The Perfect Start

The First Impression can Make or Break Your Customer Relationship
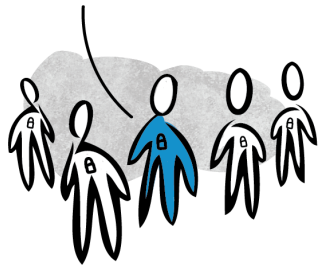
Insight

Key takeaways

- 60% of customer incidents are preventable. Designing a perfect start of a service prevents customer irritations and helps customers feel in control.

- From a customer perspective, designing a perfect start is easy. The key requirements are transparency, timely information and clear next steps.

- From an organizational perspective, a perfect start is harder to design, as it requires designing an excellent transition from sales to service.

- A perfect start of a service begins before sales, not at sales.

- perfect start is not a one-off, but a series of moments in the customer lifecycle that represent the first interaction with the business.

- The benefits of a perfect start to a business are (a) lower cost to serve, (b) fewer failures, and (c) better upsell.

The Perfect Start

On average, 80% of the business of an organization comes from existing customers. Nonetheless, many organizations invest substantially more in customer acquisition than in retention. It rings true across almost all sectors, from the telecom and insurance sectors to healthcare and luxury services. They are all facing the same challenge - retaining customers and preventing churn.

The retention of a customer is highly dependent on his or her initial encounters with the service. In fact, among the customers who defect to another service provider, a third of them are prompted by disappointing initial encounters. From the moment of purchase intent to the setup and use of the service, the initial experience influences how customers view your organization and determines their future relationship with you.

A good first impression matters

The service experience during the early phases of the customer lifecycle sets the tone for future interactions. These early phases can be as short as a few days, as in the car-sharing industry, or can last up to a few years, as in the insurance sector.

Take, for example, a medical equipment manufacturer. The early phases begin when physicians compare competing products in the market and make the purchase. These phases continue as customers receive the equipment and learn how to use it, as the equipment needs support or maintenance, and as the manufacturer responds to incidents. The entire experience can last years.

80% of business comes from 20% of current customers

44% of companies have greater focus on new customer acquisition

The chart shows the customer lifecycle stages: aware, interested, decide, buy, early use, regular use, change of use, incident, reconsider, leave
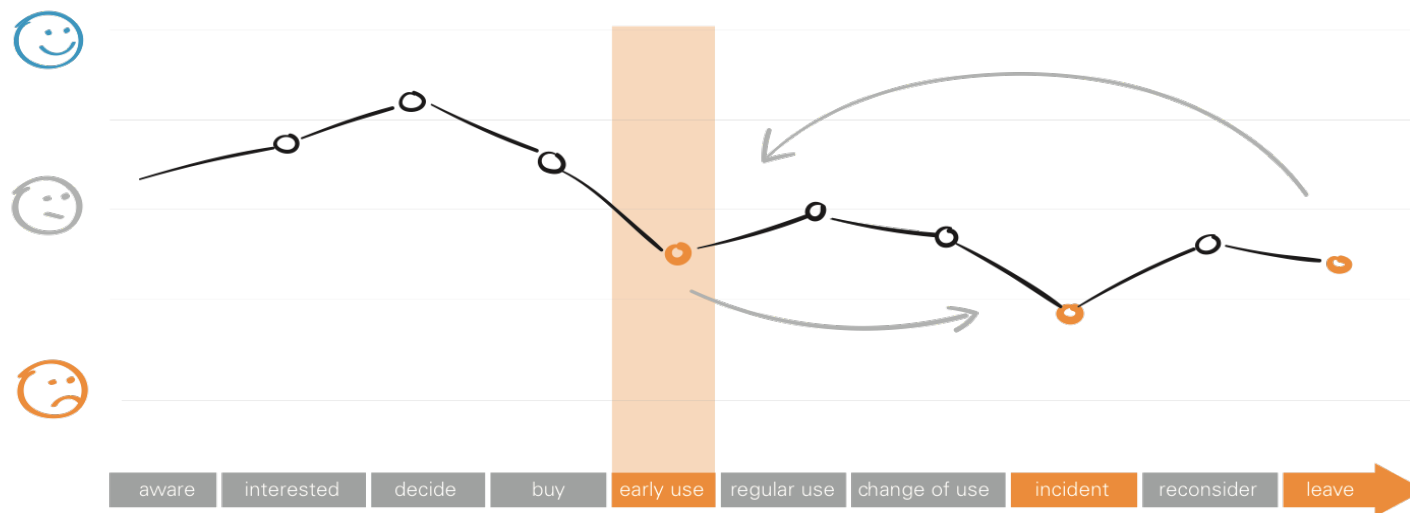
The early phases of the customer lifecycle set the tone for future customer interactions. 60% of customer incidents can be traced back to poor communication in those early stages. Over half of the customers whose expectations are not met are ready to defect immediately or in the future.

Customer support is 5 times more likely to be needed during these early phases. Among those who have a negative experience during this period, more than half of them stop using the service. From a customer perspective, a perfect start means a transparent and well-instructed onboarding experience. Customers want to be informed, engaged and feeling in control. Therefore, investment in improving these early phases is essential.

Acquiring a new customers costs approximately 5 to 10 times more than retaining an existing one.

"It wasn't clear at all that tracking was not included. I thought cheaper simply meant more days needed to receive the package. I kept calling and calling but they had no clue where my package was! And they even insinuated it was my fault!"

- J.P. customer of a postal service

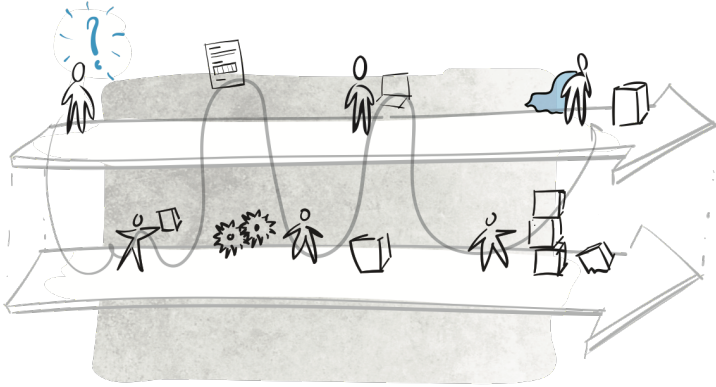## Great onboarding yields long-term benefits

Enhancing the customer experience during the early stages increases retention and creates opportunities to upsell. Acquiring a new customer costs approximately 5 to 10 times more than retaining an existing one [1]. Therefore, investing in the right mix of customer acquisition and retention is a cost-effective strategy.

For example, when customers shift from owning a car to using car-sharing, they often struggle with the process of accessing the car and billing during the transition. It is because adopting a new behavior is always painful, and that is a major barrier to the adoption in the car-sharing industry. The postal service is another case in point. Customers likely opt for cheaper shipping options while making an online purchase, without realizing that they can't track their orders, and end up seeking help from or complaining at the customer service.

These incidents are preventable. Clear instructions and timely information reduce the workload on the customer service, saving costs.

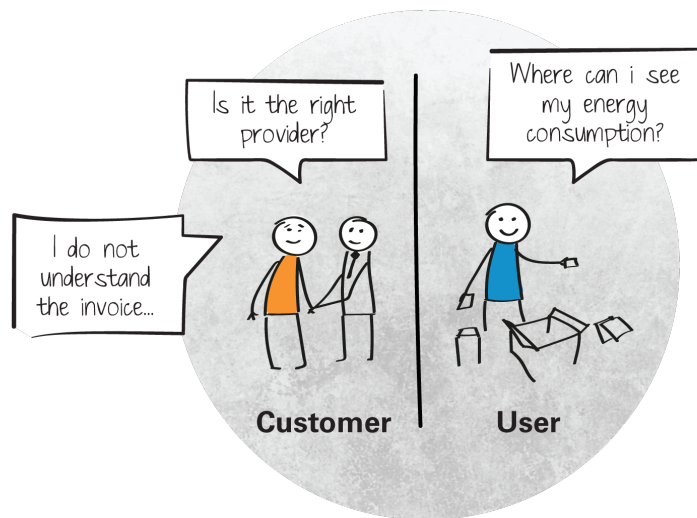[1] Lawrence, A., (2012), Five Customer Retention Tips for Entrepreneurs, Forbes.com

A clean sales-to-service transition

In order to offer the right information to customers at the right time, the customer experience must be effectively transitioned from sales to post-sales services, that means from sign-up to setup and eventually regular use. Consistent services across channels and departments are crucial to minimizing negative experience.

Gjensidige, a Norwegian insurance company, struggled in its B2B segment due to an overload of customer service calls. The company also realised customers should have already known the answers to their queries. Livework's solution was to redesign the early phases of Gjensidige's customer lifecycle, focusing on the transition of customers from signing contracts (with sales team) to user activation (with operations team).

As all stakeholders involved in these phases are well informed, customers are more prepared for their next steps and feel more in control, therefore reducing the pressure on customer service.

Customers are usually left in the dark after signing a contract with a service provider, leaving them in doubt about their choice and insufficiently informed about the next steps. A proper transition of customer experience from sales to service - from signing up to setup and eventually regular use - increases the transparency of internal processes and reduce customer frustrations

Often there is a difference between the person that buys the service, the customer, and the one that actually uses it.

Build a "perfect start"

In order to create fantastic initial encounters with customers, you must understand the difference between a customer and a user. The purchaser is not always the user, and the utilities sector is a prime example of this.

In student flats, for instance, it is usually the landlords, not the student tenants, who are the registered users of electricity and water and pay the bills. So, the landlords are the customers of energy providers, but the student tenants are users. When an incident occurs, it is the students who contact the energy providers.

This distinction shows the importance of effectively communicating with both customers and users in order to address their specific needs.

Additionally, it is important to communicate in a way that people understand. At Altibox, a Norwegian broadband service provider, Livework created a segmentation model based on the specific IT-knowledge of customers and technical complexity of the service. The model allows employees to quickly determine what information different customers require, and to address them in a way they understand.

	Long	**Many**	**Long**	**Small**	**High**
B2B					
	Decision making process	Involved stakeholders	Duration of relationships	Pool of leads	Level of customer knowlede
B2C					
	Short	**Few**	**Short**	**Large**	**Low**

B2B vs. B2C

A perfect start requires an understanding of customer needs and behavior, and the differences between B2B and B2C relationship. In B2B markets, decision-making processes tend to be longer as more stakeholders are involved, making it more difficult to switch providers. In B2C markets, individuals make decisions more quickly, and have more freedom to move from one service provider to another when their expectations are not met. Individuals are also emotional and make rash decisions after a very bad or very good interaction.

In B2B markets, companies tend to focus on long-term relationships with a few large customers. They have lengthy decision-making processes in which multiple stakeholders are involved. In B2C markets, the relationship and decision-making process tend to be shorter, and usually decisions are made by a single person.

"I felt tricked and trapped, with no options. I got so upset! I decided not to board that flight but to buy another ticket from another airline for the same day. I've never booked flights with that airline again. Even if it meant paying more."

      - V.A. ex-customer of low-cost airline.

Think about the airline industry. A customer buys a ticket for a flight online, but does not realize that the price does not include a check-in luggage. At the airport, this customer discovers that she has to pay almost the equivalent of the ticket to have the bag checked in. This encounter likely leads to a feeling of being tricked, and the customer is likely to not use this airline again in the future.

Therefore, customer reactions triggered by emotions can be very powerful.

On the right track

The experience customers have during these initial phases are critical for the customer relationship, as it sets the tone for future interactions. The first encounters with a service are hence an opportunity to help customers on board, be more informed, engaged and feel more in control. It requires a proper transition of the customer experience across departments and a deep understanding of all the stakeholders involved. By actively informing customers about their next steps, and in a way that people easily understand, pressure on the customer service is likely to be reduced. A fantastic initial encounter with customers enables a business to lower costs and start a customer relationship on the right track.

Case Studies

1 Reducing pressure on customer service in B2B insurance sector

Gjensidige is a Norwegian insurance company, which experienced a lot of pressure on its customer service for B2B insurance. 35% of customer service calls were related to confusion about the first invoice and switching insurance plans. In this case, the customers are the managers who sign the contract, not the ones who actually use the service. Livework redesigned the transition process of the customer experience from sales to operations, in order to reduce confusion.

Gjensidige now provides its customers and users with relevant and timely information, helping them use the service and feel more in control. This greatly reduces the pressure on the customer service. Additionally, a self-service system was developed to help customers manage their insurance coverage online, eliminating the need for customer service calls. When customers do feel the need to call, they are trained to use the self-service system moving forward. Redesigning 'the perfect start' helped Gjensidige improve its overall customer experience and reduce pressure on its channels operated manually.
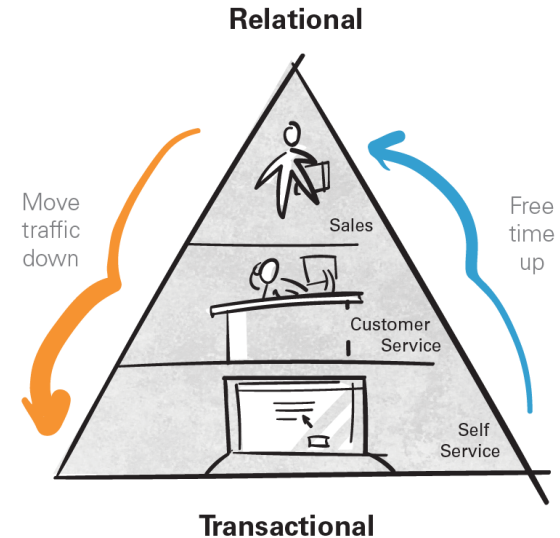

By designing a proper transition process across departments and implementing an effective self-service system, the Norwegian insurance company, Gjensidige, was able to transfer a customer relationship, not just an account, from sales to post-sales service. Transactional operations were moved to the shoulders of customers by providing the right and timely information tailored to customers and users. The implementation of a 'perfect start' improved the customer experience and reduced customer service costs.

2 Developing an understandable language for customers of B2B broadband services

Altibox is a Norwegian broadband service provider that wanted to improve its B2B customer satisfaction. After initial contacts with Altibox, customers were still kept in the dark about their next steps and did not know what to expect. To improve customer satisfaction, Livework redesigned the service and communication processes, from the moment customers first considered contacting Altibox to the implementation of a new broadband infrastructure. A segmentation model was designed for customer service employees. By segmenting customers on the technical complexity of the broadband network and the customer's IT knowledge, employees could quickly determine the necessary information to offer to each customer, as well as the appropriate language to use. The model greatly improved the clarity of communication with customers.

Employees at Altibox, a broadband service provider, use a 4-segment model to quickly determine the required information and type of language needed to communicate with each customer. The model is used across departments and processes so that employees know how to best serve customers.

IT knowledge

low — high

high

low

Technical complexity
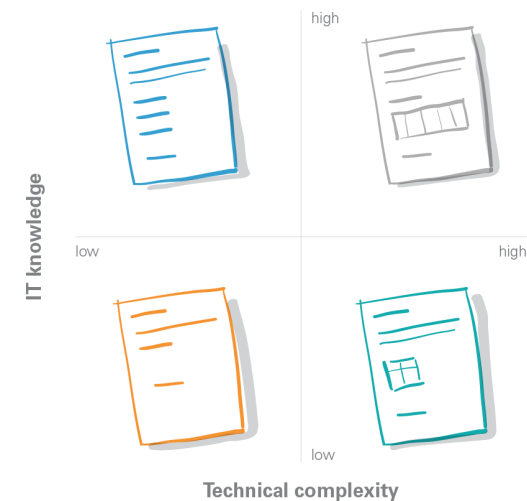
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Get in touch!

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