

PUT THE PRODUCT AT THE CENTER

PRODUCT-LED GROWTH DRIVES ACQUISITION, CONVERSION, RETENTION – AND GROWTH

Sales success was once defined by the sale itself: the customer paid for a product or service and the salesperson and the company were happy. While making sales is still a good thing, modern B2C and B2B models should extend far beyond simple one-time transactions. Instead, the product-led growth model puts the product at the center of an ongoing user journey.

The new approach begins with servitization, which encourages the replacement of one-time purchases with monthly or annual subscription fees that grant usage rights instead of ownership. This provides ongoing and predictable revenue for the seller and a smoother and more satisfying experience for the customer, one which sidesteps intrusive sales processes and reduces purchase regret.

This encourages a focus on the long-term user experience and benefits all sides of the relationship. The ongoing nature of the process uses data and feedback to drive continuous improvement, and that boosts competitiveness and retention. And while servitization grew up in the B2C space, it has now matured into a model that works just as well for B2B relationships.

The following articles introduce product-led growth, examine the freemium-to-premium journey it supports, and offer valuable advice on how B2C and B2B players can update their sales processes to engage with customers on a much longer-term journey.



CONTENTS

WHAT IS PRODUCT-LED GROWTH?	3-4
FROM FREEMIUM TO PREMIUM	5
PRODUCT-LED SELLING CAN ENERGIZE YOUR CUSTOMER BASE	6-7
THE FREEMIUM-TO-PREMIUM PATH WORKS FOR B2B PLAYERS AS WELL	8
BUILDING LONG-TERM VALUE	9



WHAT IS PRODUCT-LED GROWTH?

Move to servitization provides new pathways to revenue

The rise of cloud capabilities has increased competition in a wide range of industries, including software technology, telecommunications, and entertainment. The shift in the marketplace is driven by the move to servitization models, according to research by Capgemini. Rather than a single one-time purchase, this model uses a monthly or annual fee in an ongoing subscription-based plan offering usage rights instead of ownership.

This means companies can adjust to changing habits and preferences. Consumers want a frictionless experience and prefer self-serve rather than multiple stakeholder checkpoints that can slow down the delivery process. Forrester reported [that three out of four buyers](#) prefer to educate themselves about product features. Even within B2B sales led by a representative, difficulties in the buying process often [lead to purchase regret](#). The sales experience has been an important challenge facing companies, as 77 percent of buyers are [unhappy with the traditional sales model](#) and described their last B2B purchase experience as long and painful.

B2B and B2C companies are moving on this trend. By switching to a subscription-based model, companies can build an ongoing relationship with the customer and extend the sales

journey past the initial payment. Both new entrants and legacy players can experience an increase in customer lifetime value and projected revenue.

Enter the product-led growth (PLG) model. Subscription-based companies are adopting this methodology to sustain growth and satisfy evolving consumer demands. Traditional growth strategies are mostly presented as marketing-led models, with a funnel system that relies on marketing and sales teams to filter potential leads to land customers. The focus is on raising brand awareness among customers who may be interested in a company's services. The sales team follows viable leads to guide customers through pricing and packaging, purchase, and onboarding. The target audience is wide and conversion rates can be low when compared to the number of targets, and the result is a high average customer-acquisition cost.

It can be a time-consuming effort with a conversion rate that does not always outweigh missed opportunities. Data insights are quite limited within a marketing-led model since the information received often only reflects a snapshot of the customer at the time of purchase. This information is then passed to marketing and sales to better refine what customer characteristics to target. Finally, the product is passed to the user and the sales journey ends.





Product-led growth



In a product-led growth model, the funnel is re-imagined with the product at the center. This is an experience-driven sales journey through acquisition, conversion, retention, and growth. The scope of marketing and sales decreases while data insights and user experience increase.

Focusing on user experience results in a more organic word-of-mouth marketing process between users and potential customers. Now, marketing can focus on communicating key services to existing customers with an established relationship. Sales scope decreases the most and becomes more efficient. By automating many of the responsibilities, the sales teams can focus on account management and long-term customer relationships.

Data insights have a greater impact on the sales process. By tapping into the user experience, companies can get key insights on features customers are using the most and for how long, and any feedback on product improvements. This provides marketing and sales with a continuous information loop on what to offer customers next or how preferences and expectations may be changing. With the product at the center, the combination of data, feedback, and focus drives continuous improvement to stay competitive.

Adopting product-led growth requires significant internal change, which can be challenging for established companies

with structured processes. However, research shows it is well worth the transformation: a grouping of 300 global PLG companies [generated double the median enterprise value](#) compared to an index of public SaaS companies. This success is based largely on the oft-referenced concept that [80 percent of a company's future revenue](#) will come from 20 percent of its existing clients.

Subscription models and product-led growth companies prioritize long-term customer retention and incremental sales growth so they can capitalize and optimize potential future revenue. Retaining and upgrading existing customers is also better for a company's bottom line, as it is far less expensive to increase revenue from an existing client than to acquire a new customer.

Product-led growth can be a challenging, transformational undertaking for any company, but the methodology is proven to provide long-term growth at a higher rate. It satisfies consumers' current preferences and prioritizes the relationship rather than the transaction. As the marketplace continues to become more competitive, fragmented, and innovative, companies need to assess their situation and determine how product-led growth can move them towards the future they want.



FROM FREEMIUM TO PREMIUM

HOW COMPANIES CAN INCENTIVIZE CUSTOMERS TO LEVEL UP

Product-led growth is a business methodology that leverages the final product experience to drive customer acquisition and growth. This strategy is particularly effective in subscription business models, in which the product is sold as an ongoing service provided to the customer for a recurring fee. This strategy enables customers and businesses to prioritize the end user and drive an ongoing improvement loop. Reshaping of internal and external operations using the product-led growth methodology is essential to keep up with evolving customer needs and a fast-moving and competitive industry.

Many subscription-based companies still operate through traditional product-commercialization methods, which has sales and marketing personnel working independently and rarely taking the product itself into consideration. Product-led growth, by contrast, puts the product at the center of the capabilities, aligning the organization as a whole.

Companies offering B2C services, such as LinkedIn, Dropbox, and Spotify, have adopted a freemium-to-premium approach which offers a free but limited plan for an unlimited period. These free plans always contain some nuisances for the customer. Spotify, for example, offers a free plan with unlimited access to music but users must listen to ads between songs. Dropbox limits its free subscribers to 2 GB of storage capacity and does not include some data-security features,

such as Dropbox Rewind, which stores deleted files for 30 days so users can retrieve them.

The model employed by these businesses often relies heavily on network effects, in which companies like Dropbox encourage users to invite friends and family by offering incentives, such as additional free storage when the referral is successful. Companies may also offer free-trial periods before requiring users to pay the premium price.

These users can then be converted to paid customers by offering additional features and removing the nuisances mentioned earlier.

Once their clients have opted for a premium plan, the next goal for product-led growth companies will be to retain their customers to generate recurring revenue. A first condition is to offer a user-friendly and frictionless experience, such as easy access to technical support like chatbot and tutorials. This promotes customer satisfaction and retention and may encourage customers to opt for top-tier plans with premium features, such as shared access.

In addition to direct sales advantages, product-led growth can also lower the cost of sales and marketing and expand the user base and overall enterprise value (EV). It is increasingly seen as the solution to keep subscription businesses successful.



PRODUCT-LED SELLING CAN ENERGIZE YOUR CUSTOMER BASE

THE NETWORK EFFECT BOOSTS BUSINESS GROWTH EXPONENTIALLY

The product-led growth model is a radical departure from traditional sales processes and it can be especially useful for B2B companies – but only those which know how to move from business as usual to business on a growth trajectory.

Those traditional sales cycles consist of a client identifying a need and then, in the case of software providers,

a Software-as-a-Service company energetically marketing to convince the client to choose it. Sales representatives are then called in to guide the customer through the assorted services, packages, and pricing. The sales team also needs to arrange the onboarding process and training for the company's workforce. This approach can be costly and inefficient, and that is where product-led growth (PLG), which leverages the final

product experience to drive customer acquisition and growth, can save the day.

The value of this approach relies largely on a shift in how new services are identified and purchased. Rather than a top-down acquisition process, employees are increasingly seeking out solutions to improve their productivity. Because of this bottom-up approach, SaaS companies have needed to reevaluate their customer-acquisition and growth strategies. The product experience is what matters most to the user and, if the service satisfies the needs of the employees, they will often encourage management to purchase it.

Subscription B2B services integrated a product-led approach by offering employees a free trial or free version of their service. For the subscription-based company, this is an opportunity to capture leads from interested users and analyze the employee use data, including which functions they use the most, for how long, and what feedback and reviews they generate. These quantitative insights become data-driven recommendations and help personalize the sales journey. This not only enhances the user experience but also lowers the cost of acquisition, since sales often come from upselling an existing customer rather than recruiting a new user. The self-service nature also reduces the sales team's bandwidth needed to train workforces live or in-person.

Consider Zoom. The company offers a frictionless experience to join a video conference, even as a guest. After users have been exposed to the product, they can also easily sign up for free on Zoom's website and enjoy 40-minute video calls with up to 100 participants. Signing up for the free service is also easy, as there are minimal steps when using existing Google, Apple, or SSO accounts, ideal for companies who can easily link





Zoom accounts with existing business accounts.

The network effect created by this free-to-join approach means Zoom has many opportunities to show users the perks and benefits of upgrading to a paid membership. Zoom converts users into paying customers by offering additional features such as longer meeting times, data storage to save meeting recordings, and interactive features. Zoom can also tailor advertisements to recommend additional add-ons. Zoom offers different tiered subscriptions based on the number of users from an organization, so organizations can purchase plans based on the features their team needs and their growing workforce. The stickiness of the service also means customers are likely to renew not only from prolonged use and habit but also because key information is now stored with Zoom, such as cloud recordings.

Finally, Zoom has cross-sell opportunities by integrating key apps with their product. Zoom offers an events service called OnZoom that supports up to 1,000 participants and integrates payment services like PayPal to make ticketing simpler. Zoom's product is designed to be used for internal and external business functions.

The bottom-up approach to modern software and services selling, often driven by a network effect of happy early adopters, is a significant opportunity for companies which use PLG models to place the product at the center of marketing processes.



THE FREEMIUM-TO-PREMIUM PATH WORKS FOR B2B PLAYERS AS WELL

NUISANCES, GENTLE NUDGES, AND ADVANCED FEATURES ACT AS INCENTIVES

A product-led growth approach places the product at the center of sales strategy to enable it to drive all the steps of the user journey. These steps include acquisition, conversion, retention, and growth itself. This strategy has been successful for many B2C companies and that is drawing the attention of progressive B2B players.

Companies offering B2C services, such as Dropbox, Spotify, and Zoom, adopt a “freemium” approach: tiered pricing in which the most basic product level is free but typically carry some nuisances, such as limited storage capacity. Premium plans, in contrast, have few if any nuisances. Once in a paid plan, the company works to retain the user to

fully benefit from recurring revenue. Retention is best achieved by the consistent high-level performance of the product.

The user journey can be similar on the B2B side. Companies here also acquire users by allowing them to access premium plans with a free trial period, and these users have quite often researched the tool before subscribing, which saves time and resources for the company, as it does not have to educate potential users.

If the trial period is a success – that is, the product performs well and the onboarding and upselling was done properly – companies can convert these

users to a premium tier. B2B clients are busy and do not have time to wait when needing information. Service providers usually respond to this challenge by making tutorials, chatbots, and other resources available and easily findable. These contribute to retention.

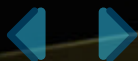
Upselling and cross-selling are keys to this process, and the specifics of what is offered will depend on the size of the clients and their data security, account flexibility, and control needs, in addition to feature requirements. These steps can often be undertaken without any interaction with sales and marketing teams. However, the largest accounts might need more flexibility in their service and the implementation might require the intervention of a sales agent.

Internally, the adoption of product-led growth allows companies to improve sales efficiency and focus solely on key tasks that generate revenue. As B2C and small and medium B2B clients are now driving their experiences and adding new users to the platforms themselves, sales and marketing personnel can focus on existing customers who have established some stickiness and on key accounts to provide the best experience. As product is put at the center of the journey, it is easy for companies to collect and analyze consumer insights to keep improving the overall experience, which will have an impact on customer satisfaction.

Some companies, such as Zoom, Spotify, Slack, and Dropbox, also have a hybrid reach. By increasing the visibility in their plans and pricing strategies, these companies benefit from targeting both B2B and B2C clients at the same time. The border between these two sides is thinner than ever and some plans made for B2B might also work for B2C clients.

This is simply more proof that product-led, tiered offerings are valuable outside of B2C circles.

	Personal			Business	
	Plus For individuals	Family For families	Professional For individuals	Standard For smaller teams	Advanced For larger teams
	Buy now	Buy now	Get started	Try for free or purchase now	Try for free or purchase now
Live chat support	✓	✓	✓	✓	✓
Phone support during business hours	✗	✗	✗	✓	✓
	For individuals	For families	For individuals	For smaller teams	For larger teams
Unlimited storage	\$11.99 / month	\$19.99 / month	\$19.99 / month	\$15 / user / month	\$25 / user / month
Billed monthly					




BUILDING LONG-TERM VALUE

Product-led growth puts the product, and therefore the customer experience, at the center of the relationship, and it represents that most sought-after outcome: a win-win. Sellers get enhanced acquisition, conversion, retention, and growth. Customers enjoy simpler and more self-directed

buying processes, less purchase regret, better service and, ultimately, improved products.

It also delivers on the reality that it is far more cost-efficient to retain a customer than to acquire a new one. Servitization is all about retention and long-term value – for all sides of journey.

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