



CleverSet – Dramatically Changing Business For Online Retailers

When I asked Todd Humphrey of CleverSet what he thinks is the secret to success, he picked the following three keys: develop a product that is real and has dramatic business impacts, choose an enormous market with a large number of customers, and hire the right people. Sounds simple, right? Well, not all companies follow these rules and not all companies are enjoying the kind of success that CleverSet is experiencing.

Leveraging Development in Research and Technology

CleverSet was founded in 2000 by Dr. Bruce D'Ambrosio who believed that "online shopping was broken." Bruce wanted to leverage state-of-the-art developments in statistical relational learning (SRL) to create innovative commercial applications. Under the federal Small Business Innovation Research (SBIR) program, using government grants and funds for technology development and job creation, Bruce and his team spent four years building world class, commercially viable technology. In 2005, Todd joined the team. He and Bruce examined several sectors where they thought the technology could have an impact: search, online advertising, and others. They decided to create a unique application that predicts online customer shopping behaviors.

CleverSet provides a hosted product recommendation solution that makes recommendations as you shop. We're all familiar with product recommendations. We get them all the time when we shop online. But often we wonder why they seem so irrelevant or they continue to recommend products similar to the gift we purchased for our mother two years ago. Many companies use collaborative filtering, a method that recommends products based on what other people have looked at. CleverSet, on the other hand, not only incorporates

information about customers and the products they look at, but also information about product attributes, the way customers navigate the site, the order of the products they look at, and what they ultimately purchase. These data points are considered in real-time as the customer shops, creating relevant recommendations that get presented to customers at the right time.

Finding An Enormous Market

The key to CleverSet's success is the up-front due diligence and ultimate selection of an "enormous market." The CleverSet team looked at other companies that had previously attempted success in the space and why they had failed. Companies that came before tried to sell their solutions to big companies. The big-company sale is a long sale cycle. Additionally, those companies often have large technical staffs that work on internally developed, proprietary solutions. CleverSet opted instead to pursue small-to-medium-sized companies to generate early revenue, test the product, and gain leverage in the marketplace. So far, this strategy has worked. Smaller companies often try to provide recommendations on their own, using top sellers or hand-coded recommendations, a costly and time consuming process that ultimately does not deliver results. They are thrilled with CleverSet's solution, designed for their needs at an appropriate price for their operations. CleverSet has built a base of about 60 retailers, and now large, established online retailers, like Overstock and Gap are looking to them for a solution.

A Win-Win Business Model

CleverSet does two things that customers love: it delivers concrete ROI and it uses a pay-for-use pricing model. Online retail is about conversions and revenue. CleverSet has increased conversion rates for its

clients by as much as 20%. On top of that, it increases the revenue on those conversions by 20%. Retailers pay based on the number of page-views per month. There is no minimum and they are not locked in to any long-term contract. They stay because there is value. Results are the true driver.

Leveraging the Latest Trends

Todd admits that part of the reason CleverSet is successful is that the company is leveraging trends and practices in the online retail space. Retailers are now comfortable with outsourcing pieces of their business, from advertising to analytics. Hosted solutions take the risk away and provide a no-lose, easily implemented solution with minimal up-front investment. Hardware today is cheaper and faster, making it possible for CleverSet to achieve scalability, speed, and accuracy and still provide a low-cost solution.

As of September 2006, the company is generating revenue. The team has converted about 30% of their beta customers to paying customers and continues to convert more. They continue to build momentum, adding new and even bigger customers. They have a "wow" technology that is having a huge impact. Check them out at www.cleverset.com.

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