

I D C V E N D O R S P O T L I G H T

An Integrated Approach to Digital Marketing through Web Analytics

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Web analytics has the potential to become the platform around which additional online marketing initiatives can be successfully deployed and optimized. Marketers face a growing number of channels by which prospects and customers access their companies and expect a personalized, knowledgeable experience regardless of which channel they use. Nowhere is this expectation higher than at Web sites, putting increased pressure on vendors of Web analytics solutions to integrate their offerings with other digital marketing applications.

Vendors are responding with a broader suite of complementary, interoperating applications including email marketing, site search, search engine optimization (SEO), keyword bid management (SEM), behavioral targeting, and Web content management. With this expansion of breadth and depth, digital marketers can reap the benefits of integrated applications that leverage analytics data as the basis for taking action, improving the customer experience, and ultimately resulting in better business performance. In addition, the on-demand delivery of many digital marketing solutions offers the opportunity to free the marketer's organization from the issues surrounding on-premise implementation of an integrated solution.

This report examines the integration trend in Web analytics with other digital marketing solutions, identifies the value of better decision-making processes for marketers, and discusses the role of WebSideStory in the market for integrated digital marketing solutions empowered by Web analytic metrics.

The Multichannel Imperative: Mapping the eCustomer into the Mix

Along with the traditional channels of phone, print, and events, Web sites and email have increasingly become significant channels to better serve the communications requirements with prospects and customers. Despite the channel expansion to the Internet (or perhaps because of it), prospects and customers expect that no matter how they choose to interact with a company, they will be recognized and provided a personalized, knowledgeable experience. Within the all-digital environment, Web sites are a particularly well-suited access channel for measuring and optimizing an organization's customer (or prospective customer) relationships. Web analytics — software that provides visitor behavior metrics tied to a single site or group of sites — is the tool that provides the metrics necessary for optimizing the visitor experience at any type of Web site, whether focused on ecommerce, lead generation, media/content delivery or self-service.

The value of Web analytics is evident from the answers it provides to the following questions:

- What are your site visitors doing?
- Are they doing what you want them to do?

- Where are they coming from?
- How often are they coming?
- When are they leaving?
- How are they responding?
- What marketing activities are resulting in higher conversion rates or lower acquisition costs?

On a content/media-type site, for example, Web analytics can tell the organization which articles are read first, how long they spend with each article, and how often they visit the site for new articles, enabling the media site marketers to optimize the site for usability and content freshness to create greater subscriber loyalty. For a self-service-type site, Web analytics can determine how quickly and effectively customers can find the information they need to resolve their problem, resulting in hard cost savings due to call-center deflection as well improved customer satisfaction levels. On an ecommerce site, Web analytics can determine the conversion rate and revenue associated with each product promotion on the home page. Web analytics can also identify pages that lead to visitor drop offs, enabling the ecommerce site to improve product placements and the checkout process to result in improved revenue.

The importance of Web analytics has been demonstrated by the market's healthy growth of 12.7% in 2004, reaching \$258.3 million. IDC projects the market to grow to \$388.7 million by the end of 2008 (see Table 1).

Table 1

Worldwide Web Analytics Software Revenue, 2003–2008

	2003	2008	2003–2008 CAGR
Revenue (\$M)	229.2	388.7	11.1%
Growth (%)	16.8	9.3	

Source: IDC, 2005

Multifaceted Digital Marketing

Marketers often employ a combination of several digital marketing solutions to acquire, convert, and retain customers. Given the unique insight it provides to Web site visitor behavior, Web analytics has the potential to serve as the platform on which these other digital marketing applications can be deployed and optimized. Some of the key methods are described below.

Search engine marketing (SEM)/Search engine optimization (SEO). Keyword bid management enables more effective allocation of marketing dollars around search engine marketing efforts when purchasing keywords or categories of keywords. Digital marketers need to determine which keywords will attract prospects to their sites and convert them into leads and, ultimately, customers. While effective SEO enables a company to turn up on the first page of the organic rankings when a prospect visits a search site like Google or Yahoo and types in a keyword related to the company's market or business activities, effective SEM ensures the optimum pay-per-click rankings for the bid price shown.

Keyword bid management, when integrated with Web analytics, lets digital marketers track which pay-per-click keywords work best in bringing serious buyers to a site; can determine the monetary

value of those keywords, including the cost per click, cost per acquisition, cost per initial sale, and cost per lead referral; and enable the marketer to actively manage the SEM bidding process for optimum results.

Site search. Once prospects or repeat customers arrive at a site, site search provides expert assistance to help them to find what they are looking for quickly. Effective search delivers the customer to the product or information he is seeking with the fewest number of clicks. Since extra clicks can result in a loss of prospective customers, effective search is critical to keeping prospects focused. As a by-product of site searches, an internal search engine creates related analytics that report top searches, failed searches, and searches that deliver the wrong information. These analytics enable the site owner to better understand the mindset of the visitor or prospect and adjust relevancy rankings, or, even more important, to add or edit content so that appropriate information is returned for every top search. Site search software allows an apparel marketer to know, for example, that customers are searching for a hot new brand that is not yet offered for sale on the site.

Web content management. Web content management manages the information (e.g., text, images, etc.) that is served as the visitor browses or searches a site. With an effective Web content management system, marketers can be empowered to change content without having to know technical standards such as HTML, while Web designers automatically maintain control over the look and feel and architecture of the site.

Email marketing. Email marketing provides another means of acquisition and retention that is designed to reach consumers at *their* locale rather than at the Web site and at a time of the company's choosing. Email provides a unique context for individualized messaging that can precede or follow a site visit.

Behavioral targeting. Behavioral targeting orchestrates marketing decisions at digital speed. Delivering the optimal content based on prior history or triggering a relevant email to a customer who has recently abandoned a shopping cart, for example, can dramatically raise the chance of a continued relationship.

Ad serving: Ad serving can be viewed as a special form of behavioral targeting that delivers an ad when a visitor reaches an appropriate point while surfing a different site. Clicking on the ad typically takes the visitor to an advertised site or microsite.

The Value of Integration

Integrating the siloed digital marketing applications is critical for marketers not only to gain a more complete understanding of customer and prospect behavior, but also to act with a unified, optimized, and well-coordinated execution plan. Data and UI-level integration are key for delivering the efficiencies that will enable better use of marketing spend and achieve a more customer-centric marketing strategy. The result can be a stronger customer relationship — and, importantly, higher revenue — based on greater customer mindshare and loyalty. The power of integrating Web analytics with other digital marketing solutions is shown in the following illustrations.

Site Search Optimization and Web Analytics

Suppose an ecommerce site has been instrumented with Web analytics. As visitors browse and search the site, their behavior is monitored. As is typical of Web analytics systems today, the page viewing behavior and purchase behavior ("conversion") of individuals is noted and recorded in the analytics system, and aggregated among many visitors. The Web analytics system provides reporting about visitor interests and the effectiveness of the Web site. These reports give feedback directly to the marketers, allowing them to manually improve their Web sites. All modern Web analytics systems

provide these capabilities today, but most lack additional integration that is necessary for automatic, rules-based optimization.

The following example highlights the power of integration. When the visitor uses the site search application, the text that is typed into the search box provides crucial information about the intent of the visitor. This information is passed from the site search application to the Web analytics system and recorded, including which links were subsequently clicked in the search results. The Web analytics system can then provide reports on which search phrases led to purchases, which is a crucial piece of information about customer intent.

Marketers for the site may learn, for example, that misspellings or alternative product names are preventing purchases, and may then manually update the site search application to directly handle this behavior. However, it is better for the site search application to use this information automatically. By adjusting search relevancy (the priority the site search application gives to particular keywords or keyword terms), visitors are first presented with items they are more likely to buy. If the site search engine is integrated directly with the Web analytics system, the conversion information for particular products can be used to influence search relevancy automatically, providing a feedback loop that increases sales.

Keyword Bid Management and Web Analytics

The insight gained from site search and Web analytics integration can add value to a company's search engine marketing efforts: The marketer buys the misspellings and alternative names found from site search behavior on public search engines as pay-per-click keywords. The analysis of visitor traffic from those external search results might show that only one or two keywords work well for converting these visitors into actual customers. As a result, the marketer buys only those keywords that result in the desired ROI or CPA targets. This process may be straightforward for a few dozen keywords, but is almost impossible to manage for hundreds or thousands of keywords over many outlets. By integrating Web analytics with a keyword bid management application, the marketer can manage their keyword purchases directly from within the Web analytics application. This optimizes the workflow, and more important, the marketing expenditures.

Email Marketing and Web Analytics

By integrating Web analytics with email marketing, companies can leverage the visitor segmentation data and conversion analysis results to more effectively target specific customers and/or prospects with email campaigns. For instance, those visitors who purchased a particular product and looked at an accessory but did not buy it might be sent an email with a convenient hyperlink and a discount ecoupon for the accessory product. Marketers can track those who use the ecoupon, measure the success of the promotion, and quickly change tactics as the situation demands. As another example, if content affinity tells the marketer that the visitor's interest lies in sports, the marketer can tailor a promotion around a particular sporting event. By making the transfer of this information an automatic process between the Web analytics system and the email marketing application, workflow is improved, resulting in higher email response and conversion rates.

Web Content Management and Web Analytics

Web content management also plays a role in this integration. Not only can Web content management automatically instrument pages to record Web analytics information, it can also help to optimize marketing campaigns. For example, a typical advertising practice is to target ad click-through's to landing pages or product pages. If the visitor leaves that page without purchasing, content created through a Web content management system and driven by Web analytics data can help the site show alternatives or additional offers as they browse through the rest of the site. This

can be done in the same session, or when the visitor comes back at a later time. This helps increase the conversion rates of marketing programs, which optimizes marketing spend.

Ad Serving and Web Analytics

Blending ad serving with Web analytics enables marketers to target their messaging even more accurately. Suppose a consumer electronics site introduces a new and unique product at a premium price point. The marketer might initiate a banner ad campaign on sites selected by category and implied income. The marketer might also purchase relevant product category keywords and develop special content appealing to the prospects for the premium product. When deploying these ads the marketer may wish to test several different messages on the ads and measure the response and conversion rates associated with each. Over time the marketer can refine the message to speak more clearly to the more profitable prospects.

Web Analytics: The Integration Platform

The examples above highlight the value of data-level integration among diverse digital marketing applications. The metrics delivered by Web analytics can provide a unifying platform to enable marketers to more effectively target their prospects and customers through the multiple access channels. Additionally, as marketing applications are integrated, the Web analytics interface has the potential to become the means by which the various digital applications are managed. A site search report may, for example, have controls to manage search terms within the site search application, or directly lead to keyword purchases. A click-through report may have controls for editing the pages shown. A conversion report may lead to a merchandising application. Thus, Web analytics will go beyond being the dashboard of the site, to become the steering wheel as well.

Beyond integration, digital marketing can benefit from rules-based automation. The live nature of a Web visitor provides a golden opportunity to harness prior analysis to automatically guide the visitor experience and convert prospects to customers. The lightening pace and diversity of choices inherent in digital marketing demands that some marketing decisions be made automatically.

The better the digital marketing methods are integrated, the more marketers can understand how well each piece of the marketing effort works to drive sales and profitability and, which combinations of methods work better than the sum of their parts. The on-demand delivery of many digital marketing solutions is another important benefit and offers the opportunity to free the marketer's organization from the issues surrounding on-premise implementation of an integrated solution. Integration also propels marketers to think in terms of a more unified and comprehensive execution plan.

Considering WebSideStory

In October of 2004, WebSideStory was the first pure-play Web analytics firm to go public in the post dot-com boom era, marking a level of recognition not only for itself but also for Web analytics in total as a viable market. Subsequently, WebSideStory introduced its Stream API program, which enables strategic partners to integrate their products, data and services with WebSideStory's analytics reporting. These APIs (application programming interfaces) facilitate campaign tracking, integrate Web analytics reporting within partner applications, and provide data for improved personalization (e.g., linking email promotions to Web site visits and online purchasing activity).

In February 2005, WebSideStory announced the acquisition of Atomz, a provider of hosted site search and Web content management, and the launch of its Active Marketing Suite™. The new suite augments WebSideStory's core analytics product with Atomz's site search and Web content management/ publishing services. It will also be including an internally developed bid management solution. The Atomz acquisition increases its total enterprise customers to more than 1,000. The

Active Marketing Suite provides WebSideStory with the opportunity to leverage its Web analytics service as the unifying platform to deploy and optimize other digital marketing services — including those of its Stream partners.

While well positioned to capitalize on the integration trend, WebSideStory faces several challenges to its continued growth and success:

- WebSideStory's applications will be judged increasingly on how well they improve the organization's multichannel marketing activity and coordinated strategy. WebSideStory will need to continually increase the analysis capabilities of its products so that marketers can measure and act upon the integrated effects of multichannel efforts.
- WebSideStory will face increasing UI competition for share of desktop and must continue to integrate applications so that digital marketers come to regard WebSideStory as a primary hub for their digital marketing work environment.
- Underlying the integration of channels is the ease with which data moves among applications. WebSideStory will need to ensure the seamless, accurate movement of data inward for analysis and outward to facilitate action.

WebSideStory should fully leverage its on-demand DNA by closely monitoring feature usage. This monitoring provides insight into which areas of functionality are gaining traction and which indicate lack of usage (and possible confusion over proper usage). This process reduces the guessing game for the company's product development cycle and assists in focused feature marketing efforts.

Conclusion

The market for digital marketing applications is continuing to grow, and marketers are leveraging an ever-increasing number of solutions to pursue their business objectives. Web analytics clearly has the potential to become a foundation for additional marketing disciplines, enabling marketers to measure, manage, and optimize online activity and achieve these objectives.

Therefore, marketers should seek a Web analytics solution that does more than provide scattered pieces of data on their desktops but instead supports a unifying platform with other digital marketing applications both from the UI and data integration perspectives. The reporting ought to be as decision-centric as possible with respect to the overall marketing program, integrating key profitability information. Equally important, the complementary, interoperating digital marketing application should leverage the analytics data as a basis for taking action, using rules-based automation to improve the customer experience and provide continual feedback that optimizes business performance.

To the extent that Web analytics providers such as WebSideStory can offer more robust, integrated analytics that enable proactive marketer decision-making, they will help their clients to create a stronger partnership with customers, with corresponding improvements on the bottom line.

A B O U T T H I S P U B L I C A T I O N

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