

Actionable Web Analytics

Jason Burby & Shane Atchison

Foreword by Jim Sterne

Using Data to Make Smart Business Decisions



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Business Decisions

Jason Burby

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Praise for *Actionable Web Analytics: Using Data To Make Smart Business Decisions*

“Relationship marketing continues to evolve in new and exciting ways, and Actionable Web Analytics provides a clear and concise guidebook for the marketing executive. Shane and Jason have captured the essence of creating relationships online, which lead to meaningful customer dialogues, and then measuring the success of those efforts.”

—LESTER WUNDERMAN, Founder and Chairman Emeritus, Wunderman

“Some people build web analytics tools. Some work tirelessly, deep in the hearts of their organizations drawing the rich value out of those tools. And then, there are those like Shane and Jason who have spent close to a decade helping a wide variety of companies optimize their advertising spend, supersize their website value, and maximize their online marketing ROI. These guys are in an amazing position to help you figure out all of the above. But that’s just the half of it. While their position is nice, their scary IQ, their awesome curiosity, and their uncanny ability to drill down to bona fide business value make this book a must read.”

—JIM STERNE, President, Web Analytics Association and Producer, Emetrics Summit

“The real money is made when the initial click leads to a customer journey filled with meaningful, relevant dialogues that motivate action. Actionable Web Analytics helps marketers take customers on that journey and generate a good ROI doing it.”

—DANIEL MOREL, Chairman & CEO, Wunderman

“We have been fortunate enough during the past decade to see our business grow in parallel with, and in partnership with, the team at ZAAZ. As true thought leaders in the web analytics and marketing space, Jason and Shane have captured the important issues facing marketers and business people every day and explained them eloquently in Actionable Web Analytics.”

—JOSH JAMES, CEO & Co-Founder, Omniture

“These guys have forgotten more about analytics than we mortals will likely ever understand. Most analytics folks revel in the complexity of their work. Jason and Shane know how to simplify and communicate how analytics can really change marketing, and it is incredibly effective.”

—MATTHEW ROCHE, CEO, Offermatica

“If you’re one of the many people who view web analytics as a necessary evil, this book will spin your perception 180 degrees. That Jason and Shane know web analytics backward and forward (not to mention upside-down and inside-out) is a well-known fact. But these two possess another singular talent: the ability to make analytics palatable, understandable, even digestible for even the most data- and math-averse right-brain thinker you know (perhaps you’re that person?). These two go way beyond the numbers. They can explain with crystal clarity how to use data to improve processes, businesses, and their bottom lines.”

—REBECCA LIEB, Editor-in-Chief, The ClickZ Network

“Digital Marketing excellence is paramount for today’s marketers. In this book, Jason and Shane provide straightforward web analytics insight and instruction to help marketers achieve greater performance and profit from their communications activities.”

—SCOTT LENNARD, Advertising Director—Central Marketing Group, Microsoft Corporation

“Jason and Shane have been sharing their extensive experience and insight with clients and through conferences for a while, so it’s about time they committed it to print.”

—LAURENT BURMAN, VP Web, Helio

“Jason Burby and Shane Atchison are two guys in the web analytics world that truly understand what success looks like. They wisely took much of what I wrote about in The Big Book of Key Performance Indicators and attached a dollar sign to it, dramatically improving their client’s desire to understand and deploy KPIs. I have little doubt that Actionable Web Analytics will long be considered a critical work in the web analytics body of knowledge.”

—ERIC T. PETERSON, author, *Web Analytics Demystified*, *Web Site Measurement Hacks* and *The Big Book of Key Performance Indicators*.

“I have been waiting for a book like this. They’ve helped me understand some of the finer points in web analytics and taught me how I can put those concepts into action with my team. What I like best about working with them is that their knowledge goes beyond finding the data and pulling the numbers—they know how important it is to tell the story behind that data.”

—KRISTEN FINDLEY, Manager, Website Analytics Interactive Marketing, Ameriprise Financial

“Shane, Jason, and the rest of ZAAZ are the preeminent leaders in outsourced professional services and analysis in the web analytics space. They have helped propel the industry forward in both the high end and the mainstream through client engagements, thought-leading articles, and presentations for the past 10 years. Their presence is only growing, so watch closely as they impact the industry over the next 10-plus years.”

—BRETT CROSBY, Senior Manager, Google Analytics

“Jason and Shane have been at the forefront of helping organizations drive actions based on data; it is indeed a privilege to have all their wisdom gelled into a book for the rest of us to benefit from!”

—AVINASH KAUSHIK

“Burby and Atchison bring to web analytics the kind of practical expertise every online marketing manager should have access to. Finally, a book on web analytics that cuts through the clutter and delivers the kind of actionable insights online marketing managers need.”

—TOM TAYLOR, Expedia

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Best regards,

A handwritten signature in black ink, appearing to read 'Neil Edde', written in a cursive style.

NEIL EDDE
Vice President and Publisher
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First and foremost, we must thank our clients for allowing us to work with some of the best brands in the world in an ever-changing and fast-paced environment. Thank you for keeping us challenged and letting us try new things. Our ability to continue to learn and grow is based on the companies and people we work with.

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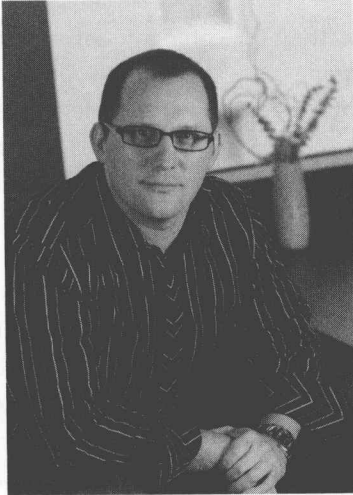
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Finally, a special thanks to our families and friends (Frank, Jan, Nancy, Mel, Carol, John, Georg, Beau, Keegan, Frances, Tasha, Cade, Blake, DM, Destia, Rod and Aaron) for supporting us during the process of writing this book, especially during long nights and weekends when we were locked in an office in front of a computer.

About the Authors

Jason Burby



Jason Burby is the Chief Analytics and Optimization Officer at ZAAZ, Inc., a web business consultancy implementing data-driven business initiatives for long-term clients across the U.S. Using performance scorecards, A/B and multivariate testing, tool reconfiguration, and other techniques, Jason helps companies better use web-analytics data to improve site business results.

Jason has worked with eTrade, Ford, Sony, PayPal/eBay, Blockbuster, Washington Mutual, Reuters, T-Mobile, Converse, Alaska Airlines, Microsoft, Sprint, Levi Strauss, Qwest, Hallmark, Nintendo, and A&E Television Networks. Jason speaks frequently at conferences and seminars around the world, helping spread the word about the effective use of web analytics.

Jason has contributed to several web-analytics books in the past few years. In addition, he has written a web-analytics column on ClickZ.com for the past four years and is the co-chair of the Standards committee of the Web Analytics Association.

Shane Atchison



In 1998, Shane Atchison co-founded ZAAZ to advocate a different approach to web services—one that respected and delivered on the power of the individual and the promise of web technologies. As CEO, Shane leads the company's long-term strategic vision of working with leading financial service organizations, consumer brands, start-ups, nonprofits, and community-based organizations, helping each realize the potential of the Internet and its meaningful impact on their business.

Shane has more than eight years of strategic consulting, business development, and advisory experience in web marketing, design, and customer-relationship management. He has led efforts to develop compelling online experiences for clients such as Disney, Fox Television

Network, Microsoft Corporation, *National Geographic*, PBS, Warner Brothers, Boeing, and Washington Mutual.

At ZAAZ, Shane's responsibilities range from setting the company's overall strategy and communicating the ZAAZ brand and service offerings to working with clients, leading partnerships, and fostering the internal culture of the company. Outside of ZAAZ, his advocacy for creating meaningful, effective visitor-centric digital strategies continues through media and speaking engagements. Shane has been a keynote speaker for major conferences and business associations, including CREDO and AIGA.

ZAAZ

ZAAZ helps the world's most powerful brands grow and thrive online with performance-driven design, analytics, and optimization services. As a full-service interactive agency, ZAAZ provides web strategy, design, development, user experience, analytics, and optimization to Global 1000 companies including Microsoft, Sony, Ford Motor, Converse, and others. Founded in 1998, ZAAZ has offices in Seattle, Portland, and Detroit. ZAAZ is part of the WPP group of companies. For more information, visit www.zaaz.com or www.webanalytics.com.

We welcome your comments and input. You can send e-mail to Shane (shane@webanalytics.com) or Jason (jason@webanalytics.com) and let them know your thoughts about the book. We welcome any input you may have and any suggestions on future books you might like to see.

You can also visit WebAnalytics.com for an ongoing dialog about *Actionable Web Analytics*, real-world examples of the content, useful analytics tools, and information about upcoming events. We look forward to your getting engaged in the conversation.

Foreword

Half of your web marketing investment is being wasted—you just don't know which half.

Marketers will point back to the turn of the century as the before-and-after divide. Before the new millennium arrived, advertising and marketing was more art than science, more guess than test, and more imagination than information.

Then came the Age of Accountability. Sarbanes/Oxley ushered in the defense against Enron, and the CMO was put on the hot seat along with the rest to prove the value of their investment. Expectations ran high, with talk of websites being the ultimate marketing measurement machines.

Those involved with postal mail understood the direct response characteristics immediately. But the rest of the advertising and marketing departments were still debating which shade of teal would go best on the new campaign. As long as sales were up, they got to keep their budgets. And then came the day that they were made accountable for those sales.

All this at a time when customers are in control and tried-and-true marketing techniques are proving to be tired and suspect. We're recognizing that our customers think differently than we do. We can no longer judge a promotional campaign on how we feel about it, because we aren't the target audience. All we can do is run tests, measure the results, and adjust our sails.

The Web, as it turns out, is the perfect place to do that sort of testing. New tools and data-management methods make it possible to optimize not just the website, but marketing and business as well.

Website Optimization

Once we got over basing our judgment on hits, visits, and page views, we climbed out of the primordial ooze and took our first steps on dry land.

Your website isn't a bunch of pages. It's not a library of marketing literature, patiently waiting for prospects. Your website is a series of customer processes. They're trying to discover, learn, compare, configure, price, locate, purchase, join, discuss, and the list goes on.

Making web analytics actionable means optimizing those customer processes. Who comes to your website? What are they trying to accomplish? If you change this, that, or the other, will it make it easier for them to achieve their goals?

Walking around on dry land was a good move. The next step is learning how to run.

Marketing Optimization

Although web analytics has been good for the website, it turns out it's a monstrously powerful market research and perception tool. It's a window into the hearts and minds of your marketplace.

Which is better?

- Two For the Price of One
- Buy One Get One Free

You may have strong opinions about which is best. You can argue eloquently for one versus the other. You can hold meetings until all hours of the night to thrash out whose belief is stronger. (Hint: the one with the biggest paycheck.)

But you'll never know until you run controlled, statistically significant tests. Testing will reveal which headline people respond to better, faster, and more profitably. An email blast can reveal your best positioning approach within days. A side-by-side test of creative options can expose the better offer in minutes.

The Internet makes this sort of testing so quick and compelling, that the results are driving marketing message decisions on all other media. The Internet isn't a world unto itself. If people respond well to landing page A over B, then they will respond to that creative option and call to action on television, in print, and in their postal mail. Testing that takes a couple of days with minimal cost and informs the proper course for all the other forms of promotion.

Walking upright on dry land and supported by solid numbers feels good. But the next stage is learning to fly.

Business Optimization

Customers respond to more than just marketing messages on your website. Through their behavior, they show how they feel about your products and services. They click-vote their way through the hype and the fluff to find the features and benefits that mean the most to them.

Smart companies, leading/competitive advantage companies, are recognizing this online behavior as signals about how they're running their firms.

Which configuration of cars or laptops is the most prevalent? Manufacturing and distribution planning have a brand new early-warning system and no longer depend on sales forecasts.

Which is your most frequently asked question? Perhaps you can impact customer satisfaction by changing your product, your process, or your promise.

Which is your most popular article? Customer interest is constantly shifting, and you have to know which way the wind is blowing in order to create the right offerings tomorrow.

Asking the Right Questions

Helping other companies make websites has always been difficult for one simple reason: Not knowing what is possible, companies haven't known what their goals should be.

Before the turn of the century, many companies spent a good deal of time and money on finding, installing, and implementing the right web-analytics tool. Then, they threw it out because the reports weren't providing the magic answers they were looking for. Once they replaced the tool, they found they were no better off. They hadn't invested in the human side of the equation.

We've reached a point where we have too many answers. We have more data than can be consumed. It's no longer a matter of looking at the reports and following business rules based on the results. The winners will be those who ask really good questions—really good business questions.

Jason Burby and Shane Atchison have been approaching their clients with a rigorous metrics structure, which forces the discussion of goals and business questions to happen right up front, before any pages are created, which is where it belongs. Goals reveal indicators. Indicators point to metrics. Metrics identify technologies. All of it needs good people who know how to analyze a lot of data.

Jason and Shane have been using this approach for so long that they've come to recognize the best practices and the worst pitfalls that are common across companies and industries. They've shared their wisdom in articles, on their website, on the stage of the Emetrics Summit—and now in these pages.

Which metrics matter to top executives? How do you justify your budget? What does a web financial model look like? How do you jump-start the use of analytics by the business users? Jason and Shane outline organizational dynamics, requisite talents and skills, and functional operations.

Jason and Shane share examples of monetization models to help overcome the age-old analytics problem of a ton of data, but little action. This book is filled with tips and tricks to get people excited about and see the value in the recommendations you uncover on your website. They've included case studies about how companies have changed the way in which they act on data and prioritize opportunities. Their insights will make a significant difference in your investment in web analytics and your return on that investment.

This book (and the associated website) is part manifesto, part guidebook, part workshop. It's the *Hitchhiker's Guide to the Galaxy* of marketing ROI.

Don't Panic.

JIM STERNE

Santa Barbara, California

Introduction

If you're like us, one of the things you may recall from high school physics is the phrase "For every action, there is an equal and opposite reaction." You may also recall that this is Newton's third law of motion. Newton's genius was in taking the natural universe and all the behaviors and elements in it and managing their complexity through some simple laws. Today, we're all struggling with ways to explain an increasingly complex universe of our own creation: the Internet. Interestingly enough, Newton's law still has something to teach us.

We want to propose the first law of web analytics: "For every action, there is an opportunity for an intelligent reaction." In physics, we know that if we push on a door, the door must push back on us. Online, the same must be true: If we click, the site must react somehow, through some action. That action—that response to activity on the Web—is the subject of this book. It's also one of the most important issues in marketing today. In fact, it's one of the most important issues in *business* today.

Actionable Web Analytics is first a marketing book. We wrote it with the marketer in mind and with a clear focus on how that marketer can demonstrate real ROI from their web investments. But it's more than just a marketing book. It's also a practical book for everyone involved in web design, management, and analysis. This is a book for just about everyone in the organization. The key to using it successfully is to understand that it isn't a "how-to" book on web analytics, but it will help you understand the "why to." If you're unsure you're the right audience for this book, ask yourself this question: "Do your customers interact with your business online?" If the answer is "yes," then you should be reading this book. If the answer is "no," you may want to ask yourself "why" and then come back to this book later.

Our basic premise is that the vast data being generated by users of your website can explicitly and insightfully show you the actions you should take to make the site better. It's essential to remember that this data is more than just the clicks generated by visitors to your site. It's also the attitudes and perceptions of your customers (survey and usability data), data about your competitors (site traffic comparisons), data from your marketing (ad click-through and search ranking), and data from your financials (cost of sales through multiple channels). All this data is part of your marketing universe and needs to be considered holistically when you take any action.

Throughout this book, we'll come back time and again to this premise and to its corollary: Web analytics are of no real value unless someone takes action based on the data. By *action* we don't mean any random action, but action that is driven by specific business goals. This is action that is meaningful. The Web is a vast machine being engaged billions of times every hour by visitors around the globe. Those interactions generate vast amounts of data, and that data is begging for insights that will make it real and valuable. Someone must take action, or the data was collected in vain.

The topics covered here range from the types of data that need to be collected to the way in which you select agencies to help you make sense of it all. We'll discuss design and creativity as well as monetization and key performance indicators (KPIs). Marketing connects all these things together and makes them work for the business and to make the business better. Each element of your interactive strategy needs to be examined, integrated, and improved time and again. Web success comes only through endless incremental action.

What's Inside

We've structured the chapters of *Actionable Web Analytics* to flow logically from front to back but also to be able to stand alone. Part I of the book gives you a high-level view of the key issues involved in the industry today. You'll find a big picture in Chapter 1 that sets the stage for all the discussion that follows. Although much of the focus in the first chapter is on marketing and marketing themes, it's applicable to every reader who is interested in understanding how websites have become a fundamental element of modern business. Chapter 2 digs a bit deeper into the overall theme and opens up the discussion around performance marketing. Think about how you're measuring marketing performance in your organization now, and then think about it again after reading this important chapter.

Part II (Chapters 3 and 4) talks about shifting to a culture of analysis. This touches on the somewhat delicate subject of how an organization functions. A lot of this section concerns the work people do and the room for improvement that may exist. It may seem familiar to some readers as you reflect on your organization. For everyone, it will be a time to take stock of the environment around you and determine how you're going to get the most value from this book and web analytics in general.

The hard work starts in Part III. Here is where the nuts and bolts of web analytics come into play. The chapters flow logically from one to the next in much the same way you'll work through the issues in your own business. First, in Chapter 5, we provide an overview of methodology. This may be deceptively simple, but it grounds every decision you must make on a day-to-day basis. Chapter 6 discusses the concepts of measuring success through goals and KPIs. KPIs are discussed throughout this book, and soon enough you'll go into just about every meeting ready to discuss them.

All your efforts in making web analytics actionable are likely to drive more revenue and earnings for your company. In Chapter 7, we discuss monetization and provide some practical models for measuring it. We suggest that you make a copy of some of the information here for your CFO (or buy them their own copy of the book!).

Chapters 8 and 9 zero in on the types of data that are important and then the mechanics of analyzing and reporting on the data. You'll find a lot of terminology here that will be useful in working with analytics reports. Chapter 10 takes you up again to a higher-level view of prioritizing.

Another name for Chapter 11 could be "Action." Optimization is a rapidly emerging discipline, and it's all about taking ongoing action to improve your KPIs and meet your business goals. We think this is an important subject and believe you'll agree with us once you finish this chapter and start implementing some of the methods discussed.

Finally, Part IV is about taking the final steps to put everything into action and transform your business. At the heart of this is working with companies outside your own, such as interactive agencies and software vendors. They're important participants in the web-analytics ecosystem, and you should understand how to engage them successfully. Chapters 12 and 15 cover the basics of engagement. Chapter 13 dives deep into the mysteries of the creative process and will empower you to walk into a room full of potentially hostile designers and walk out with a set of new partners. You'll also find out in Chapter 14 how build a great staff (or be part of one) and make web analytics an essential part of the business.

As you read this book, we recommend that you refer back to earlier chapters as often as necessary to keep yourself grounded in basics as well as some of the overarching business issues raised by online marketing. Throughout the book, we refer to the *culture of analysis* you should be building in your organization, much as we have in our own.

During the past eight years, we've worked with dozens of businesses, from small startup companies to global companies such as Microsoft, Nike, and Ford; from not-for-profit brands like PBS to iconic brands like Converse; and with each of them, we've learned more about how to make smart decisions and take effective action. This book is an attempt to share that knowledge with you and help your company succeed.

For marketers and those who want to think like them, this book should help put the emerging discipline of web analytics into the broader context of classic marketing and branding. We hope you find something informative and are empowered to go forward and take action.

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