ASP

Web Analytics ASPs Set to Soar
By Dan Muse

If information is power, Web analytics software is the most powerful tool a company can buy — or perhaps more accurately, it seems, the most powerful tool a company can subscribe to.

ASPs that offer hosted Web analytics services are well-positioned to provide that power in the future, according to a report released today by Aberdeen Group, a Boston-based market analysis firm.

Aberdeen reports that ASPs significantly increased their slice of the Web analytics market in 2001, capturing 22 percent of the $372 million market, which is up from 13 percent over the previous year.

Web analytics software analyzes Web visitors' behavior, enabling an enterprise or e-commerce company to optimize its Web site structure and content to improve customer loyalty, increase sales and decrease support costs.

If you were looking for a poster child to trumpet increasing ASP adoption rates, the Web analytics market would be a worthy candidate. "In 2001, Web analytics ASP revenues were up 54 percent while software suppliers' revenue declined by 30 percent," said Guy Creese, author of *Web Analytics: Making Business Sense of Online Behavior*. The report defines factors driving the market, forecasts market size and outlines the technological and organizational issues that enterprises must consider when selecting a Web analytics solution.

Overall, the Web analytics market suffered a setback in the 2001 and was down 7 percent from 2000's $400 million mark. However, Creese described the segment's performance as "a highly respectable showing considering the high-tech downturn of 2001."

Aberdeen predicts that the market will go from a respectable loss to healthy growth in the coming years, increasing 13 percent in 2002 and 30 percent 2003. ASP-delivered solutions will continue to capture more of that revenue, according to Creese, and will soon overtake their licensed counterparts. "The line will be crossed next year."

In 2002, Creese told ASPnews, ASP-delivered services accounted for 31 percent of the Web analytics market and licensed software was 38 percent. In 2003, ASP services will be 35 percent and licensed sales will be 34 percent of the market. The remaining 30 percent or so is made up of what Creese describes as adjunct or benchmark services, in which a market versus a single Web site is analyzed (Neilson's NetRatings, for example).

Creese told ASPnews that there are three primary reasons for high ASP adoption rates for Web analytics software:

1. "CFOs like it," Creese said. Due to its pricing model, the cost of ASP-delivered software can be accounted for as an operating expense versus a capital expense.
2. ASPs now offer more customized reports. "For example, DigiMine asks customers to provide the three most important things they want to know about their Web site and base reports on that information," Creese said.
3. "This is difficult stuff," Creese said, which makes an ASP option attractive to CIOs. If the business is seasonal, the ASP has to deal with that fluctuation through a service level agreement (SLA). "Adjusting for things like seasonality is a core competency for ASPs."

Of the 47 solution providers profiled in the Aberdeen report, "at least 12 have ASP versions," Creese said. WebSideStory, one of the first Web analytics ASPs, continues to be the market leader for hosted software, but the momentum is not in the San Diego-based ASP's favor. "It's losing its lead," Creese told ASPnews. Currently, WebSideStory has 17 percent of the market, but WhiteCross and DigiMine now each has 9 percent. (Two years ago Aberdeen reported that WebSideStory's market share was 35 percent.)

Just how hot is the Web analytics market? In a recent Aberdeen survey of 150 CIOs, Creese told ASPnews, 43 percent said they planned to add Web analytics tools in the next six to 12 months, second only to content management.