

## ***Venture Blog***

June 25, 2007

David Hornik

### **Shameless Self-Promotion Week 2: Nomis Solutions**

I am a bit of a broken record when it comes to my "its all about the team" mantra. But I really believe it. Yes, it is important to have a good idea. Yes, it is important to be chasing a big market. But as important as both of those things are, they pale in comparison to the need for great entrepreneurs.

I've also written a fair bit about what it means to be a great entrepreneur. Some founders are incredibly good entrepreneurs by virtue of their sheer fanaticism and determination -- they thrive on the challenge of building a businesses out of whole cloth and hate to lose. Some founders are "serial entrepreneurs" and get the benefit of the doubt because they have done it before -- they have managed to run the startup gauntlet and make their investors a bunch of money. And other founders are incredible domain experts -- if anyone is going to figure out how to build an interesting business in their particular field, it will be them. If an entrepreneur falls into any one of these categories, you will do well to back them.

A few years ago I was approached about backing a company called Nomis Solutions. The idea behind Nomis was to apply modern price optimization techniques to the financial services sector. While banks and insurance companies do a great job of measuring and optimizing risk, they have historically done less well at measuring and optimizing pricing. As a result, the industry as a whole has left a lot of money on the table. The founders of Nomis intended to build a software solution to help financial institutions engage in profit-based pricing -- pricing that would create the greatest profitability on a product by product basis (auto finance, mortgage, etc.).

Was it a good idea? You bet. Any time a piece of software can increase your profitability by 10 to 20%, it is a good idea. Was it a big market? Monstrous. Financial institutions are historically very difficult to sell software into, nonetheless, they are monumentally large accounts if you can find your way in. So my investment decision came down to the question of how was the team. While there were four fantastic entrepreneurs when I funded Nomis, and I do not in any way want to slight Nomis's other spectacular founders, I want to take a closer look at Nomis founder Dr. Robert Phillips.

Bob Phillips personifies the best characteristics of a great entrepreneur. He thrives on company creation and refuses to lose (when I made diligence calls on Bob, I was assured that he was a killer entrepreneur and that I would do well to back him but that I should never ever play him at Trivial Pursuit). Bob is also a serial entrepreneurs who has made a bunch of money for his investors in the past. As the founder and CEO of Talus Solution, Bob created the worlds largest price optimization company in its day, which he sold to Manugistics for hundreds of millions of dollars. And Bob is the guru of price optimization -- there is no bigger domain expert. If you have been annoyed by the fact that the guy sitting next to you on a plane paid significantly less for his ticket than you did, you have Bob Phillips to blame for that. He introduced revenue optimization to the airline industry many years ago. He literally wrote the price optimization text book and teaches it at Stanford and Columbia Business Schools.

It would be hard to find a better example of a fundable entrepreneur than Bob Phillips. So it will come as no surprise to you that Bob and his co-founders have managed to build an incredible company at Nomis. Their customers are literally a who's who of the banking industry, from Ford Motor Credit to HBoS to GE Consumer Finance to Washington Mutual. And their results have been nothing short of spectacular -- by installing Nomis's software, a bank can increase the profitability of its business by between ten and twenty percent. On a multi-billion dollar loan portfolio, that adds up to real money quickly. As a result, Nomis has been able to make great inroads into a really tough market.

I don't want to ignore the excellent work of Bob Phillips' co-founders. Nor do I want to understate the degree to which great hiring has helped make the company a market leader. But Bob Phillips remains *the* world's expert in revenue optimization and I would sooner bet with Bob than against him when it comes to price optimization. It truly is all about the team.