



## Winterberry's Margulies Discusses The Proliferation Of Online Data For Ad Targeting

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Netezza has sponsored a new white paper by Winterberry Group called, "Changing Mission of Marketing Data," as the use of marketing data shifts online. The paper predicts, "U.S. marketers will more than double their annual spending on online-derived data sources over the next two years - investing as much as \$840 million by 2012 on information about digital audiences, transactions and 'clickstream' behaviors."

*Jonathan Margulies, a director at Winterberry Group discussed the paper's findings.*

*AdExchanger.com: Can you qualify what you mean when you say that spend will increase for digital data sources? What do these digital sources look like?*

JM: When we started looking at the concept of digital data, our goal was to understand the extent to which online media channels (including e-mail, search, display, social and mobile) are moving towards audience-driven marketing--and, more importantly, attracting investment dollars from advertisers who want to drive better targeted marketing programs. By and large, the concept of "data" as a distinct budgetary line item is something that traditional direct marketers very readily understand; they know precisely how much they pay for analytics, lists and database hosting, and a mature industry has grown to support that enterprise.

In the online world, though, that maturation process is still ongoing and interpretations of digital data vary pretty significantly. So we took a top-down approach and focused only on targeted marketing applications, effectively asking "Where are marketers collecting information for on- and offline targeting? And how much are they spending to aggregate, manage and optimize that data?" From the digital perspective, that activity encompasses original data compilation (which might be performed by, say, publishers, retailers or lead generation platforms), segmentation and secondary transactions (the distribution of audience insight through an exchange, for example).

Not surprisingly, when we compared the models, the "data dynamics" closely mirrored macro trends in both media: Investment in online data sources is up and continues to grow, driven primarily by the continued evolution of data exchange, optimization platform and other targeting technologies. Investment in offline data sources, by contrast, is down--victimized by the double whammy of falling list prices and declining overall direct mail activity.

*What about the pricing and valuation of data? Any trends you can share?*

In the digital realm, pricing and valuation is so dynamic that any trends identified by our research panel would be out of date well before we had the chance to even put our thoughts to paper!

One theme did emerge repeatedly, though: A widespread sense that the market hasn't yet "settled" with respect to data pricing; that for all the economic efficiencies brought by exchanges and real-time buying platforms, marketers still don't have a good sense for what a single unit of online information ought to cost for a given initiative. Part of this uncertainty, I suspect, rolls back to the deep pools of historical data that are available to inform offline data

purchase decisions; it's hard to be as confident you're getting value from data buys without confidence that you are measuring conversion, lift or consideration appropriately.

Part of it also reflects the tremendous extent to which the data landscape is changing right now--from a "household" focus in the offline world to an individual focus on in the online world. So many new data users are engaging in online campaigns--some coming from offline direct marketing, some from digital media backgrounds and others yet from the "above-the-line" world--that expectations are almost bound to differ across the board. I suspect this is one area where we will see very significant growth over the next few years, as a true "digital data" industry begins to crystallize and benchmarks grow more defined.

*Do marketers think they will need to build out infrastructure of their own to effectively use data in support of ad spend?*

To a certain extent, continued infrastructure development is absolutely in the cards. More marketers than ever are aware that data (whether personal or anonymized) can be a critically important corporate asset, and are thus taking steps to ensure they have the internal resources to manage and derive actionable insight from this information. Strategically speaking, this makes tremendous sense--and so we are seeing data increasingly make its way from the IT driven "operations room" all the way up the corporate agenda.

From an execution standpoint, though, there's a growing realization that certain functional elements can easily (and more effectively) be managed by third parties without fundamentally compromising the "secret sauce" inherent in the data itself. Hosting, maintenance, anonymization and real-time deployment (to drive targeted advertising, for example) can all be driven externally at lower cost--and often better performance--than by managing these functions in house. What we're likely to see, ultimately, is a bifurcation in data roles that's somewhat similar to how large enterprises have traditionally managed certain prospect or transactional databases. Internal teams (and to an extent, their agency partners), will focus on "strategic data"--driving business rules, purchase decisions, tactical deployment and certain management tasks (especially when regulatory guidelines demand close tabs). External suppliers are likely to add more value where data quality, capacity, throughput, processing speed and focused analytical expertise are critical.

*What was a surprising takeaway from your perspective and why?*

I don't think we were at all surprised to see emphasis shifting so dramatically from offline to online data applications. And to that end, we certainly expected that offline data was still going to command the lion's share of marketer spending both today and into the future. But I can't help but be surprised that for all the new interest we're seeing in digital data--including more than 100 percent growth over the next two years!--online sources still represent just a small fraction of the total pie that is marketing data spend in the U.S.

By 2012, for example, online sources and applications will grow to represent just over 10 percent of all marketing data investment in the U.S. At the same time (if current projections hold), these same marketers will be approximately splitting their targeted marketing expenditures between offline (that is: direct mail) and online channels. So despite all the growth and all the promise of digital sources, offline data will represent a budgetary line item nine times larger than its online equivalent.

That distinction may prove to be academic, since the real "optimization" power is going to come from combining insights on online media consumption with purchase, click and other behavioral insights--as well as a deep range of offline data to drive a greater degree of certainty around data and targeted media spend. But determining critical digital data elements--and how best to apply them--is still an unsettled question. So to us, that's the greatest reflection of the extent to which the "digital data" enterprise still has a lot of growing to do.