BECOMING PRODUCT LED

WHAT IT MEANS AND HOW TO GET THERE

Contents

Introduction ~~~~~~~~

To say the road to launching a new automobile company is littered with failed startups would be a misstatement. That's because few entrepreneurs would be crazy enough to introduce a new car company. The capital costs, logistical and distribution complexities, deep-pocketed incumbents, and political hurdles appear insurmountable to any rational person. And yet, just five years after introducing its first vehicle, a startup boasted the highest customer rating in the industry. And just a few years after that, topped Ford's valuation. Tesla changed everything.

Rather than just make a product, Tesla delivers a product experience.

This means every aspect of the company—from sales to branding to manufacturing to maintenance—considers the customer's needs. Instead of entrusting its brand to third-party dealers, Tesla sells directly to consumers. Instead of strong-arming customers into buying the latest model, it delivers product updates as simply as updating an app.

And to continuously improve the experience over time, Tesla analyzes usage data from each and every vehicle and regularly collects feedback from its customers. This meticulous process has led to numerous new features, from the practical ("dog mode" keeps the car cool when you leave a pet inside) to the promotional (in-car video games!) to the profane (let's just say wunderkind Elon Musk's penchant for bathroom humor found its way into the Model 3).
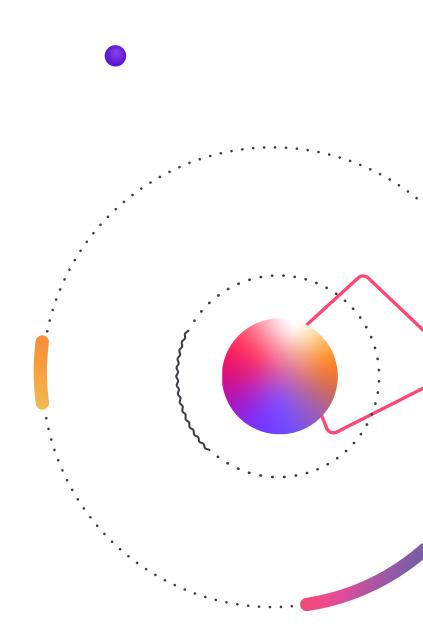
In short, Tesla has upended how we think about a car by transforming it from a one-time purchase to an ongoing experience. And it did so by putting the product at the center of every single business function.

What is a product-led strategy?

So what is a product-led strategy? It's an overarching approach to running a modern business that puts the product experience at the very center of the organization. For a product-led company, nothing matters more than delivering a product that anticipates and answers—in a simple, intuitive, and enjoyable way—the evolving needs of its users. Success requires focusing every part of an organization on the product so that it becomes a primary means of acquiring and retaining customers, driving growth, and influencing organizational priorities. The product is not just one part of the customer experience; it is the experience.

But the benefits of adopting a product-led strategy go beyond building products users love. Radically reorganizing your company around your product can help increase communication, bring you closer to your customers, and improve collaboration by providing product and go-to-market teams with a common view of success—and a common vehicle to get there.

This resource is meant to help you along your product-led journey. You will learn how to assess what product led means for your company, as well as the ways in which this strategy can help you grow. We'll also present specific steps to take across your organization and within individual teams. Along the way, you'll get tips for applying product-led practices over the long term.

CHAPTER 1

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The rise of the product-led company

The product-led strategy wasn't always so dominant. Until recently, companies could hide product limitations behind a smokescreen of marketing campaigns. But prioritizing new customers over successful users has a way of catching up with you. Product-led companies are more durable because their customers are more loyal. Here are three reasons why.

The enduring influence of data

As far back as 1994, Business Week reported that companies are collecting data, "crunching it to predict how likely you are to buy a product, and using that knowledge to craft a marketing message precisely calibrated to get you to do so." Since then, consumer-facing companies have only refined their ability to use data. It's now normal for them to continually improve their product experiences based on massive amounts of usage information. As a result, software users have grown accustomed to constant improvement. They expect more from all of their products, whether they're using them at home or at work. This phenomenon—called consumerization—has upended B2B software design.
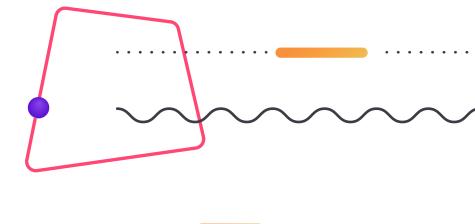
The crowded path to market

In the early days of SaaS, building a product and bringing it to market took significant investment and resources. This constrained the supply of new products. No longer. Services like AWS have lowered the technology barriers to entry, while a parallel surge in venture investments has underwritten go-to-market functions. As a result, virtually every software category has become crowded. New ideas, great tech, and splashy marketing are not enough to keep competitors at bay. Instead, delivering a product journey that customers love is how today's products thrive.

The emergence of systems of record

Every department, with the exception of product, has long had its own "system of record"—a cornerstone solution that helps the team perform its function and track its impact. Sales teams have customer acquisition goals and CRM software. Marketing departments have lead quotas and a variety of automation tools. Product teams, meanwhile, have had to rely on their instincts.

But this is changing. Systems of record—composed of elements like user analytics, in-app guidance, personalization, customer feedback—are beginning to emerge for product teams. Data from the product team's system of record can now be warehoused with other departmental data, then visualized alongside sales, marketing, and finance data, elevating the stature of product leadership to the executive level.

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The benefits of becoming product led

Adopting a product-led strategy will produce benefits far beyond your product team. You are not just changing how you build products; you are fundamentally rethinking the product journey and which departments impact it. To do this, you need to transform your entire organization. Here are five benefits you can expect to see from becoming product led.

Greater flexibilty

Most organizations say they're flexible. Yet when it comes to building a product experience that fully engages customers, many companies still adhere to a static roadmap. Planning your company's product strategy quarters ahead may feel proactive, but what happens when user needs change?

Product-led organizations can rewrite the roadmap when it needs to adapt. That's because they're not basing product decisions on what they perceive to matter, but rather on what user behavior, sentiment, and direct feedback say matters. These data points give a live view into the value their product is delivering and where it is falling short. Product-led teams also ask for input on their roadmap along the way and look for patterns in user requests. A product-led roadmap is a flexible roadmap. It adapts to the customer, picks up on both their explicit and implicit needs, and ensures the product delivers exactly what they want.

Increased Responsiveness

By investing heavily in customer support, many companies think they can take care of all their customers' needs. But even the best customer support is largely reactive, which means it's often too late. In contrast, product-led organizations take a more proactive approach by pre-empting support requests altogether.

Instead of responding to customers after they've encountered a problem, they rely on usage data to help anticipate where in the product journey users are likely to get stuck. This additional visibility lets product-led companies either iterate their designs or use their customer success teams to steer their customers toward their objective. That's true responsiveness.

Value over features

Creating value for your customer is the core function of your product. But because it's historically been difficult for product leaders to quantify value, many report on transactional items, like the number of features shipped.

Instead, a product-led strategy reorients your organization around each step in the product journey. It does this by unifying R&D, sales, marketing, and customer success around product health metrics like feature adoption, breadth and depth of usage, stickiness, and customer satisfaction. Pair this with the aforementioned flexibility and responsiveness of a product-led organization, and you can start delivering immediate and enduring value to your customers.

Efficiency of revenue

In traditional organizations, it can take significant time and money to turn prospects into users and users into profitable customers. Product-led companies streamline this process.

Rather than having to rely solely on the persuasiveness of your sales and marketing teams, a product-led strategy allows you to use the product itself to drive growth. And product-led growth is hyper-efficient because it facilitates viral exposure, captures trial users, and provides a path to paid conversions—all within the product.
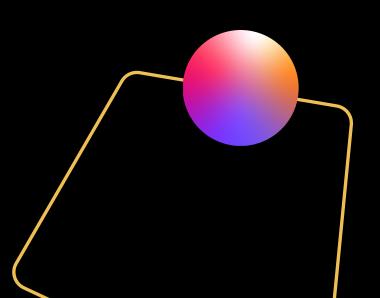
A higher quality product experience

It doesn't necessarily matter if your product is built on top of cutting-edge technology, offers first-of-its-kind features, or is fast or cheap. What matters is that it solves a real problem—and does so in an enjoyable way. This is the cumulative and most important benefit of the product-led approach. You are transforming your organization so that it does not see its product as simply a vehicle for sales, but a means to make your customers' lives better.

Successfully carrying out this journey means making your organization into a more flexible, responsive, and communicative business, one that's obsessed with constantly delivering value. Becoming product led is ultimately an aspirational philosophy, which is what makes it so beneficial: You are giving your customers the experience they want, often without them even knowing they wanted it.

User onboarding in a product-led organization

While the customer journey starts long before a company buys your product, the product journey begins with onboarding. Get it wrong, and churn becomes easy to predict. But get it right, and expansion becomes inevitable: One feature leads to the next, adoption maps to value, and new use cases emerge, opening doors to new verticals and new personas.

So how do you deliver a complete onboarding experience? Start with a core product-led notion: guide the user toward behaviors correlated with success. This requires both an ability to identify your most successful users and data to pattern-match behaviors with results.

In other words, a product-led onboarding process is rooted in product analytics. Lessons from past users can help new customers enjoy the shortest path to value. Continually analyze this process to refine and improve it along the way, and focus heavily on guiding users early and often toward a cumulative experience that defines the product journey. As you gather more data, customize and iterate the onboarding process to drive each user along a journey most relevant to them.

The attributes of a product-led company

Becoming product led is an ongoing process that should involve every part of an organization. Although its specifics may vary from company to company, it should always result in a product experience that delivers lasting value for the customer. To that end, here are five key attributes every product-led organization should embody.

Authority

Product teams need to be more than just influential. They should have the formal authority to drive a company's roadmap, shape its business strategy, and set future goals. An effective way to do this, as well as one more companies are adopting, is to give product a seat at the table. A chief product officer can ensure that creating a valuable product experience remains the central concern and advantage of your business.

Data-driven

Instinct and expertise were once all that product teams needed to rely on. But to become product led, companies must now get as close to their customers as possible. This means product teams should be obsessive about continually collecting and analyzing data. They need to know what users want, what users say, and what users do. All this will add up to a deep understanding of the customer, allowing you to make more informed decisions.

Accountability

The data you measure is only as valuable as its relevance. And relevance, for a product-led company, is its proximity to the customer. Rather than using unhelpful measurements, like the number of features shipped, which don't say anything about the customer, you should instead focus on leading metrics like feature adoption, product usage, and user retention, as well as lagging indicators like recurring revenue and churn. These paint a more accurate picture of what customers want—and make you more accountable for delivering it.

Convergence

Product-led companies must make an important realization: The product is no longer just one part of the customer experience; it is the experience. Everything your organization does should lead back to it. Sales, marketing, service, support, and education must now converge both at the surface of the product and deep within the user experience. The product should communicate its value, teach its users, provide assistance, and more. The customer experience should become indistinguishable from the product experience itself.

Collaboration

A product-led strategy is not something that one person or team can take on. It's an organization-wide effort powered by open communication and close collaboration. Across a company, teams should look for new opportunities to build bridges and contribute to the product. You should start by closely aligning your product and go-to-market teams, such as customer success, so that fewer barriers exist between your features and what customers want.
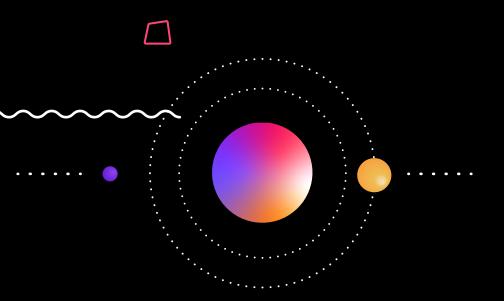
Product analytics in a product-led organization

Data is currency in business. Yet many product teams lack the data they need. This is why product-led organizations are elevating the role data plays in their organizations. To them, product analytics is just as important as sales and marketing data.

Rather than tally the number of features shipped or bugs fixed, they're using product analytics to tie the product experience to business value. To do this in your organization, here are some questions to answer:

- How sticky is my product?

- Is my feature adoption rate what it should be?

- Are my customers using enough of my product?

- Am I building what my customers want— or what I think they want?

Beneath each of these questions lies a series of metrics that can be tracked, visualized, and benchmarked. This is the future of product analytics—and product-led organizations are taking us there.

CHAPTER 4

How to become product led

Becoming product led doesn't happen overnight. It requires intent, practice, and ongoing calibration. It is less a destination than a state you must deliberately maintain.

But neither is it an abstract goal. You are not simply trying to improve your product or become a market leader, both of which can feel ambiguous. You are putting in place a series of practices, behaviors, KPIs, and solutions that ensure everyone at your organization is focused on the product as an engine of growth, retention, and expansion. This means that, although the process may vary by company, the following list of concrete, actionable steps will still help any organization along its journey to becoming product led.

Step 1: Evaluate and align

Carefully evaluating both your company and product will make the process of adopting a product-led strategy more efficient and better align your internal teams. To help you do this, here are some questions you should ask:

1. AM I READY FOR A PRODUCT-LED STRATEGY?

The vast majority of companies, particularly those offering digital solutions, will benefit from unifying around their products. But changing how your organization functions can still seem daunting. That said, here are some signs you're ready to take on a product-led approach:

You can offer a free version of your product.
As the name implies, a product-led strategy leads with the product, not with sales. This means the product should be able to sell itself. So if you can offer a free trial version to your customers that shows them the value of your product, you're already a step ahead.

You measure product usage.
Knowing what users do inside your product and what users say about your product is essential to understanding what they want from your product. Any company measuring product usage and collecting feedback is prepared to become product led.

You're focused on the long term.

A product-led approach is not just concerned with delivering value to customers now, but continuously. This involves maintaining an ongoing dialogue with your customers so you can make constant improvements to your product. You must be comfortable focusing on the long-term needs of your users, even if it means ignoring short-term concerns.

2. HOW CAN MY PRODUCT DELIVER A BETTER QUALITY EXPERIENCE?

Becoming product led means thinking about your product not just in terms of the need it fulfills, but also the experience it provides. Everything your company does should lead back to your product. This means aspects of sales, marketing, education, service, and support should converge inside the product. Your product should become the nexus of the customer experience.

So, before embarking on your product-led journey, evaluate how your product measures up to this ideal. Begin by asking yourself a fundamental question: Am I thinking in terms of individual features or how to create a holistic product experience that improves the lives of my customers? This shift in focus can help you better empathize with your users, a foundational practice of the product-led mindset.
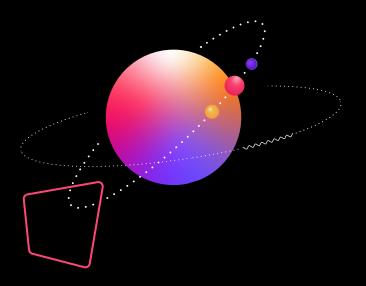
3. ARE OTHER DEPARTMENTS SUPPORTIVE?

Team alignment is an essential aspect of a product-led organization. All employees should think of the product not only as something they support, but as a central tool for performing their job. This outlook will benefit the product and help encourage collaboration among teams that don't typically overlap.

This is one of the ways LiveVox, a cloud-based contact center solution, began its product-led journey. LiveVox required each department to look at how its customers were using the platform, then consider what they could do to improve the experience. By uniting each team around the product, they identified ways to create a more satisfying and enjoyable product experience.

Team collaboration in a product-led organization

Successful collaboration starts with common data, common language, and common definitions of success. This means product-led organizations have a leg up when it comes to collaboration. After all, what could be a better unifying source of data, language, and success than the company's own product?

This is the essence of the product-led approach. Instead of keeping different departments separate, it encourages collaboration between every team by placing the product at the center of the business. Each team's goal, expressed as complementary KPIs, is to make sure the product is delivering maximum value to the customer and the business alike.

For example, traditional companies may partition customer success and engineering, figuring there's little overlap between the two functions. But a product-led organization considers them two ends of a successful product experience. As the team closest to the customer, customer success can help engineering create a scalable product by keeping them aware of both short- and long-term needs. Engineering, meanwhile, can keep customer success informed of bug fixes, help them solve more technical customer challenges, and offer a better overall understanding of the product and its capabilities.

Similar opportunities exist for every team. By tying together each team with the common thread of the product, a product-led strategy promotes a much deeper level of cross-functional collaboration. This can help remove silos and reveal unexpected benefits for both the company and its customers.

Step 2: Establish metrics to measure

To become a product-led organization, you need to have constant visibility into the way product performance impacts the health of your business. But depending on a variety of factors, such as how your customers use your product and what they hope to get out of it, there is a range of metrics you may want to measure. Here's how to prioritize the most important.

1. IDENTIFY THE QUESTIONS YOUR PRODUCT SHOULD ANSWER

Product KPIs will vary by company and stage. A pre-launch startup preparing to release its first product will care about different metrics than a large corporation that just acquired a competing digital solution. What's more, these metrics will evolve as a company matures or enters new markets. This is why you should avoid making a long-term commitment to a single "magic metric."

Rather than cataloging which metrics you should track, first consider the questions you want to answer. You may want to start with: "Are my customers happy?" Or better still: "Are my customers willing to tell others they are happy?" If you release a new feature, you should ask: "Are enough of my users trying the new feature?" Later on, you may want to add: "Are the users who tried the feature sticking with it?" Starting with the right questions is essential to putting in place the right KPIs.

2. FIND THE METRICS THAT ANSWER YOUR QUESTION

By beginning with questions you want to answer, rather than a static list of metrics, you give yourself more flexibility to identify reliable proxies for success. This is exactly what SmartRecruiters did. Although the company tracked general NPS, it was interested in getting answers to more nuanced questions like, "How can we reduce customer churn to less capable competitors?" and "What markets provide the best sales opportunities?"

Metrics emerged naturally from these questions. SmartRecruiters began looking at NPS by promoters, individual users, subscription type, roles, industry, company size, contract value, and even which of their customer success managers was assigned to the account. This more complete view of the customer helped improve the company's customer success, sales, and product strategy.

3. EACH DEPARTMENT SHOULD HAVE ITS OWN PRODUCT-LED KPIs

A successful product-led strategy requires cross-functional alignment. And the best way to foster this alignment is to introduce complementary team goals. By giving each department its own product-led KPIs, you can make sure you're incorporating every team into the product journey.

For example, customer support may want to track improvements in ticket response time, reductions in certain types of tickets, or single-interaction resolutions. Marketing may hold itself accountable for free-to-paid conversion rates, while sales and account managers could set a goal around in-product cross-sell and upsell. The purpose here is to ensure the product team isn't the only group that's measured by how well it's leveraging the company's solution. Instead, product data should be something the entire organization can use and study, and to which it can hold itself accountable.

Step 3: Collect data and feedback

Data collection is, in many respects, the foundation upon which you will build your product-led strategy—which is why it's so important to do it right. Here are some tips for gathering the data and feedback you need to create the product experience your customers demand.

1. TRACK EVERYTHING, BUT ANALYZE WHAT MATTERS

Although you've narrowed down which metrics are most important for your organization, this does not mean you should only collect data that aligns with those metrics. As your business needs change, so will your metrics. And since you don't know what you'll want to analyze tomorrow, you should be tracking everything you can today.

Both quantitative and qualitative data need to be a part of this approach. Quantitative information, such as revenue or feature usage, is key to quickly measuring the success of certain features and the value of your product, as well as determining risk. Qualitative feedback, meanwhile, will help you better understand your customers and become more accountable to their needs. By collecting as much of these two types of data as possible, you'll enjoy a more complete portrait of your product, helping to bring its experience closer to your customers' needs.

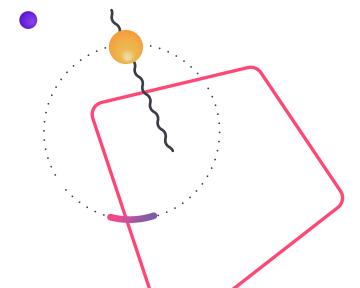### 2. BREAK DOWN WALLS BETWEEN TEAMS

Few sales, marketing, support, or customer success teams imagine even a dotted line connecting them to the product team. But in product-led organizations, the lines are solid. Customer success, in particular, can provide product teams with invaluable context.

For example, based on their data, product managers may assume a new feature launch is going well: users are accessing it, spending time using it, and not immediately exiting out of it. Customer success, however, is equipped with qualitative insights. CSMs may know that the real reason users are spending so much time with this new feature is because it isn't intuitive. With no barriers between them, customer success can quickly funnel this information back to product, helping them make more informed roadmap choices.
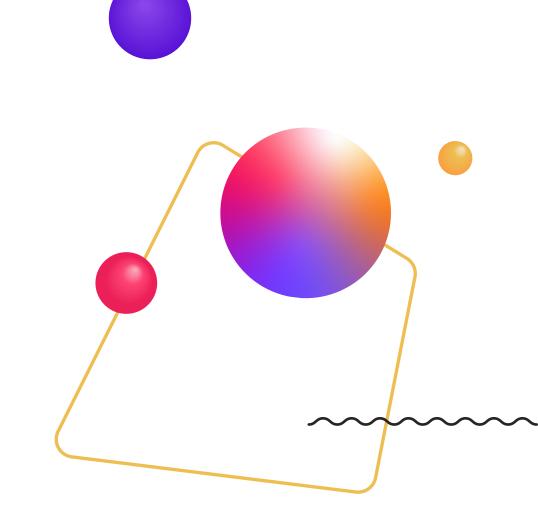
3. USE THE PRODUCT TO COLLECT FEEDBACK

Collecting user feedback is essential to providing context around usage data. Yet many companies still rely on inefficient channels like email to message their users. Infor Talent Sciences, a predictive talent analytics software provider, found this particularly frustrating. So instead of trying to compete with customers' noisy inboxes, the team elected to collect feedback directly inside the product.
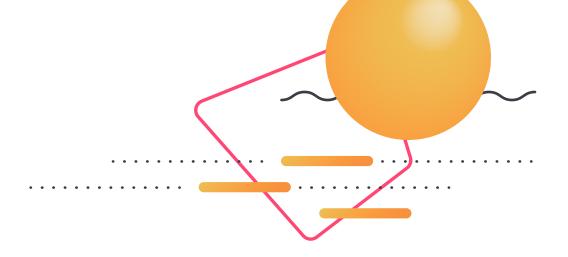
In-app communications can increase response rates, shorten response times, and allow product, marketing, and success teams to segment who gets which message based on role, usage, satisfaction, and any number of other factors. For example, Infor built guides that serve essential information to customers within the context of certain features or functions. The company also sends surveys through the product, helping it gather more accurate feedback, as well as stave off possible churn risks by delivering continuous product improvements.

CHAPTER 5

How being product led affects different roles

Adopting a product-led strategy can be transformational beyond the product. It fundamentally changes how individual teams function throughout your organization. Knowing how a product-led approach affects different roles is key to a successful transformation. Here's what becoming product led will do to your customer success, marketing, and engineering teams.
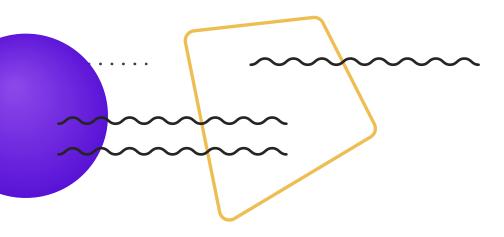
Customer success

The rise of the subscription economy means it has become easier than ever for customers to switch between vendors or even back out of contracts with few, if any, consequences. This has made customer retention an integral aspect of growth. And because growth begins with products that deliver ongoing value, remaining competitive increasingly depends on the presence of an effective and responsive customer success team.

This is why customer success represents the eyes, ears, and heart of a product-led organization. They live on the front lines, listening, watching, and helping customers find their way to value. And since a product-led strategy is based on a continuous dialogue with the customer, the success team does not have to depend on instinct and anecdote. They can measure and monitor customer health and happiness using hard data, then communicate their needs to the entire company.

More than this, a product-led customer success team creates a close partnership between the company and the customer. This involves meeting them at every step of their journey, beginning with their earliest interactions and continuing throughout their relationship. Doing so not only positions them at the front lines for customers, but also turns them into a pivotal link in the product feedback cycle. They can pair quantifiable usage data with customer feedback and stories, providing crucial context to the improvement process. This helps strengthen the link between customer success, product, and every other team, bringing the entire company into closer alignment.
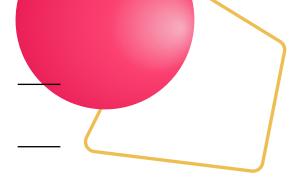
Marketing

Marketers could once create a compelling campaign to mask an underwhelming product. Not anymore. Social media, user-generated content, and easy access to information have tipped the scales. Users are savvier and customers won't take you at your word. In place of a sales process, they want hard proof. As a result, the product needs to double as a sales and marketing tool.

Product-led organizations make product the star of the show. By insisting on a product the customer will both need and love to use, then introducing it through a free offer or self-service trial, they transform the product into its own vehicle for sales. They can further improve this experience with in-product guidance and communications that show customers around and encourage habits to form. This makes it possible for customers to discover the value of the product for themselves and on their own terms.

So what do product-led marketers do if the product is essentially selling itself? They watch and learn, identify key activation points that drive usage and conversion, and use these insights to improve messaging and strategy within the product. This could include building a better onboarding experience for new users or helping them return to the product after a few days. As customers become hooked, product-led marketers use their understanding of usage and sentiment to identify power users and potential advocates hiding in plain sight. This turns the customer into a megaphone, helping to promote the story on the marketers' behalf. Growth becomes a natural part of the product experience.

Engineering

Shipping new features can feel like a black hole for engineering teams. How widely are users adopting them? How useful are they? These are often frustratingly unanswerable questions, but not at a product-led organization. By continually measuring usage and talking with their customers, engineering teams can easily see how their efforts are paying off.

However, beyond questions of simple curiosity, knowing these answers has a practical use. As products mature and features proliferate, the cost and complexity of maintenance grows exponentially. Understanding product usage helps engineering teams identify parts of the product they can consolidate or even retire. And, as the backlog of bugs compounds, understanding usage, sentiment, and revenue impact helps development and QA teams prioritize their bug fixes. They can use their time to produce the highest yield for both the customer and the business.

Product-led organizations are also data-driven in how they roll out new features. Their engineering teams can begin with a controlled release behind a feature flag or an A/B test, then use this to assess uptake and sentiment within a narrow segment of users before releasing these features more broadly. And, as they adopt agile/devops approaches that let them continuously deploy new features, they can work closely with product and customer success teams to develop in-product mechanisms that ensure customers find value with every change.

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