CHAPTER 2

What Business Are You In?

Every web business tracks key performance indicators (KPIs) to measure how well it's doing. While there are some universally important metrics, like performance and availability, each business has its own definitions of success. It also has its own user communities and competitors, meaning that it needs to watch the Web beyond its own sites in different ways.

Consider, for example, a search engine and an e-commerce site. The search engine wants to show people content, serve them relevant advertising, then send them on their way and make money for doing so. For a search engine, it's good when people leave—as long as they go to the right places when they do. In fact, the sooner someone leaves the search engine for a paying advertiser's site, the better, because that visitor has found what she was looking for.

By contrast, the e-commerce site wants people to arrive (preferably on their own, without clicking on an ad the e-commerce site will have to pay for) and to stay for as long as it takes them to fill their shopping carts with things beyond what they originally intended.

The operators of these two sites not only track different metrics, they also want different results from their visitors: one wants visitors to stay and the other wants them to leave.

That's just for the sites they run themselves. The retailer might care about competitors' pricing on other sites, and the search engine might want to know it has more results, or better ones, than others. Both might like to know what the world thinks of them in public forums, or whether social networks are driving a significant amount of traffic to their sites, or how fast their pages load.

While every site is unique and has distinct metrics, your website probably falls into one of four main categories:

Media property
: These sites offer content that attracts and retains an audience. They make money from that content through sponsorship, advertising, or affiliate referrals. Search engines, AdWords-backed sites, newspapers, and well-known bloggers are media properties.

Transactional site
: A site that wants visitors to complete a transaction—normally a purchase—is *transactional*. There's an "ideal path" through the site that its designers intended, resulting in a goal or outcome of some kind. The goal isn't always a purchase; it can also be enrollment (signing up for email) or lead generation (asking salespeople to contact them), and that goal can be achieved either online or off.

Collaboration site
: On these sites, visitors generate the content themselves. Wikis, news aggregators, user groups, classified ad listings, and other web properties in which the value of the site is largely derived from things created by others are all collaborative.

Software-as-a-service (SaaS) application
: These sites are hosted versions of software someone might buy. SaaS subscribers expect reliability and may pay a monthly per-seat fee for employees to use the service. Revenues come from subscriptions, and a single subscriber may have many user accounts. On some SaaS sites, users are logged in for hours every day.

It's common for parts of a site to fall into different categories. An analyst firm that sells reports is both a media property and a transactional site. A popular blog is as much about collaborative comments its users leave as it is about Google AdWords on the pages it serves. A video upload site is a media property filled with content users provide. And a free-to-try SaaS site that encourages users to subscribe to a premium version has a transactional aspect, as well as embedded ads similar to a media site.

The key is to decide which of these categories fits each part of your site, and then to determine which metrics and tools you should use to understand your web properties, your community, and your competitors. Let's look at each type of site in more detail.

Media Sites

Media sites are high-profile web destinations that provide content to attract visitors. They then display relevant advertising to those visitors in return for pay-per-click or pay-per-view revenues. In a few cases, the sites also sell premium subscriptions, which can be treated as separate transactional sites. Sites like CNET.com, MTV.com, NYTimes.com, and TechCrunch.com fall within this category.

Business Model

Figure 2-1 illustrates the basic elements of a media site's business model.

1. The media site embeds a link to an ad network's content within the media site's pages.
2. A visitor retrieves the media site's page with the embedded ad.

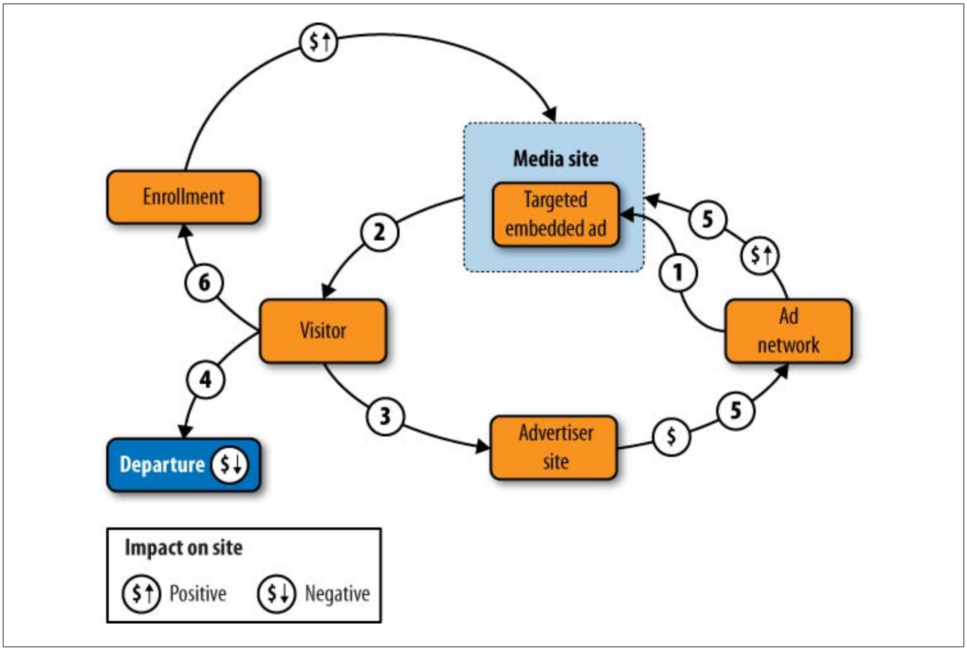

Figure 2-1. Elements of a media site's business model

3. The visitor clicks on the advertisement and visits the advertiser's site.
4. Alternatively, the visitor may leave the site without clicking on an ad, in which case the visit has not helped the media site make money (but it *has* raised the site's traffic numbers, which may attract advertisers).
5. The advertiser pays the ad network for ad traffic, and the ad network shares a portion of the money with the media site.
6. Additionally, the visitor may subscribe to a feed, bookmark the site, invite friends, or do other things that make him more likely to return, boosting the media site's number of loyal visitors.

Transactional Sites

Sergio Zyman, Coca-Cola's first chief marketing officer, describes marketing success as "selling more stuff to more people more often for more money more efficiently."

This is a great summary of what transactional companies care about: completing transactions, increasing visitors, maximizing shopping cart size, and encouraging repeat business. BestBuy.com, ThinkGeek.com, Expedia.com, and Zappos.com fall within this category.

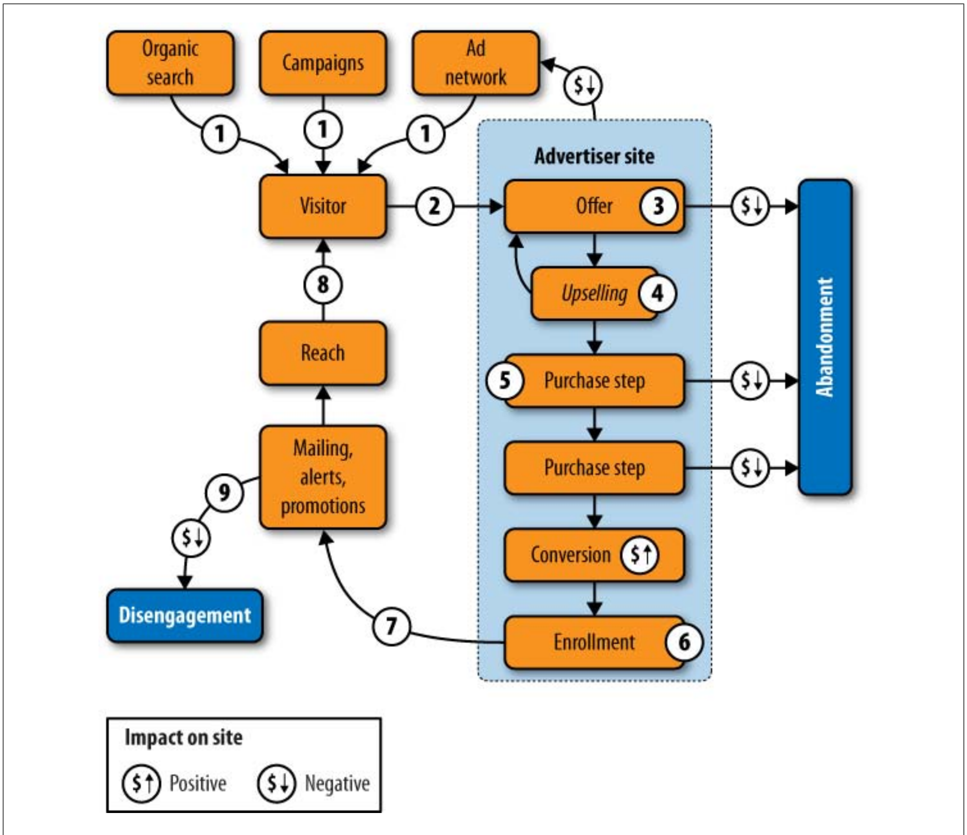

Figure 2-2. Elements of a transactional site's business model

Business Model

Figure 2-2 illustrates the basic elements of a transactional site's business model.

1. A visitor learns about the transactional site through organic (unpaid) search, advertising campaigns, word of mouth, social networks, or paid advertising.
2. The visitor visits the transactional site.
3. The transactional site makes some sort of offer.
4. If the visitor accepts the offer, the site may try to upsell the visitor by suggesting additional merchandise.
5. The visitor then moves through the various purchase steps, hopefully without abandoning the process, until payment.
6. The site tries to enroll the visitor, particularly since it now has the visitor's contact information as part of the purchase process.

7. This allows the site to contact the visitor as a part of ongoing campaigns.
8. The visitor may act on the new offers, increasing her lifetime value to the transactional site.
9. The visitor may also disengage by blocking messages or changing contact preferences.

Most brick-and-mortar companies' websites are a variant of this model, in which the transaction completes offline when a sales representative contacts a customer or a buyer finds the location of a store. While the outcome doesn't happen on the site itself, the organization derives revenue from it and wants to encourage the conversion from visitor to buyer.

An important exception to the goal of conversion is the support site. In the case of support organizations, some outcomes have a negative impact on the business. Visitors who first seek support from a company's website, but who ultimately contact a human for that support, cost the company money. Negative outcomes, like call center calls, are just as important to measure as positive ones.

Collaboration Sites

A collaboration site makes money from advertising in the same way a media site does. But early on, as the site is trying to grow its user community so that it becomes a big enough player to command good advertising, it's more focused on ensuring that the site contains valuable content that is well regarded by search engines, that it's retaining a vibrant user community, and that the site is growing virally.

In the beginning, collaboration sites may need to seed content manually. Wikipedia recruited thousands of librarians to kick off the creation of its content, and Flickr relied on manual rankings of published pictures by its editors until the community was big enough to vote for popular images on its own. Since most online communities are collaboration sites, we'll look at some metrics for monitoring these kinds of sites in the community section of the book.

Wikipedia.com, Facebook.com, and Slideshare.com fall within this category. Many internal sites, such as intranets built on SharePoint or wikis like Socialtext, use similar KPIs to externally facing collaboration sites.

Business Model

Figure 2-3 illustrates the basic elements of a collaboration site's business model.

1. A visitor comes to the site via an invitation, a social network recommendation, organic search, word of mouth or search results.

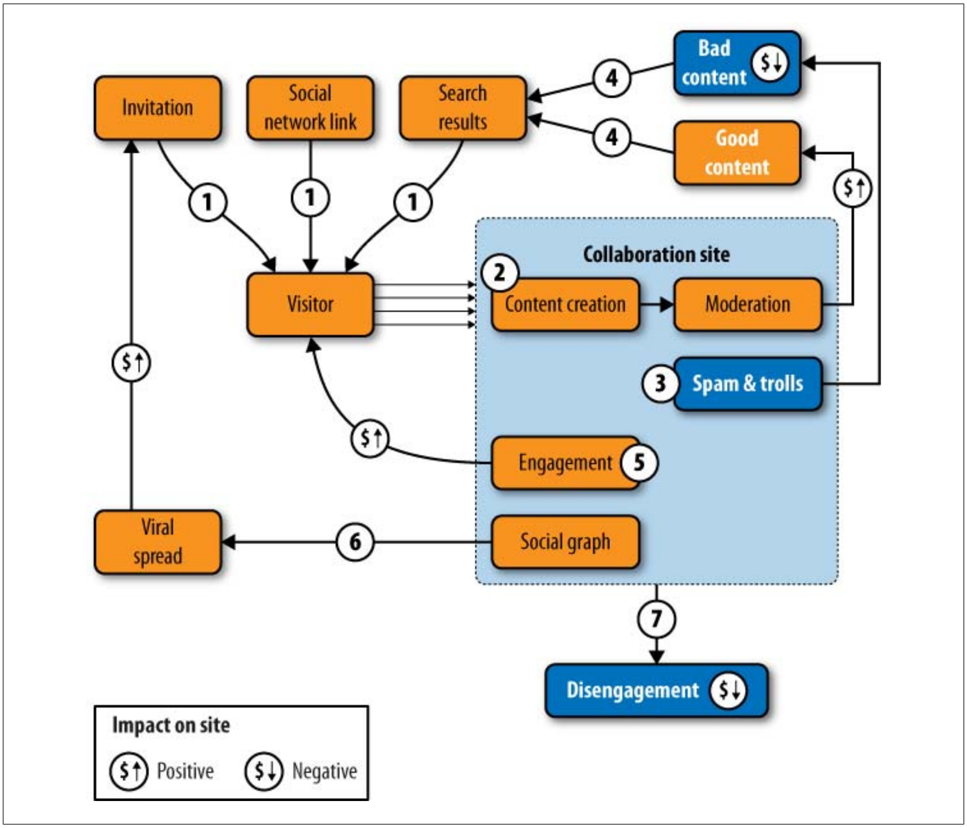

Figure 2-3. Elements of a collaboration site's business model

2. The visitor uses the site, hopefully creating content in the form of comments, uploads, and postings.
3. On the other hand, the visitor could create "bad" content, such as link spam or offensive content.
4. The content on the site is judged by subsequent search indexes, which affect the site's search ranking.
5. The visitor may engage with the site by subscribing to comment threads, befriending other users, voting on content, and so on, which encourages him to return.
6. In time, the visitor may also invite members of his social graph to join the site, leading to a larger user base.
7. On the other hand, he may stop using the site, disengaging and resulting in "stale" content.

Software-as-a-Service Applications

SaaS is a burgeoning segment of the software industry. With ubiquitous broadband and a move toward mobile, always-on Internet access, applications that once lived in an enterprise data center now run on-demand on the Internet, often with less hassle and cost than running them in-house.

SaaS sites have significantly different monitoring requirements from the other three site categories we've looked at. For one thing, they're often targeted at business users rather than consumers. They're also usually competing with in-house desktop alternatives—think Microsoft Office versus Google's SaaS-based office offering, Google Docs.

From a monitoring point of view, SaaS is less about acquiring or converting customers and more about delivering an already-purchased service well enough to convince subscribers to renew their subscriptions. It's also about measuring productivity rather than a goal or an outcome. Salesforce.com, Standoutjobs.com, Basecamphq.com, Freshbooks.com, and Wufoo.com fall within the SaaS category.

Business Model

Figure 2-4 illustrates the basic elements of a SaaS site's business model.

1. An enterprise signs up for the site, presumably through a transaction process, and pays a usage fee.
2. This may also involve a per-seat fee for its employees or per-use fee.
3. At this point, the employees use the SaaS site. If performance is unacceptable, the SaaS site may be liable for an SLA refund and may receive helpdesk calls.
4. If the site is hard to use, employees may call the SaaS site's support desk.
5. Numerous problems will lead to high support costs for the SaaS operator.
6. If, as a result of poor performance and usability, employees aren't productive, the enterprise will cancel the subscription, resulting in customer churn, lost revenues, and higher cost of sales.
7. On the other hand, if users are productive, the enterprise will renew or extend its subscriptions and may act as a reference.

In the next chapter, we'll look at some of the metrics you can collect to understand the health of your site. In the Appendix, we'll look at these metrics and show which of them matter for each of the four types of site.

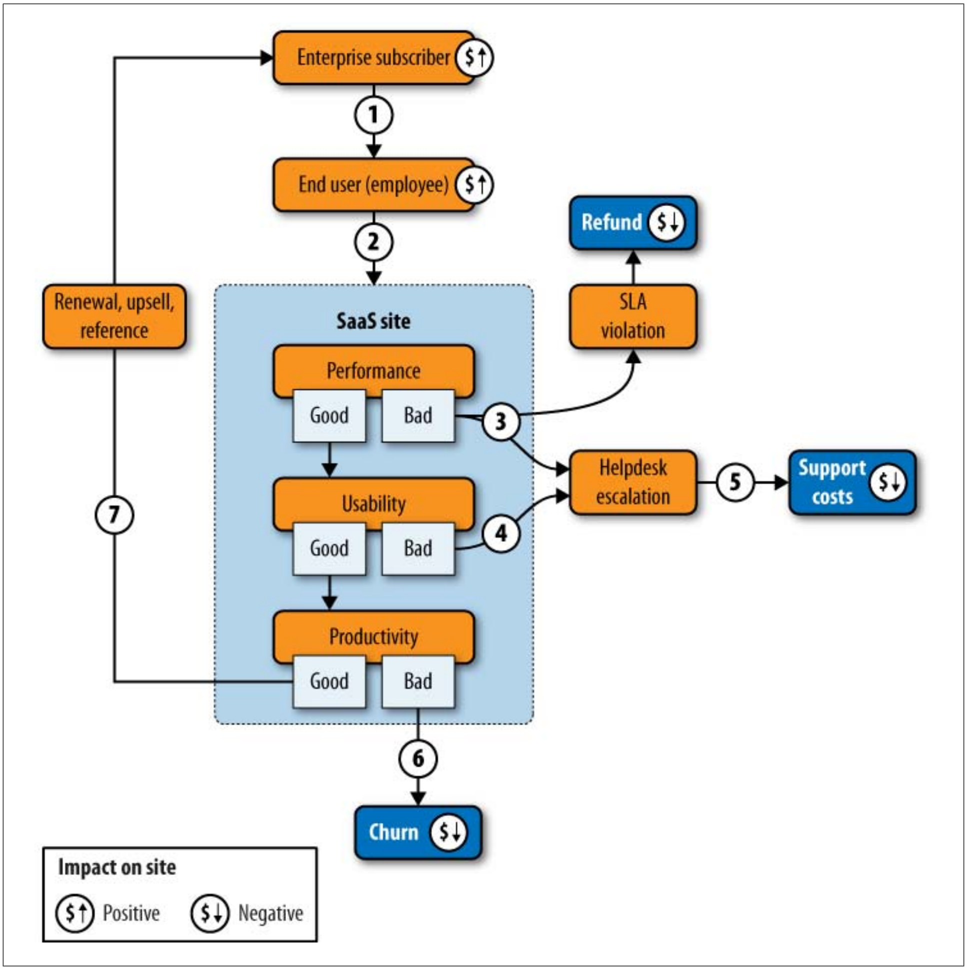

Figure 2-4. Elements of a SaaS site's business model