



The guide to buying product experience software





About this guide

Buying software can be hard.

While you understand the potential value you can get from an investment, it feels risky, and the price tag can be stressful. You want to make sure you do it right.

We created this guide to help you navigate this process.

After helping hundreds of companies of all sizes, industries, and maturities navigate the process and choose the right solution, we've identified a proven process. Use this guide to choose the right solution, build the business case for it, and help get internal teams aligned. This guide contains the tools, context, and support you need to understand:



With the help of this document, you can build a strong case to help you get the budget you need to make the right software investment.



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Chapter 01

Why invest in improving product experiences?



Today, software is everywhere.

It has become integral in our everyday lives, both work and personal. This new digital world has created a wave of technically savvy users with **high expectations** for the products they use. Meeting and exceeding these new expectations is how modern companies gain an advantage. You can do this by offering a **better product experience**.

In this section:

The three key business benefits of investing in product experience:



**Increase software
adoption**



**Improve employee
productivity**



**Become
product led**



Increase software adoption

IMPORTANCE

Adoption by end users is a leading indicator of successful products. But without visibility into product usage, adoption or sentiment, teams have no way of understanding where users are getting value, and what they should build next.

IMPACT

Impact time spent in-app based on goals

Increase usage of key features with targeted messages

Increase user retention



Improve productivity

IMPORTANCE

Knowing what to build, and when, is crucial to using your limited resources efficiently. But without good data and customer communication, teams are forced to fly blind, making decisions on gut instinct or tribal knowledge.

IMPACT

Decrease operational costs by automating manual tasks

Reduce support strain by addressing most common questions

Decrease time to value by understanding user goals and helping them get there



Become product led

IMPORTANCE

Becoming product led means refocusing every team around the product as a primary means of acquiring customers, retaining users, and driving growth. However, without the tools to identify what drives churn, acquisition, or growth, and without the customer insights to drive a roadmap, being product led is out of reach. This can result in misaligned resources, loss in product differentiation, missed revenue opportunities, and more.

IMPACT

Decrease operational costs by automating manual tasks

Reduce support strain by addressing most common questions

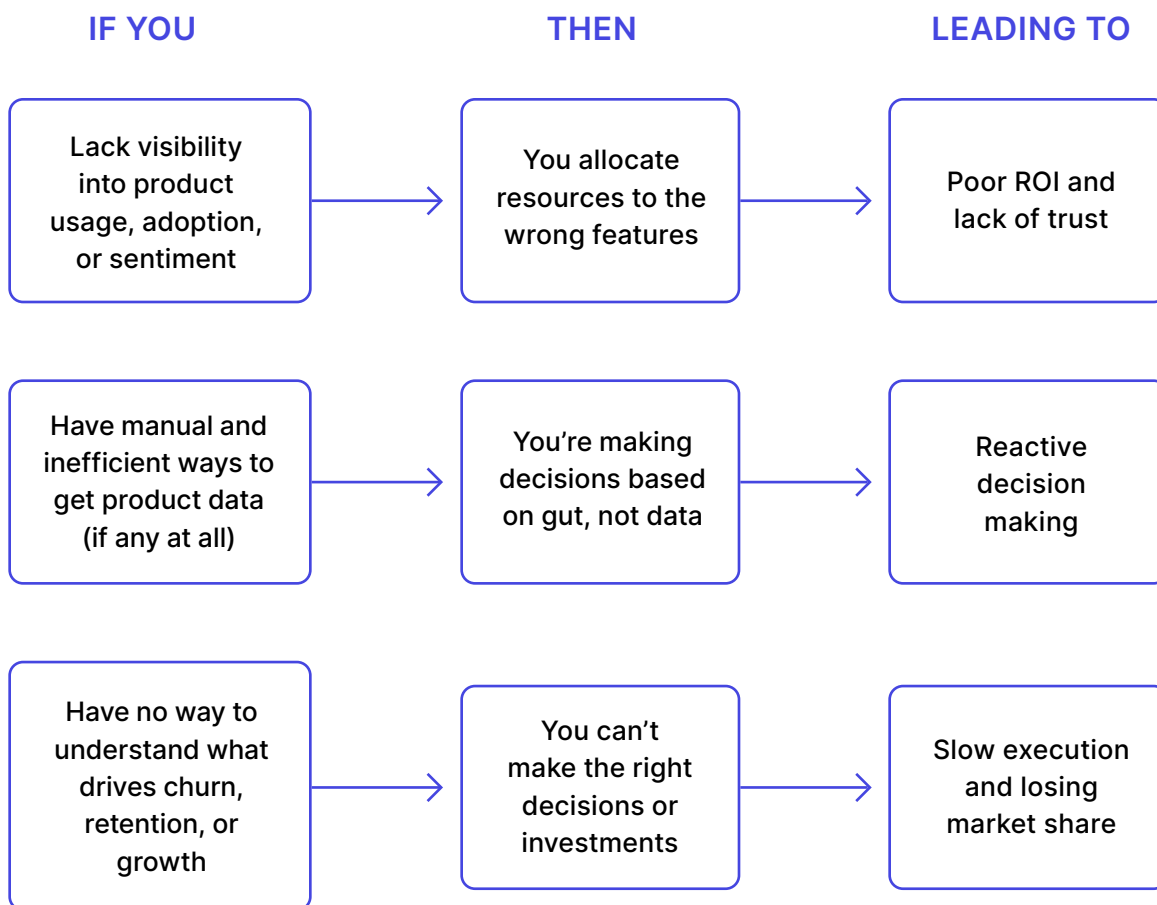
Decrease time to value by understanding user goals and helping them get there



Why now?

You might be wondering: “Why do we need to invest in a solution like this now? What we’ve been doing has worked so far.”

While your team may be getting by with existing solutions, or nothing at all, **making product decisions without insights or the tools to act on them is like an extreme game of telephone**: you’re attempting to make crucial decisions about investments of team, time, and budget with outdated incorrect fragments of information.



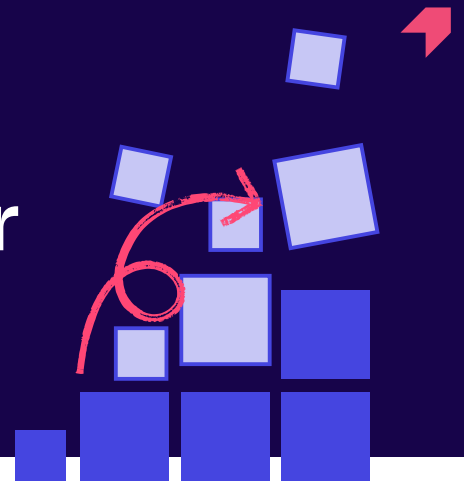
If you’ve made it this far, then you understand why it is crucial to invest in a solution to improve product experiences, and what you’re losing if you don’t do it now.



In the next section, we’ll break down what to consider when choosing a solution, and who needs to be along for the ride.

Chapter 02

Building your case for software investment



Now that you know it's the right time for a solution, it's time to navigate the decision-making process. Let's break down what you need to have at the ready to evaluate potential vendors, and communicate the value to other stakeholders.

In this section:

Identify your business outcomes

In order to properly evaluate a solution, you need to understand (and be able to articulate) the outcomes most important to your organization, and the impact those benefits will have. Identify which of the seven business outcomes are the most important to your business, and be prepared to use them once you start building your business case.

Building a business case

Make those business outcomes actionable by framing them in a business case. Quantify impact and communicate ROI by answering a few key questions based on the business outcomes you've identified.



Worksheet: Building a business case

Print [page 13](#) of this document to build your own business case as you work through this chapter.



Identifying business outcomes

Which of these benefits are most important to your business? Circle them, memorize them, and get them ready: the business outcomes are crucial to communicate to internal stakeholders.

Pro tip:

All the outcomes might sound compelling to you as you think about what you want to achieve for your organization. Try to select 2-4 of the most important business outcomes to work toward.

☐ Increase conversion, adoption, and retention

Investing in product experiences for your users will directly impact your product's conversion rates, adoption, and customer retention. This results in positive outcomes for your business: increasing revenue, decreasing churn, and improving your overall user satisfaction. By investing in product analytics and in-app communication tools, teams will understand and be able to directly impact these crucial metrics.

☐ Make data-driven product development decisions

When organizations invest in analytics, teams are able to understand user journeys and prioritize the most impactful product investments based on how users actually engage with the product. This gives product and engineering teams the power to prioritize the right work and evaluate impact based on data, not gut instinct.

☐ Reduce reliance on development resources

It is expensive and time-consuming to rely on engineering for something as crucial as analytics or customer communication. Automatic data collection means companies can access insights without having to submit a request to development teams. Investing in the right tools gives teams the ability to send personalized communication directly to users in the product, at just the right time, without requiring development support.



☐ **Collect and prioritize user feedback**

Collecting regular user feedback helps teams understand the improvements customers actually want. This gives teams the visibility they need to solve the right problems and innovate faster. By investing in a tool to gather feedback directly from users, organizations can be confident they're working toward building the product their customers will value.

☐ **Decrease time to market**

Give your teams the insights they need to iterate faster. By investing in a tool that can give them valuable insights at their fingertips, there's no more waiting around for the data to back up decisions. Products can get to market faster, resulting in faster time to revenue for the business and faster time to value for the customer.

☐ **Reduce strain on support teams**

Automating the most common support concerns for users speeds up your support team's response time while freeing them up to focus on strategic work. Investing in regular feedback collection helps support teams understand users' problems. Once they understand users, give them the tools to communicate directly with users where they are running into problems.

☐ **Improve your customer's experience**

A more data-driven product is a better product. Data gives teams the power to understand what users really want and need, giving them the power to create an ever-improving customer experience.



Worksheet: Building a business case

List 2-4 desired business outcomes in column one of your business case worksheet.



Next, we'll show you how to frame these outcomes in the business case you use to get buy-in for your investment.



Building a business case

Once you've tied the business outcomes you're looking to achieve to a broader area of value, it's time to construct your business case.

What is a business case?

A business case takes those high-level business outcomes you're hoping to achieve, and makes them actionable and specific to your organization. By building a business case around your ideal outcomes, you can help stakeholders understand the ROI of a solution, and the potential value for your business.

In order to build a case around the business outcomes you are looking to achieve, you should tie those outcomes to the biggest needs of your organization. This likely falls into one or more of the following areas of value:



Revenue

Is your business missing out on ways to generate more revenue?



Cost savings

Are there areas where employees are wasting time on repetitive tasks? Are there other inefficiencies in the business?



Risk mitigation

Is your business doing all it can to prevent customers from leaving?

Pro tip:

As part of your evaluation, consult with domain experts both internal (e.g., head of customer support) and external (e.g., value consultant) to help you understand what success looks like and how best to measure it.



Building a business case: Step-by-step

01 Frame business outcomes

On the next page, start by listing out the business outcomes you identified as a priority for your business. For each outcome, ask the following:

- ◆ What is the pain or challenge you are experiencing today?
- ◆ How would you quantify the impact of that pain or that challenge?
- ◆ What industry benchmarks can we shoot for?

02 Quantify potential business impact

Once you've identified the business challenges and quantified target outcomes, next quantify the impact. In other words, how can you measure the potential impact the solution can have on your business?

Use benchmarking data to quickly estimate value based on the experiences of other organizations. Benchmarks also help organizations identify best practices, address shortcomings, communicate performance expectations, and measure progress.

For each outcome, utilize benchmarks and any other relevant data inputs to quantify the business value for the organization (e.g.). This might require some internal research or industry benchmarks, but getting as specific as possible will help build a compelling case for the true impact, backed by numbers.

03 Calculate the potential return on investment (ROI)

Once you understand the challenges you're experiencing and document the impact of solving those challenges with the right investment, the final step is to tie these outcomes to ROI.

To understand ROI and make an informed decision, you need to evaluate business value returned vs. the cost of the solution. It'll be a valuable tool to determine how your company will drive maximum profit.



The formula to calculate ROI is:

$$\text{ROI} = \frac{(\text{investment gain}) - (\text{cost of investment})}{(\text{cost of investment})}$$

Investment gain

The money you intend to generate or money you intend to save (via cost reduction) from software implementation. Additionally, the time you can save with software, and the extra work you are able to execute on is considered investment gain.

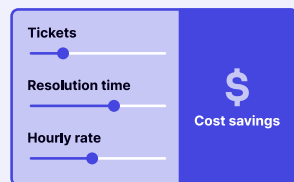
Cost of investment

Primary costs: money you plan to spend on the software investment (including licensing, professional services, or integration fees).

Indirect costs: Additional costs associated with purchase of software, including resources to implement and train users across business units.

Need some examples?

Pendo has taken a first pass on pre-built financial models to prove ROI.



Customer support calculator
Quantify how much time your organization can save



Customer churn calculator
Quantify impact on customer churn

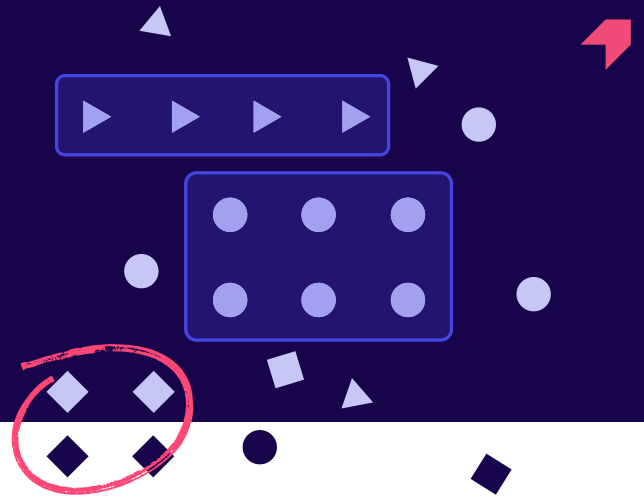
Worksheet: Building a business case

Here is your business case worksheet. Use this to quantify the business outcomes you’re looking to drive with a product experience solution.

| Business outcome | What pain or challenge are you experiencing? | How would you quantify the impact of that challenge? | What industry benchmarks can we shoot for? | Potential business impact |
|---|--|---|---|--|
| Example: reduce strain on support teams | Example: Our support teams are inundated with support tickets every month. | Example: It typically takes our customer support team X hours per month to resolve support tickets, which costs the company Y dollars per year. | Example: Common industry target is 5%-15% reduction in support tickets. | Example: 10%-25% of Y dollars spent per year on support tickets equals cost savings driven by the solution |
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Chapter 03

Getting internal buy-in



With business case in hand, your next step is to get aligned with internal stakeholders across your organization. There are two types of stakeholders: Buyer stakeholders and user stakeholders.

In this section:

Part I Buyer stakeholders

Buyer stakeholders are leaders from various teams who should be brought along throughout the purchase process, since they will have questions and objections you can be prepared to address.

Part II User stakeholders

Next you will drive buy-in across user stakeholders, the teams and contributors who can leverage these new tools to do their jobs better. This is a crucial step to ensure they are bought into the opportunity of this software investment.



Getting internal buy-in

Part I Buyer stakeholders

It's time to align with the stakeholders who should be involved in the decision to purchase a solution. No purchase process is ever identical, but this section should help you identify the right groups to involve, and prepare you for some of the common objections you might hear (and how to navigate them).

Buyer stakeholders to involve:

- ✦ **Product leadership**
- ✦ **Engineering**
- ✦ **Security**
- ✦ **Legal**
- ✦ **Data science**

Key factors to consider for enterprise businesses

Data residency

Do you have data residency requirements associated with interpretation of regional policies/regulations? All environments should have GDPR, CCPA, and HIPAA capabilities.

Data privacy

Does your organization have specific privacy requirements? This could include user metadata, cookies, data exclusion, IP address collection, or URL sanitization.

Employee controls

What employee permissions or SSO requirements does your organization require?



Buyer stakeholder → Product leadership

Product leadership will be a crucial decision maker, since they typically own the product experience for users. Budget is often held here (though not in every case); therefore, it is crucial leaders understand the key capabilities the solution has to offer, and why it is a crucial investment. Fortunately, a product organization should ultimately benefit the most from investing in tools to improve product experiences, so they should understand the opportunity in front of them.

OBJECTIONS

HOW TO ADDRESS THEM

We already have a variety of existing tools that we've invested in. Why do we need another one?

Analytics are a must-have to understand how your product is used, in-app communication allows you to make sure it's used to its full potential, and feedback helps you make the right investment. Each of these components are crucial for building a better product, and should connect with other tools in your stack to give you the insights to make better decisions.

We talk to customers all the time. Isn't that enough?

Customer interviews are one helpful tool to get insights, but it is only one piece of the puzzle (and a time intensive one at that). By augmenting customer interviews with product analytics, you can get quantitative and qualitative insight into your product, to see the complete picture.

A solution like this is too expensive. Our current processes work for now.

This is where you put that business case to work. Lean into the pain you or your teams are experiencing today, and how this proposed solution can address it. Highlight the quantitative business value metrics from your business case to show the cost savings, sales opportunity, and ROI associated with the solution.

What's in it for product leadership?

- ✦ Product organizations can optimize and accelerate their jobs to be done and in some cases, accomplish jobs to be done that weren't possible before.
- ✦ Improve attributes of a successful product organization by increasing collaboration across teams, driving a culture of data driven decision-making, and increasing user empathy.



Buyer stakeholder → Engineering

As the stakeholder actually responsible for building products, their input and the importance of their time spent during evaluations cannot be understated. Engineering is also responsible for implementing a solution like this, so their buy-in will be crucial.

OBJECTIONS

HOW TO ADDRESS THEM

Will this affect application performance?

While a solution gathering analytics and enabling no-code in-app messages and feedback collection will require data transmission, the solution provider should be built to minimize the impact on your application.

Does this compete with APM and log management tools?

APM tools and platforms are oriented towards things like application performance and code usage, which is important but satisfies a different need. Also, APM solutions don't leverage in-app messaging to aid in feature discovery, ticket deflection, etc.

We have a unique application. There's no way a solution like this would work for us.

While specific installation might vary across applications, every product can (and should) benefit from analytics and in-app guidance. As long as javascript is running on the page, this solution works for you.

What's in it for engineering?

- ✦ Reduced overhead in instrumenting their own or other analytic solutions.
- ✦ Reduced engineering efforts aimed at building in app educational content or messages
- ✦ Data that validates and guides the work that they do (a more focused roadmap makes Engineering work even more impactful).



Buyer stakeholder → Data science

Data science teams provide the backbone of business intelligence for the rest of the organization to consume. Getting their buy-in on a new source of insights for your product will help decrease time-to-value of your new solution, and create a connected data ecosystem across your organization.

OBJECTIONS

HOW TO ADDRESS THEM

Our team already uses [Google Analytics, Adobe]. Can't we accomplish the same things in those tools?

These tools are very different. Product analytics solutions provide first-party data from your product and surface insights into that data. In-app guidance then provides a way to take action on that data within the product, and feedback collection allows you to hear directly from your customers.

Can Data Science benefit from a tool like this?

Yes! In addition to collecting first-party data and providing insights, the solution you invest in should connect with the other tools that data science teams are using, to provide an even more holistic data set.

What's in it for data science?

- ✦ First-party data to consume and merge with other data sources.
- ✦ Direct insight into product performance for product managers, thereby freeing up data science teams to run more complex workloads.
- ✦ A flexible and powerful API to leverage for granular event information or evaluations.
- ✦ Data connections to consume data directly in their warehouse.



Buyer stakeholder → Security

The goal of the security team is to protect the company's assets, systems, and communications from internal and external threats. They should be involved in any software purchase decision to ensure they get answers to all security-related questions and are confident in the safety of a new solution.

OBJECTIONS

HOW TO ADDRESS THEM

Does this open us up to more security risks?

Using any tool can increase security risks. However, any solution that you invest in should consider security to be core to how the solution is built. Security teams will ask for the vendor's security controls such as SAML based authentication and permission controls.

How can we ensure the security and privacy of customer data?

Any solution you're considering should be vocal about meeting industry security standards: SOC2 and GDPR compliance.

How can we manage access?

When evaluating a solution, ask how you will be able to manage permissions. If this is crucial for your organization, you should invest in a solution with SAML-based authentication.



Buyer stakeholder → Legal

Legal is a required step in nearly every procurement process. Bring these stakeholders in early to understand and agree on important contract details earlier rather than at the last minute.

OBJECTIONS

HOW TO ADDRESS THEM

Is this solution GDPR, CCPA, and HIPAA compliant?

This should be a non-negotiable “yes”: Any analytics solution should meet these important industry standards.

How would our data be used?

The data your solution collects will predominantly be used by your internal teams to accomplish their goals. However, your solution provider will also have access to the data so they can identify usage trends, preferred features, and ways to optimize offerings.

What visitor data is collected?

Typically, solutions such as these only require a unique ID for your end users, with all other data being optional.



Getting internal buy-in

Part II User stakeholders:

Teams that can leverage product experience software

As you communicate your business case with internal stakeholders involved in the buying process, you should also bring user stakeholders along. Make sure they are aware of the potential investment and how it can help them achieve their objectives. By getting potential users up to speed on how this solution could complement the work they are already doing, you will position your entire organization well to get value from your software investment.

User stakeholders to involve:

- ✦ Product management
- ✦ Design
- ✦ Customer success
- ✦ Marketing



User stakeholder → Product management

Product Management teams own product strategy. They deeply understand users, their problems, and company goals. They are responsible for prioritizing the product roadmap with engineering, as well as aligning cross-functional teams to build better products, increase adoption, and grow the business. These teams use product insights to become more data-driven, leverage in-app communication to reach users at the right time, and capture user sentiment with product feedback tools.

How they use product experience software:

- ✦ Decrease reliance on engineering with easily accessible product data and no-code in-app communication
 - ✦ Easily gather insights about users to improve data-driven decision making
 - ✦ Create a better onboarding and user experience with in-app guidance
 - ✦ Increase adoption of products with targeted release announcements
 - ✦ Make informed roadmap decisions and prove value based on user feedback
-

User stakeholder → Design

Design teams set the strategy for how users experience a product. Qualitative and quantitative product data can help them make better decisions and build a better in-app user experience.

How they use product experience software:

- ✦ Make design decisions with product data and user sentiment
- ✦ Easily access usage data on specific areas of the product
- ✦ Test and improve the user experience with iterative feedback
- ✦ Create a better onboarding experience for important areas of the product with no-code guidance directly in-app



User stakeholder → Customer success

Service teams own the customer experience. These teams leverage in-app communication to reduce churn and increase retention and adoption. These teams also value how product analytics help them make better decisions.

How they use product experience software:

- ✦ Quickly gather insights about customers, their usage, and their problems to inform support
 - ✦ Conduct NPS surveys to keep a pulse on customer sentiment
 - ✦ Create a customized onboarding experience without engineering
 - ✦ Proactively guide users through key workflows
 - ✦ Increase retention and reduce support costs with in-app feedback collection
 - ✦ Centralize and act on product feedback with a single source of truth
-

User stakeholder → Marketing

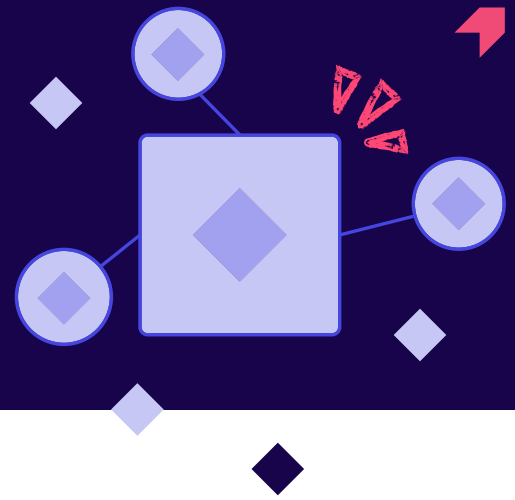
Marketing teams are responsible for growing the business at scale. Product-led marketing teams can leverage targeted in-app guidance, based on where the data says that prospects and customers are already getting value from the product.

How they use product experience software:

- ✦ Easily tap into insights about customers, based on the segmentation they care about
- ✦ Increased feature adoption in key product areas, or based on upsell or cross-sell opportunities
- ✦ More control over creating an improved customer experience, from onboarding to user retention

Bonus Chapter

Building a center of excellence (COE)



A center of excellence (COE) is a centralized team that defines objectives and scope of work in light of organizational priorities and the COE's internal customers' needs. The individuals that make up this COE drive software adoption through best practice standardization and thought leadership across the business.

An effective COE develops a structure for consistent, scalable, and effective use of product analytics and in-app engagement that help drive your organization's company-wide initiatives.

In this section:

- ✦ **Impact of a COE**
- ✦ **Establishing a COE team**
- ✦ **Launching your COE**



What's the impact of a COE?

An effective COE can help **align and achieve organization-wide business outcomes**.

Establishing a Center of Excellence will allow your organization to become more product-led while placing the product experience at the center of your customer experience.

Establishing a COE team

Project lead

- ✦ Primary point of contact between vendor and your organization
- ✦ Deep knowledge of the platform
- ✦ Build and maintain leadership consensus
- ✦ Oversees rollout, permissions and overall usage of the platform
- ✦ Establishes the data structure and governance strategy

Department lead

A cross functional team from various departments such as Product, UX, Marketing, and Support

- ✦ Communicate the goals of respective departments
- ✦ Lead launch of new solution across their team
- ✦ Leverage the shared dataset to drive outcomes

Technical lead

- ✦ Work with engineers to ensure any technical requirements are fulfilled
- ✦ Oversee reliable instrumentation of the application's pages and features
- ✦ Run technical check-ins
- ✦ Educate internal users on the technical setup

Methodology lead

A cross functional team from various departments such as Product, UX, Marketing, and Support

- ✦ Responsible for creating and documenting review processes, workflows, templates, running regular audits



Launching your COE

☐ **Prepare a COE communication plan**

Design customized communication plans to launch the COE, clarifying how, when and why internal customers should partner with the COE.

☐ **Sustain engagement with internal customers**

Highlight COE success stories and progress against metrics, create recognition programs for internal customers and conduct networking events to build the COE's credibility and drive utilization.

☐ **Share business impact**

Track performance against your business case, and share how the solution, and buy-in across teams, is driving toward those success metrics.

☐ **Run regular surveys**

Run surveys regularly with internal stakeholders to get feedback on COE's performance.



Conclusion

Extraordinary product experiences don't happen by accident.

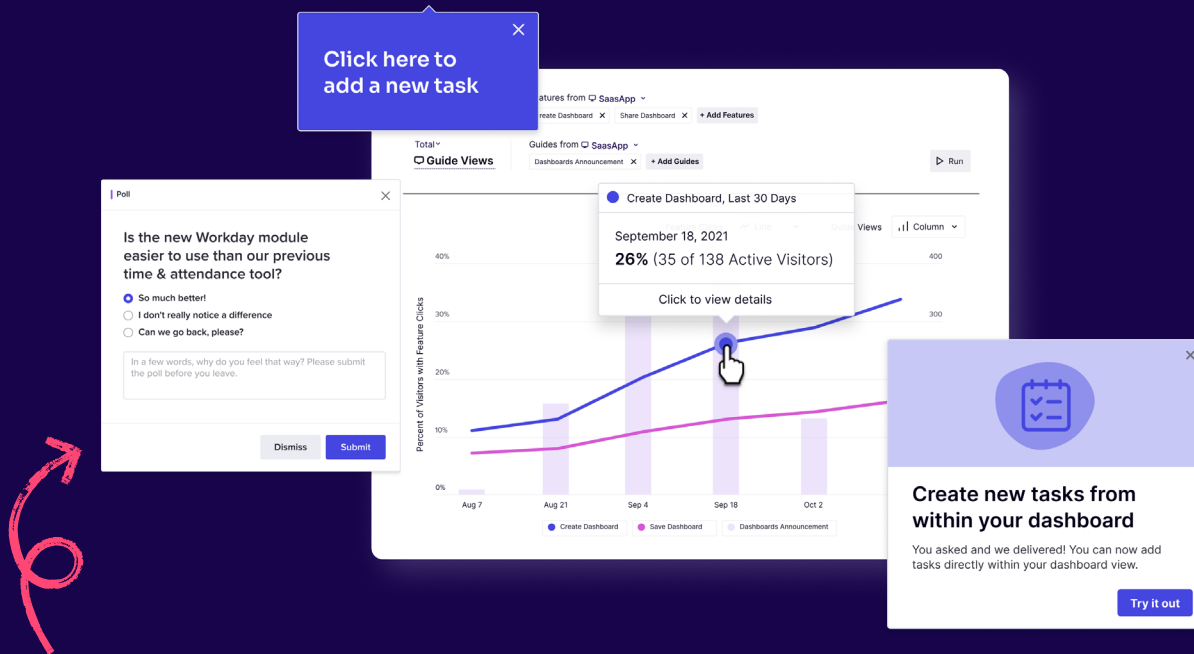
It requires the right product analytics to help teams understand how your product is used, powerful in-app guide capabilities to make sure it's used to its full potential, and feedback tools for knowing where to take it next.

By investing in a solution that empowers your entire organization with these capabilities, you give them the tools to increase adoption of your product, increase their productivity, and become product led.

Here's a quick recap of the actions you can take to get buy-in for an investment:

- ☐ **Readiness assessment:** Why invest in a product experience solution now?
- ☐ **Identify business outcomes** you want to drive with this investment
- ☐ **Build your business case** to tie the investment to the potential impact
- ☐ **Engage the right internal decision makers** to ensure you address common objections
- ☐ **Involve potential internal users** and get them excited about the investment
- ☐ **Build a center of excellence** to create effective internal processes

With the help of this document, you can build a strong case to help you get the budget you need to make the right software investment.



What is Pendo?

Pendo is software that makes your software better.

Pendo helps teams of all sizes put their product at the center of their business so they can create the best customer experiences possible. With Pendo's complete product adoption platform, you can combine retroactive usage analytics, in-app messaging, and feedback tools to better understand, guide, and close the loop with your users. And it all works at scale—no coding necessary.

Pendo customers include the world's leading software companies and digital enterprises, including Verizon, Morgan Stanley, LabCorp, OpenTable, Okta, Salesforce, and Zendesk.

Experience how Pendo works: www.pendo.io/demo-center

Ready to get started?

Schedule a demo today.

www.pendo.io