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User-Generated Content & Data

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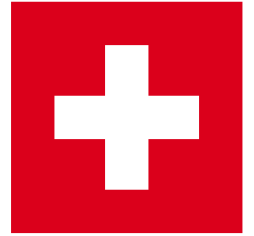
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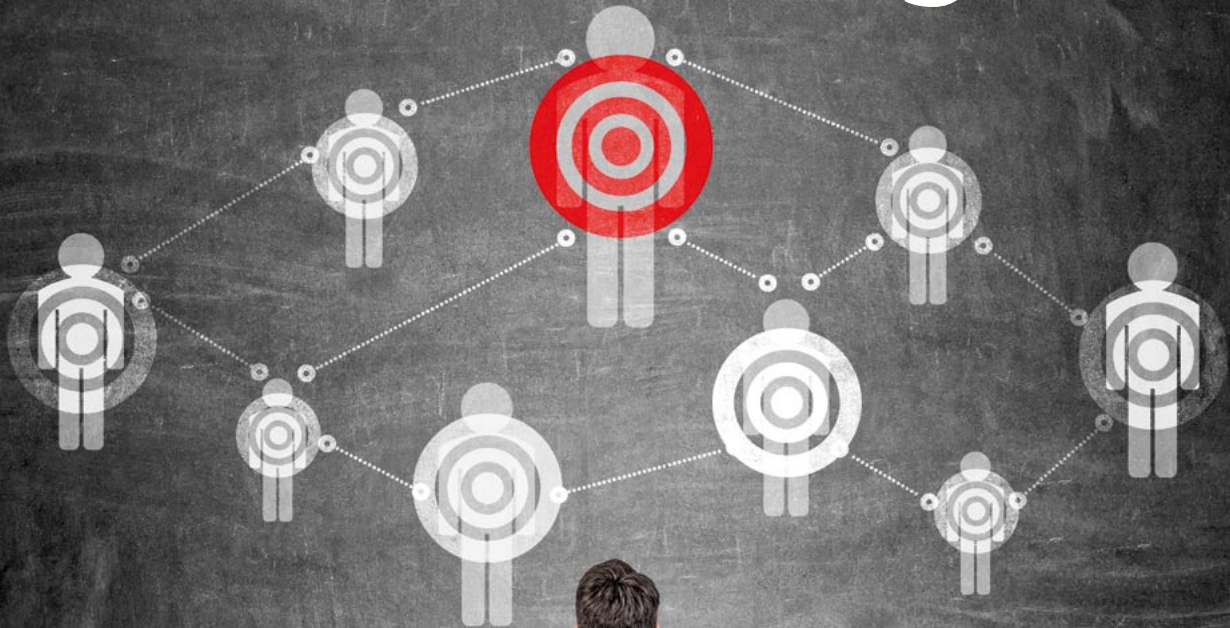
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One-to-One- Marketing



User-Generated Content & Data

Balancing efficiency and effectiveness in one-to-one marketing is complex but achievable with the right audience-targeting data capabilities and scalable personalised messaging. While advertisers face headwinds with industry limitations, new solutions are emerging.

Georg Widschwendter

The secret to success in one-to-one-, or personalised-, marketing is without a doubt, relevancy. A person that is exposed to a highly relevant advertising message will be more likely to complete the action that the advertiser deems to be important. However, delivering a relevant one-to-one marketing scheme can be complicated and fragmented. Media planning, buying and measuring processes are often inefficient, leading to reduced and unsatisfactory ROIs. While the principle of relevancy in digital advertising is well understood, the challenges of scaling highly relevant and impactful personalised marketing campaigns still remain – disperse media placements, lack of targeting capabilities, cross-channel, cross-device, frequency capping and the list goes on.

This paper aims to address arguably the two most important factors of digital advertising relevance – audience-targeting data and the creative messages for the user. While other relevancy factors are equally as important to achieving overall personalised marketing success, the focus of this paper concentrates on audience-targeting data and creative messaging. Audience targeting capabilities have certainly advanced, but there are limitations to be aware of. The industry is looking for new ways to overcome these limitations, which will be illustrated by highlighting a current initiative from a European e-commerce company. Finally, a real campaign example from the mobile app world will be outlined to understand how one company managed to increase their advertising relevance, and consequently maximised their return on investment.

1. Understanding relevance in digital advertising: Relevance factors

The key ingredients in successful and digital advertising are showing the right message, to the right person at the right

time and place. If done right, this significantly impacts the return of the advertisers investment. The importance of relevancy is also well understood by the most dominant digital media platforms of today – Google and Facebook. Facebook defines relevancy as

„After your advert is served more than 500 times, it receives a daily relevance score from 1–10, ten meaning that we estimate your advert to be highly relevant and one meaning that we estimate it not to be very relevant.“

(Facebook Business 2016)

Google too defines relevance, as

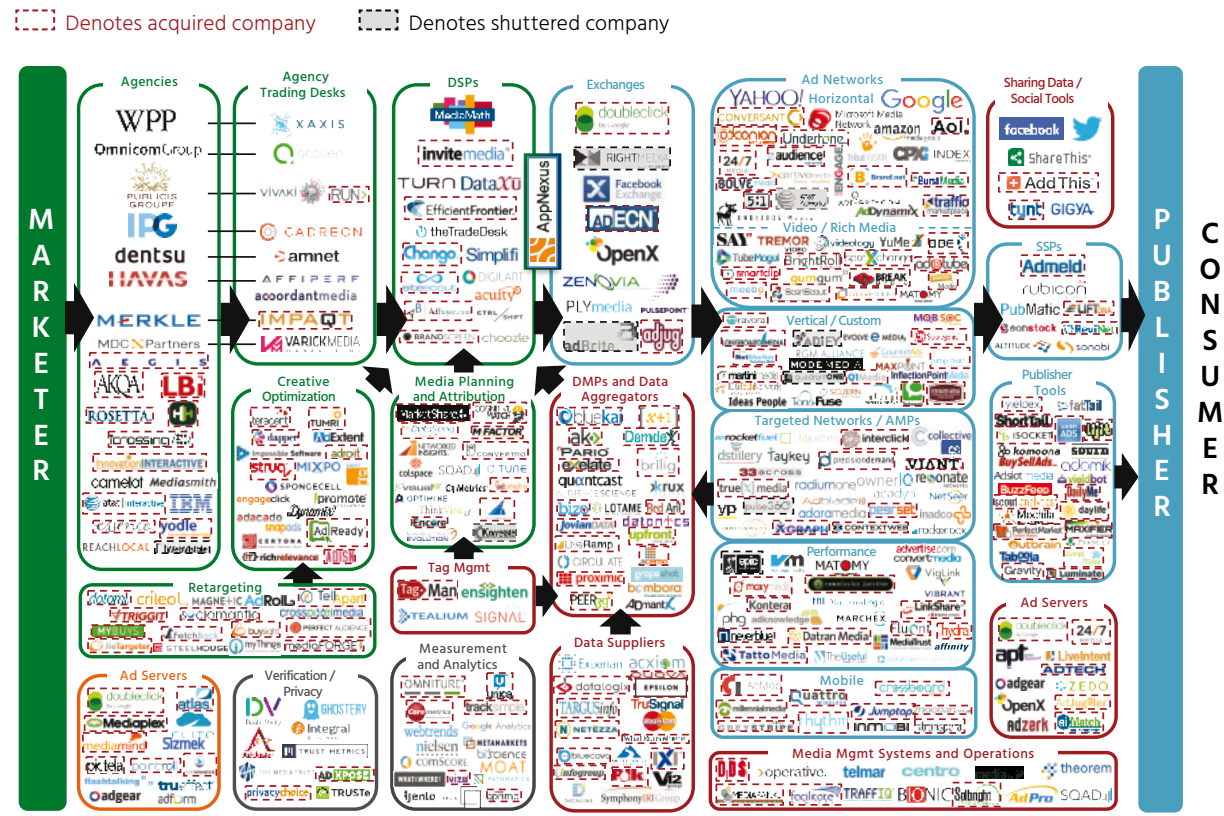
„The 1-10 Quality Score reported for each keyword in your account is an estimate of the quality of your ads and landing pages triggered by that keyword.“

(AdWords Help 2016)

Although the exact composition of the quality score differs between the two digital media companies, the underlying principle is the same: More relevant ad-

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Fig. 1: Display LUMAScape



Quelle: LUMA Partners, 2016.

vertising is rewarded, less relevant is punished, which impacts campaign performance and the price the advertisers pays for the campaign. This supports the fact that the effectiveness of campaigns is directly linked to how relevant the advertisements are in a campaign to the user.

2. Relevance Factor: Audience-targeting data

One-to-one-, or personalised-, marketing has been enabled by an incessant collection of data. This vast amount of data powering the underlying technolo-

gies for the digital advertising industry has been recognised as the key ingredient for digital marketing success. It ultimately defines the group of people that are or will be the marketers' customers. Collecting audience data, processing, segmenting, selling and analysing the data has also created an entirely new industry, which is partly captured in one of the many well-known Lumascapes (see Figure 1).

The flow of data and money in Figure 1 is bewilderingly difficult to grasp and even poses a challenge to seasoned industry veterans. Despite the overcrowded logos on the Lumascape, the

output is always channelled through to the publishers – among which Google (including YouTube) and Facebook combined capture 46.7 percent of total digital ad spend (eMarketer 2015). Their increasing success has rendered considerable implications not just for the many companies on the Lumascape, but more importantly for advertisers and users too. The digital ad revenue imbalance concentrates predominately on Google and Facebook-owned and operated media properties, which is largely a function of their superior and highly sought after targeting capabilities that they offer to advertisers.

Fotos: Unternehmen

2.1 Deterministic and probabilistic data

The most common process for publishers (e.g. websites, apps, etc.) to collect deterministic data is when users are logged into their service. Generally speaking, users allow the collection, storage and usage of their data by agreeing to the terms of service during the sign-up process. Hence, deterministic data is often what the user supplies him/herself. Facebook, for example, is arguably the biggest source of deterministic data as users directly supply their real identity, likings, locations, interests and so on.

Probabilistic data, on the other hand, is generated by algorithms and data scientists. Hereby users are profiled with a statistical probability that match predefined segments. One example to illustrate this practice is the data collection via web browser cookies. Users that browse on specific websites, which belong to a certain category, are bundled together and defined as a group who have an interest in outdoor sports for example. Finding statistical twins of a given audience-targeting data set, often referred to „Lookalike Audiences“, can also generate probabilistic data. This blurs the line of probabilistic and deterministic data and is commonly used in advertising campaigns to prospect new users or customers.

2.2 The walled garden problem

While both data collection approaches have advantages and disadvantages, deterministic data is often considered more accurate and more powerful as the user supplies the data consciously and directly. However, the problem at heart with deterministic data is scale. It has become increasingly difficult to collect vast amounts of deterministic

data, as it requires world-class user application services that are used frequently by vast amounts of people.

This advantage in deterministic data at an unprecedented volume has helped Google and Facebook to form, what

in the Facebook NewsFeed, for example. If an advertiser wants to advertise to users outside of Facebook, however, alternative targeting and data must be sourced, which often results in problems with targeting as well as cross-channel and cross-device campaign measurement. Simply put, if an advertiser wants to maximise reach across the digital sphere the advertising campaign will suffer from a multitude of inefficiencies due to the lack of accessibility and isolation of audience targeting data.

The vast amount of data powering the underlying technologies for the digital advertising industry has been recognised as the key ingredient for digital marketing success.

Additionally, Facebook also allows the supply of an advertisers' own audience too via a practice called Custom Audiences. Hereby an advertiser can simply upload a list of email addresses or other unique identifiers such as Android Advertiser ID, Apple ID for Advertisers, etc. and Facebook's technology will find those users in their databases and enable the advertisers to show highly targeted and personalised advertisements to these users. Again, while this is a great tactic for personalised marketing at scale, it does bind the advertiser to the Facebook universe. Since the majority of Facebook's advertising inventory is sold via an auction process,

the industry refers to, a walled garden. In other words, advertisers that opt into their requirements (legal, creative, media buying processes, etc.) can access their deterministic data for campaign targeting purposes (and insights) on their owned and operated properties, like deploying an advertising campaign

Management Summary

Efficiency and effectiveness in one-to-one marketing are directly correlated with advertising relevance, which is largely determined by the quality of audience targeting data being used as well as resonating creative messages.

High quality deterministic data is now not only available inside of so-called „walled gardens“ of the main media companies but also increasingly pooled together by newer participants in the online media world, e-commerce companies.

Sourcing and delivering personalized creative messages at scale has become easier with an emerging content supply tactic called UGC (user-generated content).

it is therefore also fair to assume that the growing number of Facebook advertisers (3 million in 2016, 50 percent increase since 2015) entering the ad auction do not necessarily result in decreasing auction prices (Boorstin 2016).

The impact of this walled garden problem is not to be underestimated. An article on the ReadWrite.com website, a popular online destination for news on various consumer technology topics, states

„But Facebook’s long-term goal is to keep users inside its own walled garden, and that has implications on every platform.“

(Nielsen 2015)

Because the relevancy of Facebook ads is superior and hence less interruptive compared to banners on news websites, for example, publishers increasingly struggle to build and maintain attractive web services for their users.

2.3 Breaking down the walled gardens

One of the industries best situated to break down the walled garden is e-commerce. Global and local players such as Amazon, Alibaba and Zalando are entering the digital media and deterministic data landscape. Zalando, for example, has 18 million active customers across Europe that generates 135 million monthly visits to its websites (Zalando 2016). Additionally, Zalando Media Solutions also acquired two media technologies, nugg.ad (a powerful probabilistic

data supplier) and Metrigo (a start-up that focuses on performance and display real-time bidding technologies). By feeding the newly acquired technologies with deterministic and probabilistic data, the Berlin based e-commerce company has developed an attractive one-to-one marketing proposition for advertisers inside of walled gardens – reach audiences at scale based on quality deterministic and probabilistic data across the web and the world of mobile apps. While it is too early to judge its long-term success potential, advertisers and their agencies are welcoming the data alternatives provided by e-commerce companies as it aims directly to increase return on advertising investments and introduces a much needed competitive value proposition.

Lessons Learned

1. To diversify one-to-one digital media channels, experimentation with alternatives that focus on high quality, deterministic data is recommended.
2. Knowing how audience data was sourced allows advertisers to better plan and optimize campaigns.
3. Combining media buying technologies with UGC (user-generated content) platforms enables personalized messaging at scale.
4. Closely tracking and backtracking price behavior inside of „walled-gardens“ ensures timely media channel diversification and minimizes lower return on ad spends.

The key challenge for all e-commerce companies aiming to break down the walled gardens will be to convince additional data suppliers and advertisers to join its mission. This is due to the fact that the volume of advertising data a consumer technology (i.e. Google) can generate surpasses the usable targeting data an e-commerce company can produce. This is a function of overall user volumes, frequency of usage as well as granularity of data that is generated.

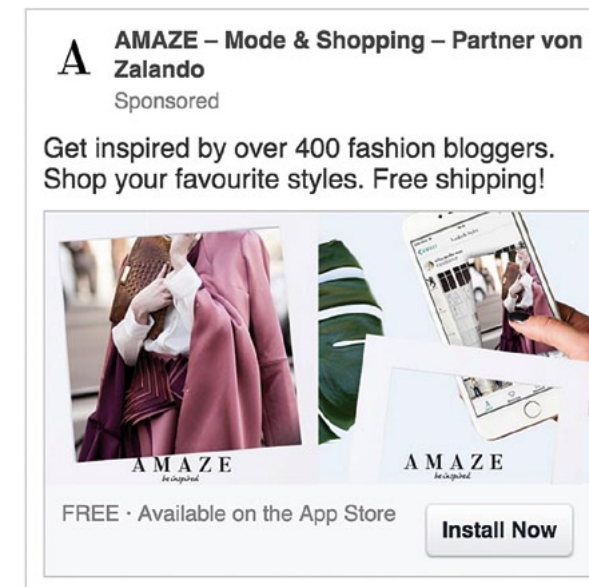
3. Relevance Factor: Message/Creative

While the data used in one-to-one marketing is of paramount importance, it is the combination of audience targeting, the message (creative) as well as timing and the placement (channel) that results in the highest possible relevancy and hence the best returns for advertisers. This begs the question: How can marketers personalise their creative messages at scale? Currently, the best possible way to achieve actual one-to-one communication in advertising messages is via email marketing, based on the marketers own CRM system. Due to the fact that this is often faced with challenges such as spam and limitations to the marketers own data, it is not considered as scalable or high performing. Display advertising across the Internet, however, offers slightly less granular yet highly effective new alternatives.

4. User-Generated Content

A relatively new approach is to work with user-generated content (UGC). Herby the advertiser leverages content produced by users, most likely from within the required target audience, to be then used in an advertising cam-

Fig. 2: AMAZE Branded image in Facebook ads



Quelle: Widschwendter 2016.

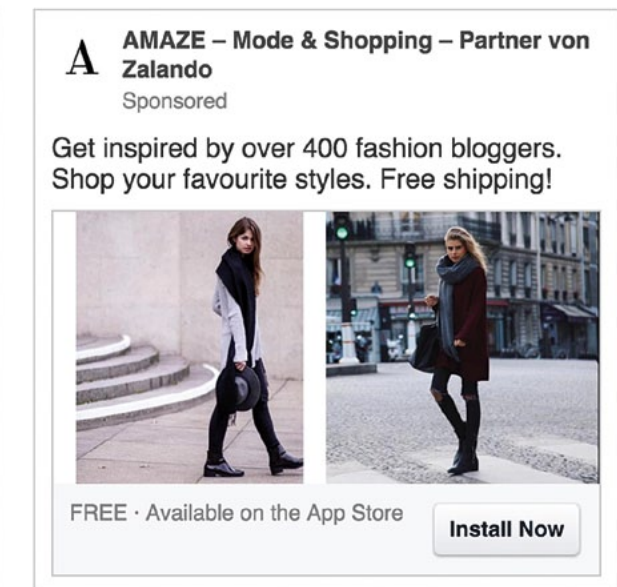
paign. This tactic has evolved quickly over the last few years and has proven great results for those who tried it out. Google also realised the potential in UGC and recently acquired FameBit –

“A technology platform company that helps creators and brands find and work with each other through sponsorships and paid promotion.”

(YouTube Official Blog 2016)

The integration of this acquisition in Google’s core advertising offering will

Fig. 3: User-generated content in AMAZE Facebook ads



Quelle: Widschwendter 2016.

most likely result in a wider adoption of UGC centric campaigns, which could bring a welcoming performance improvement to brand advertisers with a somewhat out-dated spray-and-pray approach to online advertising.

But UGC is not just growing amongst advertisers with branding objectives. A Berlin-based mobile fashion e-commerce start-up, AMAZE, has experienced great results in performance marketing by implementing a scalable UGC-lead customer acquisition strategy.

4.1 AMAZE: Relevance optimisation with user-generated content

AMAZE’s key objective was to significantly increase the AMAZE App

download volume without an incremental budget. The team at AMAZE achieved a decrease to their cost-per-app-install by a factor of 10. The increased relevancy has dropped the cost-per-app-install from €3.30 down to €0.36, allowing the start-up to scale its user base within the given budget requirements. So how did they do it?

Targeting: AMAZE already had an existing user base of roughly 10,000 users that used the app at least once a week. Out of those users, the marketing team captured the most valuable users – user that have the highest retention, have put items in the basket in AMAZE app before and spent more time with the app than the average user. Based on this high-performing user cluster of 4,893 users the start-up then built a Facebook Lookalike Audience

Main Propositions

1. Data quality and resonating creative messages are key ingredients in one-to-one marketing success
2. Access to vast amounts of quality data is often limited to the „walled gardens“ of large digital media companies
3. E-commerce companies realized their data potential and started to offer attractive alternatives to the main digital media companies
4. The UGC (user-generated content) approach sources the creative material from within an advertiser's audience
5. UGC can be gathered, distributed and optimized at an unprecedented scale

that extrapolated that high-performing user cluster to a total reach of over 3 million people. This lookalike audience expansion is also a dynamic, meaning that users who installed the app are then automatically excluded from the targeting cluster and shifted to the source bucket to find statistical twins for lookalike targeting.

Message: Before the increased focus on relevancy, AMAZE used branded and high-quality imagery to encourage people to download the app (see Figure 2).

While this clearly states the key benefit as well as a call to action, it lacked relevancy for users and was given an average Relevance Score from Facebook's ad system of 6.

In order to increase the Relevance Score and hence decrease the costs per app install, the start-up tested user-generated imagery. Since the app's core value proposition is centred on fashion influencers and their outfits, it selected the best-performing fashion influencer content from the app and deployed it for the advertising campaign on Facebook (see Figure 3 for an example)

This simple yet highly effective change has increased the Relevance Score to the highest possible level of 10 and therefore decreased the costs significantly.

4.2 Scaling user-generated content with the technologies of today

While AMAZE's approach to increase relevancy was relatively manual there are an increasing amount of advertising technologies available today that offer user-generated content at scale.

There are varying approaches to automate and scale user-generated content but the barriers remain the same: accessing content, obtaining the rights to use it, understanding what the image actually contains and using it in the right place. One such setup that has solved all aforementioned challenges is the cooperation between content aggregators and media buying tools. Instagram, Pinterest and Twitter are considered „open“ platforms as their API's allow approved developers to access publicly available content on their platform. However, that does in

no way allow advertisers to use a person's image for commercial purposes. For that, content aggregators have built nifty solutions that automatically ask the content owner (the user who posted the image) for permission. This can be done via posting a link into the comment section and direct the content owner to an external website where she may grant access. Since this entire approval process is fully automated it is highly scalable and enables content aggregators to easily build up a sizeable volume of approved user-generated content.

The next step to then implement user-generated content is to understand its content and pass it into the desired advertising campaigns. Image recognition is often built into the core of content aggregators to allow them to effectively tag images and categorize them accordingly. In order to then pass the content into an advertising campaign the content aggregator and the media-buying tool need API's to allow the dynamic transfer of content. Thankfully this is a common functionality that is often made available by many of the eligible companies. Content aggregators need API's to distribute (sell) their content and media buying tools are often already connected with external API's to import information about weather temperatures, mortgage rates, stock prices, etc.

One such setup of dynamically inserting approved user-generated content can be found in the cooperation between Stackla (content aggregator) and Brand Networks (media buying tool). The combination of their systems allows advertisers to effectively and very efficiently use user-generated content in digital advertising campaigns, analyse the performance, and scale high-performing segments with ease.

Crown Casinos, an Australian entertainment company, has leveraged this technology setup for their Facebook campaigns and lowered their campaign costs (cost-per-thousand ad impressions) by 21 percent (Stackla 2016).

These results with user-generated content are also in line with Nielsen's finding in the Global Trust in Advertising Report, which claims that,

„92 percent of consumers around the world say they trust earned media.“

(Nielsen Newswire 2012)

Additionally Salesforce, a heavyweight in CRM and one-to-one marketing, too states on its blog that

„Social campaigns that incorporate user-generated content see a 50 percent lift in engagement, ads with user-generated content generate 5-times greater click-through rates.“

(Hutchison 2016)

Not every major media-buying tool and content aggregator has such capability available but with today's access to technology the barriers between companies have certainly decreased. For any marketer thinking about digi-

tal advertising success, user-generated content poses an attractive new alternative and users too surely appreciate a fresh wave of relevant and engaging creative content.

5. Conclusion

One-to-one marketing does in theory sound like the perfect approach for many of the challenges of today's marketer. Data providers, advertising technology companies and creative content producers must work together better to break down the walled gardens that have been created. Major e-commerce companies and their data partners have made their way into the digital advertising spotlight and started to provide compelling alternatives. Time will tell whether or not the combined force of the industry's secondary players is strong

enough to establish a permanent position in the digital advertising universe.

User-generated content appears to be a growing trend that is diversifying media channels and supports an ever-growing need of creatively positioning advertising relevancy. The possible applications of UGC range from broad brand advertising down to the bottom of the marketing funnel where performance is measured in conversion and purchases.

Being relevant in place, time and message remain a key focus for every marketer that wishes to engage in personalised one-to-one marketing. Leveraging data and creative material that is produced by users directly (deterministic data and UGC), has become a growing trend amongst advertisers. Time will tell whether this new trend has the ability to stand the test of time. +

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