People Analytics Technology: State of the Market 2024

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TL;DR

The PAT market is at its biggest size yet, but growth is slower. The PAT market is now $8.1 billion (as of the end of 2023), but its YOY growth slowed to 36% from 50%. The first half of 2024 revenue growth numbers are also lower than vendors expected at the beginning of the year. Investments and M&A were down significantly in 2023, with only about half as much activity as in 2022.

PAT customer Net Promoter Score® (NPS) declined for the third year. The average score was 44, down from 50 last year. Dissatisfied customers reported the solutions had too few advanced capabilities, non-intuitive UI/UX, poor customer service and support, and low return on investment (ROI). Promoters were 1.8 times more likely to say they would "definitely" renew their subscription. Thus, these lower NPS scores are likely impacting vendors' revenue.

Customer support and ROI are critical to PAT renewal. Customers who get the support they need are 1.7 times more likely to say they will "definitely" renew. Further, customers who perceive a high ROI for their PAT solutions are 2.94 times more likely to promote the organization and 1.6 times more likely to renew. Customers with a high ROI said they had a strong partnership with their vendor, the solution gave them quality insights, the tech had mature capabilities, and the UI/UX was intuitive and flexible.

AI is being overpromised and underdelivered and doesn't drive subscription renewal. 90% of vendors say they have Gen AI or ML capabilities, but just 40% of customers agree that is the case. This percentage is even lower for those who have had the solution for between 6 and 24 months, likely reflecting that the AI capabilities do not reflect what was promised during the selling process. Given this dynamic, it is unsurprising that the existence of AI does not influence renewal likelihood or perceived ROI by customers.

About half of vendors invest heavily in security, accuracy, and ethical / responsible AI. Fifty-four percent of vendors have SOC 2 certification, with the larger vendors being (unsurprisingly) more likely to have it. Sixty-nine percent of vendors are enabling AI accuracy via model training and updating, but only about half of vendors are doing more than that to ensure AI accuracy. Approximately half of vendors encourage ethical / responsible AI within their own organizations via employee training and formal development review processes.

Vendors have changed the type of support they offer customers on data ethics, privacy, collection, etc. There was a 9 percentage point decline in vendors supporting customers on data ethics, privacy, etc. by designing guidelines and policies on data collection, access, and sharing insights. Other, more generic approaches, like offering education and recommendations, are now much more common.

Vendors are enabling greater data transparency. A higher percentage of vendors enables customers to be more transparent about what happens with people's data (roughly 80% versus 70% in previous years). This is especially the case with European vendors, all of whom enable transparency, versus roughly 3/4ths of North American vendors.

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Introduction

Over the last year, we finally reached the promised land of being fully post-pandemic. Little did we know that when, upon reaching this place, we would find:

- **Higher interest rates,** which led to tighter budgets, lower investments in tech, and a generally uncertain market that continues now into the fall of 2024
- **A tech talent market correction** that saw approximately 250,000 tech workers laid off in 2023 and roughly 40,000 as of August 2024
- **The relentless rise of traditional and generative artificial intelligence** (AI) and the accompanying buzz and fear about job replacement and human extinction (!!)

This hurricane of change has not resided idly outside the walls of organizations. It rushed inside through changing consumer appetite, reorganizations, years of "efficiency," and technologies impacting internal practices. It also seeped in indirectly, with employees bringing their concerns, stresses, and challenges into the workplace.

This situation makes people analytics—with its ability to provide clarity amid chaos—more critical than ever. People analytics can help leaders move beyond anecdotes and emotions to objective and actionable data and insights that are more objective and actionable.

Yet, people analytics relies on technology – and the market for people analytics technology (PAT) is anything but straightforward. The above changes directly impact the vendors in this space, resulting in changed value propositions, go-to-market approaches, and technology innovations. In particular, the availability of generative AI (Gen AI) has dramatically altered vendors' products and how they talk about those products. It is hard for people analytics practitioners to discern what is real and what risks and returns they can expect upon deployment.

It seems that while the reasons for it change, the opacity of the PAT market remains. This cloudiness is a big part of why we write this study every year. As always, our goal with this research is to help buyers and sellers of PAT understand the current state of the market and how it is changing. Our aspiration is that this study will enable better decision-making—whether by those who are buying or creating the technology—that leads to more humanistic, data-driven approaches to people enablement.

This year's study is designed to help you answer the following questions:

- How big is the PAT market, and how has it grown in the last few years?
- What do customers think about their PAT vendors? How has this changed over the last few years?
- What do customers like about their vendors? What can be improved?
- What is happening with AI / ML and security / ethics in PAT?

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If we had to summarize what we learned in a few sentences, it would be this:

The growth of the PAT market has slowed, but not all of that can be attributed to market headwinds. Customers are less satisfied than before, mainly because they are not getting the support and ROI they need, which is related to their likelihood of renewing. AI is making buying – and the associated benefits and risks – even more confusing, and vendors need to be clearer on how AI is safe, responsible, and solves business problems.

One note on this year's report: You will notice that almost none of the data cuts are by vendor category. This is intentional. The market has matured enough that we will release additional reports that analyze these subcategories (e.g., multi-source analysis platforms, employee voice, labor market intelligence / workforce planning). This report covers the high-level themes across the market, while forthcoming reports will detail information relevant to those categories.

Our aspiration is that if you are a people analytics or HR practitioner, this report will help you tame the winds of confusion and arrive at a clearer sense of what is happening in the PAT market and how to get a more significant ROI. If you work at a people analytics or HR technology vendor, we hope this report will also give you a sense of what's happening in the market and where you can lean in to improve your messaging, product, support, and ROI for your customers.

If you have any questions about this research or any of our work, please email us at hello@redthreadresearch.com. We also invite you to join our research membership at https://www.redthreadresearch.com, where you can access all of our people analytics tech and other research and our incredible community of HR, learning, and people analytics practitioners.

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What is People Analytics Tech?

The adventures of the last few years – namely the pandemic, return to office, and the rise of artificial intelligence (AI) – have been a trial by fire for many people analytics leaders and, by extension, people analytics tech. As such, the market has evolved significantly in the last few years, and many new folks have joined our people analytics community (welcome!).

Given these changes, before we get too deep into this year's study, we want to re-ground us all on a couple of foundational questions:

- What is people analytics, and what is PAT?
- What vendors are in the PAT market?
- How can you categorize the PAT vendors?

Beginning with the first question, we define people analytics and people analytics tech as follows:

- People analytics: The use of data (both directly and indirectly related to people) to generate insights about the workforce.
- People analytics tech: Software that enables people analytics, designed intentionally to use data about people.

We often get asked if technologies like Excel, Tableau, or PowerBI are people analytics tech. Given our definition above, no, they are not. They are powerful analytics tools with a people analytics use case —and many folks use them for people analytics. However, it is extremely difficult to accurately estimate how much is being spent on these tools specifically for people analytics, how people analytics leaders are using them, and how the capabilities are evolving specifically for people analytics. Thus, these tools are not included in this analysis.

Let's turn to the following two questions, which are basically, "Who is who in the zoo, and what do they do?" We've shared this information in Figure 1 on the next page, which provides an overview of the vendors we identified in this research and their categories. Please note that we have a holistic list of all vendors we've identified in this study—not just their logos—and have made it available to our research members. The total number of vendors we identified in this space this year is 165, 10% more than we knew about last year.

People analytics tech: Software that enables people analytics, designed intentionally to use data about people.

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We identified a total of 165 PAT vendors in the market

Figure 1: PAT vendors in the market; n = 165 | Source: RedThread Research, 2024.

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What's happening in the PAT market?

With these critical, foundational questions answered, let's proceed to the heart of this year's study.

The PAT market has changed significantly over the last year or so. This section covers market size, growth, revenue growth rates, M&A activity, vendor strategy adjustments, and growth in 2024.

The PAT market continues to grow, but not quite as fast as before

Let's start with the overall market size: Our analysis shows the PAT market grew to $8.1 billion in 2023. We've mapped the market size since 2016 in Figure 2.

Those who follow our research may notice adjustments in numbers from last year. This is because every year, we re-ask our study participants about the previous few years' data, and sometimes numbers change a bit once all the calculations are done. In addition, we are sometimes provided data that can replace our previous estimates, resulting in some modifications. The most significant difference is that we increased the 2022 total market number from $5.6 billion to $5.9 billion and the 2021 number from $3.2 billion to $3.9 billion.

In Figure 3, on the next page, we show the vendors that participated in our study this year.

The people analytics tech market is now an $8.1 billion market

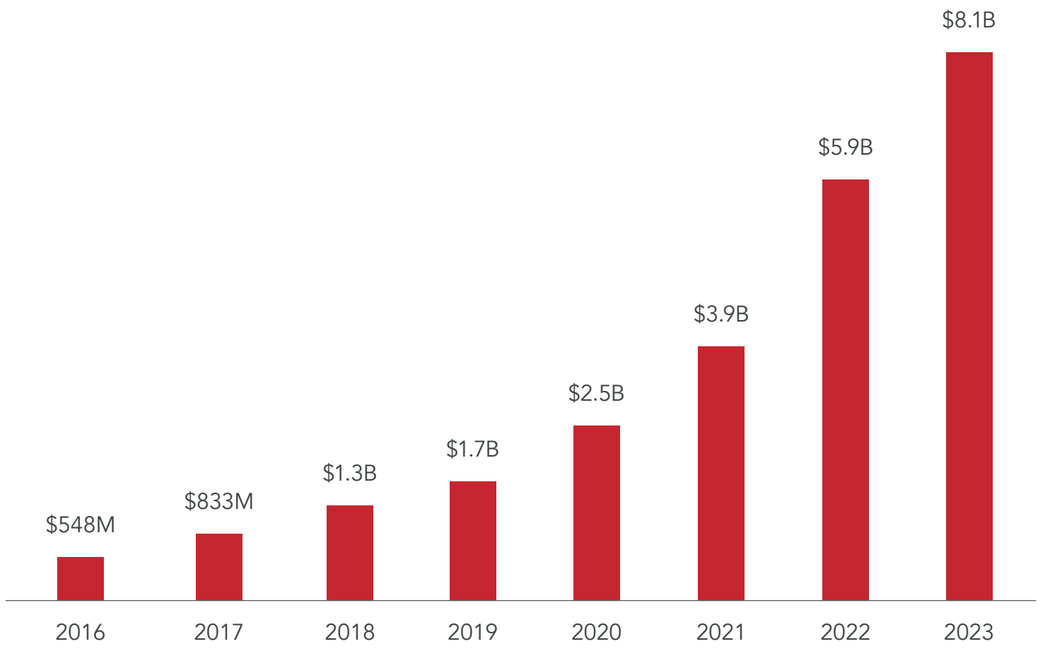

Figure 2: PAT estimated market size 2016-2023; 2023 n = 165, 2022 n = 150, 2021 n = 135, 2020 n = 121, 2019 n = 121, 2018 n = 110, 2017 n = 107, 2016 n = 100 | Source: RedThread Research, 2024.

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A total of 48 vendors participated (1 vendor submitted responses for 4 solutions, bringing the total n to 52) in our study for 2024

Figure 3: Vendors participating in the 2023-24 RedThread PAT study, n = 52 | Source: RedThread Research, 2024.

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We calculated the 3-year CAGR and the YOY (year-on-year) growth rates (see Figure 4). The 3-year CAGR is 47% and has been about that level for the last 4 years. Interestingly, the YOY growth rate numbers tell a more dynamic story. They reflect a rise around the pandemic (peaking in 2021) and a decline that continues today.

This curve aligns with what we've observed in the market—namely that many vendors experienced rapid growth, and many small vendors entered the market and also grew quickly, influencing the average growth rate during the pandemic. The growth rate slowed as money got more expensive and corporate budgets tightened in the last few years. It is now just above where we'd expect it to be if we used the same trend line we observed between 2017 and 2020 (dotted line) before the pandemic changed everything.

While this slower growth rate can be challenging for vendors, it is not necessarily a bad thing for customers. More tepid growth means that vendors have to be clearer about their value proposition and deliver a stronger ROI to customers. If you are a customer, though, you should be on the lookout for vendors trimming costs in ways that impact the support or services they provide. In general, we have observed a trend of vendors shifting support and services costs back to customers (versus them being included in the software pricing). It is important to understand the total cost of ownership before moving forward with a contract.

The 3-year CAGR is stable, but YOY revenue growth rates show high variability

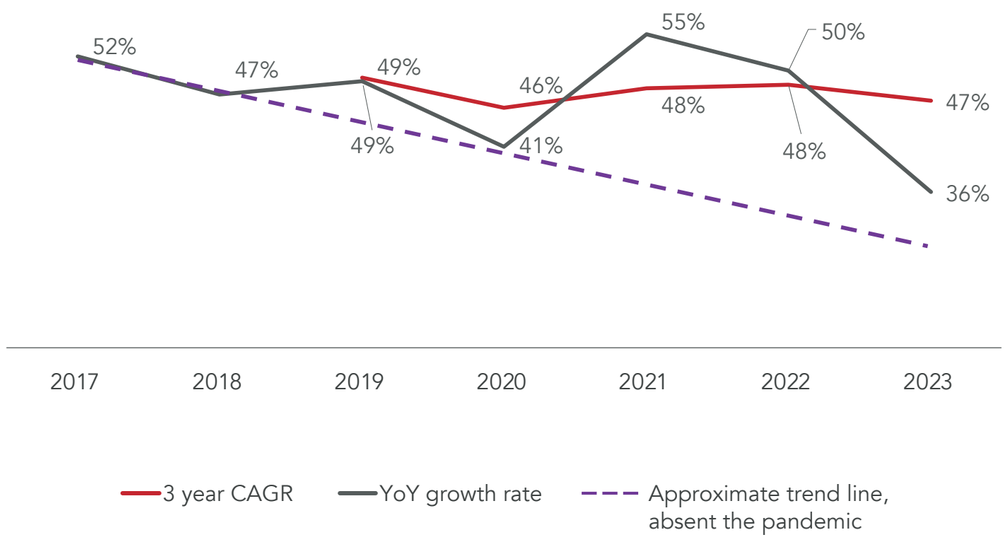

Figure 4: PAT market growth rates, YOY and 3-year CAGR 2017-2023; 2023 n = 165, 2022 n = 150, 2021 n = 135, 2020 n = 121, 2019 n = 121, 2018 n = 110, 2017 n = 107, | Source: RedThread Research, 2024.

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We wanted to understand if a specific segment in the market was driving this variability in the YOY growth rate. Figure 5 shows YOY revenue growth rates by vendor size (as measured in revenue).

This chart shows in stark relief the incredible variability we've seen in revenue growth rates since 2017 and the impact of the market tightening on nearly all vendors since 2021. The smallest vendors—those in the $1 - $10 million category—have been on the wildest ride and experienced the sharpest decline last year, going from 71% revenue growth to just 27%.

Even the bigger vendors have experienced high variability, with the largest (over $100 million) dropping from a 56% growth rate in 2022 to a 27% growth rate in 2023.

This lack of stability makes it difficult for vendors to plan for the future. This is especially the case for vendors for whom PAT is their only product line (versus the HCM vendors, for example).

The result of this may be that at least some PAT vendors are less likely to swing for the fences when it comes to new product innovation. Big bets require some underlying financial stability, whereas incremental improvements are much easier to manage in times of volatility.

This may be why we are seeing many vendors adding AI as a "bolt on" instead of making significant changes to their product. Reworking product -- especially with new and experimental technology -- can be risky, and even more so given this financial picture. However, not adding AI is not an option for many vendors. Thus, many are taking the middle road of bolting on and seeing how it goes.

YOY revenue growth declined for vendors of most revenue sizes

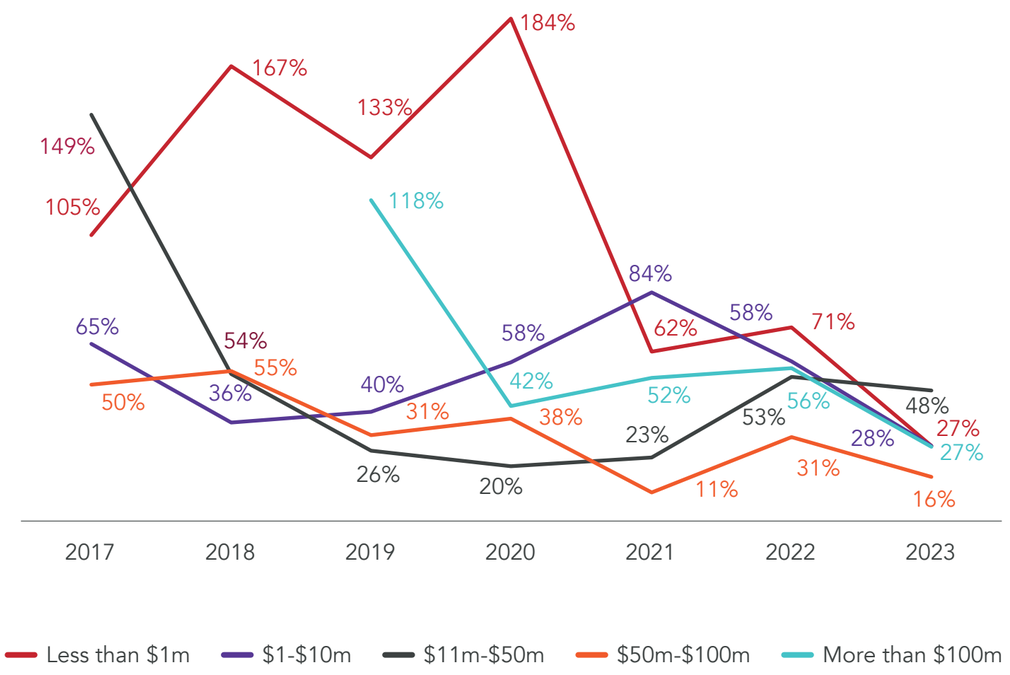

Figure 5: Average revenue growth rate for PAT vendors by revenue size; 2023 n = 59, 2022 n = 61, 2021 n = 59, 2020 n = 56, 2019 n = 50, 2018 n = 38, 2017 n = 29 | Source: RedThread Research, 2024.

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This situation also may be why we are seeing customers express concerns about how much support they are receiving (more on this later). Customer support often requires real humans -- and they can be the ones who are let go when times get tight.

Given this background, it is unsurprising that when vendors eyed 2024, they had lower growth expectations than they had in years past (see Figure 6). A few things in these growth forecasts caught our eye:

1) Nearly 40% of vendors expected greater than 31% growth in 2024
2) A full 20% of vendors said they did not know what to expect when it came to growth in 2024

These two data points make clear that vendors, collectively, still had a high degree of uncertainty as to what to expect in 2024.

Later in this report, we will share how these expectations played out in reality in the first half of 2024.

"We expect to remain flat in 2024 due to longer sales cycles and lower conversion rates as customers reduce their investments."

- An employee network and communications vendor

"2 years ago, we decided to go direct to end users. This has meant a big shift in how we market, sell, implement, deliver and support customers. In 2024, we will continue to focus on building up a client base in the end user market, but expect to remain flat."

- A workforce planning vendor

Vendors expected slower growth in 2024 than in previous years

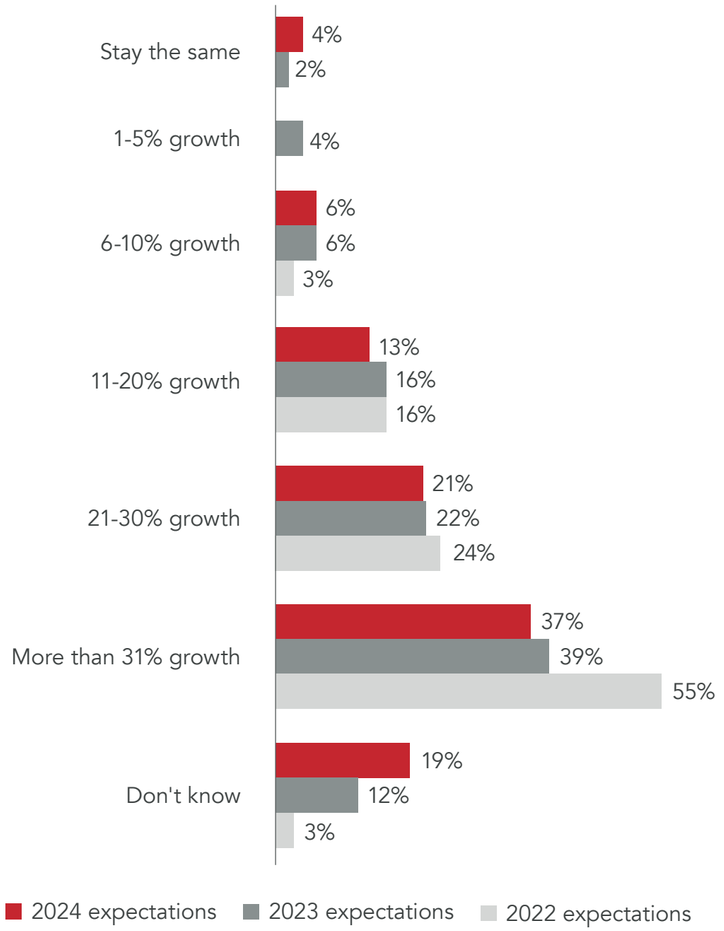

Figure 6: % of vendors with revenue growth expectations, 2024 vs 2023 vs 2022; 2023 n = 52, 2022 n = 52; 2021 n = 43 | Source: RedThread Research, 2024.

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Investments and market activity slowed again

In addition to this challenging broader economic environment, the PAT market also experienced a slowdown in investor and M&A activity. As you can see in Figure 7, just 13% of vendors in our survey took on new investments in 2023. Further, only 12% went through M&A or some other ownership change and included acquisitions such as:

- Culture Amp acquired Orgnostic (Q1 2024)
- Glickon acquired Teamsight (Q1 2023)
- Lightcast acquired Gazelle (Q1 2023)
- Qualtrics was acquired by Silver Lake (Q2 2023)
- Quantum Workplace acquired TalentKeepers (Q4 2023)
- QuestionPro acquired Pathos.ai (Q2 2023)

The implications of this—plus the slower revenue growth numbers—are that some vendors were likely running tight on cash and broadened or changed their approach to marketing and product development. This was an attempt to bring revenue in the door, but it also increased buyers' confusion about vendors' value propositions in an already confusing market (more on this later).

Investments and M&A activity were down significantly in 2023

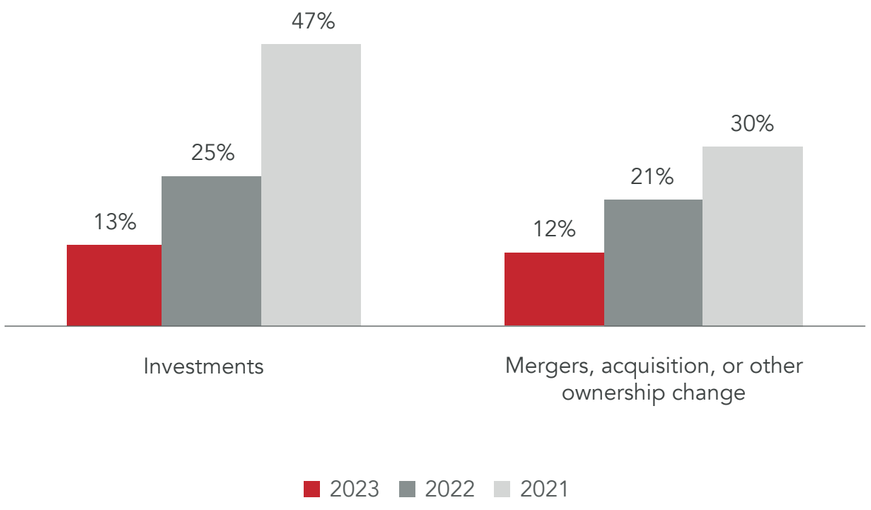

Figure 7: % of vendors who received investments or underwent mergers, acquisitions, or other ownership change in 2023 vs. 2022 vs. 2021; 2023 n = 52; 2022 n = 52; 2021 n = 43 | Source: RedThread Research, 2024.

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Vendors focused on improving product / market fit

To respond to this environment, the vast majority of vendors made a range of changes, as shown in Figure 8:

- Nearly all vendors (90%) adjusted their product roadmap, a stark increase over 67% of vendors doing the same in 2022
- 81% adjusted their marketing strategy, an approach 79% had started the year before
- 71% targeted new industries / sectors / geographies, which was much more than the 54% that did it in 2022

PAT vendors also jumped in on the AI craze, with 80% saying they built new AI / ML (non-LLM) products and half of vendors telling us they built new LLM / Gen AI-based solutions or products.

This amount of change is part of what makes the PAT market so confusing for buyers. Vendors have a range of new features – many AI-related – and how they market them changed. In addition, close to 3/5th of vendors adjusted their sales or pricing model. Further, as you can see, over 2/3rds of vendors moved into new industries / sectors / and geographies, meaning that what was likely an already crowded market got busier. It is no wonder that buyers struggle to make heads or tails of it all.

Most vendors focused on product roadmap, marketing, and new markets

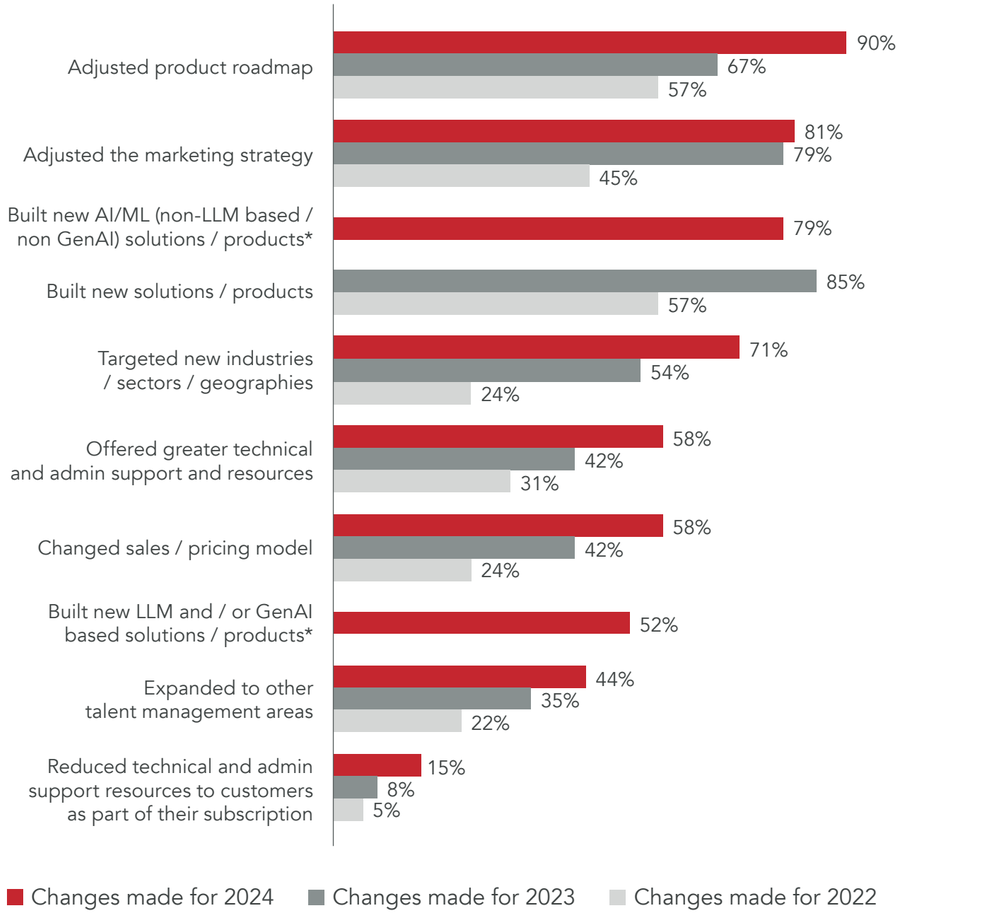

*Figure 8: % of vendors who made business changes for 2024 vs 2023 vs 2022; 2023 n = 52, 2022 n = 52; 2021 n = 43; *Did not collect data prior to 2023 | Source: RedThread Research, 2024.*

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Typically, we publish this study in the early part of the year, so we wouldn't know the impact of these changes. However, this year, we are publishing a bit later than usual, which gives us a rare opportunity to see if all the changes highlighted in Figure 8 helped vendors.

In late August 2024, we conducted a quick poll of the study vendors to determine what growth rates they had experienced in the first half of 2024.

We compared those responses to the expectations vendors stated at the beginning of the year. The results are in Figure 9 and show that many vendors have not yet achieved the significant growth (which we classify as 31%+ growth) for 2024 they were hoping for.

Some of the specific numbers that jumped out at us were:

- Only 13% of vendors expected 11-20% revenue growth in 2024, but as of the end of the first half of 2024, 43% were at this growth rate
- 37% of vendors expected to grow faster than 31%, but only 23% have achieved that rate
- 40% of vendors reported growing faster than 21% in the first half of 2024, which is still strong growth, but just not as strong as in the past

Based on these data, we can see vendors are growing more slowly than they anticipated despite making significant changes to their product roadmap, go-to-market approach, and introducing more AI capabilities.

Let's turn to what is happening with customers, which can help explain why vendors are seeing this slower growth.

Revenue growth was much slower than expected in the first half of 2024

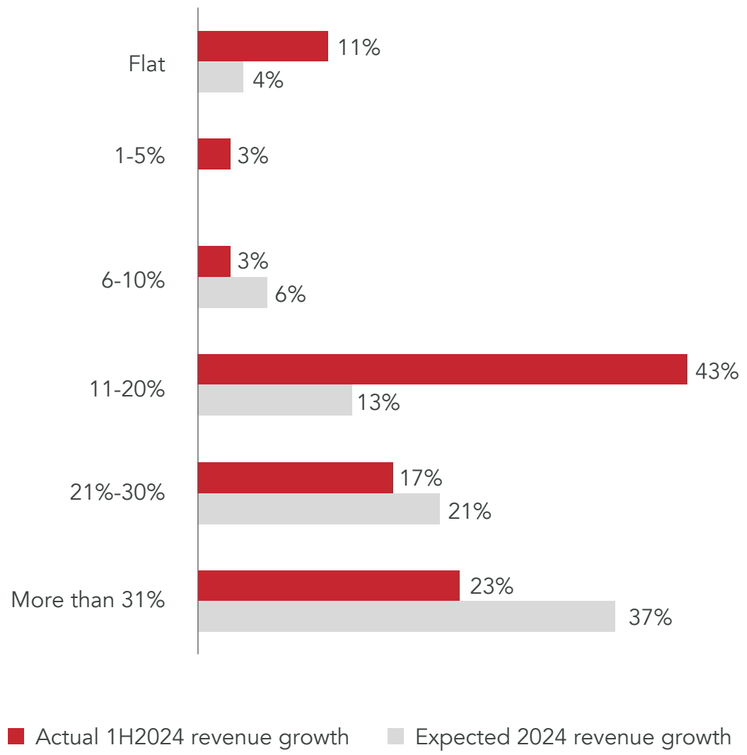

Figure 9: % of vendors with revenue growth rates for their PAT solutions for 1H2024; Expected 2024 n = 52, Actual 1H2024 n = 35 | Source: RedThread Research, 2024.

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Customers: More support and ROI are needed

This year, we focused our customer analysis on a few topics: NPS, renewal likelihood, and what drove both of those.

Customers' NPS declined again

The decline in vendor revenue growth rates is not only due to a tighter economic environment: Customers are less happy with their PAT vendors than before. Our data indicate that customer Net Promoter Score® (NPS) for PAT vendors declined for a third year, as shown in Figure 10.

To put this in context, 44 is technically still a good score, especially if we look at the SaaS industry benchmark which was around 40 for last year. However, the drop of over 20 points over the last 3 years is still concerning. This is especially the case since the market has been maturing in terms of capabilities and products during that time.

PAT customer NPS has declined to an all-time low

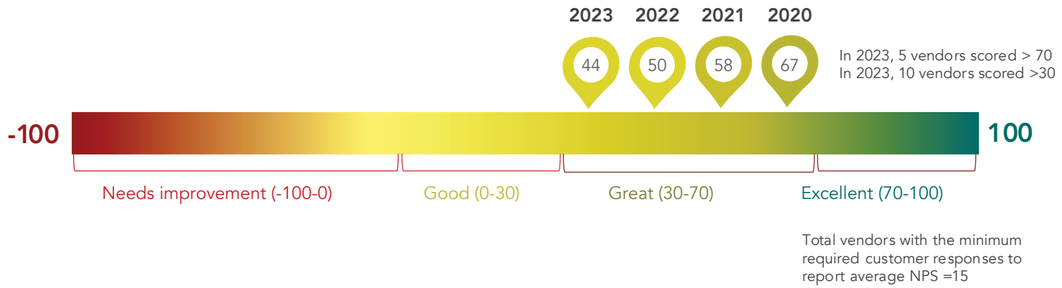

Figure 10: Average NPS for vendors for 2023 vs. 2022 vs. 2021 vs. 2020; 2023 n = 113, 2022 n = 95, 2021 n = 116, 2020 n = 132; Only vendors with 5 or more customer responses were included | Source: RedThread Research, 2024.

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You might be tempted to say something like, "NPS is such a fuzzy metric, I am not even sure this decline matters." We wondered the same thing, so we decided to test it.

For the first time this year, we collected customers' likelihood to renew. This is a powerful metric as it reflects the value the organization is willing to continue to give versus a recommendation, which can be provided freely or be caveated by specific situations (e.g., "This solution worked great for us, but I don't know if I would recommend it to everyone," which was a common comment in the free text responses).

As you can see in Figure 11, there was a strong relationship between renewal likelihood and NPS status. Specifically, promoters represented 65% of customers who "will definitely renew."

Those who were promoters were 1.8 times more likely to say they would "definitely" renew.

Therefore, this decline in NPS is likely related to the lower revenue growth rates we saw in the previous section.

PAT customers who plan to renew are more likely to be promoters

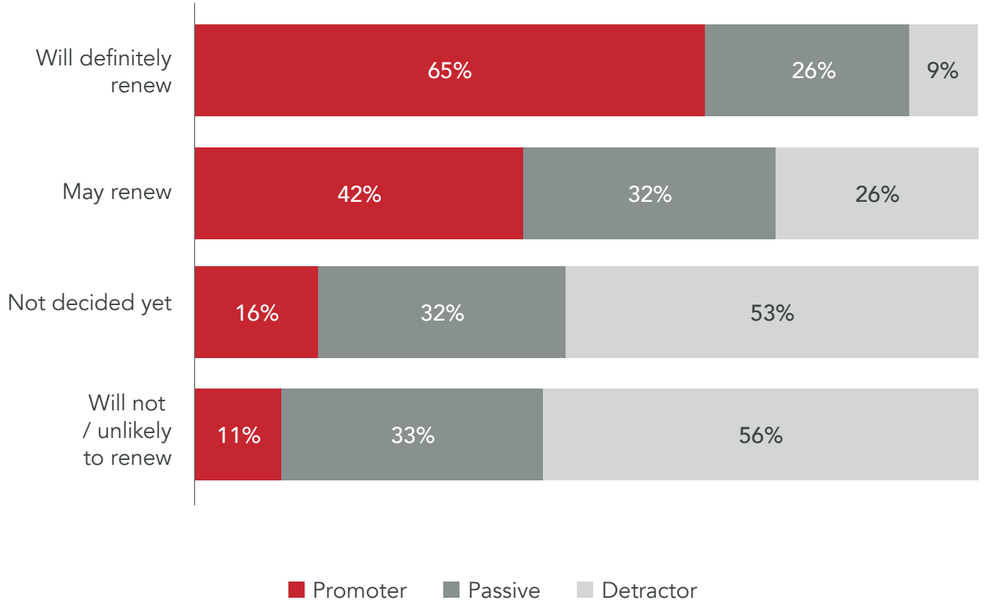

Figure 11: % PAT of customers with their likelihood to renew by their likelihood to recommend the solution to others; n = 151; "I don't know" responses were droppedl Source: RedThread Research, 2024

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Given that last year's decline in NPS represented the beginning of a downward trend, we wanted to investigate customers' experiences more. In this year's study, we asked customers why they gave the NPS response they did. We then coded those data to understand better what was happening.

Looking specifically at negative comments, we found:

- **Too few advanced capabilities.** 32% of those customers who gave negative feedback did so because they felt the solutions were acceptable for basic reporting on transactional data but lacked advanced capabilities for mature users and did not provide additional insights. A few called out the need for solutions to grow their capabilities.
- **Poor customer service and support.** 16% of those who gave negative feedback did so because of poor customer service and support and a lack of proactive guidance.
- **Low ROI for the organization and individuals.** 11% of the negative comments highlighted that getting value out of the solution required a significant investment from the organization (financially) and the user (time) to understand the data and figure out how to implement the solution across the organization effectively. For some, the costs are higher than the benefits realized from the solution.
- **Not user-friendly and non-intuitive UI/UX.** 29% of those who gave negative feedback said their solutions are not user-friendly or reliable and can be challenging to use due to lack of customization and flexibility. Some of them mentioned the unreliability of the connectors. They also called out the solutions' poor UI/UX and lack of intuitiveness.

We'll examine most of these points in more detail with our quantitative survey data as they illuminate some of the challenges vendors and customers face in this space. Unfortunately, we didn't ask a question about UI / UX in the customer survey, so we don't have quantitative data on that topic.

One point on this topic: While we will certainly include it in next year's survey, we also believe UI / UX will likely become less important over time. Gen AI will enable more people to query PAT in natural language – and increasingly in locations outside a vendor's platform, like Slack, Teams, or an enterprise AI copilot – thus rendering the vendor's UI / UX less critical for the non-technical user. We are closely monitoring this area and expect to hear more about it in the forthcoming months.

"We are extremely satisfied with the platform from a functional perspective, but we do feel there can be some improvements to the support process."

- PAT customer for an HCM solution

"I think it is a good basic solution, but enhancements around transformations and integrating code to build models are needed."

- PAT customer for a multi-source analysis platform solution

"Still lacking in some areas like action planning reporting and summary from an organization level. For example, how many managers created an action plan is still not something that can be easily identified."

- PAT customer for an employee voice solution

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Advanced capabilities

As we have said for the last few years, the use case for PAT is maturing from this tech being a way to quickly get the organization's people analytics capabilities off the ground to it also being a people insights delivery mechanism for the entire organization (see Figure 12 for how we see this maturation happening).

Many PAT vendors built their systems to handle a large number of relatively straightforward base cases so that many companies could adopt the tech quickly. In talking with our people analytics members about this situation, they told us that PAT tools are very effective at getting an organization's people analytics capabilities up and running and are increasingly good at scaling insights to non-technical stakeholders (HR, HRBPs, business leaders, etc.).

However, many pointed out that the advanced capabilities and flexibility required by very mature people analytics teams can often be better served by a data lake or warehouse and writing code on top of it (e.g., in Python).

In the future, PAT vendors will have to decide if they want to enable these more technical use cases. Alternatively, they may instead want to focus on serving (the vast number of) less mature organizations that need to get up to speed quickly and scale data insights across the organization.

We guess that most vendors will take the latter option, given the larger (and more scalable) market opportunity and the ability for AI to help make insights more accessible (more on this later). Therefore, some vendors might need to re-set expectations on their value proposition related to their advanced analytic capability with potential and current customers if they want to see those higher NPS and renewal rates.

The value of people analytics tech often shifts with organizational maturity

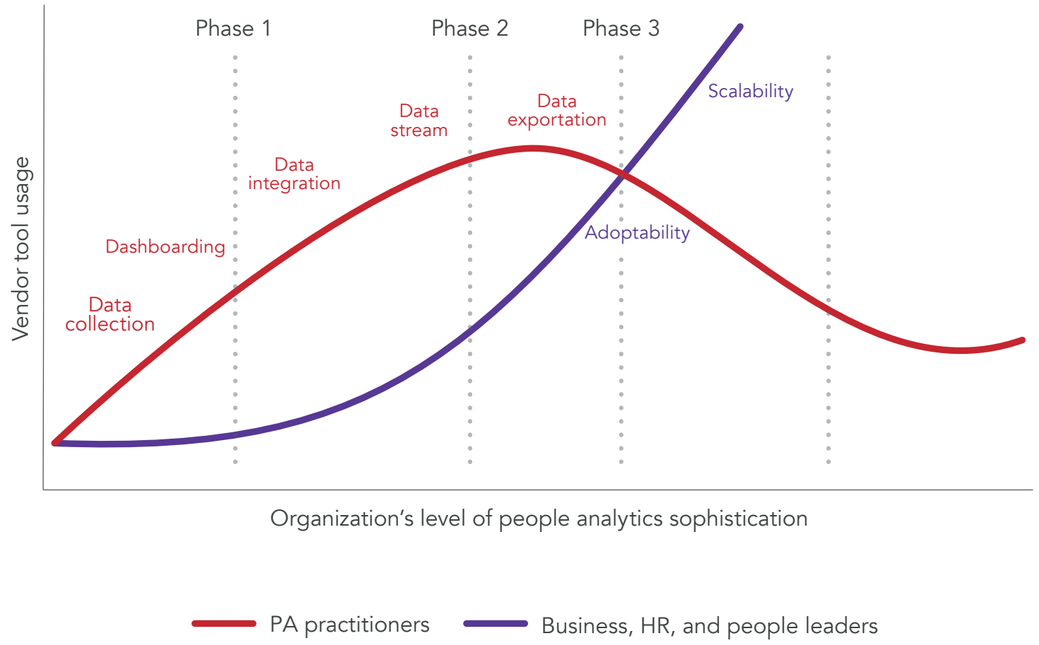

Figure 12: How PAT vendor tool usage changes with people analytics sophisticationl Source: RedThread Research, 2022-2024

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Customer support

Let's next tackle the topic of customer support. As we mentioned above, 16% of those who gave negative comments did so because of poor customer service and support and a lack of proactive guidance. We also saw this in the quantitative data: 26% of survey respondents did not feel their organization fully received the support necessary to use the solution successfully.

Despite this, it is important to recognize some good news on this front:

- 47% of respondents felt they did receive the support they needed "to a very great extent"
- 58% of vendors said they made changes at the end of 2023 to offer greater technical and admin support and resources (see Figure 8)

"Hard to reach support and it takes months to get help on issues."

- PAT customer for a multi-source analysis platform

"I think on balance it is likely the best solution for our needs, however could be much more valuable with more proactive, advanced guidance and support."

- PAT customer for an employee voice solution

47% of customers feel they receive the support they need to use their PAT successfully, while 26% do not

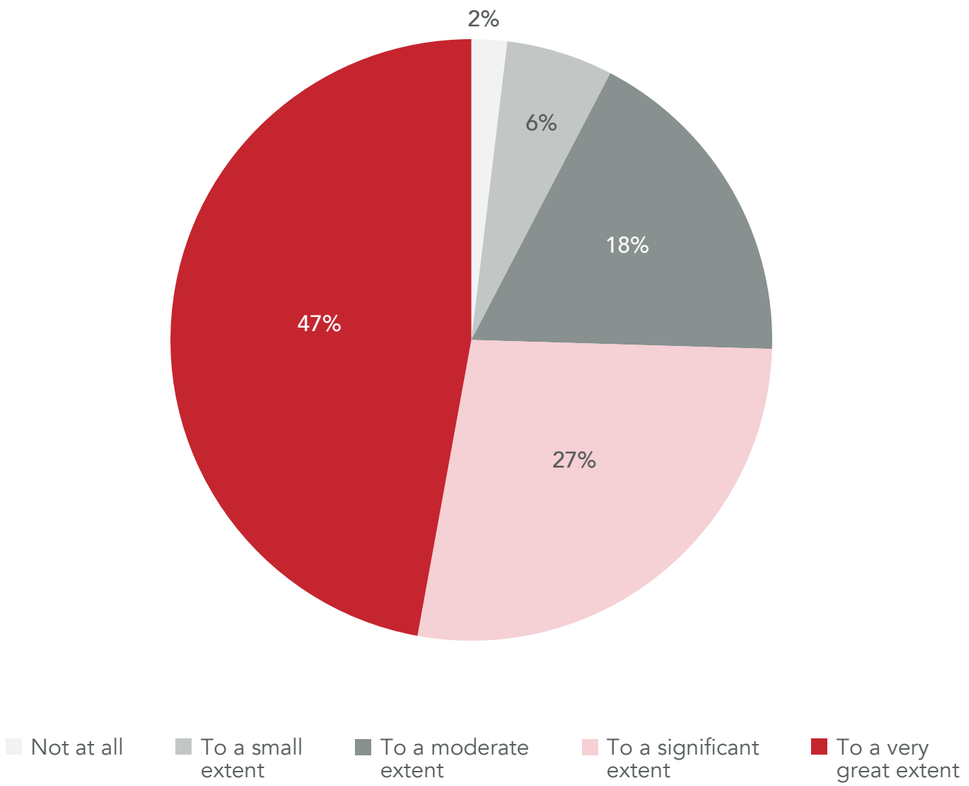

Figure 13: % PAT of customers who said they received the support necessary for using the solution; n = 161 | Source: RedThread Research, 2024

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Despite that good news, given that more than half of customers reported they did not receive the support they needed "to a very great extent," we wanted to investigate this finding more. We hypothesized there might be certain times in the contract when customers were more or less likely to get help and investigated that in Figure 14.

We found customers were generally more satisfied with support at the beginning of their contract. Unfortunately, by the time customers had the solution for more than 24 months, about a third felt their organization did not receive the support necessary to use the solution successfully.

This problem of a lack of later-tenure support is not new. In last year's study, we identified that "Yet many vendors fail to provide the support customers may need after implementation." Based on this year's data, we have not seen this issue addressed.

> *"Very helpful platform for current stage; however it's fairly expensive and customer experience is highly variable depending on customer support resources."*
>
> - PAT customer for a multi-source analysis platform

Necessary support for solutions declines with time

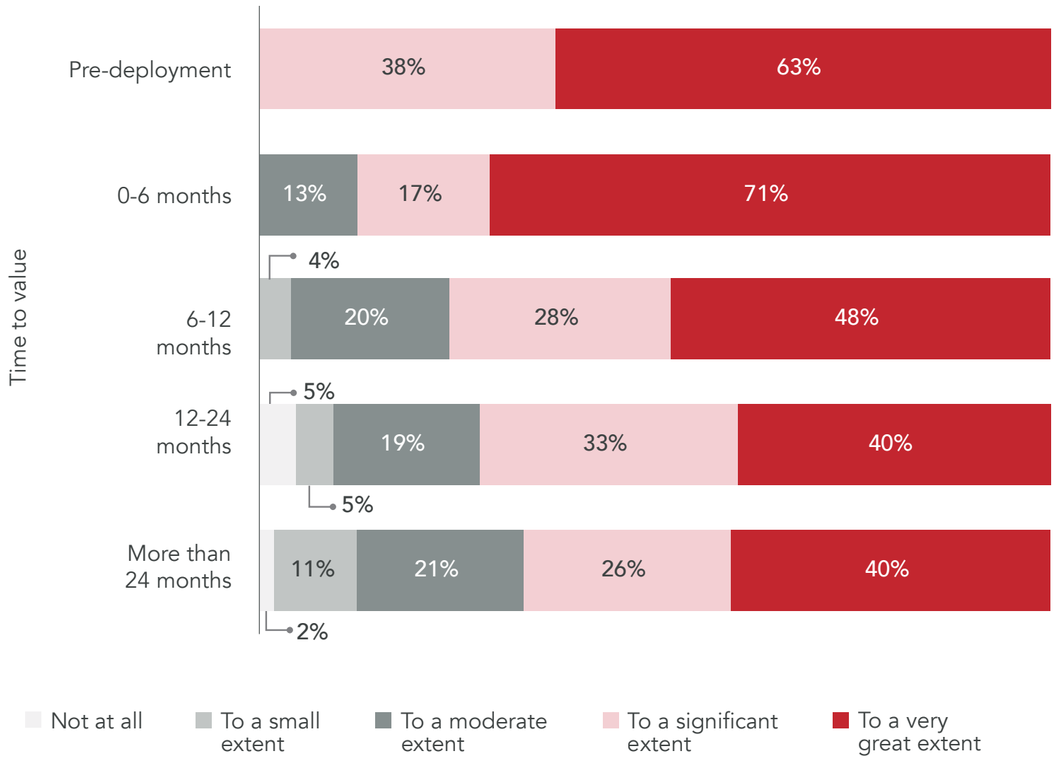

Figure 14: % PAT of customers, by time since deployment, and the extent of the support they receive to use the solution successfully; n = 161 | Source: RedThread Research, 2024

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And yet, vendors need to take action on this. As shown in Figure 15, close to 84% of customers who said they would definitely renew said they received the support they needed to successfully use the product to a very great or significant extent.

Customers who received support "to a very great extent" are 1.7 times more likely to say they would "definitely" renew.

Of the questions we tested, the level of customer support was the item most predictive of renewal. Addressing the support issue is one sure way to improve customers experience and drive better renewal rates – and thus revenue numbers.

"We receive great contact and support from the vendor, very intense analysis options, and added value from the survey results analysis."

- PAT customer for an employee voice solution

"The customer support is not very helpful. Also the solution is outdated compared to new solutions on the market."

- PAT customer for an employee voice solution

When vendors provide the necessary support, customers renew

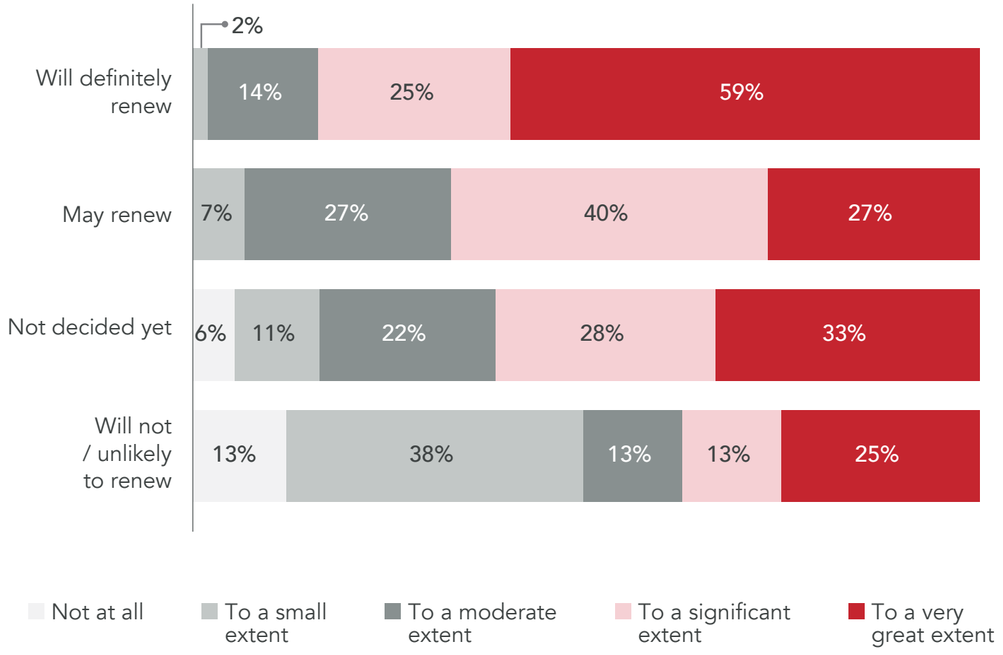

Figure 15: % PAT of customers, by renewal status, and the extent of the support they receive to use the solution successfully; n = 161 | Source: RedThread Research, 2024

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Return on investment

ROI was the final theme arising from the qualitative comments for which we have quantitative data. In the survey, just over a quarter of customers said they received a return on investment "to a very great extent," and a further 32% "to a significant extent," for a total of 59% of customers reporting they received high ROI from their solutions (see Figure 16).

This means that 41% of customers do not strongly believe they get a high ROI from their solutions, which is a far greater percentage of customers than those who mentioned it in the comments. This indicates that ROI is an especially salient topic that needs to be addressed.

> *"Perhaps the most compelling evidence of success comes from assessing the outcomes of decisions made based on insights from the solution. We've seen improvements in various areas, including productivity, operational efficiency, and overall business performance. These outcomes validate our investment in a data-driven HR approach, demonstrating that informed decisions lead to better results for our organization."*
>
> - PAT customer for a multi-source analysis platform

59% of customers perceive a high return on investment, while 41% do not

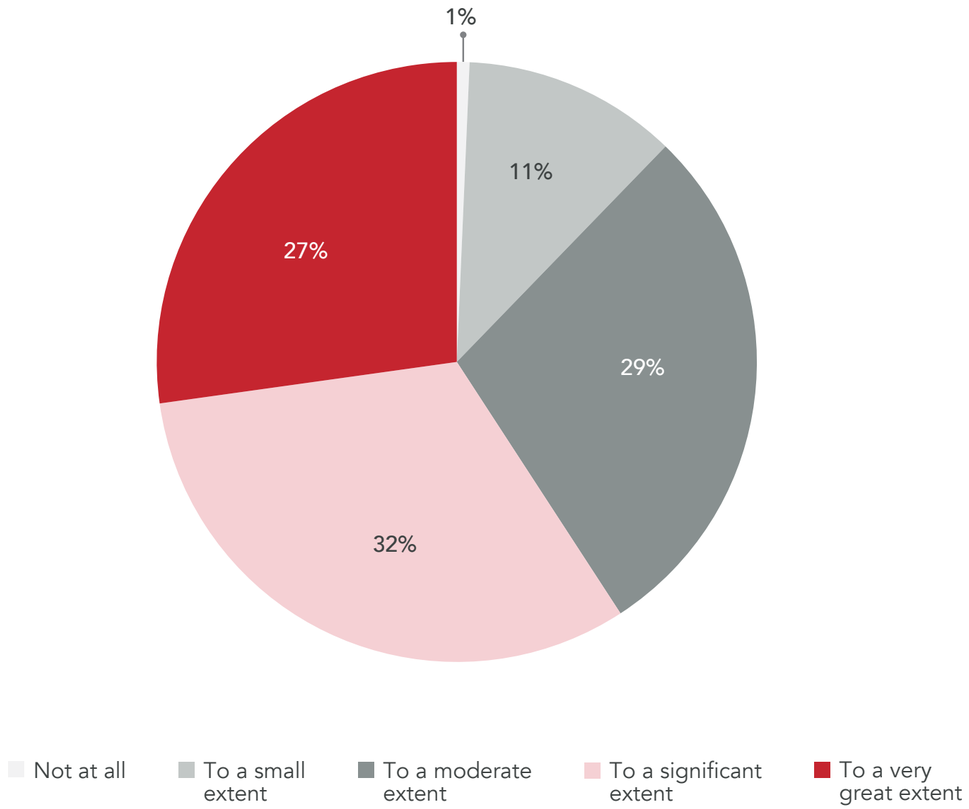

Figure 16: PAT customer ROI, n = 147; "N/A" responses were dropped | Source: RedThread Research, 2024.

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The role of ROI in NPS and renewal

So, how important is ROI? We looked at several variables (deployment time, time to value, etc.), and ROI proved the most predictive of NPS and close to the most predictive of renewal (that award goes to customer support, as noted in the previous section). Specifically, we found a strong relationship between high ROI and high NPS: 69% of folks who reported high ROI were also promoters (see Figure 17).

If someone reported high ROI, they were 2.94 times more likely to be a promoter of the vendor.

"We're undergoing a complex analysis [to assess the value from the solution]. The full delivery of the project will help us evaluate the success and a possible renewal."

- PAT customer for an employee voice solution

"It took a bit to ensure data accuracy from our integrations so if we do not renew, it would have been a waste of the implementation time and cost."

- PAT customer for a multi-source analysis platform

There is a relationship between ROI and being a promoter

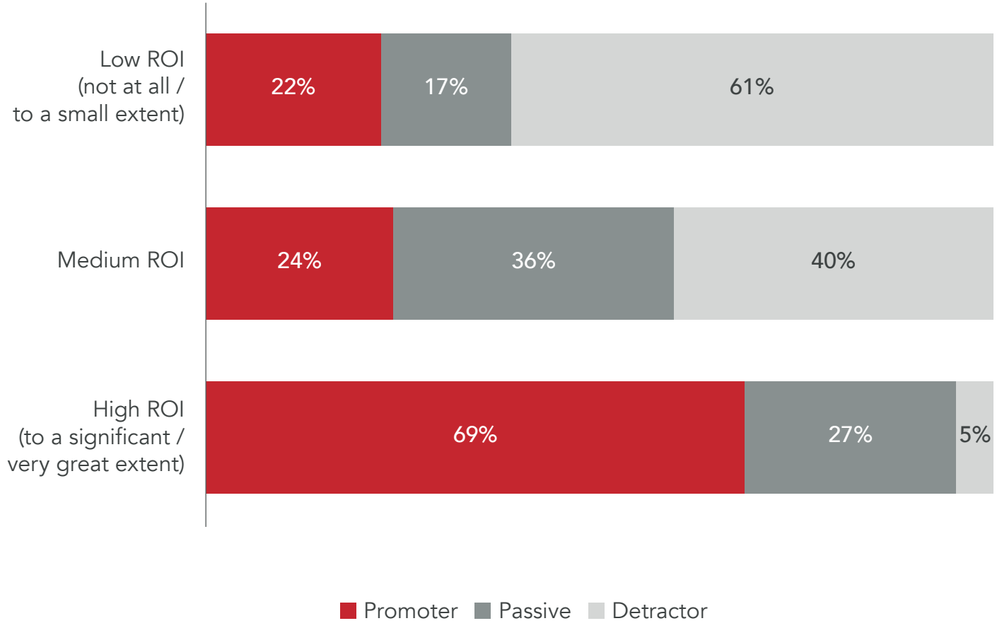

Figure 17: PAT customer ROI by the likelihood to recommend the solution, n = 146; "N/A" responses were dropped | Source: RedThread Research, 2024

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While promoter status is important, the likelihood of renewal is even more important to vendors looking to drive revenue. Therefore, we decided to analyze ROI by renewal status, which resulted in an even clearer story.

As you can see in Figure 18, of those with high ROI, 72% said they would definitely renew, and 20% said they may renew, for a total of 92% of high ROI respondents being likely to renew.

Specifically, those who reported a high ROI were 1.6 times more likely to say they would definitely renew.

Even a medium level of ROI results in decent returns: 53% of customers with that level of ROI said they would definitely renew, and 23% said they may, for a total of 76% being likely to renew.

"The solution provides a unique dataset that provides a lot of value to our organization."

- PAT customer for an employee network and communications solution

"My organization is unlikely to renew the subscription once it ends. The solution is not designed for employee experience and clearly favors customer surveys. Downloading survey data into usable powerpoints, organization structure data, and action planning are all very limited."

- PAT customer for an employee voice solution

There is a relationship between ROI and intent to renew

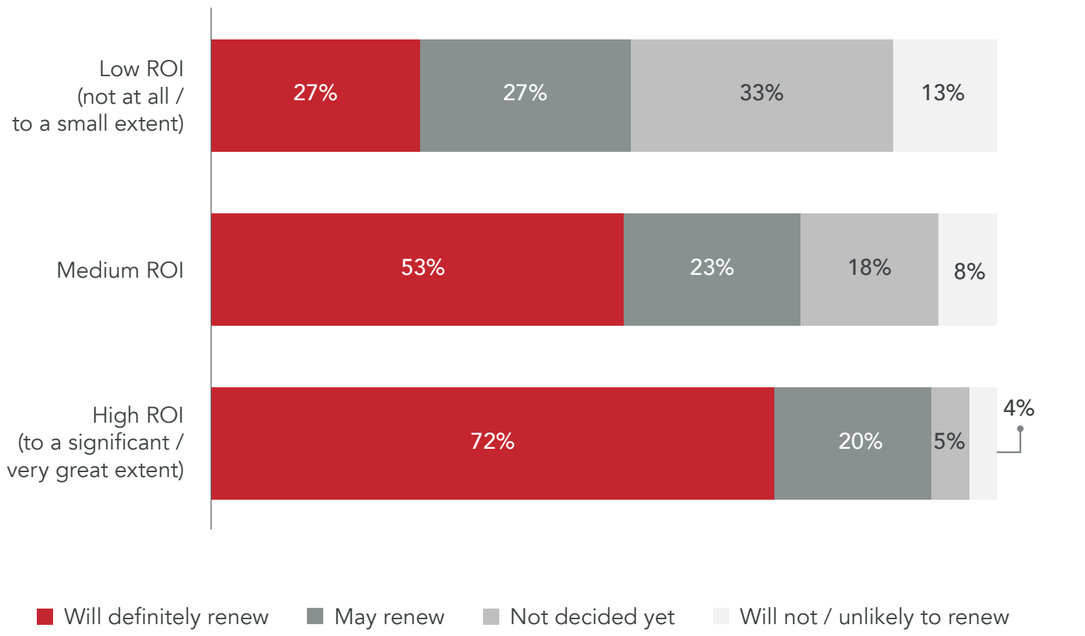

Figure 18: PAT customer ROI by the likelihood to renew the solution, n = 140; "N/A" and "I don't know" responses were dropped | Source: RedThread Research, 2024

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One of the ways we hear vendors say they try to prove ROI is through quick time to value, another metric we collected for the first time this year. As you can see in Figure 19, 85% of high ROI customers reported receiving value within the first 12 months (and 63% within the first 6 months). By contrast, just 47% of low ROI customers reported their solution's time to value as being within the first 12 months (and 29% within the first 6 months). Thus, time to value appears to have an important relationship with ROI.

"The solution subscription includes Data Scientist Consultant hours as well. This helps us supplement our team's time. They are more of a partner than a vendor and really want us to succeed."

- PAT customer for a multi-source analysis platform

"We are yet to decide if we will renew our subscription once it ends. The system is missing several critical features that could greatly enhance the user experience. The absence of initial training was severely inadequate, and the decision to phase out benchmarking features, which were a major reason for our initial selection of the solution, is disappointing."

- PAT customer for a HCM solution

Customers who reported high ROI also reported fast time to value

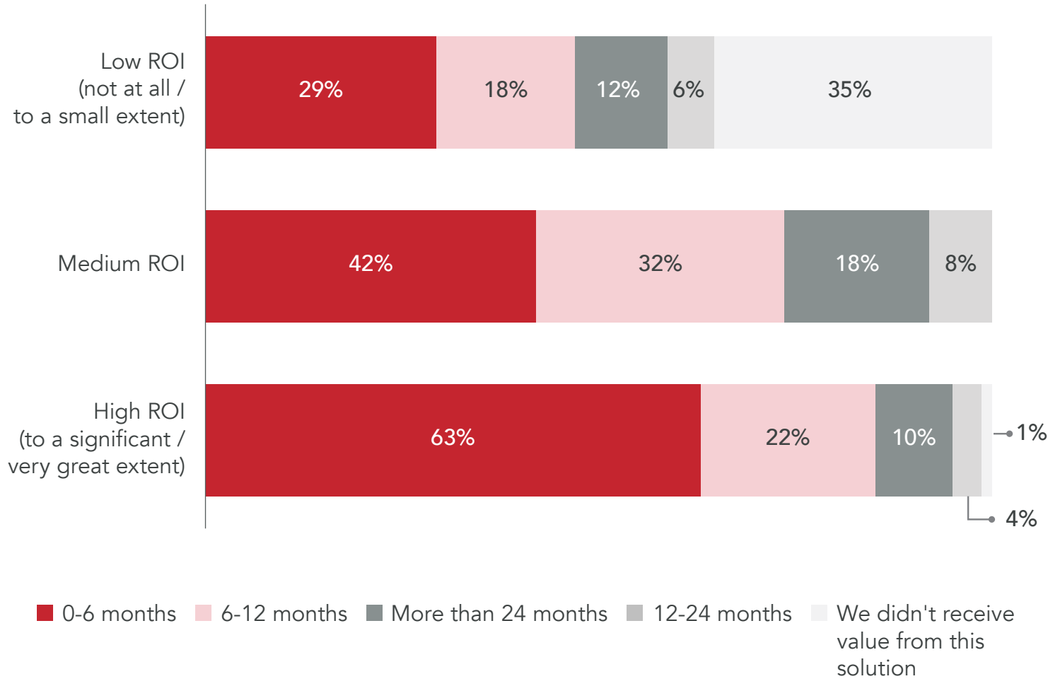

Figure 19: PAT customer perception of time to value and ROI, n = 136; "I don't know" "N/A" responses were dropped | Source: RedThread Research, 2024.

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Finally, given this relationship, we tested if there was a relationship between time to value and the likelihood of renewal. This analysis revealed something super intriguing: A short time to value of less than 6 months AND a longer time to value of more than 12 months could both be related to a high likelihood of renewal.

Specifically, 66% of those with a time-to-value of 6 months said they would definitely renew, and 22% said they may renew, for a total of 88% being likely to renew. By contrast, though, 75% of those with a time-to-value of 24 months or more said they would definitely renew, and 25% said they may renew, for a total of 100% saying they were likely to renew.

Thus, while time to value is important to ROI, it does not directly drive renewal likelihood. Instead, the relationship seems to be time to value → ROI → renewal likelihood.

Based on our conversations with customers, we believe what is happening here is a matter of expectations: Customers who believed they'd get some quick wins within the first 6 months and did get them were likely to renew. Customers who expected a longer time frame (typically more complicated deployments) and got value at that time were also likely to renew. However, customers who expected quicker time to value and didn't get it (those in the 6-12 month bucket) or those who didn't get value at all were less likely to renew.

Time to value does not directly drive renewal likelihood

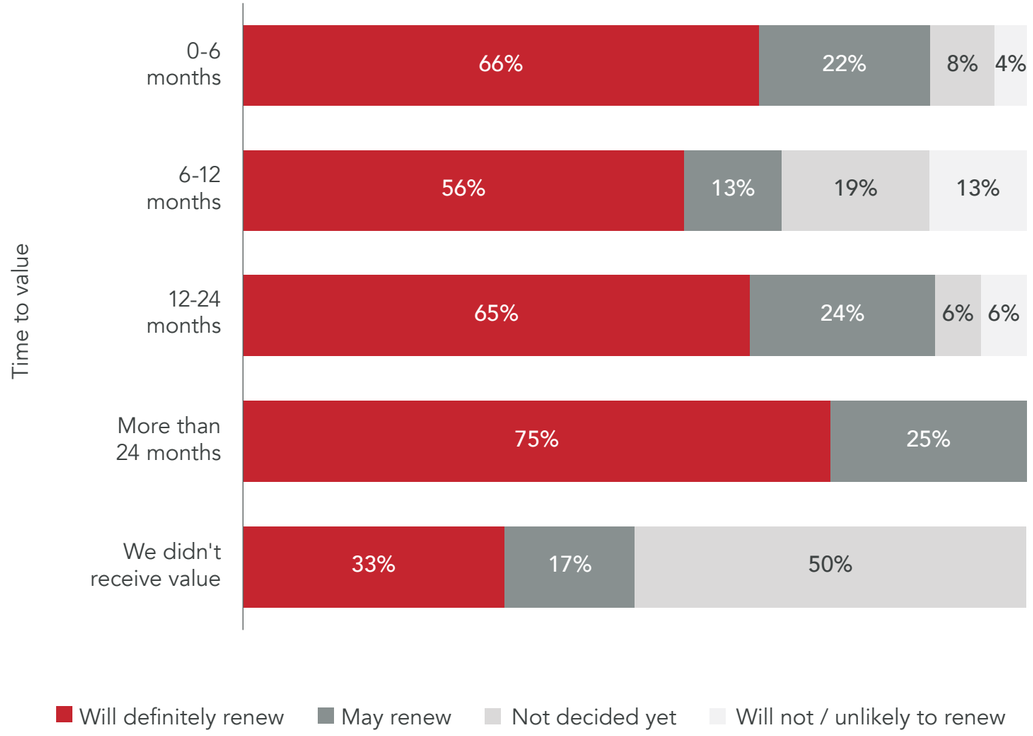

Figure 20: % of PAT customers' perception of time to value by likelihood to renew, n = 142; "I don't know" and "Other" responses were dropped | Source: RedThread Research, 2024.

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Given the importance of high ROI (in addition to promoter status), we analyzed high ROI customers' comments on what they liked about their vendors. These customers reported the following:

- **Quality insights:** About 18% of these customers said they receive valuable insights from the platforms that help them make better and safer decisions and see them as effective solutions
- **Mature capabilities:** About 17% feel that their solutions are reliable and mature. They highlighted the innovative approach of the vendors and appreciated the capabilities that cater to those users with advanced data skills
- **Partnership with the vendor:** 16% of those who said they received high ROI mentioned that they have a solid partnership with the vendors and receive excellent customer support
- **Efficient, intuitive, and meets the needs:** About 15% of them said their solutions were easy to use, intuitive, and saved them time, and a similar percentage found them to be flexible and customizable while meeting the company's current needs

If you are a vendor or a people analytics practitioner, you need to:

- Determine early the problem you are trying to solve
- Chart your path to and align on the appropriate time to value
- Be clear on how you can generate a high ROI

By doing these things, you can build that strong partnership that leads to better outcomes for all.

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AI/ML: The best is yet to come

As we all know, artificial intelligence (AI) and machine learning (ML) have been among our industry's top focus areas for the last 18 months or so. In this section, we analyze AI from both vendors' and customers' perspectives, AI's impact on renewal, and what vendors do today to enable AI's accuracy, safety, and ethical use.

AI/ML: A disconnect between vendors' and customers' reality

Looking around our industry, every HR Tech vendor claims to have AI / ML or generative AI (Gen AI) capabilities. Our survey of vendors reveals the same: 90% of PAT respondents indicated they have these capabilities (see left side of Figure 21).

This gets interesting, though, when we compare those responses to those vendors' customers (right side of Figure 21). Specifically, just 40% of customers were confident that their solution has ML or Gen AI capabilities within it, while 32% said their solution does not have them, and 28% said they don't know. There is a disconnect between what vendors say in the market and their customers' perceptions of reality.

Compared to vendors, far fewer customers believe their solution has AI

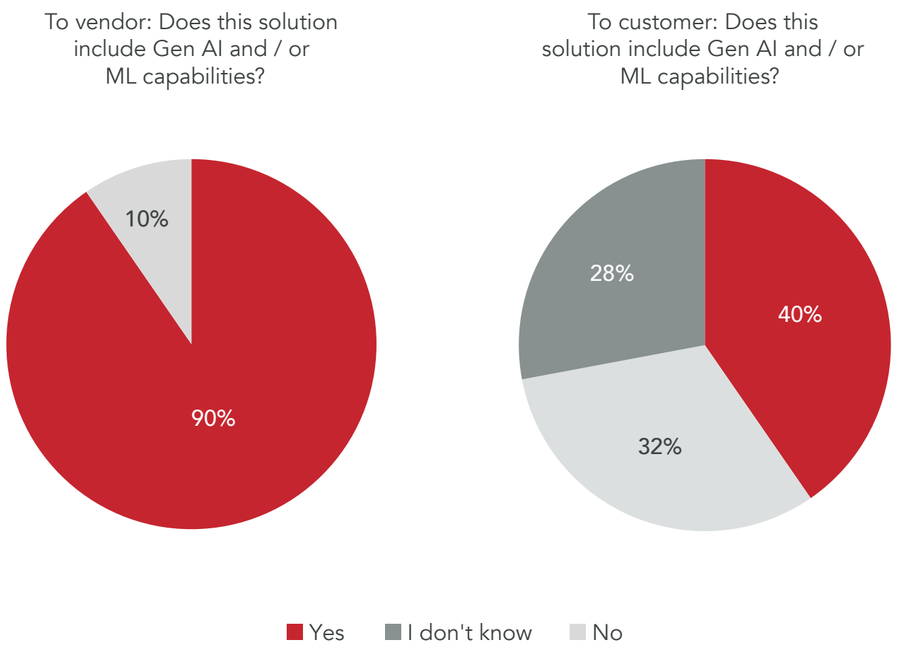

Figure 21: % of vendors who said their solution includes ML and or AI (left) and % of customers who believe the solutions they use have or do not have the AI capabilities (right); vendor n = 52, customer n = 161 | Source: RedThread Research, 2024.

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To better understand what is happening, we analyzed how long customers had their solution and whether they thought it had AI capabilities. As you can see in Figure 22, approximately 60% of customers in pre-deployment or their first 6 months of usage said their solution includes Gen AI or ML capabilities, compared to 32% of those who had used it for over 6 months.

We hypothesized that this difference may be because those who had the solution were less aware of its capabilities since they were further from the sales process (which is where a lot of the discussion of AI is happening). We were wrong.

Instead, our people analytics members told us that what was really happening here was that many vendors' AI capabilities were not the same in reality as they were promised in the sales process. Specifically, once they had completed much of the initial deployment, they found that the generic AI capabilities did not do what they expected or were not adequately configurable to their needs.

Therefore, in the minds of folks later in their contracts, the AI didn't really exist—at least not in the way they'd been told it would. This mismatch between expectations and delivery may be another reason for those lower customer NPS scores.

"Gen AI is a new field. Customers are reluctant to use it and put their information in the AI consciousness. Right now the competitive advantage is to have something that customers can use in a beta / experimental mode as they answer questions on their cyber policies around Gen AI. Customers need to know that we are on the journey with them and can show them the way."

- A workforce planning vendor

Once customers deploy solutions, far fewer say it has AI

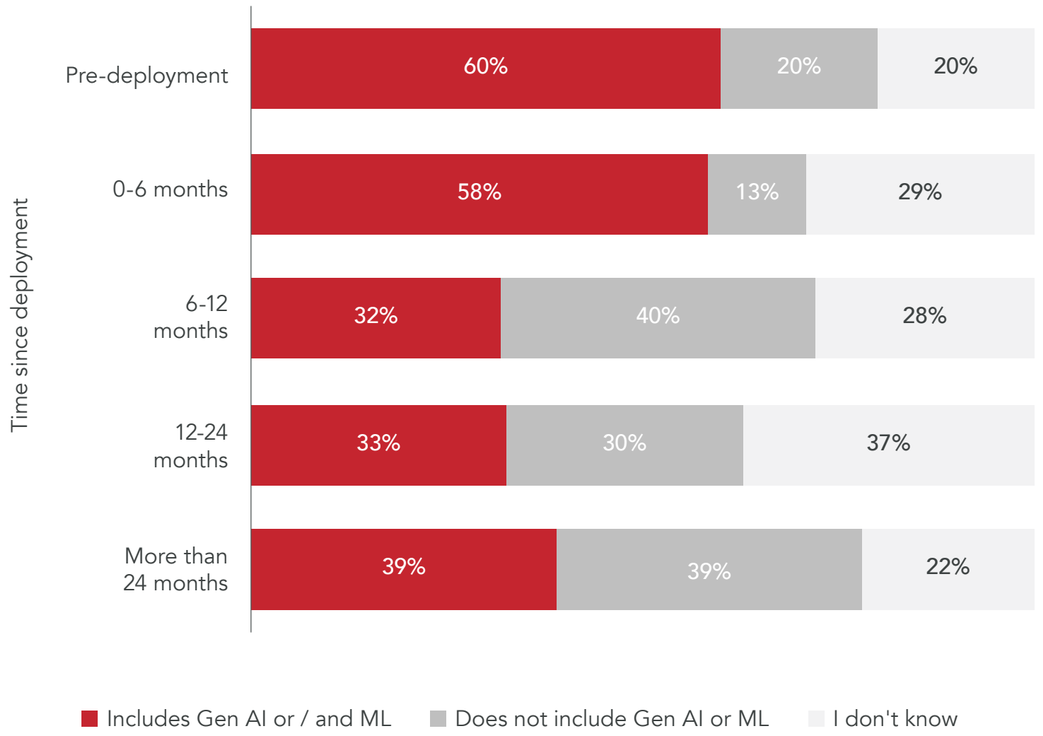

Figure 22: % of solution users with different usage tenures who believe the solutions they use have or do not have the AI capabilities; n = 161 | Source: RedThread Research, 2024.

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That said, there may be lots of AI capabilities built into the technology that are not abundantly clear to those customers. As excited as we all are about AI at this moment, AI has been a part of our HR tech products and industry for the better part of a decade. Yet, many folks are not directly aware of it within their technology. Therefore, this discrepancy may also be due to an understanding gap.

Of those customers who said their vendor solutions have AI:

- 28% said they use the capabilities for cluster, text, or sentiment analysis of comments and feedback
- 18% referred to the AI helping with ease of access and speed to insights and key metrics
- 11% said they use AI for forecasting or prediction analysis

As has been said many times, we are just at the beginning of understanding and developing AI's capabilities. However, vendors must address the challenge of overpromising and underdelivering in the coming months and years if they are going to improve their NPS and renewal numbers.

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AI / ML: The value is yet to come for customers

Given that so few customers know about or understand the extent of AI in their tech tools, it is perhaps unsurprising that the existence of AI is not a factor in customers' renewal decisions. As you can see in Figure 23, Gen AI or AI / ML appears to have no impact on customers' likelihood to renew, as the percentages are the same across all the renewal likelihood categories.

We ran additional analysis to see if the existence of AI impacted customers' perceptions of ROI and did not find a clear relationship.

The crux of the problem right now is that there is a lot of talk about the existence of AI in these tools but not a lot of clarity on how AI is solving leaders' critical business challenges. Until customers see and experience AI solving their unique problems, it will continue to be a shiny object that doesn't drive software renewals. Once this connection is made, we expect to see a dramatic change in these numbers.

"The AI / ML helps us identify retention risk. Our practical challenge with using it is that we still haven't figured out is how to effectively communicate it to drive the desired behaviors and not lead to unintended behaviors/impacts."

- PAT customer for a multi-source analysis platoform

"ML / AI is used on the backend for scraping and processing large datasets and isn't something we directly use."

- PAT customer of a labor market analysis solution

"The predictions [from the Gen AI capabilities] are too generic."

- PAT customer for a workforce planning solution

The existence of AI does not impact renewal likelihood

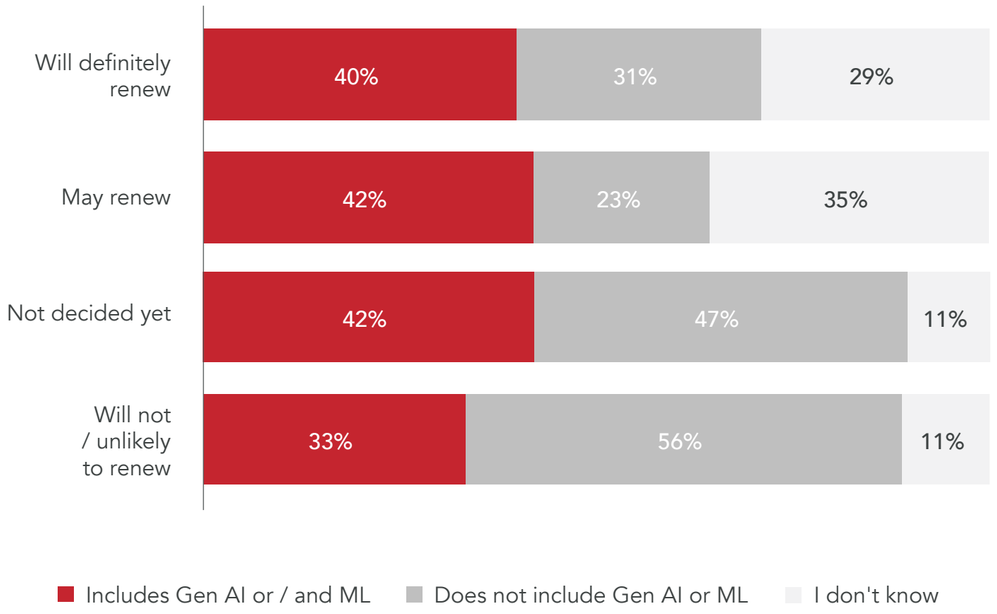

Figure 23: % of solution users, by their likelihood to renew, who believe the solutions they use have or do not have the AI capabilities; n = 152; "I don't know" responses were dropped for the likelihood to renew question | Source: RedThread Research, 2024.

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AI accuracy: Primarily enabled by model training and updating

One of customers' primary concerns about AI is its accuracy. To help us understand the current state, we asked vendors what methods they use to ensure the accuracy of their AI models. The results in Figure 24 show that regular model training and updating is, by far, the most common approach, with close to 70% of vendors reporting using this method. After that, roughly 50% of vendors use a range of approaches, such as cross-validation techniques, bias detection and mitigation processes, and regular audits and reviews.

If you are a customer, you can expect (but need to verify) that the AI being used by your vendor is being regularly trained and updated. It is a coin toss if they are doing anything more – and if this matters to you and your organization, you need to ask many questions.

Some of the vendors in our survey bristled at the idea that they would be doing anything more than regular model training and updating (see example quote below) and that any vendor who said they were doing so should be double-checked. It is a fair point that this technology is in its infancy. However, if vendors are serious about getting large enterprises to adopt their AI, they must figure out how to show current and potential customers that their AI is safe, responsible, and accurate. Knocking aside the idea that audits or other accuracy validation methods are impossible will not get anyone where they want to go.

> *"This seems way out over the skis in terms of a process in its infancy. I would suggest you should audit anyone who says they are conducting regular audits and reviews on this unless it is a major audit/consulting firm."*
>
> - A multi-source analysis platform vendor

Model training and updating is the most common way vendors are ensuring AI accuracy

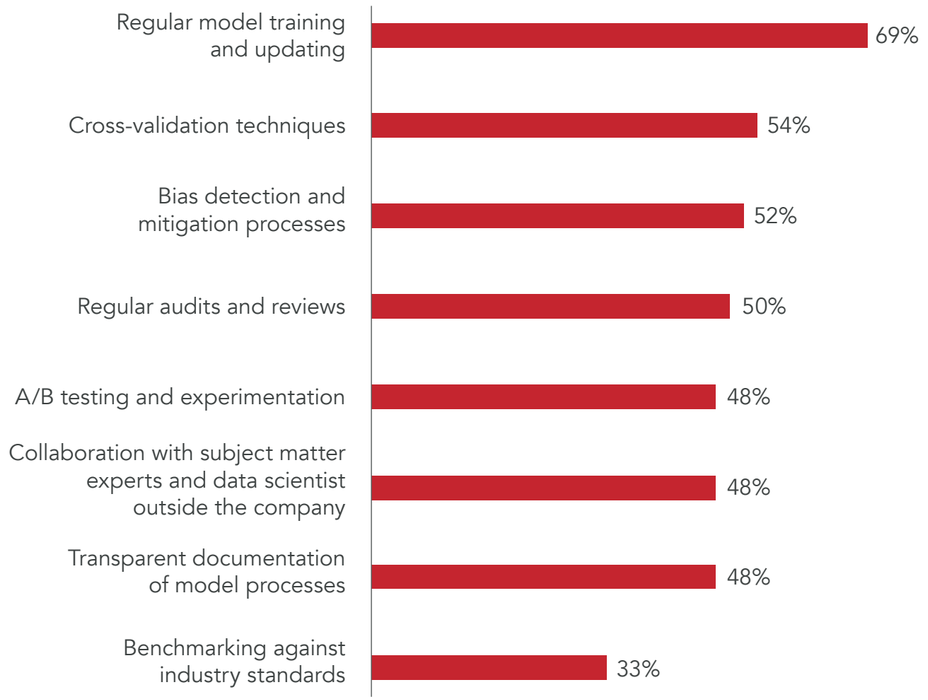

Figure 24: % of vendors who said they use the listed methods to ensure the accuracy of AI models; n = 52 | Source: RedThread Research, 2024.

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Accuracy approaches vary by the types of AI used

As we mentioned above, ML and AI are not new – it is Gen AI that is new. Given that, we wanted to understand how many vendors are using traditional ML / AI and how many are using that plus Gen AI (see Figure 25). As you can see, 65% of vendors in our survey use both types of AI, whereas a third use only traditional ML, and 10% say they do not use AI at all. The 2% saying they use Gen AI only represents just 1 company, and given that low number, we have removed it from the analysis from this point forward.

Given that such a large percentage of vendors are not using Gen AI (35%), we wanted to understand if accuracy validation methods vary by the type of AI the vendor uses.

> *"We utilize ML in our solution for several purposes. Primarily, it is employed for projecting various performance indicators such as turnover rates and absenteeism. Additionally, we harness ML algorithms to predict employee attrition risks, identifying at-risk groups and individuals by assigning a percentage likelihood of departure within the next year. Similarly, we apply ML techniques to forecast risks associated with disability leave and parental leave departures."*
>
> - A multi-source analysis platform vendor

A quarter of vendors are only using traditional ML, whereas 63% are using that plus Gen AI

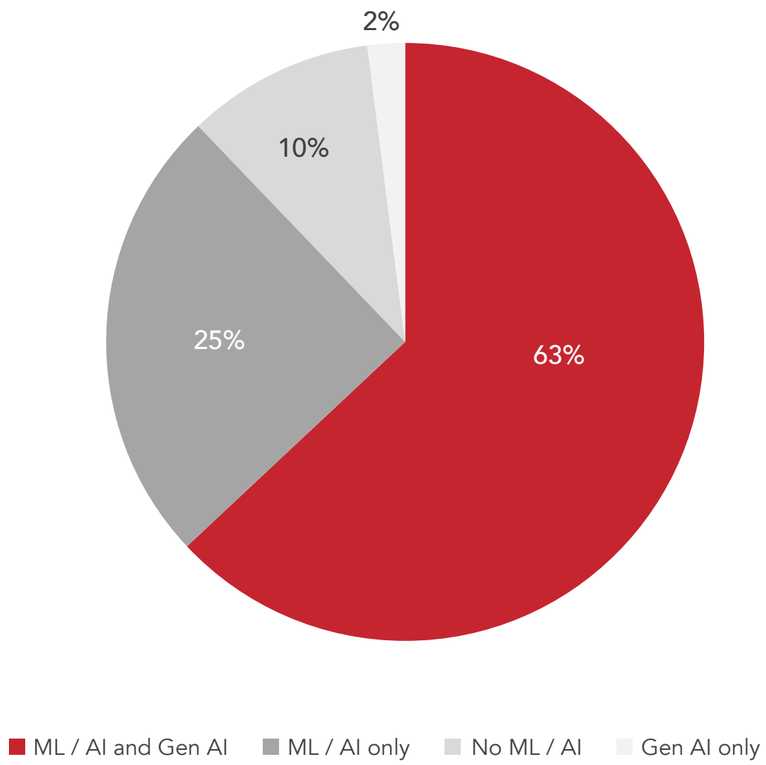

Figure 25: % of vendors using different types of AI; n = 52 | Source: RedThread Research, 2024.

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As you can see in Figure 26, a larger percentage of vendors with both traditional ML and Gen AI capabilities use more methods to ensure AI model accuracy than those with only traditional ML. For example, 73% of vendors with traditional ML and Gen AI capabilities use bias detection and mitigation processes compared to only 23% of those with traditional ML capabilities.

We likely see this relationship because Gen AI requires much more validation work than traditional ML due to the nature of the technology. So, this finding is comforting in many ways – it is what we would hope for.

What is perhaps concerning, though, is that some aspects of Gen AI that we know most require attention – like bias detection and mitigation processes -- are still only happening in 3 of 4 vendors that offer this technology. Given pending lawsuits, we strongly suggest customers ensure that the vendors they use test for accuracy and bias mitigation.

> *"For the majority of deep learning and Gen AI strategies that we are using, we are still not providing user-specific LLMs but rather using well-trained LLMs such as GPT 3.5 and 4 and augmenting those with customer data because we got very low-quality results for fine-tuning existing models at a much higher cost. Building LLMs from scratch is not an option for us or generally a rational thing to do, given the extremely high cost of acquiring and labeling the data, not to mention the computation cost of training the data. We are using customer data in isolation and not mixing it when using LLMs and ensure that we have a proper privacy policy in place with vendors that we are using so that the customer data is never retained or used for training such models. What we do from scratch is build our time-series forecasting RNN/LSTM models that we are using for a certain number of prediction-based metrics and insights."*
>
> - A multi-source analysis platform vendor

Vendors with both traditional ML and Gen AI use more methods to ensure accuracy

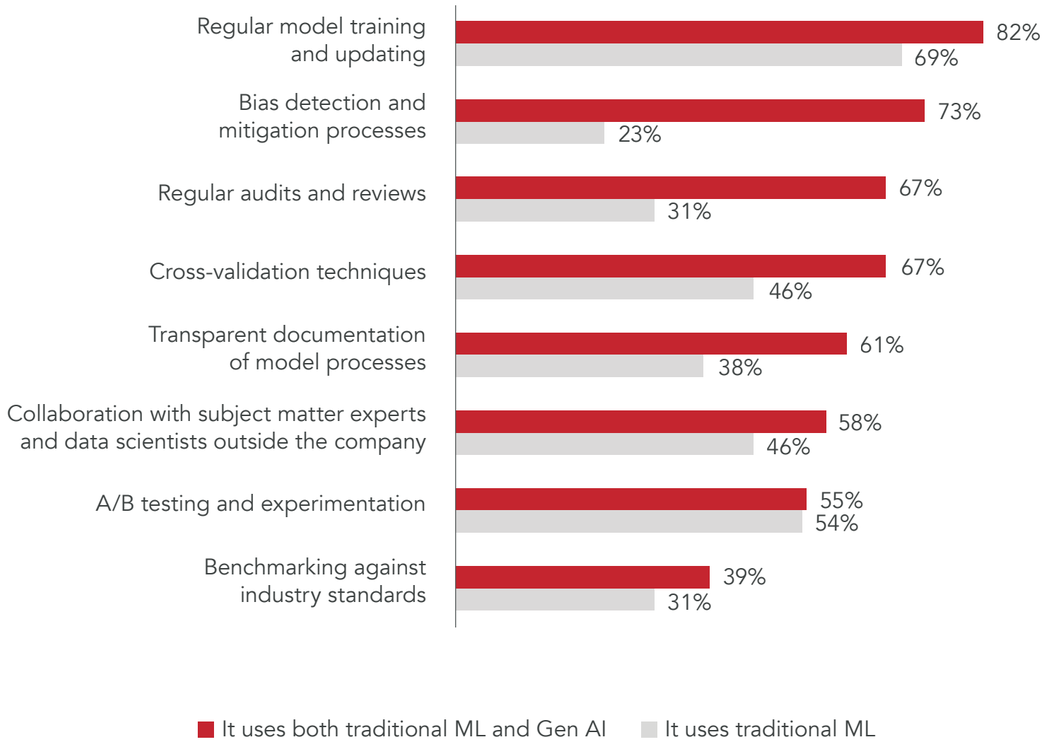

Figure 26: % of vendors who said they use the listed methods to ensure the accuracy of AI models by the type of AI their solutions use; n = 52 | Source: RedThread Research, 2024.

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Security, ethics, and transparency: Some positive developments

Other concerns around people analytics tech center on security, ethics, and transparency. We will tackle each of these topics in this section.

Security: Only about half of vendors have SOC 2 certification

While security is a big topic unto itself, we did want to, at a minimum, understand if vendors have SOC 2 certification. We asked about this because customers are asking vendors for this more, given rising security concerns.

Our survey revealed that just 56% of PAT vendors have SOC 2 certification (see Figure 27). A further 24% reported progressing toward certification.

> *"We use single-tenant models, which means your information is completely isolated from other customers' data. This eliminates the risk of any cross-contamination [between data]."*
>
> - A multi-source analysis platform vendor

A little more than half of PAT vendors have SOC 2 certification

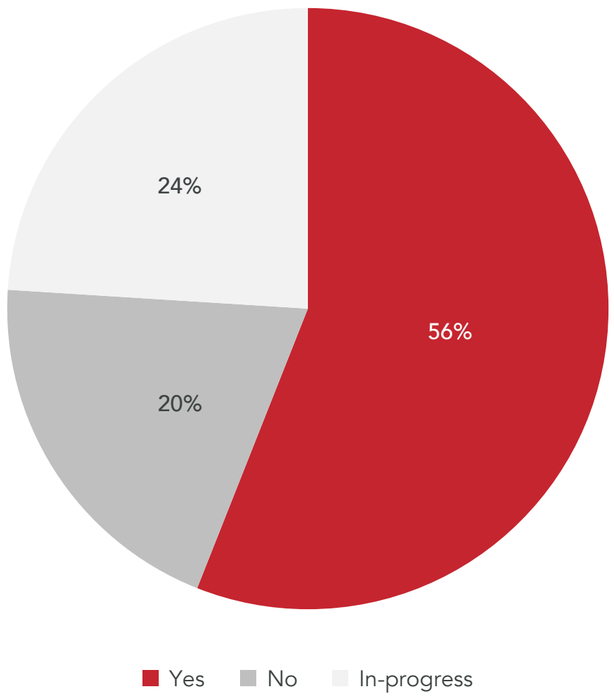

Figure 27: % of vendors who said they have, don't have, or are in the process of getting their SOC 2 certification; n = 50; "N/A" responses were dropped | Source: RedThread Research, 2024.

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We wondered if there was a relationship between SOC 2 status and types of AI (e.g., traditional AI / ML vs. traditional AI / ML plus Gen AI), and we found no statistical relationship.

However, we found a relationship with the size of the vendor's revenue (see Figure 28). Specifically, we found that 100% of the vendors with over $50 million in revenue said they had SOC 2 certification, compared to only 23% of those with revenues under $1 million. This difference makes sense, as getting the certification can be a lengthy and expensive process that is harder for small companies to afford. We see the percentage of those with the certification rise as their revenue sizes increase.

If you're a customer, this trend is important to remember as you consider which vendor to partner with. For example, if you want to work with a smaller vendor but your organization is very concerned about security, you should check on their security approach before proceeding very far down the RFP process.

"Our AI models are hosted externally, but that has no impact on the data security as the AI models are SOC2 compliant regardless of where they are hosted."

- A workforce planning solution vendor

Vendor size (by revenue) increases the likelihood of having SOC 2 certification

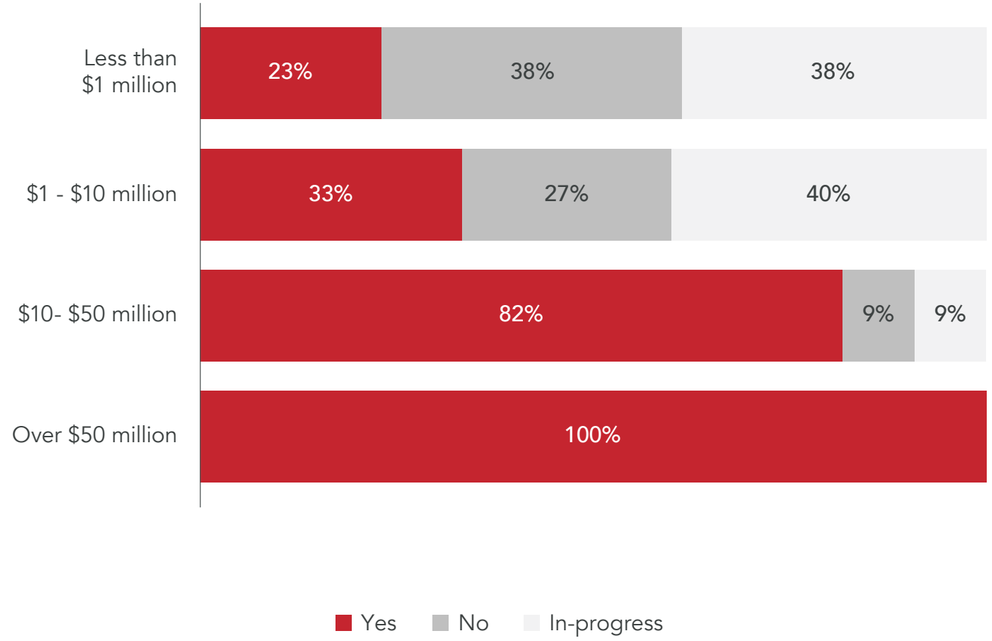

Figure 28: % of vendors by their revenue size who said they have, don't have, or are in the process of getting their SOC 2 certification; n = 50; "N/A" responses were dropped | Source: RedThread Research, 2024.

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Ethics and responsible AI: More needed

Vendors can enable more ethical approaches to people data and analytics tech in several ways: Practices they implement internally and those resources and tech they make available to customers. We examined both of these approaches this year.

We focused first on internal ethical approaches to AI. As you can see in Figure 29, the most common way vendors try to ensure ethical approaches within their organizations is via employee training (56%), followed by formal development reviews (50%). The remaining approaches – ones that build ethical behaviors into the flow of work – are less common, with fewer than half of vendors doing them.

We also wanted to understand if there were differences in approach based on the type of AI technology vendors offer.

> *"We've built in reporting on model efficacy and partnerships with leading people data governance platforms such as Fairnow.AI."*
>
> - A multi-source analysis platform vendor

Employee training is the most common way vendors are enabling ethical behaviors in their organization

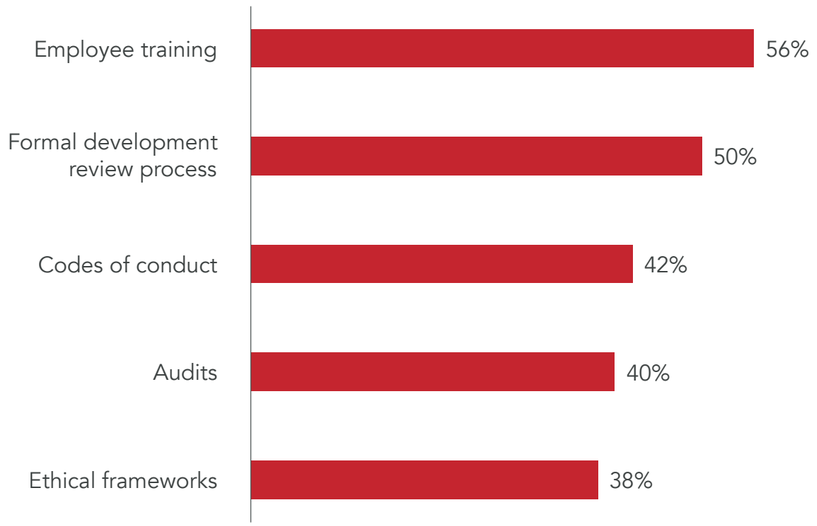

Figure 29: % of vendors who do the listed items to set expectations around the ethical impact of AI to a significant or very great extent; n= 52 | Source: RedThread Research, 2024.

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As you can see in Figure 30, vendors that use ML / AI and Gen AI capabilities are generally more likely to use a variety of approaches to influence employees' ethical behavior. An exception to that is that 62% of those with traditional ML capabilities use ethical frameworks, compared to 36% of those with both traditional ML and Gen AI capabilities.

When we asked our broader community why this was the case, there were a range of perspectives. The two potential explanations, courtesy of Richard Rosenow and Steve Hunt, that make the most sense to us are:

- **Gen AI tends to be developed by third parties.** Thus, it is harder for a vendor to hold those developing Gen AI accountable for adhering to ethical standards, given that the PAT vendor itself is not developing the technology. This, of course, brings up all sorts of other concerns—like how do you make sure that bias mitigation approaches have been taken—but it at least may explain what's happening in our data.
- **Vendors not using Gen AI may be more risk-averse.** At this point, if a vendor is not using Gen AI, it is because they intentionally decided not to. That decision may be rooted in concerns about the AI's development (see point immediately above) or because it doesn't align with their ethical framework.

This points to the need for customers to ask their vendors questions about how they are integrating ethical, safe, and responsible AI technology into their internal organization and product development processes.

Vendors using Gen AI are more likely to use all methods except ethical frameworks

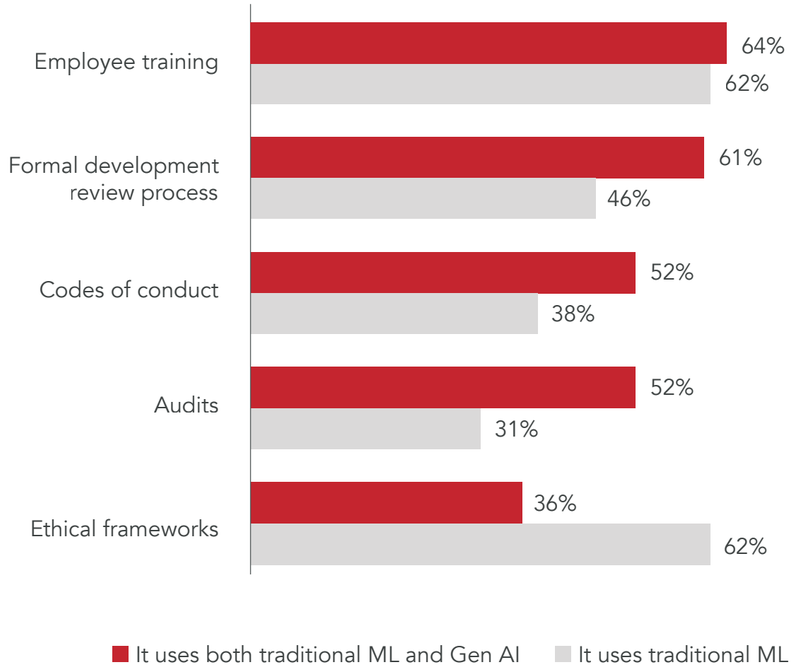

Figure 30: % of vendors with different AI and ML capabilities who do the listed items to set expectations around the ethical impact of AI to a significant or very great extent; n= 52 | Source: RedThread Research, 2024.

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Another way that vendors can enable more ethical behaviors is by providing resources to their customers. We've been tracking this for years and found some intriguing changes this year. Specifically:

- **Customer education has made a U-turn.** The percentage of vendors offering customer education increased noticeably in 2023 after having dropped significantly the year before. In 2023, 63% of vendors offered education for customers around data ethics, privacy, and security, compared to 40% in 2022 and 54% in 2021.
- **Vendors are helping less with designing guidelines.** There was a 9-point decline in the percentage of vendors that said they designed guidelines around data collection, access, and sharing insights, going to 62% from 71% in the previous two years
- **Vendors are helping more with communications.** Approximately two-thirds of vendors said they helped develop customer communications about data collection, a 12 percentage point jump over the 52% who said they did this in the previous two years

Unfortunately, we do not have YOY data for offering recommendations (versus guidelines) around data collection, access, and sharing insights. Some vendors may have decided to reclassify their work as offering recommendations rather than designing guidelines. However, given what we found in additional analysis (see next page), we are not sure if that is really what is happening.

Vendors primarily offer recommendations and communications to support customers regarding data ethics, privacy, and collection

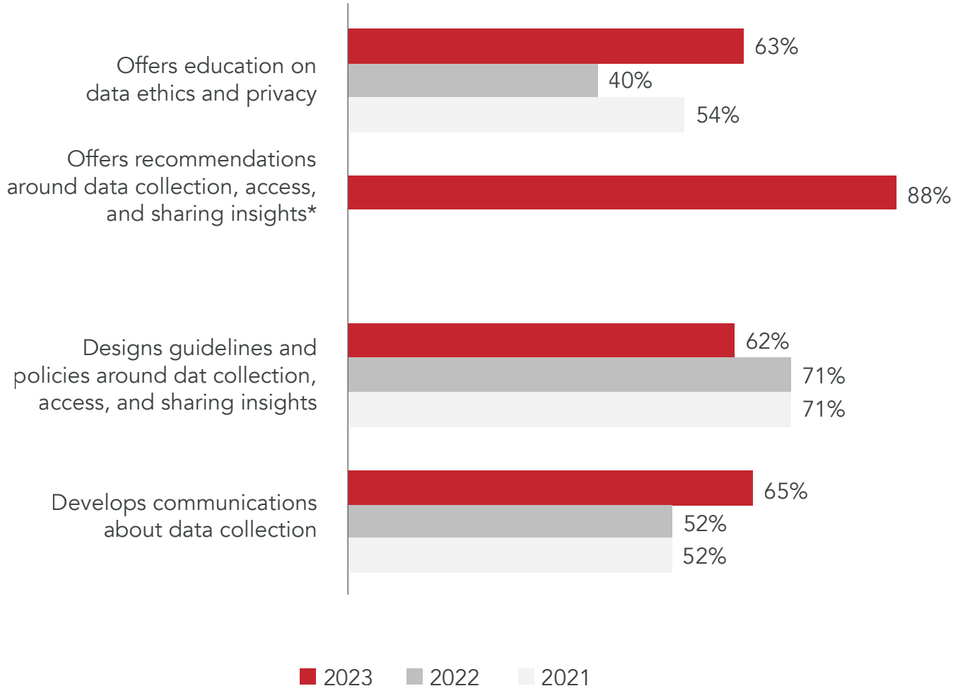

*Figure 31: % of vendors who said they offer education and recommendations, design guidelines, and develop communications for customers around data ethics, privacy, collection, access, and sharing insights to a significant or very great extent in 2023 vs. 2022 vs. 2021; 2023 n = 52, 2022 n = 52, 2021 n = 43; * Data not collected prior to 2023 | Source: RedThread Research, 2024.*

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Given the first two bullets above, we wanted to dig deeper into what was happening with this change, and we found something interesting when we cut the data by vendor size (by revenue – see Figure 32). Specifically, the approach the largest vendors took to support customers on ethics has flip-flopped in the last year. They are now much less inclined to help design guidelines (36% this year versus 80% last year) and more focused on offering education (73% this year versus 40% last year).

All of this points to a general trend of vendors helping less with an organization's specific needs and more toward providing general—and somewhat generic—assistance with data collection, privacy, and ethics concerns. This is especially the case with large vendors, who are helping much less with designing guidelines and policies and are helping much more with education.

"We are heavily involved in public discourse within the people analytics space related to regulation, data ethics, privacy, and data ownership. We interact with and support the burgeoning industry in this space in partnership with companies such as Holistic AI, Vero AI, and Fairnow AI as well as multiple consultants (small and large) that are beginning to build practices in this space. We invest a part of marketing budget to education in general to this space as it is the right thing to do."

- A multi-source analysis platform vendor

The largest vendors are offering less support on guidelines and more on education

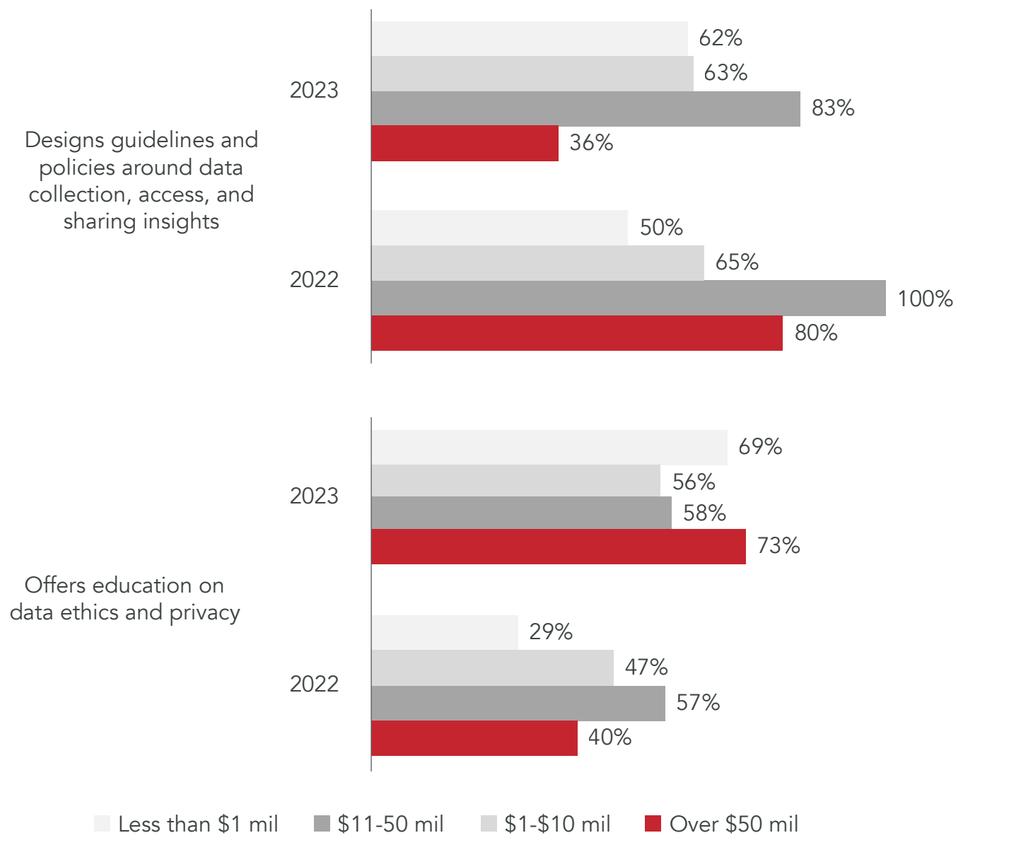

Figure 32: % of vendors, by revenue size, who said they offer education and recommendations, design guidelines, and develop communications for customers around data ethics, privacy, collection, access, and sharing insights to a significant or very great extent in 2023 vs. 2022; 2023 n = 52, 2022 n = 52 | Source: RedThread Research, 2024.

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Why might this be happening? We believe it may be for a few reasons:

- **The market is hungry for AI education.** Interest in AI has exploded in the last year, and vendors will benefit from educating their current and potential customers.
- **Vendors are lowering their cost structures.** Designing guidelines and policies requires solutions and approaches tailored to specific customers, which costs money from a time and resources perspective. By contrast, education does not have to be customized and thus costs less.
- **Vendors are concerned about legal risk.** Some of the legal questions about responsibility for AI "decisions" are causing significant concerns in the HR Tech vendor community. By not supporting the design of guidelines and policies, vendors may be attempting to lower their risk of of being seen as an extension of the customer they are serving.

Why does this matter? The largest vendors, in particular, tend to lead in setting customer education and support trends. Vendors also have a larger purview than individual customers regarding what works and does not and thus are in a place to influence practices for good. What we're seeing here is vendors backing off of providing specific direction and support, which could result in ineffective practices being adopted and further exacerbate customers' sense that they are getting too little support from their vendors to be successful.

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More data transparency than ever

One of the most significant changes in the entire study is around data transparency, likely driven by the host of legislation on this topic. As you can see in Figure 33, a much larger percentage of vendors are helping customers provide transparency to their employees around data collection, usage, purpose, and storage compared to the previous 2 years.

"We take a systems approach when developing AI features and by consequence only develop AI features that meet certain technical and socio-technical requirements. For example, our Responsible AI (RAI) governance program has developed a set of guidelines, rooted in regulations (e.g., EU AI Act) and best practice frameworks that are leveraged to develop all of our AI features. They help to ensure that our AI features not only are developed responsibly but also come with the proper transparency and documentation enabling our customers to adopt and implement our AI features effectively. Customers may access more information about our AI features by reading the AI Feature Fact Sheets which provide customers with documentation explaining how our AI solutions are built, how they work, how they are trained and tested, and how they are monitored through our ongoing testing and evaluation practices."

- A HCM vendor

Vendors are enabling greater transparency

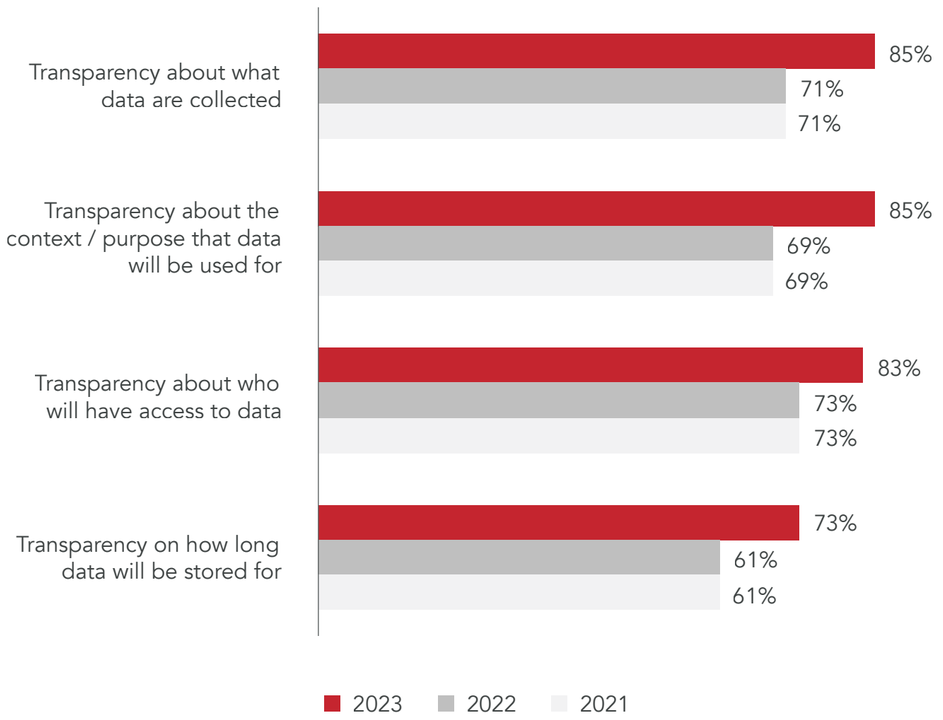

Figure 33: % of vendors who said they help customers be transparent with their employees about data collection, purpose, access, and storage to a significant or very great extent in 2023 vs. 2022 vs. 2021; 2023 n = 52, 2022 n = 52, 2021 n = 43 | Source: RedThread Research, 2024.

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While we didn't see any significant differences around transparency by organization size, we did see some interesting differences by the vendor's home geography. As you can see in Figure 34, all European vendors in our survey enable their customers to do these things, whereas North American vendors tend to lag. This likely reflects European legislation (GDPR) that requires these vendors to enable better data controls and transparency.

As a customer, you can expect European vendors to enable this greater transparency. Still, this may also mean there are more limitations on what those vendors enable you to do with the data.

"We are clear about the source data used to generate insights, and the purpose for which they should be used. We employ transparent and interpretable AI models whenever possible, especially in applications where decision-making transparency is crucial."

- A workforce planning solution vendor

Vendors are enabling greater transparency

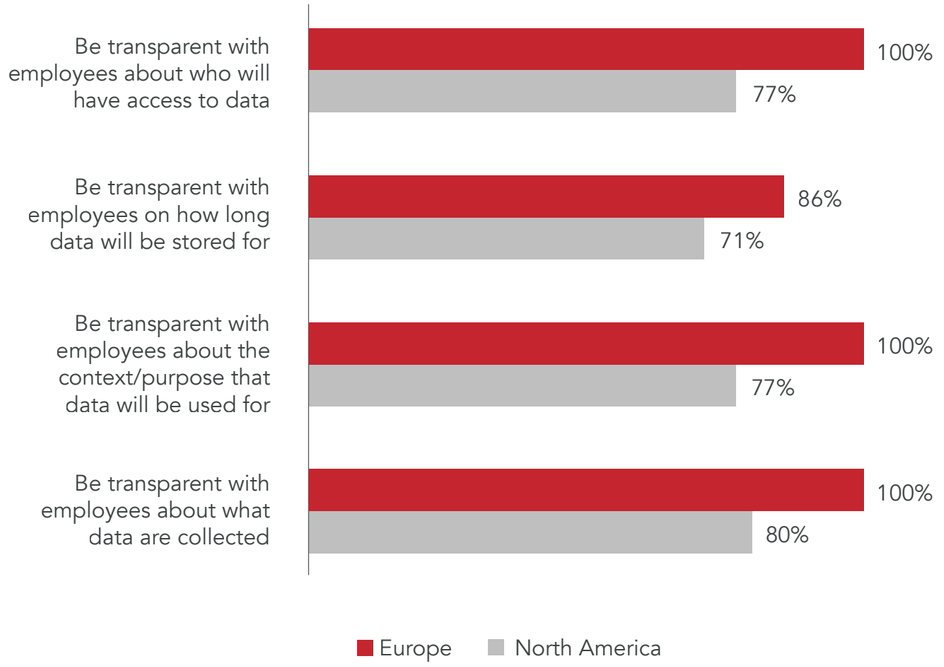

Figure 34: % of vendors, by geography, who said they help customers be transparent with their employees about data collection, purpose, access, and storage to a significant or very great extent, European n = 14, North American n = 35| Source: RedThread Research, 2024.

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Using these insights

This study has a lot of information, and we know you might be thinking, "Well, what now?! " We want to leave you with some suggested next steps, depending on whether you are a people analytics tech customer or vendor.

Recommendations for PAT customers

- **Know your problem, know your (tech) solution.** Customers have a responsibility when it comes to enabling ROI. Specifically, you need to be clear on the issues you are trying to solve and dig into the technology's capabilities during the RFP process to be sure the technology can do what is promised. As we've seen in this year's analysis, capabilities can vary significantly based on the vendor's size in particular, and it is critical to avoid making assumptions about what the technology can do.
- **Clarify expectations on time to value.** One of the quickest ways to achieve a high ROI is through quick time to value. Partner internally and with your vendor to be crystal clear on how the solution will be perceived as generating value and align on expectations on when that will occur. In an ideal world, it will be within the first 6 months. In the real world in which you live, it might be in 24 months. Regardless, align expectations with your colleagues and your vendor and hold everyone accountable for meeting those objectives.
- **Put secure, safe, ethical, and responsible AI at the heart of your RFP or deployment process.** Customers need to hold vendors accountable for developing and deploying secure, safe, ethical, and responsible AI by asking about it during RFPs or when new AI-based capabilities are deployed. AI has the potential to change how we do people analytics dramatically, but we have to make sure this revolution results in more benefit than harm. Given the relatively slow pace of AI legislation, customers cannot wait for others to ensure that the AI will not cause undue risks – it is on you to ask the hard questions. If your organization does not yet have an AI ethics council, consider starting one. If it does, make sure you are part of its conversations.

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Recommendations for PAT vendors

- **Partner for ROI.** Vendors must partner closely with customers to ensure a strong return on investment. This starts with being clear with potential customers about your technology's value proposition and when those customers can expect to get value from the product. It also means clarifying and being realistic about what business problems newly introduced AI capabilities can help solve—and not overselling that technology.
- **Support your customers, especially after initial deployment.** We will say this again for those in the back: Help your customers succeed! Identify scalable and tailored support mechanisms that will ensure customers have what they need—especially later in their contracts—to be successful. Provide customer support pods, access to other customers, technology that can remove some of the administrative burden, and real-live people as needed. Better customer support = more renewals.
- **Identify and communicate the big business problems your solution solves, mentioning AI when it makes sense.** Right now, most vendors' AI (likely including yours) is not directly contributing to customers' perceptions of ROI or their renewal intentions. Further, most vendors' marketing efforts are just muddying the water. Clarify how your solution helps customers with their biggest business problems, and mention AI's contribution when it makes sense. Please do not lead with AI features that may fix some efficiency issues that no one really cared about before Gen AI could address them.

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Wrapping up

One of our earliest studies on people analytics tech referred to the space as the teenager of HR Tech, meaning it was growing quickly and was a bit ungainly. The market has matured since we wrote that 5 years ago, with much clearer categories, better value propositions, and greater size.

Part of maturing, though, is that growth slows down, and that is much of what we saw this year. While it is easy to blame market conditions and market size, our data indicate that those are not solely to blame: Lower customer NPS scores, which impact renewal rates, are a significant factor.

Vendors have, along with many customers, become hyper-focused on the rise of Gen AI. To be clear, Gen AI will be transformative, and vendors must integrate it in ways that solve customers' business problems. Right now, the task is to experiment with new offerings and build that future capability while still taking care of customer's immediate needs.

Vendors, we would like you to redirect some of your attention to core blocking and tackling topics, like being clear on your market value proposition, solving customers' business problems, and giving them the support they need. This will be how you create ROI for your customers and drive better NPS and renewal rates, which will give you the permission to introduce that truly revolutionary AI-enabled capability in the future.

PAT customers, please continue to push your vendor partners to focus on the things that matter to your business. Vendors are focused on AI, at least in part, because they think you want them to be. You can redirect their focus to the things that will make people analytics and PAT successful in your organization today. Partner with them to ensure you and your organization get what you need. And when it comes to AI, please, PLEASE require them to show you how their AI is safe, accurate, ethical, and responsible.

We are in a moment of immense change in the technology industry broadly, and people analytics tech will benefit from this transformation in particular. When we next write this report, we expect the story around AI and its value to customers will be very different. What we don't expect to change is that the vendors who are beloved by their customers will be those who provide high support and ROI. By doing this, these vendors ensure they and their customers win.

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Appendix 1

About the authors

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Cofounder & Principal Analyst, RedThread Research

Stacia focuses on talent management, DEIB, employee engagement and experience, people analytics, and HR technology. She co-founded RedThread Research in 2018 after leading talent research for eight years at Bersin by Deloitte and conducting research at CEB / Gartner. Stacia has an MBA from UC Berkeley and a master's degree from the London School of Economics. She grew up riding horses in the Sonoran Desert around Tucson and can't stand scooping ice cream.

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Senior Analyst, RedThread Research

Priyanka Mehrotra is a Senior Analyst at RedThread Research. Before joining the company in 2018, she was an analyst at Bersin by Deloitte, where she worked on talent management, leadership, and people analytics, conducted research, and contributed content for Bersin's mid-market study. Prior to Bersin by Deloitte, Priyanka worked at several non-profits, think tanks, and international organizations, where she published and co-authored several articles and conducted research on international relations, conflict, and development.

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About the contributors

We would like to thank the individuals below who took the time to participate in this year's study. In addition, several others we cannot name publicly made this report possible, and we would like to thank them.

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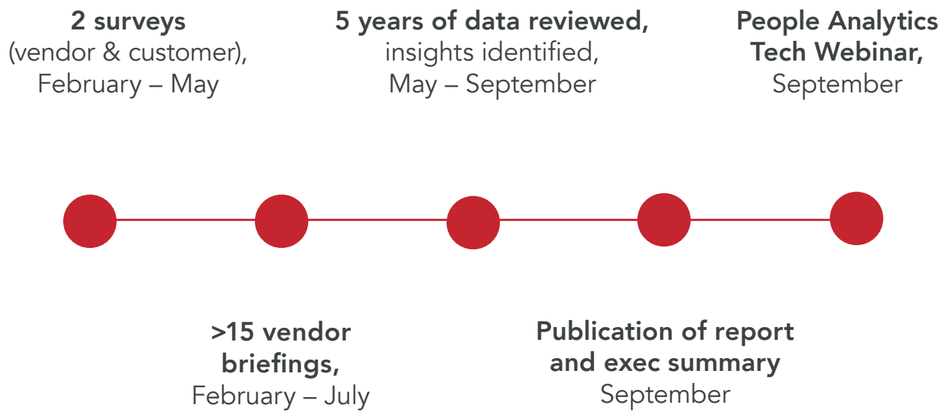
Appendix 2: Methodology

This report is the culmination of 8 months of qualitative and quantitative research based on the combined findings from our Vendor and Customer surveys. We kicked off our PAT study early in 2024, and vendors and customers were required to complete the surveys by early May.

A total of 47 vendors completed the survey. (One vendor submitted 5 responses for its PAT solutions, bringing the total number of solutions to 52.) We cleaned and analyzed the data in early May and completed it in late August. Survey items for the vendors were presented on a 5-point Likert scale. We ran frequencies and descriptives, and the percentages shown are based on the top 2 boxes ("To a significant extent" and "To a very great extent") unless otherwise specified in the figure title or included in the graph. We also ran crosstabs to understand the interaction between variables and compared it against data we have collected for the past 5 years.

We also conducted more than 15 60-minute live briefings with vendors between February and May. Vendors could also submit prerecorded briefings if they preferred. Finally, we conducted a poll via email in late August to ask vendors about their solution's growth rate for the first half of 2024.

We received 161 responses for the customer survey. We cleaned and analyzed the data in early July and completed it in late August. We dropped responses that selected "N/A" and "I don't know" options for 3 questions when running the analysis for them. We ran frequencies, descriptives, crosstabs, and odds ratios. We have reported NPS for only those vendors who received 5 or more customer feedback responses (113). For the rest of the analysis, we included all 161 responses.



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Appendix 3: Demographics

Vendor demographics

Figures 35-38 show the demographic breakdown of PAT vendors identified by year founded, HQ location, and category.

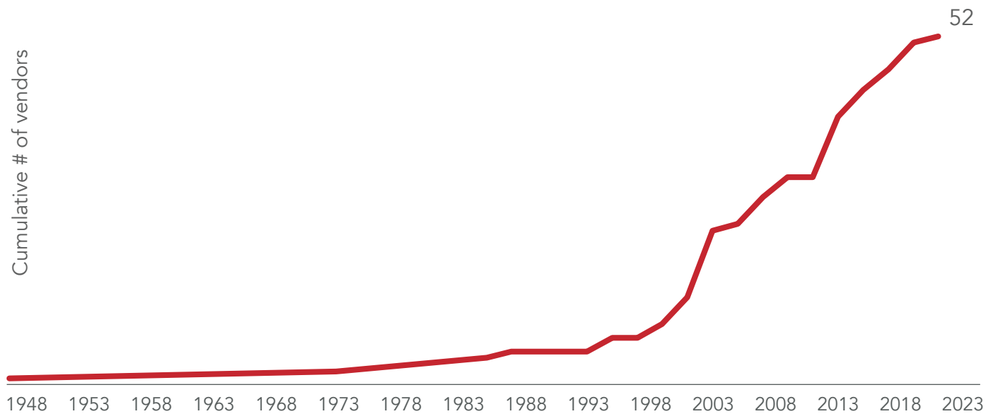

Figure 35: Number of PAT vendors who participated in the study by founding year; n = 52 | RedThread Research, 2024

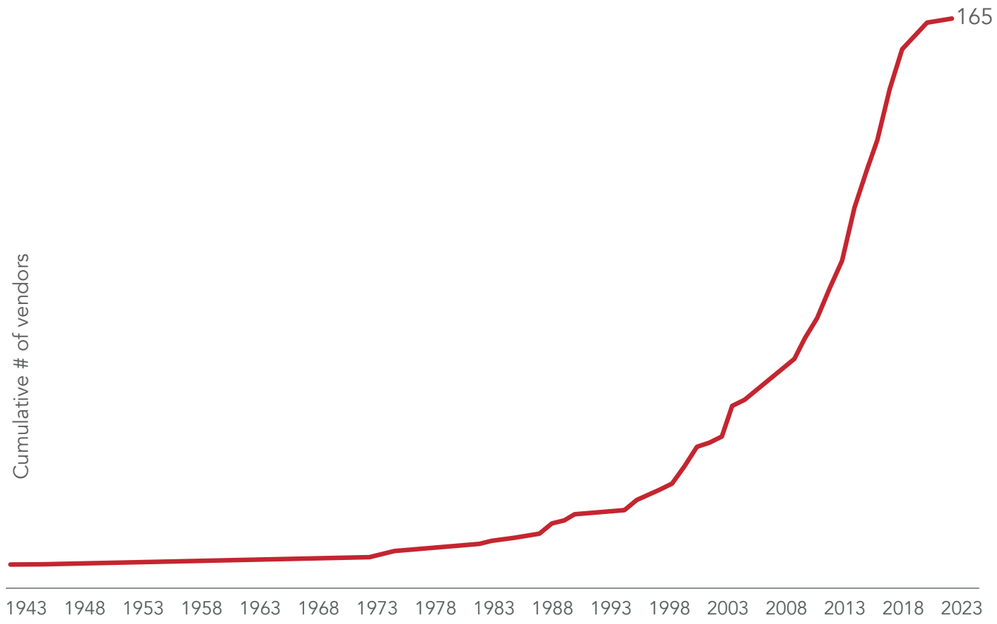

Figure 36: Number of total PAT vendors by founding year; n = 165 | Source: RedThread Research, 2024

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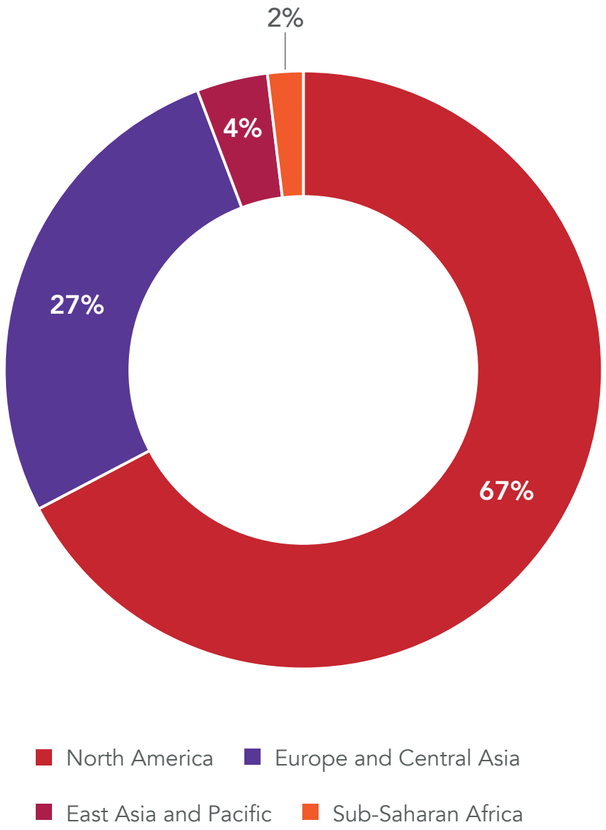

Figure 37: Vendor HQ locations; n = 52 | RedThread Research, 2024

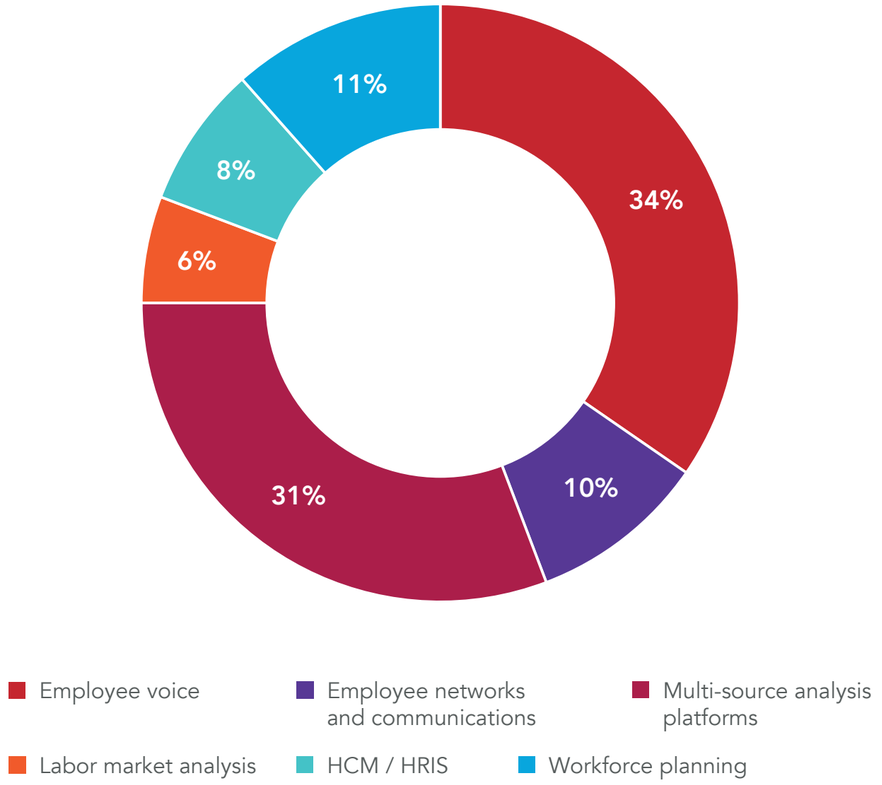

Figure 38: Vendors by category; n = 52 | RedThread Research, 2024

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Customer demographics

The demographic breakdown for the customer respondents by industry, roles, function, and number of employees is shown in Figures 39-42.

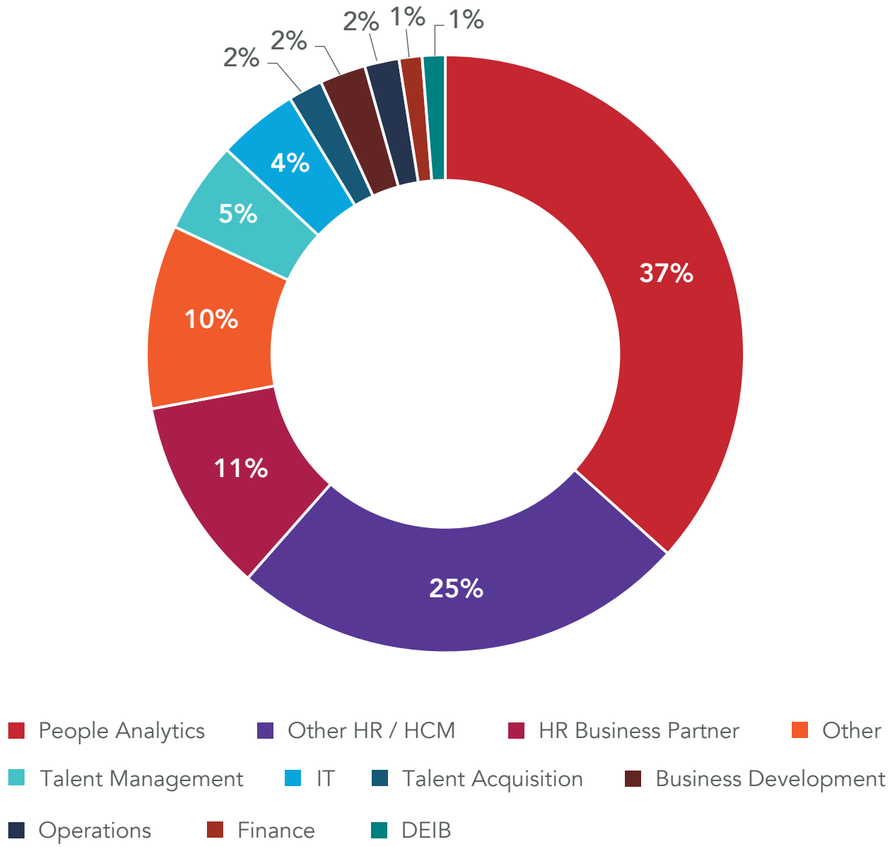

Figure 39: Customer respondent job function, n = 161 | RedThread Research, 2024

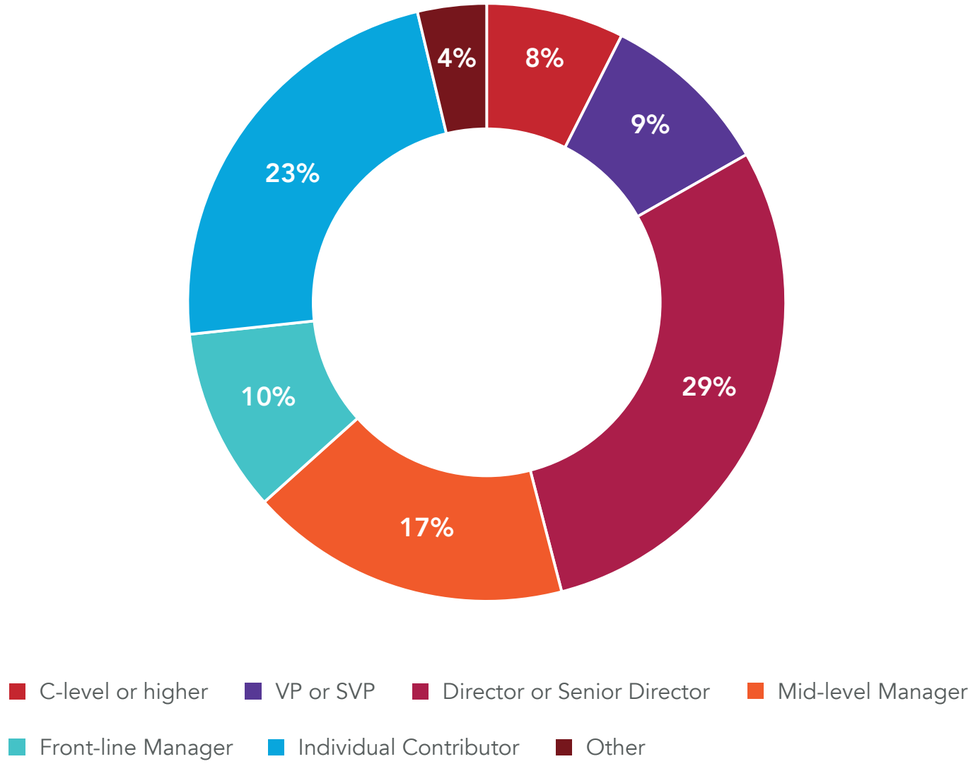

Figure 40: Customer respondent job levels, n = 161 | RedThread Research, 2024

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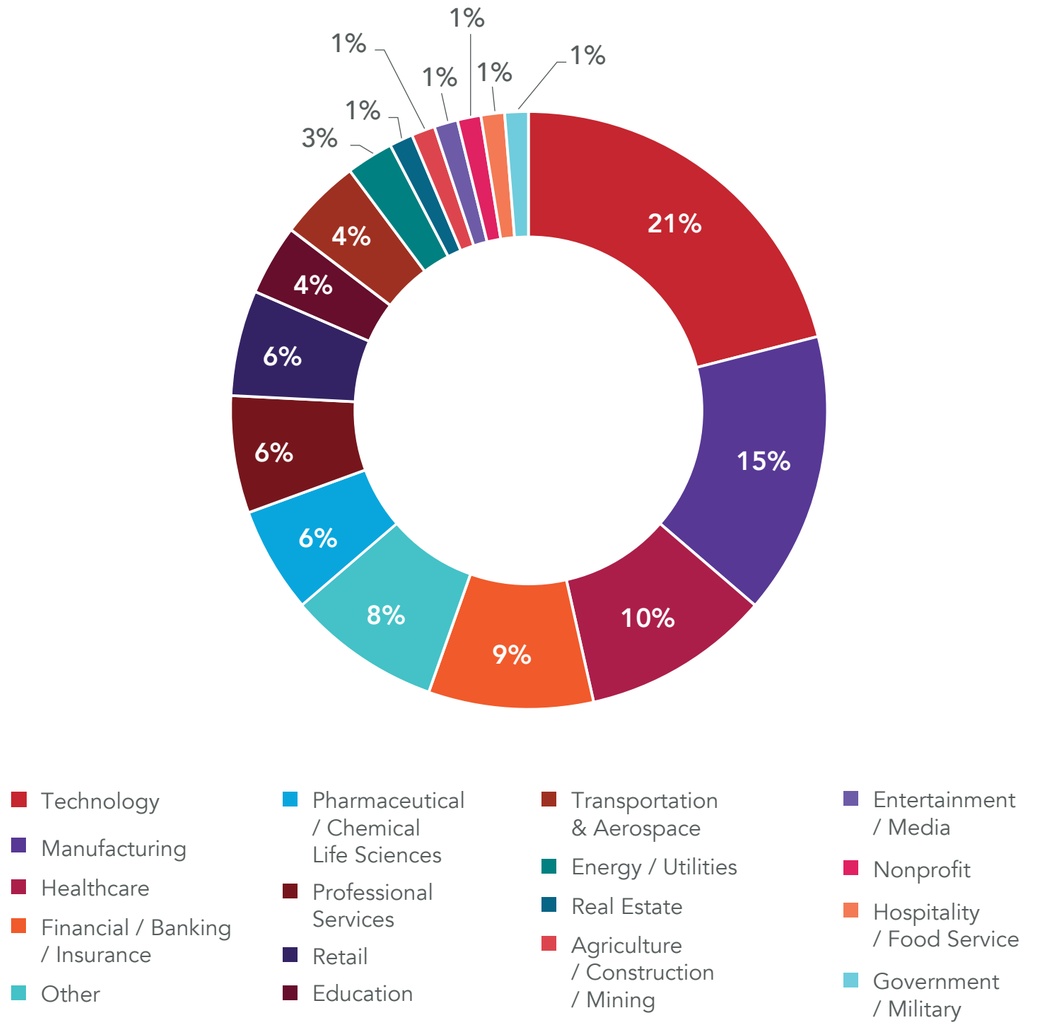

Figure 41: Customer respondent industries, n = 161 | RedThread Research, 2024

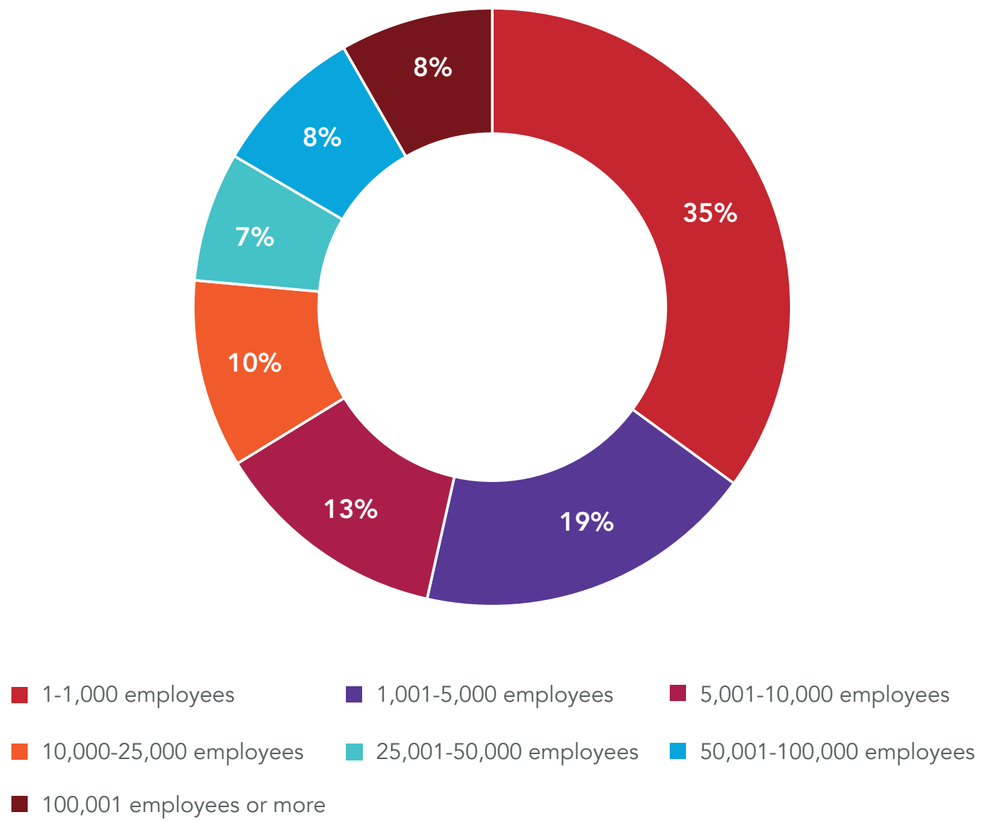

Figure 42: Number of employees at customer respondent organizations, n = 161 | RedThread Research, 2024

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