

2022

PRODUCT BENCHMARKS

OPENVIEW

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INTRODUCTION

Welcome to the 3rd Annual Product Benchmarks Report

Looking back on three years, it's clear to me that the practice of product-led growth has, in a word, grown. The inaugural report in 2020 focused on showing the world that products could act as acquisition, conversion, and expansion tools. Its core thrust was identifying the metrics that mattered when practicing product-led growth (PLG) and then defining them for early adopters.

Now, PLG has gone from novelty to the norm. Adoption of PLG is up by 20% over the last three years. We are now living in the [Age of Connected Work](#), where software has become a fundamental utility powering our working lives. Software is now expected to be open, provide value very quickly, and be available where and when we need it. PLG isn't as simple as introducing a free trial or a low-value product—it's adopting a new way of building products and doing business.



INTRODUCTION

That's great news for workers—who benefit from these products—but standing out has become increasingly challenging for builders and founders alike. A free offering requires broad changes across the board, altering not only the DNA of how you build, but the playbook of how you bring your product to market. Outstanding PLG execution is difficult—and not for the faint of heart.

This year, we'll focus less on the high-level metrics that benchmark PLG success and more on the nuts and bolts that help them stand out. We'll lay out how to build a PLG go-to-market engine by following the **New User Journey**, provide data on how standout PLG companies performed on key metrics, and dive into case studies that demonstrate ways to grow your business.



Sam Richard • VP, Growth at OpenView



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FREQUENTLY USED TERMS

PRODUCT EXPERIENCE

This is how an interested user will first interact with your product. Product experiences can be:

- **FREEMIUM:** These are companies with a free version of their product as the go-to product experience. We consider freemium companies to be product-led.
- **FREE TRIAL:** These are companies that offer a timeboxed, self-serve free trial of their product—we consider free-trial companies to be product-led.
- **SALES-LED:** These are companies that require a user to work directly with a sales rep to experience the product.

PRODUCT-LED GROWTH

Also known as PLG. Unless otherwise noted, this is how we group together freemium and free-trial companies in our analysis.

STANDOUT PLG

This is a subset of companies that filled out the 2022 Product Benchmarks Survey that consistently grow at above 30% at scale, have surpassed \$30m in revenue, and are household names.

PRODUCT-QUALIFIED LEADS

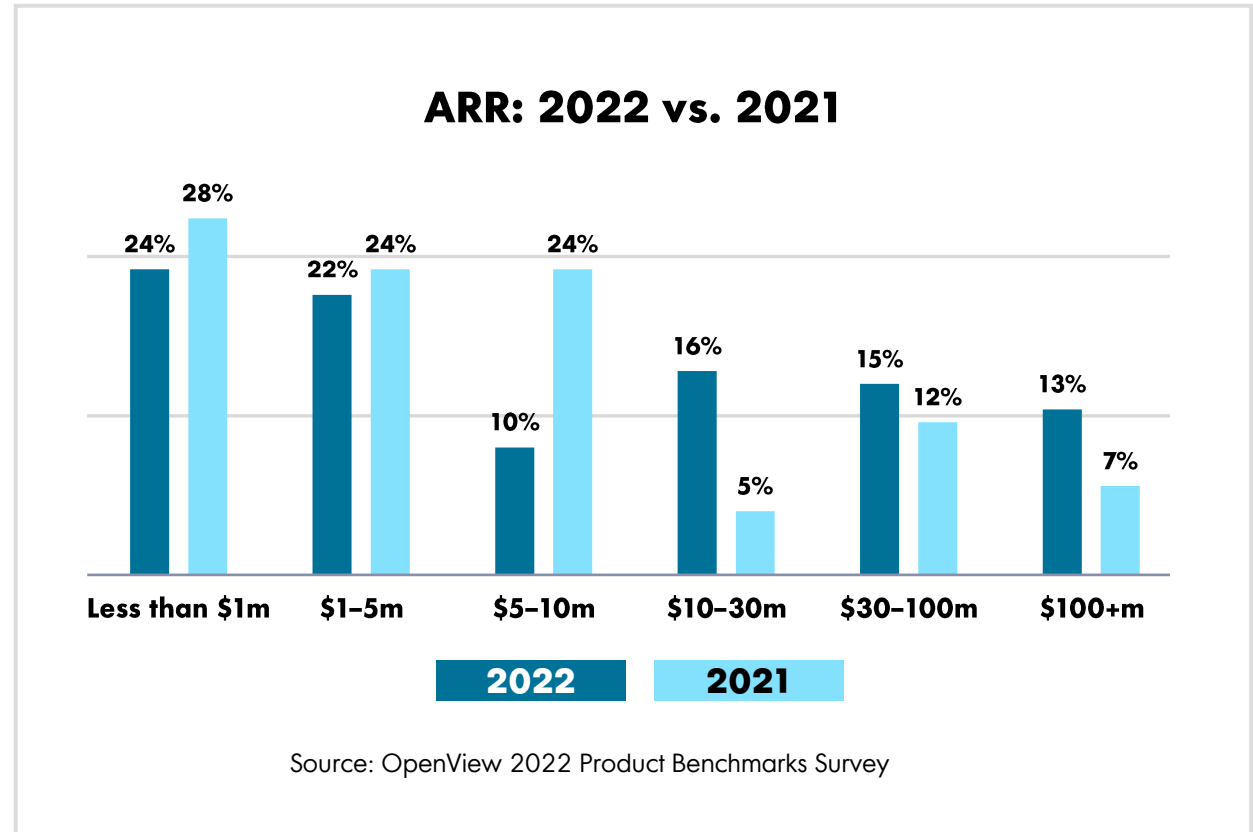
PQLs are users who are prioritized as ready for sales outreach based on their usage patterns within the product.

WHO TOOK THE SURVEY THIS YEAR?

Total responses to this year's survey: 458

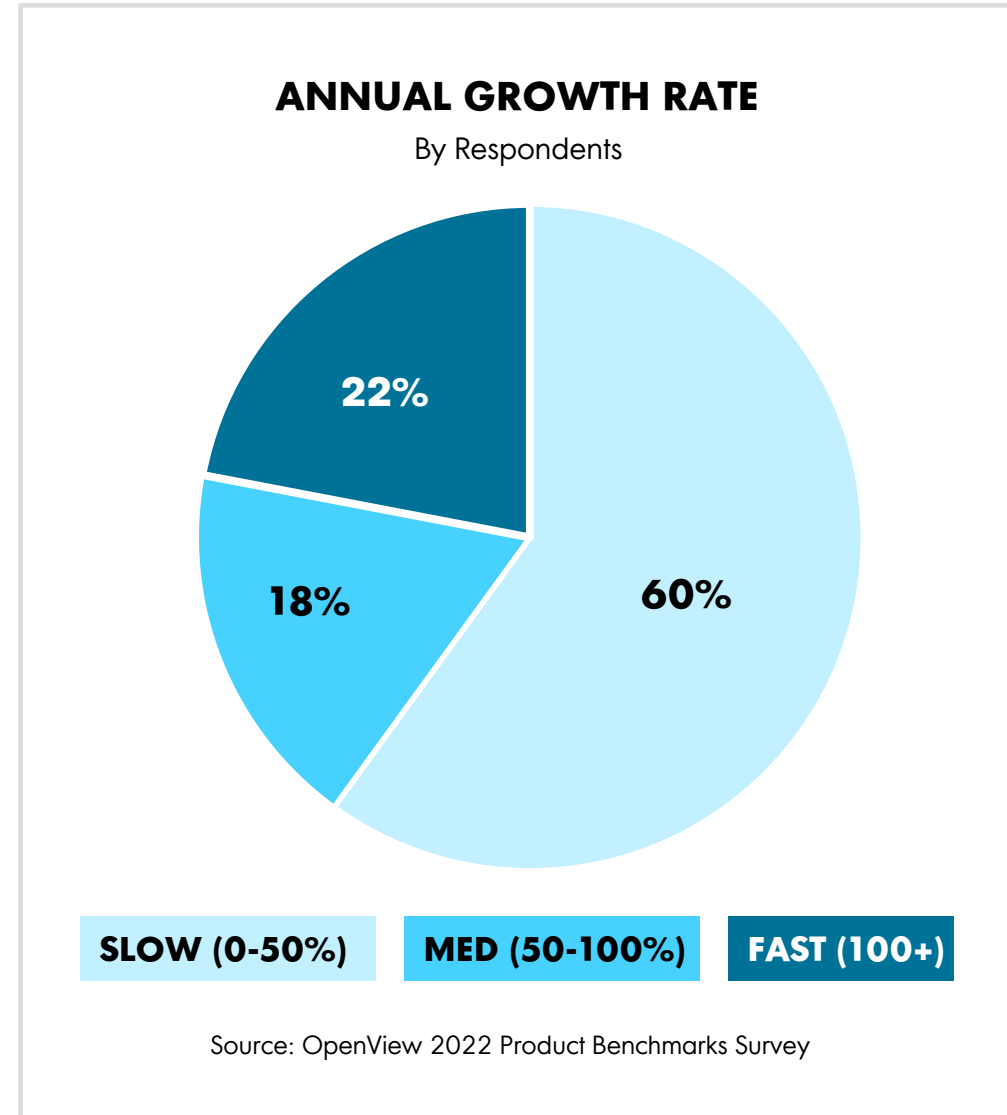
This year's respondent breakdown indicates a growing interest in the report from larger, more mature businesses.

The percentage of respondents with \$10m+ in ARR has nearly doubled year over year. This illustrates that interest in PLG and product-based metrics is alive and well.



ANNUAL GROWTH RATE

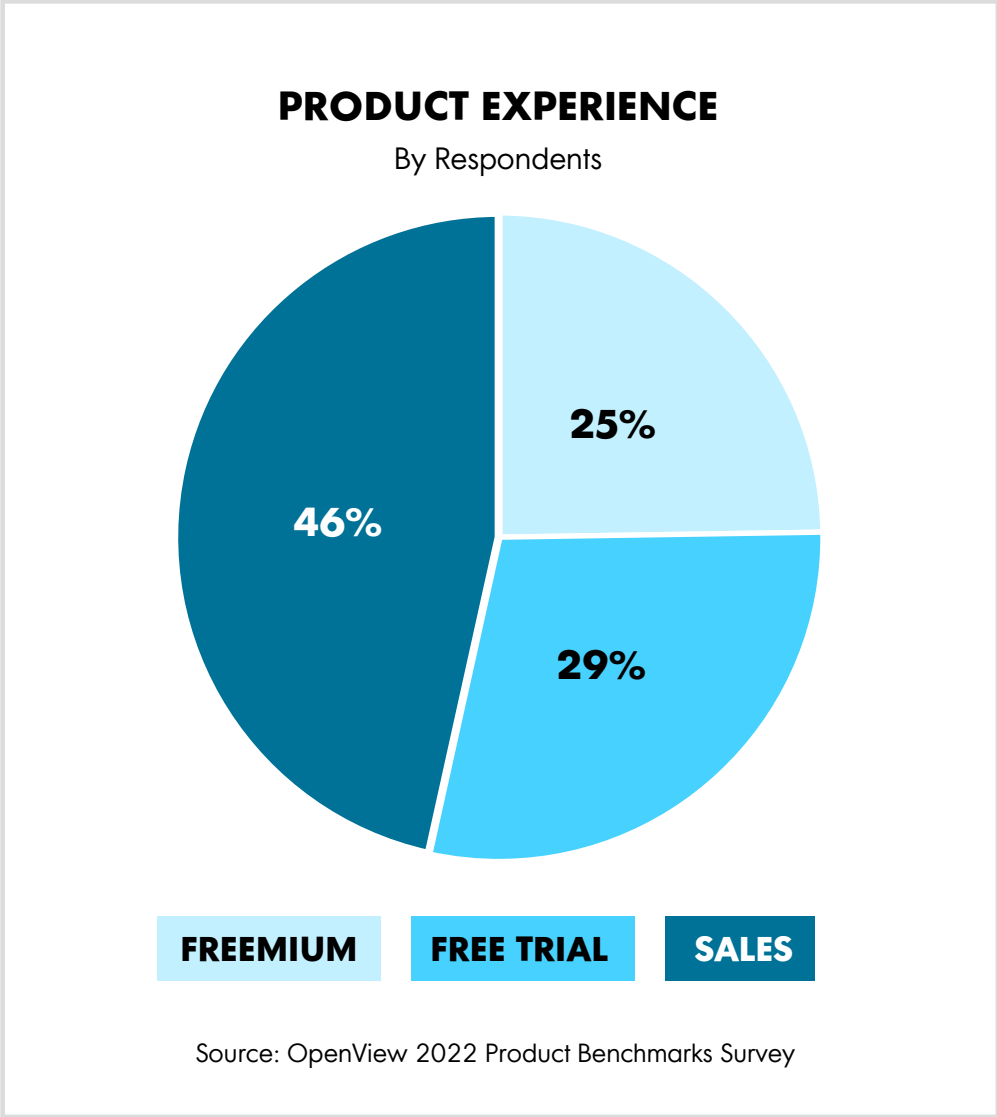
The growing interest from larger businesses led to more slow-and-medium growth rate businesses. It can be very challenging to grow a \$10m+ ARR business above 100% annually.



PRODUCT EXPERIENCE

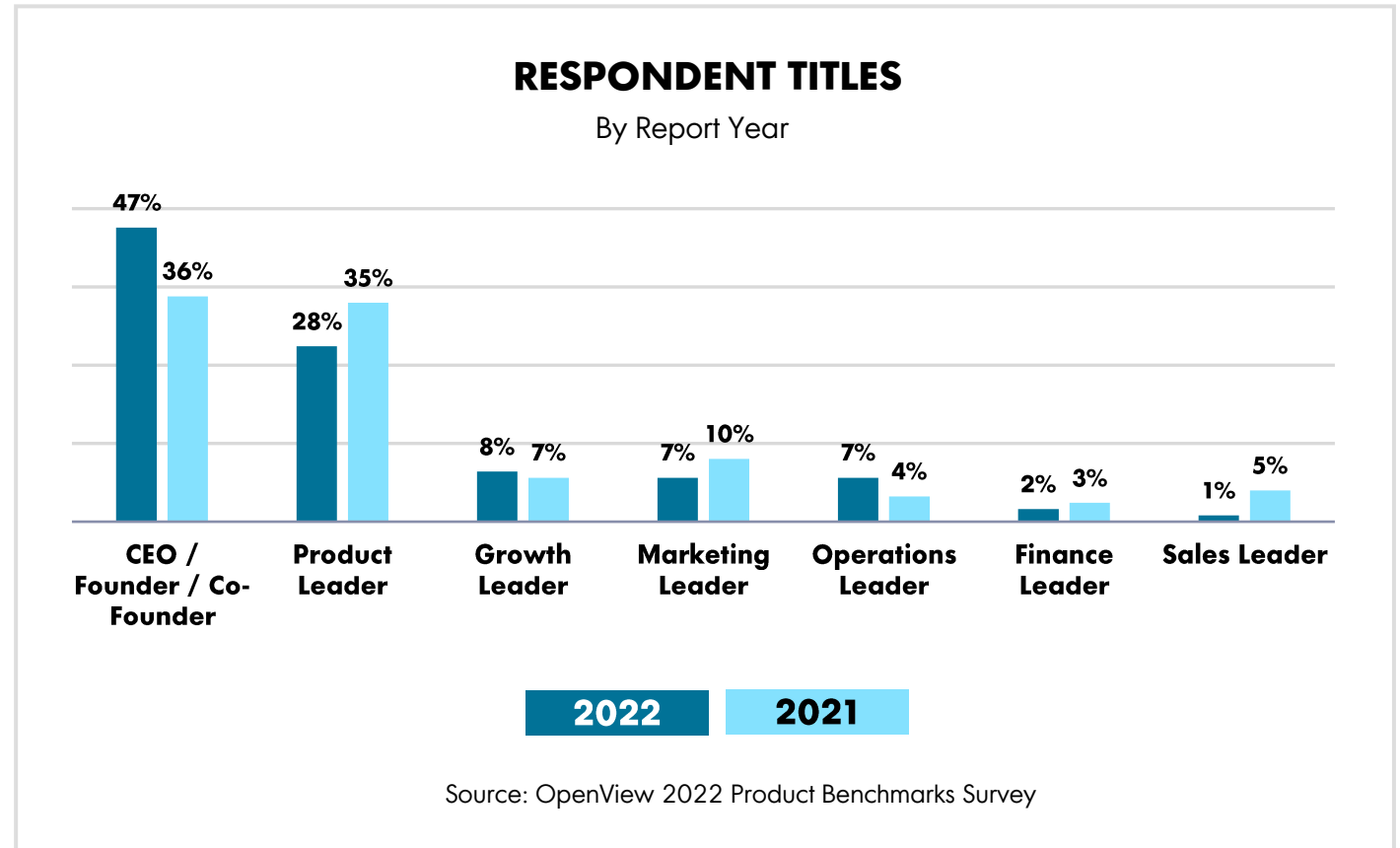
Nearly half of respondents were sales-led, meaning that users only experience the product after going through a sales cycle.

The other half were product-led, meaning that users could experience the product in a free way prior to making a purchasing decision.



PERSONA

Increased interest from CEOs and founders in this year's report highlights the heightened role product plays in a company's growth.

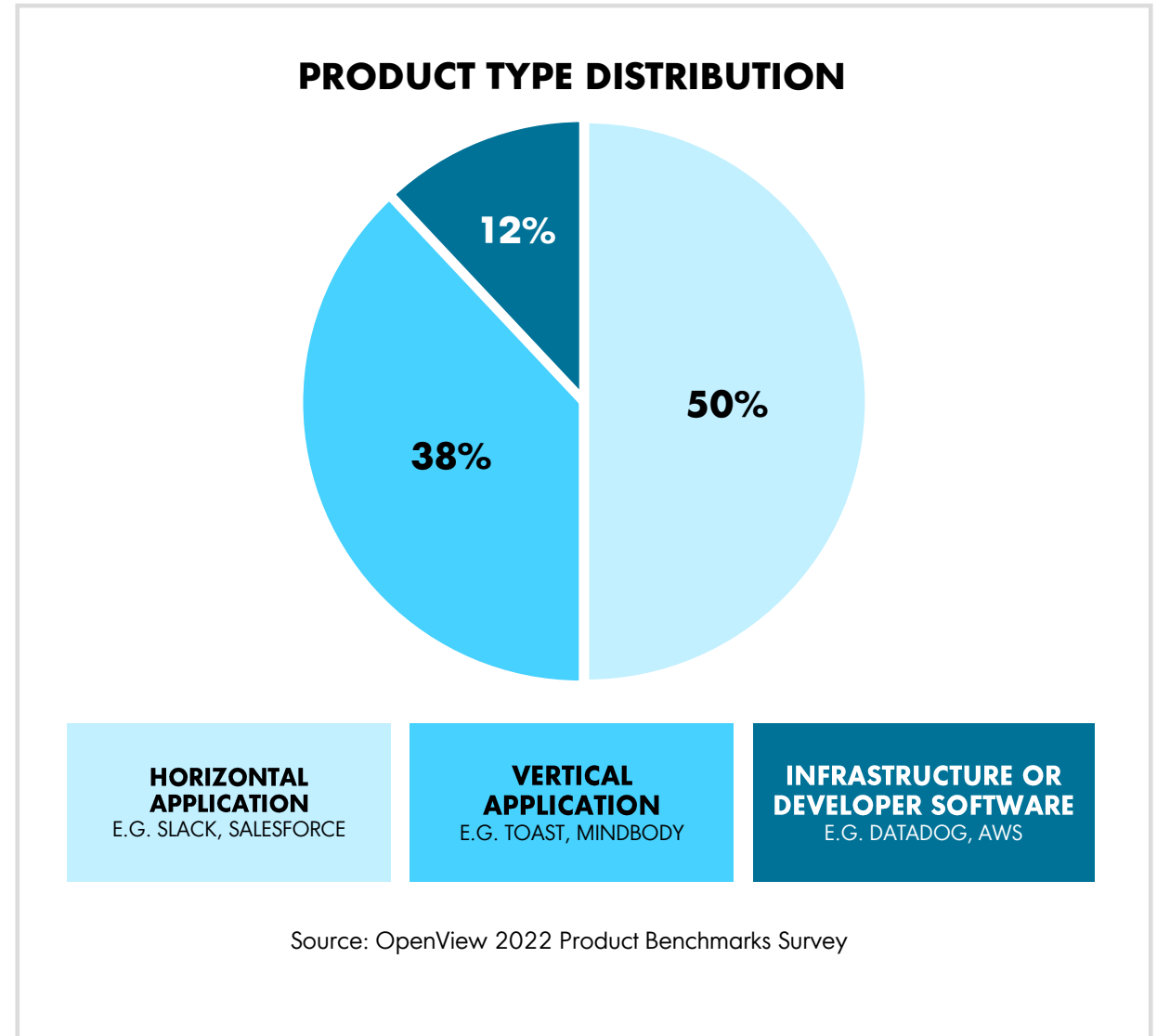


PRODUCT TYPE

PLG respondents' product-type distribution is reflected here. Many product-led businesses are horizontal, meaning that they support several use cases.

Vertical applications typically support a single industry (ServiceTitan for home service providers and Toast for restaurants are great examples).

Developer software targets software engineers directly as end-users.



WHAT'S NEW THIS YEAR

AMPLITUDE DATA

Amplitude, our 2022 Benchmarks sponsor, was kind enough to share a selection of metrics from their own customers who are:

- Public companies
- Have a freemium or free-trial offering

You'll see callouts of this data in this year's report.



This year, we've also broken out freemium, free-trial, and standout PLG models so you can better understand where your business stacks up compared to our respondents.



PRODUCT-LED GROWTH

WHAT IS PRODUCT-LED GROWTH?

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

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



OPENVIEW KNOWS PLG



PRODUCT-LED GROWTH IS YOUR SECRET WEAPON



Evolution of Public PLG Companies Since 2012



THE NEW USER JOURNEY

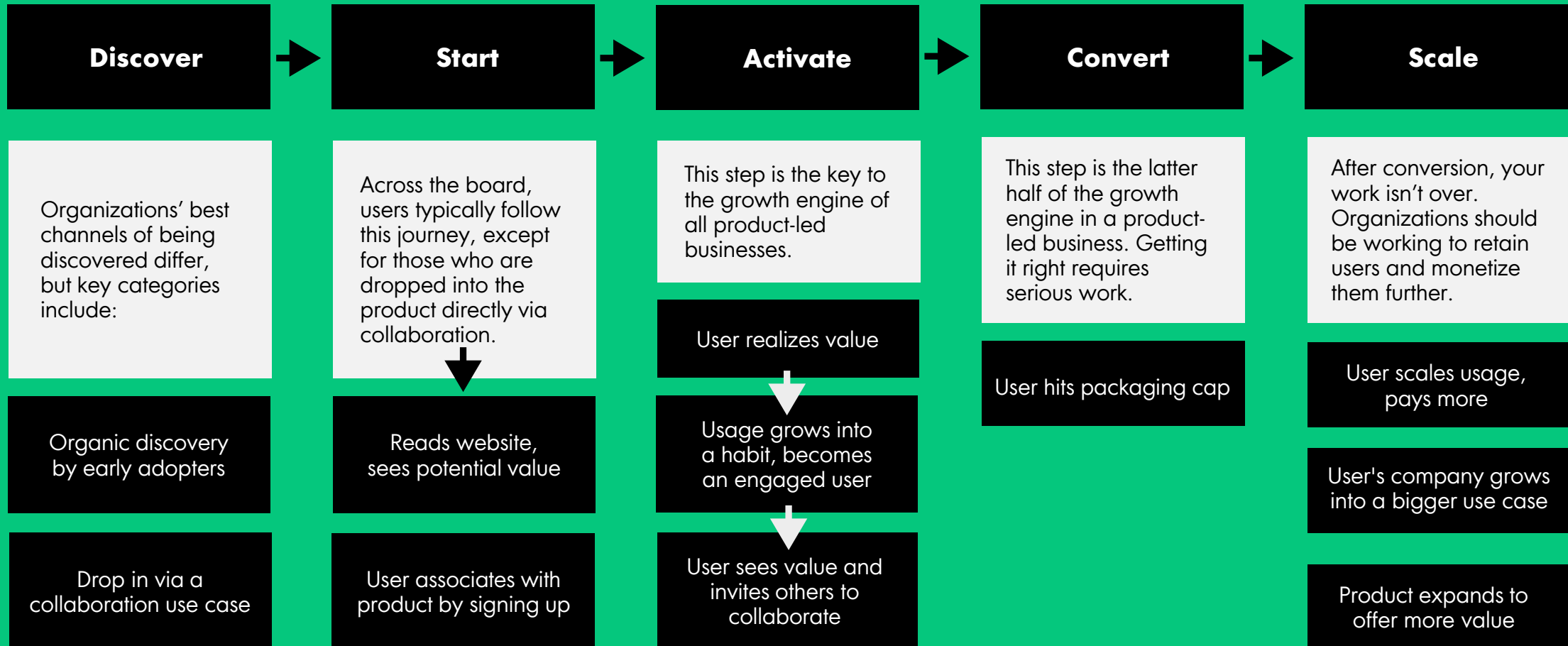
PLG REQUIRES A NEW WAY TO BUILD AND SELL PRODUCTS



When many users are discovering and entering your product with different levels of context and understanding, you need to take them along the journey in a scalable and user-focused way.

We've coined this path the **New User Journey**. This year's benchmarks report will follow the path of a user from discovery all the way to scaling.

DEFINING THE NEW USER JOURNEY



HOW CAN BUSINESSES MEASURE AND OPTIMIZE THE NEW USER JOURNEY?

Step of Journey	Metric	Benchmark: Free Trial	Benchmark: Freemium	Benchmark: Standout PLG	How to Optimize
Discover	Organic and Product-Driven Traffic	Average Organic Traffic: 43% Average Product-Driven Traffic: 4%	Average Organic Traffic: 53% Average Product-Driven Traffic: 13%	Average Organic Traffic: 40% Average Product-Driven Traffic: 16%	Drive virality, leverage product superpowers
Start	Web to Signup Rate	3%	6%	5%	Nail first impressions
Activate	Activation Rate	Activation rates are highly dependent on how users enter and interact with your product. Check out the activate section to understand where your product stacks up.			Focus on delivering value
Convert	Free-to-Paid Conversion	17%	5%	4%	Apply sales pressure selectively
Scale	Usage Retention	Free trials have individual time-boxed usage, so it's challenging to survey their usage retention in a large cohort.	20%	16%	Find unique ways to engage with your users



DISCOVER: HOW CAN A PLG COMPANY GROW?

STANDOUT PLG COMPANIES LEVERAGE ORGANIC AND PRODUCT-DRIVEN GROWTH

PRODUCT-DRIVEN GROWTH

EXPOSURE VIRALITY

Every single time someone interacts with your product, they expose your brand in some way and are happy to do it because it makes them look good.



COLLABORATIVE VIRALITY

Users who want external parties to view their work or interact with them in an application can invite them, driving user growth and awareness.



SIDECAR PRODUCTS

Sidecar products are standalone products that solve for issues your ideal customers face. Great examples are HubSpot's Website Grader, Snyk's Vulnerability Database, and Wistia's Soapbox.



ORGANIC GROWTH

PRODUCT-DRIVEN SEO

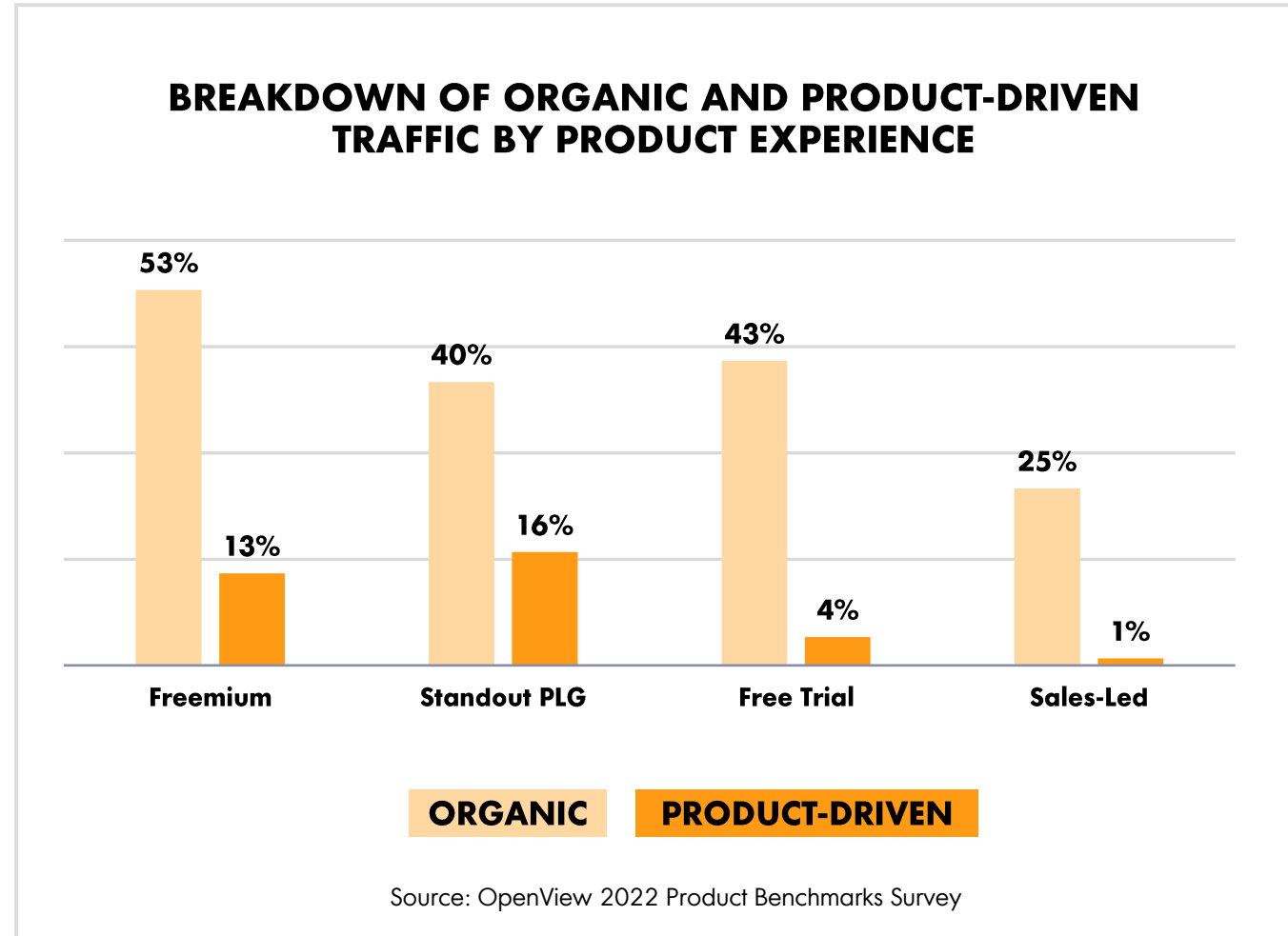
Product-driven SEO is an automated approach to creating search-friendly content that drives discoverability. Examples include Quora, where users create an infinite amount of content that ranks on Google, or a templated play like Zapier's integrations pages.



WHAT DISCOVERY CHANNELS WORK BEST FOR PLG?

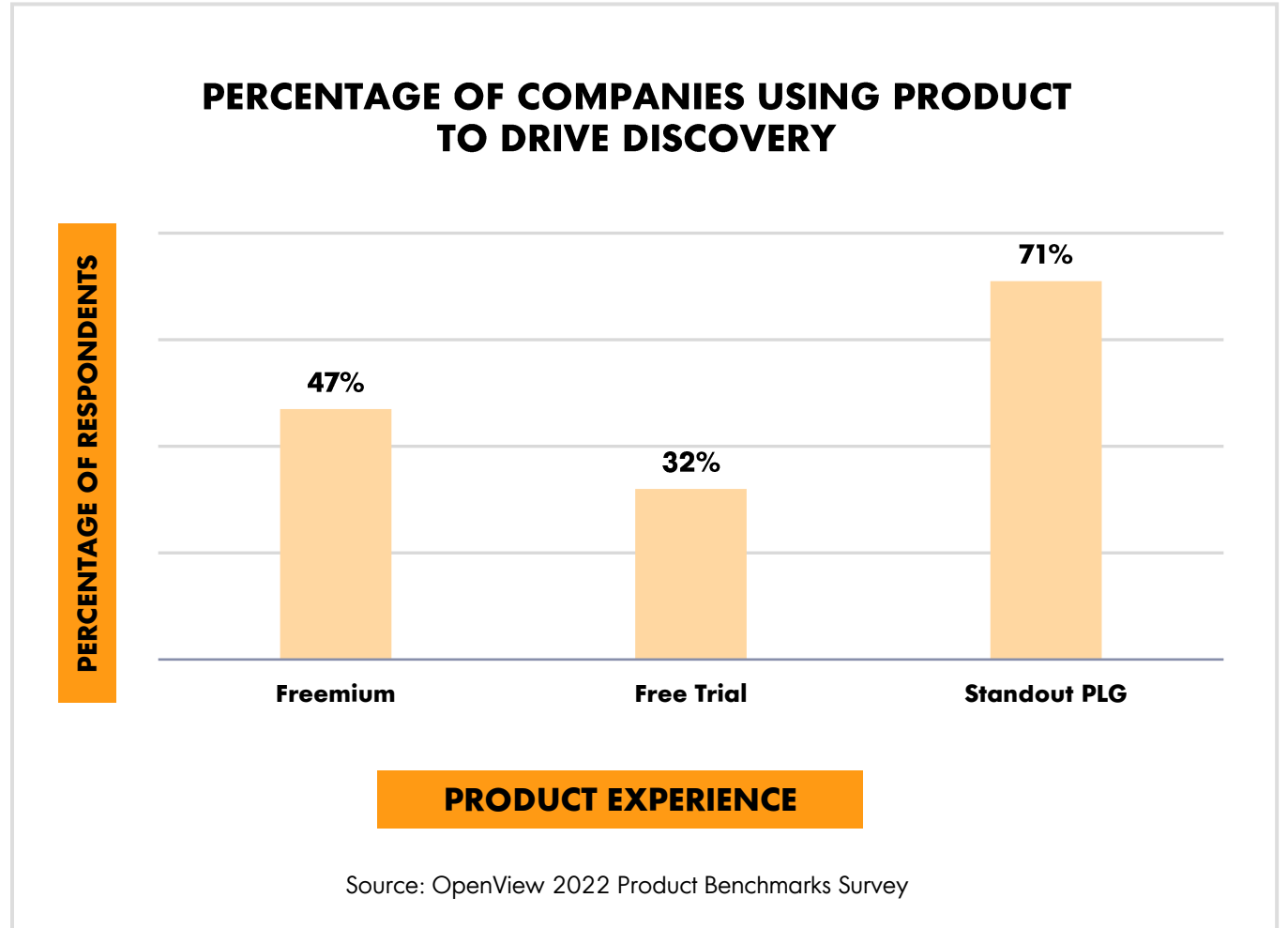
Because of low sign-up rates (and even lower conversion and usage retention rates) product-led businesses thrive when they find channel-market fit within low-cost, scalable channels.

These channels are typically product-driven traffic and organic traffic.



PRODUCT-DRIVEN GROWTH IS MORE COMMON WITHIN STANDOUT PLG COMPANIES

While most standout PLG companies use their product in some way to help drive top-of-funnel traffic and signups, many respondents to our survey still haven't reached that level of product maturity.





START: CAPTURING USER INTEREST

STRONG TRAFFIC IS JUST A STARTING POINT

AFTER VISITING YOUR SITE, USERS NEED TO SIGN UP FOR THE PRODUCT.

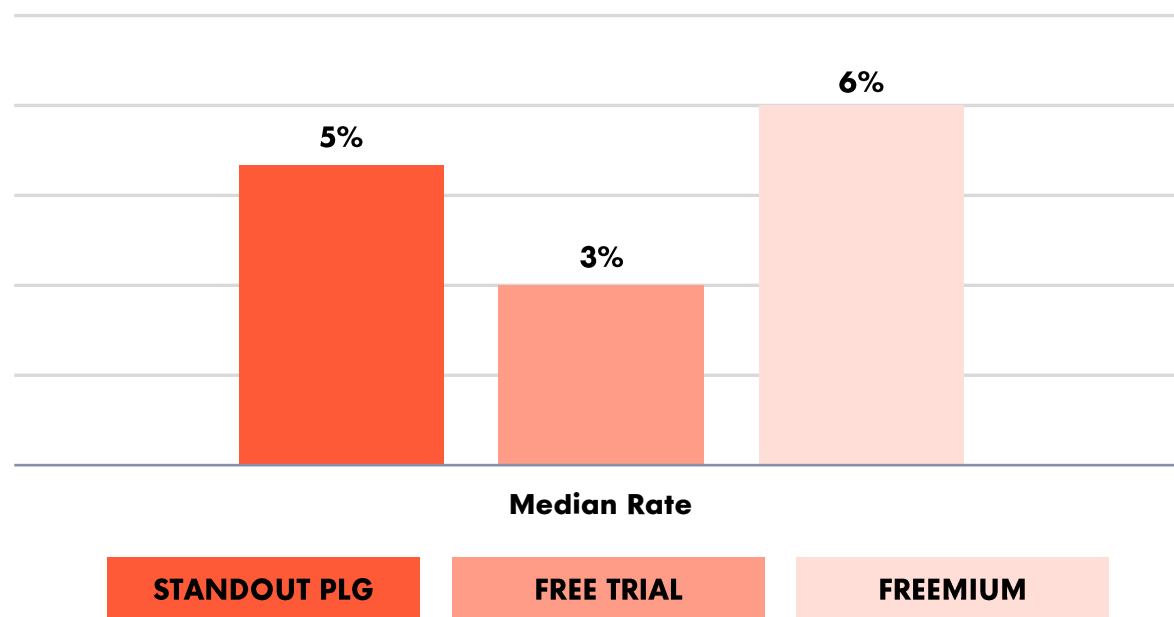
Because of the low commitment threshold, companies with a freemium model see much higher signup rates than free trials. This still stands even after brands become more popular—therefore gaining more traffic.

Both models see low signup rates overall if the company is spending considerable amounts of capital to send traffic to the website.

AMPLITUDE DATA

The median rate at which users will sign up within 90 days after visiting the website for the first time is **3.12%**.

MEDIAN VISIT-TO-SIGNUP RATE BY PRODUCT EXPERIENCE



Source: OpenView 2022 Product Benchmarks Survey

FIRST IMPRESSIONS MATTER

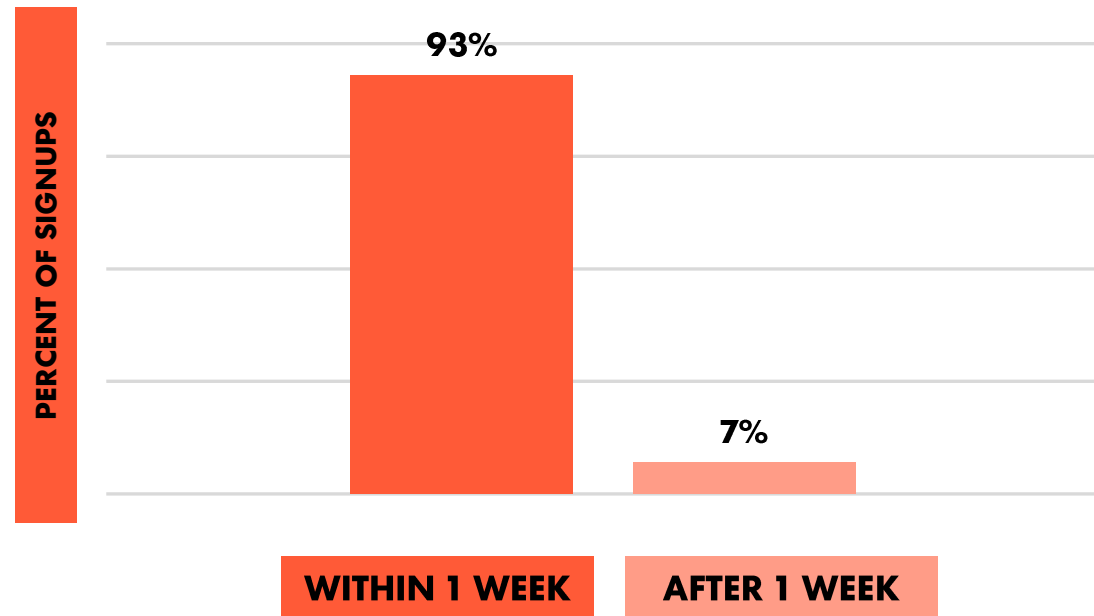
Your website plays a huge role in conversion. To capture user's attention, your team must sharpen your messaging and answer the question:

“What’s in it for me if I use this product?”

AMPLITUDE DATA SHOWS:

Most visitors to your website sign up within the first week of encountering your brand if they ever sign up at all.

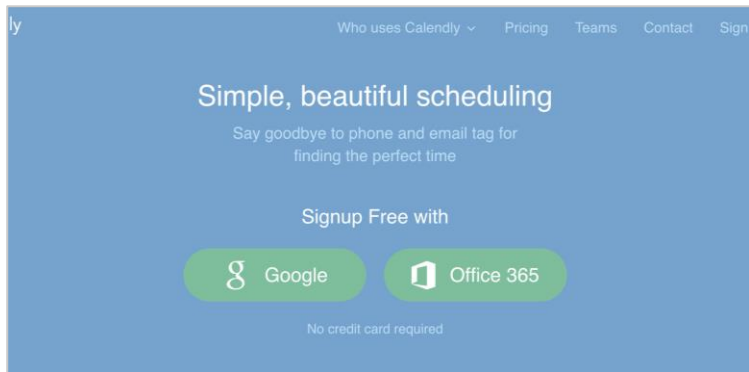
WHEN CAN I EXPECT NEW VISITORS TO SIGN UP?



Source: OpenView 2022 Product Benchmarks Survey

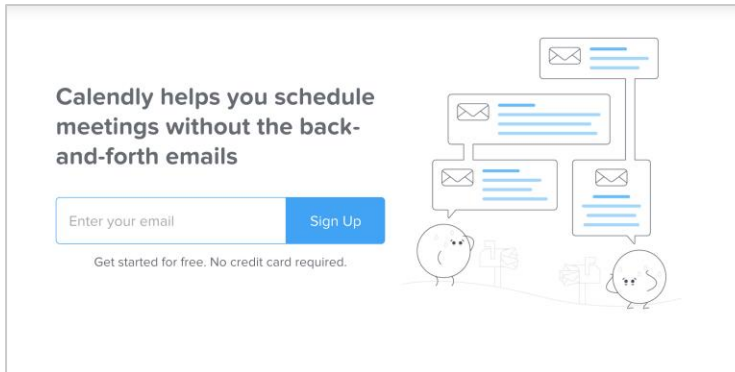
CASE STUDY

CALENDLY'S WEBSITE HAS EVOLVED TO CAPTURE USER INTEREST



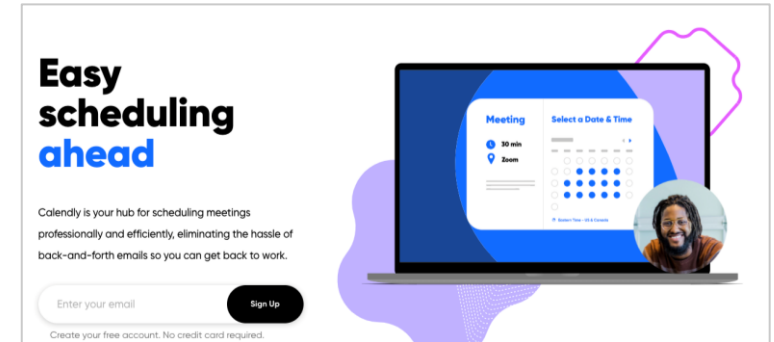
2015

Calendly started with a simple signup flow—enabling single-sign-on in with Office or Google accounts.



2019

Next, Calendly removed all friction by enabling signup with email right on the homepage, requiring no forms-fills outside of an email address.



2022

Calendly keeps the frictionless signup and adds additional calls-to-action as visitors scroll the website, giving engaged readers the opportunity to sign up when they get the answers they need.

Note: Calendly is an OpenView portfolio company.

Images: WebArchive



ACTIVATE: NAILING THE “AHA” MOMENT

WHAT IS ACTIVATION?




The moment when your product delivers on the value that it promised. It's also sometimes referred to as the "aha moment" when a user understands why they would use a product.

- It's a **one-time event** that cannot be undone or completed multiple times.
- It **represents true value** to the user, not a vanity metric.

Why do you need an activation metric?

Getting a user isn't enough. You need them to find value in your product. Activation boils your top of the funnel into a unified metric. First, it shows the efficiency of your acquisition funnel. Second, it measures your business' ability to deliver value to your customers.

ACTIVATION METRICS ARE UNIQUE TO EACH PRODUCT

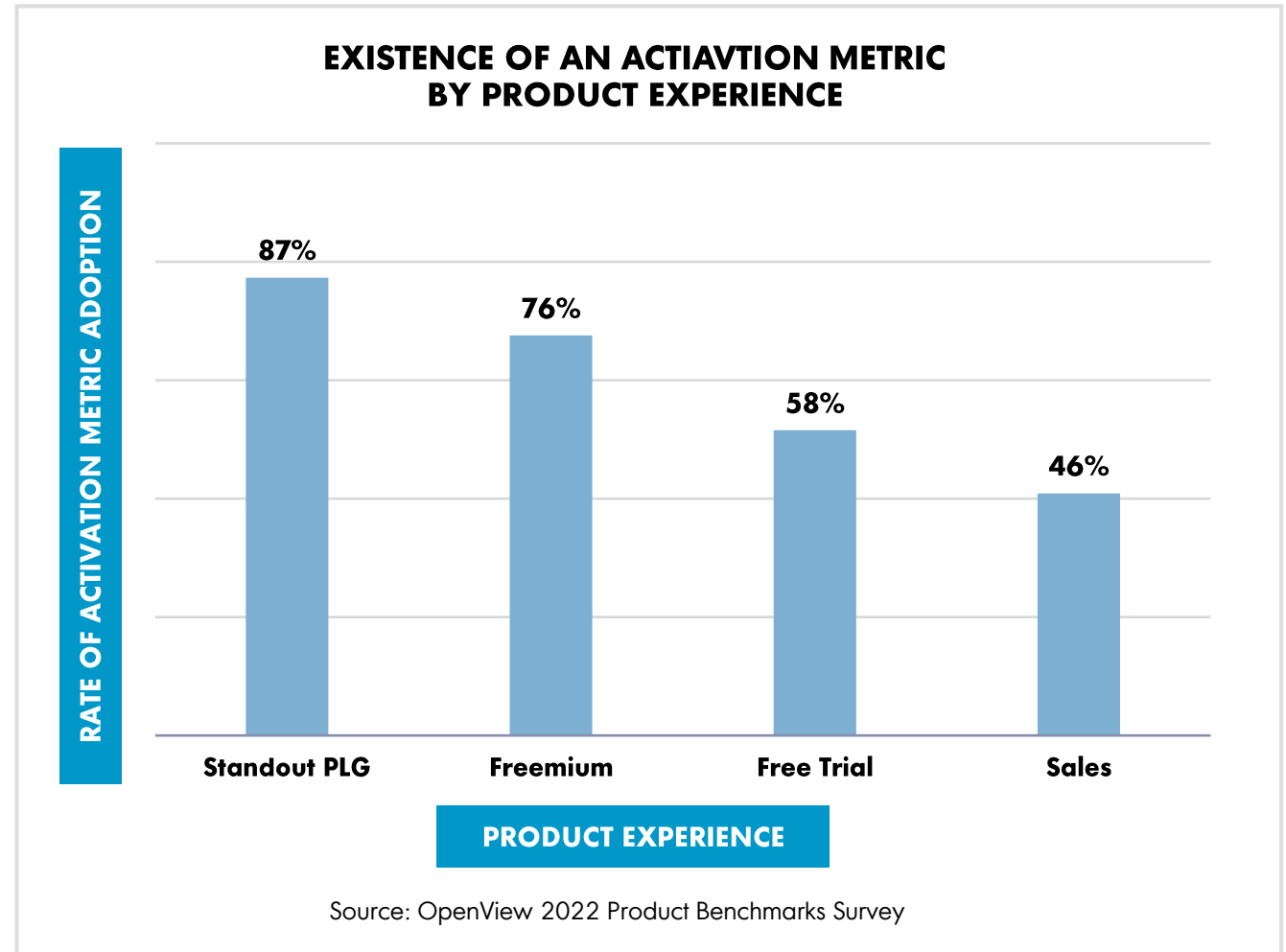
PRODUCT	DEFINED ACTIVATION METRIC	SOURCE
	A user shares a Loom with someone else	Kieran Flanigan
	Setting up a Zap	Databox Podcast
	Completing a Zoom meeting within seven days of signup	Zoom Product Metrics , Mahendra Sundaram

IN PLG MODELS, WE SEE HIGHER ADOPTION OF AN ACTIVATION METRIC

When users can interact with the product in a self-directed way, it can be challenging to understand the nuances of their user experience.

As a result, most freemium and free-trial product experiences use an activation metric to learn if users are getting value.

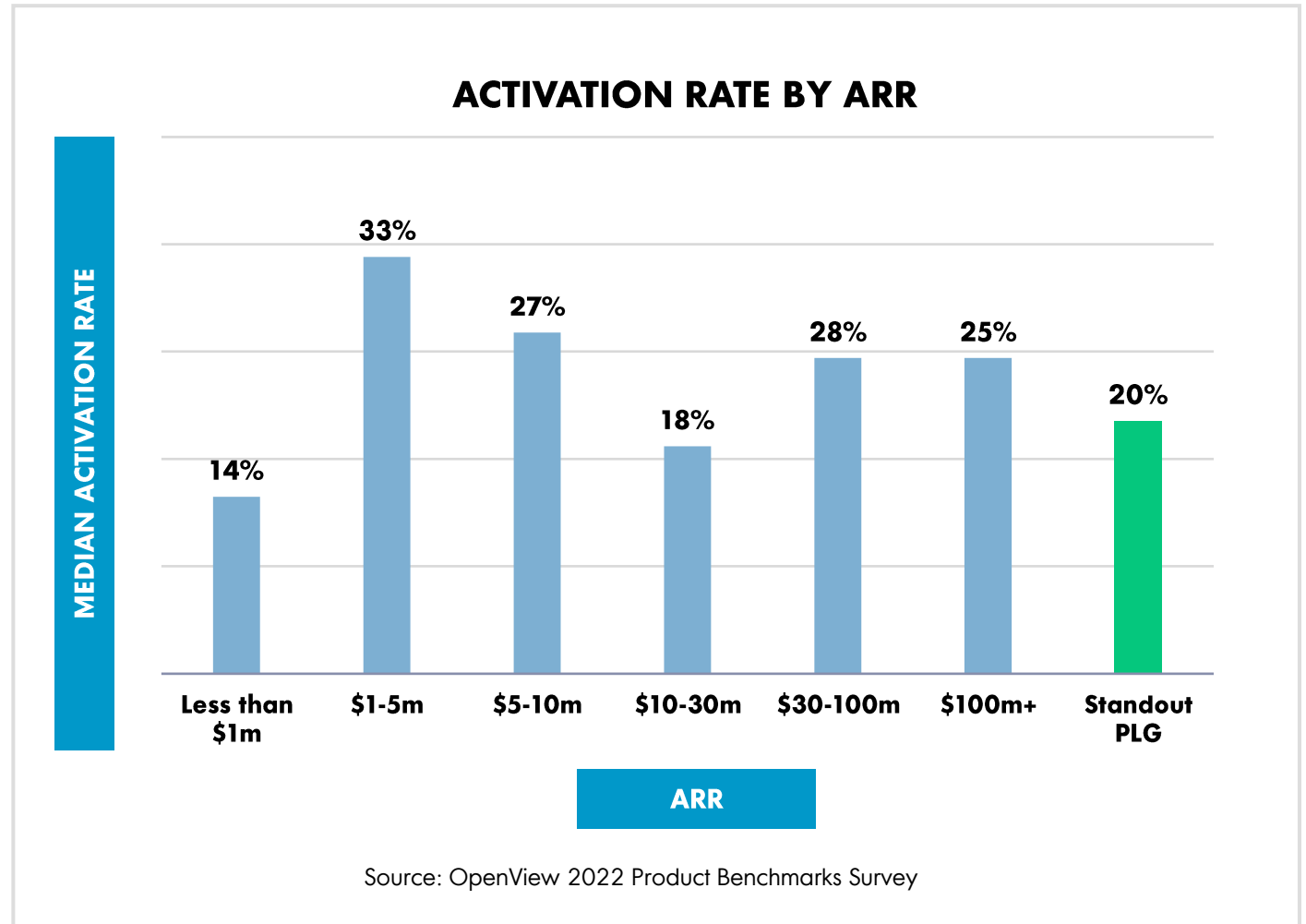
It's extremely telling that nearly all standout PLG respondents use an activation metric. If you're not defining and measuring activation today, you should be.



WHAT IS A GOOD ACTIVATION RATE?

Because activation metrics are set by the individual business, it can be challenging to benchmark your own business against others, even at a similar scale.

Regardless, respondents to this year's survey typically saw activation rates above 20%.

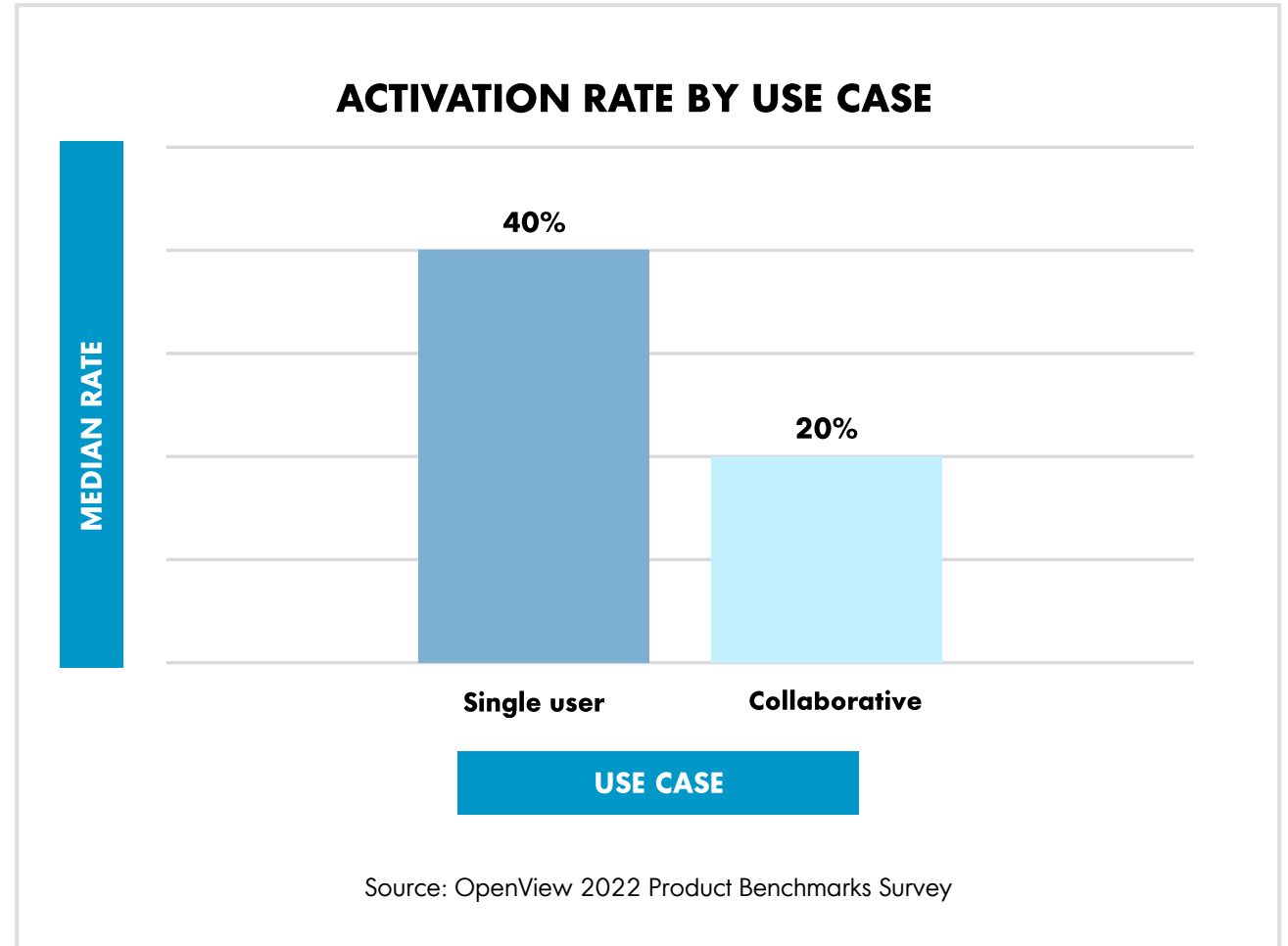


WHAT VARIABLES AFFECT ACTIVATION?

One of the reasons activation rates vary so much is because some products can provide value to a single, standalone user.

Others require collaboration for users to derive any value (how fun would an empty Slack channel be?)

Products that enable single users to derive value have 2x higher activation rates than those that require collaboration, most likely because of the dropoff between a user signing up and then inviting a friend or colleague.





CONVERT: HOW DOES SALES WORK AT A PLG COMPANY?

MOST PLG MODELS HAVE LOW RATES OF FREE-TO-PAID CONVERSION

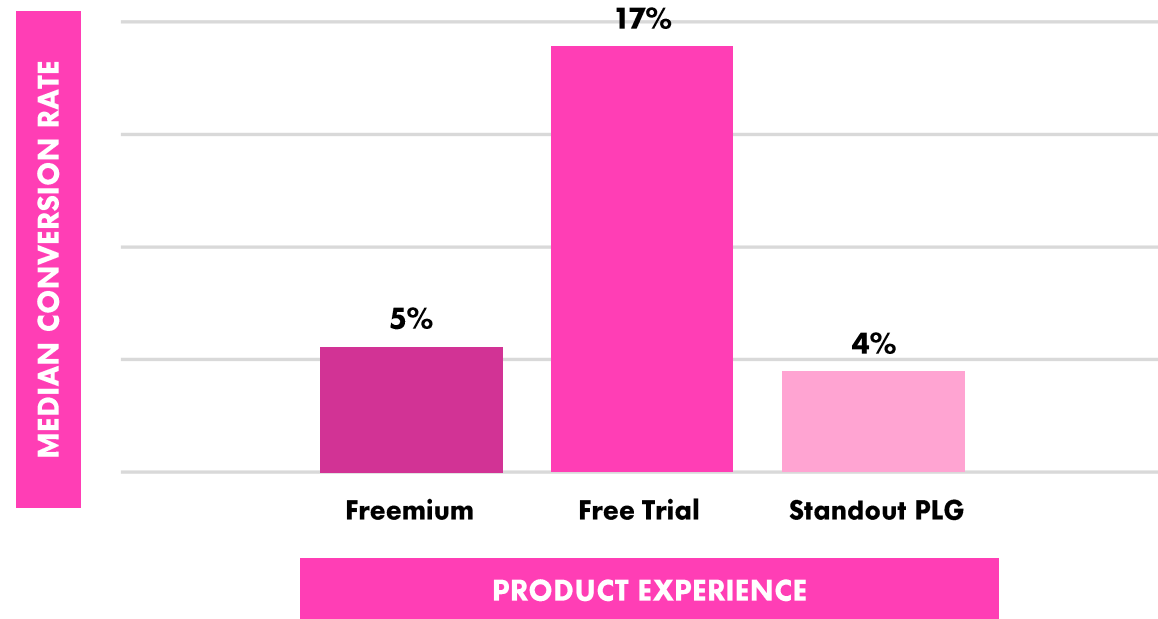
At the end of the day, if users are finding value from a product, they should be willing to pay to receive additional value.

For freemium and standout PLG models, the rate at which free product users convert to paid within a year of signing up is quite low. It's helpful to recall that these products typically have large amounts of signups for their free offering, 2x higher than free-trialers.

AMPLITUDE DATA

The median rate at which users will upgrade to paid within 90 days after signup is **6%**.

MEDIAN FREE-TO-PAID CONVERSION RATE BY PRODUCT EXPERIENCE



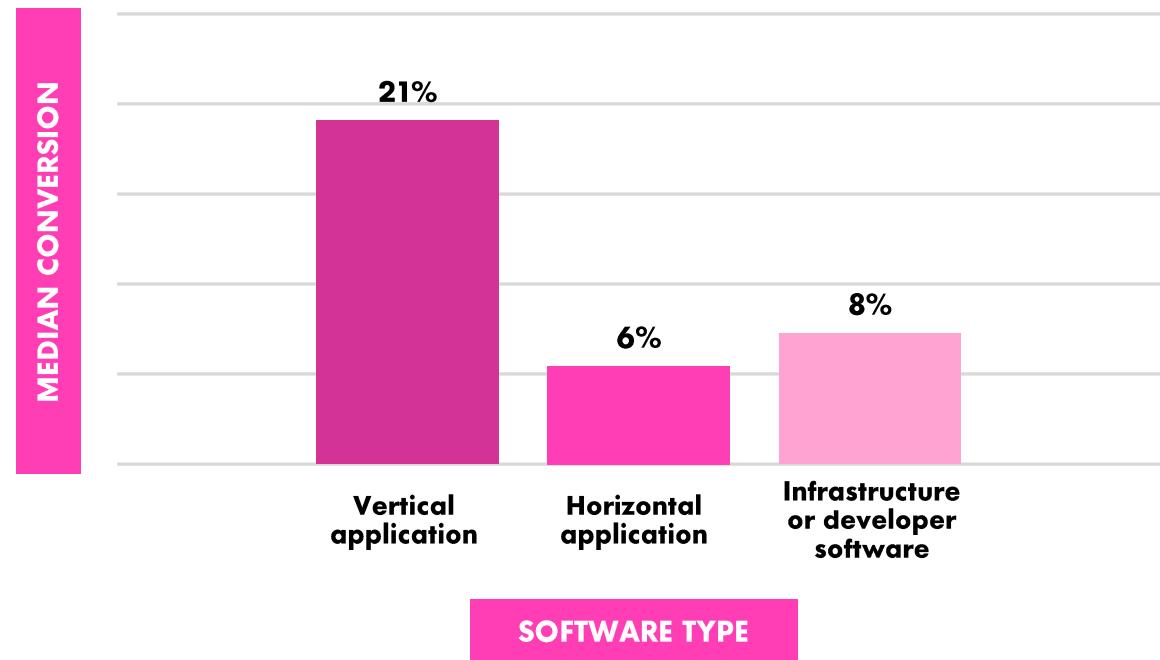
Source: OpenView 2022 Product Benchmarks Survey

HOW DOES CONVERSION VARY BY SOFTWARE TYPE?

Most PLG companies are horizontal, meaning that their product is flexible and accommodates many use cases (think Airtable, monday.com).

As a result, many users receive enough value from the free version and the conversion rate is lower than software types that sell to a concentrated group of buyers.

MEDIAN FREE-TO-PAID CONVERSION BY PRODUCT EXPERIENCE



Source: OpenView 2022 Product Benchmarks Survey

PRODUCT-QUALIFIED LEADS

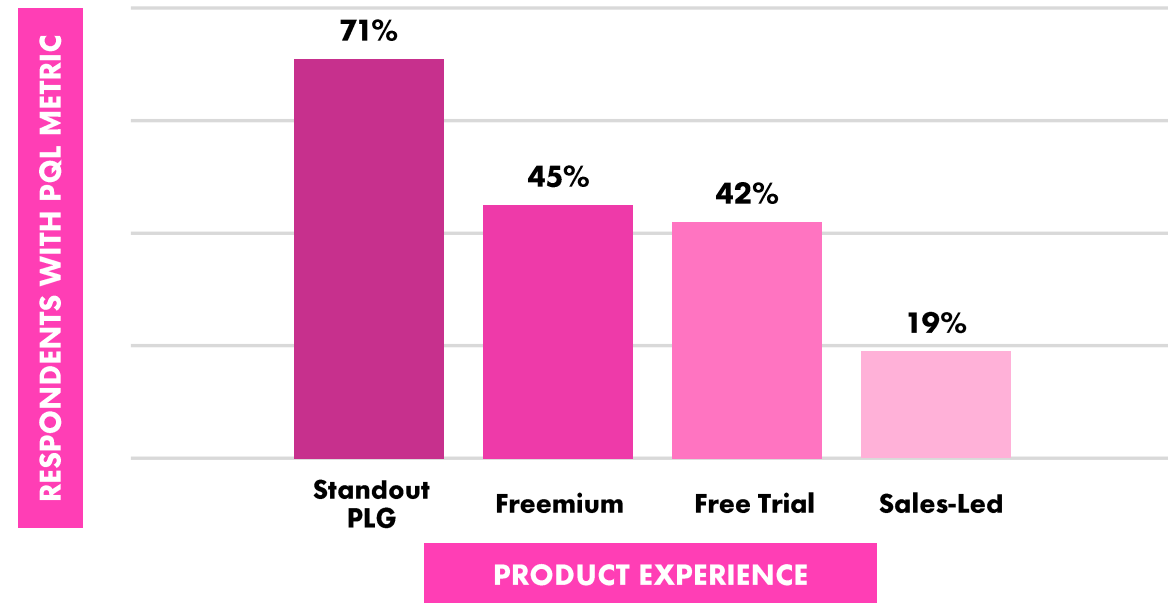
A WAY TO APPLY SALES PRESSURE TO SELF-SERVE

One way to increase conversion is to apply sales pressure at the right moment—even for a freemium, self-service product. A great way to do this is to leverage product-qualified leads (PQLs)—meaning that actions taken in the product help to qualify that user for outreach by the sales team.

PQLs are valuable because they focus the sales team to find the needle-in-a-haystack user receiving enormous amounts of value in the product from which additional revenue could be captured.

While most standout PLG companies leverage PQLs today, most other businesses that allow users to self-serve (freemium and free-trial) still do not.

PREVALENCE OF PQL METRICS BY PRODUCT EXPERIENCE

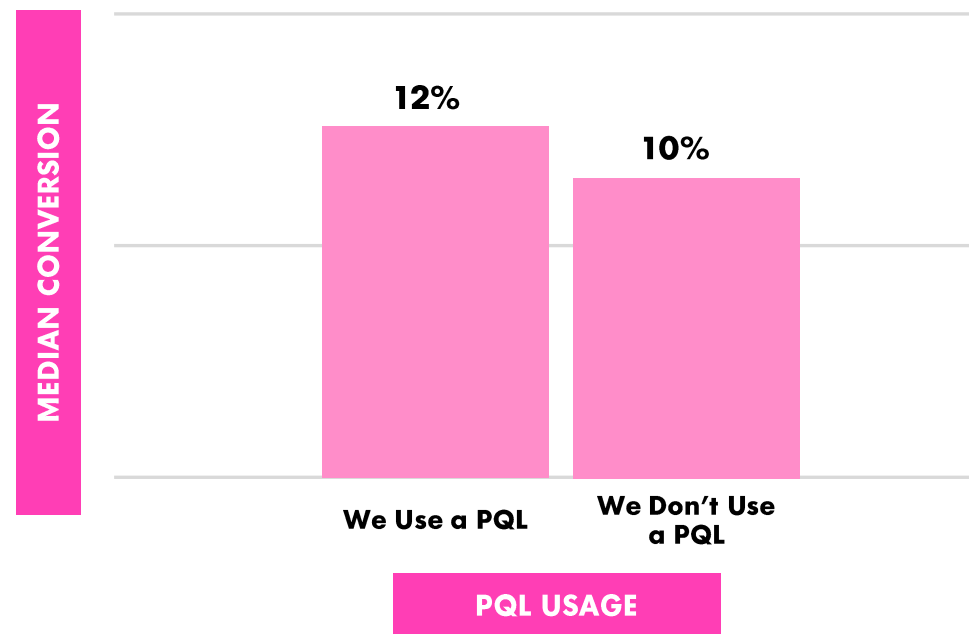


Source: OpenView 2022 Product Benchmarks Survey

PQL USAGE IMPACTS CONVERSION RATES

Organizations that leverage a PQL model have free-to-paid conversion rates that are **nearly 20% higher than their peers without PQLs.**

MEDIAN CONVERSION RATE FROM FREE-TO-PAID FOR PLG COMPANIES BASED ON PQL ADOPTION



Source: OpenView 2022 Product Benchmarks Survey

CASE STUDY

NOTION DEVELOPED PRODUCT-LED SALES OUT OF A CUSTOMER SUCCESS BASE

All of this was architected by one hire prior to scaling

Establish PQL: Examine accounts with high usage and a professional bent (collaboration, many projects) to understand how they use the product

Automate: Develop outreach to accounts based on what had been impactful manually

Prioritize: Start to look for interesting signups (eyeballing large company names that signed up) and reach out

Start: Customer success/sales team members work existing product users who raised their hands to buy.



Notion



**SCALE: FOCUS ON USAGE
RETENTION TO GROW**

WHAT IS USAGE RETENTION AND WHY DOES IT MATTER?

FOR EXPANSION-STAGE BUSINESSES, GROWTH IS KEY.

You can't show top-line growth if you have a leaky bucket. Traditionally in software, this has been measured by net-dollar-retention (NDR). For product-led businesses, NDR is important, but usage retention is equally so.

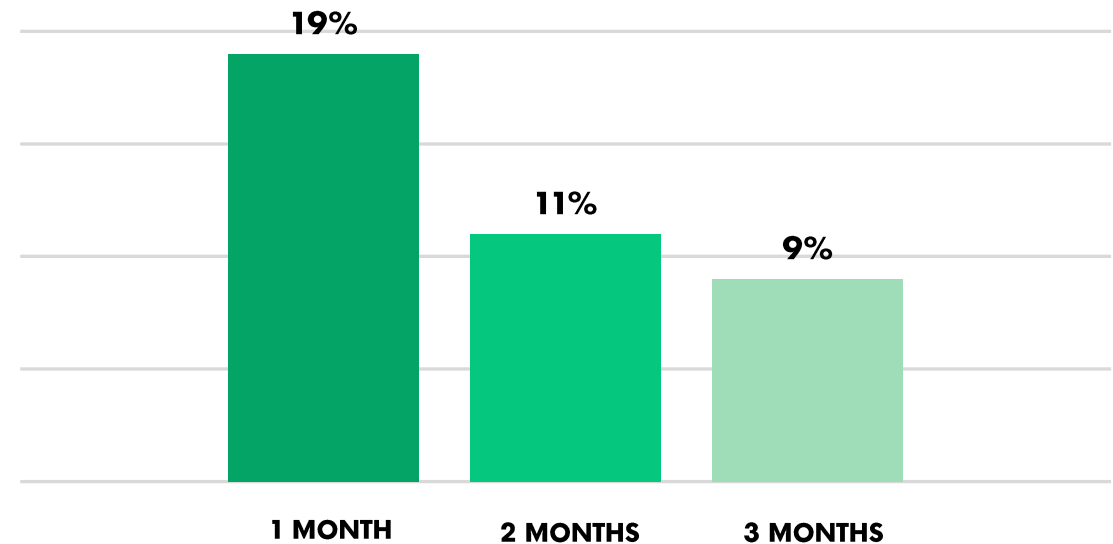
When users (even free users) act as growth engines for your product through virality, content creation, and helping to eliminate a cold start problem, usage retention is very important.

For this report, we defined usage retention as users that were still "active (the respondent's own definition) one month after signup."

AMPLITUDE DATA SHOWS:

Users decide whether they should remain committed to your application in the first month.

"ACTIVE" USAGE RATE BETWEEN SIGNUP AND...



Source: OpenView 2022 Product Benchmarks Survey

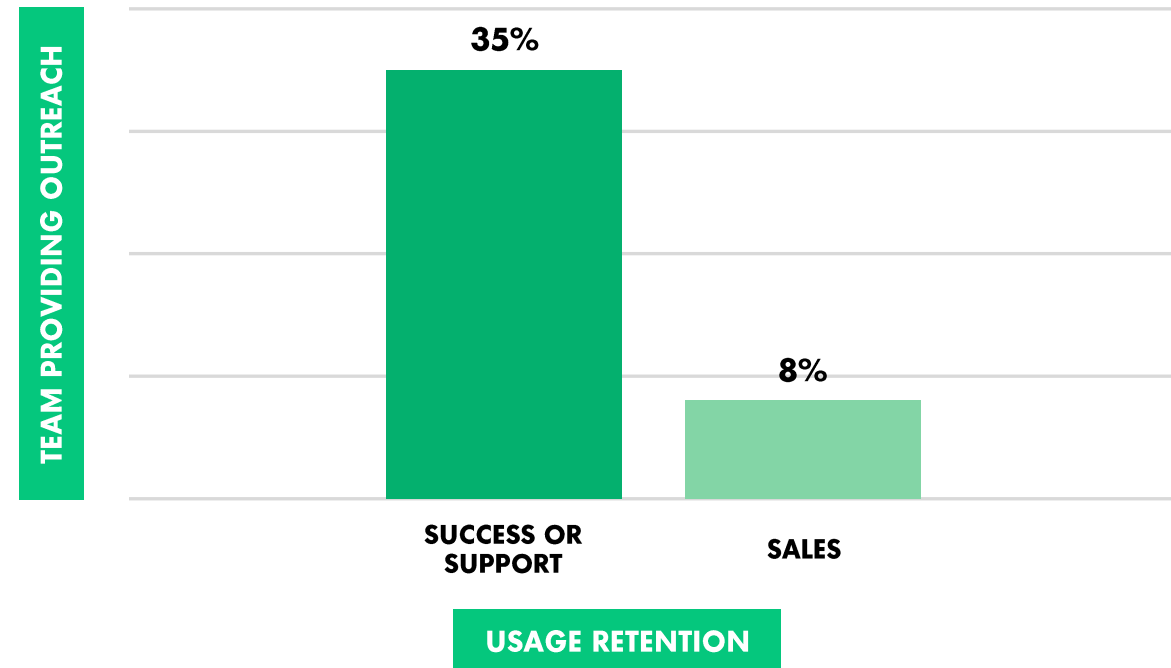
HOW CAN FREEMIUM TOOLS RETAIN USERS?

IT'S SIMPLE. TALK TO YOUR USERS.

Companies that performed outreach to free users retained users 2-3x better than those that did not.

In this case, the team performing the outreach matters as well. When support or success teams reached out to new users, their usage at 1 month after sign up was more than 4x higher than if sales teams performed the outreach.

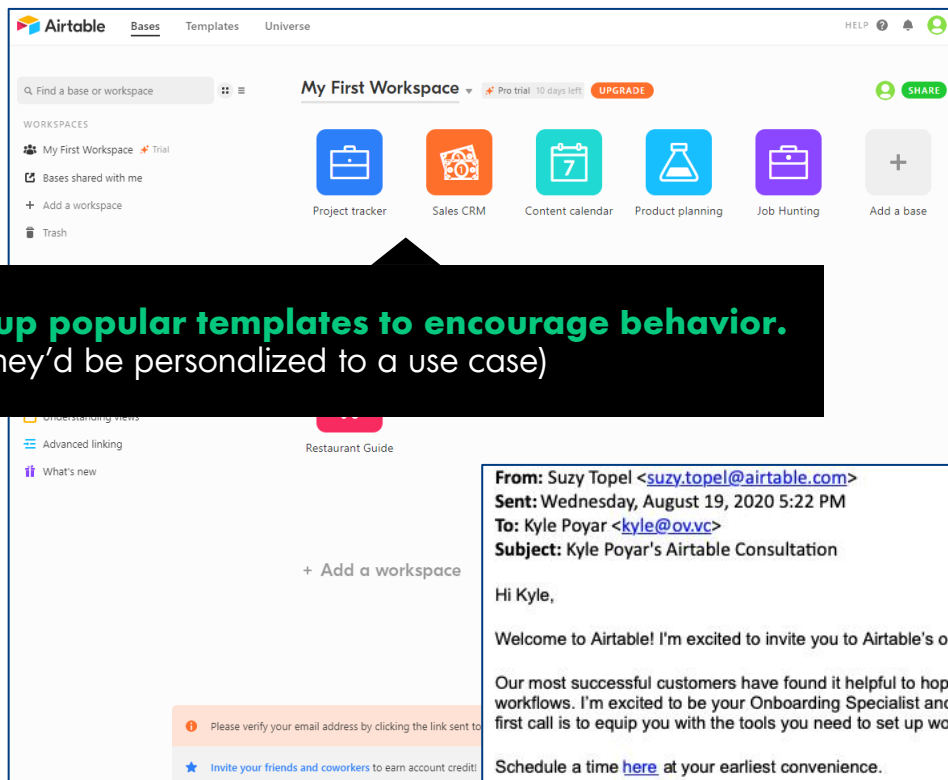
IMPACT OF OUTREACH TEAM ON USAGE RETENTION



Source: OpenView 2022 Product Benchmarks Survey

CASE STUDY

AIRTABLE ADDS HUMAN TOUCHPOINTS TO RETAIN USERS



1. The in-product journey leads with the activation event.
(Setting up your first base in Airtable)

2. Surface up popular templates to encourage behavior.
(Ideally, they'd be personalized to a use case)

From: Suzy Topel <suzy.topel@airtable.com>
Sent: Wednesday, August 19, 2020 5:22 PM
To: Kyle Poyar <kyle@ovvc>
Subject: Kyle Poyar's Airtable Consultation

Hi Kyle,

Welcome to Airtable! I'm excited to invite you to Airtable's onboarding experience.

Our most successful customers have found it helpful to hop on the phone for a few sessions and have support in building out their new workflows. I'm excited to be your Onboarding Specialist and learn more about what you're trying to accomplish using Airtable. The goal on our first call is to equip you with the tools you need to set up workflows successfully for your team!

Schedule a time [here](#), at your earliest convenience.

Looking forward to working with you!

Thanks,
Suzy

3. Proactively reach out when users don't achieve key milestones.
(The personalized email offers time with the CS team)

TOOLS IN THE NEW ERA OF PLG WILL FIND A NEW WAY TO CAPTURE USER ENGAGEMENT

EMBEDDED TOOLS

CHROME EXTENSIONS

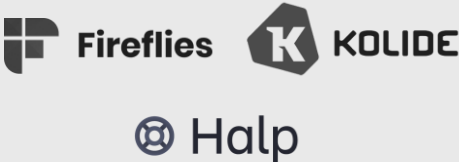
Chrome extensions augment or improve the work that workers already perform in their browser.

Today, there are very few Chrome extensions that could be used in business, but that's rapidly changing,



COLLABORATIVE VIRALITY

Some tools are working to make existing software into platforms. Zoom and Slack plugins, as well as email-driven tools gain engagement by existing in the tools workers use most.



MOBILE

PRODUCT-DRIVEN SEO

Work has become more flexible in the past few years, and many employees leverage their mobile devices more frequently to perform work or provide updates. As a result, some SaaS companies have built mobile-only apps, while others were purpose built for workers on the go.



API-FIRST

API-FIRST

API-first tools don't have an interface at all. They sit under the hood of many of the tools that we know and love today and help to secure our work, help standardize processes, and more.





CLOSING REMARKS

WHAT DOES IT TAKE TO STAND OUT?

PLG is still the way to build a large and enduring software business in the Age of Connected Work.

The best companies push what it means to be PLG even further, observing what works well in the market while leveraging their own product superpowers.

For companies looking to lead in this new era, acknowledge the hard but worthwhile work ahead. Understand that while signup and conversion rates may be in the single digits, the best products are built when teams try to understand and move those numbers. Identify your levers of growth and work to build a strong team around them. In the meantime, we'll be here to cheer you on and provide support!

CONNECT WITH US



Sam Richard

VP, Growth



Kyle Poyar

Partner



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ADDITIONAL RESOURCES

- [The New User Journey: Follow Your Users to Understand How to Excel at Go-To-Market](#)
- [A New Era for PLG: Introducing the Age of Connected Work](#)
- [The Product Report 2021 \(Amplitude\)](#)
- [2022 App vs. Website Trend Report \(Amplitude\)](#)
- [The 2021 Product Benchmarks Report](#)
- [The 2020 Product Benchmarks Report](#)

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We do this by investing in the best software companies and helping our portfolio companies accelerate growth and become market leaders through hiring top talent, and connecting them to the resources they need to succeed.

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Calendly



INSTRUCTURE

ENCAMP



Expensify



workfront

deputy



HIGHSPOT

pipefy

zipwhip



Testing

paperlessPARTS

