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Competing for Customers on the Web

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Swimming in the Digital Sea

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The Web is a powerful platform. Consumers can now seek advice from other consumers, search, sort, and filter product options, find the lowest prices, and navigate past sales and marketing hype. The Web is therefore unfamiliar territory for marketers trying to understand customer behavior. It was easier to interact with customers in a store environment than on the Web where it's harder to measure customer satisfaction. How do you know if you're satisfying customers when you don't see or talk to them? What does it mean when someone comes to your Web site and leaves in 20 seconds?

This chapter addresses the basic realities that define the competitive landscape on the Web, where attributes such as transparency, clarity, and ease of use can drive more sales than a prized location or an elaborate pitch. We also explore seven principles of effective online marketing, including the importance of using empirical observation to drive your online strategy and decisions.

This chapter explains why it's worth going through the time and effort to make your online marketing measurable and accountable with Google Analytics. If you don't take this necessary step, your competitors will.

Understanding the Impact of Data Democracy

In 1983, a young college administrator left her comfortable life in the city and moved to a tiny university town in upstate New York.

Unfortunately, she would be far from any decent place to shop, the closest being a rundown department store near the Canadian border. Cringing at the thought that she might never escape the monotony of Foxy Roxy's diner and the Super Duper grocery, she decided it was time to buy a car. At least that way she could visit Ottawa or Albany from time to time if small-town life got too tough.

With a reputation for hard dealings on the New England crafts fair circuit, she was no sucker when it came to comparison shopping. She always knew how to hunt for deals at outlets, time trips to the store to catch the best sales, trade intel with friends, and blend inexpensive purchases with expensive ones to create an overall image of taste and sophistication. She's never loved cars, though, and dreaded the thought of visiting a dealership, being condescended to for being a woman (it was 1983), and listening to a sleazy sales pitch. Her one experience with car buying had been easy because that little blue lemon she chose was the only secondhand car for sale.

She started her research by telephone. She called a contact in the new town to ask what kind of cars people drove. The lady replied that only a Chrysler would do, since there were no other dealers in the area. This turned out to be false, but without other contacts or the Internet, there was no way to check. Upon her arrival, she found the Chrysler dealer in the phone book. It looked to be the only dealership accessible by public transportation (also false). At the dealership, she was greeted by a friendly salesman with an aggressive 1980s power suit and a serious comb-over. He successfully hid the fact that 1983 was one of the "wilderness years" for Chrysler, with serious quality issues plaguing most models. He even more skillfully disguised serious defects in his recommended car choice, particularly the fact that it was not designed for cold weather and had a tendency to lose mufflers. After haggling for a price and driving off with a strong feeling she'd been ripped off, she drove off and did her best to forget the whole experience. As she recalls, none of the resources she used regularly, including *Consumer Reports* and her immediate friends, had anything to say about this car model. For this reason, she had a hard time negotiating with the dealer. Sure enough, over the next five years the paint on the hatchback began to chip, the heating system failed, and the car famously shed three mufflers.

Fast-forward to 2009: When she made her most recent car purchase, her experience couldn't have been more different. She used Google Maps to track down more than 20 dealerships within easy driving distance. Before making the trek to the dealer, she visited the Web site of each major brand to find models that caught her eye, zeroing in on a Toyota Prius. On Cars.com, she compared the Prius with a half-dozen other models based on resale value, safety ratings, and detailed feature analysis. On the J.D. Power site, she read expert reviews alongside direct feedback from verified owners. She even used Autotrader.com to find dozens of dealers in the area, and tons more options for a used model.

By combining this exhaustive search with casual conversations with friends, she was able to walk into a dealership knowing almost exactly what she wanted and what a good price would be. When she encountered dealers who bent the truth, she simply raised an eyebrow and stared them into submission. She can't imagine making a big purchase without such information any more.

The Internet has made it possible to research facts, stats, personal reviews, and expert analysis. You can build your own car model online and see what it will cost; you can check buyer satisfaction rates and repair histories. Your friends can recommend dealers and you can check their Web sites, and then see whether they're halfway-decent salespeople. They can't lie about their product because you can pull out your laptop and say, "Not so fast!"

In the end, she settled on a Lexus IS, whose performance has been near perfect except for some annoying bugs brought on by overzealous use of technology (the dark side of rapid change).

Looking at this simple anecdote, it is clear the Internet is influencing more and more stages of the buying process, empowering customers with tools for comparison shopping, confidence about price, flexibility about who to buy from, peer reviews, and options for circumventing marketers.

This story is meant to show two things. First, the Web has empowered shoppers and brought about profound consequences for anyone selling an idea, a product, or a service online *or* offline. Second, if you have a marketing role, you need to take concrete steps to acknowledge the new climate and market accordingly, or your organization is going to get left behind.

Our goal in this book is to show you which concrete steps you need to take, what realities about the online environment you need to aware of, and how to define an online strategy based on performance, not hype.

Having helped scores of businesses — from Google to Morgan Stanley to the NHL — attract and retain customers and advertisers online, we believe that adopting this empirical mindset to online marketing is the *most important first step* you can take in defining a successful online strategy. The Web is perfectly suited to a methodology of continuous improvement and iteration. The key to making the process work for your organization is to guide your efforts based on direct feedback from your customers and well-defined measures of business value, both of which are modern-day hallmarks of Web analytics.

Recognizing Customer Empowerment and Why It Matters

In case you're not convinced of the impact the Web is having on business, here are some stats. According to ComScore, 1.4 billion Internet users spent more than 300 billion hours online in 2009, forking over hundreds of billions of dollars in e-commerce in the process. A recent report by Forrester Research showed that Americans now spend as much time online each week as they spend watching TV. Apple recently sold its 250 millionth iPod, and almost 20 percent of the U.S. population can now connect to the Web wherever using a smartphone.

The pace of technological change that created these statistics is unprecedented since … well … ever. In a little over a decade, we've gone from dial-up Internet and America Online to premium on-demand television, social networks with hundreds of millions of users, massive virtual worlds, and hundreds of thousands of mobile apps from mortgage calculators to Find the Nearest Starbucks. You can take a room full of vinyl records with you on a device that fits in your pocket. You can have the newspaper delivered to you over a cellular network. No matter how you look at it, the Internet revolution is a pretty big deal.

As fun as it is to marvel at all this change, however, there's writing on the wall when it comes to the impact the Web is having on businesses. For example, if you're a stockbroker, you may find it harder and harder to explain why clients should pay you instead of trading themselves. If you're a retailer, you may wonder when customers got so savvy about discounting. Most dramatically, if you're a professional journalist, you may be out of work entirely. This may not seem relevant just yet, but the disruptive forces making waves in media, publishing, and a host of other areas may be coming to your industry next. So how do you prepare yourself?

A good starting place is to break down the impact of the Web into meaningful pieces. In all the hype surrounding the Web, marketers often overlook basic realities about Internet surfers. Here are a few realities we believe are relevant to Google Analytics.

Reality 1: Users lead, businesses follow

It's important to note that unlike TV, print, and radio, the Web is a self-service medium. Instead of following a linear broadcast model where one source broadcasts to many individuals, the Web is decentralized, with lots of asynchronous conversations going on among many individual contributors.

Web surfers take full control over what they look at, when they look at it, and how they want to voice their opinions. On the Web, surfers are in charge. Google has turned the idea of putting the user first into a mantra that can be heard everywhere in the company, from discussions over where to place ads to policy debates over censorship in China. Google was one of the first companies to realize that Web surfers don't like to be pushed around. Online, it's just too easy for them to find alternatives.

In this environment, the challenge for the marketer goes from serving customers directly to serving them indirectly by refining the content you offer and the choice of online channels you use to deliver it. Companies can still chat with users or respond via e-mail, but potential buyers can't be interrupted or herded the way they can be in a physical store or through TV ads.

Moving messaging and customer-facing business processes online is almost like converting a team of friendly, personable bank tellers into ATMs. How do you keep customers loyal and happy without relying on personal interactions? How do you make them love your brand if half their interactions with your content happen on a lifeless computer screen?

It turns out there's lots you can do, but no matter what you do, you must accept that online visitors are *unbelievably flighty and impatient*. They demand intuitive, fast-loading, efficient Web experiences above all else. If your Web site doesn't comply, it will drive customers away and damage your brand. Think of the disastrous trend of Flash introductions that slowed down Web surfers on the entrance to every Web site.

In some ways, the trend toward self-service is a double-whammy for marketers. Just as the Web demands that marketers pay extra attention to usability, it also forces them to learn a whole new set of techniques for understanding what works and what doesn't. These demands can be tough — but then again, nobody said becoming an online marketing superstar was going to be easy!

Reality 2: The almighty algorithm decides

On the Web, there's so much information that the only way searchers can sort out what's relevant and important is to use computers or crowd-sourcing, usually in the form of a fancy equation called an algorithm.

The most famous algorithm is the one that powers Google's search results. It makes or breaks businesses every day by determining which Web sites are the most authoritative and relevant for a given search term. Another powerful relevancy engine is the voting system powering social bookmarking sites such as Digg and Reddit, where users vote to surface the most valuable and interesting content.

In this dynamic environment, a brand's position at the top of the heap is never secure. It's not possible to get a 100-year lease to stay at the top of search rankings the way it is with a real-world location.

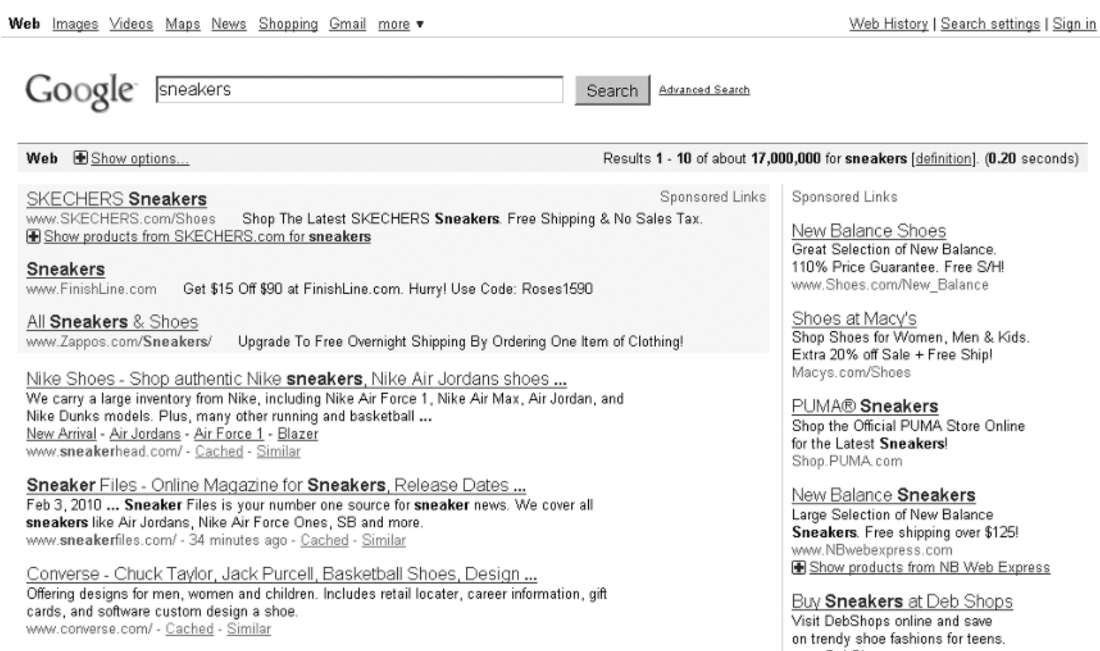
The engineers refining these algorithms are constantly seeking better performance according to well-defined performance measures. This means that back-scratching and expensive dinners can't keep a brand visible, either. If customers decide to start trashing a business, word can spread incredibly quickly, turning up on the first page of search results when users search for that brand. This is akin to installing a giant billboard advertising a company's failings right outside the front door. Your online presence demands supreme vigilance.

Reality 3: No product is safe from comparison shopping

Before the Web, if you wanted to buy a pair of sneakers, you could either drive to a store or request a catalog and page through images and descriptions designed explicitly to get you to buy. With several

FIGURE 1.1

Google's search results for the keyword "sneakers."



hours of effort, you might be able to uncover a few hundred options to choose from. These days, you can access 17 million search results on Google in a few seconds, as shown in Figure 1.1.

Navigating from Google to Zappos, one of the many online retailers, you can immediately browse a catalog of 1,214 brands, 129,829 styles, and 3,549,906 products. You can filter the results to show only gray sneakers by New Balance under $80 with free shipping.

By searching, filtering, sorting, and comparing side by side, Web surfers can conduct organized analysis with a fraction of the hassle involved with paper and pencil. We've already seen this trend at work with the earlier example of buying a car. In the past, marketers could count on customers not checking out the competition, but those days are numbered, particularly for big ticket items.

Reality 4: Web surfers listen to one another first and marketers second

A hotel owner in Belize traced over half his business directly back to the positive reviews his hotel had received on TripAdvisor, a social networking site that allows travelers to share their travel experience. When a disgruntled couple saw a monkey in a cage that looked inhumane by their standards, they railed against the hotel online and crippled bookings almost overnight.

The Web is littered with stories of how small PR gaffes can grow into social media firestorms and appear on the top 10 search results of a brand name. These comments can never be erased from the Web. From a marketing perspective, it is imperative to ensure that customer expectations match closely with what's delivered. If not, it can lead to an army of detractors trashing your product or service at every turn.

For many years sales people counted on having a leg up on their customers when it came to providing information. This *information advantage* was a big part of sales strategy. By attending conferences, talking with clients, reading trade publications, and so on, marketers and salespeople were able to provide their customers with information that wasn't available elsewhere. They knew what their competitors were charging. They knew where the holes were in their offerings and how to cover them up. They knew which critics to impress in order to get the best review.

The democratization of information on the Web is eroding this advantage and pushing businesses to look for new ways to get a leg up. Just as the Web is making it more important to set customer expectations, it's making it equally important to create a value proposition that will resonate with customers without the exaggerated claims that often dominate traditional media.

Reality 5: Online competitors spring up at a moment's notice

If you ran a flower store a decade ago, you might have competed with the supermarket and other small shops nearby. The same store today competes with hundreds of Web sites located across the country. Even after you've caught a customer's attention, he may use the Web to find a better price elsewhere, particularly since the comparison tools get more and more sophisticated every year. The barriers to entry for online merchants are incredibly low compared to opening a brick-and-mortar store. The Web has had the effect of enlarging the competitive set in all types of industries, from banking to video games. Depending on your industry, this trend can be the most disturbing, because it means you'll need to step up efforts across the board to stay competitive.

Building an Online Strategy Based on Evidence instead of Hype

Looking across the trends identified in the previous section, it's clear that most of them boil down to a common theme of *customer empowerment*. In other words, the Web's primary effect on commerce has been to present consumers with more choices, information, leverage, and tools they can use to seize control of their buying process.

This empowerment raises pressure on businesses to evolve or to be stamped out forever by negative customer reviews, poor visibility in search engines, and poor conversion rates. That said, it's more important than ever to dedicate your efforts to satisfying customers online.

Here's the silver lining: It turns out that just as the Web has given consumers access to a wealth of new information about businesses, it has also given businesses a wealth of new information about consumers. We're talking about a quantity of data that could wrap around the sun. What could it be but *Web analytics*?

Web analytics involve closely monitoring and measuring visitor behavior, customer feedback, desired outcomes, and competitive context in order to make smarter decisions about your online strategy. Google Analytics is just one Web analytics tool, but it's an important one. It can form the backbone of your online measurement strategy and serve as the most important means for understanding your Web site's performance.

The argument for Web analytics follows a common vein in business thought dating back to Henry Ford (if not further) that states that businesses must exist in a state of continuous improvement, never ceasing to innovate and improve processes and performance. This is the same philosophy advocated by management gurus such as Peter Drucker, J.M. Juran, Peter Crosby, and Tom Peters. In the words of W. Edwards Deming, one of the fathers of modern efficiency theory and a primary contributor to the postwar Japanese industrial revival, businesses must "improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs."

Web analytics are tools and methods you can use to measure quality and productivity online, thus allowing you to put Deming's philosophy of continuous improvement into practice to increase the impact and ROI of your marketing efforts. Web analytics is based on quantitative measures of real-world behavior, making it one of the most effective tools for guiding strategy ever devised.

John Wanamaker, an entrepreneur from Philadelphia who built a department store empire in the late 19th and early 20th centuries, remarked, "Half the money I spend on advertising is wasted; the trouble is I don't know which half." This quote embodies the core of what has changed in marketing over recent years as a result of Web analytics: You no longer need to wonder which half of your marketing is working and which isn't.

As more and more customer interactions happen online, businesses have the opportunity to gather more and more quantitative information about customer behavior. Each click, each pageview, each point of interaction becomes a point of feedback. When combined with qualitative information taken from surveys and online conversations, as well as new forms of competitive data, everyone from Macy's to Murray's Dry Cleaners suddenly has access to a staggering wealth of information about their customers and their markets.

Our basic argument is that companies that invest in the people and tools needed to draw insights from this data and apply those insights to daily operations will gain a sustainable competitive advantage over companies that do not.

It's important to note that in Wanamaker's day, everyone wasted 50 percent of their advertising, so the playing field was more or less equal. Today, even if you are not taking an empirical approach to marketing, there's a good chance your competitors are. Merchants competing for the most valuable search terms are already involved in a constant race to extract as much value as possible from their search advertising spend.

As frightening as it might sound, this type of data-driven advertising strategy is growing faster than any other segment in advertising.

Moreover, if your company is not creating satisfied customers online, it will be harder and harder to get found in the first place. Google already measures how many searchers return immediately from a Web site's landing pages in order to weed out poor-performing sites. Social media platforms require participants to vote up content in order for it to gain visibility.

To get found online, it's important not to ignore the specific actions that influence ranking in these dynamic systems. On the other hand, no brand can escape the long-term imperative the Web has created to refine your positioning, your products, your checkout process, your advertising, and the rest of your marketing to *actually become the best*.

Even though around 75 percent of the U.S. population is now online and spends more than $225 billion annually on online retail products, consider also that 25 percent of the population is still not online and more than $3.7 trillion in consumer spending still happens in the brick-and-mortar environment. The potential the Web has to revolutionize marketing and commerce has barely begun to materialize.

Seven Basic Principles of Effective Online Marketing

We hope we've convinced you of the real value in Web analytics if you haven't been convinced already. There's been an interesting trend in the analytics space for the last few years: Companies have begun talking about the value of measurement, but only a tiny percent of companies have actually executed on this belief. Why?

Becoming truly data-driven takes an investment in time, expertise, and technology. It also takes an attitude adjustment both at the individual and the organizational levels. These facts explain why most businesses have not yet executed on measurements-based analytics.

On the other hand, many organizations have successfully navigated this transition. We've developed seven principles that all companies should master to stay competitive and satisfy customers online. Our hope is that you will see areas where your organization is strong, and find areas where you can improve as you embark down the road of continuous improvement through Web analytics.

Principle 1: Be real about putting customers first

Focusing on the customer is one of the biggest clichés in business. Everyone claims they're doing it, but few really are.

Putting yourself in your customers' shoes in an authentic way is hard. Dan and Chip Heath do a particularly good job illustrating this difficulty in their book *Made to Stick* with an idea they call the Curse of Knowledge, stating, "When we know something, it becomes hard for us to imagine not knowing it. As a result, we become lousy communicators. Think of a lawyer who can't give you a straight, comprehensible answer to a legal question. His vast knowledge and experience renders him unable to fathom how little you know." The Heath brothers offer another great example of the Curse of Knowledge: Sit down with someone and tap out a simple tune on a tabletop. Ask the person to guess the name of the song you're tapping. The tune will seem painfully obvious to you, but the person listening will likely have no clue what the song is. To you, the tune seems obvious, because you have information the listener doesn't have. Recognizing this discrepancy and making the effort to get beyond your own assumptions is what we mean by developing a real understanding of your customers.

There are several ways to focus on your customers. In the past, you might have spent time with actual customers in a retail branch, conducted a focus group, mailed a survey, or paid for a research report. Today, you still need to do many of these things, but increasingly you can build your understanding of customers more efficiently by collecting and analyzing feedback online.

List the data sources you regularly consult to understand your customers and your market — whether it be face-to-face meetings, e-mail correspondence, or reports such as those generated by Google Analytics. Think about the content of these interactions. What things seem obvious to you about your customers? Have you ever validated these assumptions? What questions have you struggled with? You may be surprised by what you find, particularly if you're a manager and you realize you haven't actually talked to a customer in months.

Take ownership of customer understanding and make it part of your daily routine to get inside the minds of users.

Don't settle for "best practices" and secondhand knowledge. Be curious. In the next chapter, we explore the tools you have at your disposal for understanding customers online; in Chapter 3, we describe the organizational steps you can take to integrate your findings into everyday business decisions. For a marketer, there are few things more integral to success than customer understanding. We'll come back to this point again and again as we explore the ins and outs of Google Analytics.

Principle 2: Know your desired outcomes

With analytical marketing, everything ultimately comes back to value — whether that value is profit or another measure that relates to the fiscal reality of your organization. For a nonprofit organization, "value" may simply be engaging with a particular community of users. A for-profit corporation may have fiscal profits and social responsibility as its bottom lines.

Whatever shape it takes, value rules. Defining value provides a reference point for everything. Just like a compass in the backcountry, a defined business goal becomes the bearing by which you can judge when you're getting lost in data or staying on the right track.

For example, Google Analytics contains an unbelievable quantity of information. It is easy to look at all this information and not know to what to do with it.

The trick is to stay focused on your business objectives by asking questions about your data that tie back to specific business goals. Instead of asking how many visitors your Web site had yesterday, ask how many leads it generated for your sales team. Instead of asking how many visitors arrive at your site through search engines, ask how much revenue those visitors generated.

If you're wondering whether your research question is a good one, put it through the "why" test. Keep asking why you want to know something until you get back to a specific bottom-line business objective, such as revenue, cost-savings, or customer satisfaction. If you don't lose sight of these bottom-line objectives, you'll avoid the analysis paralysis that has so many companies stuck.

One final word: If you haven't defined a coherent online strategy with measurable objectives yet, make that your first priority. You can't do analytical marketing without business objectives. It's like trying to optimize the postal system when you don't know how to send a letter. For more tips on goal-setting, read Chapter 3.

Principle 3: Keep it simple

The Web provides users with an unprecedented amount of choice and information. At the same time, because there's so much information available online, users need to be careful how they spend their mental energy. If they give too much attention to any one source without being sure they're going to get what they came for, they risk failing in their search.

Smart companies have learned to thrive online by keeping functionality, design, and content straightforward and fast-loading.

Keep content easy to scan, use visuals, and avoid jargon and self-promotion. Be as open and direct as possible and focus on a two-way relationship with your customers rather than bluntly telling them what to think. We provide more specific recommendations for doing this in Chapter 8.

Principle 4: Embrace change

We explained earlier in this chapter how you can use a basic cycle of continuous improvement to increase the impact of your online marketing.

A key point, however, is that innovating and experimenting means that sometimes you will fail. To excel at Web analytics, you need to expect failures and setbacks and thus create an environment that makes setbacks okay. If you work inside a rigid culture, failure can be extremely difficult at first. Your company may refuse to compromise on style guides. Your company may have committees that need to sign off on changes, or a boss who always likes to play it safe.

The bottom line is that *the Web rewards experimentation in a way the offline world does not*. Instant feedback on the results of a change, the ability to easily provide different experiences to different customers, and the ability to roll back changes at a moment's notice are all game-changers.

Figure 1.2 summarizes the basic cycle of experimentation you can harness to improve the customer experience and pull ahead of your competition online.

Instead of trying to hit a home run with every campaign, you'll get better results in the online world by launching quickly and making incremental improvements until you've reach that big audacious goal.

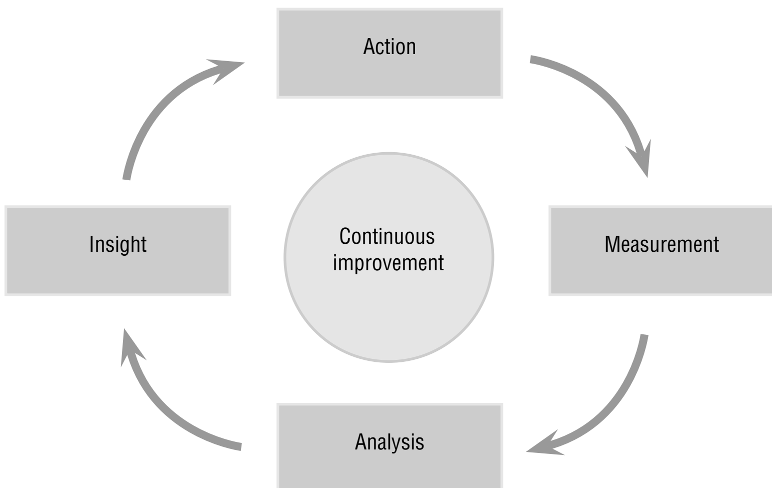
Principle 5: Treat data as a strategic asset

The Web can provide a wealth of data on visitor behavior. This data is a valuable tool for understanding customers, but it takes work to realize its value. Companies need to invest not only in a strong foundation for measurement, but also in the expertise and organizational elements needed to analyze data and socialize findings. In Chapter 3, we present a framework called GETUP to help you focus your effort. GETUP is a mnemonic for five areas you'll need to address as part of your measurement strategy:

- **Goals and strategy**: You can't do analytical marketing without measurable business goals. If you don't have goals in place, start here.
- **Expertise**: Tools alone will not do Web analytics for you. You need smart people and time. You also need an analytics champion and a permanent home for analytics in your organization.

FIGURE 1.2

The basic cycle of continuous improvement through analytics



- **Tools**: Installing and validating Google Analytics is a great start but you need to make sure Google Analytics is installed and configured appropriately for your business.
- **Unified data**: Web analytics alone isn't enough to realize data as a strategic asset. You also need qualitative and competitive data. No matter what tools you have available, it's crucial that you integrate data sources to answer complex questions and maintain integrity in the information you collect and share.
- **Process integration**: Integration is where the rubber meets the road. Web analytics is a means to understanding your customers and providing a more efficient online experience. But you will only begin to realize value from analytics data when it is applied to actual decisions.

It is a mistake when companies focus only on tools and forget the other four areas. True analytical marketing pervades every area of practice, from the broadest strategic questions to the most mundane tactical issues.

Principle 6: Use the right tool for the right job

We want you to get the most value possible from your Google Analytics data, but at the same time, we want to make sure you understand the other options available. Most important, Google Analytics is geared toward *quantitative* data about visitors on your Web site. There are specialized tools to obtain *qualitative* insight into your visitors' intentions and satisfaction, as well as tools that can give you quantitative metrics about your market and competitors. These tools provide context on your performance while helping you understand why your data looks as it does. Without competitive and qualitative data, it's extremely difficult to make heads or tails of your analytics.

In Chapter 2, we present frameworks you can use to understand the array of options as well as specific recommendations on tools you can use.

Principle 7: Expect and accept accountability

With this new world of measurement comes an opportunity to drive change, to optimize through making constant advances. The catalyst to making change, to taking action in marketing, can best be summed up by the word accountability. Accountability in marketing can be defined simply as "using data to prove the value of marketing rather than relying on subjectivities alone."

Businesses must hold marketers more accountable, and do so in real or near real time. Other fields readily accept accountability, and are even dependent on it — think finance or manufacturing, for example — and so must marketing. Why *must*? Because companies that make marketing accountable will grow stronger, gaining an advantage over companies who don't, leaving simple market theory to do the rest.

Accountability shouldn't become a dark shadow following you around the office (take note, directors, VPs, and CEOs) but rather a means by which you can identify success and failure and learn from what went well and what went badly.

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