

Product Profitability

When Product Profitability is the Wrong Metric for Success

Eric Boduch of Pendo
<eric@pendo.io>

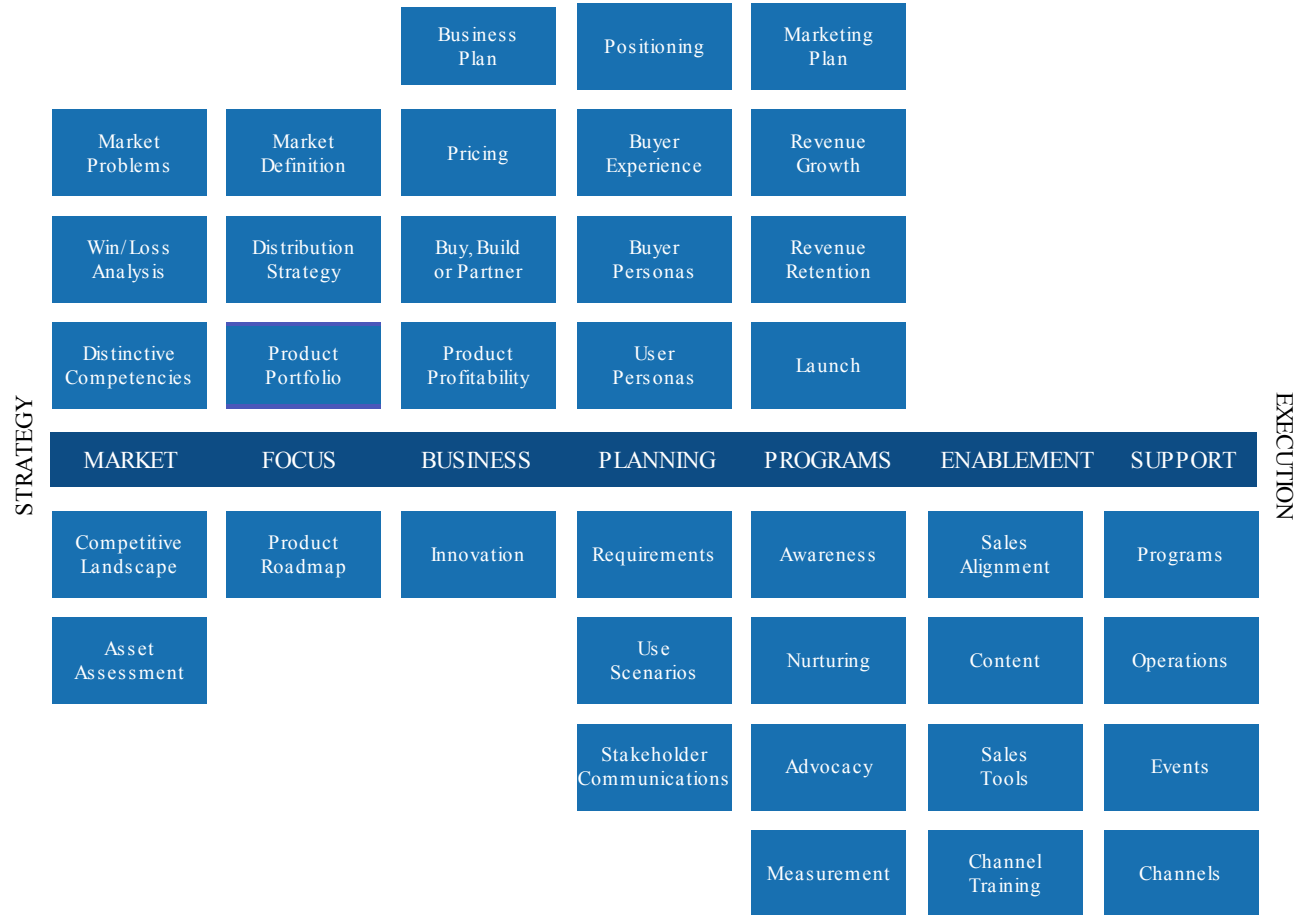
Steve Johnson of Pragmatic Institute
<sjohnson@pragmaticmarketing.com>



ABOUT US

Experts in technology product management, product marketing and data science.

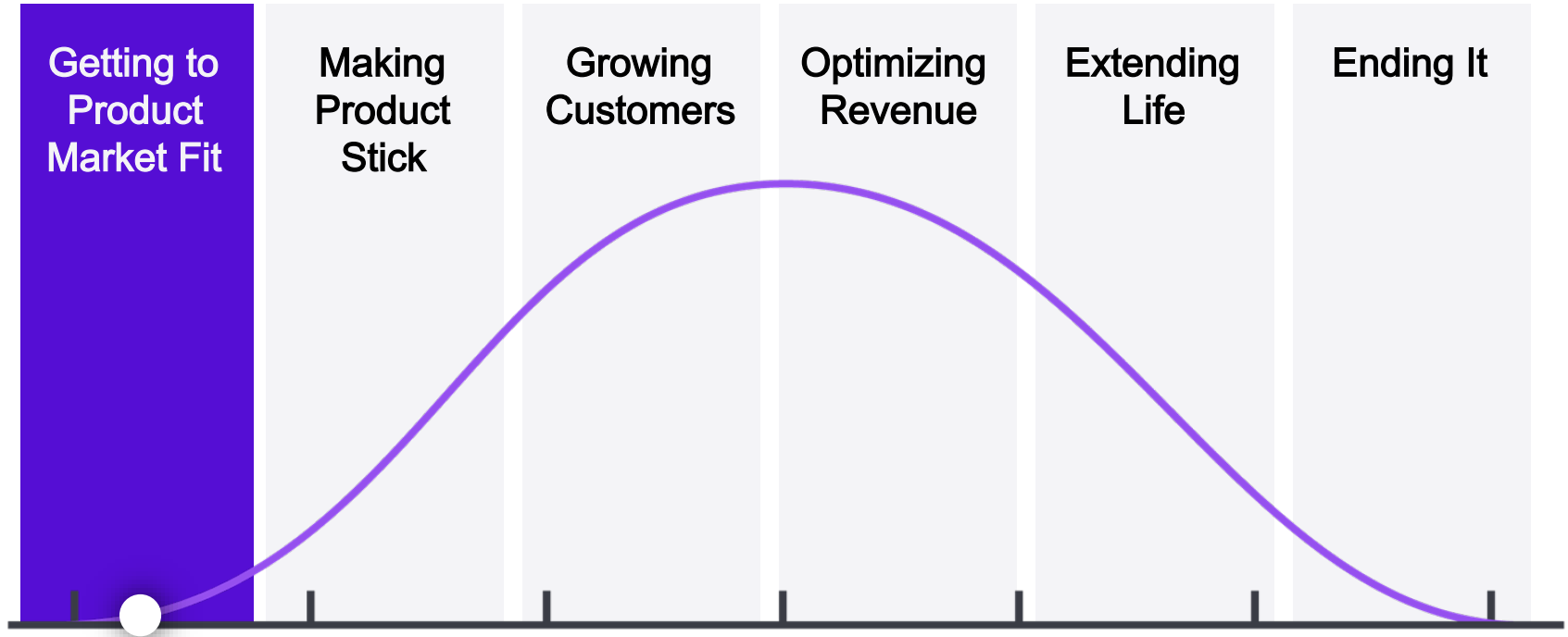
Trained hundreds of thousands of people at companies around the world since 1993.



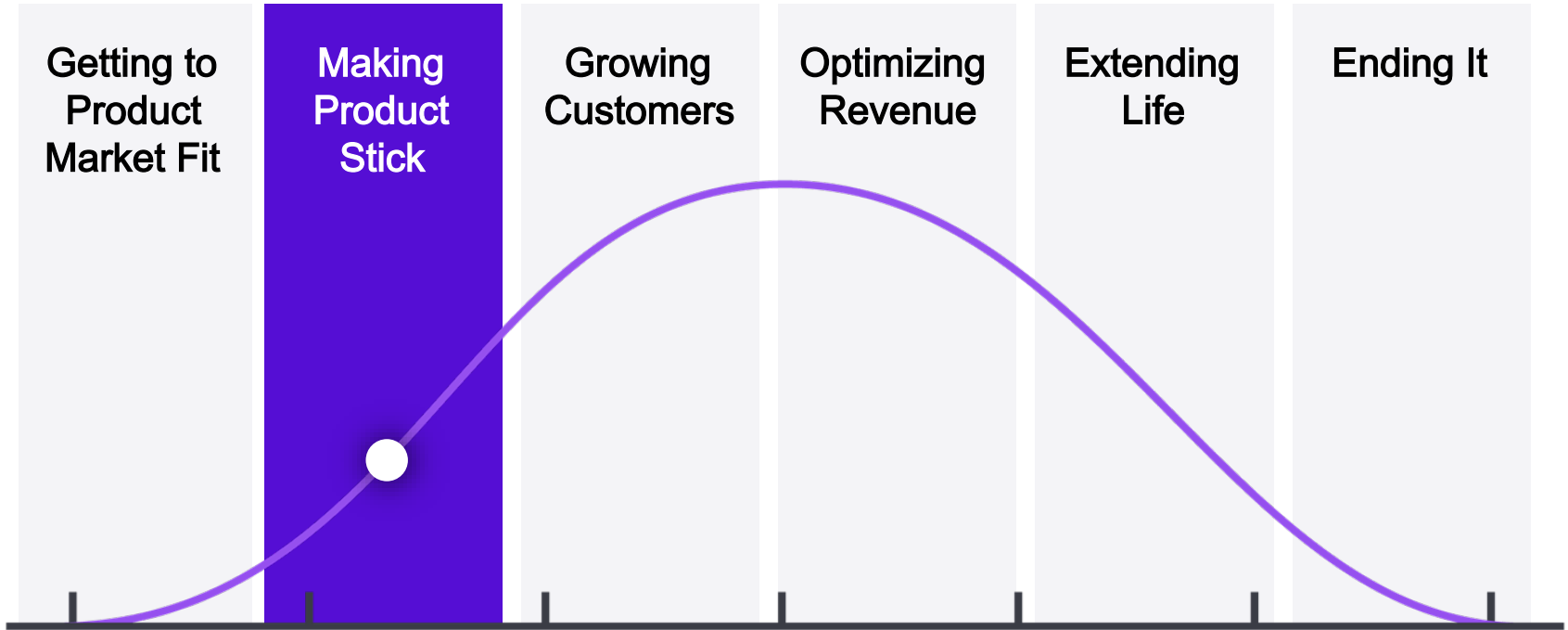
Metrics Change as You Grow



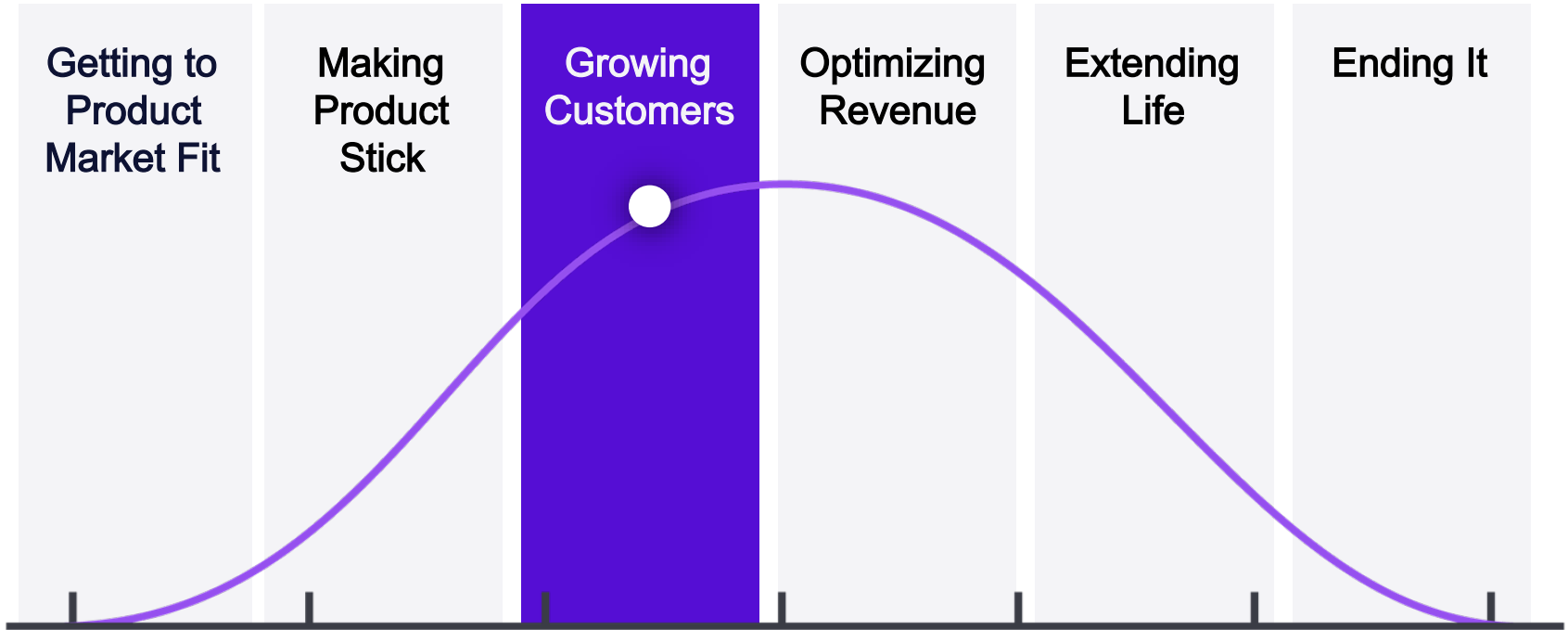
The Product Life Cycle



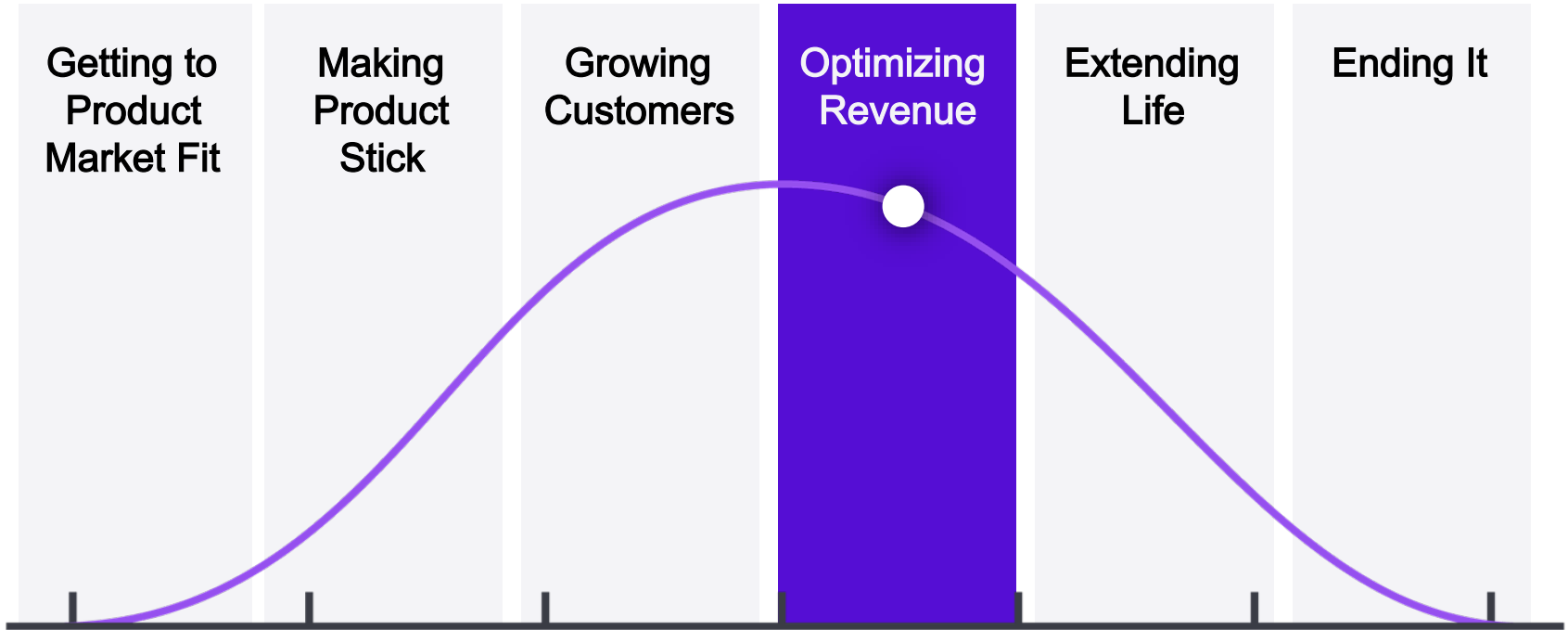
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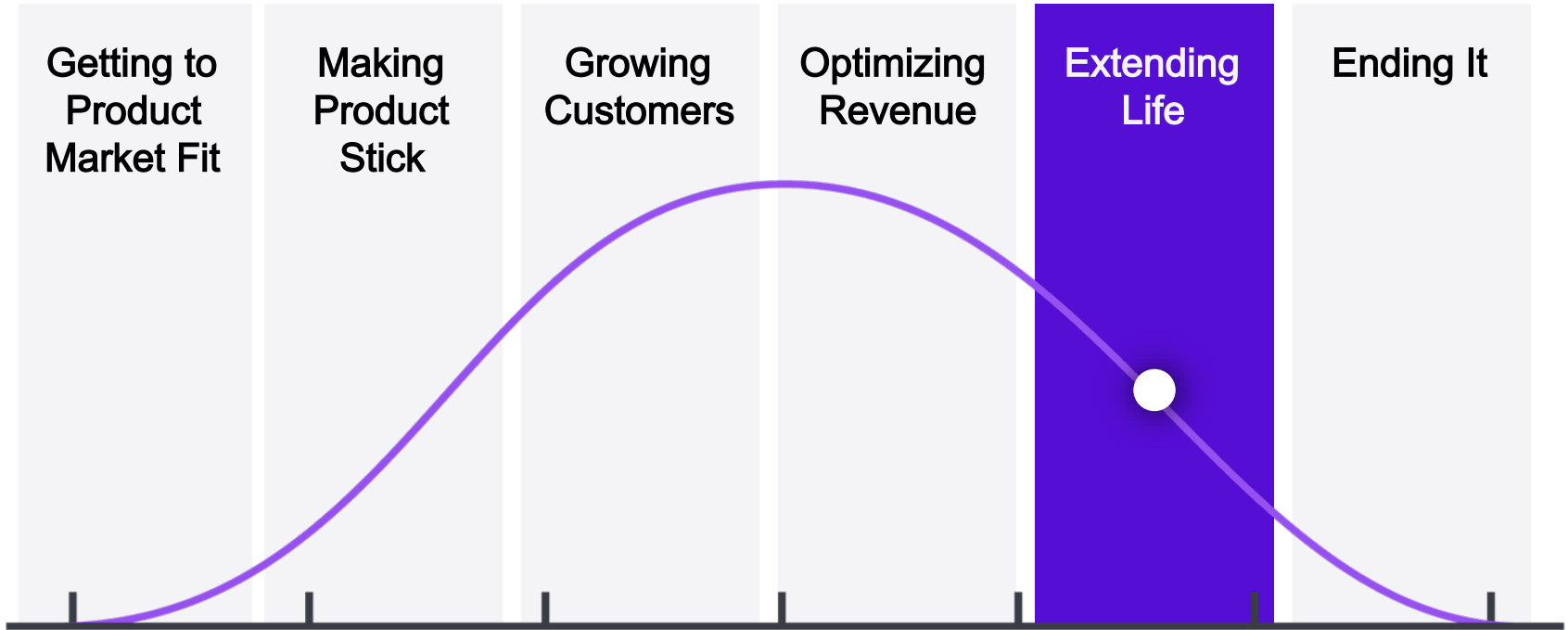
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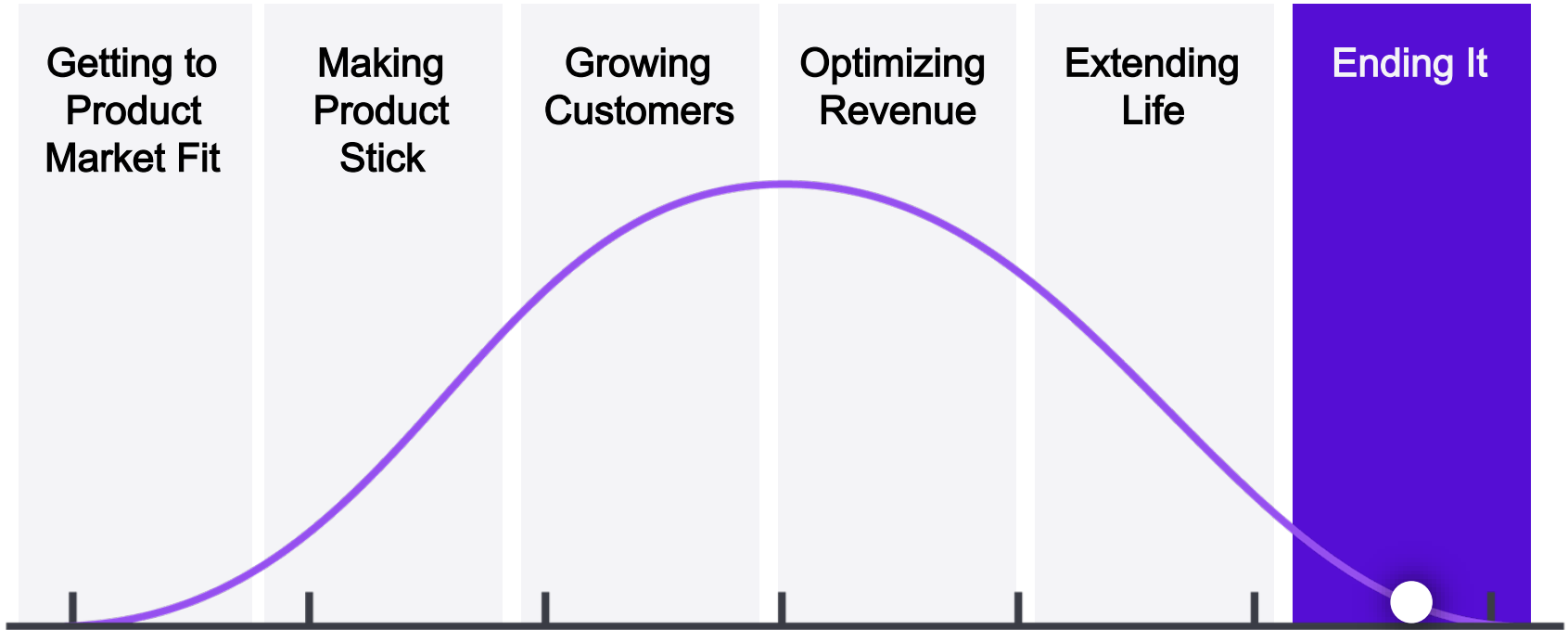
The Product Life Cycle



The Product Life Cycle



The Product Life Cycle

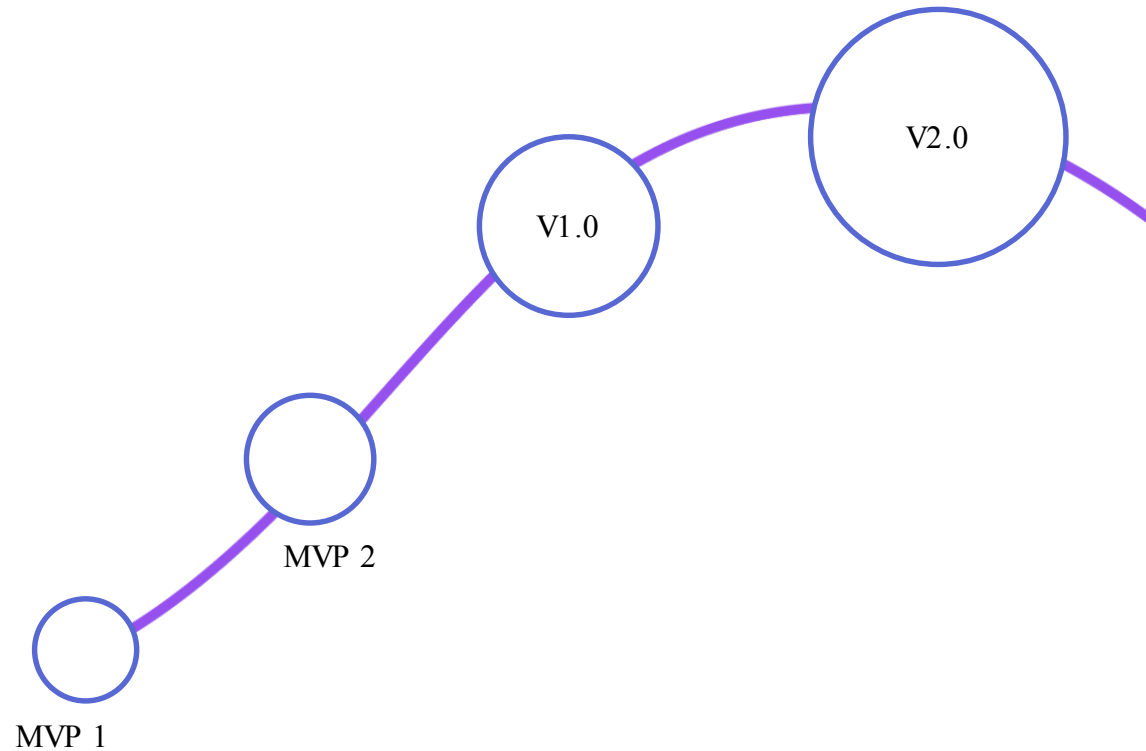


Product Portfolio

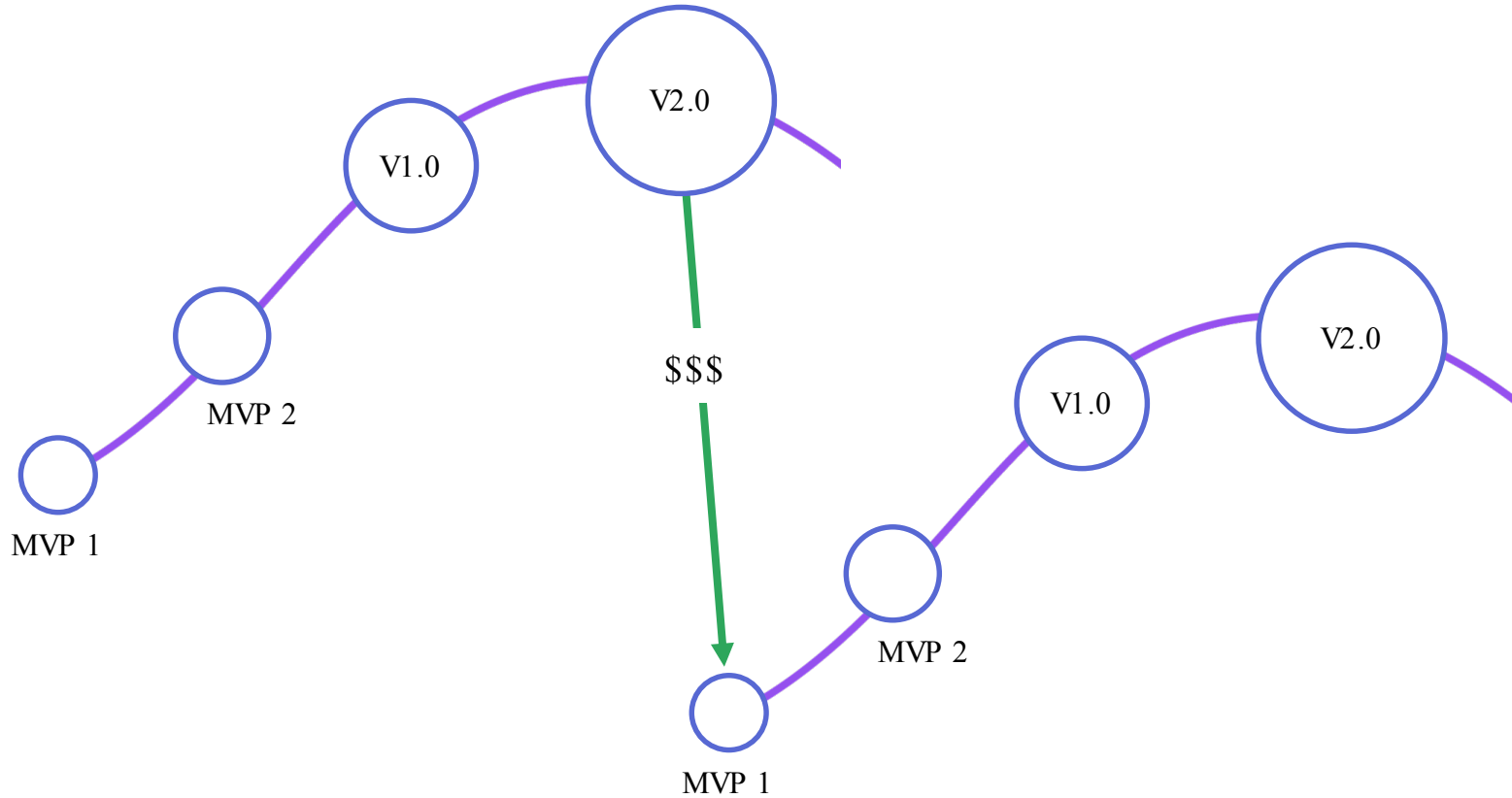
The Alchemy of Growth



Portfolio Planning: Phase 1

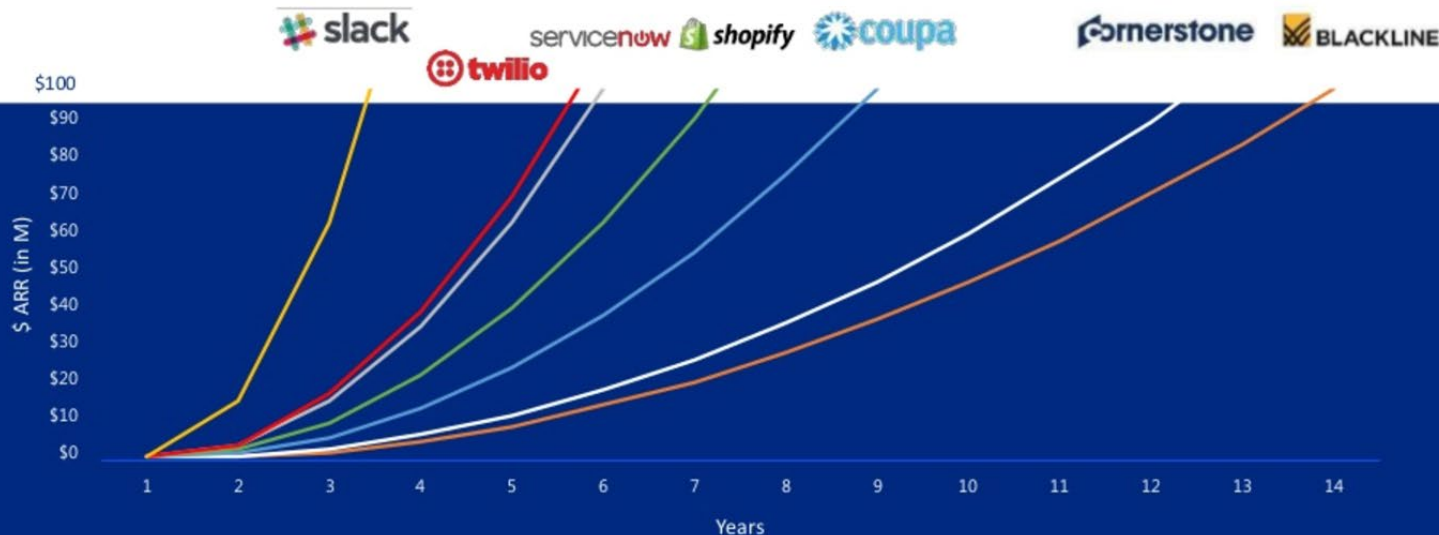


Portfolio Planning: Phase 2



Growth Benchmarks

YEARS FROM \$1M TO \$100M ARR



Source: CapIQ, internal sources and company announcements.

Note: Use quarterly revenue times four as a proxy for ARR.

Note: Assuming it takes 24 months from founding to \$1M ARR if do not have actual data.



Growth: Good, Better and Best




BVP Growth Benchmark

From \$1mm ARR



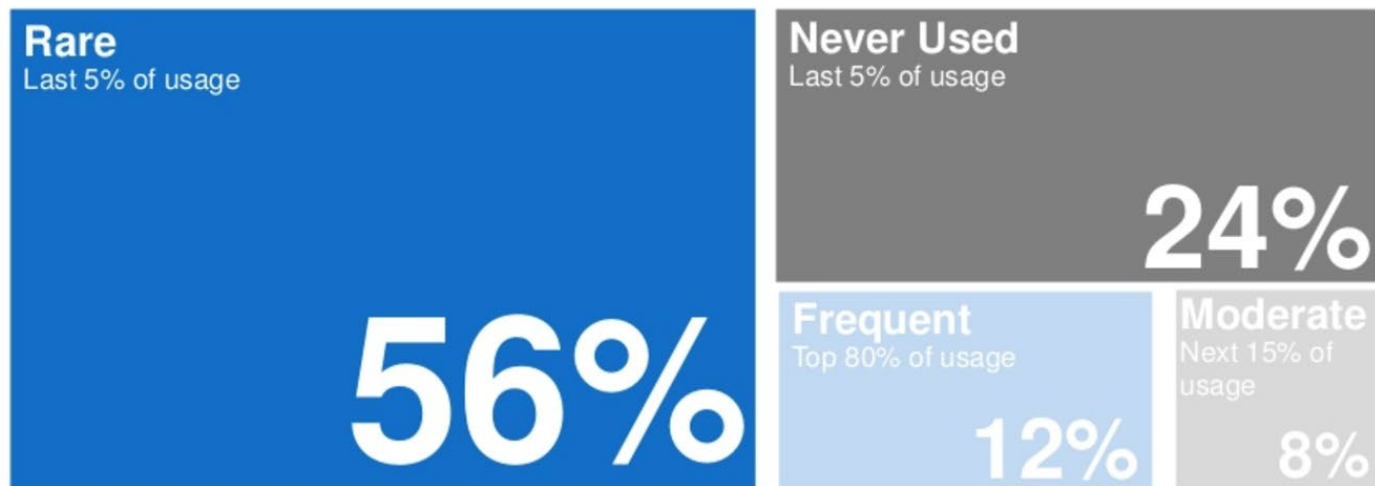
Retention Benchmarks

Retention for different customer segments

	 SMB	 Midmarket	 Enterprise
Average ACV	<\$12k	\$12 – \$50K	\$50K+
Gross Retention	70 – 80%	80 – 90%	90%+
Net Retention	80 – 100%	90 – 120%	100%+

Product Benchmarks

Product efficiency becomes as important as S&M efficiency



- 80% of developed software features are rarely or never used. With approximately \$37B of R&D spend by publicly traded cloud companies, ~\$30B of public cloud R&D is spent developing features that are rarely or never used.

Benchmarking ARR/Employee

ARR per employee maturity curve



- While less instructive for companies with less than \$10M in ARR, in general per-employee efficiency is a great indicator of operating leverage across the maturity spectrum.

Public Co: Benchmarking

Public markets have shifted to reward growth and profitability

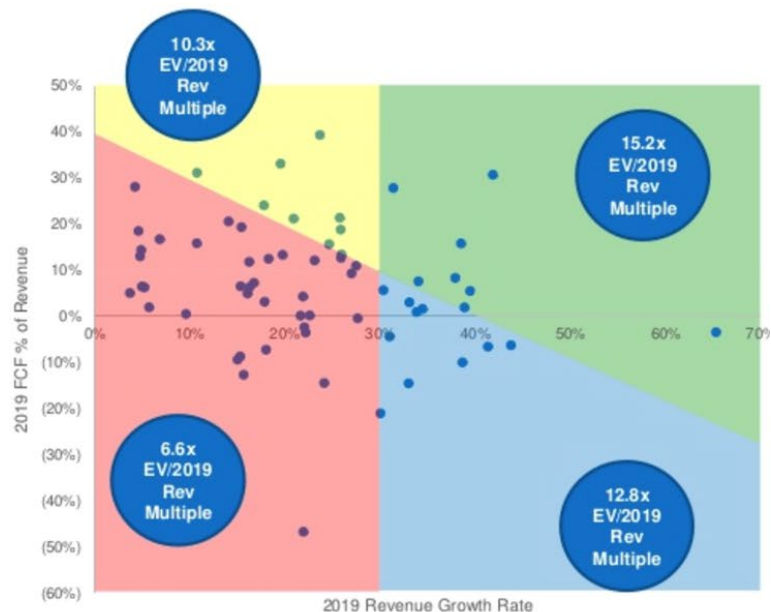
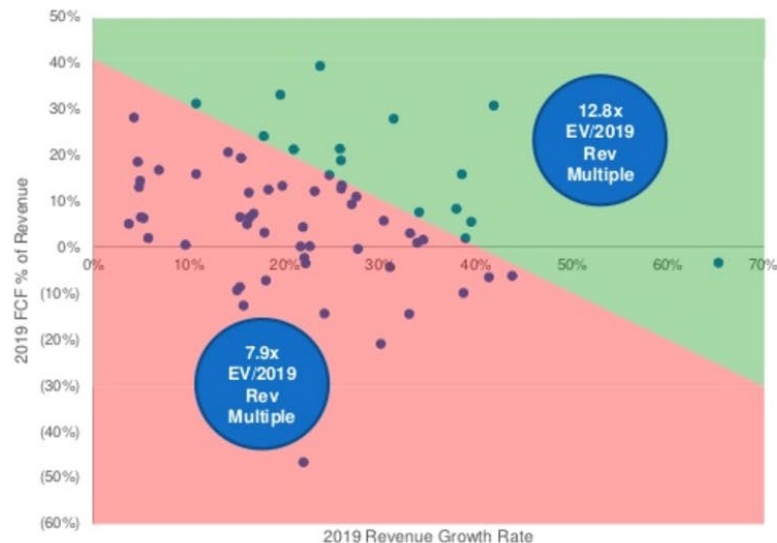


Correlation Over Time											
R ²	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
LTM Growth	0.12	0.03	0.36	0.27	0.63	0.48	0.44	0.39	0.42	0.52	0.51
LTM Growth + UFCF	0.10	0.11	0.37	0.29	0.57	0.50	0.47	0.58	0.62	0.60	0.58

- In aggregate, public markets continue to reward growth and profitability ahead of just growth alone, though this correlation has declined in recent years.

Public Co: Benchmarking Growth and Profit

“The Four Zones” for the Rule of 40

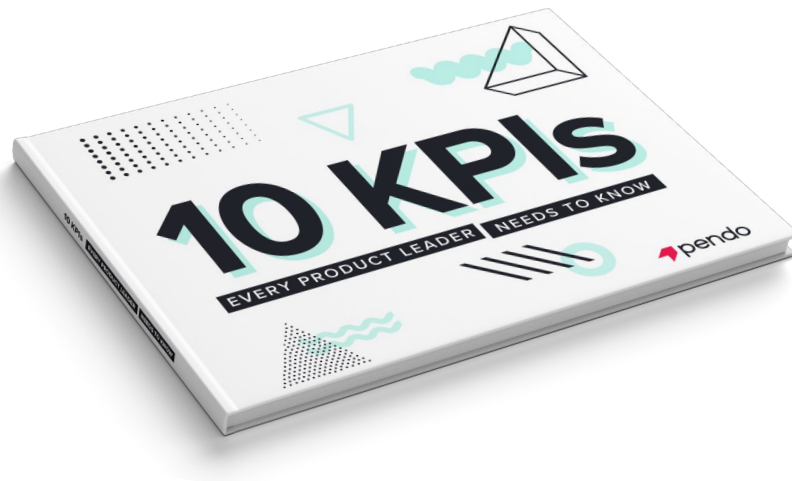


- Companies that exceed the “Rule of 40” trade at a higher revenue multiple (left chart: 12.8x 2019 revenue vs. 7.9x 2019 revenue), BUT companies that exceed the “Rule of 40” AND are growing LTM revenues 30%+ trade at a premium (right chart: 15.2x NTM revenue).

10 Metrics Every Product Leader Needs to Know

Move beyond the theory

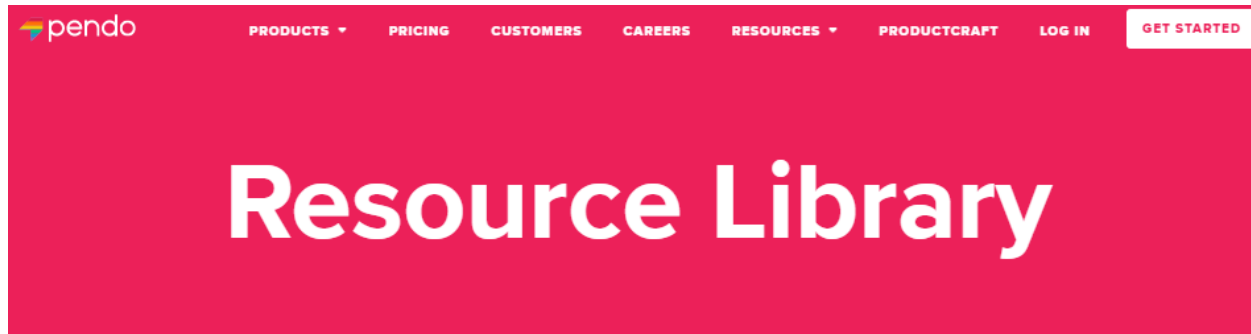
- Calculate a numerical value for the metric at the top of the list: product stickiness
- Use the “BDF Framework” to assess your product’s overall health
- Identify leading indicators of positive business outcomes like account growth and renewal





Pendo Resource Library

Webinars, eBooks and whitepapers for every team that touches the product including resources for product management, UX, product marketing, growth and customer success.



One Integrated Product Cloud



INSIGHTS

Analytics to understand what users are doing across the journey.



SENTIMENT

Surveys to capture how users feel about their experience.



GUIDANCE

Onboarding and messaging to drive readiness and utilization.



FEEDBACK

Demand intelligence to discover what each segment wants next.



ROADMAP

Product planning to set, track, and communicate priorities graphically.

Join us for our next
webinar:

How to Launch a Subscription Business

Thursday, July 18
1pm Eastern

BOM 2019

JAN

**Marketing
Plan**

FEB

Advocacy

MAR

Innovation

APR

**Distinctive
Competencies**

MAY

Content

JUN

**Product
Profitability**

JUL

Launch

AUG

**Stakeholder
Communications**

SEP

Events

OCT

Requirements

NOV

Roadmaps

DEC

**Product
Portfolio**

1. **Identify the problem**

2. **Define the objectives**

3. **Develop a strategy**

4. **Implement the strategy**

5. **Evaluate the results**

6. **Adjust the strategy**

7. **Monitor the progress**

8. **Report the results**

9. **Communicate the results**

10. **Conclude the project**

11. **Reflect on the experience**

12. **Share the results**

13. **Learn from the experience**

14. **Apply the lessons learned**

15. **Repeat the process**

16. **Continue to improve**

17. **Stay up-to-date**

18. **Keep learning**

19. **Be open to change**

20. **Stay motivated**

21. **Be persistent**

22. **Stay focused**

23. **Be organized**

24. **Stay on schedule**

25. **Be efficient**

26. **Stay productive**

27. **Be proactive**

28. **Stay positive**

29. **Be optimistic**

30. **Stay confident**

31. **Be assertive**

32. **Stay calm**

33. **Be composed**

34. **Stay collected**

35. **Be poised**

36. **Stay graceful**

37. **Be elegant**

38. **Stay sophisticated**

39. **Be refined**

40. **Stay polished**

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