

White Paper

Sharing Secrets

Online Insight's Golden Nugget Breakthrough for Relationship Management

This white paper describes Online Insight's vision for the next generation in sales and marketing, driven not by guesstimates about a customer based on ancient demographics and historical purchases, but by up-to-the-second needs and preferences measured real-time in a first-hand "collaborative customer conversation". Our best of breed Sales and Marketing Effectiveness (SME) solutions make this vision real and usher in a new era of unparalleled customer loyalty and understanding. We begin this section with a few definitions followed by a brief examination of the business problems we solve, how our solutions fit into the relationship management software application space, and the advantages offered over other relationship management options by our breakthrough applications.



Sharing Secrets: Online Insight's Golden Nugget Breakthrough for Relationship Management

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Definitions

Customer - Any person or entity that might enter into a sales/marketing interaction with an enterprise including: end customers, partners, your own executives and salespeople, brokers, agents, ...

Relationship Management Systems - This is a class of enterprise software solutions. It typically includes Customer Relationship Management (CRM), Partner Relationship Management (PRM), Sales Force Automation (SFA), eMarketing, Executive Information Portals (EIP), and Sales and Marketing Effectiveness (SME) systems.*

1:1 - Represents a completely personalized interaction or relationship. The dialogue is unique to a particular individual at a particular point in time.

Collaboration - Represents a full two-way dialogue and value-exchange between parties where each can learn and adapt their next response based on the information expressed by the other side.

Secrets Prevent Win-Win Business Everyday

The fundamentals of business are fairly simple. Customers have **needs** to satisfy and **preferences** about the products or services that will fill those needs. Businesses, on the other hand, have products or services with **features** that offer **value**. Win-win business transactions provide products or services with the right features/value to best satisfy customer needs/preferences. This builds lasting relationships that truly drive the long-term success of companies.

Surprisingly, these four basic elements for conducting win-win business and growing long-term customer relationships are frequently held secret in day-to-day business interactions. The *collaborative customer conversation* that would discover customer preferences and relate them to product or service features is inadequately undertaken, if at all. Bad deals are made to the detriment of customer relationships simply because buyers and sellers keep secrets from each other; not because it is in their best interest, but because they are not equipped to share these secrets at the scale, complexity, and velocity required in today's globally wired business environment.

* This type of software is also commonly referred to simply as "Customer Relationship Management (CRM)" solutions taking advantage of the broad definition of "Customer" presented above.

The burden of solving this problem clearly falls on the shoulders of the sellers, and the technology that makes this possible is the core competency of Online Insight. Our solutions explicitly capture the needs/preferences of a customer in real-time and, through powerful proprietary algorithms, match them with the features/value of even the most complex products and services to arrive at the win-win of maximal customer satisfaction and enterprise sales. Additionally, our solutions store these preference models for market research against a virtual focus group as large as your customer-base that is available 24x7x365.

Customer and partner relationship management

Relationship management effectiveness is fundamental to every enterprise's success in terms of both revenue and profitability and can be measured as Return on Relationship (ROR), a metric composed of the number of customer relationships held and the profitability of those relationships.* There are many types of software solutions in this space, which we can put into context by organizing them along two important dimensions:

1. How close they are to the customer's secrets as opposed to being closer to back-office systems and data, and
2. How close they are to being available in real-time during a customer/partner interaction as opposed to being historical-trend and/or data-mining types of solutions.

In this context we can see that Online Insight's technology is "right there" in the thinking process of customers, "real-time" as they weigh feature tradeoffs and make buying decisions.

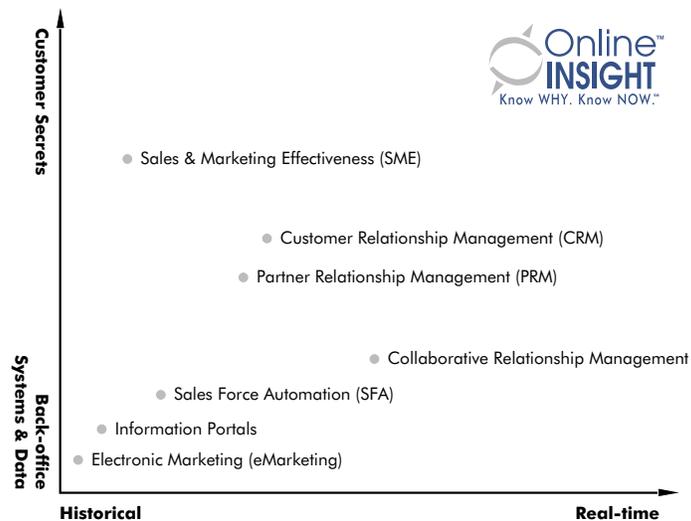


Figure 1: The Relationship Management Solution Marketplace

* Industry analysts have recently recommended ROR as the metric of choice for measuring the performance of relationship management solutions as opposed to the older Return on Investment (ROI) metric that focuses more on cost reduction.

Our solutions bring the next generation in sales and marketing effectiveness tools. On the sales side they uncover the secret needs and preferences of the customer to sell feature/value benefits right into them. On the marketing side, the preferences and needs can be leveraged to understand critical concepts, such as: impacts of product changes, value of product features, reception for new products, and relationships between purchase drivers (e.g. cost sensitivity *but* with a strong brand preference).

Points of Distinction for these Solutions

There are many advantages of this solution compared to others in the Relationship Management marketplace, and we examine some of them here. The take-away from this discussion is simply that Online Insight is not providing “yet another” CRM/PRM/SFA/Portal/... solution, but rather a unique *golden nugget* solution that provides compelling sales and marketing effectiveness value, with or without the deployment of these other solutions.

Freedom from Integration Nightmares and “Historical” Gaps

From Figure 1 we can see that most software solutions in this space have a strong requirement for back-office systems and data, which mandates very expensive, time-consuming, and error-prone integration. In fact, a strong defining feature of solutions that sell themselves as full lifecycle CRM and PRM packages is that they integrate all customer information across all enterprise systems (ERP, MRO, B2B and B2C commerce, EDI, call center, ...) and across all channels (phone, fax, email, EDI, XML, face-to-face meetings). This, certainly, constitutes a daunting task that may not be necessary for an enterprise to achieve its objectives. Online Insight’s best of class Sales and Marketing Effectiveness (SME) solutions do not require this backend integration, because they operate on real-time needs and preferences which are not yet stored. Without this requirement to integrate at either the data or business processes levels, our products can be fully deployed in days instead of years, thereby providing immediate value.

In the case that CRM/PRM/SFA/Portal/... solutions are in place or will be deployed in the future, Online Insight’s products go beyond their core functionality and value proposition by filling gaps created by these other solutions. Because these other systems operate by analyzing historical information, they offer little or no support until there is a substantial “history” with a customer or account. The problem, clearly, is that the first few interactions create lasting impressions. Having to wait until your full CRM/PRM solution has learned enough about an account to manage future interactions effectively, especially sales interactions, negatively impacts ROR in significant and long-lived ways, in addition to poor ROI up front through high deployment costs. After these startup penalties are paid with each new account, another gap is uncovered. In sales interactions, CRM/PRM/SFA/... systems use historical information to predict future behavior within an account. This assumes two things:

1. Needs and preferences are uniquely identifiable with an account, and
2. Needs and preferences are unlikely to change, or at the very least unlikely to change quickly or significantly.

Both of these assumptions are flawed. To see why preferences are not uniquely identifiable with an account, we can consider customers purchasing items for a third party, e.g. gift buying. To see why needs and preferences within an account may change significantly and/or quickly, we can consider an individual losing his/her job, an acquisition, a change in government regulations, or a dramatic change in the local or global economy.

Online Insight has a better approach ideally suited for sales and marketing effectiveness. Our patent-pending solutions capture and manage customer needs and preferences as first-class information within each sales interaction, without falling into the traps of assuming they have not changed from past interactions or will never change for a given account. These need/preference models are then used to reach a win-win sale, and stored to provide recent, virtual focus groups of unprecedented size that are available around the clock to test product changes, customer segmentations, and preference share within your markets.

To summarize, Online Insight's Sales and Marketing Effectiveness solutions work on first-hand customer preferences collected real-time at the point of sale. This avoids the expensive requirement to integrate backend data and systems, provides value more quickly, and covers some well-known gaps of CRM, PRM, SFA, Portal and other solutions in the event that they are also deployed to obtain additional value.

Preference-Based

Online Insight's solutions are unique, because they directly capture and analyze the needs and preferences of the customer or partner in real-time as opposed to looking at outdated demographics, order history, or some other data set — much of which is second or third-hand, and only some of *which might* possibly imply valid customer needs and preferences. There are many critical advantages coming from this first-hand, real-time knowledge.

Preferences are Independent of Product, Service, and Package

When a collaborative customer conversation uncovers sensitivity to price with a strong brand and color preference, along with willingness to pay extra for expedited delivery, this first-hand, real-time knowledge is not limited to the widget sold in that particular sales interaction. An enterprise can map these needs and preferences across all their product and service offerings, or proposed offerings, to determine a “preference share” representing the percentage of their customer base – their virtual focus group – that would be predisposed to buy that product.

Preference-Share is Independent of Operational Issues

“Preference Share” is an empowering metric. It allows an enterprise to understand how many customer minds are receptive to a product, service, or package completely independent of operational issues. A Marketing or Product Development executive can get a feel for how much mind-share there is around an offering independent of the company’s ability to produce, distribute, support, train, deliver ... that product or service which typically lags behind any new product introduction. It is critical that an enterprise be able to separate these two things and understand if a product’s success or failure is more causally related to the product feature/value set or more to operational problems/issues.

Know Customers from the Inside Out

Online Insight’s SME solutions work better because they understand a customer from the inside out as opposed to other solutions, which work outside only. Observing past purchases, demographics, professional and other affiliations, and so forth may provide insight into a customer’s needs and preferences. However, these observations must go through an error-prone collection and data-cleansing process. They must then be used in an error-prone process of drawing conclusions about needs/preferences from the observations. The conclusions drawn are then likely to be partially contradictory, which then requires some rationalization, and so on. In the final analysis, you are guessing at those “secrets” the customer is keeping from you when he/she would be more than happy to share them directly and accurately if you had the right tools to engage him/her in a collaborative customer conversation, capture these needs and preferences, and analyze them in meaningful ways at the required complexity, scale, and velocity. It is far better to know your customers from the inside out than stay outside and guess.

The Sales-Side: Collaborative Customer Conversations

Key to harnessing the power of personal needs/preferences to make sales and marketing more effective is the process of a collaborative customer conversation, which is defined by a number of important features:

1. The customer controls the interaction, explicitly making the tradeoffs required to reach satisfaction and refining our understanding of his/her needs and preferences at every step.
2. *Truly* a 1:1 conversation between the enterprise and the customer.
3. Laser-focus on understanding the customer needs/preferences relative the enterprise’s products and services.

4. Occurs real-time in the sales interaction.
5. Leaves no assumptions about needs and preferences unchallenged.
6. Does not require backend data or functionality.
7. Uses our unique, proven technology to obtain a statistically refined blueprint of customer needs and preferences.
8. Is completely configurable in terms of length and conversational style.
9. Can ask additional questions outside the scope of needs/preferences as desired by the enterprise, and
10. Uses automation allowing advanced mathematics at computer speeds to match complex customer needs/preferences to product or service features/values in real-time maximizing customer satisfaction and enterprise deal-closure rates; the ultimate win-win value exchange!

These collaborative conversations with a customer, and the mathematical models our system generates from them, achieve the objective of dramatically increasing sales and marketing effectiveness. Additionally, they provide more psychological benefits:

- Customers sense that the seller genuinely cares about them as an individual.
- Trade-offs inherent in any purchase are made explicit to the customer, so that he/she feels “bought in” and confident about the sales process and eventual purchases, and
- Enterprise sales, marketing, and product executives sleep better at night because there is a closed loop between customer needs/preferences and sales strategies, as well as a closed loop between customer needs/preferences and product or service offerings.

The Breakthrough of Real-Time Preference Models

Businesses — especially their sales and marketing organizations — care about preferences because they drive all customer behavior, including purchasing. The importance of this information creates a need for a solution to manage it. The complexity of preferences and preference analytics creates a further need for Online Insight’s powerful solution based on the mathematics of conjoint-analysis. A central piece of our solution is the algorithmic way we capture customer needs/preferences in a computer model and leverage it to improve sales and marketing effectiveness. Some key abilities of this model include:

- Identifying relative importance of product or service features to a particular customer.
- Modeling interplay between preferences – e.g. a measured trade-off of speed and storage capacity for a better brand.
- Knowing where the critical “break-points” are in customer-perceived value, and
- Providing a virtual focus-group that can be used to measure the market pull for new or modified products/services.

This model makes it possible to eliminate guessing about customer motivations through external observations and start going directly to the “horse’s mouth” in real-time. With Online Insight’s solutions, you don’t have to wait months for market research to be completed or days for complex analysis to run over terabyte data warehouses to know what your customer’s needs/preferences are or were at the time the research was performed or the data was collected. You can share secrets with your customer at the complexity, scale, and velocity of actual e-sales interactions.

Making Tradeoffs Explicit

Most customers come to the table with unrealistic expectations of a sales transaction. They want the most attractive, fastest, biggest, most luxurious, and most popular widget in the store for 10% of the stated price. An expert salesperson knows how to deal with this situation. He/she will guide the customer through the trade-offs necessary to reach a point of mutual satisfaction for the customer and the business. This process makes unknowns explicit, sharing secrets back and forth about what the customer really wants and what the products or services really offer as a value proposition. It is this collaborative customer conversation that enables the customer to feel good about what he/she is buying and the business to feel comfortable that a positive customer interaction with the potential for ongoing relationship value is underway.

Does this process of making tradeoffs explicit and matching customer needs with product or service value propositions require historical data about past purchases or demographic data about the customer? No, it does not. In fact, an expert salesperson will deliberately challenge any assumptions he/she might have made on the basis of historical or demographic information to ensure they are accurate at this particular point in time. In the end, the only possible advantage to historical or demographic data is to speed up the conversational process in the areas where old assumptions remain valid. A very interesting point to notice here is that even the most expert salesperson cannot be guaranteed to reach an optimal point of satisfaction for both sides in this making of tradeoffs between needs/preferences and features/value, because there are so many preferences and features to be matched and prioritized. Online Insight’s solution is not bound by human limitations on scale, complexity, and velocity. Our software can execute more conversations, with more preferences and features, at speeds that are many orders of magnitude faster than the best human sales executives. In short, not only can we achieve similar results to a human sales force at a lower cost, but we can achieve better performance – qualitatively – across tens of thousands of additional sales interactions in the same period of time.

1:1 Interactions vs. Mass-Customization

Backend data-driven systems operate on the principle of mass-customization as opposed to 1:1, individual interactions. We can see this in Figure 2 below where the full area of the circle on the left represents all of the customers that an enterprise sells and markets to divided into “masses” according to marketing-determined conditional expressions. The

panel on the right shows 1:1 interactions and demonstrates some of the inherent problems of customer “massing”.

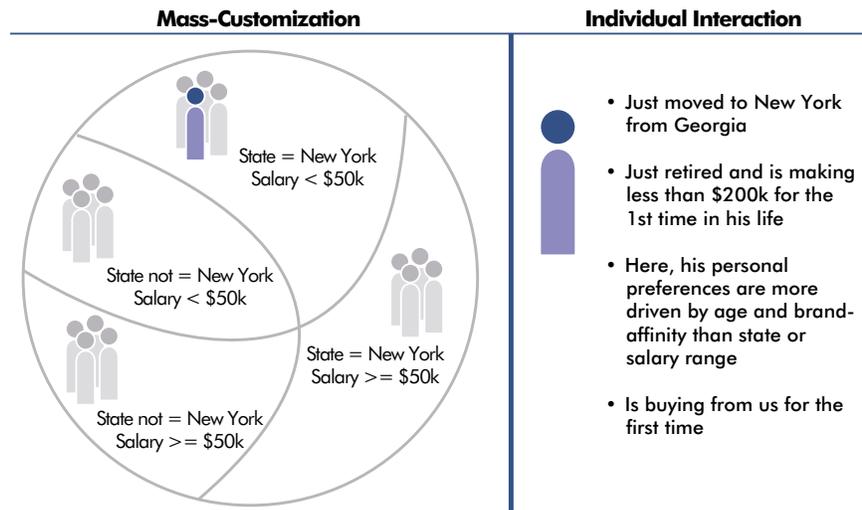


Figure 2: Mass-customization (left) vs. 1:1, individual interaction (right)

No customer can be perfectly pigeonholed under this or any other mass-customization scheme. Even when an enterprise spends years to research and develop expressions with hundreds of conditions that divide customers into thousands of tiny “masses”, bad assumptions about *individual* preferences are made. Additional problems are also inevitable, including:

- How reliable is the source of our data about where someone lives, what their salary is, ...?
- What do we do when a key piece of information, say state or salary, is not present in our database?
- How confident are we that our data about a customer hasn't changed and simply has not been updated yet?
- What happens when we use multiple customer databases and find data that is inconsistent?
- What happens when we merge customer databases, e.g. in an acquisition, and find that different attributes were being stored or different attribute names were used, thereby making it very difficult to write conditional expressions across the merged database?

1:1 Interactions Vs. Predictive Relationship Management

Predictive-selling has similar problems to mass-customization. Here, instead of assuming that customers with common properties in a database will have similar goals and motivations, we assume that all customers with buying-habits in common – and perhaps database properties as well – will react similarly to a new buying situation. There are many examples of predictive selling, including:

- We predict customers that bought product X will buy product Y when it is presented.
- We predict that customers in northern states will purchase the heavy coat when selecting from the rack.
- We predict that customers in our monthly buying club will buy a gift membership for others when they need a gift, and
- We predict that customers with a salary over \$100K replace their purchases instead of returning them if they break.

Here we have all of the problems experienced in mass-customization plus new ones ... because we are making a second leap! Not only are we assuming that conditional expressions can cull-out a subset of customers with similar goals and motivations; but we make another assumption that putting any of these individuals in a new situation (e.g. time to buy a gift for someone) will result in a common behavior (e.g. give a gift membership in the monthly buying club).

Real-Time, Collaborative Customer-Driven Interaction is Best

The only way to truly optimize sales and marketing effectiveness is through a collaborative customer conversation that accurately captures an individual's preferences, real-time in an actual interaction and challenges all pre-existing assumptions about masses of customers and past behaviors. Other systems working to refine mass-customization and predictive approaches will never provide the loyalty benefits of good 1:1 psychology with the bottom and top-line business benefits of building expert, individual customer selling and marketing relationships.

The Self-Service, Value-Based Exchange

An emerging trend across industries, especially prominent in the United States but also present and rapidly growing globally, is a desire for self-service in the buying and other customer interaction processes. Many customers, and particularly the highest-value customers, would rather help themselves to a company's products and services than work with a live salesperson or phone into a call center. This trend once again highlights the value of our solutions. Customers can work through tradeoffs and make a recommended purchase without leaving the self-help paradigm, but instead of a typical self-service arrangement where the customer blindly searches for a satisfying product from thousands in a catalog, our solutions holistically match the total set of customer needs/preferences to each product's total set of features/values and explains *why* a particular product is a great fit.

Recent analyst research shows customers will offer higher margins in exchange for the confidence this very *scientific* process gives that a purchase will truly satisfy the whole need. Customers understand that the value-based exchange is not pushing product on

them just because they are in a particular customer segment. It is allowing their needs/preferences to *pull* optimal products their way. Customers feel in-control instead of under-the-control of the interaction.

The Marketing Side: Turning Preferences into Actionable Intelligence

Obtaining the need/preference information from customers and using it to achieve a win-win sale is an important step, but it is not the last step in the Online Insight sales and marketing effectiveness face-lift. These models can now be leveraged to really add customers and extract new value from existing accounts, thereby rewriting the very limits of ROR.

High “Actual” Targeting but Low “Perceived” Targeting

Everyone familiar with traditional targeting and personalization systems knows that there is a psychological game being played every time a customer interaction occurs. Even though these mass customization/prediction systems are essentially guessing at a customer’s needs/preferences at a particular point in time, there is the potential that these guesses are right and perhaps too right for the customer to feel comfortable. I may have never told you my salary or race or credit status, and may very well be taken aback if I see a message along the lines of: “Dear John, since you will make \$82,400 this year and are a minority individual with A+ credit status I have a wonderful offer for you...” The game being played is one of actual targeting versus perceived targeting. Any information that you may actually have which the customer did not give you, should not be perceived as being used “against” him/her in a future interaction.

Again we see the power of Online Insight’s new approach to sales and marketing effectiveness. Not only is it more accurate and up to date, but also it “feels” much less invasive to your customers. Since you are getting your better data via a collaborative conversation with them, and they know they are giving it to you; you can use it freely to do preference-based marketing in the future. A value-based exchange occurs in which the customer shares with you their secrets, so that you can provide better service and will reveal secrets of your own about products and services enabling a deeper understanding of why they have value.

Perfect blend of complexity, scale, and velocity

In most enterprise software applications, there is a 3-way tradeoff that has to be made between complexity, scale, and velocity of the information collection and analysis. You can do more complex analysis more quickly if you run it over less data. You can analyze

information faster if the analysis is less complex and/or the dataset is restricted in size. This 3-way tradeoff is self-evident. What we wish to point out is how perfectly our preference-based sales and marketing effectiveness solution balances these three competing elements compared to mass-customization/data-mining/predictive systems. The following table summarizes the critical points here:

	Complexity	Scale	Velocity
Online Insight	Conduct a collaborative customer conversation and build a preference model	Mathematical Preference Models and product/service descriptions	Very High, can be done in real-time with a customer
Other Applications	Analyze all the data; come up with some winning business rules to apply in marketing and sales; attempt to implement these rules accurately in a variety of computer languages across CRM/ERP/SFA/... systems before the next set of rules is ready to be implemented	Hundreds of past order line-items, pages of demographic data, market research studies, ... and product catalogs	Very Low, most of this is typically done in a batch mode during times when the systems are under-utilized

With Online Insight’s preference technology, since compact mathematical preference models keep the complexity low, we can support much higher scale (i.e. number of customers) and velocity (i.e. collaborate and recommend optimal products in real-time). Additionally, there is far less manual intervention required in the process. No one has to integrate data from different ordering and customer systems, convert business logic into different computer languages for use in different software applications, or setup and manage long-running statistical batch jobs that tie up computing resources for long periods of time. The preference models are built, used, and stored in real-time without any significant technical work required after the system’s deployment.

Actionable intelligence

There are many types of actionable intelligence provided by our preference-based solutions. All are qualitatively better than our competition for one simple and compelling reason. This intelligence represents real-time preferences from the customer himself/herself instead of “guesstimates” based on assumptions about external observations.

Dynamic Reporting

One form of actionable intelligence comes in the way of dynamic reports through our executive information portals. We provide a few examples here:

- The relative importance of features to a customer’s needs/preferences, e.g. brand and price are the most important features to this customer at this point in time, with neither being more important than the other.

- Utility profiles on features show the critical break-points in a customer’s mind, e.g. square-footage of a house is important, but I don’t see much of a difference between 1,000 and 1,100 square feet. I will, however, show much stronger preference for a house that is 1,250 square feet.
- Feature/Premium analysis shows how much this customer will pay for a feature, e.g. I will pay \$100 for an additional 5 Gigabytes of hard-disk space on my computer, and
- Common statistical metrics including correlation analyses and statistical summaries (like means, standard deviations, minimums, maximums, and so forth).

Simulations, Leveraging Your 24x7x365 Virtual Focus Group

In addition to dynamic reporting, the system allows “what-if” scenarios to be composed and evaluated. Consider the case of new/changed product simulations. It is possible to modify the features of an existing product or create a new product and run it past your virtual focus group of preference models to determine just what “preference share” this new/changed product would receive and additionally understand what preference share it would steal from other products you or your competitors have in the marketplace. There are many ways this powerful functionality can be used to your business advantage, including:

1. Load descriptions of your competitors’ products to see what preference share your existing and in-development products have/will-have compared to them.
2. Field-test a new product on your computer even before you spend the money to prototype or make the first test production run.
3. Understand which products have low preference-share and therefore margin compared to the operational costs to produce, sell, and distribute them so that you can remove them from your offerings.
4. Experiment with product/service bundles to see which packages provide better need/preference coverage than selling goods and services individually, and
5. Get a much firmer understanding of what preferences drive customers to a particular product.

Technology

The technology used for our solutions is truly leading-edge and designed to ensure that it remains “future-proof” as operating systems, messaging technologies, programming environments and more move to obsolescence and are replaced by the next hot thing. There are a few points to mention.

Clustered Architecture

Our software is designed to be deployed within a cluster of servers at a size commensurate with the processing load anticipated. For this reason, processes are re-allocatable

across servers within the cluster to provide fault-tolerance and maximal throughput with manageable hardware costs. Should scale exceed the power of a single cluster, linear scalability beyond this point can be achieved with parallel cluster configurations. This parallelism comes with the added benefit of additional fault tolerance. The take-away is that our solutions are built to maximize hardware and minimize operational headaches.

Interface Independent

Our solutions can take on a whole new look-and-feel at any client website with minimal effort. They can be embedded directly into an existing web-presence or our reference-implementation (sample interface) can be customized to take on the client's corporate image.

Platform Independent

Our solutions, written in pure enterprise Java, run on any platform within the Java runtime environment. This allows maximal flexibility in selecting hardware and operating systems to minimize operational costs and training.

Database Independent

Our systems communicate with databases through standard Java Database Connectivity (JDBC), allowing for the use of most enterprise class databases. This again minimizes the operational requirements on an organization and allows them to select the most competitive storage options at the time.

Built on XML

All data within the system is expressed in XML, which allows easy integration to external software and standards. Existing solutions such as Executive Information Portals (EIP) can easily accept preference data, the WHY behind what is happening in the business, and display it for executives to make quick decisions.

Tailoring to Vertical Markets

Online Insight's solutions can easily be tailored to a vertical market, because of its interface independence and embodiment of standards. To make support of key verticals even easier, Online Insight possesses vertical-specific market research, reference implementations, and instructions that can jump-start a client in our target markets which currently include financial services, homebuilding, and retail among others.

Recapping with an Example

Here we want to provide a generic example to allow the reader to really understand preference-based Sales and Marketing Effectiveness (SME). Consider a business that resells widgets. Online Insight's solutions can increase the sales and marketing effectiveness of this enterprise dramatically without a lot of backend integration and months of development or customization. We start by understanding the products themselves. There are five features for widgets and several options for each of these features, any combination of which the company may choose to include in their product line:

Brand:	Company X, Company Y, Company Z
Color:	Red, Green, Blue, Yellow, Orange, Purple, Black
Top Speed:	10 mph, 20 mph, 30 mph, 40 mph, 50 mph
Warranty:	1 year, 2 years, 3 years, 4 years
Price:	Anywhere from \$1000 to \$6000 in \$1 increments

Even in this simplest of cases, the number of potential products that can exist based on these features with these options is 2,100,000. In a make-to-order environment with heavy discounting for channel deals and high margins in retail deals, it is likely that, at some point, many of these 2M+ products actually will be made and sold. In a more typical environment without custom ordering, the reality is that only 5% or so of these products will actually be produced and sold. Even then, there are 105,000 products for customers to choose from. They will greatly appreciate some help in doing so.

The Sales Side

Customers need help understanding WHY they would choose one of these products from among the 105,000 or so available to best satisfy their needs/preferences, and they need this help NOW. This is where Online Insight takes over by helping the customer understand what is really driving the purchase – facilitating them in a process that they can only begin on their own. This collaborative customer conversation begins by getting a rudimentary importance rating and ranking of the product features. This can be offered through a wide variety of interfaces, but might typically appear as a “gut feeling” rating from 1-5 with 5 being the most important, like this.

Brand:	1
Color:	5
Top Speed:	4
Warranty:	3
Price:	5

The customer, in collaboration with the system, has decided that price and color are the most important, and equally so, followed by top speed, warranty, and brand.

Preference rating and ranking are also necessary for the options when it is not obvious to the system what the preference order should be. In our example, the system can assume

that lower price, faster top speed, and longer warranty is always better. That leaves brand and color up to the collaborative conversation to understand. Let's assume the customer shares these secret preferences using the same 1-5 rating scheme:

Brand X:	5	Red:	1
Brand Y:	3	Green:	5
Brand Z:	1	Blue:	4
		Yellow:	2
		Orange:	1
		Purple:	3
		Black:	2

This tells us that Brand X is preferred over Brand Y over Brand Z. Also Green is the preferred color over Blue, over Purple, over (Black and Yellow which are tied), over (Red and Orange which are tied for dead last) in the preference order.

Now, how certain is the customer about these importance ratings/rankings? Likely he/she does not feel very certain at all. It is the first time they have been asked these questions in addition to being the first time they really understood what features were available in widgets. To remedy this, the software moves on to refine the preference model and give the customer a good feeling that the system understands his/her personal needs and preferences at this precise moment in time. This is done with tough-to-answer, automatically generated, *trade-off* questions like these:

Which of the following widgets would you prefer?

	A	B
Brand	Brand X	Brand Y
Price	2000	1800
Color	Green	Green

This is a tough question because we know price and color are most important and brand should be unimportant to this customer. We expect him/her to choose B, the second-choice brand, since it is still Green and is offered at a lower price. If he/she answers "A" then we know that our relative importance values for brand and price need adjusting.

The next dynamically generated trade-off question uniquely crafted for this 1:1 conversation may ask the customer to choose between these two options:

	A	B
Brand	Brand Y	Brand X
Price	2000	1700
Color	Green	Blue

Once again, this is a tough question. The customer says Green is the most preferred color, however, price is also a most important feature and Brand X is slightly more attractive than Brand Y. Based on the answer to this question, Online Insight can tweak the preference model again in real-time, getting ever closer to a perfect understanding of

needs/preferences. As a side-benefit, the system shows the customer how his/her preference model is shaping up so that he/she can see the trade-offs clarifying his/her feelings and facilitating him/her in understanding needs and preferences that were just vague notions moments ago. This process also helps the enterprise by teaching the customer that he/she must make some trade-offs, thereby shortening the sales cycle and well-qualifying leads; since the customer now understands what is available and that he/she cannot always have the fastest, best brand, most beautiful widget at the cheapest price. The number of trade-off questions that are asked in a collaborative customer conversation is completely configurable within the system. Statistically, seven (7) trade-off questions are enough to refine a preference model to within 95%+ of the “true”, secret needs/preferences in the customer’s head. However, many of our customers are achieving excellent results with fewer.

Online Insight’s technology can take this near-perfect blueprint of the customer’s thought process and go identify the k-widgets that are most ideally suited to his/her needs and preferences. This provides a meaningful choice for a company choosing our solution. Do you – the enterprise – want to ask your customer 7 questions that help him/her really understand his/her preferences and, in turn, feel good about how they match to your product offerings OR do you force him/her to somehow sort through 105,000 product offerings on his/her own? It’s a no-brainer, but just in case you are still on the fence, consider that you can also keep these blue-prints of customer needs/preferences as a virtual focus group for marketing efforts going forward to direct offers based on needs/preferences and also field-test new product offerings without ever having to physically make and test-market them.

The Marketing Side

Online Insight has greatly improved your sales effectiveness and spun-off these real-time, first-hand need/preference models of customers that were more fully-satisfied because you helped them buy exactly the right products at the right time. You can now profit a second time from your investment by leveraging these need/preference models to even further grow your customer-base, revenue, profit, return on investment (ROI), and return on relationships (ROR). You can expand your widget empire by having black-and-white answers to questions like:

- If I discontinue “Orange” as a color, then how many customers would quit buying from me? This matters because producing another color costs \$500K a year and I only sell \$2M worth of Orange widgets each year. If those customers who buy Orange widgets are not too color-driven, I can definitely increase my profits significantly by discontinuing the Orange line.
- How much more can I charge for a widget if I raise my standard warranty from 3-years to 4-years? This matters because I’m looking to find ways to increase my margin without overly impacting the volume of business I do. Along the same lines, what would happen if I reduced my standard warranty from 3-years to 2-years and kept my prices constant?

- Today I would like to add a new product to my line to increase my market share. I have a few options; tell me which one will have the largest preference-share and therefore add the largest volume to my business with the highest margins.
- I want to raise my prices. Tell me where the major break-points are on price for each product given the preferences out there for their brand, color, top speed, ... For example, the current price on a Brand X, Green, 20-mph widget with a 3-year warranty is \$2000. At what price above that do customers quit buying based on their price sensitivity balanced against their natural preferences toward this product?
- Based on preferences, how much have customers really been willing to pay for incremental speed? Was it \$100 for every 10-mph, \$150, \$200?

This is the native power Online Insight's solutions have to increase marketing effectiveness, and this alone is very compelling. However, there is another dimension that is equally real. Online Insight's systems, computing and analyzing these preference models, can relay the information in a standardized way via the eXtensible Markup Language (XML). This allows the WHY around the buying behaviors of your customers to be laid right next to the WHAT held in your other systems. When sales for a particular product start to fall off, you can explain WHY. When more customers are lost than normal, you can use the preference data to explain WHY. When a particular marketing segment defined in the old way (people in 'NY' making over \$50K and having more than 1 child), prove ineffective in predicting sales behavior the WHY of Online Insight can be used to fix that segmentation scheme NOW.

Summary and Conclusions

Online Insight's solutions offer a breakthrough in sales and marketing effectiveness that allows customers and companies to share their respective secrets – customer needs/ preferences and product features/value – at the complexity, scale, and velocity necessary to achieve win-win business interactions in real-time. These solutions harness the power of unique, patent pending technology to capture and analyze first-hand customer preferences, standing-alone or significantly leveraging the capabilities of existing customer relationship management (CRM) solutions. These preferences, the golden nugget of CRM, explain the WHY behind what is happening with your products and services in the marketplace... and it performs this NOW.