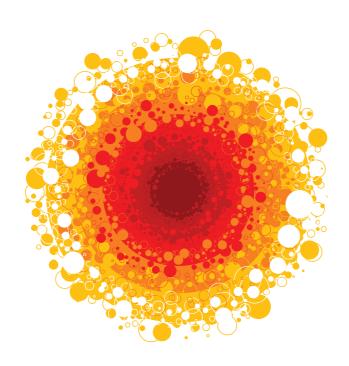
### AVINASH KAUSHIK



# Web Analytics 2.0

THE ART OF ONLINE ACCOUNTABILITY & SCIENCE OF CUSTOMER CENTRICITY



### Praise for Web Analytics 2.0

When it comes to the digital marketing channels and understanding what and why people do things online, there is no one smarter than Avinash Kaushik. His first book, Web Analytics: An Hour a Day, should be on every marketer's desk. Now, with Web Analytics 2.0, there's a worthy accompaniment. When people ask, 'Who is the smartest guy in the room when it comes to online marketing?' only one name comes to mind: Avinash. I'd tell you to buy this book, but I would prefer if you didn't. I'd love to keep these concepts and theories all to myself and my clients. Yes, it's that powerful, awesome, and actionable.

-MITCH JOEL, president of Twist Image and author of Six Pixels of Separation

Analytics is vitally important, and no one (no one) explains it more elegantly, more simply, or more powerfully than Avinash Kaushik. Consider buying up all the copies of this book before your competition gets a copy.

-Seth Godin, author, Tribes

Lots of companies have spent lots of time and money collecting data—and sadly do little with it. In Web Analytics 2.0, Avinash Kaushik helps us grasp the importance of this underused resource and shows us how to make the most of online data and experimentation.

-Dan Ariely, professor of Behavioral Economics, Duke University and author of *Predictably Irrational* 

Kaushik takes the witchcraft out of analytics. If venture capitalists read this book, they would fire half of the CEOs that they've funded.

-GUY KAWASAKI, co-founder of Alltop & Garage Technology Ventures

### Web Analytics 2.0

## Web Analytics 2.0

The Art of Online Accountability & Science of Customer Centricity

Avinash Kaushik



Senior Acquisitions Editor: WILLEM KNIBBE Development Editor: Stephanie Barton Production Editor: Elizabeth Ginns Britten

Copy Editor: KIM WIMPSETT

Editorial Manager: Pete Gaughan Production Manager: Tim Tate

Vice President and Executive Group Publisher: RICHARD SWADLEY

Vice President and Publisher: NEIL EDDE

Media Assistant Project Manager: Jenny Swisher

Media Associate Producers: Doug Kuhn and Josh Frank

Media Quality Assurance: Marilyn Hummel

Book Designer: Franz Baumhackl

Compositor: Maureen Forys, Happenstance Type-O-Rama

Proofreader: Word One, New York

Indexer: TED LAUX

Project Coordinator, Cover: Lynsey Stanford

Cover Designer: RYAN SNEED Cover Image: ISTOCKPHOTO

Copyright © 2010 by Wiley Publishing, Inc., Indianapolis, Indiana

Published simultaneously in Canada

ISBN: 978-0-470-52939-3

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the Publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923, (978) 750-8400, fax (978) 646-8600. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at http://www.wiley.com/go/permissions. Limit of Liability/Disclaimer of Warranty: The publisher and the author make no representations or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation warranties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained herein may not be suitable for every situation. This work is sold with the understanding that the publisher is not

ties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained herein may not be suitable for every situation. This work is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Neither the publisher nor the author shall be liable for damages arising herefrom. The fact that an organization or Web site is referred to in this work as a citation and/or a potential source of further information does not mean that the author or the publisher endorses the information the organization or Web site may provide or recommendations it may make. Further, readers should be aware that Internet Web sites listed in this work may have changed or disappeared between when this work was written and when it is read.

For general information on our other products and services or to obtain technical support, please contact our Customer Care Department within the U.S. at (877) 762-2974, outside the U.S. at (317) 572-3993 or fax (317) 572-4002.

Wiley also publishes its books in a variety of electronic formats. Some content that appears in print may not be available in electronic books.

Library of Congress Cataloging-in-Publication Data is available from the publisher.

TRADEMARKS: Wiley, the Wiley logo, and the Sybex logo are trademarks or registered trademarks of John Wiley & Sons, Inc. and/ or its affiliates, in the United States and other countries, and may not be used without written permission. All other trademarks are the property of their respective owners. Wiley Publishing, Inc., is not associated with any product or vendor mentioned in this book.

10 9 8 7 6 5 4 3 2 1

Dear Reader,

Thank you for choosing Web Analytics 2.0: The Art of Online Accountability & Science of Customer Centricity. This book is part of a family of premium-quality Sybex books, all of which are written by outstanding authors who combine practical experience with a gift for teaching.

Sybex was founded in 1976. More than 30 years later, we're still committed to producing consistently exceptional books. With each of our titles we're working hard to set a new standard for the industry. From the paper we print on to the authors we work with, our goal is to bring you the best books available.

I hope you see all that reflected in these pages. I'd be very interested to hear your comments and get your feedback on how we're doing. Feel free to let me know what you think about this or any other Sybex book by sending me an email at nedde@wiley.com, or if you think you've found a technical error in this book, please visit http://sybex.custhelp.com. Customer feedback is critical to our efforts at Sybex.

Best regards,

Neil Edde

Vice President and Publisher Sybex, an Imprint of Wiley



#### Acknowledgments

Were it not for the love, patience, and support of my family, it would be impossible to write this book and hold down a few full-time jobs, advise three companies, write a blog, and travel the world evangelizing the awesomeness of data. I'm lucky. My wife Jennie is my biggest cheerleader and counsel, and for that I shall remain in debt to her for several lifetimes. My daughter Damini's courage and kindness is a constant source of inspiration. My son Chirag's intellect and energy reminds me to always be curious and strive for more.

I would like to express my deep appreciation to the readers of my blog, Occam's Razor. In approximately three and a half years I have written 411,725 words in my 204 blog posts, and the readers of my blog have written 615,192 words in comments! Their engagement means the world to me and motivates me to make each blog post better than the last. It is impossible to thank each person, so on their behalf let me thank three: Ned Kumar, Rick Curtis, and Joe Teixeira.

As the song goes, *I get by with a little help from my friends*... in the last few years I have benefited from the help of two dear friends in particular. Bryan Eisenberg, the author of *Always Be Testing*, has consistently shared life lessons about this business and helped a ton with my own journey. Mitch Joel, the author of *Six Pixels of Separation*, has helped me become a better public speaker and, as if that were not enough, connected me with anyone worth connecting to! Thanks, guys.

A huge motivation behind this book was the incredible work done by The Smile Train, Doctors Without Borders, and Ekal Vidyalaya. They make the world a better place, and I feel blessed that the money raised by my books helps me be a small part of their mission.

Last, but not least, my fantastic team at Wiley. This book was written and published at a pace that would drive mere mortals crazy, but not them. They worked harder than I did, they pushed deadlines (and me!), and they made the impossible happen. Stephanie Barton, Kim Wimpsett, Liz Britten, and Willem Knibbe, you rock!

### About the Author



Avinash Kaushik is author of the best-selling book *Web Analytics: An Hour a Day* (http://www.snipurl.com/wahour). He is also the analytics evangelist for Google and the cofounder of Market Motive, Inc.

As a thought leader, Avinash puts a commonsense framework around the often frenetic world of web analytics and combines that framework with the philosophy that investing in talented analysts is the key to long-term success. He is also a staunch advocate of listening to the consumer and is committed to helping organizations unlock the value of web data.

Avinash works with some of the largest companies in the world to help them evolve their online marketing and analytics strategies to become data-driven and customer-

centric organizations. He recently received the 2009 Statistical Advocate of the Year award from the American Statistical Association.

He is also a frequent speaker at industry conferences in the United States and Europe, such as Ad-Tech, Monaco Media Forum, iCitizen, and JMP Innovators' Summit, as well as at major universities, such as Stanford University, University of Virginia, and University of Utah.

You'll find Avinash's web analytics blog, Occam's Razor, at www.kaushik.net/avinash.

### Contents

	Introduction	xxi
Chapter 1	The Bold New World of Web Analytics 2.0	1
	State of the Analytics Union	. 2
	State of the Industry	. 3
	Rethinking Web Analytics: Meet Web Analytics 2.0	. 4 7 7
	The Why: Experimentation and Testing The Why: Voice of Customer The What Else: Competitive Intelligence	8 9 9
	Change: Yes We Can! The Strategic Imperative The Tactical Shift	10 10 11
	Bonus Analytics	13
Chapter 2	The Optimal Strategy for Choosing Your Web Analytics Soul Mate	15
	Predetermining Your Future Success	16
	Step 1: Three Critical Questions to Ask Yourself Before You Seek an Analytics Soul Mate!	17
	Q1: "Do I want reporting or analysis?"	17
	Q2: "Do I have IT strength, business strength, or both?" Q3: "Am I solving just for Clickstream or for Web Analytics 2.0?"	19 20
	Step 2: Ten Questions to Ask Vendors Before You Marry Them Q1: "What is the difference between your tool/solution and free tools	21
	from Yahoo! and Google?"	21
	Q2: "Are you 100 percent ASP, or do you offer a software version? Are you planning a software version?"	22
	Q3: "What data capture mechanisms do you use?"	22
	Q4: "Can you calculate the total cost of ownership for your tool?"	23
	Q5: "What kind of support do you offer? What do you include for free, and what costs more? Is it free 24/7?"	24
	Q6: "What features in your tool allow me to segment the data?"	25
	Q7: "What options do I have for exporting data from your system into our company's system?"	25
	Q8: "What features do you provide for me to integrate data from other sources into your tool?"	26
	Q9: "Can you name two new features/tools/acquisitions your company is cooking up to stay ahead of your competition for the next three years?"  Q10: "Why did the last two clients you lost cancel their contracts?"	26
	Who are they using now? May we call one of these former clients?"	27
	Comparing Web Analytics Vendors: Diversify and Conquer The Three-Bucket Strategy	28 28
	Step 3: Identifying Your Web Analytics Soul Mate (How to Run an Effective Tool Pilot)	29