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THE ROLE OF CUSTOMER FEEDBACK AND ITERATION IN ACHIEVING PRODUCT SUCCESS IN THE SOFTWARE INDUSTRY

Bachelor Thesis

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I have written this Bachelor Thesis independently. Any ideas or data taken from other authors or other sources have been fully referenced.

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Introduction

Including customers in the external innovation process is essential for firms (Enkel et al., 2009). Chang and Taylor (2016) found that customer participation enhances financial and operational performance in new product development when effectively integrated, especially in the ideation and launch stages, while avoiding development delays. This research is valuable for society as it provides insights into how businesses can harness customer feedback to create products that better meet consumer needs, improving satisfaction and trust. However, research on product success and iteration using customer feedback shows mixed results.

On one side, in 2007, Starbucks introduced My Starbucks Idea, an online forum where customers may offer suggestions for new goods, services, and shop upgrades. The installation of free Wi-Fi in every Starbucks shop is one notable success story. Ultimately, My Starbucks Idea implemented more than 300 customer suggestions. (Hossain & Islam, 2015)

On the other hand, in 2011, Netflix attempted to split its DVD rental and streaming services, rebranding the DVD service Qwikster and charging separately for each. Based on feedback favouring streaming, this decision angered customers who valued the simplicity of a bundled service, leading to widespread cancellations and an 800,000 subscribers loss (Hoffman, 2013). Netflix quickly reversed the change, learning the importance of balancing customer feedback with core expectations. That is why I address the importance of customer feedback in shaping better products.

Upon reviewing the literature related to customer feedback, iteration, and product success, it has come to my attention that there is a lack of studies examining the role of customer feedback and iteration in driving product success, specifically within the software industry. This creates a research gap, as most existing studies focus on either feedback or iteration separately, without exploring how these elements interact to influence product outcomes in software companies. Filling this gap is essential to provide frameworks that bridge theory and practical application in customer-centric product development.

This paper aims to examine how software teams leverage customer feedback and iteration to inform product decisions, drive continuous improvement, and achieve measurable success outcomes. Some studies the author read found evidence of a positive correlation between customer feedback and iterative product innovation (iteration), or between customer feedback and product success. For instance, Tian and Yang (2023) demonstrated that both the sentiment and quantity of online customer reviews positively affect the iterative innovation of

software products, using a sample of 500 software products from 2019 to 2021. I expect a strong link between customer feedback, feedback-driven iteration and product success, but the actual outcomes will depend on the empirical research findings, which may support or challenge this perspective.

The research tasks are:

1. Examine the definitions and theoretical background of customer feedback, iteration, product success, and product development.
2. Provide an overview of the previous empirical studies about customer feedback and iteration and their role in achieving product success.
3. Conduct interviews with product managers from companies within the software industry.
4. Analyze the gathered data using thematic analysis.
5. Sum up the research and compare findings to previous empirical studies on customer feedback and iteration.

Moreover, through my professional experience in product management, I have encountered a range of perspectives on the value of customer feedback. While some product managers consistently emphasize its importance, others view it as non-essential to product success. Conducting this research will be personally valuable, as it aims to clarify the actual role that customer feedback and iteration play in achieving successful product outcomes.

The data collection involves qualitative methods, including interviews with product managers from companies operating within the software industry. These interviews are structured around a series of targeted questions designed to capture professional perspectives on integrating customer feedback into the product development process. The analysis of the gathered data uses a qualitative approach – thematic, comparing findings with prior empirical studies to evaluate the research aim. By combining theoretical exploration with practical insights, this paper will link gaps in understanding how customer feedback and iteration interact to achieve product success.

The structure of this thesis includes two chapters: theoretical and empirical. Chapter 1 (theoretical) explores definitions of four main concepts: product development, customer feedback, product success, and iteration. It also provides an overview of previous empirical studies on how customer feedback impacts product success and the role of iteration in driving market outcomes, forming the theoretical foundation of the paper. Chapter 2 (empirical) presents the research methodology, the data information analysis, and results compared to other empirical studies.

Keywords: customer feedback, product success, iteration, product development.

1. Theoretical background on customer feedback, iteration, and product success

1.1. Analysis of concepts

When I started doing the research on this topic, I identified that there are different types of product development. Firstly, I want to explain which definitions or terms will be used for product development in this paper and what is the difference between them.

Product development is a knowledge-intensive process where businesses use data to create new product concepts (Luca & Atuahene-Gima, 2007). In other words, it is a process where companies gather and use information (or data) to generate new ideas for products.

Product improvements refer to the changes made to enhance product quality based on user feedback (S. Li et al., 2021). From this, I can conclude that definitions of “Product development” and “Product improvements” are almost the same. These terms are closely related, which means both terms can be used in the paper further.

Regarding the many definitions and limits of the term "new product," there are numerous opposing viewpoints (Y.-H. Kim et al., 2016). According to Fung et al. (2021), “New product development (NPD) is a process that enables the transformation of a market opportunity and a set of assumptions about a product’s technology into a product that is ready for a sale.” I find this definition too broad; this is the reason why I was searching for a more accurate one. Ebrahim et al. (2012) suggests that “New product development (NPD) encompasses the complete process of bringing a new product to market, from initial idea generation through design, manufacturing, and commercialization.” This can be used when creating a brand-new product, making improvements to an existing one to maintain its appeal and competitiveness, or bringing an outdated product to a new market.

Based on this information, I can conclude that New product development is the process of creating a completely new idea from conception to development to launch. In contrast, regular product development or product improvement is the process of creating a product that already has a proof of concept. This study captures both product development and new product development processes as they both relate to customer feedback and iteration.

Involving customers is essential since it lowers innovation costs for business owners and serves as a risk-reduction tactic for decisions about product development (Walter et al., 2023). A wide definition of feedback is a particular instance of the general communication process in which a sender communicates with a recipient (Ilgen et al., 1979). Feedback can

increase receivers' motivation to advance by providing details about the performance gap between their ideal and actual performance (DeNisi & Kluger, 2000). Customer feedback refers to customer communication about a product or service (Erickson & Eckrich, 2010). Customer feedback can be positive or negative (S. Kim et al., 2017). While negative feedback highlights the recipient's shortcomings, inadequacies, and lack of accomplishments, positive feedback highlights the recipient's strengths, achievements, and accurate responses (Finkelstein & Fishbach, 2012). In this study, I cover both types of customer feedback. As cited in Li et al. (2023), various sources of customer feedback in the software industry include app reviews (AlAmoudi et al., 2022), forums (H. Wang et al., 2021) and vision videos (Karras et al., 2021). This research explores any types of feedback.

Next, I will explore the determinants of product success. Based on a sample of 125 companies, including 123 new product successes and 80 failures, (Cooper & Kleinschmidt, 2007) identified three independent and underlying factors of success: Financial Performance, Opportunity Window, and Market Share. Each dimension captures a difficult aspect of success. Upon closer examination, subsequent studies (Lasalewo et al., 2022; Santos et al., 2020; Suharyanti et al., 2017) have echoed these findings, further supporting the significance of these factors in determining a product’s success. Let’s look at all three factors of success.

Financial Performance: captures the product's total financial success, relative profits, achieving profit and sales goals, relative sales, profitability level, and payback period (negative) make up this dimension (Cooper & Kleinschmidt, 2007).

Opportunity Window: indicates the extent to which the product gave the company access to new customers and a new product category (Cooper & Kleinschmidt, 2007).

Market Share: explains how the product affects both domestic and international markets. The two market share metrics—domestic and foreign—as well as, to a much lower extent, relative sales and achieving profit and sales targets make up this dimension (Cooper & Kleinschmidt, 2007).

Overall, Financial Performance shows if the product is profitable, the Opportunity Window measures its ability to open new growth opportunities, and Market Share evaluates its competitiveness and market presence locally and internationally.

It is also important to define failure if we talk about success. Failure of a product is the condition or situation where the intended goal or customers’ expectations are not met. Product failures happen when a new product doesn't make enough money once launched, leading to its eventual demise. A product is deemed a huge failure if its costs and marketing expenditures are not covered. (Falahat et al., 2024) Additionally, if the success factors

discussed above, Opportunity Window and Market Share, are not met, it also leads to product failure.

Product iteration is the process of replacing an old product with a new one that is superior in quality, efficiency, and functionality (Z. Wang et al., 2021). Calantone et al. (2010) believes that a product needs constant iterations in order to keep up with market changes. Iteration is a fundamental and unavoidable characteristic of product development processes (Martinez Leon et al., 2013) as well as new product development (Cong et al., 2023). The foundation and requirement of the entire new product iteration process is the acquisition of user needs (Cong et al., 2023), which, in this study, I obtained through customer feedback. Teams may ensure the product stays competitive and relevant in the market by iterating on it frequently and incorporating stakeholder and customer feedback (Oseremi Onesi-Ozigagun et al., 2024).

Based on Cooper (2019) famous work, every iteration includes the following stages:

• Build: Create a representation of the product, like a simulation or computer-generated images, to show the buyer a rough functional model, etc.

• Test: Have the consumer test every iteration of the product.

• Feedback: Find out what the user or customer thinks of that version of the product, including what they like and don't like, as well as what value they perceive.

• Revise: Based on the feedback, rethink the value proposition, desired benefits, and product design before proceeding to the following iteration.

There is substantial proof that this iterative, spiral development approach is both practical and effective: these "build-test-feedback-and-revise" rounds with clients are used by 44.8% of the best-performing companies, compared to an average of 26.3% of enterprises (Cooper, 2019). This approach is widely supported in the literature. For instance, the proposed iterative, interdisciplinary, and collaborative framework for digital behavior change interventions (DBCIs) emphasizes testing "minimum viable products" (MVPs) early and often, gathering feedback, and refining the solution to improve both user experience and behavior change outcomes (Sucala et al., 2019). Moreover, Jiang et al. (2022) explain that each iteration is driven by customer feedback, aligning with the "build-test-feedback-and-revise" methodology as an essential process in achieving iterative innovation through customer feedback.

Table 1

Key Concepts in Customer Feedback, Product Success, and Iteration

Concept	Definition	Key Points and Sources
Customer feedback	Communication from customers about a product or service (Erickson & Eckrich, 2010).	- Lowers innovation costs and reduces risks in product development (Walter et al., 2023). - Includes positive (strengths) and negative (shortcomings) feedback (Finkelstein & Fishbach, 2012).
Product success	Success determined by Financial Performance, Opportunity Window, and Market Share (Cooper & Kleinschmidt, 2007).	- Financial Performance: Measures profitability, sales, and payback periods. - Opportunity Window: Access to new customers or product categories. - Market Share: Competitiveness in domestic and international markets. - Product failure occurs when these factors are not met. (Cooper & Kleinschmidt, 2007)
Iteration	The process of improving a product with better quality, efficiency, and functionality (Z. Wang et al., 2021),	- Iterative process includes Build, Test, Feedback, and Revise stages Cooper (2019). - User needs acquisition is the foundation (Cong et al., 2023). - Increases competitiveness by incorporating customer and stakeholder feedback (Oseremi Onesi-Ozigagun et al., 2024). - Iteration is widely used by high-performing companies Cooper (2019).

Source: Compiled by the author

The key concepts presented in this subchapter are summarized in Table 1. As seen in the table, customer feedback is an essential element in the iterative innovation process, providing insights into a product's strengths and weaknesses. Product success, as defined in the literature, is influenced by financial performance, opportunity windows, and market share. The iterative process, consisting of build, test, feedback, and revise stages, is fundamental to improving product quality and responsiveness to customer needs. This iterative approach is widely recognized in the literature as a key factor for achieving successful outcomes in product development

1.2. Overview of previous empirical studies about customer feedback and iteration, and its role in product success

This chapter reviews empirical studies to fully understand the role of customer feedback and iteration in product success. This review identifies gaps and inconsistencies by organizing the literature into key themes. In this literature review, I will first provide a brief overview of the empirical studies considered, summarizing their key findings and the samples the authors analyzed. Understanding the context of these studies, including the sample sizes and methodology, is crucial for evaluating the reliability and applicability of their conclusions. After this, I will systematically analyze the studies through three main themes: customer feedback and product success, customer feedback and iteration, and the challenges and barriers faced in utilizing customer feedback effectively.

The study by Tian and Yang (2023) highlights the significant impact of online customer feedback on product success, particularly in the context of iterative innovation for software products. The empirical study was based on a data set of 500 mobile application software products collected from 2019 to 2021. The large sample size contributes to the reliability and validity of the findings, strengthening the conclusions drawn about the impact of online reviews on iterative innovation. In terms of methodology, the study applied Poisson regression analysis to test the hypotheses empirically. This statistical method is suitable for modelling count data and was used to analyze the effects of the quantity and sentiment of online customer reviews on iterative innovation.

Cui and Wu (2017) focus on understanding how customer involvement strategies affect new product development outcomes. The study utilized a sampling frame from the Product Development and Management Association (PDMA), which is a prominent professional association in North America focused on innovation and new product development. The respondents held various titles within their organizations, including product manager, new product development manager, VP or director of product management or innovation, and chief innovation officer. On average, the respondents had 10.5 years of experience within their current firms and 15.2 years of experience in the industry. The final sample used for analysis consisted of 236 responses. Structural Equation Modeling (SEM) was employed to test the proposed model. This method allows for analyzing complex relationships between variables, including interaction effects.

The next paper by Marchand et al. (2017) views customer feedback from a different perspective. They investigate the impact of two types of digital word of mouth (WOM)—consumer reviews and microblogs—on the success of new products, specifically in the

context of video games. The empirical research utilized a substantial dataset, which included over 13 million tweets from Twitter related to microblogs and more than 17,000 consumer reviews from Amazon. The research employed a longitudinal data analysis approach, which allowed the authors to observe changes over time in the influence of microblogs and consumer reviews on product success. The analysis was structured around a system of equations that accounted for the interdependent relationships between product sales, microblogs, and consumer reviews.

In terms of customer feedback and product success, the studies by Tian & Yang (2023), Cui & Wu (2017) and Marchand et al. (2017) collectively highlight the role of customer feedback and online reviews in improving product-market alignment, enhancing product quality, and driving customer satisfaction and loyalty. Tian & Yang (2023) emphasize the value of analyzing customer reviews to identify areas for improvement, demonstrating how responsiveness to feedback fosters trust and loyalty. Cui & Wu (2017) focus on the strategic role of customer involvement in uncovering unmet needs, validating product concepts, and tailoring product features, reducing the risk of failure. Meanwhile, Marchand et al. (2017) explore the signalling effect of positive reviews and their impact on sales, particularly in the post-release phase, pointing to the importance of feedback volume in enhancing product visibility and credibility.

Taken together, these studies suggest that customer feedback plays a multidimensional role in product success. While Tian & Yang (2023) and Cui & Wu (2017) stress the importance of leveraging feedback to improve product-market fit and innovate based on customer needs, Marchand et al. (2017) demonstrate the market benefits of feedback, particularly the correlation between review volume, perceived quality, and sales. The integration of these perspectives indicates that both qualitative (e.g., identifying unmet needs) and quantitative (e.g., review volume) aspects of customer feedback are critical for achieving product success.

Actively engaging with customer feedback is crucial for product success. It helps firms address user needs, tailor features, and enhance satisfaction. Positive and frequent reviews signal quality, influencing market performance and boosting trust, loyalty, and sales for long-term success.

Talking about customer feedback and iteration, the studies by Tian & Yang (2023), Cui & Wu (2017) and Marchand et al. (2017) emphasize the critical role of customer feedback in the iteration process and development. Tian & Yang (2023) highlight the feedback loop as a driver of continuous improvement, where both the sentiment and quantity

of reviews influence the direction of product development. Cui & Wu (2017) reinforce this idea by describing how real-time user input enables firms to refine their products iteratively, enhancing quality and performance while fostering agility in responding to changing customer needs. Marchand et al. (2017) extend this by focusing on how consumer reviews, particularly for digital products, provide actionable insights to resolve issues like bugs, adapt to preferences, and stay aligned with market trends.

Together, these studies suggest that customer feedback serves as a foundation for iterative innovation, providing actionable insights that guide product refinement. While Tian & Yang (2023) emphasize the role of feedback in validating design choices and identifying improvement areas, Cui & Wu (2017) highlight its contribution to agility in development processes. Marchand et al. (2017) expand this perspective to include resolving technical issues and aligning with market trends based on consumer reviews. This synthesis underscores product development's dynamic and cyclical nature, driven by user insights, combining quality enhancement, responsiveness, and strategic adaptation.

Customer feedback is integral to iterative product development, enabling firms to continuously refine and evolve their offerings. In fact, previously, I mentioned a paper by Cooper (2019), which clearly stated that customer feedback is an essential part of iteration. This fact supports the outcomes of these empirical studies as well. By actively monitoring and incorporating user insights, companies can drive innovation, address issues promptly, and maintain a competitive market edge.

Tian & Yang (2023), Cui & Wu (2017), and Chang & Taylor (2016) highlight challenges in integrating customer feedback. Product complexity, especially in high-tech industries, limits feedback's usefulness. Larger firms face bureaucratic delays, while smaller firms lack resources for thorough analysis. Competitive markets and fast-paced industries prioritize speed over feedback integration, potentially compromising quality.

These studies show that feedback integration is influenced by product complexity, firm size, and market dynamics. While smaller firms are agile and resource-constrained, larger firms struggle with inefficiencies. "Notably, and contrary to previous literature emphasizing the relevancy of customer participation in high-tech industries, the effect of customer participation on NPD performance is significantly lower in high-tech industries" (Chang & Taylor, 2016, p.48).

Customer feedback is valuable but challenging to integrate effectively. Firms must navigate constraints like product complexity, organizational inefficiencies, and market

pressures to balance feedback's benefits with practical limitations for optimal product development.

Table 2

Overview of previous empirical studies

Study	Sample	Focus	Key findings
Tian & Yang (2023)	500 mobile app products (2019-2021)	Role of online feedback on product success and iteration for software products.	The number and sentiment of customer reviews positively affect iterative innovation and overall product success in software.
Cui & Wu (2017)	236 responses from PDMA professionals	Role of customer feedback in new product development	Involving customers helps identify unmet needs, reduce failure risks, and supports ongoing iteration by improving product-market fit.
Marchand et al. (2017)	13M tweets, 17K Amazon reviews for video games	Impact of online reviews and microblogs on product success	Positive reviews and online feedback increase visibility and trust, which lead to higher product sales and better performance after release.

Note: Referenced articles were mentioned in the text but are not included here, as they fall outside the primary scope of the empirical studies discussed.

Source: Compiled by the author

The studies presented in Table 2 provide empirical evidence that supports the connection between customer feedback, iteration, and product success. These findings underscore the importance of user input in guiding product refinement and strategic decision-making across various contexts within the software industry.

To synthesize these insights and build a theoretical foundation for the empirical part of this thesis, the following conceptual model (Figure 1) illustrates the feedback–iteration cycle proposed in this study. The model illustrates the feedback-iteration cycle that this thesis proposes as the central mechanism linking customer feedback to product success.

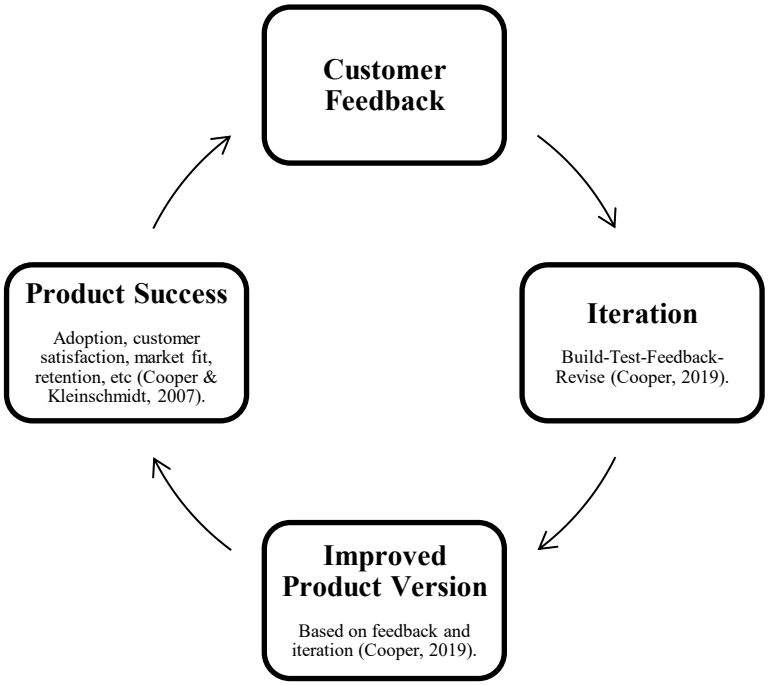

Figure 1. Continuous feedback–iteration cycle leading to product success

Source: Compiled by the author based on papers by Cooper (2019) and Cooper & Kleinschmidt (2007).

The model begins with customer feedback, which includes complaints, suggestions, feature requests, or usage data. This feedback triggers iteration, following the "build-test-feedback-revise" structure described by (Cooper, 2019). Iteration results in an improved product version, which is then released to users, leading to further feedback and starting a new cycle (Cooper, 2019). The outcome of multiple feedback-driven iterations is product success, evaluated through metrics such as adoption, retention, customer satisfaction, and market fit (Cooper & Kleinschmidt, 2007).

The purpose of this figure is to clarify why both customer feedback and iteration are studied together in this thesis. These two elements are often treated separately in the literature, but this model demonstrates that they are functionally interdependent. Studying one without the other provides an incomplete view. If I only look at feedback without considering how it is used, I will miss the mechanism through which products improve. Studying iteration without feedback ignores its most important input, user needs. Therefore, this conceptual model provides the theoretical foundation for the empirical research in Chapter 2, where the interactions between feedback, iteration, and product success are explored in real-world product management practice.

In this subchapter, I reviewed several empirical studies to understand the role of customer feedback and iteration in product success. The studies analyzed different aspects of

customer feedback, including its influence on various success factors such as market performance, failure risk reduction, and product visibility. As summarized in Table 2, feedback sentiment and quantity play a significant role in driving iterative innovation and product success. For instance, the study by Tian & Yang (2023) found that both the sentiment and volume of customer feedback positively influenced product iteration and innovation. These findings highlight the essential role of customer feedback in guiding product development and improving the chances of product success in competitive markets.

2. Empirical research on customer feedback, iteration, and product success

2.1. Methodology and data

This study uses a qualitative research methodology to investigate how iteration affects market outcomes and how customer feedback impacts product success. Qualitative research is especially well-suited when investigating complex, process-oriented things, such as iteration in product development, where the specifics of stakeholder interactions and decision-making are critical. The strategy is supported by earlier research that used interviews to examine customer involvement in creating new products, such as Cui & Wu (2017).

The decision to use qualitative methods is supported by the nature of the research problem, which seeks to understand complex, subjective experiences related to product development, customer feedback, and iteration. Semi-structured interviews were selected as the data collection method, allowing flexibility for the interviewees to express their experiences while ensuring comparable responses across participants. Similar qualitative approaches have been used in studies focused on product management and iterative development (Cooper, 2019) (Tian & Yang, 2023). The steps taken to conduct an empirical analysis are presented in the Figure 2.

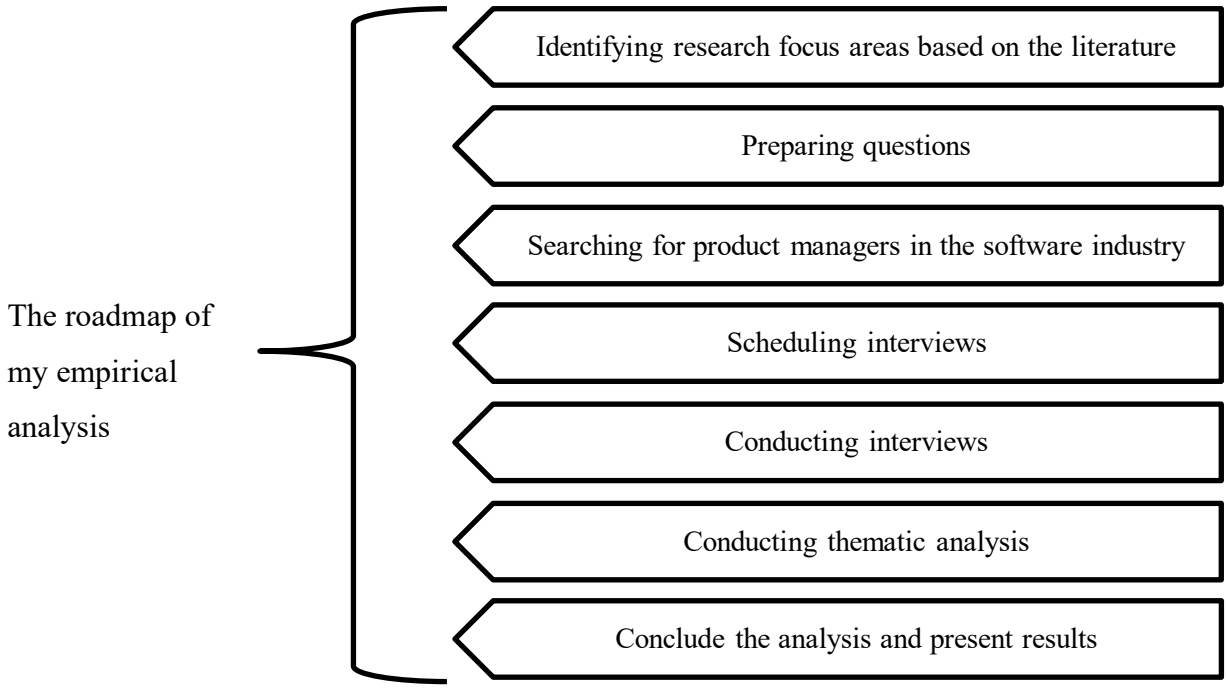

Figure 2. The roadmap of my empirical analysis.

Source: Compiled by the author

Five semi-structured interviews were conducted with product managers working in the software industry, representing different types of organizations. This approach allowed for capturing a wide range of diverse product contexts (enterprise solutions, startups, SaaS, and blockchain). The interviews were conducted via Google Meet and lasted approximately 30 minutes each.

This empirical section follows a thematic analysis approach to identify, analyze, and report patterns in the data. The interviews were transcribed, and the analysis was carried out in six steps: familiarization with the data, generation of initial codes, searching for themes, reviewing themes, defining and naming themes, and writing the analysis. The purpose of the thematic analysis was to identify core themes that reflect the experiences of the product managers in their professional contexts.

The interviewees were selected based on their professional roles in product management and their willingness to share insights regarding customer feedback, product iteration, and development strategies. All interview participants provided informed consent to be interviewed for this research. Additionally, explicit permission was obtained from each participant to disclose their company name and professional role in the presentation of results. The five participants were chosen from different organizational contexts to capture a broad spectrum of experiences. A summary of the interviewees can be found in Table 3 below.

Table 3

Summary of interview participants

Interviewee	Company	Role	Interview length	Interview date
A	Microsoft (Large tech)	Senior Product Manager	37 minutes	11 April
B	Glitch.ai (Startup)	Fractional Product Lead	42 minutes	16 April
C	Hubspot (SaaS)	Senior Product Manager	30 minutes	16 April
D	PARSIQ (Blockchain)	Product Manager	28 minutes	12 April
E	Bondora (Fintech)	Product Manager	31 minutes	28 April

Source: Compiled by the author

Microsoft is one of the largest and most well-established technology companies globally, known for its software products, including the Windows operating system, Office suite, and Azure cloud services. With a market presence in various sectors, including consumer software, enterprise solutions, and cloud computing, Microsoft has a massive user base, ranging from individual consumers to large corporations.

Microsoft's product management practices are highly structured, driven by customer feedback, and often involve detailed market research and sophisticated iterative processes. Analyzing Microsoft's approach offers insights into how a large tech organization uses customer feedback in a highly formalized and resource-rich environment. It serves as a benchmark for product managers in similar large organizations, allowing you to explore the influence of feedback and iteration in a company with a global user base and significant market influence.

Glitch.ai is an emerging startup specializing in artificial intelligence (AI) products designed to automate and optimize processes across various industries. The company focuses on creating AI solutions that streamline operations, enhance decision-making, and offer innovative tools for businesses leveraging machine learning and AI technologies.

As a startup, Glitch.ai operates in a fast-paced, resource-constrained environment. This provides a valuable contrast to the practices of larger companies like Microsoft. Startups tend to be more agile and can pivot quickly based on customer feedback, making Glitch.ai an excellent case study for examining how smaller companies incorporate iterative feedback loops in their product development cycles. The focus on AI also adds a layer of complexity to understanding how feedback shapes highly technical and innovative products.

HubSpot is a well-known SaaS (Software as a Service) company providing tools for marketing, sales, and customer service. HubSpot's platform includes a suite of software products that help businesses attract, engage, and delight customers. The company is recognized for its strong focus on inbound marketing and its customer-centric approach to product development.

HubSpot represents a typical SaaS company that must adapt quickly to customer needs while continuously improving its product offerings. The company's success is deeply rooted in its ability to use customer feedback to drive product improvements and guide new feature development. Studying HubSpot's approach provides insights into how SaaS companies balance customer feedback with rapid iteration and the challenges they face in managing these processes as they scale. The company's approach to customer-driven product evolution is highly relevant for understanding feedback integration in SaaS environments.

PARSIQ operates within the blockchain and Fintech sectors, offering solutions that enable businesses to track and analyze real time data across blockchain networks. The company's products are designed to help users monitor blockchain events, ensuring transparency and providing automation for financial processes.

The blockchain and Fintech industries are marked by rapid technological advancements and changing market needs. In such fast-evolving sectors, product managers must be highly adaptive to feedback and use iteration to quickly refine their offerings. PARSIQ's involvement in a field like blockchain allows for the exploration of how customer feedback can influence product decisions in industries where market demands are still being defined and innovation is key. The insights gained from analyzing a company in this space provide valuable lessons on how to handle customer feedback and iteration in highly innovative environments.

Bondora is a peer-to-peer lending company operating in the Fintech sector, focused on providing personal loans and investment opportunities across Europe. With a data-driven and platform-based business model, Bondora must balance regulatory compliance, user trust, and iterative product development. The company's product managers rely on feedback to improve user experience, adapt to regulatory changes, and optimize investor and borrower journeys. Including Bondora in this study adds a practical perspective from a digital financial service provider, highlighting how feedback and iteration function in a platform that serves both individual consumers and financial stakeholders.

The varying interview lengths, ranging from 28 to 42 minutes, were sufficient to gather detailed insights while ensuring efficient use of time. Despite the differences in

duration, all interviews provided enough depth to identify patterns and conduct a thorough thematic analysis.

The interviews followed a semi-structured format with a set of 10 core questions (see Appendix A) focusing on how customer feedback influences product decisions, how feedback is prioritized, and how iteration impacts the final product. I segmented the interview questions this way to cover the main areas of my research: gathering and prioritizing customer feedback, integrating feedback into the iteration process and balancing speed to market with iteration, understanding the impact of feedback on product success, lessons learned and evolving strategies in product management.

Gathering and analyzing customer feedback: I started with questions on how feedback is gathered and prioritized because Erickson & Eckrich (2010) and Walter et al. (2023) emphasized its importance in shaping product development. Understanding the channels used for gathering feedback helps connect theory to practice. Also, questions on prioritization and integration of customer feedback are based on Cooper (2019) and Oseremi Onesi-Ozigagun et al. (2024), who discuss how customer feedback drives the iteration process. I wanted to explore how product managers incorporate feedback into their workflow to refine products iteratively.

Iteration and balancing speed to market with iterative refinement: Calantone et al. (2010) and Oseremi Onesi-Ozigagun et al. (2024) highlight the challenge of balancing fast market releases with necessary iterations. These questions aim to uncover how product managers navigate this tension in real-life scenarios.

Impact of customer feedback on product success: Feedback is critical to product success, as outlined by Cooper & Kleinschmidt (2007) and Tian & Yang (2023). I wanted to understand how feedback directly impacts key success metrics like market share and customer satisfaction.

Lessons learned and evolving strategies: Finally, I included questions on evolving strategies because Walter et al. (2023) discuss the importance of learning from previous iterations to refine development processes.

This segmentation reflects the four major themes in the literature and allows me to explore how customer feedback influences product success.

2.2. Analysis of results

A thematic analysis approach was selected for this study due to its ability to uncover patterns and meanings in qualitative data. The process of thematic analysis focuses on

identifying recurring themes within the data while ensuring that the findings remain grounded in the participants' own words.

The first step involved familiarization with the data, where each transcript was read multiple times to ensure deep immersion in the material. This was followed by the generation of initial codes from notable quotes and passages that related to key aspects of customer feedback and iteration. The next step involved searching for themes, wherein the codes were grouped into broader categories that captured important aspects of the data.

Once the themes were defined, they were reviewed and refined to ensure that each was internally consistent and reflected the broader narratives within the data. Defining and naming themes followed, and the final step involved writing up the findings and integrating them with the theoretical insights discussed earlier in the thesis.

Approaches to gathering customer feedback. The first theme that emerged from the data is the variety of approaches to gathering customer feedback. All interviewees emphasized the importance of continuous feedback collection, but used different channels depending on their organizational context.

Table 4

First theme: Approaches to gathering customer feedback

Theme	Categories	Codes
Approaches to gathering customer feedback	Feedback channels used	Interviews and surveys App reviews and forums Direct sales contact Account manager feedback Community events
	Ease vs. Depth of feedback	Web analytics Support tickets Survey limitations Direct conversations Observing user actions
	Limitations and constraints	Low user response Passive engagement Infrequent interviews Time constraints

Source: Compiled by the author

Interviewee A emphasized the use of structured community platforms, support tickets, and direct user monitoring sessions to understand user needs, which is their preferred channel. Feedback was gathered both passively (via platforms) and actively (through customer events and meetings).

"We have customer service reports and feedback from account managers, which are useful, but the real goldmine comes from speaking directly to the users. Talking to 10 customers a week is vital." (Interviewee A)

Interviewee B focused on direct, weekly user conversations, stressing the value of ongoing dialogues rather than occasional surveys.

"We prefer direct conversations with users, and we make sure to talk to them every week. Surveys are fine, but real conversations give us the context we need." (Interviewee B)

Interviewee C utilized a combination of in-app feedback prompts, Net Promoter Scores (NPS), and internal Slack channels for efficient feedback collection. They also relied on customer success managers (CSMs) for real-time insights. Interviewee D, a smaller company, prioritized direct feedback via sales teams and customer interviews, in line with their smaller client base.

Prioritization of customer feedback. The second theme focuses on prioritizing customer feedback. All interviewees recognized the need to balance user feedback with business objectives, emphasizing the importance of not blindly following customer requests.

Table 5

Second theme: Prioritization of customer feedback

Theme	Categories	Codes
Prioritization of customer feedback	Feedback evaluation criteria	Feedback volume Frequency of request NPS data
	Product strategy alignment	Alignment with long-term vision Strategic fit Roadmap relevance
	Customer segmentation	Large vs. small customers High-value clients
	Business impact	ROI calculations Compliance and technical constraints Resource constraints

Source: Compiled by the author

Interviewee A used tools to analyze recurring patterns and prioritize feedback based on its frequency and relevance to business goals. Interviewee B emphasized strategic alignment, where customer requests were compared to the company's long-term vision. They prioritized feedback from large customers but also ensured smaller user needs were not overlooked. Interviewee C applied a more data-driven approach, analyzing both frequency and impact. They used NPS surveys to complement direct feedback and to guide strategic

decisions. Interviewee D used return-on-investment (ROI) calculations for high-value clients to assess the potential impact of requested features.

"You can't build everything users ask for. We have to decide what aligns best with our goals and resource limitations." (Interviewee B)

According to the interviewee E, customer feedback is considered alongside other factors such as business goals, compliance needs, and technical feasibility. The interviewee explained that unless the problem affects many users or presents a significant risk, it is unlikely to be prioritized over existing roadmap items. This brings us to the conclusion that the most critical factors in prioritization for this company are volume and riskiness.

Feedback driving strategic shifts. Each interviewee provided examples of how customer feedback led to significant changes in product strategy.

Table 6

Third theme: Feedback driving strategic shifts

Theme	Categories	Codes
Feedback driving strategic shifts	Product direction	Pivot based on overlooked needs Shift from user control to automation Strategy shift via feedback patterns
	Feedback influence on product	Removal of underused features Feedback on missing essentials
	Risk management	Avoided building unnecessary solutions Reduced product complexity Minimized investment in unused ideas

Source: Compiled by the author

Interviewee A shared an example where small user frustrations led to simple yet impactful changes, such as adding mirrors in elevators as a solution to a perceived problem. Interviewee B described how user feedback initially suggested a desire for full control over AI, but user behaviour revealed that most users only wanted to engage with the system passively. Interviewee D recounted a failed NFT product initiative, where extensive feedback revealed no real market interest, forcing the company to abandon the feature.

"We thought users wanted more control over the AI. In reality, they just needed reassurance that it was working well without needing to tweak it themselves." (Interviewee B)

Iteration as a process of discovery. The iterative process was universally seen as a tool for learning rather than simply refining a product. Each interviewee stressed that iteration allowed for a clearer understanding of both the user needs and the best solution.

Table 7

Fourth theme: Iteration as a process of discovery

Theme	Categories	Codes
Iteration as a process of discovery	Approach to iteration	Beta feature iteration Feedback driven iteration Real-time observation
	Iteration goals	Learning what users really need Understanding user behavior Validating direction
	Iteration speed	Releasing 'crappy' version fast MVP-first mindset
	Discovery process	Exploring new solutions Prioritizing based on reactions Testing ideas with minimal investment
	Product development process	Fine-tuning based on live feedback Iterating from initial version No fixed cycle, adjust as needed

Source: Compiled by the author

Interviewee B favored a rapid iterative process, releasing the “crappiest version possible” to get immediate feedback. Interviewee C saw iteration as a way to reduce ambiguity in both the problem and the solution spaces.

"Iteration isn't just about improvement; it's about discovery. It’s where we find out what users really need." (Interviewee C)

Interviewee A and Interviewee D highlighted the importance of iteration for fine-tuning features based on real user interactions.

"For us, iteration isn’t just tweaking; it’s about figuring out if we’re headed in the right direction. We focus on testing user reactions and adjusting our solutions based on real-world feedback." (Interviewee D)

Interviewee E described iteration as a flexible and continuous process, driven by observation rather than structured planning. New features are released incrementally, allowing the team to learn from real-world usage and quickly adjust. This approach reflects iteration not as a formal development phase, but as an ongoing discovery process that enables the product to evolve in response to actual user behaviour.

Speed to market vs. product readiness. The issue of balancing speed to market with product readiness emerged as a critical theme.

Table 8

Fifth theme: Speed to market vs. product readiness

Theme	Categories	Codes
Speed to market vs. product readiness	Trade-off decisions	Release early with minimal features Fail fast, learn fast
	Quality vs. speed	Ensure core functionality before launch Maintain quality threshold Stability and compliance first
	Post-launch refinement	Gradual rollout with feature flags Improve based on market demand Adjust after release

Source: Compiled by the author

Interviewee A emphasized security and compliance, requiring products to be fully production-ready before launch, which is predictable for a large-scale corporate tech company. Interviewee B preferred failing fast by releasing early versions, then iterating based on feedback. Interviewee C stressed that speed is important, but products must still meet certain quality standards to ensure user satisfaction. Interviewee D followed a similar approach, releasing minimal viable products (MVPs) but iterating based on market demand.

"Speed is essential, but we can't sacrifice quality. We must ensure that the product is good enough for users to trust it." (Interviewee C)

Interviewee E highlighted that getting a working version to users early, even if not fully polished, is often more valuable than delaying for perfection. At the same time, there was a statement that speed does not mean compromising core usability or functionality. The interviewee emphasized the importance of balancing fast delivery with maintaining a certain quality threshold, using tools like gradual rollouts and feature flags to manage risk.

Key success factors. The sixth theme focuses on the key success factors that determine the effectiveness and impact of new product features.

Table 9

Sixth theme: Key success factors

Theme	Categories	Codes
Key success factors	Product usage	Feature adoption Usage frequency
	Financial success	Revenue impact
	Customer loyalty	Customer retention Ongoing feature usage
	Market relevance	Market fit Resonance with user needs
	Business impact	ROI measurement Cost-effectiveness
	Customer satisfaction	Positive user feedback Reduced support tickets

Source: Compiled by the author

All interviewees acknowledged that success is not only defined by customer feedback but also by tangible outcomes, such as product usage, customer retention, and revenue generation. Each product manager emphasized measurable indicators as critical in evaluating the success of their product initiatives.

Interviewees A and E emphasized that feature adoption is a crucial success factor, noting that if a new feature is frequently used by customers, it is considered a success. Similarly, Interviewee B highlighted revenue impact, where new features that drive additional revenue or improve existing customer relationships are prioritized.

Interviewee C explained that customer retention is a key indicator of success. This aligns with Interviewee D's approach, which focuses on measuring market fit, the degree to which a product feature resonates with the target market.

"When customers continue to use a feature over time, we know we've built something valuable." (Interviewee D)

Interviewee B further discussed return on investment (ROI), noting that the business impact of a new feature is measured through cost-effectiveness.

Results of empirical research. The thematic analysis of interviews with five product managers revealed a context-specific understanding of the role of customer feedback and iteration on product success. While all participants emphasized the importance of feedback, its collection, interpretation, and application varied significantly depending on company size, product type, and strategic priorities.

Six major themes emerged: approaches to gathering customer feedback, prioritization of feedback, feedback driving strategic shifts, iteration as a process of discovery, speed-to-market vs. product readiness, and key success factors. Each theme was compared against existing empirical and theoretical literature (see Appendix B for a detailed overview).

In general, the findings align well with the literature. The comparison of empirical findings with prior literature, as summarised in Appendix B, reveals that while most insights align with existing research, several important nuances emerged. For instance, the role of customer feedback in driving iteration and product success is well-supported by studies such as Tian & Yang (2023) and Cui & Wu (2017), who emphasise the importance of review sentiment, feedback volume, and structured user involvement. These aspects were reflected in the interviews, but the empirical data added further detail by showing how feedback practices differ based on company size and resources. Smaller companies tend to rely on direct and informal feedback, while larger organizations favour scalable, tool-based methods. This context-specific insight adds to the literature by highlighting how organizational structure influences feedback collection strategies.

Furthermore, while the literature often treats feedback volume as a proxy for importance, the interviewees placed greater emphasis on selective prioritization, choosing which feedback to act on based on strategic fit, ROI, or user impact. This supports Cui & Wu (2017) findings on strategic alignment but extends it by documenting how teams actively filter feedback using both qualitative judgment and quantitative metrics.

The theme of feedback-driven strategic shifts also expands on prior research. While Marchand et al. (2017) and Tian & Yang (2023) discuss the role of digital reviews on product direction, the interviewees revealed that even passive feedback, such as a lack of user engagement or low adoption, can serve as a signal for change. This suggests that not only explicit feedback but also behavioural data can influence major product decisions, a nuance not fully developed in earlier literature.

In terms of iteration, while the theoretical framework often presents it as a formal "build-test-revise" loop (Cooper, 2019), participants described it as a flexible, discovery-oriented process. Iteration occurred continuously, especially in startup environments, and was used not only for refinement but also to uncover hidden needs. This supports and expands on the user-driven innovation models proposed by Cong et al. (2023), aligning well with the discovery view illustrated in Figure 1.

Regarding success metrics, the empirical findings supported the emphasis on tangible, outcome-based measures described by Cooper & Kleinschmidt (2007), such as product

performance, revenue growth, and market fit. However, the interviews revealed that product teams do not rely solely on high-level business outcomes. Instead, they also consider internal, team-level benchmarks to evaluate success. These include indicators such as a decrease in customer support tickets, improvements in user retention, or increased usage of a newly released feature. This reflects a more nuanced or layered approach to measuring success, one that balances external indicators of market success with internal signals of product efficiency and usability. By combining both, teams are able to capture not only whether a product performs well in the market, but also whether it functions smoothly for users and reduces operational burdens.

In addition to the thematic alignment shown in Appendix B, the empirical findings also provide clear support for the conceptual model presented in Figure 1. The model proposed a continuous cycle linking customer feedback, iteration, improved product versions, and product success. The interviews largely confirmed this structure: all participants described feedback as a recurring input that informed multiple rounds of iteration, not just one-time improvements. Iteration was widely seen as a tool for uncovering user needs and testing assumptions, which led to improved product versions. Moreover, interviewees emphasized that product success was measured through concrete outcomes, such as retention or ROI, which aligns with the final stage of the model. Therefore, the empirical data not only validates the existence of a feedback-iteration loop but also illustrates how this loop is practically implemented in software product teams.

Taken together, the empirical findings support the main argument of this thesis: customer feedback and iteration play a significant role in achieving product success, particularly in software companies. However, their implementation is shaped by real-world trade-offs, resource constraints, and organizational strategy. The comparison with literature, summarized in Appendix B, confirms both the relevance of prior research and the practical contributions offered by this study.

Conclusion

This paper explored the role of customer feedback and iteration in achieving product success within the software industry. The research aimed to understand how feedback is collected, interpreted, and acted upon in real product teams, and how iteration contributes to the refinement. The work combined a theoretical overview of existing academic literature with an empirical analysis of five semi-structured interviews conducted with product managers from companies of varying size, scale, and domain.

The theoretical part of the thesis outlined how customer feedback has been positioned in prior research as a key factor for product alignment and success. Researchers such as Tian & Yang (2023), Cui & Wu (2017), and Marchand et al. (2017) emphasized the importance of feedback volume and sentiment in driving iterative improvement and enhancing market outcomes. Similarly, the literature defined iteration as a structured, cyclical process aimed at testing and refining ideas in response to user input.

The empirical part of the study contributed several new perspectives and practical insights. First, while feedback was confirmed as essential, how it is collected and prioritized varies widely. Startups prefer informal, direct methods such as user conversations and behavioural observation, while larger companies lean on scalable tools like analytics and support tickets. Across all cases, feedback was not followed blindly but filtered through business goals, resource constraints, and alignment with long-term strategy.

Second, iteration was not only used to refine features, but to discover user needs and validate direction. Contrary to the formal "build-test-feedback-revise" models often cited in literature, iteration in practice was usually described as fast, flexible, and continuous. This discovery process allowed companies to launch early, collect insights in real time, and adjust dynamically.

Third, success was consistently defined not by positive feedback alone, but by measurable outcomes such as product adoption, retention, ROI, and reduced support costs. Feedback was only considered successful when it contributed to tangible product performance or business value improvements.

A results table (Appendix B) summarizes the comparison between theoretical background and empirical insights. It shows that while many findings are consistent with existing research, this study extends the conversation by highlighting the influence of company context, the use of passive signals (e.g., lack of engagement), and the informal realities of iteration in practice.

My contribution lies in bridging theory and practice through qualitative research and thematic coding, offering a grounded perspective on how feedback and iteration are managed in real-world software product teams. The study confirms that customer feedback and iteration are deeply interlinked processes contributing significantly to product success.

Future research could further explore this dynamic by involving more participants across diverse product roles or conducting longitudinal studies on how feedback evolves over a product's lifecycle. Additionally, involving customer perspectives directly would offer a more holistic view of how feedback is experienced and acted upon.

In conclusion, this thesis provides both theoretical validation and practical insight into how software companies can leverage feedback and iteration not only to improve their products but to better understand their users, adapt to fast-changing environments, and drive sustainable success.

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APPENDIX A

Interview Questions

Topic	Questions
Gathering and analyzing customer feedback	1. How do you approach gathering customer feedback? 2. What channels (e.g., surveys, reviews, direct communication) do you use to collect customer feedback, and why? 3. How do you prioritize customer feedback when deciding on product features? 4. Can you describe a situation where feedback from a specific group of customers significantly altered your product direction?
Iteration and balancing speed to market with iterative refinement	5. Can you describe the typical iteration process your team follows? What are the key stages? 6. Have you faced situations where speed to market conflicted with the desire for further iterations, and how did you manage those situations?
Impact of customer feedback on product success	7. How do customer feedback and iterative product development contribute to your product's success? Positively/negatively? 8. Was there a bad example of using customer feedback? 9. What are your key success metrics to identify that customer feedback positively or negatively influenced the new product/feature?
Lessons learned and evolving strategies	10. How have your strategies for integrating feedback evolved over time based on past experiences?

APPENDIX B

Results and link to the literature

Theme	Empirical findings	Literature evidence	Alignment with literature
Approaches to gathering customer feedback	Startups use direct methods (calls, interviews), while larger firms rely on scalable tools (analytics, support tickets).	Tian & Yang (2023) emphasize online reviews and feedback platforms as critical sources. Cui & Wu (2017) stress structured customer involvement.	Partially aligns: adds nuance about how company size affects methods.
Prioritization of customer feedback	Only feedback aligned with strategic goals, ROI, and user impact is prioritized.	Cui & Wu (2017) argue that strategically aligned feedback supports better product-market fit. Marchand et al. (2017) show that volume and sentiment of feedback are key drivers of prioritization decisions.	Mostly aligns: extends by stressing selectivity over volume.
Feedback driving strategic shifts	Low engagement or negative feedback leads to removing or reshaping features.	Tian & Yang (2023) demonstrate how review quantity and sentiment influence product iteration. Marchand et al. (2017) link digital feedback (e.g. reviews, microblogs) with shifts in product strategy and performance.	Expands: emphasizes passive feedback (non-use) as a driver of change.
Iteration as a process of discovery	Companies use early feedback to uncover real user needs and adjust their product direction.	Cooper (2019) frames iteration as a build-test-feedback-revise loop. Cong et al. (2023) emphasize that iteration driven by feedback uncovers actual user needs, not just refinements.	Aligns: supports discovery view, adds real-world flexibility.
Speed to market vs. product readiness	Large companies prioritize full readiness before launch, startups release early and iterate, but all agree quality must not be sacrificed.	Calantone et al. (2010) discuss the trade-off between speed and refinement. Cui & Wu (2017) mention agile response to feedback.	Aligns: confirms tension, adds detail on rollout tools.
Key success factors	Feature usage, customer retention, revenue growth, and market fit, not just positive feedback.	Cooper & Kleinschmidt (2007) define success using financial performance, opportunity windows, and market share. Marchand et al. (2017) connect feedback to sales.	Aligns: confirms focus on measurable business outcomes.

Resümee

Klienditagasiside ja iteratsiooni roll tarkvaratoodete edu saavutamisel

Mariia Semerenko

Tarkvaratööstuses on klienditagasiside ja iteratsioon olulised tööriistad, mis aitavad arendada kasutajakeskseid lahendusi, suurendada toote väärtust ja vähendada tururiske. Käesoleva bakalaureusetöö eesmärk oli uurida, kuidas tarkvaraarendusettevõtted koguvad ja kasutavad klienditagasisidet ning kuidas iteratsiooniprotsess aitab kaasa tooteedule. Autor kasutas kvalitatiivset uurimismetoodikat ja viis läbi viis poolstruktureeritud intervjuud tootearendusjuhtidega erinevatest tarkvarafirmadest.

Töö teoreetiline osa tugines varasematele uuringutele, mis käsitlesid klienditagasiside mõju tooteedule ja iteratsiooni rolli tootearenduses. Empiiriline osa tõi esile mitmeid praktilisi vaatenurki, mida varasemates uuringutes ei olnud põhjalikult käsitletud. Näiteks leiti, et väiksemad ettevõtted eelistavad vahetut ja suulist tagasisidet (nt intervjuud, otsekontaktid), samas kui suurettevõtted kasutavad skaleeritavaid tööriistu (nt analüütika, tugipiletid). Samuti selgus, et tagasisidet ei järgita automaatselt – see filtreeritakse läbi strateegiliste eesmärkide ja ressursside kättesaadavuse.

Iteratsiooni nähakse praktikas pigem avastusprotsessina kui pelgalt toote täiustamise viisina. See võimaldab ettevõtetel testida ideid, mõista kasutajate tegelikke vajadusi ning kohandada toodet jooksvalt. Edu ei mõõdeta üksnes positiivse tagasiside kaudu, vaid pigem funktsionaalsete näitajate abil nagu funktsiooni kasutussagedus, kasutajate säilitamine, tulu kasv ja turu sobivus.

Empiirilise osa raames viis autor läbi viis poolstruktureeritud intervjuud tarkvaratööstuses tegutsevate tootearendusjuhtidega. Uuritavad ettevõtted erinesid suuruse, turu ja tootekategooria poolest, mis võimaldas saada mitmekesiseid vaatenurki. Intervjuud keskendusid kuuele teemale, sealhulgas tagasiside kogumise viisidele, prioriseerimisele, strateegilistele muutustele, iteratsioonile, turuletuleku kiirusele ning edu määratlemisele. Kogutud andmeid analüüsiti temaatilise analüüsi abil, et tuvastada korduvad mustrid ja praktilised rakendused.

Töö tulemustabel (Lisa B) näitab, kuidas empiirilised leiud seonduvad varasema teaduskirjandusega, tuues esile nii kooskõlas olevaid kui ka täiendavaid vaatepunkte. Autori panus seisneb selles, et on ühendatud teooria ja praktika, pakkudes realistlikku ülevaadet klienditagasiside ja iteratsiooni kasutamisest kaasaegsetes tootearendustiimides.

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