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Interview with PV Kannan from 24/7 Customer



Adrian Bye: So, today I'm here with PV Kannan who is the CEO of 24/7... Actually, can you say the name for me?

PV Kannan: Yes, 24/7 Customer.

Adrian Bye: ...24/7 Customer and PV runs call centers in a number of different countries and he was just telling me, just before when we were talking that he's got around 6,000 seats around the world, so a fair amount of people in call centers. So, we're going to talk today about call centers and how the industry works, and learn a little bit more about the space.

So, PV, welcome. Thank you for joining us and it's a pleasure to have you here.

PV Kannan: Thanks, Adrian. Thanks for having me here.

Adrian Bye: Maybe you can just start out and tell us a little bit about who you are and where you came before we talk about your company.

PV Kannan: My personal background is I grew up in India. I'm a chartered accountant by training, but never worked that one. I joined product consultancy in 1988 right out of finishing my accounting degree and joined as a programmer and these were the days when offshore programming was just getting started. I mean, at that time, TCS that's popularly known, had less than 500 employees and today, it's got close to 100,000 employees. So, it gave me a chance to kind of understand offshore really from the ground-level perspective because I was fortunate enough to be at TCS when offshore programming was taking off.

Then I immigrated to the US in '91. TCS had roughly about I believe, a little over 3,000 employees, so it was pretty explosive growth when I was there and that made quite an impact on me. I came to the US, worked for a couple of high-tech companies and then started my first company in 1995 and this was the time the browser

had come out and a lot of Internet retail sites were slowly swinging up and my programming background was on customer service systems. I built customer service systems for a while, so I thought what does the impact of the Internet on customer service and sales. That's when I hit on the idea that in the future, service could be delivered through e-mail and chat, and chat would be also a very effective vehicle for converting the prospective buyers.

So, I started a company called Business Evolution and it became one of the leading providers to one of the top online retailers. Then '99, the company got acquired by our competitor, Kana for \$140 million which wasn't a lot of money simply at that time because all the deals were in billions of dollars, but it was real cash, hopefully it was a pretty good deal. But unlike you...

Adrian Bye: So, why didn't you just return to India and move to some little village and live like a king for the rest of your life?

PV Kannan: Yes, I've tried that. I actually tried moving to the Caribbean for a couple of weeks and then I realized I have to go bug people or do something, so I had to start another company.

Adrian Bye: Where in the Caribbean did you move to?

PV Kannan: No, I'm just kidding. I just went to the Atlantis for a couple of weeks for a holiday, but I thought I was going to take off for a few months. That was the general idea, so we just went with no return ticket. We just went and said we're stay here and then you know. I think I got tired paying \$10 for a bottle of Avian at the Atlantis. Probably, that's what turned me away.

When I was sitting there, I started thinking about what my next venture could be and this was December '99, and one of the thoughts was kind of combining the two earlier experiences I had. One was the offshoring with programming and between '95 and '99, I had a chance to work with a lot of call center managers, helping them implement chat and e-mail. They would be very frustrated with finding people to staff and that was a big issue and continues to be a big issue in US call centers where. The attrition rates are pretty high and finding people who can write good English for e-mail and chat was a big challenge.

So at that time, the idea used to run in my head, if these people are based in India or some other country where they're educated in English and where this would be a very attractive employment opportunity as opposed to a not so such an exciting career option in the US. It would be a good solution.

So, in '99 of December, I was sitting in the Caribbean and said, this could be the next company that I should launch and so in January, I went to India, spent the next few months there setting up 24/7 Customer in Bangalore and started off with Alta Vista as our first customer. We started doing their customer service with the e-mail and then got Shutterfly and a bunch of online companies, that's how we got started, and then today we have over 6,000 people worldwide. There are about 4,000 in India, a little over 1,000 in Philippines and roughly 1,000 spread across Central America and China.

Adrian Bye: You have people in China, like they speak good enough English to do all this.

PV Kannan: No, but in doing all the Asian languages out of China, so we're doing Mandarin, Cantonese, Korean, Japanese and the language that serves the Southeast Asia.



Adrian Bye: For the company, so you're working with about 6,000 agents. Can you talk about like the annual revenues of the company?

PV Kannan: Sure, the run rate right now is a little over \$120 million and we're growing roughly about 50% to 60% year on year.

Adrian Bye: So, you'll be a \$200 million company within two to three years, will you?

PV Kannan: We'll probably do \$200 million run rate by within 12 months.

Adrian Bye: Cool. One of the things that's really interesting then is the leads. So, how much of your business is commission sales and how much of them is customer service type work?

PV Kannan: That's right. So, that's a good question. What we do is we don't do what I call pure play commission sales. What we do is we get a base amount and then we obviously get incentive payments and we are far more focused on web-based sales then pure what I call outbound telemarketing.

So, the sales-based revenue for us is roughly about 30- 40%, but it's all driven through the web or to inbound sales and the value add we do it, Adrian, is the first generation we used to obviously was put people on feeds, train them well and provide a very motivating environment where they become very good in converting leads into sales.

The last four years, we have moved to setting up a group that staffs the PhDs and statisticians, and what they do is we take off where Google leaves us. So, a good idea – someone buys a bunch of Google keywords and drives traffic to a website. It's kind of a black box today – what happens from the time the visitor comes to the conversion. When I say black box, obviously, tools like Omniture and a bunch of other tools can track every step the visitor takes on the website, but there is nothing that tells you in real time that this person is more likely to buy and more importantly, there's no actionable intelligence available in a real time basis.

So, what our group has done is general mathematical models that can predict that this visitor is likely to buy, so that we can intervene in real time and in the form of probably a chat invitation or flashing a phone number, so that someone can call and then you know that this prospect is a very hot lead. We use the information about what they have seen to make sure the right offer is made through the chat or with the firm and thus, part of our business is one of a fast-growing business and it accounts for about 30-40% of our revenue.

So, for customers such as Overstock, we pretty much do all of their chat-based sales with our agents that are based in India.

Adrian Bye: So, in terms of the clients you get, do you ever do straight commission-based? I mean for example, there's a lot of call centers out there that are just running DISH Network, do you take that sort of stuff up or will you only work on deals where you have a direct relationship with the company?

PV Kannan: We only do direct relationship with a company. The only time we would do this intermediate as where it's kind of an authorized relationship and there is a careful, recurring revenue model that's in place, but as I said, we don't do straight commission-based sales at all. We don't do any of that.

Adrian Bye: ...and what's the reason why you won't do that?



PV Kannan: The reason has been, first, we have a better degree of control over the type of what we do and there's a long duration to the relationships we take on.

The second reason is obviously, we had moved from a model of just putting people on feeds to a model of what is the value we are adding to the entire conversion process as I said through setting the data analytics and so on. If I have to make that investment, I need to make sure that, that revenue is going to stick and be around. So, I'd rather go directly to one of these providers.

As I said, we have no problem working with marketing agencies, so people who do this for a living, as long as they signed on clients on a long-term basis and have a predictability, and they add value in form X and we add value in form Y and keep the end-client happy. The other part we consider quite speculative and it's not a good fit for us.

Adrian Bye: Meaning that it's unstable if you just have a generic relationship with the company and they...

PV Kannan: That's right.

Adrian Bye: I mean, I hear that DISH Network is making a lot of changes right now which is affecting a lot of call centers there.

PV Kannan: That is exactly right.

Adrian Bye: They're changing the parameters on the kind of sales they have. Have you worked with that in the past and found problems with it that's why you're doing it this way?

PV Kannan: No, we've never worked with DISH or we know contracts like that. It was a very conscious strategic choice at the very beginning. We just said to make things possible, let's work directly with clients. Where there are very high quality intermediaries you want to work with those that have longstanding relationships rather than anyone can bring me a lead and I'll pay them \$100 or whatever – that doesn't interest us because they have no clue when the strategy is going to change and what priority we signed in.

Adrian Bye: ...and at anytime, they can change things and you don't have any control over that, whereas...

PV Kannan: That's correct.

Adrian Bye: It's obviously much more work. There's a higher barrier to entry to build a trusted relationship with a big company. But, if you are able to get in and do that, then you've got a far stronger business long-term.

PV Kannan: Absolutely.

Adrian Bye: Would that be why you're at \$120 million today compared to a lot of these other very small call centers that are around the world?

PV Kannan: That's correct because I think we've made the upfront investment in terms of time and commitment to build a solid business. So if you look at the carryover, grow from \$120 million to \$180 million or \$200 million next year, it's because I made for this carryover almost 90% to 95% of my revenue, so whatever I add sticks. So the other types of contracts what happens is your constantly replacing revenues that you are kind of losing because your mix of business is constantly changing.

Now, that could be a strategy for some people, but the way we have set up our organization, it's more geared towards being a client relationships, account management, delivery of information – critical information on a hourly, daily basis to our clients which is quite a lot of investment upfront, but it's far more sustainable and we get aligned to their one-year... Not even one year. It will start with a monthly, quarterly, yearly goals and then their three-year outlook of where their business is going. So, we've kind of locked in separate vats and so the relationship as you said, there's a bigger barrier to entry for our competition and therefore, it's far more sticky for us.

Adrian Bye: So, you mentioned the high cost of getting started. How did you get started? Did you just start the company yourself? Is it privately funded or did you go out and get that financing?

PV Kannan: So, it was started by me and the other founder, both of us, as I explained earlier in the conversation, we sold the previous company, so we used part of the proceeds to start the company. In 2003, Sequoia Capital became the only outside investor. So, they invested a bunch of money. Essentially, the company is now owned by the founders and Sequoia Capital.

Adrian Bye: Who from Sequoia did the funding?

PV Kannan: Mike Moritz.

Adrian Bye: Really? Okay, so you've done pretty well. Let me ask then why did you bother taking outside money?

PV Kannan: So what attracted, specifically, Mike to 24/7 and brought 24/7 to approach Mike was he was one of the early founding investors in Flextronics, which as we know today is a \$30 billion largest outsource manufacturing company.

So, that was one part of it and two, I always viewed our business as not just pure call center fulfillment, but more of kind of helping our clients shape their sales and service strategy and play a very critical role in it. So that was very appealing and we were also very targeted on the online world. So, as I've said lots of stuff that we do is complimentary to where Google leaves off and where other intermediaries leave off by providing leads. We are very active in the conversion process and analyzing that data.

So, for him, that seemed a pretty logical place in the chain that he operates in and for us, it's very valuable to kind of understand the market trends and have someone of his stature on our board advising us.

Adrian Bye: Yes, for some of the guys here listening don't actually know anything about VC, they're kind of just bootstrapped the whole way. Mike Moritz funded Google and he's pretty much considered the number one VC in...I would say Sequoia's considered the number one VC firm right now...

PV Kannan: That's right.

Adrian Bye: ...and Mike Moritz is the number one VC of Sequoia, so that'll pretty much put him as the number one guy in the world in venture capital. So, nice job.

PV Kannan: That's right. That's a very big job.

Adrian Bye: Did you need to take the money from him? Was it more of a strategic thing like saying, okay, we want this guy as an adviser, so we'll allow him an investment and that'll help or did you actually like, no, we've got to get some cash because we are running out of cash?



PV Kannan: Right. So the answer is very heavily leading towards the former. One, I'm a big believer and this is my second company and there are lessons from the first company that I've taken to heart which Kana did quite well because of the pedigree of the investors, the board and so on. That's a huge impact because you kind of surround yourself with a great board and great founding team members. Pretty much, that sets the tone for the quality of people that you attract from then on. So, if I want to hire a world-class CFO, I want to hire a world-class COO, just like when I mentioned Mike Moritz and you go, "Wow! You must have done something right or your business should be doing something right for him to be on the board." That's the same logic that happens when I approach someone and say, "Hey, would you consider joining my company?" They're going to ask, "Who are your customers? Who are your board? What's your business model and how do you execute, how do you make money?" This slowly kind of adds up.

So, for me, it was more of I'm driven to make this a world-class company, so how do I get world-class people from all else to join the cause? So, that was a big cause. The money definitely, if I hadn't taken it in 2003, we would have made it somewhere along the line because you've seen the growth that we have had in the last seven years and somewhere capital would have been needed, but this is what we call smart capital in the valley. It comes with the smart switches, adds value to lots of money.

Adrian Bye: This is something I've not understood and now I want to take this opportunity to ask you because I've had this similar conversation with others, but not asked this question which is you and your partner sold your previous company to Kana for \$150 million. Now obviously, you walked away with some percentage of that, but it must be fairly sizable. You already put into this a pretty solid amount of money, but between the two of you, surely you could have come up with another amount of money and then you could have gotten

yourselves a high-status person on the board of directors or the board of advisers giving them a far smaller amount of the company that they would want to make. Why did you make the decision you did?

PV Kannan: Right, it's a very good question and as I said, who you get as an investor is as important as kind of the which business school you go to or whatever, as you get started. Making it in life has become clearly unimportant. Today, if I'm going to go and solicit new customers, chances are not many people go and say, "Who funded you?" or whatever it is because there's a track record. They are looking at current reality and kind of betting on it. Analogy holds in the sense if I came fresh out of business school, the employer has only my current educational background they're basing on. After five or ten years, the fact that I went to Harvard or Stanford has no relevance, if I've not done well professionally. In a similar fashion, when we started the company and when we were in the early stages, the fact Sequoia has been on board it makes a lot more clients and prospective talents coming into the company, far more comfortable...

Adrian Bye: Why not put in that an amount of money yourself and then get some really high-status guy like somebody else. I mean, someone else out there in the valley...name any one of them and give them 1% to be on your board of directors?

PV Kannan: Right, but I think people kind of understand that, as well. They kind of see that Sequoia coming in, paying money to be part of 24/7 and then you going and hiring the top gun and then putting them on the board. There is a big difference.

It's a good question, so the question you're asking me is hey, is this a financially wise move for PV personally and the other founder. In other words, you're asking, is it worth the dilution that you take on and the answer is absolutely, yes.

Adrian Bye: By the fact that people take it more seriously because the core actually put money in rather than just someone coming in on your board of directors.

PV Kannan: That is correct. Most people are familiar with the sales process. You have to go and pitch to someone and make them believe in the cause and the more prestigious the firm is, like Sequoia, the harder it is to go get selected that's why I call the business school of sales. The idea is to really stand out and the firm has to believe in the execution capabilities of the team as well as being impressed with what's been accomplished so far.

Adrian Bye: Yes. Now, we are here to talk about your business, but I want to take advantage of this opportunity one more time, if I may and ask you, how did you get a hold of Mike Moritz from Sequoia, like how did that actually start? Like, you're sitting around one day and you're saying, "Okay, we want a high-status guy to invest." How did you get through to him?



PV Kannan: Right, so like most firms in the valley, I think that Sequoia does accept...you can go in and put your business plan through the website, but it does help if you approach them through someone they know and they've worked with in the past.

In this case, it was Ram Shriram who's a very prominent angel investor and was one of the founding investors of Google as well, I've known Ram for several years and he became one of the early founding investors of 24/7. Again, we didn't

need the money, but we needed someone like him to be part of the advisory group. I'm a big believer that you need to surround yourself with people with different backgrounds who can advise you from an arm's length distance because you can take from them different sets of problems and just get their thoughts.

So, Ram came on board almost day one and then he and I talked and I said, "This is the profile of investors who make sense," and he made the introduction, and it was not just Sequoia. It was Kleiner and it was a bunch of firms, and I think, the chemistry with Sequoia and Mike was really strong, and that probably ended up succeeding. So, it was not like I just showed up there and the next day he showed up with a check. It was a relationship built over a period of months. Again, we didn't need the money urgently. So, we could kind of wait and at the right time the connection was there.

Adrian Bye: That's a good position to be in.

PV Kannan: Exactly and that always helps.

Adrian Bye: Very good. Well, congratulations on that. That's very impressive.

PV Kannan: Great, thank you.

Adrian Bye: Alright, so back to the call center, you do commission-based, but it'll be commission, so you'll insist on a base salary for your...that's for your company and then...

PV Kannan: That's correct.

Adrian Bye: ...you put then a base your employees and then a commission on top of that or how does that work?

PV Kannan: Right, so essentially, they are base wage plus the upside and the reason for that is it's not so much that our model is back-to-back where we go to our agents and say, "Here is your base salary and we'll give you the same commission" whatever. The reason that we are introducing this whole layer that we call the advanced data modeling, so we don't believe that if leads come in and I just use my charms to convert as effective as actually having the basis for figuring out who you should be talking to or who should you be chatting with. That distinction is why we insist on a base because we need to fund that and make sure...it's kind of a cost of entry.

Someone approaches us and says, "Here's kind of how I sell and can you help me with staffing?" They don't believe that it's going to be a real business. For me a straight commission is almost like very speculative but then you don't believe that you may sell anything.

So for us, to cover of the investments we make and for us to ensure that the sticky...all our contracts are structured as the best case and then we get a percentage of what we call incremental sales, so it's not just sales.

So, if a normal call center gives them 100 leads and they convert 10, we only take commission on the additional 5 or 10 that we produce, not on the first 10. So there's a lot more value that we pack in and the way we measure ourselves is for every \$1 you spend with us, how much revenues are you generating. So, depending on an industry, in an industry \$1 may result in \$10 of revenue or \$20 in revenue and that real time measurement and feedback is what makes it very attractive to our clients.

Adrian Bye: Okay, so let me ask this, then. If you're saying a normal call center can convert 10 leads out of 100 and you'll come along and only take commission on the extra 5, how are you generating 50% more sales than everybody else?

PV Kannan: So, that's where the modeling comes in. Let's take a telemarketing example. So in telemarketing, you'd kind of produce a file and say, "Here's 100,000 people who have expressed some interest in the product. Go call them and close it." We would have what we call training the model and in some of these industries, you already have a model, so we know, depending on zip codes, what is the likelihood that they would buy a product of this nature for \$30 versus \$20. What is the success rate? What times of the day do people pick up their phones? So, fairly integrated with about 20 or 30 different variables which keeps changing minute-by-minute.

So, we will take the data, train it and then say, "You know what? Out of these 100,000 leads, I would not even bother calling those 20,000 people." It's a waste of time. They're probably so low that I'm going to ignore it and then just concentrate on high probability deals, but spend more time focusing on them and making sure that offer is crafted to satisfy their needs.

So that's how we get the conversion and on the website, we take Omniture data and all the other data that we track and then build a model that you'll say hey, this was what they were looking for – credit card or this appliance or whatever they're looking at and really going to buy. What can we do to influence that sale.

Adrian Bye: So, you're using predictive modeling or score carding to figure out where you should be spending your time on your leads.

PV Kannan: That's correct.

Adrian Bye: Do you know you're the third business in two weeks that has told me this?

PV Kannan: That's great except that we are not 100%...

Adrian Bye: Actually, I can say you're the fourth. I'll give you three other examples. One area where a lot of traffic driven on the Internet is a space called CPA networks. Have you heard of the CPA network?

PV Kannan: No.

Adrian Bye: It's a commission-based sales for driving traffic. Those guys have a huge amount of fraud going through right now. There's millions and millions of dollars being lost every week on fraud and so then they're using score carding just like you are to weed out which are the bad customers.

PV Kannan: That's correct. That's beautiful.

Adrian Bye: The next example is Q Interactive, so the CEO is Matt Wise. They're using score carding to figure out where the high-quality leads...let me see if I got this straight. Now, I can't...and I just talked to him about it yesterday. He was talking about having a team of guys analyzing... I think it might have been just how much they can pay for leads.

PV Kannan: Right. That's exactly right, yes.

Adrian Bye: I'm not getting it exactly as he defined it. I'll have to go back and look at that, but it's something along those lines. Then the third one is Think Partnership. They have a Pay Per Click engine and they're starting to use score carding for cleaning up Pay Per Click feeds from MIVA and some of these other companies because MIVA and Kanoodle traditionally have had very low-quality data feeds. So Partners are going in and cleaning up those feeds again, using score carding.

So, that's fascinating. It's interesting that this is coming up over and over and over.

PV Kannan: That's right and I think this is the trend of the future. I don't know if you've had the chance to read this book called *Super Crunchers* by Ian Ayres and essentially he teaches every part of decision-making and he gives us a wide-range of decisions from what ads we see online to public policy decisions where this



kind of score carding and advanced data modeling is making a huge impact because we've finally reached the stage, Adrian, where all the data is finally acceptable. The cost of computing has gone down, the cost of storage has gone down. So, you now have the luxury to load up everything that you can attach and then actually, store it before you just let go of this data. I mean, you don't care. There's oodles of storage available. You just store it and then you have superior computing power and you have tools like SAS and other things that can go crunch it literally within minutes, not days.

So, we've kind of entered the golden era where we can actually make sense of all this data that we are collecting. That's why we are seeing this emergence, in my view. It's kind of how globalization...

Adrian Bye: To do your score carding, do you outsource that to someone like Fair Isaac or do you do it internally?

PV Kannan: We do it internally. So, that's the staff of 50, 60 people that I told you – fully staffed with PhDs and statisticians, and they do it and we think that's kind of our sauce. So, we wouldn't outsource that.

Adrian Bye: Okay, so let's say then you're cutting away the leads that are not likely to convert, but I mean, some people would say, "Man, they're just throwing leads." But, you're saying that the probability's so low it is absolutely worth it and not even the post-predictive ...

PV Kannan: Yes, that's right and we test assumptions, Adrian. It's not like we just throw away the 20,000. So, we would do what we would call the classic A-B testing. So, you'd take 2,000 out of that and call and then show that we do the right file and decide the companies are free to think that whatever we discarded and give it to someone else. I mean, we're not saying we don't use it. So, it's probably great in a value chain that they can come to us, we convert at a much higher level and whatever's left, they can give it to someone else who does it for Pay for Performance and hopefully, it's one of my competitors. So, we can drive them out of business even quicker.

Adrian Bye: Yes, fair enough. Okay, so you're going for the quality. Now, what does this mean in a call center environment? I mean, how do you handle a quality lead differently?

PV Kannan: Well the agents are told very clearly that here's the probability, so don't come back with your old metric where whether it was 12 contacts in an hour and then I convert one per hour and for lunch, go out of the window. We need a much, much higher level of performance, so they know that this is not like classic junk dialing but you're actually dialing with some map behind it.

So, that's definitely how because they know that they're going to encounter more prospects who will be more interested in buying than kind of wade through it looking for a gem. So, that's what the implication is for if I'm an agent on the phone talking to people.

Adrian Bye: So, are your agents actually trained differently for these leads or is it a case of the agents over time respond differently and therefore, don't get worn out as quickly because the leads are higher and they can then...

PV Kannan: Right.

Adrian Bye: Do you have the same turnover as other call centers or is your turnover a lot lower?

PV Kannan: It's a lot lower and also as I said it's not just the phone, so there's a lot going on in chat. So that means that it's lots more comfortable chatting rather than just calling and hanging up, calling and hanging up and that's where the traffic is moving. I mean, we moved one of the major credit card companies from almost a pure telemarketing strategy to they are now almost 90% driving it through the web and that's where it's going.

I think there are two schools emerging. One, you are generating leads online and then contacting by phone and then converting it. Just by its very nature those are people who said, "Call me." So, they're less likely to hang up and in that, you can add some customers who, "Yes, they said call me but they probably don't have the money to spend so it's a waste of time." Then you can become far more efficient about it. But, what's more interesting is while they're saying talk to me, you could just hold them right there and have them chat with an agent and just close it right there. Why divide it up into two sets?



Adrian Bye: I've got a lot of question for you on the chat side of this but I just want to finish up on the call side because that's fascinating. So, a typical call center turnover – an agent, I don't think they last more than 6 to 12 months and then they burn out.

PV Kannan: Right.

Adrian Bye: How long do your sales agents typically last?

PV Kannan: Our sales agents last typically 18 months, but we put them in a globe track. So essentially, that's where the non-pure commission model helps us because we have a longevity that we can rely on. So, a program that we do for say in Overstock, it's been going on for four years and so month on month, the agent knows that his employment is not subject to like...he certainly doesn't go from selling A to selling B. He gets good at that and he starts making more money.

So, what we do is the agent has a career track, so at any point of it that they decide they really become a team lead, they want to go in operations up and become a manager. There's a defined career path and education to support them to get there. Three years, they can actually move in to other areas if they show an aptitude for data, they can move into some of the elementary data modeling and if they happen to be math wizards,

then they can keep moving up. Then you have the entire...they can become trainers, they can become more effective in handling quality.

So, we give them a whole set of options so they don't see themselves as someone who makes a bunch of money and then leave. If you add on, certainly they back off, we have hundreds of champions floating around, then it makes life really frustrating.

Adrian Bye: You still do have a certain amount of like, churn and burn in your business regards to personnel...

PV Kannan: Oh, absolutely! Perhaps the biggest churn, Adrian, is in the first 90 days when someone comes in and says, "You know what, this is not the job I signed up for." or "I really don't like this. I mean, this is not really me." For us, after 90 days, the churn really reduces to less than 10%. So, if I take 100, I lose about maybe, 20 of them within the first 30 to 60 days. But once they cross the 90-day mark, whoever is left, less than 10% of that will leave.

Adrian Bye: Okay, so you're managing...if that's 6,000 agents, what's the total employees?

PV Kannan: The metrics are we have 6,200 employees as of today and 6,000 seats, so we're not fully optimized yet because we keep adding capacity in new regions as we are developing.

Adrian Bye: So, you have 200 non-agents – 200 people that are running the company and the rest...

PV Kannan: Yes, it's more than that. We are only using probably 5,400 seats or so for the 6,200 employees we have because a lot of them are sitting empty because we had built in the last 90 days, and that's how we manage growth because you can't build infrastructure overnight.

Adrian Bye: Okay and so of those, how many are based in the US versus international?

PV Kannan: There's zero in the US. So, as I said, 4,000 in India and a little over 1,000 in Philippines and about 1,200 divided between Central America and China. We do have close to 100 people in Belfast and Northern Ireland.

Adrian Bye: So, zero, meaning just you and your partner in the US or is he even offshore?

PV Kannan: Oh, no, we have about 25 employees in the US which is the sales team, account management, some of the technology staff because we maintain switches and dialers and all that good stuff. So, that's all sitting here in Redwood City in the East Coast, and we have about half a dozen employees in the UK. Almost 1/3 of our revenues come from the UK and about 50% from the US, 1/3 from the UK and the rest from Australia and Canada.

Adrian Bye: Alright, so how do you manage all those guys? I mean, you've got a very distributed environment. You've got to make sure they all keep performing all the time. I mean, that's got to require a fair amount of staying in touch with everyone. How do you do that?

PV Kannan: Right, so we anchor around our clients. So, there's usually a VP level for all the large clients which contribute more than a third in a year for us and they are the single point of contact for our clients. They

essentially, from my perspective, run the P&L. But, from the client's perspective, they are responsible for the performance and making sure that they day-on-day they deliver on what we promise.

We have a chief operating officer, that's a global role and she's American, but now, she lives in India and she basically has all the country heads reporting into her and underneath the country heads are the VPs who actually run the clients, so that's kind of certainly, simple off-structure which is easy for our clients because you don't have all these matrix of running around. Each client has their own dedicated team that they're head charting, trainers, quality – everything packaged in, so we can hold that unit fully accountable.

Adrian Bye: I want to ask a couple of questions for my call centers...a client asked me to ask you which is do you buy call centers?

PV Kannan: That's not the preferred model, but the answer is yes, if it's a new location that I'm looking at. For example, obviously, I'll be looking at other countries in Central and South America, so that would be very attractive if we find call centers doing really interesting work and has got a good set of clients. But, I'm not looking...to buy anything in India.

Adrian Bye: One has 100 seats in the Philippines and the other has 80 in the Dominican Republic. Are either of those interesting to you?

PV Kannan: The second one is definitely interesting. The Philippines, is it Makati or...

Adrian Bye: In Manila.

PV Kannan: Sorry, if it was in Makati, that would be interesting, but if it was elsewhere, you know...

Adrian Bye: It's in Manila.

PV Kannan: Manila, okay then it's definitely an interesting one.

Adrian Bye: In Manila is interesting for you.

PV Kannan: Yes, we want to add capacity there fast, so anything that can help us accelerate that would be very helpful.

Adrian Bye: Okay, I can put you in touch with him then. Okay, here's some more questions. When I run two shifts on an outward-bound sales process, the morning shift seems to get more sales even though the nightshift has more customer contact. I have heard many reports from other small call centers that it is also very difficult to get more than one productive shift going in a day and have also heard that many successful call centers have decided to only work one shift. How do you see it?

PV Kannan: That's interesting because a lot of our clients when they come to us and they all have their what I call, favorite periods, which is along the lines of what the question is. Sometimes, they'll come to us and say, "Okay, I want you to call between 10:00 and 12:00 and then 3:00 and 5:00 and then 5:00 and 7:00 or whatever those magic numbers are and for us, I would buy data, as I told you. So, our dialers are loaded based on the rules that our analytics tell us, not based on what people think and receive fulfillment and so on. So, what we find is usually we end up running it in two split, using the same day but it may not be eight-hour shifts.

Adrian Bye: So, you will break it up into two. One could be a seven-hour shift and one could be a four-hour shift based around that.

PV Kannan: Yes, yes and it could vary day-by-day, so it doesn't have to be uniform.

Adrian Bye: Okay. Next question – many of my best sales agents seem to produce very well from between 6 and 12 months after which they more or less burn out and become bored and ineffective rather than seasoned and experienced. Is there a way to save these people or is it better just to let them go and get someone fresh from the sales floor.

I guess you kind of answered this by saying you put them into lots of different positions within the company.

PV Kannan: That is right. I think a lot of them get a lot of joy by teaching other people how to sell. I mean, if they shared that characteristic, then they're very suited to become coaches. They don't even have to become team leads. They can take ownership for three or four other agents of the team and bring their performance up, and they get paid something for that. So, they're mentally doing something different than just kind of taking phone calls. So, you have constantly figure out how to keep them engaged and challenged so that there's something new every week and every month.

Adrian Bye: Right. Do you know other people out there that are successfully cold calling or just bulk dialing like, phone page leads or are the successful call centers only doing the kind of work you're doing?

PV Kannan: I'm not too aware of that other side of the industry, so I wouldn't want to give an answer that I'm not an expert on. The gentle shift for the more established players like us is more kind of if it's a predictable revenue, long-term relationships kind of thing. So, I'm not too familiar with the cold calling side of the world.

Adrian Bye: Yes. I think you made a smart decision on all that.

Okay, you want to talk about chat. Do you want to tell us a little bit how your chat works and why is it good? I mean, the one thing that is out there which I don't know if it's necessarily a great thing or not, but it's certainly cheap is chat systems that imply, they like call themselves like, a virtual chat where it's actually basically, artificial intelligence. It leads the chat in the beginning in handling the first part and then handing off to a live agent if it becomes complicated. Are you doing that kind of stuff? What do you think of that and how is what you do on a cost basis compare to it?

PV Kannan: Right, so as I said, the structure of the entire chat is like a sales program. We measure for every \$1 they spend with us, what is the efficiency they're getting out of that. So, that takes away the question of whether I use technology or I use people. As long as I'm delivering results consistently, our clients are happy. It's the same as saying, what if I improve the productive of my agents. I make them fight faster or whatever. Our customers really don't want to get into that because they hold us accountable for sales.

In terms of the platform itself as I said, we work with other companies, so most of the popular vendors of self link chat systems. What we really play in is the mathematical modeling and making sure we understand what's the behavior and conversions and then increase that conversion and get paid on that incremental lift.

Adrian Bye: Just to backtrack onto the chat side of it. If someone's using an automated chat service which comes up to you and says, "Hi, I'm Susan and I can help you," and the person says, "I'm looking for the FAQ,"

and then it's using artificial intelligence that says, "Okay, the FAQ is here. Here's the link and I hope that helps you." That system can handle 1 million people simultaneously for virtually no cost, whereas you've got to have people, too, handling that if you're using people. I mean, you talk about productivity, but there's 1,000 to 1 cost difference or a larger online kind of thing.

PV Kannan: Right. So that's why I said for us, the optimal way we introduce the chat, not that I'm kind of saying that the other system is not effective. We'll be happy if a client accepts a system to layer ourselves on top of it, we have no issue with that. But, the point I'm making is we do not put a chat button on every page. It's not that a client comes and clicks on chat and then asks some random questions and then goes off.

So in the same situation, we target who's likely to buy and then they get an invitation that says, "Hey, if you've got any questions at anytime, just click here. There's a live agent standing-by." Most of the time, when we look at the questions, those are not various FAQ kind of questions. It's real sales assistance where you are using your persuasion skills to sell and that's where I think human beings are really good at.

So, we haven't examined the situation where all these questions are like very simple – does this come in green or whatever which hopefully, the webpage is smart enough to say that rather than a human being having to read off that web page that's posted. So mostly, there's more complex questions – more comparison type questions and as I said, it's a target.

Adrian Bye: Okay, anything else you want to tell us about how chat works and why should someone consider that?

PV Kannan: I think you made the point that many, many... There's a trend that you are seeing as this whole score carding, the data modeling – being smart about what to do rather than blindly doing it. I just think it's a trend that's increasingly becoming prevalent not just in selling or online selling or online marketing, it's just becoming part of everything that we do in life. So, what we are seeing is you can make your online marketing more effective if you start building models and doing that and become as a service packaged in a box, so we make it very easy for your audience to do this. So, that is all I'd like to add.

Adrian Bye: Okay, I mean, you're talking about this across old stuff. Let's say someone's working with a call center somewhere today. Why should they consider switching to you?

PV Kannan: I think we'll give you that great sale at lower cost. That's what I'm talking about. If there's 100 bodies doing it, maybe we use 50 to achieve the same sales or alternately use 100 to double the sales. So, it's kind of what we're developing for our clients.

Adrian Bye: So maybe like, the way you're working then is you're using intelligent math to drive higher quality sales.

PV Kannan: Exactly. The way I would put it is suppose you were at Nordstrom and 1,000 people are walking in. You're not the dumb sales guy who is trying to sell to every guy walking. You kind of pick the person who you think will buy. Of course, in Nordstrom they use instinct or they look at his shoes to figure out if he can afford what they're trying to buy. But here, we are using all the data that's available to kind of say, yes, this person is very likely to buy what they are doing based on the hundreds of instances of what others have done.

Adrian Bye: Very cool. Is there anything that we should talk about that we have not?

PV Kannan: No, I think this was pretty comprehensive. I think we covered most of the topics under the sun.

Adrian Bye: Alright. Well, thank you very much for taking the time to talk to us.

PV Kannan: Great. Thanks, Adrian. Thanks for having me.