2023

PRODUCT BENCHMARKS

OPENVIEW

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👋 # INTRODUCTION

Welcome to the 4th Annual Product Benchmarks Report

OpenView released its first Product Benchmarks report back in 2020 to help product-minded founders and product managers make better decisions. That first year we had a modest dataset of 150 software companies and product-led growth (PLG) wasn't yet a widely used term, let alone a way that publicly traded SaaS giants describe their strategy.

Fast forward to 2023. The interest in products as a growth driver are far greater than only a few years back. In partnership with Pendo, we've surveyed more than 1,000 respondents. This allowed us to cut the data in new ways including looking at the evolution of company org structures as products scale from pre-revenue to $20M+ ARR.

Some of the most fascinating learnings from this year's report include:

- **Organic traffic is down** across the board and represents only 32% of leads versus 39% a year ago.
- **PLG companies attract new users from a wider mix of social channels.** 41% of freemium products leverage Instagram (we didn't ask about Threads…)
- **Most companies offer multiple routes for new users to get started.** This year we looked at ungated products (16%), interactive demos (14%), and reverse trials (5%).

Keep reading for 40+ pages of product and PLG insights. Then let us know what insights stood out to you.

PARTNERS

A SPECIAL 🙏 THANKS TO OUR SPONSOR

pendo

And you'll notice data from Pendo in this year's report to help deepen our findings.

MUCH LOVE ❤️ TO OUR CONTENT PARTNERS

PRODUCT COLLECTIVE

boldstart

📖 FREQUENTLY USED TERMS

PRODUCT EXPERIENCE

This is how an interested user will first interact with your product, such as…

- **FREEMIUM:** Companies with a free version of their product as the go-to experience. There is no time limit, but there may be a feature or usage limit. This can take form as a true freemium experience (limited functionality indefinitely), a reverse trial (full functionality for x days, then limited functionality indefinitely), or an ungated product experience (completely free). We consider all types of freemium companies to be product-led.

- **FREE TRIAL:** Companies that offer a time-boxed, 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 or participate in a demo before being able to dive into the product. We've also included products with interactive guides (but not actual product usage) in the Sales-Led bucket.

PLG

Product-Led Growth. Unless otherwise noted, this is how we group together freemium and free-trial companies in our analysis.

PRODUCT QUALIFIED ACCOUNTS (PQAS):

PQAs are high-value accounts that demonstrate signals as being a priority for your GTM team based on their usage patterns within the product.

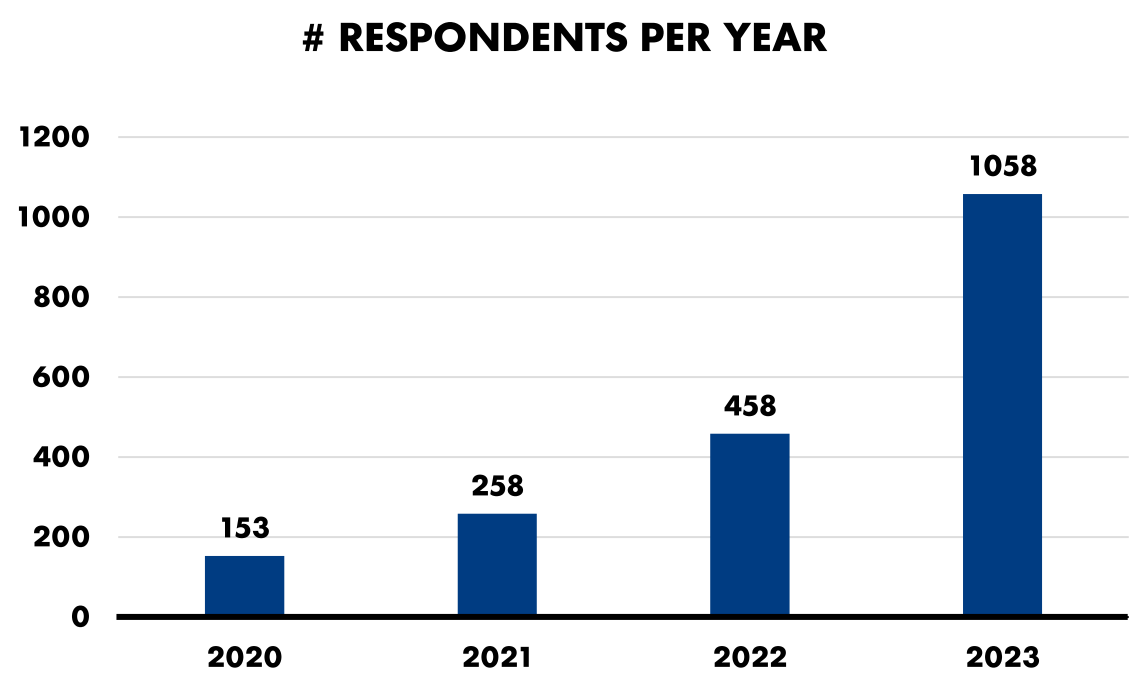
PRODUCT QUALIFIED LEADS (PQLS):

PQLs are the users within a Product Qualified Account who demonstrate signals as being primed for interactions with your GTM team.

THIS YEAR'S REPORT REFLECTS DATA FROM MORE THAN 1,000 RESPONDENTS

With any set of quantitative findings, the more data you have, the better.

For the 2023 Product Benchmarks Report, we have more data than ever before. We asked more questions and got more responses from throughout our software ecosystem, thanks to our partner Pendo. This means we can provide you with the most valuable and relevant insights for how to drive growth. 🚀



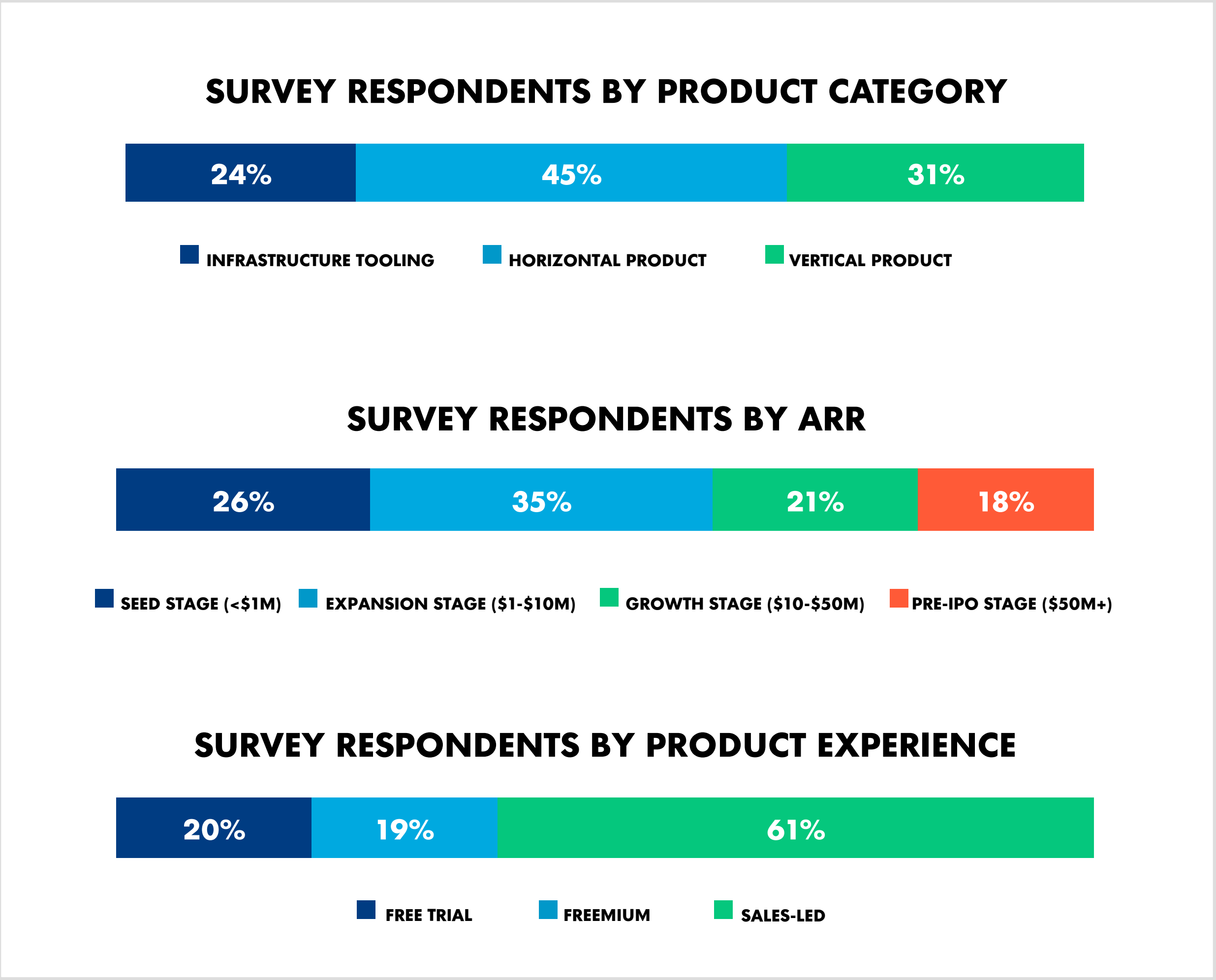
Source: OpenView 2023 Product Benchmarks Survey.

SURVEY RESPONDENTS COME FROM A DIVERSE GROUP OF SOFTWARE STARTUPS

This year's respondent breakdown shows the variety in respondent characteristics, across:

- Product categories
- ARR sizes
- Product experiences

As we survey more corners of the software world, we're able to draw more conclusions on how each business should be performing at various stages of the funnel.



Source: OpenView 2023 Product Benchmarks Survey; N = 625; 394; 428

SNAPSHOT: BENCHMARKS ACROSS THE PLG USER JOURNEY

THE PLG USER JOURNEY

Discover	Start	Activate	Convert	Scale
User learns about the product typically in the context of word of mouth, a product invite, or turning to Google to get a solution to their problem.	User sees potential value in the product and decides to sign up and try it for themselves.	User realizes the value that they were promised. Their usage grows into a habit, and they become an engaged user.	User decides to take the relationship to the next level and becomes a paying customer.	User deepens their relationship by expanding use cases, inviting their team, or growing their usage.
Drive relevant, high-intent traffic to your website	Educate website visitors on the value of the product	Shorten time-to-value	Generate revenue efficiently	Facilitate deeper product usage
Keep CAC payback as low as possible	Convert traffic to create a free account	Guide users to their “aha” moment	Prioritize sales outreach on high-potential accounts	Expand revenue at high-potential accounts
				Create viral loops to let your product grow in your sleep

Your goals at each step of the funnel

BENCHMARKS ACROSS THE PLG USER JOURNEY

	Discover		Start	Activate	Convert	Scale
Metric(s)	Avg % Traffic from Organic	Avg % Traffic from Product	Website to Signup Rate	Activation Rate	Free-to-Paid Conversion	Net Dollar Retention
Free Trial	**44%**	**6%**	**5%** [2% - 15%]	**20 - 40%** Varies significantly based on the activation metric definition and product experience	**10%** [5% - 25%]	**100 – 150%** Varies significantly based on target customer and single-player vs. multi-player focus
Freemium	**46%**	**8%**	**9%** [3% - 20%]		**5%** [2% - 10%]	
How to Optimize	Drive virality, leverage product superpowers		Nail first impressions	Focus on delivering value	Apply sales pressure selectively	Engage with product-qualified accounts

*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.

Data Format:
50th percentile
[25th percentile – 75th percentile]

DISCOVER: ATTRACT A HIGH-INTENT AUDIENCE

WE SEE SIX MAJOR CATEGORIES FOR HOW USERS DISCOVER NEW PRODUCTS

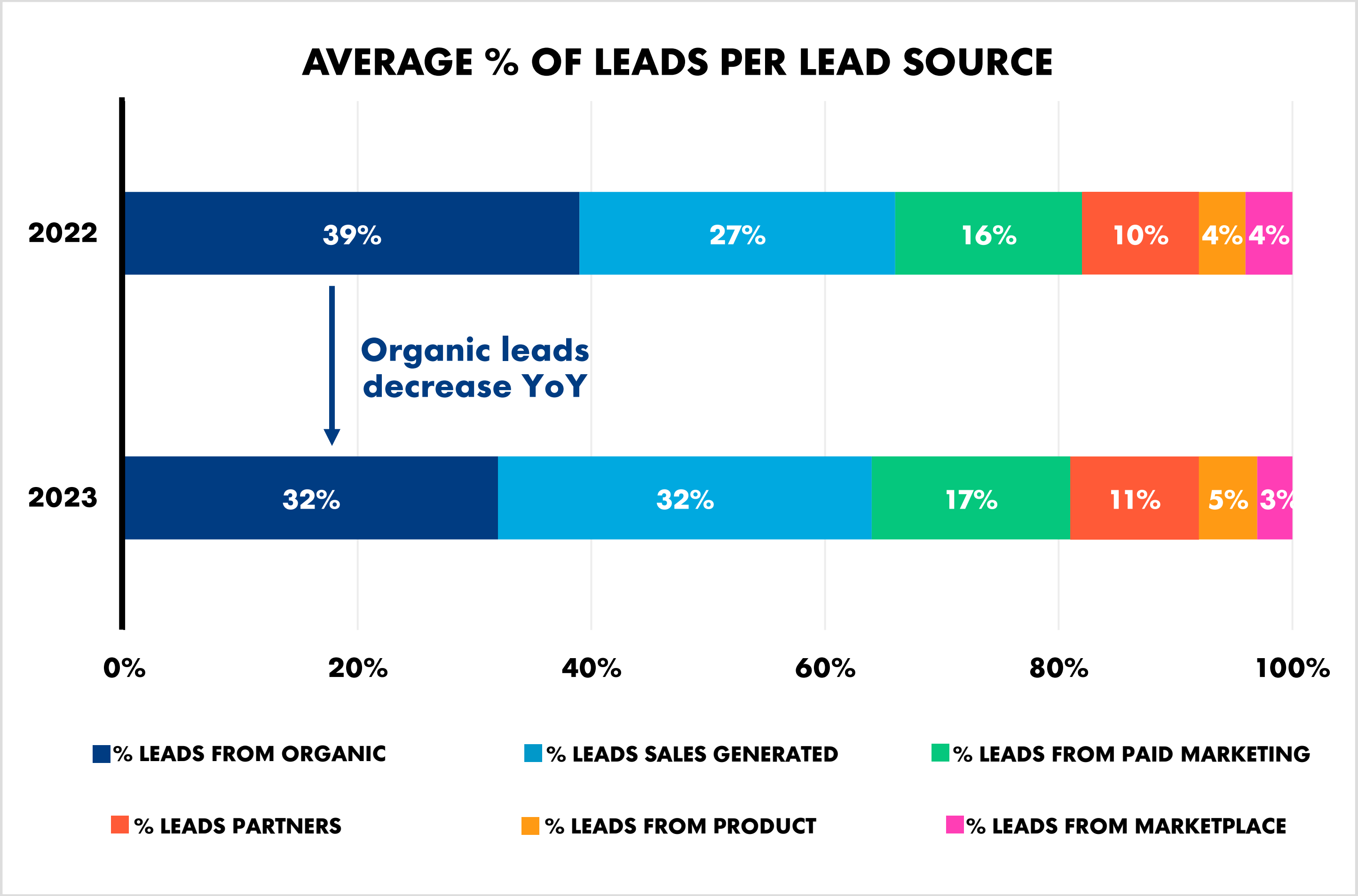
PLG		Traditional Go-To-Market			
ORGANIC	**PRODUCT DRIVEN**	**PAID MARKETING**	**SALES GENERATED**	**MARKETPLACE**	**CHANNEL PARTNERS**
• Direct traffic to your website • Word of mouth • Press coverage • Organic search • Social media and content	• In-app invites • Product viral loops	• Paid search • Display ads • Affiliates	• Outbound SDR/BDR teams • Cold calling • Conferences • Trade shows • Other sales activities	• Third-party app stores (ex: Shopify, AWS, Atlassian)	• Channel partners • Resellers • Agencies

ORGANIC IS STILL THE LEADING CHANNEL, BUT THERE ARE SIGNS OF WEAKNESS YEAR-ON-YEAR

Since last year, we've seen a decrease in the share of new leads who come from organic traffic.

There could be several drivers for this shift, including:

- Channel saturation
- Shift in user behavior away from search engines and towards other channels
- Decrease in overall buying behavior given the macroeconomic environment

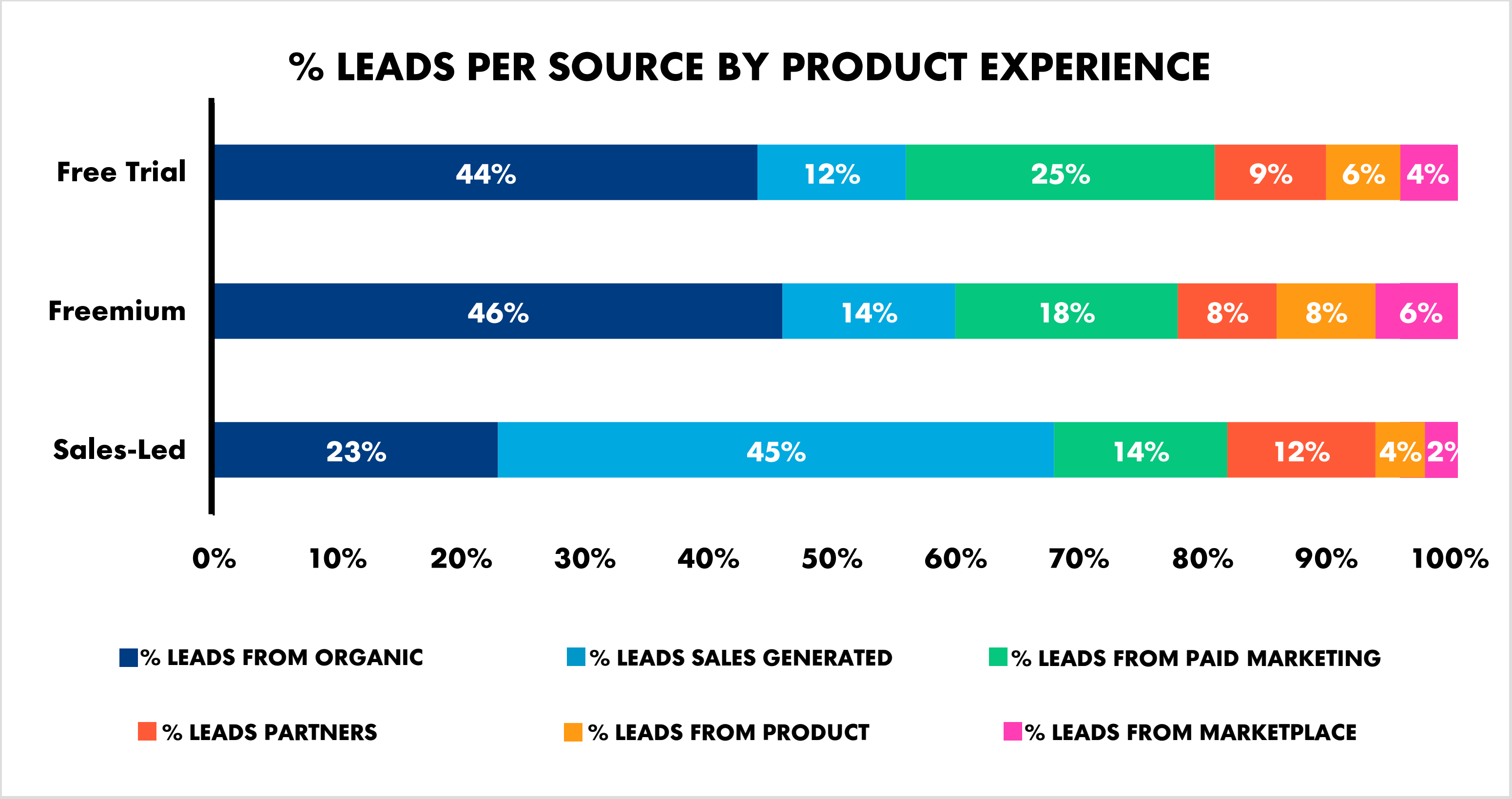


Source: OpenView 2023 Product Benchmarks Survey. N_{2022} = 157; N_{2023} = 355

PLG COMPANIES RELY MORE ON ORGANIC AND LOWER-COST CHANNELS TO REACH USERS

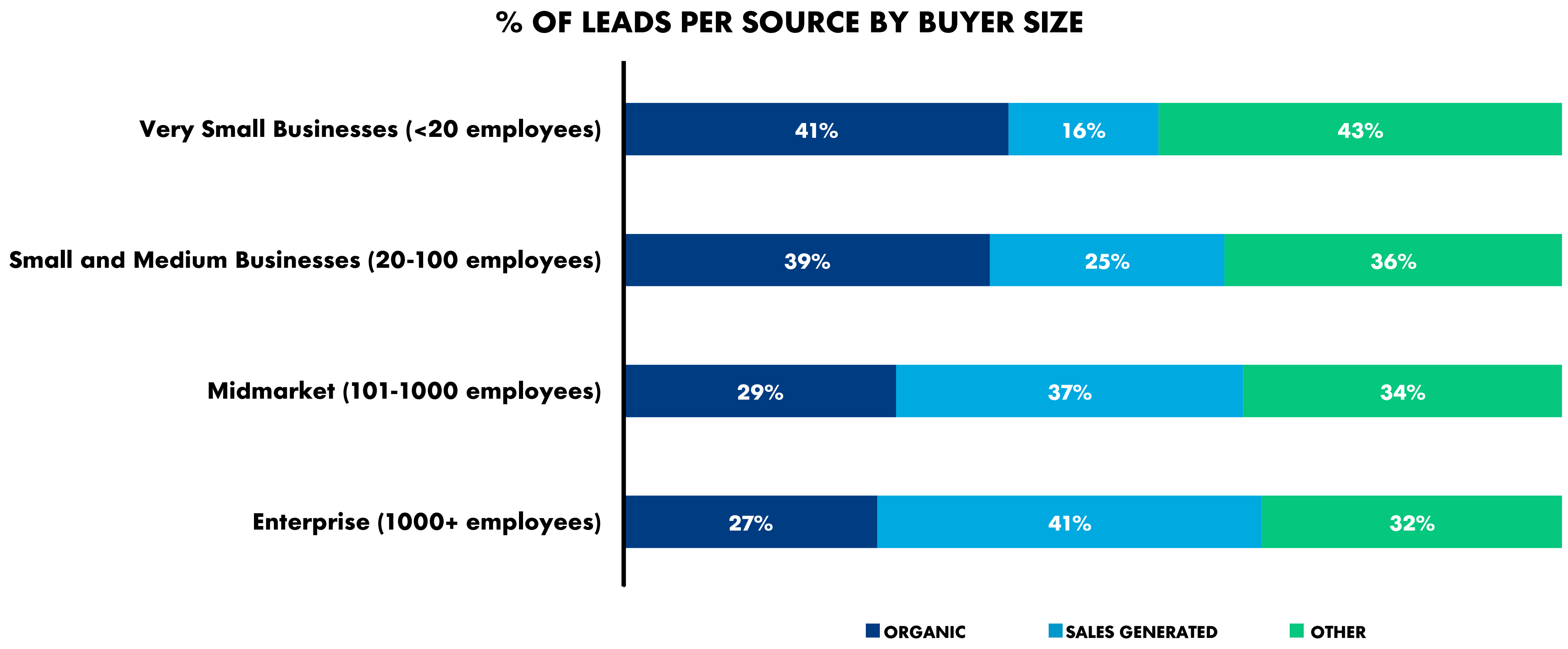
Product-led businesses thrive when they find channel-market fit within low-cost, scalable channels for new leads, typically from organic and product-driven traffic.

Meanwhile, sales-led companies tend to lean into higher cost channels for new leads, like sales generation or partner relationships.



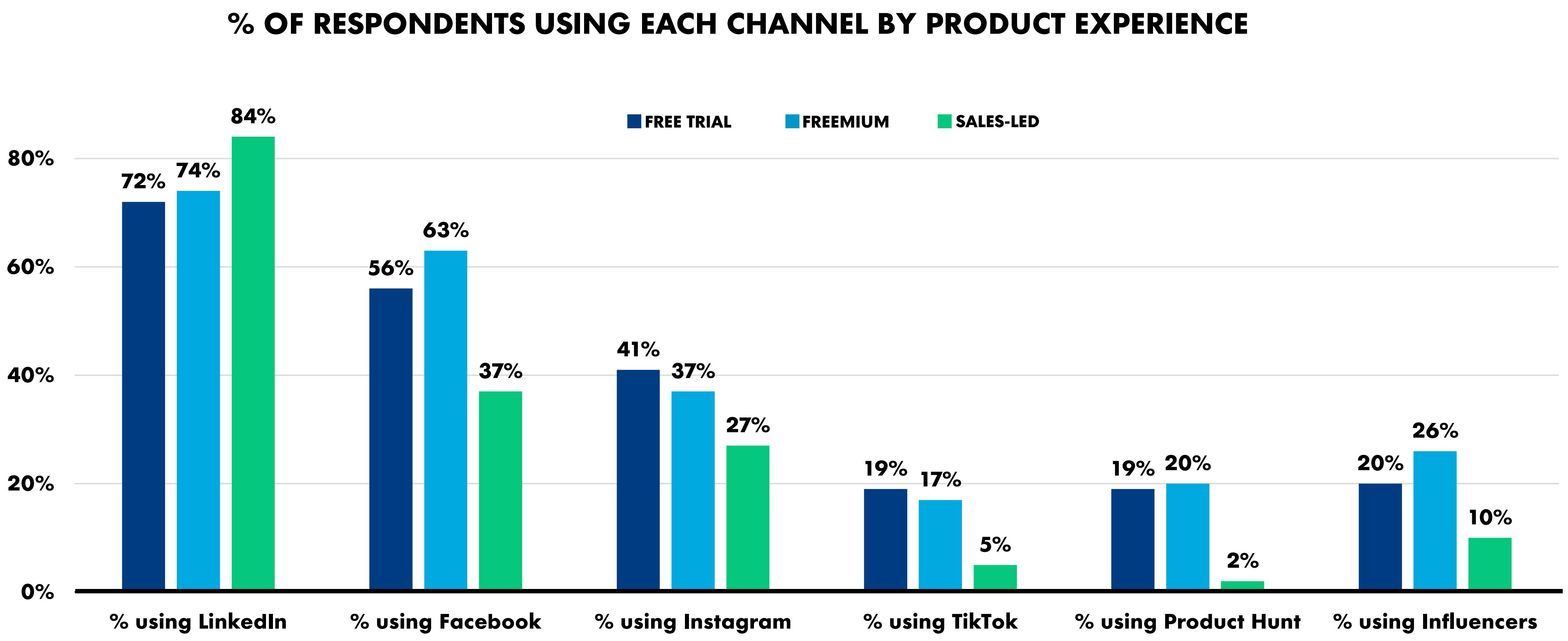
Source: OpenView 2023 Product Benchmarks Survey. N = 351

LEAD MIX LOOKS DIFFERENT DEPENDING ON THE SIZE OF THE CUSTOMER



Source: OpenView 2023 Product Benchmarks Survey. N = 355

PLG COMPANIES ATTRACT NEW USERS FROM A WIDER MIX OF SOCIAL CHANNELS



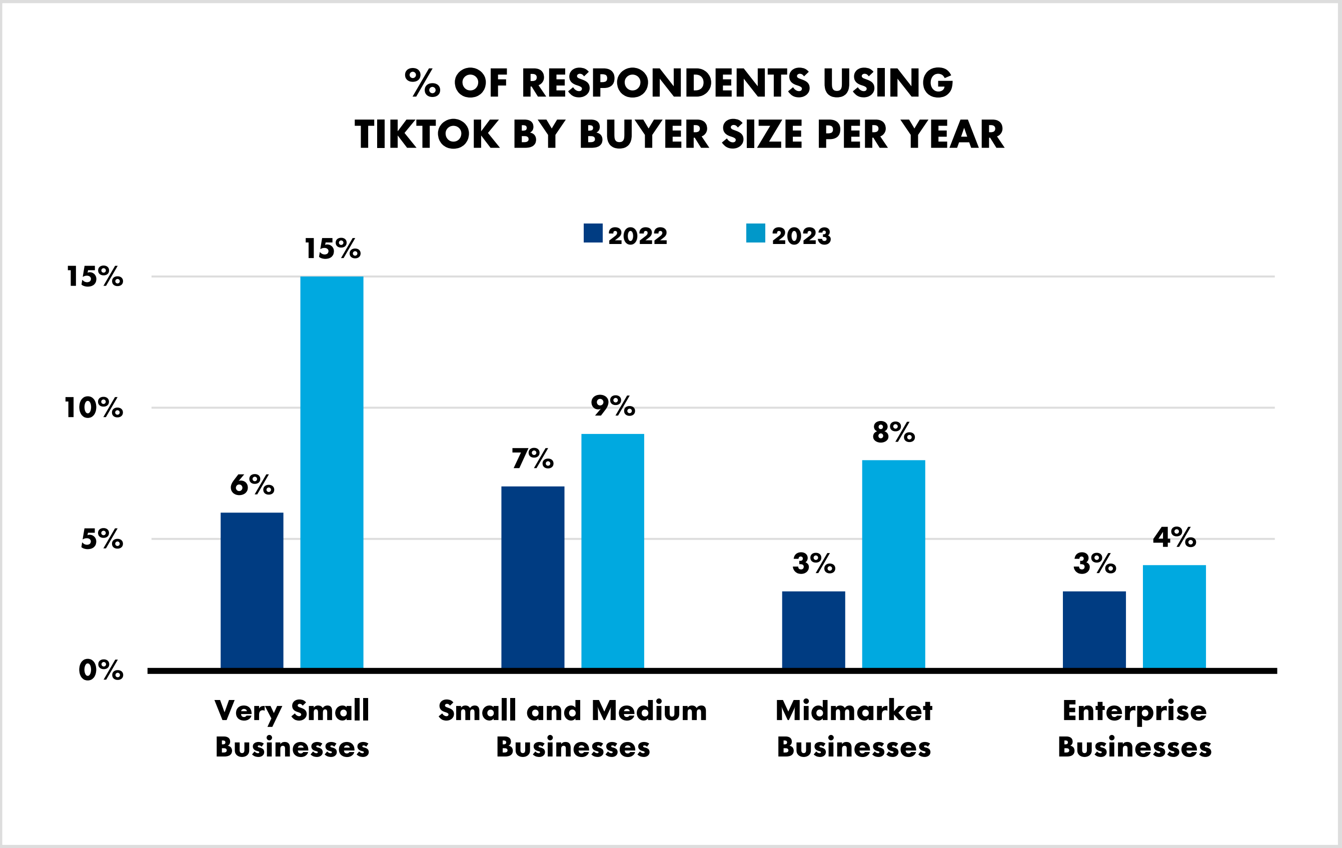
Source: OpenView 2023 Product Benchmarks Survey. N = 351

TIKTOK IS ON THE RISE — BUT IT'S STILL IN THE EARLY INNINGS FOR B2B MARKETING

No matter what size business you sell into, TikTok is on the rise.

Particularly when selling to very small businesses, there's almost a 3x increase in how many companies are using TikTok to promote their products compared to last year.

What does it look like when TikTok is done well? At Tango, 40% their traffic came from TikTok at one point.



Source: OpenView 2023 Product Benchmarks Survey. N_{2022} = 458; N_{2023} = 419

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START:
CAPTURE USER INTEREST

SAAS COMPANIES TEND TO BE FREEMIUM, FREE TRIAL, OR SALES-LED

But there's more nuance than that.

Free Trial
20% of respondents

Traditional Free Trial
Example: 14 day free trial, then upgrade or lose access

shopify

Reverse Trial
Example: 14 day free trial of top tier plan, then default to free plan if no upgrade

Airtable

Freemium
19% of respondents

Freemium
Example: free usage up to 100 widgets used per user per month

slack

Ungated Access
Example: use the full product before asking for account creation.

eraser

Sales-Led
61% of respondents

Contact Sales or Request Demo
Example: a qualifying call with a sales rep is required before account creation

attentive

Interactive Demos
Example: exploring an account with test data

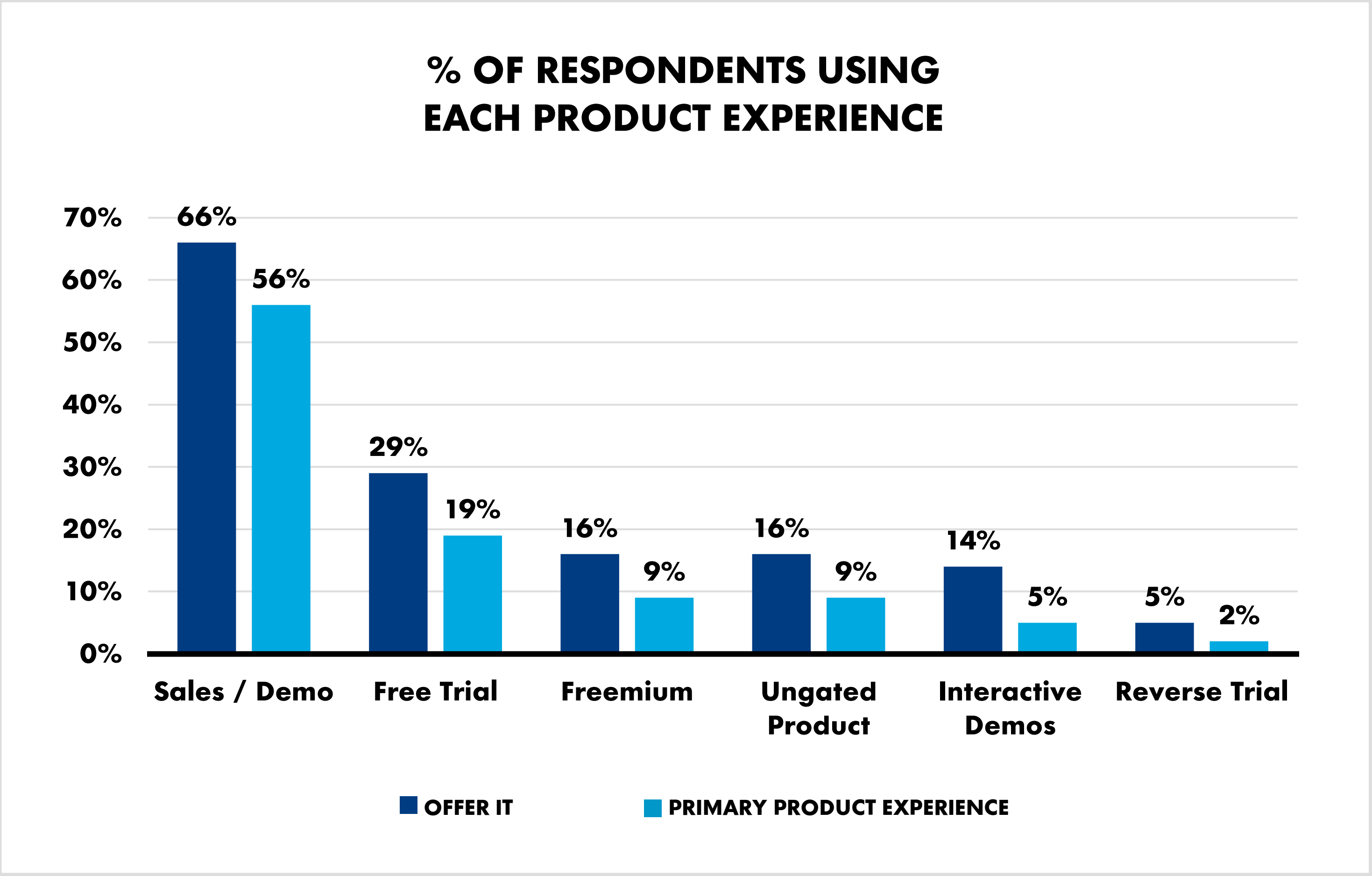
Reprise

MOST COMPANIES OFFER MULTIPLE ROUTES FOR NEW USERS TO GET STARTED

40% of PLG companies offer multiple routes to get started.

Only 25% of sales-led companies are leveraging another approach to greeting new users.

While reverse trials are a hot topic online, they're a bigger source of chatter than they are a source of new users. Reverse trials have just 5% adoption among our respondents.



Source: OpenView 2023 Product Benchmarks Survey. N = 428

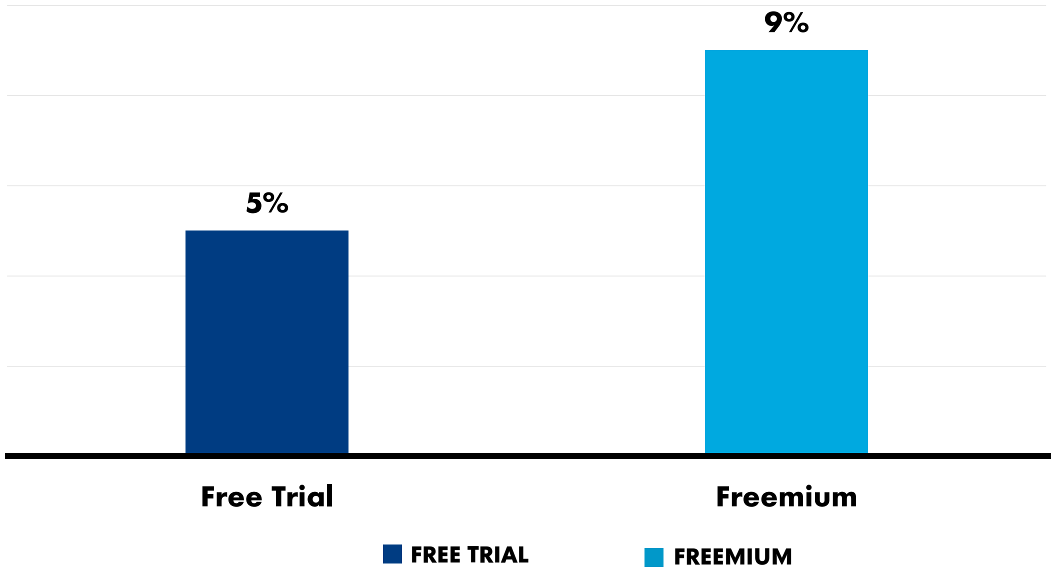
FREEMIUM PRODUCTS DRIVE THE HIGHEST SIGN-UP RATES

Because of the low commitment threshold, companies with PLG entry points, like freemium or free trials, see higher signup rates than sales and demo led companies. This still stands even after brands become more popular and are gaining more traffic.

PENDO DATA:
The average number of website visits per sign-up (prior to signing up) is **3.3**

PENDO DATA:
Organic traffic is **37%** more likely to fill out a sign-up form than paid traffic is.

MEDIAN SIGN-UP RATE BY PRODUCT EXPERIENCE

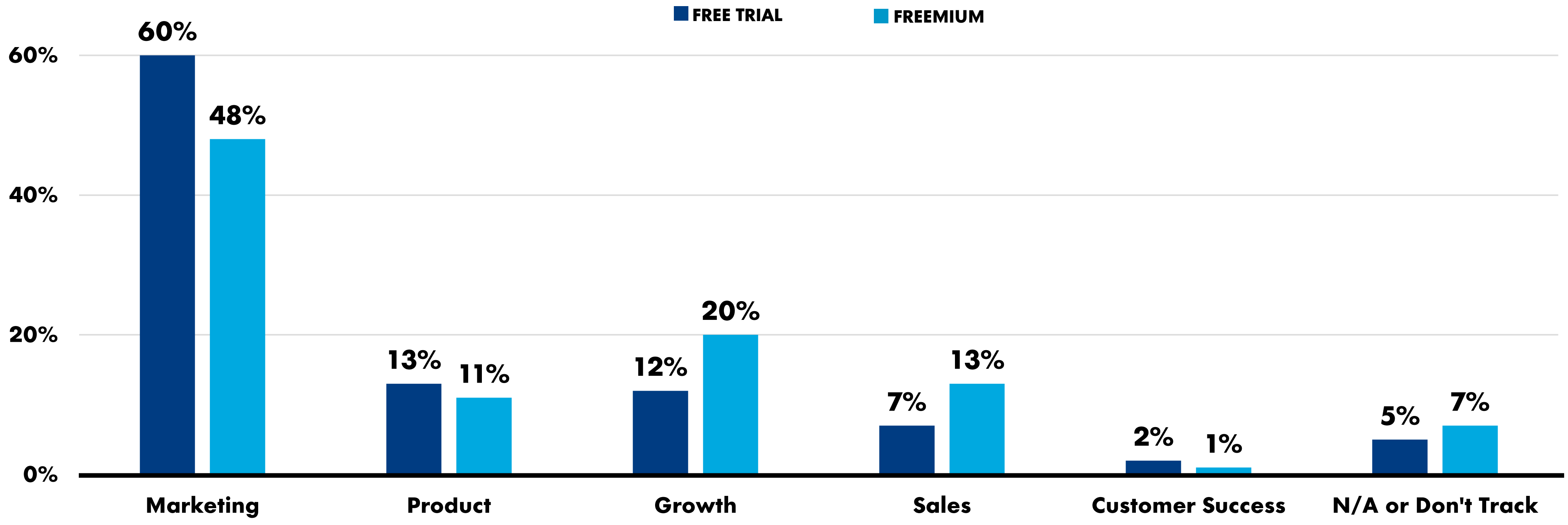


Source: OpenView 2023 Product Benchmarks Survey. N = 230

Source: OpenView 2023 Product Benchmarks Survey. N = 233

SIGN-UP RATE TENDS TO BE OWNED BY MARKETING IN PARTNERSHIP WITH GROWTH

% OF RESPONDENTS WITH EACH DEPARTMENT OWNING THE SIGN-UP RATE



Source: OpenView 2023 Product Benchmarks Survey. N = 424

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ACTIVATE:
GUIDE USERS TO THEIR "AHA" MOMENT(S)

SIGN-UPS ARE MEANINGLESS IF A NEW USER DOESN'T DO ANYTHING

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

Why do you need an activation metric?

Getting a new user to sign-up isn't enough. You need them to find value in your product. Activation boils your top of 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.

What can an activation metric look like?

- The first thing to consider is if your product value comes from one user individually vs. multiple users need to do something together for activation. If you can have a team-based metric and aren't sure if you should track that vs. a user-based activation metric, you can track both! But be sure to track the team-based activation now.

Examples

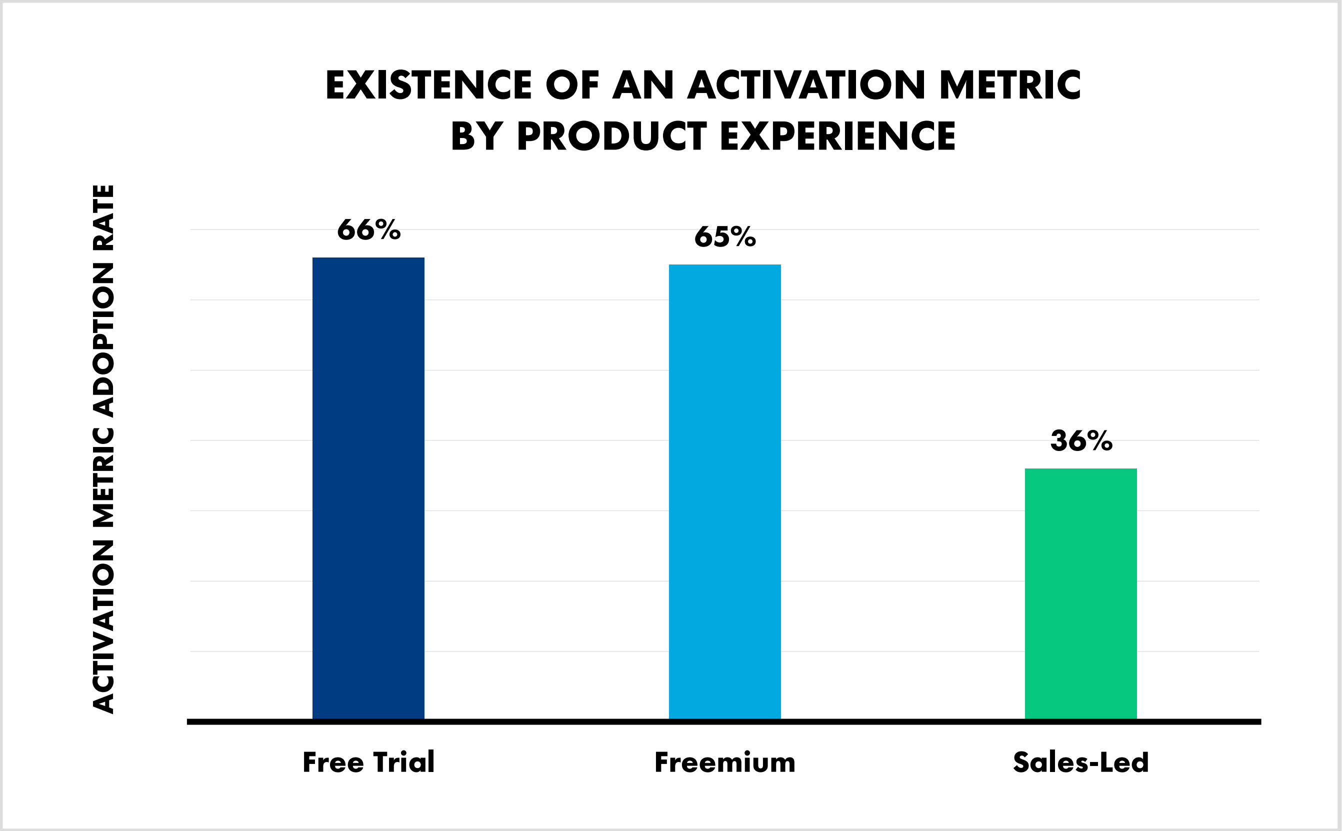
- User-based activation: first virtual event created, first purchase.
- Team-based activation: first educational video shared with a teammate, first upvote on a comment.

PLG PRODUCTS SEE HIGHER ADOPTION OF AN ACTIVATION METRIC

Most freemium and free-trial product experiences use an activation metric to learn if users are getting value.

If you're not defining and measuring activation today, you should be.

While sales or demo led companies are likely guiding their new users to the first (of many!) "Aha" moments directly, it's still worth tracking some user behavior without sales-assist to see if users are reaching a point of value after sales hands off the product experience.



Source: OpenView 2023 Product Benchmarks Survey. N = 189

TRACKING ACTIVATION IS SOMETHING YOU SHOULD DO FROM THE EARLY DAYS

- 60% of PLG companies have an activation metric before hitting $1M in ARR (or likely before even hitting product-market fit!)

- Activation metric adoption increases to 74% of PLG companies by $20M+ in ARR.

HOW SHOULD YOU BE TRACKING ACTIVATION?

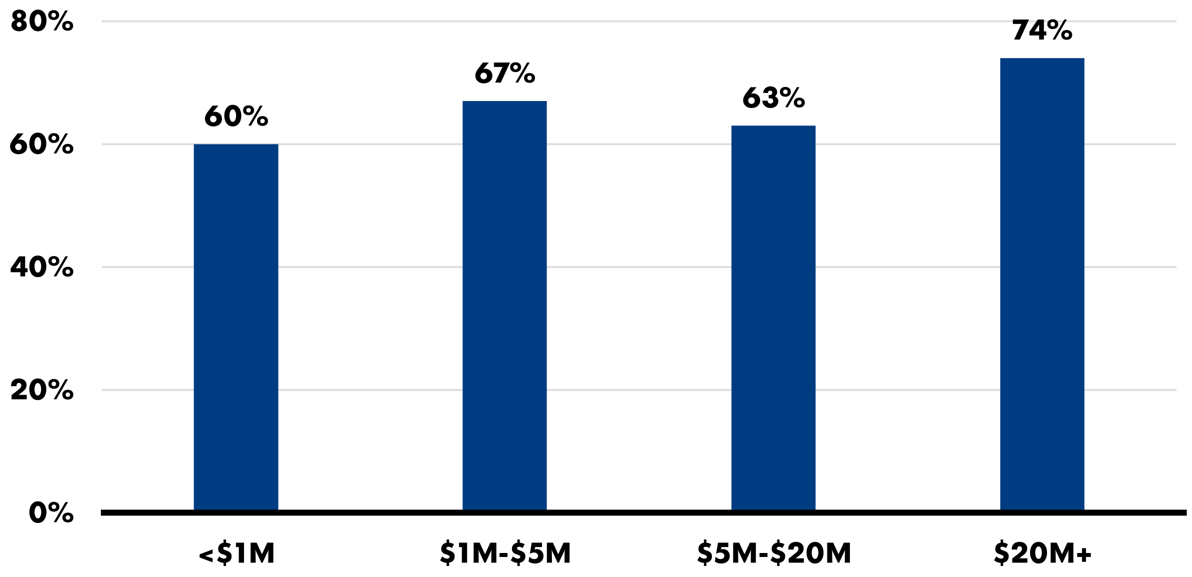
Product analytics tools, like Pendo, are the most commonly leveraged type of software for companies of all sizes and types because they can track all sorts of user behavior.

Yes, we use product analytics software

72%

of respondents with any PLG tooling have product analytics software

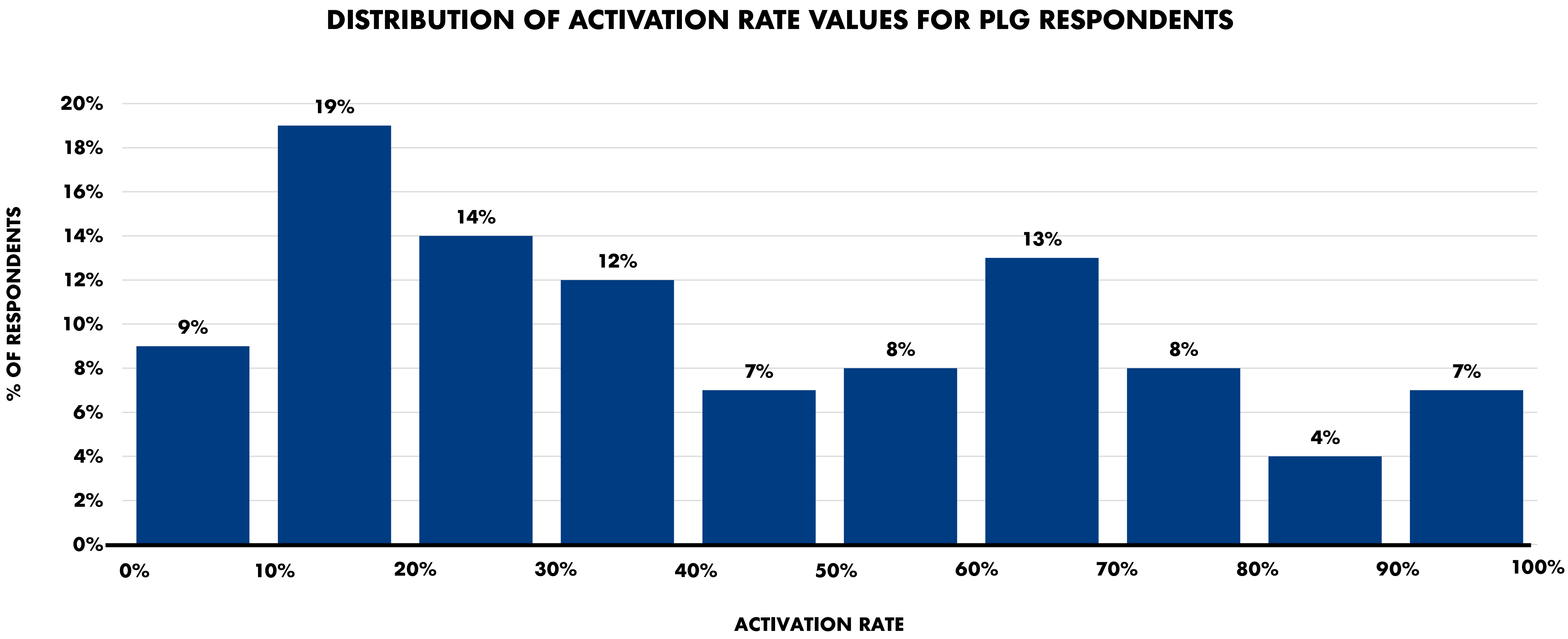
% OF PLG RESPONDENTS TO HAVE AN ACTIVATION METRIC BY ARR



Source: OpenView 2023 Product Benchmarks Survey. N = 156

Source: OpenView 2023 Product Benchmarks Survey. N = 189

ACTIVATION RATES VARY SIGNFICANTLY ACROSS PRODUCTS



Source: OpenView 2023 Product Benchmarks Survey. N = 101

WHAT MATTERS IS THAT YOUR ACTIVATION METRIC IS CORRELATED WITH CONVERSION

Activation Rate Do's

✅ Check the correlation among your users between activation and conversion to paying
  - It should be high! That means activation is a predictor of conversion.

✅ Track your activation rate over time to see how performance changes.

✅ Share it with your organization! Get everyone aligned on pushing towards activation.

Activation Rate Don'ts

❌ Don't pick an action that not all signups can take.

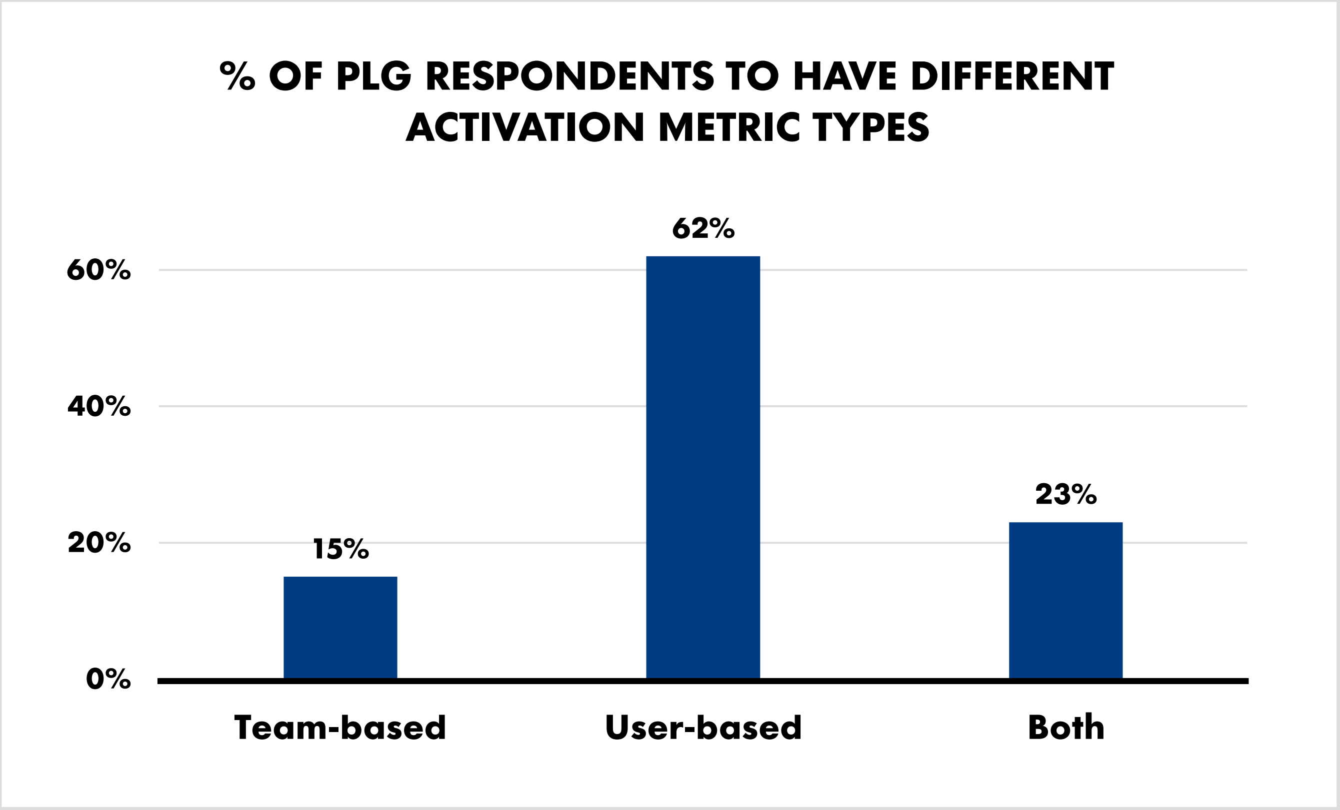
❌ Don't attribute seasonality to improvements in activation – try to run experiments when possible to attribute changes in product to actual behavior.

TRACK ACTIVATION IN A WAY THAT REFLECTS PRODUCT USAGE AND LONG-TERM SUCCESS

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?)

62% of our respondents are only tracking user-based activations, while 38% of respondents are tracking team-based activation.



Source: OpenView 2023 Product Benchmarks Survey. N = 101

CONVERT: MONETIZE AFTER YOU DELIVER VALUE

FREE-TO-PAID CONVERSION: IT SOUNDS SIMPLE, BUT IT RANGES WIDELY ACROSS COMPANIES

If users are finding value from a product, they should be willing to pay to receive additional value, whether it be increased functionality, more features, more teammates, or more time.

There's a range of conversion tactics among our respondents:

- **SELF SERVE:** Let users figure it out themselves.
- **CREDIT CARD:** To default or not, that is the question!
- **SALES-ASSISTED:** Bring in your sales team to drive conversion for higher potential customers.

The chart on the right shows four potential approaches for measuring conversion. While some may be helpful for financial reporting, only the first one is a strong conversion metric because it is at the account-level, cohorted, and time-bound. All three of those components are critical for consistency and reliability.

EXAMPLE METRIC	ACCOUNT LEVEL	COHORT LEVEL	TIME BOUND
% of January signups to upgrade within 28 days of signup	✅	✅	✅
# of upgrades in March 2023	✅	❌	❌
% of January signups to upgrade	✅	✅	❌
# of paying users in May 2023	❌	❌	❌

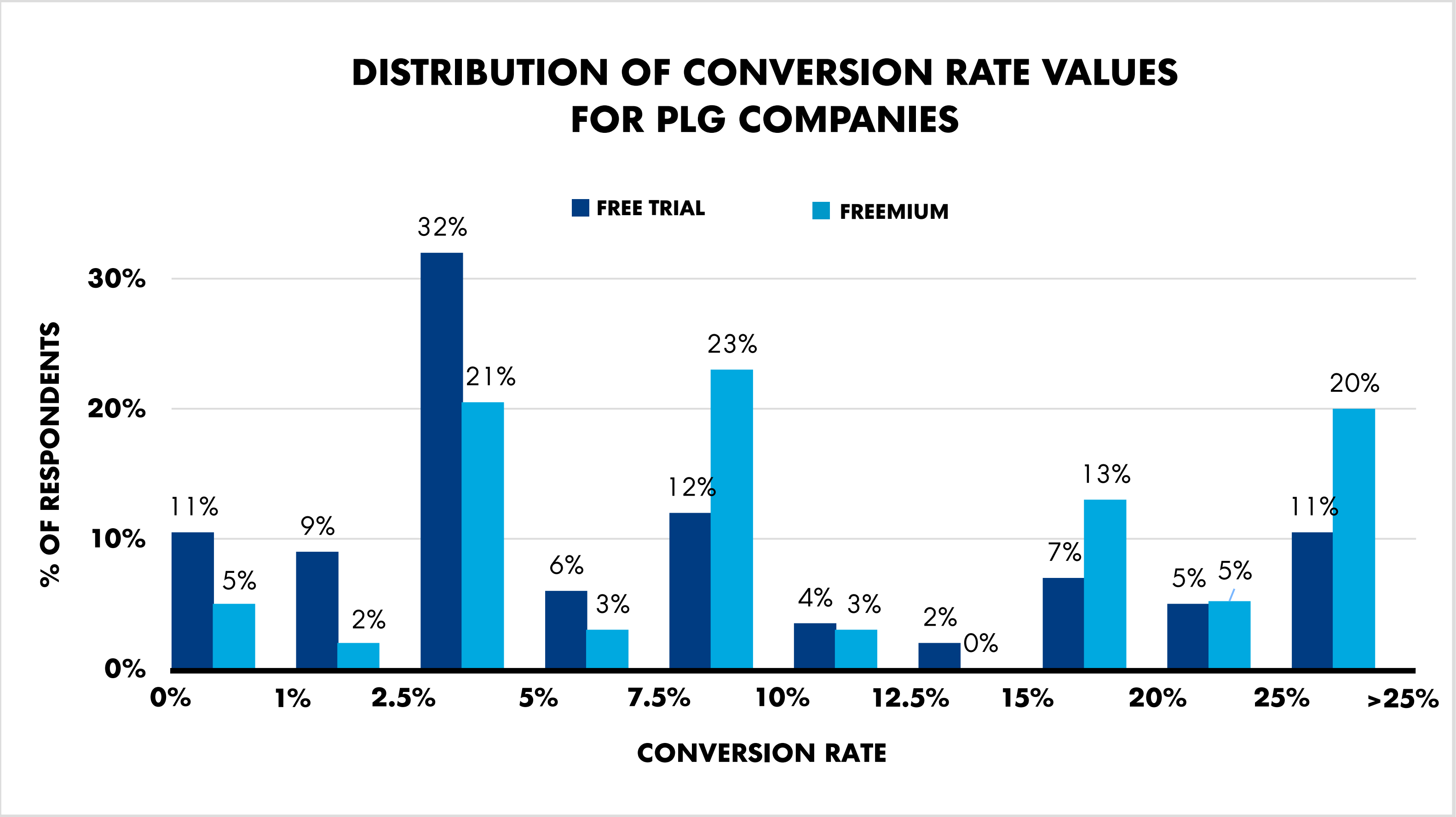
THERE'S A WIDE RANGE OF CONVERSION RATES FOR PLG PRODUCTS

~10%

Median **free trial** conversion rate

~5%

Median **freemium** conversion rate



Source: OpenView 2023 Product Benchmarks Survey. N = 187

PLG RESPONDENTS SEE A WIDE RANGE OF CONVERSION RATES

Free trials see a wider range of conversion rates, the middle 50% of respondents seeing conversion rates between 5% and 25%.

Freemium products see a more concentrated distribution, as 50% of our respondents see conversion rates between 3% and 14%.

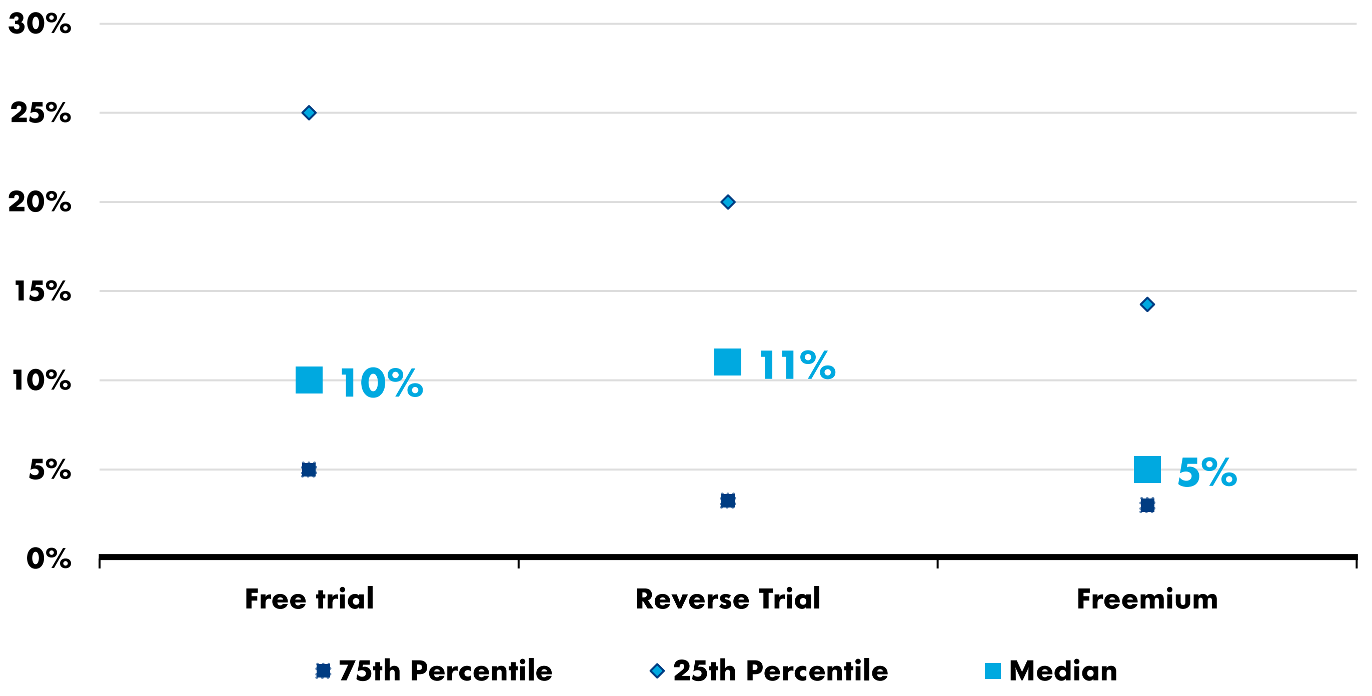
Reverse trials, although less common, see conversion rates fall between those of free trial and freemium products, with 50% of respondents converting between 3% and 20%.

PENDO DATA:

- **54%** of conversions will happen in a user's **first 3 months**
- **85%** of conversions will happen in a user's **first year**

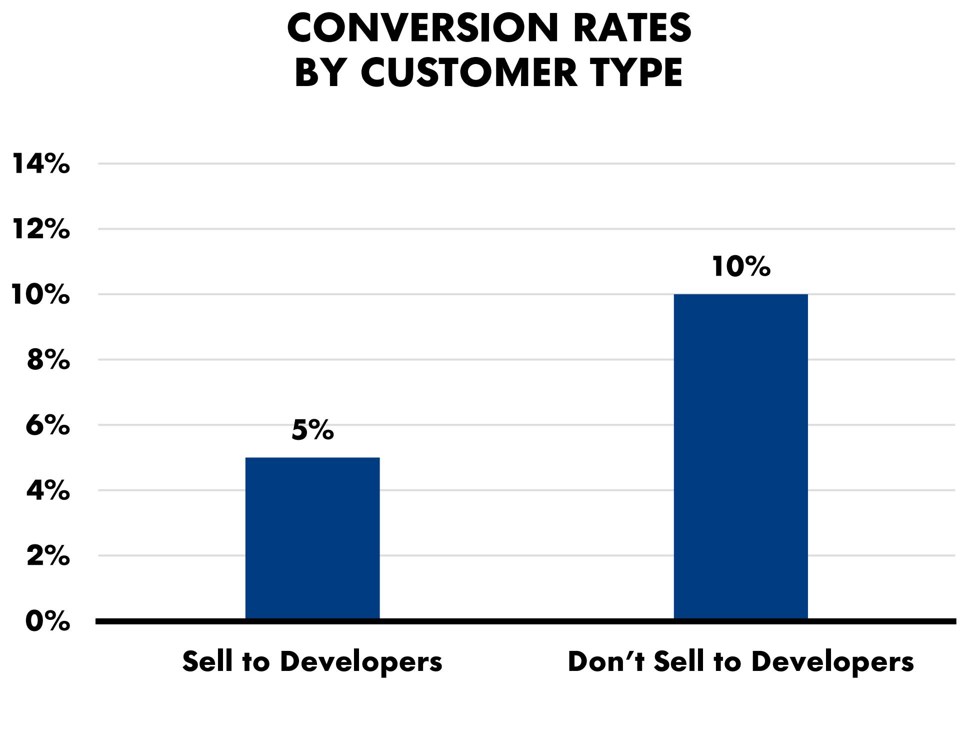
Source: OpenView 2023 Product Benchmarks Survey. N = 187

DISTRIBUTION OF FREE TO PAID CONVERSION RATES BY PRODUCT EXPERIENCE

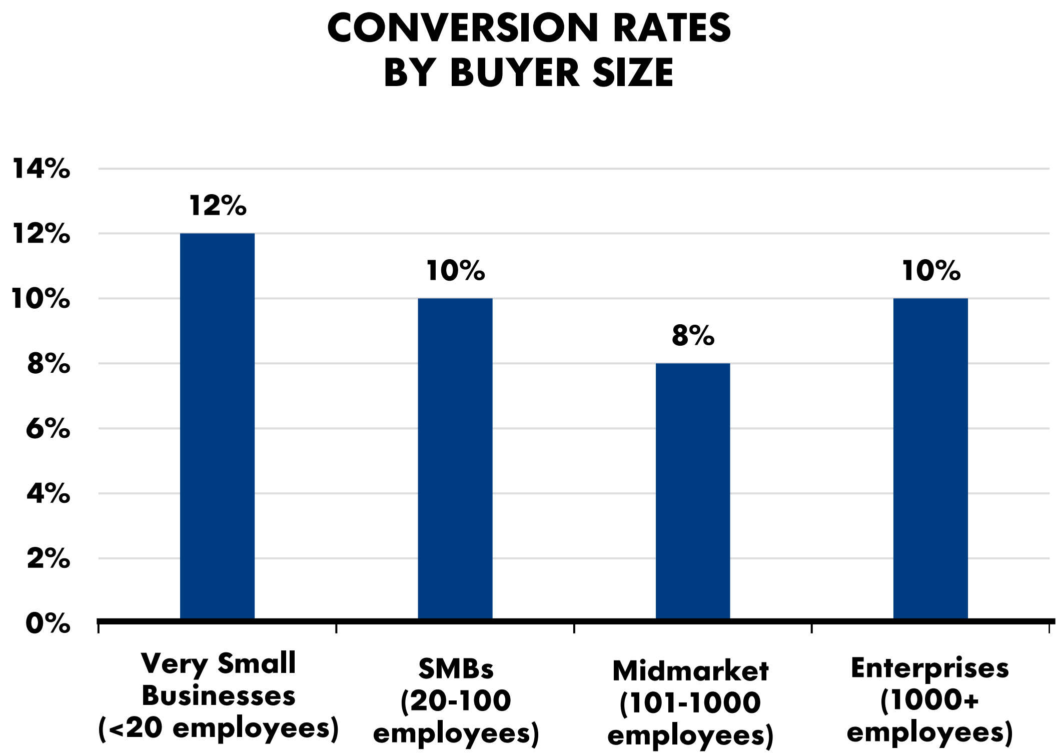


Note: This chart shows the 25th, 50th, and 75th percentiles
Source: OpenView 2023 Product Benchmarks Survey. N = 63

CONVERSION RATES ARE LOWER WHEN SELLING TO DEVELOPERS OR LARGER BUYERS



Source: OpenView 2023 Product Benchmarks Survey. N = 114



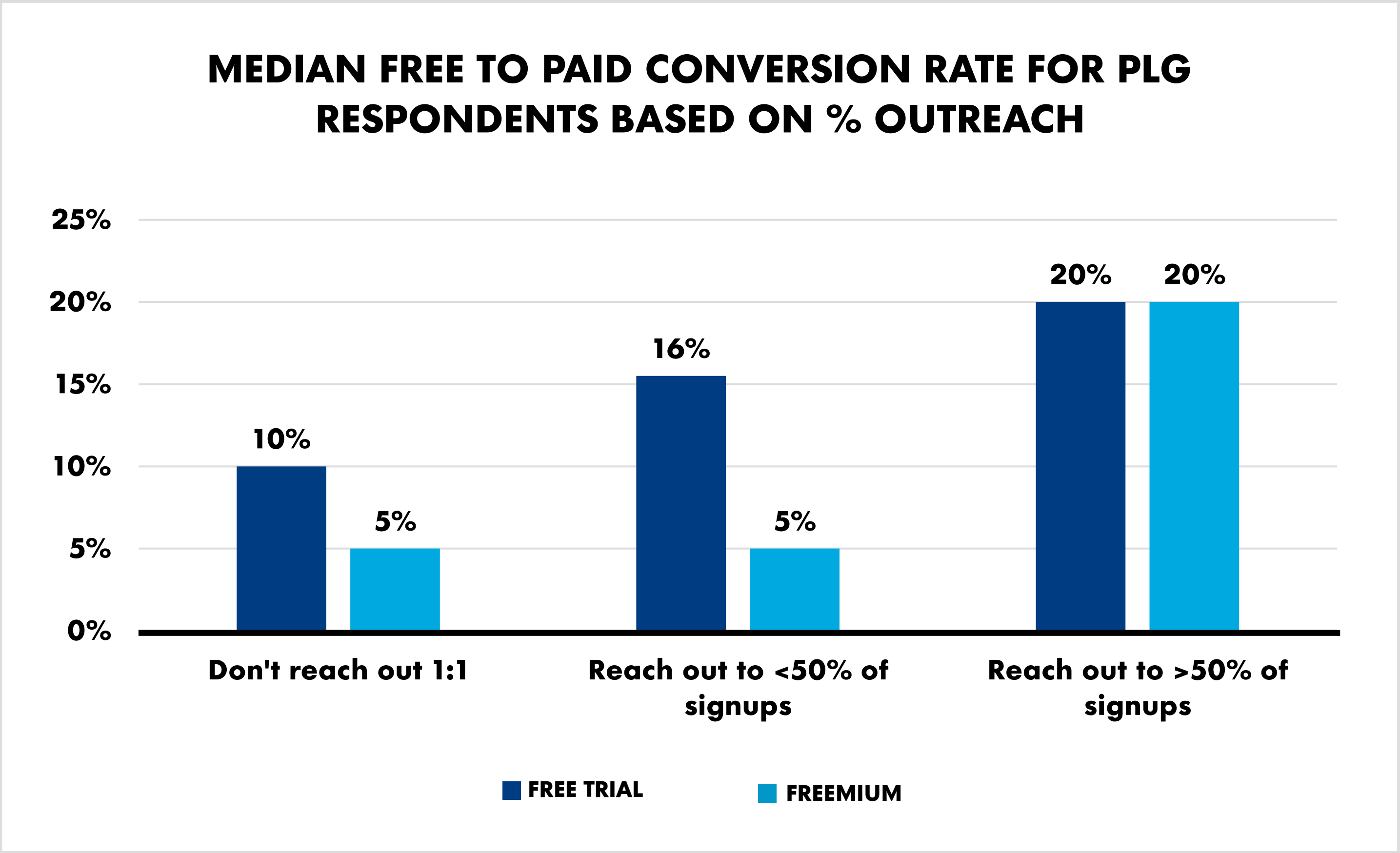
Source: OpenView 2023 Product Benchmarks Survey. N = 122

SALES OUTREACH TO CUSTOMERS IMPACTS CONVERSION RATES

Part of the difference in conversion rates between freemium and free trial products can be explained by sales outreach.

44% of free trial products in our survey had sales reach out to more than 50% of new sign-ups. This is nearly double the rate of freemium products (24%).

Both free trial and freemium products see higher conversion rates when reaching out to >50% of free signups.



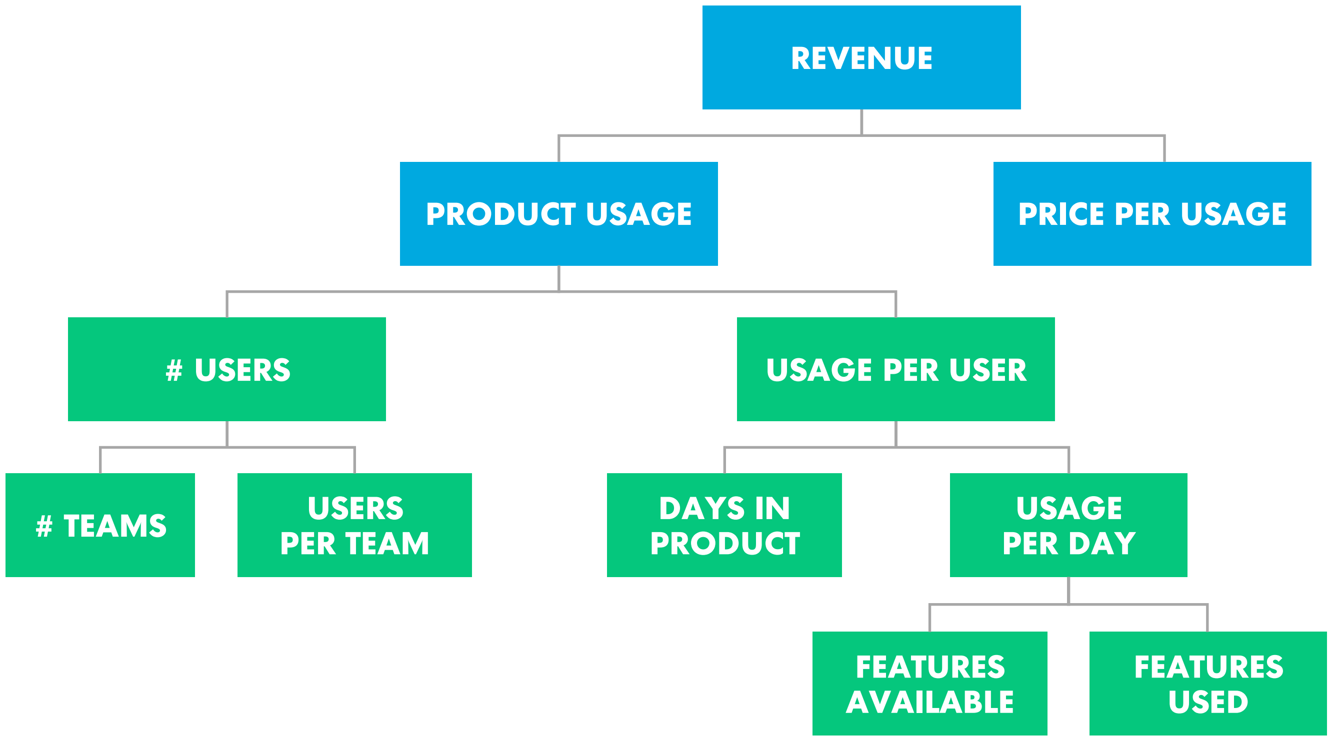
Source: OpenView 2023 Product Benchmarks Survey. N = 139

SCALE: GROW REVENUE AND USAGE

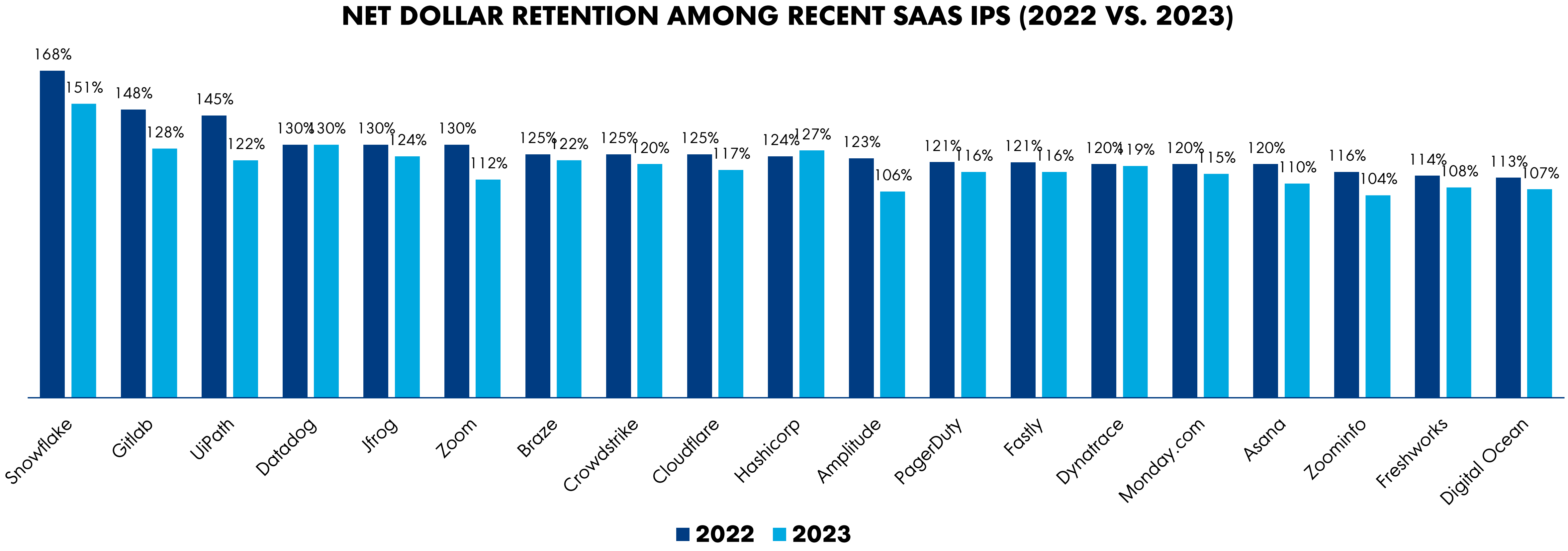
CONVERSION IS A STARTING POINT, NOT AN ENDING POINT FOR PLG PRODUCTS

PLG companies often start with the user. They can expand based on going after more users within the same team, more teams within the same org, or driving more usage per usage.

There's a lot of expansion opportunity to consider, and you can tackle them one by one.



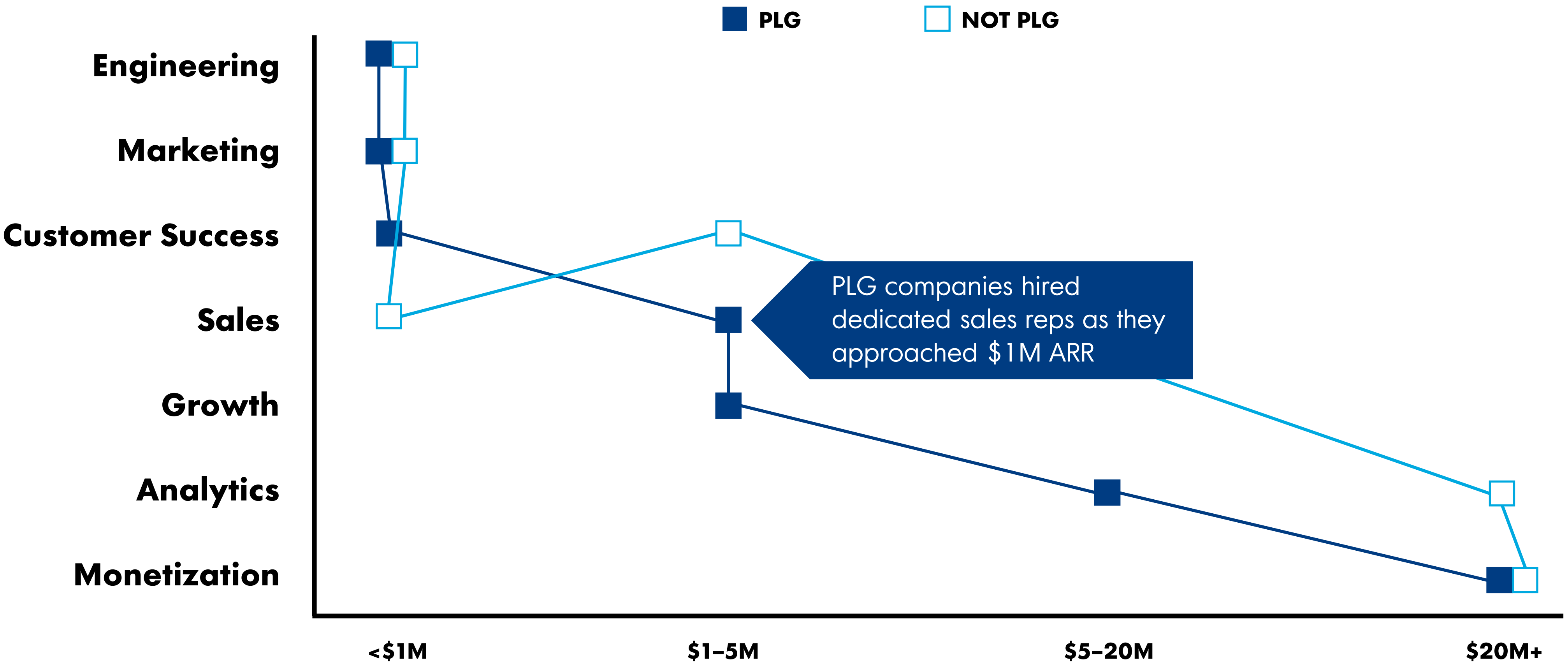
EXPANSION IS HARDER TO COME BY – NDR IS DROPPING EVEN AT PUBLIC SAAS COMPANIES



*Companies must have gone public on or after 1/1/2019. Restricted to top 25 based on EV on 3/10/22. Net retention reported from a company's 10-K or S-1, whichever is most recent.

TYPICAL PLG COMPANIES START WITH CUSTOMER SUCCESS, THEN ADD SALES

TYPICAL ORG MAKEUP AS COMPANIES SCALE FROM $0–20 MILLION ARR



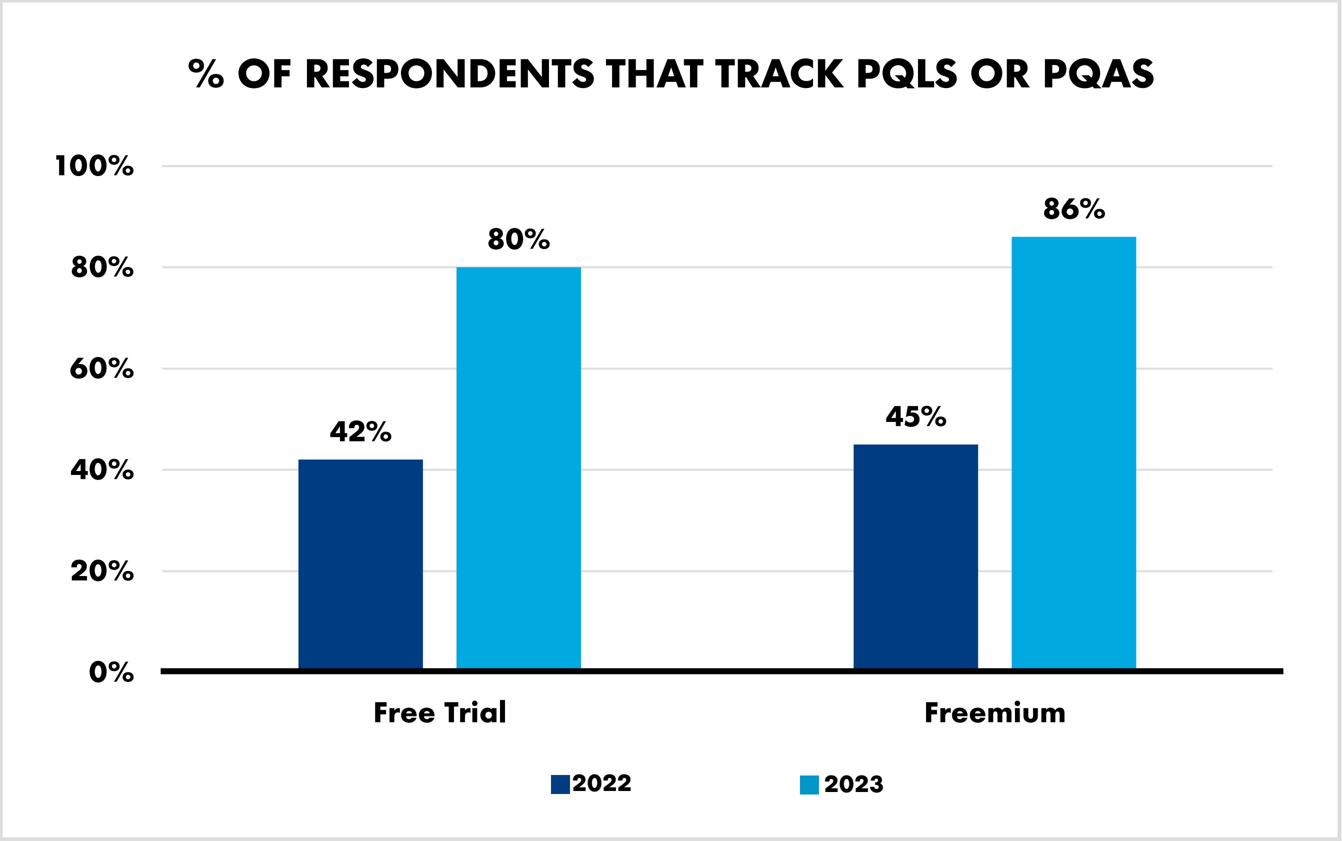
Source: OpenView 2023 Product Benchmarks Survey. N = 421

PRODUCT-LED SALES: A WAY TO APPLY SALES PRESSURE TO SELF-SERVE

We're observing the rise of product-led sales: selling into existing product users and accounts.

Tracking either product qualified leads (PQLs) or product qualified accounts (PQAs) has doubled in popularity compared to last year's survey.

Tracking – and, of course, acting on – your PQLs also helps to increase your conversion rate. Companies tracking PQLs/PQAs saw free to paid conversion at 8%, compared to 6.5% for those companies not tracking.

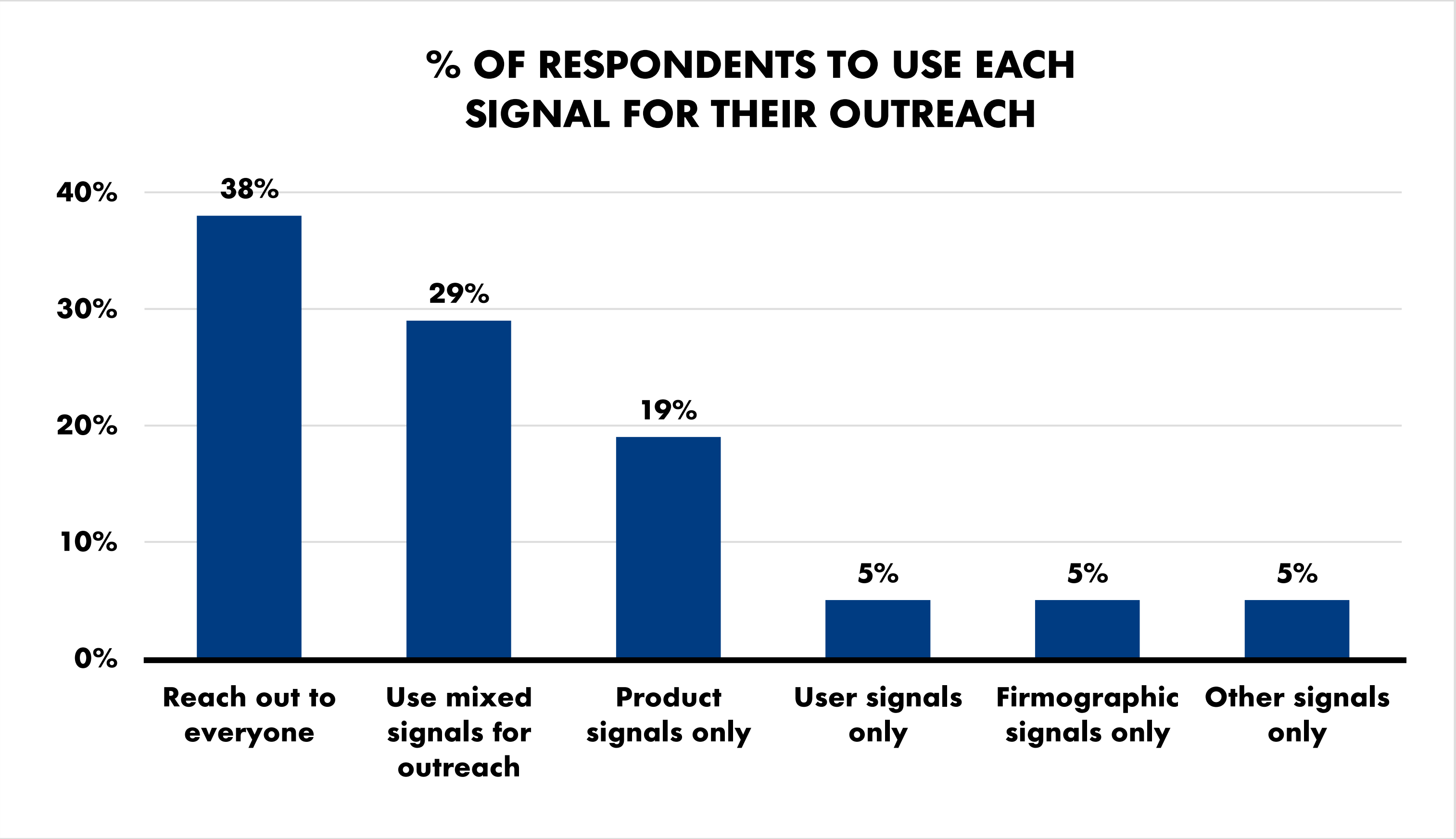


Source: OpenView 2023 Product Benchmarks Survey. N_{2022} = 106; N_{2023} = 100

SALES OUTREACH SHOULD BE BASED ON MULTIPLE SIGNALS (INCLUDING PRODUCT USAGE)

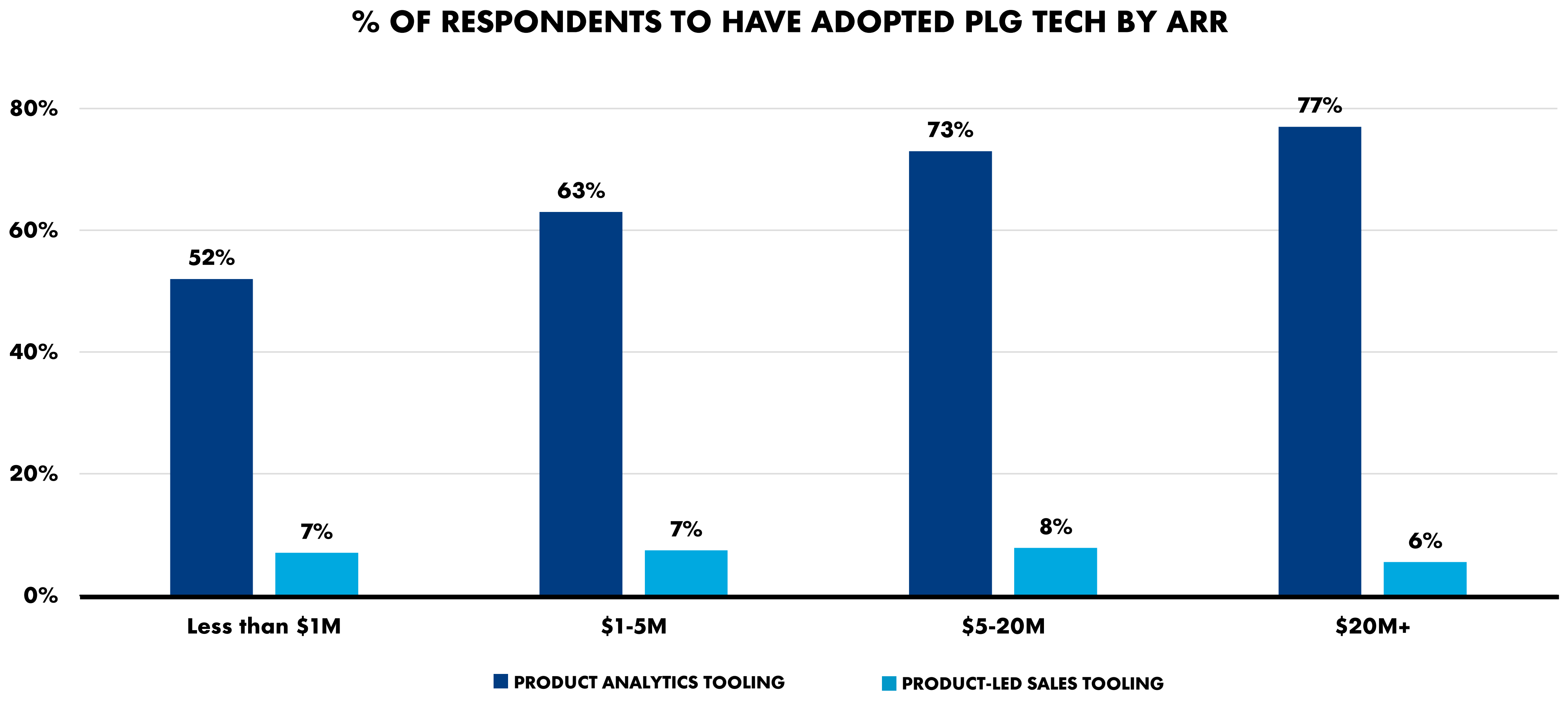
The best PLG companies leverage multiple signals to inform outreach:

- **Product signals** (ex: usage growth month-over-month, adoption of high value features)
- **Firmographic signals** (ex: user is from a high-value account in your ideal customer profile)
- **User signals** (ex: user is in a senior enough role, indicating they are a potential buyer)
- **Other signals** (ex: user views your Enterprise page, user engages with the customer support team)



Source: OpenView 2023 Product Benchmarks Survey. N =199

PRODUCT ANALYTICS TOOLS ARE WIDESPREAD. PRODUCT-LED SALES TECH IS STILL EARLY.



Source: OpenView 2023 Product Benchmarks Survey. N = 388

ABOUT THE AUTHORS

FOLLOW US FOR MORE PRODUCT INSIGHTS

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Hannah is the Director of Growth at OpenView, bringing her analytics and experimentation knowledge to help our portfolio and prospect companies with their highest priority growth initiatives.

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Kyle is an Operating Partner at OpenView, specializing in pricing & packaging strategy for our portfolio companies and leading the marketing strategy for the firm. Kyle is an expert in product-led growth, optimizing go-to-market strategies, and SaaS benchmarks.

Curt Townshend

VP of Growth

Curt is the Vice President of Growth at OpenView, working with portfolio company leadership to discover, test, and implement the most impactful strategies for growth.

ADDITIONAL RESOURCES

- The 2022 SaaS Product Benchmarks Report
- A New Era for PLG: Introducing the Age of Connected Work
- The New User Journey: Follow Your Users to Understand How to Excel at Go-To-Market
- The PLG Rising 40
- Kyle Poyar's Growth Unhinged Weekly Newsletter

THANKS!

OPENVIEW

Some of the companies mentioned in this are OpenView portfolio companies. For additional information about our portfolio companies, please visit **openviewpartners.com**.