



ANALYTICS: THE ROLE OF DATA IN DIGITAL MARKETING

[Chapter 12 – Digital Minds v2]

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Introduction

John Wanamaker, a pioneer of modern advertising, famously stated, "Half the money I spend on advertising is wasted; the trouble is I don't know which half." With nearly \$200 billion in media spent per year in just the United States, that's a lot of wasted money (according to Wanamaker's estimations).

If this is true, being able to understand which marketing channels are effective not only brings huge cost-saving implications, it becomes a major competitive advantage. Web analytics is a cornerstone of that reality.

The following is an introduction to web analytics, why you should care about it, how it can be applied to your marketing and how it's evolving.

What It Is and What It Can Do For You

Web analytics tools collect and report data on how people interact with your website. Most web analytics software gives you access to hundreds of standard reports, metrics, and dimensions right out of the box. You learn which marketing channels send people to your website, where they land, where they go and how long they spend on your website.

Why Businesses Should Care

Web analytics helps businesses make smarter, more informed decisions about their marketing and web presence. This data can be used to improve the user experience, increase the rate at which customers purchase, or drive some other online or offline action.

What It Can Not Do

Web analytics tools will not interpret your data, derive insight, or make decisions on your behalf. The function of a web analytics tool is to report what is happening. It's your job (or your consultant's job) to make sense of the data and make actionable insights.

Accuracy of Data

Quality data is critical, but quality does not mean perfect. No analytics tool, paid or free, will give you perfect data. But that's okay! You're not after perfection, you're after *precision*.

Strive for precision, not accuracy

Ideally, your data is both precise and accurate. But in the world of web analytics, your data will never be 100% accurate. Therefore, you should strive for precision, or consistency with your data. This means while your analytics tool is never 100% accurate, it is always collecting and reporting data the same way.

Allow for a 10% margin of error

As a general rule, you should allow up to a 10% variance between different analytics tools. Anything higher than 10% should be investigated.

Perform regular, simple audits

Every few months, you should compare your web analytics' reported conversions with the website leads that hit your inbox or your eCommerce platform sales report (both of which represent actual numbers). If you use Google Analytics, use a free scanning tool (such as GA Checker) to crawl your website and confirm a tracking code is detected on every page.

Why a visitor would be omitted from tracking

A user could be omitted from tracking for several reasons, including, but not limited to:

- They have opted out of web analytics tracking
- They have JavaScript disabled on their browser (most web analytics tools rely on JavaScript to execute their tracking)
- They do not have cookies enabled on their browser

Metrics That Matter

The most important metrics are the ones that tie closely back to business results. This means metrics that relate as closely to revenue generation as possible.

Macro conversions

Macro conversions represent the main action you want your websites visitors to take. If you are like most business websites in the world, that one thing is to generate leads and sales. Contact form submissions, phone calls, and online sales are common macro conversions.

Micro conversions

Micro conversions are the less significant actions a visitor takes, but they imply heightened interest. Because most visitors (over 90%) will not complete a macro conversion on your site, you will need additional ways to measure marketing impact.

To determine your website's micro conversions, consider the actions a user takes earlier in the buying funnel as they become informed and research their options. Example of micro-goals could include the following:

- Whitepaper download
- Signing up for a newsletter
- Watching a promotional video
- Commenting on your blog

Cost-per-conversion

(also known as cost-per-lead or cost-per-acquisition)

Cost per conversion is the direct cost divided by the number of conversions generated. For example, if you spend \$100 to generate two lead form submissions, your cost per conversion is \$50.

By understanding how each channel compares in terms of cost-per-conversion, you can decide where to further invest your budget (hint: spend it on the cheapest channels!). This metric is not available by default in your web analytics, so you will have to calculate it manually.

Conversion rate

Conversion rate reports the percentage of traffic that converts successfully on your website. It is calculated by dividing the number of conversions by the number of total visits. For example, if your website gets 4 conversions from 100 visits, the conversion rate is 4%. This metric is a strong indication of traffic quality and is available within most web analytics platforms after some very basic setup.

This isn't to say all other metrics should be totally ignored. Metrics such as time on site, pages per visit, and exit rate are small indicators that help you make decisions in the management of a campaign. But to a business owner, these metrics are meaningless to the topline. Marketing is about generating more business, so your key metrics should reflect that!

Creating Your Scoreboard

Your analytics scoreboard (or dashboard) represents a high level report of activity, behavior and impact, reported on a single page. It is both informative and actionable, providing end-to-end insight on the input of activity and the resulting outcomes. It should calculate the actual business impact of all activity and marketing investments.

When possible, your website metrics should be reported in the context of pre-defined goals and competitive benchmarks. Showing how your macro and micro goals compare against your original plan gives performance context that can drive action.

An effective dashboard should also contain qualitative analysis of the reported metrics. As a practitioner, it's your job to assess the numbers and provide recommendations. As a manager or executive, you should lean on your specialists for an interpretation of the data.

Because some of these components require manual calculation and interpretation, they can't be automated within your web analytics software. Most software includes a dashboard-type feature, but because they focus entirely on quantitative information, you should limit their use.

Other Useful Reports

Landing page report

It's common to treat your homepage like your home's front door. Your front door gets all the nice landscaping, potted plants and window decorations. You want visitors to have a strong first impression when they enter your home, so you invest your time accordingly.

Similarly, you may treat your website's homepage as the first page a visitor sees during their visit. You invest the most design time on this one page, treating internal pages almost as an afterthought. In reality, it's not uncommon for only 1 in 5 visitors to start their visit on the homepage. Which means, every page of your website is a potential front door!

The landing page report lists the pages visitors use to enter your website. Bounce rate (the percentage of visitors who left after only viewing one page) and conversion rate (the percentage of traffic that converts after entering from this page) are strong indicators of the type of first impression these pages give your site visitors.

Site search report

One of the most undervalued reports in terms of deriving user intent, a site search report shows what users are seeking once they arrive on your site (this requires having site search functionality on your site).

With most web analytics reports, you are inferring what the user wants based on their behavior. But with the site search report, users are explicitly telling you what they want! In addition, the fact that they searched implies potential usability and navigation hurdles (because they couldn't find what they were looking for).

You can use the site search report to improve navigation structure, enhance messaging and discover opportunities for new products and services.

Pop-up surveys

Although not a feature of most web analytics software, onsite surveys are an excellent method of obtaining qualitative data that can be used to drive quantitative analysis.

Pop-up surveys should be short and sweet, asking only one or two simple questions. This makes the effort of answering the survey comparable to the effort of declining the survey. This ensures higher response rates and quicker insight!

Here are some survey questions we've found to deliver powerful insight:

- *Have you used our services before?* This tells you what percentage of traffic is an existing customer versus a potential customer.
- *How can we improve this page?* Users will give you simple ideas for improving your website pages.

- *Are you planning to make a decision today?* The percentage of users who answer yes versus the percentage that actually convert are usually different. The gap between the two is what you should attempt to solve with conversion rate optimization.
- *What is the purpose of your visit today?* This multiple choice question can bring greater insight to the makeup of your traffic and whether your website messaging is aligned accordingly.

Mobile overview

This report breaks down the percentage of site traffic by device (desktop/laptop, tablet, smartphone), in addition to how each segment behaves (e.g. bounce rate, conversion rate).

Visitors coming from a mobile device behave differently from desktop visitors. They are on-the-go, using their fingers to navigate and confined to a small screen. A mobile overview report will prove how different mobile users interact with your website compared to desktop visitors (mobile-responsive websites notwithstanding).

As the percentage of mobile visitors on your site increases, the attention you put towards enhancing the mobile experience should increase as well.

Accounting for the Multi-Device Challenge

Customers use a combination of devices and channels to consume and react to a marketing message. For example, a customer could find you on social media from their smartphone, visit your website on their work computer, then purchase through their personal laptop.

Web analytics software traditionally uses cookies to connect multiple visits with a single user. Because cookies are set to the browser (e.g. Chrome, Internet Explorer, or Safari), it cannot "see" a user move across different devices.

This presents a serious tracking challenge and attribution challenge with no perfect solution.

Google Analytics' Universal Analytics tracking code offers one option. With proper configuration, you can associate a unique user ID with a customer's login information. While the data will remain anonymous in your reports, it connects the user's sessions as they move across different devices, provided they are logged in on each device.

Of course, not every website requires users to log in. Or if they do, membership doesn't happen immediately.

With 90% of consumers utilizing a combination of Internet devices to accomplish a task, marketers must think more deeply about the path a user takes leading up to a sale, and how to distribute conversion credit (ROI) across those channels (even if it requires making some general assumptions).

Multi-Channel Attribution Challenge

Just as consumers use a combination of devices to receive and respond to marketing messages, they use a combination of channels to find and interact with your website prior to purchase.

Here's an example. If a customer initially finds your website through paid search (PPC), then returns through social media, and finally through email marketing to make a purchase, which channel gets the credit for the sale?

Historically, we would associate a conversion with the last channel someone used to get to the site before purchasing. In this case, email marketing would get credit for the conversion. But what about paid search? After all, this channel made the initial introduction between the customer and your brand. Doesn't it deserve at least some credit? And if so, how much?

This is the called the multi-channel attribution challenge. And unlike the multi-device challenge, there is a good solution.

Google Analytics' Multi-Channel Funnels report visualizes the various conversion paths a visitor uses to find, and ultimately convert, on your site. If a channel was part of the conversion path, but was not the final channel used before converting, it gets credit for an "assisted conversion." When a channel is the last means someone used before converting on your site, it gets credit for a "last click conversion."

It's up to you how you disperse credit (i.e. conversion value) throughout the various conversion channels. You can apply credit to the first channel used to find your site, the last channel used prior conversion, all channels evenly, or come up with your own formula.

A/B Testing: Increasing Sales Without Increasing Traffic

There are two ways to increase sales from your website. You can:

1. Increase the amount of traffic, or
2. Increase the rate at which that traffic purchases or converts.

We tend to obsess over new traffic acquisition, but often overlook how we can increase the rate at which that traffic converts. Consider this: you could double your sales without increasing traffic by a single visitor. How? Double your conversion rate. If all you did was find a way to take your conversion rate from 1% to 2%, your sales would double.

The approach to improving your conversion rate should follow these three steps:

Identify a high volume, high impact page on your website

This is an important first step, and sets the stage for how impactful your test will be. High volume pages or pages that play a necessary step in the conversion path should be prioritized.

Determine how it can be improved

Resist the urge to test button colors or page design. To effectively improve your conversion rate, you need to deeply understand your user, what's important to them and why they buy. Remember: conversion rate optimization is a psychological challenge much more than a design challenge.

Test it!

To determine if a new page variation truly outperforms the original, run an A/B test between the two. An A/B will send a percentage of traffic to each page, then report back on which page was more effective at achieving a particular outcome. Most A/B testing tools will automatically perform the statistical analysis to identify an experiment winner.

Beyond Your Website: Tracking Your Digital Ecosystem

Customers gather information about your brand in places other than your website. Therefore, if you want to truly understand and optimize the online customer experience, you need to track and measure activity in places beyond your website. I call this the digital marketing ecosystem.

To develop a measurement framework for your digital ecosystem, you must establish the Three P's: properties, path and purpose.

1. Properties:

Properties represent the places a consumer can research your brand or offering in the digital world. This could include your website, mobile app, social media profile or consumer review site. Some of these properties are controlled entirely by you (your website), partially by you (a social media profile) or by someone else (a consumer review website).

2. Path:

Next, determine the role these properties play in the path leading to conversion. For example, what properties do you expect users to see first? Where do they go, and what do they do when they're close to making a decision? Once they become a customer, what is their digital experience with your brand in the first 30 days?

3. Purpose:

Finally, establish why these properties exist. Identify their purpose for the user and the two or three metrics that indicate success. If your website is meant to convert visitors into customers, track leads and sales. If a reviews website is a third party endorsement (or deterrent) for your brand, track the ratio of positive to negative reviews.

What Businesses Get Wrong When Utilizing Web Analytics

Inferring too much from too little

Marketers overvalue the wealth of data available in their web analytics tools. In reality, most of the data is not actionable, therefore worthless. It's your mission to identify the metrics that truly matter, then focus your energy and actions accordingly.

Lack of segmentation

Visitors come to your website in a variety of ways, for different reasons, and in different stages of the buying funnel. Therefore, you should never look at your site visitors in one giant bucket. Instead, segment visitors by source, behavior and activity.

Beginning with data, instead of the goal

Web analytics software is a tool for helping you make smarter, more informed decisions. If you don't know upfront what you are trying to solve for, and instead dive head first into the data, you won't stay focused on answering the most important questions.

As a general rule, write down the specific questions you want to answer before opening your web analytics tool.

Lack of qualitative data

Some of the greatest insights about your users can be derived through qualitative analysis. Open ended surveys and usability tests are inexpensive methods for understanding the user's mindset, and can provide deeper context to your quantitative data.

With the ultimate goal of better understanding how to serve the customer online, you must remain open to every available method for obtaining actionable insight.

A Few Words on Privacy

Web analytics provides tremendous opportunities to marketers and businesses for optimizing their campaigns. Alongside those opportunities are legitimate privacy concerns. It's worth taking a minute to understand the basics of Internet privacy, how visitors are tracked and how governments are involved. In no way do I intend to oversimplify a very complex topic, so I encourage you to reference local legislation on the topic.

The Internet privacy debate is primarily centered on tracking cookies. A cookie is a small piece of anonymous data a website sets in your browser as a means to connect activity with a particular user.

First party cookies are the most common and considered the safest in terms of privacy. This means they will not share the user data they collect. Google Analytics relies primarily on 1st party cookies, making it the most widely implemented analytics software.

Third party cookies go a step further by allowing other websites to access the cookie information and collect or store additional information, such as where a user has been and what they've done. This makes third party cookies less safe for the user and a bigger target for government regulation.

Your web analytics software may use either first or third party cookies. Due to increased privacy concerns, third party cookie rejection is increasing. Therefore, you should limit your reliance on third party cookie tracking.

The laws governing Internet privacy, as it pertains to tracking visitors, are defined in part by the types of cookies allowed to track visitors and how the information can be used. Make sure you understand the conditions of your local legislation before implementing any type of web analytics tracking.

Conclusion

As you embrace a data-driven approach to marketing, your predictions will sometimes be challenged, leaving your ego battered and bruised. Other times, they will support what you've known all along, but could never prove. In the end, you'll walk away delighted by analytics software. You are now making your decisions based on fact, not faith. The numbers support your decisions, and no reasonable person can challenge you otherwise.

About the Author



As Chief Operations Officer of one of WSI's most successful agencies, WebStrategies Inc., Chris is responsible for leading all the day-to-day operations of the firm including inbound marketing, web development, and web analytics. He led the initiative to certify WebStrategies Inc. as a Google Analytics Certified Partner, one of only about 70 in the United States. His passion for business and digital media ultimately led him to join the WebStrategies team in 2008.

Chris has built and managed countless online advertising campaigns across a variety of different industry verticals and has led advanced, custom Google Analytics implementations for several high profile, high traffic websites.

Chris' work has been featured on numerous web publications including the Google Analytics blog, and is a regular contributor to the Richmond Times Dispatch Business Section.

About WSI

WSI is a digital marketing company with a strong international presence. Our Digital Marketing Consultants use their knowledge and expertise to make a difference for businesses all around the world. Headquartered in Toronto, Canada, we also have offices in over 80 countries. We're a powerful network of marketers who strive to discover, analyze, build and implement digital solutions that win digital marketing awards and help businesses succeed online.

Over the last 20 years, WSI has won multiple digital marketing awards for our solutions by adapting to the constantly shifting landscape of the Internet. We take pride in helping businesses make the most of the dollars they spend on digital marketing.

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