

Zero In

## Reading Your Customers' Minds

By Sramana Mitra, Electronically reprinted from October 30, 2009

### Baynote makes software that uses peer group data to drive sales.

Jack Jia is a seasoned entrepreneur, having been a member of the founding team of Interwoven, which was later acquired by software maker Autonomy. Looking for the next problem to solve, Jia spoke with 45 CIOs, CTOs and CEOs to calibrate the importance of various technology business ideas he had in mind.

Jia asked the executives to rank various tech problems from one to 10, with 10 being the highest priority. Spam control got a 7 out of 10 ranking, for instance, and information discovery got a 10 out of 10 ranking. There was even one person, former eBay (EBAY) COO Maynard Webb, who gave it 11 out of 10. Jia went back to Webb and said, "You ranked this as an 11, you can't be an innocent bystander. I need you on my board."

Baynote, Jia's latest start-up, was formed to address the issue of information discovery through better understanding of human behavior. The science behind Jia's approach came out of his fundamental insight that the information discovery problem could not be solved purely on the basis of content. "If people's brains are making decisions about what is useful and what is not, perhaps the solution is not in the content," Jia says.

The solution, he determined, was finding out what's on people's minds via their behaviors. Fast forward a few years, and look at **Urban Outfitters'** (URBN) e-commerce site, which sells apparel and other products geared to teens and twentysomethings. Users can browse, but they are not connected to their peers. If people can't find the product they are looking for in three clicks, 95% of them will abandon the site. Jia says Baynote's software can quickly hook up customers with like-minded peer groups. "That is how peers convince each other to buy things, automatically, without even knowing that they are doing it," Jia says.

He notes that Baynote has helped Urban Outfitters garner a triple-digit percentage increase in sales.

All told, Baynote has 250 customers, including **Motorola** (MOT), **Texas Instruments** (TXN), **Campbell Soup** (CPB)'s recipe sites, DisneyFamily.com and **Intuit** (INTU). "Before Baynote went onto [Intuit's] site, the click-through rate was 15%. We went live two years ago, and the exact same metrics we were tracking jumped to 35% the first day alone," Jia says. "We are a learning system, so over time it went higher and high-

er, and hit 70% to 80% click-through."

I have to say, being a great believer in the potential of artificial intelligence and personalization in the next iteration of the Web, I am delighted to see such concrete success metrics coming out of a company whose fundamental underpinnings are in AI, long believed to be inexact, imprecise and overall unreliable.

Ever since Amazon adopted collaborative filtering to recommend books and movies to consumers, very little innovation has come along in this domain. It looks like Baynote can make a serious contribution to personalized recommendations, thus improving the Web fortunes of many merchants trying to sell online.

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