Media iQ

THE PRAGMATIST'S GUIDE TO PRECISION

Why your targeted advertising is out of step with society, and how to fix it

Addressability and the new media landscape

In this edition of Media iQ, leading addressability experts Begüm Aras Yoldaş and Andrew Spurrier-Dawes take a candid look at why targeted advertising often fails to live up to the hype. From the wave of consumer frustration and privacy legislation sweeping the globe, to the frantic dash for first-party data as cookies crumble, they posit a smart and pragmatic way forward for brands.

Addressability has been hailed as the silver bullet for the chaotic world of digital advertising. Zealously pitched as a hyper-precise way to find audiences across platforms, activate against them and measure the impact of our ads. But there's a problem. This requires data. And as we all know, the old data structure is not what it used to be.

The bad and good of third-party data

The sad truth is that sometimes the more precise you want to be, the less accurate you are.

We define addressability as the ability to find and target an audience with a piece of personalised messaging, learn what resonated, and then apply those learnings to future campaigns.

When it comes to third-party data, the promise of that targeting is often broken in the actual delivery. One study found that using data to target gender was 42% accurate, 8% less than the 50% split in natural gender population[1]. This means the company in question would have had a better chance of reaching their desired gender if they had used no data at all, with the added bonus of not paying for it!

The same study found that when you add another parameter – in this case gender + age – targeting accuracy halved to an average of 24%, with a range of 13% – 32% across all the different data partners used.
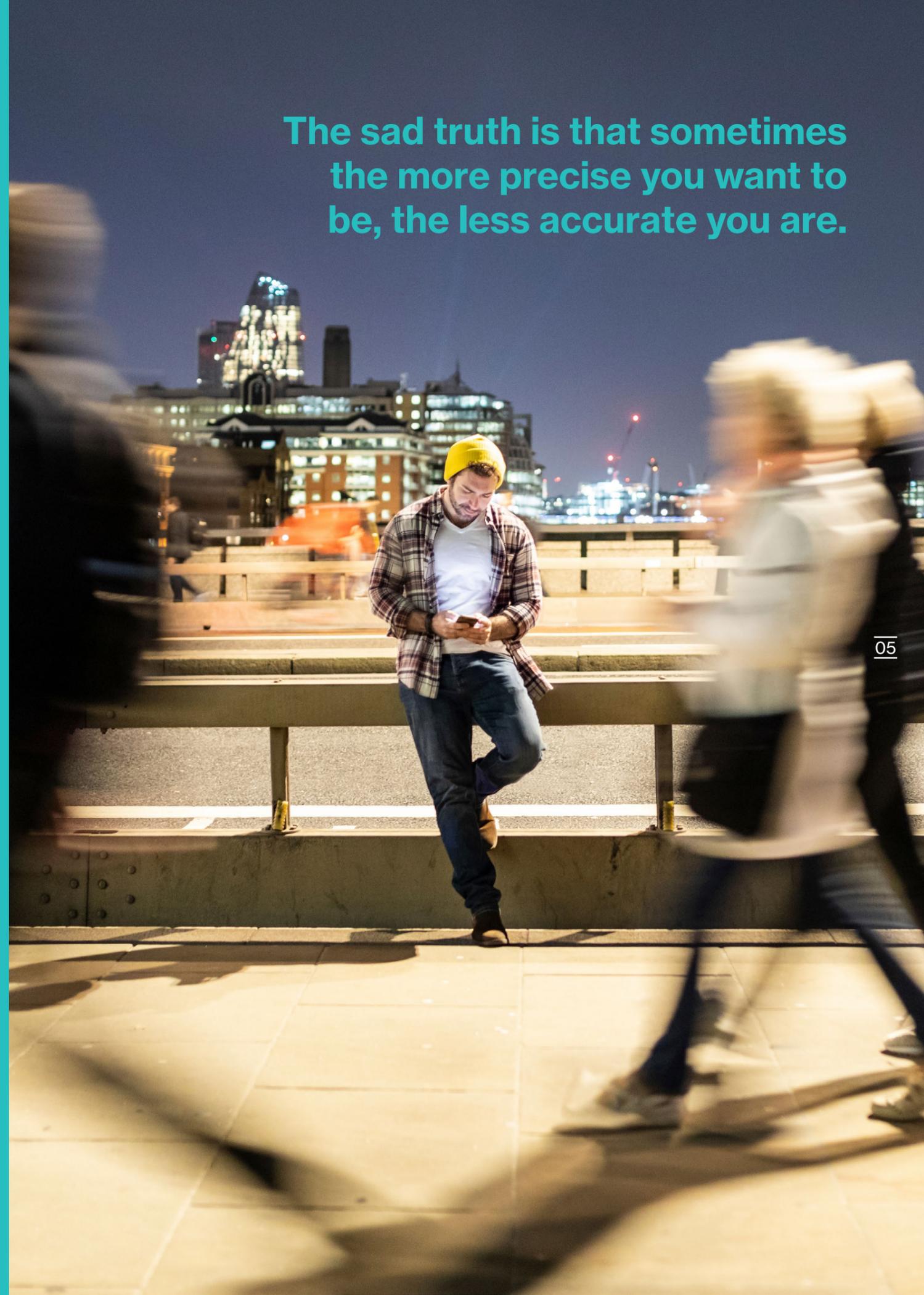
The sad truth is that sometimes the more precise you want to be, the less accurate you are.

Of course this is one isolated study and there will always be a range of quality in the supply of anything, data or otherwise. Data brokers typically are just making guesses about you based on your digital actions, and then wrapping you up into groups to sell to advertisers. The quality data sets belong to content and app owners, who can monitor what you do in their walled gardens and tie that back to an action.

For example, **Meta** (formerly **Facebook**) is incredibly good at watching people perform an action (viewing a video, making a purchase) and then tying it back to their behaviour so it can encourage them to do the same again for an advertiser – as well as finding similar people to do that action too.

[1] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3203131

Legislation and public opinion

The challenge is that people are becoming frustrated with the lack of transparency in how their data is kept and used, with a deluge of data and privacy regulations making us more aware of our rights. According to a study by **Cisco** last year, 86% of people say they care about data privacy, 79% said they are willing to spend time and money to protect their data and 47% have said they have switched companies or providers because of poor data practices[2]. This is not something that can be ignored.

Legislation is catching up with public opinion, and regulation is coming thick and fast, with GDPR in the EU, CCPA in California, PIPEDA in Canada, PDPB in India, POPIA in South Africa, LGPD in Brazil – you get the picture.

Over 800 fines have been issued under GDPR since it became law; in Q3 2021 total fines were nearly €1 billion — 20 times more than the total for Q1 and Q2 2021 combined[3,4].

If people are given the option to opt out of tracking, they will, and countries are making it easier for people to do so, reducing the ability of platforms and data brokers to match the action of the individual to their profile. According to Branch, 74% of people who are given the option to opt out, do[5] and anecdotally that has led to Meta not being able to see 42% – 64% of sales generated from their ads[6].

This is not a criticism of Meta, but of the desire of the industry to flog a system that consumers simply do not want. The invisibility from opting out can lead to misattribution in sales, which can lead to mis-optimisation, wasted budget and missed opportunities for growth.

It is worth pointing out that Meta has introduced modelled conversions to help plug this gap, using data to model what conversions would be if they could track fully and thereby enhance optimisation.

If the third-party tracking system in the Surveillance Capitalism machine (*h/t Shoshana Zuboff and her excellent work) is crumbling, we need to question if it is wanted, needed and more pertinently, able to deliver the outcomes we want.

Editor's note: h/t stands for hat tip. It is derived from the genteel custom of tipping one's hat to an acquaintance and is used on social platforms, most commonly Twitter, to acknowledge a source.

The other side of addressability is first-party data, data collected by a business and used for individualised targeting. While the third-party data world is slowly crumbling, the ability to use first-party data to target people will never go away. But what we collect, how we collect it and how we are able to use it will evolve – this is a key area of opportunity.

74% of people who are given the option to opt out, do

[2] https://www.cisco.com/c/dam/en_us/about/doing_business/trust-center/docs/cisco-cybersecurity-series-2021-cps.pdf?CCID=cc000742&DTID=odicdc000016&OID=rptsc027438
[3] https://finbold.com/gdpr-fines-q3-2021/
[4] https://www.tessian.com/blog/biggest-gdpr-fines-2020/
[5] https://blog.branch.io/attribution-after-ios-14/
[6] https://www.bloomberg.com/news/articles/2021-07-14/facebook-fb-advertisers-impacted-by-apple-aapl-privacy-ios-14-changes
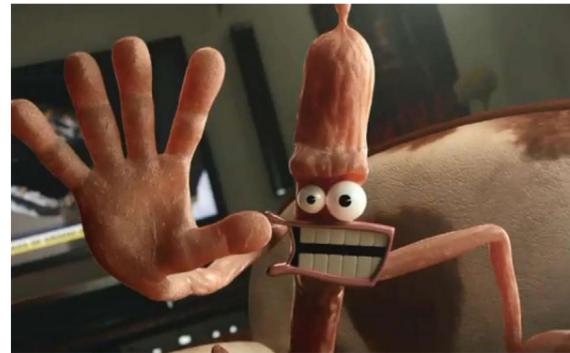
First-party data, customer relations and experience

This is the one area of data in which there is any sort of certainty and clarity. Brands can use first-party data to have an ongoing relationship with customers – as long as they have their consent to store and use it for marketing.

But as companies rush to set up robust first-party data systems, collecting it is getting harder and harder to do. Brands have to offer something to the consumer in exchange for their data and this has created an experience war.

Consumer packaged-goods (CPG) firms like **Budweiser** and **Peperami** are giving away free products in exchange for an email address, beauty brands like **MAC** are offering consultations and exclusive content behind log-ins, even discount retailers like **Lidl** have started loyalty programs. All of this is expensive – the cost of setting up and maintaining these systems, of giving away products or discounting, and the opportunity cost of prioritising this over something else.

On top of this, outside CRM and the walled gardens, first-party data is difficult to use, especially globally. The match rates of data-matching partners vary wildly when creating an addressable, unified ID from an email address. The match rates of these Unified IDs also vary, making reach of your data difficult. The biggest variance comes in geography; markets like the US have greater data sets due to a historical lack of privacy laws and scale of innovation, but the rest of the world is a different story.

The apologists for the surveillance economy will argue that the loss of third-party cookies and the laws against tracking are a step backwards for small businesses. The ability to find an individual, serve them a targeted piece of communications close to the point of purchase and build a customer base to drive growth seems like a founding principle of online marketing.

This is flawed thinking. If a business can't survive without invading privacy then it's not a good business. We have seen that if people are given the option of being tracked or not, they choose not, so relying on the margin of profit extracted from precision delivered by the invasion of privacy is not viable – or any way to respect consumers.

Does this mean that the internet will be dominated by large brands with the budgets to own premium spots as part of vast reach-based campaigns? It does not. There are many ways to be precise without targeting an individual based on data (which as discussed, is often poor quality).

This brings us to contextual targeting. **Dotdash Meredith,** the largest print and digital publisher in the US, sees better performance from contextual ads vs behaviour- or cookie-based ads every time[7]. Context gives us plenty of opportunities for scale as well as finding the right people. There are over 500 hours of video uploaded to **YouTube** every minute of every day as of Feb 2020[8] and that's just one site. Let's not forget that it worked for many years pre-internet in TV, press, radio and cinema. It is always about balance.
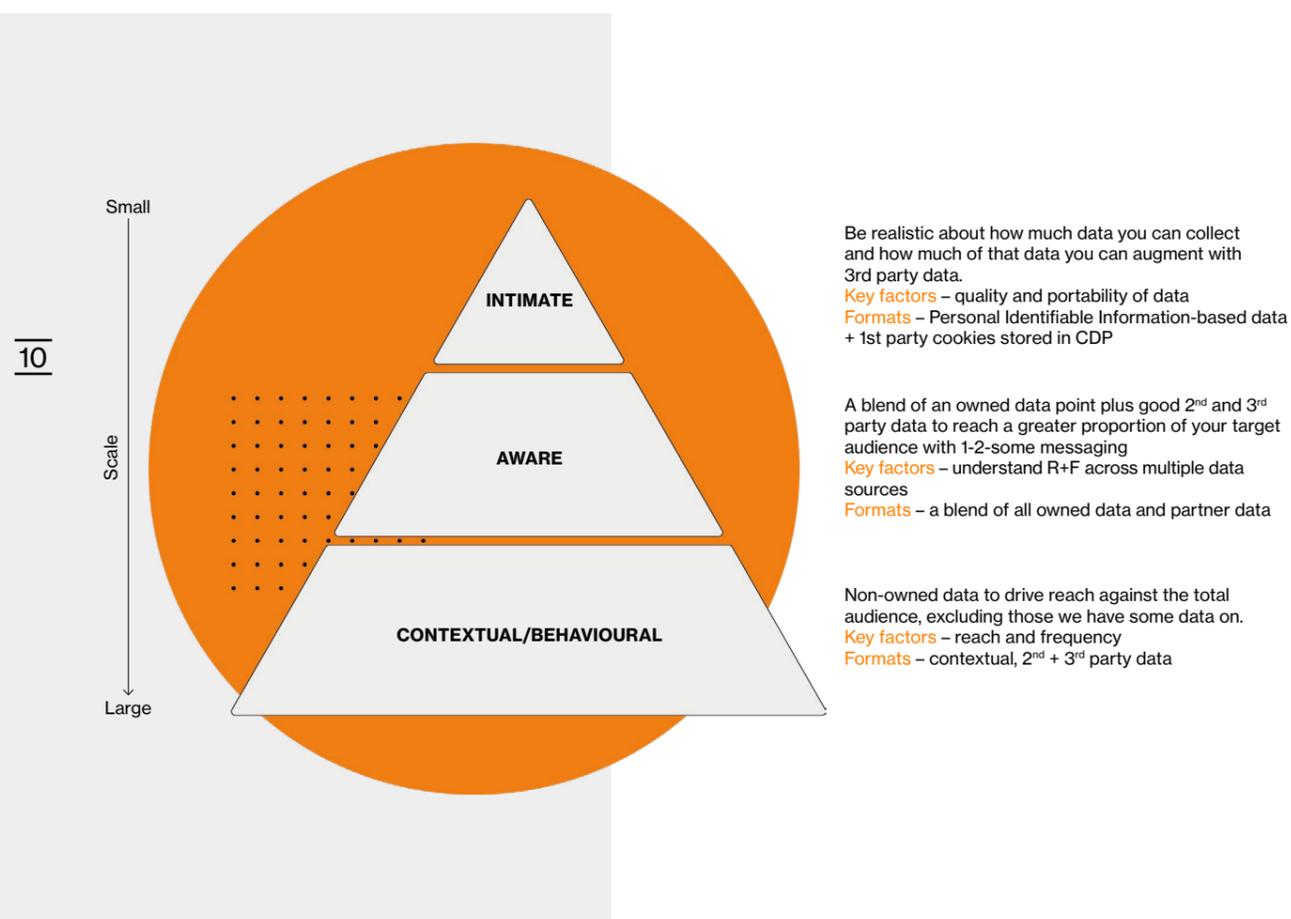
Can you have precision and scale?

The audience model of the future

We know that the pace of innovation is speeding up and the tactics to test are growing ever-more complex, but the path for advertising and media, from starter to challenger to established brand, follows largely the same principles. This means we can use a consistent approach when figuring out the role of addressability in the new media world.

The Dotdash Meredith example is interesting in that they mix contextual with first-party data in a blended approach which is perhaps the basic audience model for the future:

01 a core group with which you have an intimate relationship

02 a larger group about which you have some knowledge, that works with…

03 …a large, open group where you use their browsing to target in the moment

Small

Scale

Large

INTIMATE

AWARE

CONTEXTUAL/BEHAVIOURAL

Be realistic about how much data you can collect and how much of that data you can augment with 3rd party data.
Key factors – quality and portability of data
Formats – Personal Identifiable Information-based data + 1st party cookies stored in CDP

A blend of an owned data point plus good 2nd and 3rd party data to reach a greater proportion of your target audience with 1-2-some messaging
Key factors – understand R+F across multiple data sources
Formats – a blend of all owned data and partner data

Non-owned data to drive reach against the total audience, excluding those we have some data on.
Key factors – reach and frequency
Formats – contextual, 2nd + 3rd party data

This pragmatic approach to audience is based on the *realistic* opportunities that a brand has to own privacy-safe data, which is in turn based on its potential value exchange with consumers. The prioritisation of intimate, aware and contextual data will vary according to sector and product. If you are a brand whose audience includes most people (snacks or cleaning products for example), your ideal data mix will differ from a brand with a binary audience where you are in or out

(pet ownership for example). The more binary the audience, the more precise your data mix must be.

This is the future of addressability, of audience targeting. It's a sophisticated mix that takes the best data available to your brand, in your sector. Let's not waste time trying to replace an intrusive world that isn't wanted by people or lawmakers when there's a real-world, right-way to reach consumers where everybody wins.
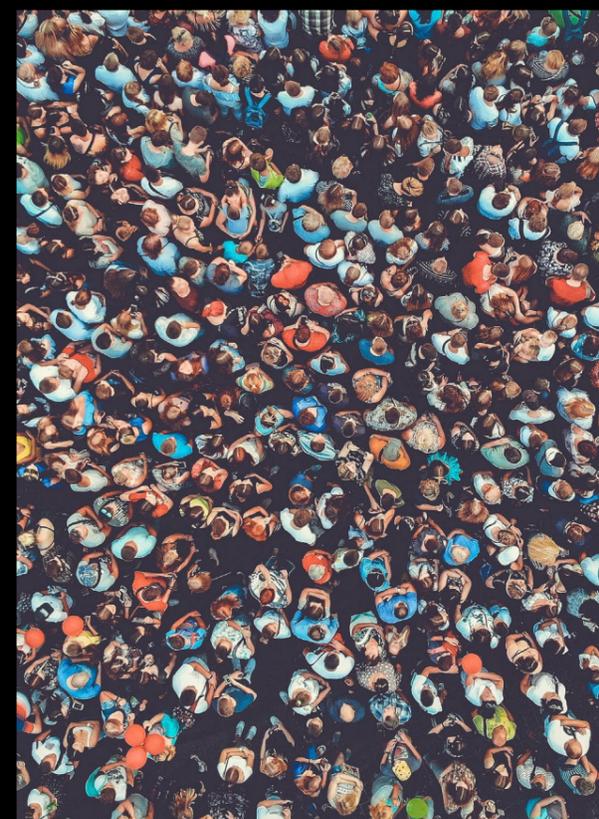
Addressibility in 2025
Oli Saunders, Global Head of Addressability & DCO

Wavemaker is an active contributor to the Addressable Content Practice (ACP), a hyper-collaborative and innovative joint venture between GroupM, its constituent OpCos and Hogarth, WPP's production powerhouse. Together, this world-class group is driving revolutionary work to unlock the ambition that 85% of digital media will be Addressable by 2025. It's being realised through 3 core initiatives:

01 automating our proprietary end-to-end process, to enable crisp and scaled delivery within a complex stakeholder ecosystem

02 systematising the discipline of production, to deliver intelligent creative within a controlled environment

03 codifying the deep, elapsed learnings from three decades as an advertising conglomerate, extracting all available data-led insight to author causal AI models that help us predict the wisdom of cohorts.

When activated in the Wavemaker habitat, this gives us the repeating ability to show more appropriate creative to lesser-known audiences, at industrial scale, enhanced with cleverly incorporated contextual triggers, and enriched with testing frameworks from which we can know truths and dispel myths; and then sharpen the model with every revolution. It is a future of Addressability that resembles the evidence-based mathematical rigour of quantitative finance more than our industry's historic approach, and it is already driving significant value for clients."

MediaⁱQ

Addressability and the new media landscape

Begüm Aras Yoldaş
Head of Digital & Insight
begum.aras@wmglobal.com

Andrew Spurrier-Dawes
Head of Precision, EMEA
andrew.spurrier-dawes@wmglobal.com

Wavemaker