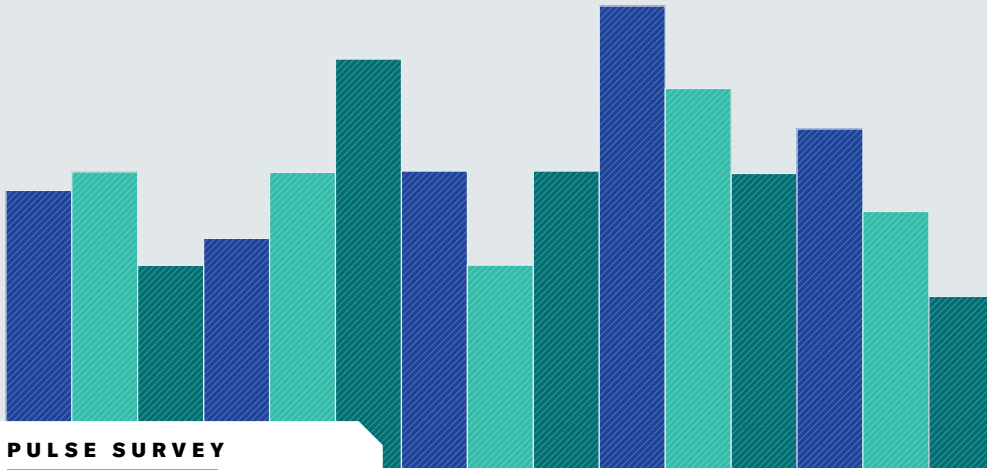




**Harvard
Business
Review**

ANALYTIC SERVICES



Achieving Growth with Positive Product Experiences



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During times of economic volatility, businesses have a common playbook, looking for ways to cut costs and boost efficiency. But there's another potential path forward: focusing on product experience (PX) to drive product-led growth (PLG), which enables companies to efficiently chart a course for durable growth instead of simply hunkering down.

While PX and PLG have been areas of focus for SaaS startups, enterprises are only now beginning to understand their potential to cut costs and drive growth. Today, the most successful digitally powered B2B companies are built with a combination of product-led growth for acquisition and adoption, customer-led growth for expansion and retention, and community-led growth for advocacy and engagement. The common thread between these three approaches is the product experience. This has placed new responsibility on product management to support a more seamless customer experience overall.

Successful companies leverage their product experience and product usage data to drive conversion, adoption, and expansion in more scalable and efficient ways. Focusing on product experience helps companies align their products to the customers' needs at every stage of their journey. From delivering early value using free trials and freemium models to driving product adoption that accelerates time-to-value and stickiness, a great product experience results in engaged customers who are much more likely to be retained and primed for expansion. In a market that highly values net revenue retention, the value of exceptional product experiences cannot be overstated. Indeed, it is the north star metric for long-term durable growth.

We've sponsored this research by Harvard Business Review Analytic Services to examine how placing product experience at the heart of customer experience drives scalable business growth. Through in-depth surveys and deep interviews with companies that use PX to drive efficient and scalable growth, this report will share insights on how the best companies adopt durable growth strategies that help them succeed irrespective of market conditions.



Mickey Alon
Founder and CTO
Gainsight PX

Achieving Growth with Positive Product Experiences

Companies used to rely on robust marketing channels and savvy sales teams to attract and retain customers. But that's changing as consumer and employee expectations of digital products, from cloud-based platforms to enterprise software, reach unprecedented heights. At the same time, the pandemic has increased customers' direct buying power, giving them greater agency over the products they use.

In response, rather than rely on sales and marketing teams to sell, organizations are increasingly counting on innovative and high-performing digital products, and the experiences they provide, to improve customer acquisition and retention and provide a distinct competitive advantage in a crowded marketplace.

"In a way, the product is now a sales and marketing channel, which means that it's really important to prioritize great experiences as a retention, referral, and acquisition tool," says SC Moatti, the founding managing partner of Mighty Capital, a San Francisco-based venture capital firm, and founder of Products That Count, a platform that helps more than 300,000 product managers accelerate their careers.

In fact, according to an August 2022 survey by Harvard Business Review Analytic Services of 275 members of the *Harvard Business Review* audience, 76% of respondents consider delivering an effective digital product experience an "extremely high" or "high" priority.

But the advantages of delivering a positive product experience extend beyond acquisition and retention to product-led growth and profitability. Eighty-one percent of executives surveyed by Harvard Business Review Analytic Services strongly agree that a strong digital product experience positively impacts business growth, and 76% strongly agree that this capacity is critical to their organization's success. What's more, 95% agree (somewhat

HIGHLIGHTS



81% of survey respondents strongly agree that a strong digital product experience **positively impacts business growth.**



76% of respondents' organizations consider **delivering an effective digital product** experience an "extremely high" or "high" priority.



39% say their organization has managed to **achieve greater profitability** with product experience initiatives.

Due to rounding, some figures in this report may not add up to 100%.



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or strongly) that investing in digital product experience increases the organization’s long-term value.

“Product-led growth is a key driver of revenue growth and cost reduction in most of the market-leading organizations we track,” notes Moatti. “It allows a company to generate revenue without having to hire an enterprise sales force—you can imagine the economies of scale this generates.”

Product-led growth provides companies with big wins because it’s a business model that relies on a product or a service itself, rather than sales and marketing teams, to acquire and retain customers and drive conversion and expansion.

Given the financial benefits of product-led growth, it makes sense that the most sought-after business outcome from digital product experience is increased revenue growth, according to 53% of survey respondents. Yet only 39% say their organization has managed to achieve greater profitability with product experience initiatives to date. Worse yet, just 16% strongly agree that their organization is satisfied with the digital product experience it provides, and the greatest share of respondents, 40%, rate the overall digital product experience they’re delivering as simply “good.”

With plenty of room for improvement, many organizations are looking for ways to increase the effectiveness of their product experience initiatives. This report examines the strategies for achieving greater product experience success, including finding talent with product experience knowledge, recognizing the value of data insights, interconnecting customer and product experience, fostering a supportive corporate culture, and establishing metrics for gauging product experience efforts.

A Challenging Pathway Forward

As software and hardware products designed for personal use continue to make their way into the enterprise and consumers become increasingly empowered to cherry-pick the products that meet their unique needs, the power of sales and marketing to influence buying decisions is fast diminishing. Emerging in its place is product experience—the features, functionality, and factors that immerse customers in a product and allow them to obtain value.

Cognizant of this shifting landscape, most organizations are already well on their way to executing a plan around product experience, and many are prioritizing funds for product experience initiatives. Case in point: 36% of survey respondents are currently in the process of implementing a digital product experience strategy, while 35% already have a digital product experience strategy in place and are continuing to monitor and optimize it. **FIGURE 1**

Corporate coffers are also opening to product experience efforts: Nearly two-thirds (64%) of respondents say digital product experience is the top or one of the top investment priorities for their organization, and 88% say that their digital product strategy is a focal point of their current growth

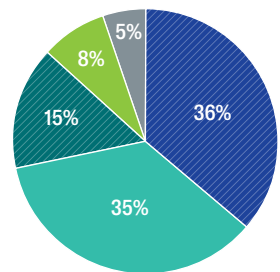
FIGURE 1

The Rate of Adoption

Most organizations are well on their way to implementing a digital product experience strategy

Which of the following best describes your organization’s status when it comes to adopting a digital product experience strategy? Select one.

- **Maintaining:** We have a digital product experience strategy in place and are continuing to monitor and optimize it
- **Implementing:** We’re currently in the process of implementing a digital product experience strategy
- **Planning:** We’re developing a digital product experience strategy, but have not yet implemented one
- **Learning:** We’re assessing the benefits of implementing a digital product experience strategy but do not currently have one in place
- **We do not have and are not currently considering a digital product experience strategy**



Source: Harvard Business Review Analytic Services survey, August 2022

strategy. “Organizations are prioritizing product experience across industries and geographies,” asserts Moatti.

However, organizations face a variety of barriers when it comes to delivering effective product experiences. Survey respondents were shown 11 barriers and asked which their organization faces when it comes to product experience. Nearly all were selected by more than 25% of the group. **FIGURE 2** Difficulties include developing a digital product experience-centric culture (33%), creating a comprehensive view of the overall user experience (32%), demonstrating the business impact of product experience investments (32%), and securing adequate budget and resources to invest in the digital product experience (32%).

Not surprisingly, though, finding talent with digital product experience skills ranked top among the obstacles to product experience success, cited by 39% of respondents. Labor shortages brought on by the pandemic are challenging organizations from all industries to fill job openings. But product management departments are particularly vulnerable to today’s scarcity of experienced and qualified talent. “In our research, three out of four product managers have been on the job for two years or less,” says Moatti.

Complicating matters is the way in which many organizations purchase business-to-business (B2B) digital products. Oftentimes IT teams are responsible for the procurement of digital solutions, and they rely on technical criteria—such as ease of deployment and operating efficiencies—to make purchasing decisions, rather than user-centric considerations like a tool’s capabilities or ease of use.

“There’s a level of indirection that gets in the way of understanding the true product experience,” says Jim Morris, founder of the Product Discovery Group, a San Francisco-based organization that coaches product teams and leaders on product management.

Indeed, only 34% of executives surveyed strongly agree that they have a deep understanding of how customers use digital products. “In B2B, there’s this enormous gulf between what organizations know about their customers’ needs and what they could know,” says Dan Adams, president of the AIM Institute, an Ohio-based product development training organization.

Together, these technological, cultural, and organizational obstacles make it challenging for organizations to seize the opportunities presented by delivering positive product experiences.

Strategies for Product Experience Success

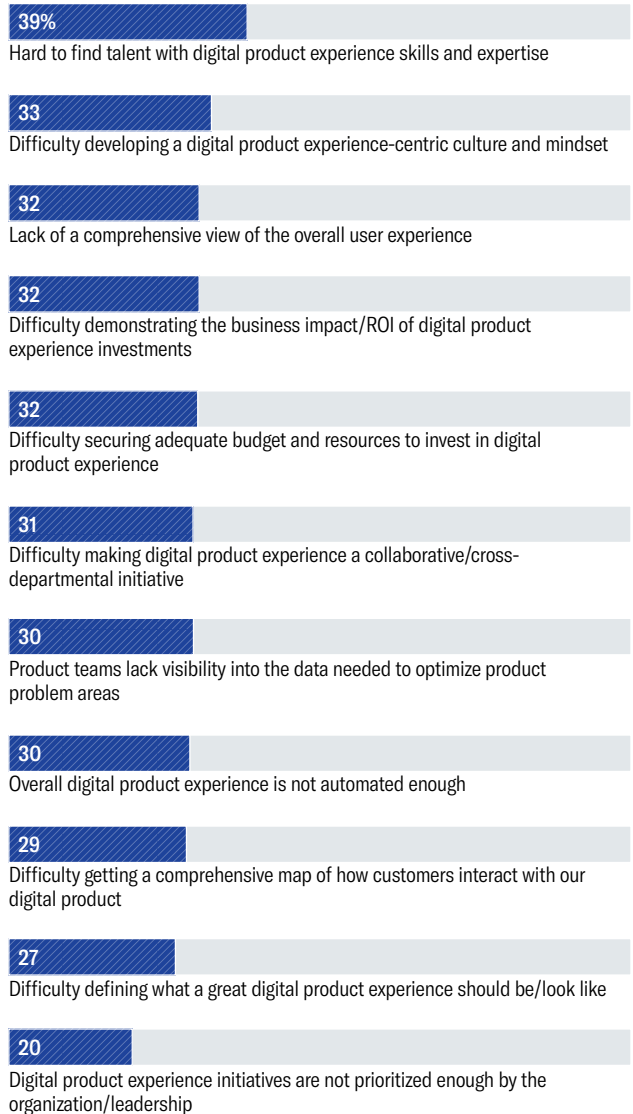
Fortunately, many organizations are adopting product-led growth strategies that not only ensure customers have a positive experience with digital products but also make the

FIGURE 2

Obstacles to Success

A scarcity of talent with product experience skills hinders progress for many organizations

What barriers does your organization face in delivering an effective digital product experience? Select all that apply.



Source: Harvard Business Review Analytic Services survey, August 2022

delivery of top-notch product experiences a core business capability.

Chief among the strategies for delivering a more effective product experience is increasing focus on improving workers’ knowledge of digital product experience, cited by 43% of survey



93% of survey respondents say product teams should have some responsibility for contributing to an organization's revenue growth.

respondents. That's not surprising given that talent issues are often the most common barrier to success among organizations.

One approach to bridging a product experience knowledge gap is to "teach people in sales, marketing, and R&D how to have in-depth conversations with their customers," says Adams.

Putting the right people in charge of product experience can also increase focus on building digital product experience knowledge. "Over and over again, companies put a person in charge of product experience who is not actually a product or experience expert," says Rich Mironov, president of Mironov Consulting, an Oregon-based organization that coaches product executives and product management teams. "They take someone out of marketing, sales, or operations who has never run a product group." The problem with this approach is that, while sales and marketing teams may have a messaging-level understanding of customer behavior, they are not trained to address how customers interact with a product throughout their entire journey, from trial to purchase to renewal.

Worse yet, adds Mironov, is the decision to place IT at the helm of product experience. "At most non-software companies, IT is measured and rewarded for delivering what business stakeholders say they want, even if it doesn't work or improve actual customer experience," he says. "It's a cost center focused on delivery dates instead of market outcomes. There's rarely someone in the IT organization who's built a great customer experience for real users."

Yet technology teams are the group most often involved in executing a digital product experience strategy. Forty-five percent of executives say the IT department is directly involved in their organization's digital product experience initiatives, followed by digital product/product experience teams (38%) and marketing teams (36%). **FIGURE 3** Only a small percentage (13%) report that responsibility for the task is shared across the entire organization.

Companies that ignore the importance of a dedicated product experience function are making a mistake, warns

Mighty Capital's Moatti. "During a recession, it's even more important to prioritize products and hire a chief product officer in order to stay competitive," she says. As it is, 93% of survey respondents say product teams should have some responsibility for contributing to an organization's revenue growth. Endowing responsibility requires empowering a digital product or product experience team to take the lead on understanding customer needs and communicating the value of positive product experiences to the C-suite.

"It's like saying, 'I want to build a new house, but I'm going to have the general contractor manage the architecting,'" says Moatti. "That's not really how it works. It's the architect who builds the experience and then hires a general contractor. In the same way, product teams should be managing the product experience, engineering, and design teams."

In fact, by helping to connect product experience to financial growth for an organization, Moatti predicts that the role of chief product officer will become a C-suite staple in the same way the title of chief marketing officer has become commonplace.

The Power of Data

In today's software world, a dissatisfied customer can easily switch vendors by canceling a subscription or terminating a licensing agreement. For this reason, organizations must proactively use data to better understand customer behavior and sentiment and gather vital clues as to how to drive product growth, increase conversion, and reduce churn.

It's no wonder, then, that 40% of survey respondents are providing product teams with better data insights to deliver a more effective digital product experience. "The best companies are paying attention to product experience through qualitative data," says Morris of the Product Discovery Group.

Although there is no shortage of solutions for examining the ways customers interact with digital products today, 58% of survey respondents use data analytics tools that collect product usage data specifically to understand how customers are using their digital products. **FIGURE 4** Other popular tools include user surveys (54%), data analytics tools that collect customer data specifically (47%), and feedback tools (43%).

Given their effectiveness, reliance on data-centric solutions for examining digital product experience will increase in the near future. Nearly half (47%) of executives plan to increase their use of data analytics tools for collecting product usage data over the next 18 months. And 46% of respondents expect to increase reliance on data analytics tools that collect customer data specifically.

Making Culture Count

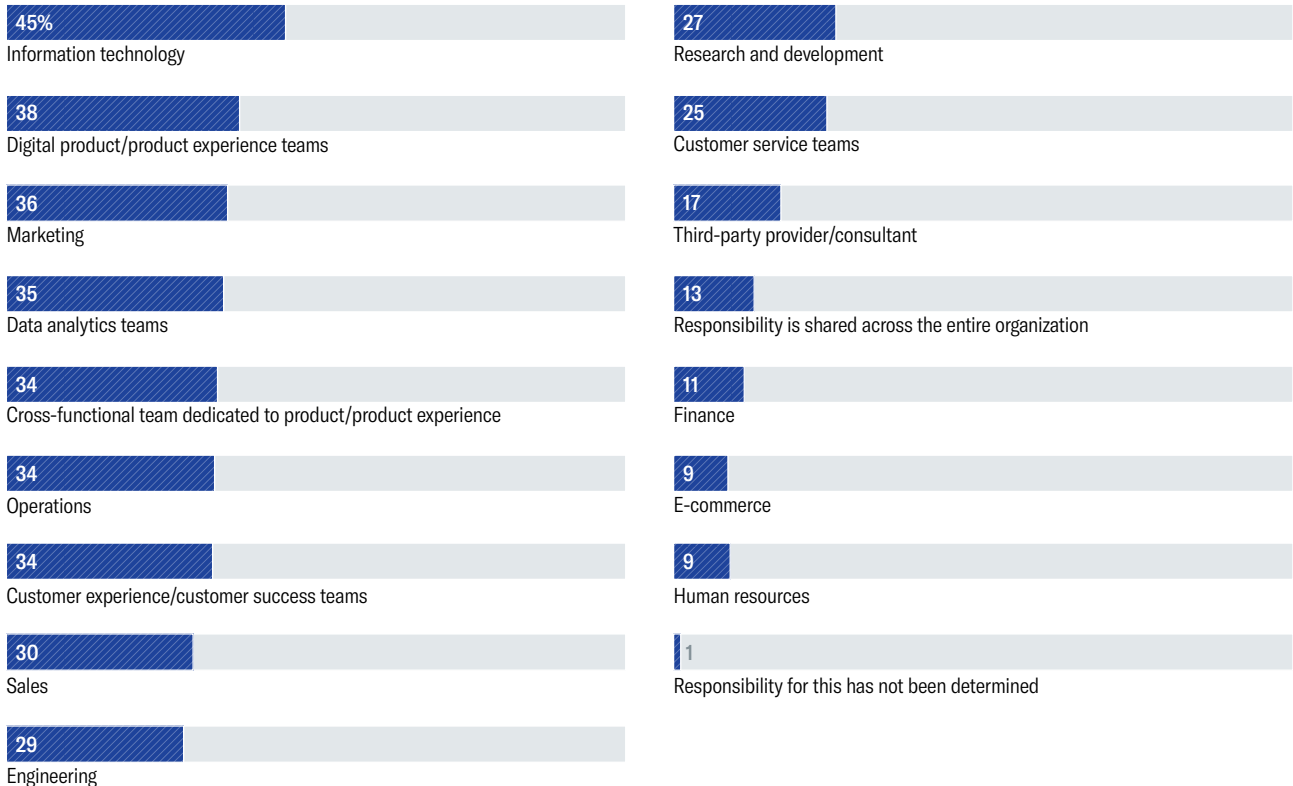
Customer experience is also playing an increasingly important part in shaping product experience. "The expectations of

FIGURE 3

Prioritizing Leadership

IT is most often at the helm of product experience initiatives, even more so than product teams

What teams are directly involved in your organization's digital product experience initiatives? Select all that apply.



Source: Harvard Business Review Analytic Services survey, August 2022

people in the B2B user space are informed by their great experience with consumer products,” says Mironov of Mironov Consulting. He points to the popular communications software platform Zoom as a perfect example. Despite facing steep competition, Zoom captured more computer screens—and market share—than most when the pandemic forced millions of employees to work from home.

“During Covid, Zoom’s stock price went up 10 times,” says Mironov. “Why? Because almost everybody on the planet can operate Zoom. In the moment, it was a huge strategic advantage. That’s because Zoom had already invested heavily in design, user experience, customer interviews, surveys, and squashing the bugs in their software.”

In fact, 39% of survey respondents are making digital product experience strategy and customer experience strategy more interconnected to achieve product

experience success. And virtually all (96%) respondents believe the quality of an organization’s digital product experience has a direct impact on the quality of its customer experience.

In addition to customer experience, corporate culture plays an important part in delivering a valuable digital product experience. A staggering 95% of respondents strongly agree or agree that a corporate culture that recognizes the value of digital product experience is critical to business success as a whole. “There has to be a cultural change from the top that says, ‘Look, we need to have the right product, not just a product,’” says Morris. For this reason, senior-level executives must demonstrate to employees the importance of not only selling products to customers but making consistent improvements to products so that they might solve customers’ problems more effectively.



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of respondents believe the quality of an organization's digital product experience has a direct impact on the quality of its customer experience.



“There has to be a cultural change from the top that says, ‘Look, we need to have the right product, not just a product,’” says Jim Morris, founder of the Product Discovery Group.

Another approach to embedding product experience into the cultural fabric of an organization is “training people in new skills and rewarding them for applying those skills, such as conducting voice of customer interviews,” says Adams of the AIM Institute. Certainly, data-driven technology solutions can provide enormous insight into customer behavior and sentiment. But with proper training, product experience team members can expertly gather granular details on customers’ wants and needs.

For a product experience-centric culture to be sustainable, Moatti says it must be built on three key pillars: collaboration,

resilience, and agility. “Building product experience is a team game—you want to make sure that you have a very collaborative, high-performance environment,” she says. “Next, you need grit. Building products requires a growth mindset. It’s more of an art than a science that is accomplished through a lot of trial and error. The third element is adaptability. By definition, building digital products is about bringing innovation inside the corporation. It’s about constantly reinventing and challenging the status quo.”

Adams agrees that making product experience part of an organization’s DNA requires constant vigilance, especially given customers’ fluctuating demands. “If the product isn’t meeting customers’ needs, you’re putting lipstick on a pig,” he says. “The basic problem of understanding customer needs is endemic to both new and existing products.”

FIGURE 4

Digital Tools Dig Deep

Organizations are mostly leveraging data analytics solutions to parse product usage data

What digital tools does your organization currently use to understand how customers are using your digital product? Select all that apply.



Source: Harvard Business Review Analytic Services survey, July 2022

Gauging Product Experience Efficacy

Yet for organizations to continue prioritizing product experience, there must be assurances that their efforts will translate into measurable financial gains. After all, many organizations take steps to capture the relationship between the customer and the company as a whole. But it’s equally important to gauge the interaction between customers and the products they purchase.

To that end, more than one-third (34%) of survey respondents are establishing metrics that better illustrate product experience return on investment.

The majority of respondents (57%) gauge the effectiveness of digital product experience initiatives by measuring customer satisfaction (e.g., customer satisfaction score and Net Promoter Score). That the majority of executives selected customer satisfaction as a barometer of success makes sense given the interconnectedness between customer experience and product experience.

A smaller percentage of respondents (39%) selected financial performance, sales growth, and ROI as a way to measure the effectiveness of product experience efforts.

“It’s really important for people who are building these product experiences to link product experience metrics to strategic KPIs to revenue growth, cost reduction, and productivity improvement,” says Moatti. “It sounds really simple, but it’s actually really hard to do.”

Indeed, in today’s challenging economic times, leaders must be able to justify investment in product experience initiatives



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by demonstrating their power to increase the probability of digital product renewals and sustained recurring revenue.

The Growth Quotient

The reality is product experience is fast becoming the driving force for scalable business growth across the entire customer journey. Organizations that ignore the power of product experience do so at the risk of not only alienating customers but also ignoring their bottom line.

“Design-first companies make more money, gain more market share, and win customers,” says Mironov.

That’s not to suggest, however, that creating positive digital product experiences is easy. These are early days for product experience initiatives, although they are a mounting priority, making talent with the right combination of skills and expertise a rare commodity. At the same time, customers are now more empowered than ever to make their own digital product purchasing decisions, or at least

heavily influence those in charge of procurement. As a result, many organizations struggle to gather reliable data on how customers are using their products and where they’re encountering trouble spots.

The good news is many organizations are discovering new and innovative strategies for achieving greater product experience success. Bridging employee gaps in knowledge, putting product teams in charge of change, leveraging the right data-driven tools, fostering a product experience-centric culture, and establishing reliable metrics are all ways to better understand customers and build experiences that cater to their unique needs.

After all, in these times of economic volatility, organizations can no longer afford to rely on sales and marketing teams to acquire and retain customers. Rather, they must leverage their products to chart a course for durable and efficient growth.

“Companies need to find the through line between customer experience and revenue if they want to make money and stay in business,” says Morris.

METHODOLOGY AND PARTICIPANT PROFILE

Harvard Business Review Analytic Services surveyed 275 members of the *Harvard Business Review* audience via an online survey fielded from July to August 2022. Respondents qualified to complete the survey if their organization built digital products and if they were familiar with those products.

Size of Organization	Seniority	Key Industry Sectors	Job Function	Regions
28% 10,000 or more employees	27% Executive management/ board members	23% Technology	22% General/executive management	34% North America
29% 1,000–9,999 employees	41% Senior management	17% Financial services	16% Product team	24% Asia Pacific
9% 500–999 employees	21% Middle management	8% Manufacturing	9% Strategic planning	20% Europe
23% 100–499 employees	11% Other grades	All other sectors less than 8% each	8% IT	10% Middle East/Africa
11% 50–99 employees			All other functions less than 8% each	9% Latin America
0% Fewer than 50				2% Other

Figures may not add up to 100% due to rounding.



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