

Waiter, There's a Fly In My Data

The Evolution of the Web Analytics Industry



By Jason Ten-Pow
President of Research Ops

Since its public debut in the early 1990's, the

Internet has evolved from a quiet yawn to a roaring behemoth, rapidly advancing into ever increasing areas of our lives. Perhaps the most notable impact has been its effect on business, particularly over the past 5-7 years. In this short time, the Internet has become THE new marketplace, a firmly established virtual commerce arena that has given convenience a whole new meaning, empowered us to comparative shop across the entire globe, and in many well-known cases, wholly supplanted bricks and mortar stores.

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For businesses, having a website is no longer a "nice-to-have"; it's the price of admission, and woe to the company that doesn't have a URL. But just as the ability to reach new customers has exponentially increased, so too has the competition, and companies are in a perpetual race to win share of voice and share of revenue. It's no mystery, then, that companies must dedicate significant dollars and resources to optimizing their websites and continually hone their mix of customer-centric technologies and strategies to maintain an edge. But how do they know if these efforts are paying off?

This need to understand the return on their investment opened the door for a new industry: Web Analytics. Paralleling the evolution of Internet technologies and capabilities, web analytics providers appeared on the scene, each offering proprietary methods and tactics for measuring website performance and gauging success. Today this niche is essentially owned by a small handful of recognized providers, all of whom have a suite of tools that can measure your website to an astonishing level of granularity and capture a staggering amount of data. This focus on capturing ever-increasing amounts of information is no surprise, given the philosophy this industry has been espousing for years: More is more. More is better. More is value. But is it? Is the increasing ability to capture data points to the level of a gnat's eyelash giving companies what they need to make their websites successful?

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To answer this question, it's helpful to look at the past for context. In the early 1990's when public websites first appeared, they were simplistic and text-filled, with few graphics and limited capability. The user experience was essentially nonexistent, primarily consisting of one-way information exchanges between the company and the visitor, and businesses were unconvinced that having a website would benefit them in any impactful way. In many cases, companies launched websites because they were the new, shiny objects and because everyone else was doing it. The notion of monetizing this new channel or measuring the return on investment was hardly a blip on the radar screen.

And then the porn industry gave it a second look.

Yes, the first industry to change the paradigm was adult entertainment, which seized the opportunity to make a hefty profit by charging visitors for website access. This turn of events catalyzed a race to the Web, and throngs of companies took the plunge into cyberspace in hopes of getting a piece of this burgeoning revenue channel. But like many races, it was short-lived, primarily due to the dot-com debacle of 2000 and 2001, which sent a majority of new online companies packing. But the die was cast and ground-floor web analytics companies such as WebTrends and Omniture established a foothold in the new marketplace by educating website owners about the power of data and providing data collection services.

Fast-forward through the early years of the new century and the Internet was bouncing back from the dot-com deflation. Armed with a belief in the Web's profitability potential, companies were investing dollars and resources to create "cooler" websites that included new baubles like thick-bordered tables, animated gifs, wild colors, and a full spectrum of fonts. Was there a value proposition? Nope. A clear navigational structure? Huh-uh. Were products and messages foisted upon visitors with little consideration given to what they were interested in? Definitely.

What resulted was a flood of new domain names, but little significant financial return for the investment. This frustrated businesses but turned out to be a boon for web analytics providers, who were perfectly positioned to help companies achieve and sustain a profitable Internet presence by collecting and monitoring behavioural data. This allowed them to empirically show, for example, that the exit rate was sky high on pages with animated gifs of cartoon puppies doing summersaults. And so began the quest to create comprehensive tools that could collect vast amounts of visitor behaviour and deliver it via convenient dashboards and portals that website owners and decision makers could access.

Today, the pattern remains essentially unchanged, with web analytics providers continuing to focus on extreme data collection via a wide assortment of tools that come with tiered pricing, video tutorials, and customizable dashboards. Having exhausted what can be collected on a standalone website, providers have expanded the purview of their tools to assess other channels including online advertising and social media, with the promise of providing a comprehensive view of how a company's marketing mix is performing.

It could and should work beautifully except for one very real problem: Web analytics providers aren't analysts or researchers, and most companies don't have the in-house expertise to effectively analyze the overwhelming amount of data they receive. And although it's often served up in attractive dashboards, dashboard views do not equal analysis (just like Google does not equal research). The result is that companies are often unable to quickly make informed business decisions because they are mired in way too much data, with little clarity about what it means and what actions to take.

If the web analytics industry wants to deliver real value to business clients, it must acquire analytical expertise and expand its service offerings to include real data analysis, rather than simply data delivery. The increasing ubiquity of—and our reliance on—the Internet makes critical the need for companies to receive clear and quick insight about how their website is performing, coupled with specific recommendations for how to improve it. ●

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