

Increasing Retailers' Sales through Personalized Product Recommendations



Ken Levy
Co-Founder & CEO

About 4-Tell

4-Tell increases sales for retailers by 17% with personalized product recommendations (e.g. 'People also bought'). 4-Tell is the industry's first solution with instant integration, retailer control, guaranteed results, and truly omni-channel – web, email, mobile, ads and in-store. Their Boost® Engine engages shoppers by automatically merchandising products they are likely to buy, and improves with each shopper behavior. We server more than 2 billion recommendations per month, and more than 200 merchant sites use 4-Tell's Boost®. For more information, contact sales@4-Tell.com, +1.503.746.9070, or www.4-Tell.com.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Levy, what is the concept at 4-Tell?

Mr. Levy: We help online retailers sell more of their products. More specifically, we help the shopper find what they are looking for by giving product recommendations or personalized suggestions to the shopper while they are shopping on the retailer's website, receiving email from the retailer, or looking at their mobile site advertisement. We provide Amazon-like tools for the other five million online retailers.

CEOCFO: Is that being done as much as it should today?

Mr. Levy: No, 84% of consumers say that if suggestions were personalized to them, they would be happier, yet most websites and email do not have personalization. Many retailers try to manually create recommendations, but it neither not one-to-one, nor looking at the shopper's real-time preferences or behavior.

CEOCFO: Is this because people have not considered it important enough or has the technology not been in place?

Mr. Levy: It has been the latter. The very largest websites like Netflix and Amazon have built it themselves, driving to the next level. There are different vendors that provide solutions but it is an enterprise selling model that costs \$20,000 (and up) and the set up takes months. These types of solutions are only for the largest retailers. It was not until companies like 4-Tell came out that all retailers could afford the technology. We built a plug in to our technology that is free if you are on one of our supported ecommerce platforms or email platforms. We integrate in an hour to our service. There's no annual contract - we earn your business every month. We have 99% retention and we make it very easy for the retailer to stay with us. We track everything and measure results using the industry standard Google Analytics. It's easy for customers to see they are earning at least ten times what they are paying for us. In reality, the ROI is usually much larger, typically 30-50 times.

CEOCFO: How does your system work?

Mr. Levy: This is easiest to understand with an example. Let's say you are a shoe retailer and you are selling shoes online. Every time a shopper looks at a web page from your site, our system is in the background predicting what they are going to buy. It is showing them, if you are looking at this running shoe and perhaps it is not quite right, here is another running shoe you might be interested in. It's based on a combination of knowing other people looked at this running shoe or bought it. Another way we work is if you are buying this running shoe, here are some running pants or a shirt to go with it. Dynamically, every web page view is suggesting what we think they will buy at that minute. It is effective - we are serving over two billion recommendations a month.

CEOCFO: How do you do all of those pieces so quickly and efficiently? What is the secret?

Mr. Levy: When you want to go out and build a technology that a retailer of any size could use, you cannot create a solution that takes months to set up and is highly customized. You have to build a platform that works great out of the box yet allows each client to customize it themselves, keeping maintenance and cost of ownership down. In addition,

everything we do is memory cache, so it is very quick. Our system is designed from the ground up to very fast, efficient, and self-authorizing and it is learning all the time.

CEOCFO: *Is it strictly based on what the person is buying or has bought?*

Mr. Levy: Today what we are doing is based upon shopper behaviors, what they are buying, what they are looking at, but it is not just for that person. We also look at what everyone else did, too. We are in the process of also looking at your preferences are and your persona.

CEOCFO: *By what degree does it hone it down? How do you judge what characteristics may have an effect?*

Mr. Levy: We are integrated with Google Analytics so every retailer can track exactly how the recommendations are doing, what type of recommendations, what page and how much revenue they are driving. We looked at almost a 100 retailers over a four month period and on average, we increased their sales by 17.1 %. Down deep in the algorithm, it is learning what is working and is related to shopper behavior. If it thinks a recommendation is good and someone buys it, it strengthens that connection. If someone does not buy it, it gets weaker.

CEOCFO: *Is time of day a factor?*

Mr. Levy: Time of day could be a factor. For example, if you are selling specials like a coupon for lunch, you do not want to send that out at dinner or breakfast time, but for most of the retailers we deal with, it is not a factor.

CEOCFO: *Who is using your services? How do they find you and how do you find them?*

Mr. Levy: We have over a couple hundred different retailers around the world using our service and they either find us because they searched the web, found us at a trade show or we have identified them as someone who could use our services. It is standard internet marketing.

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CEOCFO: *You have a number of different services. Would people subscribe to individual services or do they tend to take the full solution?*

Mr. Levy: Most people today start with their website. That is kind of their most important property and then they expand to mobile and email. Nowadays, mobile is 35% of browsing behavior, about 20% on phone, 15% on tablet. The conversion rate is different, so people actually buy on mobile is much lower than the desktop. The studies show that people are looking at their phones or tablets while they are going to work or coming home, figuring out what they want and then buying it later from home is the popular belief. That is very important for recommendations because your mobile screen is so small, so you cannot effectively search a site; you really have to be shown what you'll like. You can think of what we do, personalization, as a different way of navigating your site that is unique for each person. This means they can find what they are looking for, which is really important on a small screen. There is also email, so when people are receiving emails, rather than just saying "Hi" and putting their first name, which is what most people do now. It is showing products they will like in an order confirmation email; your weekly or monthly newsletter, and your daily deal. We see huge increase in sales when people add recommendations to a daily deal email.

CEOCFO: *Is it well established that people like getting this information?*

Mr. Levy: In this day and age, where I am not just watching TV and you have to broadcast to the world, if you are going to advertise to me, give me something really relevant. Let us look at the average shopper, they go to Google and search, they find a product, click into your webpage and look at it for one second. If that is not the product they want, they are gone – unless a personalized recommendation on that page catches their eye. With recommendations, you can show them the products they want and they are more likely going to stay on your website and the stats show they like it. For example when you look at people who clicked on a recommendation, they tend to view four times the number of pages and they are three to four times more likely to buy something than someone who did not click on the recommendations. You are helping them find what they want on *your* website, otherwise they are going to be gone because your competition is a click away, not a car ride away.

CEOCFO: *What is the competitive landscape for 4-Tell? Are there many companies that offer something similar and are there any that really have the depth that your provide?*

Mr. Levy: There are really no other companies that are focused on providing this technology to all retailers. Several companies are focused for the largest retailers, and work as business consultants. In fact, many of the larger retailers like our solution because they have a merchandising team and they like the fact that they can control our solution With business rules that they setup, rather than paying for our consultants to setup rules. Alternatively, retailers try to manually

setup recommendations. After trying this approach, they realize that it does not work that well, it is very time consuming, cannot be outsourced, and is not nearly as good as what we do. They are more likely to use our solution after they try doing it themselves. We increase the revenue of about 50% over top merchandisers doing recommendations manually. We are dynamic, personalized and constantly learning. It is a very useful product and our 99% retention rate proves our customers agree.

CEOCFO: *When you are speaking with a prospective customer, do they understand the difference and realize the depth easily or at what point do they understand it?*

Mr. Levy: They really understand the difference of personalization solution using shopper behaviors versus a manual system.

CEOCFO: *How is business these days?*

Mr. Levy: We are doing great. For several years in a row, we have at least tripling revenue. We get far more compliments than we do complaints!

CEOCFO: *What surprised you as the business has grown and developed?*

Mr. Levy: You asked earlier how we reach customers and it is more difficult than we thought, which has been one of our growth limiting factors, getting out in front of customers. We received a little bit of angel funding but we are boot strapped, so we do not have enough for sales & marketing. Our growth is definitely limited by our capital.

CEOCFO: *What have you learned from previous experiences and also from your education that has been most useful in this venture?*

Mr. Levy: Persistence. I think anyone out there who has started a company knows that is a long road to go from a concept to where we are now as a successful business. You hit roadblocks. You have highs and lows and you have to keep driving and driving everyone who is with you. My co-founder and I support each other are the leaders keeping employees motivating with our vision

CEOCFO: *Put it all together. Why pay attention to 4-Tell?*

Mr. Levy: There are five million online retailers out there, and they need personalization. Amazon has proven it works, and makes an additional \$47,000 per minute from personalization. If these other five million retailers want to compete, they need to have the same technology, and we provide Amazon-like tools for them.

BIO: Ken has 22 years of technology experience. He quickly synergizes diverse technical and market data into new, useful products and patents. Ken used this unique ability to start four companies, sell one company's IP to Digimarc, become VP of Technology of a hardware startup, develop real-time software as early as 1987, and create 78 issued patents and 152 published applications worldwide. During his five years at Digimarc, Ken helped create a global licensing program, positively affected many standards for Digimarc, led an international team with Philips, and developed a secure ID architecture that became part of a US law. Ken has BS, MS, MSEE, and PhD degrees, finishing his PhD in less than three years with 13 publications and a 4.0 GPA. In summary, Ken is intrigued by new technology, emerging markets and people's behavior, and uses his creativity to turn this passion into revenue-generating technology.



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