

LIVE CHAT MARKET OVERVIEW

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**“TO IDENTIFY COMPETITORS
WHO ARE READY AND ABLE
TO PROVIDE **LIVE CHAT IN
DEMANDING ENVIRONMENTS**”**

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LIVE CHAT MARKET OVERVIEW	1
Purpose	1
Overview	1
Key Related Markets/Technologies	2
<i>Contact Center</i>	2
<i>CRM Integration</i>	2
<i>e-Commerce Software</i>	2
<i>Other Integrations</i>	2
Identification of Key Competitors (in alphabetical order)	3
<i>BoldChat™</i>	3
<i>InstantService™</i>	3
<i>LivePerson™</i>	3
<i>Talisma®</i>	3
<i>Velaro</i>	3
<i>WhosOn</i>	3
Key Factors in the Selection of Live Chat Technologies and Services	4
<i>Feature Set</i>	4
<i>Flexibility to Adapt/Customization</i>	4
<i>Scale (up and down)</i>	5
<i>Availability/Reliability</i>	5
<i>Pricing</i>	5
<i>Support Services/Professional Services</i>	5
<i>Target Markets</i>	5
<i>Synergies</i>	5
How Do the Vendors Measure Up?	6
<i>Harvey Balls Analysis</i>	6
<i>Evaluation of Vendors' Ability to Provide "Feature Set" Functionality</i>	6
<i>Evaluation of Vendors' Performance Against "Key Factors"</i>	7
<i>Two Dimensional Criteria Analysis</i>	8
<i>Figure A: Live Chat Market Value Assessment</i>	8
<i>Figure B: Vendor Sweet Spots</i>	9
<i>Figure C: Vendor Sweet Spots #2</i>	10
<i>Figure D: Vendor Gravitas Assessment</i>	11
Observations and Conclusions	12
<i>Lack of Emphasis on Call Center Integration</i>	12
<i>Overall Scale of Some Companies</i>	12
<i>There are Bargains out There!</i>	12

LIVE CHAT MARKET OVERVIEW

Purpose

This paper is a market scoping exercise. The intent is to identify high caliber competitors who, according to the author's analysis, are ready and able to provide live chat as a mainstream technology in demanding environments. To reach its conclusions, the paper provides an assessment according to a well honed set of criteria chosen based on the author's 25 years of product management and competitive assessment experience. The criteria are believed to be sufficient and impactful yet brief enough to be easily consumed.

The criteria identified can also be used by potential buyers of live chat services and technology in developing their own vendor selection processes. Various weighting schemes can be used to customize the analysis to the needs of each potential buyer.

The results of this assessment should not be viewed as an exclusive list. It is possible that there are additional vendors who could meet similar customer and/or market needs. No criticism or negative assessment of any vendor not mentioned is intended or implied.

In performing this research the author utilized vendor websites, generally available industry reports, secondary research, vendor interactions and customer conversations as sources of information and insight.

Overview

There is no more important aspect of developing customer relationships and loyalty than the methods of ongoing communication a firm chooses to use. In today's environment there are numerous "channels" of communication that can be employed; more choices than ever before. Making the right choice of customer interaction methods and technologies is one of the most critical tasks for decision makers in businesses of all sizes. Among the choices that can be employed are well known telephony capabilities, e-mail techniques and emerging internet-based options such as live chat.

Live chat refers to real time internet-based text (and graphics) interaction between a client/customer and an "agent". It can be as simple as text based interaction or as complex as text plus simultaneous viewing of web pages or applications sharing. In this sense, chat can be viewed as a sophisticated form of instant messaging applied to a critical business need.

Sometimes the chat interaction is all that is needed to meet a customer's need. Often, however, the interaction will "escalate" to a need for a live conversation or the need for further follow-up. For this reason it is common for live chat suppliers to also offer "click-to-call" and/or e-mail management capabilities to enhance the customer interaction scenario.

In some situations, the combination of live chat, click-to-call and e-mail management capabilities can form the entire customer interaction capability of a given firm. More likely, especially in larger enterprise implementations, is that live chat will be one element of the customer interaction environment. In these cases, live chat capabilities must integrate and interact with telephony-based call/contact centers, customer relationship management (CRM) environments and e-commerce environments.

Most live chat vendors use a hosted services model (can also be considered software as a service or SaaS). In this model, customers buy some number of seats or transactions (or a combination of both) for a monthly flat rate fee or per transaction fee. Ownership and operation of the hardware and software that provides chat functionality remains with the chat vendor. By contrast, some vendors also offer the option for customers to purchase live chat software to run on customer's own servers and environment.

Key Related Markets/Technologies

It is important that any consideration of live chat capabilities (chat, click to call, email management) be performed in the context of the overall customer contact strategy. In this sense, live chat has several points of intersection with other important customer interaction disciplines. A particular client's set of business processes generally determine which intersections occur and the nature of any required integration. Possible high impact related areas of business operation are:

Contact Center

Probably the most widely deployed discipline of customer contact strategy and technology is the idea of the *contact center*.

The contact center has its roots in the use of basic voice telephony for customer interaction. Known as the "call center", using voice telephony for large scale, mainstream customer interaction is well understood and optimized in both theory and practice. As the internet has evolved into a mainstream business tool, new methods of communication (chat, click-to-call, email) have also emerged and become attractive. As this has occurred, the idea of the call center has evolved to become the "contact center". Very simply, the concept of the contact center is to take a holistic approach to communicating with customers and choosing the most appropriate technology (technologies) for each type of interaction consistent with business goals and measures. The key point in this rather subtle change in terminology is that all forms of customer interaction must be planned and optimized both individually and collectively to fully optimize business performance and customer satisfaction.

In some cases, web interaction approaches can become the entirety of the contact center structure. In many cases, web interaction technologies must smoothly and seamlessly integrate with telephony based (either circuit or VoIP) contact management technologies (call centers) and processes.

CRM Integration

Because of the key role that live chat can play in attracting, closing and servicing customers, it must often tightly integrate with customer relationship management (CRM) business process and supporting software tools (e.g. salesforce.com).

e-Commerce Software

Similar to the CRM and contact center, live chat capabilities are also often an integral part of a company's e-commerce infrastructure and integration with other e-commerce tools is critical. Websites, shopping cart applications, online payment applications and e-commerce suites are among the possible "touch points".

Other Integrations

Although contact center, CRM and e-commerce are probably the most common areas for integration, other interesting opportunities also exist. Examples include Google Analytics (web site performance analysis) and Denodo (data mashups).

Identification of Key Competitors (in alphabetical order)

There is a fairly long list of vendors who offer live chat capabilities in the market. This paper identifies and assesses six vendors who are ready and able to provide live chat capabilities in large scale implementations. They are identified below. The vendors are listed in alphabetical order; no rank order is implied.

BoldChatTM

BoldChat was founded in 2003 and is headquartered in Wichita, Kansas. BoldChat has traditionally focused on the SMB market delivering their offerings using a hosted services model. They have a large number of customers around the world including several recent enterprise-sized deployments. They have depended on a high degree of customer interaction in the ongoing development of their products.

InstantServiceTM

InstantService, Inc. is an application service provider (ASP) of integrated chat, email management, knowledge base and lead capture offers. They were founded in 1998 and are based in Seattle, Washington. They concentrate on enterprise customers and generally have not participated in the small or medium size businesses.

LivePersonTM

Founded in 1995 and headquartered in New York City, LivePerson is the largest competitor in the live chat market and is a publicly traded company. They have offerings for both SMB and enterprise level customers and also utilize a hosted services model (we primarily examined their Timpani product in this analysis).

Talisma[®]

Founded in 1999 and headquartered in Bellevue, Washington, Talisma provides "Customer Interaction Management" (CIM) software offers using a hosted service model. Talisma competes in both enterprise and SMB markets. Talisma is one of two vendors who offer both stand alone software and hosted services (WhosOn is the other).

Velaro

Founded in 2001 and headquartered in Elkridge, Maryland; Velaro provides "online conversion management" capabilities using a hosted service/software as a service model. Velaro competes in both enterprise and SMB markets.

WhosOn

WhosOn is a subsidiary of Parker Software. Established in 2003, Parker Software is a small independent software house based in the UK. Parker Software produces two flagship products: "WhosOn", a tool for monitoring web site visitor activity in real time and "Email2DB", a tool for integrating incoming emails with business processes. WhosOn is one of two vendors who offer both stand alone software and hosted services (Talisma is the other).

Key Factors in the Selection of Live Chat Technologies and Services

In this section, a set of criteria for examining a vendor's ability to support large scale implementations are identified. These criteria have been determined based on industry experience, vendor interactions and customer conversations.

Feature Set

As with many sophisticated technology products, most vendors have long lists of features and usually no two vendors use the same terminology to describe similar capabilities. As a result it is difficult and usually unfulfilling to perform side by side feature list comparisons. However when examining feature requirements for live chat products; a list of required functionality does emerge. These can be thought of as the "ticket for entry" in the market. The list of required functionality that has been used for assessment in this paper is as follows:

- **Live chat client:** This is the interface a customer uses to access chat capabilities of the website being visited.
- **Live chat agent console:** This is the interface the website owner uses to interface with a customer and to access the full spectrum of capabilities provided by the chat service/product.
- **Visitor monitoring:** This is the ability to identify and view the path the customer takes as they navigate the website being visited.
- **Click-to-Call:** This is the ability to enable a live conversation from the live chat agent console.
- **Co-browsing:** This term is used in its broadest sense to mean the ability of both customer and agent to be able to view the same screens at the same time and for the agent to be able to "push" destination sites to the customer.
- **Security:** This is the ability of the live chat vendor to protect the privacy of the customer (website visitor) and the content of the chat session.
- **Reporting:** This is a twofold measure. First is the availability of pre-designed reports (or report elements) and second is the ability to create customized reports.
- **Canned messages:** This is the availability of pre-written messages that can be used during a chat session to enhance agent productivity and customer satisfaction.
- **Analytics:** This is the ability to access and utilize information gathered to provide higher order assessments of website effectiveness.
- **Agent/department routing:** This is the ability to direct chat sessions to specific areas of expertise.
- **Conversion tracking:** This is the ability to analyze the results of the chat interaction: to what extent did the interaction contribute to customer attraction/satisfaction.
- **Email management:** This is the ability to use and manage e-mail as a complimentary follow-up tool to the chat interaction.
- **Knowledge base:** This is a tool that serves as a repository of topics and terms that can be used on a website to enable visitors to self-serve by searching for the answers to their questions without the need for agent interaction.
- **Engagement engine:** This is the software's ability to track behaviors of website visitors and intelligently act upon that knowledge to initiate specific actions.

Flexibility to Adapt/Customization

It is critical that the live chat system be highly adaptable in order to allow the user to optimize the capability with respect to the user's specific business requirements and processes. For example, the criteria used to target prospects for outbound contact and when and how to initiate the contact must be customizable and able to be changed in real time. Also, success measures, which can vary from firm to firm, must be supported through flexible measurement and reporting.

Scale (up and down)

The system should not introduce limitations in the number of users or transactions that can be supported. This applies to minimums as well as maximums.

Availability/Reliability

Since live chat is intimately tied to revenue generation, customer service and customer satisfaction; the system must deliver the highest levels of availability. Minimum uptime should be in the 99.9% to 99.99% (three nines to four nines).

Pricing

The discussion of pricing has two dimensions: pricing philosophy and actual price.

Pricing philosophy for the live chat service should be straightforward without hidden costs. The pricing philosophy should make it easy to plan for and achieve desired/required ROI. There should be a level of flexibility in the pricing philosophy so that offers can be targeted appropriately to different markets/users.

The actual price is obviously determined by the vendor consistent with their costs to provide service, desired profitability and pricing strategy (price leadership, premium pricing etc.).

Support Services/Professional Services

Although it is critical for the live chat platform to be flexible and customizable by the user (see above), it is also important for the vendor to provide support in several dimensions.

First of all, technical support must be available on a 24/7 basis. Again, given the close link to revenue generation and customer service, nothing less is acceptable.

Second, the increasingly sophisticated nature of the use of live chat services make it desirable for users to engage domain experts from their vendor for help in designing and implementing the live chat environment. This help takes the form of professional service offerings. Users should not expect these to be free services and vendors should insure that they have the expertise and staffing to adequately deliver if they choose to offer professional services products.

Target Markets

It is important to identify how vendors view their targets to insure that their market focus is consistent with that of the prospective buyer. Important target market considerations are small/medium business focus, large enterprise focus and vertical market expertise. The degree to which targets are identified and products, collateral, messages etc. are “tuned” to these markets is assessed.

Synergies

As discussed earlier, the live chat environment potentially intersects with several other important areas of business process. Vendors should be able to show synergy with those that are most important to the potential buyer.

How Do the Vendors Measure Up?

In this section, the performance of the vendors relative to the criteria described above is presented. Two forms of presentation are used. One form is a “Harvey Balls” analysis and one is a two dimensional criteria analysis. Either of which can be used by potential customers of chat services for further specific vendor selection analysis.

Having identified the criteria for assessment above, the vendors of live chat services and products can now be evaluated according to these criteria. Further discussion of the results of the assessment is provided in the following section (Observations and Conclusions)

Harvey Balls Analysis

This section provides “Harvey Balls” assessments of the vendors’ performance against the key criteria. Two matrices are presented. The first is the performance against the **Feature Set** criteria (the ticket for entry). The overall results of this assessment are then included in the performance against the **Key Factors** criteria. In this sense, the Feature Set assessment is nested in the assessment of the Key Factors.

The ball should be interpreted as follows:

- 0 – No functionality
- 1 – Some functionality
- 2 – Average/Sufficient functionality
- 3 – Above average functionality
- 4 – Best in class

Evaluation of Vendors’ Ability to Provide “Feature Set” Functionality

	BOLDCHAT	INSTANTSERVICE	LIVEPERSON (TIMPANI)	TALISMA	VELARO	WHOSON
CAPABILITY						
LIVE CHAT CLIENT						
LIVE CHAT AGENT CONSOLE						
VISITOR MONITORING						
CLICK TO CALL						
CO-BROWSING						
SECURITY						
REPORTING						
CANNED MESSAGES						
ANALYTICS						
AGENT/DEPT. ROUTING						
CONVERSION TRACKING						
EMAIL MANAGEMENT						
KNOWLEDGEBASE						
ENGAGEMENT ENGINE						
OVERALL SCORE						

The key takeaways from this part of the analysis are:

- All of the vendors offer capable functionality in most categories.
- Several choose not to offer some important areas of functionality (e.g. click-to-call, e-mail and knowledgebase).
- In many categories one needs to dig deeply into specific functionality to find differences in vendor capability.

Evaluation of Vendors' Performance Against "Key Factors"

	BOLDCHAT	INSTANTSERVICE	LIVEPERSON (TIMPANI)	TALISMA	VELARO	WHOSON
CRITERION/FEATURE						
FEATURE SET						
FLEXIBILITY/CUSTOMIZATION						
SCALE						
AVAILABILITY/RELIABILITY						
PRICE POINT						
SMB						
ENTERPRISE						
PROFESSIONAL SERVICES						
TARGET MARKET						
SMB						
PROOF/REFERENCES						
ENTERPRISE						
PROOF/REFERENCES						
VERTICAL MARKETS						
SYNERGIES						
CONTACT CENTER						
CRM						
E-COMMERCE						
OTHER						
GOOGLE ANALYTICS						
DENODO						
OVERALL SCORE						

The key takeaways from this part of the analysis are:

- Although most vendors could support most demanding, large scale implementations, LivePerson and InstantService have the most established track record.
- The other companies have the capability to compete head to head with LivePerson and InstantService in large scale implementations.
- Companies pursuing large scale implementations may find attractive pricing for sophisticated functionality as newer players mature and take on more demanding opportunities.

Two Dimensional Criteria Analysis

In this section, several views of the live chat market are presented using a two dimensional criteria format. The idea of these views is to provide alternative perspectives on the positioning of vendors participating in the live chat market. The resulting assessment categories should not be viewed as automatically good or bad. The more important factor is the weight that an individual customer places on the criteria and positioning.

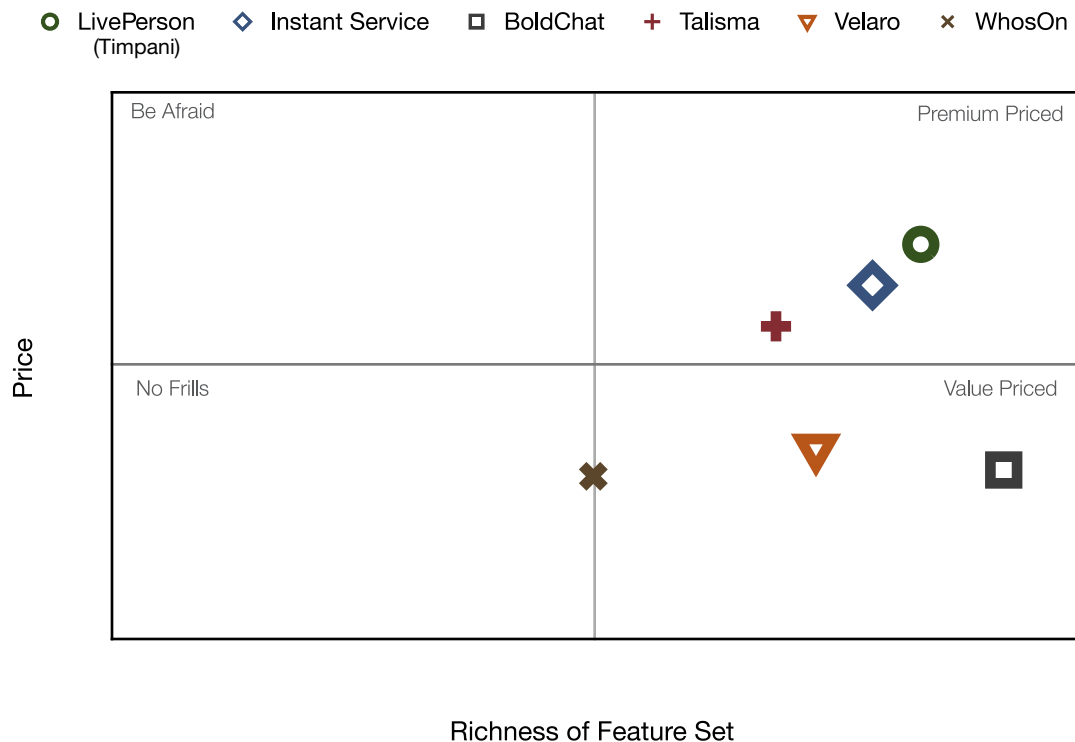
Four distinct perspectives are presented: the **Value Assessment**, two **Vendor Sweet Spot Assessments** and the **Vendor Gravitas Assessment**.

The **Vendor Value Assessment** – This market view maps the richness of a vendor's feature set on the x axis against the vendor's price level on the y axis. The resulting view identifies two vendors that tend to be premium price providers: LivePerson and InstantService. It also identifies several that tend to be bargains: BoldChat and Velaro. It must also be noted that pricing analysis can be easily manipulated. There are several kinds of people that I have never met:

- A product management person that believes their product is more expensive than competitors – and they can prove it!
- A sales person who thinks their product is underpriced – and they can prove it!
- An executive who thinks their margins are too high.

This leads to pricing views that are shaped/skewed by the particular context of the situation. In fact, the only pricing analyses that make sense are those driven by a specific customer configuration. What is depicted in **Figure A** is the tendency of vendors to fall into particular categories rather than an analysis of a specific configuration.

Figure A: Live Chat Market Value Assessment

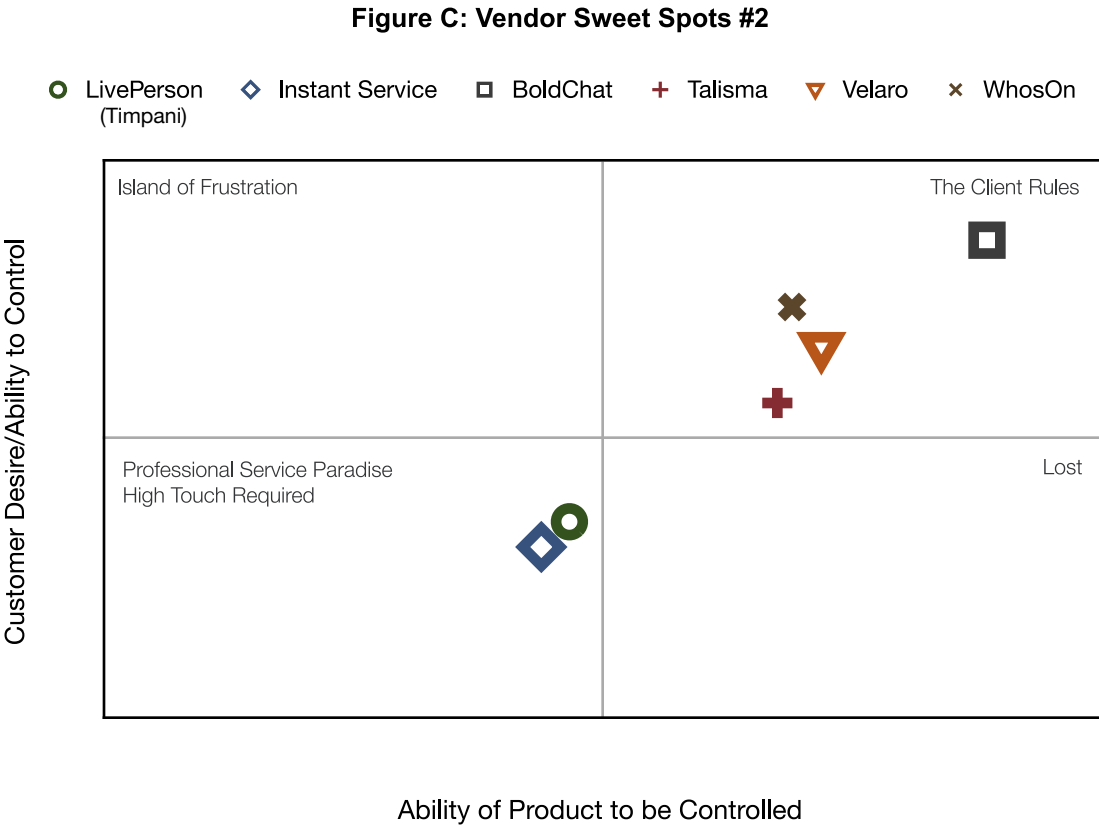


Vendor Sweet Spot Assessments – These market views deal primarily with the ability of customers to control and customize their chat implementations without having to rely on the vendor to adjust/manipulate parameters and capabilities. This is important to some customers and not so important to others. **Figure B** highlights that BoldChat and Talisma offer high degrees of customization capability with very rich feature sets. Others are less so.

Figure B: Vendor Sweet Spots

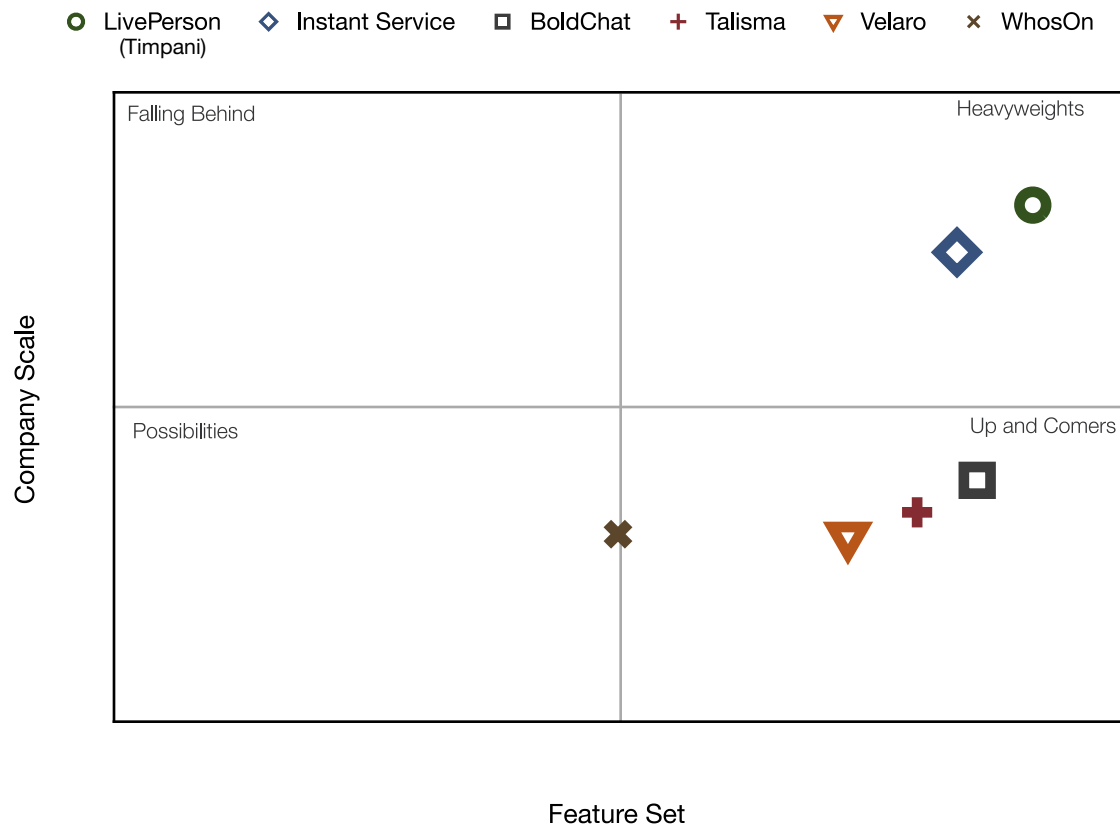


Figure C illustrates that several vendors offer relatively high degrees of capability to customize and would represent strong choices for customers looking to be very hands-on with their chat implementations.



Vendor Gravitas Assessment – This market view maps the completeness of the vendors feature set on the x axis with the size and scale of the company on the y axis. The resulting view identifies who can most likely shape the dynamics of the market.

Figure D: Vendor Gravitas Assessment



Observations and Conclusions

This assessment of vendors competing in the market for demanding end-to-end live chat capabilities leads to several important overall conclusions. The first and most important is that, depending on specific customer needs, all of the vendors assessed in this work possess the technology and skills to support large scale chat implementations. Clearly some have advantages over others but it is individual customer requirements that are most important in developing a final rank order of vendors. This paper attempts to provide some parameters and data for determining the degree to which each vendor meets customer requirements. In addition, the following observations are believed to be meaningful for both potential customers and vendors.

Lack of Emphasis on Call Center Integration

Live chat is becoming an increasingly important element of overall contact center strategy. A key evolutionary path to the contemporary multi-channel Contact Center, especially in large enterprises, is through the addition of live chat to traditional telephony based call centers. Yet little discussion of call center synergy is found from any of the vendors; even those that list large call centers as their customers. In addition, those that offer click-to-call capabilities usually position it as something that merely compliments chat and ignore the opportunity to integrate click to call into the established call center. I believe this is an opportunity in danger of being missed to the detriment of vendors and customers alike.

Overall Scale of Some Companies

A fairly unique aspect of the live chat vendor landscape is the fact that several fairly small companies offer feature sets and scalability that truly rival much larger companies in depth and breadth. This is no doubt facilitated by the widespread use of the hosted services model. This can be a concern in large scale implementations however when very limited vendor support resources might be stretched to the breaking point by multiple simultaneous implementations or technical problems.

There are Bargains out There!

Even though specific pricing exercises are not within the scope of this work, it is clear that there are several offers available that can be implemented at very attractive price points. Customers clearly have an opportunity to optimize the price they pay and therefore their return on investment by following best practices for vendor selection utilizing competitive bidding approaches.

* This study was commissioned by Bravestorm, Inc, Wichita, Kansas.