People Analytics Tech 2020

Authors: Stacia Garr & Priyanka Mehrotra

redthread research

About RedThread

Sure, we're experts in performance, people analytics, learning, and D&I—and we're well-versed in the technologies that support them. But we're also truth-seekers and storytellers in an industry often short on substance, and too full of @#$%. Our mission (indeed, our very reason for existing) is to cut through the noise and amplify what's good. We look for the connections (or red threads) between people, data, and ideas—even among seemingly unrelated concepts. The result is high-quality, unbiased, transformative foresight that helps you build a stronger business.

To learn more, reach out to us at hello@redthreadresearch.com or visit www.redthreadresearch.com.

This report is made available to you by

The People Analytics & Future of Work Community & Conference Series is the world's premier network of professionals promoting the ethical and responsible use of people data and analytics. From GDPR to innovative organizational, team, and individual insights, we're dedicated to seeing people data used transparently, creatively, and with an unwavering commitment to protecting the rights and well-being of individuals. We share insights, ideas, and proven methods through a series of conferences, roadshows, videos, podcasts, and other media. Ultimately, we're about People Data for Good. As such, it's our mission to educate business professionals, and people in general, on the risks, opportunities, and responsibilities inherent in analyzing and acting upon people data. Learn more at pafow.net.

Insight222 is an education, advisory, and consulting firm devoted to helping organizations put People Analytics & Insights at the center of their business strategies. Home of the People Analytics Program, Insight222 facilitates peer group meetings, co-creation projects, content development and curation, training, and the Global Executive Retreat (GER). The GER is a unique experience that helps People Analytics Leaders formulate and pressure test their strategies, budget, technology ecosystem, and innovative ideas in a confidential, high-trust environment. This experience, along with ongoing advisory and facilitation, helps People Analytics Leaders and their teams create sustainable and scalable solutions that are high-impact, ethically responsible, and that benefit both organizations and workers. Insight222 is also home to myHRfuture, the online learning experience platform that provides timely, relevant, and actionable educational experiences at scale. From micro-learning to customized educational experiences for organizations, myHRfuture helps individuals and organizations build the skills of the future. Learn more at insight222.com and myHRfuture.com.

Table of Contents

2020: People analytics' year to shine 4

Key Findings 6

Market Changes 7

Vendor Capabilities 15

Considerations Before Making (or Expanding) Your Investment 24

Looking to 2021 30

Appendix 34

2020: People analytics' year to shine

When we published our 2019 People Analytics Tech[1] study at the very end of last year, we thought we had a strong sense of what was coming in the next year. Like everyone else, we were wrong.

COVID-19 and the social justice movements of 2020 dramatically changed all of our lives. As a result, business leaders wanted to understand what was happening with their people on a much deeper level. People analytics teams and their technology had an unexpected opportunity to shine.

Some teams and technologies seized that opportunity. Those who fared the best had already invested in regular employee listening strategies, democratized data analytics products for the broader organization, and created a flexible and integrated tech stack.

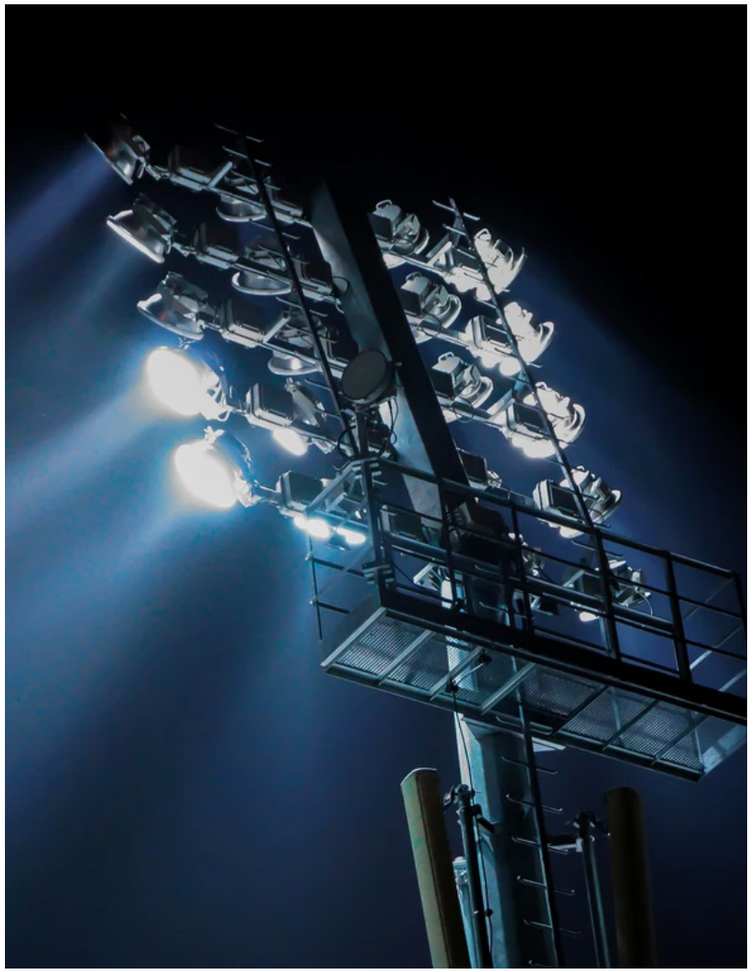
Other teams had to perform heroic acts to get leaders the information they needed. As the crisis of the moment turned into the reality of the year, they began to explore new approaches to deliver people insights at scale.

All of this brings us to now, when many people analytics leaders are looking to 2021, beginning to contemplate new investments, but have less time than ever to think about it.

That's where this research comes in. Our goal is to help people analytics leaders—whether you are in the more prepared group or the heroic acts camp—prepare for next year. Specifically, we focus on 3 questions:

- How did the vendor market change in 2020?
- What are the newest capabilities you need to know about?
- What should you be thinking about when making (or expanding) a people analytics tech investment?

If, after reading this study, you have further questions, please reach out to us at hello@redthreadresearch.com.



Study overview

This study has the same overall goal as our 2019 study: To make the people analytics technology market more understandable for people analytics practitioners (PAPs) as well as vendors.

Our overall methodology is very similar to last year, as shown in Figure 1. We administered a robust vendor survey (May–August) and conducted 60-90-minute vendor briefings (July–November). We made a few additions this year, too:

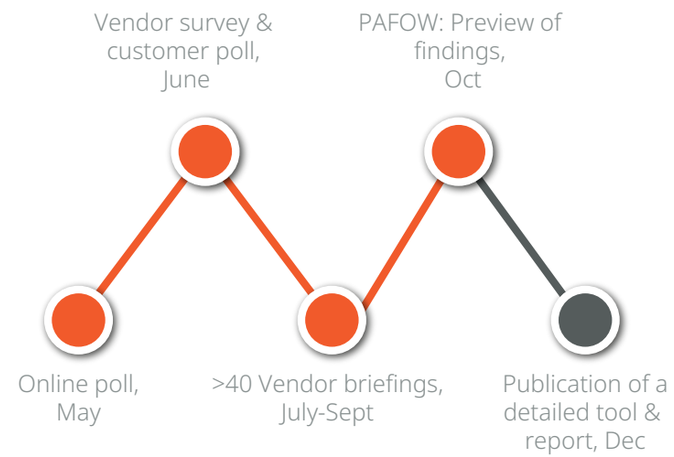
1. We added a customer poll, so we could better understand people analytics leaders' perspectives on their vendors' offerings—this included a customer Net Promoter Score® (NPS)
2. We asked each vendor for an opportunity to see their sandbox environment, so we could get a better sense of their product

We also created a robust evergreen tool, which serves as the repository of vendor-specific information. This new tool includes an updated RedThread assessment on every vendor that participated in the research, customer NPS and other customer insights (when we received enough responses), screenshots, and case studies. That allows this report to focus just on the overall market.

Similar to last year, we began this study with a survey of both vendors and people analytics practitioners, to better understand what you all most wanted us to focus on. As you can see in Figure 2, the primary areas of focus folks wanted to know about are current and future capabilities. The biggest difference between the two populations? Approaches to ethics and privacy. We cover these topics in the study.

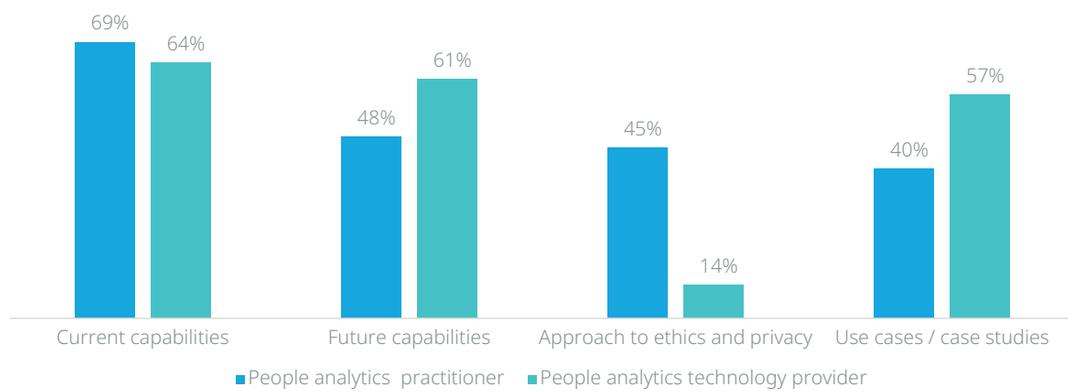
This study is a labor of love, in that it reflects a significant time investment from everyone who participated in its development. Before we dive in, we want to thank all of the vendors and customers who gave their time, energy, and expertise to make this such a robust study.

Figure 1: Methodology for People Analytics Tech Study 2020



Source: RedThread Research, 2020.

Figure 2: Top 3 Things People Analytics Practitioners & Vendors Want to Know about the People Analytics Tech Market



Source: RedThread Research, 2020.

Key findings

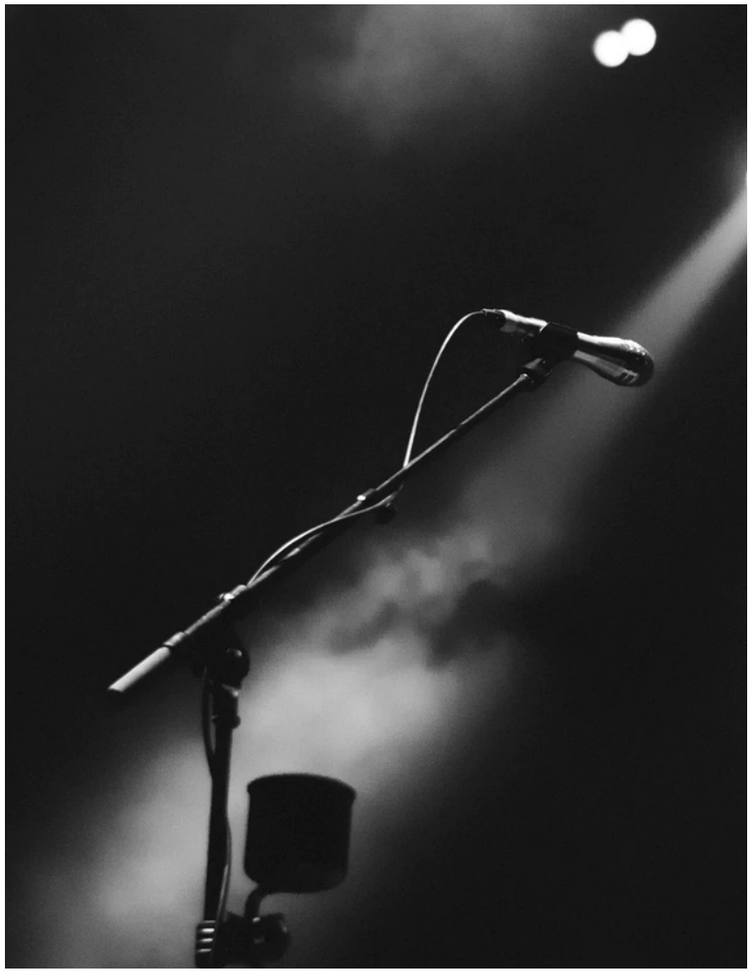
1. **The people analytics tech market responded to customers' 2020 needs.** The events of 2020 required companies to foster connectedness and keep their employees engaged, secure, and safe. The majority of solutions in our study reported employee engagement, experience, and diversity, equity, inclusion, and belonging (DEIB) as their primary areas of focus this year.

2. **Practitioners have more choices of technology than ever.** We identified 121 people analytics technologies (PAT) on the market today. The market overall is growing quickly, with a 35% growth rate between 2019 and 2020, and a 55% CAGR for the last 4 years. We estimate the overall market value at $2 billion.

3. **People analytics practitioners and HR teams are the key users today.** This year, 96% of vendors said people analytics practitioners (PAPs) are their primary audience, as compared with 77% last year. HR business partners (HRBPs) are the next critical audience, cited as primary by 70% of vendors. Most solutions offer targeted insights and resources to help these 2 audiences use their solution effectively. However, the majority of vendors anticipate that HRBPs and people managers will be using their solutions more frequently in the next 3 years.

4. **Many solutions are not as easy to use or user-friendly as vendors believe them to be.** For customers, ease of use and simplicity is a big differentiator. Given the high number of vendors who claim this is a differentiator—and the number of customers who claim they're still seeking it—we don't think that most vendors actually differentiate on this capability.

5. **New capabilities include advanced NLP, deep machine learning, and the use of new, unstructured data.** Some of the most interesting new capabilities include context-configurable natural language processing (NLP), use of deep machine learning to analyze unstructured data (e.g., voice, images, video), and the collection of that unstructured data.



Market Changes

Vendors responded to COVID-19 & racial injustice

As we mentioned at the beginning, the twin pandemics of 2020 (COVID-19 and racial injustice) thrust people analytics onto center stage, as business leaders attempted to understand—at scale and with data—what was happening with their people.

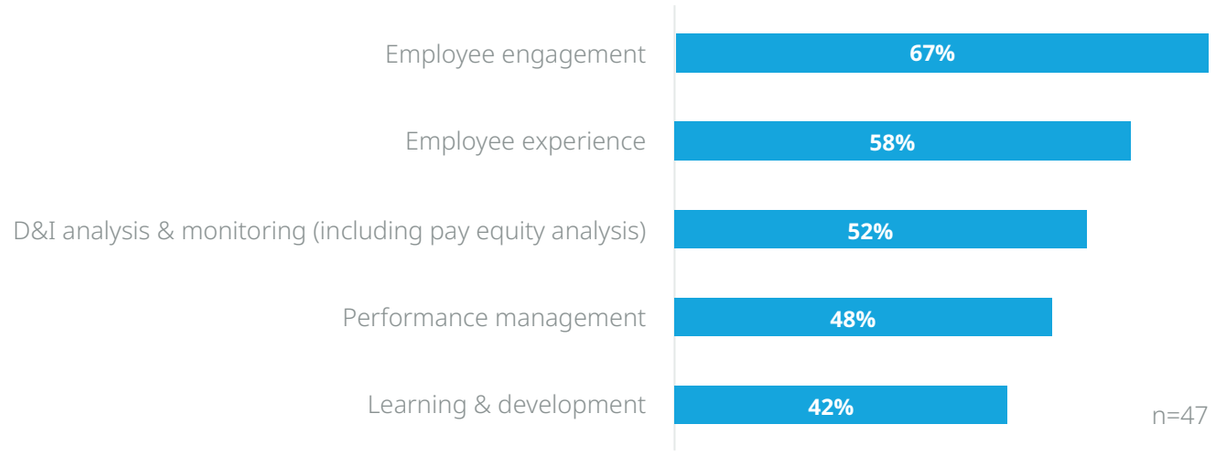
Vendors responded quickly to this need. As shown in Figure 3, the majority of vendors reported employee engagement and employee experience (response to COVID-19 and remote work), and diversity and inclusion (D&I, response to racial injustice) as their primary areas of focus in 2020.

While the focus on employee engagement and experience is to be expected, we find the increased focus on D&I notable. When we began our research on D&I technology in 2018, we had a relatively small number of vendors focusing on D&I analytics.[2] However, as the urgency around diversity, equity, inclusion, and belonging (DEIB) has risen, so too have the number of analytics offerings targeting this space. This is to be celebrated.

But there's a catch. Given the sensitivity of the topic, it's extremely difficult to get people analytics practitioners (and thus their vendors) to talk about what they're doing on DEIB. This means there's a slowing of the normalization of DEIB analytics and sharing of insights on how to improve DEIB. This needs to change.

We strongly encourage practitioners and vendors to keep focusing on how they can better provide insights to help organizations become more diverse, equitable, inclusive, and fostering of belonging to improve their DEIB.

Figure 3: Primary Areas of Focus for Vendor Solutions



Source: RedThread Research, 2020.

"DEIB technology is enterprise software that provides insights or alters processes or practices, at the individual or organizational level, in support of organizations' efforts to become more diverse, equitable, inclusive, and fostering of belonging."

Source: *Diversity & Inclusion Technology: The Rise of a Transformative Market,* RedThread Research 2019.

Vendors focused more on people analytics practitioners

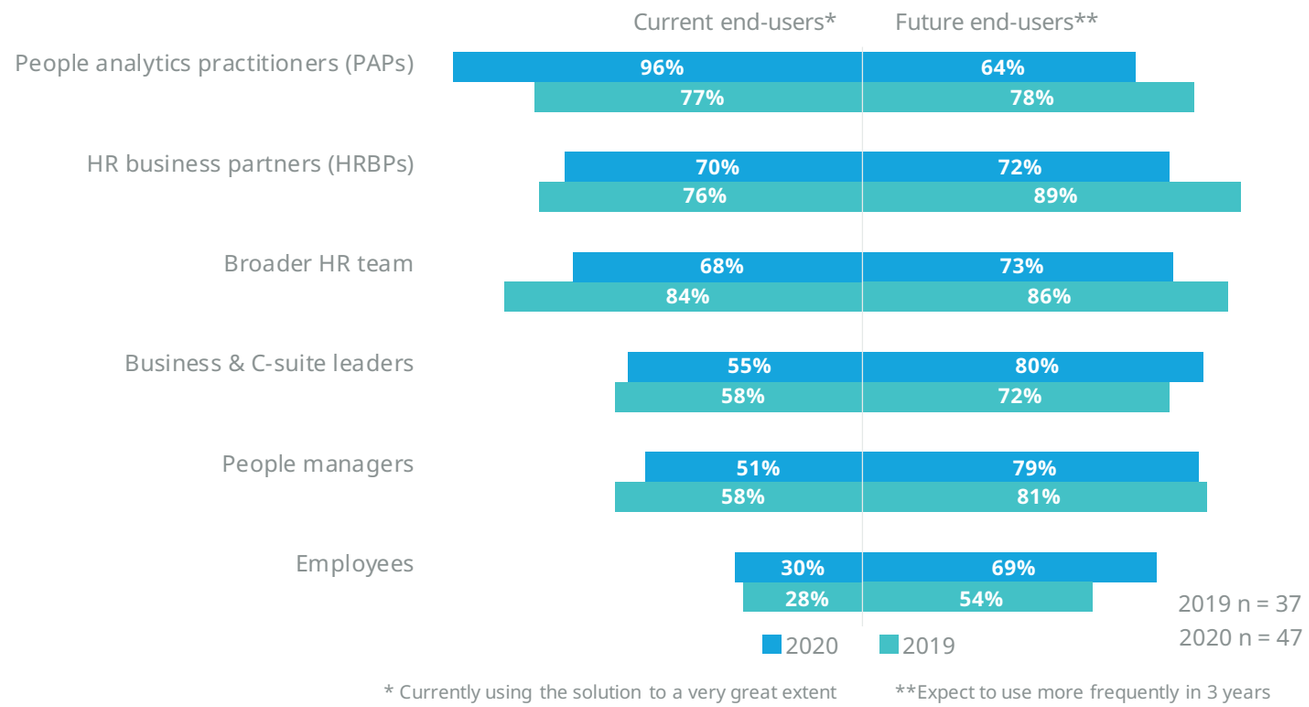
As we discuss later in this report, people analytics technologies (PATs) can be used by many different audiences. However, during COVID-19, vendors focused much more specifically on people analytics practitioners (PAPs).

As you can see in Figure 4, in 2019, 77% of vendors reported PAPs were using their solution to a very great extent—that number shot up to 96% in 2020. We believe the pressure for greater data clarity also crystalized for vendors that PAPs are their primary users—and thus almost all focused there more heavily.

We also asked vendors the types of capabilities they offer specifically for people analytics practitioners. Seventy-four percent of vendors offer customized insights for PAPs, which can consist of customized reports, analyses, etc. as either a core out-of-the-box functionality or a competitive differentiator functionality.

However, vendors aren't as strong at enabling action, with only 48% saying they suggest personalized actions for PAPs. Further, just 41% of vendors offer PAP-specific collective / community intelligence (e.g., access to forums, groups, or events). Both of these areas present opportunity for vendors in the future.

Figure 4: Current & Future End-Users, 2019 vs 2020



Source: RedThread Research, 2020.

Customers satisfied with PAT vendors

Vendors' efforts seem to have paid off, as shown by the overall strong customer NPS score (see Figure 5). Of our 45 solutions in the study, 24 had enough customer responses to calculate an NPS.

The average customer NPS score is 67, which is considered high, generally speaking, for the SaaS industry.[3] Nearly one-third of solutions had scores higher than 70, which is exceptional.

Some of the quotes from the most satisfied customers are included below.

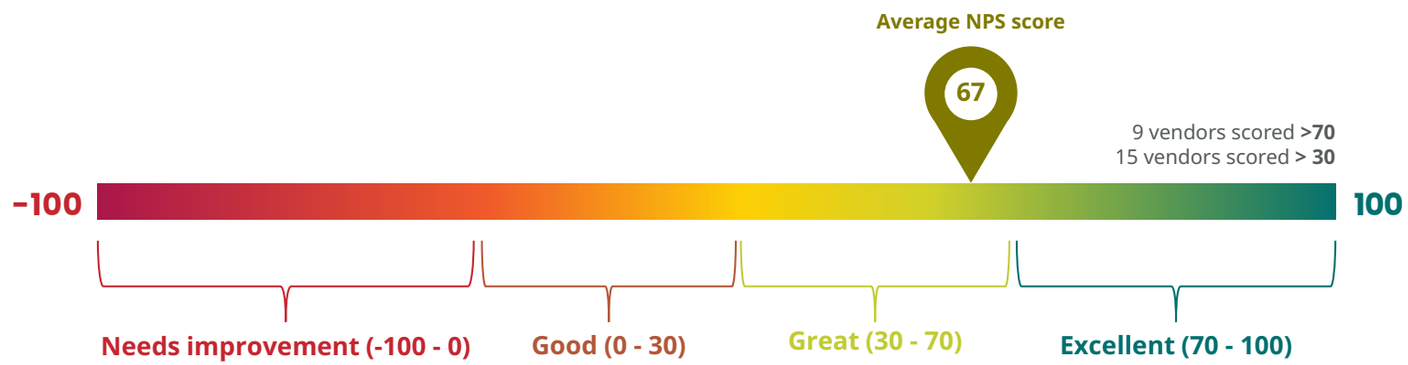
"An innovative vendor, constantly improving the product and providing excellent customer support and flexibility."

– Large healthcare company for an employee experience / engagement analysis solution

"Great team with a great product, [I] think this solution is a valuable addition for any business."

– Midsize financial company for a multisource analysis solution

Figure 5: Average Customer NPS Score



Source: RedThread Research, 2020.

“The vendor has an excellent support team that is willing to go [the] extra mile to accommodate customers. It is a simple tool that does not require an IT or statistician background to use.”

– Large healthcare company for a multisource analysis solution

The market grew quickly—but there are fewer new vendors than before

The overall number of vendors in the market increased, but the growth rate has slowed. In 2018, we identified 89 vendors in the space. However, our review this year turned up even more vendors that existed in 2018, so we have revised our 2018 number to 116. For this year, we have identified 121 vendors. All of this shows that the number of players in the market is still growing, but not at the same rate as before.

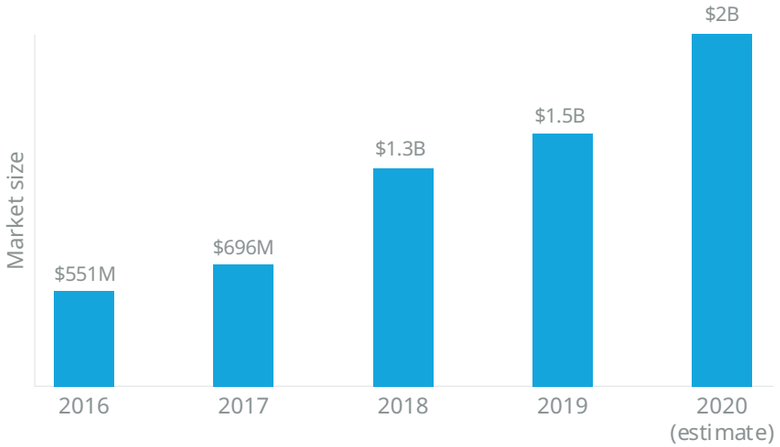
Even though we're seeing fewer new vendors in the market, we still saw very strong growth in the market overall. As you can see in Figure 6, we're estimating strong market growth for 2020, with **the overall PAT market size for the year 2020 to be around $2 billion**.

Overall, we estimate the following growth rates:

- 35% anticipated 2020 growth rate (2019-2020)
- 55% CAGR for last 4 years

For close readers of our research, you'll note that the 2019 number, $1.5 billion, is lower than what we projected last year. That's because last year's numbers were estimates, whereas this year we received actual 2019 numbers from vendors. The 2020 numbers are based on vendors' estimated revenue, taking into account the COVID-19 pandemic.

Figure 6: People Analytics Tech Market Growth for Last 5 Years



Source: RedThread Research, 2020.

Overall market size: **$2 billion**

CAGR for last 4 years: **55%**

2019-2020 growth rate: **35%**

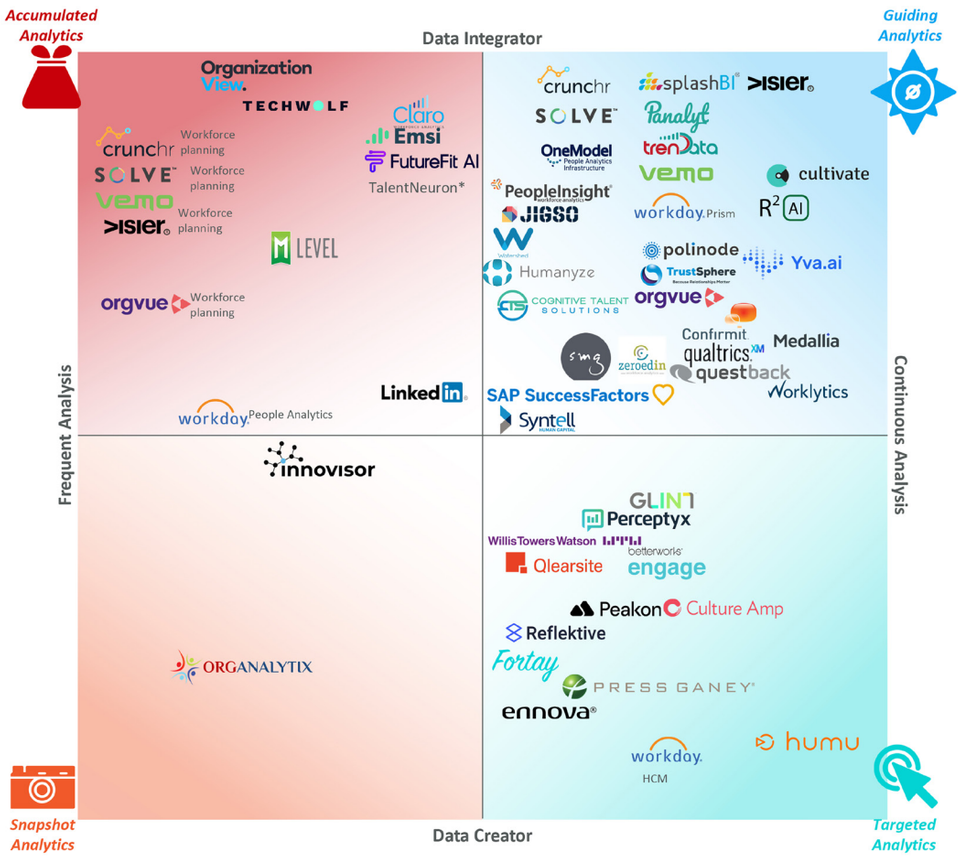
Solution categories fragmenting as offerings overlap

To understand the market, we compare 2 aspects of solutions' capabilities: usage frequency and data sources. This approach allows us to clarify if, on the X-axis, the analysis is primarily used for strategic organizational decisions (frequent analysis) or informing individuals about themselves / their teams (continuous analysis). It also helps us see, on the Y-axis, the number of data sources integrated, which can give us a sense of the integration complexity (see Appendix 3 for more details).

Comparing last year's and this year's studies, we notice:

- **Compressing toward the X-axis.** More solutions than before are both creating and integrating data—meaning we have more solutions in the center of the matrix
- **Moving to the right on the X-axis.** More solutions are making data continuously available and accessible to more user types—meaning more solutions moved to the right side of our matrix this year
- **Fragmenting of solutions categories.** Last year, we were able to clearly group solutions categories (e.g., employee engagement / experience or workforce planning platforms) by their location on the matrix; this year, given some of the shifts mentioned above, we find them somewhat more fragmented—meaning there's more differentiation between the solutions within a given category

Figure 7: People Analytics Tech Market Solution Matrix



For more detailed information on individual vendors, see our tool at www.redthreadresearch.com/pat-tool.

Source: RedThread Research, 2020.

What's next: Market changes

To help you get started on translating the information above into actionable steps for your organization, we provide 2 sets of questions—one for practitioners and one for vendors—for you to consider as you look to 2021.

People Analytics Practitioners

If you're a PAP, here are some questions to ask your current or potential vendor:

Audiences

- In what ways do you focus on other critical (non-PAP) audiences? How does the solution enable this?
- How do you handle issues of scale, security, and customization for these different audiences?
- How do you go beyond providing insights to enabling or encouraging action for all audiences?
- What types of communities can you connect me or other audiences with to help us further our learning?

Offerings

- How did you evolve your product to respond to COVID-19 and the social justice pandemics this year?
- How are you enabling my company to understand diversity, as well as equity, inclusion, and belonging?

Growth & Customer Satisfaction

- What is your organization's NPS score?
- How quickly did your organization grow last year? How much of that was new vs. old customers?
- What is your growth plan for the next few years?

Vendors

If you're a vendor, in addition to being able to answer the practitioner questions, here are a few questions to consider as you look at your product roadmap and consider how you support customers:

Audiences

- How can you better provide insights that answer the questions of all audiences, not just provide data / the ability to drill into the data?
- How might you innovate on the current offerings for the different audiences (especially consider taking a page from B2C data products)?
- Is your solution the right one for the potential buyer, given their people analytics maturity and user skill level?

Offerings

- What new customer needs do you foresee as they relate to either COVID-19 or social justice? How can your product anticipate those needs and support customers more effectively?

Growth & Customer Satisfaction

- In what ways can you enable thought partnership for your customer, not just basic support?
- How can you better adapt and configure to meet different customer needs at scale?

Vendor Capabilities

Capability differentiators: Customers' perspectives

This year, we asked customers what they saw as their solution's differentiators. Here are the top capabilities they mentioned:

- **Ease of use, user-friendly, simplicity, and flexibility.** Interestingly, while we highlighted these as "commodity" differentiators or table stakes for vendors in last year's research, ease of use, simplicity, and flexibility are the most frequently mentioned vendor differentiators among customers. **This implies that, despite their statements otherwise, most vendors' solutions are not as easy to use, simple, and flexible as customers want.** While it might be easy to write this off as lack of end-user knowhow, we doubt this is the case as a large percentage (29%) of customer respondents are PAPs. This means that even the most sophisticated users are, broadly speaking, finding the solutions too complex or time-consuming.
- **Reporting.** Another finding from the customer poll is that a large number of customers listed their solution's reporting and filtering capabilities as differentiators. A deeper dive into the responses revealed that a majority of these are for employee experience and engagement solutions for which the ability to quickly filter and find the needed data and insights are essential for the broad range of users. We believe this desire for better reporting is proxy for improved ease of use, user experience, etc.
- **Visuals, storytelling, UI, and design.** After sitting through more than 40 vendor briefings, we can tell you that there's a LOT of similarity in dashboards. A few vendors are reimagining data display and storytelling, but most aren't. Compelling visuals, clear storytelling, easy UI, and strong design are definitely differentiating capabilities.
- **Deep customer support.** Lots of vendors offer SaaS, but not all people analytics or HR teams have the capability to manage the technology deployment and ongoing management without support. Clarity and deep support on the level of service offered—and the amount needed—can be differentiating.

Figure 8: Top 5 Customer-Stated Differentiators

Ease of use, user friendly, simplicity & flexibility
Reporting and filtering capabilities
Visuals, storytelling, UI & design
Deep customer support & professional services
Customizable

Source: RedThread Research, 2020.

Some customer quotes on differentiators include:

"Comprehensive surveying and reporting tool with good support."

– Large retailer for an employee experience / engagement solution

"High flexibility can be used for multiple purposes."

– Large pharmaceutical company for an employee experience / engagement solution

"Provides us the ability to review data and read trends and tell a story with data."

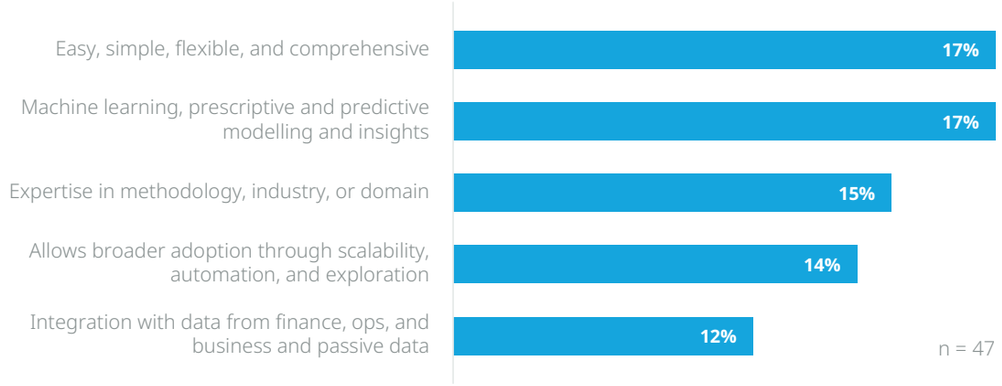
– Large pharmaceutical company for a multisource analysis solution

Capability differentiators: Vendors' perspectives

Our vendor survey revealed that most vendors think of the following capabilities as their strengths / differentiators:

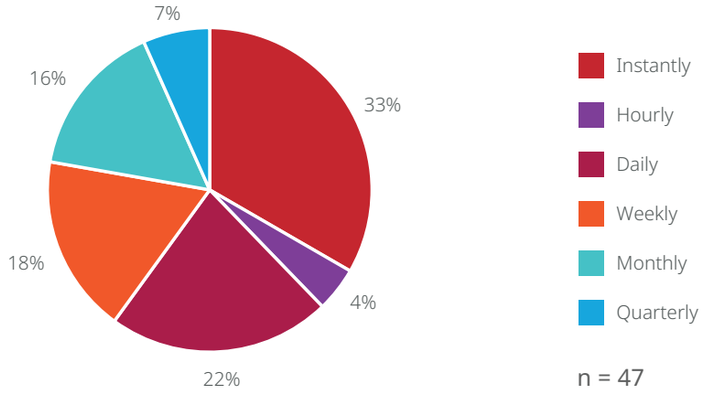
- **Being flexible, comprehensive, easy, and simple to use.** As stated above, customers think this can be a differentiator. However, given the number of vendors who claim this is a differentiator, we still don't think that most vendors actually differentiate on this capability.
- **Providing advanced analytics (e.g., machine learning, prescriptive / predictive insights) and real-time updates.** On the first point, we suggest buyers ask questions to better understand these technologies, as there are wide ranges in capabilities. On the last point, given that almost 40% of solutions can update within the hour (see Figure 10), providing real-time insights can be a true differentiator for them.
- **Offering specific expertise.** Our briefings reveal that vendors particularly leveraged their expertise during the COVID-19 pandemic to help companies in specific industries or in a specific market segment.

Figure 9: Top 5 Vendor-Stated Differentiators for Their Solutions



Source: RedThread Research, 2020.

Figure 10: Frequency of Solution Updates



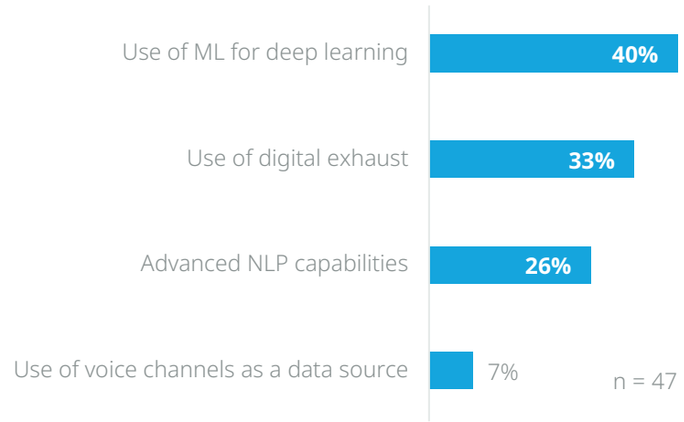
Source: RedThread Research, 2020.

Capability differentiators: Opportunities for vendors

From a features / functionality perspective, our survey uncovered several functionalities that comparatively few solutions currently offer as differentiators (see Figure 11 for percentage that indicates they offer the capability):

- **Machine learning (ML) for deep learning.** While 40% of vendors state that their solutions use machine learning for deep learning, we think this will become a greater requirement as more unstructured and unlabeled data from different channels and sources (such as voice, image, video, etc.) is used for analysis.
- **Use of digital exhaust.** Though more vendors are integrating data from difference sources, they're not using digital exhaust from employee activities (e.g., data created by email exchanges, file transfers, log files, or cookies) any more now than last year. Specifically, only 33% of the solutions currently use data from digital exhaust for analysis, as compared with 32% last year.
- **Advanced natural language processing (NLP).** Currently almost 40% of solutions conduct sentiment analysis, but that analysis is relatively rigid. By contrast, only 26% of solutions offer advanced NLP, which allows for customizing by context (e.g., by allowing customizing / refining of NLP models based on business priorities or culture). It can also enable the identification of prescriptive comments (e.g., "the management should....," "I would suggest making...."), not just themes.

Figure 11: Capabilities Currently Offered by Vendor Solutions



Source: RedThread Research, 2020.

Only 7% of solutions currently use voice channels (e.g., call and message recordings), but as more office interactions and meetings take place via digital tools, voice channels will increasingly become an important data source.

Audiences

We also saw differences in terms of the different capabilities that vendor solutions offer for different audiences. The audiences we identified in our study are identified in Figure 12.

We see similar types of capabilities across each of these audience types, indicating there's a real need for imagination when it comes to capabilities. For example, based on both our survey and our briefings, we saw that no real differentiating capabilities exist for C-suite / senior leaders and people managers.

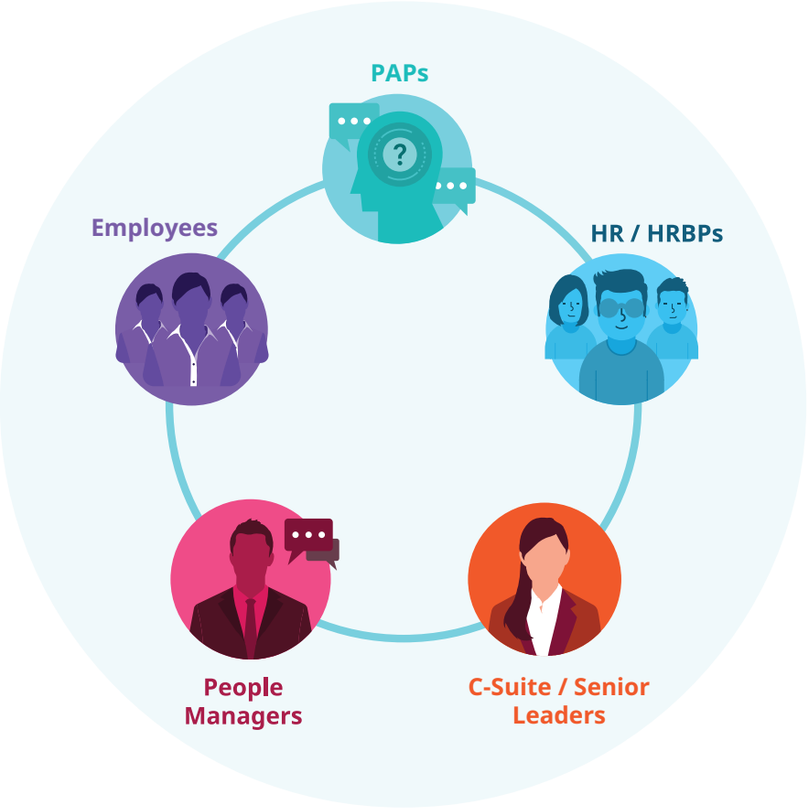
There are some feature differences, though, for 2 other audiences:

- **People analytics practitioners.** Structural equation modeling, network analysis, suggesting personalized actions
- **HRBPs.** Suggesting personalized actions

By personalized actions, we mean specific steps and recommendations based on insights and analyses that are critical for those roles. These can include suggestions such as areas that users need to focus on to meet their workforce, DEIB, or engagement goals.

There's one area in which we saw an opportunity for all audience types: Offering communities / collective intelligence remains something that's not done broadly, but can offer a meaningful impact for users.

Figure 12: Different Audiences for People Analytics Vendors



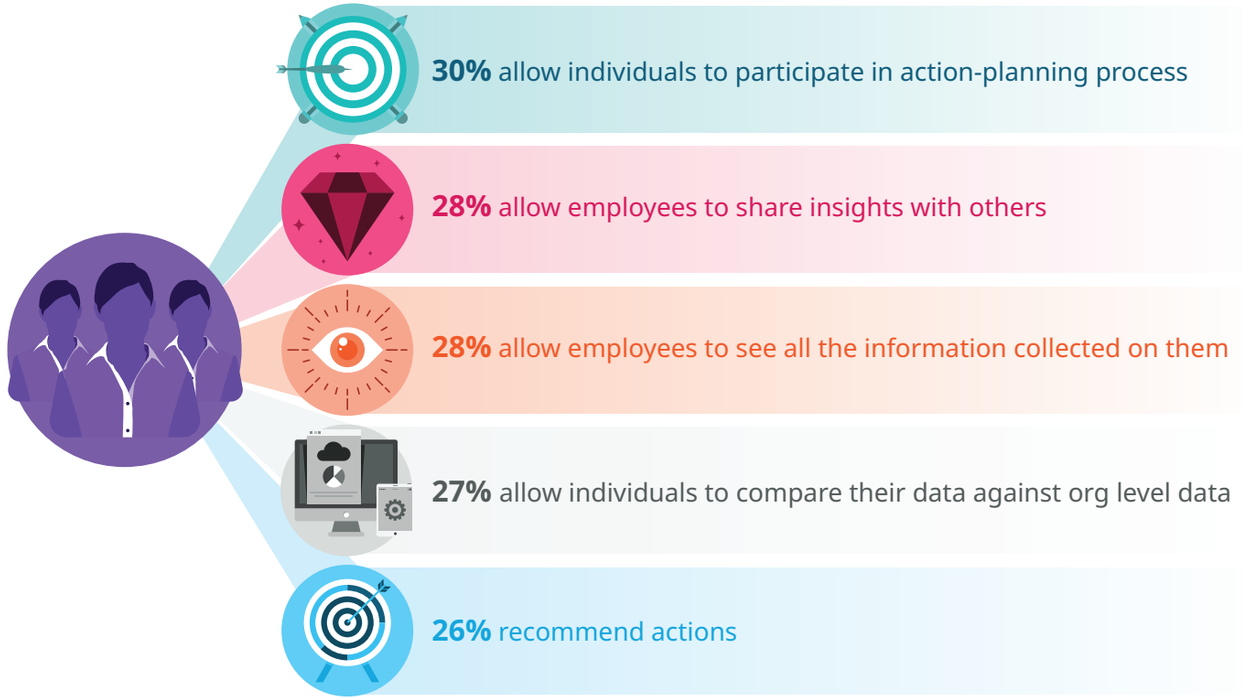
Source: RedThread Research, 2020.

Employee audience offers an opportunity for differentiation

While we saw similar features / functionality for most user types, there's one for which lots of opportunity for differentiation exist: employees. Some of the differentiating features we saw include the following:

- Enable individuals to participate in action-planning process (30% of solutions offer)
- Let employees share insights with others (28% of solutions offer)
- Allow employees to see all the information collected on them (28% of solutions offer)
- Enable individuals to compare their data with organizational-level data (27% of solutions offer)
- Recommend actions (26% of solutions offer)
- Let employees correct data (23% of solutions offer)
- Allow employees to see insights based on passive data (15% of solutions offer)
- Alert employees to types of analyses being run on them (8% of solutions offer)

Figure 13: Differentiating Features PAT Vendors Can Offer for Employees



Source: RedThread Research, 2020.

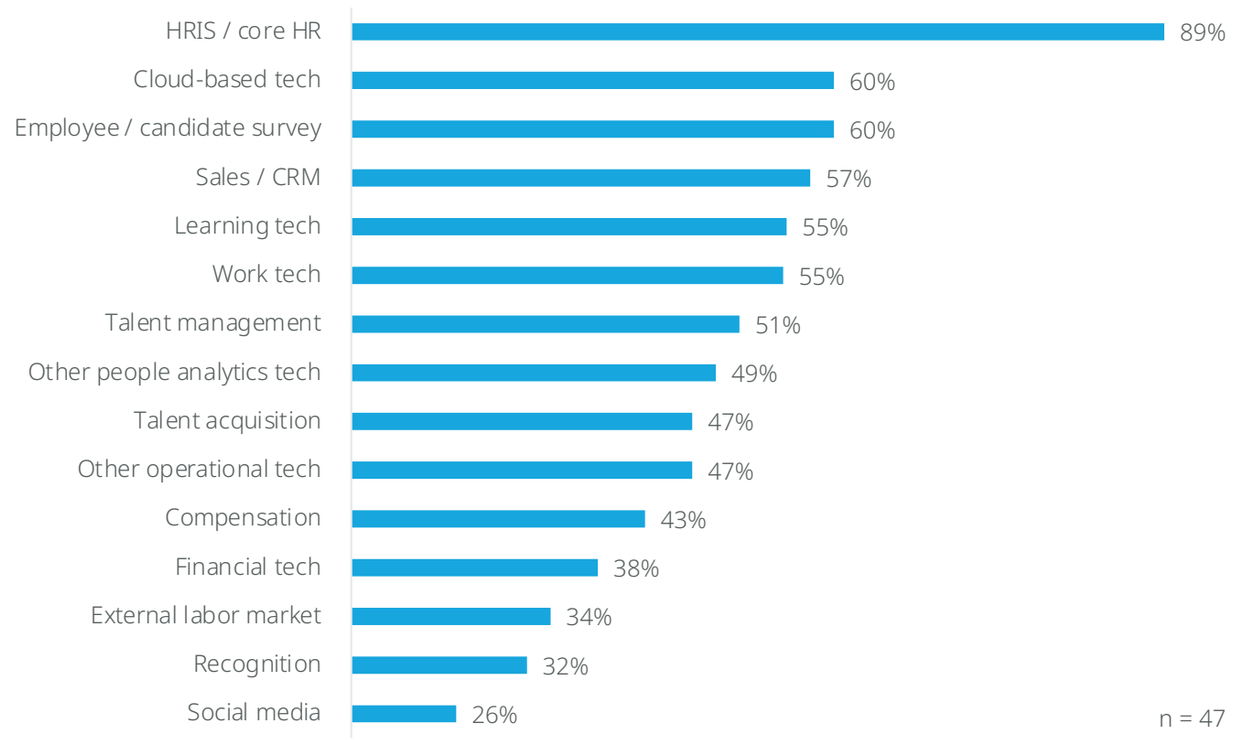
Tech integrations

When asked about integrations, vendors, on average, selected around 8 different types of technologies that their solutions currently integrate with. The most common tech that almost all solutions integrate with is the HRIS or similar core HR technologies (see Figure 14). A large number of solutions (60%) integrate with cloud-based technologies, such as Google cloud, and employee surveys.

It's particularly interesting to see that more than one-half of the vendors reported integrations with nontraditional HR tech, such as sales / CRM, and work technologies like email, calendars, project management tools, Slack, and other tools. Given the recent shifts in work behaviors and patterns due to the pandemic, we expect to see these integrations grow and improve in the near future.

Similarly, it's interesting to note almost 50% of vendors stated that their solutions currently integrate with other people analytics technologies, suggesting that customers can develop a people analytics ecosystem to meet their unique needs. Our recent conversations with vendors and collaboration announcements made also suggest that they're taking a thoughtful approach to bringing their capabilities together in order to bring deeper, more valuable insights to customers.[4]

Figure 14: Types of Technology PAT Solutions Integrate With



Source: RedThread Research, 2020.

What's next: Capabilities

To help you get started on translating the information above into actionable steps for your organization, we provide 2 sets of questions—one for practitioners and one for vendors—for you to consider as you look to 2021.

People Analytics Practitioners

If you're a PAP, here are some questions to ask yourself about your current or future people analytics technology:

Differentiators

- What are the top functionalities or capabilities that are essential for your organization's needs?

Offerings

- Who is going to be the primary user of the technology? How much vendor support is the user going to need to use the solution?
- Who will be the secondary users of the solution? How much support will they need, from you or the vendor, to use it effectively? Can those needs be met effectively?
- Which other roles or functions do you foresee using this solution more frequently in the next few years? Do these align with what the vendor can offer now or in the future?

Integrations

- Which existing technologies in your organization do you need the solution to integrate with?
- Which potential technologies do you think you may want the solution to integrate with in the future?
- What do you want your people analytics technology ecosystem to look like?

Vendors

If you're a vendor, here are a few questions to consider as you look at your product roadmap and consider how you support customers:

Differentiators

- To what extent do you really understand the strengths or differentiators that set you apart from your competitors? When you win a deal, why do you win it? When you do not, why?
- What novel, untried approaches can you take to simplify your user experience? What other types of software can you borrow approaches / insights from and incorporate into yours?

Offerings

- How does the technology differently serve each of the different potential audiences and their specific needs?
- What is the level of expertise or skill required to use this solution effectively? How can you better support your customers at their various points of need?

Integrations

- Given your areas of focus and customer needs, which technologies should the solution integrate with? What level of integration is needed?
- What other types of data (e.g., digital exhaust, unstructured data) could it make sense to integrate into your solution?

Considerations Before Making (or Expanding) Your Investment

Challenges vendors are helping solve

Before purchasing or expanding your people analytics tech investment, it's important to clarify the challenges that you're trying to solve—and your vendor's level of expertise in addressing them.

The following are the most frequently mentioned challenges vendor solutions address:

- **Issues around employee engagement / experience.** Helping customers solve for measuring and managing employee experience and engagement by employee listening, collecting feedback, linking employee experience to business outcomes, measuring collaboration, and understanding work-from-home engagement
- **Action enablement.** Providing targeted and actionable insights across different data sources, providing self-service for various users, and helping prioritize efforts
- **Providing insights around critical talent.** Helping identify HiPos, influencers, and hidden talent; identifying existing talent gaps and employee skills, and labor market insights
- **Retention / attrition / turnover.** Providing insights on employee retention, attrition, and turnover
- **HR strategy design.** Helping customers design an HR strategy based on data, linking talent and HR decisions to business outcomes, and identifying objective KPIs to track and measure

Figure 15: Top 5 Challenges Vendor Solutions Help Address

Source: RedThread Research, 2020.

Vendor support & services

Building on the last point, it's important to understand the level of support you'll receive or require from the vendor. For example, some vendors really focus on customer service, while others focus more on the tech. The amount of support you need will also depend on where you are on your people analytics journey and maturity, and the data literacy and skills levels of the users. Additionally, it's helpful to know whether the vendor offers additional professional services like consulting.

For example, in our study, we found that approximately 60% of vendors conduct solution check-ins with their customers on a monthly basis—but nearly 20% only check-in quarterly (see Figure 16). Additionally, only 4% of vendors stated deep customer support and professional services as a differentiator for their solution.

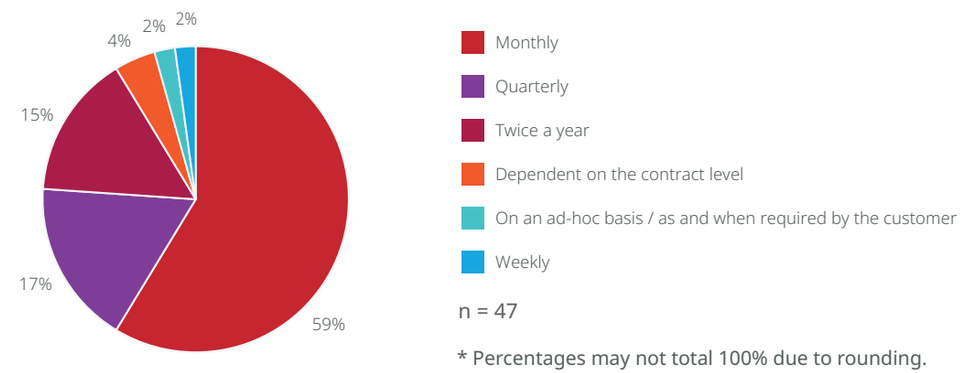
Additional costs may also be a determining factor in technology selection. We asked vendors if the ongoing annual subscription costs for their solution include consulting services—and less than one-half (44%) of vendors stated that it does.

Determine what level of support your organization needs, and ensure you state that clearly and are certain your needs can be met before purchasing any technology.

"Have seen some variation in the level of support I have received"

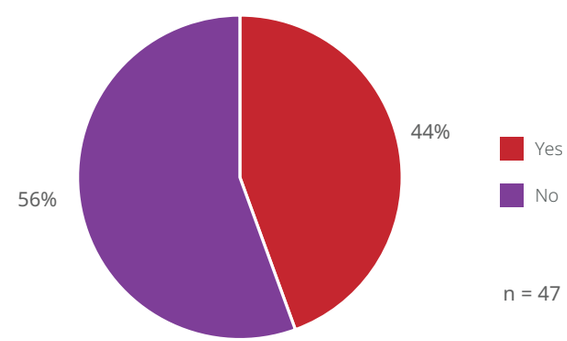
– Large healthcare company for an employee engagement / experience solution

Figure 16: Frequency of Customer Check-ins by Vendors*



Source: RedThread Research, 2020.

Figure 17: Percentage of Vendor Solutions with Consulting Services as Part of Annual Subscription Cost



Source: RedThread Research, 2020.

“A great platform, would be even better [if there was] better communication before updates are made (and why), asking for feedback more regularly about upcoming updates, and understanding of how clients use their platform.”

– Large entertainment / media company for an employee engagement / experience solution

Ethics

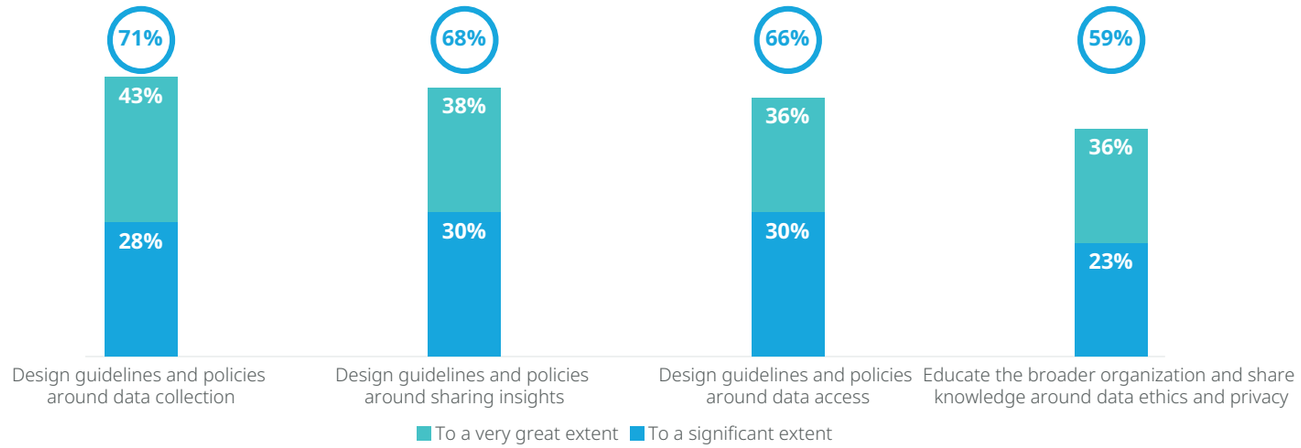
As we mentioned at the beginning, ethics is one of the areas PAPs really wanted to understand, but that vendors were less interested in. Roughly two-thirds of vendors say they engage in meaningful ways on ethics (see Figure 18).

This means it remains important for people analytics practitioners to ask questions about their vendor's approach to ethics.

This is especially the case when it comes to multisource analytics platforms (see Figure 19). These vendors have the lowest scores on the data ethics questions we asked. This may be due to these solutions having traditionally focused on combining data sources and not interacting directly with employees.

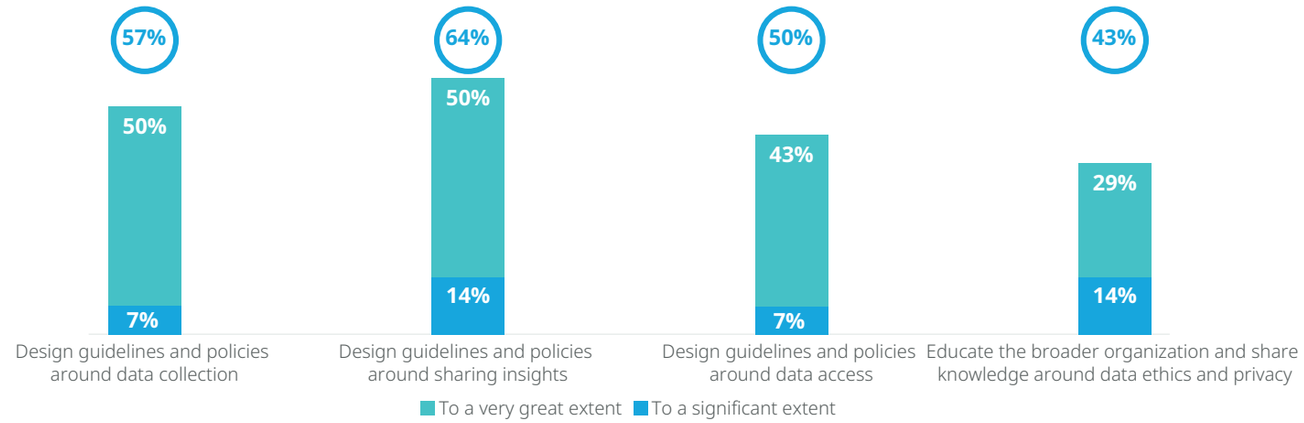
For all vendors, we suggest developing a standard set of ethical guidelines to follow, and use those as the baseline in their implementations. Individual customers may desire something different, and vendors may need to flex to meet customer needs. That said, by anchoring the conversation in an ethical mindset, vendors should be able to positively influence their customers. After all, vendors are the ones who are doing these implementations for tens if not hundreds of customers, whereas customers are only doing it once (or a few times, if they have moved between several companies).

Figure 18: Roles Vendors Play in Data Ethics



Source: RedThread Research, 2020.

Figure 19: Roles Vendors Play in Data Ethics—Multisource Analytics Platforms



Source: RedThread Research, 2020.

What's next: Considerations before making or expanding your investment

To help you get started on translating the information above into actionable steps for your organization, we provide 2 sets of questions—one for practitioners and one for vendors—for you to consider as you look to 2021.

People Analytics Practitioners

If you're a PAP, here are some questions to ask yourself about the current or potential vendor:

Challenges

- Does the vendor's area of expertise match the primary challenges you're trying to solve? To what extent do they match the secondary challenges you're trying to solve?
- To what extent does this vendor have expertise in your company's industry, geography, or organization size?
- To what extent will you need support in redesigning your HR strategy or people analytics strategy as you go through this implementation? To what extent can the vendor support those efforts?

Support & Services

- How frequently will the vendor check-in with you? Can you request ad-hoc check-ins if you need more support?
- Will there be additional costs and charges if you require greater technical support than anticipated at the beginning of the contract?
- Can the vendor provide a higher level of support than you anticipate you currently need, if your needs change? If so, what does that support look like and what is the cost structure?

Ethics

- What is the vendor's approach on issues around data security, privacy, and ownership?
- Is there a standard set of ethical guidelines that the vendor follows and uses as the baseline in their implementations?
- To what extent will the vendor work with you to design policies, practices, and processes that are ethical, and ensure security and privacy?

Vendors

If you're a vendor, in addition to being able to answer the practitioner questions, here are a few questions to consider as you look at your product roadmap and consider how you support customers:

Challenges

- Do we clearly communicate to customers the challenges we excel at supporting and how we can help with action-taking?"?
- To what extent do we communicate our specialties in a specific industry, geography, or organization size?

Support & Services

- Are we checking-in frequently enough with our customers to understand their changing requirements and challenges to better serve their needs?
- How often are we implementing updates and changes to the solution based on the feedback we receive? Does the frequency need to change?

Ethics

- What is our current approach on issues around data security, privacy, and ownership? Does it need to change?
- Is there a standard set of ethical guidelines that we follow and currently use as the baseline in our implementations? If not, what do we need to develop one?

Looking to 2021

Capabilities & market changes for 2021

As we look to next year, expect to see a number of changes when it comes to capabilities:

- **Moving toward more vendors using active and passive data together.** As we mentioned above, more vendors are using both types of data and we expect to see that continue.
- **Greater use of unstructured data.** As the use of passive data becomes increasingly commoditized, we expect vendors to seek out other data sources, such as voice, video, and images.
- **Continued focus on sophisticated language analysis.** Basic NLP is increasingly a commodity capability. We expect to see much more sophisticated NLP (and deep machine learning) to be a part of the analytics offering.
- **Focusing more on ethics.** Ethics will be an even greater focus next year, given all the data sources mentioned above and the importance people analytics practitioners already place on it.

As far as the market, we foresee these changes:

- **More partnerships across different types of vendors.** We're seeing vendors more actively collaborating with each other when they're not able to offer the full people analytics tech stack. For example, Visier and Medallia recently announced a partnership arrangement.
- **Greater market consolidation.** Given the rising awareness of the importance of people analytics and the large number of independent people analytics vendors, we expect that, in the coming year, we'll see some of these vendors acquired by other types of human capital technology providers or they'll purchase each other to increase market power.

What we'd like to see in 2021

Here are some other changes that we don't necessarily think will happen next year, but which we sure would LIKE to see happen:

- **Greater focus on enabling better decisions by business leaders, managers, and employees.** We've been talking for a while about the importance of democratizing insights—making them more widely available. It's not enough to just make data available and expect people to act on it: It must be offered in a productized manner, with a clear plan for the types of decisions that will be made with those data. Right now, most of the solutions for these users are just about providing data, but with no vision for what those leaders will do with that information—and if those decisions are important.
- **People analytics insights to support development.** As vendors integrate more passive data, they'll have even more opportunity to provide those insights back to individual employees for the purposes of improving awareness and eventually development.
- **Presenting potential hypotheses, not requiring leaders to dig.** We saw so many dashboards where leaders could "dig" to test hypotheses they may have about what was happening with the data (i.e., retail managers might be quitting because of too much overtime). However, through machine learning, the tech could surface potential hypotheses about what's happening if the technology knows what users care about (e.g., that retail managers are important).
- **(Much) More work on DEIB.** We see work being done on DEIB—but it can't be just providing representation numbers. Instead, we encourage vendors (and practitioners) to seek forward-looking drivers (e.g., level of inclusion, number of diverse leaders in a succession plan or candidate slate) of critical outcomes.

"Providing interesting data is the fastest way a people analytics team goes out of business. You have to provide insights that support decisions on critical business questions."

– Marilyn Becker, Senior Director, People Analytics and HR Technology Strategy at Western Digital

Wrapping Up

One thing that the current pandemic and events of 2020 have made clear: Organizations and leaders need better insights into their employees to enable them to work in and navigate the new environment successfully. And for that, they need better data and technology.

Our briefings reveal that once the pandemic began, vendors saw their upcoming investments and contracts get put on-hold by customers. However, by the last quarter of the year, vendors began seeing those contracts convert and even turn into longer-term engagements than previously anticipated.

In addition, as global focus on employee wellbeing and health grows, organizational leaders will look toward HR to provide the necessary awareness and insights into them.[5] This is the time for people analytics technology providers to step up and provide customers with the much-needed support around these issues.

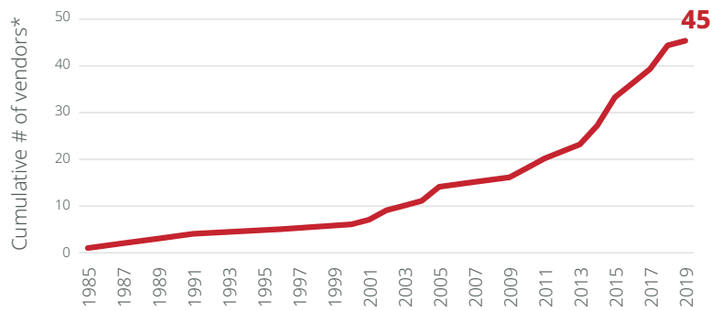
We believe the people analytics market will continue to grow and mature over the next year. How quickly it grows may, to some extent, depend on the ongoing pandemic and its economic costs. That said, 2020 proved that people analytics—and the data-driven insights it provides business leaders—are essential. This shift in understanding will undoubtably fuel future growth, regardless of the broader market (and health) forces.

Appendix 1: Demographics of vendors

There are a few changes between this year's and last year's study participants.

- **More solutions.** This year, we have a total of 47 solutions as part of our study, as compared with 37 in 2019. Nine solutions from 2019 were unable to or did not participate this year. Twenty-one new solutions are included in our analysis this year.
- **Differences in solution types.** While we have the same number of and solution type categories as last year, we don't have any solution that ONLY focuses on DEIB or workforce planning, and, hence those 2 categories don't show up in the graph (see Figure 22).
- **Vendor sizes.** The majority of vendors (60%) are small with less than 100 employees.

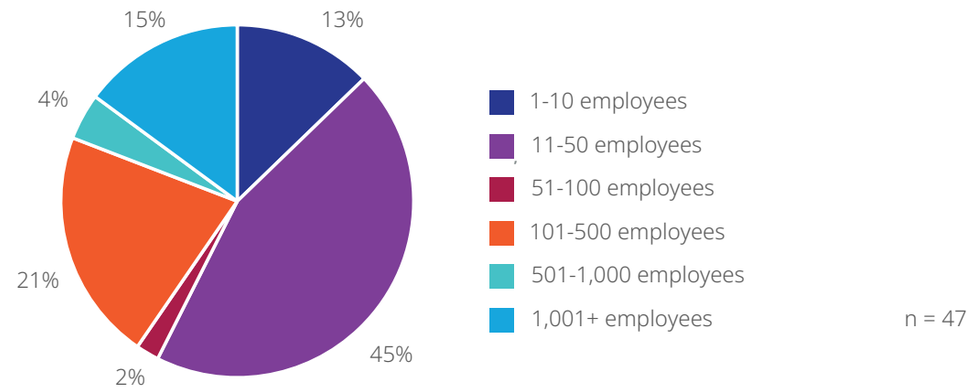
Figure 20: Number of Vendors in People Analytics Tech Study, 2020



*1 of the vendor in our study has 3 separate people analytics solutions, therefore, we have a total of 47 solutions in our study and analyses, but 45 vendors in total.

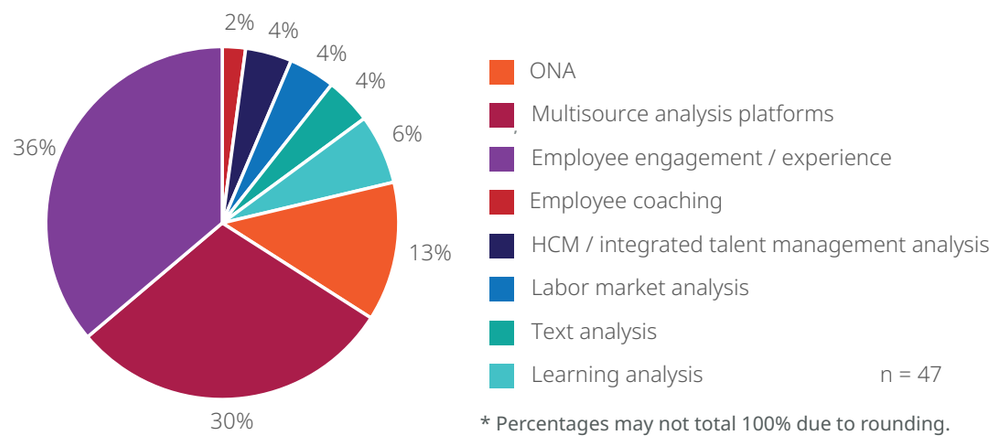
Source: RedThread Research, 2020.

Figure 21: Number of Employees for Vendors in People Analytics Tech Study, 2020



Source: RedThread Research, 2020.

Figure 22: Solution Types in People Analytics Tech Study, 2020*



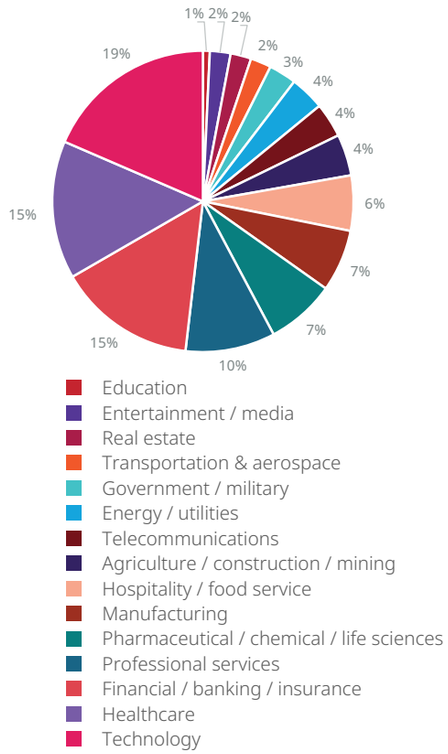
* Percentages may not total 100% due to rounding.

Source: RedThread Research, 2020.

Appendix 2: PAT vendor customer demographics

We received a total of 132 complete customer reviews. Of those, almost 30% work in a people analytics function. The majority of them (64%) have been using the solution they reviewed for more than 12 months.

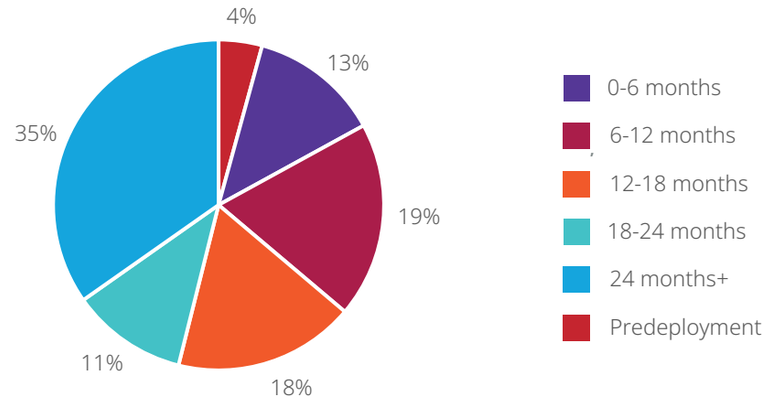
Figure 23: Customer Respondent Industries*



* Percentages may not total 100% due to rounding.

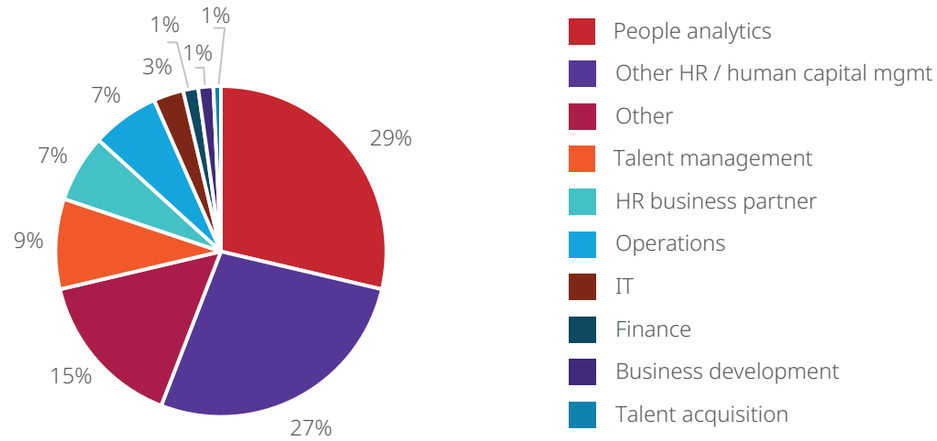
Source: RedThread Research, 2020.

Figure 24: Months Since Solution Was Deployed for the Customer



Source: RedThread Research, 2020.

Figure 25: Role / Job Functions of Customer Respondents



Source: RedThread Research, 2020.

Appendix 3: Summary of methodology for PAT Solution Matrix

This study is a culmination of nearly a year of qualitative and quantitative research. We kicked off our People Analytics Technology study in the spring 2020 by launching an online poll for practitioners and vendors to find out what they want to know most about People Analytics Technology. We received more than 70 responses on the poll.

The next step in the process was the launch of our People Analytics Technology Vendor Survey in June 2020. In order to participate in our study, vendors had to complete our 317-question survey, which included questions on different user capabilities, talent areas of focus, and the range of solution capabilities. Each vendor could share details for up to 3 people analytics solutions. They were also asked to share case studies, representative screen shots of their technology, logos, and complete a 60-90-minute briefing and demo with us. The vendors had the option of providing prerecorded briefing videos if they preferred. The briefings took place during July-October 2020. We also requested of vendors to share with us their login to their demo environments, if possible. For those who could, we were able to test out their solution and functionalities, and have included our reviews for them in the RedThread Assessment section of the tool.

A total of 45 vendors completed our survey. One of them offers 3 people analytics solutions, while the rest offer 1 solution each. Hence, while we have 45 unique vendors which completed the participation process, a total of 47 solutions are included in the analysis.

On the practitioner side, we launched a short People Analytics Technology Customer Poll in June 2020. Customers were asked to share the challenges they're using the solution to solve for, give feedback on the vendor's strengths and areas of improvement, as well as provide a Net Promoter Score and any other feedback. Each vendor was required to receive a minimum of 5 customer reviews to be included in our study. There was no limit on how many reviews they could receive. We received 5 or more customer reviews for 24 vendors as of the end of October 2020.

2x2 matrix

Once our qualitative and quantitative data collection and analysis were complete, we went back to the 2x2 matrix that we developed and introduced in our 2019 report. Our matrix compares 2 aspects of vendors' capabilities: usage frequency and data sources. This approach allows us to identify some points of differentiation and categorize vendors in different, meaningful segments.

Appendix 3: Summary of methodology for PAT Solution Matrix

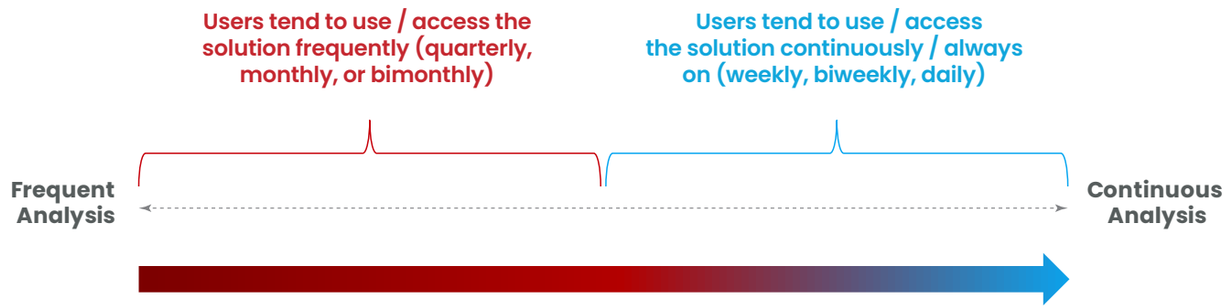
Understanding the X-axis

Starting with the X-axis, (see Figure 26), we range from solutions that users tend to use / access on a frequent basis (e.g., quarterly, monthly, or bimonthly) on the left side of the matrix to solutions that are used on a continuous / always-on basis (e.g., weekly, biweekly, or daily) on the right. Please note: We are specifically thinking about how frequently users tend to use the solution, not the frequency with which it's updated or can give insights. We focused on user frequency because it allows us to understand, from a practitioner's perspective, how frequently a solution tends to be used—which can help us understand how and by whom it's used.

For example, the solutions on the left side of the model tend to be used to consistently check-in on specific areas of interest. These are leveraged by HR, people analytics, and other business leaders looking to make strategic talent decisions.

As we move to the right, we see solutions that are trying to both provide analysis for strategic, organizational decision-making, and inform users about themselves or their team. Many of these solutions' typical primary users are people analytics or HR, but the vendors have expanded or are in the process of expanding their users to senior leaders, managers, and employees.

Figure 26: Details of X Axis—People Analytics Technology Market Solution Matrix



Primary use	Strategic organizational decisions	Strategic organizational decisions	Informing individuals about self / teams
Secondary use		Informing individuals about self / teams	Strategic organizational decisions

Source: RedThread Research, 2020.

Appendix 3: Summary of methodology for PAT Solution Matrix

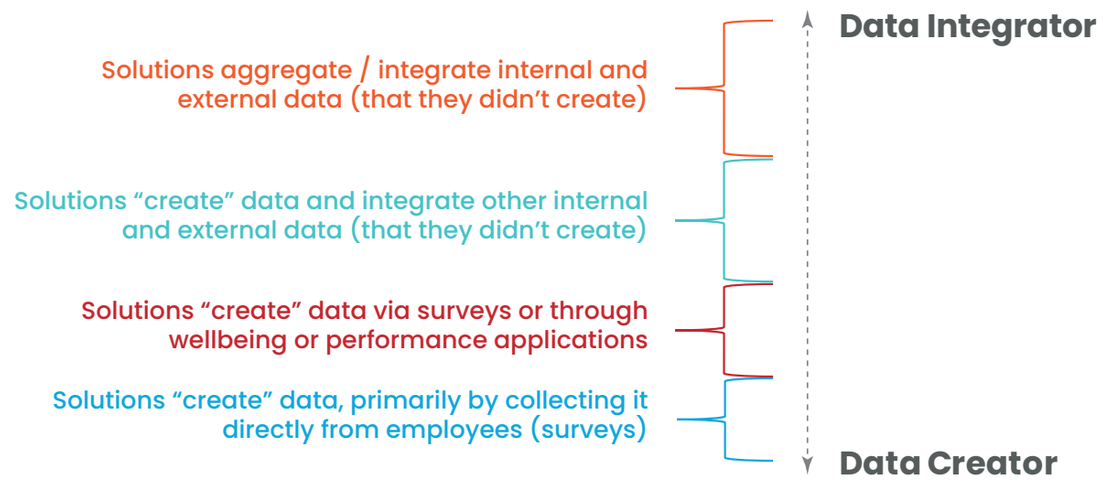
On the far-right side of the graphic are solutions that tend to be used more continuously, which lend themselves to more operational (nonstrategic) adjustments, and that alert individuals about their own or their team's behavior. Obviously, when this type of data is pulled together and analyzed longitudinally, it could also inform strategic decision-making, too. These vendors tend to focus more on providing greater accessibility to data, and sharing insights directly with employees in the form of nudges, individual reports and dashboards, and notifications.

Understanding the Y-axis

On the Y-axis, we classify solutions as follows—from whether vendors collect (via any method) and "create" the data themselves, as shown at the bottom of the graphic, to whether they integrate the data from other sources (e.g., government data, other third-party solutions, or other internal technologies), shown at the top of the graphic. An important point: Almost every vendor in our study pulls data from the HR information system (HRIS) for basic demographics, hierarchy, location, and other facts, so we don't "count" integration with HRIS as one of the integrations on this axis.

In Figure 27, we explain how the scale changes. At the bottom of the model, we have solutions that "create" data primarily

Figure 27: Details of Y Axis—People Analytics Technology Market Solution Matrix



Source: RedThread Research, 2020.

Appendix 3: Summary of methodology for PAT Solution Matrix

by collecting it directly from employees (i.e., engagement, onboarding, or exit surveys, etc.). Moving up the axis, we add in solutions that collect data as well as integrate other data they capture on employees, such as wellbeing or performance management data, via their own tools. Moving up further (closer to the X-axis), we have solutions that still capture data but also integrate a wide range of data sources (e.g., 360-feedback data, financial / business outcome data, work productivity data—email, Slack / Microsoft teams, etc.—customer experience data, etc.).

Finally, toward the top third of the Y-axis, we have solutions that primarily integrate data from others. Unlike those on the bottom, the majority of these solutions don't offer capabilities to collect data. A number of them work in tandem with those lower down on the matrix as part of the bigger people analytics technology ecosystem.

When we put all of this together, we end up with 4 different quadrants with distinct characteristics.

- **Accumulated analytics.** Vendors in this quadrant rank high in their ability to provide users with a longitudinal view of data, with insights that enable strategic talent decisions. Data tends to be aggregated and integrated from several sources including external data. The insights from these vendors can be used by teams on a frequent basis to track specific areas of interest.
- **Snapshot analytics.** Vendors in this quadrant are data collectors and provide insights that are reviewed for strategic talent decisions on an event-driven basis. These vendors are primarily focused on active data collection, though they may also have some newly introduced data integration capabilities.
- **Targeted analytics.** This quadrant includes vendors that are focused on a specific talent area (e.g., engagement / experience, performance management, wellness). They collect data directly from employees, which can both allow for quicker deployment and adoption, and have their insights and analysis accessed by multiple teams on a very frequent or continuous basis. Several of them push insights directly to employees for faster action-taking.
- **Guiding analytics.** This quadrant includes vendors that integrate data from several different sources and are used very frequently to continuously. The combination of these elements means that users can frequently access deep and broad information which can guide strategic organizational decisions, operational decisions, and individuals' decisions about themselves or their team. Our mental model for solutions in this section is like a guided missile—they can give insights that can change the trajectory quickly.

It's important to note that none of these quadrants is superior to the others. In fact, there's likely a place for all of them in an organization's people analytics technology ecosystem. However, by putting technologies into these boxes, we can start to think about what that ecosystem might look like and how organizations might begin to build them.

Endnotes

1 *People Analytics Tech: The Vendors*, RedThread Research / Stacia Garr and Priyanka Mehrotra, 2019. https://redthreadresearch.com/pat-thevendors/ and People Analytics Tech: The Market, RedThread Research / Stacia Garr and Priyanka Mehrotra, 2019. https://redthreadresearch.com/pat-themarket/

2 *Diversity & Inclusion Technology: The Rise of a Transformative Market*, RedThread Research / Stacia Garr, in partnership with Mercer / Carole Jackson, 2019.

3 "What is a good NPS score for SaaS?", Mariano Rodríguez, May 2020, https://www.getbeamer.com/blog/good-nps-for-saas#:~:text=The%20SaaS%20industry%20as%20a,a%20very%20general%20SaaS%20ballpark.

4 "Medallia and Visier Collaborate to Provide Leaders with Critical Employee Insights for Evidence-Based Decision Making", Medallia, October 2020, https://www.medallia.com/press-release/medallia-and-visier-collaborate-to-provide-leaders-with-critical-employee-insights-for-evidence-based-decision-making/

5 "MOM, NTUC, employers federation issue new advisory on mental well-being at workplaces", November 2020, Channel News Asia, https://www.channelnewsasia.com/news/singapore/tripartite-advisory-on-mental-well-being-at-workplaces-issued-13576906

Authors & Contributors

Authors

Stacia Garr, Co-Founder & Principal Analyst

Stacia is a researcher, and thought leader on talent management, leadership, D&I, people analytics, and HR technology. A frequent speaker and writer, her work has been featured in *Fortune*, *Forbes*, *The New York Times*, and *The Wall Street Journal* as well as in numerous HR trade publications. Stacia co-founded RedThread Research in 2018 after leading talent and workforce research for eight years at Bersin by Deloitte. Before Bersin, Stacia spent nearly five years conducting research and creating learning content for the Corporate Leadership Council, part of CEB/Gartner. She has an MBA from the University of California, Berkeley, a master's degree from the London School of Economics, and undergraduate degrees from Randolph-Macon Woman's College.

Priyanka Mehrotra, Research Lead

Priyanka Mehrotra is a Research Lead at RedThread Research. Before joining the company in 2018, she was part of the research team at Bersin by Deloitte where she worked on talent management, D&I, and people analytics, as well as conducted research and contributed content for Bersin's Mid-market study. Prior to Bersin by Deloitte, Priyanka worked at several nonprofits, think-tanks, and international organizations where she published and co-authored several articles.

Contributors

We would like to thank the below individuals who took the time to participate in this year's study.

Philip Arkcoll
Allison Armstrong
Melissa Arronte
Jim Bell
Michael Beygelman
Jim Brown
Chris Butler
Gregg Carman
Peter Clark
Ian Cook
Patrick Cournoyer
Vanessa Danziger
Hans Donckers
David Ells
Jordan Fladell
Joseph Freed
Manish Goel
Arnaud Grunwald
Jeff Higgins
Dirk Jonker
Damon Klotz
Beth Magee
Andrew Marritt
Tom McKeown
Brad Morton
Daniel Norwood
Shwetha Pai
John Pensom
Andrew Pitts
Luke Talbot
Dan Udoutch
Ragu Veeraraghavan
Mike Wong
David Yang
Andrea Zarkauskas

There are many others who we can't name publicly, but we extend our gratitude, nonetheless. You know who you are. Our research wouldn't have been possible without all of these contributions.

In addition, **Catherine Coughlin** edited the report and **Jenny Barandich** completed the layout of the PDF.

redthread research

www.redthreadresearch.com