

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## ClickSoftware Technologies, Ltd. (CKSW)



**MOSHE BENBASSAT** is the Founder, Chairman and CEO of ClickSoftware Technologies Ltd. ClickSoftware, which emerged in 1997 from the consulting practice of Dr. BenBassat during his years in the academia, is focused on delivering software solutions for optimizing the entire service management chain. Dr. BenBassat continues his teaching role by educating service professionals how to better manage field workforces, reduce costs, increase revenues and keep customers happy. Under the umbrella of the ClickSoftware University, he leads public and in-house workshops on workforce management and service optimization.

### SECTOR — INTERNET

**TWST:** Please begin with a brief overview of the primary categories of solutions that you provide to customers, as well as where you see the best opportunities for growth within those categories.

**Dr. BenBassat:** We are in the business of workforce management and service optimization. Take for instance a service business such as Xerox or a large utility company such as Southern California Edison in California which need to service customers. Customers call in, for instance a printer doesn't work, and the company need to make a decision who they will send to fix this printer. Like this customer, there are thousands of people who might be calling and each one of them has a different job type that needs to be delivered but the company only has a finite number of technicians who are spread all over the territory and the question comes down to who goes where to do what for which customer with which spare parts and when. This is a quite a challenge because the company wants to answer this question while complying with their service commitments such as counting on customers to get service within six hours. They would also like to act in a way which minimizes travel time so as to minimize their cost; they'd also like to act in a way that minimizes overtime. So, all in all, it's quite a challenging problem to solve and when a company has a very large number of customer orders coming in and a limited number of technicians, it becomes quite complex.

What we have developed is a set of solutions to manage these operations all the way from the daily operations to the operations that have to do with planning and forecasting for the long term. For the daily operations, as the calls come in, we build a schedule for the day; people calling today will be scheduled for sometime either today or tomorrow, and by midnight today we already have those jobs scheduled. Now the question is how do we place jobs on the Gantt chart and on the scheduling board so that each person gets a list of the jobs they're going to do today in a way that will minimize travel and over-

time and so forth. The solution is called ClickSchedule and it's an automated product that takes the incoming work orders and produces the schedule. Imagine it is 8 am in the morning, the day starts and the clock starts ticking; by 9 o'clock, one of the company's technicians calls in and says: "I'm knocking on the door of the consumer and he's not at home, what should I do?" Not too far from him, there could be another technician who says: "You scheduled me here for two hours, it looks like it's going to take me four hours." At this situation we come up with a creative solution and say - how about giving the second job of the technician who is delayed to the technician whose consumer is not at home. Great idea and I'm sure you know most people would do this. Now if there are one or two such instances it's easy to manage, but if there are hundreds of technicians and thousands of customers and each one of them is bombarding the dispatcher with such updates, it will be very difficult to resolve manually and that's why companies use a system like ClickSoftware to manage all these incoming calls in an automated and optimal manner. In fact we do so with a product called ClickMobile. This is a mobility product given on the handheld device of the technician, and as the technician submits data from the field, the ClickSchedule product that does the automatic scheduling takes this data into consideration and re-optimizes the schedule and re-assigns the job as the needs require.

We started with the mobility product way back maybe six, seven years ago and gradually mobility in general became a natural product and we have not yet fully digested as a society all the benefits that can be derived from handheld devices. Think about the GPS that you install in the vehicles of the technicians so now if you need to dispatch somebody to a certain job, you don't have to call him where he is, you know where he is. This introduced another technology that could help service companies improve their customer service and their efficiencies and we added a product to address this need as well which is called ClickLocate, another solution which is no less exciting.

While so far I spoke about Click products that focus on optimizing the efficiencies of the technicians, we have another product that focuses on the customer who is waiting at home, this product is called ClickContact. First, it enables to do appointment booking over the Internet. What I mean is that normally you have to call by telephone and listen to that boring music that tells you all agents are temporarily busy, please stay on the line or we love you Mr. Customer, but please stay on the line and of course everybody gets tired of it. With our software, the customer logs in to the internet, submits his request and receives a lot of options for instance: Monday 8 to 10, or Tuesday 11 to 5, all he or she needs to do is chose, and they're done. But it doesn't stop there, because the customer was promised a four-hour window when he called yesterday and it was okay for yesterday, but he is not happy that he has to wait at home four hours for a two hour job, but that's the industry standard and so be it. But when the day starts, the service company knows whether that customer is the first or the second stop on the afternoon schedule of the technician. If he is the second stop on the afternoon schedule and they promised him service between 12 and 4, they can now contact him and tell him that it's going to be more likely around 1:30. That will be great because if he was considering whether or not to go to work, at least he can take this into consideration. The way we do it is when the customers logs in to set the appointment we also ask him how he would like to receive updates; would he prefers it to go into his handheld device, voice mail, email, or so forth. Whatever medium of communication he selects, that's how we will update him during the day. I'm sure every customer who is treated like this is highly appreciative of the fact that the days when you were waiting at home endlessly for a technician to show up are gone. The benefits for the service provider are also very significant because it will not have to employ people to do all these updates. The computer, driven by this software called ClickContact, is capable of monitoring the schedule throughout the day for all customers and sending the messages for the thousands of customers that are being serviced and there's no human being involved in the work. On the one hand, this saves lots of money, and on the other hand, it keeps the customer happy.

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In fact, for one of our customers, APX Alarm, we also created a Facebook page so the customer can get his updates on this Facebook page, which gives us another degree of flexibility.

So far I have described the products which are primarily designed for the day of service. It does not stop there, because by the time a company reaches the day of service, the technicians who are going to work on any given day, the capacity which is available is already given and with this, the company has to do the best it can. There are many decisions that are being made months, sometimes a year in advance that eventually will impact the capacity which will be available during the day of service. Let's take a medical equipment company who is planning to release in December 2011 a new CAT scanner. Training a technician for the CAT scanner can easily take four to six months and hiring him and retraining some of their existing engineers also takes time. So in November-December 2010, the company needs to start asking what should be the size and mix of our service force a year in advance, for December 2011, in order for us to face the work orders for the new scanner and for the old scanner and so on and so forth. This

also is a function of which territories we are going to launch the scanner in, how many people need to be hired, how many work orders will be coming in, and so on. Similarly for utility companies, for instance: a gas company that will have thousands of citizens added to its area by the end of next year. How many people will they need? It's the same for cable companies, for telecommunication companies, and so on. So, what we offer to these companies is a product called ClickForecast that helps them forecast the number of incoming work orders on any given period - it could be a month or week or quarter. Accordingly, they can decide how many people will be needed using a product called ClickPlan. So, on the one hand ClickForecast will determine the number of customer orders, and on the other hand ClickPlan will determine the number of people that will be needed.

As the day of service approaches, for instance three month out from December 2011, the issue of shift planning becomes important, and the company needs to know how many people will work on each shift and who will be working in each shift. As you probably know, typically people rotate between morning, night, and afternoon shifts because it will be unfair for a certain person to always work at night. There are also some state rules such as not working two consecutive shifts in a row, or company rules such as no more than one weekend shift per month, and of course - the employee preferences. An employee may ask not to schedule him for the afternoon shift next week because he has some activity with his kids. What our shift planning product - called ClickRoster - does is put all this data into the computer and automatically create optimal shifts, namely shifts that put the company at just above the right number of people in each shift, comply as much as possible with employee desire and satisfy all the requirements made by the state and by the company.

What I just described to you is a set of solutions that we offer to our customers, but roughly this is what we do. We offer solutions for workforce management and service operations that cover the long-term needs, the short-term needs, and the daily needs of our customers including real-time optimization using mobility devices, GPS, and so forth.

**TWST: From what you described it sounds like your products really work together as a system. Is there a particular product or a class of products where you see more growth opportunity than in others?**

**Dr. BenBassat:** Yes. The majority of our revenues come from ClickSchedule and ClickMobile, namely the products for daily operations and the reason for it is that most companies start by purchasing the product that addresses immediate pay, which normally is in their daily operations. Once they are settled with the daily crisis, they start looking into other areas where they can improve and gain more benefits and this has to do with shift planning, technical resource planning, and long-term capacity planning. Recently we came up with a standalone version of ClickMobile. While in the past we used to sell ClickMobile in conjunction with ClickSchedule, we realized that people are looking for a mobility solution that will offer a much broader set of functionalities. So, we developed a solution that doesn't stop at the functionality required for real-time daily optimization, but rather delivers all the functionality needed by mobile workers to do the job in the field and even beyond it. It's not just the technician; it's the supervisors and it's

the managers. I'll give you an example. Let's say the day starts at a utility company and a crew manager realizes that one of his people is missing, so what he needs to do is search for a replacement. With ClickMobile, using his mobile device, he can scroll and ask for candidates who are available to him, and then bring a person in. Similarly, the candidate needs to be assigned a vehicle, again using his mobile device the crew manager can bring it in. Now this may sound simple, but it's not that simple because the moment a crew member joins the team, all his timesheets and later on his payroll and other paperwork needs to be synchronized. This is an example of mobile functionality that saves lots of time and has got nothing to do with the optimization I mentioned before.

Let me give you another example. Let's say you are a cable technician and you went to the house and there was a problem in the cable box and you fixed it. In the past, the technician used to call headquarters and ask a person on the other side to check that the fix was done right. With our mobile solution, he doesn't have to do it like this. He just uses his mobile devices to send a signal to the equipment back at headquarters and this activates the fix, checks it, and if it's right, bingo that was completed. But more than that, we all know that cable guys or service technicians are the best salespeople of the company. So when the service technician finishes his fix or the repair job, he will also try to upsell you. He will say how this new campaign lets you combine the sports channel with the ge-

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ography channel and we can save you \$5 a month and you know what, using his mobile device, he can do upselling. He can literally propose to you the new campaigns, capture your signature, and while he's still at your home, he can activate the service from his mobile device and you can get instant gratification and see the channels right away. One last example along these lines is the timesheet module that we have, by which we enable each technician to manage his timesheet in the sense that it captures for the technician all the time stamps from when he started to work the day, when he got to the first customer, when he left the first customer, and so on and so forth; and at the end of the day, he has to fill in a few more data points, do some checks, press enter, and his timesheet as an individual is completed. Similarly the crew manager gets the timesheets of all his people, he reviews them, he compiles them, he presses a button and off they go. This by itself could save a significant amount of time for the field workers. The bottom line is that we have developed a very comprehensive set of functionalities with ClickMobile and we believe that this will be a source of major revenue growth in the coming years.

In addition to the ClickMobile product, last year we also started with a new generation of our Shift Scheduling product. So, unlike the ClickSchedule product in which the units you are managing are the individual jobs during the day, Shift Scheduling is really the phase in which you assign a person to work the morning shift or the afternoon shift and so forth as I explained before. In this product, we have the traditional market that we have been addressing, but it really opened a whole set of new business verticals for us, including the following: we are now addressing the needs of the public sector - like police departments, fire departments, and all sorts of emergency services - which has a very unique need for Shift Scheduling and this is an area where we expect to see significant growth. Similarly, we are addressing needs in the transportation business, such as Shift Scheduling for rail operations, and only last quarter, we signed a major rail operation in Australia to do just that.

**TWST: Obviously, staying on the leading edge of technology is important for your business, and in one of your investor presentations you mentioned a goal of launching software-as-a-service solution. Would you tell us about any products you have in development?**

**Dr. BenBassat:** Regarding software as a service, recognizing the data trend in the industry by more and more companies to purchase software and consume it as a service, namely host the solution on a remote computer and pay monthly to using the service; we have enabled all of our products to be sold in this way and we know the necessary technical logistics to host our products on some clouds and it's progressing. The best way to describe it today would be that large companies still prefer the perpetual way of acquiring software and so from the large companies, we do not yet see that many requests to buy the software as a service. But we do see significant demand from the low-end of the market, companies with five to ten technicians, and over there we have the Service Tycoon software that is offered as a service for the low-end of the market. Gradually I believe we will see a trend for medium size companies to use software as a service, but it is still early to judge because coming out of the recession, the medium size companies were hurt the most and are much more hesitant of getting into new investments now.

**TWST: Your third-quarter revenues increased about 5%,**

**but your net income did drop just under a million. Would you tell me a little bit about the costs that contributed to the decrease in earnings while your revenues grew?**

**Dr. BenBassat:** As we mentioned in our earnings call for Q3 2010, revenues were slightly below our expectations; however on a nine-month basis, we're on target because Q1 and Q2 were somewhat higher than expectations. So, if you look at our total annual profit over a nine-month basis, it's about what we expected and the drop in Q3 was simply because revenues were low and the expenses are not something you can change overnight. That's the reason for the drop in the profit and we're not going to cut costs because of it as we believe we still need the people that we have in order to continue to grow. Overall, the projection for the full year is going to be the same as we gave at the beginning of the year. Our business remains strong and we expect that momentum to continue into Q4 and 2011.

**TWST: Obviously your products are intended to enable businesses to run more efficiently, but there's the issue of upfront costs, which I'm sure is inhibiting some from making the move right now. How has the economy impacted your business?**

**Dr. BenBassat:** It was pleasing to see that 2008 and 2009 were good years for us in the sense that we grew in the 20% range and similarly 2010 seems to be proceeding according to plan. So, all in all, it looks like the economy did not impact us. The reason for it could be in several places. First, the products that we sell offer reduction in cost and increase in productivity, and sometimes that's exactly the kind of products that customers need during a recession. Second, many of our customers are not affected by recession cycles and this includes utility companies such as water companies, electricity companies, and gas companies. Similarly, the telecom and cable companies were not affected much, they have their own long-term investment plan, and that's why we believe our revenues continue to grow despite the recession.

**TWST: Would you give us an overview of your customer base? And in which verticals do you see new opportunities emerging?**

**Dr. BenBassat:** About 35% of our business comes from energy and utility companies and here you can see companies such as Southern California Edison in the Orange County area, FirstEnergy in the East Coast, Pacific Gas & Electric in the West Coast, ETSA Utilities in Australia, Anglian Water in the UK, and quite a number of others. We also have a number of cable and telecommunication customers such as Bell, Rogers and Telus in Canada, Knology and Level 3 in the United States, BSKyB in the UK, Deutsche Telekom in Germany and Telstra in Australia. Several of these clients have been working with us for more than 10 years. Altogether the utility, telecommunication and cable industry is about 70% to 75% of our business.

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In addition, we get a lot of business from the computer and office equipment companies; in fact, over the years, we almost dominated the space with RICOH, Konica Minolta, Unisys, Hewlett-Packard, and Xerox as our customers. We also did well in the home equipment services with customers such as Direct Energy in Canada, Best Buy in the United States, Bosch in Europe, and Fisher & Paykel, the company that makes advanced appliances. We also serve several customers in the capital equipment and manufacturing sectors, including Caterpillar and Philips Healthcare.

**TWST: With the customers that you mentioned, it sounds like you have a fairly global footprint. You mentioned in an investor presentation that it was one of your goals to continue to expand geographically. So are there any areas in particular that you’re targeting at this time?**

**Dr. BenBassat:** Yes, we are intensifying efforts in India, Europe and the United States which are recovering from the recession and we need to focus on them and make sure that we capture all the new comers from this space. Similarly, Australia is a large territory for us and the Far East in general is developing nicely and we probably would focus on it as well.

**TWST: There are lot of companies already in the software space and new ones developing every day and I would also imagine that some of your competition comes from companies just managing these processes in-house. When you look at all the different ways that you’re experiencing competition, what do you believe sets your company apart?**

**Dr. BenBassat:** Let me start by saying that I respect all the companies in our space and we try to be friends with them off business and yet compete as best as we can for the business that exists in the market. So far we have been quite successful and the competitive landscape is working in our favor. ‘In fact, if you look into the Gartner’s Field Service Management Magic Quadrant for 2009 and 2010, you will see that we improved our position, meaning that we moved more to the northeast of the Magic Quadrant, while our competitors, actually almost all of them, moved south and east and west which means that our leadership position not only improved, but the position of our competitors actually went down and this is giving us a very nice marginal distance from our competition. It was not easy in the past few years, with the global economic situation, for many of our competitors; one was acquired and

one changed direction, but some new ones I believe will pop-up and so we are not relaxing and we remain cautious to make sure that we maintain our leadership position.

**TWST: Would you share with us a little more insight on what your sales cycle looks like from the beginning of talks with customers to the rollout of the products? And what do you believe are your most effective marketing strategies?**

**Dr. BenBassat:** As far as the sales cycle, normally from the moment that a prospect is qualified as a company who has the need and has the budget, it takes anywhere from six to nine to 12 months to get the contract signed. Some of those that take longer are typically those large companies that will issue an RFP, a request for a proposal, and this

document goes to all the competition and to all the vendors; we get some time to respond to it, it takes some time for them to evaluate it, and so on. So, this tends to take in the ballpark of nine to 12 months, which is on the long end of the sales cycle.

In terms of marketing, we use all avenues and all sources of marketing; we make sure that we go to the right trade shows, we approach customers directly, we have the names of most prospects in our space, we use social media tools to engage with customers, partners and prospects, and all in all we try to be very creative and also disciplined in managing the sales continuum. We make sure that if we see that there are not enough names at the top of the funnel that can translate into signed contracts, then the marketing machine is reignited with higher intensity to generate more leads. We have fairly good statistics about the convergence rate from initial leads to signed contracts and we try to make sure that we have enough of them to be able to generate revenues for the upcoming period.

**TWST: What is the most significant business challenge you’re currently facing and what strategies are you and your team using to deal with that challenge?**

**Dr. BenBassat:** The challenge is to maintain growth and simultaneously maintain profitability because the company is driving a nice wave of momentum and we see opportunities all over the world, however to capture all of them, we need to make some investments. What we’re trying to do is really balance between using our cash to try and expand as much as we can while simultaneously making sure that we hit the profit targets that we set for ourselves and that are expected from us. So, that’s the major challenge.

**TWST: Thank you. (MES)**

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