

WebSideStory Widens Web Analytics Reach in Visual Sciences Buy

Bill Gassman

WebSideStory gains a software offering that will compete well with market revenue leader WebTrends. Companies should have deep experience with Web analytics before considering the Visual Sciences offering.

NEWS ANALYSIS

Event

On 1 February 2006, WebSideStory announced that it has acquired Visual Sciences for \$57.3 million. Visual Sciences will operate as a wholly owned subsidiary of WebSideStory. Its cofounders, Jim MacIntyre and David Scherer, will serve as CEO and CTO, respectively, of the business unit.

Analysis

People who build Web sites and Internet marketing professionals will benefit from this acquisition. It points to new levels of requirements in the Web analytics market and the operational maturity needed to reap the benefits.

WebSideStory offers Web analytics solutions, including marketing functions such as site search, Web content management and keyword bid management. It boasts 47 percent growth and satisfied customers across a range of usage maturity levels. WebSideStory delivers its offering via the application service provider (ASP) model. Visual Sciences is a small Web analytics firm with a high-priced, higher-value offering, delivered via an ASP or product model, that also offers cross-channel analytics, such as interactive voice response applications. Visual Sciences has approximately 50 sophisticated customers.

With this deal, WebSideStory gains a non-ASP offering, the lack of which has prevented it from winning business from WebTrends (which has both ASP and product models). WebSideStory benefits from the deep industry knowledge of key employees from Visual Sciences, who will remain. The Web analytics market gains from the attention this announcement will generate in the financial community. The impressive purchase price (seven times Visual Sciences' annual revenue) indicates the value of this market, which will drive investments.

However, WebSideStory faces challenges. It must:

- Avoid disruptions in new customer sales due to merger turmoil. The market for new Web analytics customers will exceed \$80 million in 2006, and WebSideStory can't afford to miss capturing its share of new business.
- Position the Visual Sciences product without detracting from the perception that its current product, HBX, is also capable of addressing high-end needs such as customer segmentation.
- Further customer maturity through education. That will help increase the market for the Visual Sciences analytics platform and its features. Many businesses struggle to attain value from basic Web analytic tools.

Recommendations

- **WebSideStory/Visual Sciences customers:** Expect little, if any, disruption in product support and announced product road maps.
- **Companies seeking Web analytics solutions:** Consider the Visual Sciences offerings only if your organization is already a sophisticated user of Web analytics products.

Analytical Source: Bill Gassman, Gartner Research

Recommended Reading and Related Research

- "How to Choose an Advanced Solution for Web Site Analytics" — The key criteria for a Web analytics solution are price, training, ease of use and vendor viability. **By Bill Gassman**
- "Google Sparks New Competition With Free Google Analytics" — Google's move is a competitive threat to most of the 70 vendors in the Web analytics market. **By Bill Gassman**

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