

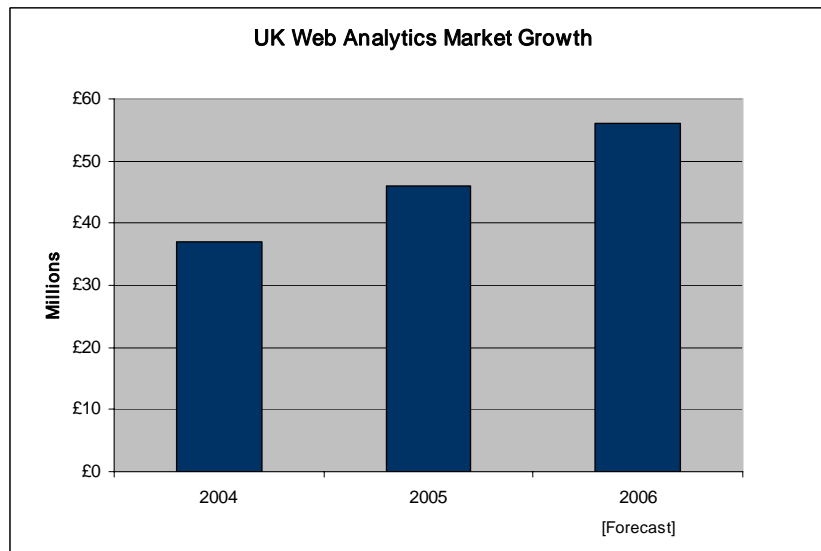
Web Analytics

Roundtable Briefing, October 2006

Market Overview

Market valuation

- The UK market for web analytics will grow 22% in 2006 to an estimated value of £56 million, according to E-consultancy estimates*.
- This year is already proving to be a strong year of growth following a similarly successful 2005 when we estimated the market value to have grown 25% year-on-year from £37 million to £46 million.
- Our valuations reflect the total UK revenues of web analytics vendors and consultancies including income from software licences, hosted solutions and consultancy services.



**Source: E-consultancy 2006 Web Analytics Buyer's Guide*

Market trends

- Continued investment in analytics across a wide spectrum of sectors including

retail, financial services, automotive, travel, media and gaming.

- **Google’s free analytics tool gives impetus to market and shapes landscape** as vendors differentiate themselves.
- **Marketers embrace analytics** ‘in year of the executive dashboard’.
- Analytics becomes **key part of Business Intelligence** as it ‘comes of age’.
- **Lack of education** and shortage of business analysts holds back industry.

Recent Marketplace activity

- Visual Sciences has been acquired by WebSideStory
- Sane Solutions has been bought by Unica.
- Urchin was bought by Google.
- Microsoft acquired DeepMetrix.

Summary of Key Points from Roundtable Discussion

Barriers to effective use of web analytics

- Many organisations are still **not putting enough resources** into understanding how web analytics can drive their businesses forward.
 - The client-side analyst ideally needs to be someone who understands the business as well as knowing about different areas of online marketing.
 - In some companies campaign managers and analysts are the same person.
 - It can be useful when the analytics vendor provides a “*third set of eyes*” to look at the data.
 - Companies should not look at the e-channel in isolation. Website information needs to be plugged into a wider data set.
 - *“There needs to be seamless integration.”*
- **IT departments** can be a major bottleneck in the process of making changes to websites, especially when any adjustments need to be ratified by various committees.
 - Ideally, the effective use of web analytics should involve a process of “*change-test-change-test*” but this is often hampered by the difficulty in making any changes.
 - **Brand guidelines** and **compliance issues** are among the other barriers which can prevent organisations from being nimble in terms of acting on web analytics.

Importance of customer-centric approach

- Businesses should not lose sight of the need to think about **individual users**

- rather than thinking in terms of aggregated data.
- *“People will come to you through different channels ... the trick is to look at the data and statistics against the individual person.”*
 - It is also important to think about **“why” users are doing things** as well as *what* they are doing.
 - Organisations need to get as full a picture as possible in terms of the wider customer experience. This might mean Key Performance Indicators for employees around satisfaction and ease of use.
 - From the vendor perspective, the move towards the customer angle has been a fairly recent development.
 - With regard to some companies, it is still very much *“an education piece”* in terms of instilling an understanding of the need to think in terms of customers and segments.
 - *“The customer profile sits in the middle of everything. You need to wrap everything around the customer profile.”*
 - There are **various ways to segment customers** including customer lifecycle, value to organisation, demographics, preferences, acquisition source, referral source and level of email engagement.
 - But when you segment customers, you need to make sure that you are not putting them in an inappropriate pigeon-hole.
 - *“Just because someone buys a Wendy House, it doesn’t mean that they have children.”*
 - The **single view of the customer** is what companies need to aspire to, so that they know what they should do next to maximise customer value.
 - While existing data about customers can be useful for segmentation, *“the people you don’t really know anything about”* perhaps represent an even greater opportunity.

Measurement in the world of Web 2.0

- An emerging challenge for Web Analytics has been **how to measure interactions that don’t involve a page refresh**, for example when AJAX technology is involved.
 - We need to move away from a *“page-centric”* view of web interactions.
 - *“Someone could spend 45 minutes on a site but a traditional web package would say that it is one page view and not give much insight about what was happening ... The one-page view is no longer a core unit of web measurement.”*
 - Flash technology has posed some of the same challenges for a while because of the difficulty of drawing conclusions about interaction.
 - *“No visit is the same when Flash is involved.”*
- Website owners need to decide what they want to measure and adapt their methodology.

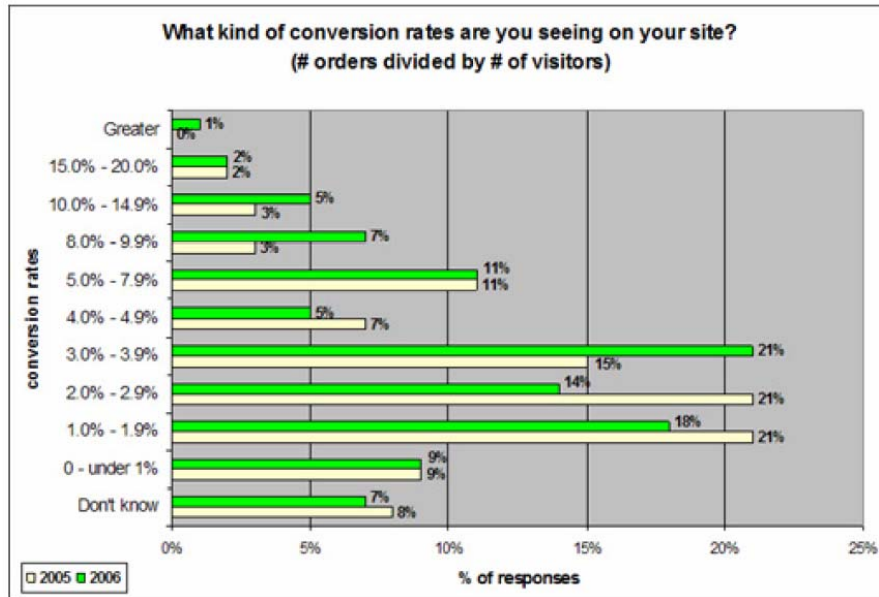
- **It is about looking at “events” and processes rather than page views.**
- Businesses can still build an understanding of what is happening by looking at the “conversion of success”.
- **RSS also poses challenges** in terms of what can and cannot be measured.
 - It is possible to measure views of content and subscriptions.

What does the future hold for web analytics?

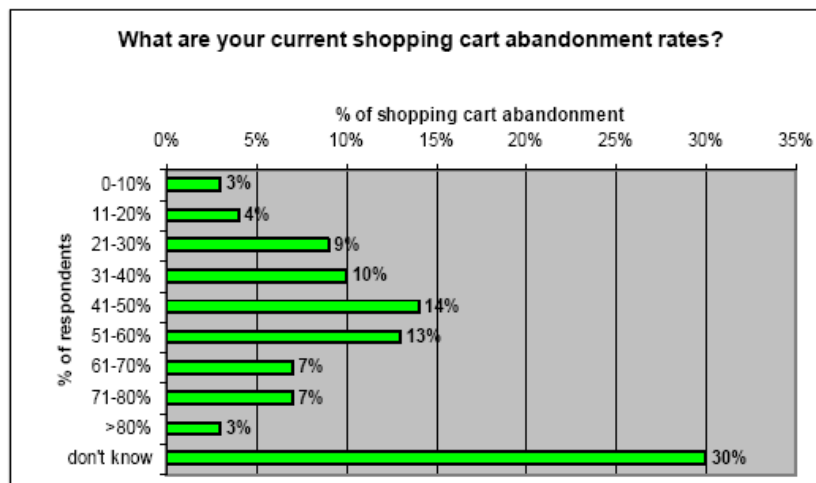
- Web analytics will increasingly be **integrated within wider CRM data**, giving a more seamless view of what individual customers are doing.
- Organisations will increasingly **move away from a page-centric view of web analytics**, focusing instead on events and processes. This process will be speeded up as AJAX technology becomes more commonplace.
- **Microsoft has acquired DeepMetrix** and plans to incorporate this into Microsoft AdCenter. It will be interesting to see how this develops in the light of Google’s free analytics service.
- Google has recently launched its **Website Optimizer service** which integrates with AdWords and helps organisations to optimise their landing pages.
 - What does this mean for Google’s broader strategy and what are the implications? Watch this space.

New Statistics

- Conversion rates are still improving but at a slower rate because the industry is maturing and it is harder to get performance improvements. [The E-tailing Group, [5th Annual Merchant Survey](#), April, 2006]



- 37% of US merchants reported **cart abandonment rates** of between **31% - 60%**.
 - 6% claim rates over 80%
- [The E-tailing Group, [5th Annual Merchant Survey](#), April, 2006]



http://www.e-tailing.com/research/merchantsurvey/press/ExecutiveSummary_04_06.pdf