



A New Segmentation Model for Customer Onboarding

Driving Product Adoption with the Risk-Scale Onboarding Matrix



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The concept of product onboarding is not new. Whether you've just started using a new software product or the latest hardware device, there is often a learning curve you must navigate before deriving value from the product. What is new, however, is the understanding of the strong correlation between effective onboarding and customer health, especially as it relates to SaaS companies.

As we've seen the shift from the on-premises to the cloud-based software-as-a-service (SaaS) model, we've also seen a shift in how companies think about customer health and its impact on company success. The difference between positive and negative churn can define whether you are successfully growing your business or struggling to stay afloat. Customer health is closely related with user-level customer onboarding.

Getting customer onboarding right is a preventive measure that can have a meaningful and lasting impact on customer engagement, retention, and churn. In this eBook, we will show you a new framework for building a customer onboarding program, including how to segment users and drive long-term value and retention through education.

What is Customer Onboarding?

Onboarding is typically understood as the process of integrating new employees into contributing members of a team or organization. While this definition is accurate, it is limited in scope. Onboarding relates not only to the skills internal employees need in order to be successful at their jobs, but also to your customers' familiarity and comfort level when using your company's technology.

For example, if your company develops a customer relationship management (CRM) platform, you will struggle to drive usage and adoption if customers are not clear on how to use it and how they derive value from the product. This is where our broader definition of onboarding comes into play.

For the purposes of this ebook, onboarding refers to the training and educational activities that will enable your customers to effectively engage with your product over the long term. This includes both new customers just starting out with your technology, as well as existing users who may need training on new product features or integrations or refresher material they can refer back to as needed.

A strong customer onboarding program is based on the specific needs of each user and takes into account their respective level of knowledge. In addition to these two components (needs and knowledge), onboarding content must also communicate specific value to your users - in other words, it must be clear why they should care about your product and how it will make their job easier. The driving force behind your customer onboarding program must be delivering value to your customers.

Value-Driven Onboarding

According to a [2018 Customer Success Industry Report](#), Customer Success leaders cite a lack of product adoption as the number one customer journey challenge. The solution? Establish value for your customers early and often through engaging and efficient onboarding practices.

As you can see in the below diagram, investing in a customer onboarding program early can have a increasingly positive impact over the long-term:



Ultimately, better onboarding leads to increased product usage, a higher rate of renewal and reduced churn. According to venture capitalist Tomasz Tunguz, “A healthy, growing SaaS company with -5% churn has 73% higher revenue than one with 5% churn.” While some level of churn is to be expected, Tunguz’s statistic shows how great an impact customer retention can have on revenue - the core indicator of whether or not a business is successful. It also speaks to the importance of revenue retention for SaaS companies in particular. For many companies in the industry, customer retention is even more critical to the business and revenue than new customer acquisitions. Tunguz’s equation may seem simple, but there are a number of common misconceptions to keep in mind.

Customer Onboarding Myths and Misconceptions

There are three onboarding mistakes we see regularly - all of which stem from the belief that onboarding is a one-and-done event.

Myth #1: There is only one correct way to onboard customers.

When it comes to onboarding, there is no “one-size-fits-all” approach. Particularly when we are reviewing our existing processes, it makes sense to look at other companies’ onboarding models to inform the direction of our own. While this comparison in-and-of-itself is not a bad thing, it’s important to keep in mind that every company has different needs and there is no single source of best practices everyone should follow. Consider what your specific users need to know based on their roles and knowledge-base and then establish a training strategy that addresses those needs.

Myth #2: Customer onboarding should be owned by only one team.

When onboarding is viewed as a single activity, the need for more than one person or one team to conduct this training can feel unnecessary. However, effective product adoption requires a comprehensive training program that involves more than a siloed educator. Other teams that may be involved include:

- Engineers and developers who bring new features to life and can help troubleshoot specific user questions or concerns
- Implementation managers who most closely understand the customer enablement process
- Customer Success team members who want to ensure that training is relevant and useful for their customers’ specific needs
- Sales managers who regularly engage with prospects and understand competitor offerings and your company’s key differentiators

- Executive leadership who oversee the health of the company and its clients

Customer onboarding is not just about getting users ramped up, it's also about addressing their ongoing needs and evolving alongside them.

Myth #3: Account-level onboarding is the same as user-level onboarding

As we've mentioned, effective customer onboarding is more than a training activity when a new account first signs on. Although companies generally sell, renew, and track adoption of their products or services at an account-level, this process does not take into consideration user-level maturity and knowledge. For a customer onboarding program to be truly effective, the education level must adapt to the user's needs and be flexible both as new users join and as existing customers advance.

With these myths in mind and an understanding of what customer onboarding is not, let's explore a new formula for customer onboarding.

Introducing the Risk-Scale Customer Onboarding Matrix

Strategically creating a customer onboarding program is still a relatively new concept and we understand that it can be intimidating to get started without some sort of framework. Based on our experience with hundreds of technology companies of all sizes, and unable to find an effective, existing methodology, we developed a new way to inform an onboarding program.

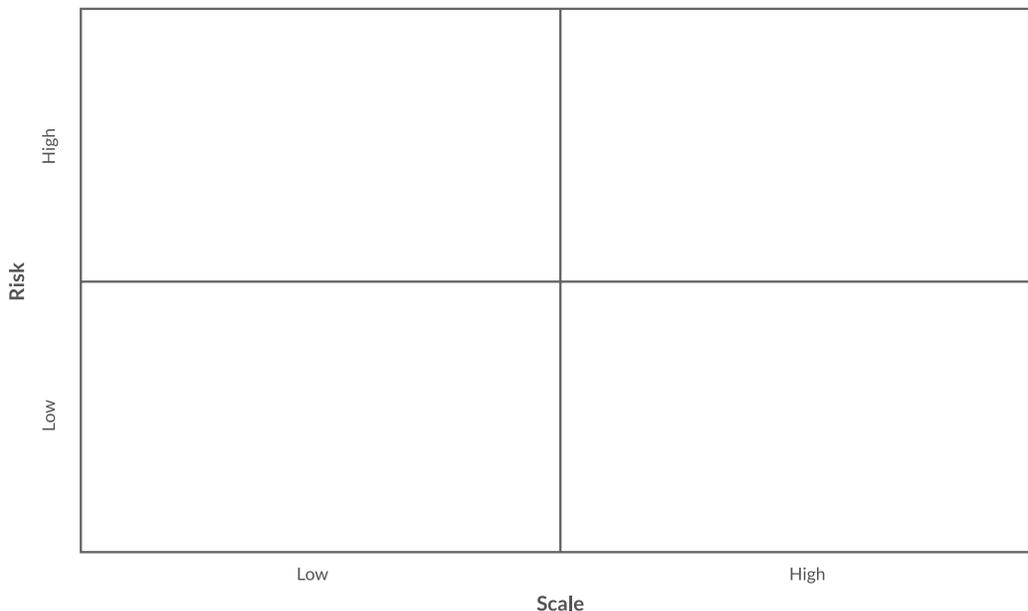
In discussing the variety of characteristics that promote product adoption behavior among users and accounts, we found that there are two characteristics, risk and scale, that are the most critical guides for the strategic development of a customer onboarding program.

- **Risk** refers to what could go wrong for the customer if they don't have properly educated users and accounts

- *Examples:* Improper access to sensitive information, ability to cause organizational mayhem, physical danger and/or legal implications
- **Scale** measures how broadly your product is adopted, and how different those adoption behaviors look like across your user base. Scale can be further broken down into two components: Frequency of Usage and Reach.
 - *Frequency of Usage* refers to how often the average user engages with a product - is it used throughout the day every day? Or just once in a while? Put another way, are you trying to develop new work habits among your user base, or are you solving a more specific problem?
 - *Reach* is the number of users in an account that need to be onboarded. Does everyone in the customer account need to use this product or just a few select people?

Whether you are building a customer education and onboarding platform from scratch, or you're exploring how to expand your current program, this Risk-Scale Matrix creates four onboarding models, or archetypes, that we use to determine the type of onboarding experience your users need.

Let's take a look at each model:



The model described in this eBook was developed in a series of working sessions with Adam Avramescu and Linda Schwaber-Cohen.

- 1. High Scale, High Risk:** In this instance, you have many end-users (high scale) in a regulated environment (high risk). This category encompasses business-critical systems where error can result in injury, legal risk, or other catastrophes.
 - Example: Systems with medical data that are regulated by HIPAA. If your product contains this type of information and is not used correctly, your users could unintentionally release personal user data into the public domain, resulting in legal action against your company.

- 2. High Scale, Low Risk:** This quadrant reflects a situation where there are many users and the goal is broad adoption and behavioral change. In other words, this is a system that is critical to your users, but if someone makes a mistake, the consequence will not be life- or company-threatening.
 - Examples General business systems, communication and collaboration tools

- 3. Low Scale, High Risk:** In this model, a select group of highly specialized users work with a system where error brings high risk. We often see these characteristics among highly technical roles.
 - Examples: Devops products, backend systems, or specialized financial tools

- 4. Low Scale, Low Risk:** This last archetype reflects products that are highly customized and used by specialists, but user error will not cause a catastrophe. This does not mean that the product and onboarding requirements are not important, just that they serve a niche role.
 - Examples: Software that runs individual programs like productivity applications for customer support agents, marketing analytics platforms, or hiring software

Keep in mind, your company may have characteristics that fit into multiple archetypes, and that's okay! You may have multiple product lines or different types of users (administrative, enterprise, SMB, etc.) across your client base. Just remember, the characteristics that define each model are based on a specific use case and/or user role, not necessarily your company as a whole.

It is important to reiterate that every company likely has multiple onboarding archetypes at play. Skilljar customer Zenefits, a human resources application, is a great example of this. There are two primary end-users of the Zenefits platform: HR administrators and effectively, everyone else. HR administrators are specialists who work within the tool every day. They require a deep understanding of the entire Zenefits platform and configuration in order to set up benefits, ensure payroll is working correctly, and manage other aspects of the HR onboarding process. Alternatively, the vast majority of end users are employees who only need a cursory knowledge of the application to complete basic tasks like requesting time off and reviewing their benefits.

In this case, one company has two, important archetypes at play. While the Risk-Scale Customer Onboarding Model undoubtedly adds complexity to the traditional understanding of customer onboarding, the long term impact of this method on customer health and satisfaction, as well as revenue and churn rates, makes it well worth the investment.

Linking Archetypes with Education

Now that we've defined the four onboarding models, it's time to explore the types of educational content that best address the goals and needs of each archetype.

1. For users in a **high scale, high-risk** model (many end users in a regulated environment), consider the following:
 - Certification programs ensure that critical knowledge is absorbed and internalized
 - Frequent, proctored assessments that mirror the certification requirements help maintain user knowledge
 - Accessible, on-demand education offerings provide ongoing resources for both new and existing users to complete as needed
 - Virtual-instructor led trainings (V-ILT) provide extended education opportunities for more advanced topics

2. For **high scale, low-risk** users (many end users where the goal is broad adoption):
 - Accessible, on-demand offerings maximize knowledge dissemination in an efficient manner
 - 1:many V-ILT sessions increase general knowledge, particularly among geographically disparate users
 - In-product walkthroughs help users navigate through product features without requiring a separate onboarding course or leaving the tool
 - Microlearning videos provide bite-sized, easily digestible user tips and tricks

3. In a **low scale, high-risk** situation (highly-specialized users where error brings high risk):
 - Live labs enable users to problem-solve and learn in a simulation that replicates your product, but isn't accompanied by the same level of risk
 - Live training curriculums bring expert trainers directly to the end-user and ensure a customized, relevant training experience
 - Rigorous certification processes make sure users not only theoretically know how to use your product, but that they are actually using it correctly in practice

4. Last, but not least, for those in the **low scale, low-risk** model (products adopted by specialists that are highly customized, but not mission critical):
 - On-demand training enables different users in different roles to access the content that is most relevant to them
 - Role-based email nurture campaigns provide inspiration and course recommendations customized to a user's job function

Regardless of the method, mode or cadence of training, always remember that the key to product adoption is establishing clear value early on. With this mantra in mind, we can begin developing a relevant onboarding strategy.

Implementing the New Formula

Based on our understanding of the four onboarding archetypes and the characteristics that define them, it's time to reflect on your own program:

- Which model(s) reflect your users' needs?
 - What are the consequences if your product is used incorrectly?
 - How many people use your product and with what frequency?
- Are there particular segments of your user base that are a higher priority for product adoption?
- What training format(s) is most relevant for the skills and knowledge you are imparting?

If your users fall into multiple archetypes, it can feel overwhelming to parse out their unique needs and build solutions. This is where a Learning Management System (LMS) can help. An LMS is a software application that provides a centralized location for the administration and delivery of educational content. It also provides the ability to track and report on learner activities, and take this customer education data to other business systems such as your CRM, marketing automation platform, and your helpdesk software. A cloud-based customer training platform, like Skilljar, also enables the creation of multiple training modules that can target each of your different user groups and their specific needs.

By offering on-demand, online courses, as well as videos, slideshows, quizzes, and other types of content, the use of an LMS streamlines and automates much of the onboarding experience. It significantly reduces the administrative burden of running a customer onboarding program and frees up your Customer Success Managers to focus on more in-depth questions and customer needs.

Once you have an LMS in place (Skilljar has out-of-the-box capabilities), a good rule of thumb to get your program off the ground is to start with the action that will have the

most impact. If your biggest user group is high scale, low risk, start there. If it is low scale, high-risk, make sure the most critical information comes first and is delivered in a highly engaging manner.

And if you find something isn't working? Iterate. Just as your users' needs evolve, so too must you adapt. One way to do this is to shadow a customer going through the onboarding process and look at your program from the learner's perspective. Are you using the right or wrong type of content for this archetype? These impressions can also be backed up with simple metrics, such as:

- How many people have completed a course or curriculum?
- How many people registered for a course but did not complete it? How far did they get before stopping?
- What did people think of the onboarding (if you have a post-training survey)?

It's no secret that product adoption is one of the most challenging aspects of the customer journey, but through a close analysis of your user base and identification of their position(s) within the Risk-Scale Matrix, you can shift your onboarding strategy from static to strategic.

We hope this eBook will help you get started or improve upon your onboarding program and bring your customers from initial engagement to long-term product adoption. If you are interested in learning how Skilljar can help you further accelerate product adoption and increase customer retention, you can request a demo by visiting Skilljar.com/demo

About Skilljar

Skilljar's award-winning customer training platform enables you to successfully onboard, engage, and retain your customers and partners. Our cloud learning management system (LMS) makes it easy to create courses, distribute to web and mobile devices, and track results.

Skilljar helps you accelerate product adoption, automate onboarding workflows, reduce support costs, and increase long-term customer satisfaction.



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