

Inside the Mind of an Entrepreneur

Ever wonder how an entrepreneur's mind works? How they seemingly get from A-to-Z and make starting a company seem so easy? What questions percolate in the deep crevices of their brains? One serial entrepreneur recently provided a sneak peek. Oren Etzioni is founder of Farecast, an air travel data mining company acquired by Microsoft in 2008. No stranger to entrepreneurship, Oren was the Chief Technology Officer and a board member of Go2net (acquired by Infospace in 2000), and a co-founder of Netbot. (acquired by Excite in 1997). He is currently a Professor of Computer Science at the University of Washington and a Venture Partner at Madrona Venture Group. He has also served as a consultant or advisor to Google, Microsoft, Northern Telecom, SAIC, Infospace, Excite, Askjeeves, Zillow, Vivisimo, and others. At a recent Northwest Entrepreneur Breakfast meeting Oren explored the critical thinking required to launch Farecast.

A Trail of Questions Leads to the Golden Goose

According to Oren Etzioni, "Optimism is good, but answers are better". A wish and prayer mentality won't cut it in the hard knocks world of start-ups. Any skilled entrepreneur must know which questions to ask and how to find the answers. Uncovering and answering the right questions was exactly what Oren did while investigating the launch of Farecast.

The Farecast premise was to help consumers answer a simple question: Is now the right time to buy my airline ticket? However, answering that question wasn't as simple. It led to many more questions that Oren sought answers to. Such as: Is prediction possible? What are

the hidden variables? And, if we can predict the time vs. price riddle of air travel, can we predict the stock market? Why hasn't anyone done this before?

Being a computer scientist at heart, Oren

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and his small team of students uncovered a critical truth: Air travel pricing prediction was possible because it wasn't a true, unpredictable market. Air travel is unique because airlines set the prices, not the market. This

changed the equation. Farecast didn't have to predict what a market would do; it had to predict how airlines set pricing. With the first questions answered a new batch emerged: Can the airlines outsmart us? Will they put us out of business? Ultimately the team decided the small size of Farecast and its low ratio of users would insulate the business to a degree. More importantly the company discovered in talking to the airlines that they actually liked the concept of Farecast. Oddly, price predication could create a new revenue channel for airlines. Exposing pricing tricks like Saturday-night stay requirements as a way for airlines to increase fares for business travel, could actually bring in value buyers through Farecast.

Next, Oren tackled key business model questions: Can we advise people to buy vs. wait based on an observation? Is the market ready? To answer this Oren and a graduate student wrote a paper to prove the science and logic. The research was presented at a data mining conference.

Interest was high. Afterwards the findings were distributed in a press release by the University of Washington, where Oren was working. The media interest was intense. Thousands of emails and media inquiries, based only on research, not a product announcement, surfaced. It was clear the concept hit a raw nerve. They had validation. People wanted a product that could do this.

With a validation in his back pocket, funding was secured. The product was built, and the business was launched in 2006 to continued media accolades. Oren attributes the rapid success of Farecast to many things: knowing the questions to ask; seeking strategic advice including from unlikely sources, such as the airlines in his case. And, like Google, Yahoo, Sun and many others before him, leveraging the benefits of being a University spin out. In fact, for the majority of businesses that start-up outside of a University, Oren advises finding ways to tap into professors who are willing to help. A good way to start is by answering a simple question: What can you provide them? Hint: Professors need to publish regularly and many are available for consulting.

These "Executive Insights" are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness. Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.

