



Driving Business Success With Technology

## Web Analysis Tools in Transition

By [Mel Duvall](#) | Posted 2002-08-13

**With big intelligence software vendors moving into their turf, Web analytics companies must evolve or die.**

Bill Todd was told his Web analysis software would help him understand his customers better. More importantly, it was supposed to suggest ways he could sell them more products. Not quite.

When the owner of Todd & Holland Tea Merchants began using the visitor-profiling feature of his Web analytics package, he quickly realized it wasn't brewed for his business. Based on previous buying patterns, the software began making suggestions such as, "Why not buy a Yixing pot with your black tea?"

A Yixing pot for black tea? Not for all the tea in China. Any proper tea merchant knows that a Yixing pot should only be used to brew green tea. The software no doubt recognized that customers in the past had purchased black tea and Yixing pots together, likely because they already had a pot for their black tea. Yet, in a business where a quarter pound of tea sells for as much as \$100, understanding the delicate nuances of sipping tea is exactly how Todd has developed a loyal following.

"The software is extremely good at number crunching, at helping me understand how customers are moving through my site and what they're most interested in," says Todd. "But you have to temper what the software is telling you with your own knowledge of the business. I've learned to let the numbers guide me, not drive me."

Companies have been using rudimentary versions of Web analytics software since the earliest days of the Web. The goal depends on the nature of the business of the site operator, but in general companies want to learn more about their customers' needs or purchasing preferences, determine ways to improve the site's operation and figure out ways to sell more products or services.

At one time, Web analytics software did little more than tell companies basic information about how visitors were using and traveling through their sites. Clickstream analysis provided such details as how many unique visitors a site received in a month, week or day; what pages visitors looked at the most, and how long they stayed on each page; what percentage of visitors shopped for a product; and what percentage ended up buying, or leaving their purchases at the checkout stage.

But with the big business intelligence software vendors such as SAS, Cognos and Information Builders threatening to move onto their turf, Web analytics vendors have had to broaden their offerings or risk being marginalized and face extinction.

Some of the vendors such as Accrue Software are evolving by building out their products internally, while others have merged with companies that could combine their Web analytics software with business intelligence and customer relationship management offerings. NetGenesis, for example, was acquired by SPSS Inc., and WebTrends was picked up by NetIQ Corp.

# Baseline

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## A Market Divided

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### A Market Divided

The market remains highly fragmented with no one vendor owning more than 14% of the pie. NetIQ claims the top spot due to the popularity of its low-cost WebTrends log analyzer product. Eight companies closed their doors in 2001, including Audientia and Primary Knowledge.

Aberdeen Group estimates the Web analytics market suffered a 7% decline in sales in 2001. It forecasts that the market will recover somewhat this year, and anticipates further growth after that.

The evolution within the industry is being driven by customers who need to perform the same kind of in-depth analysis of their Web business that they have been doing in their offline businesses.

"What we are attempting to do with Web analytics is essentially the same sorts of things we do in our stores," says Gary Beberman, director of technical research at Macys.com, the Web site for the San Francisco-based retailer.

"I want to look at where customers go once they enter our store, how they gather around the equivalent of store escalators, and what departments or merchandise catch their attention. I then want to use that information to guide us in how we put merchandise that the customer is most interested in, front and center on their screen."

Macy's has been using a Web analytics package from Accrue for about two years, and decided earlier this year to step up to its more advanced Accrue G2 suite. A deciding factor, says Beberman, was a feature in the software that allows Macy's to determine the exact path a customer used to reach an individual product, and how the purchasing rate varies by path.

Ideally, Beberman would like to take all of the information about a product being gathered from the Web analytics software and combine it with existing internal data and outside data, so marketing and planning personnel could work from a single dashboard. But for now, that remains on a wish list.

That desire to combine Web data with other sources of information is a recurring theme among users. And, Aberdeen analyst Guy Creese believes, provider-delivered Web analytic services will eventually overtake licensed software providers.

In fact, Dow Jones & Co. says it decided to switch from Accrue to a hosted offering from digiMine earlier this year, because it would have been too costly to build custom connectors that would allow it to combine its existing customer data with information coming from its Web properties. Dow Jones operates the Wall Street Journal Web site, which has 646,000 paid subscribers.

"DigiMine combines the data for us and produces reports for our review. It allows us to understand the value of different customer segments much better," says general manager of consumer electronic publishing, Todd Larsen. "Accrue has some nice technology, but our fundamental goal was to be able to marry our data."

#### Contributing Editor

Mel Duvall is a veteran business and technology journalist, having written for a variety of daily newspapers and magazines for 17 years. Most recently he was the Business Commerce Editor for Interactive Week, and previously served as a senior business writer for The Financial Post.