

THE CXO GUIDE

**The Definitive CXO
Guide to Customer
Onboarding**



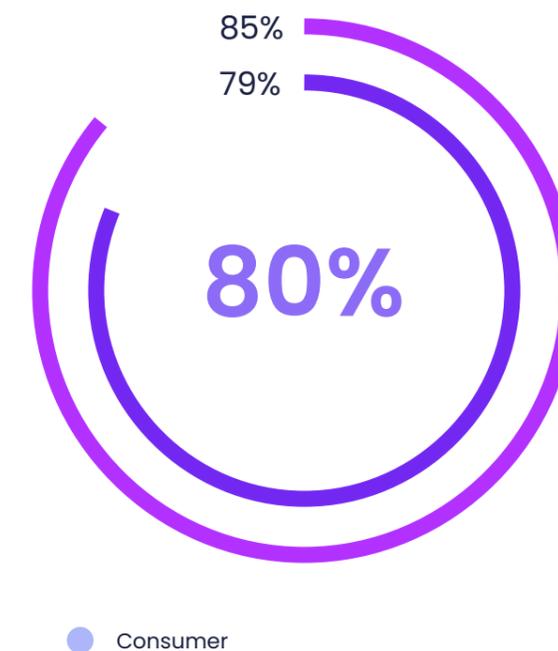
Introduction

Customers buy a product with a purpose, and companies need to ensure that the purpose for which they bought the product is well served. But this is not always so. Consider this: according to a recent study, 51% of customers are likely to abandon a product within the first month of use. When customers churn, product vendors incur a loss of time, resources, opportunities, and most of all, revenue. When customers don't understand the full functionality of a product or service and are unable to derive enough value from it, they tend to churn. Thoughtful and intentional customer onboarding can help resolve this problem by eliminating obstacles and providing an easy, seamless process to set the customer up for success. It's not surprising, then, that for 43% of consumers, the onboarding experience is important to their overall satisfaction with a product, and 46% of consumers say that after a successful onboarding experience they would be more likely to increase their investment in a product or service.²

In subscription-based companies, where ever-growing numbers of products and solutions are becoming bundled into XaaS forms, companies can no longer rest assured of revenue simply by getting customers to sign on. As research shows, today, customers are keen not only to receive a great product with superior features, but they also demand a superlative customer experience. For 80% of customers, the experience is just as important as the products or solutions on offer (Figure 1).³

Figure-1

The experience a company provides is as important as its products or services



When it comes to such an experience, customers are not willing to wait endlessly for it. Rather, they expect ease, convenience, and engagement from the very first moment after the sale. Hence, companies cannot sit back and let customers fumble their way through learning how to use a product or solution. Instead, current conditions demand that companies engage actively to deliver value within the shortest possible time. That's why effective customer onboarding is such a vital requirement in today's product landscape.

What is Customer Onboarding?

Customer onboarding is the process of getting a customer acquainted with using a particular product or solution for the purpose they intended. It is a critical point in a customer's journey when expectations are clearly set and the building blocks laid for a customer to experience success using the company's product. This requires more than simply teaching new users how to use a product. Instead, effective customer onboarding centers on showing customers how they can achieve their goals through the use of a product. Customers come with specific pain points to be solved and goals met through the use of a product. Understanding this customer context is vital to an effective customer onboarding experience.

Why is Customer Onboarding Important?

At its foundation, customer onboarding is a process of making customers' lives easier. It helps customers engage with a product or solution and understand exactly how it can help them achieve their goals.

The onboarding process achieves this result by performing three key post-purchase tasks:

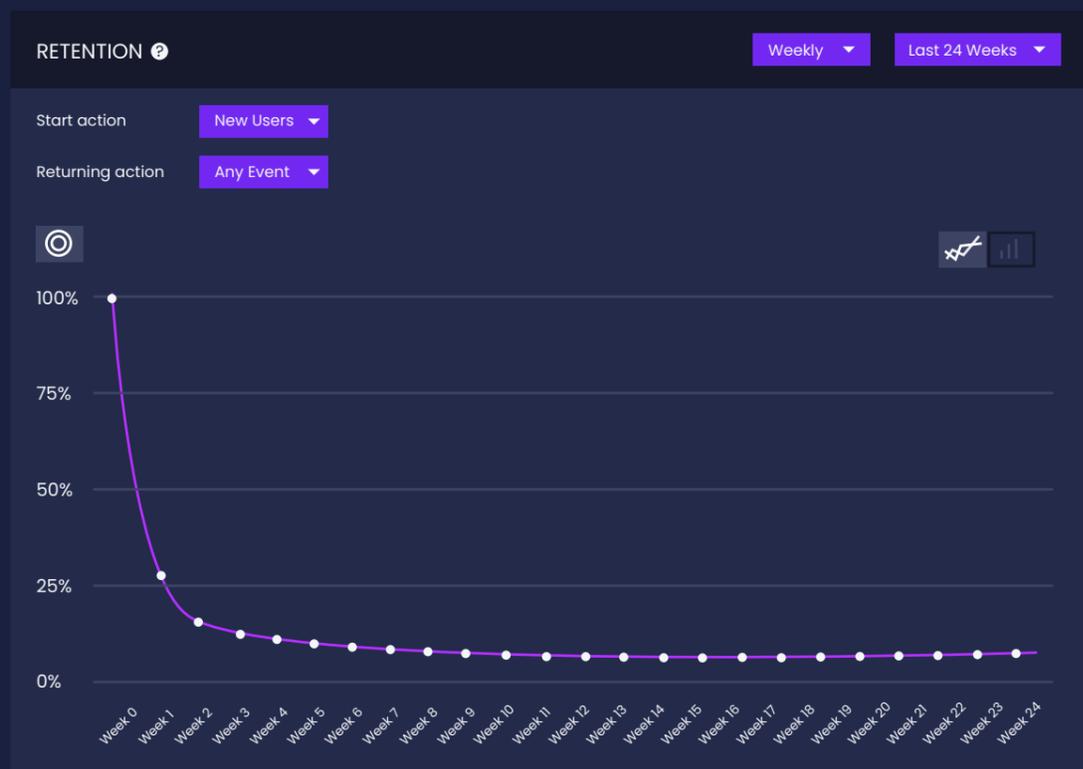
- Onboarding helps concretize and manage the expectations developed by customers during pre-sale and sale interactions.
- Onboarding provides the education that helps customers realize how they can gain value from using a product or solution.
- Onboarding helps build customers' trust and creates product usage habits by affirming the value to be gained, thus preventing user churn.

25% of users abandon an app after just one use, and most apps lose nearly 75% of users within the first week.

By performing these key tasks, onboarding can contribute significantly to growing revenue in several ways. First, onboarding can help improve the conversion rate of free trials into paid users. According to estimates, the average conversion rate for SaaS businesses using an opt-in free trial is 15%.⁴ Customer onboarding can play an important role in this conversion process by providing companies with an opportunity to test and develop successful engagement strategies, identify vital behavioral cues, understand customer goals, and progressively draw in their commitment to the product over the trial period.

Another critical role of customer onboarding is in mitigating short-term churn. This is particularly a challenge for digital products and solutions, with studies showing that 25% of users abandon an app after just one use, and most apps lose nearly 75% of users within the first week (Figure 2).⁵

Figure-2



Such churn or early abandonment of a product or solution is often called “onboarding churn” because it is directly impacted by the quality of the onboarding process. This is because customers do not have the time or the patience to wait for long to see value in a product. As a result, when customers don’t understand the full functionality of a product or service and are unable to derive enough value from it, they tend to churn. Customer onboarding can prevent such early churn by reducing the time to value, demonstrating the benefits of using the product or solution quickly, and ensuring that customers reach their winning ‘Aha!’ moment as soon as possible.

Finally, a positive customer onboarding experience increases long-term customer retention. Studies have shown that improvements in the retention rates achieved during onboarding cascade over time.⁶ In other words, improvements made to customer retention at the onboarding stage proportionally increases the number of users using the product at every stage in the customer lifecycle. This is vital as companies cannot depend entirely on the acquisition of new customers to power their revenue engines. Here’s why:

1. Existing Customers Account for a Significant Proportion of Revenue

For most subscription-based companies, customer renewals and service extensions account for a significant proportion of their income. For instance, according to Regalix’s State of Customer Success study,

77% of companies report generating over 40% of their revenue from renewals and service retention, while for 36% of the survey’s respondents, over 60% of their revenue is generated from renewals.

2. The Cost of Acquiring New Customers Is Growing

Digital marketing efforts are reaching higher saturation levels, and returns on customer attention are dropping consistently. This translates into proportionately rising customer acquisition costs, with studies showing that B2B and B2C customer acquisition costs have both risen by approximately 60% compared to five years ago (Figure 3).⁷

Figure-3

SUBSCRIPTION CAC STUDY

Customer acquisition cost has increased significantly

Customer acquisition cost has increased significantly over the years due to market saturation of marketing vying for consumer attention.



Source: 2019 subscription customer acquisition cost (CAC) study

In other words, acquiring new customers is not always the most cost-effective or cost-efficient revenue driver. According to estimates, retaining an existing customer is 6-7 times cheaper than acquiring a new one.⁸

3. Existing Customers Are More Reliable in Providing Expansion and Second-Order Revenue

Nothing quite inspires continued use and expansion of a product like proof of value, as provided by an effective onboarding program. When customers know that they can get value and solve their problems by using a particular product or solution, they are more likely to spend further to deepen the engagement, wherever possible. Estimates show, for instance, that the probability of selling to an

existing customer is 60-70%, while the probability of selling to a new customer is only 5-20%. What's more, existing customers are also 50% more likely to try new products and spend 31% more than new customers.⁹

Not only do existing customers buy more, but they are also a good source of second-order revenue when they act as customer advocates referring a product or solution that they are satisfied with to others.

Existing customers are also 50% more likely to try new products and spend 31% more than new customers.

Key Steps of a Typical Onboarding Process

An effective customer onboarding experience is usually marked by a delicate balance between information the solution provider wants to convey and what the customer is seeking. Because each customer comes with unique pain points, goals, and behaviors, this balance can take on a variety of forms. However, there are certain key features or milestones of the onboarding process that cannot be missed:

1. Customer Welcome/ Sign-up Process

As the very first post-sale interaction with the customer, the welcome email and sign-up process are crucial for setting the stage for further use of the product. The welcome email should create a sense of enthusiasm and expectation in the customer by congratulating them for their purchase and expressing excitement at having them on board. Further, the sign-up process should be treated as a vital micro-goal in itself, focusing only on one setup action (such as setting a profile name and password) with clear guidance on how to achieve this.

2. Product Setup

At this stage, the customer is taken through the steps of setting up the product for themselves using a guided tutorial or a setup wizard. This process should be as easy and straightforward as possible, only involving the minimum necessary to get customers into the product environment, using its core features.

3. Walkthroughs and Callouts

Walkthroughs and callouts are among the most significant stages of the onboarding process, as they establish a customer's first product experience. What customers focus their attention on, as well as how they move through and between tasks, are shaped by the way walkthroughs and callouts are designed. Hence, their proper design is a key influencer of the smoothness and stickiness of product adoption.

4. Knowledge Repository

One of the primary consequences of digitization is customers' preference for self-service options. Thus, a vital part of onboarding is creating and maintaining a knowledge repository that answers most questions that customers might come up with when they first interact with a product. This can take the form of a collection of resources that customers can navigate to find the information they need or that of guided help received through a chatbot.

5. Escalations and Interventions

No matter how comprehensive and well-designed self-serve resources are, it is important for customers to know that the company is moving along with them through the onboarding journey. Hence, it is important to provide clear and easily accessible avenues for escalations and interventions whenever customers get stuck or find themselves in trouble. This human touch not only improves customers' onboarding experience but also provides valuable data on friction points that must be managed.

6. Evaluations, Check-ins, and Celebrations

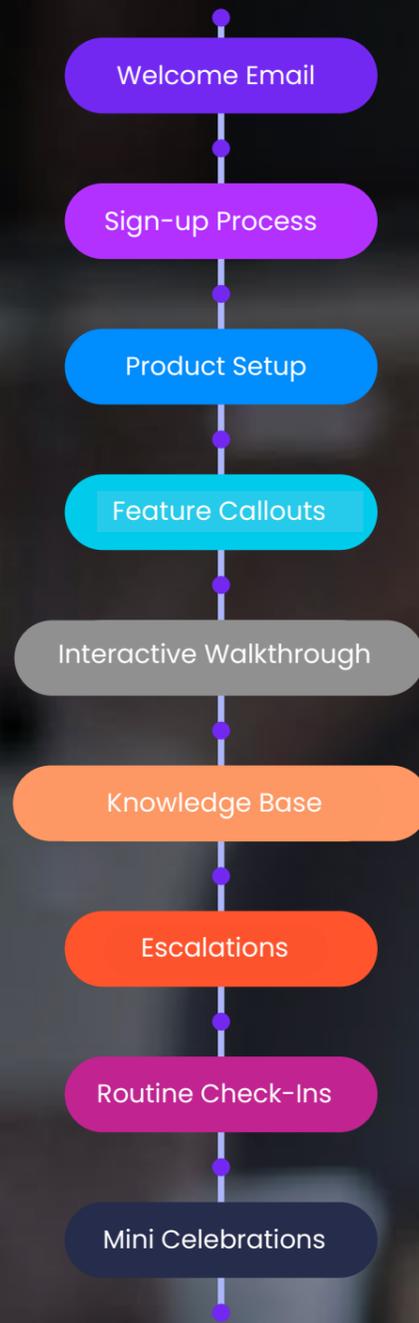
Besides escalations and interventions, enhancing the onboarding experience requires regular proactive evaluation of customer actions to identify friction points and optimize the process. Further, including customers in this process through regular check-ins also increases their engagement and demonstrates care. And finally, movement through the onboarding process can be encouraged by celebrating the different milestones reached by customers. This further demonstrates the vendor's investment in the customer to discover value and achieve success.



In its simplest form, a customer onboarding program would take the form of the flowchart shown in Figure 4.¹⁰

Figure-4

Customer Onboarding Process



Common Mistakes that Derail a Customer Onboarding Program

While the linear flowchart may seem to suggest that customer onboarding is a straightforward and simple process, there are many ways in which companies can trip up. This is because effective onboarding requires a fine balance between providing sufficient information and support to help customers use the product comfortably and overloading them in a way that leads to disengagement. Common blunders that can derail an onboarding program include:

1. Overwhelming Customers With Too Much Information

Effective onboarding does not mean providing customers with all possible information regarding every aspect and feature of the product or solution. Indeed, when customers are bombarded with an excess of information in this fashion rather than being given information specific to their particular problems and goals, they are likely to forget most of it. And when they don't retain most of such information, they are forced to turn to support personnel for help, creating bottlenecks where none should exist. They are also likely to drop off from the onboarding process because most of what information they receive doesn't feel applicable to their needs.

2. Seeing Onboarding As a Once-and-done Process

Neither product vendors nor customer organizations stay the same for very long. While vendors release updates and new features, customer teams see a regular turnover of personnel. In such a context, seeing onboarding as a once-and-done process can lead to customers falling out of touch with the product due to such changes. While it is essential to have clear milestones that formally mark the end of the first onboarding process, companies cannot afford to dismiss onboarding as a once-and-done exercise. Instead, they should see it as a continuous process that requires regular iteration and spaced reinforcement. Thus, onboarding should include not only processes to address new hires but also older customer team members who may not have kept abreast of subsequent product and feature changes.

3. Under-structured or Over-structured Self-paced Learning

As mentioned earlier, onboarding requires a balance between communicating too much and communicating too little. If customers are simply given access to learning content without curation or a structured set of touchpoints, they are likely to only dabble with a small portion of the product's features that catches their attention in an unstructured manner. On the other hand, if learning pathways are over-structured without enough flexibility to accommodate the goals and learning preferences of different users, it can lead to frustration and early churn.

4. Failing to Create a Straightforward Journey With Quick Wins

The primary goal of onboarding is to familiarize customers with a product and help them see value in using it. If the customer onboarding process is too complex or cumbersome, it might discourage customers from moving away from their status quo and adopting the new product. This breeds uncertainty and creates an impression of a wasted investment. Thus, an effective onboarding process must be simple, intuitive, and provide a series of quick wins that can build iteratively on each other to help the customer perceive the product's value early in the onboarding process.

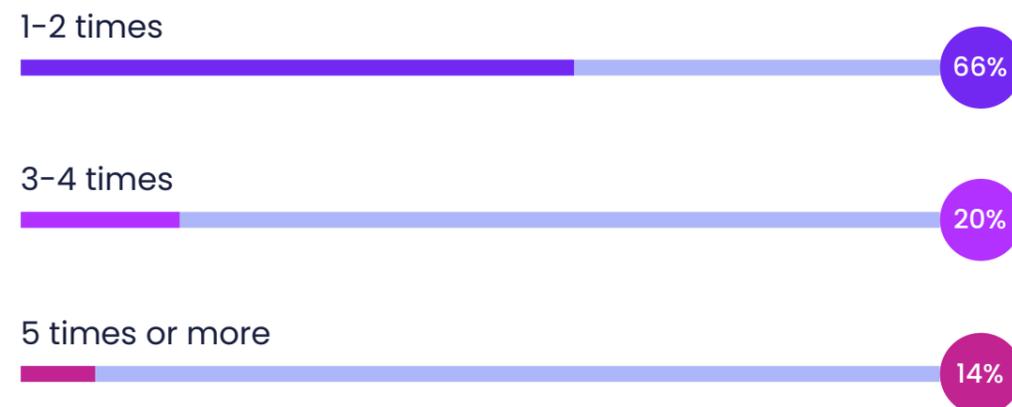


5. Failing to Collect Sufficient Feedback to Optimize Onboarding

Effective onboarding depends on correctly reading the signs of customer behavior and responding in the most seamless manner. So, vendors must recognize the importance of gathering feedback and proactively optimizing the customer onboarding process to create as smooth and seamless a process as possible. In other words, not listening to customers sufficiently can be detrimental to effective onboarding. However, studies show that this is often the case, with most companies collecting customer satisfaction information only one or two times during onboarding (Figure 5).¹¹

Figure-5

How frequently do you obtain a customer satisfaction score during the implementation phase?



6. Creating Friction Through Outdated Content or Data Silos

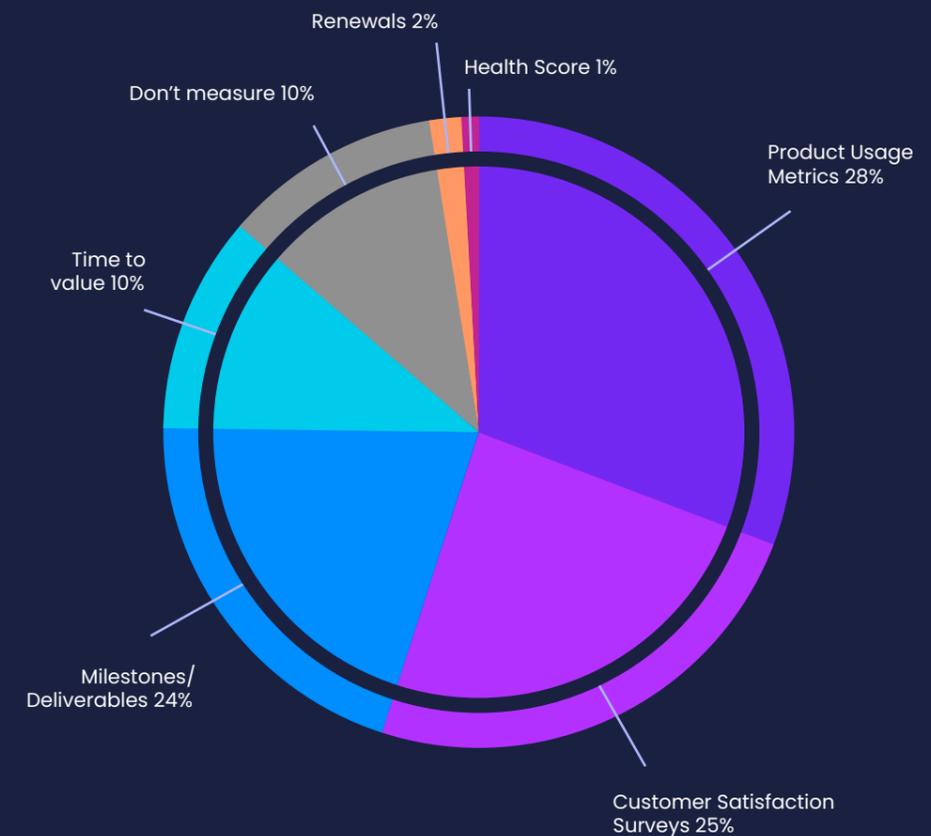
Two major barriers to a seamless onboarding process are outdated onboarding content and data silos. Outdated onboarding content can push customers into dead ends or needlessly complicate onboarding journeys, thus requiring the intervention of support personnel. On the other hand, in many organizations, data is fragmented and stored in silos across various systems in multiple customer-facing departments. Due to this, vendor teams often do not have access to a unified, 360-degree view of customer data from across the organization. This can result in duplication of effort or create friction points between the various vendor teams. Both of these can lead customers to believe they are expending more effort than necessary.

Important Metrics to Measure Onboarding Effectiveness

Onboarding is a complex process, and it can be hard to understand what's working and what's not, where customers are facing friction or falling through the gaps, and how to remedy such situations. As there is no one way to onboard new customers, tracking onboarding success or failure requires a complex set of measurements. Studies show that companies use various types of metrics to measure the success of their onboarding programs, including time to value, product usage, customer satisfaction surveys, and onboarding milestones and deliverables (Figure 6).¹²

Figure-6

How do you measure the success of your customer onboarding program?



While there are many different metrics to choose from to measure onboarding effectiveness, some of the most common ones include:

1. Onboarding Completion Time and Rate

Given that the purpose of customer onboarding is to get customers to use the product regularly as soon as possible, the completion time for the onboarding process is an important metric. However, it is essential to ensure that customers are not being short-changed in the name of faster onboarding. Hence, this metric works when dealing with a product with a limited number of features and a more homogenous set of users. For more complex onboarding processes, however, faster completion times may be hiding discrepancies or gaps that need addressing. Therefore, it is also essential to track the rate of completion of the onboarding process, as higher rates of completion indicate a more digestible and engaging onboarding process. If the completion rate is too low, on the other hand, this can mean that the process is too lengthy, cumbersome, or complicated for customers.

2. User Progression Rate

Alongside the overall completion time and rate, getting a more granular, task-based view of the customer onboarding process is also essential. This can be achieved by tracking user progression in terms of the number of desired actions taken and the time taken to perform each chosen activity. These two metrics can indicate how well the onboarding process is aligned with

customer behavior and expectations, as well as the smoothness of carrying out each action. Disruptions in user progression can be important indicators of bottlenecks or points of friction that must be addressed to optimize onboarding.

3. Time to First Value

Time to first value is a measure of when customers have begun to move from learning to use a product to actually gaining value from its use. This metric is defined differently in each case, depending on the product and customer needs. However, measuring it helps companies design more complex and flexible onboarding programs that do not need customers to go through every feature before they have their 'Aha!' moment that builds confidence in the product.

4. Product/Feature Adoption Rates

How and how much customers use the product and its various features is a good indicator not only of onboarding effectiveness but also customer retention. However, this duality between the stickiness of a feature and the effectiveness of the onboarding process means that a straightforward tracking of feature usage is not enough. Instead, companies need to track both how users encounter and explore different features and how they continue to use them on a sustained basis. This is because a failure of customers to encounter or explore a feature likely indicates an onboarding failure, while sustained use also depends on the stickiness of the feature itself.

5. CSAT and NPS Scores

One direct way to measure the effectiveness of customer onboarding programs is through customer feedback. This commonly takes the form of CSAT and NPS surveys. While NPS provides a measure of overall satisfaction, CSAT helps assess different features and phases of the onboarding process.

6. Customer Response Rate

Beyond direct feedback, how customers respond to interactions with onboarding teams also provides valuable information on their level of engagement. After all, customers who are more engaged and enthusiastic are likely to be more responsive to check-ins, progress calls, feedback requests, and so on.

7. Escalation Response Time/Resolution Rate

The level of customer support and service provided is also an important driver of onboarding success. While companies lean more toward self-serve processes in the face of growing digitization, active and effective support goes a long way in building trust between vendors and customers. Hence, it is essential to track such operational metrics as average response and resolution times, first-contact resolution rates, and so on.

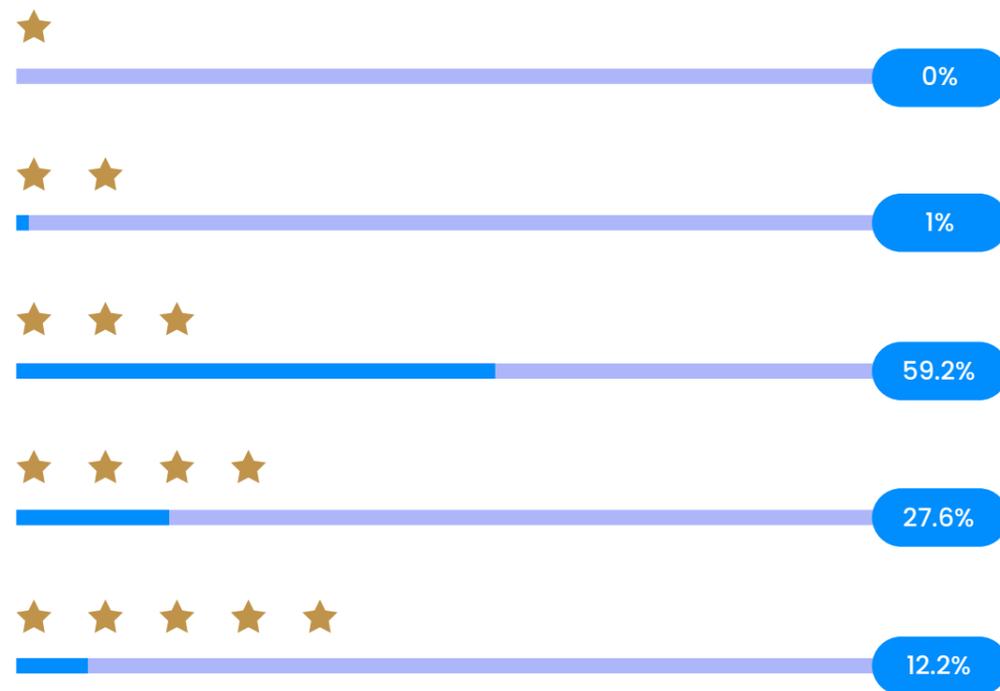
A majority of companies rate their onboarding delivery as only average, with only 12.2% of companies rating their onboarding delivery as of the highest level.

Best Practices for Effective Onboarding

Given the complex nature of customer onboarding, the process requires carefully calibrated approaches, optimized for seamless knowledge delivery. Yet, onboarding often remains ad-hoc and unstructured in many organizations. Not surprisingly, studies show that a majority of companies rate their onboarding delivery as only average, with only 12.2% of companies rating their onboarding delivery as of the highest level (Figure 7).¹³

Figure-7

Rate the experience you're delivering to your customers from 1 to 5, 1 being the lowest and 5 being the highest



To improve on these outcomes and reap the rewards of successful onboarding, companies must adopt best practices to build a well-structured and optimized onboarding process. These are:

1. Make the Onboarding Process About the Customer

It might be tempting to think of onboarding as a product-centric process focused on explaining the different features of the product. Yet, it is the needs of customers and their definitions of success that define onboarding. This problem can be overcome by identifying and defining customers in terms of user personas with specific pain points, difficulties, and needs. This requires talking to customers, receiving their first-person inputs, and analyzing sales and other data to identify actionable insights.

2. Personalize the Onboarding Experience

Effective knowledge delivery does not only depend on making all the resources available simultaneously. This simply leaves customers confused as to how to proceed. Instead, the most effective customer onboarding programs create customized learning paths based on customer roles, predicted usage patterns, customer journeys, learning preferences, and so on.

It is the needs of customers and their definitions of success that define onboarding.

3. Make the Process Intuitive and Iterative

If an onboarding program is to convey the ease and value of using a product, it should also be structured with a focus on ease and simplicity of learning. Hence, onboarding programs should be structured in the form of a series of activities, beginning with core features and expanding outward to optional or more advanced features, all the while focusing on one task at a time. When onboarding content is broken down into such easily digestible modules, progressive learning occurs faster, and retention is greatly improved.

4. Remove Barriers to 'Aha!' Moments

The more customers struggle to realize value, the less likely they are to continue using a product. To avoid such a situation, the entire onboarding program must be broken down into smaller bite-sized tasks and customers led to experience an 'Aha!' moment – when they achieve success with the product – each time they complete a task instead of having to wait to complete the entire onboarding process before deriving value from the product. This way, businesses can ensure that multiple milestones are celebrated as customers go through the onboarding process.

5. Stay In Constant Communication

When customers feel supported through the process of learning to use a product, they are less likely to feel frustrated by it. Hence, it is important for onboarding personnel to remain in regular communication with users, with regular check-ins as well as readily available support. Such constant communication also provides valuable insights and data into the health of the onboarding process and possibilities for optimizing it.

6. Continually Track, Measure, and Optimize the Process

With the tons of available data, there is no excuse for a static onboarding process that does not change and adapt in response to customers' experiences. It is particularly important that companies track leading indicators, and not only lagging ones, in order to be able to optimize onboarding processes on the go.

7. Go Beyond Once-and-done Efforts

Companies should recognize that onboarding is an ongoing process, thanks to regular product/feature upgrades as well as employee turnover in customer organizations. This means that companies should not only provide onboarding services for new hires but also create the means for regular refresher sessions for customers at all levels.

How Outsourcing Customer Onboarding can be a Game Changer

As important as customer onboarding is, it is not always feasible for companies to build onboarding programs in-house. Some of the significant barriers that can stand in the way are cost, lack of talent, expertise, and technological infrastructure, lack of bandwidth, and lack of strategy and operational structure.

Outsourcing can help companies overcome many of these problems. Firstly, outsourcing can help reduce the managerial and infrastructural costs associated with building onboarding teams in-house. Secondly, outsourced partners take on the responsibility of vetting and hiring the necessary talent, as well as creating the necessary managerial oversight for such teams. Thirdly, outsourced partners tend to stay abreast of the latest technological developments and can leverage cutting-edge onboarding platforms for higher effectiveness. Fourthly, leveraging their experience, outsourced partners can

provide a fully structured onboarding program instead of in-house teams having to optimize through trial and error. Such programs also come with structured metrics to provide greater visibility into onboarding processes. Finally, outsourced partners can provide greater bandwidth for a variety of onboarding processes rather than the few high-touch services that in-house teams with limited bandwidth can supply.

Importantly, customers should choose their outsourced partners carefully, taking into account:

1. Past industry experience and track record
2. Talent recruitment and management capabilities
3. Technological prowess
4. Structures of reporting and level of transparency
5. Service costs

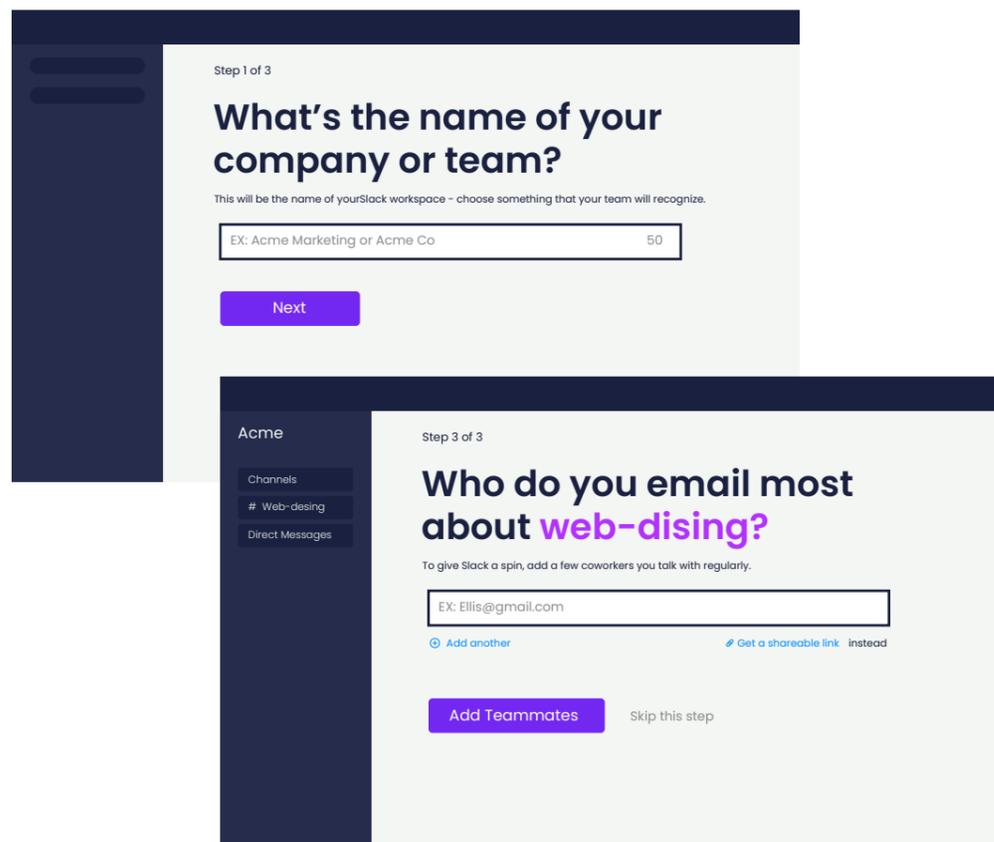


Examples of Effective Customer Onboarding

1. Slack

This messaging platform provides a quick, straightforward, and engaging onboarding experience. One of the most interesting aspects of Slack's onboarding experience is that it goes straight to the point of functionality, not asking for email verification or password setting before users are settled into using the tool. Meanwhile, the onboarding process proceeds through a series of simple queries for inputting basic information needed to get started (Figure 8). Users are onboarded by actually doing some of the basic tasks they would use the application for. Small, straightforward pop-ups only provide the most necessary information, leaving users to discover more ancillary functionalities in their own time. Finally, the platform also provides the option of easily exiting the onboarding tour and returning to it at a later point.

Figure-8



2. Duolingo

Duolingo's onboarding process taps into the significance of goal identification and achievement for engagement. Thus, the language learning app first asks users to pick their preferred language, followed by why they are learning it and setting a goal for daily practice time. In the next step, the application asks users whether they would like to start with the basics or take a placement test and customizes content accordingly. Thus, within just a few clicks, users are fully immersed in the core learning activity that they came to the application for.

3. Canva

The self-service digital design platform, Canva, provides a great example of an onboarding process that incorporates the essence of learning by doing. Though Canva provides a massive diversity of design options, its onboarding process uses a series of simple questions to customize and tailor the resources for each type of need. Then, by showing short videos and getting the customer to interact alongside, the platform demonstrates how key features can be used and the results impacted by such choices.

4. Dropbox

Dropbox is another example of immediate personalization, with the application using short questions to guide users toward specifying how they plan to use the product and customizing content accordingly. The whole process takes only seven steps, and Dropbox provides a useful progress bar above, that lets users keep track of how their onboarding process is moving forward.

5. Evernote

For short, easily navigable onboarding flows, few companies can beat the process created by Evernote. The product demonstrates its value by using illustrations to make its onboarding process more engaging. After reminding customers of the product's selling points, Evernote guides users through the main feature points. Interestingly, the program also gives customers a chance to skip the onboarding process if they already have familiarity with the product.

Conclusion

Customer onboarding is a crucial process to inculcate the habitual use and adoption of a product or solution by customers. While it may seem straightforward at first glance, effective onboarding requires a balance between doing too much or too little, both of which can add to the frustration customers feel when using a product. Hence, it is important for companies to develop a clear, customer-centric structure for their onboarding efforts, incorporating flexibility and change for different customer needs and motivations. While companies can build up the resources in-house to create and maintain effective onboarding programs, outsourcing can provide crucial technical talent and infrastructure needed for companies to hit the ground running with their onboarding programs.

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About Regalix

Founded in 2005 in the heart of Silicon Valley by a team of passionate entrepreneurs, Regalix has a footprint in six countries, delivering solutions in 18 languages. Regalix, with its roots in data-driven and ROI-focused marketing, works with technology leaders in the areas of sales enablement, revenue operations, and thought leadership. Having worked with the best in the industry—Google, VMware, Dell EMC, SAP, Amazon, among many others—Regalix delivers value at scale and speed, to the leaders in the industry.

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