

PRODUCT QUALIFIED LEADS 101: AN INTRODUCTION



SHERLOCK

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Founder, Sherlock



- SaaS “veteran”
- 3x Founder - Traackr, Knowtify (acquired by Kissmetrics), Sherlock
- Have led Sales, CS, and Product
- Currently running Sherlock (www.sherlockscore.com)

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**Why are we talking about
Product Qualified Leads?**

PLG as a new operating model

On-prem software



SaaS

- Hugely disruptive
- No long, high \$\$ contracts,
- “Democratization” of software (for businesses, at least)
- Customer success role emerged
- Still “sales-led”

PLG as a new operating model

SaaS



Product-led growth

- Try-before-you buy model
- Freemium options
- Even lower price points
- Dependent on frictionless experience
- High-touch is counter to the business model

Two truths with PLG transition

TRUTH #1

You are going to be
generating more
“leads” 🙏

Two truths with PLG transition

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Qualification is
going to become
even more
important.

Two truths with PLG transition

TRUTH #2

No one will start paying for your product without trying it first (freemium, free-trial, pilot).

Two truths with PLG transition

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You need a new way to qualify

Two truths with PLG transition

*If you are **NOT** qualifying leads for your product-led business, you simply aren't operating efficiently.*

*If you are not qualifying **based on product-usage**, then your qualification process is running counter to your business model.*

**WTF is a Product
Qualified Lead?**

PRODUCT QUALIFIED LEAD

(n.) A potential customer which is **more likely to convert** to a paid customer based on their achieving some **initial value** from using a **“free” version of a product**.

**How do you define
“product qualified” for
your product?**

Two ways to define “product qualified”

Hand-raising



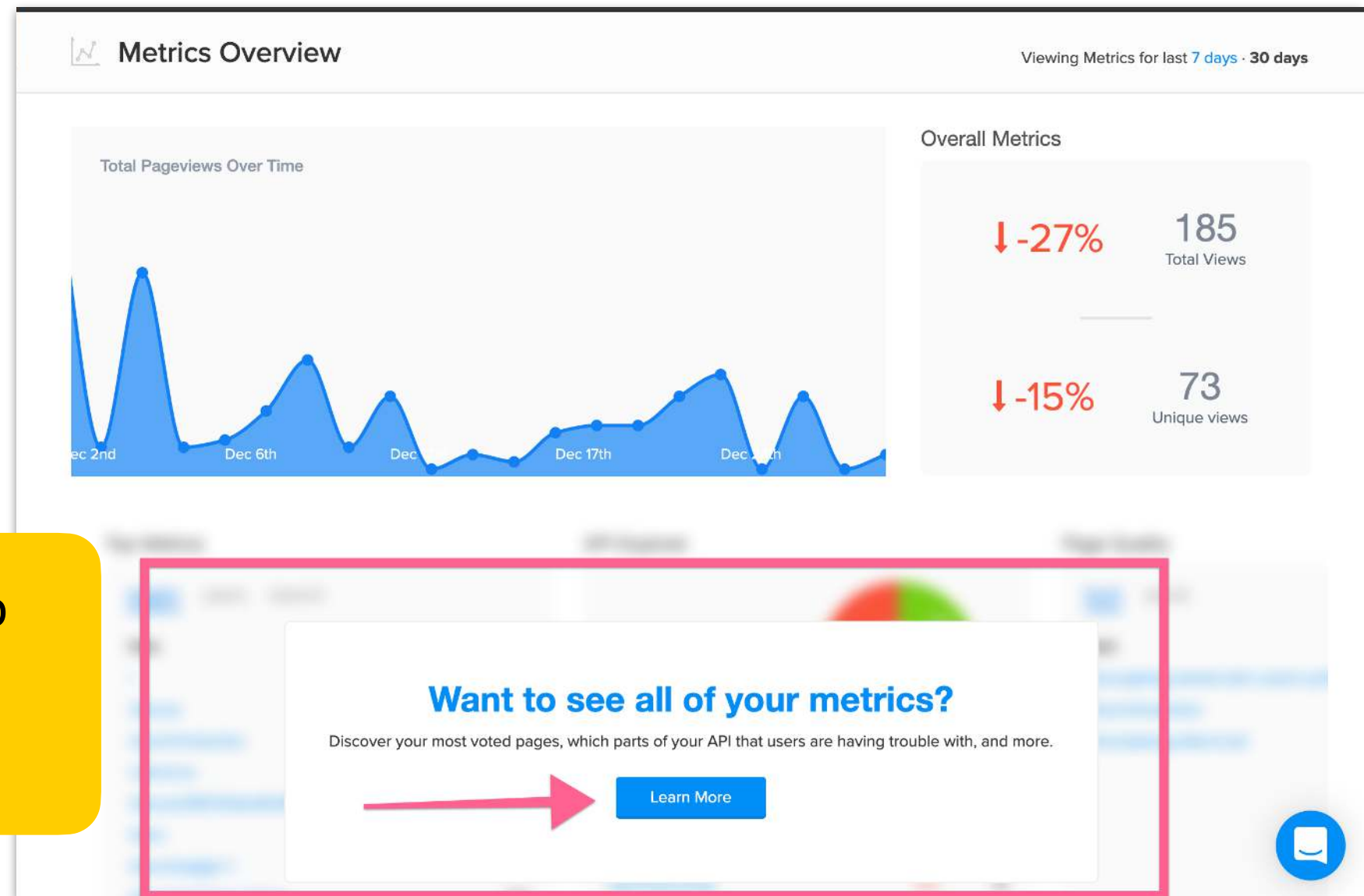
Organic Engagement





Product qualified: Hand raising

Users “Opt in” to
demo of “paid”
functionality.





Product qualified: Organic engagement

Q

Are they using the f'ing product or not?

Are they getting initial value?

Q



Product qualified: Organic engagement

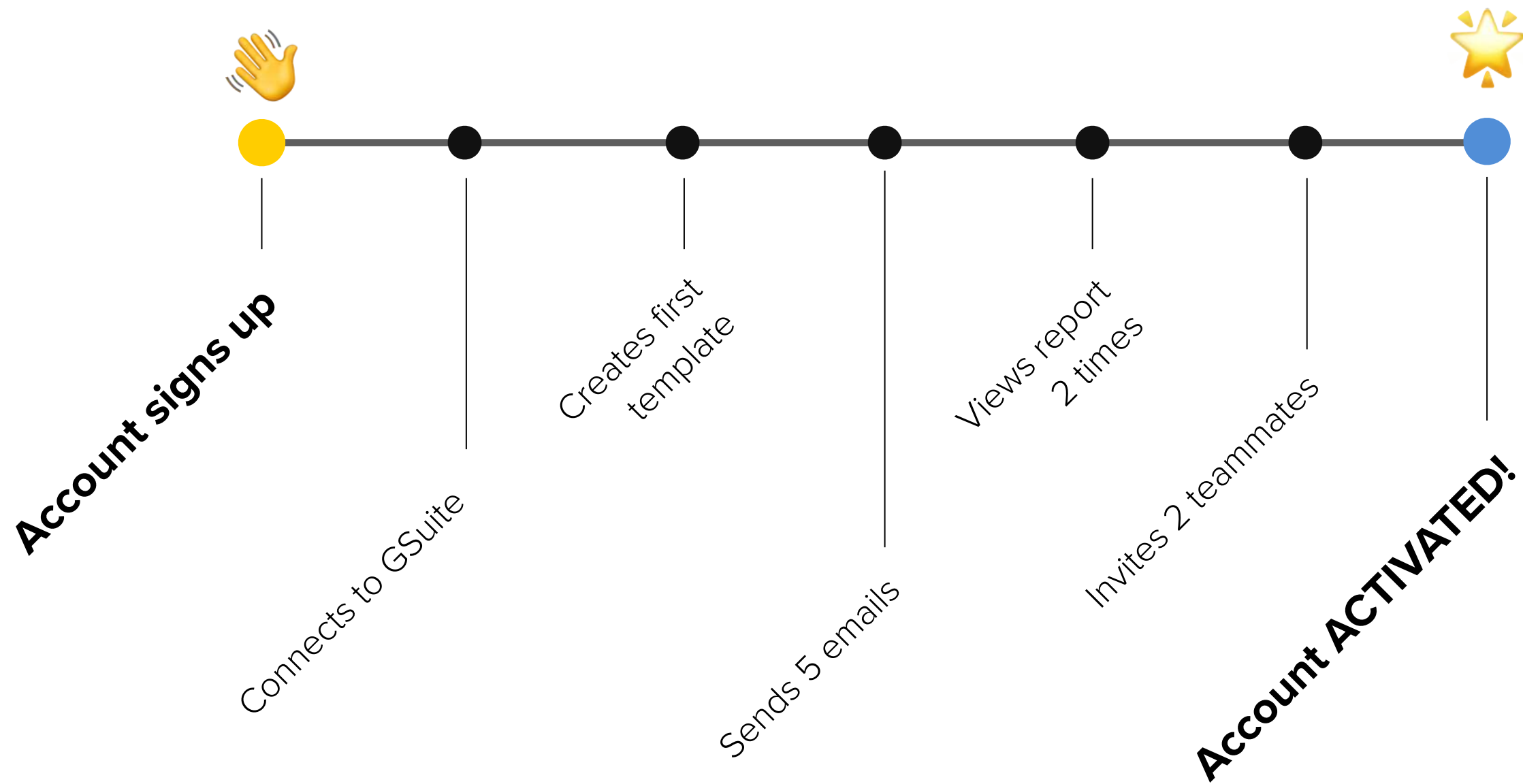
1. Track engagement of all trials
2. Measure account **Activation Rate**

What is an Activation Rate?

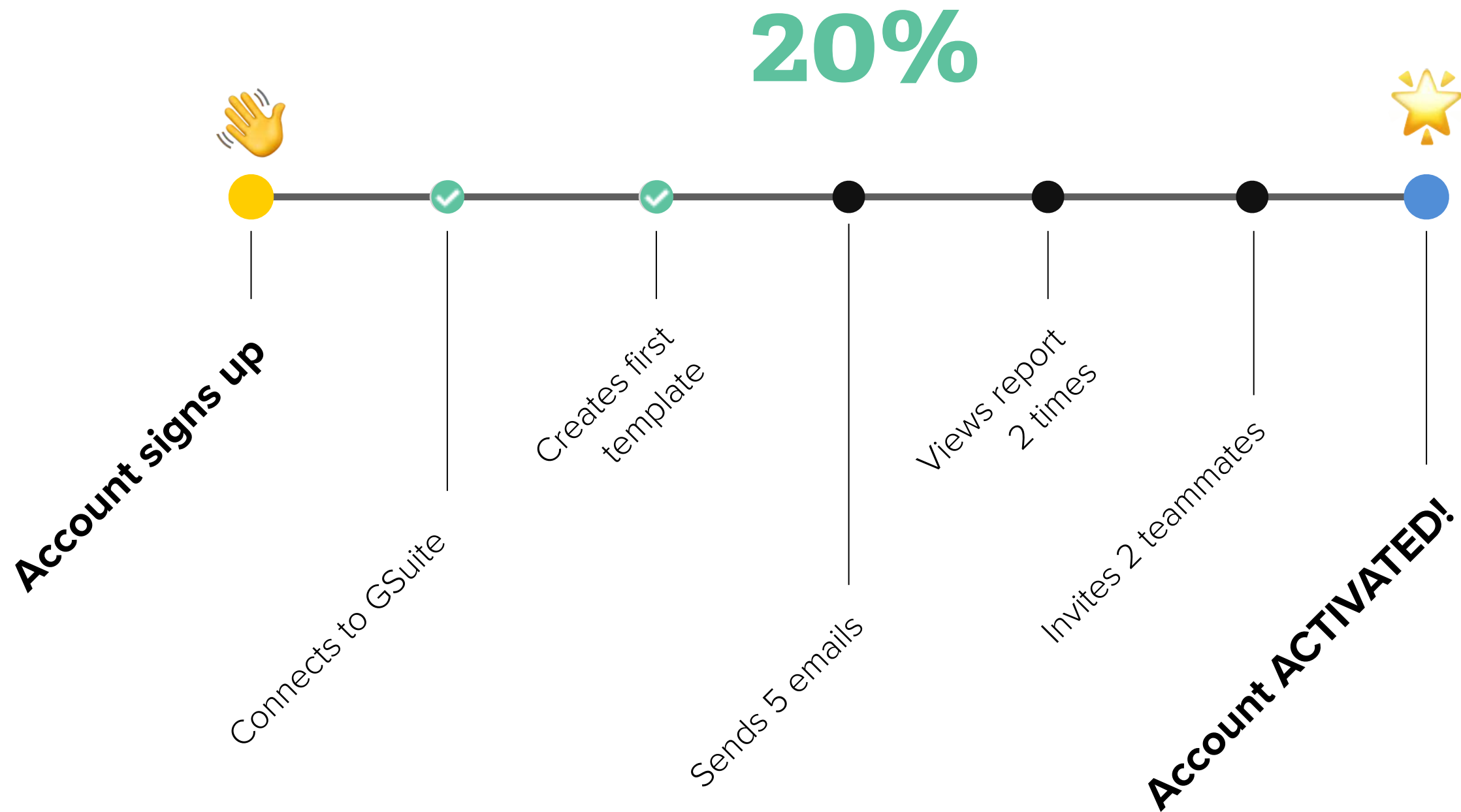
What is an Activation Rate?

- Activation = series of actions that lead to “aha” moment
- **Activation rate** = measure of how far along an account is toward its journey to Activation
- Don't measure Activation in a binary way - you'll miss opportunities

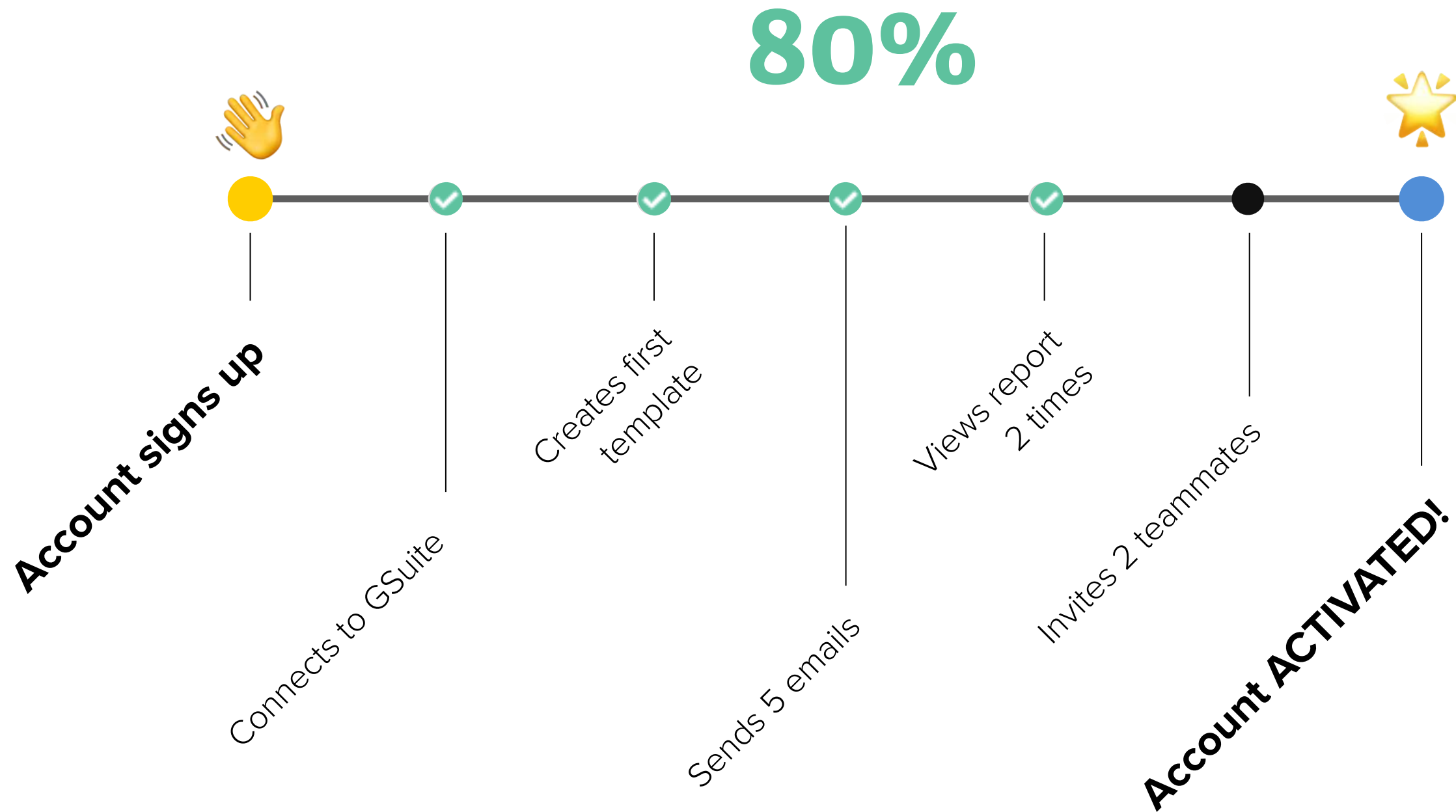
Activation rate



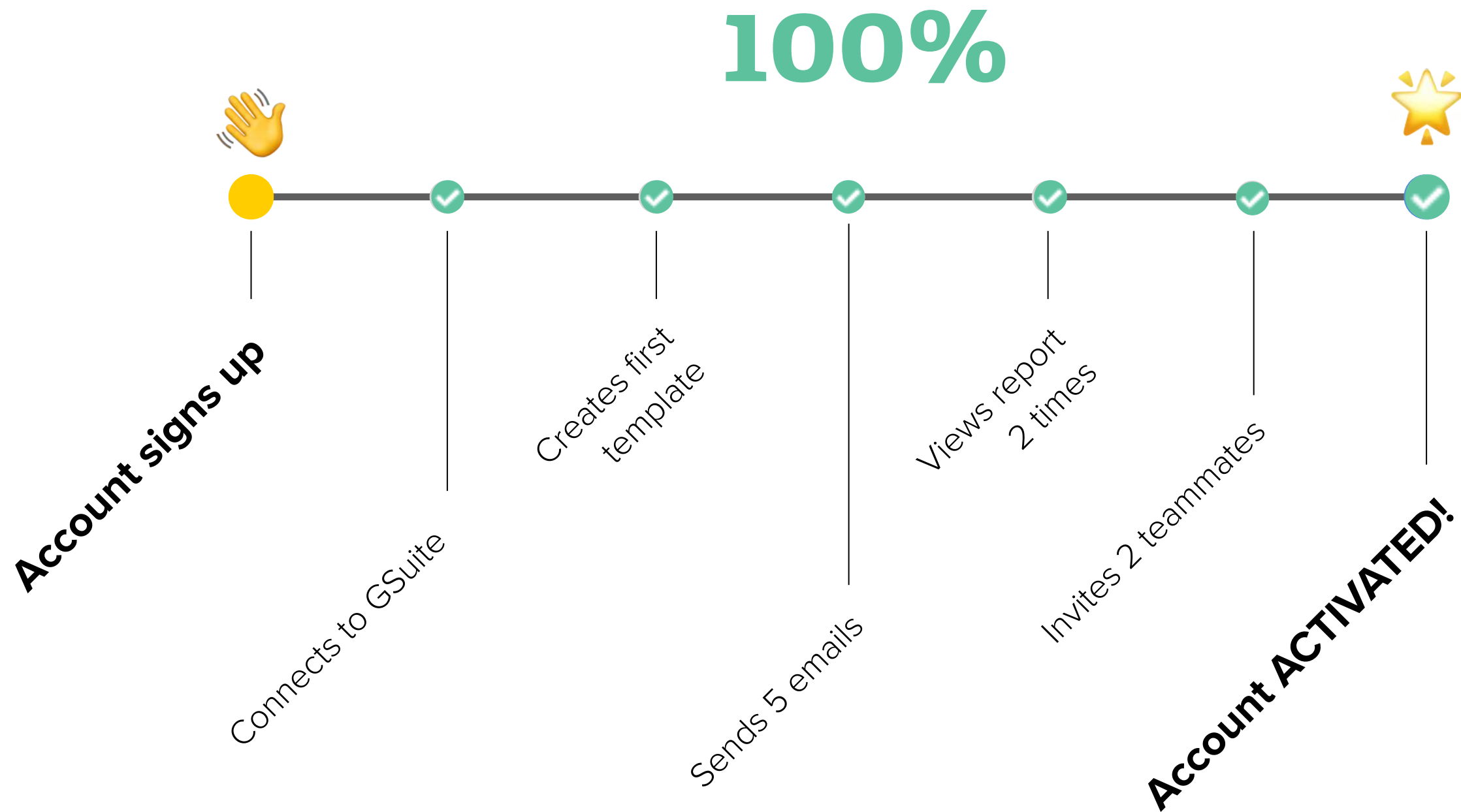
Activation rate



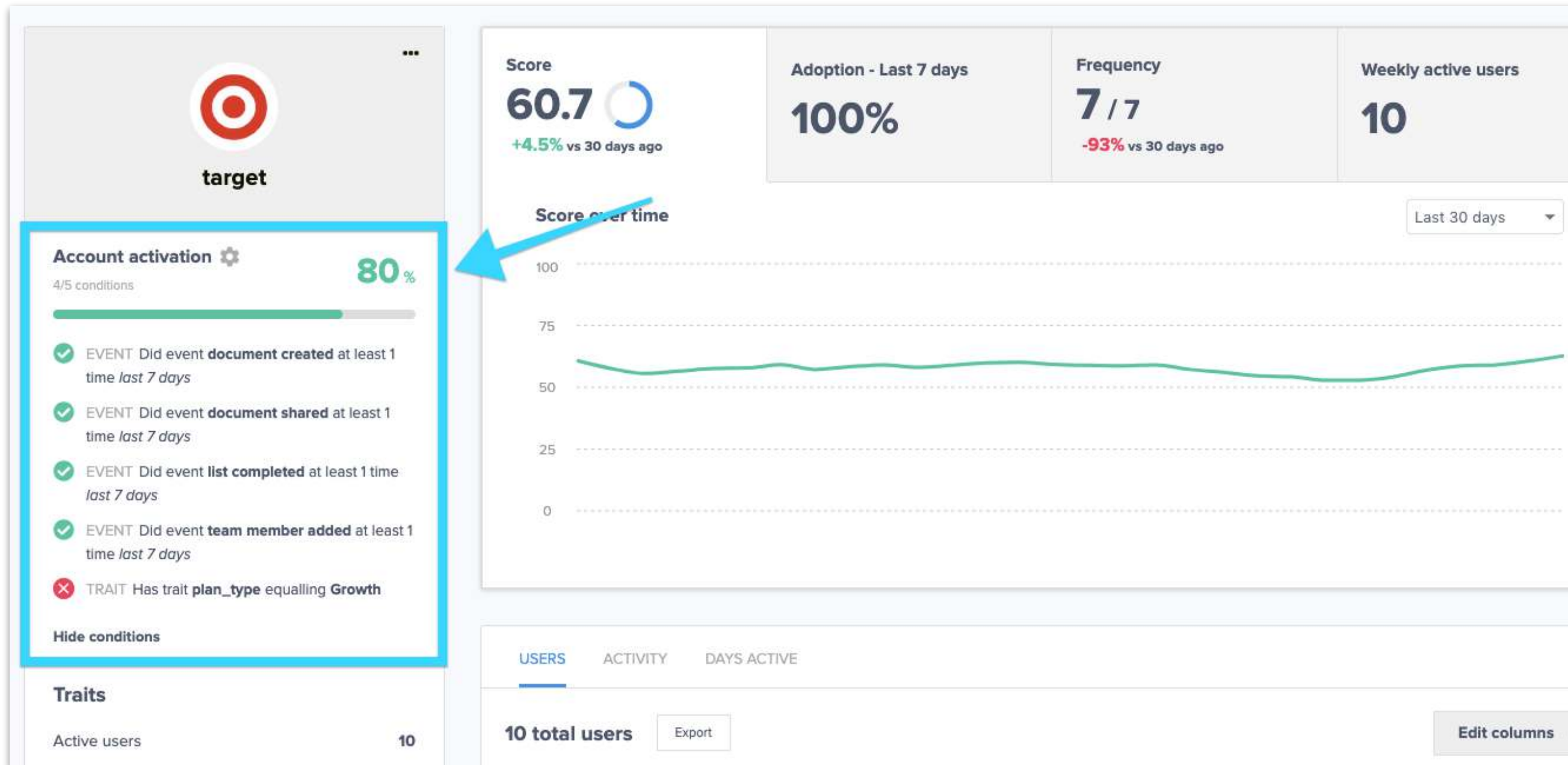
Activation rate
































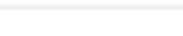
Activation rate



Activation rate



Activation rate

ACCOUNT ▾	SCORE	CHANGE	ACTIVATION	ACTIVE USERS	LAST ACTIVE
 sherwin	 67.9	+11.5 pts 🔥	67% 	10	today
 ford	 66.9	+5.6 pts	83% 	10	today
 dow	 66.2	+8.2 pts	83% 	10	today
	 65.5	+10.0 pts	100% 	10	today
	 65.5	+10.0 pts	67% 	10	today
	 65.5	+10.0 pts	67% 	10	today
 apple	 62.8	+1.3 pts	100% 	10	today
 target	 62.8	+9.9 pts	83% 	10	today
 gm	 62.7	+0.8 pts	83% 	10	today
 dish	 62.3	+1.9 pts	67% 	10	today

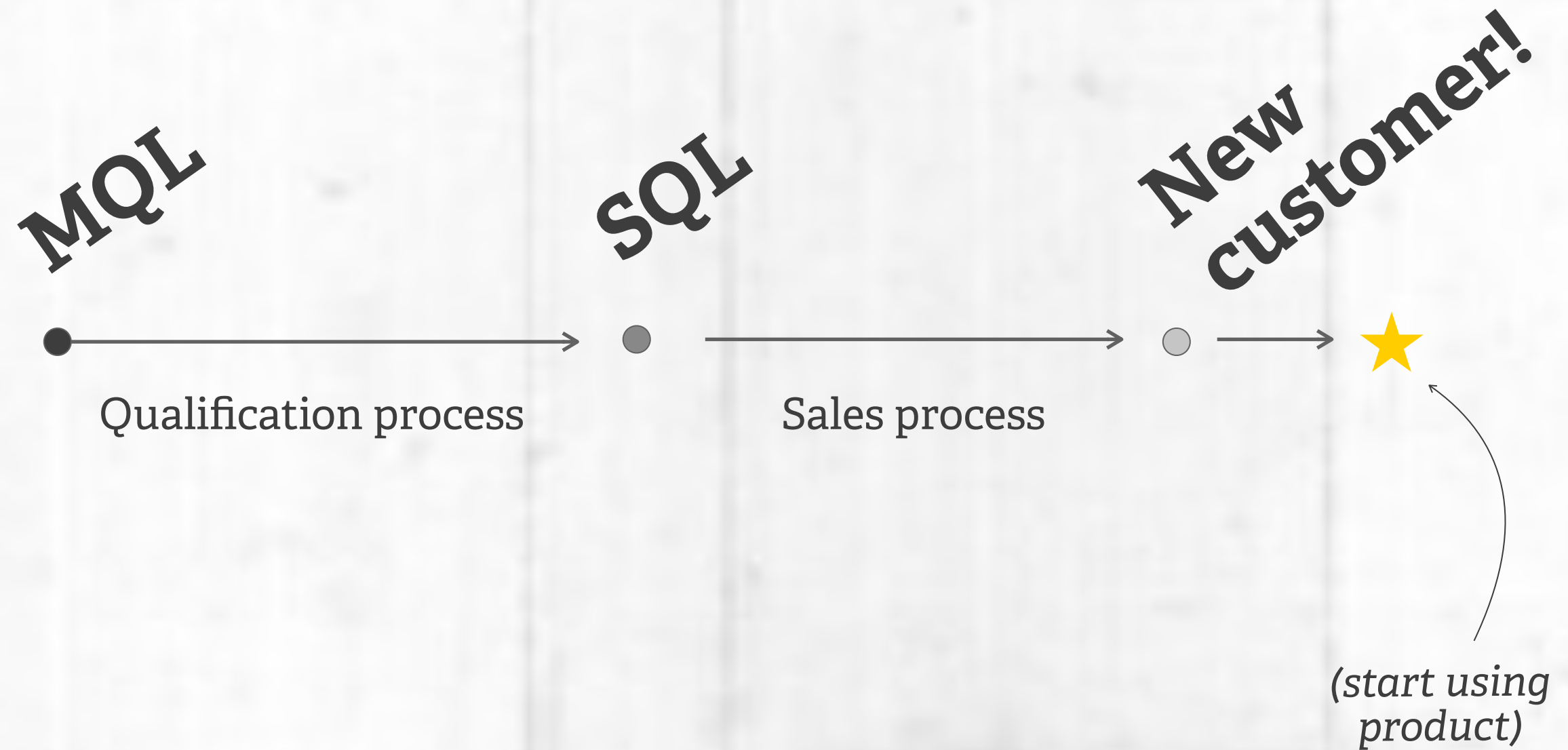
Once account has reached certain Activation Rate, you can consider them “product qualified.”

MQIs, PQIs, SQLs...

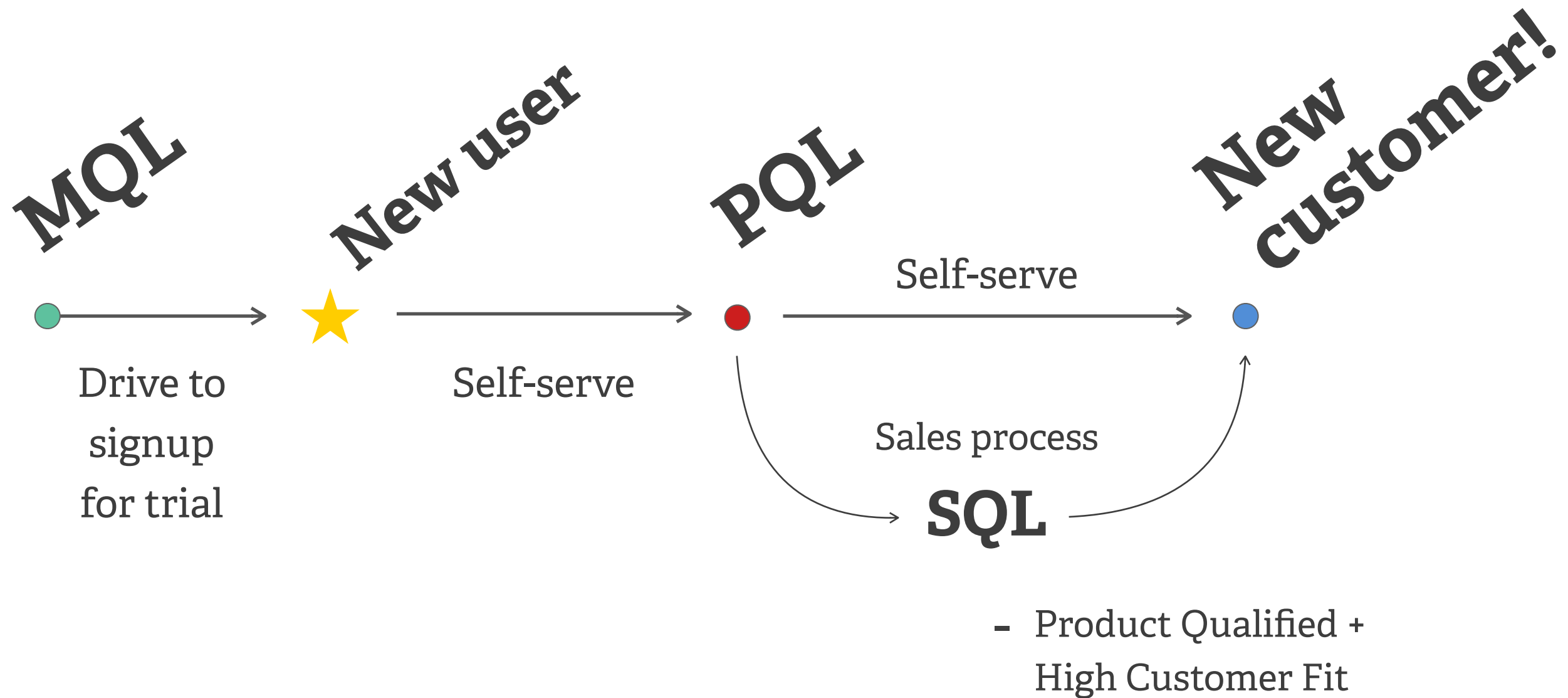
oh my!



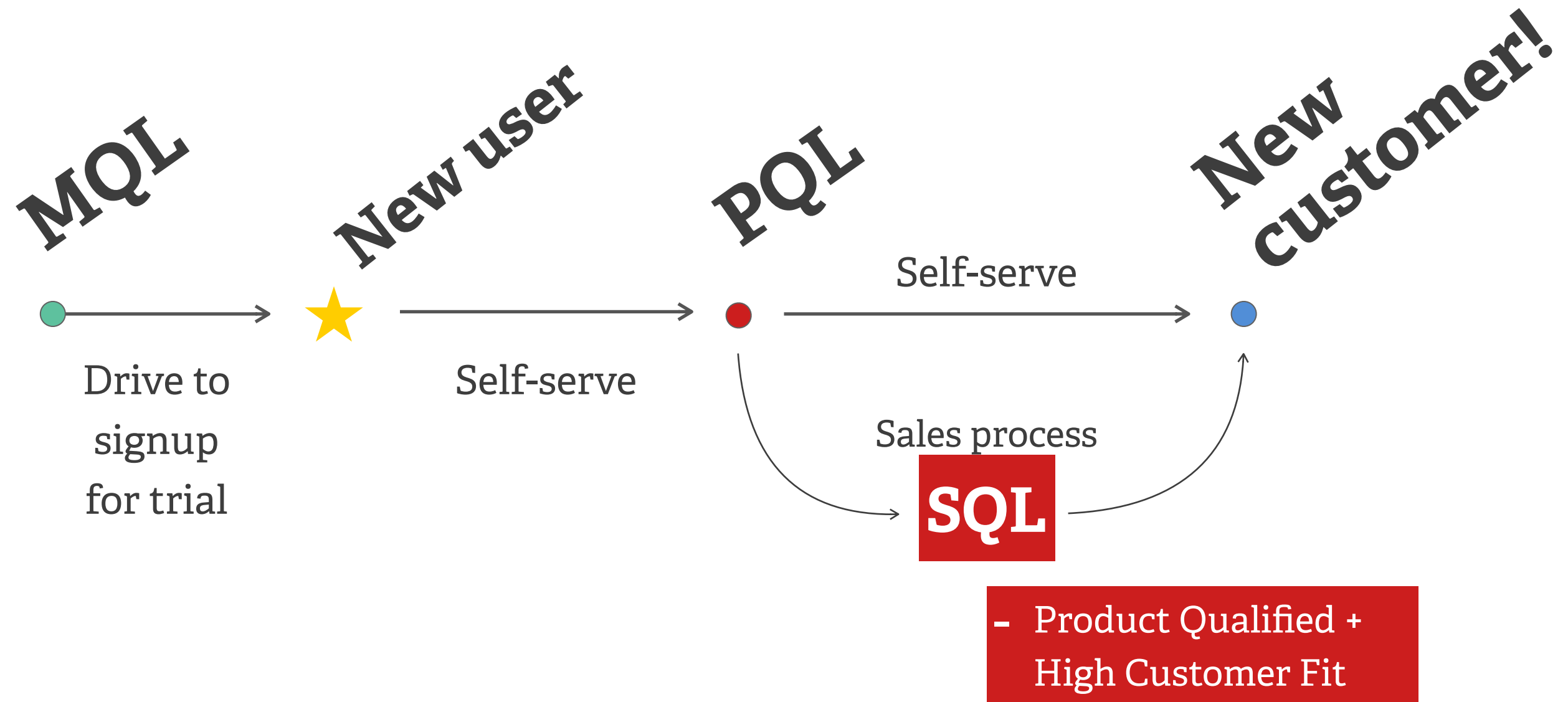
**In the old
days...**



Product-led qualification journey



Product-led qualification journey



Sales Qualified Leads

Qualification based on two factors

Company “fit”

+

Interest (old)

- Company size (rev, employees)
- Industry
- Complementary software
- Role of contact
- Budget availability
- **Size of opportunity**

- Visited website
- Downloaded white paper
- Attended webinar
- Viewed pricing page
- Requested demo

Sales Qualified Leads

Qualification based on two factors

Company “fit”

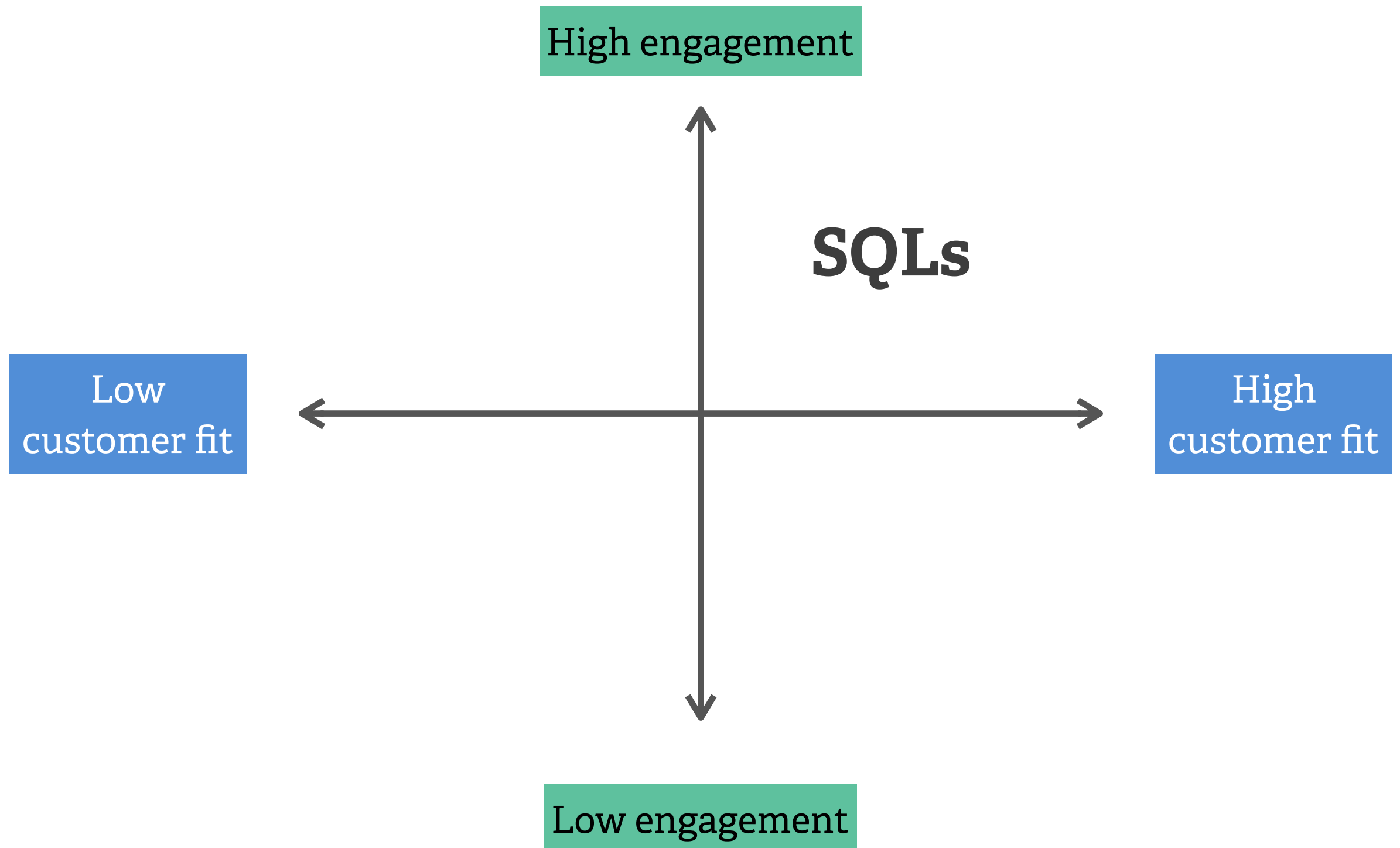
- Company size (rev, employees)
- Industry
- Complementary software
- Role of contact
- Budget availability

+

Interest (now)

- Product usage
- Product usage
- Product usage

Product-led qualification matrix

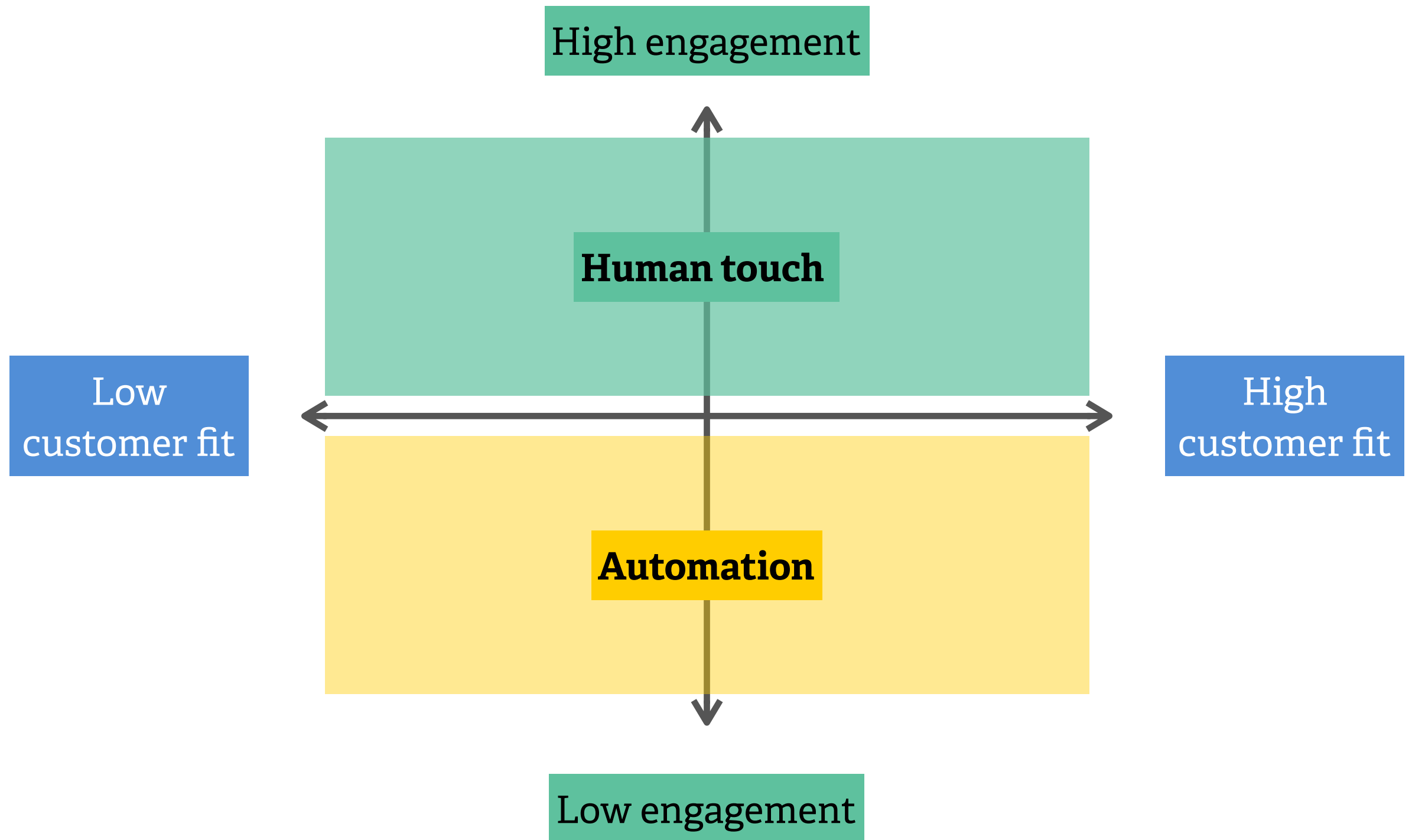


Building a PQL process

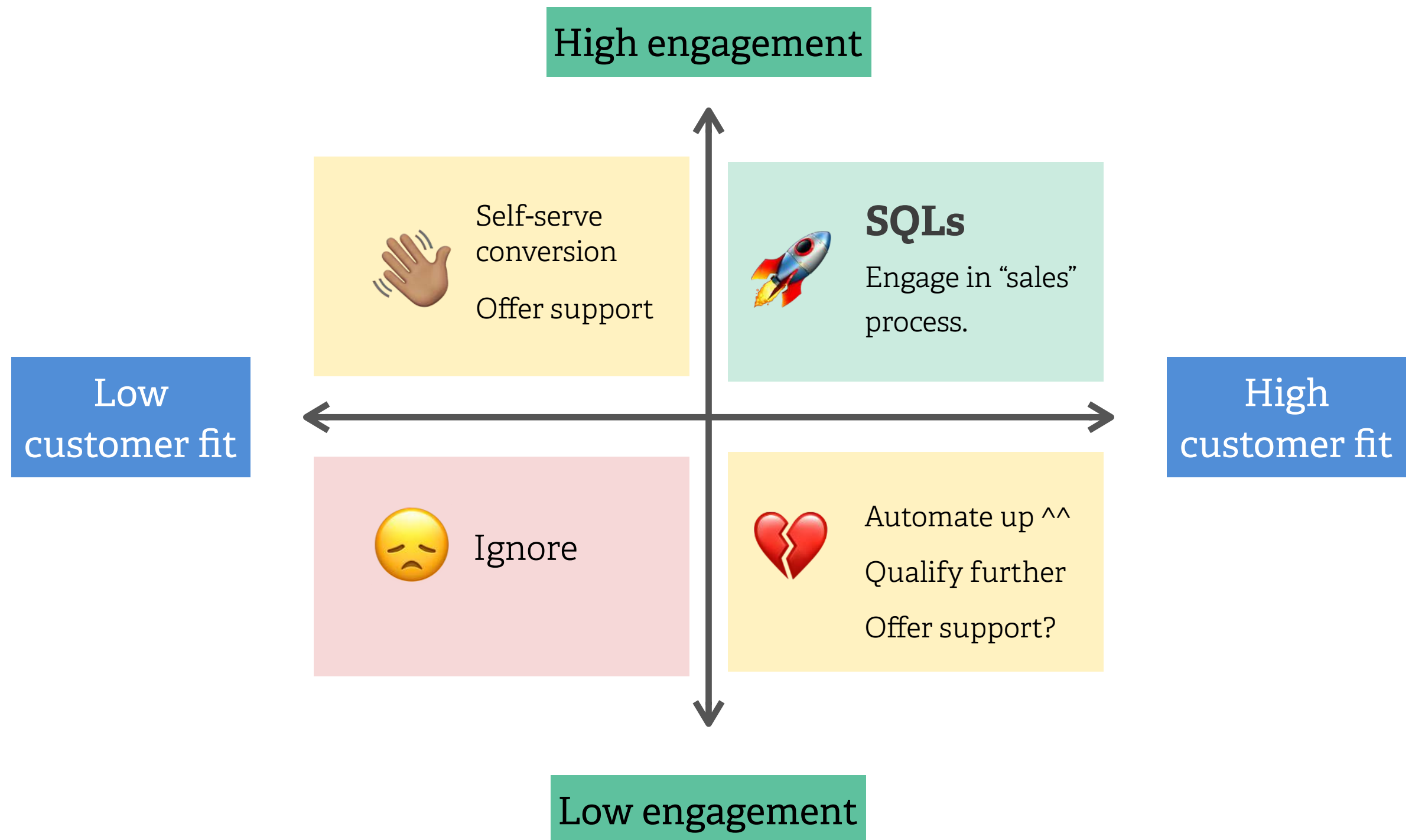
Building a PQL process

- PQL process = qualification guidelines + engagement “playbook”
- There is no single, definitive solution
- Iterate, iterate, iterate

Product-led qualification matrix



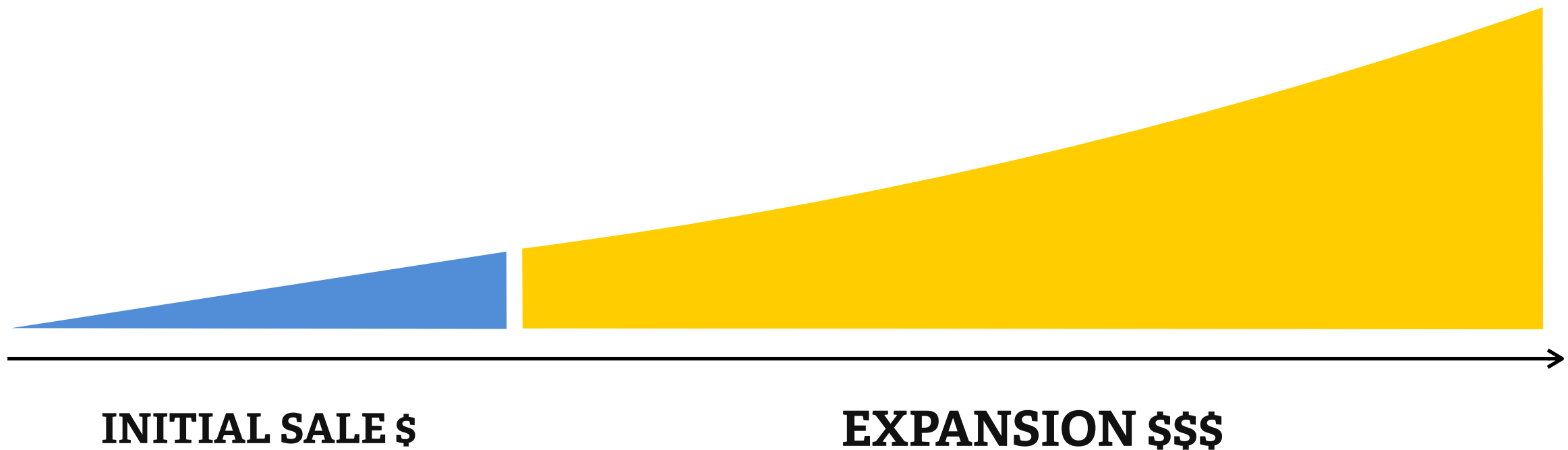
Product-led qualification matrix



BONUS:
**PQLs not just for
initial conversion**

PQL Mindset:

Post-Sale Expansion



- Gated features vs usage limits.
- Install “hand-raising” triggers
- Measure engagement over-time and create “expansion qualified lead”

BONUS II:

PQL metrics as KPIs

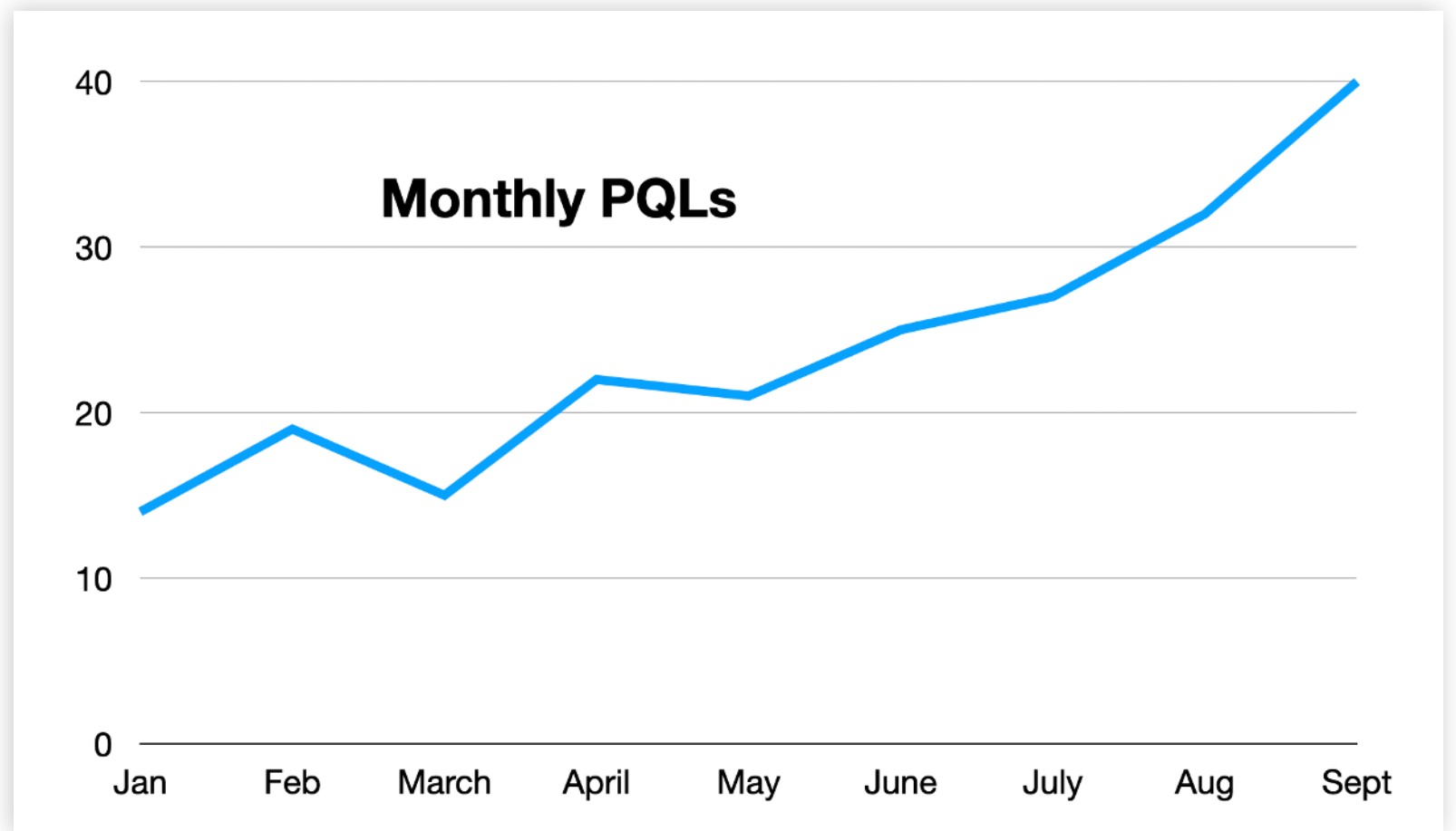
PQL-based metrics

1. Raw PQLs over-time
2. PQL Rate (%)
3. $\text{PQL} > \text{Paid Conversion Rate}$

PQL-based metrics:

Raw PQLs over-time

- Important for assessing capacity
- Key for sales forecasting



PQL-based metrics:

PQL Rate (%)

- $(\text{Number of sign-ups}) / (\text{Number of PQLs})$ in a period

	Total signups	PQLs	PQL rate
SaaS business A	50	20	40%
SaaS business B	250	20	8%
SaaS business C	1000	20	2%

- Best measure of your Activation process
- Good measure of PMF

PQL-based metrics:

PQL > Paid Conversion rate

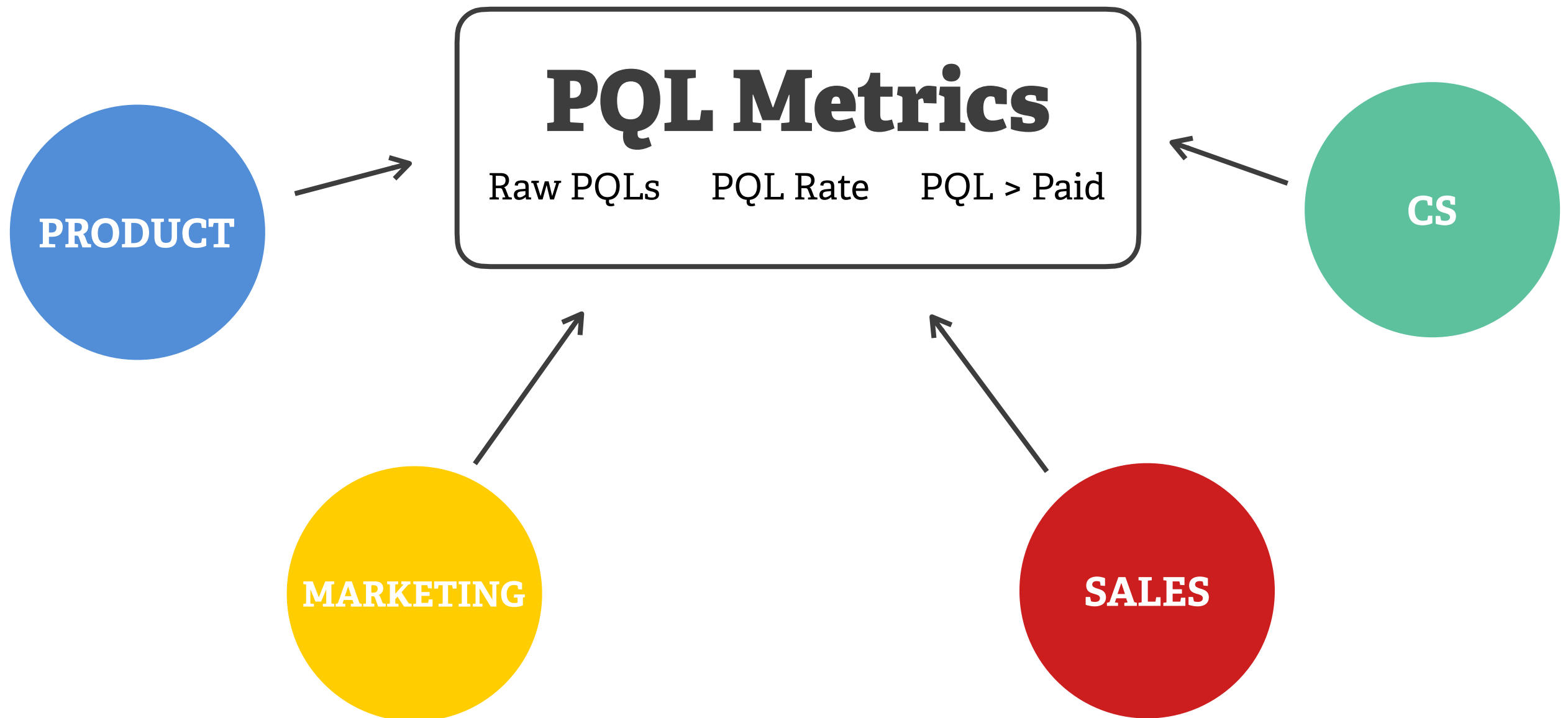
- $(\text{Number of PQLs}) / (\text{Number of Paid Conversions})$ in a period

	Total PQLs	New paid accounts	PQL Conversion rate
Week 1	100	35	35%
Week 2	140	40	29%
Week 3	175	32	18%

- Great measure of monetization flow/process
- Even better measure of your value prop/pricing/PMF

PQL-based metrics:

True unifying metric(s)



In Summary
(ie - it's finally over!)

In Summary...

1. Product-led model necessitates a new qualifying model - based on product usage
2. Product engagement and activation = best measure of likelihood to convert to paid. Talk is cheap!
3. Design your PQL process around PQLs > SQLs as you transition
4. Iterate, iterate, iterate
5. Bring PQL mentality to post-sale, expansion opportunities
6. Rally your team around PQLs-based metrics!

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