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Pay-for-Performance Solutions

A Delivery Model for a Risk-free, Turnkey Customer Acquisition Channel



LIVEPERSON

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Introduction

Though the success of live chat is generally well-documented, many ecommerce managers today have deep concerns about implementing it within their own organizations. Those concerns are understandable. To begin, all technologies, regardless of how straightforward they may seem, vastly increase in complexity once they reach the enterprise level. For an enterprise-class organization, 'live chat' easily morphs into an online engagement solution; one that may encompass multiple communications channels, integration with back-end systems, the hiring and training of staff, as well as the development of specific, measurable goals.

The newness of live chat means that few ecommerce managers have direct experience with the technology. In many cases, these managers would like direct assistance from their solutions provider in the day-to-day operations of their live chat channel. Without the ability to tap into a deep reservoir of experience among their own staff members, enterprises look to their providers to guide them on a course that mitigates risk.

LivePerson believes in offering flexible online engagement solutions models that enable enterprise organizations to reap the benefits of chat-based sales and service solutions, regardless of their in-house expertise and staffing resources.

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LivePerson Solution Delivery Options

LivePerson offers two models for enterprise-scale chat programs: traditional and pay-for-performance. Both models utilize the LivePerson third-generation engagement platform and leverage the company's deep domain expertise and best practices.

The difference lies in the management of the program's day-to-day operations and in the cost model:

	Traditional Hosted Model	Pay-for-Performance Model
Channel Staffing	Customer is responsible for selecting frontline engagement resources, either internally or via existing outsourced relationships	LivePerson Certified Agents are utilized
Day-to-Day Operations Management: <ul style="list-style-type: none">• Program strategy• Performance management• Agent optimization	Customer assumes ownership	LivePerson assumes ownership
Active Analytics (self-learning predictive modeling that scores visitors based on attributes)	Provided on case-by-case basis	Provided in Month One of implementation
LivePerson Compensation	Customer invests in services (product subscription) and operational resources (Professional Services)	LivePerson responsible for success with fees directly tied to performance

Criteria for Success

Regardless of the delivery model selected, success of an online engagement program depends on two crucial criteria:

1. Selection of staff (agents) who have the requisite skillset to deliver on the goals of the program
2. Establishment of a robust program management framework that maximizes yield, i.e., sales or service achievements at the lowest possible cost per interaction

Selecting Staff

Chat agents will require training on the mechanics of the channel (how to use the chat platform, access canned messages, engage with multiple visitors concurrently, and to communicate succinctly). They'll also need to develop online sales and service skills that enable them to sell and resolve customer issues effectively through chat. Finally, they'll need to learn the specifics of the product line. Product training must take into account the parameters of a chat session, and the unique features – such as page-pushing and co-browsing – that can be leveraged in support of online sales or service interactions.

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Establishing a Robust Program Management Framework

A robust program management framework is essential for targeting visitors who are most likely to benefit from a real-time interaction with an agent. That framework is driven by a strategy for delivering incremental contribution: Sales and service results that are above and beyond what happens on a site organically.

Targeting self-servers is a costly mistake, as agent resources are applied to visitors who will convert or resolve an issue on their own, thereby unnecessarily driving up the cost of sales and service. To avoid this pitfall, the LivePerson program management approach emphasizes the lowest possible cost per interaction by focusing entirely on incremental contribution.

Determining the Right Solution Delivery Model

There are many criteria that enterprise organizations use to select the right model for them, and a LivePerson Account Executive can assist with a review of those criteria.

One set of criteria relates to the company's online strategy. Of utmost importance is whether the enterprise has the people and processes in place to support an ongoing relationship with fully Web-based customers. Because chat is a new technology, many enterprises do not have the internal expertise required to implement chat as a sales channel, and more importantly to optimize it on an ongoing basis. An enterprise may prefer to outsource the program management of its chat initiative to its solution provider. Later, as ecommerce managers see how success is measured and optimized, they can bring program management back in-house.

Another set of criteria relates to product complexity and the potential need to access internal business applications in support of customer engagements. In many instances, that engagement strategy is significantly enhanced when integrated with the enterprise's CRM or other backend systems. If cross-selling product lines is a top goal for the enterprise, knowing which visitors are current customers and the products they own is a strategic asset. Some enterprises may have the internal resources and expertise to accomplish this strategy, while others may require the assistance of their provider.

A third set of criteria relates to an organization's level of comfort with outsourcing agent staffing and day-to-day program operations to the provider. Some enterprises lack confidence in their ability to evaluate and select a potential outsourcing provider. Moreover, once they do select a partner, they may not have the resources or the experience to effectively manage the relationship, develop a methodology, and establish KPIs that measure success of the program.

About the LivePerson Pay-for-Performance Model

With the Pay-for-Performance model, LivePerson shares in the risks and upfront costs by managing the program as a turnkey sales and customer acquisition channel. LivePerson also takes ongoing responsibility for providing Certified Sales Agents, and ensuring that program goals are being met. Fees for service are commensurate with program's overall performance, as measured by incremental contribution goals established by the client.

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Components of the Pay for Performance include:

- Best-of-class third-generation chat solution delivering incremental contribution and enhancing the customer experience
- Turnkey sales channels for customer acquisition and revenue uplift
- Turnkey program management, focused on achieving customer-defined success criteria

Below is a detailed look at each component of the LivePerson Pay-for-Performance model.

Third-Generation Engagement Platform

LivePerson's third-generation engagement platform emphasizes incremental contribution, whether that contribution is defined as additional orders, more applications submitted, or upgrades to a superior service level. LivePerson customers have realized four to five times greater incremental order and revenue rates over second-generation solutions, an achievement that is accomplished at the lowest cost per incremental order in the industry.

To achieve desired results, resources are focused on engaging visitors who are most likely to benefit from a chat, and efforts are made to steer clear of those visitors who will convert on their own or unlikely to make a purchase under any circumstance. In other words, activities target visitors who will convert or increase the order value if engaged in some way by a site representative. These interactions are the incremental orders and revenue representing the true value proposition of an online engagement solution.

To obtain this value, LivePerson tracks conversion rates of all visitors who exhibit similar behavior patterns, regardless of whether or not they are invited to chat and are engaged by an agent. Doing so allows customers to determine which visitor profiles will have higher conversion rates if a chat occurs. Active rules are then applied to monitor and engage visitors who fit those profiles.

The engagement engine is coupled with a comprehensive predictive dialer that continuously surveys the community of visitors currently on the site and simultaneously assesses the level of agent availability. In the event there are more hot leads (as defined by the ecommerce manager) than there are agents, the predictive dialer controls invitations. As more agents become available, more invitations will be sent.

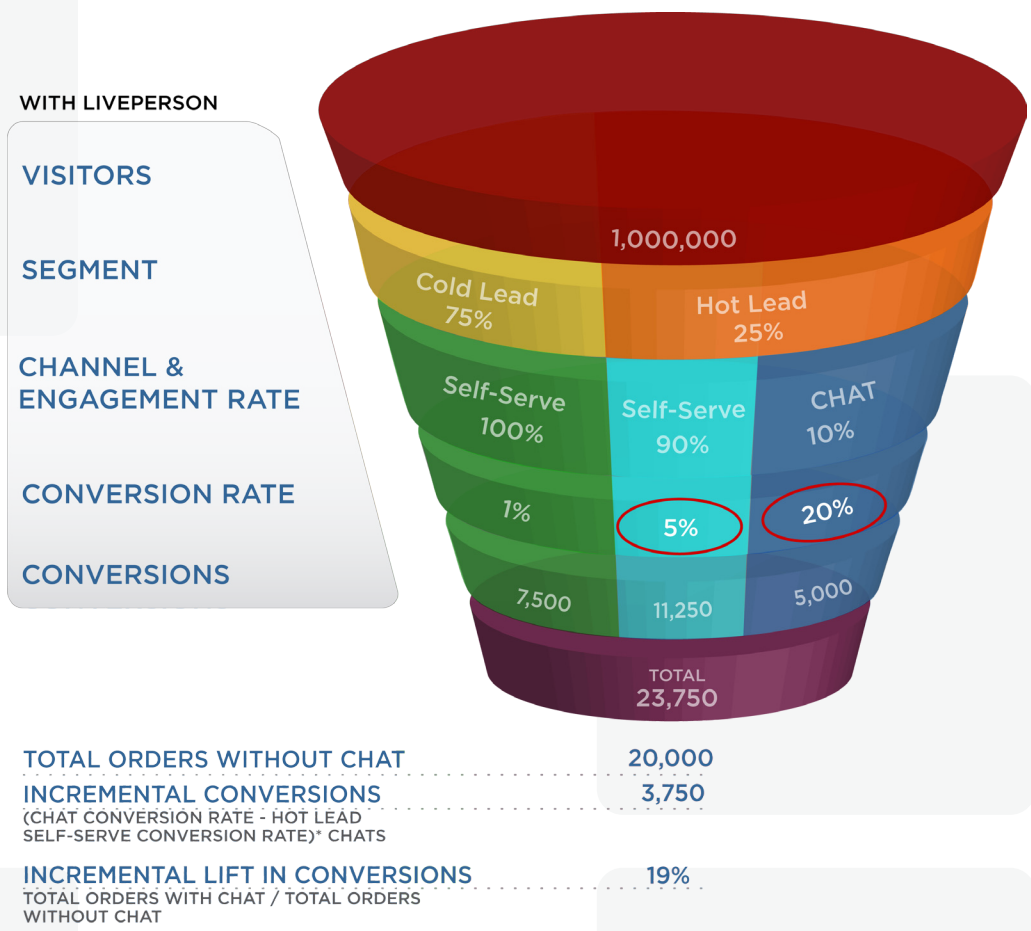
This approach targets the best candidates for chat to secure incremental contribution, and enhances the visitors' experience by eliminating unacceptably long wait times.

In optimized deployments, LivePerson's third-generation platform consistently delivers a 20 percent increase in orders and revenue from the Web channel.

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Delivering and Measuring Incremental Sales



LivePerson segments visitors based on their propensity to make a purchase, i.e., "hot lead." The engagement platform further segments visitors who will self-serve from those who will not, and focuses agent resources on visitors most likely to benefit from an engagement. In the above example, a LivePerson telecommunications customer achieved an incremental 19 percent lift in conversions.

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Active Analytics

With LivePerson Active Analytics, the platform is able to deliver the online experience most likely to satisfy each unique visitor, thereby driving incremental orders, revenue and customer satisfaction. How? With each action or inaction, website visitors provide clues about their true goals. Active Analytics tracks these clues, and applies a score to each behavior based on observed historical patterns.

By paying close attention to those clues and tallying the scores of visitors on a continuous basis, Active Analytics is able to rank order available visitors based on the propensity of an engagement to result in a desired outcome.

In technical terms, Active Analytics uses predictive modeling of historic data to generate a model and applies it to score visitors in real time. The significance lies in the self-learning modeling process, and hence, requires no manual supervision. As visitor trends evolve, so do the models that target visitors for an engagement.

By inviting the visitors with the highest score first, the enterprise can maximize the number of conversions with the lowest labor investment.

Certified Sales Agents

Without a doubt, the costs of hiring, training and maintaining chat agents and their supervisors, trainers and quality assurance resources represent the bulk of the channel's ongoing expense. While many ecommerce managers recognize the benefit of chat, they're also wary of the risk inherent in staffing new sales chat agents – a role with which they have limited familiarity.

To address this risk, LivePerson has established partnerships with providers of sales professionals who may be deployed to help an organization achieve its goals. Should an enterprise opt for this route, LivePerson takes full responsibility for their performance, including training, script optimization and coaching. In the event that goals are not being met, LivePerson will identify and implement required improvements.

To ensure the quality of its partnerships, LivePerson has developed a rigorous Agent Certification Program, focusing on the key elements that determine success for sales chat implementations.

Superior Agent Performance

Many online sales campaigns fall victim to suboptimal agent performance due to common and avoidable factors, including:

- Agents who attempt to manage too many concurrent chats at once, restricting them to merely superficial sales support
- Sales training that focuses too heavily on prescribed scripts for a narrow range of common customer inquiries
- Agents handling concurrent incoming volume from multiple clients
- Agents working in an environment where they are expected to process sales chat volume, phone calls and emails concurrently
- Agent managers who are focused on traditional call center operations metrics, unaware of the nuances of managing an online sales campaign
- Incentive programs that may not reinforce desired behaviors, or in extreme cases, may even encourage behavior that compromises the online customer experience



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To combat these failings, LivePerson Certified Sales Agents are managed daily by dedicated on-site leadership who are well versed in established online sales techniques and best practices. Agents are dedicated to the online channel only, and service just one account at a time. In order to achieve certification, agents must prove to be adept at handling up to three concurrent chat interactions. Ongoing, agents are expected to meet minimum levels of customer satisfaction and key performance indicators. All agents are trained by experienced and certified LivePerson trainers.

Critical Thinking vs. Script Selling

LivePerson agents are distinguished by their highly-developed selling skills that result from considerable method and role-based training on probing visitors, overcoming objections, and matching the right visitors with the right solution. This is a crucial benefit, particularly during periods of real or perceived economic hardship. Satisfied customers are essential to keeping an ecommerce site viable: Product returns, exchanges and cancellations threaten the very core of a business. Skillful agents are able to help visitors make the right decisions for them, and feel confident about it. While LivePerson agents generally follow a script designed to achieve conversion goals, their training in critical thinking allows them to respond to a visitor's unique objections when required.

LivePerson agents are script-supported, not script-driven. This balanced approach to scripting enforces best practices and preserves peak efficiency, while allowing agents the flexibility they need to custom-tailor their responses to the needs of an individual consumer. This approach has been proven to deliver the best mix of effective conversion performance and a positive customer experience.

Program Management

Each customer has a unique definition of success. Establishing the success criteria for each customer is a critical first step in any implementation as all subsequent activities focus on achieving those goals. To this end, the LivePerson team monitors, measures and adapts the program based on site activity, and often in real time.

Definitions for success are as varied as companies themselves. Success can be defined by incremental customer acquisition, by delivering a customer experience that cements life-long loyalty, or by increasing the profitability of the acquisition model.

LivePerson measures results on a daily basis and makes incremental adjustments as necessary to optimize performance. This includes:

- Management of the rules targeting customer engagements
- Creative designs for invitations, buttons and chat windows that garner the best response rates
- Agent scheduling to ensure sufficient staff availability
- Weekly and monthly reports detailing account performance

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Comparing Pay-for-Performance Vendors

Why “Incrementality” Matters to Ecommerce Managers

Undeniably, live chat has proven its ability to convert visitors into buyers. The challenge for ecommerce managers is to ensure that those chat resources are deployed appropriately. In other words, a chat initiative should avoid targeting visitors who are likely to convert without assistance.

As this chart illustrates, the LivePerson third-generation engagement platform delivers up to three times more incremental orders and revenue over other pay for performance solutions, achieved through careful segmentation of visitors into hot and cold leads, and by eliminating self-servers from the target pool.

When factoring total investment in the program (including technology, chat agent resources, and management overhead), LivePerson is significantly less expensive than other solutions, particularly when comparing cost per incremental acquisition and incremental revenue per dollar invested.

LivePerson	Metrics	Competition
Interactive Chats	Total Visitor	All Chats
1,000,000	1,000,000	
25,000	Total Chats	
20%	Chat Conversion Rate	
Sale After Interactive Chat	Total Chat Sales	Sale After Chat
5,000	5,000	
Optimize for Incremental Sales	Self-Serve Conversion Rate of Target Group	Optimize for Total Sales
5%	15%	
3,750	Incremental Chat Sales	
Fees Tied to Incremental Units/ Revenue	Fee per Sale	Fees Tied to Total Units / Revenue
n/a	\$30	
\$40	Fee per Incremental Sale	n/a
\$150,000	Total Fee Paid	\$15,000
\$40	Total Fee Paid per Incremental Sale	\$120

Divide total fee by Incremental Sales

This chart illustrates how the LivePerson third-generation engagement platform delivers up to three times more incremental revenue over the other pay-for-performance models.

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Conclusion

Live chat is still a relatively new technology, giving pause to many ecommerce managers who would like to implement an online engagement solution for their business, but lack the experience or internal resources to ensure success. As a result, companies require flexible solution delivery options that can accommodate their internal skill sets, experience and appetite for risk. Without such flexibility, many online businesses are unable to take advantage of the profound benefits live chat offers.

LivePerson believes in offering two delivery models -- a traditional license model and one that is tied to performance. In the former, the enterprise is primarily responsible for staffing the chat agents (leveraging internal staff members or opting to outsource the function), as well as managing the day-to-day operations to ensure goals are met. In the latter, LivePerson is responsible for ongoing management and staffing.

LivePerson is able and willing to share in the upfront implementation costs (as well as risks associated with implementing a new technology) due to the company's extensive experience in developing, implementing, optimizing and managing such solutions across a wide variety of market sectors. LivePerson Professional Services has deep domain expertise and has developed best practices gleaned from hundreds of enterprise-class implementations. The company's strong network of partnerships with leading providers of sales and service professionals benefits from that experience, enabling the delivery of turnkey staffing options for enterprises that may lack internal personnel to support the channel.

The combination of these attributes enables LivePerson to take full responsibility for managing the day-to-day operations of an enterprise's online engagement effort, and deliver on the substantial benefits that are unique to LivePerson's third-generation chat solution.

LivePerson's third-generation chat solution is substantially beneficial: The platform consistently delivers a 20 percent increase in online sales at a lower cost per incremental order than any competing alternative, and with customer satisfaction scores above any other human-assisted channel. LivePerson's alignment of people, process and technology maximizes incremental sales yield and optimizes orders per hour – the keys to driving the lowest cost per acquisition in the industry.

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