# Onboarding New Customers

## Improving Customer Retention

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This eBook is part of a series entitled

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# Onboarding New Customers

Organizations spend much time and effort acquiring new customers. And, managing new customers can often be like herding cats. The process can seem impossible to do. There are many obstacles to deal with and there are many customer egos to deal with. Customers tend to move at their own pace and in their own direction…and often the wrong pace and the wrong direction.

Acquiring and keeping customers has a direct impact on the success of the business and on the valuation of the business (more on this later). But many organizations can improve success rates of new customers through better planning and more proactive management. A fundamental goal of all businesses, and especially SaaS businesses should be to improve customer retention.

This eBook will help with ideas to improve the successful onboarding, training and support of new customers.

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# The eBook Will Cover:

- Some Basics of Customer Onboarding
- What Can Go Wrong
- Implications of Losing a Customer
- Identifying an *Ideal Customer*
- Best Practices in Customer Onboarding
- Statement of Work
- Customer Feedback Surveys
- Questions to Ask New Customers
- Benefits of Better Customer Onboarding

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## Basics

The first way to minimize customer attrition is to make sure that you are not accepting contracts from poorly qualified prospects or prospects that may be difficult to manage or unmotivated (See below). Be careful of prospects that sign up but show lack of enthusiasm or commitment to your solution. The Sales organization might be happy that they signed, but the product and services people will not and ultimately the board won't either. You will get a black eye for a lost account down the road.

Assuming that the prospect will make a reasonable customer, the place to start to improve retention is right at the very beginning of the relationship. Oddly enough, many customers begin their path to attrition very early in their relationship with a vendor. There are many reasons for this. Too many SaaS organizations believe that customer management is a reactive versus a proactive function and many organizations are reluctant to implement goals and objectives and best practices and are overly concerned about appearing too aggressive. Proactive customer relationship management is essential to proper on-boarding which is essential to customer satisfaction and customer retention. Once the on-boarding process goes off-track, it can be very difficult, if not impossible, to bring it back on-track. The best way to manage this is a communicative, proactive and metrics-based approach.

Getting this right from the beginning is critical to customer satisfaction, use and limiting attrition.

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# What Can Go Wrong?

Let's begin by evaluating what can go wrong after the contract is signed. This is a long and chaotic list.

- Organizations can lose interest in your solution after the agreement is signed. They move on to next shiny object or priority
- The decision maker or champion loses focus on the implementation or leaves his/her position or even the company, leaving the vendor without its key contact
- You signed a bad customer. Either the fit was not right or the customer is very difficult to manage.
- Other customer organizational priorities surface. New projects, re-orgs, acquisitions, organizational stress, layoffs…..
- People responsible for the implementation are not motivated. This is particularly true if they were not part of the decision, or worse yet, wanted another solution
- People responsible for the implementation believe they know what they are doing and often do not follow guidelines taking the implementation and on-boarding process off track
- The new customer is not given best practices for how to make best use of the product (people don't know how to best use your product)
- Expected benefits of the solution are not properly communicated through the organization or changed from the time of purchase to the time of implementation (was not properly documented)
- There was an unpleasant and unplanned technology surprise for the customer
- There is someone in the critical path who views your product as a threat or, again as above, wanted a different solution.
- The customer is slow to respond and does not have a sense of urgency and needs careful management and follow through and prodding
- Technical, UI or operational issues surface and customers don't follow through with vendor
- Improperly trained users get quickly frustrated and stop trying and stop using
- The product is not imbedded in the culture of the organization, nor the operation of the organization

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## What Can Go Wrong? (continued)

- The customer views the product as a nice to have and not focused on a mission-critical issue
- Product under-performs. Either the product was over-sold or the customer did not do proper due diligence and assumed functionality that was not there
- Weak customer marketing. Organizations often stop “marketing” to companies once they become customers. Keeping customers informed and motivated is essential and “marketing” to them is the best way to do this. They do need to renew year-after-year.

There are probably other reasons not listed here. So there are many reasons why customer relationships get off to a bad start. This is particularly true with pilot programs where the customer does not have skin in the game and may not be particularly motivated to achieve success.

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## Implications of Losing Customers

There are many negative implications of losing a customer.

The Customer Acquisition Costs (CAC) is one of the most analyzed in new businesses and has a direct impact on a company's valuation. But keeping those customers is equally essential to make sure that you are maximizing the Lifetime Total Value (LTV) of the customer relationship. CAC is generally defined as the sales and marketing costs associated with acquiring a customer and LTV is the total expected revenue associated with a given customer over time. CAC is calculated as total sales and marketing expenses in a period divided by the number of customers acquired in that period (normally per year). LTV is the SaaS subscriptions multiplied by the expected life (years) of the relationship plus any setup or other one-time fees paid by the customer. There are several variations on CAC, but, for this document, this is the definition.

Here are some of the implications:

- Lost revenue
- Lost time (allocated to this customer implementation and then the recovery)
- This creates a bad reference going forward, particularly if the former customer becomes a customer of another competitor.
- You will spend a great deal on CAC but losing customers drives down average LTV. You should strive to get your LTV to CAC ratio to 3 or better. But, for now, it better be at least greater than 1.
- Lower valuation for company due to increased attrition rate. Investors or buyers penalize organizations with a high customer attrition rate.
- This creates morale issues for the company
- This is upsetting to sales
- This is very upsetting to client services people

## Ideal Customer

Identifying the characteristics of an Ideal Customer and making sure that you are attracting and selling to these characteristics can help better ensure that you will have customer success.  Also, helping new customers understand these characteristics to determine if they believe that they fit this criteria can be very useful.

Ideal Customer characteristics are different than your target market. Your target market is more the industry and size of the company and the job function within that company that you are trying to sell to. Within that target market there are organizations that more perfectly fit your product characteristics and are a better cultural fit for you.  They share your values and vision.

You want a customer who values your strengths and does not value potential weaknesses of your product or company.  They have a priority and a sense of urgency to solve the problems that your product solves and these potential customers view your product as serving a mission critical need.  They have strong management commitment.

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## Best Practice Guide

To solve the aforementioned problems and better assure customer success, SaaS companies should establish and publish a Best Practices Guide for maximizing the value of their product.  And, you need to proactively, not reactively, manage the customer in the implementation and assimilation process.  This can sometimes require very tough and aggressive conversations with the new customers that vendors are often reluctant to have.

Many organizations dive right into the tactical implementation without first understanding issues surrounding the implementation process and politics.  They also do not lay out a best practices approach with new customers and get agreement on applying these best practices.

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# Best Practice Guide

Capture things that successful clients did and package these together in a best practices guide.  Examples might include:

- Why did they buy the product?
- How did they plan to measure success against desired benefits?
- How did they promote it to users?
- How did they train users and stakeholders?
- How did they use the product (what problems were they trying to solve)?
- How did they get executive sponsorship?
- How did they make it part of their organization or workflow or culture and imbed the reports and analysis is decision making?
- How did they measure success?
- Who was charged with success and how were those people measured?
- How did they avoid pitfalls?
- How did they convince the skeptics in the organization?
- What did we do to help them achieve all of this?

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# Best Practice Guide (continued)

Other things to put into the best practices guide include:

- A structured training plan with specific training dates built into the plan
- A tight SOW with responsibilities on both sides, dates and implications of missing dates
- A technical datasheet for clarity on system technology and requirements
- If customer retention depends on early participation, then develop a participation best practices plan and ensure that the customer follows it. Make sure that they understand that if they don't follow the best practices, then they are responsible for the participation outcome, not you.
- A clear process and procedure and metrics around performance guarantees
- Established metrics on early usage and a regular review of these
- Agreement of onboarding plan and agreement on steps to take when or if plan is missed
- A specific list of issues to be cognizant of and specifically how to avoid these where possible
- Ways to get the product engrained in the culture of the company and into the workflow

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# Best Practice Guide (continued)

- Early and continuous satisfaction surveys with all stakeholders
- List of technical issues that can come up and how to deal with them
- List of things that could lead to issues (non-technical)
- Constant contact with the responsible parties
- Regular review meetings to discuss the progress on goals
- Bill implementation costs based on specific dates, not based on work completed. If the customer is slowing the process down by not completing their work, this can help create more of sense of urgency.
- Invitations to quarterly customer conferences
- Publishing of a customer monthly newsletter with tips and hints
- Getting the customer contacts to follow the company on twitter
- Invitations to blog posts (thought leadership posts)
- Attendance to sales webinars (to keep up-to-date on issues the product addresses
- Invitation to visit you at conferences
- Quarterly customer web events (new features, featured customers, polling questions…)
- Send and review case studies examples of customers that highlight best practices and how your client support helped that customer achievesuccess
- Best practices on how, when and where to use the reports or outputs of the application

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## Ideas

The above also highlights ideas that can be implemented like quarterly customer webinars and customer newsletters and other ways to keep marketing to existing customers.  These are low cost and low effort but high yield activities that any organization can easily implement.  They just take discipline.

## The Statement of Work

Many organizations do not spend enough effort on a high quality and metric based Statement of Work during the contract process. If more time were spent on this and responsibilities were clear and dates were committed to and all of this were better enforced, many customer on-boarding issues would vanish.

A strong Statement of Work also helps to eliminate any scope creep.  It should be 100% clear precisely what is and is not going to be done as part of the onboarding process.

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# Statement of Work Outline

- What will we do and when
- What will the customer do and when
- Document the implications of missing dates
- Commitment to review meetings with critical stakeholders including the champion and a formal dashboard
- Documented goals or expected outcomes that imply success
- A specific  “live date”
- Specific plan for training
- Specific plan for promotion of the product (particularly products for mass employee use)
- Make payment terms time based not deliverable based to keep things moving and the customer motivated to move.  Or…
- Add additional contingency fees for customer failure to deliver on their commitments

In all cases the new customer needs to understand that you, as the vendor, are committed to helping them achieve success, need to allocate our resources carefully and that our goal is to make them a reference customer with a published case study.  That can’t happen until they are “live” and satisfied with your solution.

If the customer begins to wander from the SOW (that should have dates on it), you should immediately approach the champion about what is happening and determine if you need to alter the SOW or get the implementation team back on-board.  But we should raise yellow or even red flags.  The SOW should also address the criticality of hitting the dates rather than just listing them.

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## Customer Feedback Surveys

It is critical to have an aggregate understanding of how satisfied customers are. Also, most survey tools allow you to see how individual people answer each question so that you can proactively manage potential problem customers.

The fundamental challenge with customer feedback surveys is that the unhappiest ones tend to respond the most. But if an unhappy customer does not respond, you can always document that you tried to understand their issues. It is also critical to ask the same questions over and over in longitudinal customer surveys to help identify trends. Matching this up to individual support people helps understand the star customer support people from ones who may need training or who may not be right for your company. A critically important question to always ask is “Would you recommend our product or company to a peer?” This is the best measure of customer satisfaction.

Also, vendors need to make sure that they are asking one-on-one individual customers questions at the beginning as well as throughout the implementation and on-boarding process. If you don’t ask, you don’t know.

See next page

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# Questions to Ask New Customers Upon On Boarding

These are some questions to go over with the person responsible for the implementation from the customer side. While some of these questions were asked during the sales process, it never hurts to verify them and understand if anything changed since the contract was signed.

- How can I help?
- Why did you choose us?
- Why now?
- What do you think is our biggest threat to this not being successful and how do we overcome that?
- What benefits are you expecting from this and how will you measure those?
- Is there anyone in the organization that views our solution as a threat? Why?
- Is there anyone in the organization that wanted a different solution? Why?
- Who is the best vendor you ever worked with and why?
- What are your biggest challenges?
- Who are you mainly trying to service and please?
- Are you eligible for an annual bonus? What is your bonus based on?
- What are your overall goals for the year?
- Has anything changed since the contract was signed?
- Did we accomplish today what you expected to accomplish? What's next? Is there anything standing in your way of completing your part of the process?
- What other projects or priorities do you have? How does this one stack up to those?
- What is your favorite part of our solution?
- What is your least favorite part of our solution? How can we make that better?
- Would you recommend our product to a peer? Why or why not?

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# Questions to Continuously Ask New Customers

These are questions that need to be asked over and over.  Use your better judgment. While some of these questions were asked during the sales and on boarding process, it never hurts to verify them and understand if anything changed during the on boarding process.

- How can I help?
- How can we do a better job servicing you
- What do you now think is our biggest threat to this not being successful and how do we overcome that?
- Are we making progress towards the benefits that we originally agreed to?  Have these desired benefits changed (and why)?
- Have you identified anyone in the organization that views our solution as a threat? Why?
- What are your biggest challenges with our implementation?
- Are there any changes in who are you mainly trying to service and please?
- Has anything changed since our last meeting/discussion?
- Did we accomplish today what you expected to accomplish?  What's next?  Is there anything standing in your way of completing your part of the process?
- What other projects or priorities do you have?  How does this one stack up to those?
- What is your favorite part of our solution?
- What is your least favorite part of our solution?  How can we make that better?
- Would you recommend our product to a peer?  Why or why not?

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# Trust, Respect, Knowledge and Discipline

In order to proactively develop strong customer onboarding requires services people who can gain the trust and respect of the customer. These people do this by being knowledgeable and by having strong leadership qualities. Customer support people should be armed with technical, application, best practices knowledge and have a firm understanding of what made other customers successful and, what may have caused some customers implementations to go poorly.

Customer support people cannot simply be junior level people with some basic level technical knowledge.  It is critical to staff this function appropriately with seasoned personnel that the customers will trust and respect.  Otherwise, customers will inevitably do their own thing...often wrongly.

But your customer support people must also have the discipline to execute and the discipline to ask the right questions at the right time.  There are no short cuts.  Onboarding customers properly is a mission critical function.  You need constant reviews with your team and you do need to establish and manage to metrics and you, also need to have the discipline to manage this function properly.

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# Benefits of Improved Customer Onboarding

Increased probability of customer success
Lower attrition
Better organizational morale
Better services productivity
Improved profitability
Better financial results
Higher valuation

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## Summary

Having a stronger customer on-boarding process and being more aggressive, prescriptive and proactive in this process will increase your credibility as a vendor and dramatically impact your customer retention metrics.  This has significant implications to your revenues and, ultimately, your valuation.  But it takes knowledge of how to achieve success and discipline and skill to get customers to follow your leadership.

We hope that this eBook was useful and helped create a better understanding of some of the basic issues in dealing with the customer onboarding process.

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# About the Author

**Ted Dacko**
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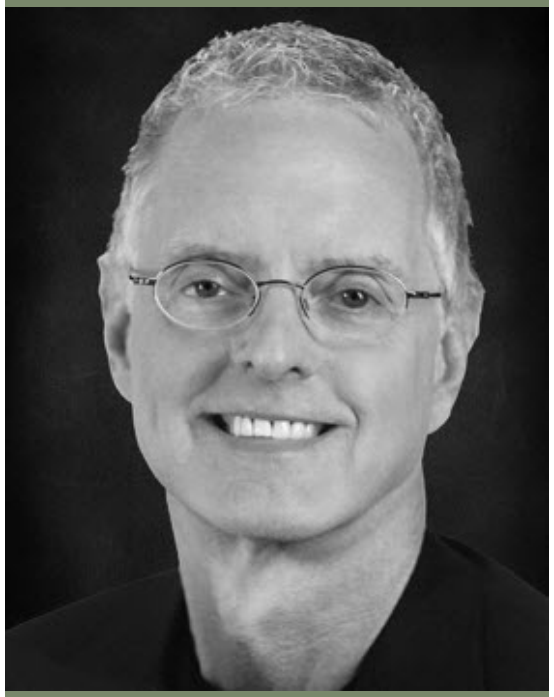
Ted Dacko serves as CEO of Arbor Dakota. Prior to founding Arbor Dakota, Ted has led five other software firms as CEO. Recently, Ted was CEO of HealthMedia, which he grew from zero to $40M before selling the company to Johnson & Johnson. Ted has spent over 40 years in early stage software companies and has spent the vast majority of his time growing B2B software companies. Ted serves on the board of 7 early stage organizations.



# About Arbor Dakota

Arbor Dakota is a company that helps early stage companies take great ideas and turn them into great companies. We offer training, consulting, mentoring in the areas of sales, marketing, positioning, messaging, thought leadership, strategy development, customer acquisition, growth management and funding.

**To learn more about this and other topics, contact arbordakota@me.com or visit www.arbordakota.com**

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