# pendo × mind the PRODUCT

# Product analytics: Your secret weapon for driving growth and reducing churn

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# Introduction

## Why a must-have business tool is more important than ever

Facing continuing uncertainty about macro factors outside their control, business leaders are craving certainty about what is in their control. Leaders want to be certain that they're spending the right amount of money on the right things, that the strategies their businesses have in place are ones that will help them weather whatever's on the economic horizon, and that business outcomes are the best they can possibly be. **In short, nothing matters more for businesses right now than their bottom line.**

As they navigate this challenging environment, many organizations are recognizing the power that product teams have to drive better business results. A key reason why is **product analytics.** The best product analytics solutions give businesses insights not only into basic product metrics like feature adoption. They also shine a light on key business, financial, and customer health KPIs.

Businesses increasingly understand that having the right product analytics tool and strategy is essential to cutting costs, growing revenue, and being ready for whatever turn the economy takes.

In this report on product analytics benchmarks, we uncover trends about how teams are utilizing product analytics to measure and understand the impact of their software and digital experiences. Organizations that harness the full power of analytics are setting themselves up for success through thick and thin, while those companies that do not risk being left behind.

## Methodology

In April and May 2023, Pendo and Mind the Product, with support from RevOps Squared, surveyed over 700 product managers and leaders across the globe and a wide range of industries (SaaS, insurance, financial services, education, business services, healthcare/medical, and media/entertainment). Their responses inform our findings throughout.
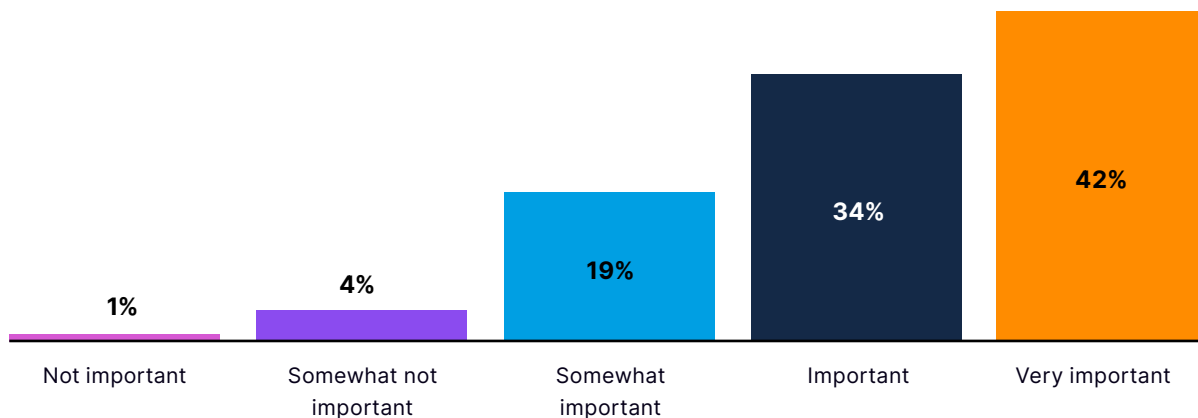
# 02
# Key findings

**FINDING 1**

## Product analytics is a critical tool for measuring a product's overall impact on the business—and leaders understand that.
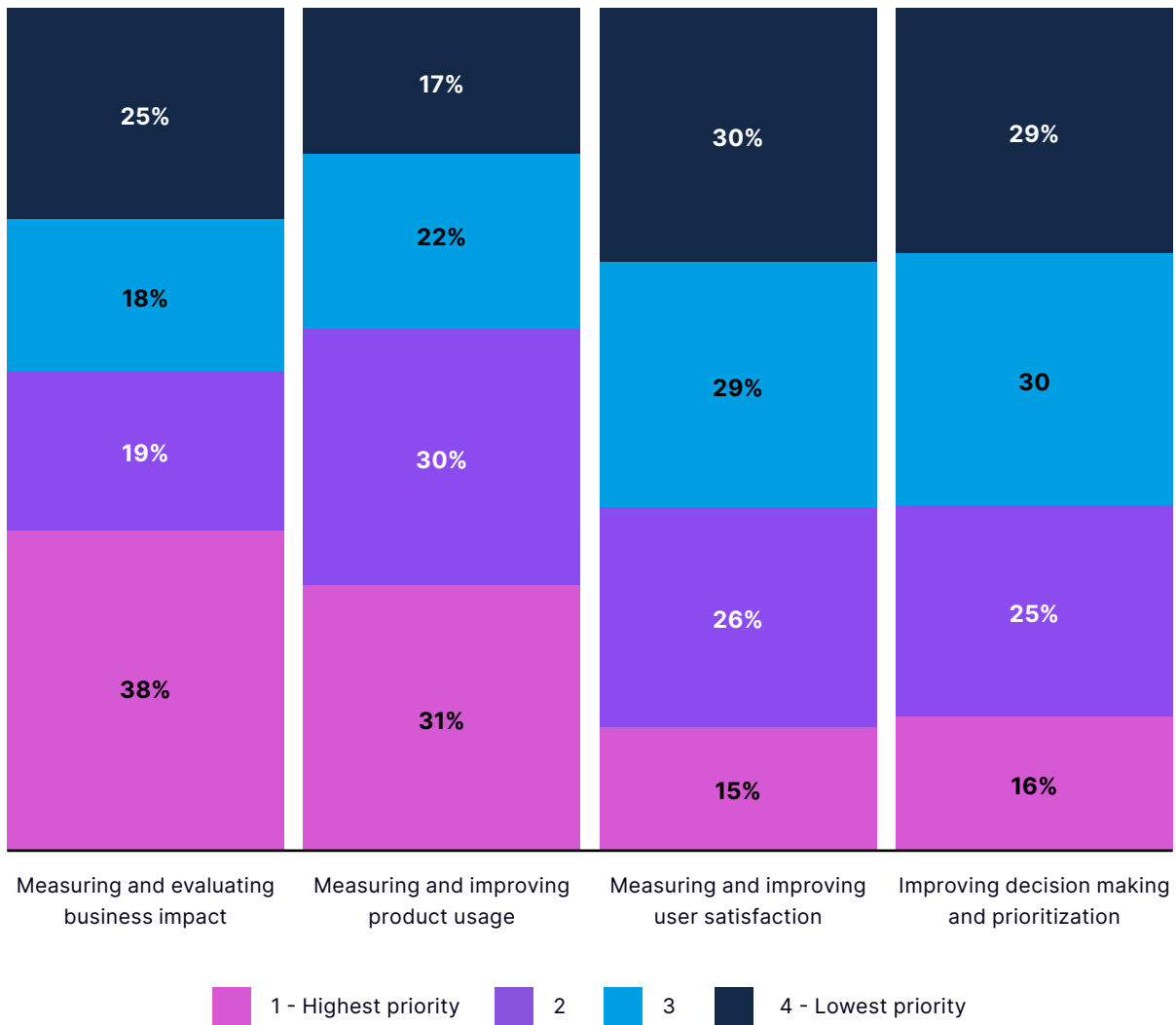
When it comes to how product analytics can move the needle for a business, leaders get it—at least in theory. When asked what their No. 1 priority in leveraging product analytics was, a plurality **(38%)** of respondents said they used the tool for **evaluating business impact**. And the vast majority **(76%)** of respondents view product analytics as important or very important to decision making.

With this kind of sentiment so widespread, you would think that most organizations would have their product analytics strategy down pat...and you'd be wrong.

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**Importance of product analytics to decision making (total population)**

| | | | | |
|---|---|---|---|---|
| 1% | 4% | 19% | 34% | 42% |
| Not important | Somewhat not important | Somewhat important | Important | Very important |

**Primary objectives for leveraging product analytics (total population)**



| | Measuring and evaluating business impact | Measuring and improving product usage | Measuring and improving user satisfaction | Improving decision making and prioritization |
|---|---|---|---|---|
| 4 - Lowest priority | 25% | 17% | 30% | 29% |
| 3 | 18% | 22% | 29% | 30 |
| 2 | 19% | 30% | 26% | 25% |
| 1 - Highest priority | 38% | 31% | 15% | 16% |

Legend: ▮ 1 - Highest priority ▮ 2 ▮ 3 ▮ 4 - Lowest priority
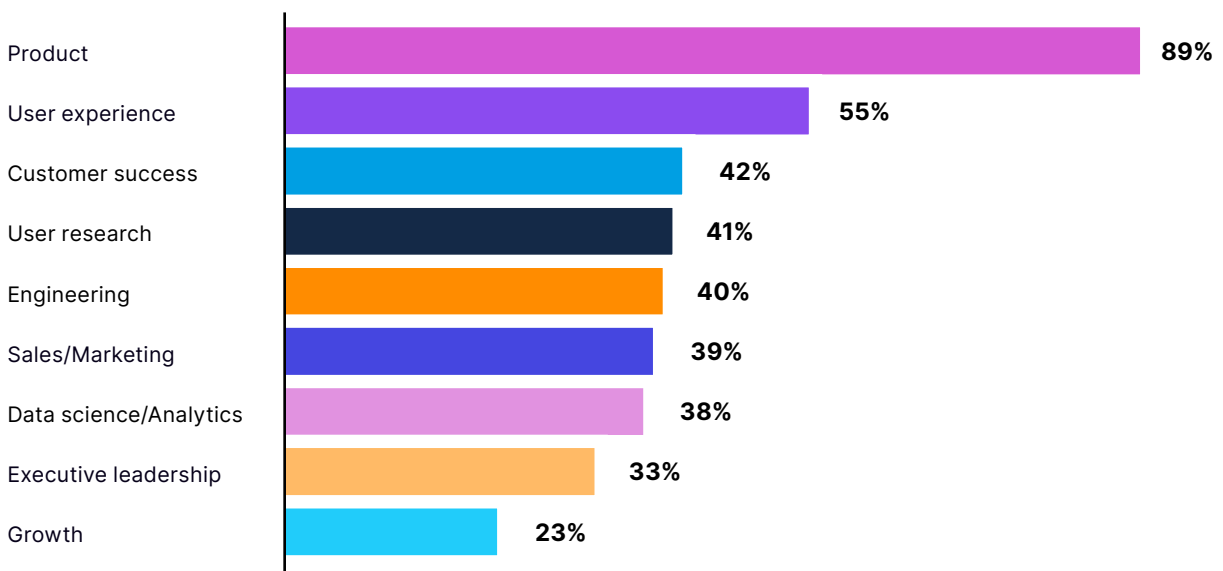
**FINDING 2**

# While leaders recognize the value of product analytics, they're missing an opportunity to leverage analytics beyond product teams.

Among survey respondents, the most common department to leverage product analytics data is the product team (**89%**). While this high a percentage for product teams comes as no surprise, it stands in stark contrast to utilization by other business departments. On average, only **33%** of executive leadership teams, **42%** of customer success teams, and **23%** of growth teams make use of product analytics.

**Product analytics data: Usage by company function (total population)**

| Function | Percentage |
|---|---|
| Product | 89% |
| User experience | 55% |
| Customer success | 42% |
| User research | 41% |
| Engineering | 40% |
| Sales/Marketing | 39% |
| Data science/Analytics | 38% |
| Executive leadership | 33% |
| Growth | 23% |

The greater organization is not leveraging the full power of a critical tool. And if companies remain content to do nothing new and stick to business as usual, they're leaving critical revenue and cost savings on the table.

To consider just one example: Despite "measuring and evaluating business impact" being the top priority for analytics users, on average, only **30%** of respondents overall use product analytics to predict customer churn. When broken down by industry, only **33%** of SaaS companies use product analytics to predict churn.

**33%**

Only 33% of SaaS companies use product analytics to predict customer churn.

**Usage of product analytics to predict churn (by industry)**
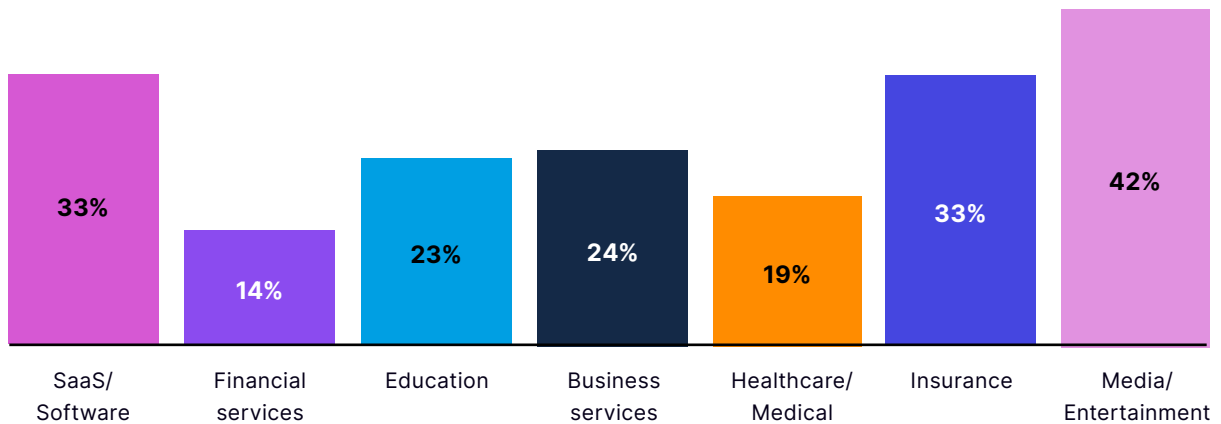


Think about that latter statistic in context: At a moment where customer churn in the SaaS industry **is up 18% vs. last year**, fully two-thirds of SaaS companies *aren't* harnessing a tool that can give them unprecedented abilities to predict and mitigate customer churn.

Why aren't they when the benefits are so clear? Pendo, for example, found in a **previous survey** that customers that leverage product analytics to understand and improve customer health across their product portfolio see a **5% reduction** in customer churn on average. They also report an average **15% increase** in net revenue retention.

Product analytics is no longer a "nice to have," but a core tool for driving these kinds of stronger business outcomes.

When SaaS companies do leverage analytics to the fullest, the resulting decrease in churn is a boon to the business. **Restaurant365**, which creates restaurant management software, **leverages** Pendo's product analytics to monitor customer health. If a customer ceases logging in or engaging with the platform after a set amount of time, a customer success manager is alerted and proactively reaches out to the client to assess the situation.
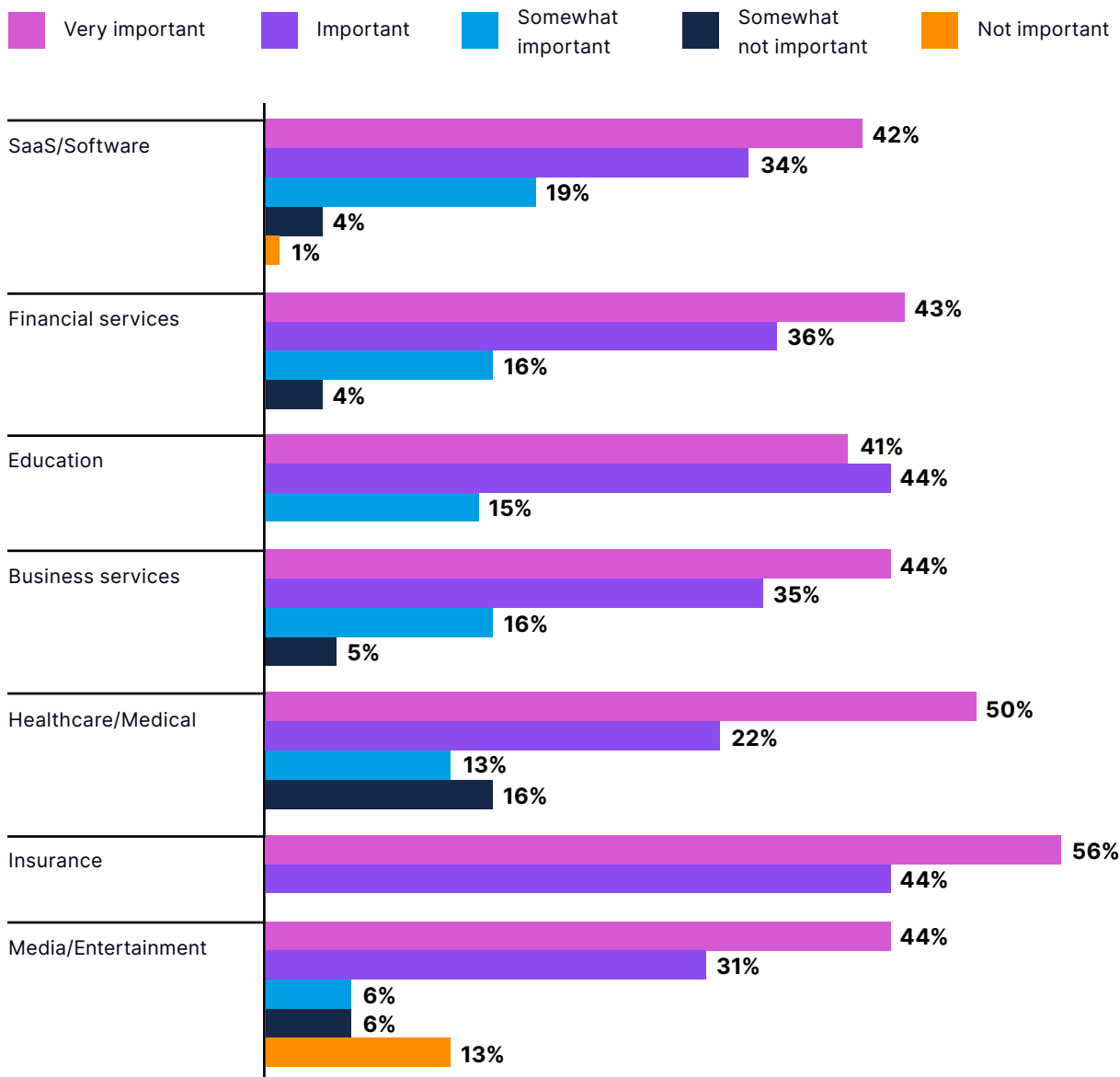
"Having Pendo constantly track our users' engagement allows us to mitigate risks and be more proactive in helping customers be successful and remain customers for many years to come," an R365 product manager says.

**FINDING 3**

# "Traditional" companies and industries (especially insurance) are becoming more advanced in using product analytics to drive revenue.

A surprising finding is that the companies taking the most ambitious and aggressive approach to product analytics aren't always **in the industries** you'd assume. Consider insurance, which leads industry segments on several fronts. For one, it's the only industry in which **100%** of respondents said product analytics is important or very important to decision making (vs. **74%** of SaaS respondents and **79%** business services ones, for instance).
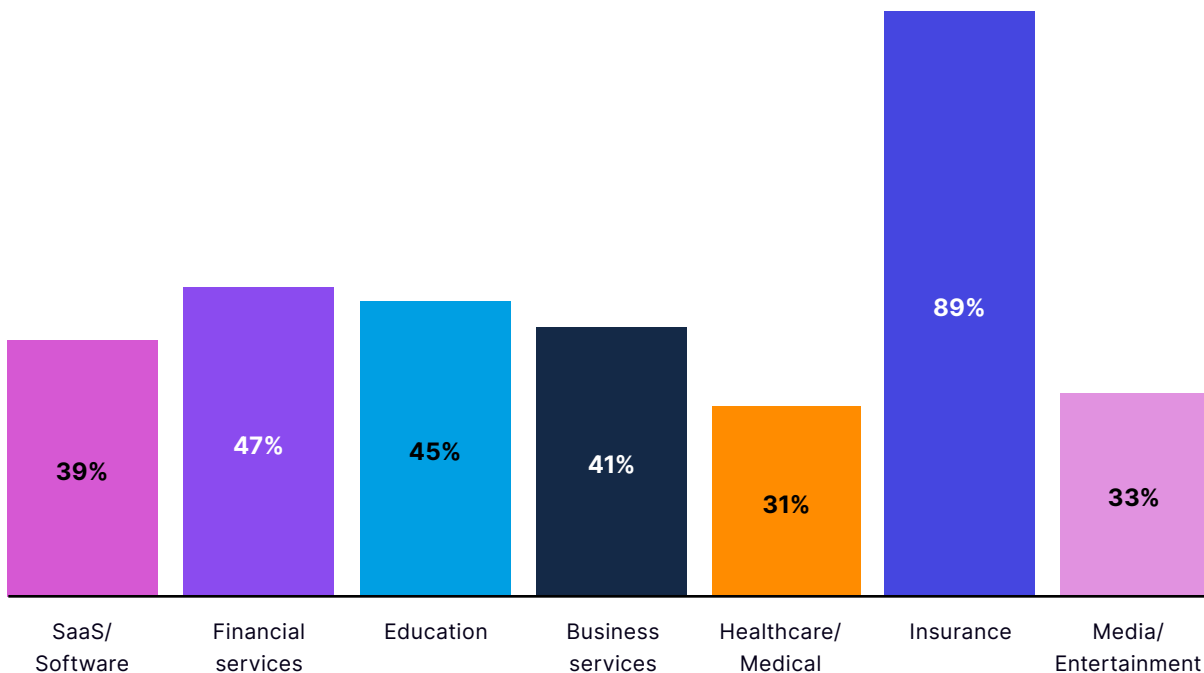
**Importance of product analytics to decision making (by industry)**

- Very important
- Important
- Somewhat important
- Somewhat not important
- Not important

**SaaS/Software**
- 42%
- 34%
- 19%
- 4%
- 1%

**Financial services**
- 43%
- 36%
- 16%
- 4%

**Education**
- 41%
- 44%
- 15%

**Business services**
- 44%
- 35%
- 16%
- 5%

**Healthcare/Medical**
- 50%
- 22%
- 13%
- 16%

**Insurance**
- 56%
- 44%

**Media/Entertainment**
- 44%
- 31%
- 6%
- 6%
- 13%

What's more, it's the segment that most leverages analytics to grow business. **89%** of participants in insurance report they use product analytics to identify account expansion opportunities, while financial services was a distant second (**47%**). In contrast, only **39%** of SaaS companies surveyed use product analytics in this way.

In essence, we are seeing more and more "traditional," non-tech companies prioritize creating great digital experiences for their customers. Part of that effort is investing in the tools and strategies to evaluate product trends and effectiveness—analytics chief among them.

**Use of product analytics data to identify expansion opportunities (by industry)**



| SaaS/ Software | Financial services | Education | Business services | Healthcare/ Medical | Insurance | Media/ Entertainment |
|---|---|---|---|---|---|---|
| 39% | 47% | 45% | 41% | 31% | 89% | 33% |

**JLL**, one of the world's oldest and largest commercial real estate firms, is taking an innovative approach to providing great digital experiences for its brokers. Using product analytics, it's been able to revitalize one of its older digital products by seeing which features were going underused and could be either retired or improved. Thanks to these analytics-inspired improvements, they've seen an **NPS increase of 30 points** on the app in question.
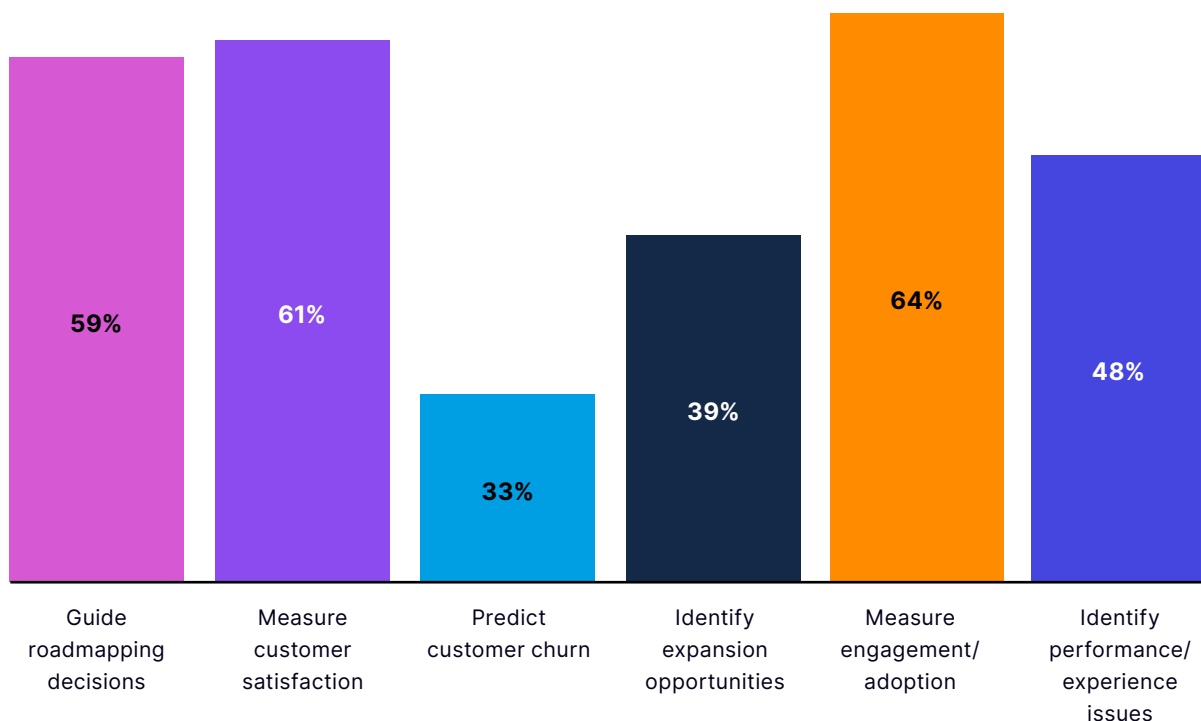
**FINDING 4**

# SaaS companies are seriously under-utilizing product analytics—and jeopardizing business health in the process.

Perhaps just as surprising as seeing traditional companies embrace product analytics to strengthen the business, the survey indicates that SaaS companies have the biggest opportunity to do more with analytics.

As noted above, only **39%** of SaaS respondents say they use product analytics to identify expansion opportunities, while just **33%** use product analytics to predict churn. This is at a moment where the majority of companies are seeing an average of **24% less net new revenue** in 2023 than they were the year prior.

Perhaps even more alarming is that these same companies are underutilizing analytics for what many would consider core use cases. Think of improving user experience: **less than half (48%)** of SaaS respondents are using product analytics to even identify performance or experience issues, a practice you might have assumed was foundational. Similarly, only **59%** of SaaS companies said they use product analytics for roadmapping decisions, to prioritize what they build and what they sunset.

**How SaaS/software companies use product analytics data**



| | | | | | |
|---|---|---|---|---|---|
| 59% | 61% | 33% | 39% | 64% | 48% |
| Guide roadmapping decisions | Measure customer satisfaction | Predict customer churn | Identify expansion opportunities | Measure engagement/ adoption | Identify performance/ experience issues |

Using product analytics, **Citrix** discovered that a certain trial usage pattern converted to paying customers at a higher rate than others. In response, it created a walkthrough in-app guide that steered users to those particular features. The result was a **28% increase** in trial conversions through targeted onboarding. These are the kind of results that smart use of product analytics generates.

This is another example of how doing nothing essentially costs a business precious time, money, and resources. Pendo **has found** that those customers who combine product analytics with feedback data to inform their product development plans spend **30% less time on roadmapping activities**, freeing up teams to spend more time actively building. This analytics data around user behavior and preferences is also key to helping determine which features they should deprioritize or  consider sunsetting.

In other words, product analytics data helps teams see where users find value, and prioritize their work accordingly. Choosing to not let such data inform what you build and when you build leads to misalignment with your customers and costs your business heavily.

**FINDING 5**

# Companies are open to using AI for product data analysis, but few are actually doing it.

Companies are increasingly looking to AI as a further means of boosting productivity and doing more with less. Paired with product analytics, it can make for a powerful analysis tool.

Yet while most respondents are more comfortable with AI as it is today, they aren't yet thinking about the long-term implications and opportunities that it could generate for businesses as they forecast and plan their roadmap. **66%** trust AI to summarize and analyze results from product data, yet only **15%** are currently leveraging it as part of their product development plan.

AI has the ability to act as a force multiplier with product analytics. While still in its early days, companies can and should start thinking now about how tools powered by AI can help them scale and increase productivity.

# 03
# Conclusion

## *Knowing* the analytics-led path vs. *walking* the path

"There's a difference between knowing the path and walking the path." While this was good advice given to Neo in *The Matrix*, it's equally good advice for a lot of business leaders when it comes to product analytics.

As the findings here show, many understand the value the best product analytics solutions bring to the table in theory: Reduced engineering burdens. Faster ramp time with analytics-powered in-app onboarding. Less churn. More retention. Identifying smart cross-sell and upsell opportunities based on user behavior.

You know how product analytics can transform a business and the risk of doing nothing while other companies make the most of this tool. It's time to put that knowledge into practice—and start seeing business results you never thought you could.

To learn more about product analytics best practices, check out **these resources** from Mind the Product.

Interested in learning more about how Pendo's product experience and analytics solutions help businesses drive growth, cut costs, and become more productive? Learn more about our platform **here** and **see product analytics in action**.

# pendo

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.

**Learn more: www.pendo.io**

# mind the PRODUCT

Mind the Product is the world's most engaged product management community, with regular free local ProductTank meetups in over 200+ cities, as well as world-class content and resources, and the biggest and best training events, workshops, and annual conferences in London and San Francisco. These are the go-to events for meeting other product managers, designers, and developers, and honing your product craft (online and in person).

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