

# "How Ya Doin'?" -- A Traffic Analysis Primer, Part Two

By Loren G Tindall

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Loren G Tindall  
ltindall@webmarketingunlimited.com

Web Marketing Unlimited <http://www.WebMarketingUnlimited.com>

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In the previous installment of this series, we took a look at some of the basic numbers available to help you track activity on your web site. If you need to refresh your memory, you can find the article, "How Ya Doin'?: A Traffic Analysis Primer, Part One", in the Archives.

I hope that you took the time to sign up for one of the web statistics providers I mentioned in the last article. If you haven't -- WHY NOT? Two out of the three options I recommended are free, so there's really no reason for you to not to take advantage of this very powerful marketing tool.

Today, I'll cover how to use your monthly traffic reports to optimize your advertising and marketing decisions. For that, you need to know...

## Unique Visitors

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The number of unique visitors your site receives each month can be very useful information. If you know what your monthly expenses are -- hosting, advertising, and labor, to name a few -- you can determine how much each visitor is costing you. For example, if your combined monthly expenses last month were \$7,000 and you had 20,000 unique visitors, it's simple enough to do the math and see that each visitor had an attached cost of 35 cents. To make this seem more scientific, let's call this your Cost Per Visitor (CPV).

## Why Is This Important?

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Combine this information with how much each visitor is worth and you are on your way to making intelligent decisions

about the future of your website.

To determine how much each of your visitors is worth, simply take your overall monthly web site revenues and divide it by the number of unique visitors. For example, if you know that your web site grossed \$10,000 last month and you had 20,000 unique visitors, you know that each visitor was worth an average of 50 cents. We'll call this your Gross Profit Per Visitor (GPV). With this information in hand, you can now determine how much you are willing to spend on advertising.

Let's take an easy example like pay-per-click advertising. Overture (formerly GoTo) offers the advertiser (that's you) the opportunity to bid on the number one position for a search term like "chocolate". Because Overture shares its search term results with major search engines like AltaVista, Lycos, Netscape, and Yahoo, this Number One position is highly desirable. As you might imagine, the bidding gets fairly intense a few weeks before Valentine's Day and this year you would have had to spend 52 cents per click if you wanted your listing to appear in the Number One position.

"We Lose Money With Every Click, But Make It Up In Volume"

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Since you know that each visitor to your web site is worth 50 cents, you can see that you would lose two cents every time someone clicked on your Overture listing for "chocolate" if you wanted the top spot. If you are looking primarily at up-front profitability this would obviously not be a wise business decision, but there are a couple of scenarios where you might decide to bid for this position nonetheless.

The first scenario is if you are looking for leads for future business development. If your site is designed to capture names and email addresses of people interested in your product, a pay-per-click search term listing would be an excellent way to get people to visit your site. The cost of the initial click would be offset by the potential revenues from future direct marketing efforts to those who give you their contact information.

The second scenario is if your advertising objective is to create or expand public awareness of your product or services. The validity of branding continues to be debated, with the battle lines roughly drawn between advertisers who want quantifiable results, and agencies who claim that public awareness creates unmeasurable benefits. Depending on where you stand in this debate, you may decide that the cost of being the first listing to come up when someone searches for chocolate on Yahoo is worthwhile.

## Move To The Head of the Class

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By going through the simple exercise of identifying your CPV and GPV, you have taken a step many people either miss or avoid when planning their web site strategy. This simple step can mean the difference between making money or -- well, not.

In the next installment of this series, we'll take a look at how to use your traffic statistics to determine if your web site design is as effective as you think it is.

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Loren G. Tindall hosts Web Marketing Unlimited, which offers "Practical and Proven Resources For the Internet Marketing Community."

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