

A HARVARD BUSINESS REVIEW ANALYTIC SERVICES REPORT



**Harvard
Business
Review**

BRINGING VALUE ONBOARD: OPTIMIZING THE B2B CUSTOMER ONBOARDING EXPERIENCE

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The concept of experience-based differentiation is officially mainstream. It's now cool for organizations to care about the experiences they provide to customers. And it's proven to be profitable.

As the definition of customer expands beyond consumers, customer experience (CX) strategies are flexing to embrace a wider set of constituents for whom experience matters. Leading organizations understand that their business customers expect the same level of attention as their consumer counterparts, positioning B2B relationships front and center in the experience arena.

Over the past decade, we at North Highland have recognized the power of experience in creating growth for our B2B clients. Compelling CX shapes brands, changes how people feel about the companies they do business with, moves markets, and drives business growth.

But B2B relationships are complex—marked by diverse stakeholders, extensive sourcing and buying cycles, and complicated product and service delivery mechanisms. We help our B2B clients design and execute experiences across this challenging ecosystem. Their most common question is: “Where should we start?”

The answer may seem intuitive: Start on day one.

We often find the most critical juncture of a B2B relationship begins on the first day that someone can be called a “customer.” This is the onboarding phase—the period of days, weeks, or months immediately following contract signature when two organizations set the foundation for their working relationship. This time represents a critical inflection point when trust—and value—will be won or lost.

At North Highland, we advise our clients that customer insights and empathy enable the delivery of easy, relevant, and orchestrated interactions across the customer experience ecosystem. Optimized value for organizations and their customers is the result. This survey, supported by Harvard Business Review Analytic Services, confirms that leading companies harness data and insights to understand and predict higher-level customer needs and deliver an onboarding experience that meets ever-changing client requirements.

We hope this report and its implications provide a lens and direction forward for addressing a key phase in every B2B customer experience. We invite you to contact us for more information about how you can optimize value during the B2B onboarding period.

www.northhighland.com/services/customer-experience



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Across 20 industries, a modest increase in customer experience can generate additional revenues over three years of between \$472 million and \$824 million for every \$1 billion in annual revenue.

ROI of Customer Experience,
Temkin, 2015

BRINGING VALUE ONBOARD: OPTIMIZING THE B2B CUSTOMER ONBOARDING EXPERIENCE

THE FIRST DAYS and weeks of a B2B relationship are critical toward driving customer satisfaction and building value. Companies must boost their customer understanding, fully align their functional groups, and improve communications in order to succeed during the onboarding period. And those achievements require appropriate investment.

If your firm just gained a new business-to-business customer, a strong focus on performance in the first days or weeks of serving that customer can boost the lifetime value of the relationship.

However, B2B product and service providers often fail to truly take advantage of the critical period immediately following a contract closure and before the relationship enters a “business as usual” steady state. Half of firms say they don’t do a very good job of delivering products and services when and where they’re needed during onboarding. Only slightly more companies report that their clients have a solid understanding of what to expect in this period. And only a third of firms rate themselves as doing a very good job of delivering accessible and uncomplicated customer interactions.

B2B suppliers face three major challenges during this period: limited customer understanding, lack of alignment of functional groups, and poor communications.

On the upside, companies that say they invest adequately in the onboarding period are much more likely to report success in meeting these challenges. More of these onboarding “Prioritizer” firms report higher levels of revenue growth as well.

These are among the conclusions of a global survey about B2B client onboarding conducted by Harvard Business Review Analytic Services among 330 executives (including 79 executive managers or board members).

POTENTIAL FOR POSITIVE IMPACT

Survey respondents agreed heartily on the importance of focusing on the onboarding period as a key driver of the overall B2B customer experience. More than 80 percent of executives said that an increased focus on onboarding offers significant or moderate positive impact over the life of the contract for revenue, client renewals, and client referrals. Similarly, 85 percent agreed that successful customer onboarding will ensure long-term customer loyalty.

Eighty-five percent of executives agreed that successful customer onboarding will ensure long-term customer loyalty.

“The client onboarding period is the honeymoon phase of the B2B customer relationship,” says Allison Bennett, chief marketing officer of business at JPMorgan Chase, and one of several prominent business leaders who commented on the survey. “Often so much of a company’s investment is in winning the customer, but it is just as important to onboard well and build a long-term relationship.”

“Onboarding can be such an important tipping point with customers,” agrees Melanie Wing, vice president for strategic marketing at Equifax. “If you mess it up, you can do irreparable damage to the relationship.”

ONBOARDING CHALLENGES

Given the crucial nature of this honeymoon period in B2B relationships, what prevents firms so often from achieving success and enjoying its payoffs?

Surveyed executives pointed to a lack of alignment between functional areas (54 percent), inadequate communication (51 percent), and limited understanding of customer needs (44 percent) as the three most prominent issues. [figure 1](#) Notably, they suggested that only 26 percent of the main customer failure points during onboarding are driven by insufficient staff resources.

Thus, a heightened focus on addressing customer understanding, alignment of functional groups, and overall communications may give firms their best shot at improving their performance.

Challenges in Customer Understanding

Successful B2B relationships are built on deep, actionable insights about customer needs and expectations. “During onboarding, the seller is learning about the buyer as much as the buyer is learning about the seller,” comments Frank Cespedes, senior lecturer in entrepreneurial management at Harvard Business School.

However, only 38 percent of respondents said their organizations are performing very or extremely well in achieving in-depth understanding of customer behaviors, feelings, and motivations. And a similarly small set of firms (37 percent) delivers a highly tailored onboarding process based on the understanding of specific customer needs.

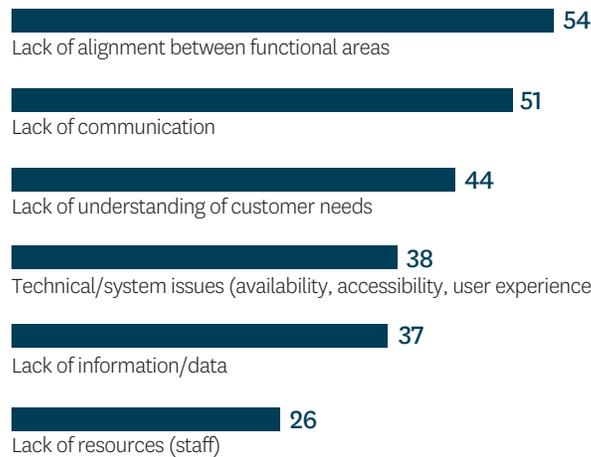
Additionally, only 49 percent of executives in the survey agreed that their firms leverage data and insights to understand and predict higher-level customer needs, and just 51 percent of companies display nimble evolution to meet changing environmental conditions and customer needs.

These low numbers may be driven by a somewhat surprising lack of metrics for success during the onboarding period. About one-fifth of executives report that their organizations don’t use metrics for onboarding success at all. While 62 percent of organizations do look at overall customer satisfaction, only about a quarter—or fewer—of firms employ more tailored metrics such as customer attrition rate, customer adoption rate, and cost to serve for this period.

FIGURE 1

COMMON FAILURE POINTS DURING ONBOARDING

Executives were asked to rate the driving causes of common failure points during the B2B client onboarding.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

The lack of such customer feedback, and difficulties in embedding customer understanding across all the teams that may interact directly or indirectly with customers, can contribute to a lack of customer-centric behavior. “Every employee is doing what they think is the right thing to do for their functional area, but sometimes that causes a poor customer experience,” says Equifax’s Wing. “We need to get everyone to think like the customer.”

Challenges in Aligning Functional Groups

As mentioned earlier, more than half of survey respondents highlighted misalignments between a supplier’s functional groups as a major challenge during customer onboarding.

Rather than assigning holistic responsibility, respondents generally believe that customer satisfaction is driven by certain functional groups within their organization. They picked product and service delivery (70 percent), sales (67 percent), care and support (65 percent), operations (61 percent), and product and service development (50 percent) as the most important functional groups during onboarding. Finance, information technology, manufacturing, and marketing were generally not seen as instrumental in ensuring customer satisfaction during the onboarding period.

Corporate leaders caution, however, that all these functional groups should play critical roles in addressing customer needs, which may call for changes in team mindsets.

The lack of alignment among functional groups may in part stem from poorly aligned legacy IT systems and processes. These systems handle key tasks such as security or billing but are not well integrated toward common customer goals, Wing says, “which creates a lot of churn.”

About half of executives in the survey listed insufficient communications as a significant challenge during onboarding.

The biggest showstopper in alignment of functional groups, however, is between sales and other groups, says Cespedes. The sales process dramatically affects onboarding because it sets customer expectations, he says. And although links between sales and other groups are increasingly important for successful customer experiences, the metric and incentives of these groups are not often aligned for a smooth and coordinated onboarding process.

“Most companies set themselves up for either a difficult or costly onboarding experience in the way they manage sales,” he says. “Most sales compensation plans ‘bonus’ salespeople purely in terms of sales volume. So the message to salespeople is that any customer is a good customer, irrespective of the post-sale costs and capabilities required to serve that customer. Hence, sales brings in customers with very different onboarding characteristics that must be managed by other functions in the company. This is one reason why ‘customer focus’ is a perennial slogan but not an organizational reality at many firms.”

“If you don’t align sales with implementation and operation, you have a big problem,” agrees Jochen Wirtz, professor of marketing at the National University of Singapore. “One group is overpromising everything to get the sale, and the other group cuts cost whenever possible.”

Overall, 69 percent of companies do put together a formal plan going into the onboarding period, and such a plan can offer a solid initial framework for alignment between functional groups. And 60 percent of survey respondents have mechanisms for ensuring that expectations set during the sales phase are met during the onboarding period.

Challenges in Communications

About half of executives in the survey listed insufficient communications as a significant challenge during onboarding. Only slightly more than half (54 percent) said that their clients have a solid understanding of what to expect during the onboarding period.

When asked an open-ended question about improving the onboarding experience for their clients, dozens of respondents said better communication was the single most impactful change their business could make. “We need to improve communication at every step of the process and keep stakeholders informed,” said one respondent, a vice president at a North American technology firm, in a typical comment.

Potential misunderstandings begin with the original contract. “What is agreed to in the meeting room or the board room is not exactly what ends up in the written agreement, and a different set of individuals will implement the agreement,” says Mark Eastham, senior vice president and general manager of McKesson Pharmacy Optimization.

“Additionally, communications can be very dysfunctional in any organization, and we find many times that what the customer thinks at one level is not what they need at another,” he says.

Like consumers, business customers are benefiting from a corporate trend toward greater transparency. Often they have more touch points with their suppliers than they did a few years ago, which can raise communications expectations significantly, Cespedes points out.

ONBOARDING PRIORITIZERS

In the survey, executives who agree that their companies invest adequately in the crucial onboarding period represent a group of leaders we are calling onboarding “Prioritizers.” (In contrast, a group at the other end of the spectrum, “Non-Prioritizers,” is made up of those who disagree that their investment is adequate.)

Because they put more effort into onboarding, Prioritizers often achieve better results in customer understanding, functional alignment, and communications. Their investments and achievements help highlight solutions to onboarding challenges.

Solutions in Customer Understanding

In two key measurements of how well suppliers understand customer needs and expectations, Prioritizers report achievements at about twice the level of Non-Prioritizers. In the first measurement, 64 percent of Prioritizers versus 30 percent of Non-Prioritizers agree that they leverage data and insights to understand and predict higher-level customer needs. [figure 2](#) In the second measurement, the two groups show similar disparity in how well they evolve to meet changing environmental conditions and customer needs.

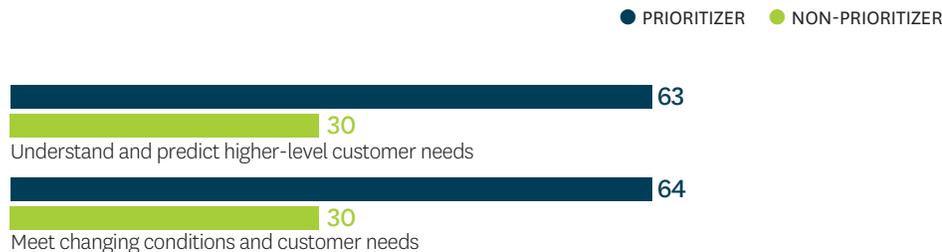
Additionally, Prioritizers were almost three times as likely as Non-Prioritizers (52 percent versus 19 percent) to say they deliver “very or extremely well” on establishing an in-depth understanding of customer behaviors, feelings, and motivations.

Customer understanding is also reflected in the ability to deliver training sessions tailored to the specific needs of clients. Again the two sets of companies differ significantly, with 45 percent of Prioritizers saying they provide very or extremely tailored training sessions, compared with 29 percent of Non-Prioritizers.

FIGURE 2

UNDERSTANDING AND ADAPTING TO CUSTOMER NEEDS

Onboarding Prioritizer firms are better able to understand and predict customer needs, and to evolve to meet changing needs, than their Non-Prioritizer counterparts.

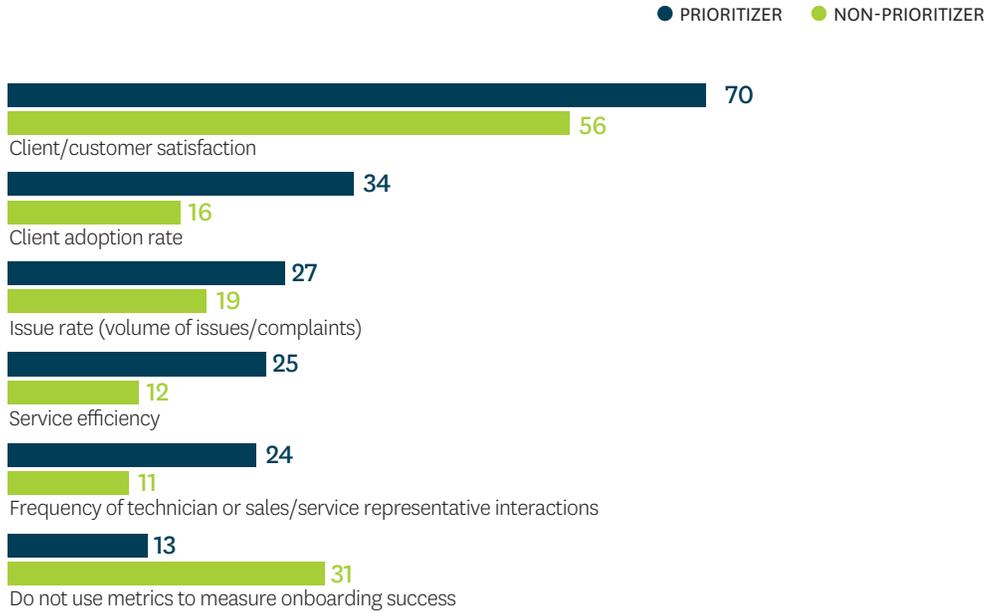


SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

FIGURE 3

MEASURING CUSTOMER SUCCESS

Prioritizer firms are far more likely to use certain common metrics of customer success during onboarding periods than Non-Prioritizers.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

While every company will establish its own set of metrics covering customer success in its regular business practices, Prioritizers are far more likely to use some common metrics of success in the onboarding period than Non-Prioritizers. [figure 3](#) Overall, among companies collecting these metrics, Prioritizers gather an average of 3.4 metrics and Non-Prioritizers an average of 2.8 metrics. Furthermore, Non-Prioritizers are more than twice as likely as Prioritizers to use no metrics at all (31 percent versus 13 percent).

One proven approach is to customize success metrics for individual customers. “We work out our metrics collaboratively with customers,” says McKesson’s Eastham. “We make suggestions for metrics, and ask them, ‘How does this work for you?’”

Additionally, companies must keep broad research perspectives that go far beyond their current offerings, business leaders stress.

“Our definition of the customer is the wider organization, not just those signing the contract,” adds Nikki Flanders, general manager and head of B2B customer experience at O2 (a Telefónica UK company). “We need to consider the user experience of our customers’ employees,” she says. “We see our role as enabling our customers’ broader organization to achieve their goals through technology, and that means insight has to be far more precise and granular than ever before.”

Forty-four percent of Prioritizers say they deliver experiences as a cohesive, consistent system, compared with 22 percent of Non-Prioritizers.

No other research can fully substitute for personal interactions with customers, during and after the onboarding period. O2 has “extensive listening channels,” Flanders says, and it’s important that some of these channels directly bring together customers with her company’s technical gurus or support representatives. “Customer experience is not something that you should pick up and put down; you need to stay close and continually listen to react and adapt,” she says. “I deliberately set aside time every night to read customer feedback and personally get involved with resolutions.”

Solutions in Aligning Functional Groups

Prioritizers and Non-Prioritizers use vastly different methods for achieving alignment among a supplier’s functional groups, which respondents named as the greatest challenge during the onboarding period.

One prerequisite for functional alignment among groups is solid understanding on all sides of processes and expectations. A formal plan and process for servicing customers during this period provide an essential framework for communication overall, and the survey found that 83 percent of Prioritizers have such plans and processes, compared with only 50 percent of Non-Prioritizers.

With very detailed onboarding processes, “there are no surprises in our organization when a new customer comes on,” says McKesson’s Eastham.

One helpful method is to assign specific responsibility for customer satisfaction to an individual employee during onboarding, and this is done by 39 percent of Prioritizers, compared with 21 percent of Non-Prioritizers. “Accountability is very important; you’ve got to have an owner on each side,” says Eastham.

Structured tools also play important roles. For example, 61 percent of Prioritizers use customer relationship management systems and tools to ensure that presale expectations are met, compared with 50 percent of Non-Prioritizers. Prioritizers also are less likely to rely on informal processes among team members when transitioning from sales to onboarding, by 41 percent compared with 58 percent.

Equifax’s Wing says her firm is implementing a CX management system that shares customer success metrics with the team, providing accountability for that success. This system will offer a kind of dashboard that helps embed this information across teams, “instead of making us weave this information manually into other conversations,” she says.

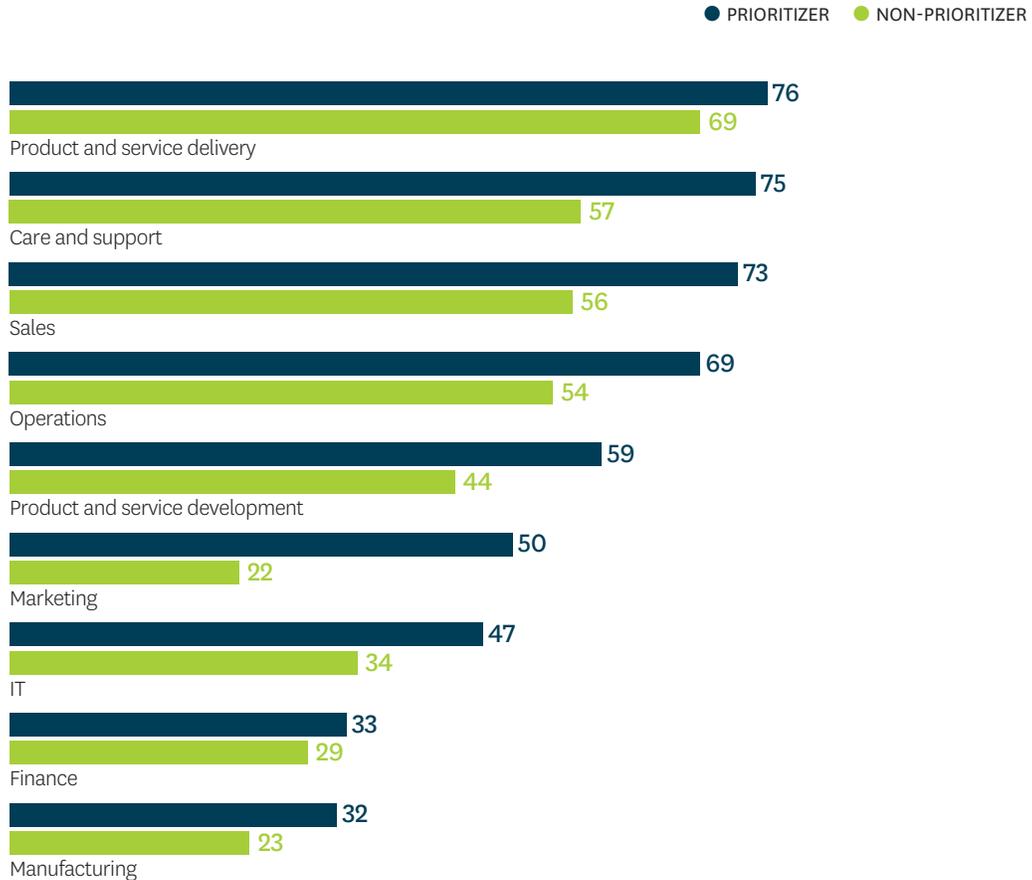
Such approaches help to deliver positive customer experiences, and 44 percent of Prioritizers say they deliver experiences as a cohesive, consistent system, compared with 22 percent of Non-Prioritizers.

Moreover, Prioritizers have a firmer understanding of the important roles played by various functional groups for successful onboarding. When asked what functional groups are extremely important during this time, Prioritizers ranked almost all groups significantly higher than Non-Prioritizers. [figure 4](#)

FIGURE 4

IMPORTANCE OF FUNCTIONAL GROUPS

Prioritizers were much more likely than Non-Prioritizers to rate functional groups as playing an important role during onboarding. [PERCENT RATINGS OF 8 OR ABOVE ON A 10-POINT SCALE]



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

Synthesizing customer feedback into clear actions and usefully embedding those actions in all teams are always challenging for businesses, says O2’s Flanders. This has been a key focus at her company where they have a dedicated customer experience delivery team who put into action the changes. One example of how they disseminate change through the organization is the establishment of a cross-functional customer experience board that spearhead a “rally cry” for targeted experience improvements. McKesson tries to “over-communicate” among sales, finance, IT and all other groups, with a great deal of behind-the-scenes effort to make sure that everyone understands the plan before onboarding begins. “When it comes to that first day of service, how well you are prepared can make you or break you,” Eastham says.

No fewer than 76 percent of Prioritizers agreed that their clients have a solid understanding of what to expect during the onboarding period, compared with only 17 percent of Non-Prioritizers.

Solutions in Communications

Achieving high-quality communications, both internally and externally, is a major challenge during onboarding, and all companies may struggle with it. But adequately investing in this period can make success much more likely.

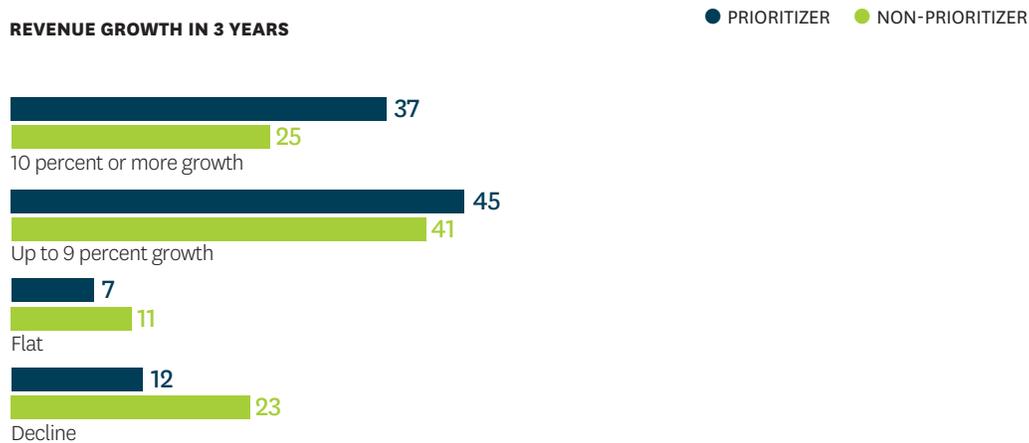
Asked about the main cause of customer failure points, 45 percent of Prioritizers mentioned lack of communications, which is far below the 61 percent level of Non-Prioritizers.

The difference between the groups was even more dramatic in another aspect of communications: No fewer than 76 percent of Prioritizers agreed that their clients have a solid understanding of what to expect during the onboarding period, compared with only 17 percent of Non-Prioritizers.

Business leaders emphasized that such concerns can begin with the contract. One of the biggest communications problems comes when the resulting statement of work is unclear, says Equifax’s Wing. “The statement of work can be an interesting opportunity for us to do better.”

FIGURE 5
ACHIEVING REVENUE GROWTH

Prioritizer firms tend to show greater sales growth over the course of three years than do Non-Prioritizers.



SOURCE HARVARD BUSINESS REVIEW ANALYTIC SERVICES SURVEY, AUGUST 2016

Prioritizers reported greater success in many aspects of business performance during the B2B client onboarding period.

Throughout the entire relationship, an unwavering focus on communicating well and promptly is a constant need, adds O2's Flanders. "Sometimes companies think they are talking the same language as their customers, but actually they are not," she says. "It's critical to invest the time in talking the right language and providing the right routes for customers that suits their needs."

Paybacks from Prioritization

As we've seen, Prioritizers reported greater success in many aspects of business performance during the B2B client onboarding period. Importantly, Prioritizers also tended to demonstrate healthier revenue growth over the past three years than Non-Prioritizers. [figure 5](#)

These positive results for those who invest in onboarding come as no surprise, says University of Singapore's Wirtz. "The onboarding period sets the tone for everything that comes after," he says. "If you start poorly, it casts doubt on everything. If you knock their socks off, they will want more."

FINAL THOUGHTS

Overall, the survey strongly underlines the importance of providing appropriate resources, plans, and measures for onboarding. The research repeatedly stresses the core challenges of addressing potential gaps in customer understanding, alignment of functional groups, and communications in general.

Business leaders also emphasize the need for following best business practices through the onboarding period and beyond—especially in achieving and maintaining a strong focus on customers.

"We have to really understand the customer, what they're trying to achieve, and why they made the choice to come with us," says JPMorgan Chase's Bennett. "We have to honor their expectations, and sometimes we have to remind them to enjoy all the benefits that are available to them."

And success always comes down to employees who can keep these goals in mind, remarked one survey respondent, a sales management executive in an Asian defense firm. The best practice for onboarding, this executive said, is "using calm, experienced people with unlimited patience."

METHODOLOGY AND PARTICIPANT PROFILE

A total of 330 respondents were drawn from the Harvard Business Review audience of readers (magazine and e-newsletters, customers, and users of HBR.org).

SIZE OF ORGANIZATION

One-third (34 percent) of respondents were from organizations with 5,000 or more employees. One-fifth (21 percent) were in organizations with 1,000 to 4,999 employees, 37 percent were from organizations with 100-999 employees, and 7 percent were in organizations with fewer than 100 employees.

SENIORITY

Twenty-four percent of respondents were executive management or board members, over a third (37 percent) were senior management, 33 percent were middle management, and 6 percent came from other grades.

KEY INDUSTRY SECTORS

Thirteen percent of respondents were in technology, 13 percent were in manufacturing, 12 percent were in financial services, and 11 percent were in business/professional services. Other sectors were each represented by 8 percent or less of the respondent base.

JOB FUNCTIONS

Twenty-two percent of respondents were in general/executive management, 18 percent were in sales/business development, 8 percent were in marketing/PR/communications, and 7 percent were in consulting. Other functions were represented by 6 percent or less of the respondent base.

REGIONS

Thirty-nine percent of respondents were located in North America; 27 percent were from Europe, the Middle East, and Africa; and 20 percent were from Asia. South/Central America provided 10 percent.

NOTES

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