ONBOARDING MATTERS

How Successful Companies Transform New Customers Into Loyal Champions

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Introduction

We were pouring expensive champagne down a bathtub without a stopper and didn't even know it. While we popped champagne bottles to acknowledge our success and teams cheered to celebrate new logos, our existing customers quietly slipped out the back door.

I didn't realize it at the time, when I was working at a company I'll call Ace Analytics. We devoted an incredible amount of time, money, and focus into attracting new customers and signing deals. While leaders fixated on reports showing how bookings kept growing, teams failed to take care of the customers we already had. We had a blind spot when it came to engaging existing customers in a meaningful way.

This story isn't unique.

Customer onboarding is a mess

Too many companies ignore their customers. I want to change that. Even though Customer Success is an established function, companies continue to miss the target during the crucial beginning of the customer relationship. Even as companies declare they are "customer-centric," as Ace Analytics did, they invest exponentially more in sales and marketing efforts than in customer retention. They don't attend to new customers, who are left to figure things out for themselves. These customers finally give up and go elsewhere. In fact, most customer churn happens during the crucial onboarding period.

The reality is that customer-facing teams are siloed. Either no one owns the process of bringing customers onboard, or it's the onerous job of one person. There's a tendency to wait until customers have problems before anyone gets involved. Rather than deploying expertise and guidance up front, customer-facing teams wait for customers to tell them what they want and need. On top of that, Customer Success teams are unable to scale. Even as Customer Success hits its stride, these teams tend to be riveted on inwardly facing issues, missing the opportunity to direct their attention on the customer.

The Orchestrated Onboarding™ framework

This book shows you how to fix customer onboarding. In these pages, you'll find a proven framework to move away from ad hoc and reactive onboarding to delivering a prescriptive

journey of best practices. I developed the **Orchestrated Onboarding framework** over the course of several years, working with companies from across the world. While their products and industries are disparate, their problems remain the same. Whether providing big data or open-source solutions, manufacturing or accounting software, compliance, supply chain management, content management, learning management, customer management, or Customer Success systems—there is a constant need to engage and enable customers.

I've been passionate about engaging and enabling customers long before Customer Success hit the scene. From years of working at software startups, I can attest to the impact customer engagement has on the business bottom line. In the following pages, you'll see why the beginning of the customer relationship is the most important part of the customer journey, and you'll find a framework to truly partner with your customers from day one, and even before they become customers. I conceived of this framework while striving to improve customer retention at Ace Analytics. The Orchestrated Onboarding framework incorporates best practices from Sales, Customer Success, Customer Education, and Professional Services, and I built, tested, and refined it while working with a myriad of companies through my consulting firm, Springboard Solutions.

The concepts covered in this book consistently help high-growth companies put impactful processes in place. These practices reduce the time it takes to onboard customers and to implement products by anywhere from 20 to 80 percent. Using the Orchestrated Onboarding framework, my clients have experienced increases in customer retention ranging from 20 to 150 percent. Their customers are delighted to obtain value in the products they purchase and use. And internal teams are more motivated, less stressed, and more collaborative.

The findings in this book are also backed by extensive research. In 2020, I published the *Customer Onboarding Report*[1] the result of surveying 157 companies about their customer onboarding programs. I also interviewed several of the respondents to follow up from the survey and share their challenges and opportunities throughout this book.

Who should read this book

Whether you are a seasoned Customer Success leader or a first time Customer Success Manager, this book is for you. This book is for all customer-facing teams, including Customer Success, Customer Education, Professional Services, and Support. While the emphasis of this book is on high-growth technology companies, the Orchestrated Onboarding framework can be applied to most companies and industries and works for onboarding partners and channels as well—wherever you need to drive value quickly.

This book is worth your time if you answer **Yes** to one or more of the following questions:

• Does your business experience insurmountable churn?

• Is your company struggling to scale existing Customer Success approaches and teams?

• Is every new customer a "special snowflake" that needs to be handled with special treatment?

• Are you and your teams flying by the seat of your pants to deal with each new challenge that arises?

• Do you lack ways to consistently engage new people who use your product?

• Do you need to decrease the time it takes for customers to reach value in your product?

• Do you need to increase the total lifetime value of existing customers?

• Do you want to land and expand new accounts?

• Do you want a scalable proven framework to create customers for life?

In Part One, you'll learn why you should care about customer onboarding. Part Two details each of the six stages of the Orchestrated Onboarding framework to guide customers through the initial onboarding and beyond: **Embark, Handoff, Kickoff, Adopt, Review,** and **Expand**. Part Three aids you in using the principles of Orchestrated Onboarding to transform your company. To support you in putting the Orchestrated Onboarding framework into practice at your company, examples, resources, and templates are provided throughout the book and are also available on my website, **OrchestratedOnboarding.com**.

At the time we published *Onboarding Matters*, the world was engulfed in the COVID-19 pandemic. As a result, most companies are currently working remotely with their customers. The Orchestrated Onboarding framework works just as effective remotely or in person. In fact, as of this writing, I am working remotely with several companies across the globe to optimize their onboarding programs.

Customer Success terminology

Customer Success has its own terminology, and different organizations use different subsets of these terms. So, to get us all on the same page, here are a few definitions that are used throughout this book. (See the Glossary for more.)

Churn: A regular, quantifiable process or rate of change that occurs in a business over a period of time as existing customers are lost and new customers are added.

Cost of Customer Retention (CORE): The cost to retain existing customers

Customer Acquisition Cost (CAC): The cost associated in convincing a customer to buy a product/service

Customer Success Manager (CSM): This term is used generically throughout this book to denote the person responsible for helping customers maximize value in their products as strategic account managers

Low-touch: Providing one-to-many relationships with customers where services are delivered at scale

High-touch: Providing a very close relationship with customers, generally at a one-to-one level when assisting them with implementations and solving customer problems

Installed base: The measure of the number of units that have been sold and are being used; in software as a service for businesses, the installed base includes all the existing accounts

Recurring revenue: Revenue compounds month over month, or year over year, leading to huge profits when customers keep renewing

Renewal: Granting or obtaining an extension of the subscription

Services: Software companies generally include technical consultants to customize and implement their software solutions

Subscription: An arrangement for providing, receiving, or making use of something of a continuing or periodic nature, especially on a prepayment plan

Tech-touch: Automating services with customers so individuals at your company are not directly involved with customer interactions

Now that you understand the terminology, ready to start guiding new and existing customers to success? Read on.

Part One:
The Need for Orchestration

Chapter 1: Onboarding Is the Most Important Part of The Customer Journey

Closing new customers is cause for celebration. As long as you keep closing deals, your company is winning, right? Not necessarily.

Unfortunately, most companies are overly focused on getting new customers. Tara Nicholle Nelson, author of *The Transformational Consumer*, says it well, "Most companies are very focused on getting new customers into their funnel. It's a foolhardy thing and it's unsustainable as a business model to spend so much money generating new, disengaged customers. Until your company masters keeping companies engaged, it's like pouring champagne down the bathtub without a stopper."[2]

Customer Success is a growing, dynamic, and exciting field. There's hard work, a buzz in the air, a collegiate atmosphere, and a fast pace. It's like working in a hot startup company with a mission to change the world. However, many so-called customer-centric companies have a glaring blind spot: the customer. Rather than being fanatic about engaging new customers, Customer Success teams fixate on churn analysis and customer health scores. They agonize over how many accounts to assign to each Customer Success Manager, and how to design compensation for customer-facing teams. While these are all important, too much energy is focused inward—at the cost of ignoring customers.

Onboarding is the most important part of the customer journey

Bringing customers onboard is the most important part of the customer journey. Yet, despite this being so critical, poor onboarding is the main cause of churn. It's estimated that more than half of customer churn is related to poor onboarding and poor customer service.[3] See Figure 1 below. In the United States alone, avoidable customer churn is costing businesses over $136 billion a year.[4] While it's easy to blame this on poor products, the main reason customers leave your company in the first year is because they never got value from your product in the first place. They fail to launch.[5]
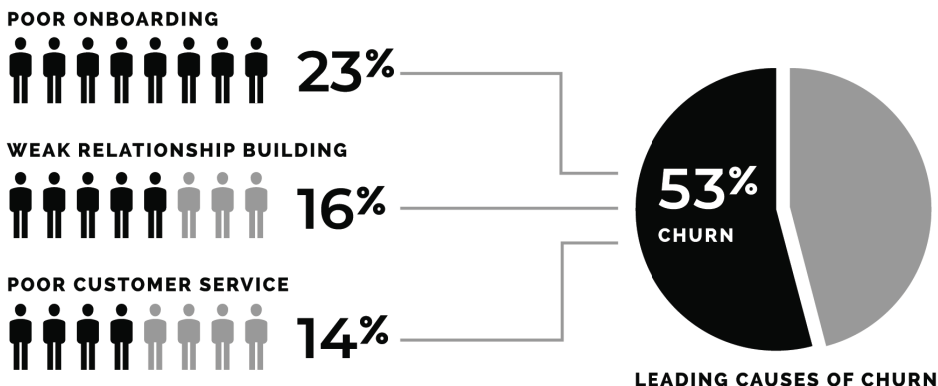
Figure 1: Onboarding is the biggest cause of churn.

> *Bringing customers onboard is the most important part of the customer journey.*

Most software companies have about 90 days to turn a new customer into a loyal user. Of course, the time it takes to onboard new customers might differ depending on your product. Consumer products may have only about 90 minutes to engage people, while mobile apps take 90 seconds to make a loyal user. Regardless of the category, those first days are precious because customers are most excited to be successful with your product at the very beginning.

Why customer onboarding is so important

Let's explore why the initial part of the customer journey is so critical. Resistance from new customers when you most expect them to be interested and engaged may be due to the inner workings of the brain. Customer Success expert Ed Powers, enlightened me on the neuroscience of customer interactions and how a good or bad onboarding experience could impact a customer relationship forever.

Neuroscience is the study of the structure and function of the nervous system and brain. Neuroscientists focus on the brain and its impact on behavior and cognitive functions, or how people think. What does neuroscience have to do with onboarding? A lot, actually. During onboarding, brain science comes into play in three areas: first impressions, buyer's remorse, and cognitive closure. While I'm no neuroscientist, I'm excited to share with you the impact onboarding has on long-term customer relationships.[6]

First impressions matter

As Ed Powers noted, not all customer interactions have equal importance. The beginning of a customer relationship directly affects the final outcome, which means the way you start with a new account may determine whether they renew or churn.[7] Those first 90 days are that important. Neuroscience offers intriguing insights into why starting on the right foot is critical for reducing churn and for building customer loyalty.

That new account you just signed is actually an organization made up of individual people. Even though the people you interact with might appear to be rational and logical, the parts of their brains activated during onboarding are those that deal with fear and value. As a result, people don't perceive the beginning of relationships objectively. Faced with uncertainty, the brain sets the first and most impactful cognitive anchor upon which all subsequent learning is based.[8] Neurobiology predisposes people to automatically place more importance on first impressions.

> *...not all customer interactions have equal importance. The beginning of a customer relationship directly affects the final outcome...*

Confirmation bias

Split-second first judgments are so influential because subsequent information and learning reinforces the initial experience. In time, cumulative perceptions evolve into long term biases. The tendency to interpret new information as evidence of one's existing beliefs or theories is called **confirmation bias**. We embrace information that confirms our initial view while ignoring or rejecting anything that casts doubt.[9]

When your new customer has a favorable first interaction with you and your teams, they look for evidence to confirm the supportive relationship moving forward. However, when that first interaction is adverse or nonexistent, customers continually confirm their negative prejudice. They stop gathering information and stay stuck in their initial bias. It feels better to keep confirming what we already think, rather than looking for evidence that counteracts our beliefs.[10] Once the mind learns, the underlying neural patterns are difficult to change, which is why perceptions linger and opinions survive and spread. When you mess up the initial connection with new customers, you'll play catch up for a long time to come.

Buyer's remorse

Consider the personal risk buyers make when they select your product over all the choices they have: Their decision could put their reputation on the line. **Buyer's remorse** is the sense of regret after having made a purchase. It is frequently associated with large and extravagant purchases, like cars, vacations, and home purchases. However, people experience buyer's remorse even when purchasing something as insignificant as an ice cream cone. Some 82 percent of people report feeling regret or guilt over a purchase — $10 billion worth of goods, collectively.[11]

Buyer's remorse is common because of a mental process called **prospection**. Prospection means you do your best to imagine how you will think or feel in the future as a result of your decision. Your brain goes into prospection when you anticipate that fantastic vacation coming up. Your customers go into prospection during the sales process when the sales rep shares all the sensational things your product can do for them.

It seems the more involved you are with a purchase, the more intense your potential regret may be. In onboarding new customers, remember that even when the customer signs the contract, their brain keeps anticipating— conjuring up scenarios about what happens after a decision to confirm their expectations and fears. This goes on indefinitely until there's a reason to stop. That's why your onboarding program has to address the fear, remorse, and regret your buyers might have.

Cognitive closure

Since new customers' brains ruminate in fear and doubt, it's pivotal to engage them immediately. Providing a clear ending of the buyer journey and a clear beginning of the customer journey keeps customers from dwelling in buyer's remorse. When important activities do not have distinct endings, the brain keeps churning. That's where **cognitive closure** comes in. Cognitive closure is the stopping mechanism that applies "brakes" to the validating process and allows crystallized judgments to form.[12] Cognitive closure is necessary to provide a definite answer to the questions the brain keeps asking itself. It's a way to stop the uncertainty, confusion, and ambiguity of prospection. A prescriptive onboarding process like Orchestrated Onboarding provides ways to satisfy your customer's neural networks with clear beginnings, handoffs, kickoffs, milestones, and deliverables. When customers know what's happening next, they relax and start to trust you.

> *Providing a clear ending of the buyer journey and a clear beginning of the customer journey keeps customers from dwelling in buyer's remorse.*

The need to build trust

Consider how the people on the customer side feel. During onboarding, you move new users from what's familiar to the unknown. The buyer might feel insecure about the choice they just made and the impact it has on their organization as well as on their career. Both the project team and end users might resist having to learn to use a new tool on top of all their projects. When you leave new customers hanging without addressing all this change, they feel abandoned.

Rather than letting customers and their users ruminate, determine what you want them to think and feel after they purchase your product. Most likely, you want them to trust they're in capable hands. You want them to feel confident they made the right decision and to be excited about what's coming next. Your onboarding program needs to build confidence quickly, says Ed Powers. "The choice to churn or to renew is determined during onboarding."[13] Since customers quickly judge the value of your product and the quality of your relationship in the early days, onboarding customers in an orchestrated way is the key to helping your customers' brains engage immediately. Later in this book you'll learn ways to address those neural storms going off in their brains.

> *The choice to churn or to renew is determined during onboarding.*

Before we go further, let's take a moment to define a few terms used regularly throughout this book.

Buyer journey: The buyer journey is the sum of experiences that buyers go through when interacting with your company. Buyers interact with sales teams as they move from leads to prospects through your sales funnel.

Customer journey: The customer journey is the sum of experiences that customers go through after they sign a contract with your company. The customer journey happens

after the buyer journey and customers interact with post-sales teams like Customer Success, Consulting, and Support.

Customer Onboarding: Onboarding is the action or process of familiarizing new customers with your products and your services. Customer onboarding is the first part of the customer journey and includes the following important elements: building customer relationships, implementing and going live with your product, user adoption, and change management.

In the next chapter, we'll look at the critical location of Customer Onboarding at the intersection of the buyer journey and the customer journey.

What Matters

- Despite being so critical, poor onboarding is the main cause of churn.
- Neuroscience offers insights into customer onboarding due to first impressions, confirmation bias, buyer's remorse, and the need for cognitive closure.
- Most software companies have 90 days to turn a new customer into a loyal user. In other industries, this might be just minutes or seconds.

Ready to Onboard?

- List the ways your company pours champagne down the bathtub without a stopper.
- Do you know the reasons why your customers churn in their first year? In the first 30 or 90 days?
- Do you meet resistance while onboarding and enabling new customers?
- What kind of first impressions do you make with your customers?
- How long does it take to onboard new customers at your company?