

The Marketer's Common Sense Guide to E-Metrics

22 benchmarks to understand the major trends, key opportunities, and hidden hazards your web logs uncover

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Foreword

Dear Marketer,

Ever looked into the wrong side of a telescope? Everything's little. Often, that's the way we interactive marketers view our world.

The Web has been called the most accountable of all media. You can track virtually anything. That can be bad news. We can become overwhelmed by data. This intense focus on data is like looking into the wrong end of a telescope. Why do so many people scrutinize the leaves, roots, branches, and individual trees while forgetting the forest?

Ever have one of those moments of utter frustration? You don't know whether to pull your hair out, scream insanely, or just toss the monitor out the window. When something that should take just a couple of minutes takes hours and then underdelivers, we get like that. We're disinclined to repeat the activity that caused such frustration. But wait! There's some good news for former Web rage victims.

Many people (even some of you) stopped "analyzing" Web logs due to the amount of effort required to find actionable data. It's not unusual. We learn to avoid frustrating messes. Web analytic software was created by engineers (seemingly for engineers) to take the raw data your server stores in its logs and convert it into structured information in the form of reports and charts. Sounds promising, but if you've worked

with these tools you know better.

Finally, things are changing.

On one level, it's amazing how many online businesses don't use Web metrics regularly. Only one in five companies even bothers to track customer behavior using analytics. Of those that do, according to Jupiter, 28 percent of site managers distribute reports -- which are generally ignored.

The biggest value of the Web is that you can measure and test everything. The downside? You can measure and test everything. You can even measure when there's nothing you can do with the information. There was a time when Web analytics companies competed on the number of reports they were able to generate. Skimming through those reports is just like browsing "War and Peace."

Gartner recently wrote: "It has long been said you cannot manage what you cannot measure. Nowhere is this more true than on the Web -- where examining what works and what doesn't directly influences the bottom line."

There's a lack of business-oriented demand for clearly defined metrics and analysis because of poorly defined objectives. The responsibility of developing Web site traffic analysis fell to engineers. For them, it was important to know 78 percent of traffic is from Virginia (demographics or AOL servers?), that 88 percent of visitors use Windows 98, and hundreds of other reports that don't help us get cash. A Forrester Research study illustrates that a focus is shifting to return on investment (ROI) as the Web

matures. Let's review some history. The Web has gone through four phases: Pioneer Days was the technology phase (gopher and BBS); Great Expectations was the design phase (Cool Site of the Day); the Marketing Phase was next (we'll never forget the wake-up call when the bubble burst); and now we have the Business Phase (business objectives and ROI are critical).

I recently met with a technology company with tens of thousands of employees and tens of billions in sales. I assumed a company that large would have very sophisticated marketing, management, and data analysis capabilities. I would have never imagined a company that size wouldn't have the most rudimentary understanding of marketing systems, ROI tracking, or defining business objectives in a measurable way -- which was exactly the case.

Another company, with \$1 billion in sales and several divisions, had me in recently. I pointed out I was unable to have a conversation about the ROI of its Web site because the company hadn't defined clear business objectives. They were surprised (and maybe a bit insulted), but eventually they agreed. It was easy for us to explain the "I", the challenge was in defining the "R."

I know personally the story of one of the world's largest office supply companies that launched its e-Commerce site with clear intention to "make money" and that they did. The senior vice president in charge of the effort boasted of making \$100M last year on the Web. He didn't know that industry statistics showed that only 25% of web visitors ever complete the transaction, leaving a potential \$300M

of revenue on the table. During this time, they had not used ANY web analytics tools to measure the effectiveness of their business objective to "make money" on the Web. Within 6 months of that comment by the senior vice president, the company was declaring bankruptcy and he was fired. No clear, measurable business objective. No measurement tool to provide valid feedback.

These are just cases illustrative of "Bubblegum Marketing." You know bubblegum, it is sweet and juicy until the taste runs out, it has little if any nutritional value and you go for the next piece anyway. Marketers do the same thing when the focus on tactics and forget about the objectives. It starts out as harmless as bubble gum and those short term boosts in sales eventually become as addictive as heroine.

A recent eMarketer report stated the following: 23% of Marketer's responded that they didn't know what their company's primary interactive marketing business objective. And 56% of marketer's had no tools in place to measure their marketing performance.

Maybe because it is really easy to meet your objectives, if you don't really have any!

When we define and meet objectives, e-metrics are much clearer. Objectives are what you want to do and how you will measure success. A proper objective must be quantifiable: for example, 200 qualified leads in the next 30 days or gross product sales of \$15 million in the next quarter. Once defined, objectives must be broken down into their component

parts and prioritized. Someone must be accountable for that objective.

After working with and analyzing thousands of commercial sites, we've developed a shortcut. On the most elemental level, commercial Web sites come in four flavors that can be mixed and matched. Every commercial site you'll come across is a subset of one of these four variations:

- ♦ E-commerce sites. The objective is increase sales and decrease marketing expenses. On the most basic level, you want to measure sales, returns and allowances, sales per visitor, cost per visitor, and conversion rate. On a more advanced level, you want to measure inventory mix, trend reporting, satisfaction, RFM, and other predictive modeling techniques.
- ♦ Content sites. The objective is increase readership, level of interest, and time spent on the site. You want to measure visit length, page views, number of subscribers, and cancellations.
- ♦ Lead-generation sites. The objective is increase and segment lead generation. Measure white paper downloads, time spent on the site, newsletter opt-ins, reject rates on contact pages, and leads-to-close ratio.
- ♦ Self-service sites. The objective is increase customer satisfaction and decrease support inquiries. Measure decreases in visit length, inbound call-center metrics, and customer satisfaction metrics.

Once you can define your website's objectives, you can measure them effectively using the different benchmarks you'll find in this guide. The next step comes when you start assigning objectives to each page of your site. Using "Persuasive Architecture" you assure yourself that every page of your site where you expect an action to take place can answer the following three questions:

1. What action needs to be taken?
2. Who needs to take that action?
3. What information does the person require to take that action we desire?

With those questions defined, you can develop a system of testing, measuring and optimizing. That is at least one step ahead of your competition.

If you've defined your objectives down to a granular level, in advance, you'll always know what to measure and where to go from there. When you don't know where you're going, as the Cheshire Cat told Alice, "it doesn't matter which way you go."

If you'll study this workbook, use the associated calculators, take the time to define your website's objectives, measure their effectiveness, and optimize for a greater return on investment then you'll have accomplished your goals and make my co-author and I happy that we accomplished our objective.

Best Wishes,
Bryan Eisenberg
November 2002

Introduction

Where does the Money Go?

JOHN E SHREEVE

Information anxiety

In bricks-and-mortar businesses, executives enjoy a complete toolbox full of fundamental metrics that help them understand major trends, key opportunities, and hidden hazards. They are able to manage by numbers and can determine strategy and assess the effectiveness of their tactics in both normal and unfamiliar conditions. They can also determine exactly where the money goes. E-business executives are not so lucky. They are forging new territory in a new marketplace, which means the business conditions they operate under are unfamiliar and volatile and demand the use of new techniques such as personalization, viral marketing, and dynamic pricing. Consequently, they have relatively blunt tool metrics on which to base their decisions.

The emerging online idiom necessitates adopting new techniques for managing business and understanding how to make effective decisions in unfamiliar conditions.

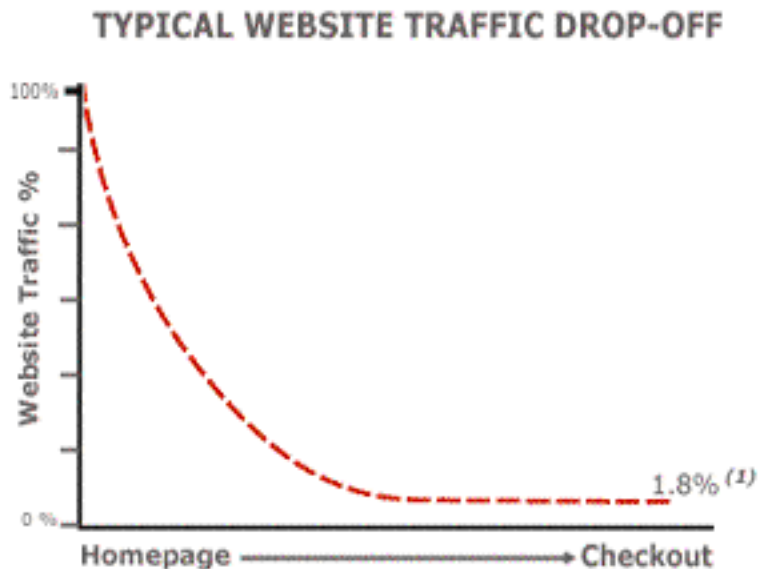
Understanding the inter-relationships of web analytic data allows you to take informed action.

The web produces a great deal of data about user activity, but virtually no rich actionable information. Web analytic software takes raw data and turns it into structured information in the form of reports. Once the inter-relationships of the data are understood, the knowledge gained allows action to be taken.

How is success measured?

"Conversion" is widely understood as an action where a sale has been made and the prospect has

Minimizing the number of necessary steps between the home page and checkout increases the likelihood your visitor will make a purchase.



(1) Shop.org members report an average conversion rate of 1.8%

The "Leaky Bucket." *The further into the typical website the checkout process is, the less traffic from users it will receive*

been successfully "converted" into a paying customer. But on the Internet conversion has a wider and deeper meaning based on the objectives of a particular website or campaign. Beside having made a purchase, prospects are considered "converted" when they have:

- ♦ Initially registered
- ♦ Created a personal profile
- ♦ Participated in a chat forum or online discussion
- ♦ Qualified themselves by defining the product or service they desire, along with specifying features and price ranges

In these terms, the conversion rate is defined by how a prospect moves in stages through a company's sales process, and how effectively the route they take (to buy or volunteer information) matches this process.



The conversion rate is a measure of an online company's ability to persuade visitors to take the action they want them to take. It is a reflection both of a company's effectiveness and of customer satisfaction. For a company to achieve its goals, visitors must first achieve their goals.

The entire sales process involves a series of smaller conversions. At any point, the process may not support visitors' needs. Those visitors will "leak out".

The main difficulty in evaluating the conversion process is that most sites focus on measuring the end result -- the customer conversion rate -- without tracking the path individual users take to become converted in the first place. Once a user arrives on a web site, the conversion process mirrors that of a funnel. At each step of the process, a site naturally loses some percentage of its users -- much like a leaky bucket drips water. Traffic fills the website, then "leaks" out of the holes. Any online company will naturally want to plug as many of the holes as

possible. If they take the time to track the paths used by visitors through their site, they will be better able to figure out ways to plug many of those holes.

The ideal tracking system would provide you a decision tree of each customer's path through your sales process that would allow you to identify and fix the problems that affect your customer conversion rate.

The fewer steps needed in the conversion process, the greater the likelihood of a sale. To be most effective a website will use the least number of pages necessary between the point where the user arrives and the point where the sale is closed. More importantly, however, a tracking system is needed that allows companies to determine where each visitor is at any point in the sales process, and where each one leaves the process. Such a system is essentially a map of the decision-making process -- a "decision tree" -- that can provide detailed insights into why visitors leave.

To have the greatest degree of control over the conversion process, a website must track each user's path through the site. That way, it will be possible to locate the internal factors that are impairing conversion, assess them, and suggest remedies that can boost the end result. With a comprehensive tracking system in place, a website owner is able to work at "plugging the leaks in the bucket" and gradually achieve higher conversion rates.

Your visitor arrives with a goal (the macro-action). Along the path to achieving this goal, your visitor undertakes a series of micro-actions.

Macro and micro actions

Understanding actions:

- ♦ Actions are taken only after making a decision
- ♦ Your visitors' goals are "macro actions."
- ♦ Every macro-action is composed of a series of smaller "micro-actions."

At each step of the sales process, a site loses users. This is called "drop off." Drop off can be measured by calculating the number of visitors who are lost from each step on your site. The "leaky bucket" metaphor was used to describe a site that doesn't successfully convert visitors into buyers: Traffic fills the bucket, but leaks out of the holes. It is crucial for any website owner with a "leaky bucket" site to plug as many of these holes as possible. Unfortunately, most people measure conversion by the complete macro-action they want users to take (e.g., how many people made a purchase, subscribed, registered, etc). Every one of these actions is composed of a series of smaller actions. Each micro-action, or omission thereof, is a potential hole in the bucket.

Take Microsoft, for instance. Assume Microsoft wants to get people to download Internet Explorer 6 -- the macro-action. When they first released Internet Explorer 6, the top image in the center column of the Internet Explorer home page had the following text: "Download Internet Explorer 6 now. Experience the latest in private, reliable and flexible Internet browsing." The ultimate goal is to get "Jane Consumer" to download and install the browser on her PC.

Now, here's an outline of the necessary micro-actions:

1. She finds the link for IE 6 on the home page.
2. She understands it.
3. She clicks on it.
4. From the main Internet Explorer page she

- chooses to:
- a. download immediately,
 - b. order a CD,
 - c. or learn more.
5. If she chooses to learn more, the goal still is to get her back on track to download or order a CD.
 6. If she then chooses to download IE 6:
 - a. Her first action is to select which language she wants.
 - b. Then she must click on the link to start downloading the setup file.
 7. If instead she chooses to order a CD:
 - a. She must decide which CD she wants to order (there are 2 options).
 - b. Once the action of choosing the CD is complete, she is taken to step one of the form.
 - c. From there, she must continue filling out the form till the order is complete.

Monitoring micro-actions to determine where drop-off occurs allows you to troubleshoot and design more effective calls to action.

Your site must drive action to maintain customer momentum.

This constitutes a lot of micro-actions. To plug the holes in the leaky bucket, the drop-off activity would have to be measured and accounted for every step of the way. Then effective calls to action could be designed.

Every website page should focus on getting the visitor to take an action -- even if that action is simply to move on to the next step in the process. You would think this is self-evident, and in fact conversion rates suffer when sites fail to drive customer micro-actions and maintain momentum through the sales path. Once the path has been defined and each of the micro-actions described, then the most effective call to action for each step is put in place and optimized.

Effective calls to action combine an imperative verb and a compelling benefit.

Back to Microsoft: On the home page, there is a link: "Download Internet Explorer 6 now. Experience the latest in private, reliable and flexible Internet browsing." This call to action is done well because the sentence contains an imperative verb ("download") plus an implied benefit ("private, reliable and flexible Internet browsing"). Action-benefit interactions are very effective. That's why marketers have used them for over three decades.

An example from traditional direct-marketing is the Columbia House Music Club sales pitch: "Join the Music Club: 12 CDs for Free!" It includes the action-to-benefit interaction and is energetic, engaging, and compelling. The technique works particularly well with people who scan information with their eyes -- namely web users. Using well-placed blue, underlined text links within a web page attracts attention.

These rules apply equally well when a visitor is asked to fill out a form. The most effective way is to display the form (a call to action in itself) and specify the benefits at the point of action. Finally, when visitors accept a call to action, their expectations must be satisfied -- the benefits must be delivered as promised.

Website owners need to ask themselves these questions:

- ♦ Has the sales path clearly mapped the actions that prospects should take?
- ♦ How well are prospects guided step-by-step?
- ♦ How many leaks are left?
- ♦ How many prospects are falling through them?

Using the Calculators

Conversion metrics: Understanding the relationships

BRYAN EISENBERG

Watching Your Web Trends

I recently spoke with a client who was concerned about the low closing rate of the company Web site - it was well under one percent. These folks spent no money to drive visitors to the Web site; visitors came to the site from the marketing overflow of the company's other distribution channels. The client was doing several million dollars' worth of sales in high-ticket, high-margin consumer goods, yet experiencing a poor closing ratio that was only a fraction of the potential. Obviously there was lots of room for improvement.

To get a snapshot of what was going on with their online business, I asked them to run some Web site reports based on their server logs, even before I spent any time looking at their Web site.

When you are experiencing a fraction of your potential, look to the gold mine of information in your WebTrends data for answers.

Those logs -- and yours, along with some of your other management reports -- contain a gold mine of information, if you know how to look for and analyze the right data relationships. I then take this raw information from the reports and put it into the calculator that is part of this report. The calculator takes the raw data input by a user from the standard WebTrends™ report and turns this data into actionable metrics you can track over time.

Understanding your metrics allows you to examine the relationship between your visitors and your website - and take remedial action.

What do I mean by actionable? All the metrics created by the calculator tell you specific things about the way your visitors are behaving, and you can literally "take action" based on the metrics and track the changes in visitor behavior your action caused. These are not "Gee, that's interesting" metrics. They are the ones that have dramatic impact on the profitability of any web site, and by tracking them and trying to affect them, you can get any web site a lot closer to the goals you are trying to achieve.

There are two general areas worth your time to track and analyze - Content and Commerce.

Content Metrics

Many folks get hung up with looking at page views, browser types, IP addresses, and so forth. These numbers might be "nice to have", but does knowing gross browser types used by version actually help you in any way?

Data, by itself, is not information.

These numbers are data, not information.

There's a tremendous amount of "stuff" generated by server logs and log analysis software. How do you screen out what is valuable and what is a waste of time?

With any data tracking or metrics project, always ask yourself the following:

- ♦ What will I do with the information once I know it?
- ♦ What kind of action will I take based on knowing this information?

If your data does not yield useful information, it is not worth tracking.

Useful metrics help you identify and fix problems.

If the answer is "none", then the data is not worth tracking. Reports consisting of browser types, IP addresses, and other interesting, but not necessarily useful, data tends to pile up in the corner of the office -- and is never looked at. What you want to do is create metrics and reports that clearly say: "Fix this and your visitors will view more pages" (if you are a content site), or "Fix this and you will sell more product" (if you are a commerce site).

In many cases, these two ideas work together -- a good content strategy results in more sales and a successful sales experience leads to visitors spending more time at the site.

The content section of the calculator takes raw data from log analyzers and converts it into useful metrics.

Therefore, every web site has at least two big issues to deal with: (1) Generating targeted traffic and (2) making sure this traffic gets "hooked" when it arrives at the site. Server log analysis can create the raw data you need to track important metrics surrounding the issues of targeted traffic and engaging the visitor, but the raw data isn't very useful in the log analyzer format for these tasks. The raw data has to be converted to useful metrics you can track over time. This is the purpose of the content area of the calculator: It takes raw data from server log analysis, sifts it for the most valuable data, and creates actionable metrics for you. This part of the calculator is set up to follow the WebTrends™ log analysis reporting format.

The kinds of issues addressed by Content Metrics include optimizing navigation, layout and design, and content to drive the most profitable activity from your visitors. Content Metrics are also used to track the ROI of advertising programs and tweak their

Content metrics address navigation, layout, design, content and advertising ROI ...

effectiveness -- for example, to test the conversion rate of different landing pages in Pay-Per-Click campaigns.

... and also help you isolate conversion rates at the level of each micro-action.

Additionally, there are Content Metrics associated with each level of the conversion funnel described above. At each "micro-action" level of the conversion funnel, you can use log analysis to determine your conversion rate. Improving the conversion at each level of the funnel is cumulative -- an improvement in one level dumps more customers into the next level -- and all of these conversions build to higher levels of productivity and profitability. If you run a commerce site, they also feed directly into improving your Commerce Metrics -- the bottom line.

Commerce Metrics

Commerce metrics help measure the effectiveness of your online sales effort.

Commerce metrics are about taking all this micro activity on the site and putting sales dollars to it. If you are selling products, it's a way of determining how efficient and effective you are at converting visitors into sales dollars and providing clues for specific improvement in your bottom line.

Why do you need Commerce Metrics? While Content Metrics can help you improve the number of pages viewed by each visitor, this improvement isn't necessarily going to result in increased sales. There might be a "disconnect" between something in your content and the sales process. Commerce Metrics allow you to make sure any work you are doing on the content side is turning into profits on the commerce side. If you are paying for advertising, Commerce Metrics are extremely important. You want to make sure the money you are spending is generating maximum

profitability. If you pay \$30 for a sale you collect only \$20 on, you will be in trouble pretty quickly. Commerce metrics keep you on track and provide benchmarks you can follow to evaluate the profitability of your advertising campaigns.

Macro vs. Micro

Each of the metrics on both the content side and the commerce side can be further subdivided, and this is almost always instructive. There are no "average visitors": there are specific visitors from specific places and therefore you should subdivide your macro metrics into more micro metrics (recall the Microsoft example in the previous chapter)

You can understand the nature of your specific visitors and make appropriate decisions by going beyond the macro-level to the detail of micro-metrics.

For example, on the content side, let's say your "average visitor" looks at 3 pages during a visit. But what if you knew that an average Google visitor looks at 8 pages, whereas an average MSN visitor views 2 pages? This information is tremendously important to understand because it directly impacts your advertising strategy and profitability. It is always easier to go with the traffic flow -- go where you get the best visitors, and don't try to turn bad visitors into good ones. In this example, I would seriously consider cutting back on any MSN banner ads and using the money I saved to buy Google AdWords. This is optimization of an ad campaign -- putting the money where it works the hardest.

Of course, on the commerce side, I would want to know if these Google visitors were generating sales and if the sales per visitor were higher for Google than for MSN. Just because they view more pages, doesn't mean they buy more products. So before

rearranging my ad campaign, I would confirm, using Commerce Metrics, what I suspected from Content Metrics -- that is, does a Google visitor not only look at more pages per visit, but also buy more products?

Top-Down vs. Bottom-Up

Generally, the higher you move up in an organization, the more direct financial responsibility you have. For this reason, "C Level" execs and VPs are probably going to be most interested in Commerce Metrics (if you are a commerce site) -- a "top-down" view of the enterprise. They don't necessarily care about the 8 pages per visit from a Google visitor -- that's too much detail for them to get into.

Macro-metrics give an overall picture of what is happening, but cannot reveal or help explain the nuances. For this, you need micro-metrics.

But hear this -- the bottom-up (micro) metrics all roll up into the top-down (macro) metrics, so even though the top brass might not want to get reports on micro metrics, people lower in the organization must. Otherwise what will happen when a C-level person asks "How come?" How come a certain macro level metric is falling? This question cannot be answered without the bottom-up micro metrics.

Using the Google/MSN example above, if the average views per visit on the site fell during a certain month, one explanation could be that total visitors from Google dropped while total visitors from MSN increased. If you know a Google visitor both views more pages (Content Metrics) as well as buys more products (Commerce Metrics) than an MSN visitor, you can tell this C-Level exec what happened and why. Then she is off to the ad guys to find out why they're driving more traffic from MSN than Google instead of breathing down your neck. Just because

C-level people may not want micro-level reports, it's still extremely valuable for somebody to get reports on the micro level.

The issue of your position in a business, accountability, and the use of metrics in reporting is covered in more detail later in the next chapter.

Accountable Accountability

BRYAN EISENBERG

Generally accepted accounting principles operate through fundamental systems of managerial accounting to capture, record, analyze, and interpret a company's condition. These appraisals serve to give a clear, numeric model of a company's health.

There is no way to determine whether a company is larger or smaller, faster or slower, better or worse, without utilizing these metrics. These numbers allow you to spot problems by correlating revenues to cost of goods sold. They give you an understanding of whether a company's sales trends are out of proportion to its earnings; whether a company's debt is working for it or against it, and/or how its earnings per share stack up against the competition.

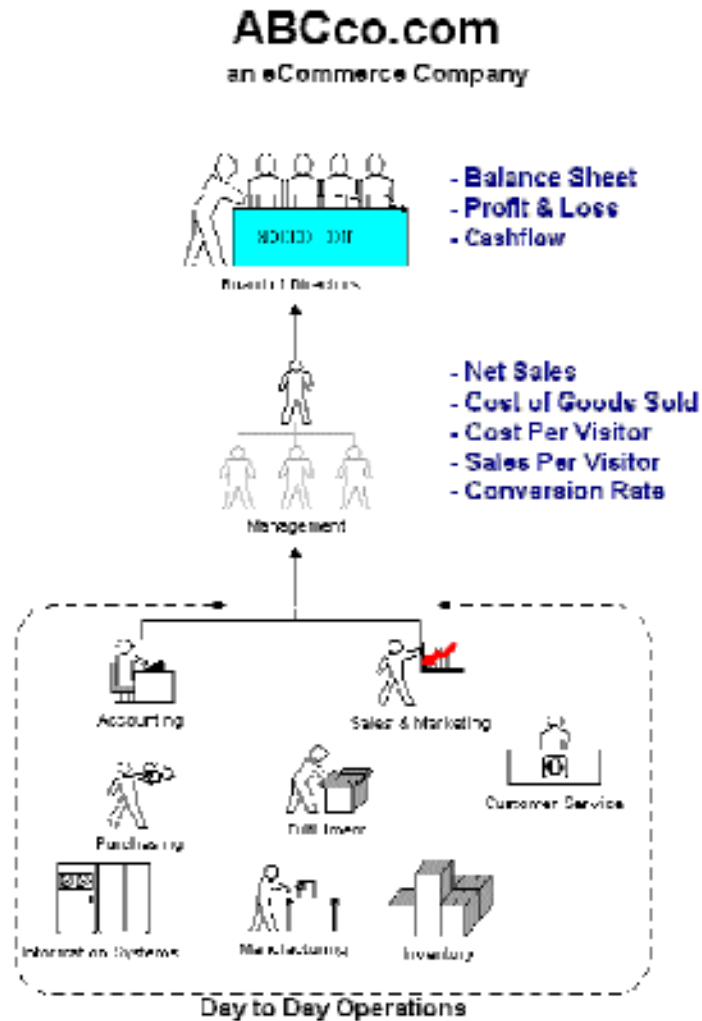
Traditional accounting principles tell you about a company's health, but changing business needs new techniques.

Hundreds of years have gone into standardizing modern accounting practices. They are well known, proven and trusted. Nevertheless, business is changing. Navigating by sight alone was adequate when man began sailing along the seacoasts, but once men set out across the oceans new tools were required to navigate successfully. Those without the right tools drowned.

Accountability Ladder

In the relatively new world of e-commerce, the number one "tool" you need is the ability to get a handle on the multitude of data that floods into your com

In e-commerce, your most important tool is the ability to convert data into useful information.



pany on a daily basis -- and distill it into meaningful and manageable information.

Below is a diagram of an Accountability Ladder for an (imaginary) e-commerce company. It shows how the different types of incoming data are assessed and managed throughout the company's hierarchy. Now let's break the diagram down and organize it by the e-commerce company's objective, strategy, and tactics -- and see how the data relating to these is dealt with on each rung of the hierarchy ladder:

- ♦ **Objective:** To make a profit -- the board and executives get the cash flow, profit and loss, and balance sheet reports
- ♦ **Strategy:** To buy low and sell high -- management gets the gross and net sales, cost of goods sold (CGS), sales per visit (SPV), cost per visit (CPV), and conversion rate (CR) reports
- ♦ **Tactics:** How the business is run -- the staff gets all the raw data that feeds the management reports, built up from the overall site performance, individual promotions, fulfillment, customer service, and so on

It might seem like I'm oversimplifying here -- and I can hear you asking, "What about this report or that metric?" But it wasn't Future Now that developed the science of management reporting (although we'll happily take the credit for it!). The fact is, for a management system to be meaningful, everything must flow into the financial statements. If you can think of a metric that doesn't seem to be a subset of one of these management reports, email me (metrics@futurenowinc.com). Even if I can't show you how it is a subset, I probably can show you why it's not worth measuring.

Okay, let's define the concepts from the management reports:

- ♦ **Gross sales:** This is your total sales at the prices you originally invoiced (you know darn well you'll probably never see all of it).
- ♦ **Net sales:** Net sales equal gross sales minus discounts, returns, allowances, and any other adjustments your customers were able to squeeze out of you.

The Key Metrics

Gross & Net Sales

Cost of Goods Sold

Gross Margin Percentage

Sales Per Visit

Cost Per Visit

Conversion Rate

- ♦ **CGS**: Also called cost of sales, this is traditionally a measure of the cost of buying raw materials, if any, and producing your finished products. Included are direct costs, such as labor and overhead.
- ♦ **GMP**: You deduct your CGS from your net sales to arrive at gross profit; gross margin percentage is gross profit divided by net sales. GMP represents the percentage of each net sales dollar left over after the cost of the product sold.
- ♦ **SPV**: The SPV shows the actual average dollar amount purchased per visit (not per order). This measures both marketing efficiency and the ability of your site to close orders. You don't need me to tell you that you want this number to be as high as possible.
- ♦ **CPV**: Divide all those maddening marketing expenses (or marketing expenses plus Web expenses) by the number of visits.
- ♦ **CR**: This is the ratio of orders to site visits, sometimes called the sales closing rate. It measures how well your site can turn a visit into a purchase. The buck starts here.

Why are these the key metrics you need to manage your eCommerce business?

- ♦ **Gross and net sales, CGS and GMP**. If you buy low, say \$10 per unit, and sell high, say \$15 per unit, \$5 is the difference. Voila! Your gross profit.

No gross profit, no business. I said it was simple -- and it doesn't get any simpler than that.

- ♦ **SPV**. The idea is to increase your SPV (sell high). Factors affecting this include the quality of your traffic and merchandising. You can improve your

SPV by increasing your CR, average order amount, or both.

- ♦ **CPV.** Lower your CPV (buy low). Factors affecting this are the effectiveness of your online presence and merchandising. You can also improve your CPV by increasing your CR, decreasing your marketing expenses, or both.
- ♦ **CR.** This is the heart of the matter. Put in place a system for increasing your CR as an ongoing exercise. This exercise, more than anything else, will help you buy low and sell high. Nothing you can do will affect your profit and loss statement as dramatically or increase your return on investment (ROI) as much as improving your CR.

E-commerce is a numbers game. The trick is to focus on the right numbers so that you can make accurate decisions about how to improve your site and, ultimately, your CR. We offer a free download on our Web site: an Excel spreadsheet that instantly calculates the key metrics you need to track as you work to increase your conversion rate (<http://www.futurenowinc.com/digitalsalescalculators.htm>). My experience has been that few companies are collecting the right data or, like the executive mentioned above, are so overwhelmed with data that they don't know what to do with it. It's up to you: Will you drown in data that's voluminous but useless, or will you reap the benefits of meaningful information?

Business Intelligence

As you can see, the proper use of metrics in an organization is much more than running a bunch of reports and sitting around once a week to look at

<u>Metric Management</u>	
Agree on and stick to the definitions.	♦ The organization can agree on and stick to the definitions of the metrics they are using
Use metrics that prompt action.	♦ The metrics themselves are "actionable" -- rather than just report on the "status" of the business, the metrics themselves prompt action
Assign responsibility.	♦ People are accountable for taking the action suggested by the metrics according to their level of responsibility in the organization
Track over time.	♦ Metrics are tracked over time and relative changes in metrics, rather than absolute numbers, are the focus
Evaluate relative changes.	♦ If the site is a commerce-enabled site, both Content Metrics and Commerce Metrics should be used together to provide a yin / yang foundation for moving the business forward. Great content and design mean nothing unless they increase conversion at each level of the sales funnel.
Use both Content and Commerce Metrics.	

What does the future hold for e-business metrics and business intelligence in general? It appears the market has already realized that simply collecting and reporting on data is not enough; the most talked-about area of growth for 2002 is in Business Intelligence (BI) - the use of metrics to track, report on, and continuously improve the performance of a business. However, whether people will develop the right metrics and understand how to use them properly is still an open question.

We hope this report has shed some light on this subject for you, and with the included workbook

and the associated Future Now Excel calculator, provides an inexpensive and accessible way to execute your own BI program.

To move to the highest ROI end of the marketing scale, move beyond simply tracking behavior to predicting it.

Future reports on how to understand and use Web trends to maximize results will focus on some of the simple techniques used to move from tracking behavior to predicting it -- using the same kind of simple-to-use tools provided in this report. When you can predict customer behavior, you move into the highest ROI end of the marketing scale, allowing you to:

- ♦ Emphasize the ads, media, and products creating long-term high potential value customers and down play ones that don't
- ♦ Create High ROI marketing programs and make more money selling to customers
- ♦ Predict when best customers are about to leave you and react with customer retention and save-a-customer programs
- ♦ Quantify the profitability of marketing and operational initiatives by linking them to a change in potential customer value

Without e-metrics, the Web continues to be a grand experiment; a government research project that escaped the lab, mutated, and took over the world. Make money? Sure. Open new territories? Of course. Provide an open channel of communication with your customers? Only if you are good. With e-metrics, you have the opportunity to approach the Web from an objective, systematic perspective. You can move from trial and error to trial, measure, and improve. You can become a customer confidante, a partner in commerce, and a trusted member of the customer's value chain.

Metrics: The Rubber Hits the Road

Setting Them Up - What Are They? What Do They Tell You?

JIM NOVO

Lies, Damned Lies and Statistics

If we are to have common measures and comparable e-metrics, standard terms are a must. If we are to communicate clearly about the fruits of our success and the lessons of our setbacks, recognizing standard measurements is imperative. To that end, everyone should understand four issues about metrics and tracking:

Standardize your definitions and stick with them.

- ♦ Make sure your business has standard internal definitions, and stick with them. The calculators in this report can help you with this, because they present clearly defined metrics you can track over time. How you define a page view may be a topic of discussion in your company, but, once you define a page view, stick with the definition. If you change the definition over time, you will have apples to oranges metrics to compare and will have difficulty figuring out where you are. This leads into the second issue:

Look to "relative answers" and trends in addition to absolutes.

- ♦ Consistency and accuracy are very important in creating metrics, because powerful decisions can be made using them. Just as it is important to be as accurate as you can, it is also important to realize that in some cases, you simply can not

get a completely accurate count. Just because you can't or suspect you can't get an accurate count of a particular activity does not invalidate an analysis, however; it simply calls for a different perspective - looking at trends.

Measure as cleanly as possible and measure the same way every time.

People can obsess too much about finding an absolute answer, wasting a lot of time and resources, when a relative answer can be just as insightful - "Is it getting better or worse?" An absolute number ("we had 449,963 visitors last week") may not be as important as the relative number ("visitors dropped by 10% last week"). If there are known inaccuracies in a specific number, as long as the number is calculated the same way each time, these inaccuracies tend to smooth themselves out over time. You will find in some cases you are not really interested in a specific number, but how that number changes over time, and charting trends in the number is very helpful.

Make sure people using your reports know what the time period of measurement is.

- ♦ Analysis is always referenced to time. For any given metric, the value of the metric can and does change over time. If you say your sales per visitor is 33 cents, is that an average annual number? Just in June? Since the beginning of time? Make sure you make it clear to people using your reports what the time period of the measurement is. And of course, when you do analysis in the first place, make sure you are using equal time measurement periods to create your metrics. For example, if you were calculating sales per visitor, you would calculate your sales for a specific time period and then your visitors for the same time period. Always make

sure you are using equal time periods when creating ratios, percentages, and indexes.

To make this report valuable for the broadest audience, we have created metrics based on the most common data collected: visits and orders.

- ♦ There are many different ways to set up a web site, and the technology used will determine the kinds of data available for analysis. The ability to create any one metric depends greatly on the ability to collect the right data. For example, on the content side, the site may not be able to distinguish a Unique Visitor. On the commerce side, many commerce systems focus on orders rather than customers, and lack the capability to distinguish between an order from a new customer and an order from a current customer.

We believe in focusing the analysis on unique visitor or customer level data whenever possible. However, the ability to track different types of unique visitors and specific customers through the entire analysis chain is not widely implemented among web site operators at this time.

In order to make this report valuable for the broadest audience, we have created metrics based on the most common data collected - visits and orders. A visit is a single instance of any visitor arriving at a web site, and an order is a single instance of any visitor ordering. A Unique Visitor is a single Visitor who may have multiple Visits; a Customer is a single customer who has placed one or more Orders.

In general, replacing "Visits" with "Unique Visitors" will improve the accuracy and relevancy of the content metrics, and replacing "Orders" with "Customers" and/or "New Customers" will

improve the accuracy and relevancy of the commerce metrics. There is a section labeled "Advanced" for each metric that could benefit from these types of modifications, with the suggested change briefly described.

Why we recommend WebTrends™

While other log analyzers will work with the Future Now calculators, we recommend using WebTrends. Not because we have any sort of vested interest. Rather, because it is the gold standard in the field of website statistics. It has many features which are unavailable on other applications that make the package worth it.

Of course, you have to understand what is important to track and how to track it first. If you only care about how many page views you get and what browsers people use, you can use any analyzer. If you want to use only "clean" activity by real customers and track "actionable metrics" that really mean something, you need WebTrends™.

Here are some of the very important functions in WebTrends™ not generally available in many other log analysis programs:

- ♦ Screen out activity from spiders, cachebots, pingers, link checkers, etc. If you don't screen out this "noise", you get faulty metrics and may take the wrong actions based on this faulty information.
- ♦ Track the entire path of visitors by entry page. Many other trackers can tell you what the customer did immediately after landing on a page, but not what happened at each page after the first one. This capability is critical for the ROI analysis of advertising, and allows you to optimize navigation.
- ♦ Track one page visits by visit source. One page visits are a negative metric for most sites -- you want visitors to look at more than one page. You also want to match content to source as much as possible to optimize your conversion rate. For example, the same material could be written differently for an AOL audience than it is for a Google audience.

- ♦ Track heavy user activity only. You want to carve out the behavior of heavy users from a lot of the background noise on the site to see what is really going on. If you can focus on just the heavy user group, you will pick up much more powerful (and profitable) clues to optimizing the close rate.
- ♦ Track usage of non-page assets (scripts, bookmarks, downloads, tools, etc.) by user type. Of all the people who downloaded a file, how many are heavy users? How many came from Google as opposed to MSN? These are the kinds of issues you need to be aware of to optimize your content for users.

OK, we're almost ready to press on with the metrics. Before we dive in, let's make sure everybody is on the same page. First, we will define all the data we will be collecting to use in the creation of our "actionable metrics". Then we will discuss issues surrounding the actual collection of the data.

The Content Data You Need from WebTrends™ or Other Log Analyzers

From the "General Statistics" Section in a WebTrends™ Report:

Blank boxes have been provided for you to fill in your own values.

Page Views: Document Views

This is often referred to as Page Views, the term we will use in this report. Depending on how you have set Log Analyzer up, a Document View is usually the "cleanest" number you can use. When I do research on improving conversion or visitor quality, I want to know about page views -- not form views, script runs, or anything else. If you want to know about those things, track them separately. See more on this issue under "Set-Up" below.

Visitor Sessions: Visitor Sessions

This is often referred to as Visits, the term we will use in this report. You can define the length of what is considered a session by going to Configure > Options > General. The default (and pretty standard) is 30 minutes -- though this is really an arbitrary convention. If you have reason to believe your site visitors behave very differently from the average, try running a few profiles using different session lengths and look at how the numbers change. Once you pick a session length, stick with it, or you won't be able to compare your stats with past behavior you have tracked.

Of course the less total traffic your site receives the longer the session length required for meaningful statistics. That is why we suggest the standard 30 minutes session length so when traffic improves

you'll have a standard benchmark to refer to.

Visitors: Unique Visitors

For understanding how many unique individuals come to the site. If you have cookies enabled for tracking, you can set WebTrends™ to recognize the cookie and use it to determine Unique Visitors. Go to Configure > Options > Cookies. Otherwise, every person coming from the same IP address (like AOL users, for example) will be counted as one Visitor.

Visitors: Visitors Who Visited More than Once

This is often referred to as Repeat Visitors, the term we will use in this report. This is repeat visitors, and is as accurate as Unique Visitors. If you are not identifying uniques with cookies, you won't get an accurate repeat number for the same reasons as mentioned under Unique Visitors above.

From the "Resources Accessed" Section in a WebTrends™ Report

Top Entry Pages - Home Page

Assuming your Home Page is the top entry page, you want to know how many visitors enter the site through this page. "Enter" means this is the first page they see on their Visit. If you have other high volume entry pages, these should be tracked instead of or in addition to the Home Page. Use this metric in conjunction with the one below, so if you track pages for Entry, you should also track them for Single Access.

Single Access Pages - Home Page

Again, assuming the Home Page is the Top Entry

Page, this tells you how many people looked at this page first and then looked at no other pages. If you have other high volume entry pages, you should track the Single Access metric for them.

From the "Advertising Section" in a WebTrends™ Report

Views and Clicks: Newsletter, BookMarks, Downloads

You can track anything that creates a log file entry, like scripts, single pixel .gifs, etc. This is set up under Configure Ad Views and Clicks. See more info in Set-Up below.

From the "Activity Statistics" Section in a WebTrends™ Report

By Length of Visit

In the top Line: 0-1 Minute Visits - visits of under 1 minute in Length

Also in the top Line: 0-1 Minute Page Views - page views occurring in visits of under 1 minute in Length

In the bottom line: >19 Minute Visits - visits over 19 minutes long.

Also in the bottom Line: >19 Minute Page Views - page views occurring in visits of over 19 minutes in Length.

Note: Your version of WebTrends™ may use >20 Minute Visits / Page Views or some other "maximum" in this table. Go right ahead and use whatever definition they provide. Remember, it's not the

absolute number that is important, but changes in a number. There is nothing magic about a 19-minute visit as opposed to a 20-minute visit. In fact, if you notice a considerable difference in such calculations, your traffic volume is much too low to be deriving any conclusion from such statistics.



By Number Of Views

Note: If the line "0 Pages" has anything other than a 0 under number of views, WebTrends™ is not set up correctly to use these metrics "Clean" as suggested. See more on setting up a "Clean" profile in Set-Up below.

Number of Pages Viewed: 1 Page -- how many visits were to one page only, regardless of how long the visit was.

Number of Pages Viewed: 11 or More Pages -- how many visits were to 11 or more pages, regardless of how long the visit was.

The Commerce Data You Need: from Shopping Cart / Management Reports

This data is needed in addition to the Content data above to fully create the Commerce Metrics.

Total Sales (Currency)

Total Orders (Number)

Marketing Expense (Currency)

Existing Customer Orders (Number)

Average Gross Margin (Percentage)

Micro-Action Metrics (content metrics) -- bottom-up

The "Web Trends Data Entry" section of the Future Now Excel calculators is labeled using the same language you see in your WebTrends™ reports to assist you in finding the correct data to enter. The "Site Metrics: Drilling Down Method" section converts the raw WebTrends™ data you enter into the actionable metrics (which you can track over time to measure improvements in the ability of your site to acquire and maintain customers). Use these metrics to measure the impact of changes to site designs, advertising strategies, and navigation elements.

I would run these reports weekly for maximum usability to improve visitor conversion and value. If you do a lot of design or ad testing, make sure you sync up the testing schedule to the frequency of reporting. When testing ideas daily, you should run the reports daily. Sample data has been provided so you can get a feel for where your site is in comparison. This data sample is from a B2C commerce site.

Please Note: A "Visit" and a "Session" mean the same thing for the purposes of this report and using log analysis software -- a single instance of arriving at a web site. A visitor can have more than one visit or session. Separate visits or sessions are defined by default to be at least 30 minutes apart; this number is somewhat arbitrary and can be adjusted as described below in Set-Up.

Set-Up / Before You Start

Think about what you really want to understand about your site. WebTrends™ can be set to consider a number of different file types as documents or downloads. Do you want somebody using a form to be counted as a page view? Or do you just want to know about content views? What about scripts? Secure pages? Be sure to tell WebTrends™ what file endings you want to be "Documents" and "Downloads" using the Configure > Options > File Types menu.

You can also use a Filter to screen out reporting of anything else other than HTML pages. If you use this filter, "Hits", "Page Views", and "Document Views" will be the same, and you won't get any visits with "0 Views", which can really screw up your tracking. Here's what I do: I set up one Profile as "Clean" with the HTML filter on to track page view numbers, and then another Profile to track everything else (Ads, Scripts, etc.)

Also, consider how much of "the truth" you want to know about your site. For best results, you should use the WebTrends™ Filters to screen out the activity of known spiders, cachebots, your people working on the site, and tools like WebTrends™ itself, link checkers like Xenu, and so forth. All this junk activity will scramble your metrics and prevent you from understanding what is really happening on your site. Use the File > Edit Profile > Filters tool to screen out this activity.

If you want to track bookmarks and newsletter subscribers, make sure you set up the Advertising sec-

tion of WebTrends™ to track this activity. Bookmark tracking requires use of the favicon.ico file, a small graphic that identifies bookmarks and shortcuts. Newsletter subscribe (and any other script activity) tracking is set up by entering the script call as it would appear in the log into WebTrends™. Use the Configure > Ad Views and Clicks menu for setting up this tracking.

Note: You can track a lot of activity that may be normally difficult to track by using graphic file requests, or so called "web bugs", and setting up WebTrends™ to track these requests.

Please also note: You can set up WebTrends™ to generate only the tables or graphs you want to see and use on a regular basis. When you click "Report" to generate a report, before you run it, go to the tab "Content" and deselect reports you don't use. If you get rid of all the graphs, an analysis runs much faster. For more on using WebTrends™, how to use the stats below, and using WebTrends™ to study the quality of visitors from PPC, Google AdWords, and the search engines, see my article, "Monitoring Visitor Conversion Using WebTrends™" at <http://www.jimnovo.com/WebTrends-tracking.htm>.

How Do You Improve Your e-Commerce Batting Average?

Simple, you make it easy
for people to buy...

BRYAN EISENBERG

Less than 2% of website visitors make a purchase. That's comparable to passive direct-response marketing rates, and yet, every prospect made the choice to visit these websites.

Is your site a direct-response vehicle or an interactive sales machine?

PACO UNDERHILL, a leading expert in consumer shopping behavior, has a wonderful quote I like to use: "Conversion rate is to retail what batting average is to baseball." Shop.org reports that the average order conversion rate for its members (many of the very top e-tailers) is 1.8 percent. Imagine, fewer than 2 people out of every 100 who visit Shop.org's Web sites actually make a purchase.

Ted Williams became a legend for hitting above .400. That's over 4 hits for every 10 times at bat. And that's the type of number you would see in an effective brick-and-mortar store (about 48 percent of people walking through the door make a purchase, according to Underhill).

Hmmm, imagine that...

A closing rate of less than 2 percent is akin to that of the direct response business -- you know, the seller pushes out solicitation letters, postcards, or catalogs, then hopes you buy on your own initiative. Yet, 100% of the people at your site came there by their own decision to click or type your URL.

So here's a question for you: Are you pushing your Web site on people, or are they seeking it out? Is

your Web site nothing more than a direct response vehicle, or is it an interactive sales machine?

Conversion Rate, the most important metric affecting your bottom line, reveals how many visits resulted in a sale.

CR -- conversion rate -- is the ratio of Web site orders to Web site visits (you may also see this referred to as the sales closing rate or sales closing ratio). This is the most important number affecting your bottom line. If you could find a way to increase your closing rate from 2 percent to just 4 percent (and some of our clients reach CRs of 5-10 percent), you will have doubled your sales without having spent an extra penny on marketing.

You want this number to go up.

What's scary is that if the average is under 2 percent, just imagine how bad some of the Web sites out there are doing. And don't get fooled if you have a high CR. If you're getting very highly targeted traffic or your competition is negligible, your CR could be much, much higher than 2 percent yet still be just a tiny fraction of what you could be -- no, should be -- getting if your site were designed effectively.

Clicks to Buy is the average number of clicks it takes to go from home to completion of purchase. Fewer necessary clicks increases the likelihood your visitor will buy.

A simple measure that lets you know if you are helping your new teammates score is clicks to buy (CTB). CTB measures the average number of clicks it takes your visitors to go from your home page to the completion of their purchase.

You want this number to go down.

Obviously, the fewer clicks the better. Why do you think Amazon.com fights so hard to protect its 1-Click Checkout patent? It realizes that one of the main causes of incomplete purchases and abandoned shopping carts is the long and tedious checkout process many e-tailers inflict on potential customers.

Want to know how well you are doing? Find five people who aren't familiar with your Web site (maybe even your Mom or Dad, especially if they don't use the web a lot, should be one of them), and ask them to buy something from you.

Too many clicks often accounts for lost sales.

Remember those commercials, "How many licks does it take to get to the Tootsie Roll center of a Tootsie Pop"? It's supposed to take many licks (the conventional wisdom) to get to the center of a Tootsie Pop. However, the Tootsie Pop owls just can't help themselves and they get to the center more quickly. A well-designed site is like a Tootsie Pop and customers will behave like those owls, So rather than offering a regular lollipop and slowing people down to a lick-by-lick pace realize that too many clicks may account for lots of lost sales. Be sure to figure out your CTB.

The Marketer's Common Sense Guide to E-Metrics

Conversion Rate Marketing Calculators

W O R K B O O K

Workbook Contents

Content Metrics:

Defining Visitor Activity

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Take Rates: Newsletter, Bookmarks, Downloads
Repeat Visitor Share
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Committed Visitor Share
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Committed Visitor Volume
Visitor Engagement Index
Reject Rate: All Pages
Reject Rate: Home Page
Scanning Visitor Share
Scanning Visitor Index
Scanning Visitor Volume

Commerce Metrics:

Converting Activity into Profits

60

Average Order Amount (AOA)
Conversion Rate (CR)
Sales per Visit (SPV)
Cost per Order (CPO)
Repeat Order Rate (ROR)
Cost Per Visit (CPV)
Order Acquisition Gap (OAG)
Order Acquisition Ratio (OAR)
Contribution per Order (CON)
Return on Investment (ROI)

If you do not have a copy of Future Now's Excel spreadsheet that contains all of these calculators, you may download it at <http://www.futurenowinc.com/digitalsalescalculators.htm>.

Content Metrics: Defining Visitor Activity

Take Rates: Newsletter, Bookmarks, Downloads**Formula:**

Take Rate = (# Visits resulting in the activity desired) / (# Visits)

What is it?

This is a measure of how compelling your offerings are to the audience you get at the site, and how well you are marketing to them.

How to calculate it:

Divide number of sign-ups for the newsletter, bookmarks, or downloads by Visits.

Example:

1,439 Newsletter sign-ups in the past week

18,074 Unique Visitors in the past week

$1,439 / 18,074 = 8\%$ Newsletter Take Rate

Your calculations:**How to use it:**

As you test different locations for newsletter sign-up or download links, link titles, subscription methods, traffic generating ideas, advertising copy and placement, paid search links, Pay-Per-Click ads, and so forth -- can you continuously keep the Take Rate rising? How can you improve the match between what you offer and the visitors coming to the site? If the Take Rate is rising, you are improving this match. If the Take Rate is Falling, the opposite is true.

Advanced: Substitute # Unique Visitors for # Visits = Take Rate per Visitor rather than per Visit

Content Metrics: Defining Visitor Activity

Repeat Visitor Share

Formula:

Repeat Visitor Share = (# of Repeat Unique Visitors) / (# of Unique Visitors)

What is it?

This is a measure of how compelling your content is to visitors and how easy it is for them to find what they want. Are you giving them a reason to come back?

How to calculate it:

Divide the number of Repeat Visitors by the number of Unique Visitors.

Example:

3,804 Repeat Visitors in the past week
18,074 Unique Visitors in the past week
 $3,804 / 18,074 = 21\%$ Repeat Visitor Share

Your calculations:

How to use it:

This can vary dramatically based on the Session Length variable and the period of time you are running your report for. Most sites want their visitors to come back, so the Repeat Rate is something you want to see rise over time. If it doesn't, you are not improving the quality of your content and/or products or the ability to attract visitors who actually like your content and/or products. Once you pick a Session Length variable and time frame to run your report over (a day, a week, a month) don't change them or you lose the track-ability of this metric.

Content Metrics: Defining Visitor Activity

Heavy User Share**Formula:**

Heavy User Share = (# of Visits with 11 or more pages) / (# of Visits)

What is it?

Percent of visits involving very high page view counts; these are the heaviest users in terms of pages viewed.

How to calculate it:

Divide the number of visits with 11 or more pages viewed (this number can be defined differently if you wish, for example, 20 or more pages viewed) by the number of visits over the same period of time.

Example:

2,891 Visits with over 11 pages viewed in the past week

22,189 Total Visits in the past week

$2,891 / 22,189 = 13\%$ Heavy User Share

Your calculations:**How to use it:**

If you are targeting your visitors properly and the site is easy to use (see Usability metrics below) this metric should increase over time. If for some reason you don't want people to view a lot of pages in a session (this would be true for some commerce sites), you want this number to decrease.

If you have a content site that divides its articles up into a series of pages you may want to define heavy users differently, for example, as having more than 20 page views per visit.

Content Metrics: Defining Visitor Activity

Committed Visitor Share**Formula:**

Committed Visitor Share = (# of >19 Minute Visits) / (# of Visits)

What is it?

Percent of very long visits, similar in nature to Heavy User Share above, only using time-based visits instead of Page Views. Depending on the purpose of your site, you can use either, just one, or both of these metrics.

How to calculate it:

Divide the number of >19 Minute Visits by the number of Visits.

Example:

2,218 >19 Minute Visits in the past week

22,189 Total Visits in the past week

$2,218 / 22,189 = 10\%$ Committed Visitor Share

Your calculations:**How to use it:**

The value of visit length metrics has been the subject of a lot of debate. Our experience with both content and commerce sites has been as visit length gets longer, a higher percentage of visitors engage in the activity you want them to, given this activity (filling out forms or purchasing, for example) takes time. You should track this metric in conjunction with changes to the site. If Committed Visitor Share rises along with other key indicators such as Take Rates and Sales per Visitor, there is a good chance longer visit length is better, so the higher the share of long visit length visitors you have, the better.

Content Metrics: Defining Visitor Activity

Committed Visitor Index**Formula:**
$$\text{Committed Visitor Index} = \frac{\text{\# of Page Views in Visits > 19 Minutes}}{\text{\# of > 19 Minute Visits}}$$
What is it?

Average Page Views per Visit for only very long visits, a very important metric for most sites because it combines Page Views and Time.

How to calculate it:

Divide number of Page Views in Visits >19 Minutes long by the number of > 19 Minute Visits .

Example:

21,266 Page Views in >19 Minute Visits in the past week
2,218 > 19 Minute Visits in the past week
 $21,266 / 2,218 = 9.6$ Committed Visitor Index

Your calculations:**How to use it:**

If you are getting long Visits with light Page Views, this index will be a low number. If you are getting long visits with few page views, visitors are leaving the browser to go make a sandwich while your pages load, or you have very long content heavy pages. Typically you want to see a lot of page views in a long visit, corresponding to a high index number. If you make changes to the site that increase usefulness to Committed Visitors, the index will rise; if the changes make the site more difficult or less enjoyable to use, the index will fall.

Content Metrics: Defining Visitor Activity

Committed Visitor Volume

Formula:

$$\text{Committed Visitor Volume} = \frac{\text{\# of Page Views in Visits > 19 Minutes}}{\text{\# of Page Views}}$$

What is it?

Percent of total Page Views on the site viewed by Visitors with very long visit behavior.

How to calculate it:

Divide number of Page Views in Visits >19 Minutes long by the number of Page Views .

Example:

21,266 Page Views in >19 Minute Visits in the past week
 102,043 Page Views in the past week
 $21,266 / 102,043 = 20.8\%$ Committed Visitor Volume

Your calculations:

How to use it:

For an advertising-driven site, this is a metric bound to get attention, because it speaks to the overall quality of a page view. If you have 100,000 page views and only 1% of them can be attributed to visitors who stick around for a while, in most cases you are attracting the wrong audience, and this audience is not really worth much. Most sites would want to see this percentage rising over time.

Content Metrics: Defining Visitor Activity

Visitor Engagement Index**Formula:**

Visitor Engagement index = (# of Visits) / (# of Unique Visitors)

What is it?

This is average Sessions per Visitor, indicating the tendency for multiple sessions on the part of users.

How to calculate it:

Divide the number of Visitor Sessions by the number of Unique Visitors.

Example:

22,189 Visitor Sessions in the past week

18,074 Unique Visitors in the past week

$22,189 / 18,074 = 1.2$ Visitor Engagement Index

Your calculations:**How to use it:**

Unlike "repeat visitors", this metric gives you a feel for the "intensity" of repeating behavior. If you have a very targeted audience of the same people who come back over and over again, the index will be much higher than 1. If you have no repeat visitors, it will be very close to 1, meaning almost every visitor has one session. Whether you want this metric to trend up or down depends on the site. Most content and commerce sites probably want to see multiple sessions per visitor over a week or a month, and want this number to pop higher. Customer service, some B2B, and other "single task" sites might want this number to be as close to 1 as possible.

Note: if you suspect users interact with your site over multiple sessions in a relatively short amount of time (1 hour) to accomplish one task (e.g. shopping from work), and you know you are getting pretty accurate Unique Visitor counts using cookies, you might want to play around with the WebTrends Session Length variable to more closely capture the actual behavior of a customer. As you increase Session Length, this index falls towards 1 because consecutive short visits begin to be counted as one "Session."

Content Metrics: Defining Visitor Activity

Reject Rate: All Pages

Formula:

Reject Rate: All Pages = (# of One Page Visits to the site) / (# Of Visits)

What is it?

This is the percent of visits where the first page viewed was the only page viewed.

How to calculate it:

Divide the number of One Page Visits to the web site by the number of Visits.

Example:

5,244 one Page Visits to the site in the past week

22,189 Visits in the past week

$5,244 / 22,189 = 23.6\%$ Reject Rate: All Pages

Your calculations:

How to use it:

While focusing on top entry pages is more important in the short term, because that is where the traffic is happening, this more global metric is likely to point to global design flaws in navigation or page layout. When you make global design changes, pay attention to this one - you want it to be forever falling.

Advanced: Substitute # Unique Visitors for # Visits = Reject Rate per Visitor rather than per Visit.

Content Metrics: Defining Visitor Activity

Reject Rate: Home Page**Formula:**

$$\text{Reject Rate: Home Page} = (\# \text{ of One Page Visits to Home Page}) / (\# \text{ Of Visits Beginning with the Home Page})$$

What is it?

This is the percent of visits starting with the Home page where the Home Page was the only page viewed.

How to calculate it:

Divide the number of One Page Visits to the Home Page by the number of Visits Beginning with the Home Page (Home Page is Entry Page).

Example:

3,654 One Page Visits to Home Page in the past week

18,378 Visits begin with the Home Page in the past week

$3,654 / 18,378 = 19.9\%$ Reject Rate for Home Page

Your calculations:**How to use it:**

This metric is the king of the content metrics described here; if you have time to track only one thing, track this one (assuming your home page is the top entry page.) If you have other high volume entry pages, they should be tracked instead of or in addition to the Home page. For any site you can imagine, if visitors are not making it past the home page or other high volume entry page, something is wrong. If the marketing is on target, the problem centers on usability -- visitors simply cannot find what they want to find, or the design (including the way offers are presented, the speed of page load, the copy in text links) is simply not working. If the site design is a usable one, and the call to action easy to find, then the problem is traffic quality - a marketing issue. This metric is especially effective for hunting down copy problems on a specific page. Unquestionably, lowering the Reject Rate for the Home Page is a good thing.

Content Metrics: Defining Visitor Activity

Scanning Visitor Share**Formula:**

Scanning Visitor Share = (# One Minute Visits / # Visits)

What is it?

Divide the number of One Minute Visits by the Total number Of Visits.

How to calculate it:

Divide the number of One Minute Visits over a period of time by the Total number Of Visitors over the same period of time.

Example:

9,085 1 Minute Visits in the past week

22,189 Visits in the past week

$9,085 / 22,189 = 40.9\%$ Scanning Visitor Share

Your calculations:**How to use it:**

We know people using the web scan for information; if this percentage is rising over time, you need to think about how "scannable" your pages are. Are you using "call out" headings, breaking up paragraphs into smaller chunks, highlighting important words and concepts, helping guide visitors to what they want to know? Perhaps you should consider a more directed navigation system, rather than relying on site Search features, which frequently are not very helpful.

The value of visit length metrics has been the subject of a lot of debate. Most sites want the visitor to stay more than a minute, unless the intent of the site is to provide constantly updated bullet-point info (like stock quotes). Our experience with both content and commerce sites has been as visit length gets shorter, a lower percentage of visitors engage in the activity you want them to, given this activity (filling out forms or purchasing, for example) takes time. Service oriented sites may strive for a higher percentage of visits under one minute. If a large percentage of your visits are for only one minute, think about whether this behavior seems desirable.

Content Metrics: Defining Visitor Activity

Scanning Visitor Index

Formula:

$$\text{Scanning Visitor Index} = \frac{(\# \text{ Page Views in One Minute Visits})}{(\# \text{ One Minute Visits})}$$

What is it?

The average number of pages viewed in a One Minute Visit.

How to calculate it:

Divide the number of Page Views in One Minute Visits by the number of One Minute Visits.

Example:

16,038 One Minute Page Views in the past week
 9,085 1 Minute Visits in the past week
 $16,038 / 9,085 = 1.8$ Scanning Visitor Index

Your calculations:

How to use it:

The closer this index is to 1 page, the less useful people are finding your site - they're just reading one page and leaving. This could signal navigation problems (or poor targets from marketing). If you make significant navigation or design changes, look to this index to rise. If it falls, you have hurt your usability and should look for ways to improve it.

Use the Scanning Visitor Share Penetration along with the Scanning Visitor Index above to figure out if people are completing useful scans or are just getting fed up and leaving.

Content Metrics: Defining Visitor Activity

Scanning Visitor Volume

Formula:

Scanning Visitor Volume = (# Page Views in One Minute Visits) /
(# Page Views)

What is it?

This is the percent of page views completed in visits of one minute or less.

How to calculate it:

Divide the number of Page Views in One Minute Visits by the number Page Views.

Example:

16,038 Page Views in One Minute Visits in the past week

102,043 Total Page Views in the past week

$16,038 / 102,043 = 15.7\%$ Scanning Visitor Volume

Your calculations:

How to use it:

Depending on what your site is for, you might want this percentage to rise or fall over time. For a content site, you probably want it to fall. For a commerce site, it depends on the business. Most sites will want to see this percentage fall over time. If you are an advertising-driven site, a rise in scanner page volume may not be in your long-term interests, because it implies even though you are getting more page views, the quality of the audience creating these page views may be falling.

Commerce Metrics: Converting Activity into Profits

Average Order Amount (AOA)

Formula:

Average Order Amount = (Total Sales) / (Total Orders)

What is it?

This can be used as a measure of how well your site up-sells and cross-sells.

How to calculate it:

Divide your Total Sales by the Total Orders creating those sales.

Example:

Total Sales for 1 week = \$100,000

Total Orders for the same week = 2,000

$\$100,000 / 2000 = \50 Average Order Amount

Your calculations:

How to use it:

It is certainly important to convert more of your visitors into buyers, but it's equally important to motivate your customers into buying more of your product or service each time they buy. Keep track of this metric and you will develop ways of increasing it.

Commerce Metrics: Converting Activity into Profits

Conversion Rate (CR)**Formula:**

Conversion Rate = (Total Orders) / (# Visits)

What is it?

The ratio of Total Orders to the number of Visits, and is the most important metric you can use. It is also sometimes called the Sales Closing Rate or Ratio, and is a measure of how well your site can make a sale to a shopper.

How to calculate it:

Divide your Total Orders by the number of Visits to arrive at your CR.

Example:

3,000 Total Orders

100,000 Visits

3,000 / 100,000 = 3% Conversion Rate

Your calculations:**How to use it:**

The CR Calculator you downloaded with this report not only allows you to determine your current CR, but also allows you to see how even a slight improvement in your site's ability to sell will have a big impact on your revenues.

Advanced: Substitute # Unique Visitors for # Visits = CR per Visitor instead of per Visit

If you can track customer visits / orders and new customer visits / orders separately, you can calculate both a Customer Conversion Rate and a New Customer Conversion Rate. **Note:** A Customer is a visitor who has completed an order during or previous to the measurement period:

Customer Conversion Rate = (Total Customer Orders) / (# Customer Visits)

New Customer Conversion Rate = (Total New Customer Orders) / (# New Customer Visits)

Commerce Metrics: Converting Activity into Profits

Sales Per Visit (SPV)**Formula:**
$$\text{Sales Per Visit} = (\text{Total Sales}) / (\# \text{ Visits})$$
What is it?

This is another way of measuring your marketing efficiency.

How to calculate it:

Divide Total Sales by the number of Visits.

Example:

Total Sales = \$100,000

Visits = 10,000

$\$100,000 / 10,000 = \10.00 Sales Per Visit

Your calculations:**How to use it:**

It's similar to Conversion Rate, except that instead of showing you the percentage of Visits you "close" orders for, the SPV shows you the actual average amount purchased per Visit (not per order). You can improve your SPV by increasing your Conversion Rate, increasing your average order size (see below), or both.

Advanced: Substitute # Unique Visitors for # Visits = Sales per Visitor instead of per Visit

If you can track customer sales / visits versus new customer sales / visits separately, you can calculate both Customer Sales per Visit and New Customer Sales per Visit:

Customer SPV = (Total Customer Sales) / (# Customer Visits)

New Customer SPV = (Total New Customer Sales) / (# New Customer Visits)

Commerce Metrics: Converting Activity into Profits

Cost per Order (CPO)**Formula:**

$$\text{Cost per Order} = (\text{Marketing Expenses}) / (\text{Total Orders})$$
What is it?

This is the cost your business expends in order to generate an order.

How to calculate it:

Divide your Marketing Expenses by Total Orders.

Example:

Marketing Expenses = \$40,000 in a month

Total Orders = 2,000 in a month

$\$40,000 / 2,000 = \20.00 Cost per Order

Your calculations:**How to use it:**

Your marketing cost of acquiring an order is critical to improving your profitability and also your cash flow.

With regard to the marketing expenses component of the calculation, some companies include a monthly amortization of the cost of the website as well as the monthly cost of maintaining the site, while other companies only consider promotional expenses. Use the approach that works best for you.

If you can increase your Conversion Rate without increasing your marketing expenses then your Cost per Order goes down automatically.

Advanced: If you can track New Customer Marketing Expenses and New Customer Orders, you can calculate Customer Acquisition Cost:

$$\text{Customer Acquisition Cost} = (\text{New Customer Marketing Expenses}) / (\text{Total New Customer Orders})$$

Note: Only the first order from a new customer is counted in "Total New Customer Orders".

Commerce Metrics: Converting Activity into Profits

Repeat Order Rate (ROR)**Formula:**

$$\text{Repeat Order Rate} = (\# \text{ Existing Customer Orders} / (\text{Total Orders}))$$
What is it?

This measures the ability of your site to generate repeat business. It is the share of total orders placed by existing customers.

How to calculate it:

Divide your Existing Customer Orders by Total Orders.

Example:

Existing Customer Orders = 5,000

Total Orders = 25,000

$5,000 / 25,000 = 20\%$ Repeat Order Rate

Your calculations:**How to use it:**

To get repeat business you have to do more than satisfy your customers, you have to delight them.

Advanced: A close cousin of Repeat Order Rate is Customer Retention Rate, where the same metric is applied at the customer, not the order level.

"Retention" is a word used in many different contexts, and can represent different ideas in different industries. We define a "Customer" as someone with recent activity, which may be too harsh a definition for some people. The reality though is this: just because someone had activity with you six months ago does not mean they are still a "customer"; they may have already defected. If a customer has recent activity with you, there is no question about their status as a customer. The following formula uses this "harsh" approach to defining a customer. You can modify this approach by changing your measurement period. If you consider a customer to be still a customer as long as they have ordered in the past year, then run this formula with data collected over an entire year:

$$\text{Customer Retention Rate} = (\# \text{ Existing Customers Ordering}) / (\# \text{ Existing Customers})$$

Commerce Metrics: Converting Activity into Profits

Cost Per Visit (CPV)**Formula:**

Cost per Visit = (Marketing Expense) / (# Visits)

What is it?

This is a very useful way to measure what your traffic is costing you. It is a simple calculation to get an important number that can't be overlooked.

How to calculate it:

Divide your Marketing Expenses by the number of Visits.

Example:

\$50,000 per month marketing expenses

100,000 visits per month

$\$50,000 / 100,000 = \0.50 Cost Per Visit

Your calculations:**How to use it:**

CPV measures the effectiveness of your marketing and your conversion processes. The objective is to minimize CPV and increase SPV. To achieve this objective you can reduce ineffective marketing expenses or increase the effectiveness of your marketing by focusing on CR.

Advanced: Substitute # Unique Visitors for # Visits = Cost per Visitor instead of per Visit

If you can track customer marketing expense / visits versus new customer marketing expense / visits separately, you can calculate both Customer Cost per Visit and New Customer Cost per Visit:

Customer CPV = (Customer Marketing Expense) / (# Customer Visits)

New Customer CPV = (New Customer Marketing Expense) / (# New Customer Visits)

Commerce Metrics: Converting Activity into Profits

Order Acquisition Gap (OAG)**Formula:**

Order Acquisition Gap = Cost per Visit (CPV) - Cost per Order (CPO)

What is it?

This is a marketing efficiency measure, and represents the value of the mismatch between the visitors you are generating and visitors you are converting.

How to calculate it:

Subtract your Cost per Order from your Cost per Visit.

Example:

CPV = \$0.50

CPO = \$20.00

$\$0.50 - \$20 = \$(19.50)$ Order Acquisition Gap

Your calculations:**How to use it:**

The result will be a negative dollar amount, the size of which may surprise you. It is a way of measuring the cost of not getting customers from your traffic. There are two ways to narrow the OAG. As you work to improve the sales ability of your site, your CPO will decrease and you will see the gap starting to shrink because you are doing a better job of converting existing traffic. Also, the CPV can rise and the gap will still narrow as long as the CPO remains the same or is falling - indicating you are delivering traffic which is converting at a higher rate. This often happens when using Pay-per-Click search campaigns. Ultimately, it is the CPO you want to reduce, so don't allow a rising CPV without a falling CPO.

Advanced: If you have Cost per New Visitor and Customer Acquisition Cost (see Advanced Section under CPO above), you can calculate Customer Acquisition Gap:

Customer Acquisition Gap = Cost per New Visitor - Customer Acquisition Cost

Since this metric focuses on new customers, it can be more important for web sites that have been around a while. If the web site is new, the Order Acquisition Gap and the Customer Acquisition Gap will be very close to the same number. For new sites, this metric would not provide a lot of additional insight relative to the Order Acquisition Gap.

Commerce Metrics: Converting Activity into Profits

Order Acquisition Ratio (OAR)**Formula:**
$$\text{Order Acquisition Ratio} = \text{Cost per Order (CPO)} / \text{Cost per Visit (CPV)}$$
What is it?

This is another marketing efficiency measure that may be easier to communicate to senior management because instead of representing efficiency in currency, it uses a ratio.

How to calculate it:

Divide Cost per Order by Cost per Visit.

Example:

CPO = \$20.00

CPV = \$0.50

$\$20 / \$0.50 = 40$ Order Acquisition Ratio

Your calculations:**How to use it:**

The result will be a positive number, a ratio of the cost of an order to the cost of a visit. For the above example, read: It costs us 40 times more to acquire a new customer as it does to acquire a new visitor. This "ratio" approach is often more easily understood by senior management because they are used to comparing alternatives using ratios. This is especially true for financial people; ROI is in fact a ratio similar to Order Acquisition Ratio.

Advanced: If you have Customer Acquisition Cost (see Advanced Section under CPO above) and Cost per New Visitor, you can calculate the Customer Acquisition Ratio:

$$\text{Customer Acquisition Ratio} = \text{Customer Acquisition Cost} / \text{Cost per New Visitor}$$

Again, this metric may be more relevant to web sites that have been around awhile, since most transactions on a new site are from new customers, and the Order Acquisition Ratio will be very close to the Customer Acquisition Ratio.

Commerce Metrics: Converting Activity into Profits

Contribution per Order (CON)**Formula:**

Contribution per Order = (Average Order Amount x Average Gross Margin)
- Cost per Order

What is it?

Contribution is sometimes called "Contribution to Fixed Cost" or "Contribution to Overhead". It is the incremental net cash your campaign has generated on the average order available to pay salaries, rent, and other fixed costs.

How to calculate it:

Multiply Average Order Amount by Average Gross Margin (a percentage) and subtract Cost per Order.

Example:

AOA = \$50.

AGM = 50%

CPO = \$20.

$(\$50 \times .50) = \$25 - \$20 = \5 Contribution per Order

Your calculations:**How to use it:**

You are now crossing into the finance zone. This is the kind of number you may not be familiar with, but your CFO is. It is a rock bottom number you can use to compare the profitability of an order from each of your campaigns.

Generally, a company has costs that do not change when you do your campaigns - salaries, electricity, rent, etc. Whether you do a marketing campaign or not, these costs stay the same - they are called "fixed costs". Your campaign consists primarily of "variable costs" - they only happen if the campaign happens. The CFO is interested in your campaigns generating extra cash to help pay for the fixed costs, and this cash is called "Contribution" - the net cash generated after campaign variable costs have been paid for by new orders.

Note: Contribution per Order x Total Orders = Total Contribution

Commerce Metrics: Converting Activity into Profits

Return on Investment (ROI)**Formula:**

Return on Investment = Contribution per Order / Cost Per Order

What is it?

Return on Investment (ROI) is a measure of how well your campaigns are utilizing the money being allocated to them.

How to calculate it:

Divide the Contribution per Order by the Cost per Order for a particular campaign.

Example:

CON = \$5

CPO = \$20.

$\$5 / \$20 = 25\% \text{ ROI}$

Your calculations:**How to use it:**

Compare the success of your campaigns and always allocate your budget where it generates the highest ROI. Remember this frequently forgotten fact about ROI: "Returns" happen over time. In the case of your bank account, the 2% ROI is an annual number - it happens over a year. In the case of the campaign above, it may have happened over 2 weeks. The proper way to express the ROI is to add the time frame: "25% ROI in two weeks". This is very important, because there is a huge difference in your CFO's mind between "25% ROI in a year" and "25% ROI in 2 weeks". Don't end up accidentally downplaying the value of your campaign by leaving out the time frame the ROI occurred over. Also, make sure you "equalize" the ROI when comparing campaigns of different lengths. A campaign that generates 50% ROI in 2 months is just as successful from an ROI perspective as a campaign that generates 25% ROI in one month, all else equal.

Please note: We have called this metric ROI to reflect common usage among marketing people. ROI has a specific meaning to finance people - they'll be very pleased you are doing this calculation, but they may ask you to call it something different, such as "Marketing Yield" or "Return on Marketing Expenses".

Web by Numbers

The new field of "e-metrics" offers ecommerce a much-needed statistical precision

JOHN E. SHREEVE

This is an excerpt from the article about the Future Now Digital Sales Calculator that was first published in the UK business newspaper, EDP Business, and later in various other magazines and on the web.

"All metrics created by the Digital Sales Calculator tell you specific things about the way your visitors are behaving, and you can literally take action based on the metrics and track the changes in visitor behavior your action caused," explains Bryan Eisenberg. "These aren't 'Gee, that's interesting' metrics like browser share, IP addresses, and page views. They are the ones that have dramatic impact on the profitability of your website. By tracking these metrics and trying to affect them, you can get your website a lot closer to the goals you are trying to achieve - and that applies to both sales and content sites."

One of the key strengths of Future Now's Digital Sales Calculator is it shows precisely where a potential customer left your website before completing a purchase. If a lot of prospects drop out of the sales process at a given point, then it is clear that something is wrong on that particular page. It might be that the copy doesn't make it clear what the potential customer should do next (Mr. Eisenberg says every page on a website should focus on getting the visitor to take an action, even if that action is simply to move on to the next step in the process). Or there might be a shortcoming with the design of a page - the layout and various navigational buttons, for instance, could be causing confusion.

Whatever proves to be the case, the important thing is action can be taken based on the information provided by the Digital Sales Calculator. Not only that, but the action you take can be measured to see whether it was effective. If it wasn't, then it is a question of modifying until you succeed.

But without solid, informative statistics, a webmaster is foraging in the dark, hoping this or that strategy will work, but never being able to prove its efficacy one way or the other.

Numbers game

Mr. Eisenberg makes no bones about it: "E-commerce is a numbers game. The trick is to focus on the right numbers so that you can make accurate decisions about how to improve your website and, ultimately, your CR [conversion rate]. My experience has been that few online companies are collecting the right data, or they're so overwhelmed by data that they don't know what to do with it."

Because Mr. Eisenberg's Calculator, and the new field of e-metrics, injects the kind of statistical precision into the Internet that is enjoyed by bricks-and-mortar businesses, it looks set to become something of a milestone in the world of e-commerce. A lot of companies have downloaded the Calculator from the Future Now website and, for many, it has become integral to their online operations.

As Mr. Eisenberg says, "Without e-metrics, the web continues to be a grand experiment, a government research project that escaped the lab, mutated, and took over the world. But with e-metrics you have the

opportunity to approach the web from an objective, systematic perspective. You can move from trial and error to trial, measure, and improve."

Fact File

COUNTING TRAFFIC: WebTrends™ dubbed "gold standard" of web analytic software

WebTrends™ is the web analytic software recommended by Future Now, inventors of a "Digital Sales Calculator" that brings a level of statistical precision to e-business. WebTrends™ works by mining the plethora of information your web server logs have gathered since the moment your first visitor clicked over to your site. The information extracted includes the Internet Protocol addresses of every visitor, the dates, times, and durations of every visit, the pages visitors viewed, the files they downloaded, the URL that referred them, and the type of browser or operating system that they were using.

Point WebTrends™ at your website's log file and in a few seconds you are provided with a comprehensive series of reports detailing everything you might need to know about the activity of your web traffic. The reports are highly organized and loaded with charts and graphs to help make sense of this data. Plus you can view the reports in various formats including HTML, Microsoft Word and Excel.

Future Now have no vested interest in WebTrends™, but recommend it for use with their Digital Sales Calculator because, in their words, it is "the gold standard in the area of web analytics, and ... has many features which are unavailable on other trackers."

Perspectives

An Interview with Jim Novo, co-creator of Future Now's Digital Sales Calculator

The Metric that Matters

According to customer metrics consultant, Jim Novo, improving your conversion rate boils down to a few simple rules of thumb, yet few website owners follow them.

When it comes to online business, the metric that matters is the conversion rate. Other metrics matter too, but they combine together to make up the conversion rate. Conversion rate measures the number of visitors who log on to a site within a given period divided into the number of visitors who take action there -- make a purchase or register, for example.

The average conversion rates for websites are in the 3% to 5% range. Below 2% is considered poor, while 10% and above is awesome.

JOHN SHREEVE: Do successful websites share a formula for getting high conversion rates?

JIM NOVO: Successful websites do have a lot in common. But there's no magic formula. The key thing is a site must be easy-to-use. Confusing, difficult-to-navigate sites have terrible conversion rates. If your site needs a how-to manual, users will give up and you'll nose dive. Websites also need to load fast. These are the basics, and I think people are pretty much aware of these issues.

What is less obvious is this: how does a site owner or designer really know when they are making the

site easier to use? There are lots of places in a site where conversion can fail, and you need a standard set of metrics to track over time so you can see if changes improve the situation or make it worse - at each level of conversion. If you can't track something, you can't manage it. The metrics provide a "final word" -- no matter how much you like the new design, if the metrics crater, you are not doing the right thing for the user. I think people will be using metrics a lot this year as "final proof" to resolve disagreements between the various stakeholders in a site regarding design and product issues.

JOHN: There are a lot of websites that make it difficult to buy -- why do you think that is?

JIM: It's not intentional. You just have a lot of players involved - IT, marketing, design - who don't really understand customer behavior or how to measure it. And there has been no yardstick people can use to measure success or failure. The calculator is a start.

I also think people don't understand "traffic" very well. You can have the best design and a sell-through process around, but if you don't get the right traffic, it doesn't matter. The fact is, getting the right traffic in the first place is fundamental to high conversion rates. But you want to address traffic quality after you tune the site for highest conversion. Otherwise, you are just wasting your time with the traffic quality issue, because you won't be able to convert them. We'll be putting out a report on traffic quality and how to use WebTrends™ to track it in the near future.

JOHN: What level of impact do you think the Digital Sales Calculator is having on Internet business?

JIM: As more and more people download the Calculator and use it, a definite standard is evolving. People are testing what works and what doesn't, so they're no longer operating in the dark. And the things they are learning are beginning to spread around the web. In fact, we've set off a spontaneous viral marketing current -- almost without trying. Which is good for us. But it's also good that e-businesses are improving their sites and the way they relate to their customers. After all, making life easier for website visitors means higher conversion rates and increased profits. Operating with clear vision -- which is what the Digital Sales Calculator provides - - means you are able to spot exactly where your online operation is falling down. You can then do something about it. Having that clear vision is the key.

About the Authors

Bryan Eisenberg

One of the principals and CIO of Future Now, Inc., Bryan has been helping companies realize that to maximize results it is essential to incorporate expert persuasion techniques into website design, email marketing, development and implementation. He is the publisher of Future Now's award-winning newsletter GrokDotCom, is the author of the weekly ClickZ column "ROI Marketing". He has been a featured speaker at numerous e-business events both in the United States and overseas. The application of his vision and processes of Persuasion Architecture have helped Future Now clients increase their conversion rates not just by percents but by multiples.

Bryan is also a member of the Asilomar Institute for Information Architecture and the Usability Professionals' Association. A successful entrepreneur in his own right, he also has consulted to and run seminars for numerous corporations, large and small, both on-line and in the real world. He holds a B.A. from Brooklyn College, CUNY, and did graduate work at The Wurzweiler School. Bryan is also an adjunct faculty of Roy H William's Wizard Academy and is a co-author of "Persuasive Online Copywriting: How to Take Your Words to the Bank" and "The Marketer's Common Sense Guide to E-Metrics". He is in the process of completing three more books "Waiting for the Cat to Bark: Training Secrets of Persuasion Architecture", "Bubbligum

Marketing" and a second book with Jim Novo "The Customer Equation."

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Jim Novo

Jim is an independent customer analysis consultant and works with Future Now as a strategic partner offering Data-Driven Marketing advice to clients. He was VP of Marketing and Programming at Home Shopping Network before starting his own consultancy in 1997, and has shared his expertise on interactive consumer behavior with such companies as Cellular One, MBNA, SteelTorch Software, Retek Direct, CBS SportsLine, Kobie Marketing, Ariel, Tupperware, Barnes & Noble (multi-channel), Ontain, SkiEurope, EX Impact Technologies, and Pfizer.

The average ROI of customer marketing programs Jim has designed for clients now stands at just over 70%; several clients have consistently achieved ROI of over 400% using his formula for Simple CRM. Jim is an MBA graduate of Babson College and majored in Economics and Psychology at Dartmouth College. He authored the book "Drilling Down: Turning Customer Data into Profits with a Spreadsheet" to teach managers how to increase customer sales while lowering marketing costs.

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John E. Shreeve

John is a UK-based freelance journalist and editor. His articles have appeared in a wide range of newspapers and magazines, including the Financial Times, Guardian, and the X Factor. He writes a popular web-related column for The Business newspaper (published in eastern England) and is editor of DCLnews, newsletter of Data Conversion Laboratory, a leading US technology company.

He got involved with Future Now after writing an article about them. "I was impressed by them because they were one of the few companies offering ways to turn website stats into hard figures you can use. The web is a new frontier, but these guys are at the forefront of making it a less risky place for e-business," he says.

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WebTrends

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