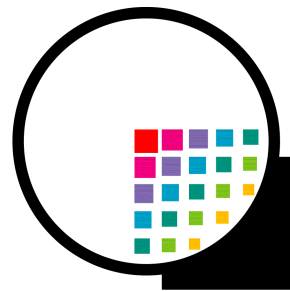


From Best Practices to Best Ideas:

E-Metrics Today & Tomorrow

Matthew Cutler

Co-founder & CEIO

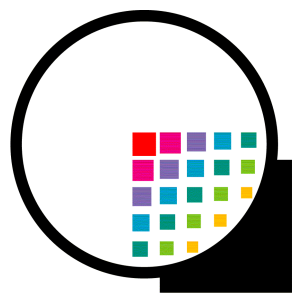


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E-Metrics Agenda

- Project overview
- E-Metrics Today: Best Practices
- E-Metrics Tomorrow: Best Ideas
- Conclusion

E-Metrics: Project Overview



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What Counts?



Your CUSTOMERS!

Media Saturation is Reality

- Each day, marketers expose Americans to some **12 billion display ads, 3 million radio ads,** and more than **300,000 television commercials.**
- **'Spam'** now constitutes more than **10 percent** of all worldwide email.
- The average US consumer receives roughly 1 million marketing messages a year across all media, or about **3,000 messages per day.**

Net Worth, John Hagel III, 1999

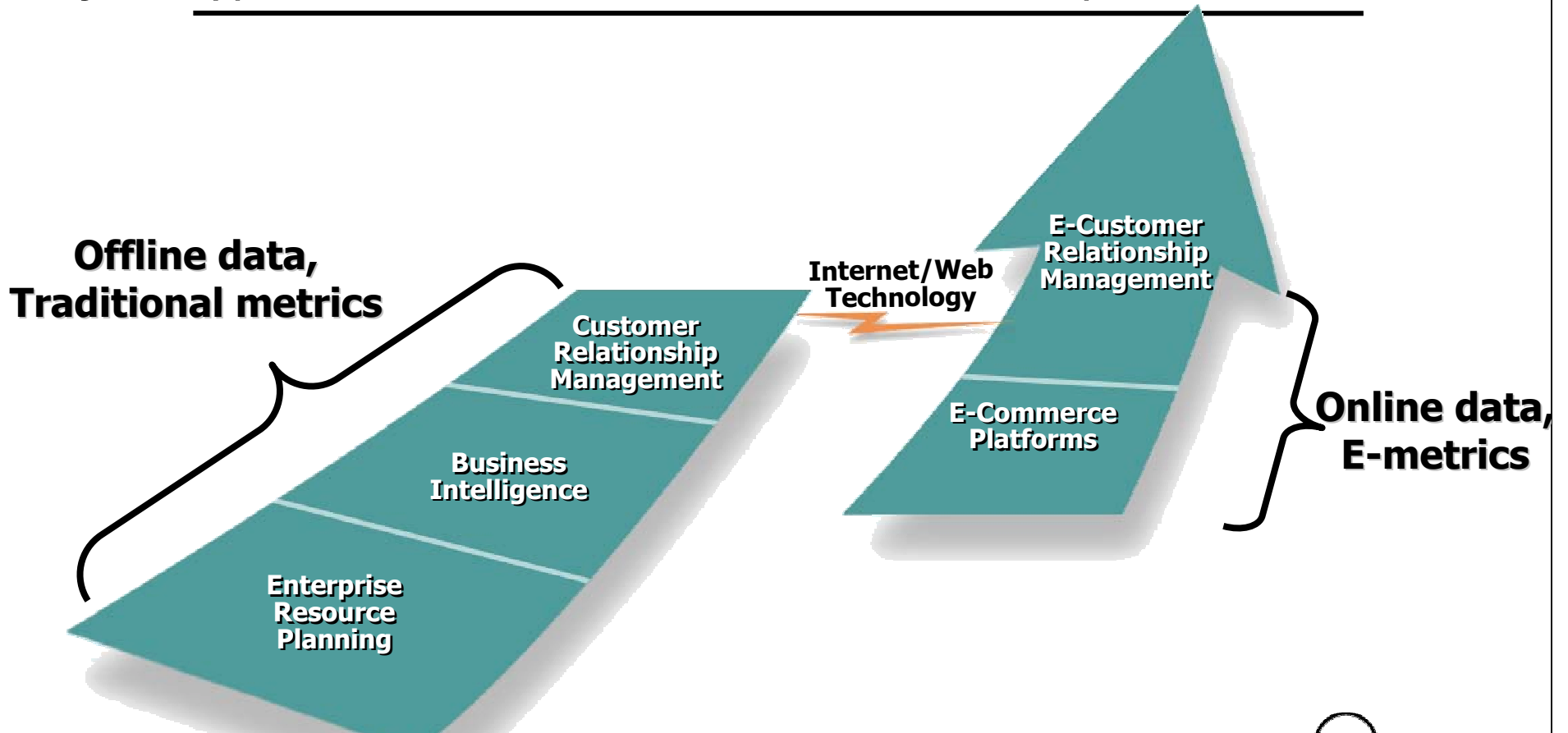
Stages of E-Business Evolution



Stage	1	2	3	4
Site Type	Static	Dynamic	Commerce	Personalized
Goal	Presence	Interactivity	Revenue	Customer Relationships
Complexity	Low	Medium	High	Very High
Impact	Small	Moderate	Significant	Transformational

E-Metrics Vs. Traditional Metrics

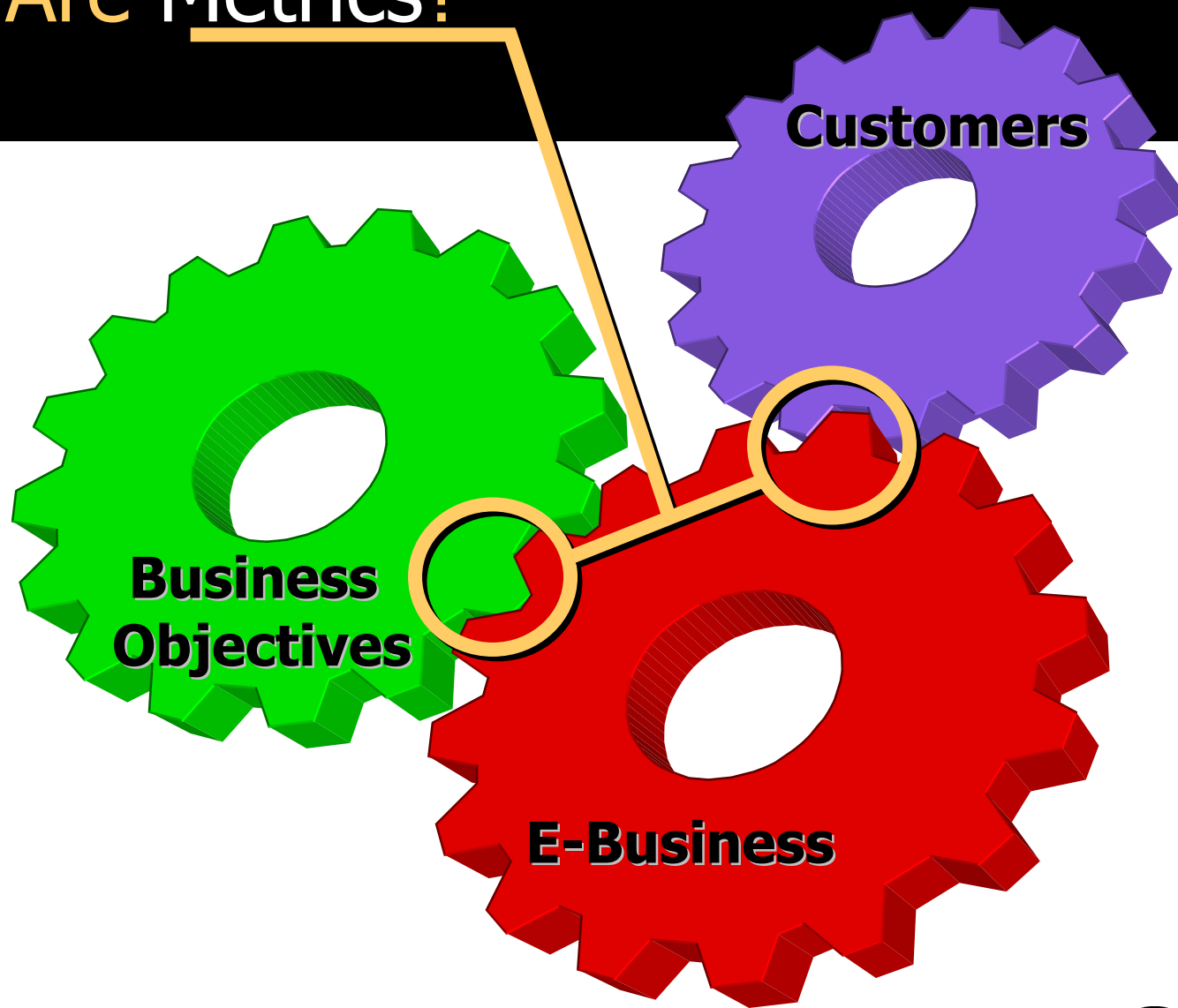
Project Hypothesis: New realities of e-business require new e-metrics



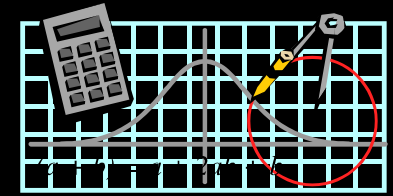
The E-Metrics Project

- Business metrics for the new economy
- Industry research study
 - Focus: define state of the art in Web metrics
 - 20 leading e-businesses surveyed
 - ~60 page paper presents research, conclusions
 - Written for senior e-business managers
- Web destination: **www.netgen.com/emetrics/**
- Organizing theme across the company

What Are Metrics?



Metrics vs. Measures



- Measure
 - A direct count or result
- Metric
 - A function dependent on measures
 - Relate outcomes to business goals
- Context
 - Trends only have meaning in *context*
 - *Familiarity* is required in order to create context

Survey Response

Typical Sentiments

- "A lot of e-commerce companies just really don't know how to measure their businesses right now. Nobody really knows because the industry is so new that there isn't a standard of how to really measure your success and how to gauge your growth in the future." – (Retail company)
- "The industry as a whole desperately needs a standardization of terms. It just doesn't exist at all." – (Service company)
- "Since I've got all these things I can measure, I'm paralyzed by all the opportunities." – (Service company)
- "I think working with this volume data is a bit like being in a canoe in front of a tidal wave – paddling like hell and just hoping it doesn't overrun you." – (Publishing company)

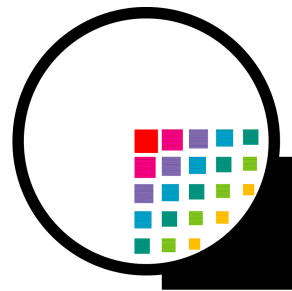
Major Research Conclusions

- Today's 'state-of-the-art' is not very sophisticated
- Organizations feel that they
 - Are inundated with data
 - Know the data holds tremendous business value
 - Cannot unlock maximum value due to a lack of
 - People
 - Technical resources
 - Standards
 - Expertise
- The Customer Life Cycle (CLC) is the key

Sample E-Metrics Defined

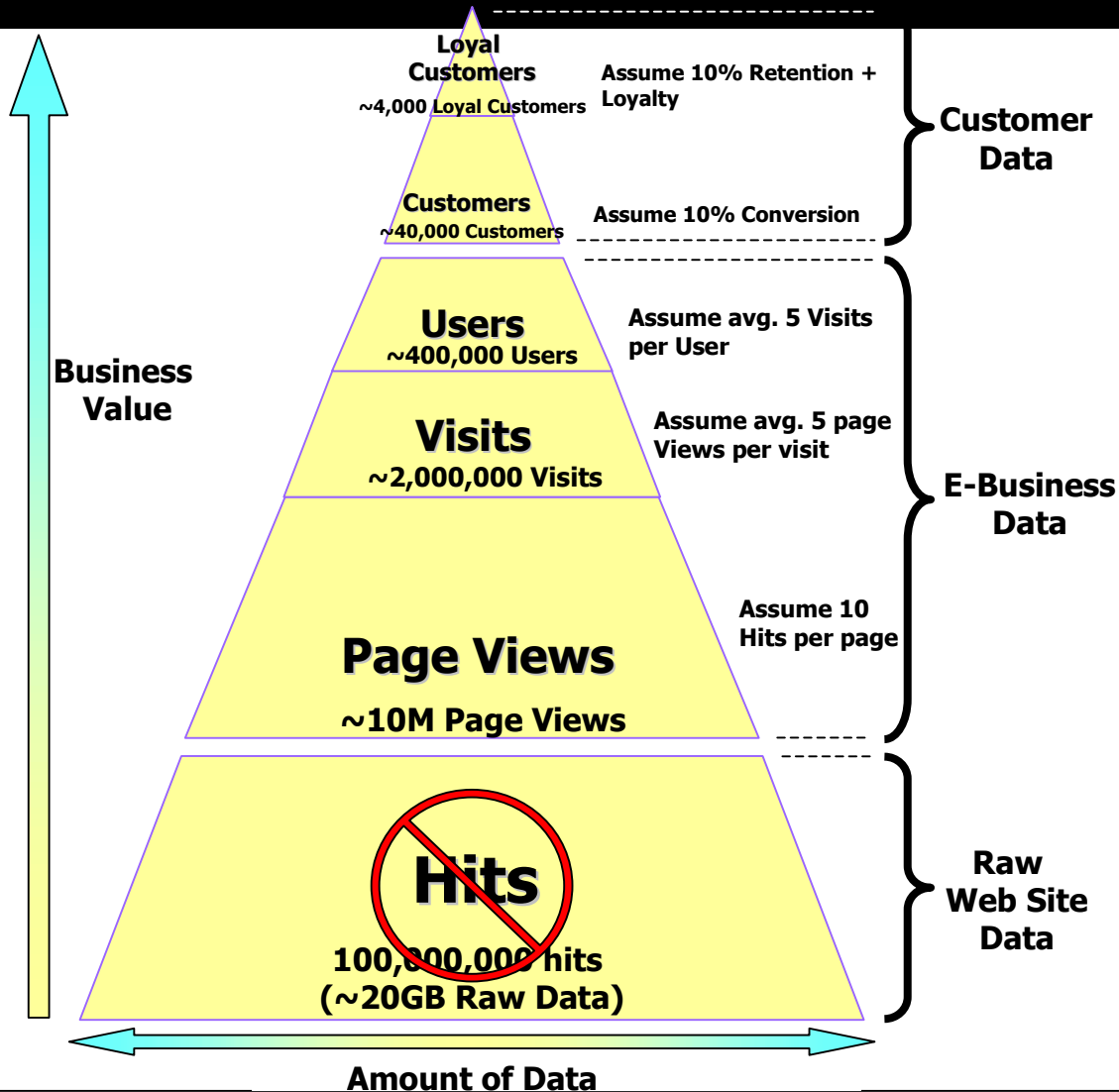
- Reach
- Acquisition
- Conversion
- Retention
- Loyalty
- Abandonment
- Attrition
- Churn
- Recency
- Frequency
- Monetary Value
- Duration
- Yield
- Acquisition Cost
- Cost Per Conversion
- Net Yield
- Connect Rate
- Life Cycle Pipeline
- Optimal Site Path
- The Customer Life Cycle Funnel
- Determining ROI Metrics
- Life-Time Value
- Personalization Index
- Stickiness
- Slipperiness
- Seducible Moments
- Velocity
- Loyalty Value
- Freshness Factor

E-Metrics Today: Best Practices



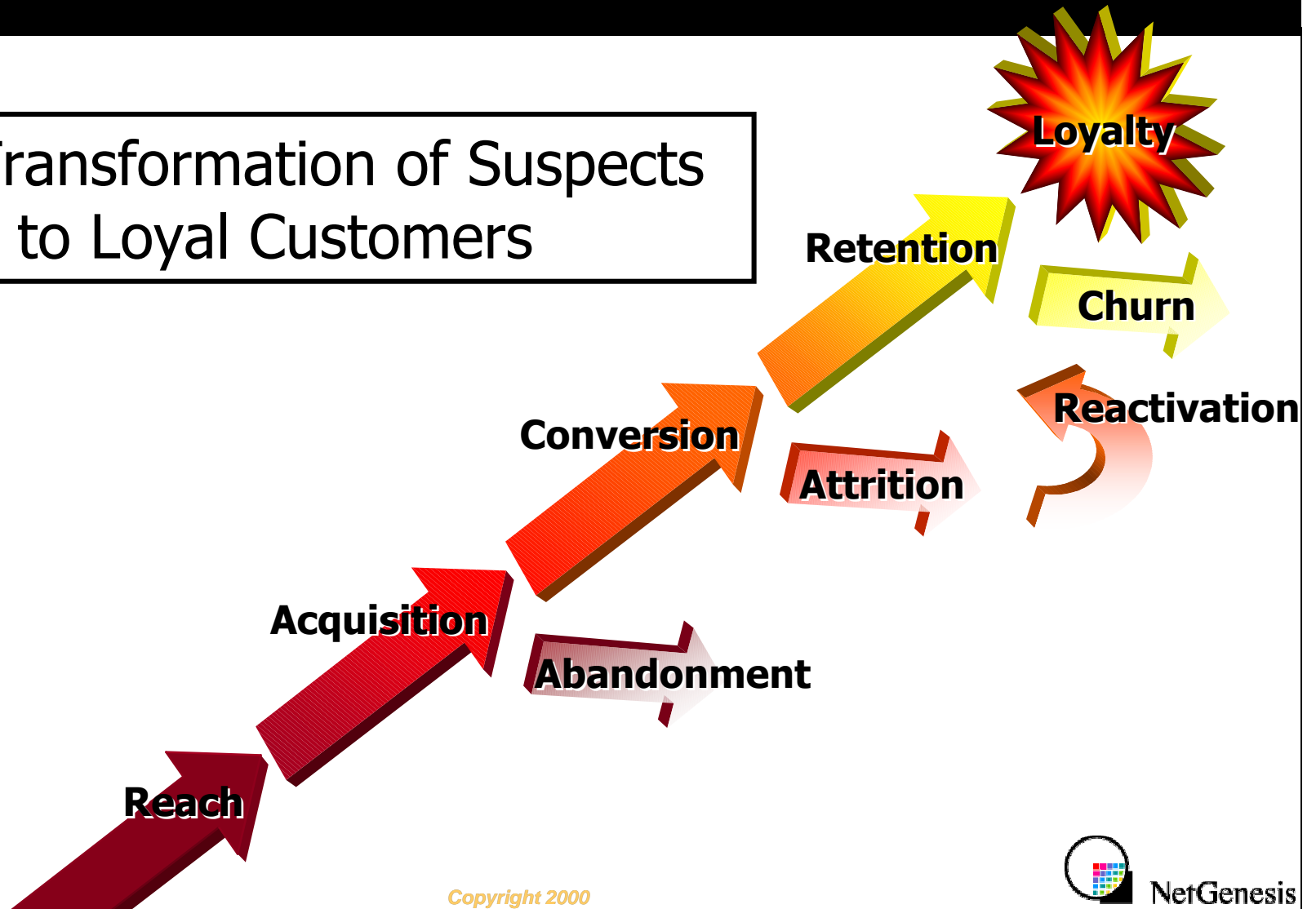
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From 100 Million Hits to 4,000 Loyal Customers



The Customer Life Cycle

The Transformation of Suspects to Loyal Customers



Core Metrics:

Acquisition Cost

Advertising and Promotional Costs

$$\text{Acquisition Cost} = \frac{\text{Advertising and Promotional Costs}}{\text{Number of Click-throughs}}$$

- \$25,000 spent on ad campaign
- 1,000,000 impressions served
- 0.5% click-through rate
- Result is 5,000 visits
- Therefore, *acquisition cost* = \$5.00 per user

Core Metrics:

Cost Per Conversion

Advertising and Promotional Costs

$$\text{Cost Per Conversion} = \frac{\text{Advertising and Promotional Costs}}{\text{Number of Sales}}$$

- Same \$25,000 campaign
- Same 5,000 acquired users
- Conversion rate is 5%
 - 250 new paying customers
- Therefore, *cost per conversion* = \$100.00

Core Metrics:

Connect Rate

Promotion Page Views

$$\text{Connect Rate} = \frac{\text{Promotion Click-throughs}}{\text{Promotion Page Views}}$$

- Connect rate drops from 1.0 to 0.8
 - 1 in 5 click-throughs fail
- 5,000 click-throughs, only 4,000 users acquired
- 5% conversion rate, 200 customers converted
- Cost per conversion of \$125
- Bottom line impact: 50 fewer paying customers and a 25% premium per paying customer

Core Metrics:
Churn

$$\text{Churn Rate} = \frac{\text{Customers Lost}}{\text{Total Customer Base}}$$

- Existing customer base: 2,000 subscribers
- Customers acquired: 200
- Customers lost: 50 (attrition)
- Total customer base: 2,150 subscribers
- Therefore, churn rate is $50 / 2150 = 2.3\%$

Source: <http://www.boardwatch.com/mag/99/sep/bwm49.html>

Core Metrics:

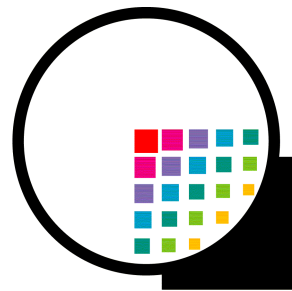
Growth Rate

$$\text{Growth Rate} = \frac{\text{Customers Gained}}{\text{Total *Initial* Customer Base}}$$

- Growth rate = 10%
 - 200 new users, existing base of 2000
- Annualized rates (12x)
 - 120% *annual* growth rate
 - 27.6% *annual* churn rate

Source: <http://www.boardwatch.com/mag/99/sep/bwm49.html>

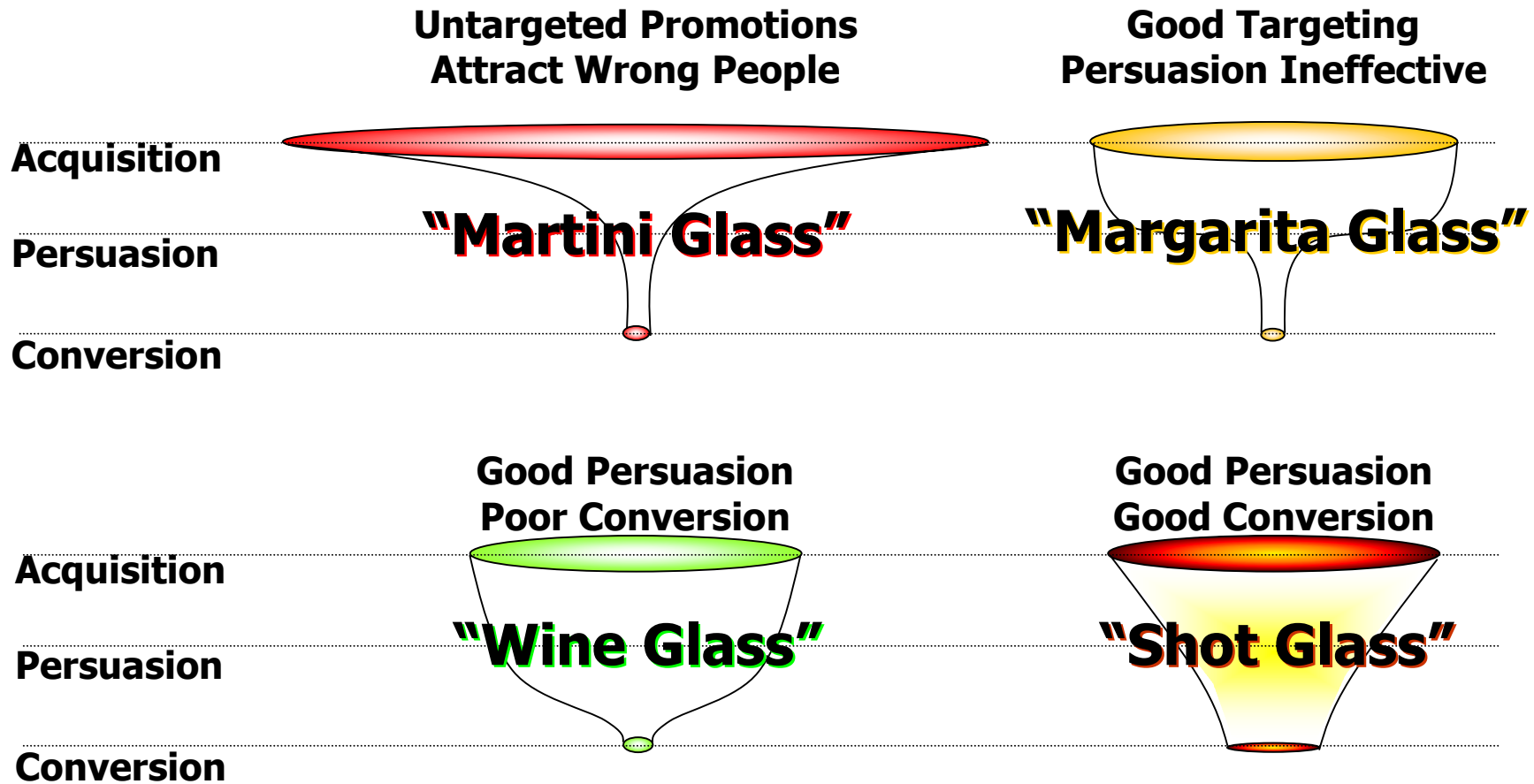
E-Metrics Tomorrow: Best Ideas



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E-Metrics Visualization

Life Cycle Funnel



Advanced Metrics: Stickiness

$$\text{Stickiness} = \text{Frequency} \times \text{Duration} \times \text{Total Site Reach}$$

- Total of 200,000 unique users
- 50,000 unique users last month
- Accounted for a total of 250,000 visits
 - Average frequency of 5 visits/unique user
- Total of 1,000,000 minutes viewing pages

	250,000 Visits	1,000,000 Minutes		50,000 Active Users
Monthly Stickiness =	----- x	----- x		-----
	50,000 Active Users	250,000 Visits		200,000 Total Users

- Monthly Stickiness = 5 Minutes/User

Advanced Metrics:

The Personalization Index

$$\text{Personalization Index} = \frac{\sum \text{Leveraged Profile Elements}}{\sum \text{Collected Profile Elements}}$$



**Information is only valuable
when you use it
to better serve your customers**

Advanced Metrics:

Freshness Factor

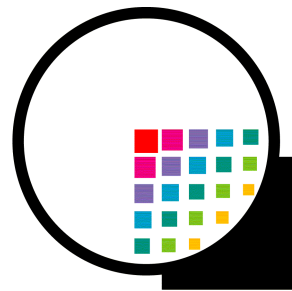
Average Content Area Refresh Rate

Freshness Factor = -----

Average Section Visit Frequency

- Freshness Factor less than 1
 - Customers see stale content
- Freshness Factor ≈ 1
 - Customers see fresh content
 - Stickiness should improve
- Freshness Factor greater than 1.5
 - Potentially wasting resources
- Watch for multi-modal distributions

Conclusion



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Developing Your Own E-Metrics

- E-business driven by business objectives
 - Unique to each organization
- Metrics must express business objectives
- The 'CAVE' test
 - Calculation
 - Action
 - Validation
 - Evolution

Q&A + Contact Information

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