

Profitability Analysis Sample

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2009

This is a sample of a profitability analysis of Citynet's WVOnline domain which I last worked on in the early summer of 2009. It has been edited to remove the actual financial or traffic data for WVOnline.

WV Online

WVOnline.com

Income Analysis and Plan for Improved Profitability

Overview

WVOnline.com is designed to connect consumers with West Virginia merchants. It facilitates this connection by hosting business listings that can be browsed or searched and by offering the “DealMaker” which allows consumers to request bids from the merchants for a product or service.

Audience

The target audience of WVOnline.com can be divided into two categories: merchants and consumers. Merchant are business owners seeking to list their business on WVOnline.com as means of increased advertising and sales leads. Consumers are visitors to the site that are looking for business listings, products, or services in the West Virginia area. The bulk of all site visitors fall into the consumer category, while those that are visiting the site to create or manage their business listing make up the smaller merchant category.

Monetization

There are currently three methods of monetization on WVOnline.com: general ads, paid-placement ads, sale of leads. Each of these types generates revenue on a different basis, and based on different user groups.

Ad Space

Ads placed on the main page and on sub-pages can generate revenue on both a per-impression and a per-click basis. Currently these ad spaces are usually filled via Google AdSense, although we have the capacity to sell ad placement in these spaces should we have a better offer. Ad space revenue can be generated by any visitor to the site, but primary generation would be from consumers. It is also more likely that a consumer would click an advertisement than a merchant would click on an advertisement.

Paid-Placement

Merchants can pay a monthly fee for preferred placement within category listings and search results on WVOnline, and can also pay to be featured in the “In The Spotlight...” section on the main page. These increased rates also allow for larger descriptions and linking to their own web pages. Paid-placement revenue is completely driven by merchants.

Lead Sales

Requests for information and deals from WVOnline can be sold to merchants on a per-lead basis, or at a rate that covers all leads generated within a time span. These leads let a merchant contact a customer who is already interested in their products which is much more likely to generate a sale. Lead sales are

driven by both consumers and merchants: consumers must place the request, and merchants must pay for the leads.

Competition

Because of the nature of WVOnline.com as a portal between consumers and merchants, it's hard to identify its direct competitors. Searching the term "West Virginia Business Listings" shows WVOnline.com in 10th place, lead by several national business listing sites as well as West Virginia specific websites such as www.wv.gov and www.visitwv.com. A search for "West Virginia Lead Generation" reveals a number of national lead generation services specializing in certain areas, such as mortgage leads or insurance leads.

Searching specific business names shows that there are a number of national services such as www.merchantcircle.com that are offering business listings with feature sets that match our more advanced listings, and often don't seem to require any action on the part of the business owner. Most of these listings seem to be created automatically based on phone directories or other publicly available information. These listings appear much higher in search results when searching for specific business names.

Profitability

The profitability of WVOnline.com is based on how well we have done in profiting on our monetization paths. Unless otherwise noted, the statistics below are based on all data available since the site launched in October 2007.

Google AdSense

Based on profit statements from Google AdSense for the months of February 2008, March 2008, April 2008, December 2008, January 2009, February 2009, March 2009, and April 2009, the average income from ad spaces is \$XXXX.XX per month. This value may be affected by the limited data set used to complete the analysis.

Paid-Placement

There are currently XXX paid placement subscriptions for WVOnline.com, all of which were created at or before the launch as migrations of subscriptions from the old site design. None of these subscriptions is for the full "Gold" subscription, and in total they generate \$XXXX.XX per month.

Lead Sales

To-date, there have been no paid subscriptions for leads from WVOnline.com. There have also been no leads generated from WVOnline.com in that time.

Forecast

With a flat conversion rate of XX.XX% over the last twenty months for both paid-placements and lead sales, it is likely that the conversion rate of these parts of the website will remain stagnant for the foreseeable future. Website traffic has declined by almost half since its peak in November 2007, and it can be expected to continue declining. Barring the withdrawal of our current subscribers, WVOnline

should continue to earn approximately \$XXXX.XX per month, declining slightly over time as search traffic continues to decline.

Analysis

The 2007 revision of WVOnline.com laid a solid foundation for profitability by defining a targeted niche that seems to currently be neglected, and by creating multiple avenues for monetization. Unfortunately, the site has not realized that profitability due to three major factors: low site traffic, unfocused user interface design, and high price-points for site features.

Site Traffic

Since its re-launch in 2007, Google Analytics has tracked XX,XXX visitors to WVOnline.com or roughly X,XXX searches per month. A check of Google search term volume finds that this is only a small fraction of the estimated 2,740,000 monthly searches for “West Virginia”, the 90,500 monthly searches for “West Virginia state”, or hundreds of thousands of other searches done on related phrases. While WVOnline.com is not competing for such general search terms, this information does show that there is a much larger volume of West Virginia related searches each month than reaches WVOnline.com. This can also be seen in Google Analytics’ report on traffic sources for WVOnline; only XX.XX% of visitors that reach WVOnline.com are reaching it through a search engine.

This data indicates that WVOnline is not properly optimized for search engines, or not targeting the most effective keywords and phrases. Site traffic is the key all of WVOnline’s monetization paths, and so improvements to WVOnline that increase its Search Engine Optimization (SEO) should be paramount. If improvements to the site’s SEO resulted in capturing just XX.XX% of the global searches related to “West Virginia” would increase traffic to WVOnline by a factor of ten.

Interface Design

WVOnline.com experiences a XX.XX% bounce-rate, which means that XX.XX% of visitors leave the site after viewing on a single page. While this is not by itself a bad thing, since users could be jumping directly to the page that they want, but focusing on the home page yields a bounce rate of XX.XX%, and that the home page is the last page on the website that XX.XX% of visitors see. Given a high bounce-rate and high exit-rate on the home page, it is reasonable to assume that many visitors that reach the main page immediate exit afterwards. This indicates that the main page is convincing a large number of visitors that this is not the site they need, either by being unclear in the site’s purpose, offering poor navigation, or otherwise dissuading users from exploring the site further.

Visitors who do explore the site further find that many areas of the site require that the user create an account in order to access its full features. Many studies have shown that web users dislike needing to register to use site features, and the impact of this dislike can be seen in the number of account registrations for WVOnline.com: since it launched in 2007, there have been X,XXX new account registrations, or roughly XX.XX% of all visitors. While this is not by itself a bad thing, our two most lucrative monetization paths require that a user create a login, as do all of our traffic-increasing social features.