THE VIEW AHEAD

Product management
in Europe's new normal

pendo

Intro

At Pendo, we've made it our mission to provide the product community with up-to-date resources and insights that can help you thrive. Since we published 'The State of Product Management 2020: Europe,' the world encountered COVID-19, and everything changed. We wanted to get ears on the ground and learn how product leaders are adapting to the 'new normal' we find ourselves in.

We reconnected with product professionals, looking to paint a picture of the current European product landscape. Before the pandemic struck, organizations had begun viewing product as the center of their business strategy. We wanted to learn how leaders felt COVID-19 had impacted their business, changed their priorities, and transformed their vision for the future.

No matter the different rates of spread or government restrictions, every region has felt the pandemic's effects.
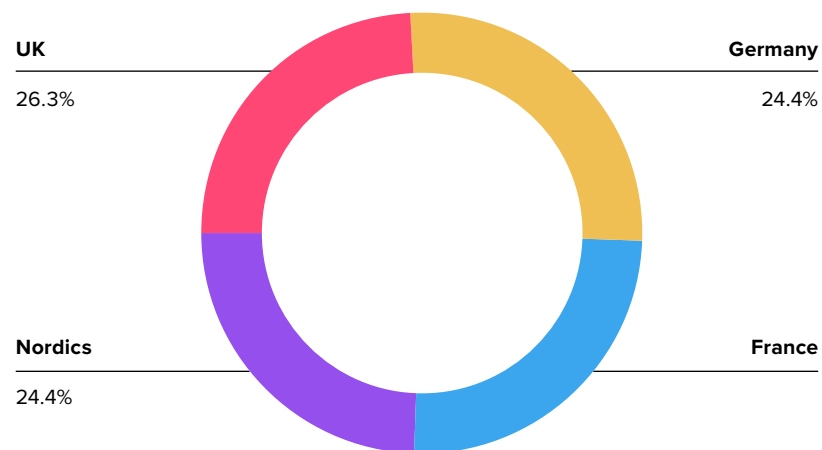
We are part of a global community that's finding its place, and we can look to each other for answers. You likely face the same challenges and use the same tools and tactics as your fellow product professionals around Europe.

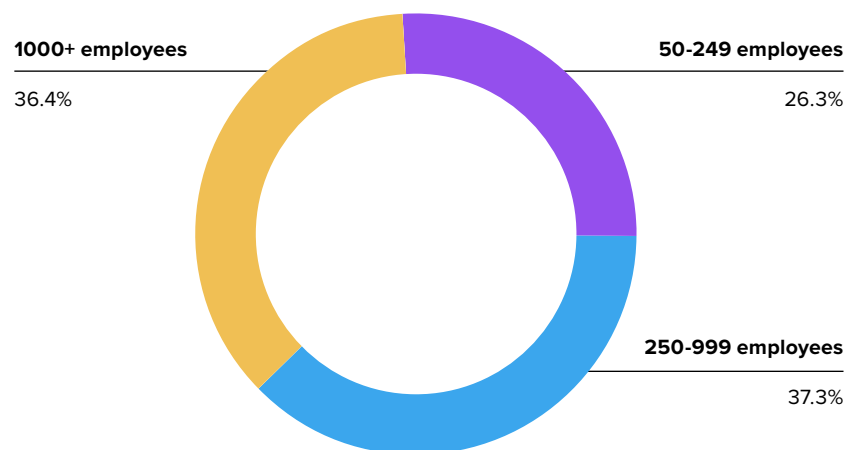Let's look into how COVID-19 has changed the landscape for Europe's product community.

Inside the report, you'll discover how Europe's approach to product management has shifted since the start of the pandemic. Learn how product leaders think the future will play out, plus how perspectives and priorities differ in France, Germany, the Nordics, and the UK.
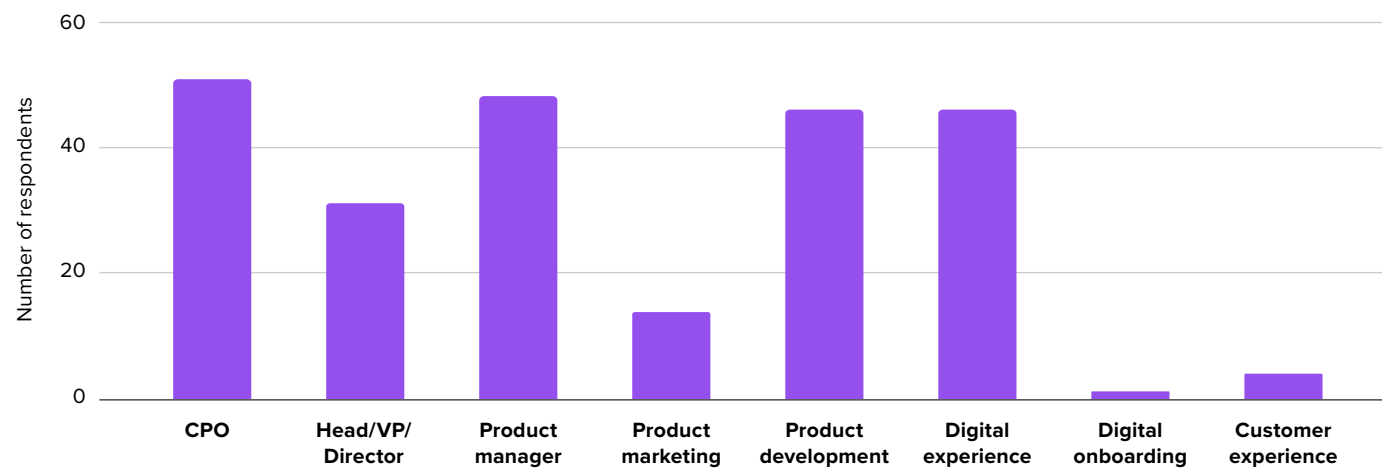
Who we surveyed

SaaS businesses across Europe

UK

26.3%

Germany

24.4%

Nordics

24.4%

France

All business sizes from start-up to enterprise

1000+ employees

36.4%

50-249 employees

26.3%

250-999 employees

37.3%

Leaders from across the product function

Number of respondents

	CPO	Head/VP/ Director	Product manager	Product marketing	Product development	Digital experience	Digital onboarding	Customer experience

Finding 1

COVID-19 has impacted business growth,
but product-led efforts are still on the rise

We know the pandemic has dealt some blows to business, and our survey confirmed the inevitable, but not to the extent you might expect. Nearly one-third of product leaders (32%) reported a slump in growth against pre-pandemic projections, but double that figure enjoyed an average growth rate of 27%. Before the pandemic, companies began putting product at the heart of their business and product-led strategies played an essential role in business growth. Our respondents agreed, with sales and marketing strategies further down the pecking order. Every country trended significantly towards a product-led strategy except Germany, who plumped for a sales-led approach.

Despite its harsh impact in some areas, COVID-19 has not slowed down this product-led momentum. Across the whole of Europe, strategy implementation has reached advanced stages. Almost every respondent had either fully established their strategy throughout the business (45%) or remained in the developmental phase (44%).
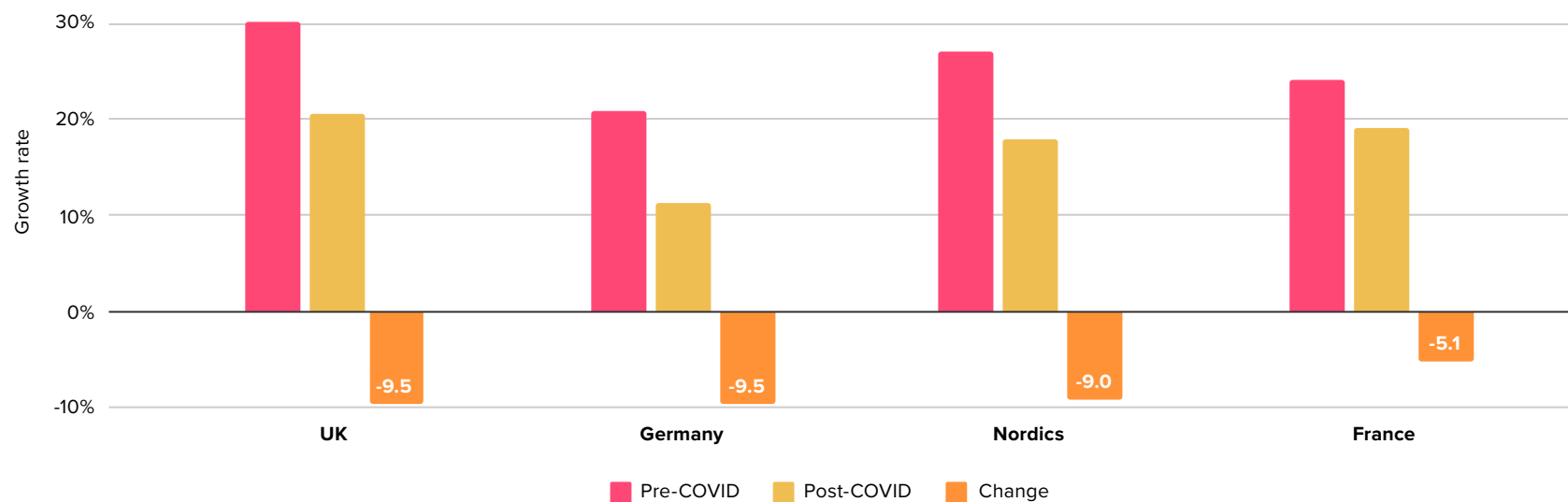
At a country level, France and the Nordics are forging ahead with full implementation, with Germany and the UK still setting things in motion in the developmental phase. Combining every nation's response illustrates just how advanced European businesses are in their product-led journey.
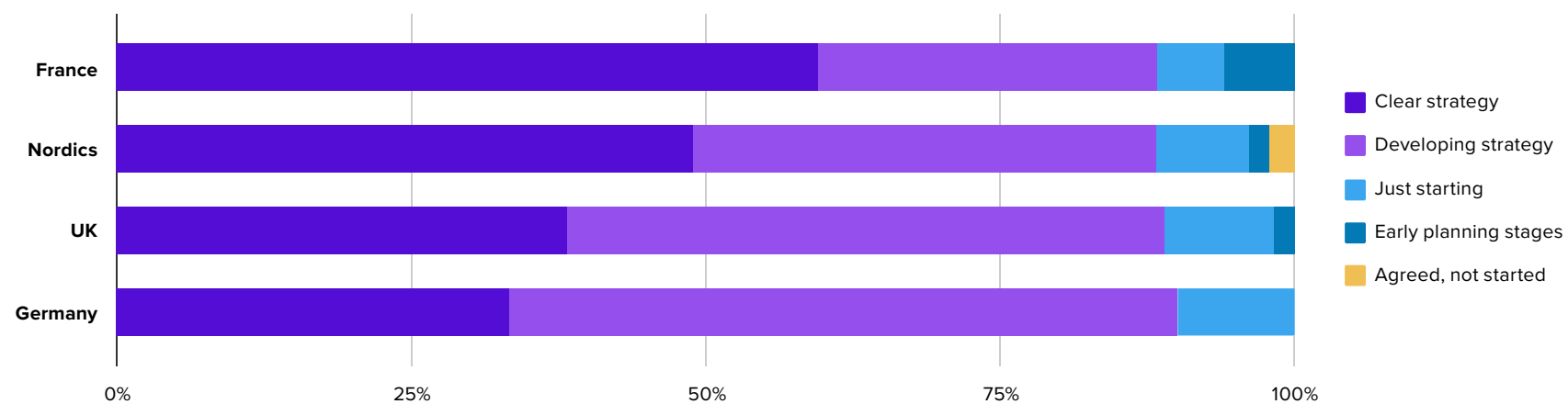
Insight

Businesses are taking a product-first approach to customer experience

If you champion product as the future of customer experience, the data proves your stance is the right one. Over three quarters of leaders believe that product is ready to take the driver's seat in the race to enrich customer experience. Nearly the same number agree that personalized customer experiences will saddle up in the passenger seat.
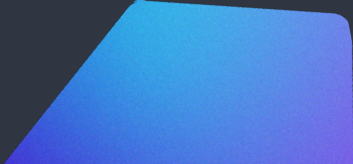
Growth rates pre- vs. post- COVID by country

Growth rate

- UK: Pre-COVID ~30%, Post-COVID ~20.5%, Change -9.5
- Germany: Pre-COVID ~21%, Post-COVID ~11%, Change -9.5
- Nordics: Pre-COVID ~27%, Post-COVID ~18%, Change -9.0
- France: Pre-COVID ~24%, Post-COVID ~19%, Change -5.1

Legend: ■ Pre-COVID ■ Post-COVID ■ Change

Product-led strategy by country

Legend:
- Clear strategy
- Developing strategy
- Just starting
- Early planning stages
- Agreed, not started

Finding 2

Product digitization is one of many areas
that have been positively affected

When a pandemic knocks the wind out of the global economy, you might envisage a severe downturn in fortunes for the product community, but that didn't seem to universally happen. In fact, product leaders believe this pandemic has given some areas of business a boost.

Product digitization has seen the most positive impact (net 54%) while customer engagement, customer satisfaction, and product development followed closely behind. This suggests that businesses are looking to amplify the value they deliver their current customers – consolidating their base – as enticing a new crowd in this economic climate might be difficult.

Insight

Bouyancy at the helm is driving positivity

You might have expected this crisis to suck the positivity from product leadership, but the outlook from all management levels is inspiring. We could attribute this mindset to the community's ability to push forward and succeed against the odds. From the very top, CPOs reported their strong belief that product and product teams will have a significant impact on all business areas, while every leader downwards – from the heads and VPs of product to the product marketing manager – felt the same way.
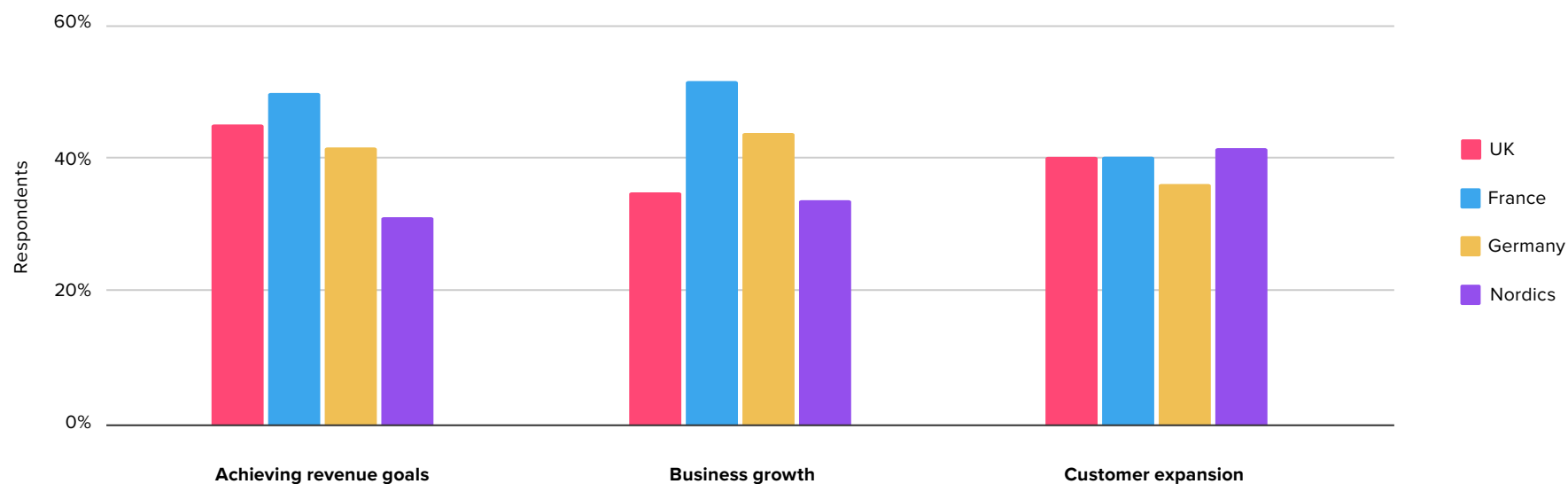
Net positive impacts during COVID by country

Legend: UK, France, Germany, Nordics
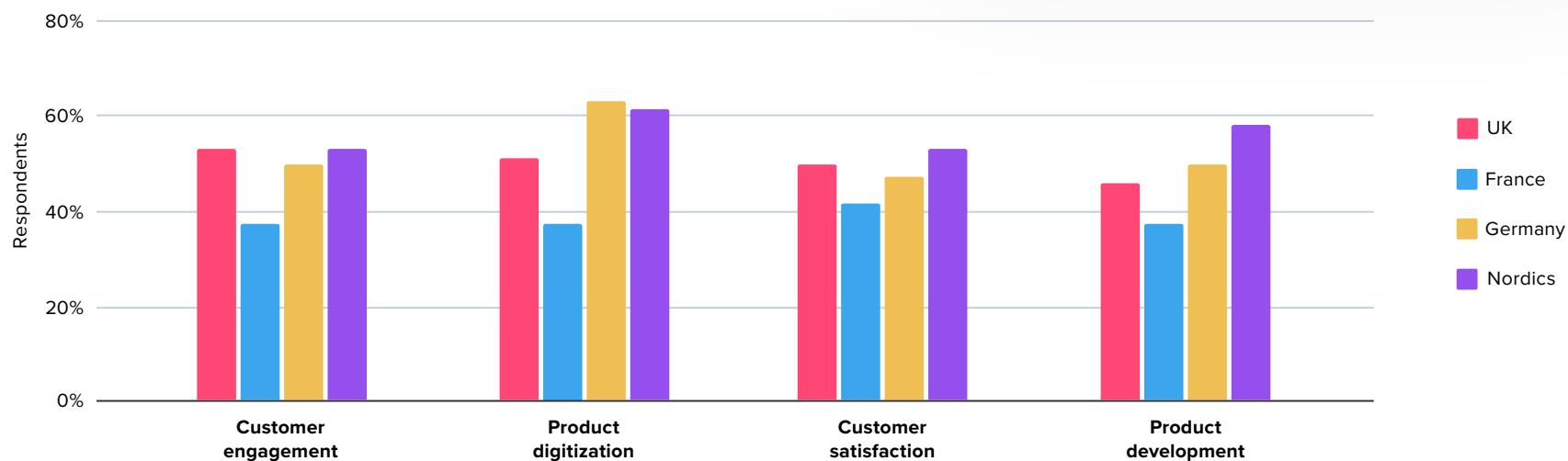
While it's not all doom and gloom, some areas did take a bashing, and as expected, revenue absorbed the biggest blow (42%) alongside business growth (42%) and customer expansion (40%). This shows that companies are pulling back, strengthening their position, and seeking out real estate in this changing landscape.

France felt the heaviest impact on revenue, with half reporting a negative impact. The UK has split down the middle while Germany and the Nordics have managed to buck the trend, limit COVID-19 effects, and achieve a net positive. France struggled the most with customer churn, which no doubt impacted their ability to meet revenue goals.

Net negative impacts of COVID by country

Grouped bar chart titled "Net negative impacts of COVID by country". Y-axis labeled "Respondents" ranging from 0% to 60%. Three category groups along the X-axis: "Achieving revenue goals", "Business growth", "Customer expansion". Bars colored by country: UK (pink), France (blue), Germany (yellow), Nordics (purple).

- Achieving revenue goals: UK ~45%, France ~50%, Germany ~41%, Nordics ~31%
- Business growth: UK ~35%, France ~52%, Germany ~44%, Nordics ~34%
- Customer expansion: UK ~40%, France ~40%, Germany ~36%, Nordics ~41%

Finding 3

Product teams are shifting focus,
and R&D investment is increasing

When we asked product leaders how their own team's primary focus areas had changed since the outbreak, we found a complete turnaround in priorities.

Before the pandemic, 44% of leaders reported that customer growth stood on top of their priority list. Customer retention secured second place (40%), while product engagement and revenue generation came in third and fourth. Every single one of those areas dropped in focus because of the pandemic, with customer growth falling 11 percentage points.

We could attribute plenty of reasons to this shift in focus and approach. Customer needs took a sharp turn, and product teams were forced to adapt. Countries began restricting physical interactions, and technology played an instrumental role in helping society – both in people's personal and professional lives – migrate into the new normal. Naturally, priorities for product teams needed to change.

Most of us can attest to the critical function that research and development (R&D) plays in innovation and overall business growth. Our survey reflects this idea, with product teams seeing a sixty percent increase in R&D investment. This might correlate to the impetus placed on analytics since the pandemic started, and the increased focus on adapting products to meet new customer needs.

Insight

Definition of success

The majority of European product leaders reported that revenue (47%) and customer satisfaction (46%) were their two primary measures of success before the pandemic. Since then, the world turned upside down, and so did the way product teams measure their success. Customer retention (38%) and product usage (33%) have leapfrogged their way to be the most critical metrics.
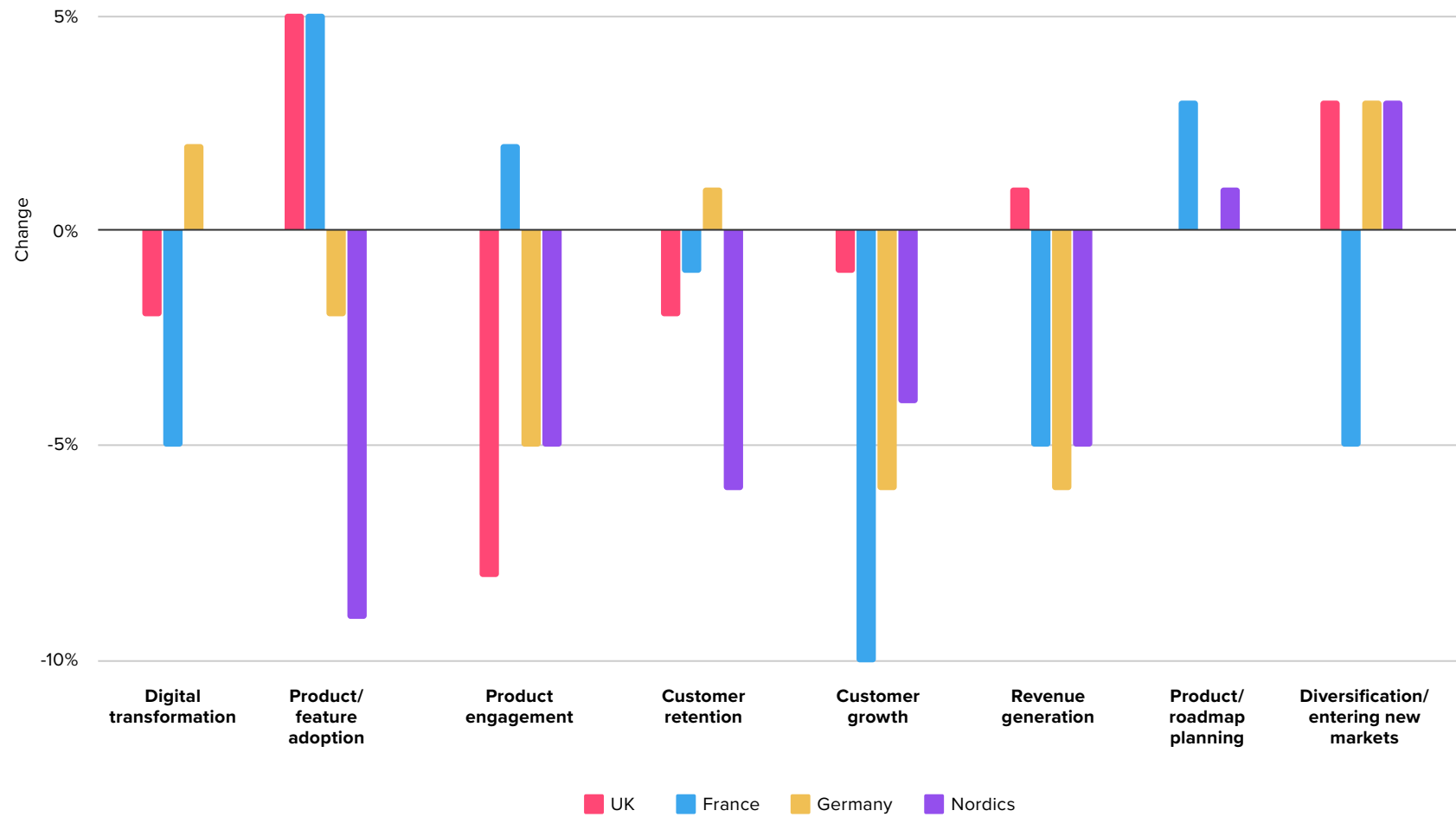
Changes in how success is measured as an impact of COVID
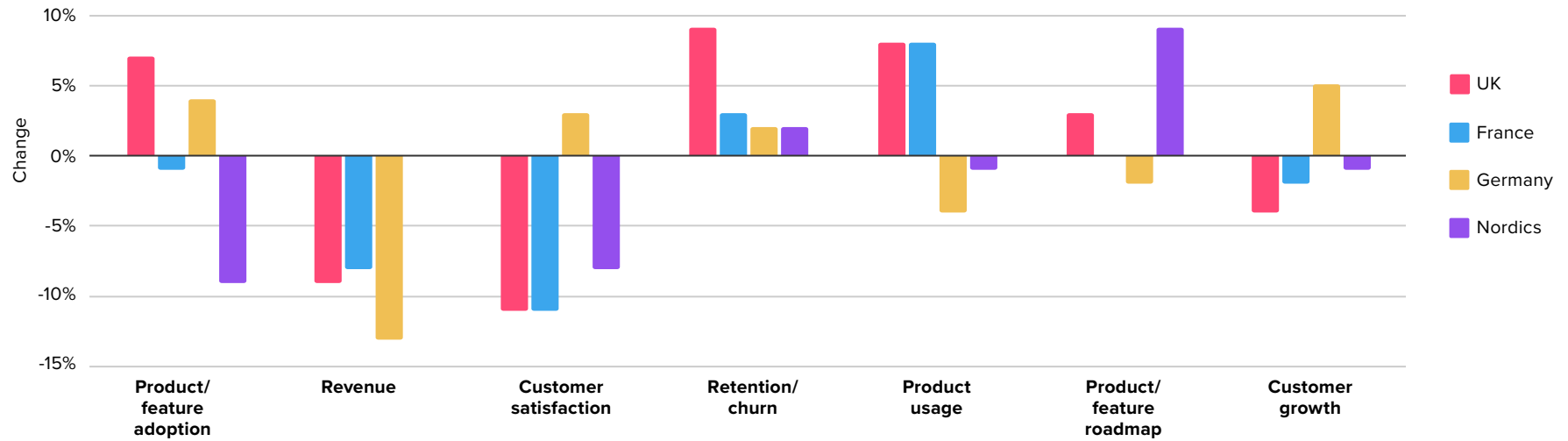
Impact of COVID on R&D budget by country
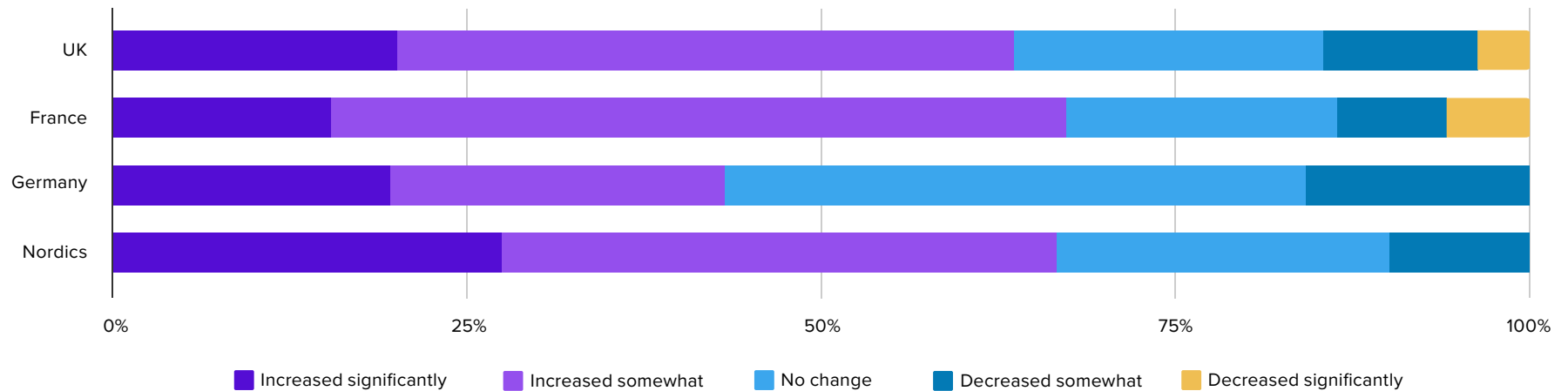
How product team focus areas have changed pre- vs. post-COVID by country

Finding 4

Businesses are adapting their product offerings to better serve customers

There's no doubt customer behavior has changed due to COVID-19, but companies (and product teams specifically) have risen to the challenge. Over half of surveyed product leaders reported changing their product offering as a direct result of the pandemic.

It's not surprising to see that most developments were made to pricing and packaging (35%) and digital engagement/guidance (35%). It's a tough time for everybody. Lowering costs can provide much-needed help to clients and help reduce churn, while improving the customer experience can only build stronger relationships.

Cyberattacks aimed at technology companies have also increased since the outbreak, and companies are reacting by directing more resources to product security (33%).

Scale-up businesses (high-growth companies) were the most proactive in making changes to their product offering, followed by small companies, with enterprises lagging behind. This makes sense: larger businesses need to navigate more red tape, legacy systems, and stakeholders in order to enact change. It could be an easier prospect for smaller and newer firms to pivot with fewer obstacles in their way.
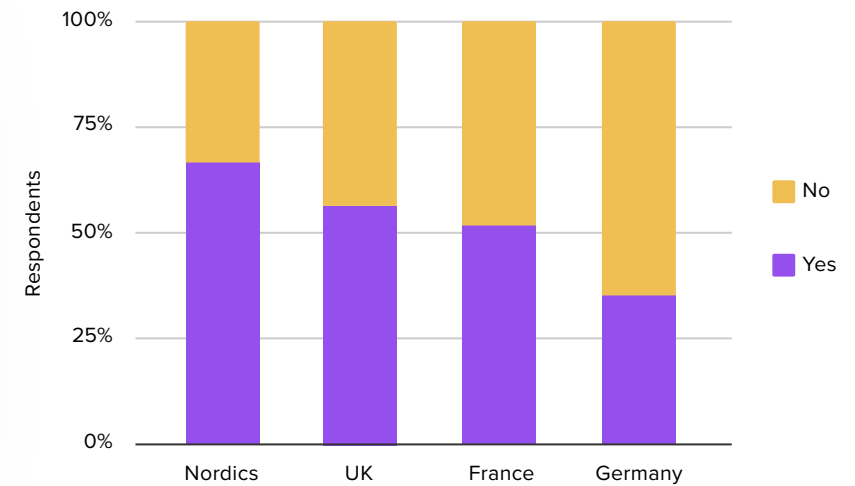
At a country level, Nordic businesses are leading the charge with two-thirds altering their product offering, while just one-third of German companies did the same. We wonder about the connection between Norway's preference for a product-led approach to growth and Germany sticking with sales-led strategies.

Insight

Product teams lack access to the right resources

We've seen some additional knock-on effects as we throw ourselves headfirst into the new normal, and trouble accessing the right resources is one of them. Before the pandemic, over half of product leaders (56%) believed that team members could access the resources needed to achieve their goals, but that figure has dropped to below half (46%) since the outbreak. Sudden process changes and mass working from home might have caused this negative impact.

Changes to product offerings due to COVID

Biggest product offering changes by country

Legend:
- Pricing/packaging
- Digital engagement/guidance
- Increased security
- Integrations with other apps/systems
- Personalization
- Launching new products
- Feature expansion
- Onboarding processes
- Feature reduction
- UX/design changes
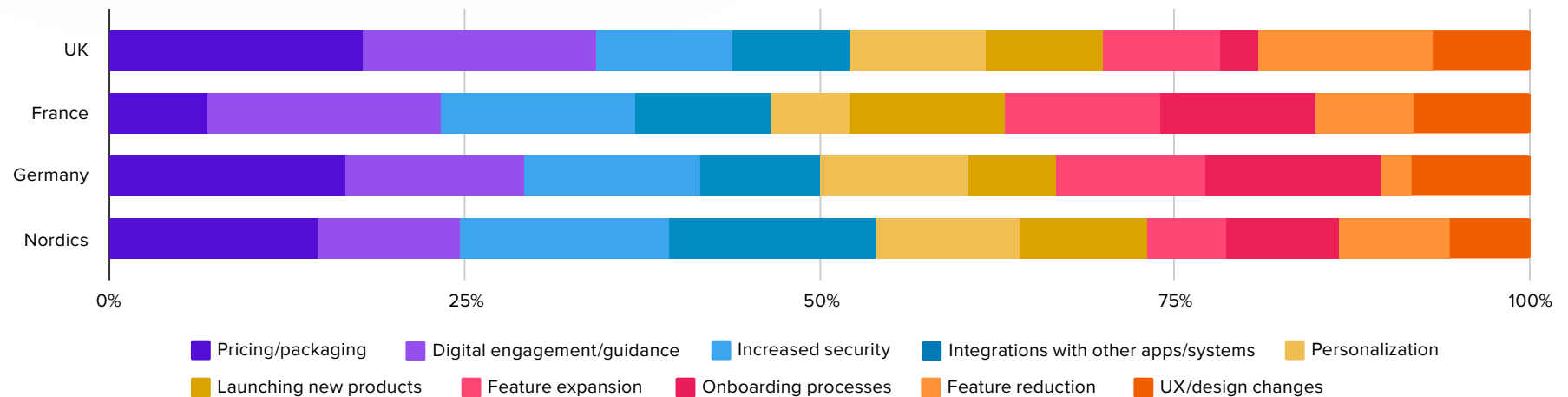
Finding 5

Analytics are fueling new ideas and innovation

Most product teams have always counted on hard numbers and facts to guide their decisions, and that relationship has strengthened since the pandemic's onset. Product managers are leaning on product data to understand the impact of this new landscape – and to act on it. Eighty percent of product leaders believe that some form of analytics has helped achieve this goal.
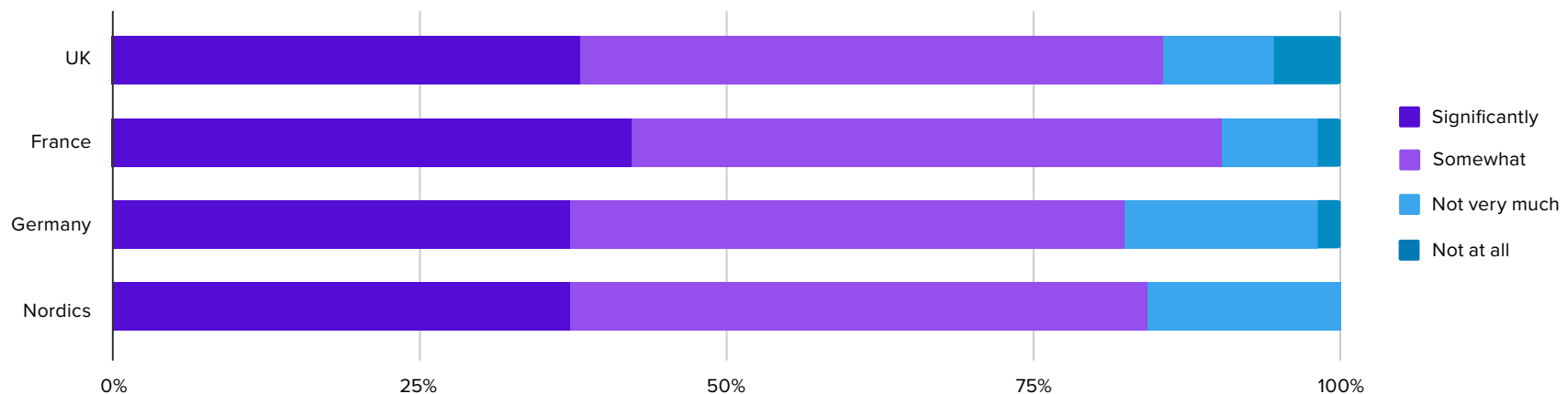
As more product professionals rely on data to inform their product development strategies, it's possible this has contributed to teams looking more closely at their product ideas, as a source of inspiration too.

After connecting the dots, we suspect that this marriage between analytics and ideas gave flight to some creative approaches to tackling an unprecedented time. The move towards these two factors reflects a growing trust in product teams to find solutions, fuel innovation, and advance growth.

Before the pandemic, customer feedback played a larger role than analytics in businesses' product development strategies, but this gap has closed, as shown by the 9% drop in focus. We wonder, though, whether furloughed customers and disruptions to regular working hours complicated the collection of feedback, which affected the survey results. At the country level, the UK and the Nordics appear to sing from the same hymn sheet. Both now view product team ideas as their primary guide when considering their product development strategy. France and Germany have stuck to their pre-pandemic guns and maintained their faith in customer feedback.

Impact of analytics on innovation

What most informs product development strategy?
(all countries)

Change in pre- vs. post-COVID responses

| Customer feedback | External/ desk research | Internal feedback | Competitor analysis | Product analytics | Product team ideas |
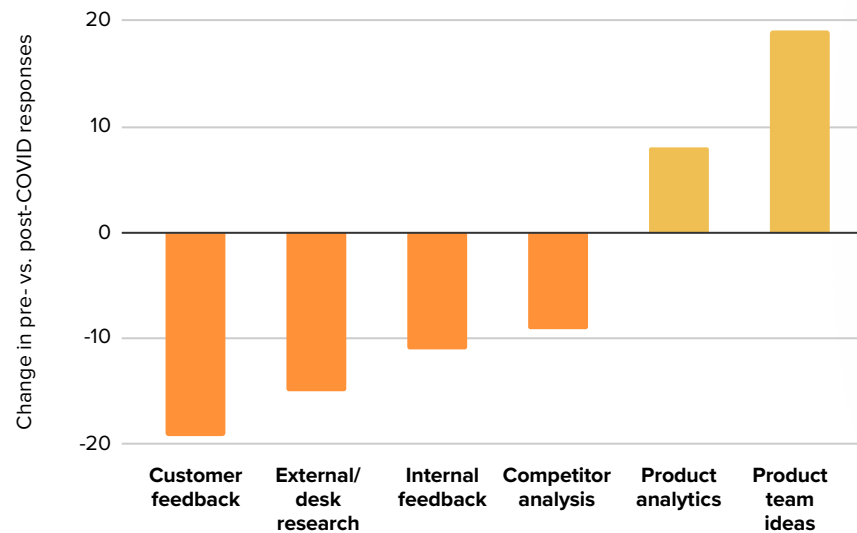
Insight

Digital transformation

Almost three quarters of product leaders (74%), no matter their company size, responded with a resounding 'yes' when we asked them whether product would play a central role in digital transformation. An army of digital firsts is growing in size, entering the workforce and using your products, and demanding more from their experiences. It seems professionals foresee product as a major player in tackling this challenge.

Finding 6

Product engagement will play the most influential role in future success

As our migration into the new normal continues, we wanted to find out where leaders believed product engagement fits into this unknown world. Their responses illustrate that it is not just an integral cog in the digital transformation machine – it might be the most essential one.

Almost three-quarters (74%) believe product engagement will emerge as the primary driving force for business growth. A similar number (72%) expect growth in the product team's influence over strategic decision-making, while over three-quarters envisage that product will become central to optimizing the customer experience.
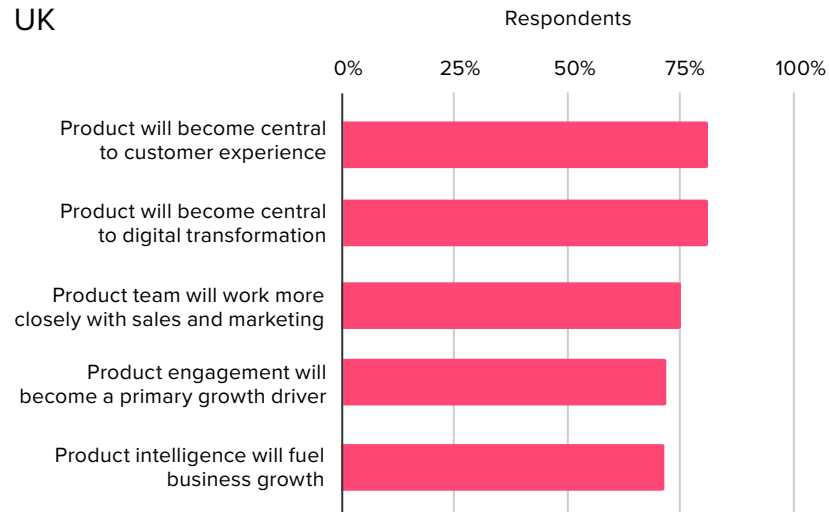
Businesses have established the mindset that product is fundamental to growth, customer experience, and digital transformation – which is why product engagement plays such a critical role in improving these areas. When you understand how users interact with the product, you can see where it's falling short, where you can tweak and improve, encourage deeper usage, and provide an experience which ultimately grows your customer base and reduces churn.

Across Europe, businesses are presenting a united front in these beliefs. Every country surveyed predicts that product teams will get a bigger say in strategic decision making, with the Nordics (88%) firm in their stance, and Germany (71%) not too far behind. Four out of five UK and French leaders believe that product will become central to customer experience, while every country felt strongly about product engagement becoming the primary growth driver.

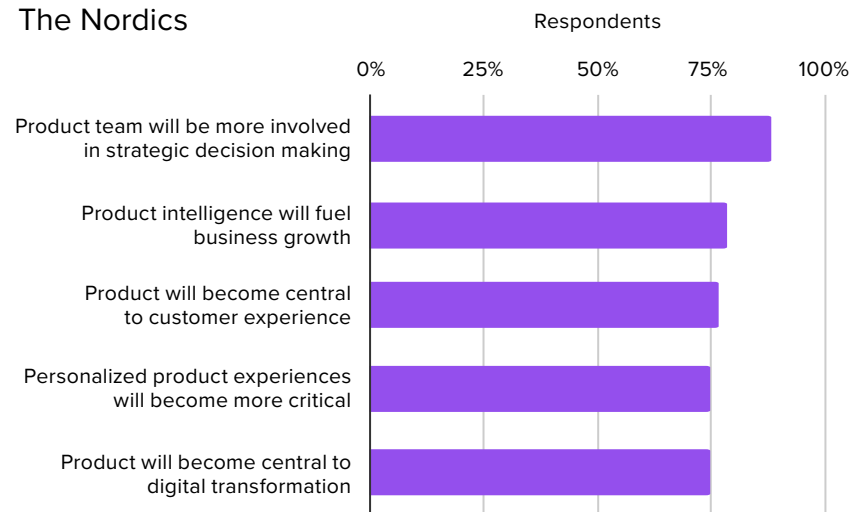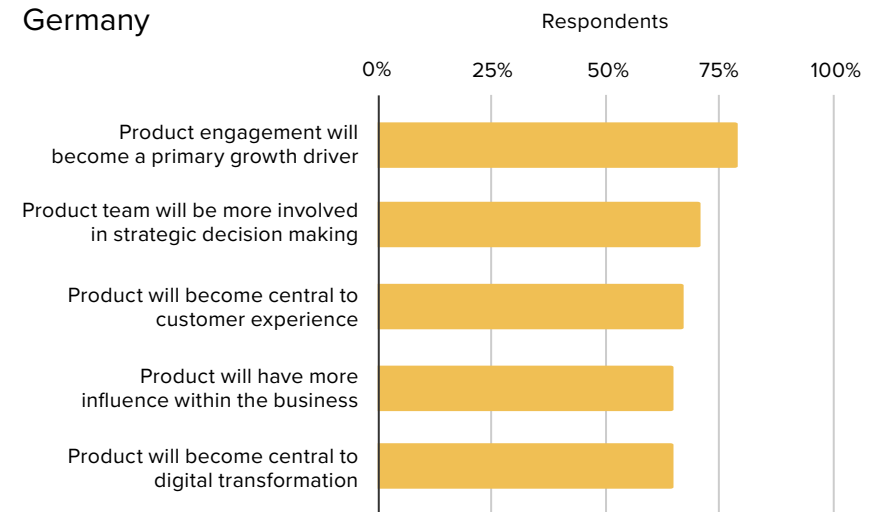# How product leaders believe their businesses will continue to evolve

UK

Respondents

0%   25%   50%   75%   100%

- Product will become central to customer experience
- Product will become central to digital transformation
- Product team will work more closely with sales and marketing
- Product engagement will become a primary growth driver
- Product intelligence will fuel business growth

France

Respondents

0%   25%   50%   75%   100%

- Personalized product experiences will become more critical
- Product will become central to customer experience
- Product engagement will become a primary growth driver
- Product will become central to digital transformation
- Product intelligence will fuel business growth

The Nordics

Respondents

0%   25%   50%   75%   100%

- Product team will be more involved in strategic decision making
- Product intelligence will fuel business growth
- Product will become central to customer experience
- Personalized product experiences will become more critical
- Product will become central to digital transformation

Germany

Respondents

0%   25%   50%   75%   100%

- Product engagement will become a primary growth driver
- Product team will be more involved in strategic decision making
- Product will become central to customer experience
- Product will have more influence within the business
- Product will become central to digital transformation

Product has a big role to play in an evolving future

There's no denying that this pandemic has changed almost everything we knew about the world, but one thing is clear: the product community knows how to handle business in the face of trouble. Nobody could have imagined the position we find ourselves in now, but many companies are looking to their product teams to find the right solutions.

The role of product within an organization has been evolving for years, becoming the heartbeat of the business and ensuring everybody is moving in the right direction. COVID hasn't changed this – in fact, it's heightened it. Product leadership foresees a more influential role for its team within the company, well into the future.

We cannot pretend the future will be comfortable, but we can say with confidence that the product community is certainly poised to make the transition as smooth, efficient, and effective as possible.

For more Pendo insights and resources, please visit **https://www.pendo.io/resource-library/**

About the data

The research was conducted among 209 product leaders in tech companies with over 50 employees in the UK, France, Germany, and Nordic states. The interviews were conducted online by Opinium Research in July 2020.

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