

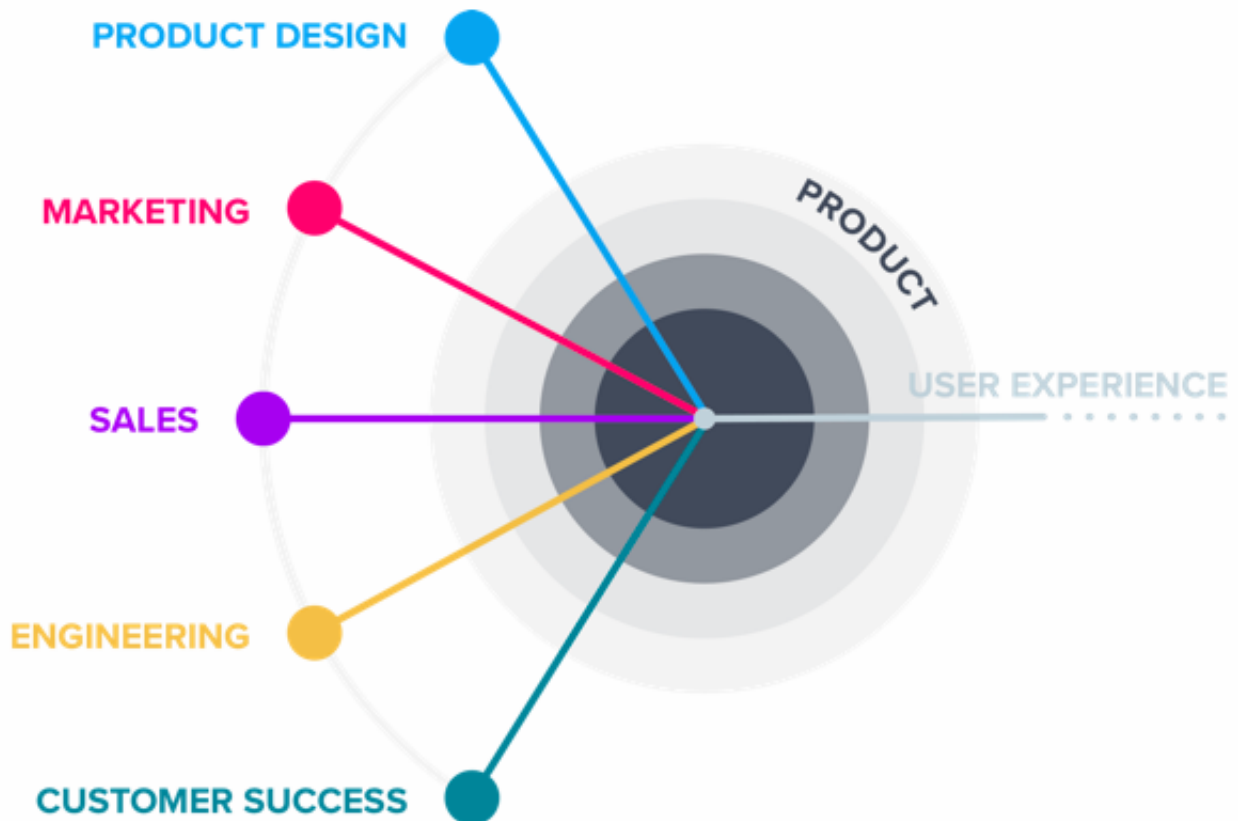


# Product-Led Growth from B2C to B2B Markets



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Recent years have witnessed many businesses and startups employing Product-Led Growth (PLG) strategies to expand consumer base and establish market share. In this article, we review examples of PLG businesses as well as the steps necessary to implement the strategy. We also explore the potential benefits of PLG strategies.



## What Is Product-Led Growth

Product-led growth (PLG) is a business strategy that places the company's product at the center of Customer Experience (CX). Using PLG, customer experience with the product drives user acquisition, expansion, conversion, and retention, and is the primary source of sustainability and business growth. PLG strategies focus on the product to attract, engage, and retain customers (Wilbund, 2021). Product-led growth strategies help companies to enable the customer to experience value by using the product. Sales-led and marketing-led businesses spend time, energy, and money to convince customers that the products have high value (Busch, 2022). Instead, PLG consumers convince themselves of the value and upsell themselves as they experience the value by using the product.

It is interesting to note that by collecting customer information and data, a business can identify what made them initially sign-up for the service in the first place. A business, therefore, can view its product from a customer perspective, resulting in constant product improvement which, in turn, drives growth (also known as the 'flywheel' effect.)

Early on, Hughes and Beukes (2012) investigated the reasons for Groupon's success. They pointed out that by using social networks and e-commerce platforms, businesses can grow at five times the rate of traditional retail. In product-led growth, businesses can track and improve the product while customers take care of sales and marketing through ratings and referrals. The product is responsible for conversion, retention, adoption, and business expansion driven by a riveting product experience worth sharing on-line.

As B2C businesses and startups successfully use PLG strategies to establish market share, B2B companies ask how they can benefit from a PLG approach. Marsh (2022) points out that B2B companies offer products with price tags up to millions of dollars. They cannot let the user try the product first. However, B2B businesses have found ways to benefit from PLG strategies. Instead of allowing a potential customer to use the product for free, they provide the ability for the

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PRODUCT-LED GROWTH MEANS THAT EVERY TEAM IN YOUR BUSINESS INFLUENCES THE PRODUCT.

YOUR MARKETING TEAM WILL ASK, "HOW CAN OUR PRODUCT GENERATE A DEMAND FLYWHEEL?"

YOUR SALES TEAM WILL ASK, "HOW CAN WE USE THE PRODUCT TO QUALIFY OUR PROSPECTS FOR US?"

YOUR CUSTOMER SUCCESS TEAM ASKS, "HOW CAN WE CREATE A PRODUCT THAT HELPS CUSTOMERS BECOME SUCCESSFUL BEYOND OUR DREAMS?"

BY HAVING EVERY TEAM FOCUSED ON THE PRODUCT, YOU CREATE A CULTURE THAT IS BUILT AROUND ENDURING CUSTOMER VALUE.

potential customer to participate in an "entry sale." In the entry sale, a pilot purchase with several specific requirements. The price tag for the pilot purchase is much lower than the actual product. Thus, they can create a user experience to build on and benefit from.

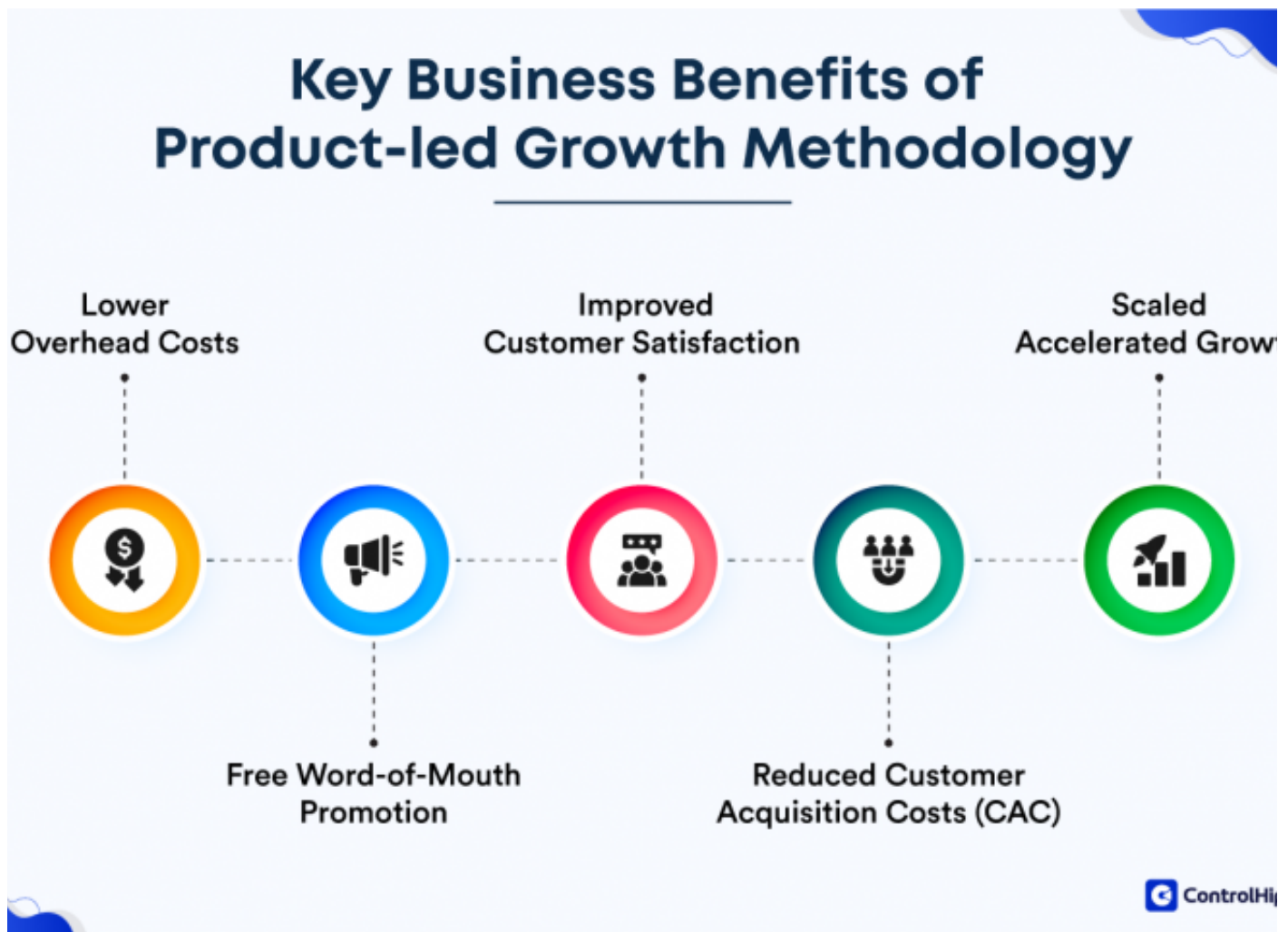
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## What is Product-Led Growth good for?

Adopting a product-led growth model benefits businesses by leading to a quicker payoff and compounding growth. PLG strategy is the first step to focus on an end-to-end customer experience that makes possible higher conversion rate,

retention, and loyalty than sales-led and marketing-led models.



Businesses concentrate on creating products that customers want and by designing a purchasing process that customers can enjoy. The business' goals become aligned to the customers' goals, leading to faster time-to-value for the customer, and faster growth for the business.

Product-led growth is also good for customers. PLG is fueled by positive product experiences, word-of-mouth, direct discovery, and continued use – all of which are beneficial to customers. A product is only successful when customers enjoy it and find it satisfactory. A product-led growth strategy leads to every organization member becoming responsible for improving the customer experience – not just product management or product development.

# How does Product-Led Growth benefit businesses?

Businesses benefit from product-led growth strategies in almost all aspects of the business. In a 2015 study, [Lee, Lee, and Oh](#) found that in most cases, those companies that adopt product-led growth have experienced: by adopting product-led growth a business has created:

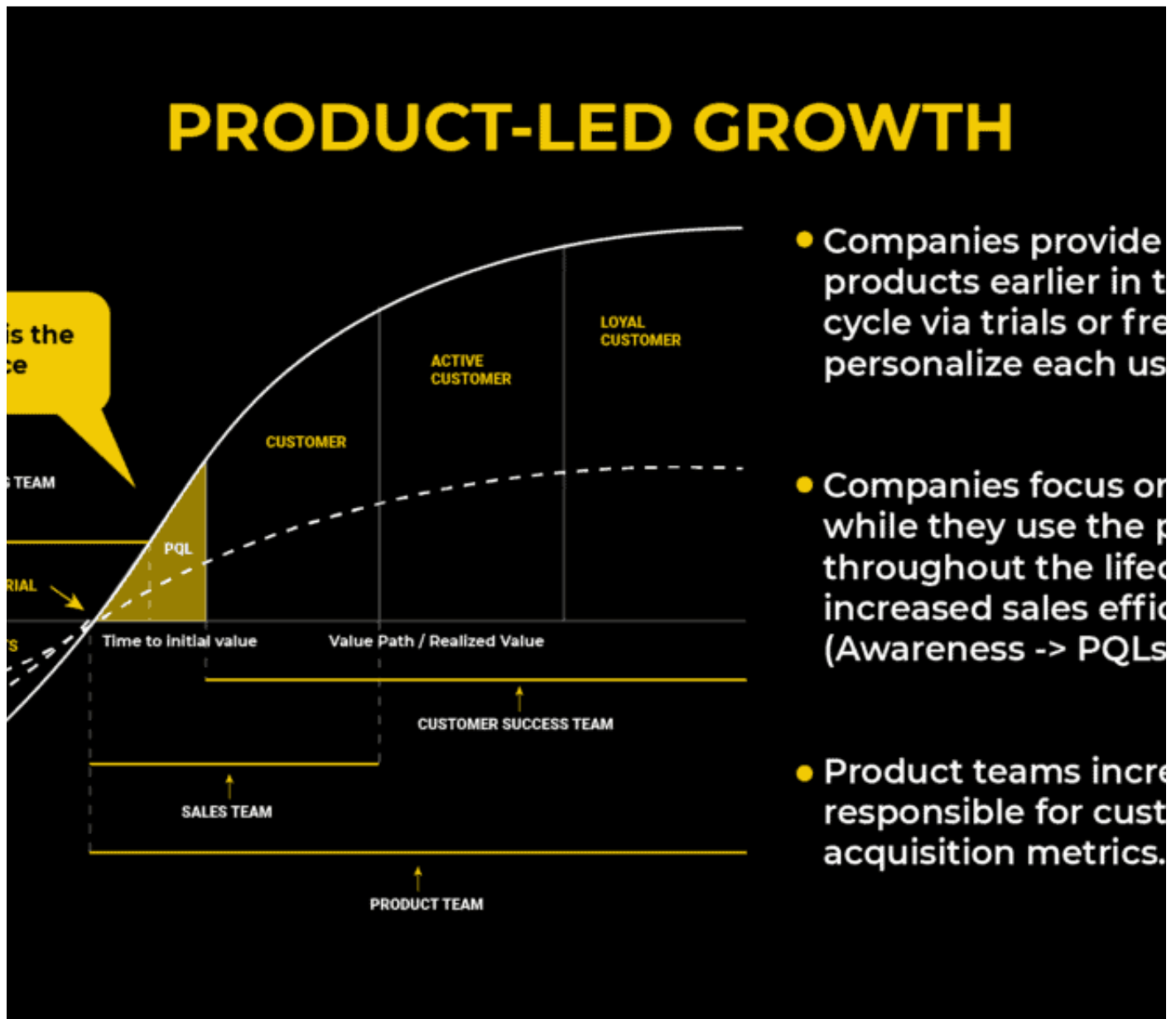
- **More conversions.** Product qualified leads (PQLs), which are prospects that use your product on a free plan or trial, earn a 5x higher conversion rate than the overall conversion rate (including PQLs, MQLs, and SQLs) according to OpenView.
- **Accelerated growth.** OpenView also reports that when PLG companies reach \$10M in Annual Recurring Revenue (ARR), they tend to scale faster than their peers.
- **Lower Customer Acquisition Cost (CAC):** When a product sells itself, it leads to reduced marketing and personnel budgets. Any investments in the product lead to ongoing increased conversion rates.
- **Greater customer loyalty:** Product-led growth capitalizes on strong customer relationships.

Product development and improvements result from customer engagement data and feedback. Loyalty is stronger, and it happens almost automatically without human intervention. With PLG, business growth costs less and compounds on its own.

## Why should a business adopt product-led growth?

There are many reasons why adopting a product-led growth strategy leads to increased satisfied customer experience, lower marketing and customer

acquisition costs, increased sales efficiency, and better use of engineering and product development.



**Customer Experience:** Focusing on the customer experience helps companies to grow faster and more efficiently by lowering barriers to entry and giving users access to the product for free. It creates a pipeline of active users, who are then converted into paying customers.

**Marketing and Customer Acquisition Costs:** Adopting a PLG strategy reduces

the cost of customer acquisition. A PLG strategy focuses on the customer's lifetime value and lowers CAC by building customer acquisition channels into the product. The business can then reduce its marketing budget through the customer's use of digital platforms and social networks.

**Sales Efficiency:** PLG also drives more efficient sales activity. Online discovery of your product coupled with the network effect of on-line reviews, referrals and self-serve speeds up sales and reduces sales efforts by enabling customers to convert themselves to paid subscriptions. This lets the sales team use the customers' powerful feedback and behavior data to focus the sales teams' efforts on enterprise customers with longer sales cycles.

The use of PLG strategies drives efficient sales activity without much in the way of marketing effort. The use of influencers increases referrals, reduces sales efforts through higher conversion rates, and uses online networking and reviews to promote product growth. Sales teams can then focus efforts on enterprise customers with longer sales cycles.

**Better use of Engineering and Product Development:** Using customer experience as the main driver of revenue translates to more effective engineering and revenue process, as well as increased cash flow for the business. Focusing on the product also means redirecting resources from marketing to product development. As a result, development teams build drivers of revenue into the product itself.

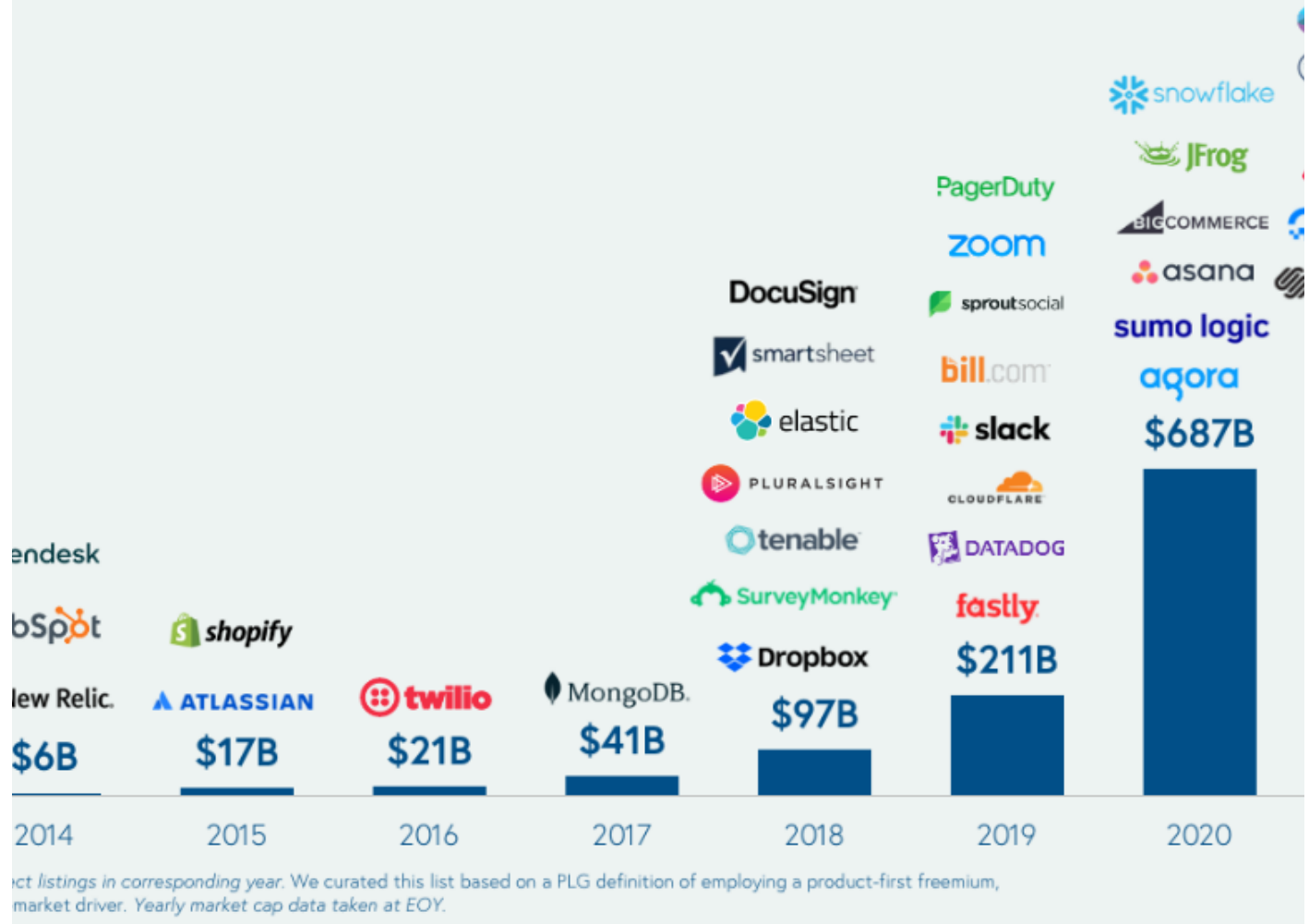
When implementing Product Led Growth for B2B businesses, it is essential to note that successful PLG B2C companies benefit from attributes at the consumer level that might not be available to B2B businesses. They use the data collected from the users during the free subscription or sample periods. However, a B2B company often cannot offer its product for free. Busch (2022) highlights the importance of seamless product design and experiences that convey clear and immediate value. Currently, B2B companies are still searching for the ideal tradeoff between the pilot product and collecting enough data for product design.

# Product-Led Growth impacting business

There are many examples of successful PLG businesses. Companies such as [Slack](#), [Calendly](#), and [Datadog](#) have benefited from PLG strategies in becoming viable and successful businesses. Many startups have also utilized PLG strategies to use customer experience as the primary driver of growth. Among these, [MIRO](#) is a great example. [Yuliya Malysh, Head of Self-Serve business & Growth at Miro](#), highlights that placing the user at the center of a growth strategy enables the company to learn from customers and their usage of the product (Malysh, 2022).



# Product-led growth in market cap of product-led growth companies



Source: Bessemer Venture Partners

Slack is an ideal example of a product-led growth company with revenue increases from \$12 million in 2014 to \$902 million in 2021. By utilizing the networking effect, Slack grew its business exponentially by offering a free subscription to professionals worldwide. In addition to a free subscription, the Slack messaging service also offered storage for large volumes of Slack

messages. Once the free subscription ended, customers were offered a paid subscription that offers storage for messages. In addition to Slack, Dropbox, Atlassian, Shopify, Snowflake, Autodesk, Zoom, Cloudflare, Splunk, HubSpot, Unity, MongoDB, and others can be added to the list of product led growth success stories. Companies that have utilized product-led growth have demonstrated resilience against financial market volatility in recent years. For example, Zendesk (ZEN) has a market capitalization RATE of \$9.63 billion USD. Several notable investors, such as Vanguard Group, keep an active portfolio in publicly traded PLG firms.

Companies who win with this strategy give influencers the opportunity to use the product (freemium or free trial) and enable customers to upgrade on an as needed basis (self-onboarding). Users then observe a more meaningful customer experience and are encouraged to distribute the product repeatedly (positive word-of-mouth).

## Example of Product-Led Growth Failure

Many B2B SaaS companies are under the impression that product-led growth (PLG) just means adding a free trial to their product. A free trial itself does not guarantee success. There is more to a successful transition to product-led growth than just a free trial. The product has to fully support self-service to delight the customer or risk creating a bumpy onboarding that bounces the customer right out of the sales motion.

Vidyard is a great example of such failures. Vidyard is a video messaging tool that tracks the performance of videos and viewers. As a free trial, Vidyard launched a 30-day free trial where users were given a large, complex solution that could not help a user serve themselves.

To correct this, Vidyard re-engineered the User Experience (UX) to give a user an easier on-boarding experience. When they launched the product with a freemium sales model, the adoption and user satisfaction rates were very high. The company could then pursue the product-led growth strategy by gathering data

on how users used the product and how they converted to paid subscription. Every group supported the Users Experience of the product versus being led by any single group – e.g., sales or marketing.

## Potential/in-progress Vertex projects

Currently, Vertex does not implement PLG strategies, per se. However, Vertex has been making it easier for trials and experimenting in the cloud. Thus, Vertex is already reducing the barriers to its products as recommended by PLG strategies.

## Conclusion

PLG strategies have PROVEN their usefulness in B2C businesses. Success in the consumer market has also encouraged B2B companies to explore applications in B2B markets as well. Several B2B businesses have introduced pilot programs or products to attract potential consumers. They are also exploring ways to reduce the barriers to products without compromising revenues.

To get the kind of growth that turns heads, Product Led Growth taps into the networked marketplace, minimizing the time and cost of customer acquisition. Instead of paying a large sales force to reach out and find customers, the customers reach out to the web to find products. Potential customers find products online by searching for features and good reviews. By closely watching the behavior of new customers using a trial version, each part of the company can work together to maximize adoption (and therefore, revenue). This approach can fuel a valuation growth of more than 30% than their non-PLG peers. Conversion rates can also be up to 5 times higher than non "try-before-you-buy" strategies.

Vertex cloud-based products are a natural fit for the B2B version of Product Led Growth. As Vertex continues to reduce the steps required to configure the solution for correct tax determination and reporting, we will be closer to offering self-service to accelerate growth.

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