



WHITE PAPER

Adding Intelligence to Web Analytics

Sponsored by: **Domodomain Inc.**

Analyst: Fabio Rizzotto

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EXECUTIVE SUMMARY

This IDC White Paper explores the latest trends in Web analytics away from pure statistical analysis of visitor behavior to actionable lead generation for sales and marketing teams. As the search for effective lead generation and overall productivity improvements in marketing and sales activities continues, business managers are looking for more actionable Web traffic reporting functionality to feed and seamlessly integrate with their overall CRM strategy. This White Paper presents new technology tools in this rapidly changing environment, including a solution called **Domodomain**, which was conceived to transform a company Web site into an automatic lead generation tool and to integrate with traditional enterprise and Web-based CRM platforms.

Traditionally, CRM activity is performed manually, by pulling, combining, and summarizing information from sales, customer support, and marketing departments scattered in a multitude of databases, document repositories, and now more frequently from external sources such as data culled from the company Web site using Web analytics tools.

Many organizations have adopted a CRM solution in order to organize and optimize the sales process. However, many are still struggling with the operational issue of consistently transferring prospect information into the CRM platform and thus into the pipeline managed by the platform.

Web analytics tools traditionally have been used to support Web site owners to learn more about customers' online behavior in order to improve Web site architecture and online marketing activities. Most of today's Web analytics solutions offer a spectrum of analytical and statistical data, ranging from basic traffic reporting to individual-level data that can be linked with response, cost, and profit data. However, current Web analytics offerings provide little assistance when it comes to automating the provision of analytics information into CRM platforms.

Web log data was the earliest widespread source of Web data to be analyzed. Logs are able to provide tremendous detail but usually require periodic aggregation that prevents the possibility of real-time analysis. This type of analysis is still very useful for certain strategic marketing decisions (e.g., viability of a search engine text advertising campaign) but is less useful in the guidance of day-to-day activities required from sales and marketing professionals in a rapidly changing, high-volume business environment. What these professionals require is actionable, real-time data about company Web site visitors that can feed and support marketing, sales, and customer relationship management processes.

Therefore, traditional Web analytics products have in recent years expanded beyond core traffic and visitor analysis to include new functionalities. Analytics tools that only focus on analyzing statistical visit data are not by themselves capable of supporting

organizations in their efforts to leverage a comprehensive knowledge-based approach, taking into account the growing and predominantly unstructured information environment and the richness of information available online.

Domodomain is part of this new market solution class that combines traditional functionalities of Web analytics with strong innovative characteristics, making it possible to identify with precision the company which is visiting a Web site, therefore providing lead generation tools to internal sales and marketing professionals.

Interestingly, the convergence of CRM, Web analytics, and Web-based software delivery models is helping to fuel the development of this new type of Web analytics service. In fact, for the past two years, the growth drivers in both CRM and Web analytics have been solutions that share the common denominator of Web-based delivery.

Indeed, a recognized trend in Web analytics is the shift to an on-demand, software-as-a-service (SaaS) method of deployment. Specifically, the percentage of SaaS-based solutions revenue in the Web analytics market rose from 56.7% in 2004 to 64.9% in 2005. In the same way, the CRM market is embracing the SaaS model. IDC estimates confirm the worldwide market for **on-demand CRM** applications is **31.1% CAGR** (compound annual growth rate) for 2005–2010, against 6.6% for the total CRM market. In absolute terms, the worldwide market for CRM applications was \$9.2 billion in 2005 and is projected to grow to \$12.7 billion by 2010, while SaaS-based CRM is projected to grow from \$579 million in 2005 to \$2.2 billion in 2010.

The SaaS model has a number of benefits including greater access to small and medium-sized customers, rapid implementation and update, a cost-effective "one to many" approach, and minimal requirements for the end customer's IT staff. The trend toward SaaS deployment is likely to continue, although it is unlikely that all Web analytics will become on-demand in a very short term.

IDC expects that Web analytics technologies will become more widely adopted in the next five years. The worldwide Web analytics market demonstrated high growth of 20.7% in 2005, reaching \$318.0 million, and it is projected to grow to \$652.5 million by the end of 2010. By then it will represent about 36% of the total CRM analytics applications market, starting from 28% in 2005. An IDC survey of business intelligence investment plans also shows that Web analytics is projected to become very significant within the business intelligence market (see Figure 4).

Domodomain is an example of one of the new wave of enhanced Web analytics type solutions that have embraced the SaaS model. Domodomain is an innovative and intelligent analytics solution that offers lead generation and market intelligence in an SaaS delivery model, allowing users to obtain relevant business information about the companies that visit their Web site. Internal sales and marketing professionals may leverage this tool to improve the effectiveness of CRM. Domodomain **combines intelligent Web analytics with SaaS-based CRM** functionality to provide businesses and organizations with:

- A list of the names of the companies visiting the Web site in real time
- A profile of the prospect, pulling information from open and proprietary sources
- An analysis of the products and services in which the Web site visitor was most interested

- ☒ Real-time email alerts when a designated "hot lead" or category of lead is on the Web site

This functionality provides Domodomain's customers with a new perspective on their Web site visitors. Not only can they now know from which companies these visitors are browsing their Web site, but they can also access a company profile with information ranging from corporate data and contacts to an analysis of interests exhibited in the browsing session based on proprietary data mining technology. Additionally, information from external Web sites, blogs, and newsgroups is also leveraged to give a more accurate and up to date picture of identified visitors. This functionality allows users to work in a more productive manner on specific prospects or customers, thereby improving pre- and post-sale processes and overall marketing intelligence capabilities.

Domodomain also recently announced the integration of its solution with **salesforce.com's** SaaS CRM services. The introduction of Domodomain into the salesforce.com ecosystem, announced in December 2006, can be considered an important event for SaaS-based CRM solutions. With this integration, Salesforce users now have online access to Domodomain via the salesforce.com AppExchange, an online marketplace for Salesforce add-on applications. Domodomain Inc. is also one of the first companies to be accepted into salesforce.com's incubator program in San Mateo, California.

Domodomain has established a visionary path that supports the needs of customers to exploit the lead generation potential of their Websites, while opening opportunities to expand their CRM strategy. Domodomain is therefore well positioned to address the complex business environment of the future, characterized by a growing importance of sales and marketing performance.

1. CRM Processes and Technologies: From Operations to Analytics

In recent years it has become apparent that the adoption of a CRM solution does not itself transform a firm into an effective or "customer-centric" organization. While these solutions have indeed produced great benefits in terms of creating client-oriented processes, alone they are not able address issues such as how relevant knowledge about a lead or customer can be aggregated and injected into business decision-making processes.

In the CRM environment, one of the main difficulties has always been the evaluation of return on investment. Many organizations that use CRM solutions have not been able to take advantage of the expected business value or to measure it with appropriate performance indicators.

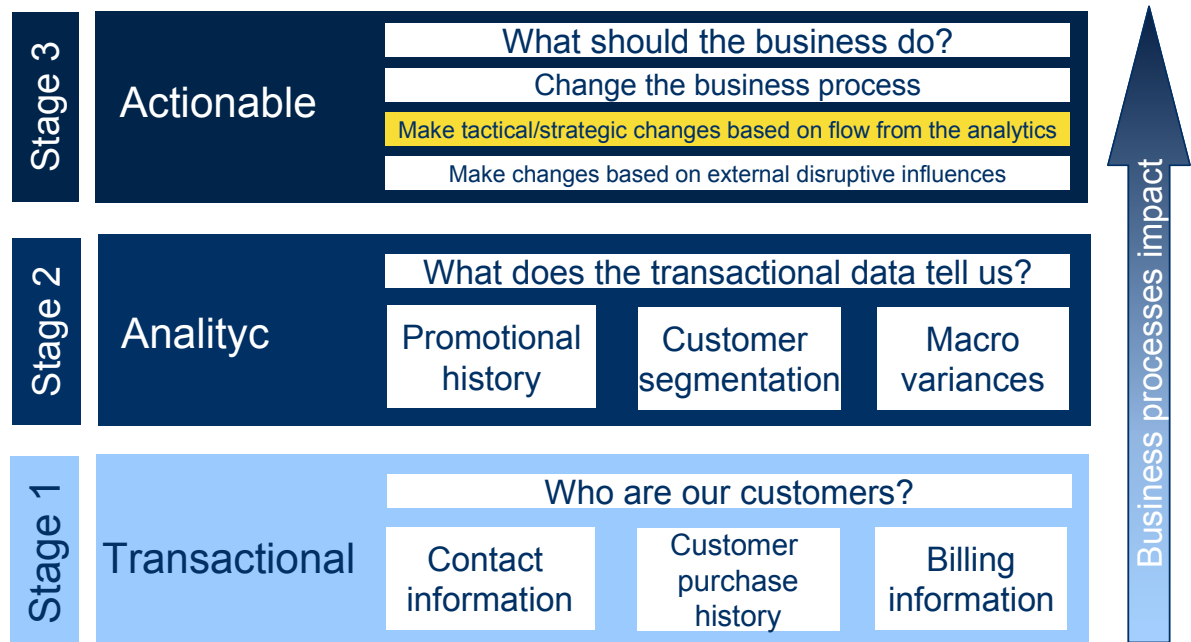
Additionally, many CRM solutions are still limited to the operational level (Figure 1, stage 1), lacking the integrated analytics functionality that would enable a comprehensive knowledge of the enterprise's relationships in order to make better business decisions.

The analytics stage (stage 2), and most of all the transition from analytics information to decisional processes (stage 3), are the areas in which companies could achieve the most significant improvements. In effect, the convergence of analytics and operational activities can boost the potential return on investment of CRM.

The multiplication of information sources (databases and non-integrated applications, file systems, the Web, information recorded by sales accounts and agents or disseminated among traditional archives) makes it difficult to achieve an overall view of the customer and forces a piecemeal approach. Optimizing CRM processes implies the ability to operate on different levels simultaneously.

FIGURE 1

The CRM Cycle



Source: IDC, 2007

Marketing and sales personnel often spend a considerable amount of time on stage 1, while top management's attention focuses on stages 2 and 3. Inefficiency, in this case, is calculated as the difficulty of translating into business action the data generated by the transactional processes and elaborated by analytic tools. Unfortunately, in many cases the decisions taken at the pyramid summit are not always fed by the information generated in stages 1 and 2, but follow their own ad hoc logic. Considering that company priorities focus on stage 3, the challenge is to adapt and transform relevant data into actionable tools for business development.

Furthermore, customers interact through new communication channels and choose and purchase according to more articulated schemes and models than in the past. Therefore, the interpretation of these dynamics is crucial. For example, in addition to traditional customer channels, Web-based interfaces and wireless communication devices are increasingly controlling company-customer relationships, shifting from merely informative channels to operative ones as well.

In recent years, the deployment of Web analytics solutions began to answer this kind of need. In fact, Web analytics solutions have been conceived to provide visibility and data on Internet site access and use. Therefore, Web analytics data can be compared to similar customer, user, and partner data coming from analysis of more traditional channels and so to single out behavioral similarities and differences in order to optimize actions within that specific channel.

The growing importance of Web sites and portals in customer relationships is driving a **convergence of Web analytics with CRM** solutions, particularly those delivered in an SaaS model.

Domodomain, an innovative solution that combines traditional Web analytics functionality with intelligent insights on Web site visitors, is part of a new class of solutions which has arisen as a result of this convergence.

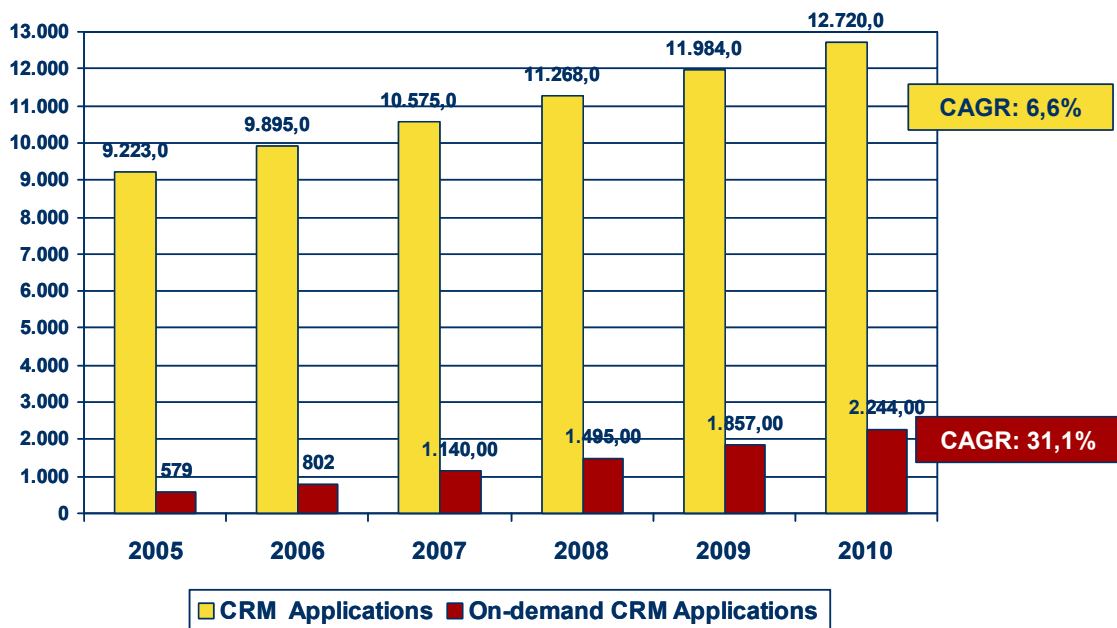
2. Software as a Service/On-Demand: Fertile Ground for CRM

One of the most interesting dynamics in the software market is the introduction of new types of deployments and pricing models that are changing the traditional delivery of applications, the most significant of which at the time of writing is the SaaS model.

CRM is one of the most fertile areas for development of the SaaS model. Figure 2 shows the worldwide market trend for CRM applications and the proportion of the software supplied in an SaaS model. The CAGR for 2005–2010 is 6.6% for CRM applications generally and 31.1% for CRM delivered as SaaS.

FIGURE 2

Worldwide Market Value for CRM and SaaS-Based CRM Applications, 2005–2010 (\$M)



Source: IDC, 2007

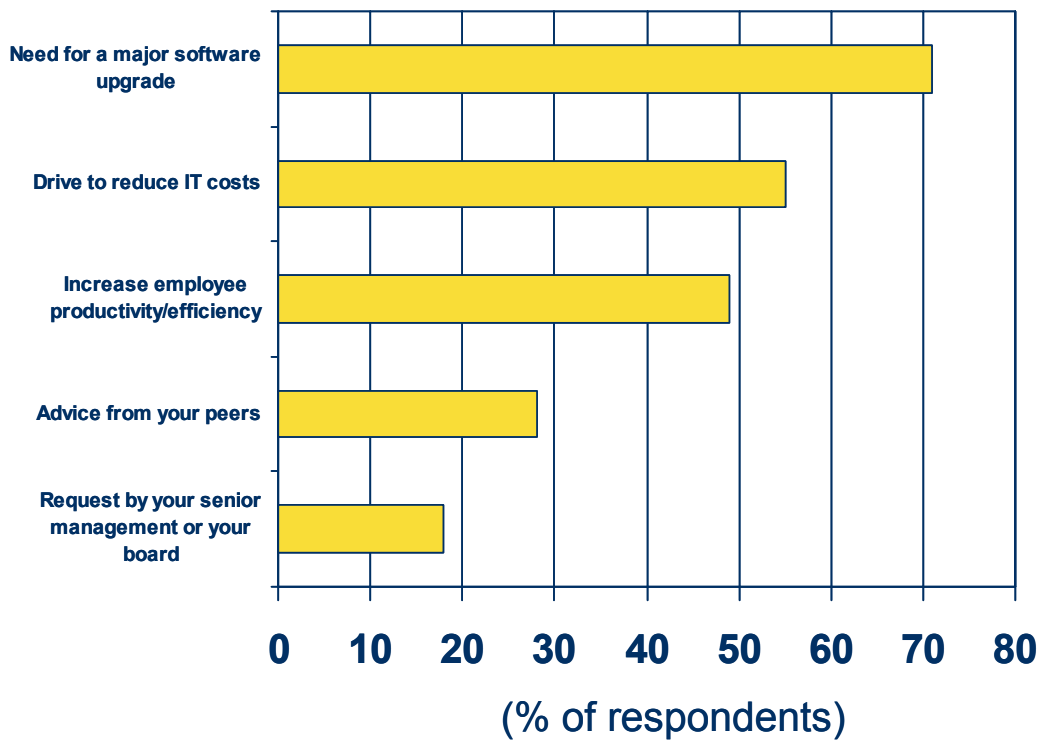
Interest in the use of software in an SaaS model is confirmed by a survey led by IDC that revealed that users highly value the ability through SaaS to update and customize applications quickly and simply, providing a high level of flexibility as well as reducing IT costs. Indeed, since CRM is directly exposed to market dynamics, companies want the continuous adaptation necessary to keep in step with business changes without incurring exorbitant IT costs and enduring time-consuming technology and data transfer processes. The SaaS model reduces time to market, making it possible to release new functionalities for new business needs in a timely fashion. This phenomenon is particularly important for analytics solutions and especially for Web analytics.

The companies surveyed also expect this characteristic of the SaaS model to drive rapid improvement in CRM solutions, which should translate into increased efficiency and productivity necessary to ensure users have more time for value-added activities.

This all being said, SaaS is still in its early stages of acceptance as indicated by its weight in the worldwide value of applicative software sales, which is still low (2.3% in 2006). However, all indicators point towards a steady increase in acceptance over time.

FIGURE 3

Main Events Driving CRM in SaaS (Software-as-a-Service) Model



Source: IDC's SaaS Adoption Study, 2006

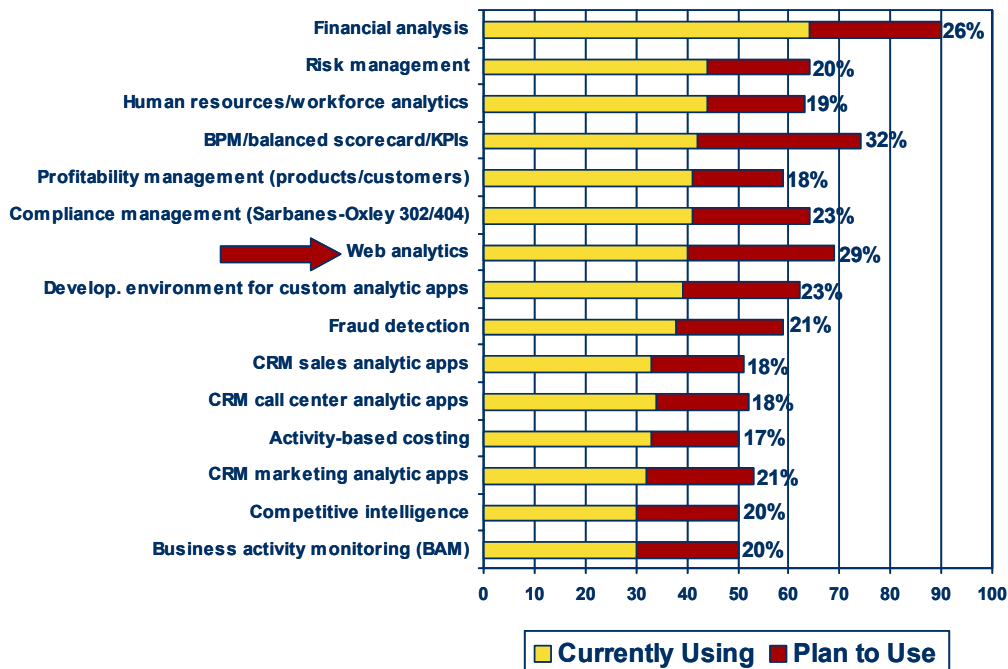
3. Web Analytics Value and Innovative Developments

Web analytics solutions monitor, track, collect, analyze, and report information about access and behavior of visitors to a Web site, to support marketing and sales activities.

The popularity of Web analytics is driven by the growing importance of the Internet in business relations. We are now witnessing the rise of new behavioral models, collaboration styles, and relationship mechanisms on the Internet (Web 2.0). A company's ability to leverage its Web presence as more than a mere billboard has become a priority and so the demand for Web analytics solutions is rising as well (Figure 4).

FIGURE 4

Level of Adoption and Investment Plans for the Main Business Intelligence/Analytics Applications



Source: IDC and DM Review's Annual Readership Survey, 2005

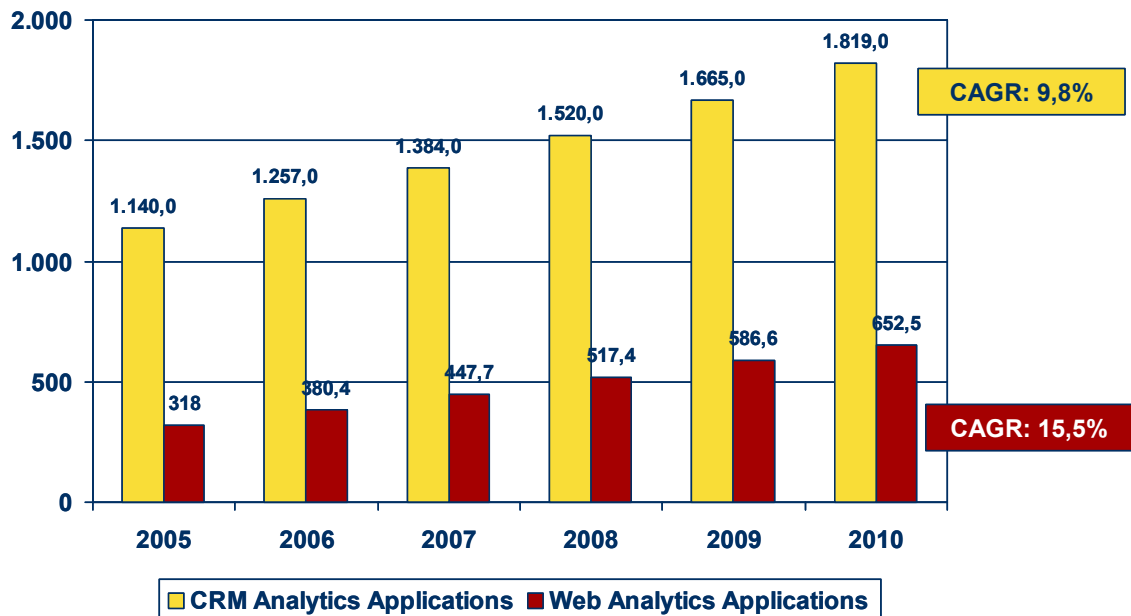
Given these dynamics, we believe that the increasing sophistication of Web analytics solutions may help users to improve not only the understanding of the way online visitors interact with the Web site — a typical functionality of analytics tools — but also to contribute to sales activity and, ultimately, to revenue generation. The convergence of Web analytics and CRM can add value to the overall marketing and sales cycle, helping to alleviate the difficulty of transforming CRM investments into real returns for the business.

The evolution of new purchase models and business-to-business relationships has made the online channel extremely important for a business to understand. This is clearly driving the strong market for Web analytics solutions in the wider context of CRM analytics solutions. With these factors in mind, IDC forecasts that the worldwide market for **Web analytics applications will grow by double digits** in the coming

years (Figure 5). IDC estimates an average annual growth rate of 15.5% for 2005–2010, greater than the overall trend for CRM analytics applications (9.8%).

FIGURE 5

Worldwide Market Value for CRM Analytics and Web Analytics Applications, 2005–2010 (\$M)



Source: IDC, 2007.

Once knowledge has been gathered about modes of access and navigation, business managers are looking for new ways to maximize the relationship with online visitors as well as to evaluate the effectiveness of online marketing.

Historically, Web analytics tools can answer a series of questions, such as:

- How many customers or users are visiting or have visited the Web site?
- Which sections or pages have been visited?
- Which online paths lead to the enterprise Web site?

A new family of Web analytics solutions is increasingly oriented to marketing and sales applications. Among the functionalities considered most innovative is the ability to solve the pressing question of **"who is visiting the Web site?"**

By supplying such important information as the name of a visitor's company, without prior registration, it is possible to look at Web visitors with new logic: **"who"** will precede **"how,"** opening the door to the **"why"** and to a series of engagement scenarios, techniques, and marketing intelligence.

Domodomain is part of this new market solution class that combines traditional functionalities of Web analytics with strong innovative features, making it possible to have a profile of an identified visitor through reverse engineering of the IP address

along with the instant aggregation, fusion, correlation, and supply of relevant information about the visitor.

Tools such as Domodomain represent powerful **lead generation** opportunities for companies that want to make the Internet a strategic channel within their business development process. By introducing automatic lead generation capabilities, Web analytics tools become a highly relevant element of CRM strategies.

One of the distinctive characteristics of the new class of products such as Domodomain is the possibility of adding intelligence to business processes. For example, visitor identification allows for a categorization of visits between customers, non-customers, suppliers, potential partners, etc., and therefore allows companies to shed more light on activity around their Web presence.

Innovative Web analytics solutions are potentially able to revitalize the traditional sales approach. In business-to-business relationships, lead generation targets are historically pursued with different modalities. With Web site development, companies have added a series of lead generation tools, such as Web advertising, email, online trade show kiosks, online events (e.g., webinars), white paper downloads, and demo downloads. These new techniques, like traditional lead generation techniques, create the same questions regarding their effectiveness and ROI, for example:

- Quantity: How many leads have actually been generated?
- Quality: Are the leads generated quality leads?
- Costs: Is the cost of using a particular lead generation technique justified by ROI?

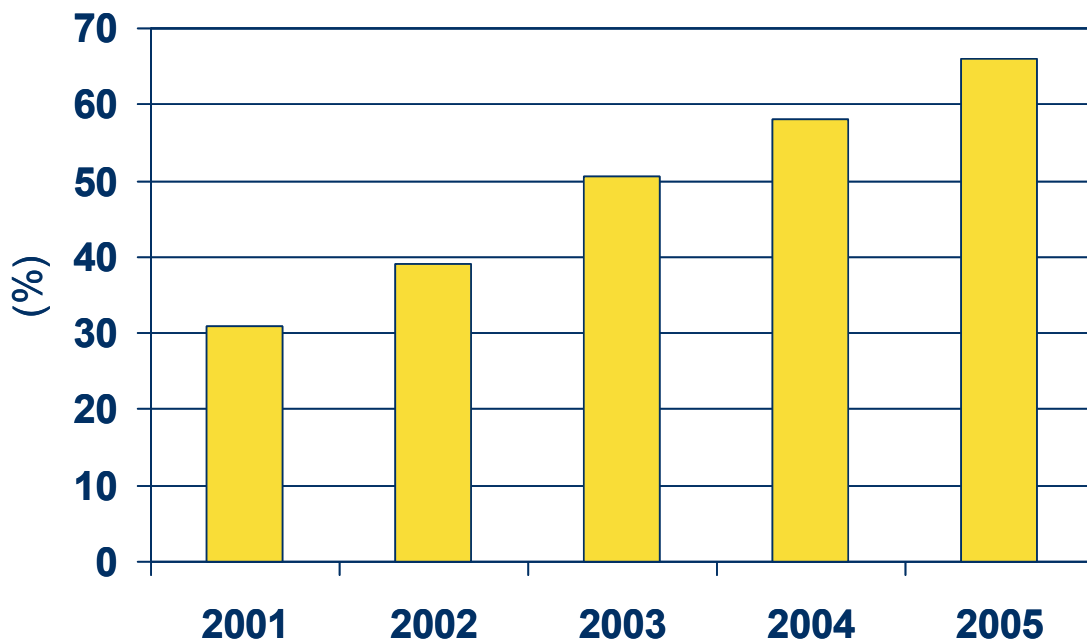
The strength of functions in emerging intelligent Web analytics tools like Domodomain offer the possibility of identifying and profiling business visitors, giving the marketing department a great opportunity to understand quantity, quality, and ROI. Marketing and sales managers must enrich their knowledge about the context in which the company operates and about the stakeholders they interact with it. This is crucial to provide top management with relevant information and analysis, shifting from a merely tactical approach to a strategic one.

The ability to know an otherwise anonymous business visitor to the company Web site — a functionality offered by **Domodomain** — can open up new opportunities and fuel new marketing and sales activities that can then be easily evaluated for effectiveness. Considering the cost that companies spend on communications and the need to translate strategic decisions into day-to-day activities, it makes sense to look at this type of innovation.

Given the economic and operational advantages of the SaaS model, vendors of Web analytics solutions have also migrated their solutions to Web-based deployments. Figure 6 shows the growth of the revenue component that the worldwide vendors of Web analytics software generate in the on-demand mode: by the end of 2005 it had already achieved 65% of overall revenue.

FIGURE 6

On-Demand Revenue Share of Leading Worldwide Web Analytics Software Vendors, 2001–2005



Source: IDC, 2007

This migration enforces convergence with CRM, which has increasingly moved to an SaaS model. Intelligent Web analytics is evolving from after-the-fact analysis of historical data towards real-time monitoring in order to better align with the customs of online business.

4. Domodomain: Intelligent Web Analytics

Domodomain is an innovative solution offering a lead generation and market intelligence service in an SaaS delivery model. Domodomain allows users to obtain **business information about the companies that visit their Web site**. This happens through the real-time identification of the company that visits the site, its profiling, and the creation of basic indicators that define the visitor's interests. This way, sales and marketing departments can enrich their insight on current and potential customers as well as on competitors, partners, and any other type of business visitor.

Domodomain can identify the companies that visit a given Web site, without the need for the visitor to register with the site. Identifiable business visitors can also be separated from private users that connect to the site through a service provider (an individual accessing from home, for example), who are normally not identifiable. This eliminates a source of noise in the data.

Once a visiting company has been identified, Domodomain provides several functions to research and profile it with aggregated information and news from public and private sources.

Domodomain then lets users create their own "tags" to categorize visiting companies according to any criteria they wish. Since Domodomain lists visiting companies both in **real time** and with historical reports, users can easily monitor the current and past behavior of specific companies or types of companies.

Domodomain groups the pages of a Web site that are characterized by similar concepts. The underlying technology is an advanced algorithm for behavior and interest analysis, with sophisticated pattern matching and text mining capabilities on unstructured content. This allows Domodomain to understand and report what a company is interested in during a visit.

Domodomain displays a list of the visiting companies together with a set of typical Web analytics data such as the precise pages visited, the time passed on certain pages, how many times the site was visited in a given period of time by the same visitor, etc. In addition to this traditional data, Domodomain acts as a **Web lead generation** dashboard to fuel marketing and sales actions.

Domodomain can be useful to companies in the following ways:

- Different considerations may be made, for example, if the visitor is already a customer, or a competitor, supplier, etc. Commercial initiatives may also be adjusted on the basis of the interests expressed by visitors during the visit. This way, salespersons can gather useful insight to prepare for a first call to the visiting company.
- Evaluations can be made as to the effectiveness of the company's Web site. For instance, one can look at which companies appear more interested in a page, product, or service, how long they view certain items, and how often they check back in for updates. This information can then be correlated with visiting companies' characteristics (competitor, partner, potential customer) to optimize the Web site contents according to the users' profiles and behavior.

- ☒ Measurements can be made on the effects of marketing and communication initiatives: for example, following a mass mailing it is possible to know how many and which of the campaign target companies have shown their interest by visiting the site multiple times.

One of the greatest challenges for marketing, sales, and customer support is the effective interpretation of the phenomena surveyed and their translation into business actions. Through continued use and study of the results of a tool such as Domodomain, a virtuous circle can begin where actions can be constantly adjusted against visitor behavior.

5. The salesforce.com-Domodomain Partnership

The introduction of Domodomain into the salesforce.com ecosystem, announced in December 2006, can be considered an important event for SaaS CRM offerings.

In January 2007, Domodomain became part of the salesforce.com AppExchange, which is in effect the first marketplace for worldwide on-demand applications. For an ISV that supplies software on-demand such as Domodomain, the AppExchange is a hosting and application management platform that allows the insertion of its applications as plug-ins for the applications of salesforce.com. From a commercial point of view, this vehicle enables Domodomain to broaden its potential market by easing access to those companies that already take advantage of the Salesforce CRM platform. In fact, salesforce.com's customer base is currently made up of more than 600,000 end users that are also characterized by a greater readiness to use on-demand applications.

Domodomain has achieved a high level of integration in the Salesforce interface. For instance, the user is presented with a dedicated Domodomain tab that allows access to all of the functions listed in the previous section without having to leave the Salesforce environment.

Companies using the Salesforce CRM/Domodomain "suite" can instantly understand whether Web leads generated by Domodomain are already managed by Salesforce, avoiding duplication. Conversely, they can also transfer new Web lead information and related profiling data into Salesforce managed leads with a one-click process.

As demonstrated by this integration with Salesforce, Domodomain integrates into a CRM solution those functionalities of Web market intelligence that may contribute to better efficiency of business development initiatives, considering that:

- ☒ Lead generation activity is costly and ROI is difficult to measure.
- ☒ The number of business visitors that do not register with Web sites is very high.

Companies today increasingly need to profile their current and future customers by monitoring as much as possible their modes of interaction among the different communication channels, particularly online channels, which are taking on increasing importance. CRM solutions act as a hub for customer and market information. When CRM is supplied in an SaaS model, as in the case of Salesforce, the integration with SaaS solutions such as Domodomain enables the feeding of leads and relevant insights culled from the company Web site directly into the CRM service. A CRM solution that integrates a market intelligence tool allows users to increase the value of

their own current and future customer base, adding relevant real-time information on the interaction between the company and user's Web sites.

CONCLUSION

All vendors are improving their own Web analytics capabilities towards more extended functionalities. This will drive competition among pure-play (dedicated) Web Analytics, CRM, Enterprise software companies or new comers that may enter the market through acquisitions. The challenge for vendors (and users alike) is to accurately and usefully address and analyze not only Web data in greater depth but also multichannel activity in real time.

On-demand Web analytics constitute an increasing proportion of new business for Web analytics vendors. Within this group, Domodomain has established a visionary path that supports the needs of customers to exploit the lead generation potential of their Websites while opening opportunities to expand their CRM strategy.

IDC believes that the most critical long-term challenge for vendors like Domodomain is to ensure that customers can effectively leverage the existing tie between CRM applications and Web site management strategies. Marketers should seek a Web analytics solution that does more than provide statistical data. Reporting and insights should be as decision-centric as possible with respect to overall sales and marketing programs.

Domodomain has positioned itself to address the requirements of this converging scenario and is well positioned to address the complex business environment of the future, characterized by a growing importance of sales and marketing performance.

Domodomain supports a wide range of decision-centric user needs, ranging from pure Web Analytics to advanced sales and marketing intelligence. Companies willing to embrace a more effective approach to CRM may consider this kind of solution as an opportunity to create an operational and decisional environment that integrates Web analytics into CRM systems and strategy.

This is all the more evident from the common path elaborated by Domodomain and salesforce.com. Integration across their products should address the converging scenario above described. In the case of Domodomain users, the product integration makes it easier to exploit the potential of Web-based CRM, starting from a powerful lead generation technology. For salesforce.com it is not only the integration of a Web Analytics module but the addition of value-added capability into its architecture and community.

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