



Go Beyond Free Trial & Freemium

The 6 Product-Led Models

Written by **ProductLed**.™

Collaboration with **instruqt**



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The 6 Types of Product-Led Growth Models

A free experience that suits your product and user base is the foundation of any product-led growth strategy. And when you're thinking about what product-led model is right for your business, typically only free trials or freemium comes to mind.

But there are actually six distinct product-led models you can choose from.

And each one has its own set of pros and cons depending on your product and user base.

In this article, we're going to break down all six models and give you real-life case studies so you can see them in action.

1. Opt-In Free Trial
2. Opt-Out Free Trial
3. Usage-Based Free Trial
4. Freemium
5. New Product
6. Sandbox

To pick the correct product-led model for your business with confidence, you have to understand your options. Remember, each model can be used independently or as a hybrid to leverage one another.

Let's get started.

1: Opt-In Free Trial

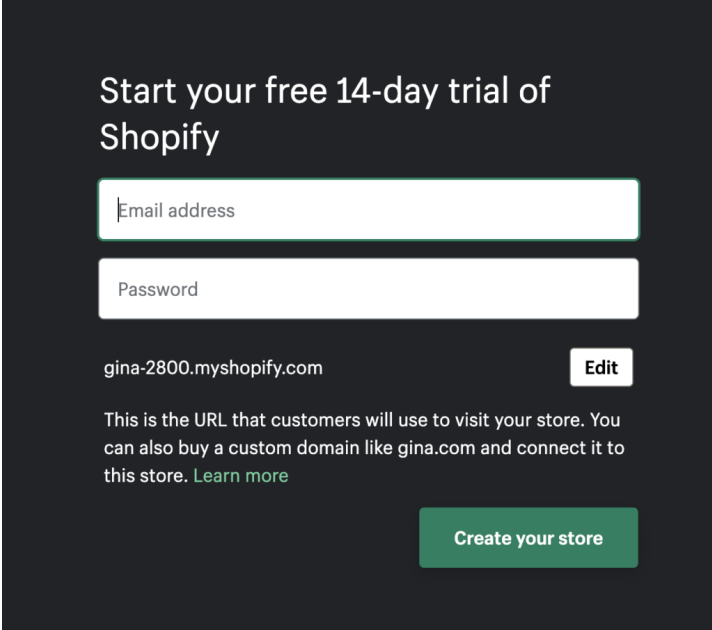
Opt-in Free Trials are one of the most common product-led models as they tend to onboard the largest number of users.

Opt-In Free Trials are time-based and can be as long or as short as needed for your user to reach their “Aha! Moment.”

However:

- A 7-day trial is typically used for B2C for products that aren't too complicated. They create time pressure to buy the product.
- 14 to 30 days are the most common for B2B companies. These are typically for products that have more complex integrations.

Visitors are attracted to this model thanks to the ease of signing up. All you have to do is type in your email and add a password to access the product for free, such as Shopify's free trial.



The image shows a dark-themed sign-up form for a free 14-day trial of Shopify. At the top, the text reads "Start your free 14-day trial of Shopify". Below this are two input fields: "Email address" and "Password". Under the input fields, a store URL "gina-2800.myshopify.com" is displayed, with an "Edit" button to its right. A paragraph of text explains that this is the URL customers will use to visit the store and that a custom domain like "gina.com" can be purchased and connected. A "Learn more" link is provided. At the bottom right, there is a prominent green button labeled "Create your store".

And just like that, you have an online store!

During your trial timeline, users can access most of the product's features to experience whether it meets their needs. So if they can receive value from the product within the allotted time, they'll likely stick around.

But if the time-to-value is too long, they won't be in a hurry to adopt your product either. So you need to determine whether users can find value in your product within the allotted time frame or the model won't work.

Here's a quick breakdown of the pros and cons of the model.

Pros	Cons
<ul style="list-style-type: none"> • No CC required • Quick to test • Easy to get started 	<ul style="list-style-type: none"> • COGS impact • Open to abuse • Lower conversions

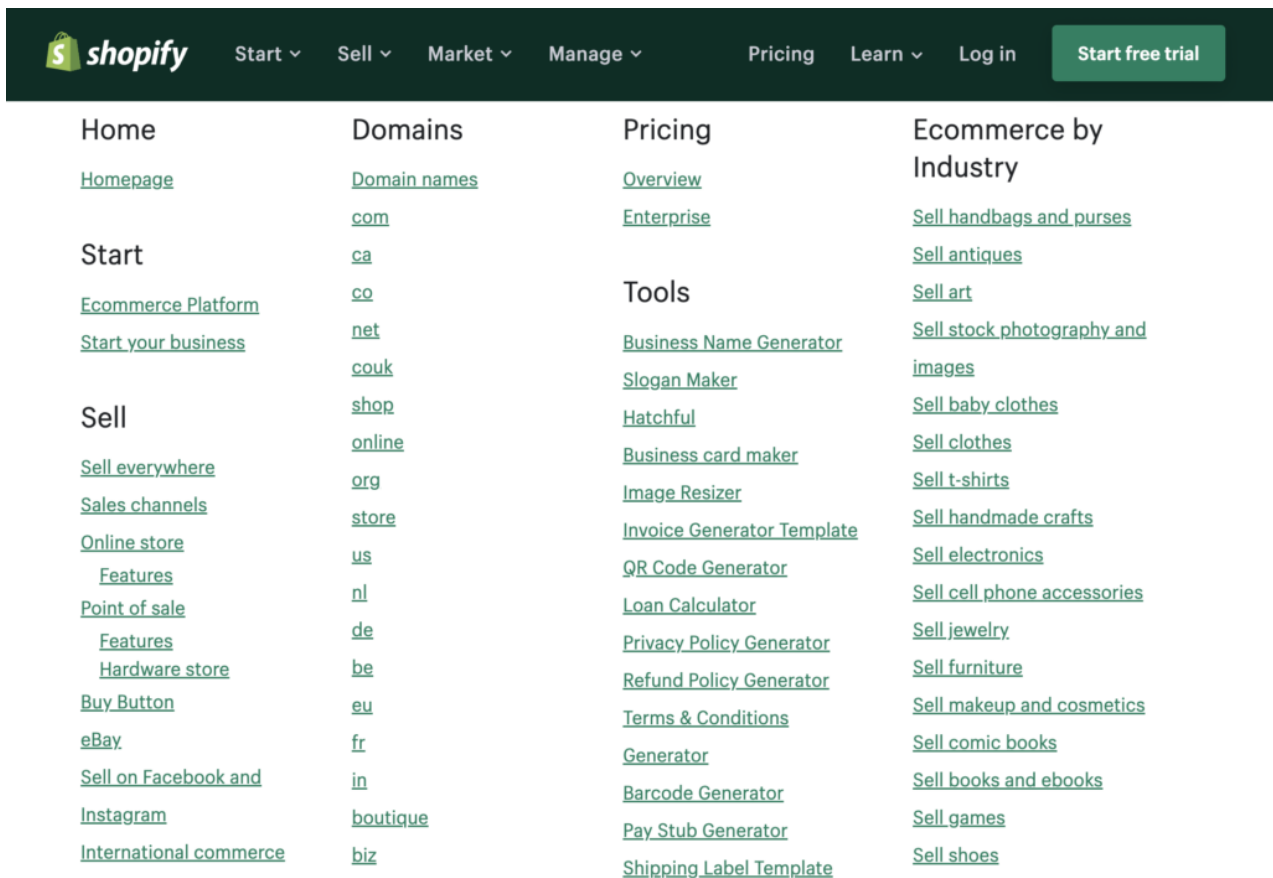
Aside from the pros and cons, there are some inherent risks associated with an Opt-In Free Trial Model and some scenarios where it works best.

Let's look at those.

Risks	Best For
<ul style="list-style-type: none"> • Fraudulent signups • Feedback is scattered • High support cost • Spam accounts • More "Tire-kickers" (Users with no intent to buy.) 	<ul style="list-style-type: none"> • Younger companies trying to establish their products • New products • Companies testing to improve conversion strategies

While it's not the best model for everyone, it's a great way to start with product-led growth. It's also helpful for businesses doing A/B testing to dial in what works with their main user base.

Case Study: Shopify



Shopify is an e-commerce platform where merchants can sell their goods.

Shopify gained market share and set itself apart by creating an online platform that's super easy for merchants to use and recognize the value quickly.

So how did they make their product so successful? Let's go through their journey to see how they came out on top.

Problem: Frustrated with complicated e-commerce platforms, Shopify founders Tobias Lütke and Scott Lake made a simple platform that anyone could use.

Goal: To show merchants and consumers that online shopping and selling can be easy and enjoyable.

Solution: Shopify created a frictionless setup for merchants. They predicted that within 14-days, their users could receive value from their product and wouldn't hesitate to pay.

They guessed right. In the words of Shopify's founder Tobias Lütke, "In big markets, it's rarely about who does something first, but most of the time, it's about who does something right."

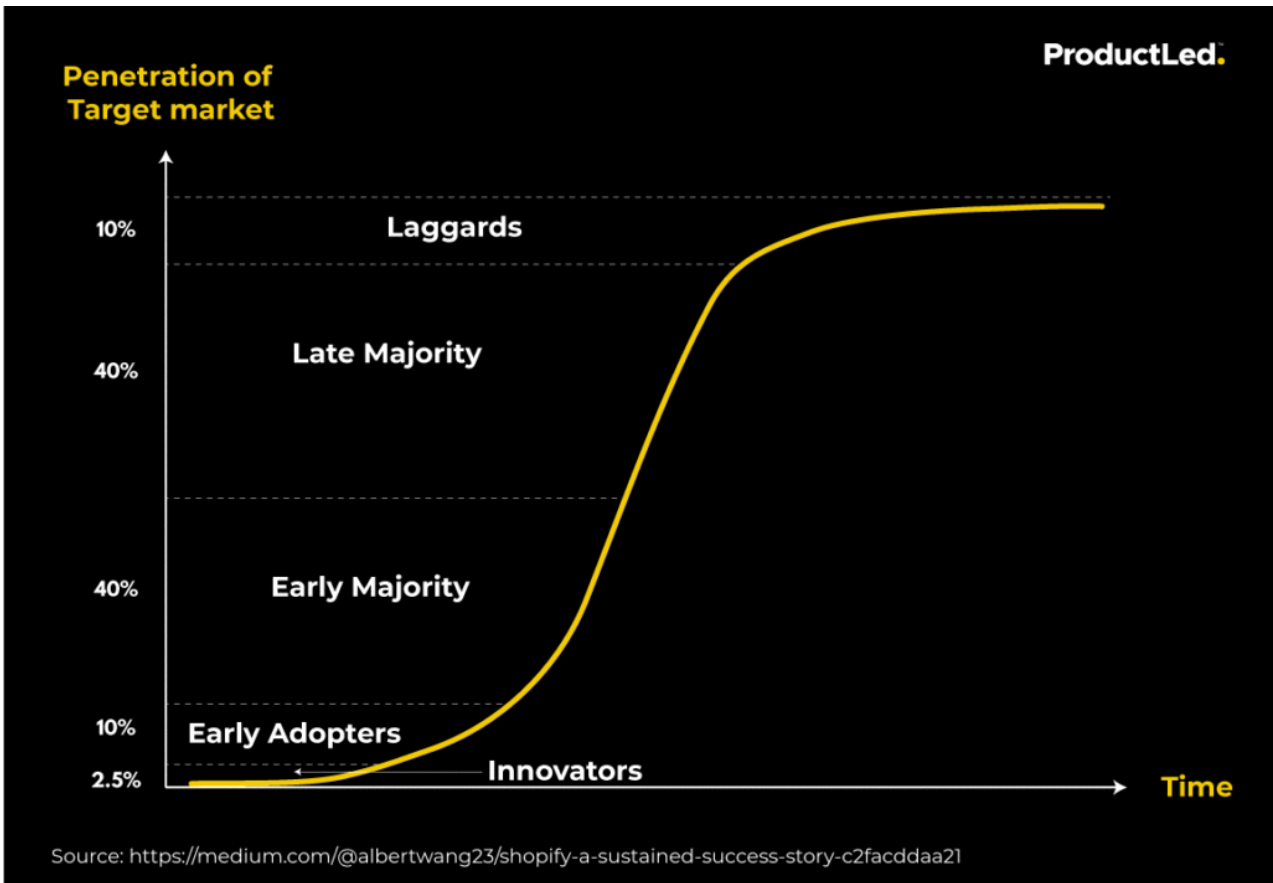
One of the key components that helped Shopify scale is their stellar support and content team.

During the 14-day free trial, users have unlimited access to an incredible database of resources and tools: barcodes, POS systems, website templates, selling in different languages, domain names, business cards, and even a breakdown of e-commerce tips by industry.

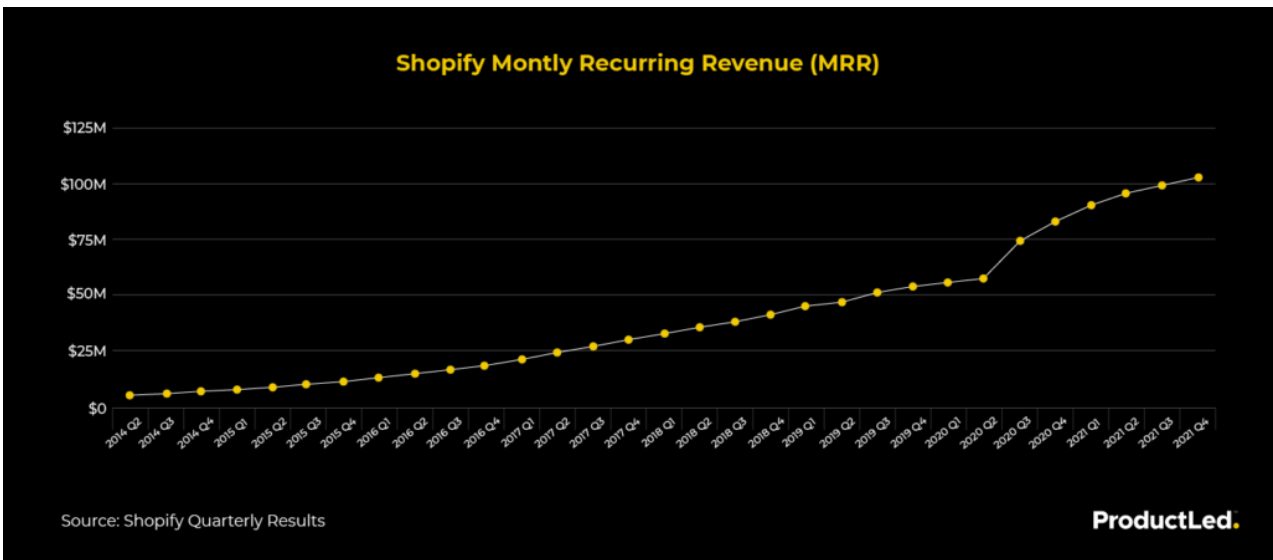
By anticipating the needs of their users, Shopify was able to accelerate their user's time-to-value by pairing content with their product.

Results: Since its launch in 2009, Shopify has disrupted the e-commerce market and has dominated the industry. As common with disruptive technologies, they started with slow adoption and then accelerated quickly.

See the chart on the next page.



Shopify continues to soar, with Monthly Recurring Revenue (MRR) steadily increasing since 2014 and surging during the pandemic.



2: Opt-Out Free Trial

In the first model (Opt-In Free Trial), we doted on the power of having super easy, frictionless signups. However, the Opt-Out Free Trial is about embracing just the right amount of friction – or good friction.

Friction refers to a step in the user signup process that disrupts the signup flow.

In the Opt-Out Free Trial model, friction is created when a user stops the signup and inputs their credit card information.

Start Your 14 Day Free Trial

No contracts, downgrade or cancel your account anytime with a single click from your dashboard...

Step 2 of 2: Billing Information

Credit Card Number: [Why do we ask for your CC?](#) **CVC Code:**

Expiry Month: **Expiry Year:**

So how can friction work in your favor (i.e., become “good”)?

If users have researched your software, they won't let something small like credit card details dissuade them from trying out your product. They're happy to see if the product is the solution they need.

The Opt-In Free Trial has a conversion rate of 25%, while the Opt-Out Free Trial (with CC) has a higher conversion rate of 60%. This model has higher trial-to-paid conversion rates as it doesn't bring in as many tire-kickers (people who use but never buy).

But onboarding rates tend to be lower unless you can hit that sweet spot of aligning marketing content with your product.

We've provided the pros and cons of the Opt-Out Free Trial model in the table below.

Pros	Cons
<ul style="list-style-type: none"> • More engaged audience • Better conversion • More active during the trial • Better user/high-value tracking • Filters out the "tire kickers" 	<ul style="list-style-type: none"> • Barrier to entry • Impact of false revenue • Delayed churn and increase in support needs • Chargebacks

Here are the risks and optimal scenarios:

Risks	Best For
<ul style="list-style-type: none"> • Could frustrate the customer • Fraud/scheme • Higher support cost • Could damage brand reputation 	<p>Payment</p> <ul style="list-style-type: none"> • Mature, established companies to ensure the trust of CC details • Solid support team ready to assist the user

This model isn't for everyone, but when it's paired with the right product and user, it has proven to be very effective in converting.

Case Study: Crazy Egg

Founded by Neil Patel and Hiten Shah in 2006, Crazy Egg helps businesses optimize their website by providing a layer of analytics to their data using heat maps and A/B Testing.



Problem: After switching to an Opt-Out Free Trial, fewer users signed up.

Goal: Get more signups using the Opt-Out Free Trial method.

Solution: They wanted to keep the small amount of friction in place to weed out the tire kickers. These three solutions had the biggest impact.

First, they optimized the checkout.

Start your free 30-day trial

View your heatmap & get started in less than 60 seconds

Billing information VISA AMEX DISCOVER MASTERCARD

First Name Last Name

Credit card number

Expiry date Security code

Address

City State / Province

Zip / Postal Code

Start my free trial

Then, they conducted surveys to see what users found objectionable regarding inputting their credit card information. Using the data, they answered in bold what users commonly found risky.....

100% no-risk free trial

✓ Get access to all features.

✓ Pay **NOTHING** for the first 30-days.

✓ Cancel at **ANY** time during your trial.

.....or objectionable.

Why do you need my credit card for a free trial?

Entering your card information allows us to ensure you never lose a moment of tracking valuable data as your trial comes to an end and your subscription starts. It also helps us reduce fraud in our system and keep offering low prices for high-value returns to you.

You may see a \$1 USD pending transaction on your credit card statement, here's why:

The \$1 USD charge is what is known as a validation pending transaction. It is not an actual charge but a pending transaction on your card that falls off within a day or two. Your credit card company does this to validate your card with our service.

How do I avoid being charged at the end of my trial?

While we know you will find value in using our service, we understand that you may need approval for the fee. And therefore need to cancel. To avoid being charged at the end of your trial, cancel 48 hours in advance.

Using the reframing principle, they addressed pricing. The recommended plan costs \$99/month, or just under \$1,200 a year. But when compared to the six-figure price (and time needed) to conduct a formal study by professionals, it suddenly seemed like a great value to users. v

Choose Your Plan and Start Your 30 day FREE Trial

View your heatmap & get started in less than 60 seconds

BASIC	STANDARD	PLUS	PRO	ENTERPRISE
\$24/mo*	\$49/mo*	\$99/mo*	\$249/mo*	Need more?
Start my FREE trial	Start my FREE trial	Start my FREE trial	Start my FREE trial	Build my plan
30,000 TRACKED PAGEVIEWS /MO	75,000 TRACKED PAGEVIEWS /MO	150,000 TRACKED PAGEVIEWS /MO	500,000 TRACKED PAGEVIEWS /MO	We will build a custom plan for you
25 SNAPSHOTS	50 SNAPSHOTS	75 SNAPSHOTS	100 SNAPSHOTS	Unlimited PAGEVIEWS /MO
100 RECORDINGS /MO	500 RECORDINGS /MO	1,000 RECORDINGS /MO	5,000 RECORDINGS /MO	Unlimited RECORDINGS /MO
<ul style="list-style-type: none">✓ Unlimited A/B tests✓ Unlimited Websites✓ 3 months recording storage	<ul style="list-style-type: none">✓ Unlimited A/B tests✓ Unlimited Websites✓ 1 Year recording storage	<ul style="list-style-type: none">✓ Unlimited A/B tests✓ Unlimited Websites✓ 2 Years recording storage✓ Priority support	<ul style="list-style-type: none">✓ Unlimited A/B tests✓ Unlimited Websites✓ 2 Years recording storage✓ Priority support	<ul style="list-style-type: none">✓ Unlimited A/B tests✓ Unlimited Websites✓ 2 Years recording storage✓ Priority support✓ SAML Single Sign-On (SSO)✓ Onboarding & Training

The final pièce de résistance was an explainer video they hung on their landing page, scripted with user-based semantics that came out in their surveys.



Results: Once Crazy Egg executed its solutions, its overall conversion rate increased 363%. Out of the 363% increase, two solutions alone accounted for a 180% increase.

- Streamlining the checkout process and answering objectionable topics upfront increased their signups by 116%.
- Replacing text on the landing page and using an explainer video using their users' language increased their conversions by 64%.

3: Usage-Based Free Trial

In lieu of a free trial with a time limit, this model is based on usage.

Have you ever been kicked off Zoom after 45 minutes? Or has Dropbox prompted you to upgrade while trying to save a large file? This is a usage-based model in action.

By giving your users unlimited access, you provide them with the freedom to find more use cases, which leads to long-term success and a higher lifetime value. Open View Partners has seen a 10x ratio in the number of users in an account for usage-based software companies relative to their seat-based peers.

But it also comes with its own set of pros and cons. Let's take a look.

Pros	Cons
<ul style="list-style-type: none">• Accessibility• Full scope of product• Pay for what we used• Fast and easy upgrade upon consumption	<ul style="list-style-type: none">• Defining the limit on usage• No real urgency to upgrade

As with every model, there are risks and ideal situations.

Risks	Best For
<ul style="list-style-type: none">• Could be confusing for the user to understand how it works• If you get the unit wrong the model won't work	<ul style="list-style-type: none">• Web hosting companies• Application Programming Interfaces• Service Software• Situations where the unit you're giving away is well understood by the customers (i.e. gigabyte of data)

Case Study: Dropbox

Dropbox launched in 2008, and while they weren't the only cloud storage service, its product was the easiest to use, and its onboarding process was simple.

Here's their landing page from back in 2008.



Problem: In 2008, there was a lot of competition in the cloud storage space. Operating on a minimal budget, they couldn't afford paid advertising to tell the world about their product.

Goal: To get their product used by as many people as possible, as quickly as possible.

Solution: Dropbox took a two-step approach to solve its problem.

Dropbox's competitors, such as Megaupload, Rapidshare, Hotfile, and other file-hosting sites, couldn't run on multiple platforms. Also, they intentionally decreased download speeds and showed spammy ads to make their free products painful to use.

So Dropbox differentiated itself by providing a high-quality free product that runs seamlessly on multiple platforms while sustaining download speeds.

Early on, they realized acquiring customers via paid advertising costs \$300 per customer. And it was neither efficient nor cost-effective for scaling. So they decided to focus on word-of-mouth marketing campaigns by selecting high-profile music bloggers to try their product first to create a buzz.

Next, Dropbox focused on making onboarding as simple and easy as possible. Then through social media and their website, they created a referral program. Any user who successfully referred someone to Dropbox received an extra 2GB in storage space.

Get up to 32 GB of free space by inviting your friends to Dropbox!

For every friend who joins and installs Dropbox on their computer, we'll give you 1 GB and your friend 500 MB of bonus space (up to a limit of 32 GB)! If you need even more space, [upgrade your account](#).

Names or email addresses Send

More ways to invite your friends

Invite your Gmail contacts Copy link Share on Facebook

Once you've invited friends, you can [view the status of your referrals](#) or visit our [Help Center](#) if you have any questions.

1 Invite a friend 2 Friend joins Dropbox 3 Friend installs Dropbox

Total space earned
1.1 GB

Bonus type	Updated	Space earned
Referral	6 days ago	Completed
Referral	6 days ago	Completed
Referral	6 days ago	500 MB ✓
Referral	6 days ago	500 MB ✓
Referral	6 days ago	500 MB ✓
Referral	6 days ago	500 MB ✓
Referral	6 days ago	500 MB ✓

Their word-of-mouth/referral strategy proved so effective that as new social media platforms emerged, they continued to incentivize referrals to their users.

Invite by email

Invite your contacts (Gmail, AOL, Hotmail, Yahoo, etc.)

Email

Password

[Retrieve contacts](#)

or invite email addresses:

Type a list of invitee email addresses.

[Send invites](#)

Invite friends from Facebook or Twitter

Always have your stuff when you need it with @Dropbox. Sign up for free! <http://db.tt/QL58PvN>

47 characters remaining

[Share on Facebook](#)
[Tweet on Twitter](#)

or use this link with friends: [Copy link](#)

- f

Connect your Facebook account

Share folders with your friends and family in a snap

+ 125 MB
- t

Connect your Twitter account

Invite your friends to Dropbox with a tweet

+ 125 MB
- @

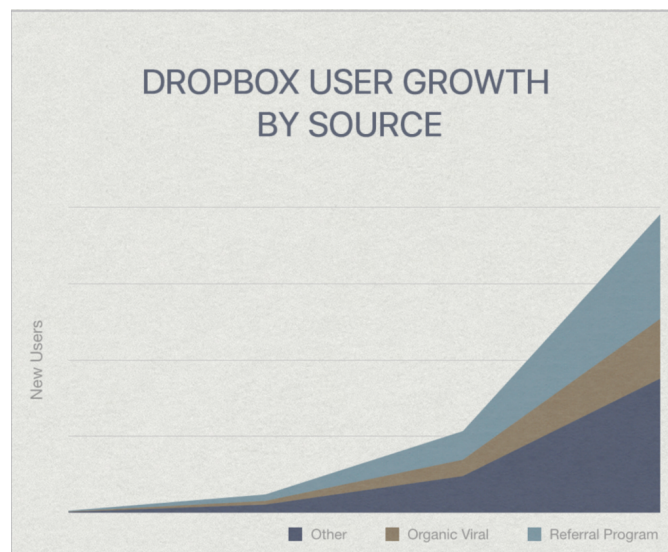
Follow Dropbox on Twitter

Stay up to date with the latest Dropbox tweets

+ 125 MB

Results: This strategy made Dropbox one of the fastest-growing startups in history.

The company hit 1 million members in the Spring of 2009 and 4 million registered users by the end of the year. They soared to a 25 million user cap in early 2010, 50 million in 2011, 100 million in 2012, 200 million in 2013, and so on.



In 2018 DropBox became Y Combinator's first startup to file for an IPO.

4: Freemium

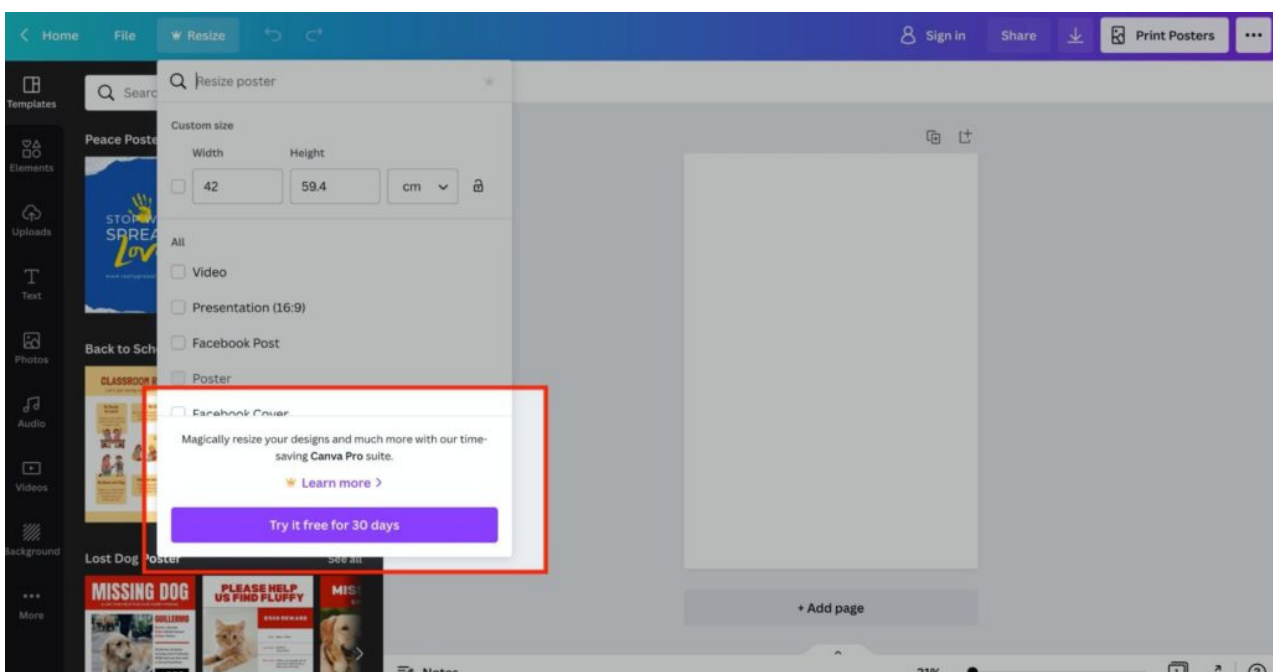
If you've made graphic designs on Canva, sent emails on Mailchimp, or reviewed your writing with Grammarly, you've used a freemium product.

The Freemium model has recently become one of the models most doted upon as users become wary of tedious cancellation processes.

Like a Usage-Based Free Trial, Freemium is a two-tiered user acquisition model that splits users into paid subscribers or free users. Free users have limited product features, whereas paid users (or premium users) have full access.

However, the main distinction is that with a Freemium product, you can use the most basic version of the product for as long as you want.

For example, with Canva, you can continue to make all the designs you would like. However, there are limits to templates and features you can use. For example, you can't resize a template without upgrading.



Or, in the free version of Grammarly, you can edit as much text as you would like without restriction. But you can't use the plagiarism tool.

The screenshot shows the Grammarly interface. On the left, a donut chart indicates '16' issues. Text above it says: 'We have found plagiarism in your text and have also detected 16 writing issues. Correct them now!' Below this is a list of issues: Plagiarism was detected (1), Grammar (checked), Punctuation (2: Punctuation in Compound/Complex Sentences), Spelling (1: Misspelled Words), Enhancement (7: Word Choice), and Style (5: 2 Passive Voice Misuse). On the right, a 'Choose Your Plan' section offers three options: Monthly (\$29.95/month), Quarterly (\$19.98/month, billed as one payment of \$59.95), and Annual (\$11.66/month, billed as one payment of \$139.95, highlighted as 'BEST VALUE'). Logos for Grammarly and McAfee SECURE are visible at the bottom.

These companies have shown how the Freemium model can act as a genesis for online communities that help users collaborate, find new uses, and solve problems.

Of course, a Freemium product isn't for everyone.

Pros	Cons
<ul style="list-style-type: none"> • User experiences the product • Easy new user acquisition • Low barrier to entry • Build brand connection • Bigger funnel • Good retention • Builds online communities 	<ul style="list-style-type: none"> • Higher support rates • Value perception • Big market required • User might not commit to the product • User noise

Here are the risks businesses should think about, and the ideal use cases for this model.

Risk	Best For
<ul style="list-style-type: none">• Cost control• Tons of spam accounts• No incentive to upgrade• Difficult to prioritize features• Low conversion rate	<ul style="list-style-type: none">• Games• Entertainment• Software• Online magazines

Now let's take a look at the model in action.

Case Study: Spotify

The legendary platform was developed in 2006 in response to the growing problem of piracy in the music industry. The idea was to make the streaming service better than programs such as Napster or LimeWire.

Spotify offers music fans a free service with advertising with the goal for users to upgrade to €10 a month for an ad-free subscription.

The screenshot shows the Spotify website interface. At the top, there is a dark navigation bar with 'Products', 'Help', and 'Blog' links. Below this is the Spotify logo and the tagline 'Everyone Loves Music'. The main hero section features a woman in a red top gesturing towards a speech bubble containing musical notes and a play button. To the right of the woman, the text reads 'A world of music' in large black font, followed by 'Instant, simple and free' in orange. A green 'Get started' button is positioned to the right. Below the hero section, there are three columns representing different service tiers: 'Free' (All the music – no cost), 'Day pass' (24 hours ad-free), and 'Premium' (Monthly subscription, no ads). A central callout box asks 'Why is Spotify not available in my country?' with a link to 'Click here to find out why...'. The footer contains several columns of links: 'About' (What is Spotify?, Contact, Press, Jobs), 'Account' (Overview, Edit profile, Share Spotify, Subscription), 'Download' (Mac OS X, Windows, Other platforms), 'Work with us' (Labels and artists, Advertisers, Partners), and 'Legal' (Privacy policy, End user agreement, Gift card terms and conditions). There is also a language selector set to 'English' and a copyright notice for 2007-2008 Spotify Ltd.

“I realized that you can never legislate away from piracy.”

Daniel Elk, Spotify Founder

Problem: How could they get users to try a technology they've never heard of before (i.e., music streaming)?

Goal: To educate music lovers about the new streaming service that instantly brings high-quality music to users. And get users excited enough to try it.

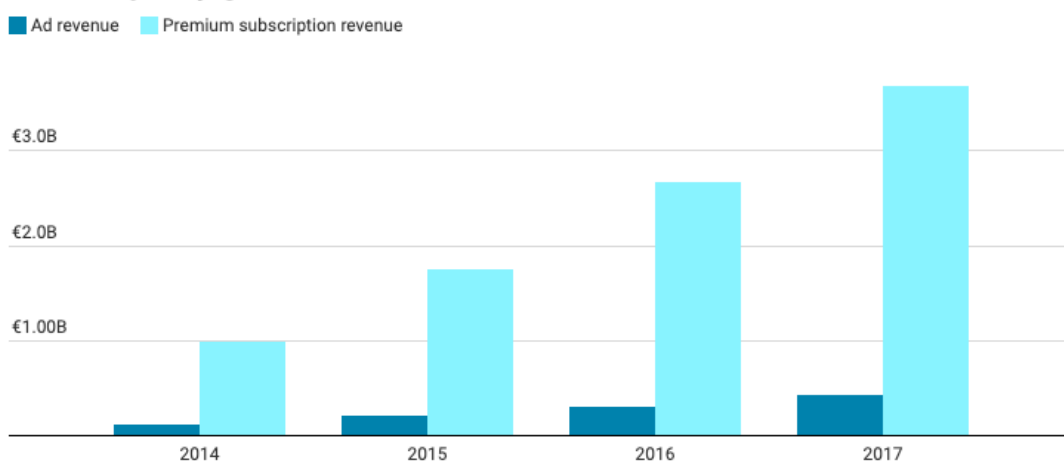
Solution: While Spotify was still in the developmental stage, it brought in a community of well-known music bloggers. The bloggers got excited and started a buzz about the new streaming technology.

Then the founders demonstrated to the four major music labels in the US their streaming technology and sold them 1/5 of their shares for roughly \$112,000. Spotify then invested in its product to make it high-quality and simple to use.

Results: By the time they launched their product, most people had heard of them. With the backing of major record labels, they had access to a premium music database, and Spotify really took off. The founders anticipated that once users experienced the quality of their product, they would happily upgrade to a premium version.

And it worked.

Where Spotify gets its revenue

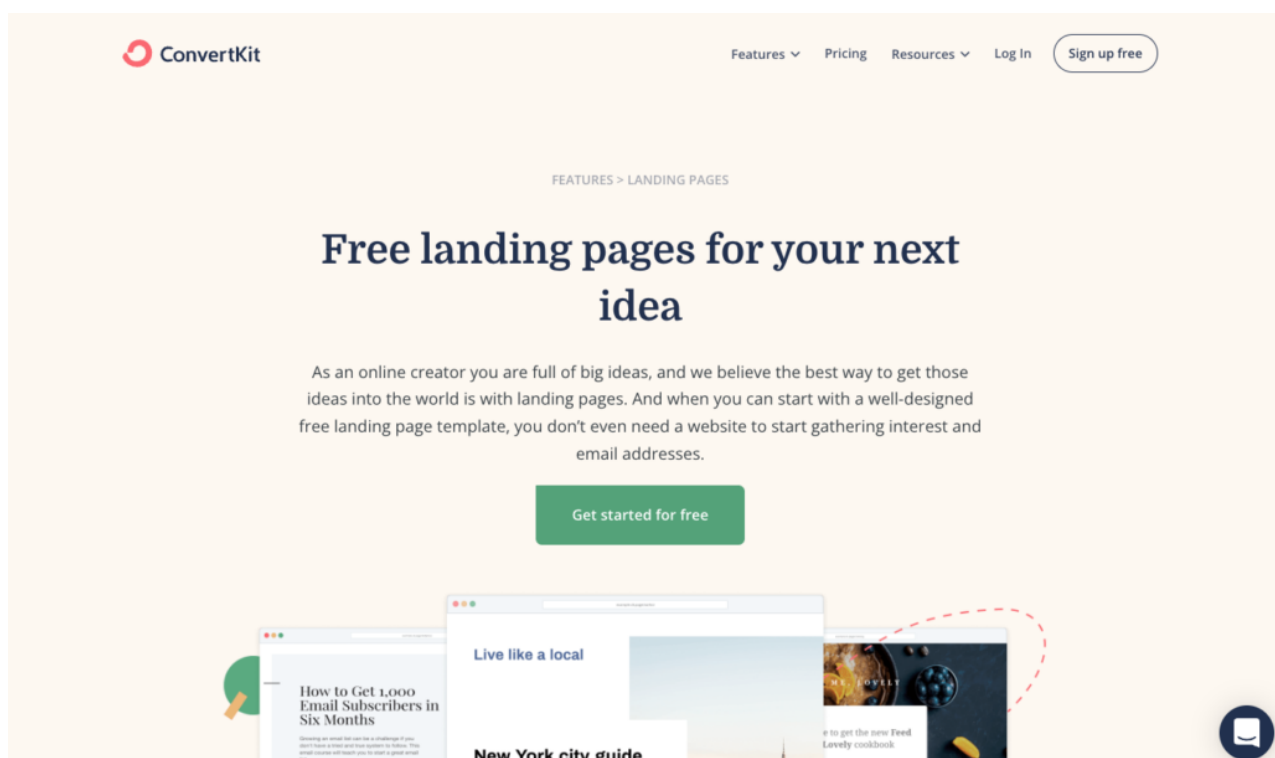


Source: Spotify • [Get the data](#) • Created with [Datawrapper](#)

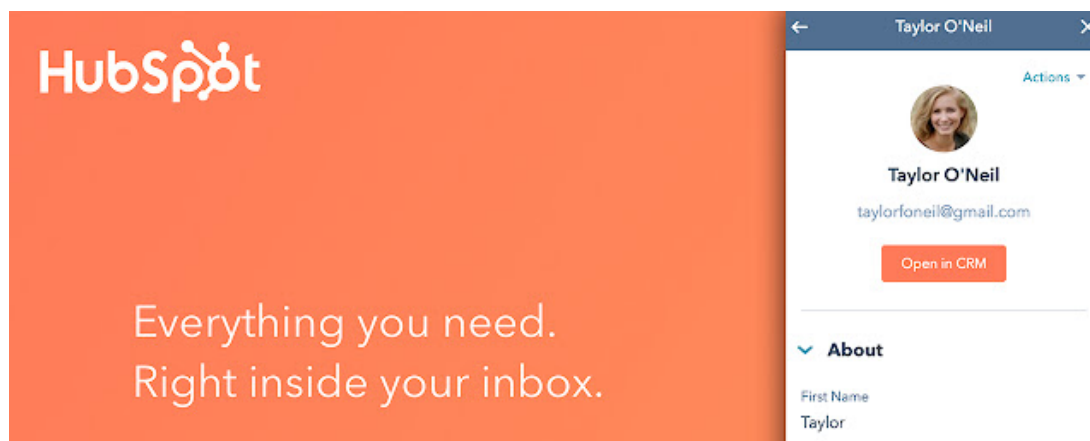
5: New Product

This model leverages all of the other product-led growth models. The main difference is that a New Product solves a different (but complementary) problem than the core product to satisfy the same user base.

For example, ConvertKit added a free landing page builder to their product.



Or HubSpot Sales added a free email chrome extension.



Even though the model is used alongside other products and PLG models, it still has distinct pros and cons.

Pros	Cons
<ul style="list-style-type: none"> • Best option if your current product only solves intermediate and advanced problems • Quicker to move to the PLG model with a new product in an established org. • Less risk with PLG effort. 	<ul style="list-style-type: none"> • Confusion and concerns between current products & new. • Marketing department scope with two different users to market.

Let's take a look at the risks and who this model is best for

Pros	Cons
<ul style="list-style-type: none"> • Resource waste • Costs more money • Confusing users • Long time-to-value • Cannibalization 	<ul style="list-style-type: none"> • Established companies where you don't want to disrupt your core product(s) • Products that require a complementary tool to make them easier to use • Solving beginner problems

Case Study: Vidyard

Vidyard is a video platform for companies using videos for marketing and sales. They boast a rich set of tools to help users upload and share videos.



Vidyard set itself apart from its competitors with a product that helps companies track user viewings and provides engagement analytic reports.

Problem: Businesses were forced to adapt to virtual communication because of the pandemic. As a result, many sales teams turned to user-generated videos to connect with customers and share ideas.

Employers also needed something simple to share instructional videos to train their employees on new tools needed for working remotely.

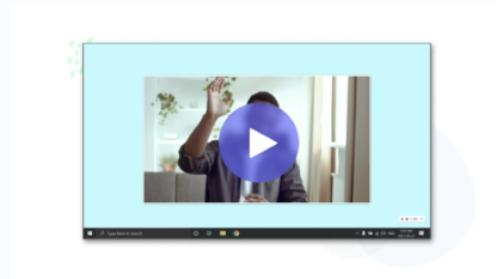
Goal: Create a new product to leverage the core product for remote offices during the pandemic.

Solution: They launched desktop apps for Mac and Windows to help professionals record and share high-quality videos.

Now Available!

Create and Share HD Video from Your Desktop

Vidyard for Desktop video software makes it easy to create high-definition videos. Record a presentation, spreadsheet, product demo, or anything else on your screen—including full-screen apps outside of your browser.

[Download for Mac](#)[Download for Windows](#)

Results: The Vidyard launch of a free desktop app for Mac and Windows in March of 2021 induced a 250% growth by June of 2021. Vidyard added 5,000 new business and enterprise customers in three months.

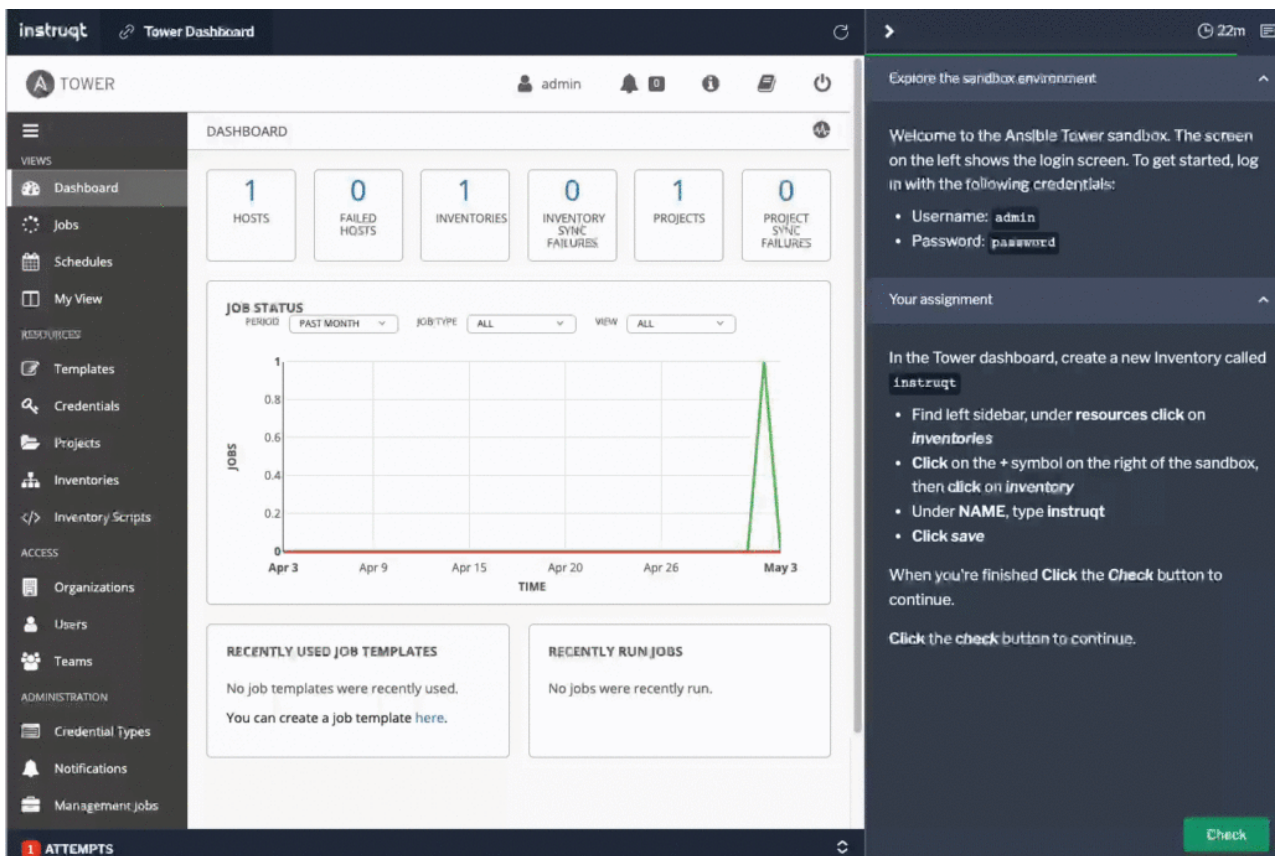
As of February 2022, Vidyard's customer base surpassed 250,000 companies as the business adoption of video continues to grow.

6: Sandbox

The value of some products can be hard to explain. Sometimes the most powerful and efficient way to lead a user to their “Aha!” moment is to play around with a product and see how its features can solve their problems.

While this seems a lot like the Freemium model, the main difference is the system is a self-led demo (training) that allows the user to explore the functionalities and features of a system before investing in the setup and team buy-in.

Below is a Sandbox model from Instruqt. Sandboxes are self-contained environments created using actual products/technology to match real-world scenarios, exposed to the user using just a web browser. In these sandboxes, users can learn and experiment with a wide range of tools and technology without worrying about breaking their production environment.



The Sandbox model can be very powerful if teaching is required to use your product.

Pros	Cons
<ul style="list-style-type: none"> • Show product value in the context of other technologies. • Fast setup removes friction from signup • More engaged users by guiding them through your software • Freedom to test everything • See the value in everything 	<ul style="list-style-type: none"> • No user personalization • No access to products beyond the lifespan of a sandbox

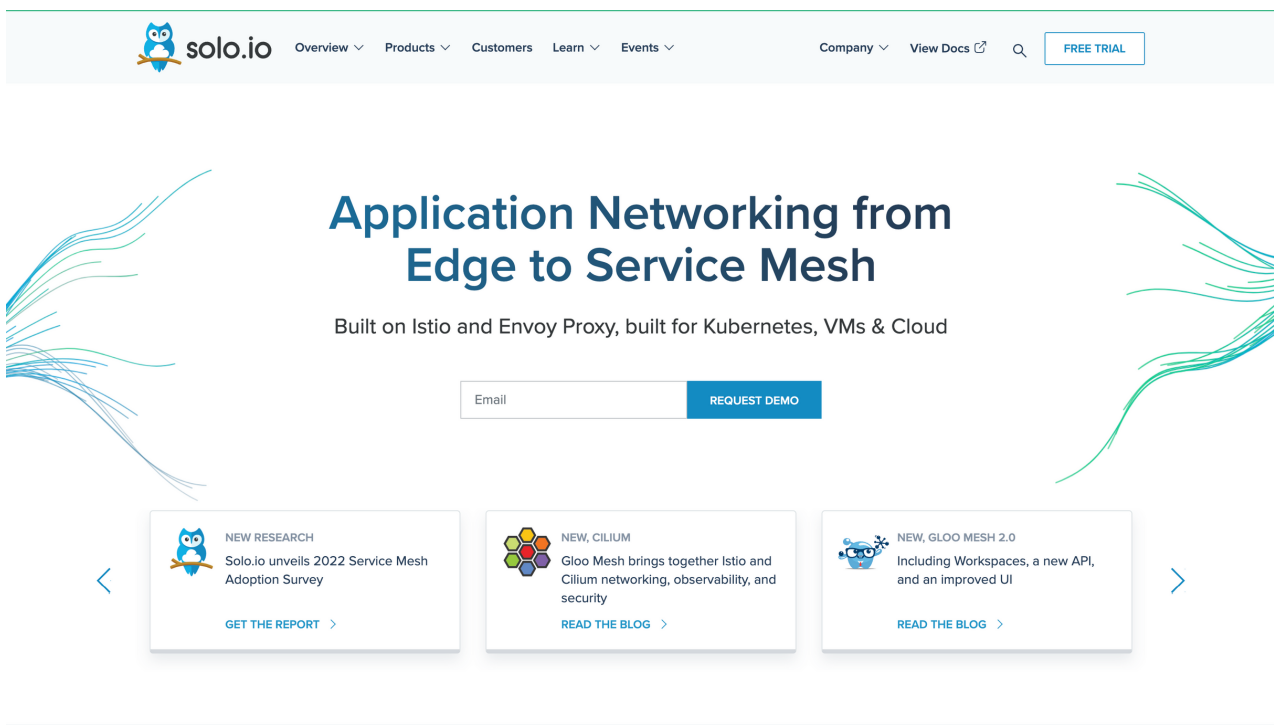
And finally, let's look at the risks and what it works best for.

Risks	Best For
<ul style="list-style-type: none"> • Time to value will be increased if you don't add storytelling to your content • High drop-off when content is not engaging enough 	<ul style="list-style-type: none"> • Apps that require a big setup • Complicated programs that are hard to explain • When key and differentiating features can be hard to find • When zero state provides a limited understanding of product capabilities

Case Study: Solo.io

Solo.io is a modern service connectivity company that delivers API infrastructure software. Using Solo, engineers and architects can manage application traffic with ease.

Solo.io focuses on two aspects of PLG. One is showing people how they can solve critical problems they have. And the second is to demystify it. All in all, it comes down to educating end-users and giving them hands-on access to their products.



Problem: The secret to getting technical buyers engaged is to offer hands-on product experience. ie, helping them experience the actual code and see the actual program. Getting hands-on is believing!

Goal: To allow technical buyers easily experience the value of Solo.io products hands-on by showing them how Solo.io can solve their critical problems.

ProductLed™

**We're challenging an entire industry to think differently.
At our core, we help businesses democratize whatever they're doing.**

We do this by creating the world's top training on how
to build a product-led business

[Learn more](#)



instruqt

We enable companies to embark on a product-led journey by putting buyers in the driver's seat.

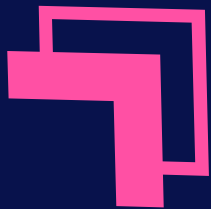
No software lives in isolation. With a browser-based private sandbox environment, it's never been easier to offer a hands-on experience for your customers to see how your product adds value in real life!

See how Instruqt help you succeed in the new way of selling.

[Learn more](#)



STOP SELLING, START EDUCATING



It's a mindset that even
the most traditional
software companies
can adopt.