. Rinse and repeat one more time, and it jumped to 10,000 visits per month.

These are simple things that anyone can do to extend and expand the shelf life and reach of their content.

**Step 3: Refine with Growth Hacking**

Beyond the core activities of creating and repurposing content, Eric also had a few growth hacking tips to offer. "I think the best way to define growth hacking is that it's pulling levers to drive small or big changes in growth," he says. For example, a quick and easy lever to pull is transcribing all your video content. Doing this at an online education startup he worked at, Eric was able to increase traffic by about 20 to 25%.

Another example is doing A/B testing on page titles and meta descriptions. Eric uses his ClickFlow tool to do this pretty aggressively, and has seen his traffic increase by about 80,000 visits per month. But, you don't even have to use ClickFlow, you can use Google's Search Console or an Excel spreadsheet, whatever works. Buying high-ranking websites to gain domain authority is yet another lever you can pull to gain a bump in mindshare. The possibilities are almost endless once you start looking around.

## WHAT'S NEXT IN CONTENT TRENDS

While no one has a crystal ball, Eric does have a few thoughts on which kinds of content seem to be trending these days. In addition to his own positive experience, Eric has seen growing interest in podcasting. He attributes this not only to the medium's ability to build intimacy with an audience, but also to the way podcasts train all a listener's attention on your message. Recent increases in podcast advertising costs indicate that people are willing to pay a premium for that level of attention.

Other mediums, tools and tactics that have piqued Eric's interest lately include using chatbots (such as ManyChat, which ties in to Facebook Messenger) to create a funnel that's similar to email sequencing, video (whether for a YouTube channel, Instagram Stories, or LinkedIn), and newer technologies like voice search. Eric also believes we'll see more people either acquiring tools or building their own tools as a way to drive more growth.

The possibilities with content are constantly evolving, but the real trick to success is no trick at all. Just get started, keep at it, and make the most of every piece of content you create. «

# PRODUCT LED GROWTH: THE SECRET BEHIND SOME OF TODAY'S FASTEST GROWING SAAS COMPANIES

By Scott Maxwell

We talk about product led growth (PLG) a lot at OpenView, and there's a reason for that. Many of today's fastest-growing SaaS companies have PLG to thank for their exceptional success. Expensify, Calendly, Slack, and Dropbox are just a few of the SaaS superstars that have made product usage the primary driver of user acquisition, retention, and expansion. By adopting a PLG strategy, these companies have been able to use their own products to create a steady pipeline of satisfied users and hand raisers, which they can then convert into paying customers. In addition to being highly effective, PLG also reduces overhead costs by eliminating the need to spend so much on traditional marketing and sales activities. It really is the proverbial win-win.

Our philosophy when we launched OpenView in 2006 was simple: do one thing and do it extremely well, and our "one thing" has been helping expansion-stage SaaS companies succeed at a critical juncture in their growth. As Founder and Managing Partner, I've worked with a lot of these companies first-hand, and know when a product-led strategy is a viable approach to growth.

## THE BREAKDOWN: PLG FROM DIFFERENT PERSPECTIVES

It's widely understood that product led growth is a go-to-market strategy that is fueled by user interaction with the product and designed to drive rapid expansion as a company scales. But there are really two lenses you need to consider when looking at PLG for your company.

### The Customer Lens

Each customer has many different interactions with a software company. They interact with the product, marketing, sales and customer success teams. There may also be financial and professional services interactions, depending on the type of customer and the company's offerings. The key question to ask in the context of all these points of contact is how often can you set it up so that the interactions take place within the product in an experience that provides the customer with a quick response, an easy way to interact and the ability to take action.

### The Company Lens

Scaling up a software company typically requires massive support from sales, marketing, and customer success resources. This quickly becomes a costly effort given that the size of these teams need to grow proportionally to the size of the customer base. For a company considering a PLG approach, the question is about how the product can take on more of this work by automating many of the sales, marketing, and customer success interactions. While the customer lens shows how PLG can create a strong customer experience, the company lens shows how it can help you scale your staff at a slower rate than your user base.

### One Strategy – Two Paths

While there isn't a standardized model for adopting PLG, based on my experience there are two primary paths a company can follow. On one hand, a company can use traditional sales and marketing to engage customers in close, quality, high-bandwidth interactions. After using these communication points to gain deep insight about customer needs, buying process, and interaction preferences, the company can then automate as many of those existing interactions as possible. The opposite approach is to avoid sales and marketing as much as possible right from the start, focusing instead on building a better product that can do the heavy lifting on its own. The second path is typically more difficult because it requires a lot of discipline. When you're trying to scale, it's always easier to add sales resources. However, if you're willing to do the up front work of getting your product to a place where it can take the lead, you can reap long-term benefits.

## THE PLG FIT: NOT FOR EVERYONE

One question I'm asked a lot is whether PLG will work for every company. The answer is, it depends. The best way to think about this is to consider that SaaS products exist along a continuum. On one end are products that have unavoidable complexity (usually designed for enterprise) with a complex buying processes. On the other end are more accessible products that are mostly designed for small business, departmental, team, or invididual use. In general, companies on the complex end of the continuum will tend to require a more traditional approach to growth, they need more human interaction with a software vendor's staff, while companies on the other end will be more suited to a PLG approach.

**SCOTT MAXWELL**
Founder & Partner, OpenView

Different companies use different growth strategies, which reflect various growth models that have evolved over time. At the early evolution of the enterprise software market, most companies relied heavily on field sales, with or without marketing support. As product price points came down and products became somewhat easier to sell, telephone-based sales became more viable. Many companies were happy to transition to these strategies because they are more efficient and generally easier to scale. At this point marketing became more involved as a lead generator for sales, and it wasn't long before marketing started taking a more dominant role as content marketing and inbound marketing gained traction. Ultimately, we reached the PLG model.

All of these pieces — field sales, marketing, inside sales, content marketing, etc. — should be considered when a company is building out their growth strategy. There is no one right answer or one-size-fits-all solution. Instead, the right plan strikes a balance between the various ingredients. It is my view, however, that the product should do as much as possible no matter what. This requires maintaining a sharp focus on your core product and a commitment to constantly reassessing how it can best serve your customers. This kind of single-mindedness is difficult to sustain across an entire company. Different people will have different motivations and goals, and not all of those will align with the PLG mission. Sales and marketing, for instance, may tend to want to grow their own team and resources, which may not be aligned with a PLG strategy. The companies that do best with PLG are usually the ones that have a CEO with a product background. Those are the teams that will have the management capabilities already in place to bake as much as possible into the product.

## PLG METRICS: SIMPLE AND FOCUSED

When it comes to metrics for measuring PLG, I stick to two age-old metrics:

» What does it cost you to acquire a dollar in gross profit?

» What happens to that dollar over time?

Obviously, the lower the cost to acquire a dollar, the better. But it's just as important to understand that the more that dollar is growing every year, the better. While there are plenty of other numbers to look at, all other metrics support these two. You might look at details about the nature of product/customer interactions, but ultimately what you want to know is whether the customer is continuing to interact with your product, and also whether the customer is bringing additional users into the fold.

The most important thing when it comes to measuring progress and success is to focus on what you're trying to achieve and then instrument the tactics that you are executing against to see if it's working well and, ultimately, if it is affecting the economic metrics that matter. Early in my career — before VCs were blogging about how to analyze SaaS companies because there were very few SaaS companies — I invested in a company called ExactTarget. It would have been easy to end up thinking I had to measure a lot of things, but what it all boiled down to was figuring out really simply what we were trying to achieve that would either bring down our costs to sale, address a larger market or deliver more value for the customer. You keep it simple and then make sure every department is aligned around the one or two metrics that really matter. That's what makes the difference.

## THE FUTURE: MORE PLG IN STORE

Looking ahead, I believe PLG will continue to be an important strategy for SaaS companies. We're going to see more and more companies making everything happen through the product interface, a shift that will benefit both customers and companies. While there are some market limitations on which products can do that, we're already seeing that trend in a lot of areas. And, as more companies realize how much more their product can do for them, we're going to start seeing them seriously investigate how the product can create value not just for the buyer, but also for the company. These investigations will, in turn, inspire a new wave of experimentation and innovation that will produce lots of really great bits and pieces of product that other companies will copy. Things are going to get very interesting over the next ten to twenty years. «

# HUBSPOT'S SIX STEPS TO BUILDING OUT A PQL MODEL

Interviewed by Ashley Minogue

Many SaaS companies are taking advantage of a marketing opportunity that is uniquely suited to a product-led go-to-market strategy. Unlike the marketing qualified lead (MQL) scoring model, which relies on basic activities such as website visits, webinars and gated content, the product qualified lead (PQL) scoring model is based on prospect behavior as they actually use your product. This hands-on approach provides valuable insight into buyer intent that you just can't get based on clicks, downloads, or email opens.

One company that has used PQLs with great success is HubSpot. As VP of Marketing at HubSpot, Kieran Flanagan has deep experience both with launching a PQL strategy and refining it for optimal performance. During a recent conversation with me, Kieran shared some great insights and details about how HubSpot integrated PQLs into their powerful go-to-market arsenal.

## GETTING STARTED: LAUNCHING A NEW IDEA

HubSpot has a history of innovating by giving people within the company the room and resources needed to take a big idea and run with it. In practice, this often takes the form of launching a micro company within the company. And, when one of those "side experiments" works, it is ultimately integrated back into the larger organization. Kieran traces HubSpot's work with PQLs back to their initial freemium model experiment, which was a product called Sidekick.

Sidekick was an email notifications tool that was developed and launched by an internal HubSpot team including Brian Balfour, Christopher O'Donnell, and Mark Roberge. Designed for salespeople who needed to know if people were interacting with their emails, Sidekick was a freemium product that used touchless upgrades throughout the user experience. When Kieran joined HubSpot, Sidekick was being phased out, but his team was able to learn a great deal from the project and apply the insights to HubSpot products.

Building on this foundation, Kieran and his team developed three different kinds of PQLs:

» Hand-raise PQLs, which began as call to actions that were inserted at different points within the product to invite people to reach out and learn more about HubSpot's paid products.

» Usage PQLs (the most common type), which provide enough free product use to deliver value, but do not allow for ongoing use.

» Upgrade PQLs, which require upgrades for access to gated features.

## BUILDING THE FOUNDATION: GETTING THE BASICS DOWN

In the beginning, HubSpot leaned heavily on hand-raise PQLs. After a while, however, they transitioned to focus mostly on "triggered" PQLs like usage and upgrade models. These models allow freemium users to access and use various features until a certain trigger is met. One successful example of such a feature is HubSpot's email templates for sales people. In this case, a freemium user was provided with a certain number of templates for free, but once that maximum was reached, the user needed to upgrade.

The process of determining which features to gate and which to set up with triggers is iterative and involves a lot of testing. There isn't really a one-size-fits-all mathematical equation to apply. There is, however, a trend toward moving from gated to freemium/triggered PQLs, and it's not just because this approach tends to convert better. "In a world that is moving toward a product-first mentality, it's better to give value before you try to extract value for the company," Kieran says. In other words, with a product-led strategy, you have the opportunity to actually get in there and solve problems for the prospect. This allows you to prove your product's value in real-world situations before you even try to generate revenue.

In addition to this big-picture philosophy of giving before asking, HubSpot also focused on features that could evolve into acquisition channels on their own — ways to bring more users into the HubSpot ecosystem. This included features that had a certain viral factor as well as items for which there was a lot of organic search volume. "We would put the reasons to gate something or give it away into a matrix," Kieran says. "And we'd also look at how good the feature would be for acquisition and monetization. But, after doing general research, a lot of our choices were based on gut feelings."

## TESTING AND ITERATING: REFINING YOUR APPROACH

To get from their initial launch to the refined PQL strategy HubSpot uses today, Kieran and his team went through a number of steps. While this process will vary from company to company, it's always helpful to get a sense of the general framework.

» **Step 1: See what's happening**
The first thing Kieran's team did was build a dashboard that gave them visibility into the individual funnel of each PQL point. The "pretty incredible" dashboard allowed them to see how many times users interacted with each category of PQLs, how many users had converted into customers, and other details such as average deal size and overall MRR from each PQL.

» **Step 2: Assess performance**
With all the data collected via the dashboard, the team was able to stack rank PQLs based on which ones had the highest conversion rates. It also allowed them to see which ones had the most potential for improvement. This enabled a more intentional approach to further development.

» **Step 3: Run a few simple tests**
They began with some variable testing on call to actions (CTAs) — placing different versions at different points within the product. While they no longer use such tactics, in the early days one example was inserting a CTA on the dashboard and CRM to invite the user to reach out for a walkthrough/consultation on the CRM. This turned out to be their highest converting PQL point, but after six to eight months, they shifted their strategy.

» **Step 4: Make some choices**
Even though the CRM consultation CTA was working well, the team decided to do away with the hand-raise approach because it wasn't a great product experience to have CTAs popping up in the product. It wasn't an immediate or easy decision, but it was the right one in the long run.

» **Step 5: Refine your approach**
After the initial tests and decisions, the team implemented their PQL model, which pops up in the app when a trigger has been met. In the initial stages, this model allowed the user to either talk to sales or upgrade through a touchless sale.

» **Step 6: Optimize interactions**
The next step was to increase the communication options for the PQL model. Today, this includes options that allow the user to schedule a meeting right within the app (instead of going back and forth over email), add a note to have someone call back, or access a live chat for an in-the-moment response. Getting all this up and running was complex because of all the integration between these different parts, but it delivered the user experience Kieran and his team were after.

Throughout this process, Kieran used a few very specific metrics to track progress and performance. "Because we were our own little company within HubSpot, we focused on freemium metrics," Kieran says. "Our 'north star' metric was our Weekly Active Team rate (WAT) because we know that if we can increase WATs, we will have better retention and better monetization." For their purposes, Kieran's team defined an active team as two or more people from a company who were using the product in a meaningful way on a weekly basis.

## INTEGRATING PQL: UNDERSTANDING YOUR AUDIENCE

One of the nice things about working product qualified leads into your go-to-market strategy is that it's not an all-or-nothing proposition. In fact, it's most common for SaaS companies to employ PQLs alongside more traditional MQLs; and there are reasons to use both tactics. At the end of the day, they are both just different ways to acquire new customers.

Over the years, it has become clear that there are different audiences for each kind of strategy. "People are still thirsty for knowledge, and that tends to convert into MQLs," Kieran says. "But there's also a cohort of people who want you to demonstrate that you can solve their problems before they make the decision to upgrade and pay you money." It really boils down to understanding your audience and how you can most effectively solve their problems. «

**"WE DECIDED TO HAVE A FREE CRM AND SOME FREE SALES TOOLS BECAUSE WE THOUGHT IT WAS THE BEST GO-TO-MARKET FOR THOSE PRODUCTS. HUBSPOT'S MODEL HAS BEEN TO GENERATE LEADS THROUGH THE VALUABLE CONTENT WE CREATE, AND THEN TURN THOSE LEADS INTO MQLS. WHAT WE LEARNED FROM THE EARLY SIDEKICK MODEL IS THAT THERE'S THIS OTHER WAY TO LAYER IN DIFFERENT KINDS OF CONVERSION POINTS THAT ALLOW US TO ALSO ACQUIRE CUSTOMERS BY LETTING PEOPLE USE OUR SOFTWARE FOR FREE."**

# USING CUSTOMER SUCCESS TO SCALE YOUR BUSINESS: INSIGHTS FROM TYPEFORM

Interviewed by Ashley Minogue

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

David Apple, General Manager of the U.S. & VP of Customer Success at Typeform, has some very specific experience to share on exactly this topic. Typeform is a unique online form and survey solution that makes the data collecting process more conversational and engaging for respondents. Since launching in 2012, the company has seen phenomenal growth and now boasts a user base of more than 3 million people. Their product-led go-to-market strategy is based on a freemium business model and a low average ARPA of approximately $40 per month.

The way Typeform has implemented customer success across their organization has been instrumental in improving both retention and acquisition, and has played an important role in the company's overall achievements. One of the key elements of their strategy has been their holistic approach to making sure every customer has a positive and successful experience.

## BUILDING A CUSTOMER SUCCESS MACHINE THE TYPEFORM WAY

"Typeform's primary growth driver is virality," David says. "Approximately 60% of our monthly new business is generated by the viral loop created when people click the Powered by Typeform button at the bottom of one of our forms or surveys." This product-led approach is so strong that acquisition isn't really a big challenge for Typeform. This is why, even though he was originally hired to head up the sales division, David quickly transitioned to running Typeform's customer success efforts in order to work on improving retention.

"Focusing on retention kills two birds with one stone for us," David explains. "By making our customer more successful, we keep them around longer, and they end up driving more virality, which translates into more new business."

While the company's early decision to invest in customer success was a no-brainer, the structure of the team behind these efforts has evolved over time. Today, there are six sub-teams within the customer success practice. In the beginning, David managed all these groups directly, but his team has expanded to include two directors who share the load. The Director of Customer Care heads up the support and education groups, while the Director of Customer Engagement is responsible for customer experience (CX) and customer outcome managers.

In addition, David's customer success team is also responsible for sales and operations. While this arrangement may seem unusual, David explains that it just made sense. "I was the only person with a sales background," he says. "And really, if I were to do it all over again today, I would probably do the same thing. I'm glad sales is part of customer success. Our sales team isn't commissioned, which removes a lot of the negative incentive to try to close deals when that might not be the right solution for the customer. Instead, we focus on keeping customers around for longer. In fact, we only account for the revenue coming from the sales team if the customer is still with us after two months."

While the inbound and inside sales team basically functions like an enablement team, the education team is responsible for the help center and driving self-service. They analyze support tickets, help center visits, and other feedback in order to get insight into which topics and questions are most pressing for customers, and then use that information to accurately prioritize which content to produce. The team delivers both how-to and inspirational content, all of which is designed to ensure customer success. "We found that a lot of our churn is not actually due to customers being unhappy," David says, "but rather with people successfully completing a project, but having no idea what to do next." The education team is happy to provide these customers with more use cases.

The customer experience team is a bit of a hybrid that combines research and research-driven campaigns. "This team represents the internal customer voice based on data from support tickets, NPS, churn surveys, sales calls, etc.," David says. "The insights gained from aggregating all that information allows them to anticipate where customers might have problems so we can proactively help them before they even realize they need help."

## PUTTING CUSTOMER SUCCESS TO WORK: USER SEGMENTATION, KPIS, AND LEADING INDICATORS

These individual customer success teams work together to offer Typeform customers a range of customer success experiences. They segment their user base into two primary categories — lower tier customers who benefit from the customer experience (CX) team's one-to-many or "tech-touch" support, and highest-value customers who work with customer outcome managers (CO) in a high-touch, one-to-one engagement. In addition, there is a kind of hybrid group that sits between the CX and CO teams to take advantage of any opportunities for expansion or reactivation. "We may engage with a customer in a low-cost, one-to-many way," David explains. "But we can still offer the customer the ability to reply to us and turn the engagement into a one-to-one conversation if they are ready to expand."

Across all their activities, each of the six customer success teams track their performance against a different KPI. Early on, David's intention was to own net retention, but he quickly realized that while this was very motivating for his team, it ultimately did more harm than good. The problem was that other departments assumed customer success had retention covered, and so they didn't feel the need to take any responsibility for it themselves. This led to a lack of enthusiasm from other teams when there was a project that required cross-functional collaboration. Now, the whole company owns retention, and customer success is more of a "retention champion," responsible for analyzing and reporting on retention figures, but not responsible for driving it alone.

Because retention and churn are lagging indicators, it can be challenging to predict how certain cohorts will behave. For this reason, David's teams focus on leading indicators. "We're lucky to have a great data team at Typeform who give us a ton of insights about which behaviors are driving people to succeed and stick around," David says. What the team learned by analyzing all the data is that the leading indicator that correlates most highly to retention is the number of Typeforms a customer creates. This is why the education team works hard to inspire customers with content about different use cases.

For the customer experience team, one leading indicator is how a customer is using paid features. "Accounts that use the team feature almost never churn," David says. "And customers who use our integrations don't churn." Based on that analysis, the customer experience team knows exactly how to craft campaigns that will encourage the behaviors that ensure strong retention. The leading indicator that's important for the customer outcome team, meanwhile, has nothing to do with usage or features. For this team, having a kickoff call is one of the best leading indicators of whether one of their high-touch customers will stick around in the long term.

Across the board, David and his team are always looking to get to the core of why customers love Typeform as much as they do. They use a Typeform, of course, to ask the question, and what they've learned is that people love Typeform because it makes them look good to their customers. "Typeform allows them to show off their design skills and their brand," David explains. "They're able to put themselves forward in a better light than with a boring-looking form or survey." In the context of the "Jobs To Be Done" framework, Typeform is very good at helping customers succeed both at their functional job (collecting data) and the emotional job (building their brand and audience); and customers are especially appreciative of the assist on the emotional side of things.



## GETTING STARTED WITH CUSTOMER SUCCESS: THREE KEYS TO GETTING IT RIGHT

When asked what advice he has for companies who want to build out a stellar customer success team, David keeps it simple — "Do it." He then offers three foundational tips:

» **Hire the right people.**
"The reason we've done well at Typeform is that we have an amazing team who do a great job and whom I trust completely."

» **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."

» **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 the targets and goals you're setting."

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. «

# THE ROLE OF USER ACTIVATION IN ATLASSIAN'S GROWTH STRATEGY

Interviewed by Ashley Minogue

User activation is a critical step in the user journey. Without it, trial users fail to become customers. But, even though activation is one of the most important metrics for a SaaS company, its far-reaching influence on a company's long-term sustainability is often overlooked.

Shaun Clowes, currently the VP of Product at Metromile, focused heavily on activation during the six years he spent at Atlassian, building that company's growth function from the ground up. He embarked on that mission during a time when growth was still a new concept in the B2B world. Mike Cannon-Brookes, one of Atlassian's two CEOs, saw how the strategy was working for B2C brands, tapped Shaun to put a growth team together, and gave him six months to see if he could create value and measurable ROI for the brand. Long story short, Shaun and his team delivered beyond expectations.

## UNDERSTANDING THE VALUE OF FIRST IMPRESSIONS

You could say that successful activation relies on positive first impressions. A great part of getting activation right has to do with removing any friction so that it's incredibly easy for new users to not only start working with your product, but to derive value from it. Shaun and his growth team at Atlassian started by taking an in-depth look at all the available metrics as they searched for opportunities to prove the value of growth. They discovered fairly early on that even though their software products are quite complex (and typically had a 30-day trial period), most users spent only 30 minutes in a product before deciding whether or not it was the right solution. In other words, the window in which to prove a product's value was much shorter than they had realized.

Having identified this fundamental difference between their expectations and the reality of how prospects were making buying decisions, the team made a plan to focus heavily on activation. After analyzing data and exploring different ways to understand how activation worked for their products, Shaun realized that they had a 'zero-to-one' problem. "Effectively, we learned that if someone was a daily active user (DAU) on any day during the first week — except day zero, which was the first day — that was a pivotal moment for us," Shaun says. "We knew at that point whether or not we had shown enough value on the first day in order to make someone come back." From there, the team measured which users came back in the second week, and worked to create a "second week wow," the second key lever to drive activation.

On the surface, the formula is pretty simple: deliver value very quickly so that a user is willing to come back again and eventually form a habit, and then find ways to deepen engagement in order to create an even more connected relationship with this already happy customer.

It seems like a no brainer, but there are so many ways it can go wrong. "The reason a company fails to retain customers is a combination of a million different paper cuts," Shaun says. "Finding and eradicating the million things that cause people to get lost and fail is harder than delivering big features designed to solve some of their deep pains. Uncovering the truth about what drives them away is a complex journey of discovery and learning fueled by constant experimentation."

Applying that same level of intense deconstruction to the activation process is critical. There are plenty of examples of SaaS companies that did an impressive job of acquiring new users, but did not actually convert them into active users who were experiencing the value of the product in a tangible way. Companies like BranchOut, LivingSocial, and Fab looked like they were on a course toward great success, but it turned out they were losing more users on the back end than they were activating on the front end. Ultimately, the math just didn't work out.

## LANDING YOUR FIRST USERS AND FINDING THE RIGHT METRICS

As they were adapting the growth concept for B2B, Shaun and his team realized the important role of the first user within an organization. "The very first user is typically the hardest to get over the line," he says. "They have to set up the software and get it into a position that proves value to other people within the company." Bottom line: if you don't activate that first user, there likely won't be any additional users, and the account will be dead. But, while activating that first user is critical, you still have to activate secondary users. The activation flow for these two user types will likely be slightly different.

For either group, the first place to start is the zero-to-one problem, which is all about survival. "You have to be open and honest with yourself when you look at the very early periods when a customer is first interacting with your software," Shaun explains. "You need to look at your metrics and data to determine if the user is surviving those very first interactions." Shaun recommends getting as granular as you need to — asking if the user survives from day one to day two, from hour one to hour two, even from minute one to minute two — whatever it takes. You'll probably be surprised by the drop-off rates from one point to the next.

Of course, to know how to affect positive change, you need to look at more than just a survival metric. "You can't move a survival metric by itself," Shaun says. "You have to change other elements of the behavior or get users to engage more deeply with different features of your software in order improve retention." To accomplish this, Shaun's team uses input and output metrics. Input metrics relate to things that you can affect directly and which measure value. Output metrics, on the other hand, are the results of the input — things like engagement or survival.

As an example, engagement in Spotify might be measured in terms of time spent listening to music. To influence the behavior that increases time spent listening, Spotify would need an actionable input metric such as time spent per session. One way to increase the time spent per session might be to add discovery features or social sharing features that would encourage or entice users to explore and/or share new music.

For Atlassian's project and issue tracking product, Jira, there was an obvious correlation between users creating a project and creating an issue in the project, but — because the software couldn't deliver any value without those actions — that observation wasn't really helpful to the growth team. However, as Shaun's team dug deeper, they discovered that if a user created three issues and invited someone else to Jira within the first week, that user's chances of survival into the second week increased substantially. This provided a much more actionable insight.





## FACILITATING INSTEAD OF FORCING

While it's important to uncover the right input and output metrics, Shaun stresses that you shouldn't ever attempt to force people to take those actions. Users need to be engaging voluntarily. Your job is to be authentic about how you drive people to complete these behaviors, enabling and facilitating what they already want to accomplish within the software.

For example, the onboarding flow for Jira evolved through hundreds of iterations before arriving at the highly effective version the company uses today. Throughout all these changes, the team was constantly working to understand what it was that users were trying to achieve and how the software could support that effort. An early experiment called the 12-step program involved a mandatory wizard that walked new users through the key concepts of Jira. The concept made sense because Jira is a complex piece of software, so user success required a strong understanding of the basics. But forcing users to go through this process before showing any value was not an optimal experience.

While the 12-step program approach was successful, the team improved upon it with something they called choose-your-own-adventure. This version gave the user three options after logging in: help me create a project, let me browse existing projects, or—for users who already knew what they were doing—get out of the way. "This seems like a trivial screen, maybe thirty lines of code," Shaun says, "but it worked so effectively because it helped guide new users past the point of logging in to a place where they could take the actions that we knew would substantially improve their activation."

The takeaway is that you should always be testing different aspects of your onboarding process in order to optimize the user experience. "I always look at things through the champion challenger framework," Shaun says. "It's not about winning or finding the one, final answer. It's about seeing if you can do better."

## GETTING DOWN IN THE WEEDS

Shaun's single best piece of advice is all about getting granular in your approach to activation. "The first step is to model out your early stage retention and think about it at a level of minute detail," he says. "You don't just want to look at it in terms of days, but also also in terms of minutes. You want to assess every click and every form field. Each step in the process is probably a massive source of friction in ways that might surprise you." Friction leads to confusion, which in turn leads to the user giving up, so it's vitally important to eliminate friction wherever you can. You want to save your user from those million paper cuts that lead to drop off.

What's interesting (and rewarding) is that even though the changes you make might be small and nuanced, it's quite likely that you will uncover strong ROI. "It's almost like free money," Shaun says. "Because there's not a lot of work involved in running five or ten experiments a month in activation." And it's important to run those experiments so you can get it right. You've spent a great deal of time, effort, and money on content marketing, advertising, and paid acquisition to acquire those users. You need to be able to deliver the value you promised so that those users will engage more deeply and stick around for the long term.

"The ROI will be pretty clear because you'll not only get revenue, but you'll also have happy users," Shaun says. "And happy users refer other users, so a strong activation effort will not only improve retention, it will also have acquisition benefits. Word of mouth is always the best form of acquisition, and it's the best way to drive authentic growth." And a smart activation strategy will ensure that you get each user started off on the right foot. «

# MIXMAX'S CEO ON HOW TO ACHIEVE NEAR-ZERO CAC THROUGH VIRAL GROWTH

Interviewed by Kyle Poyar

If you've ever been frustrated by the limitations of email, you're not alone. In fact, startup Mixmax was founded to fix your frustrations. Rather than building an email replacement, Mixmax aims to wholly improve your email experience with a host of features including one-click scheduling, templates and rich automation with your CRM.

Mixmax's decision to build on top of one of the world's most ubiquitous platforms was intentional from day one. With an estimated 2.6 billion email users, Mixmax Co-founder and CEO Olof Mathé wanted to go after users where they already were.

"It's much easier for people to adopt a product that enriches something they already use than to try to relearn a new flow," Mathé said.

While Mixmax's potential user base is vast (anyone who uses email), its marketing budget is not. Like other startups, Mixmax has limited resources – monetary and otherwise. But a bit over three years in, Mixmax has over 10,000 customers. And it got there with near-zero CAC. The company's method to achieve this growth? Go viral of course.

Mixmax's go-to-market approach, and the basis for achieving virality, is part of a phenomenon OpenView calls product led growth – a strategy that relies on product features and usage as the primary drivers of customer acquisition. Successful product led growth strategies have enabled companies like Slack, Expensify, Intercom and, of course, Mixmax to achieve hypergrowth without spending huge sums on traditional sales and marketing.

## FIVE TYPES OF VIRALITY

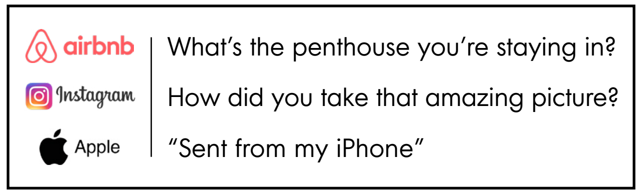
Sounds simple enough, right? You know better than that if you've ever tried to make anything go viral. But thanks to Mathé's singular focus on growth and their reliance on a product-led model, the company has been able to achieve what can only be described as viral adoption.

Through it all, Mathé discerned five discrete types of virality:

1. **Network Effects**
   Your users work to get other users on your product because it makes the product better for them.

2. **Value Virality**
   Your customers provide value to other people (who aren't users) and make their lives easier, simply by using your product.

3. **Exposure Virality**
   Your customers show off your product, (because it makes them look good).




4. **Referrals and Invites**
   Your customers get rewarded by you for sharing your product.


5. **Word of Mouth**
   Your users love to talk about your product, without having a particular incentive.

After three years of painstaking testing, Mathé and team have distilled which of the above strategies work for their business.

MIXMAX'S CEO ON HOW TO ACHIEVE NEAR-ZERO CAC THROUGH VIRAL GROWTH

## VIRALITY: WHAT WORKS AND WHAT DOESN'T IN SAAS

Looking back, what worked best for Mixmax was word of mouth (aka brand), which accounted for 44% of the company's signups. For SaaS products, Mathé refers to this as the "office pod dynamic" in which one employee talks up the product and encourages others to sign on.

"The other thing that I think seems to have worked better than expected is asking people to invite others to the product." In fact, 12% of sign ups came from referral virality. Mathé hypothesizes that this is because they ask for referrals early in the customer lifecycle and because Mixmax has broad appeal. "Perhaps it's time we replaced NPS with asking for actual referrals" says Mathé.

Surprisingly, widely touted network effects accounted for less than 1% of signups.

## DESIGN PRINCIPLES FOR ACHIEVING NEAR-ZERO CAC

In the end, Mathé and the Mixmax team came to understand much about virality that challenged their initial assumptions. But one thing remains certain, the only way to achieve $0 CAC is to grow through virality. Mathé's lessons to other founders headed down this path?

1. Instead of spending to grow… instill a culture of frugality. Constraints breed creativity, creativity breeds $0 CAC.

2. Instead of charging a lot…don't get pricing right at the outset. Err towards simplicity and making it easy to buy, bringing on as many customers as possible. Mixmax started with just a single plan, monthly only.

3. Instead of building a platform… enhance an existing workflow. Existing platforms like Salesforce.com, Gmail, Slack, Netsuite and Intuit have huge built-in audiences/users that you can leverage. «

# "IT'S MUCH EASIER FOR PEOPLE TO ADOPT A PRODUCT THAT ENRICHES SOMETHING THEY ALREADY USE THAN TO TRY TO RELEARN A NEW FLOW."

# EXTRAS

# INNER WORKINGS OF PRODUCT MANAGEMENT AT PRODUCT LED GROWTH COMPANIES

By Ashley Minogue

Product led companies flip the script on every aspect of their business. They break the mold when it comes to marketing, pricing, sales and customer success. There are lots of people talking about how to adapt these functional areas to keep up in a product led world. But what about product management? After all, product is at the epicenter of everything a product led growth (PLG) company does. So how do the product organization and its PMs need to adapt to fuel growth at these businesses?

Over the past few months, we've chatted with product management leaders from top product led growth companies including Atlassian, Intercom, Dropbox and many more. Throughout these conversations, we've identified five major lessons on what sets product management at these all-star companies apart:

1. Design A Product To Be Bought, Not Sold
2. 'Product Led' Does Not Mean 'Product Manager Led'
3. Always Be Communicating
4. Prioritize, Evaluate, Prioritize Again
5. Above All Else, You're Here For The Customer

## DESIGN A PRODUCT TO BE BOUGHT, NOT SOLD

In a product led world, it is critical that your product is solving real user pain. You want to be solving a pain point so poignant that your users are actively searching for a solution. When they do a search and stumble across your company, your product needs to be so simple that the solution jumps off the page at them. This means stripping out anything noncritical and delivering value within the first few interactions.

More than ever, users want to experiment with new solutions themselves. They've done their own research and want to experience the value firsthand. The best companies today recognize this shift in the way people want to buy and are creating an intuitive product that can be purchased via self-service. This is no easy feat. Simplicity is hard. It takes a lot of work to optimize your UX so users can be self-guided. Gone are the days when you could simply rely on your sales reps to explain to your leads the value of your product and its ROI via an hour-long demo. Some product led businesses take the extreme approach and ONLY offer their products via self-service:





**PRATIMA ARORA**
Head of Confluence
Atlassian

" At Atlassian, we build products that sell themselves. We don't have a traditional sales team, so our products are designed to be our best sales people. A significant amount our budget goes into R&D, which is a good thing, because we can spend time really going deep into multiple ways of collecting customer feedback. "

Arora hits on one of the advantages of designing a product to be bought. Less sales reps (or none at all) means more resources can be invested into R&D. Atlassian uses this extra budget to gain a deeper understanding of their customers' needs in order to continuously evolve their products. In fact, Atlassian spent 50% of its revenue in 2017 on R&D. The results have clearly paid off. Atlassian now serves 125,000+ customers worldwide and has over a 19 billion dollar market cap.

Atlassian is an outlier, but the trend is clear. We consistently see public product led growth SaaS companies spending more on R&D compared to the broader SaaS index (28.2% versus 19.4%, respectively).

It's important to note that product led companies consider Design and UX as a core part of their R&D. Scott Williamson, VP of Product at SendGrid, recalls that the product team only had 3 PMs and 1 designer on staff when he joined the company in 2013. Williamson's first priority upon starting was to aggressively scale his team, including both product and design. In fact, he recommends a ratio of 1 designer to 1 PM to 1 scrum team for self-service, UX-heavy product areas. This over-investment facilitates incredible user experiences and products that users actually want to buy.

| Company | Enterprise Value (EV) | CY2018E Revenue | CY2018E Revenue Growth Rate | TTM Gross Margin | CY2018E EBITDA Margin | EV / Revenue | CY2018E Rule of 40 | S&M Expense as Percent of 2017 Revenue | R&D Expense as Percent of 2017 Revenue |
|---|---|---|---|---|---|---|---|---|---|
| Atlassian (NASDAQ:TEAM) | $13,717 | $864 | 39.3% | 80.2% | 28.0% | 15.9x | 67.8% | 21.8% | 50.0% |
| Shopify (NYSE:SHOP) | $13,706 | $1,032 | 53.3% | 56.5% | 3.3% | 13.3x | 56.7% | 33.5% | 20.2% |
| Dropbox (NASDAQ:DBX) | $12,305 | $1,357 | 24.1% | 66.3% | 21.3% | 9.1x | 81.9% | 29.7% | 34.3% |
| DocuSign (NASDAQ:DOCU) | $8,570 | $656 | 26.5% | 73.4% | 5.1% | 13.1x | 31.6% | 53.6% | 17.8% |
| New Relic (NYSE:NEWR) | $5,697 | $585 | 36.0% | 70.1% | 6.8% | 9.7x | 42.8% | 51.3% | 26.8% |
| Zendesk (NASDAQ:ZEN) | $5,435 | $463 | 30.3% | 82.3% | 12.6% | 11.8x | 42.9% | 58.3% | 20.9% |
| LogMeIn (NASDAQ:LOGM) | $5,391 | $1,191 | 20.3% | 78.2% | 36.7% | 4.5x | 57.0% | 35.1% | 15.8% |
| Twilio (NYSE:TWLO) | $5,057 | $588 | 47.5% | 53.4% | 3.7% | 8.6x | 51.2% | 25.2% | 30.3% |
| Wix (NASDAQ:WIX) | $4,602 | $599 | 40.6% | 81.3% | 18.6% | 7.7x | 59.2% | 48.0% | 36.1% |
| HubSpot (NYSE:HUBS) | $4,575 | $498 | 32.7% | 80.2% | 9.4% | 9.2x | 42.1% | 56.7% | 18.7% |
| Pluralsight (NASDAQ:PS) | $3,146 | $224 | 34.2% | 70.3% | -21.8% | 14.1x | 12.4% | 62.0% | 29.5% |
| Smartsheet (NYSE:SMAR) | $2,524 | $161 | 44.9% | 80.4% | -31.2% | 15.7x | 13.7% | 65.5% | 33.8% |
| MongoDB (NASDAQ:MDB) | $2,242 | $220 | 42.2% | 72.2% | -31.8% | 10.2x | 10.4% | 71.2% | 40.3% |
| SendGrid (NYSE:SEND) | $1,007 | $144 | 28.4% | 74.2% | 12.8% | 7.0x | 41.2% | 25.2% | 26.5% |
| **PLG Index Median** | **$5,224** | **$587** | **35.1%** | **73.8%** | **8.1%** | **10.0x** | **42.8%** | **49.7%** | **28.2%** |
| **SaaS Index Median** | **$2,304** | **$257** | **25.3%** | **69.9%** | **9.6%** | **7.7x** | **37.0%** | **43.5%** | **19.4%** |

**Source:** OpenViewPartners.com/Product-Led-Growth-Index | Published September 2018

**SCOTT WILLIAMSON**
VP of Product
SendGrid

" Having healthy ratios enables the product team to plan further out in front, solicit more customer feedback, and spend more time on the finer details of design. "

This advice of designing a product to be 'bought' was echoed by the head of product at Typeform, which is known for designing beautiful and simple products:

**MILOS LALIC**
Former Head of Product
Typeform

" It was a necessity for us to build a product that's easy to use, that has very effective onboarding and where people can basically start using it without any hands-on help. "

Typeform creates a highly intuitive experience not just for leads to sign up, but for their customers to be successful and truly adopt the product. This also results in saved resources. With the product serving as the main educator for onboarding, Typeform can effectively service its customers in a one to many customer success environment.

## 'PRODUCT LED' DOES NOT MEAN 'PRODUCT MANAGER LED'

As products become the centerpiece for businesses, some product managers fall into the trap of thinking they are leading and everyone else is following. This attitude quickly becomes detrimental as product managers isolate themselves from other departments. A key component of product management is collaborating with other departments, incorporating broad perspectives and filtering feedback through a customer-first lens.

This is arguably even more important at a product led company – where the product is the primary driver of growth at every step of the customer journey. Intercom is a stellar example of a company that takes a collaborative approach to product management:

" Product can all too easily forget how much the rest of the company is dependent on your work. It's easy to get into your own bubble and think you have the best view of the customer. You talk about features (not problems), marketing becomes an afterthought and so on. This is a huge pitfall. At Intercom, we recognize sales and support are talking to our customers every single day. We leverage their perspective to form our roadmap. We also get marketing and product managers to have a tight relationship. Sales, support and marketing are all consulted as we build the stories and scope of our projects. "

**BRIAN DONOHUE**
Director of Product Management
Intercom



In addition to collaborating with other departments, product managers are also working with sub-teams within the greater product organization. These sub-teams can be a product manager's greatest resource. At Dropbox, the teamwork between PMs and the research teams plays a vital role in developing the product:

**JESSE MILLER**
Group Product Manager
Dropbox

" We have a fantastic research team here that does quite a bit of qualitative research on all sorts of different forms. The best and most impactful stuff that I've seen us pull off is when we do joint venture between research and product analytics. "

Combining research and product has led to a data-centric decision process at Dropbox. The relationship between PMs and research is best when it is a two way street. Product managers can come to research with predetermined hypotheses to validate and research can proactively provide product teams with insights into unique user groups.

Whether it is incorporating insights from other departments or within the product organization, product managers should be the glue that brings together all customer insights to drive product innovation. Many businesses will actually organize cross-functional teams based on the phase of the customer journey (i.e. conversion, activation, retention, expansion). These teams will include resources from product, design, analytics and sales/CS – all dedicated to influencing a key metric in the customer lifecycle.

## ALWAYS BE COMMUNICATING

Effective communication is required in every product management task, from working in tandem with other departments, crafting compelling hypotheses, designing the narrative for the roadmap and more. Communication is the key discipline great product managers need to master in order to excel in their role. At Typeform, communication is priority:

" Communication for us is on top. Being able to clearly and effectively communicate the vision, the goals, defining them as well and aligning them with the company or product messages is super important. "

**MILOS LALIC**
Former Head of Product
Typeform

At Typeform, communication skills are prioritized for ensuring the product manager can connect overarching company goals with their product positioning. There is a necessity for translating the company vision into messaging that can be used on a daily basis. Product leaders at top PLG companies are testing for strong communication in addition to technical skills in the interview process. Intercom has even incorporated a written exercise into the PM interview process to account for this:

**BRIAN DONOHUE**
Director of Product Management, Intercom

" We have a written exercise early in the interview process. It exposes folks who veer towards the fluffy compared to clear, concise, sharp thinkers. Sometimes even after an onsite presentation interview, we've referred back to the initial written exercise to validate their communication skills. When your company is small, PMs can sometimes get away with weaker written skills. But that weakness is ruthlessly exposed as your company grows. "

The role of a product manager requires a wide range of skills for the variety of hats they will wear. It's clear, be sure to put communication skills at the top of what you are looking for in your next PM candidates.

## PRIORITIZE, EVALUATE, PRIORITIZE AGAIN

You can't have a 'set it and forget it' mentality when it comes to your product roadmap. A product manager's job is to prioritize what will have the highest impact given the work required. Many product managers will spend a good amount of time determining the prioritization of a project or feature when they first review the request. However, prioritization needs to be a continual process that is strewn throughout your entire project timeline, providing feedback at every step of the journey. SendGrid uses a comprehensive system of prioritization that encompasses the entire project lifecycle, from beginning to end:

" Have a consistent prioritization system, so you can compare the value of very different projects, force priority decisions out into the light, and pressure test assumptions. "

**SCOTT WILLIAMSON**
VP of Product
SendGrid

The first important point here is to compare very different projects side by side. As most product managers can relate to, there will be product requests coming in from every direction. Each project should be weighed against the other, no matter how different they may seem.

In terms of how to prioritize effectively, your team should always be thinking about of the company vision. Without doing so, teams can begin to prioritize based on their local perspectives and lose the collaborative aspect and big picture view. Donohue describes the issue here:

" People can easily be on different routes, all the teams need to be moving broadly in alignment and in tandem. Teams' natural tendency is to steer into a direction that locally makes sense but veers away from the bigger strategic picture. "

**BRIAN DONOHUE**
Director of Product Management
Intercom

As Donohue points out, there is a natural tendency to follow what makes most sense from a departmental perspective. For example, you may hear from your sales team that they have prospects who could be seven figure deals, but they require custom functionality. What sales may not





know is that custom work would derail your product roadmap and wouldn't help the vast majority of your users. You have to represent the broader goals of your company in your decision making process. It doesn't mean you have to say no to enterprise deals, but you have to draw clear lines internally on what you will and won't do to close and retain them. The relevance of the previous insights also comes into play here. Through collaboration with other departments and constant communication, product managers can ensure the product improvements they drive are in sync with the company's broader vision.

## ABOVE ALL ELSE, YOU'RE HERE FOR THE CUSTOMER

All of the product leaders stressed one thing above all else: the role of a product manager is a customer-first role. The more you understand your customer, the better a product manager you will be. Greg Keller, Chief Product Officer at JumpCloud, describes how the customer-first approach is at the core of all his product managers:

**GREG KELLER**
Chief Product Officer
JumpCloud

" The number one characteristic of their DNA is a bleeding desire to help the customer...If you're not doing this for the customer's sake, then you're likely ego first and you're never going to be successful. I can't stress that enough. You're not in the right business or the right role if you're not first and foremost trying to viscerally get to the bottom of what a customer needs. "

Keller articulates the importance of holding the customers' needs at the center of your decision making process. JumpCloud, a highly technical product, has found success over legacy solutions such as Microsoft, by developing a deep understanding of the customers' specific pain points and desires. Keller implicitly describes a layer of humility that is required in product managers, as it is not their goal to create a product they want, but to create a product that perfectly fits the users' ideal vision. At Typeform, they share JumpCloud's respect for the customers' needs:

> " We don't want product managers to be solution-focused. We rather want them to be problem-focused, understanding deeply what the problem of the customer or the business is. Only then can they begin to develop a solution or multiple solutions to test and validate. "
>
> **MILOS LALIC**
> Former Head of Product
> Typeform

If there is one thing to learn from these companies' customer-first approaches, it is that this strategy extends beyond what projects you prioritize. It requires creating a company-wide respect and understanding of the customer. This is something that Slack has always valued. Merci Grace, an early product and growth leader at Slack, stresses the importance of becoming obsessed with real customers, rather than a mythical persona that doesn't exist in real life. This means real 1:1 user interviews, onsites with sales, shadowing CS calls, using your own product, etc.

> **MERCI GRACE**
> Former Director of Product Growth, Slack
>
> " Personas are a great idea, like Communism, but they don't work in real life. You're putting thoughts in the heads of people who don't actually use your product. When creating a product, close your eyes and pretend you're a human being. "

These product leaders have had success employing these five key principles to their own companies, which serve diverse markets. Product led growth can be adopted across varying software categories from developer tools to collaboration tools to enterprise-grade solutions. No matter where you are in your product led growth maturity, applying these principles will help you accelerate your growth. «

## "HAVE A CONSISTENT PRIORITIZATION SYSTEM, SO YOU CAN COMPARE THE VALUE OF VERY DIFFERENT PROJECTS, FORCE PRIORITY DECISIONS OUT INTO THE LIGHT, AND PRESSURE TEST ASSUMPTIONS."

**SCOTT WILLIAMSON**
VP of Product
SendGrid

# SCALING YOUR STARTUP: LESSONS IN GLOBAL EXPANSION FROM ATLASSIAN'S CPO

Interviewed by Devon McDonald

As the former Chief People Officer of Atlassian, Jeff Diana saw the company grow from 275+ employees, primarily based in Australia, to more than 2,000 located in offices around the world.

"When I first joined," Diana says, "We were relatively unknown except to hardcore developers – JIRA users. But by the time I left, we'd hit a $600 million run rate and had an IPO of over $6 billion."

While global expansion is a problem any startup founder would love to have, actually executing on that growth and doing so in a way that keeps culture intact can seem nearly impossible. For Diana, his experience at Atlassian taught him the importance of strong teams, cross-country (and cultural) alignment and how to stay focused in the midst of unparalleled global growth.

## LOCATION, LOCATION, LOCATION

After joining Atlassian, one of Diana's most pressing challenges was determining how to build a sophisticated location-based hiring strategy. "Originally, everything started in the Sydney market," he says. "The Confluence and JIRA products were there, the underlying technology teams were based there, and – because Atlassian's go-to-market model was atypical for enterprise – there wasn't a traditional field sales team."

But as the company expanded, they spun up offices in San Francisco (which handled mainly go-to-market, marketing, customer touch, and eventually much of the general administrative functions including HR, finance, and legal) and Amsterdam, which served as the company's European headquarters.

So how did Jeff and team decide where to open which office next?

Centralizing certain functions at certain locations had a lot to do with ensuring team efficiency. "You want to think through what work needs to be co-located together," Diana explains. "Typically, product teams will tell you that if they can have the designer, product manager, engineer, and marketer in one location, they'll be more aligned and able to move faster." While Diana believes this is true, he acknowledges that the challenge increases with scale. "When you have five hundred or a thousand people developing the product, it's hard to build that out in any one market. Instead, you have to segment which pieces get done by which location."

Matching people and functions to locations also had to do with who was readily available in a given market. "Sydney was great for young talent and early engineers out of university," Diana says. "But, when we needed people that had seen scale or run large teams, we couldn't find them locally because software-at-scale didn't exist in that market. You need to play to the strengths and profiles of the people in each market."

In addition to going where the talent was, Diana and his team were also thinking ahead to what was in store for the company. "Knowing that going public was on the horizon, it was important to have a footprint in the US," Diana says. "We knew that was the market the founders wanted to go public in, so it just made sense to get that footprint on the board sooner rather than later."

## FORGING EFFECTIVE REMOTE RELATIONSHIPS

When you're running a company with a dispersed footprint, team building becomes more complex. Even in single-location operations, managing culture and forging effective remote relationships can be challenging. Spread your functional leaders around the globe, and the challenge increases exponentially.

"One of the ways the dispersed leadership team stayed close was the practice of taking turns each month to visit either Sydney or San Francisco," Diana says. "We came up with a rhythm for moving around the globe, even at the executive level. We would deliberately go offsite, rent a house for a few days, and essentially live together."

In addition to regular, in-person working sessions for the executive team, Atlassian's approach to team building also included quarterly meetings with a larger group. "We were intentional about traveling because it's human nature to create connections physically, face to face," Diana says. "You can grow relationships, once they're established, using tools like email and so forth; but the really rich connections happens in person. You have be willing to put the dollars and time against the effort."

Atlassian's global presence and philosophy around travel also served as a recruiting tool. "We were small and not always able to offer the most varied career choices," Diana explains. "But we could provide the opportunity for assignments in Amsterdam, Sydney, San Francisco, and later in places like Manila and Austin."

## FOSTERING A DIVERSITY OF CULTURES

With the global team up and running, there was still a lot of ongoing work to do around managing culture. "One of the first steps is recognizing that cultures are different," says Diana. "It's not just about getting groups together. You have to adapt the way you communicate." Atlassian invested in regular global events to bring people together from different geographies and encourage them to share the different vibes that made each of their distinct "neighborhoods" special.

It's a common cultural mistake to fall into patterns of behavior and communication based on a shared location. "You have to watch out for the inherent bias of the people you know best, the people who are co-located with you," Diana explains. "Sometimes when there's a lack of familiarity with talent in different parts of the organization, we default to grabbing the person we know best because they sit next to us. We have to work really hard to avoid that."

Another element that helped the company keep everyone together was a strong set of values and a clear mission. "You maintain a consistent culture by making sure your values and mission are core and that they're woven into the recruiting process, how you onboard people and all of your people programs; including how you reward folks, how you promote people, what you recognize and what you communicate." By consistently integrating values and mission into the fabric of company processes, Diana was able to deliver a clear and consistent message that helped unite everyone across all locations.

## RELYING ON 'RITUALS' TO MAINTAIN ALIGNMENT

From a day-to-day operational standpoint, the Atlassian team was supported with a well-structured meeting cadence, big picture rituals and the right communication tools.

"Originally, we did our all-hands monthly," Diana says. "We ran them locally using the same content, but as we grew, it became harder to maintain alignment. Because of the speed and pace and the growing number of people in the organization, we increased the frequency to weekly and ran them globally. This allowed for quicker meetings and ensured that everybody was hearing the same message at the same time."

To supplement the all-hands meetings, Atlassian also implemented two "big picture" rituals: the ShipIt ritual and the "painted picture" ritual.

**The ShipIt ritual,** which happened each quarter, involved shutting down the entire company for 24 hours so each team could hack a new invention. "The engineers would be hacking code while those of us in other functions were hacking processes, documents, or experiences," Diana recalls. Atlassian live-streamed the shipping events at every location so the entire company could see all the in-process projects.

**The "painted picture" ritual** covered the company's long-term mission or vision – ten or twenty years out. "We grind in operational goals each quarter," Diana says. "But for this process everyone in the company dreamed three years out and 'painted the picture' of what would make them feel super proud and the company successful outside of the numbers – things we might be doing for our customers, employees, partners or the community across a broad set of categories."

Again, the company did this in a very visible way. "Everyone teed up the dream they would like to see," Diana says. "And then the founders would combine all input and come back with a painted picture that we talked about every three months so we could assess how we were doing against the vision."

## USING TECHNOLOGY TO OVERCOME TIME ZONES

While unifying rituals are critical to keeping a globally distributed team on the same page, it's also important to master the tactical elements of communication. Take time differences, for instance. "When your team is globally distributed, you can't walk down the hall and grab someone for a conversation," Diana says. "You have to map your time overlap pretty effectively and be comfortable planning the time lags between conversations."

Ensuring that communication is smooth also requires the implementation of effective tools. Atlassian used a couple of their own products to great effect. "We use HipChat, but whether you use that or Slack or something else, it's just really important to facilitate real-time communication across geographic borders."

Another tool the team used for collaboration was Atlassian's content collaboration software, Confluence. "Having a knowledge-based, intranet-type of technology is also critical," says Diana. "Confluence works really well for this, allowing people to share information, comment, and work collaboratively."

## STRUCTURING YOUR LEADERSHIP TEAM

While Jeff Diana's work with the Atlassian team is a great case study for how to successfully build and manage a global company, there's no question that their story also represents a complex and highly coordinated effort. How do you structure the ownership of such a broad and deep strategy, and when is the right time to hire a Chief People Officer?

"The ultimate ownership sat at the executive team level, and then each member of the leadership team owned different pieces of it," says Diana. "For instance, our head of go-to-market drove the communication rhythm of our all-hands, while I – as the Chief People Officer – was responsible for looking at the rituals as a whole, creating cohesion in the fabric of the company and developing our footprint strategy."

To help a company identify when they're ready to bring on a Chief People Officer, Diana uses a three-year assessment exercise. "I ask the CEO to build out three years from today – what's their footprint going to look like and their headcount? If they have a hundred people today, in three years will they have three hundred, five hundred? I ask them to tell me what their plan looks like if everything goes well, and we work backwards from that."

"We determine how much of their headcount will be in each function (which will teach you something about where the company is placing its bets) as well as what work needs to sit together and whether they think they'll be able to find all that talent in one location."

"We look at what methods they have as a frame to think through their footprint and how quickly they're going to need help around the complex space. Once you go through that exercise, you can kind of back into when's the best time to bring someone on."

## THE FUTURE IS GLOBAL

And as for the future, Diana sees more companies going global and following in the footsteps of the Atlassian team. "I think the days of a company at scale having a single location are mostly gone," says Diana. "You have to be near the customer to best serve them and you have to have access to talent you simply can't get in one location." «

# HOW COMPANIES LIKE ZENDESK, DATADOG AND SLACK INCORPORATE DIVERSITY INTO THEIR HIRING

Interviewed by Sarah Duffy

At OpenView, we strongly believe that diversity starts from the top. When a leader genuinely cares about diversifying their organization, they create an open space for progress and innovation. We spoke to 15 top software leaders to learn how they foster diversity within their own companies. Through these conversations, it became clear that while there's no silver bullet to creating a diverse and inclusive workplace, there are many passionate leaders moving the needle in the right direction.

Read on to learn how some of the best known tech companies create diverse workplaces.





**GLEN EVANS**
Head of Global Recruiting
Slack

" It starts from the top. The CEO and leadership team has to create a safe space for diversity to be discussed openly. There are so many reasons people care, or should care, about workplace diversity, and that message has to be tied directly to company values. At Slack we started talking about the importance of diversity very early on – it's everyone's problem to tackle here, we don't have one particular recruiter focused on it for that reason. Our university recruiting program is tied to all non-traditional schools, which has been a great way to find diverse talent that we might not have had exposure to at more commonly sought-after universities. "

" Diversity and inclusion in the tech industry are complex issues with roots across the entire talent pipeline. High Alpha is committed to leveraging our unique capabilities to address this problem, from the talent services we provide cross-portfolio to the companies we invest in through our venture fund. In 2016, we launched the Blue Angels Women's Group to encourage the women at High Alpha companies to build deeper relationships, provide a platform for more intentional professional development and represent women in tech in the broader Indianapolis community. The group has had a profound impact both internally and externally, providing great networking and mentoring opportunities for the women that work across our portfolio, as well as driving a more diverse pipeline of talent. As we look at our goals in 2018, we will be expanding programming to include the men of High Alpha. It's important that we are all part of this conversation. "

**M.T. RAY**
VP of Talent
High Alpha

**MIKE BERGELSON**
CEO
Everwise

" We've dedicated significant resources to building a world-class development experience for women in leadership because more women at the top means stronger companies, and because women deserve the chance to get there. Internally, we're proud to have nearly equal representation among men and women overall, including women in key leadership roles at the individual contributor, middle management, executive and board levels. But our work is nowhere near done. In particular, we need to bring more diversity to our C-suite and board of directors. We're continually looking for ways to increase diversity of thought, perspective and demographics. "

**YVONNE WASSENNER**
CEO, Airware

" Make diversity and inclusion part of your daily habit. Bring in diverse and inclusive leaders at the top; leaders who can be the social consciousness in the room and pull in more talented team members from their diverse communities. Start from a position of trust, seek to educate those who mis-step or miss opportunities to create a more diverse and inclusive environment. Reward those who learn – jettison those who do not. "

**CHRIS COMPARATO**
CEO, Toast

" At Toast, our mission and business revolve around food and technology. Food is a central and universal art form that brings people together, allowing us to appreciate differences, varying cultures and diverse backgrounds. Our managers and teams hire and build their teams with this in mind, for example successfully partnering with organizations such as She Geeks Out and numerous University Diversity and Inclusion programs. We are thoughtfully and incrementally building our leadership team to be increasingly diverse. We also foster an impactful level of organic diversity in our culture through various clubs and groups at Toast including through Multi Grain and Women at Toast. All of this is a work in progress with more to do, but we feel we are putting the right foundational and building blocks in place. "

" You can't build a diverse workforce by depending on a hiring agenda alone, it has to be integrated into your company's culture. Choose one of your best business leaders to lead the mission – not just a diverse leader, but one who is respected and admired. It's important that that leader does not over-commit – people aren't expecting instant success, but they do want commitment, focus and consistency. At Atlassian, we did a lot of unconscious bias training to help employees understand how one's mind works when vetting and hiring talent. We were also very open about our stats and progress around diversity hiring, and reported at the team level (rather than just at the company level) to ensure that all teams had diverse representation. It's also crucial to create a diverse board. Atlassian hired 3 diverse board members before going public. Lastly, always hire the BEST person for the job. Any time you hire for any reason other than merit, you discredit the diverse employees that already work for your organization. "

**JEFF DIANA**
High Growth Consultant &
Former CPO, Atlassian

" It starts with making everyone feel included. You can make grand plans to hire people from diverse backgrounds, but if they don't see and hear about an inclusive environment at the company, they won't join. And if they don't find an inclusive environment when they join, they'll leave. Start by taking an honest look at your company and determine if everyone truly has equal access to rewards and opportunities. What behavior is rewarded? What are the feedback loops for people to safely share their concerns? Are you proactively asking for feedback? "

**ROB TOMCHICK**
Head of Sales, Lever

**OLIVIER POMEL**
CEO, Datadog

" We strongly believe that people from different backgrounds and experiences make innovation possible at Datadog. To foster a diverse workforce, we've implemented a combination of community outreach, employee benefits, and management objectives. These include organizational partnerships (with groups like OutInTech and StartHer) for sourcing talent, employee benefits that appeal to candidates at varying stages of life and with varying personal needs and by making diversity hires a key objective for recruiters and managers. In addition to these ongoing initiatives, we are continuing to look for new ways to attract and grow diverse talent at every level across our organization. "

**DAVID CANCEL**
CEO, Drift

" The only thing that works when it comes to diversity at a company is making it a core value from day one. It has to be in your DNA. Otherwise by the time you get to 100+ people, it's too late. We love this quote from Verna Myers: "Diversity is being invited to the party; inclusion is being asked to dance." That's become a key part of hiring and our culture here at Drift. "

**ASTHA MALIK**
VP of Platform & Product Marketing, Zendesk

" While leadership should set the tone for diversity and inclusion, its success depends on how we influence and make it easier for teams to embrace and act. Opening the door for candid conversations and accepting it will be hard but is the first step towards making it real. And like any other imperative for business and cultural success, leaders should then define measurable outcomes with a framework for success. These can include intolerance for certain behavior and quantifiable goals for talent screening, hiring, and retention coupled with development programs for generating awareness on why it matters and fostering diverse talent with opportunities. The combination of conversations, actionable commitment and leading by example is what can truly make a difference. "

" My personal belief is that on this topic, our most critical responsibility as executives is to be honest about where things actually stand, and avoid making statements about commitments to diversity without actual action or results to show for it (which I think plagues Silicon Valley right now — everyone talks about it, very few actually change). "

**STEPHANIE BERNER**
Sr. Director of Customer Success Management & Customer Advisory, Box

**MAX YODER**
CEO, Lessonly

" We strive to build a diverse culture representing different backgrounds, experiences and viewpoints – gender is only one component. For example, our product team isn't just computer-science majors, but a mix of people who have learned to be developers and engineers through traditional and non-traditional routes. That diversity of background provokes diversity of thought and allows us to see more angles and find more interesting solutions than we otherwise might. Bringing these non-traditional people aboard started with finding one person who fit the mold, and then, with his permission, mining his network for other candidates. Everything blossomed from there. "

**KYLE PORTER**
CEO, SalesLoft

" I don't want to inject gender diversity because it's the politically correct thing to do. I want to honor females in the organization because I want to win and they help do just that! We hold all hands meetings every week with internal and outside speakers – each time has included at least one female speaker. By bringing in outside speakers to discuss their own experiences and by creating mentoring opportunities in our organization, we create an environment where everyone – no matter race or gender – can flourish. "

" One major way we can ensure Cogito's continued success is by fostering teams comprised of people with different backgrounds and perspectives. To build a more diverse company, I made sure that I LED the initiative and educated myself on why diversity is so important. We've built diversity into our cultural operating principles (it's one of our five core values) and have spent a lot of time explaining to our employees that it's not about social justice, it's about WHY and HOW diversity impacts business performance for the better. We've implemented tracking measures to monitor employee engagement and company progress around diversity, and have been completely open about the data within our organization. We also recently partnered with NCWIT to support us in this company-wide mission, and chose this organization as a partner because their research and data-based approach to tackling the diversity challenge is wholly unique. "

**JOSH FEAST**
CEO, Cogito

**GRANT MCGRAIL**
Head of Enterprise Sales, WeWork

" I've spent over a decade in the software industry, where it's common to see disproportionately male sales teams. WeWork is intended to be an inclusive community. As a company, we have an unofficial target for an even gender split staff and we are not far off that now. I'm proud to say our global enterprise sales team is nearly an even gender split too which gives us a distinct advantage when interacting with a variety of clients. It is very much our intention to ensure this balance remains as we grow. "

# INSIDE APPDYNAMICS' IPO PLAYBOOK: PREPARING YOUR SALES ORG TO GO PUBLIC

Interviewed by Casey Renner

Joe Sexton has a lot of impressive, real-world experience growing sales revenue. Since the 90s, he has helped some of the biggest names in the software industry double, triple and otherwise exponentially increase their revenue. At Computer Associates, Mercury Interactive and McAfee, Sexton played a key role in managing growth through sales and acquisition, but one challenge had eluded him: taking a startup through IPO.

It took the sustained effort of a very persistent recruiter to eventually connect Sexton with an opportunity that would ultimately help him meet that goal. The recruiter introduced Sexton to AppDynamics' Founder and Chairman, Jyoti Bansal. When Sexton joined the company in 2012, it was doing about $28 million in bookings and $12 million in annual revenue. Three years later, they were clocking in north of $300 million in bookings and well over $100 million in annual revenue.

"It was a combination of a fantastic product and our ability to convince people that the total addressable market (TAM) was substantially bigger than conventional wisdom would have them believe," Sexton recalls. In fact, while most people estimated that application performance management was about a $2.5 to $3 billion TAM, Sexton proved to skeptics that the actual opportunity was closer to $15 billion.

While pitching a TAM five times the generally accepted value might seem like an over-the-top move, drawing a grand and confident line in the sand is actually a hallmark of Sexton's approach to building revenue. But, there's much more to his strategy than bravado.

## GROW TOPLINE REVENUE, BUT NEVER FORGET THE BOTTOM LINE

"One of the main things startups need to keep in mind is that you have to act like a public company before you actually become one," Sexton says. "If you wait until after you do an IPO to establish all the processes, capacities, forecasting and other rigors you need to stand up as a public company, it's way too late."

This was the mindset Sexton had when, shortly after joining AppDynamics, he stood in front of the company and told them that they were going to grow from $28 million to $65 million in the upcoming year. "Everybody thought I was crazy," Sexton says. "But I had a vision in my mind that if you set high enough goals and then built the capacity around those goals and put the processes in place to execute against those goals – anything would be achievable. So, why not aim high?"

"My theme when I walked in the door," Sexton explains, "Was that we'd done great up to that point, but we were entering the big leagues and had to start acting like it." The strategy paid off. Sexton helped take the company to $77 million that first year (beating his initial goal), $157 million the second year, and $303 million the third year.

Sexton sees setting these kinds of "big, hairy, audacious" goals as part of his responsibility, but he also knows that there's more to achieving the goals than simply putting them out there. "There were two components to it," he explains. "There was the what we were going to do — the numbers — then there was the how we were going to do it: hiring the right people, retaining them, keeping them motivated and being very, very customer success focused – and always doing so ethically and with the highest integrity. In my mind, the how was way more important than the what. If you do the how right, the what follows."

Also mitigating the potential risks of his big thinking and audacious goals was Sexton's commitment to balance. "Each year at the company kickoff, I presented the topline we were going for," he says. "But, I always closed with a statement about the importance of spending our resources wisely. It's not like a drunken sailor. You have to have ratios and be efficient when you're looking to go public, so it's not just about growing topline, but also about optimizing the bottom line as you scale."

## SET A FORMULA-DRIVEN APPROACH TO SCALING

Moving from high-level goals and strategies to in-the-trenches growth plans, Sexton focused his formula-driven approach on three primary areas: sales capacity, enablement and measurement. Understanding and optimizing each of these metrics is critical for any sales leader who wants to partner successfully with a CEO as a company heads toward IPO.

### Sales Capacity

"Number one, focus on your sales capacity," Sexton says. "Many people get too focused on quotas, but quotas create a false sense of security. You can give anybody any quota you want, but the real question is, can they hit it? Yield refers to what people actually do versus what they are striving for."

Sexton notes that when looking at yield, it's important to remember that there are "ramped" and "unramped" reps. "A ramped rep is somebody who's been trained and enabled and who has gone out on the battlefield and gotten some scars," Sexton explains. For AppDynamics, these reps usually have six months under their belts and are expected to make their assigned sales targets in each successive quarter. Based on this expectation, Sexton is able to define the yield – what, on average, a rep should be able to produce. Unramped reps, on the other hand, are new hires who are still learning the ropes and to whom Sexton doesn't attribute any yield for the first quarter.

"You've got to make sure you have capacity on the sales side and you've got to make sure you have a good partnership with your CEO and your CFO so that everybody agrees up front that this is the first order of business," says Sexton. "If we don't have enough sales capacity, we won't hit our targets. Especially in a startup trying to IPO, nobody cares about bottom line as much as they do topline. Make sure you get that right first."

### Sales Enablement

The second key area of focus is sales enablement, because it's not just about hiring enough of the right people; it's about making sure those people have what they need to do their jobs. Sexton sees two primary components to enablement: training and the back office.

"It's hard when you're hiring at scale, sometimes doubling your team size in the course of a year," Sexton says. "In that situation, it's critically important to have key assets available to enable people and get them ramped up quickly." At AppDynamics, Sexton tapped the European CTO to lead sales enablement. "It was a big strategic move to take somebody with that much talent and put him in charge of a capability a lot of people overlook."

In addition to putting a key team member in charge of sales enablement, another thing Sexton focused on in the training sphere was making sure everyone was consistently telling the same story. "You've got to be able to tell the company story," Sexton says. "There's a lot of pressure on reps to be able to tell that story, but once they're able to do that, it's very, very effective." This piece is so important, that AppDynamics reps are required to achieve certification in telling the story. They have to stand and deliver the story to a manager who provides a pass/fail assessment. Three failing assessments, and that's the end of the line.

The other half of the sales enablement equation is a strong and effective back office. "You have to start behaving like a public company before you become one," Sexton reiterates. This will look different for each company based on their strategy and needs, but at AppDynamics, a heavy focus on developing pipeline made implementing Salesforce to capture and measure pipeline crucial to supporting the sales effort. In fact, a culture where everyone was responsible for generating pipeline became pervasive. "PG Monday" was a weekly exercise where every field sales rep spent their entire day prospecting for new routes to money. When added to pipeline activities from marketing, partners, inside sales and inbound inquiries, this led to massive pipeline overall.

Also to support the culture of pipeline generation and enterprise sales, Sexton and Bansal agreed that it was important to have inside sales support. "You need to have an inside sales team so you can can be both effective and cost efficient in your efforts to touch the market. All of this comes back to the idea of productivity, of making sure those expensive enterprise field reps are calling on people who have been qualified. You want to be sure that their shots on goal are where they should be, and that they aren't off on wild goose chases. Having inside sales was critical for that, helped our cost ratios, and was also a great training ground for future field reps."

### Performance Measurement

Lastly, sales leaders preparing for an IPO must measure performance. "We measured and managed people based on activity," Sexton says. "So, based on our pipeline generation focus, each Friday we would inspect those field reps and look at key indicators."

For AppDynamics, Sexton looked at three primary goals. "We looked to have two really well scoped out proof of values each quarter," he says. "We also tried to have one 'business value assessment' each quarter, an exercise in which we get the customer to buy into the value relative to the price." Sexton also looked at what his team called "visible opportunities" in order to track dollar-value commitments.

"Rigor around numbers, metrics, and leading indicators is something you can definitely think about with your CFO and CEO, " Sexton says. "You want everybody to be comfortable that you have a clear and well-defined line of sight on making the numbers."

**"ONE OF THE MAIN THINGS STARTUPS NEED TO KEEP IN MIND IS THAT YOU HAVE TO ACT LIKE A PUBLIC COMPANY BEFORE YOU ACTUALLY BECOME ONE. IF YOU WAIT UNTIL AFTER YOU DO AN IPO TO ESTABLISH ALL THE PROCESSES, CAPACITIES, FORECASTING, AND OTHER RIGORS YOU NEED TO STAND UP AS A PUBLIC COMPANY, IT'S WAY TOO LATE."**

## REMEMBER THAT EVERYTHING STARTS AND ENDS WITH THE CUSTOMER

One of the key challenges sales leaders face when working with a team that's anticipating an IPO is keeping that team focused and steady. Sexton recommends transparency and constant communication.

"At AppDynamics, we weren't afraid to talk about the goal of becoming a public company," Sexton says. "But, at the same time, we helped our team gain the perspective that the IPO was only a point in time, not the end. Our constant and consistent message was crafted to remind the team that our focus was and is building a great long-term company."

Again, the details of the message will vary from company to company; but it's important to be specific and aligned. For AppDynamics, the message was all about customer success. "One of the key things that Bansal drove home (and, one of the reasons why I bought into him as CEO) was that everything started and ended with customer success, not customer satisfaction," says Sexton. "When I started, our net promoter score was 72. By the time I left, it was in the high 80s, which is unheard of. This is the point at which people become advocates, telling others about you and your company."

By adopting a singular focus on customer success, Bansal and Sexton were not only able to reap the revenue benefits of a coordinated and aligned land-and-expand approach, they were also able to keep the team focused on the job at hand rather than allowing them to become distracted by the anticipated IPO.

Stepping back for a broader view, Sexton points out that, at the end of the day, it's never just about sales. "Whether you're in support or marketing, the back office or development, in the end, the objective is to go out and secure customers by consistently beating the competition," he says. "So, think big and set your targets high, but make them achievable. Constantly remind people of the mission, and encourage them by recognizing all over-performers. Every win was recognized across the company and the bigger ones were done via a WinWire that talked about why we won, who were the competitors we beat and called out everyone who contributed regardless of their role in the company. And the last day of each quarter," Sexton adds, "an all hands meeting occurred to celebrate, recognize contributions and discuss the results against company goals."

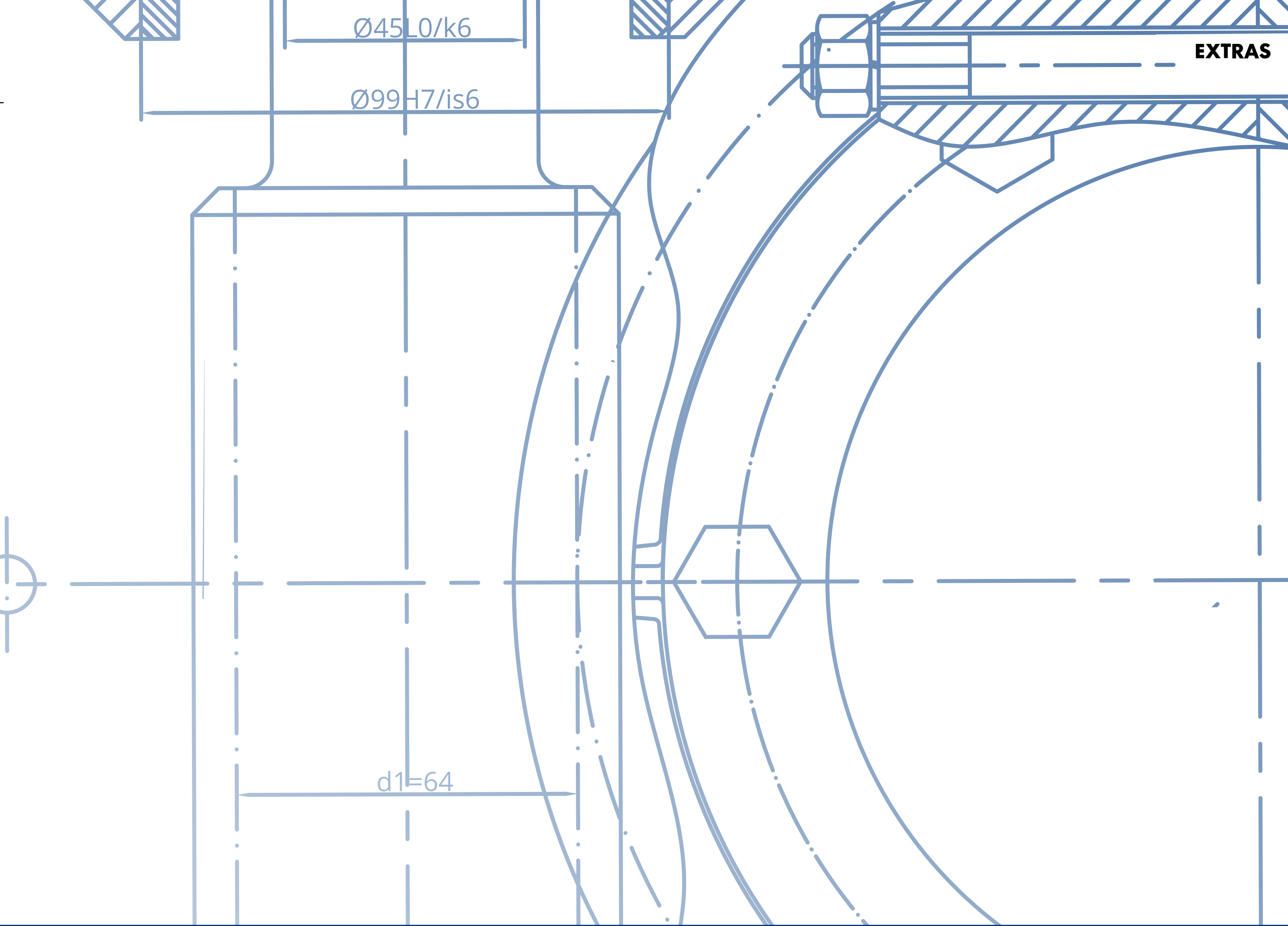
"This is a tough business," Sexton says. "No matter what you do in the pursuit, you want to end up with a win. But, despite my big, hairy, audacious goals, it was always about integrity and ethics. You want to make sure the company is proud of the sales function. You want to bring in the right people, do things the right way, and build a culture of not only hitting goals, but of winning... «



**"...AND WHILE IT MAY SOUND CORNY, WINNING IS A**
**T**OGETHER **E**VERYONE **A**CHIEVES **M**ORE **SPORT."**

# HOW STORYTELLING CAN POWER YOUR SUCCESS IN SALES, MARKETING & BEYOND

Interviewed by Devon McDonald






It may sound cliché, but it's also true: the world is changing. The traditional approach to telling your company's story isn't enough to make you stand out from the competition. So says Andy Raskin, a highly sought after consultant who works directly with CEOs and their leadership teams to develop strategic stories that play a critical role in powering success in sales, marketing, fundraising, product development and recruiting.

I had the opportunity to talk with Andy about what he's learned from working on projects for brands like Salesforce, Square, Uber, Yelp and VMware, not to mention a number of OpenView's own portfolio companies. He had a lot to share about best practices in the months leading up to and following a major rollout.

## STORY AND WHY IT MATTERS

One of the biggest misconceptions Andy runs into again and again is that creating a story is a task often delegated to marketing, when in fact it's much bigger than that. As Andy learned from Ben Horowitz at Andreessen Horowitz, story isn't marketing, it's strategy. And it will have a profound effect on your business if you're willing to dig deep into it.

**"WHEN I FIRST BEGAN WORKING IN TECH, I THOUGHT OF THE PRODUCT AS THE MAIN THING YOU'RE BUILDING AND STORY AS THE WRAPPING PAPER THAT YOU PUT AROUND IT TO MAKE IT LOOK PRETTY AND HELP SELL IT. NOW, HAVING LEARNED FROM PEOPLE LIKE BEN HOROWITZ AND OTHERS, I'VE COME TO BELIEVE THAT THE STORY IS THE MAIN THING YOU'RE BUILDING, AND THE PRODUCT IS PROP FOR MAKING THAT STORY COME TRUE."**

The story acts as your North Star around which to align your entire business, including your product roadmap, features list, sales pitch and – yes – your marketing. Because story drives all these things, it can't be developed in a marketing silo. Marketing has a large and important role, but the CEO needs to own the big story decisions because the CEO is the person who can say, "If we're going to tell this story, maybe we need to build out some additional functionality"...and make it happen.

To sum up, story is not just the window dressing on your big idea. It is your big idea. It's the starting point and the end game all wrapped up in one.

## HOW TO CRAFT A STORY: 5 STEPS

When is the right time to develop your brand's story? "Typically, companies call me when there have been some signs of success, but that success has been driven – as one founder put it – by the 'brute force' of the founding team," Andy says.

These companies are on the cusp of a new level of growth – moving from a stage where the founding CEO is in every sales call to a stage where things are starting to scale across the entire organization. These companies have also often hit the dip that happens after early adoption, creating fall-off and a trough that leads to an opportunity to build the strategic narrative for the first time. "At this stage," Andy says, "they start realizing that their growth is dependent on having a simple and really powerful story."

And that's when Andy gets to work.

## STEP 1: CREATE YOUR STORY TEAM (AND MAKE SURE IT INCLUDES THE CEO)

Andy always asks the CEO to create a story team of four or five people led by the CEO. CEO leadership is so critical to the success of the story process that Andy turns down projects if the CEO can't commit to being fully involved. It's not just that the CEO is the only person with the authority to define a company's high-level strategic story, the CEO is also the only person who can empower the team to make the big, hairy choices that great strategic messaging require.

## STEP 2: SWITCH THE METAPHOR

"A lot of folks, when they think about the company's story, boil it down to some version of, 'Here's why we're great,'" Andy says. "But, you need to switch to what is happening in the customer's world that is creating stakes, meaning, opportunity and risk."

Andy accomplishes this by helping the story team switch from a doctor-patient metaphor (in which the company is the doctor diagnosing the prospect's pain and offering products and services to relieve it), to a wizard-hero metaphor (in which the company is the wizard or wise man/woman who helps the hero – the customer – understand the true stakes and empowers them to take action). This approach allows you to tell a story that expands beyond the humdrum world of selling to pain so you can tell a more rousing and epic story that serves as a wake-up call inspiring prospects to buy.

## STEP 3: FIGURE OUT THE CUSTOMER STORY

Crafting the bones of that epic story requires a true understanding of the big change that's happening in the prospect's world. What has changed the rules of the game so that there will be new winners and losers and new strategies for winning?

Andy uses a Star Wars example to help illustrate the principles of creating this new narrative. "There's this great moment in the beginning of *Star Wars: The New Hope* where Luke has been bellyaching for ten minutes about how he wants to get off the planet, be a pilot and have adventures. And then Obi-Wan comes to him and says, 'Hey, let's get off the planet. I'll teach you to be a pilot, you can have adventures. I'll teach you about the force and everything.' And what does Luke say? 'You know what. It's getting kind of late. I have to go home.' But then, the Empire bombs Luke's home, killing his uncle, and Luke realizes that he's now very much in danger and probably going to die. This creates stakes. Luke suddenly realizes that Obi-Wan is offering him the chance to thrive and prevail in a life-and-death situation. That's a whole different story that will inspire him to act."

Andy and the story team usually take a few months to talk to customers and gather input from the internal team in order to get a handle on the customer story. Interestingly, they only ask one question about the company's products: How have these products changed your life? After that, Andy shifts focus to what has changed in the prospect's world to create new opportunity and risk. He pushes past the usual pain point conversation – which is typically unexciting and therefore ineffective – so he can get at what's actually at stake for the prospect. In other words, he finds their Obi-Wan moment.

## STEP 4: BUILD THE STORY

Early on, Andy took a unique approach to building the story. Instead of the traditional "messaging pyramid" or "positioning statement," he uses the sales narrative – basically the sales deck – as the underlying structure for his messaging architecture. He uses this format because (done right ) the sales deck has all the relevant pieces of the story, which makes it the perfect foundation for other content like the company website, etc.

## STEP 5: TAKE YOUR STORY FOR A ROAD TEST

Finally, it's time to take your story for a spin. Andy recommends taking it out on sales calls in order to get some real-world reactions and feedback. He also suggests having the CEO or other executives present it at conferences or other events where the audience includes potential prospects. By seeing how the story is playing with the audience, you can refine and polish it so it's ready to roll out to the entire team.

From there, the best approach is a gradual rollout that lets you introduce the story to a few people at a time. The road test is the perfect chance to get some of your sales team involved, letting them weigh in, and giving them some ownership in the story. Integrating their experience and input will then make it that much easier to bring the story to other members of the team because it won't feel like something that was cooked up in a back room. You'll be able to share what happened when you took the story out to actual projects, how prospects engaged with it and how the story is creating results.

## TIPS FOR DIY STORY DEVELOPMENT

For companies who want or need to tackle the story process on their own, without the guidance of an expert, Andy has a few words of advice to help avoid common pitfalls.

» **Worth repeating: Make sure the CEO drives this process.**
  Having the CEO lead and own the story development process is especially important for DIY teams. This isn't something that can or should be delegated. It's that important.

» **Do the legwork to collect critical customer input.**
  "Customers will put things in a way you never considered," Andy says. "When your team is thinking about going in a couple different directions, customer input will instantly make it very clear which one is the right one." This isn't a step you want to skip.

» **Don't punt on the "promised land."**
  The "promised land" is an element of the story that articulates the new-and-better future you're committing to create for the customer – the positive change you will make in the customer's life. As an example, Andy cites Airbnb's "Belong anywhere" idea or the promised land offered by a pizza place near his San Francisco home (a world away from the real pizza of his childhood home in Brooklyn), "Believe in pizza again."


**"SOME PEOPLE MAKE THE MISTAKE OF THINKING THAT THE STORY IS ABOUT EDUCATING PROSPECTS ABOUT WHAT'S HAPPENING IN THEIR WORLD. THAT'S NOT WHAT THE STORY IS. THE STORY IS TELLING THEM THAT WE UNDERSTAND WHAT'S HAPPENING IN THEIR WORLD. WE'RE TRYING TO SHOW EMPATHY AND CREATE AN EMOTIONAL CONNECTION."**

The pitfall of many companies fall into is being vague about the promised land. "They say they're going to create change, but they're not saying anything specific about that change," Andy explains. "They're not really taking a stand; they're just punting." For example, we've all seen brands that promise to "transform" or "disrupt" their industry without addressing exactly how they're going to create change. Without the how, the promise falls flat.

» **Be strategic about what you leave out of the story.**
Probably the hardest task DIY story creators face is deciding what to leave out of the story. There's always so much to say, but Andy warns that adding too much will drain the meaning from the whole thing. Helping the story team navigate the often emotional process of picking and choosing what to say is one of the benefits of working with someone who can bring a clear, unbiased outside opinion.

## WHAT TO EXPECT AFTER YOUR STORY LAUNCH

Andy typically sees improvements in three key areas in the months after he and a company team launch a new strategic story:

» Sales teams become more effective. Conversations with prospects are no longer about the company or the product, they are about the change in the customer's world and how that change demands new strategies for determining winners and losers. It's a totally different – and much more successful – approach.

» Investor pitches get better. Andy Wilson, CEO of Logikcull, sent Andy an email after their story launch and said, "Our recent $25 million raise from NEA was partially due to having a great strategic company story." This is due in part to the fact that one of the first questions investors ask is the question of due diligence, and the strategic company story addresses that by talking to customers to find out why people need the product, what's at stake, and how the company can articulate the promised land they need to deliver.

» Company morale improves. A consistent, clear and simple story with emotion and stakes isn't powerful only with customers, it helps get everyone – including employees and candidates – on board. A strategic story makes it easier to sell your company to new hires and recruit the best new team members.

## AT THE HEART OF ANY GOOD STORY IS EMOTIONAL CONNECTION

Prospects already know what's happening in their world. Instead of trying to tell them what they already know, a strategic story helps you get to what Andy calls "that's right," a concept he picked up from the negotiation book, Never Split the Difference, by former FBI hostage negotiator, Chris Voss. The technique is about using active listening – respectfully listening to someone and then repeating back a summary of what they said and iterating based on feedback – to elicit a "that's right" response. Sometimes, the response is a head nod, and sometimes it's someone literally saying, "That's right." Either way, when your story gets this reaction, it's a turning point. It means your audience is willing to open up and talk about how the changes in the world are affecting them or their company. They are willing to be vulnerable and tell you what's really going on. That's gold if you're a salesperson.

That emotional connection is the point of your strategic story.

"When you get really clear on your story, there are pieces that become the North Star for your product roadmap...but the guidance a strategic story provides about how to prioritize which features to build really comes from understanding, on a much deeper level, what's at stake for the customer and the promised land – the story you want to make come true for the customer." «

# UNBIASED HIRING: TACTICAL TIPS TO HELP YOU BUILD STRONGER, MORE DIVERSE TEAMS

Interviewed by Kyle Poyar

Building a team that embraces diversity and inclusion can be challenging for any company, and some might say particularly challenging for tech companies. It is difficult to eliminate the hidden biases that exist in the traditional hiring process, but I recently had the chance to talk with someone who is a pioneer working to solve this exact problem.

Kate Glazebrook is the co-founder and CEO of Applied, a technology platform that uses behavioral and data science to remove bias from hiring decisions. In layman's terms, it's a hiring platform that helps you find the best person for the job, regardless of their background.

Kate started her career as an economist in the Australian government. While the connection between that job and her new role reshaping the way corporations hire talent may not be immediately apparent, there are some common threads. For instance, Kate's work on pension and welfare policy focused on finding ways to ensure the promotion of social mobility in a way that didn't systematically overlook huge swathes of the population just because they didn't "look the part."

In my conversation with Kate, we talked about why diversity matters (especially for tech companies), why these companies find addressing it challenging, and what Applied is doing to change hiring processes for the better. She also shared a few tips on what any company can do right now to initiate positive changes in how they hire.

## HOW DIVERSITY MAKES YOUR TEAM STRONGER

When someone asks Kate to explain why diverse teams are so important, she has the perfect answer. She asks, "Can you give me a good reason why you wouldn't want diversity in your team?"

**Good question.**

There are, of course, a number of moral and ethical reasons why it's important to build diversity into any team; but Kate points out that it's not just about socio-demographic diversity, but also about socio-cognitive diversity.

There is a lot of research that supports the value of socio-cognitive diversity.

**"THE GENERAL CONSENSUS IS THAT DIVERSE TEAMS TEND TO OUTPERFORM HOMOGENOUS TEAMS, PARTICULARLY WHEN THEY'RE WORKING ON PROJECTS THAT REQUIRE CREATIVITY, INNOVATION, OR SOLVING COMPLEX PROBLEMS – SITUATIONS IN WHICH NOT ALL THE INFORMATION ABOUT THE PROBLEM IS KNOWN."**

Sounds like every project I've worked on.

Part of the reason diverse teams have an edge is that people tend to work a little harder when they know that team members will be coming at the problem from different perspectives. They understand that they'll need to bring their "A game" and present their perspective as persuasively as possible.

Diverse teams are less likely to degenerate into an innovation-killing echo chamber. "If you're going into a conversation where you know what people think about the given topic, you can easily dodge things you don't want to talk about and concentrate on areas of mutual interest," Kate explains. Conversely, in a more diverse team, people go in prepared to develop and defend their ideas with more passion because they know their ideas will be judged against a wide range of solutions. As Kate points out:

**"ONE OF THE EASIEST WAYS TO ACCURATELY TEST YOUR ASSUMPTIONS IS TO HAVE SOMEBODY IN THE ROOM WHO VEHEMENTLY REPRESENTS A SLIGHTLY DIFFERENT PERSPECTIVE."**

Diversity is especially important for technology teams. Most technology companies want their products to have the widest appeal and application possible. Technology built by a diverse group is more likely to serve a diverse group and, ultimately, be more sustainable.

## COMMON ROADBLOCKS TO BUILDING A DIVERSE TEAM

So, if the benefits of diverse teams are so great, why aren't more companies getting on board with building them? The short answer is that change is hard. People are used to doing things, like hiring, the way they've always been done. Also, hiring is a fairly complex process, so trying to unpack it and rework it feels like a huge undertaking.

When you start to break it down, however, Kate points out that there are really two main challenges: sourcing/attraction and selection. In other words, the problems most companies cite are:

1. I can't get a diverse group of people to apply for my job openings; and
2. Even when I do have a diverse applicants, they aren't getting hired.

With the Applied platform, Kate and her team are focused on helping teams overcome both of these problems, particularly around the selection stage of the process.

"We help make sure that when you have a diverse group of people, you're not systematically overlooking certain applicants because the process you're using inadvertently creates bias against them," Kate says. "A lot of the challenge stems from the fact that most of us inherently feel most comfortable hiring people who look and feel a bit like us."

In trying to maintain our comfort level, we are often overly reliant on tapping into our own networks to fill positions. In fact, many companies heavily incentivize employees to bring in candidates from their networks.

While this refer-a-friend approach may seem efficient on the surface (referred applicants are usually more likely to be accepted and integrate more easily into the team), the process is recursive. Any personal network is, by definition, a subset of the wider network. Focusing a candidate search within personal networks typically results in overlooking people based simply on how an individual's relationships skew the pool.

Stereotypes are another problem. While hiring women into technology roles is one obvious area where this issue comes into play, it certainly isn't the only one. Men, for instance, face similar prejudice when it comes to roles that deal with caring for young people. In any such case, the solution is the same. As Kate explains:

**"YOU NEED TO REMOVE ANYTHING THAT DISTRACTS FROM THE WAY YOU UNDERSTAND TALENT (LIKE PEOPLE'S NAMES, WHERE THEY WENT TO SCHOOL, AND SO FORTH) SO YOU CAN REALLY CONCENTRATE ON THE SKILLS THE CANDIDATE CAN BRING TO THE ROLE. THAT'S WHERE YOU START TO DISCOVER THAT DIVERSITY WINS OUT."**

## A NEW HIRING METHODOLOGY: REMOVING BIAS

Knowing that they were just as likely to fall into the same hiring traps as other organizations, the team behind Applied ran a massive experiment in which they tested their new model of hiring against the traditional resume or CV-based sifting process. They put real candidates through both processes simultaneously, allowing one team to review candidates based on their CVs and another team to review them based on their responses to skill-based questions that were part of the new de-biased methodology.

The new methodology involved a number of strategies and tactics, all geared toward removing bias by eliminating any information that would distract from the work of assessing a candidate's actual skills. Four of the primary changes to the process were:

1. **Anonymizing the Applications**
   This involved removing names, education history and other details that might create bias in the reviewer.

2. **"Chunking" Applications by Area**
   By comparing candidates first on one aspect of the job and then the next aspect, the team was able to eliminate the "halo effect," which biases judgement by transferring assessment of a person's abilities in one area to bleed over into how we assess them in another area.

3. **Averaging Application Scores**
   The new methodology allowed multiple people to score applicants at the same time without seeing each other's scores, and then all the separate scores were averaged together, allowing the team to leverage the wisdom of the crowd, so to speak.

4. **Randomizing Candidate Order**
   Finally, because there is some interesting research that time of day can have an impact on decisions, the team randomized when candidates appeared to reviewers.

After hacking a system that allowed them to focus on the things about a candidate that really mattered, the team discovered some interesting (if not totally unexpected) things:

» CV scores weren't predictive in terms of how a candidate performed in later stages of recruitment. In fact, there was no correlation between CV performance and later stage performance. The skill-based scores, however, were very predictive of later performance.

» More than half the people hired would not have gotten the job under the traditional process. In fact, many of the people who ultimately made the cut would never have even made it to the interview stage under the CV-based process.

» Overall, the group of candidates selected for interviews were more diverse, meaning that the new methodology was not only more efficient at finding people who were more skilled, but also at diversifying the people the organization was hiring.

## THINGS YOU CAN DO TODAY

Even if you're not ready to take advantage of a technology platform like Applied, there are still some steps Kate recommends to remove bias from your hiring process.

First, know that bias and diversity training don't usually stick. While they can do a decent job of raising awareness, there's not much correlation between the implementation of these kinds of courses and the candidate selection decisions made three weeks later based on reviewing CVs. Instead, you have to focus on how you structure the actual process.

Iris Bohnet, one of Applied's advisors, wrote a book called, What Works: Gender Equality by Design. One of the main points she makes is how important it is to structure the hiring process properly. For instance, one of the traps companies often fall into is deciding what they care about after they've interviewed people. This approach of defining a role after seeing several candidates almost always leads to deciding what you care about based on the person you liked best.

A better approach is to define the skills you're looking for before you start the process. Ideally, Kate recommends weighting each skill to give yourself a really clear benchmark against which to assess candidates. "This limits the usual 'I liked them' or 'I didn't like them' kind of responses," Kate explains. "Instead you can hone in on how good each candidate was in each of the skill areas you identified as important for the job."

Applied uses this approach on a more sophisticated scale to help organizations implement a truly skills-focused hiring approach that naturally helps build team diversity. Their platform is a rare example of how technology can sometimes make us better humans, removing bias to ensure that the best people get the job. «

# PRODUCT LED GROWTH: THE SECRET TO BECOMING A TOP QUARTILE PUBLIC COMPANY

By Sean Fanning

Software investors have traditionally focused on three key valuation drivers when evaluating businesses, including:

1. **Revenue growth**, which is strongly positively correlated with valuation (enterprise value/ revenue)

2. **Gross margin**, which demonstrates the scalability and repeatability of product delivery to customers

3. **Rule of 40**, calculated as revenue growth plus EBITDA margin, which acts as a proxy for efficiency (balancing growth vs. burn)

Surprisingly, the 1H 2018 IPO Cohort1 is not differentiated on key valuation drivers as compared with the broader public SaaS index2. Let's take a look:

Growth, particularly forward (2019P) growth of the Cohort is on par with the broader SaaS index (+1.6%). The Cohort isn't surging towards market dominance significantly faster than other public companies. The 1H 2018 IPO Cohort operated at lower trailing gross margins compared to the SaaS index (-2.3%) suggesting implementation, support and platform have not yet achieved the scalability of other public businesses. The median "Rule of 40" for the Cohort significantly trails the public SaaS index (-21.8%) which implies the capital outlay required to support the growth is greater than other companies.

Intuition alone tells us that the 1H 2018 IPO Cohort should not be significantly differentiated on valuation; however, despite performing (arguably) worse than the public index, the 1H 2018 IPO Cohort traded at

| | Valuation Drivers | | | | | Valuation | |
|---|---|---|---|---|---|---|---|
| | Revenue Growth | | Gross Margin | Rule of 40 | | EV/Revenue Multiple | |
| | 2018E | 2019P | TTM | 2018E | 2019P | 2018E | 2019P |
| **Median Metrics** | | | | | | | |
| 1H 2018 IPOs | 33.10% | 23.50% | 68.30% | 20.10% | 16.70% | 11.0x | 8.8x |
| SaaS Index | 26.20% | 21.90% | 70.60% | 41.90% | 35.80% | 7.9x | 6.5x |
| **Delta, IPOs to SaaS Index** | **6.90%** | **1.60%** | **-2.30%** | **-21.80%** | **-19.10%** | **3.1x** | **2.3x** |



a median multiple 3.1x (39%) higher than the rest of the public set as of 6/30/2018.

The data available for the 1H 2018 IPO Cohort neither support the valuations these businesses have received, nor can they be reconciled with performance since IPO.

## WHAT CAN WE LEARN FROM RECENT IPOS?

Wall Street has lost its mind and is paying ridiculous multiples to get companies public!

**Well, not so fast...**

A subset of the companies in the 1H 2018 IPO Cohort are in fact significantly differentiated in that they leverage product led growth (PLG) strategies. Together, this group of public PLG companies is pulling up the median valuation of the Cohort. For these businesses, product usage serves as the primary driver of user acquisition, expansion and retention meaning they can forgo significant investment on traditional marketing and sales activity.

With the virality of user adoption and significant goodwill that they've built up with users, it's easier for PLG businesses to successfully (and efficiently) accelerate growth via cross-sell/upsell over time. Atlassian, a great example of a PLG business, was able to show in their S-1 that $1 of spend in year 1 would become $7 of spend by year 5.

Intuition tells us that PLG businesses should perform better across all key valuation drivers. With that in mind, let's look at another cut of the key valuation drivers for the 1H 2018 IPO Cohort, this time with the data segmented to visualize the characteristics for PLG businesses separately from non-PLG businesses:

| | Valuation Drivers | | | | | Valuation | |
|---|---|---|---|---|---|---|---|
| | Revenue Growth | | Gross Margin | Rule of 40 | | EV/Revenue Multiple | |
| | 2018E | 2019P | TTM | 2018E | 2019P | 2018E | 2019P |
| **Median Metrics** | | | | | | | |
| 1H 2018 IPOs, PLG | 39.50% | 25.90% | 71.80% | 22.70% | 23.00% | 13.6x | 10.8x |
| 1H 2018 IPOs, non-PLG | 30.50% | 23.50% | 58.30% | 20.10% | 14.90% | 9.2x | 7.4x |
| SaaS Index, non-PLG | 25.30% | 20.40% | 69.90% | 37.00% | 30.80% | 7.7x | 6.2x |
| **Delta** | | | | | | | |
| PLG IPOs to SaaS Index | 14.30% | 5.50% | 1.90% | -14.30% | -7.80% | 5.8x | 4.6x |
| Non-PLGs IPO to SaaS Index | 5.20% | 3.10% | -11.60% | -16.90% | -15.90% | 1.5x | 1.2x |

**PRODUCT LED GROWTH COMPANIES DELIVER A SUPERIOR PRODUCT EXPERIENCE, AND AS A RESULT THEIR PRODUCTS ARE EXTREMELY STICKY – PEOPLE LOG IN REGULARLY, USERS SHARE THE PRODUCTS WITH COLLEAGUES AND FRIENDS AND THESE BUSINESSES TEND TO BOAST AMAZING NET PROMOTER SCORES.**

# BECAUSE PRODUCT USAGE DRIVES GO-TO-MARKET, IT ISN'T SURPRISING THAT PLG GROSS MARGINS ALSO OUTPERFORM THE SAAS INDEX AS FEWER IMPLEMENTATION AND SUPPORT RESOURCES ARE REQUIRED.

Revenue growth of the PLG IPOs will outpace the SaaS index (+14.3%) in 2018E, spurred on by the 'delightful' product experiences product led companies deliver.

Finally, PLG companies in the 1H 2018 IPO Cohort do close the gap on the Rule of 40. While the "Rule of 40" of the Cohort still trails the broader index, businesses in this group will grow more efficiently over time due to strong net dollar retention and can therefore invest more upfront due to significant expansion potential.

When we segment statistics for PLG vs. non-PLG companies in the 1H 2018 IPO Cohort, we can see that not only do product led growth businesses perform better on all key valuation drivers, they also trade at revenue multiples 48% greater than their non-PLG peers in the 1H 2018 IPO Cohort (as of 6/30/2018).

Public market investors have realized that **not all SaaS revenue is created equal.** And in fact, companies that implement PLG strategies are more valuable.

## WHAT DOES THIS MEAN FOR YOU?

Let's examine how product led growth plays out in reality by evaluating two giants in file sharing: Dropbox and Box. Both were founded in the mid 2000s and reached scale quickly. But Dropbox, which pursued a freemium, product led growth strategy, has clearly won the file sharing war. The company generates double Box's revenue, spends a lower share of their revenue on sales & marketing, and consequently trades for a far higher revenue multiple (9.1x versus 5.2x).

Growth, gross margin, and "Rule of 40" are fundamental to software valuations, and it is clear that companies that employ PLG strategies are better suited to optimize all three. PLG businesses are therefore increasingly attractive to investors who gain high certainty around future growth and market leadership.

At OpenView, we believe businesses with PLG strategies will feature prominently among top performers in the software landscape.

To support ongoing thought leadership and to communicate trends in PLG businesses, OpenView is excited to unveil our Product Led Growth Index to make available the financial, operating and valuation data for the public PLG companies that we track.

The trends observed within the PLG segment of the 1H 2018 IPO cohort hold for the entire PLG Index. Growth, gross margin and the Rule of 40 all track above the non-PLG SaaS index, and this is reflected in the median revenue multiple (valuation) of PLG businesses tracking 29% higher (as of 6/30/2018).

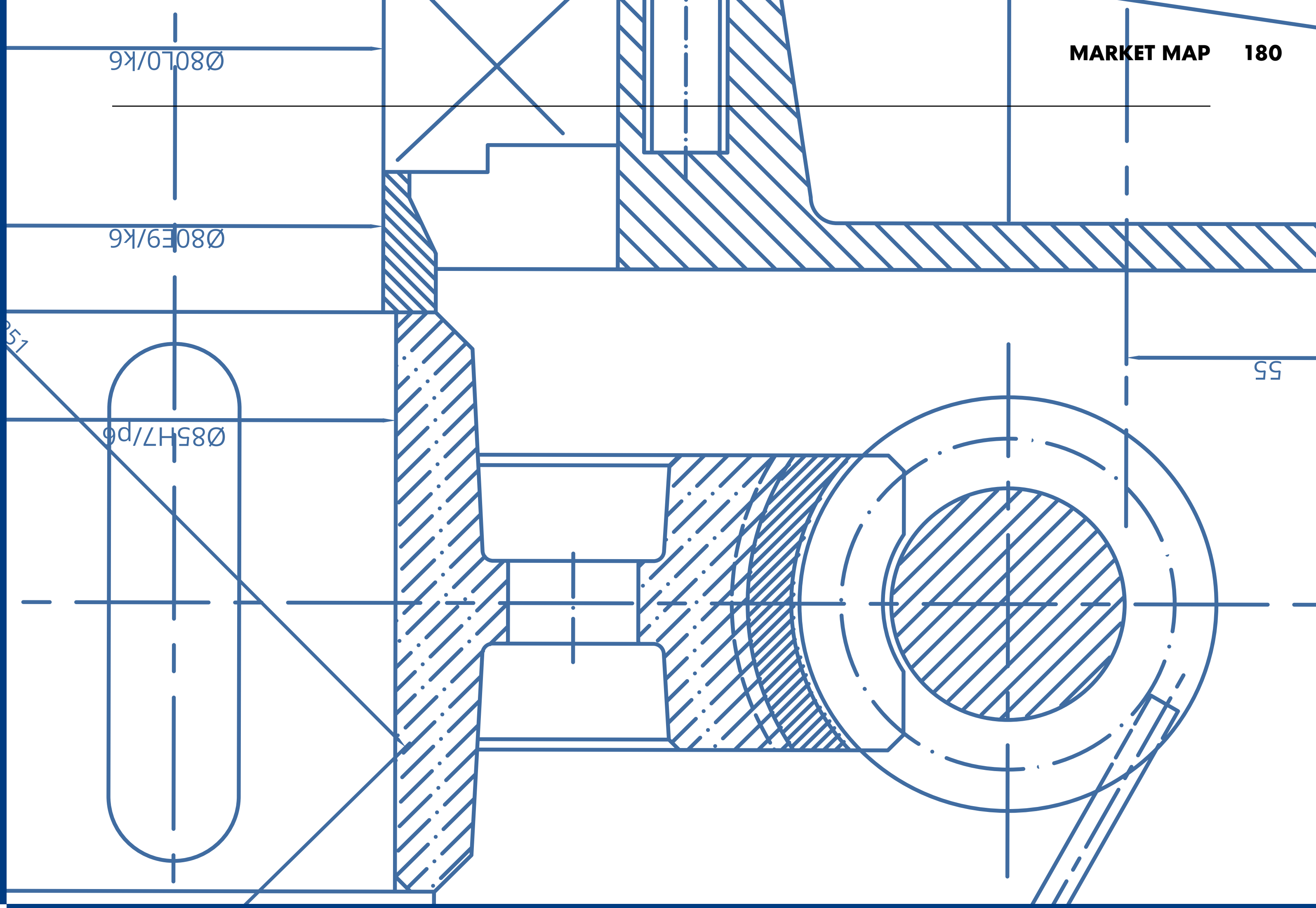
The 1H 2018 IPO Cohort includes Avalara, Carbon Black, Ceridian HCM, DocuSign, Domo, Dropbox, Pivotal Software, Pluralsight, Smartsheet and Zuora.

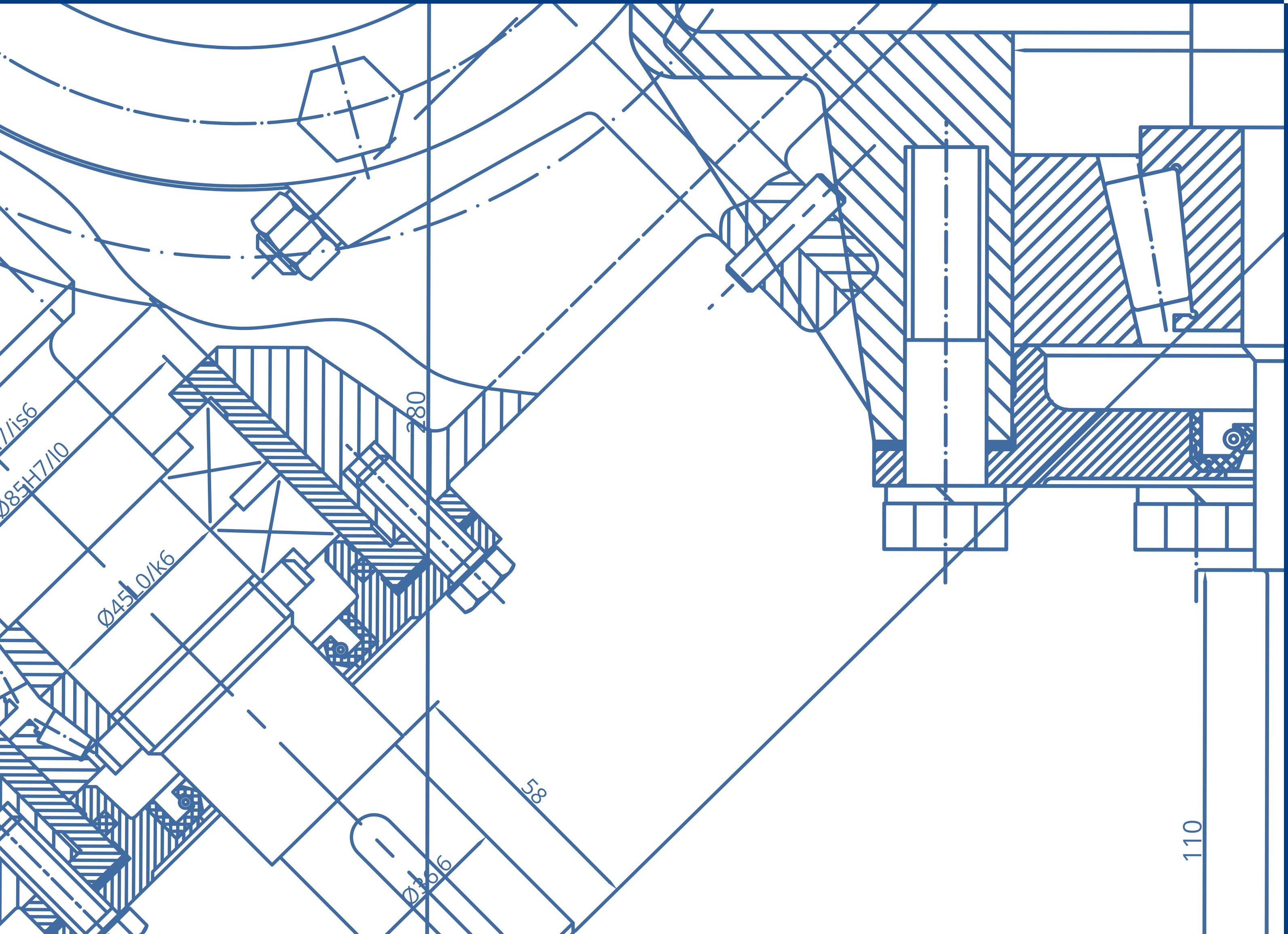
OpenView's public SaaS index includes ALRM, APPF, APPN, APTI, ATHN, AVLR, AYX, BAND, BCOV, BL, BNFT, BOX, CARB, CBLK, CBLK, CDAY, CISN, CLDR, COUP, CRM, CSLT, CSOD, DBX, DOCU, DOMO, ECOM, ELLI, EVBG, FIVN, HUBS, INST, KXS, LOGM, MB, MDB, MIME, NEWR, NOW, TWLO, OKTA, PAYC, PCTY, PFPT, PS, PVTL, QLYS, QTWO, RNG, RP, SEND, SHOP, SMAR, SPSC, TEAM, TWOU, ULTI, VEEV, WDAY, WIX, WK, WTC, YEXT, ZEN, ZUO. «

**OUR INTUITION WAS RIGHT – THE NUMBERS SPEAK FOR THEMSELVES AND IT'S CLEAR THAT PLG COMPANIES PERFORM BETTER THAN THEIR NON-PLG PEERS IN THE SAAS INDEX!**

# 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 200 companies are featured in our Market Map. You'll recognize publicly traded SaaS standouts like Dropbox, Slack, Twilio 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.

Published October 2018

PLG MATURITY

## DEVELOPER & PRODUCT TOOLS

- DATADOG
- GitHub
- Bitbucket
- DUO
- POSTMAN
- aws
- twilio
- zapier
- DigitalOcean
- logz.io
- Auth0
- Segment
- GitLab
- Travis CI
- algolia
- JumpCloud
- npm
- Sourcetree
- PLURALSIGHT
- circleci
- factual
- ionic
- PANTHEON
- NGINX
- FRAMER
- Aha!
- BITRISE
- applitools
- sqreen
- workona
- SAUCELABS
- Lob
- elastic
- Instrumental
- Malwarebytes
- neo4j
- diffbot
- OpsGenie
- proto.io
- okta
- pagerduty
- AMPLITUDE
- dremio
- HashiCorp
- Sinch!
- DATASTAX
- confluent
- solarwinds
- Couchbase
- Octopus Deploy
- Marvel
- New Relic.
- VictorOps
- Signal Sciences
- redislabs
- FRUITION
- snyk
- AVG
- lifebit
- FOSSA
- tray.io
- plivo
- mongoDB
- sift science
- semaphore
- databricks
- Gradle
- Buddy

## BACK OFFICE & OPERATIONS

- Expensify
- LinkedIn
- shopify
- DocuSign
- intuit QuickBooks
- Dropbox
- DEPUTY
- xero
- Invoice2go
- indeed
- ZipRecruiter
- stripe
- pipefy
- Currencycloud
- UpKeep
- dashlane
- PLAID
- TravelPerk
- concord
- workable
- Hubstaff
- freelancer
- LastPass
- ZENEFITS
- Upwork
- GUSTO
- glassdoor
- Checkr
- toggl
- Flutterwave
- HELLOSIGN
- FORCEMANAGER
- ecwid
- lightspeed
- shippo
- box
- zervant
- keeper
- chargify
- IRONCLAD
- CHARTMOGUL
- openpath
- LiveAgent
- ADOBE ECHOSIGN
- FreshBooks
- charlie
- piesync
- Envoy
- baremetrics
- 1Password
- RoboForm
- onelogin
- DocHub
- dotloop
- bambooHR
- RAKEN
- practice fusion
- bigcartel
- When I Work
- holded

## CUSTOMER ENGAGEMENT

- SQUARESPACE
- MailChimp
- SurveyMonkey
- Eventbrite
- WordPress
- SendGrid
- Clearbit
- WiX.com
- pipedrive
- Typeform
- walkme
- Drift
- WISTIA
- Campaign Monitor
- INTERCOM
- MOZ
- aircall
- KLAVIYO
- buffer
- fullstory
- Apptivo
- HubSpot
- Hootsuite
- CRAYON
- getfeedback
- freshdesk
- zendesk
- webflow
- AskNicely
- Yesware
- GoDaddy
- JotForm
- contentful
- SalesHandy
- Help Scout
- tableau
- ONTRAPAGES
- Slite
- SendBird
- WOOTRIC
- gorgias
- NAMES & FACES
- Groove
- APPCUES
- Instapage
- Constant Contact
- qualtrics
- SALES MANAGO

## PRODUCTIVITY & COLLABORATION

- Lucidchart
- Trello
- slack
- G Suite
- Skype
- calendly
- zoom
- Airtable
- Confluence
- Jira Software
- PicMonkey
- LogMeIn
- Canva
- Mixmax
- asana
- invision
- UberConference
- AnyDesk
- smartsheet
- Basecamp
- join.me
- Smallpdf
- EVERNOTE
- Frame.io
- active.collab
- Figma
- FRONT
- favro.
- typetalk
- Notion
- DISCORD
- targetprocess
- Quip
- Labstep
- ASSEMBLA
- Redbooth
- Fleep
- FILESTAGE
- Cisco webex
- blossom

PRODUCT LED GROWTH

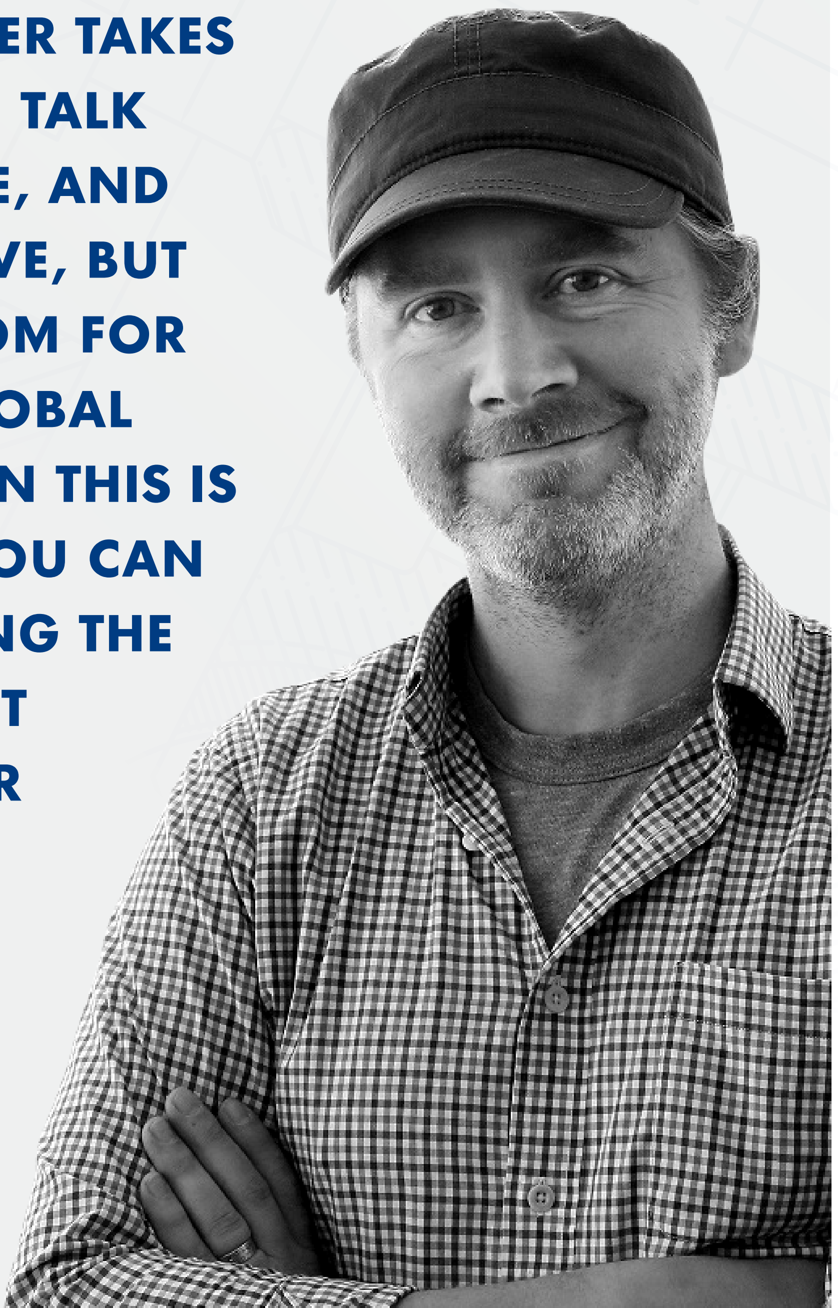
# INFLUENCERS

**HANA ABAZA**
**Head of Marketing**
Shopify Plus

**MONICA ADRACTAS**
**Global Customer Growth**
Facebook (Workplace by Facebook)

**"ONCE SOMEONE IS ALREADY DOING IT [PLG] IN YOUR SPACE IT'S VERY, VERY HARD TO UNSEAT THEM BECAUSE WORD OF MOUTH HAS A SORT OF "WINNER TAKES ALL" DYNAMIC: PEOPLE TALK ABOUT THE TOP CHOICE, AND MAYBE ONE ALTERNATIVE, BUT THERE ISN'T MUCH ROOM FOR THIRD PLACE IN THE GLOBAL CONVERSATION... WHEN THIS IS YOUR STRATEGY, ALL YOU CAN DO IS FOCUS ON HAVING THE BEST POSSIBLE PRODUCT AND ENCOURAGE YOUR USERS TO SHARE THAT WITH THE WORLD."**

**DAVID BARRETT**
**Founder & CEO**
Expensify





**"BY FAR THE BEST USER ACQUISITION CHANNEL ARE USERS WHO EXPERIENCE THE PRODUCT. 70% OF PEOPLE WHO SIGN UP DO SO BECAUSE SOMEONE INVITED THEM TO SCHEDULE A MEETING. ON TOP OF THAT, WE'RE REALLY RESPONSIVE AND HELPFUL WITH CUSTOMER SERVICE. OUR CUSTOMER HAPPINESS TEAMS ARE PART OF USER ACQUISITION STRATEGY IN FACT."**

**TOPE AWOTONA**
**Founder & CEO**
Calendly

**BRIAN BALFOUR**
**Founder, former VP of Growth at HubSpot**
Reforge

**NICK BONFIGLIO**
**Founder & CEO**
Aptrinsic (former)

**CLAIR BYRD**
**Sr. Director, Enterprise Go-to-Market & Customer Programs**
Twilio

**GUILLAUME CABANE**
**VP of Growth**
Drift

**DAVID CANCEL**
**CEO**
Drift

**ANDREW CAPLAND**
**Director of Marketing**
Wistia

**ASHISH CHAUDHARY**
**VP of Product & Engineering**
Twilio

**ADA CHEN**
**Founder & COO**
NoteJoy

VIRAL LOOPS DON'T ONLY NEED TO BE IN THE PRODUCT - WORD OF MOUTH CAN BE EQUALLY IMPACTFUL IF YOU ARE PROVIDING THE RIGHT TYPE OF VALUE TO YOUR USERS. MALWAREBYTES' PRODUCT TARGETS 'HOME CTO' AS THE MAIN USER PERSONA (YOU KNOW, THAT FRIEND OR FAMILY MEMBER THAT KNOWS HOW TO FIX COMPUTERS) WHO RECOMMENDS THE PRODUCT TO WHOMEVER COMES TO HER FOR HELP. OUR FREEMIUM OFFER PROVIDES VALUE THROUGH FREE CLEAN UP; REMOVING ALL BARRIERS TO ENTRY FOR A REFERRAL LOOP. THE 'HOME CTO' COMES OUT AS A HERO FOR RECOMMENDING A PRODUCT THAT IS FREE, EFFECTIVE & RELIABLE, AND IN RETURN MALWAREBYTES GETS A STRONG WORD OF MOUTH REFERRAL LOOP WITH A CONSISTENT PERCENTAGE OF CUSTOMERS CONVERTING TO A PAID PROTECTION OFFERING.

**ELENA VERNA**
**SVP Growth**
MalwareBytes



**SHAUN CLOWES**
**Head of Growth & Model**
Atlassian (former)

**KEVIN GAITHER**
**SVP of Sales**
ZipRecruiter

**DARIUS CONTRACTOR**
**Engineering Manager, Growth**
Dropbox

**JUSTIN GALLAGHER**
**Head of Product**
Trello

**ALISON LANGE ENGEL**
**Head of Marketing**
Stripe (former)

**JOSHUA GOLDENBERG**
**Head of Design**
Slack

**KIERAN FLANAGAN**
**VP of Growth & Marketing**
HubSpot

**DAVE GROW**
**President & COO**
Lucidchart

"ORGANIC ADOPTION DRIVEN BY OUR STRONG PRODUCT/ MARKET FIT WITH SMALL TECHNOLOGY TEAMS AND INVITES TO EXISTING TEAMS WERE OUR BEST ACQUISITION CHANNELS."

**MERCI GRACE**
**Director of Product, Growth**
Slack (former)

**"WE MADE A CLASSIC MISTAKE — LISTENING TO WHAT PEOPLE SAID, NOT WHAT THEY DID. SO WE WENT BACK TO THE DRAWING BOARD AND WE WATCHED WHAT CUSTOMERS ACTUALLY DID. WATCH WHAT CUSTOMERS DO, NOT WHAT THEY SAY. THE SECRET TO FINDING PRODUCT/MARKET FIT IS FALLING IN LOVE WITH THE PROBLEM YOUR CUSTOMER HAS, NOT THE SOLUTION."**

**KAREN PEACOCK**
**COO**
Intercom



**"THE BEST PRODUCTS ARE BOUGHT, NOT SOLD. IF WE FLIP THE TRADITIONAL MODEL 180 DEGREES AND START INSTEAD WITH PRODUCT ADOPTION, WE FIND OURSELVES SELLING THE PRODUCT TO FOLKS WHO UNDERSTAND THE OFFERING AND ARE POTENTIALLY ALREADY HAPPY WITH IT, BEFORE THEY EVEN PAY."**

**CHRISTOPHER O'DONNELL**
**SVP of Product**
HubSpot

**TODD JACKSON**
**VP of Product & Design**
Dropbox (former)

**LYNN MICKLEBURG**
**Head of Commerce & Business Systems**
Atlassian

**JONATHAN KIM**
**Founder**
Appcues

**FAREED MOSAVAT**
**Growth Lead**
Slack

**TOM KLEIN**
**CMO**
MailChimp

**MATT PLOTKE**
**Head of Growth**
Stripe

**MAXIME PRADES**
**Product**
Facebook

**ALEX ROSENBLAT**
**VP of Marketing**
Datadog

**BRIAN ROTHENBERG**
**VP of Growth & Marketing**
Eventbrite

**ASTHA MALIK**
**VP of Platform**
Zendesk

**RYAN SCHAFFER**
**Director of Strategy & Marketing**
Expensify

**IAN SIEGEL**
**Co-founder & CEO**
ZipRecruiter

**“BEING PRODUCT-DRIVEN REALLY MEANS BEING PEOPLE-DRIVEN: USING HUMAN-CENTERED DESIGN TO CREATE GREAT PRODUCTS, WITH A BALANCE BETWEEN DESIGN, ENGINEERING AND BUSINESS IMPERATIVES.”**

**ELIJAH WOOLERY**
**Director of Design Education**
Invision

**ASHLEY SMITH**
**Global VP of Marketing**
Github (former)

**NICK SOMAN**
**Growth Product Lead**
Gusto (former)

**JURGEN SPANGL**
**Head of Design**
Atlassian

**DES TRAYNOR**
**Co-founder**
Intercom

**KELLY WATKINS**
**Global VP of Marketing**
Slack

**JEFF WEISER**
**CMO**
Shopify

**SCOTT WILLIAMSON**
**VP of Product**
SendGrid

**K YOUNG**
**VP of Growth Engineering**
Datadog

**HEATHER ZYNCZAK**
**CMO**
Pluralsight

# CLOSING

As we've discussed in this book, Product Led Growth (PLG) is the future of SaaS. PLG companies are flipping the traditional SaaS playbook and taking a fresh approach to acquisition, retention and expansion.

It is clear there is a commonality among the top performing companies – they are customer-obsessed. They recognize that an outstanding customer experience is the foundation of future growth, and therefore treat customer experience as the most important priority across every part of the company.

The best companies are also maniacal about data and experimentation. They study the conversion funnel in great detail to find any points of friction that might hold a prospect back. Data allows them to prioritize resources that will unlock the most future growth.

These companies are also radically simple. They avoid jargon in their marketing, preferring a more casual approach that speaks directly to the end user. Every part of the product is streamlined to drive users to the right actions and reduce any potential confusion. Their product roadmap is not defined by the highest bidder.

With that in mind, PLG is still very much an evolving philosophy. We look forward to continuing to identify new best practices and learning from SaaS operators like you.

Now that you know all about the product led growth strategy, find out where you are on your PLG journey. Use our Product Led Growth Maturity Calculator to receive recommendations on how you can further orient your company around PLG in order to increase acquisition, conversion and expansion. As we collect more data, we'll benchmark your PLG sophistication against similar companies to give you a robust understanding of where you're excelling and where you have room to improve. Use this link to access the calculator: **openview.vc/plg-calculator**

# GLOSSARY

**CARE Framework**

A simple framework for user onboarding practiced by Intercom. CARE stands for Convert trialists to paying customers, Activate newly paying customers, Retain paying customers and Expand their usage.

**Conversion Funnel**

The path a prospect takes to reach a website and ultimately convert into a paying customer.

**Customer Acquisition Cost (CAC)**

The total cost including sales and marketing expenses associated with convincing a customer to buy a product. Typically used to measure the efficiency of acquiring customers across different marketing and sales channels.

**Freemium**

A pricing strategy by which a limited product is provided free forever, but there are fees for additional features, services, usage or users.

**Free Trial**

An opportunity to use a product or service at no cost for a limited duration of time. Typically 30 days, but sometimes 14 or even seven days. A free trial may or may not require a credit card from the user.

**Marketing Qualified Lead (MQL)**

A website visitor whose marketing engagement and firmographics indicate that they are likely to become a customer.

**Minimum Sellable Product (MSP)**

A product that's more robust than a minimum viable product and that target customers would be willing to pay for out of the gate.

**Minimum Viable Product (MVP)**

A product with just enough features to satisfy early customers and to provide feedback for future product development.

**Network Effects**

A phenomenon whereby a product gains additional value as more people use it. Often co-occurring or conflated with virality, but not the same thing.

**North Star Metric**

The single metric that best captures the core value that a product delivers to customers. Optimizing this metric is critical for sustainable long-term growth.

**Product Led Growth (PLG)**

Go-to-market strategy that relies on product features and usage as the primary drivers of customer acquisition, retention and expansion.

**PLG Index**

Financial performance of publicly traded SaaS companies that have adopted a product led growth strategy compared to the broader set of public SaaS companies.

**Product Qualified Lead (PQL)**

Users who have adopted a SaaS product and demonstrated signals of purchase intent based on their product engagement. Examples include hand raise PQLs, usage PQLs and upgrade PQLs.

**Self Service/Touchless Sales**

A go-to-market channel whereby customers purchase a product online without intervention from a sales person.

**Top of Funnel (TOFU)**

The beginning of the conversion funnel whereby prospects become aware of a given product and the problem it addresses.

**Virality**

Instances where products are circulated rapidly from one user to another organically. Virality could be internal (shared within a company) or external (shared from one from company to another).