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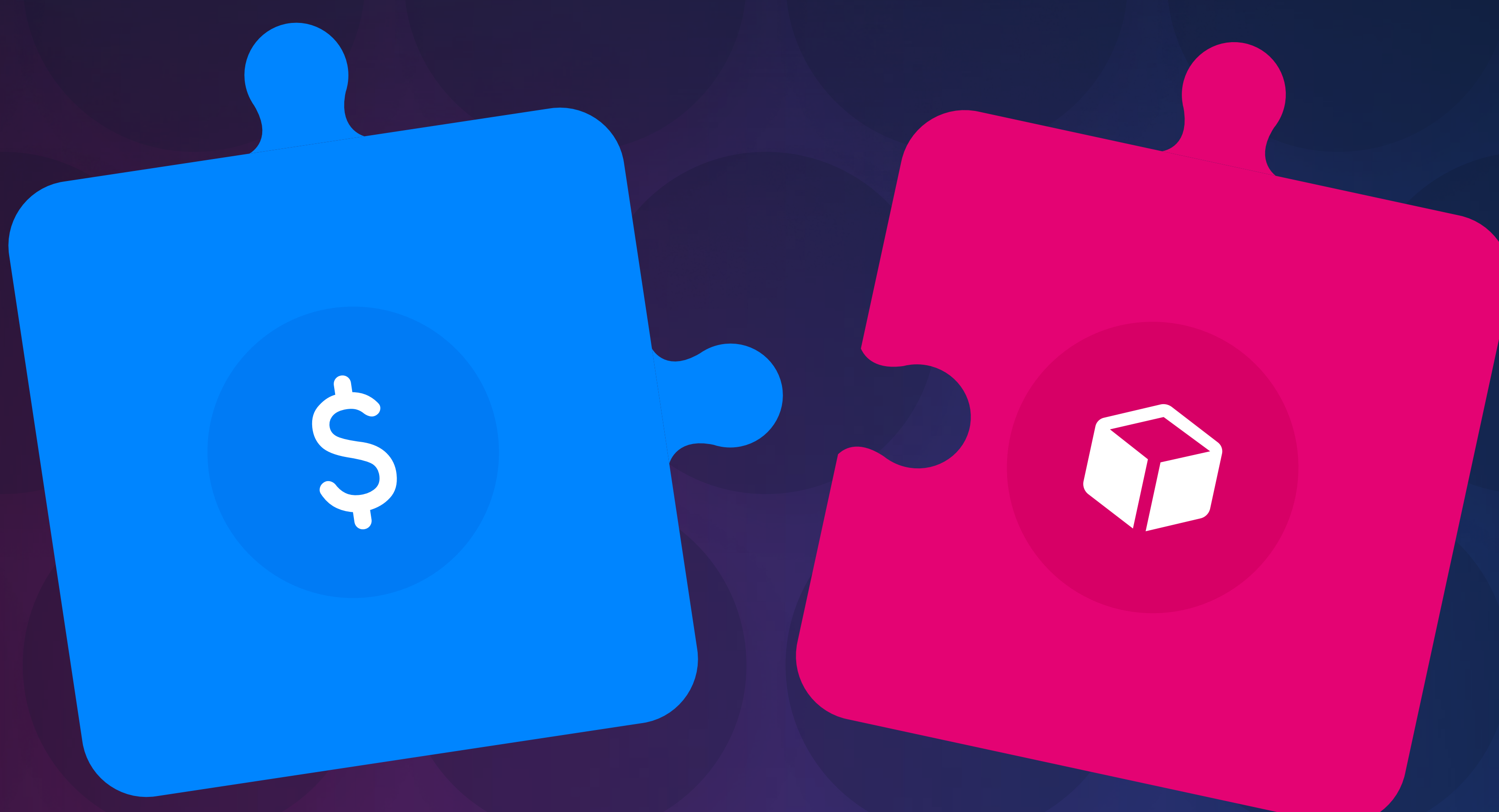
Product-Led vs Sales-Led Growth

Understand the difference
and know when to leverage both



What should you take into consideration when choosing your growth strategy?

While it may be tempting to choose it based on personal bias, opinion, or a sound bite from a popular podcast, an impulsive growth decision can be a death knell for rising businesses.

A well-oiled growth strategy allows your company to allocate its budget to projects and investments that are going to generate value for all stakeholders.

On the other hand, failing to identify the best growth strategy means investing in the wrong areas of your company, and the chances of wreaking havoc on your performance indicators are considerable.

For example: assembling a stellar marketing and sales team to sell a product that doesn't deliver what it promises will only generate frustration for customers; while investing time and money to create a demo for a complex product with a high ticket and a long onboarding process may probably result in churn rather than loyalty.

Choosing a growth strategy will impact a lot more than your numbers. It will also influence your capacity to focus time and resources in the right places and it will unquestionably mold the experience you provide to your consumers.

Make no mistake: without a **comprehensive assessment** that evaluates all of the growth-related, success-critical aspects of your business, the right answer for your company **will evade you.**

That's why we, at Orogamis, would like to propose you a different approach to growth strategy: instead of thinking about it merely as a way to grow your numbers, we suggest a holistic approach where growth will also steer your other goals, such as higher profits, improved user experience, customer loyalty, company valuation, or whatever tickles your fancy.

The ideal growth strategy for your company should be informed by extensive research, audits, and analysis—all of which Orogamis can help develop. Get in touch with us now, or read on to gain a deeper understanding of the PLG/SLG dichotomy on your own.

How to Choose a Suitable Growth Experience

Today, most companies don't attribute their growth to any one contributing factor. In most cases, both exponential and linear business growth comes from successes in two key areas:

On the PLG side, user adoption mostly comes from try-before-you-buy experiences (e.g. demos) coupled with easy, seamless onboarding.

Here, the features and benefits of the product do most of the heavy lifting, and the user becomes a paying customer because the solution's utility is obvious—the product by itself is its best sales pitch.

Of course, creating such a product is no easy feat. Depending on the niche, we might be looking at hundreds of thousands (if not millions) of dollars.

Alternatively, businesses that succeed with Sales-Led Growth do so because of talented Marketing and Sales teams joining forces to fill the pipeline and achieve revenue goals. It's a concerted effort to generate leads, create new sales opportunities, and manage long, often complex sales cycles.

The expenses associated with SLG shouldn't be taken for granted. The technology required to support a sales team can easily exceed $5.000 per salesperson, per year for medium-sized companies - plus paychecks. CRMs, collaboration tools, productivity platforms, commissions... it's all needed and it all matters.

Without further ado, let's take a deeper look into both PLG and SLG so you can properly identify the growth experience that is more aligned with your business structures and goals.

To PLG or SLG?
That Is the Question.

Modern B2B SaaS companies—especially those in the earlier stages of growth, including the startup stage—have a strategic decision to make: focusing their efforts and resources on the product leading the growth? Or, should the biggest investments be made into crafting the most powerful Sales and Marketing growth machines?

The answer is that it depends on a host of variables, and the answer is rarely ever the same for two different companies.

Success is more likely to come from a careful evaluation of how other companies have executed both PLG and SLG strategies, which will get you thinking about what actions you can start taking now to prime your business for growth in the near, mid, and long term.

Product-Led Growth

- Value-driven feature development
- Device compatibility
- Nonstop, relentless UX/UI testing and ongoing improvement
- Killing frivolous, unfounded features
- Market research
- Product/market fit

VS

Sales-Led Growth

- Operations
- Logistics
- Finance
- Sales
- Marketing

Most small-to-medium-sized SaaS buyers will be more receptive to a product-led offering, whereas larger, more enterprise-level buyers are going to respond better to a sales-led approach.

But that's just a rule of thumb; as mentioned above, the only way to make an educated decision is by learning more about each of those directions and assessing your company's reality.

With the stage now set, join us as we explore the deeper meanings behind PLG and SLG, shed some light on truths and half-truths related to both, and identify some of the core differences that will end up making it or breaking it for your company.

Product-Led Growth, Defined

In many ways, Product-Led Growth is much simpler than its Sales-Led counterpart. With the PLG model, the product is the key driver of acquisition, monetization, and retention, while sales and marketing are seldom part of the equation

asana

A great example is Asana. The web and mobile Work Management colossus is widely considered to be one of the most successful productivity applications, ever. In Asana's case, the product's conception was the brainchild of two genius-level ex-Facebook engineers who initially brought the MVP to market in the form of a free beta version in late 2011.

It's important to remember that the Asana concept wasn't born from luck or circumstance; rather, it was the ingenuity and creative thinking of gifted individuals who also happened to be excellent at execution.

Granting this, Asana wouldn't start seeing mainstream adoption until after a $50 million round of Series C financing in 2016.

Following that, another $125 million in Series D and E funding enabled Asana to truly hit its stride, and as of September 2022, the company is valued at a staggering $4.13 billion.

The true challenge for PLG-oriented companies is to have a clear understanding of the benefits they provide to their audience and relentlessly improve them.

slack

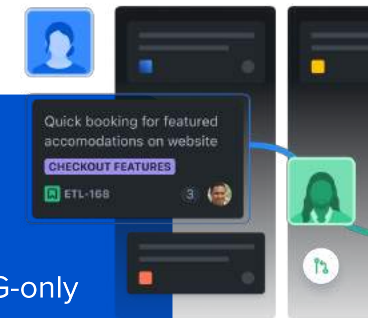
Another great example is Slack, a.k.a. "The Paragon of PLG" which went from Zero to Hero (and by Hero, we mean $7 billion in valuation) in only 5 years, and achieved a daunting $23 billion valuation in their IPO (2019).

In their own words: "Many organizations adopt Slack initially as part of our self-service go-to-market approach (...) Organic growth is generated as users realize the benefits of Slack." (Slack's S-1 Filling)

Slack never sold software. Their product is a streamlined way for teams to communicate without wasting time or focus on packed email inboxes.

They start by wooing their users with a freemium product that makes them fall in love and invite all their colleagues. Then, they offer corporate solutions and a wide variety of integrations and automation as upsells… soon, the whole company is collaborating (and paying).

Of course, the cornerstone of a good PLG strategy is a heavenly user experience that turns users into advocates. That requires a lot of investment and talented UX teams.



Jira Software

To wrap up the PLG example section, we couldn't forget Atlassian. It all started as a self-funded, PLG-only Australian company with a single product, Jira. Three years and a second product later (Confluence), Atlassian was profitable because of its innovative business model: they charged enterprise prices without a sales team (and that means no sales team paychecks).

Oh, and they kickstarted it all without venture capital. They bootstrapped the company for years, financing it with their credit cards. Not because they didn't try to get funding, but because back in 2002, having a business with no sales team was considered too risky, to say the least.

$26.6 billion

It wasn't until 2010 that they got their first round of funding, raising $60 million. In 2015, they went public with an IPO valued at $4.37 billion, achieving $26.6 billion in 2019.

> "We've had a lot of smart people who wouldn't join the company or give us money or advise us because [our business] made no sense to them."
>
> **Mike Cannon-Brookes, Atlassian co-founder**

the rest of the story: they use it, enjoy it, and start bringing in their friends, colleagues, and companies.

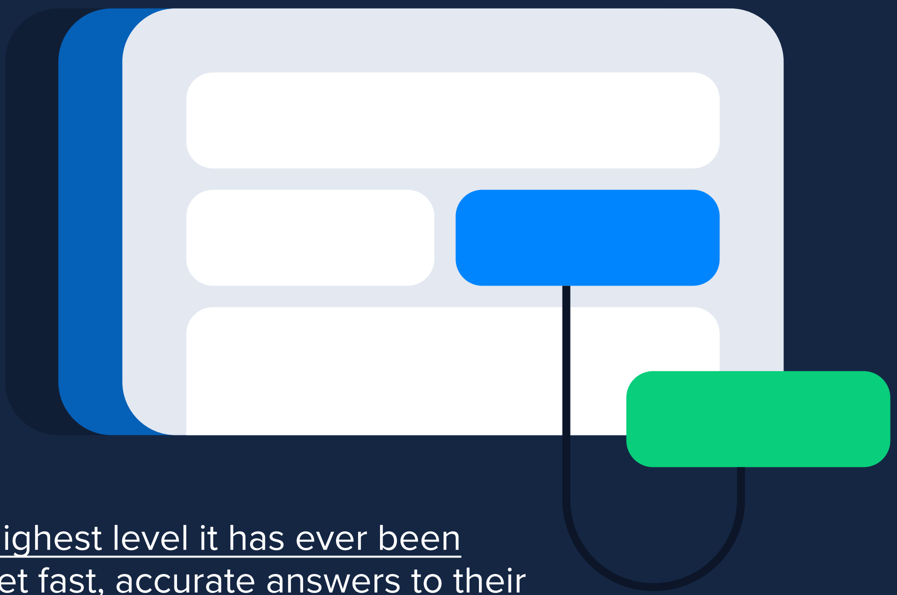
By perfecting their product and sprinkling some sales, they've amassed a huge customer base and pivoted to acquisition-led growth by acquiring software like Trello, Bitbucket, and others, thus becoming a growth engine powerhouse. Now, other companies create tech with Atlassian in mind as their exit.

Whether we consider Asana, Slack, Atlassian, or any of the other dozens of successful PLG companies, one thing is for certain: funding development is crucial to early-stage success. Getting off the ground with a PLG strategy is costly, but one could argue that the upfront costs pay handsome dividends as the product begins to win over consumers in the market.

Bear in mind, though, that PLG doesn't mean sales-free. It means product will be in the driver's seat, with sales and marketing riding along.

Fundamental Features of the PLG Model

It's not enough for a SaaS product to be self-evidently useful, and it takes much more than entry-level UX/UI to gain steam upon launch. To truly be successful, the most effective PLG strategies must include the following core UX features at a minimum:



01 Product-Market fit.
It's imperative that your product fits its market like a glove. All too often, SaaS products look, feel, and act like just another generic solution. This can be prevented with extensive research and planning on the front end.

02 Self-Service.
Self-directed B2B buyer autonomy is at the highest level it has ever been (and it's growing). Users want to be able to get fast, accurate answers to their questions and access resources independently, without needing to interact with a living person if at all possible. This effectively replaces the marketing or salesperson, technically making self-service a product marketing function.

To facilitate this, the PLG strategy incorporates a self-service ecosystem complete with valuable content like FAQs, a knowledge base, customer communities/user forums, and feedback tools.

03 Easy onboarding.
Moving the user from freemium to a fully featured paid product should be seamless, fast, and worry-free. It should also be a process that keeps the user in control. Make it difficult to onboard, and the customer will walk.

Win extra points with your customers by making it easy to downgrade. Just like in the B2C world, SaaS customers hate not being able to make a clean exit if that's what they really want. To address this, build a downgrade/sidegrade strategy into your overall pricing model, and don't be shocked when customers return to you after the fact.

04 World-class customization and personalization.
If there's one thing we know about SaaS users, it's that they need to be able to use a solution in a way that is unique to them. Product-Led Growth is going to be stronger and faster when the ability to customize and personalize is a straightforward, baked-in feature of the product.

05 Relentless improvement.
Successful PLG-centered companies never, **ever** rest on their laurels. There is always work to be done to enhance the user experience and develop better ways to bring more value to every interaction the customer has with the product, however it's being used.

PLG Pros

Ask the head of a PLG-focused company to come up with a list of the advantages of the PLG model, and she will almost certainly list **'scalability'** near the top. And, it's for good reason: Product-Led Growth models are inherently great for scaling. This is especially true when the fundamental PLG features listed above are brought forward in the buyer's journey.

Another benefit of the PLG model is that it appeals to the B2B buyer who simply does not want to deal with a salesperson. In case you're wondering, this represents roughly three out of four B2B buyers—a sizable swath of your target market.

Yet another highly attractive feature of most PLG models is their ability to maintain **higher retention rates**. The PLG approach greases the skids for a fast and easy understanding of the value your product has, increasing the chances that user expectations will align with the capabilities of your product. In the long term, this dynamic makes for a better user fit, which has the uncanny tendency of keeping the user onboard for longer.

PLG Cons

Because Product-Led Growth models rely so much on the product to do the selling, this will effectively **inhibit your ability to influence the buyer's journey** in real time. With a Sales-Led approach, customer objections can be quickly identified and countered, or the deal can be sweetened as the prospect is guided closer to closed. This simply can't happen in a PLG model.

Also, as we mentioned earlier, making the **transition to large, enterprise clients is often unrealistic** in a purely PLG-modeled business. These types of accounts have sophisticated needs that simply cannot be met without the involvement of experienced, technically savvy sales professionals. There is, after all, a reason why Oracle, SAP, and Salesforce.com have dedicated enterprise business development teams.

Another hallmark drawback of the PLG model that we've already touched on is the **high initial cost**. Building a feature-rich, easy-to-use, easy-to-buy SaaS product can take several months if not years just to get to the MVP stage. The coding and UX/UI resources needed to do this fetch an increasingly pricey premium, making the required upfront investment quite daunting indeed.

Upfront costs can also take the form of investments into fundamental product marketing—development of content, product documentation, user guides, white papers and success stories, and more.

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Takeaways

- Product-Market Fit
- Self-Service
- Easy Onboarding
- Customization & Personalization
- Continuous Improvement

Pros

- Scalability
- Appeals to Independent B2B Buyers
- Higher Retention Rates

Cons

- High Starting Cost
- Less Influence Over the Buyer's Journey
- Harder to Land Enterprise Accounts

Sales-Led Growth, Defined

Sales-Led Growth typically comes as the concerted efforts of Sales and Marketing teams to generate leads, create new sales opportunities, close deals, and manage long, often complex sales cycles.

Providers who have already established themselves with acclaimed products or services will have the biggest bang for the buck with Sales-Led Growth.While Product-Led Growth may feel "simpler" than assembling and managing a team of Sales and Marketing rockstars, it doesn’t mean PLG is less expensive or less time-consuming. In fact, PLG can be a true ordeal if you have a complex product with an onboarding process that is far from easy or seamless.

A high ticket may be a good indicator that putting time and resources into Marketing and Sales can be worth the while, as it will improve the chances to secure plump, juicy enterprise accounts.

While it is helpful to compare and contrast them side-by-side, though, the reality is that there is no ‘better’ choice, and what might work for one company may spell disaster for another.

Included among the greatest natively sales-led companies in the world are incidentally some of the biggest consulting firms in the world: Bain and McKinsey, for example. High-level management consulting can certainly leverage technology to improve their operations, but at their core, the services they provide don’t lend to a product-led approach.

omnilert

Consider Omnilert, an AI-powered gun detection software solution for schools, universities, and corporate campuses. This SaaS product integrates with existing security cameras and runs a constant detection algorithm that alerts the administration to the presence of firearms on premises.

This type of solution would be virtually impossible to bootstrap using a product-led growth model, as the target market, the product complexity, and the long sales cycle necessitate the involvement of sales and marketing teams.

CLEARGAGE

Another fantastic example of a Sales-Led Growth model in action is Cleargage. This B2B healthcare tech provider develops customized patient billing and collections solutions that make it easier for hospitals and clinics to get paid for the services they provide.

Imagine the struggle Cleargage would have if it relied on a 100% product-led growth strategy—getting the word out to their potential buyers could take years, even if the product was perfectly built and worked like a charm.

While not in the SaaS space, Sambrailo typifies sales-led growth success. The company manufactures packaging for commercial farmers and agricultural distributors. The nature of this type of business demands a sales-led growth model, as breaking into greenfield opportunities relying solely on product quality and performance simply wouldn’t be feasible.

Sales Teams in the Driver's Seat

With Sales-Led Growth, marketing teams generate the leads that the sales team converts into one-time, recurring, or hybrid revenue. This comes with a drawback: long, complex funnels and extended sales cycles that are a challenge to effectively manage.

However you skin it, Sales-Led Growth models put most (if not all) the pressure on salespeople. Considering this, the case could be made that Sales-Led companies are only as good as their sales teams. And if you haven't heard, outstanding marketing teams and trained, qualified salespeople are expensive (nevertheless, worth every penny when SLG is a good fit for the company).

Common critiques of Sales-Led business strategies include:

01 **Sales-Led businesses are difficult to scale.**
Even the best sales and marketing professionals only have so much bandwidth, budget, and leadership buy-in to generate and close new business. This can present a challenge when the time comes to scale the business. However, with advances in sales sequence technology, AI-assisted lead generation, and done-for-you prospecting, the scaling concern may not be as insurmountable as it seems.

02 **Within SLG companies, critical top performers are not easy to replace.**
The SLG model relies on top-quality sales and marketing professionals—professionals who often require a lot of training and technical development before they're able to deliver consistent results. When one (or more) of these team members leaves the company, the resulting void is often a devastating blow. This impact is more significant the younger the company is.

03 The SLG model feels overwhelming for nascent or small companies.
This can be true on the whole, but consider this: if your product is highly specialized, expensive, or unique to a certain industry (i.e. healthcare), an SLG model may be just the ticket to early-stage success.

Beware: a common trap that startups fall into is attempting to rely on a Sales-Led Growth strategy not in lieu of, but because of an incomplete or immature product.

In other words, a company might lean heavily into building whizbang sales and marketing teams who are trained to market and sell a product that simply doesn't do what it says on the tin.

Or, a struggling company might hire a Chief Revenue Officer at a hefty premium in an attempt to fix fundamental product issues, only to effectively lose the money the company invested—money that could have otherwise been used to directly improve the product **(this is a real-world example we've seen here at Orogamis and more common than you'd imagine).**

It's possible that the product is still only a prototype, and the kinks are being worked out. Or, maybe just a few more months of development are needed before it's really ready for primetime. The thinking is that, *"if we can just get sales in the door, we'll get the traction we need for a full-featured product launch."*

This is a recipe for disaster, and it's an all-too-common precursor to an early-stage company death sentence.

Sales Teams in the Driver's Seat

In the above-mentioned examples of Asana and Atlassian, the trend we see is the same: what started as a Product-Led Growth strategy worked great until the business plateaued with market saturation within smaller accounts. And to expand enterprise accounts, an SLG growth strategy can be a true game-changer.

These examples show us that adding a Sales-Led Growth model can enable companies to land bigger fish by combining expert salespeople with a battle-tested product that historically sold itself (literally). In this way, Sales-Led Growth can be seen as a natural evolution for successful PLG-oriented companies.

The converse is also true. SLG-centered companies that witnessed big-time growth will often engage the afterburners by developing and executing a Product-Led Growth campaign. The results are higher close rates, shorter sales cycles, and a much healthier bottom line.

If you're considering deploying a Sales-Led Growth strategy, be sure you have at least the following boxes ticked before you start hiring dedicated staff:

- ✓ A Minimum Viable Product (MVP)
- ✓ Established buyer personas
- ✓ A list of defensible Unique Selling Points (USPs)
- ✓ A detailed sales funnel
- ✓ Polished, informative collateral
- ✓ A buttoned-up demo process

Each of these warrants its own long-form deep dive, but for the sake of brevity, we now move on to the pros, cons, and considerations of the Product-Led Sales strategy.

SLG Takeaways

- Delivery is Paramount
- Don't Skimp on Funnel & Strategy
- Get Top-Quality Sales & Marketing Professionals
- High Ticket Products Yield Higher Returns
- Invest in Technology

Pros

- Lower Starting Cost
- Better Suited to Land Enterprise Accounts
- Great for Highly Specialized, Unique, or High-Ticket Industries

Cons

- Harder to Scale
- Longer, Complex Sales Cycles
- Highly Dependant on Expensive Professionals

Bringing It Home: Key Differences Between PLG and SLG

At this point, we've explored the basics of both PLG and SLG approaches to structuring a business. And on their own, the pros and cons of each seem obvious enough.

When we look at them side-by-side, however, and we bring down a more comparative lens, we see some distinct differences that can be great for some types of businesses, and disruptive or downright disastrous for others.

Resource Configurations

PLG: Bigger initial investments into features, functionality, and UX/UI are inescapably necessary.

SLG: Guiding the buyer's journey through a salesperson-led onboarding experience can make up for a less-than-perfect product.

Scalability

PLG: Scaling is a breeze. Period.

SLG: Scaling can be challenging, but there are tools and techniques that make it more manageable.

Product Advocacy

PLG: Happy end-users are valuable, vocal evangelizers for your product and company. They're essentially unpaid salespeople by proxy.

SLG: Product advocacy cannot exist without fresh, ongoing, omnichannel outreach efforts.

Product Excellence

PLG: Outstanding, high-value, easy-to-use products work on their own to make for outstanding sales projections.

SLG: If a company wholly relies on salesmanship to sell its product, then its product isn't excellent in and of itself. That's a problem for long-term, sustainable success. Successful SLG companies strike a balance between delivering a quality product while also providing support for enterprise-level customers.

Customer Acquisition Costs (CAC)

PLG: Using a traditional cost analysis, CAC for a PLG-oriented company is minimal. That is, until you factor in the upfront development costs.

SLG: You're going to spend heavily on qualified, effective sales and marketing talent, but these expenses could simply be viewed as repurposed product development costs.

Onboarding

PLG: The product can be purchased by a senior manager, director, or VP without oversight. Right out of the gate, your product solves problems related to scale, optimization, communication, project management, and mid-office technology.

SLG: For larger clients, the product is likely to require a panel of executives to approve, but would be considered a significant solution for a mission-critical business directive. The sales cycle will likely be longer, and the onboarding process more complicated.

Operational Costs

PLG/SLG: We have our first 'draw'. For PLG companies, money that would have been spent building out sales and marketing teams is needed to continuously enhance the product. For SLG companies, well-oiled sales and marketing machines are expensive but make a less-than-perfect product more feasible.

Customer Lifetime Value (CLV)

PLG: If the product is great, accounts will grow organically over time, giving an exponential trait to CLV. If churn starts to become a problem, PLG companies will revisit their product-market fit and reevaluate UX/UI if need be.

SLG: Sales teams can orchestrate longer-term, more evergreen purchasing arrangements with new customers. This reduces the risk of unexpectedly losing recurring revenue due to customer defection.

The Critical Common Thread of Experience

Whether your target customer engages with a knowledgeable salesperson after requesting a demo on your website, or they hear about your product from a colleague and download the freemium version to try on their own, both customers are having an experience with your brand.

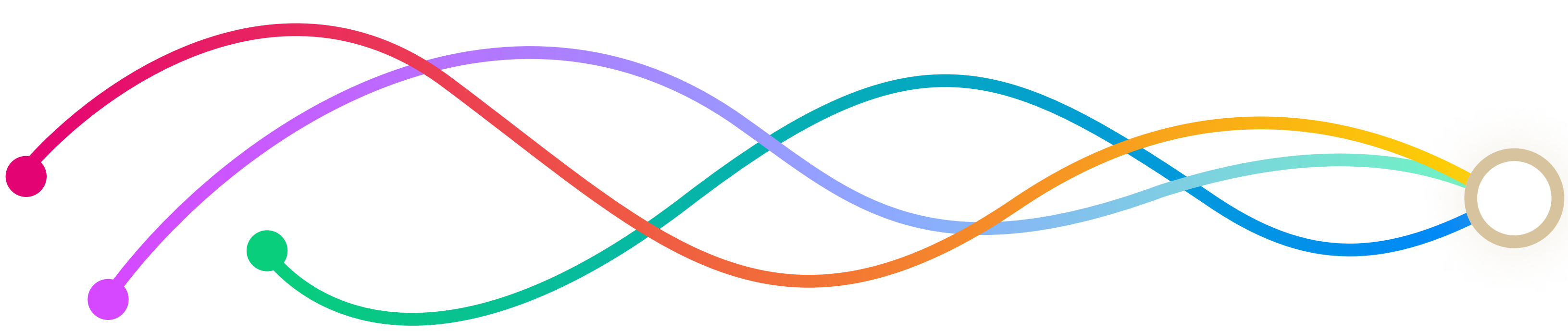
The choice you have to make is which of these experiences you want to invest in. And, as we mentioned at the outset, what's best for your company likely won't be what's best for another.

Success in startup-to-early-stage company growth is more likely to come from a balanced focus on every aspect of the customer experience—time and budget allowing.

This obviously includes the product experience. The brand experience. The buying experience. The list goes on.

When all is said and done, the holistic customer experience will ultimately determine customer loyalty. It's folly to try and 'hack the system' by shortcutting one type of experience in favor of another. Rather, think strategically. Look at what works for your competitors, and be sure you understand your market better than anyone else.

And finally: don't be afraid to think for yourself. Some of the most impressive successes in the tech space (like Atlassian) have come as a result of maverick thinking—something the world always needs more of.



Your Hardest Work Is Ahead of You

As we mentioned in our introduction, it's rarely the case that the same growth strategy will work equally well for two different companies targeting users in different markets. While there are compelling success stories to be found in both the PLG and SLG camps, what's going to work best for your company is bespoke to you.

On the one hand, do not underestimate the potentially exponential power of an elegant, easy-to-use, intuitive product with world-class UX/UI—the linchpin of the Product-Led Growth strategy.

On the other hand, it can be just as smart to lean fully into the hiring, training, and diligent development of sales and marketing teams that can catapult your SaaS startup into the stratosphere and make you a case study for the efficacy of the Sales-Led Growth strategy.

Last, but not least, It's also important to consider that choosing a growth strategy is not a lifetime decision. Much the opposite: a clear sign that your company rocked the right growth strategy is growing out of it, like Atlassian and Asana.Although focusing on the growth strategy at hand is important, being flexible and having a long-term view is paramount.

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Ultimately, your growth strategy success will depend on your leadership.
As always, wherever you are in your journey, Orogamis is here to help. To learn how we can help grow your business, request a discovery call with us today.