Product-Led Success: **The Professional's Handbook**

By: Mickey Alon and Harshita Banka



Gainsight

What's inside



- What is product-led growth?
- The product-led flywheel
- Strategic and tactical guidance on driving onboarding, adoption, retention, and growth using in-product experiences
- Using Gainsight PX for product-led growth

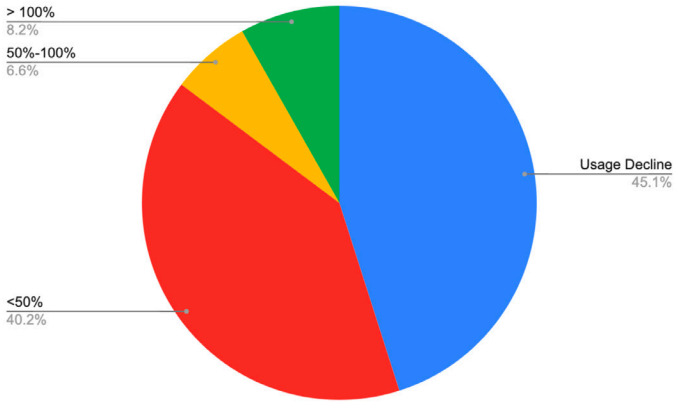
Foreword



There is no question that the way we work has fundamentally changed in just the past couple of years. Organizations have had to find ways to quickly implement digital solutions to allow for productive and efficient remote working conditions. Digitization has accelerated, and because most technology companies have seen a massive uptick in their usage and active users, all businesses are thinking about how to scale while improving customer experience to match the rapid growth.
We should all be focused on two things:

1. Helping your customers succeed

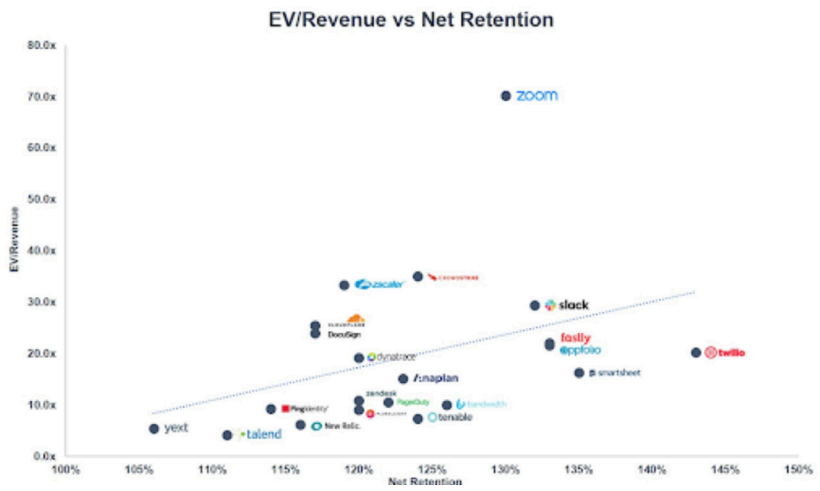
Customers are relying on your products more than ever. In the first half of 2020, 55% of SaaS businesses saw their usage increase. The purpose of your product is to help your users succeed and improving your product will ensure an increase in usage.



2. Growing your net dollar retention

When your customers succeed and grow, you grow with them. Software leaders have increasingly recognized the importance of a new metric unique to the SaaS world, net dollar retention (NDR). NDR looks at your existing customers at the beginning of a period (e.g., beginning of the year) and calculates a ratio of the dollars that pool of customers (with no new ones) is spending at the end of the period divided by the dollars from that pool at the beginning of the period.

As you can see from the below chart from July of 2020 from Software Equity Group, net dollar retention strongly correlates to SaaS valuation. While the world has changed a lot from July 2020 (i.e., valuations are way higher), the connection still holds.



As your business grows, you cannot grow your staffing needs exponentially, which makes product-led success one of the highest value strategies you can adopt. It enables you to

- Gain visibility into your customer's journey with your product.
- Identify product gaps and illuminate your roadmap with data.
- ncrease product adoption by orchestrating user journeys.
- Capture user feedback, sentiment, and outcomes.
- Pave your way into frictionless renewals and growth.
- And enables you to do all of this at scale.

Why Experience Matters

We live in an entrepreneurial renaissance; every day, more than 100,000 startups are born, and the number of startups is growing at a faster rate than ever before. There's a growing amount of venture capital fueling these early-stage startups. U.S. venture capital funds raised a combined $69.1 billion in 2020, surpassing a 2018 record and exceeding expectations during an unorthodox, COVID-19, influenced economy. This means millions of new products are being built, launched, and experienced by end users every year, which leads to a highly competitive market.

As customers, we have many options to choose from; the shift to cloud-based offerings and subscription business models allow us to experience these products and make more informed purchasing decisions. We're able to search and learn about solutions and, in many cases, instantly get a free trial and even share it with co-workers. This creates an extremely competitive market. It raises the bar for what's expected, and it concentrates power in the hands of users. All of this has changed how companies go to market.

Experience is everything

As humans, we are highly influenced by our experiences. It is one thing to read about an email software—it is another to launch the software and realize that it saves you 2-3 hours per week and to spend that time doing something you enjoy.

When experiences are particularly good or bad, we tend to talk about them. This instinct is what's driven everything from job review sites to professional social networks, and it's become the prevailing force in B2B that determines how products are marketed and sold.

It's a big shift, and to truly appreciate how far we've come from the old-school world of marketing-qualified leads and pressuring sales tactics, we only have to think back to Mickey's first startup. The wisdom at the time held that you would gate your content in exchange for people's emails, then nurture them until they were ready to talk to sales. Only after they purchased your software would they ever get to try it, and only in the weeks and months following would they talk about it.

This is the marketing playbook Mickey applied, and he found that the customer acquisition costs kept climbing higher as the market grew more competitive. At one point, the deal cycle rose to 90 days. This inspired us to look for a more scalable way to grow.

We began asking ourselves:

- How can we showcase a differentiated product that solves a painful problem
- which customers would be excited to use?
- What experiences will ensure that customers talk about our product and become an advocate for it?
- How can we shorten the buying cycle by accelerating time to value (TTV)?
- How can we reduce the customer acquisition cost?
- How can we build a model that fits an incremental sales approach?

What we discovered was a product-led approach to growth and success.

What is product-led growth?

Product-led growth is when a company grows by making its product so much better than the competition that people prefer it.

We're here to talk about product-led growth. Let's begin by defining it: Product-led growth (PLG) is when a company relies on the strength of its product as the primary vehicle for acquiring customers, retaining them, and expanding into new markets. It's a departure from the past when companies primarily relied on marketing and sales for growth.

Product-led growth is today's smartest approach because we live in an age of digital abundance, and customers have many options. B2B software has been consumerized, and if you aren't offering some sort of test of your product to customers, you'll lose out because your competitors are, and trying leads to buying. It's an expectation that product teams can't ignore. The winners in this world are companies that focus on building the most intuitive interfaces and the most effective products, and they let people try before they buy.

PLG allows you to align the business model with customer expectations. B2B buyers expect to try and evaluate software on their own before engaging their entire company in a buying cycle. They prefer to self-educate before making the buying decision, and once they buy, they want to quickly become self-sufficient users. You can influence all of this with a well-thought-out trial experience.

> "Customers attach value to products in proportion to the perceived ability of those products to help solve their problems."
> - ***Theodore Levitt, "The Marketing Imagination***

The consumerization of B2B is everywhere—it's the modern gospel of "should":

- This electronic signature tool should integrate with Google Docs. Why doesn't it?
- This image storage system should have filters. Instagram does.
- Shouldn't this BI tool give me a free trial? Spotify does.

All this leads us to a world where we choose most of our work tools without ever speaking to a salesperson. The way that products grow and evolve and achieve product-market fit no longer necessarily begin with a signature. In this guide, we will explain how to thrive by adopting the product-led growth framework no matter how high- or low-consideration your B2B product is and why, at its core, product-led growth is about outfoxing the competition by making data-driven decisions to deliver a winning experience.

The promise of product-led growth:

- Use your product as a demand flywheel.
- Realize revenue sooner.
- Scale revenue faster.
- Maintain your lead on challengers.
- Focus on customer value and outcome.

A Brief History of Going to and Growing Into a Market



How companies go to market, how they drive adoption, and how they expand have all changed in response to buyers' newfound power. To understand why product-led is such a powerful approach, it helps to understand how we got here.

Sales-Led Era

In the '80s and '90s, most software was on-premises and expensive to build and maintain. To purchase it, you had to physically order it. (For younger readers, yes, software used to arrive in boxes.) This meant that IT was the primary decision maker. Their top considerations were, "Does this fit with our existing technology?" and "How much work will it take to maintain it?" Sales cycles were long, implementations were complicated, and once something was purchased, it was difficult to switch.

In this era, sales teams led, and salespeople courted IT executives.

Some characteristics of this era include:

- High average contract value (ACV)
- Scaling mechanism: Hire more salespeople
- Decision makers: Head of IT
- Accessibility: Expensive, restrictive, sluggish

Marketing-Led Era

In the late '90s and early 2000s, more software moved online and on demand. This reduced development costs and gave everyone a lot more flexibility. For the first time, non-IT teams had more say and could explore their own software. They increasingly chose software based on its ability to solve their problems.

In this era, the Marketing team led and spoke to ideal customers (the business teams) based on their use cases.

Some characteristics of this era include:

- Medium ACV
- Scaling mechanism: Mass emails, webinars, blog posts, conferences
- Decision makers: Business heads and their teams (with IT consent)
- Accessibility: Relatively affordable, offered demonstrations and proofs of concept

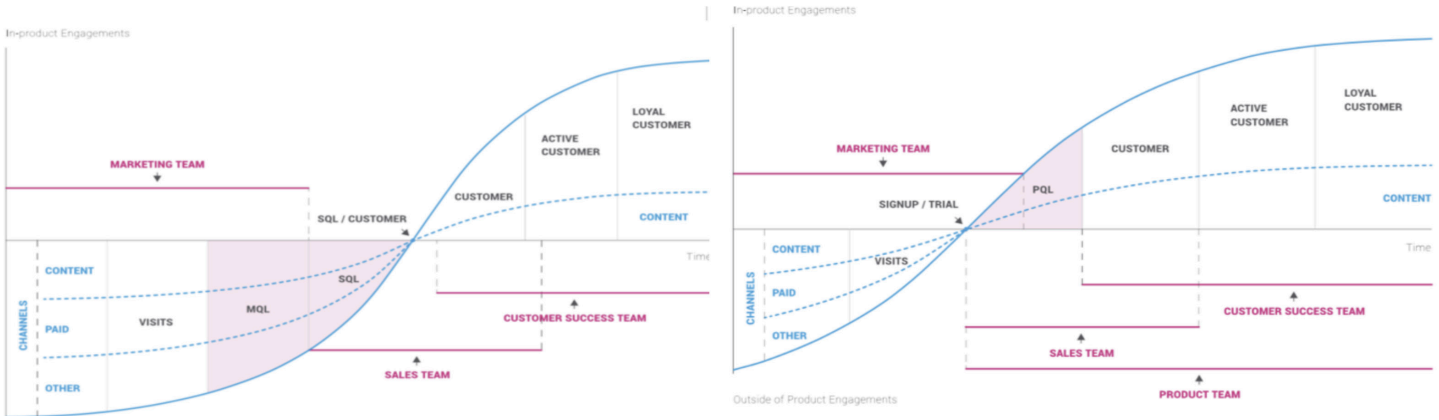
Product-Led Era

In 2015, software as a service (SaaS) overtook on-premises offerings in total volume, and there was no going back. Sales cycles have since been simplified to the point where end users can deploy a trial instantly—often without a credit card. They can easily find and share information on companies on review sites. Companies can now dedicate more of their effort to building software those ideal customers want, and users can afford to be pickier about what they choose. The traditional sales cycle still occurs—IT teams still need to vet it for reputability and security—but it starts from the bottom up.

In this era, Product teams lead. They help users solve problems and help executives understand the value. Some characteristics of this era include:

- Initially low ACV, but can grow quickly without limits
- Scaling mechanism: User adoption Decision makers: End users and heads of business with IT consent
- Accessibility: Variety of affordable mechanisms including freemium or free trials

The sales cycle before and after:



To lead with your product, you have to expose your product before the point of sale via a trial or proof of concept. Many teams may balk. But to withhold it and demand prepayment (like how it was done in the sales- and marketing-led eras) is to watch your competitors quickly overtake you.

Consider what Slack's growth trajectory might have looked like had it gone the traditional enterprise sales route and asked IT leaders to sign a $50,000 contract for a chat software that mimicked existing software already available for free. But users are the deciders now. Product-led growth is about convincing them—and then, when there are many users, convincing the rest of the company.

You're still convincing those who control the budget and have KPIs and ROI demands that must be met. Product-led can help with this too. And because there are so many interrelated pieces, product-led isn't just a go-to-market strategy. It's a full lifecycle strategy for taking customers from awareness through to onboarding, adoption, retention, and growth.

According to Sirius Decisions, 98% of leads never result in closed business

Market forces that make product-led growth so effective include:

- Widespread SaaS
- Low switching costs
- More challenging to retain customers
- Consumerization of expectations
- Shorter launch cycles; more iterations
- Economic advantage of fast growth
- Need to do more with less

Packaging and Pricing



Packaging: The process of bundling your features into offerings or tiers based on user outcomes, such that there's a simple entry point and a strong incentive to grow their spend.

Goals

- Price based on value.
- Offer a low-effort entry point.
- Make users want to upgrade.
- Enact a go-to-market strategy.

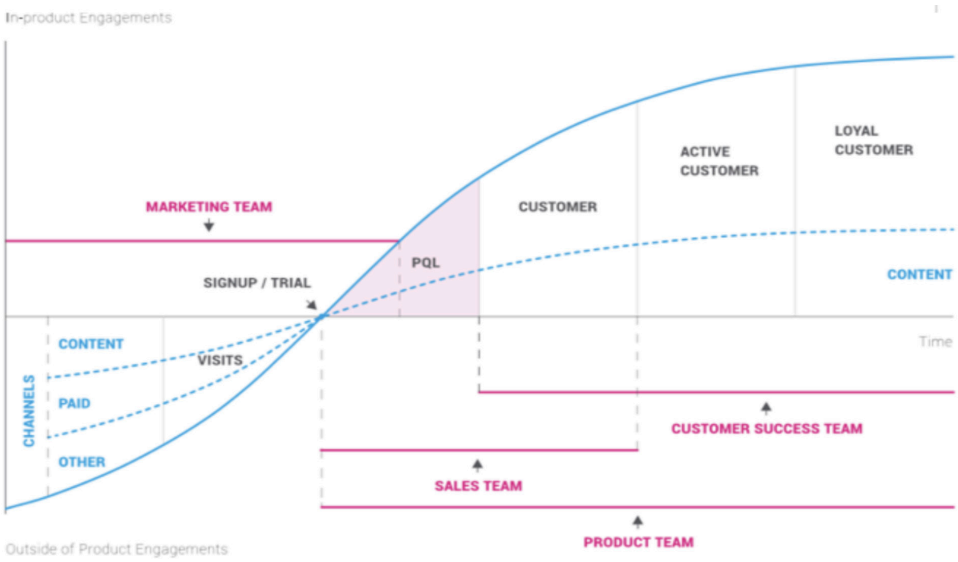
How To Reconfigure Your Product for Trials

The way to think about your packaging in a product-led framework is to ask this question: Is incremental cost tied to incremental user value? That is, do people get things that matter to them by paying more? And just as important, do users understand that relationship?

Most of us have experienced software products where we had to contact support for help with something only to find that the feature we're seeking is only available if we upgrade. You might have wondered why there wasn't just a button or pop-up so you could have purchased outright. Why did you need to talk to a person to pay more? You'll find this to be a recurring question through this guide: Why must I always speak to a person? The answer is that these are often vestiges of the sales- and marketing-led eras. User journeys are littered with gates to nowhere. And right now, that's friction companies cannot afford.

> "You can't seriously compete against a competitor who offers a trial—no matter how good your sales team. Trying leads to buying."
> ***- Mickey Alon***

The biggest product-led changes to your packaging and pricing will occur at the point of sale. If users expect trials and proofs of concept and you don't offer one but your competitors do, you're in a tough spot. By reconfiguring your entry-level package or offering a trial, you earn a shot at meeting people's expectations and give them an opportunity to acclimate them to your product. This can be a great advantage. Psychologists call it the rule of primacy: You remember most about the first thing you experience. If yours is the app that sets people's expectations for what your category looks and feels like, you tend to win.



The "Must We Be Freemium?"

Myth: You do not need to offer a freemium service to practice product-led growth. You can achieve the same effect through trials or proofs of concept. The point is simply to expose your product to users prepurchase, and ideally, help them find initial value

Pricing should be tied to packaging, and packaging should be tied to utility. Users should want to upgrade. Lots of companies get this wrong and price their packages based on nondeterministic elements, such as whether each successive packaging tier has enough bullet points. (You think we're joking, but we're not.) Nothing creates resentment and encourages users to search for alternatives like being charged for things that feel arbitrary.

The question users are asking themselves after a trial is, did they derive enough value that they're willing to pay for it? Your packages should guide them to the correct conclusion.

"Users should want to upgrade"

Tie your packing to utility:

- Collaboration software: Get Kanban boards.
- Web conferencing tool: Get more than 40 minutes.
- Calendaring tool: Get more than two meeting types.
- Cybersecurity tool: Bundle email hosting for better security.
- Design tool: Get access to animations.
- Spreadsheet tool: Create additional tabs.
- Data management platform: Connect more than two systems.
- Web analytics: Run more comprehensive searches.

Understanding User Value and Your Market Segment

How you determine your pricing and packaging all depends on who you're selling to and what they value. How do you understand what's valuable to users? If you're in the early stage, it's a lot of guesswork and revolves around user testing, interviews, and what data you can glean from competitors or your application's back end.

If you already have customers, you can use a product analytics tool to segment users into ideal customer personas (ICPs). That involves using qualitative analysis based on their behaviors in the product. Start by asking them to input their role or objectives upon sign-up so you can tell. Also look at qualitative factors. Query users directly with pop-up surveys or links to book time on your product team's calendar.

At a minimum, personas should include the following for each group:

- Objectives
- Value actions
- Revenue, licensing, pricing
- Growth potential
- Firmographics (size, location, vertical, business model)
- Recommended value path
- As well as their price expectations and tolerance:
    - Premium—with free trial or proof of concept
    - Freemium—starts free, but they can upgrade
    - Penetration—low initial pricing, but scales

Setting Your Prices

How much should you charge? If your business is a startup, you might mimic competitors, which can be good market research, or you can use cost-plus pricing, where you determine your cost of goods sold and add your margin.

However, in the product-led era, we recommend moving to a value-based pricing approach as soon as you can.

Value-based pricing gives a true and fair view of how much a customer is willing to pay for the value your product drives. While it requires time and resources to understand what that value is, if done right, you can capture more revenue—especially post-sale.

- **Value-based pricing:** Price is based on the product's perceived value, such as additional revenue, or the value of customer outcomes, such as savings.
- **Competitor-based pricing:** Pick something relative to what competitors charge (if you have competitors). This can help you gather early insights and identify differentiators. What will make a prospect consider your product over the competitor's, and at what price?
- **Cost-plus pricing:** Price is based on cost of goods sold (COGS) plus a markup. This fails to consider market value and often doesn't consider the cost of customer acquisition.

Within value-based pricing, select a unit to scale by. That could be by users, usage, or features. Whatever you choose, be sure it's tied to value so people want to upgrade:

- **Usage:** Pay for what you use. This lowers the barrier to entry for new users but revenue can be unpredictable.
- **Users:** Charge a flat fee per user per month. It's predictable for both you and the customer, though you may capture less overall value.
- **Tiered pricing model:** Allow buyers to select a package of fixed features. The upsell is baked into the product.
- **Flat-rate:** Charge one flat fee for all customers. It's simple, but you may not capture the full value of the product.

How To Define Your Product-Led Go-to-Market

Having a product is one thing. Deciding how to take it to market (your go-to-market strategy) is another. This is often the role of the product marketer, but product teams play an essential and increasingly active role. In it, you decide where there is demand, which personas to target, how to package or price, what the narrative is, and then launch the plan. Traditionally this requires a lot of external research, and research is always good. But in the product-led world, it begins much closer to home.

Ask:

- Where is demand in our product as well as other markets?
- Which personas do we target? (Select from among existing users or target a
- new market.)
- How do we price? (Copy competitors or tie to value.)
- What's the narrative? (Test the messaging on prospective buyers or existing
- users.)
- How will we announce the launch? (Launch in many places, but most

importantly, in the product.)

Based on your answers, determine an accessible entry point with strong incentives to upgrade, and put your product out there.



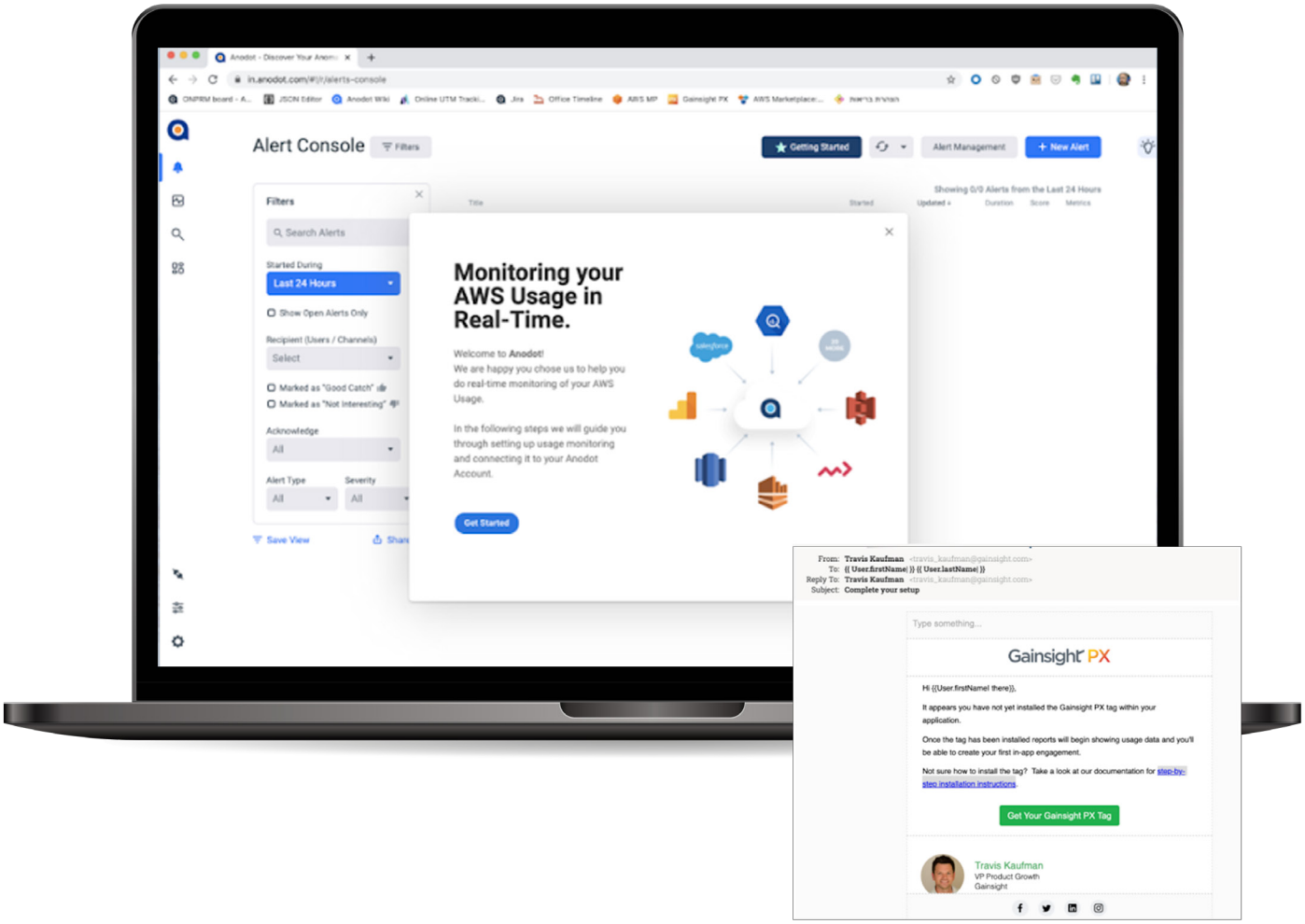
How To Do It in Gainsight PX

Create a trial experience that converts:

- Set expectations with a new user welcome email.
- Use a welcome dialog box to point to the first value action.
- Use a slider intro that sets expectations.

  - While it won't be a complete walkthrough, it will outline steps they can take to begin.

See A Demo



Onboarding



In this chapter: onboarding, user enablement, contextual feedback

Onboarding: The process of introducing new customers to your product and all it has to offer while ensuring they find their initial value. This can be done manually or automatically within the application.

Goals

- Accelerate TTV.
- Assist customers with initial setup.
- Train, educate, and empower.
- Understand their goals.

How To Onboard Users

Onboarding is the first phase of a customer's journey. Their experience here is exceedingly important—it's during these early hours and days that people decide whether they'll remain a customer. As they say, you either make your best impression or your last impression.

Your goal with onboarding is simple: Reduce users' TTV. To do this effectively, it is important to capture, understand, and prioritize their goals. When you know what they want, help them achieve it quickly. For instance, you might declutter the homepage with a "welcome" flow that guides them right to what they want. Or, you might offer progressive training, guidance, and tips to help them make gradual progress toward their goal.
In a product-led approach, you continue to onboard and guide users every time they interact with your product via in-app messages, notifications, and banners. Each interaction is an opportunity to help them along the adoption curve.

In the old days, customers were made to wait days or weeks after signing a contract to set up the product. Today, you can bring this time period down to minutes. And rather than rely on a human agent to guide them, your product can guide new users as soon as they sign up.

How To Begin Onboarding

Think of onboarding as a series of hurdles users must jump to find their initial value. The more hurdles you remove, the faster they get there. It's exceedingly important to understand those challenges, their goals, and how to track their success.

With our customers, we find the best customer onboarding is iterative. Companies help new users through a crawl-walk-run approach that builds their confidence. If they need to show their boss their site traffic, help them do that in the first few minutes. Then when they return, help them set up a custom dashboard. And only after they're comfortable, help them launch custom metrics.

It's also important to identify the responsible teams involved. Who owns onboarding? What help can they expect from others in managing it? The primary teams should be Professional Services and CSM, and the secondary teams may be Product, Support, and Documents teams.

Your Customer's Onboarding Goals

- Insert whatever interests your users and executive sponsors.
- Integrate to their customer relationship management (CRM) software.
- Pull a report.
- Send an email.
- And so on.

Your Onboarding Goals

- Understand their goals.
- Prescribe solutions and share practices.
- Accelerate TTV.
- Assist customers with initial configuration, setup, or architecture.
- Train and educate customers on the product. Introduce them to all core features or features specific to their use case.

Organizations that 'have well-designed user journeys that facilitate clear communication' and a seamless transaction are 57% more likely to have significantly surpassed business goals.

— Adobe 2018 Digital Trends Report

Examples of Key Success Metrics

- Measuring TTV: Number of days from sign-up date to first value, onboarding goals achieved, leading indicators of success relevant to your product (e.g., number of user licenses assigned in xx time)
- Measuring the Onboarding team's efforts: Duration spent by CSM/PS Team, customer effort score, number of support tickets, number of people involved, and so forth
- Analyzing usage/adoption metrics: Login activity percentage, user retention percentage, core features adoption, trends, and so on.

Common Onboarding Challenges/Pain Points

- Complex product configuration/setup
- Need for product know-how
- Product documentation for enablement
- Knowing the first step/workflow to follow
- Knowing relevant capabilities/high-value actions
- (features that drive value to users)

You'll know when onboarding is working when users go silent but continue to use the application. This silence can seem disconcerting, but as long as it's paired with increased usage and customers achieving their goals, it's a sign that they're internalizing the basics and on the road to adoption.

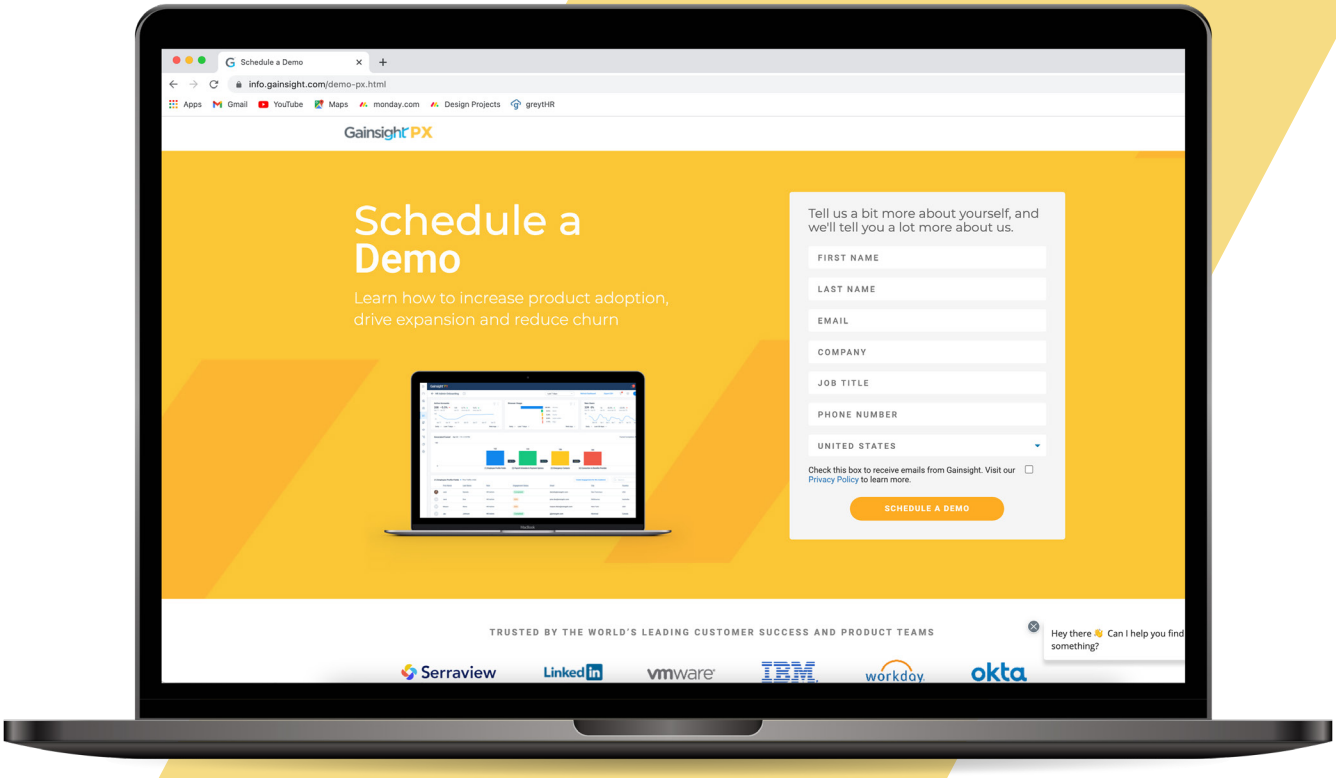


How To Do It in Gainsight PX

Create a basic onboarding strategy:

- Determine your onboarding channels.
- In-app, self-service (also called tech touch), high-touch, blended
- Define what counts as a high-value action.
- Use PX Analytics to look at existing usage.
- Focus on high user retention in the first week.
- Deploy in-app guides and use emails to keep users coming back.
- Establish a pattern of usage.
- Collect post-onboarding feedback in-app.

See A Demo



Adoption



In this chapter: guiding user adoption, product growth, using data

Adoption

When users begin to take greater advantage of and get more value out of a feature or product.

Goals

- Increase feature discoverability and awareness.
- Provide feature education.
- Accelerate TTV.
- Increase account and user retention.

Bringing users back into the app with sticky features can help you address the leaky bucket challenge where you acquire many users, but most churn.

How To Encourage Users To Adopt Your Product

After onboarding a user and helping them find their initial value, it's time to help them find even more value so they continue to use the product. In the sales- or marketing-led eras, adoption received too little attention. Companies were more interested in selling additional features and bolt-ons. But in the product-led era, companies invest in helping users accomplish their goals and integrate the product into their daily workflow. Because if they don't, you may be sowing the seeds of churn.

In the adoption phase, you're looking to help users learn advanced features and progress to larger, more audacious goals. Perhaps your application helped them diagnose an issue with their data pipeline. Now, you can help them implement unit testing and alerts so it doesn't reoccur. And even better, you can help them help their boss understand how much of their time you're saving.

In the sales- and marketing-led eras, users were accustomed to working in the product but receiving communication via email. Today, it's much easier to message users through the application itself, and it's more convenient because the message appears in context. Rather than email about a new feature, you can use an in-app message to point to it on their screen. In this way, the product can become your primary customer messaging channel.

Hello, Customer Marketing

In adoption, the customer marketing, product, and success teams work in close alignment to understand why users try, buy, and grow. Once you have product data, you can back-test to ask questions such as, "What characteristics or activities do our highest-adoption users and customers exhibit"? Then, you can make changes to increase adoption.

Sample Product Adoption Goals

- ***Make usage part of their routine.***
- ***Set the expectation that the product is a messaging channel.***
- ***Increase product stickiness and long-term adoption to make renewals frictionless.***
- ***And depending on the team:***
  - **Gain visibility into the customer journey.**
  - **Understand user behavior in a meaningful and actionable way.**
  - **Identify product challenges and opportunities to inform the roadmap.**
  - **Identify friction points to resolve. (Short term, use in-app guides; long-term, update the product.)**
  - **Increase feature awareness and discoverability.**
  - **Speed up TTV and increase customer lifetime value (CLV).**
  - **Increase account and user retention.**

In the world of product-led growth, the test is whether your product can deliver so much value that buyers upsell themselves.

Increasing your product adoption rate is the best protection against churn and the best driver toward growth, including advocacy, expansion, upsell, and cross-sell. Users are loath to stop using tools they consider essential, and the more and more advanced uses they find, the better.

Adoption Key Success KPIs

- ***Percent increase in product adoption*** Percent increase in advanced features; percent increase in lesser-known features; daily, weekly, and monthly active users (DAU, WAU, MAU)
- ***User/account retention*** Track retention of users who engage in features targeted in feature activation efforts
- ***Feature sentiment:*** Rating surveys, customer effort score surveys
- ***Verified outcomes:*** Customer satisfaction score/multi-question survey, human touch through Customer Success Managers/Executive Business Reviews
- ***TTV:*** Funnel analysis, path analysis (number of users toward goals, time to adopt

Common Onboarding User Challenges and Pain Points

- ***Visibility into feature utilization:*** Product teams don't always have enough data to determine high-retention features and discoverability challenges.
- ***Feature awareness***: Users are rarely aware of the full breadth of your product capabilities; assume they know less than you think.
- ***Limited bandwidth:*** Their attention is fractured by other responsibilities.
- ***Long TTV:*** Whether their fault or the product's, it takes them longer than expected to find value.
- ***Different roles with different needs:*** The trial, onboarding, or adoption flow is one-size-fits-all and leaves some personas frustrated.

But I can't find it!

Product review sites are riddled with comments by users complaining that a product doesn't do something and the vendors replying that it does. All of this is traceable back to poor adoption programs.

Activate Features Gradually

Build feature activation moments into your platform, and scatter them throughout. If a user hasn't tried a feature yet, use a dialog box to raise awareness. Draw attention to important buttons or links with blinking badges. Continue to raise feature awareness. Just like with a marketing campaign, you often have to tell people seven times in seven ways for a message to even begin to sink in.

The best feature promotion you can do is in context, based on who they are and what they're trying to do at that moment. If a sales operations manager logs into the revenue analytics on the first day of the month, guide them to the prebuilt report on last month's closed won deals. If an executive logs into an email software, guide them to the dashboard.

Where you can't make your application simpler, make your features more discoverable by adding shortcuts.

Lean On Customer Success Managers

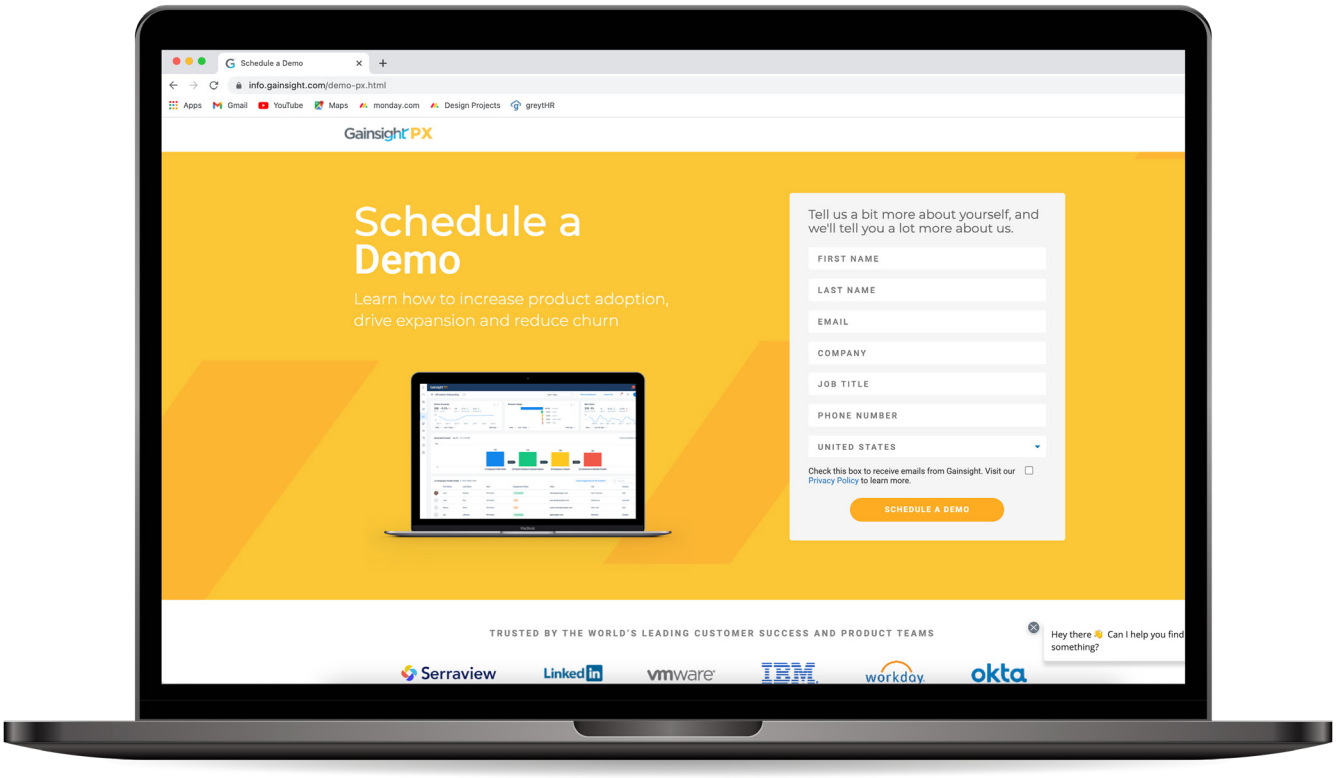
In the early days of achieving product-market fit, success managers are your saving grace for helping users navigate the product. As trusted advisers, they can pitch features and upgrades and deepen your understanding of why users adopt. If that team is being measured on deflection rate, or if they aren't feeding data back to the product team, valuable insights are being lost, and it's more difficult to find product-market fit.

How To Do It in Gainsight PX

Build your own adoption framework:

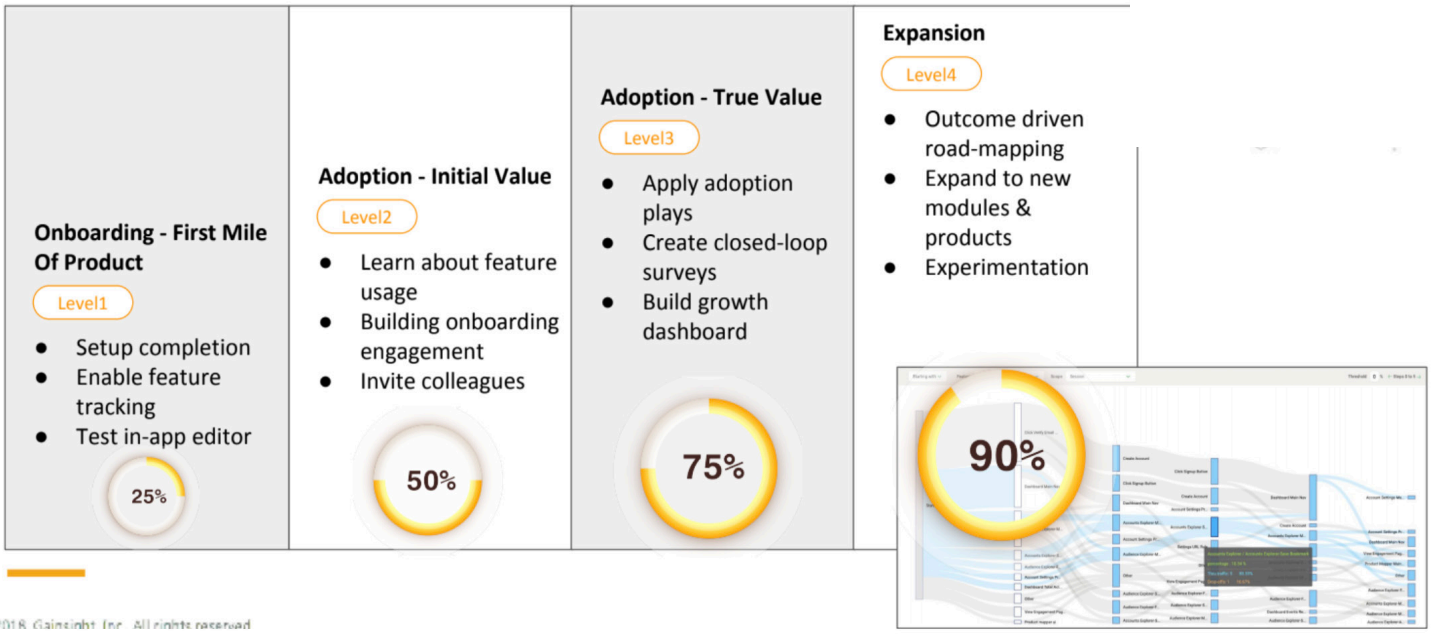
- Identify 3-5 high-value actions.
- Map these actions to persona and objective.
- Build feature nurture programs and run targeted adoption campaigns that match features to persona.
- Learn what's working and what isn't with usability surveys.

See A Demo



Adoption Journey

Engage users driven by adoption stage towards a desired outcome using prescriptive value path



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Retention



In this chapter: earning advocates, acting on NPS and CES, other uses for surveys

Retention

The process of keeping users and customers active and engaged.

Goals

- Collect and improve Net Promoter Score (NPS).
- Create and identify advocates.
- Deflect support tickets.
- Identify at-risk customers.
- Increase renewal rates.

How To Retain Users With Your Product

It is nearly always cheaper to retain a customer than it is to go find a new one. Yet it's among the most underused tactics in growing SaaS revenue. Why? Possibly because acquisition is flashier. Boards and executives like to talk about net new business.

Demand generation budgets dwarf those of customer marketing or retention. But if you don't keep the customers you catch, you must continue to catch new ones at greater and greater expense.

Why would someone continue to use your application? It's something every business must ask themselves for each persona continuously. For some businesses, there isn't much reason. A freelancing platform that brokers connections between gig workers and clients will often find itself cut out of the equation as users take the business offline. For other companies, retention is baked in and renewals are all but guaranteed. Once a customer is using a CRM software to run their entire business, it becomes difficult to change.

If you aren't constantly working to understand the factors that drive retention or cause churn, you are hurtling toward irrelevance

The big difference between product-led retention over sales- or marketing-led retention is that you depend less on the natural friction that keeps people from churning and more on innovating to ensure they stay. Today's users are prolific choosers. No matter how vital your service, eventually, simpler and more affordable alternatives will arise and tempt them. If you aren't constantly working to understand the factors that drive retention or cause churn, you are hurtling toward irrelevance.

Retention Program KPIs

- Retention/churn
- Percent reduction in churn
- Percent increase in NPS
- Percent increase in referenceable customers

How To Increase Retention

To improve retention, you must first understand it. Users' reasons for onboarding and retention can be very different. Consider an SEO analytics platform that offers free trials. What may spur users to sign up and run a report—the need to understand the value of a search term—may be short-lived. How can the platform guide users to new value actions that correlate with ongoing usage? They might use badges to highlight features—such as a report that shows how competitors are doing. In this way, the product team guides the user to a different, more persistent action that may cause them to continue paying.

Core to understanding retention value is the Net Promoter Score (NPS), which samples users' likelihood to refer you to friends or colleagues. Using in-app pop-ups, you can use NPS to query users at high and low points in their journey to understand what's happening behind the keyboard. Where users give you low or high NPS, you can follow up to learn why.

The NPS survey is part of a broader category of surveys known as customer engagement surveys (CES). These provide qualitative insights to complement your quantitative insights. Analytics can tell you that people set their account not to renew. Surveys can tell you why.

What's a Net Promoter Score?

The Net Promoter Score (NPS) survey is a method for measuring your customer's overall satisfaction with your company's product or service on a scale of 0-10. It's a useful proxy for brand loyalty. When NPS dips, churn tends to rise

Act on NPS Scores

Each level of NPS warrants a different response. For promoters, alert your customer marketing team and ask for a testimonial. For detractors, alert the appropriate customer success manager.

- Promoters, score of 9-10: Put these customers in touch with your customer success and advocacy team to serve as case studies or references or to provide testimonials.
- Passives, score of 7-8: Study how their behavior differs from those who have a higher score.
- Detractors, score of 0-6: Mark them as at-risk. Follow up to ask why.

Other Uses for Surveys

Sometimes surveys themselves can increase retention. Use high NPS scores to identify referenceable customers who you can draw into greater involvement. When you promote your customers, you help their careers, and they can develop into advocates. And in cases where people gave a low NPS, merely inquiring can turn things around.

You can also use surveys to gather user recommendations. It's one thing to watch a sharp dropoff at a confusing place in your application and wonder why it happens. It's another to ask users, "What are you looking for?" or "Do you care to suggest an improvement?"

Retention Is a Full-Company Effort

Retention is often just as much the Marketing team's problem as it is the Customer Success team's problem. When customers are thought of as simply marketing qualified leads (MQLs)—just a bunch of numbers—they're indistinguishable. Many who have no business being customers enter the sales process. They can cost more to support than they're worth, and they can become shelfware clients—companies who buy licenses they never use and then predictably, upon renewal, churn.

Product-led growth helps with this. Rather than worry about MQLs, measure product qualified leads (PQLs). When the lead gets to play with your software, they virtually run through the first part of the sales cycle by themselves. They prove that they have a need by starting a trial. They prove that they have other compatible systems by integrating them. And they prove that they face challenges that are worth paying to fix by using your features.

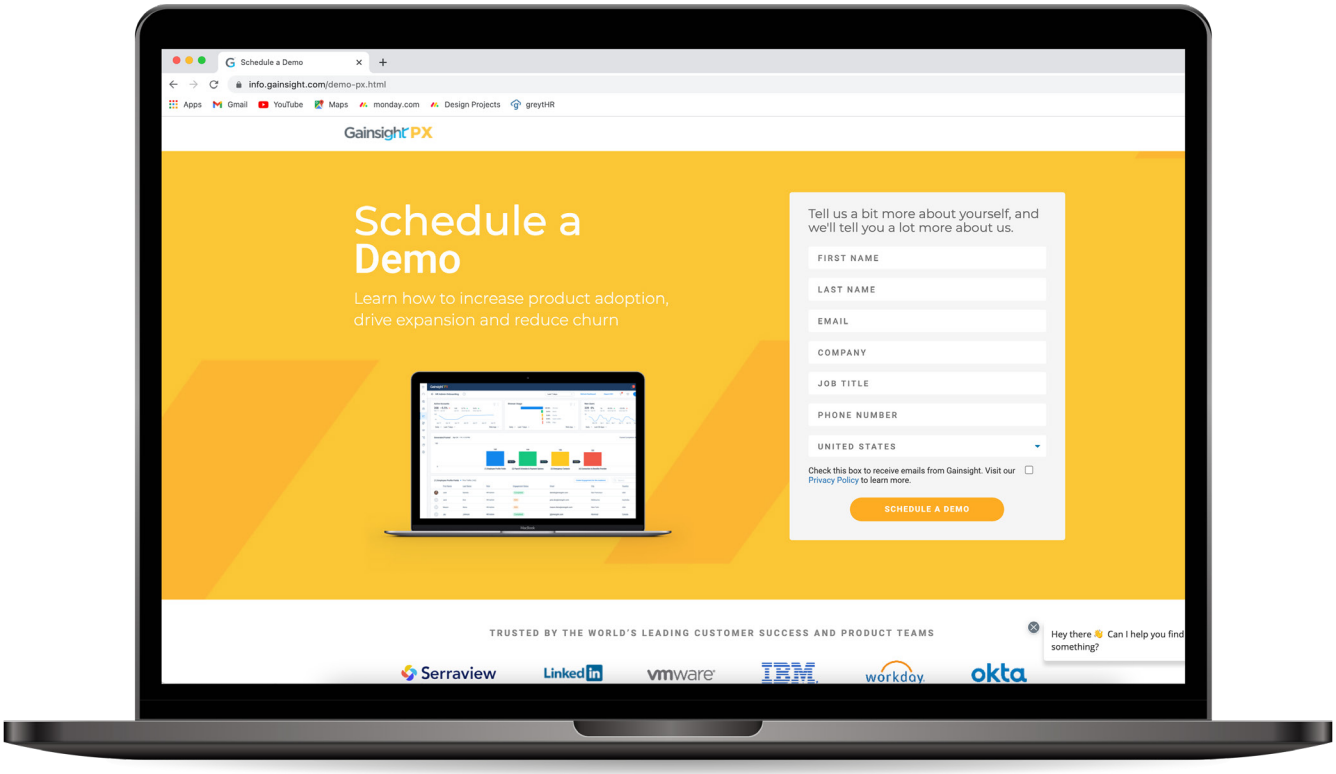
In the product-led world, marketing and sales can focus on developing the most qualified trial users to ensure they convert, which is easier when you can see how they've already been using the product. Goodbye to having to guess their use case before the demo.

How To Do It in Gainsight PX

Consider this sample NPS and advocacy program strategy:

- Set up NPS surveys for both transactional and ongoing customers. For transactional ones, run quarterly. For ongoing relationships, biannually.
- Make NPS responses actionable. Ensure results are appended to the account and the proper people are notified.
- Set NPS scores to trigger after high-value events. Set NPS emails to send after-product responses or CTAs. Send Slack updates for success managers to follow up.
- Centralize your efforts. Give all teams access so everyone's drawing from one set of NPS data.

See A Demo



Growth



In this chapter: freemium, free trial, experimentation, multiproduct growth

Growth

Using the product as the primary driver for customer acquisition and expansion.

Goals

- Acquire new users or accounts.Create and identify advocates.
- Continue to improve product-market fit.
- Expand across the total addressable market (TAM).
- Build an iterative process to measure and learn.
- Help users solve problems by expanding the product.
- Establish a roadmap.

When you have a steady flow of happy customers who like the product, want to upgrade, and sometimes do, it's time to step back to plan the product's overall growth. You might call this the roadmapping phase. Now that we've achieved minor product-market fit, how do we solidify it? How do we become a byword for our space—or the gold standard, a verb?

Growth is more art than science. Some of the most pivotal decisions in a product's direction are decided without any data. As Steve Jobs famously pointed out, if he had asked customers what they wanted, he would never have built the iPod. Had Henry Ford polled customers, they would have merely asked for faster horses.
Yet once launched, products based on intuition can be guided by insights gleaned from watching users.

A Subtle Shift in Mindset

- Sales and marketing-led era: Build more features or products we can charge for.
- Product-led era: Build more features or products that help users achieve customers goals.

In the sales- and marketing-led eras, growth plans were often decided in a conference room with little user input. Customers may have been consulted, but the question driving growth was, "How will our own business grow?" (Answer: Build more features or products we can charge for.) Today the question is, "How do we help our users grow their businesses?" (Answer: Build more features or products that help customers achieve their goals.) These are two similar questions that lead to very different outcomes.

The "build more features" approach leads to:

- Worsening product-market fit
- Feature bloat
- Lower perceived value of features
- New revenue, but which sharply tapers off

The "help customers achieve their outcomes" approach leads to:

- Improving product-market fit
- Intuitive interfaces
- Higher perceived value of features
- Sustainable new revenue stream

Managing the Product Lifecycle

Your product's lifecycle should be directly influenced by user behavior and user sentiment. Rather than looking for places you can charge more, look for meaningful problems to solve. Monitor sign-ups, NPS, CES, retention rates, renewal rates, and user flow conversions, and use them to build a backlog of product ideas which then determine your roadmap.

Managing the product lifecycle is a careful dance of increasing core feature usage—which is always a good thing—and releasing new features and deepening their usage. Release too many new features too quickly and they can cannibalize the usage of the core features and make it more difficult for users to realize value.

Your best marketing and sales channel is your software itself

Focus #1

Increase core feature usage.

Get as many right-fit users into the application as possible. Again, your best marketing and sales channel is your software itself. Emails are nice and salespeople are helpful, but within the platform, contextually relevant sharing and referral pop-ups and offers tend to outperform email. Measure core feature usage, net new users, adoption rate, retention, and annual recurring revenue (ARR).

Focus #2

Increase new feature usage, as long as it doesn't cannibalize core feature usage.

New features should add value to users and save them time, not compete for time with your core features. It is the hallmark of a sales- or marketing-led company to launch new features to "capture more wallet share" only to find that they're dividing a fixed pie into smaller and smaller slices.

Measure new feature usage, adoption rate, retention, and WAU.

Tracking Your Overall Product Health

Following the product-led growth customer lifecycle, here's how to track your product health at each stage:

- **Adoption depth**: Trends in active users, active accounts, average active days, and user retention over a given time frame
- **Adoption breadth**: Trends in usage/adoption of the app's top 3-5 core features over a given time frame
    - Each product manager can further build another product usage-specific dashboard focused on the trends of the top 5-10 core features and the 2-3 bottom features.
    - For each new release, product managers can build dashboards to track adoption trends for newly released features and their impact on user retention and overall product health,
- **User engagement:** Users' interaction with in-app guides, average session duration
- **User sentiment:** Trends in NPS; release experience; ratings; feature-specific feedback to capture results, outcomes, ROI, and so on

- ***Product Growth KPIs***
- **Product adoption:** Percent increase in product usage, percent adoption of new feature, training content consumption
- **Thought leadership content consumption:** Percent increase in content consumption, number of event registrations and inquiries, percent increase in webinar and event attendance, percent of in-app guides viewed/completed
- **Advocacy:** Percent of customer advocates/references, percent of customer stories, number of online reviews, number of customer webinars
- **Expansion/Growth:** Number of product qualified opportunities generated for upsell and cross-sell

Product Launch KPIs

- **Adoption:** Active users (DAU/MAU), sticky feature adoption, user feedback, user engagement
- **User/account retention:** Percent of users/accounts retained
- **Revenue:** Number of paid customers, average contract value (ACV), ARR segmentation

How To Outgrow the Competition

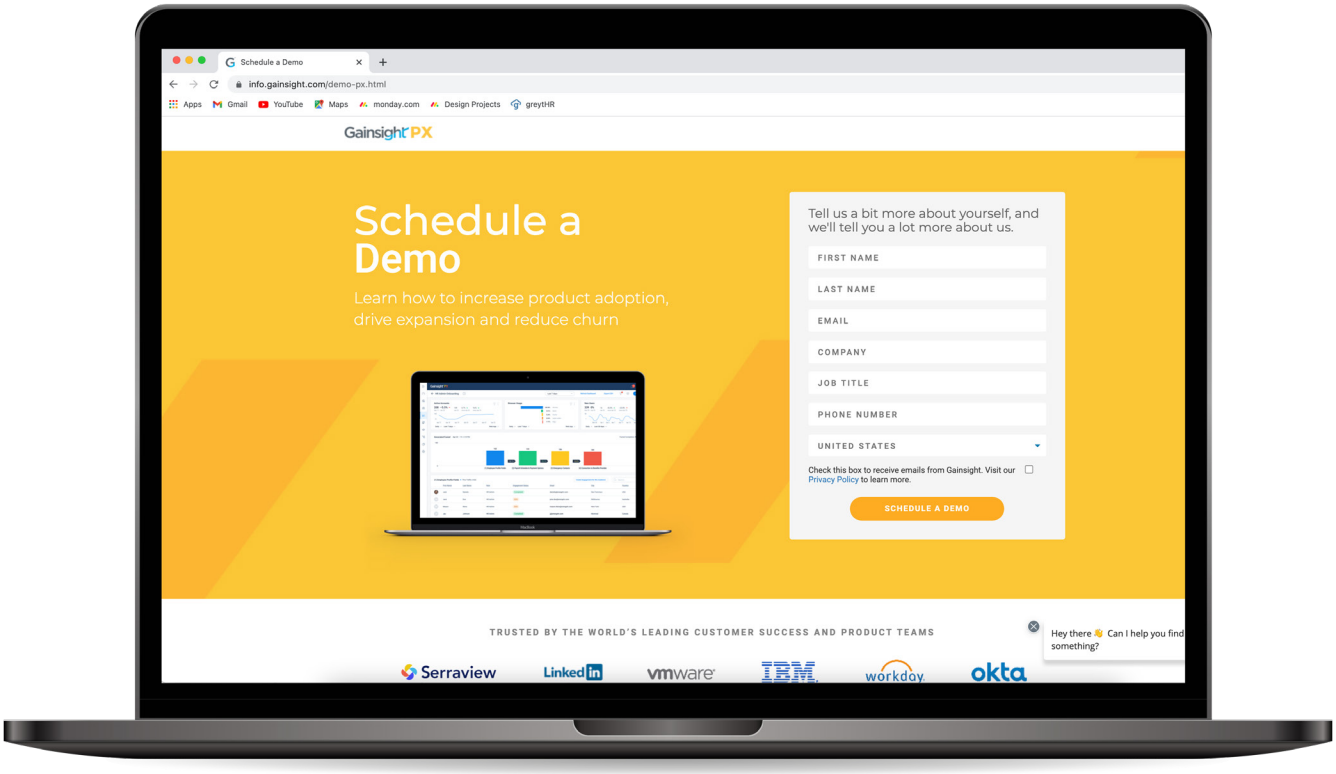
Great product teams are like racehorses: They wear blinders. They're focused on their users' truth and what's ahead. It helps to be vaguely aware of competitors and that they exist, but copying them is how you stumble, fail, and lose your lead. Don't assume that just because a threatening competitor does something that what they're doing is right. Successful companies are often successful despite some things they do. Plus, your competitors have a secret: They're looking at your platform, copying you. You'll never do anything new if all you do is focus on what others are up to.

How To Do It in Gainsight PX

Enact a product growth strategy to grow the business through customer marketing and new feature release:

- Use in-product messaging to guide each persona to value actions.
- Enable users with customer stories, case studies, and best practices.
- Use in-product messaging to promote events and webinars.
- Use survey responses to identify advocates and trigger success manager outreach.
- Promote new offerings based on persona, usage, and goals.

See A Demo



Product Analytics



In this chapter: why analytics are key to product-led growth, experience data, instrumentation, messaging

Analyics

A tool for identifying useful patterns in data.

Goals

- Improve roadmap decisions.
- Measure and trigger actions off of key indicators.
- Learn about user behavior, objectives, and outcomes.
- Save engineering resources.

Most products are not built with the innate ability to track users. For teams, that means the process of drawing user insights out of the product is a nontrivial matter. It often involves asking engineers to pull data, then asking them to pull more data when you realize your original request wasn't sufficient. You then have to reconcile that data with what you instinctively know about users and the business. Analytics exist to make this process simple, inclusive, and iterative.

Product analytics, such as Gainsight PX, democratize access to product data, user data, patterns, reporting, and insights to all teams that need them. It's particularly useful for Product, Marketing, and Success teams that are measured on metrics for which this data is helpful but who usually can't access it. It also relieves pressure on engineering teams who have more important things to be doing than pull reports.

Understanding Experience Data

Product-led teams care about experience data, which are insights into how users feel about the product, regardless of whether it's true. A sign-up flow may have just two steps, but if a user feels like it took too long, that's their truth, and they're going to churn just the same. By paying careful attention to how users experience the platform, teams can ensure it's not just attractive and usable, but that it feels that way too. In the product-led era, user reactions matter.

Examples of experience data include:

- Net Promoter Score (NPS)
- Customer experience surveys (CES)
- Satisfaction surveys
- User interviews
- Quantitative indicators of frustration (pressing a button many times)
- Qualitative indicators of frustration (negative reviews, public complaints)

Product Instrumentation and Product Mapping

Instrumentation is the process of integrating analytics into your product. In the past, this was a time-consuming, messy affair that demanded heavy engineering resources. Today it's simpler, but setting it up right is vital. Errors in instrumentation can cascade through all subsequent reporting. And if you don't consider all products upon deployment, you can accidentally create inconsistencies that make them incomparable.

When you instrument analytics correctly, you gain instant visibility to the entire product, focus on key value actions to instrument, tack back-end data such as custom attributes, and integrate with feature flags.

> The true test of a product analytics platform is that it both presents the team with insights and allows them to act upon those insights by sending messages

The Need for Product Messaging

Insights without action are of little utility. The true test of a product analytics platform is that it both presents the team with insights and allows them to act upon those insights by sending messages, opening dialog boxes, or using flashing banners to guide their eye. In most cases, Marketing and Success teams don't have easy access to in-app messaging and have to request it from Product or Engineering, which can create conflict and a poor user experience. When in-app messaging features are included in analytics, it allows those teams much more freedom to guide the user journey.

Pro Tips

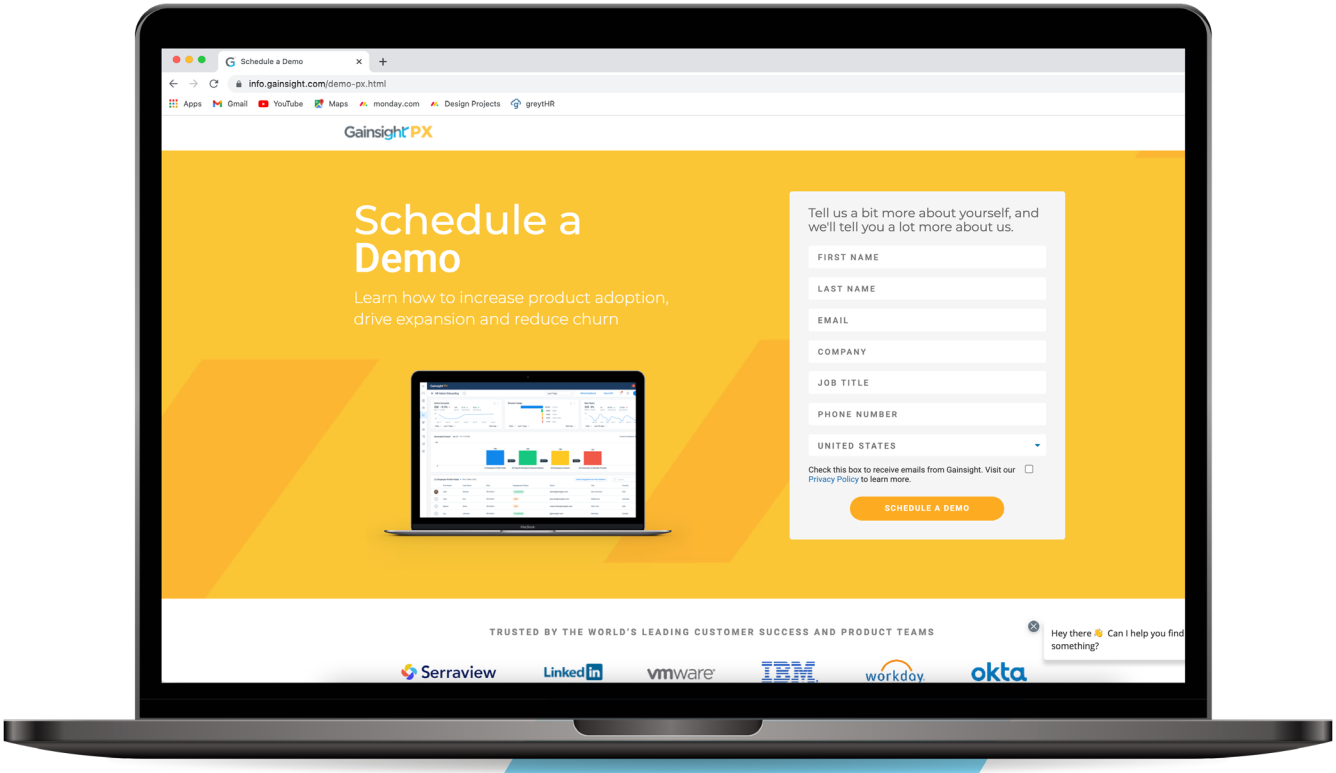
- Form a product messaging oversight committee with a stakeholder from each team. All members can nominate messages to add to the product, but one team should be responsible for writing them to ensure message consistency.
- Follow UX guidelines when crafting in-app messages. They should feel native to the product, both in visuals and in language. Messages should follow common conventions for closing them out—such as an "x" in the corner or clicking away—and where possible, provide progress bars or indicators that tell users how many slides are left.

How To Do It in Gainsight PX

Create a custom dashboard for tracking product health that tracks:

- Adoption depth
- Adoption breadth
- User engagement
- User sentiment

See A Demo



Experimentation



In this chapter: experimenting scientifically, knowing what to test, making experimentation a habit

Experimentation

The process of trying out new ideas, methods, or activities..

Goals

- Allow users to lead.
- Build knowledge.
- Improve conversions.
- Improve product health.

As the old adage goes, if it's stupid, but it works, it isn't stupid. There's great wisdom in accepting the limits of our knowledge while at the same time holding strong opinions and forming hypotheses. In the product-led era, testing is essential.

Without testing, you can't know what's valuable to users. Even users don't know. In the early days of cloud-based CRM, buyers balked at the idea of storing contact data online. Now it is basic wisdom. Standards emerge when people are given options and we get to observe their behavior. For instance:

Stated preference: "I would never put sensitive data on a shared server."
Observed behavior: Amazon Web Services generated $14.81B in the second quarter of 2021.

Stated preference: "I want to talk to a person."
Observed behavior: Chatbots can resolve 80% of customers' routine issues.

State preference: "Microsoft Outlook is good enough."
Observed behavior: Gmail owns 55% market share.

The examples are endless. Never assume—test so you know.

Experiment Scientifically, Within Reason

It is a common error among experimentation novices to test whether button color makes a measurable difference. It is theoretically possible that in the consumer world, with millions of site visits, this could have an effect. But in most B2B scenarios, the sample sizes are too small to yield useful results. You must do more than test—you must know whether your results are statistically significant. That is, given the sample size and the difference between variant A and variant B, what is your confidence level that the result is nonrandom?

In the scientific world, statistical significance should be 95% or higher (as in you're 95% confident that the results aren't a fluke). In B2B, it's probably acceptable that they're lower, around 80%.

Knowing What To Test

Analytics can provide tremendous insight. But like a self-driving car, you have to tell it where you want to go. You cannot simply press a button and land on insight. What is insight anyway but value in the eye of the beholder? It is almost entirely subjective. Value is dependent on your preexisting knowledge, your baseline, and your goals. Is a 400% increase in logins over a 24-hour period useful? Yes, if your product is a corporate-sponsored meditation app. But if it's a corporate-sponsored health insurance app? It may be bad news that a claim is about to happen.

Your skill at testing is a function of your skill at asking useful questions. For instance, "If I add a shortcut to the homepage, will it increase new feature adoption?" Or, "If I bury the 'contact support' button within the FAQ, do more people learn to use the software and achieve better outcomes?"

Common Testing Mistakes

- **P-hacking:** This is when experimenters end a test early because they got the result they wanted. Nothing is certain until it's over.
- **Confusing causation with correlation:** Just because two events happen at the same time does not necessarily mean they are related. A thunderstorm and a spike in usage could be related. But it could also be random. You need more data to know. Similarly, changes to the software and higher usage rates don't necessarily mean the feature release was successful. It could be that the newest cohort of users is a far better fit and would have used the service more anyway.
- **Building for averages**: Don't assume that the average result for all users is also the ideal for all users. If the average number of user licenses is five, that doesn't mean that's where your pricing tier should break. It could be that 50% of your customers need 10 licenses and 50% need one. If you offer five, you'll make everyone unhappy.

Build Experimentation Into Your Process

Experimentation should be a way of life for your team. Too much experimentation can slow you down, but too little can lead you away from product-market fit. The right balance is building experiments into your product development process so you can assess users' preferences and allow them to guide you.

Experiments To Run

- Do guided in-app messages improve onboarding outcomes?
- Does increasing adoption lead to greater retention?
- Do guided in-app messages lead to higher adoption? Which messages?
- Does an easier signup process lead to higher or lower lifetime value?
- Do different lead sources lead to higher or lower lifetime value?

Don't forget to consider user context either. What holds true for one person may not hold true for others. End users often want more details; executives often want less. Salespeople may want to view revenue; marketers may want to view the pipeline.

Whenever constructing an experiment, ask yourself:

- Did we consider the user's role or objective?
- Did we consider their lifecycle stage?
- How will we qualify users who need to have a recommended trait?
- Which cohort do they belong to?
- How does this compare to a similar audience?

It's only through careful experimentation that you discover the sorts of insights that are essential to product-led growth.

Gainsight

How To Do It in Gainsight PX

Are You Ready to Lead With Product?

The era of sales-led growth is over. The era of marketing-led growth is waning. People don't want to be pushed, and they're tired of being pulled. They want to do what humans do naturally and consumers do so often: choose. Is your product ready to be chosen?

Starting as a product-led company is difficult. Transitioning to product-led growth is even more difficult. But both challenges pale in comparison to the difficulty of sending salespeople to knock on doors or sending flurries of cold messages. Potential customers are far, far too busy getting value out of competitors that already offer trials to notice.

Why Gainsight PX?

Gainsight PX's Product Experience Platform empowers product owners with the tools to deeply understand user behavior, drive product adoption, and collect user feedback.

About Gainsight

Gainsight is the Customer Success company. Our best-in-class software platform helps your business grow faster by cutting churn, driving upsell, and fueling customer advocacy. With our product and data-based best practices, you'll communicate with customers more effectively, anticipate risk proactively, and transform your company around your customers' outcomes. Gainsight provides a 360-degree view of customers across Customer Success, Sales, Marketing, your executive team, and Product Management. Learn how leading companies like Adobe, Box, DocuSign, HP, Glassdoor, Marketo, and Workday use Gainsight to increase retention with provable results at www.gainsight.com.

Gainsight, Inc.

350 Bay Street, Suite 100 San Francisco, CA 94133 USA

Tel **+1 888 623 8562**
hello@gainsight.com

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