

Balancing Performance And Trust:


What's Next For
Online Targeting?

Introduction

■ A reality of the internet and a digitally connected world is that there will also be some form of targeting. With [Statista](#) suggesting there are currently around 4.6 billion people – or 59 percent of the global population – using the internet around the world, digital marketing without accurate targeting can only be compared to searching for a needle in a haystack.

And while online targeting has traditionally been rooted in cookie-based online tracking methods, there is now a need for targeting techniques that are based on real-world indicators and data, rather than web browsing history in order to achieve results.

In this piece **Boris Guennewig** and **Steve Millward** from Australian Data as a Service (DaaS) company smrtr run through the history of online targeting and explain how the industry is starting to move in a new direction when it comes to finding audiences online.



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The cookie conundrum

To understand the state of play in online targeting, one must first understand the cookie. Originating in the Netscape browser – which was first released in 1994 – cookies were initially used as a way to verify whether web users had visited certain pages before. The name itself is a reference to “magic cookie”, a term in computer science that refers to small packets of data that pass between various programs. The reason behind the decision to call these data packets ‘cookies’ is not completely clear, although many believe it is a reference to fairy tale characters Hansel and Gretel, who leave a trail of crumbs to find their way home (much like how cookies leave a trail of data).

From their initial introduction as a tool to check whether users had visited a site before, cookies quickly evolved into the cornerstone of online tracking, and as a result, digital marketing. As the dot-com boom continued through the late 1990s and early 2000s, more and more users flocked to the internet, meaning these cookies were collecting more and more data, and as a result, could start to build ‘profiles’ of users based on their interests and purchase behaviours. Such data provided advertisers with an easy way to find customers who might be more likely to purchase a specific product or service, and therefore ads could be tailored accordingly.

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This eventually gave rise to programmatic advertising. Programmatic refers to media that is bought and sold in an automated manner. With origins in desktop browsing, programmatic now covers everything from online, to digital out-of-home to television and audio. Programmatic – as it has existed for the better part of 15 years – relies on cookies to create audience segments and help improve targeting. With internet browsers automatically collecting user signals via cookies, advertisers were then able to launch targeted campaigns, based on this data rather than the purely contextual advertising which had come before it (e.g a home loan banner on a real estate portal).

Programmatic has given countless brands the opportunity to target new customers they would have otherwise been unable to reach and no doubt delivered billions of dollars in results.

However, programmatic is also largely responsible for the negative connotations associated with online advertising – invasive ads based on inaccurate signals, whether that be data that is limited to one single device or from web activity that is not indicative of purchase intentions. Another challenge here has been the fact that cookies can only collect data about past browsing behaviours (and past purchases), thus limiting the ability to predict future decisions. With advertisers now being tasked with meeting customers in the right channel at the right time, accurate predictions are a must.

Given these issues, it wasn't long until people started to voice their concerns around cookies and their threat to user privacy. Just last year the French data protection agency fined Google and Amazon \$157 million and \$55 million respectively for dropping cookies without user consent. As the calls to move away from cookies have grown louder and louder, internet browsers – such as Firefox and Mozilla – started to remove them from their systems. But the inflection point for cookies came at the beginning of 2020, when Google Chrome, the browser which commands a 70 percent market share on desktop browsing, announced its plans to deprecate third party cookies by 2022.

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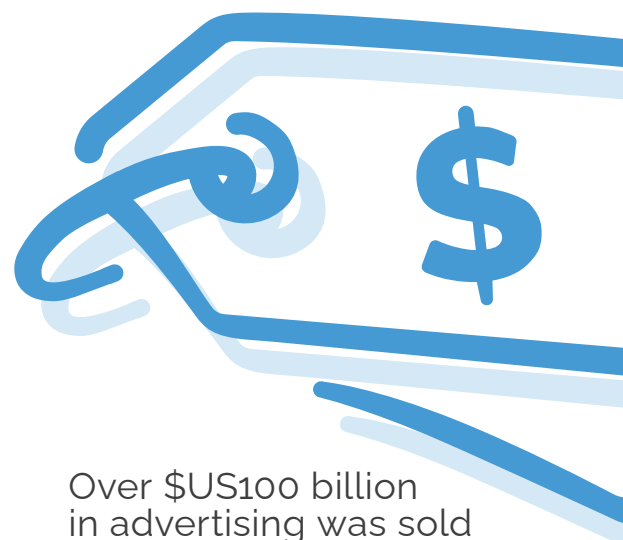


Although the decision to move away from cookies has mostly been led by privacy concerns, there are a number of technical limitations that come with cookies. First and foremost, cookies track devices and create a 'digital twin' of users – rather than tracking actual human behaviours. As a result, this data is not always indicative of the user's actual behaviour, as the focus is on online signals. As mentioned before, this means the technology is 'reactive' to past behaviour, rather than necessarily being 'predictive' of future purchase intentions.

Cookies also tend to be indicative of a user that is a long way down the buying journey. For example, if a car shopper visits the BMW website, they likely would have already made up their mind about the type of car they want to purchase. Alternatively, there will also be web users that are simply 'window shopping' and have no intention of buying a BMW. While advertisers can collect information on each of these different customers using cookies, they are limited in their ability to deliver them ads that will impact their purchase behaviours – hence leading to wasted ad spend.

There have also been well-documented problems for advertisers when it comes to using cookies to connect users across multiple devices or browsers. Given the rise of mobile browsing in recent years and the variety of different channels available, marketers are continually on the lookout for ways to track audiences across various touchpoints. Additionally, it is easy for a user to use private browsing or block cookies entirely.

With over \$US100 billion in advertising being sold programmatically in 2019, according to Zenith, marketers are desperate for a way to continue trading automatically, without having to use cookies.



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A better way?

Given the many concerns and limitations associated with cookies, marketers have been on the lookout for new ways to find and acquire customers online. The move by Google to mandate the end of cookies has only accelerated this shift in recent months.

Offline data has emerged as a viable alternative to cookies. As mentioned earlier, cookies collect online data, which shows how an internet user behaves while browsing the net. While it is useful for online targeting, this data is not always entirely effective. Offline data, meanwhile, is reflective of real behaviours and characteristics of users. This could include contact information, purchase histories and demographic information. As online tracking has traditionally been so focused on cookies, this offline data has long been collected, but rarely put to use outside traditional one to one marketing.

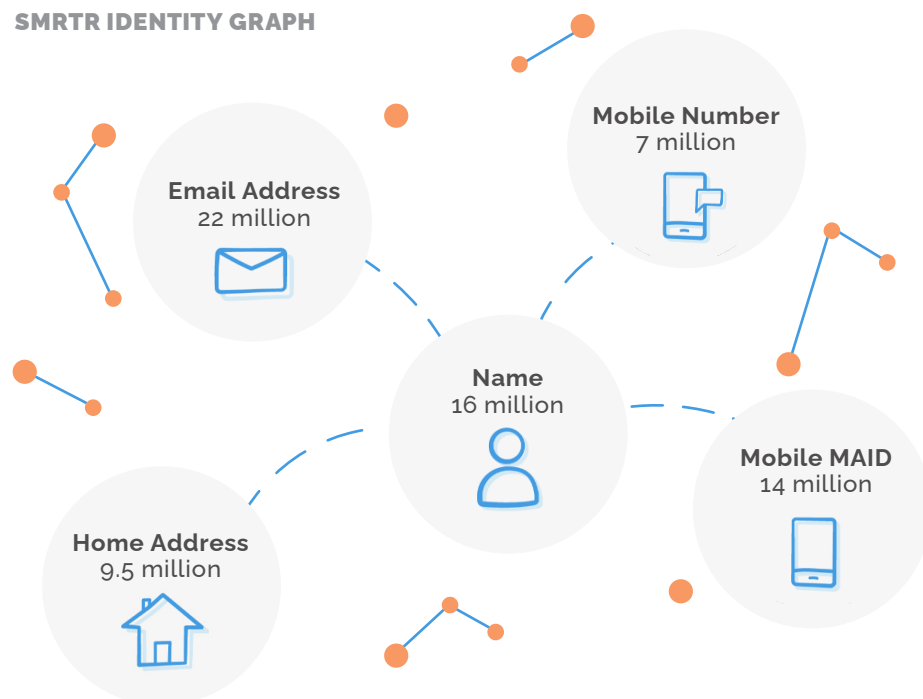
In times gone past – when targeting was all about gathering real-time data for programmatic ads – offline data was viewed as cumbersome, as it was difficult to include in a data strategy and could not be used to directly improve the performance of a digital campaign. However, there are now onboarding solutions available which help businesses ingest first, second and third party offline data and de-identify it so it is ready to be used in a privacy-compliant fashion. This anonymised offline data can then be integrated across CRMs, Data Management Platforms (DMPs) or dashboards as a way to create insights.

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As well as giving marketers access to new ways of targeting customers, the growing popularity of offline data has also given rise to data commercialisation as an industry, with businesses now realising that their most valuable asset could be their data. This involves company first party data being shared with a third party data aggregator for commercial benefit and that data being connected to other data sets via an Identity Graph. Identity Graphs are a tool that have been used across the industry in recent times, as a database that links various identifiers associated with a customer. The smrtr Identity Graph uses opted-in, privacy-compliant data and aggregation techniques to ensure that even when creating this customer profile, we do not expose the Personally Identifiable data of a customer.

Giving marketers access to new ways of targeting customers

SMRTR IDENTITY GRAPH



Find your audience with data analytics and AI

The idea of audience segmentation is not new in the world of marketing. As the name suggests, marketers will categorise their target market into different subgroups, based on a variety of signals and attributes. The quality of these segments, therefore, will rest heavily on the quality of the data they are built around. Traditional 'Demographic Segmentations', continue to be widely used programmatically, dividing the market into categories based on factors such as age, gender and income. While providing improvements, the effectiveness of demographic segmentation can be limited given there are many other factors which define behaviour.

However, segments can be built around data that extends far beyond demographic profiling. Analytic based audience segmentation combines much richer and comprehensive data sets with analytics that go beyond basic "aged 25-34" definitions. In its essence, Analytic Driven Audience Segmentation is the process of taking historical data and using it to predict unseen data – or future outcomes. The more complementary datasets that are combined to create these segments, the more accurate the results are going to be when it comes to predicting whether or not customers will buy a certain product. Another key advantage of an analytic based approach is the improvement over random targeting can be quantified up front as the models are able to simulate scenarios and projections based on solid statistics.

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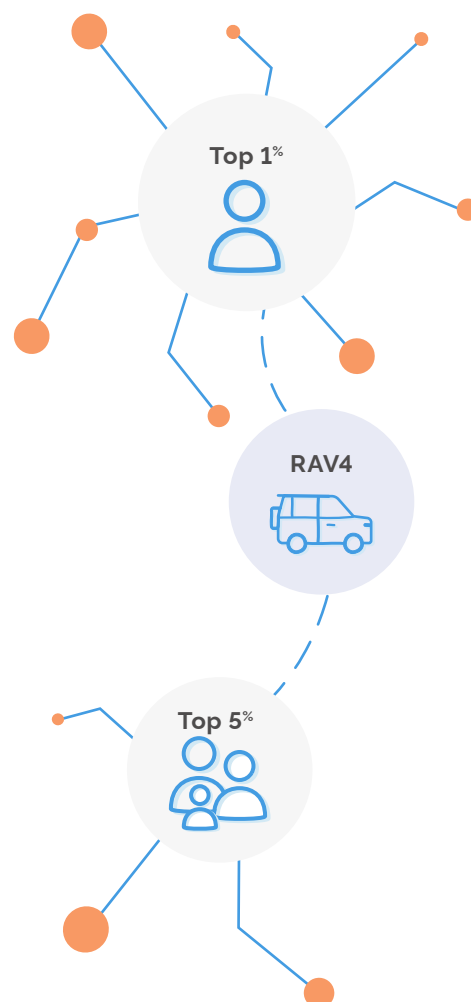
If Toyota was looking to identify users who are the most likely to purchase a RAV4, for example, it would use historical data on previous customers who have already purchased this make. This data would then be combined with a range of different inputs to predict the users most likely to purchase a RAV4 in the future. These customers are then ordered, meaning marketers can divert all of their attention towards the customers that are in the top percentage-most likely to purchase the car. What percentage depends on where the uplift is found. For example, targeting the top 1% might provide 8 times higher response and the top 5% might provide 3 times. This leads to efficient marketing campaigns and more relevant targeting for shoppers. Again, if cookie based behaviour was used in this context to assess the likelihood of a certain customer purchasing these vehicles, the data would solely rely on previous web browsing, thus taking a 'rearview mirror' approach.

This data can also be industry specific, meaning marketers can avoid taking a generic 'catch all approach' when it comes to targeting customers, as they might have if using just demographic or geographic information.

This does not have to be limited to marketing activity. Analytic Driven Audience Segmentation can be used by businesses for customer care initiatives and to improve retention. For example, these segments can be used to identify customers who are more likely to churn. From here, the business can then give these customers additional attention and use their understanding of the key drivers of churn to dissuade them from leaving.

Audience segments can be captured and utilised in a number of ways. There are a range of cost effective 'off the shelf' segments currently available to help marketers gain a stronger insight of their target market. Alternatively, these third party data sets can be customised and combined with a company's first party data to help develop more predictive segments that are uniquely available to them. All of these are able to be 'onboarded' into digital ecosystems.

FINDING VALUABLE CUSTOMERS



The rise of Analytic Driven Audience Segmentation is also being driven by a shift in consumer preferences. Companies such as Amazon have set the standard when it comes to personalisation, meaning many customers will now not even consider a brand if personalisation is not offered. A study by Epsilon and GBH Insights found that 80 percent of customers now demand personalisation. Giving customers a personalised experience is only possible when a Data or Analytic driven approach is taken. Additionally, a more privacy-focused approach to targeting is a result of a shift in public expectations around data collection. A recent study by the Consumer Policy Research Centre found 94 percent of Australians are currently uncomfortable with how their personal information is collected and shared online.

Artificial intelligence (AI) and machine learning has frequently been used by marketers in recent years to target audiences at scale. Look no further than the programmatic advertising industry, which allows for ads to be served in an automated way. Additionally, many businesses are now using AI to effectively shape their marketing strategies, as the improved reporting capabilities and minimal risk of human error can lead to data-driven results. Marketers are also utilising the technology for content curation, chatbots and video editing, to name a few examples.

However, as online targeting continues to evolve, so too does the role of machine learning for marketers looking to find the right customers. Machine learning is now used within these Audience Segments to better predict the outcomes of customer's purchase intentions. To predict these future outcomes, a propensity model can be used to predict certain behaviours. Propensity – which refers to the tendency of something to happen in a particular way – is calculated using machine learning algorithms, which factors in a wide range of data to give a propensity score. To use the RAV4 example from above, using a propensity model, each user can be given a propensity score to help marketers with their predictions.

Machine learning, of course, uses computational methods to 'learn' information and make predictions using data. Given these models are continually 'learning' predictions will get increasingly accurate as more data is input and results are shared.

However, as AI constantly leverages data in order to be effective, it often requires a great deal of data (in some cases millions of data points) to actually work. At smrtr, while we do have AI-based capabilities and solutions which leverage it, we also have a number of data products that leverage lesser known statistical techniques that are effective with relatively small amounts of data.



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Balancing predictability and privacy

Predicting the outcomes of shopper's behaviours is great and is a valuable tool for any marketers looking for success in the current industry. However, there are strict privacy guidelines that must be observed to ensure that predicting and personalisation does not go 'too far' and consumer privacy is never jeopardised.

Following the introduction of the GDPR by the European Union in 2018, there has been a significant shift in the regulatory environment surrounding data privacy. Large fines are now on offer for businesses that fail to adhere to these controls, which include controls around data minimisation and transparency. The Australian government is currently undertaking a review into the local Privacy Act, which is expected to see increased protocols around the disclosure, quality and security of personal data.

Privacy laws aside, businesses handling personal data should be aware of customer's expectations when it comes to privacy and should have strategies in place to ease these concerns. A rise in high-profile security breaches combined with a growing understanding of data collection means customers demand security when it comes to data collection and will walk away from companies that do not respect privacy. Through increasing transparency controls with opt-in data collection and the ability to opt-out, consumers will feel a greater sense of control over their data.

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When building Data or Analytic Driven Audience Segments, anonymised data is an absolute must. Anonymised data serves as a tool to help marketers maintain user privacy while simultaneously maximising the value of this data. Privacy laws stipulate that when using data to predict the likelihood of a sale, marketers must avoid the use of Personally Identifiable Information (data that can be used to identify a specific user). By anonymising this data when building segments, marketers can avoid the risk of a privacy breach, while still enjoying the benefits of this data. At smrtr, we aggregate our data into 'microsegments', meaning we can match our partner's anonymised clusters of data back to other clusters in our database. This means we can still collect useful insights without ever commercialising data about a specific individual. A micro segment of just 5 or 10 people is enough to protect privacy, but in reality these include hundreds or thousands of people with common characteristics and likely behaviour.

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SEGMENTS



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Case study:



Network 10

BACKGROUND

Network 10 help brands build deeper and more meaningful connections with their audience, across every device. By using the best technologies to collect and segment their show and consumer behaviour, advertisers can reach customers at a personal level through an authenticated, logged-in audience. Network 10 wanted to extend this data capability to offer deeper solutions for advertisers across a range of industries, at scale. While addressable data with wide coverage was the bedrock of their requirements, they also needed it in a format that enabled both unique planning insights for custom solutions and instant access to pre-packaged audience segments.

SOLUTION

smrtr customised a modular data sandpit to meet Network 10's exact requirements, with always on access for ongoing analytic development and media planning. 16m consumers and 8m addresses are covered in the modules provided that include demographics, socio-economic indicators, household composition, property attributes and values, life stage triggers, retail spend habits, automotive buyer types and high net worth indicators. Media execution is enabled by onboarding the data and industry-based audience segments into the Network 10 environment.

OUTCOME

The partnership has extended Network 10's targeting capabilities across more industries, interests, behaviours and demographics focused firmly on purchase behaviour and intent, life stage triggers and in-market signals. Advertisers are able to target audience segments overlayed with Network 10's first party data on web, mobile and connected TV devices. The solution constantly improves as smrtr add new data sets, insights and audience segments to their universe.

The smrtr way to target

Here at smrtr, we realise that the days of cookies are numbered and have devised a way of helping our partners target the right customers using the power of data.

The smrtr data universe of 16 million Australians has close to 50 billion transactions and data points on mobile usage and location, purchasing behaviour, financial transactions, property insights and automotive buying behaviour. By analysing and overlaying this data, or utilising our audience segments, we enable our clients to see the bigger picture leading to better decision making and outcomes.

Our Audience Segments are purpose built for industries such as property, banking, insurance, retail and automotive, in addition to geodemographic segments such as High Net Worth individuals and home movers.

A great example of our audience segments in action is our automotive segments. Using our wide range of data, we've been able to predict the likelihood of motor purchase preferences of Australians households for specific vehicles. These segments are built by combining automotive transaction data, which is compliantly sourced via our partners, with data from our internal universe. With these segments we are able to build propensity models that are 3.5x more effective with their targeting, on average, and up to 18x on some specific vehicles.



At smrtr, we see ourselves as custodians – not owners – of the data we work with. That means our focus is on looking after and protecting this data. We have devised a number of creative ways to minimise the amount of data we use to generate insights and focus on quality over quantity.

For example, our contracts ensure all data providers must meet applicable privacy requirements when sourcing, using and sharing data. Additionally, we are able to offer 'onboarding' solutions to ingest offline data and then combine this information with online data from our extensive database for valuable aggregated insights.

This can be used by our partners to find lookalike audiences for targeting in the digital ad tech ecosystem, or simply to enrich their understanding of existing customers. By connecting our Identity Graph information with their own ID data, partners can aggregate insights for specific segments or even the entire customer base.

This data is all Australian-focused, with the goal of helping our partners connect online and offline data and create a complete view of their customers.

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smrtr