Managing PLG Lead Progression: Tactics, Metrics and Tools for Tech CEOs

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> Product-led growth is rapidly becoming a standard component of go-to-market approaches. Knowing how to adjust the processes and what technologies to apply are keys to unlocking success. Tech CEOs must use this research to integrate traditional (or commercial) progression methods with PLG motions.

Overview

Key Findings

- In a product-led growth (PLG) model, product-qualified leads (PQLs) relate to engagement, but the PQL alone doesn't indicate purchase intent.

- One of the most significant differences in a PLG model is the degree of hands-off automation of a lead, as users essentially qualify themselves. As such, technology and service providers (TSPs) shifting to the PLG motion may struggle to develop an effective lead progression process that surfaces and detects the signals that indicate a readiness to purchase.

- Lead progression tactics and requirements may vary based on the activities that can be automated, versus assisted by members of sales or marketing.

Recommendations

- Apply well-defined criteria for a PQL for individual users and/or an enterprise using product revenue goals, use cases and appropriate metrics.

- Map out and analyze the elements of user journeys to implement the tactics that support the progression toward meaningful engagement proactively. Set tactics that respond to user needs as they move through progression steps, such as the delivery of personalized content (at time of activation) to automated support and human-led guidance triggered by usage tracking and analysis.

- Increase investment in automated engagement and communication capabilities, such as in-application messaging and AI-based virtual assistants for activation, onboarding and guidance, in order to accelerate product usage. Then align human sellers to help buyers see the value that leads to purchase.

Strategic Planning Assumption

By 2025, PLG will be a standard component of new and existing customer go-to-market (GTM) practices for 90% of SaaS companies, compared to approximately 50% in 2023.
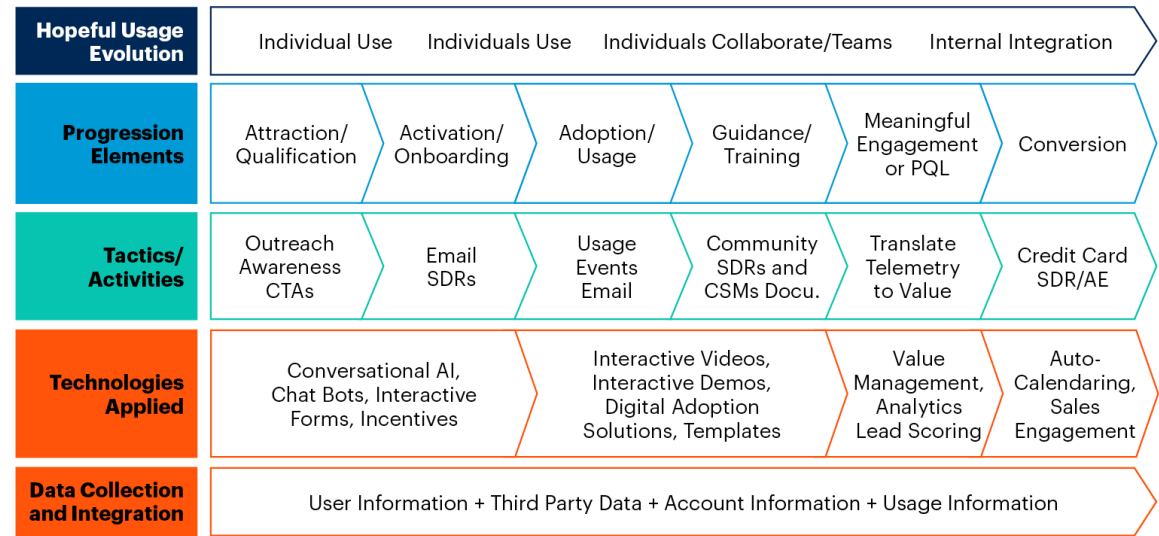
Introduction

Product-led growth is steadily evolving from the unrealistic "we don't need sales and marketing" rhetoric to a more plausible set of activities that (when appropriate) accept and leverage the value of those disciplines. As such, tech CEOs testing the waters of a PLG motion must reconcile the familiarity they have with traditional "qualified lead (QL)" funnel metrics. These can include marketing-qualified lead (MQL) and sales-qualified lead (SQL) with the product-qualified lead (PQL) as the indicator of how well a user is engaged in the product experience, and how likely they are to make a purchase. (See Note 1.)

Attracting the right users to signup for a PLG offering leverages both the same marketing best practices used to acquire traditional leads, as well as other viral marketing techniques unique to PLG offers. Despite these similarities, there are significant differences in the progression stages of a lead qualified through product usage, as opposed to MQLs and SQLs. Figure 1 shows the series of elements comprising a typical PLG lead progression (see Note 2 for row definitions).

Figure 1. A PLG Lead Progression

A PLG Lead Progression

Hopeful Usage Evolution	Individual Use	Individuals Use	Individuals Collaborate/Teams		Internal Integration	
Progression Elements	Attraction/ Qualification	Activation/ Onboarding	Adoption/ Usage	Guidance/ Training	Meaningful Engagement or PQL	Conversion
Tactics/ Activities	Outreach Awareness CTAs	Email SDRs	Usage Events Email	Community SDRs and CSMs Docu.	Translate Telemetry to Value	Credit Card SDR/AE
Technologies Applied	Conversational AI, Chat Bots, Interactive Forms, Incentives		Interactive Videos, Interactive Demos, Digital Adoption Solutions, Templates		Value Management, Analytics Lead Scoring	Auto-Calendaring, Sales Engagement
Data Collection and Integration	User Information + Third Party Data + Account Information + Usage Information					

Source: Gartner
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One of the most significant differences with a PLG motion is the degree to which hands-off automation of a lead is put to work in order to drive users to essentially qualify themselves. Automation is so important because PLG users are more likely to be active and engaged when the product value proposition is realized from a largely hands-off automated process. This motion is subtly different for existing customers (they're already paying, and the PLG focus is about expansion and growth).

This research focuses on how tech CEOs can construct and automate a (PLG) lead progression process to:

- Keep costs down

- Drive engagement up

- Create active users who willingly bring in others — without needing to expend direct sales or significant marketing dollars

Analysis

Assess the Markers Leading to a PQL

The notion behind the PQL is quite logical — how a user engages with a product is a reliable indicator of how good of a candidate that user is to make a purchase.

- What must be done to persuade a prospective user into becoming an ecstatic customer?

- How can that individual user or customer convert into a larger deal or expand the spend of a smaller deal?

For new business/new logo acquisitions (and, in some cases, for existing customers as well), the initial goal is to attract and activate individual users in the hope that they:

- Engage with the product

- Realize value

- Spread the word of their enthusiasm with the product

- Convert to paying users

As such, it's critical to not only recognize the single users in a given organization, but also track (with sales) four other key elements:

1. How do those individuals roll up into an account that is new (or already exists)?

2. When do those distinct individuals multiply (that is, when is there more than one user in an account)?

3. When are those individuals working with your product as a team (that is, collaborating with or about it)?

4. When has your product been integrated with other products inside the account?

Recognizing these elements, and planning actions for increased and more sophisticated usage will enable the appropriate tactics (for example, suggestion of particular content types, offering of a conversion opportunity and introduction of a salesperson) as well as optimize the progression toward paid conversion.

Identify and Address the Key Steps in PLG Lead Progression

Driving a lead progression for a free user is often significantly different from traditional approaches focused on enterprise buyers and their buying jobs (see Focus on Buying Jobs Rather Than the Chaos of Buying Journeys). PLG focuses on users and their engagement with the product. Although adoption by a large audience is a goal, focusing offers for free trials or freemiums on profiles that have a high propensity to purchase your product is an important part of the process. Any proactive offers should be targeted at qualified users that meet predefined criteria, ranging from title and company to actions they have executed to show interest in your solutions. Once the users are qualified, you must:

- Activate the user (provisioned to access the product)

- Onboard the user with critical information to get value from the product

- Validate that they are using the product

- Determine whether they're using the features that you believe (based on the use cases and value metrics you've identified) will deliver value to them

At this point, the user represents a PQL. It is critical for users to reach this point as quickly as possible, because unmotivated or confused users will drop out almost immediately. Figure 2 shows examples of meaningful usage metrics related to a fictitious process enabled by a product.

Figure 2. Examples of Usage Metrics Suggesting Value Attainment
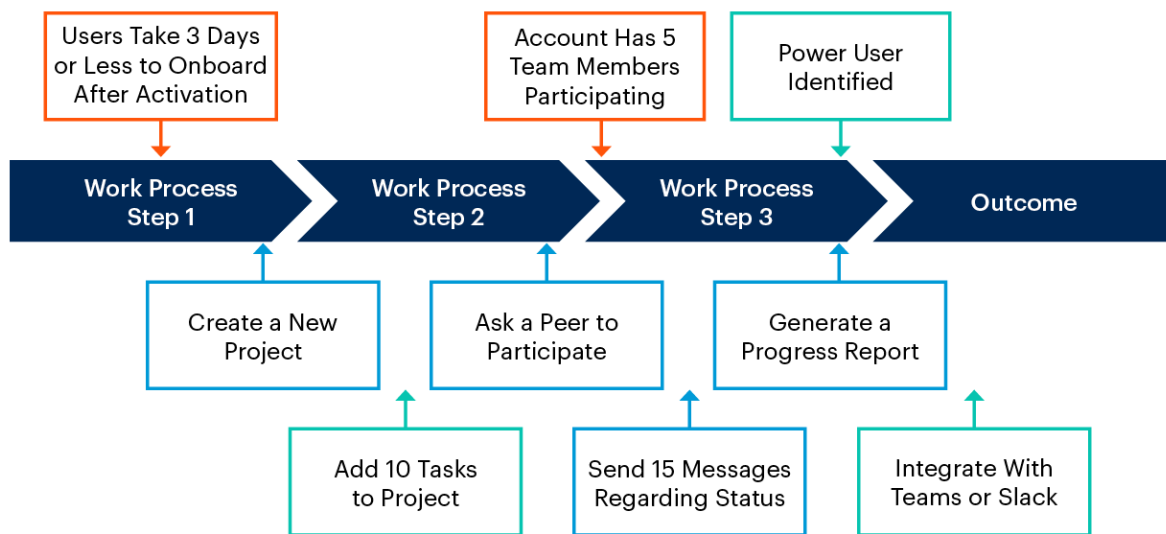
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The criteria for a PQL or meaningful engagement differ across product categories and use cases. Determining the features critical to a user's accomplishment of a particular process and the metrics indicating successful execution of the process are key to understanding a PQL. For example, the feature may be a user uploading a file or configuring some aspect of the solution. The metric could be as simple as the number of times they do that in a period or a number of times they execute different types of these activities. Once meaningful engagement or the PQL has been recognized, it may then be time to suggest an offer to convert.

Implement Appropriate Tactics to Support the Progression Steps

Users don't necessarily act as you'd prefer or proceed as quickly as you'd like. The following tactics are necessary to ensure that users progress as desired and that they do so in a timely manner. That means before the term of the free trial ends or (for freemium users in particular) more quickly than a traditional sales cycle.

1. **Activation and onboarding** — Contact users as soon after sign-up as possible to welcome them or ask them to activate their subscriptions through emails (ensuring a frictionless experience). Often, for existing or strategic accounts, a sales development representative (SDR) or customer success representative (CSR) can perform this outreach.

2. **Usage and engagement** — Once the users have onboarded, they must start using the product and (hopefully) be happy with its functionality and their experience. Numerous capabilities are available to embellish that experience, aid learning and ensure that users become engaged. These include in-app videos, tours, product guides, hovers and nudges about particular features (see Improve Customer Life Cycle Marketing With Product Analytics and In-App Engagement Tools for further information).

3. **Guidance and training** — Continue monitoring usage, and as it continues, communicate with users to reinforce their experience and point them to features that you know will help them achieve value. This may include specific in-app or triggered email feature guidance, community support or training. Another potential opportunity is to supplement automation with SDR or CSR support via phone, email or chat in the right circumstances.

4. **Usage tracking and metrics** — Over time, you'll interpret telemetry captured from usage (described in the next section) and understand whether your users have achieved meaningful usage, are completing workflows and processes, and are seeing value. You may also be aware of (and act on) opportunities to suggest that peers of users should also become users (for example, if a user wants to take an action in your solution that would involve a nonuser).

5. **Conversion** — When users are seeing value by virtue of product usage, they may be ripe for a conversion offer (see 3 Tech CEO Tips to Drive Sales Effectiveness in PLG Approaches). This may be automated and finalized by credit card purchase or delivered and executed by a seller (depending on the status of the account in question, as previously noted). Either way, you should ensure that pricing is easy to understand and act on in order to support conversions.

Hire Appropriate Technologies to Capture User Data and Improve Nurture Streams

PLG is a predominantly automated go-to-market (GTM) model and there is a significant requirement for technology to support the tactics described in the prior points.

Underlying the entire PLG program is the need to track application usage and/or events to understand the level of user engagement, or the lack thereof (see Technologies Critical to Product-Led Growth Success for Tech CEOs). Several product types can be applicable, with product analytics applications often used to collect data for new logo business and customer success management, or product adoption platforms added to the mix more typically for existing customer expansion.

Furthermore, many organizations consolidate their user data in data warehouses, data lakes or customer data platforms (CDPs). To automate nurture streams and communication streams, data must be correlated with account information, typically in CRM and marketing automation applications. This is increasingly the job of a category recognized as reverse extraction, loading and transformation (see Note 3). Often, the correlation and integration are accomplished through a large degree of homegrown data engineering and development work.

There is an emerging class of product-led sales and marketing solutions to address this situation. Generally, these products enable their customers to extract usage data from a source (for example, a data warehouse), score it according to value-related criteria established by the customer, and operationalize it by driving sales and/or marketing actions.

To support lead progression tactics, tech CEOs will benefit from a variety of automated engagement and communication capabilities (such as in-application messaging, interactive forms and artificial intelligence [AI]-based virtual assistants) for activation, onboarding and guidance. These can be augmented with video and interactive demonstration capabilities to offer help or training for particular features or capabilities. These, in turn, can be triggered automatically, based on user behaviors and usage thresholds.

Communities can provide documentation, help libraries and (importantly) other users willing to answer questions and help their peers. Ultimately, when users, teams or accounts collectively are judged to be at an appropriate conversion point, products can be purchased and provisioned electronically. For those situations in which a seller should be involved (such as a larger deal size), booking meetings via automatic calendaring can help.

Evidence

This research is based upon a wide variety of primary and secondary data sources including inquiries with technology providers, published financials, personal observations and provider interviews. The positions outlined and opinions expressed were formulated over an extended amount of time to ensure that scenarios were able to play out and hypotheses could be validated. All assumptions, conclusions and recommendations have been tested and refined in conjunction with members of Gartner's research community. This is to ensure that they comprehensively and objectively describe the major and minor trends impacting today's technology market, their impacts upon the provider community and Gartner's recommendations regarding how they should be addressed.

Acronym Key and Glossary Terms

AI	artificial intelligence
CDP	customer data platform
CEO	chief executive officer
CRM	customer relationship management
CSR	customer success representative
ETL	extraction, transformation and loading
GTM	go-to-market
MQL	marketing-qualified lead
PLG	product-led growth
PQL	product-qualified lead
QL	qualified lead
SaaS	software as a service
SDR	sales development representative
SQL	sales-qualified lead
TSP	technology and service provider

Note 1. Different Types of Free Solutions

The free use of a solution is normally provided by a free trial, freemium or, possibly, open-source offer. Free trials imply the free use of the complete software for a limited time period. Freemium implies free use of a limited version of a solution forever (or until the product is pulled from availability). Open source is a special categorization for software products in which the design is public and, accordingly, the source can be modified and shared by anyone.

Note 2. Typical PLG Lead Progression Row Definitions

- **Hopeful Usage Evolution** — Many PLG scenarios start with an individual user that can drive additional users in the same company through collaboration. This often extends to a team of users and/or use by a wider population in the company.

- **Progressive Elements** — These are the steps a provider needs to encourage or guide a user through to see value quickly and build additional users to get them to the point where the value they perceive leads to a purchase (conversion).

- **Tactics/Activities** — The actions and/or roles used by the provider to encourage moving through the progressive elements.

- **Technologies Applied** — The automation technologies being employed by providers to support progression through these steps.

- **Data Collection and Integration** — The types of data being collected and managed to support this process.

Note 3. Reverse Extraction, Transformation and Loading

Reverse extraction, transformation and loading (reverse ETL) includes products that move data from a data warehouse or customer data platform to an operational system of record.

Document Revision History

The Tech CEO Guide to Managing Product-Led Growth Lead Progression - 18 August 2022

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