Measuring Success

Lord Kelvin is often quoted as the reason why metrics are so important: "If you cannot measure it, you cannot improve it." That statement is ultimately the purpose of web analytics. By enabling you to identify what works and what doesn't from a visitor's point of view, web analytics is the foundation for running a successful website. Even if you get those decisions wrong, web analytics provides the feedback mechanism that enables you to identify mistakes quickly.

In Part I, you will learn the following:

Why Understanding Your Web Traffic Is Important to Your Business

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Web analytics is a thermometer for your website—constantly checking and monitoring your online health. As a methodology, it is the study of online experience in order to improve it, and without it you are flying blind. How else would you determine whether your search engine marketing is effective at capturing your maximum potential audience or whether negative blog comments are hindering conversions? Is the user experience a good one, encouraging engagement and return visits, or are visitors bouncing off your website after viewing only a single page?

In Chapter 1, you will learn:

The kinds of information you can obtain from analyzing traffic on your site

The kinds of decisions that web analytics can help you make

The ROI of web analytics

How web analytics helps you understand your web traffic

Information Web Analytics Can Provide

In order to do business effectively on the Web, you need to continually refine and optimize your online marketing strategy, site navigation, and page content. A low-performing website will starve your return on investment (ROI) and can damage your brand. But you need to understand what is performing poorly—the targeting of your marketing campaigns or your website's ability to convert? Web analytics provides the tools for gathering this information about what happens on your website, and enables you to benchmark the effects.

Note that I have deliberately used the word *tools* in its plural form. This is because the term web analytics covers many areas that require different methodologies or data collection techniques. For example, *offsite tools* are used to measure the size of your potential audience (opportunity), your share of voice (visibility), and the buzz (comments) that is happening on the Internet as a whole. These are relevant metrics regardless of your website's existence. Conversely, *onsite tools* measure the visitor's journey, its drivers, and your website's performance. These are directly related to your website's existence.

Google Analytics is an onsite visitor reporting tool. From here on, when I use the general term web analytics, I am referring to onsite measurement tools.
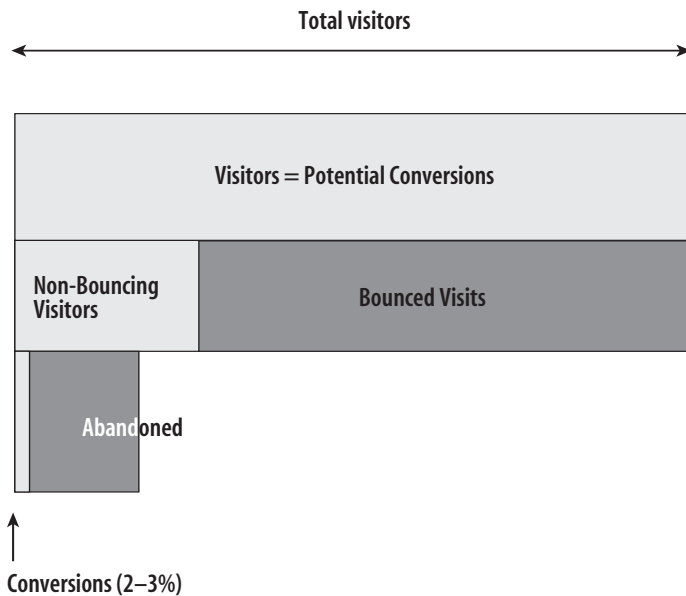
If you have already experienced looking at metrics from pay-per-click advertising campaigns, Google Analytics is simply the widening of that report view to see all referrals and behavior of visitors. If you are new to any kind of web metrics reporting, then the amount of information available can at first feel overwhelming. However, bear with me— this book is intended to guide you through the important aspects of what you need to know in order to be up and running with Google Analytics quickly and efficiently.

Keep in mind that web analytics are tools—not ends in themselves. They cannot tell you why visitors behave the way they do or which improvements you should make. For that you need to invest in report analysis; and that means hiring expertise, training existing staff, using the services of an external consultant, or a combination of all of these.

Consider Figure 1.1, a typical model that most websites fit. It illustrates that the vast majority of websites have single-figure conversion rates. Why is that, and can it be improved? I can say with certainty that in my 15 years of writing and viewing web pages, there has always been room for improvement from a user experience point of view— including on my own websites. Ultimately, it is the user experience of your visitors that will determine the success of your website; and web analytics tools provide the means to investigate this.

Note: The average conversion rate reported by the e-tailing group corresponds closely with Forrester Research, July 2007, and the Fireclick Index (http://index.fireclick.com/fireindex .php?segment=0).

Total visitors

Visitors = Potential Conversions

Non-Bouncing Visitors

Bounced Visits

Aband oned

Conversions (2–3%)

Figure 1.1 U.S. Conversion rates average 2–3 percent 2005–2007

Source: the e-tailing group, April 2007

If you are implementing web analytics for the first time, then you want to gain an insight into the initial visitor metrics to ascertain your traffic levels and visitor distribution. Examples of first-level metrics include the following:

- How many daily visitors you receive
- Your average conversion rate (sales, registration, download, etc.)
- Your top visited pages
- The average visit time on site and how often visitors come back
- The average visit page depth and how this varies by referrer
- The geographic distribution of visitors and what language setting they are using
- How "sticky" your pages are: Do visitors stay or simply bounce off (single-page visits)?

If your website has an e-commerce facility, then you will also want to know the following:

- What revenue your site is generating and where these customers are coming from
- What your top-selling products are—and their average order value

These metrics enable you to draw a line in the sand as the starting point from which you can increase your knowledge. Be warned, though, Google Analytics gives you statistics so readily that the habit of checking them can become obsessive! Hence,

as you move deeper into your analysis, you will start to ask more complicated questions of your data. For example:

- What is the value of a visitor?
- What is the value of the web page?
- How does ROI differ between new versus returning visitors?
- How do visits and conversions vary by referring medium type or campaign source?
- How does bounce rate vary by page viewed or referring source?
- How is my site engaging with visitors?
- Does the use of internal site search help with conversions?
- How many visits and how much time does it take for a visitor to become a customer?

All of these questions can be answered with Google Analytics reports.

Decisions Web Analytics Can Help You Make

Knowledge without action is meaningless. The purpose of web analytics is to give you the knowledge from which you can make informed decisions about changing your online strategy—for the better.

In terms of benchmarks, it is important that any organization spends time planning its *key performance indicators (KPIs)*. KPIs provide a distillation of the plethora of website visitor data available to you as clear, actionable information. Simply put, KPIs represent the key factors, specific to your organization, that measure success.

Google Analytics gives you the data from which KPIs are built and in some cases can provide a KPI directly. For example, saying "we had 10,000 visitors this week" is providing a piece of data. A KPI based on this could be "our visitor numbers are up 10 percent month on month"—that is an indicator saying things are looking good. Most KPIs are ratios that enable you to take action, and the job of an analyst is to build these specific to your organization. I discuss building KPIs in detail in Chapter 10.

Using KPIs, typical decisions you can make include those shown in Table 1.1.

While engaging in this process to improve your website's performance, consider the changes as part of a continuous process—not a one-hit fix. That is, think in terms of the AMAT acronym:

- **A**cquisition of visitors
- **M**easurement of performance
- **A**nalysis of trends
- **T**esting to improve

Observation	Action
Blog visitors show different behavioral patterns from potential customers.	Segment these visitors to view the difference.
Goal conversions are higher for foreign language visitors than for those with US-English.	Investigate the potential for conducting business in additional languages.
Internal site search is being actively used by 70 percent of visitors. However, conversions are lower for this segment.	Investigate the quality of site search results.
Forum visitors are driving goal conversions (PDF downloads), but it is paid-search visitors who are driving transactions.	Acquire more forum visitors to drive branding, reach, and goal conversions. Acquire more paid-search visitors to provide further revenue growth.

The ROI of Web Analytics

Google Analytics is a free data collection and reporting tool. However, analyzing, interpreting, and making website changes all require a resource outlay at your end. The amount of investment you make in web analytics, therefore, depends on how significant your website is to your overall business.

How Much Time Should You Spend on This?

A great phrase often heard from Jim Stern at his eMetrics conference series (www.emetrics .org) is "What is the ROI of measuring your ROI?" In other words, how much time and effort should you spend on data measurement and analysis, considering that the vast majority of people performing this job role also have other responsibilities, such as webmaster, online marketer, offline marketer, content creator—even running a business. After all, you need to focus on delivering for your visitors and generating revenue or leads from your website.

The key to calculating this is understanding the value of your website in monetary terms—either direct as an e-commerce website or indirect from lead generation or advertisement click-throughs. Marketers are smart but they are not fortune-tellers. Purchasing clicks and doing nothing to measure their effectiveness is like scattering seeds in the air. Even highly paid expert opinions can be wrong. Moreover, content that works today can become stale tomorrow. Using web analytics, you can ascertain the impact your work has and what that is worth to your organization.

Table 1.2 demonstrates a before-and-after example of what making use of web analytics data can achieve. In this theoretical case, the target was to grow the online

conversion rate by 1 percent, using an understanding of visitor acquisition and onsite factors such as checkout funnel analysis, exit points, bounce rates, and engagement metrics. By achieving this increase, the values of total profit, P, and ROI, R, shown in the last two rows of the table, put the analysis into context—that is, profit will rise by $37,500 and return on investment quadruples to 50 percent—without any increase in visitor acquisition costs.

▶ **Table 1.2** Economic Effect of a 1% Increase in Conversion Rate

Measure	Symbol	Calculation	Before	After
Visitors	v		100,000	100,000
Cost per visit	c		$1.00	$1.00
Cost of all visits	c_T	$v \times c$	$100,000	$100,000
Conversion rate	r		3%	4%
Conversions	C	$r \times v$	3,000	4,000
Revenue per conversion	V		$75	$75
Total revenue	T	$V \times C$	**$225,000**	**$300,000**
Non-marketing profit margin	m		50%	50%
Non-marketing costs	n	$m \times T$	$112,500	$150,000
Marketing costs	c_T	$v \times c$	$100,000	$100,000
Total profit	P	$T - (n + c_T)$	**$12,500**	**$50,000**
Total marketing ROI	R	P / c_T	**13%**	**50%**

Note: The excel spreadsheet of Table 1.2 is available at: www.advanced-web-metrics.com/scripts

To calculate how much time you should spend on web analytics in your organization, try a similar calculation; then ask your boss (or yourself) how much time such an increase in revenue buys you. As a guide, I have worked with clients for whom the time from web analytics implementation, initial analysis, forming a hypothesis, testing, interpretation, and presenting the results—that is, the before and after—takes six months. Of course, the compounded impact of your work will last much longer, so the actual lifetime value is always higher than this calculation suggests.

How Web Analytics Helps You Understand Your Web Traffic

As discussed earlier, viewing the 80-plus reports in Google Analytics can at first appear overwhelming—there is simply too much data to consume in one go. Of course, all of this data is relevant, but some of it will be more relevant to you, depending on your business model. Therefore, once you have visitor data coming in and populating your reports, you will likely want to view a smaller subset—the key touch points with your potential customers. To help you distill visitor information, Google Analytics can be configured to report on goal conversions.

Identifying goals is probably the single most important step of building a website—it enables you to define success. Think of goal conversions as specific, measurable actions that you want your visitors to complete before they leave your website. For example, an obvious goal for an e-commerce site is the completion of a transaction—that is, buying something. However, not all visitors will complete a transaction on their first visit, so another useful e-commerce goal is quantifying the number of people who add an item to the shopping cart whether they complete the purchase or not—in other words, how many begin the shopping process.

Regardless of whether you have an e-commerce website or not, your website has goals. A goal is any action or engagement that builds a relationship with your visitors, such as the completion of a feedback form, a subscription request, leaving a comment on a blog post, downloading a PDF whitepaper, viewing a special offers page, or clicking a mailto: link. As you begin this exercise, you will probably realize that you actually have many website goals.

With goals clearly defined, you simplify the viewing of your visitor data and the forming of a hypothesis. The at-a-glance key metrics are your goal conversions. For example, knowing instantly how many, and what proportion, of your visitors convert enables you to promptly ascertain the performance of your website and whether you should do something about it or relax and let the computers continue to do the work for you.

Where to Get Help

Google itself provides a number of self-help resources that you can tap into:

Google Analytics Help Center An online searchable manual and reference guide:

www.google.com/support/googleanalytics

Continues

Where to Get Help *(Continued)*

Analytics Help Group A Google Group with a threaded message-board system. Members are Google Analytics users although Google Support staff occasionally participate:

www.google.com/analytics/analyticshelp

Conversion University Going beyond the standard reporting, advanced topics, and methodologies:

www.conversionuniversity.com

Conversion University channel on YouTube:

www.youtube.com/view_play_list?p=7A545E796C2CFA72

Google Blog Official Google Analytics News blog where you can find latest product updates, what's new, events, Conversion University, Help Center, and more:

http://analytics.blogspot.com

Official Authorized Partners If you are investing in web analytics yet cannot afford full-time resources in house, a global network of third-party Google Authorized Analytics Consultants (GAAC) is available.

GAAC partners are independent of Google and have a proven track record in their field, providing paid-for professional services such as strategic planning, custom installation, onsite or remote training, data analysis, and consultation:

www.google.com/analytics/support_partner_provided.html

Official book website and blog from Brian Clifton:

www.advanced-web-metrics.com

Summary

In Chapter 1, you have learned the following:

The kinds of information you can obtain from analyzing traffic on your site This includes visitor volumes, top referrers, time on site and depth on site to conversion rates, page stickiness, visitor latency, frequency, revenue, and geographic distribution—to name a few.

The kinds of decisions that web analytics can help you with For example, web analytics can help you determine whether blog visitors have a positive impact on your website's reach and conversions, which visitor acquisition channels work best and to what extent these should be increased or decreased, whether site search is worth the investment, or if overseas visitors would be better served with more localized content.

The ROI of web analytics Knowing how much time and effort to invest in web analytics, without losing site of your objectives, will keep you focused on improving your organization's bottom line.

How web analytics helps you understand your web traffic By focusing metrics around goal-driven web design, you concentrate not only your own efforts, but also that of your visitors around clear calls-to-action. This simplifies the process of forming a hypothesis from observed visitor patterns.