The Future Is Cross-Channel 1:1 Marketing At Scale

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Table Of Contents

Executive Summary................................................................................................................................................................................. 2
Today’s Marketers Embrace The Concept Of Data-Driven Marketing........................................................................................ 2
Synthesizing Data And Extracting Meaning Remain Massive Challenges................................................................................... 4
Cookie-Based Targeting And Measurement Are Showing Signs Of Strain ....................................................................................... 5
Life-Cycle Management Will Become Person-Based And Pervasive ............................................................................................ 6
Key Recommendations........................................................................................................................................................................... 9
Appendix A: Methodology .................................................................................................................................................................... 9
Appendix B: Supplemental Material .................................................................................................................................................. 10
Appendix C: Endnotes .......................................................................................................................................................................... 10

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Executive Summary

In July 2013 Acxiom commissioned Forrester Consulting to evaluate how companies use the data they collect from their customers to make better decisions on their marketing campaigns by gauging their experiences and attitudes around their use of and future vision for using customer data across multiple marketing channels. In order to understand this topic, we conducted interviews with 11 executives representing a range of roles and perspectives, including consumer packaged goods companies, financial services organizations, and agencies.

Key Findings

Forrester’s study yielded five key findings:

- Today’s marketers are increasingly embracing the concept of data-driven approaches to marketing, whether it be in targeting or cross-platform measurement.
- Marketers consider targeting and measurement across channels, formats, and devices at the person level to be “the holy grail” of marketing.
- Massive challenges remain, however, when it comes to synthesizing and extracting meaning from the ever increasing reams of data available.
- The industry wide foundation of cookies for targeting and measurement is starting to show major signs of strain, necessitating the emergence of a new standard.
- Person-based approaches to targeting and measurement will usher in an era of customer life-cycle management.

Today’s Marketers Embrace The Concept Of Data-Driven Marketing

John Wannamaker — father of the famous adage, "Half the money I spend on advertising is wasted; the trouble is I don’t know which half" — would be awed by today’s leading digital marketers, who are infusing their day-to-day marketing decisions, from media buying to audience targeting to campaign measurement, with a strong belief in data as a foundational element in driving marketing success. In speaking with our interviewees about their use of data — specifically their own first-party data in its many possible forms, publisher (second-party) data, and licensed third-party data — we learned that:

- **The use of a range of first-party data sources is on the rise.** The early days of simple pixel-based remarketing of anonymous users off a marketer’s website are giving way to a much richer story with respect to the role and value of first-party data. The use of CRM data, such as that from a pre-established customer database, is on the rise. While Forrester does not believe this is yet typical, we did find strong evidence of CRM data being used for a variety of purposes by a subset of the most sophisticated marketers. Most common is the use of such data to seed the development of look-alike modeling, but we also found evidence of its having other applications as well. For example, one senior program manager of direct marketing at an insurance company that falls on the advanced
end of the marketing spectrum, notes, “[We use first-party data] for customer suppression, cross-sell, and prospect targeting [among other things].”

“We’re using our first-party data in display marketing to augment current campaigns; so for example, if we know a customer gave a gift for a birthday last year we will use our demand side platform (DSP) to serve up a list of display ads as a reminder [to that user].” (CMO, gift services company)

- **Licensed third-party data is used to augment, not supplant, first-party data.** The mid-2000s saw an explosion in marketer interest in purchasing prepackaged segments from third-party data providers, initially through ad networks, then increasingly through real-time biddable platforms like DSPs and service providers like agency trading desks. But the early boom has seen an evolution in the past two years as data buyers’ understanding of the licensed data market has deepened. A simplistic reliance on third-party data alone is becoming the exception rather than the norm as marketers look to complement their increasingly valued first-party data efforts — whether the goal is to round out a first-party profile with additional attributes or to identify additional potentially high-value or highly responsive net new audiences. Says one enterprise VP of CRM and loyalty at a gift services company: “If you think of the CRM stack, you need to have all that rich info from the internal system in place first. Then you bend it around the customer behavior you can see and then around the third-party data.”

“We use third-party data to enrich the profile. We have first-party data that’s reliable and tells a particular part of the story — we tie those attributes that are available online to ours — like high lifetime value, low risk profile, etc. — to round out the profile and create look-alike models out of it.” (Senior program manager, direct marketing, insurance company)

- **Second-party data is of interest but not yet generally used today.** Although several marketers we spoke to expressed interest in working more directly with publishers on striking data-based (or developing more data-enriched) relationships, our research uncovered that this is still uncommon. What we did generally hear in this vein was a discussion of the use of portals’ data — ranging from anonymous behavioral to persistent, person-based (such as through registration data). Says one digital strategy and social media lead, North America at a leading CPG: “What we’ve done in the past is matched [our data] with large websites who have login data, because we’ve seen login data is by far the most accurate way to target folks and we want to ensure we’re hitting the right person.” As the era of data-driven decision-making continues to blossom through the continued development and adoption of tools for audience segmentation and management on both the buy and sell side, Forrester anticipates a significant rise in second-party data relationships.

“Publishers are starting to open [their proprietary environments] to let you target against them. It’s a matter of how far the publisher will let you go to match first- and third-party data.” (Executive director, digital marketing, global bank)
Synthesizing Data And Extracting Meaning Remain Massive Challenges

The explosion of available audience and campaign data has been both a blessing and curse to the marketing community. The potential upside is seen by all we spoke to as obvious — using data to make smarter decisions about who to speak to, when, with what message, and how to accurately judge effectiveness — are universally seen as benefits. But interviewees spoke of significant challenges that hamper their ability to take full advantage of their own and others’ data right now:

- **Data synthesis is time-consuming and labor-intensive.** One of the most common laments from marketers pursuing a data-first strategy was wading through and combining disparate data sources for analysis and targeting. Says one VP, marketing at a retail bank: “Different tools call data different things — and getting them all on the same page is really important, but really manual and labor-intensive. Even in the era of data management platforms (DMPs), which are bringing early adopters significant benefits on this front, there remains significant heavy lifting on the part of the marketers themselves.”1 Says one executive director of marketing at a global bank: “Data is flowing into the DMP to some extent, but not at the impression level. It still has to be put together offline [by our team].”

  “We’re getting good insights and actionable data on how to better run campaigns, but it requires a lot of heavy lifting. So getting this result, making it repeatable, and enabling us to take action on it more quickly is where we want to go.” (Executive director, digital marketing, global bank)

- **Extracting meaning remains a near universal challenge.** For those marketers we interviewed who are not current DMP users, a common complaint was that they felt awash in data and that pulling out the valuable nuggets was a persistent challenge. Says one VP marketing at a retail bank: “I have no idea what I’m missing [in not synthesizing the full range of data]. We separate all acquisition work from current client work today, and it doesn’t work that way. Clients and prospects all exist within this environment, and there’s all this interesting overlap between the two — I just can’t see it.” For DMP customers, data insights are theoretically more obvious and readily available, but Forrester has found there is still significant room for improvement on this front. In Forrester’s recent Data Management Platform Wave (Q3, 2013) this was in fact a common refrain from customer references — we often hear something amounting to, “It’s an awesome tool, but I’d love it to help me uncover insights more easily.”

  “With the rise of the DMP and our use of a DMP, it’s been getting better, but it’s far from perfect.”
  (VP digital marketing, credit card company)
Cookie-Based Targeting And Measurement Are Showing Signs Of Strain

Every marketer we spoke to agreed that being able to identify a given person across formats, devices, and cookies would fundamentally alter their approach to marketing for the better. In fact, it was described by many as the as-yet-unreached “holy grail.” Says one senior program manager, direct marketing at an insurance company: “We would be able to evaluate differences in behavior based on a device someone is using when researching, deciding, and purchasing our product. Knowing how people are using mobile in the journey will be huge. Understanding how many messages and what kinds they’ve been exposed to on what device to optimize frequency, messaging . . . it would be big.”

But the reality is that today’s predominant solution for targeting and measurement, the cookie, is sitting on increasingly shaky ground. The cookie faces two enormous hurdles, both of which continue to loom larger and larger: The dramatic rise of mobile platforms over the past four years — where cookies are spotty at best — has left many marketers in the dark when it comes to mobile, and most certainly cross-platform, targeting and measurement; the pending threat of cookie blocking, “Do Not Track,” and potential legislation, coupled with the current reality of cookie deletion, makes the cookie a suboptimal foundation at best, and eventually a non-existent one at worst (see Figure 1). Says one digital analytics head at a global bank: “Cookies are a big question mark — 75% are deleted on a regular basis was the last quote I heard — and from what you hear from Firefox and others, there’s a question of how long cookies will last.”

During discussions with interviewees, we found several major sources of concern with cookies:

- **Targeting lives at the browser, not the person level.** Marketers who are increasingly speaking the language of customer-centric marketing are running into major limitations with cookies when it comes to accurate targeting of individuals. Says one digital strategy and social media lead, North America, at a leading CPG: “We don’t really trust cookies for a lot of reasons. What we found is that login data has really yielded much more accurate targeting. With shared devices, and since people don’t necessarily fit in one box — women go to ESPN.com, too — we’re not a big fan of third-party cookies.” And in an era where multidevice usage by consumers is the norm, cookies really fall flat. As one VP of digital marketing at a credit card company noted: “Part of our growing frustration is with doing things at a cookie level. It was OK when you had your primary device — a giant desktop at home. Now, with device proliferation, everyone’s using at least two to three devices — we treat them like separate people, which they’re not. So that’s one of the biggest blocks on our path right now.”

- **Cookie-based measurement can be spotty, and it’s not expected to improve.** According to a recent Comscore report, approximately 28% of first-party and nearly 36% of third-party cookies, on average, are being deleted per month, with first-party cookies being deleted six times per month and third-party cookies being deleted nine times per month. With statistics like these, it’s no wonder marketers are increasingly concerned about relying on cookie-based data to rate campaign effectiveness. Says one CMO at a gift services company: “We recognize cookies are not totally effective. We know that the data we get back is X% accurate and we have to see it as directional indications versus absolute indications of a path to conversion.” And, similar to the emerging story with targeting in an increasingly mobile world, measurement within mobile and across mobile and desktop is seen as an enormous challenge by those marketers with whom we spoke. One senior program manager at an insurance company noted: “In mobile, it’s less mature and less consistent in terms of how cookies work in that environment — longer term, there has to be something else than a cookie. I’m not sure what that is, but it feels like with the lack of stability and everything, I don’t see how it can keep going how it’s been going.”
“I’m praying someone else is thinking about it [the cookie question]. I think their limitations are growing — it’s the best thing we’ve got now, but it’s getting worse every day. I’m a fan and I’m not — they’re pervasive in terms of enabling our program — but do I want to create a test based on cookies? God, no.” (VP, digital marketing, credit card company)

Figure 1
Third-Party Cookies Are Showing Strain In An Era Of Cross-Platform Targeting And Measurement

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Source: Forrester Research, Inc.

**Life-Cycle Management Will Become Person-Based And Pervasive**

In the “age of the customer,” all activities must start and end with the customer — effectively communicating in a timely and relevant way. Winning organizations will be the ones that harness the full range and breadth of data available to them to become customer-obsessed in every facet of their business, whether it be marketing, product design, or customer experience. This will necessitate an industry wide shift to systems that sit on a strong and stable foundation of person-level data, and begs the question, for all the reasons previously outlined: At what point does the industry’s continued dependence on the third-party cookie finally give way to one that relies on something more accurate, meaningful, and persistent — data that lives at the person level? In a future that is person-based and customer-centric:
• **The pool of targetable prospects and customers will grow as targeting and tracking mechanisms improve.** In speaking to interviewees, we heard that there remain roadblocks to marketers’ ability to find their prospects and customers at the scale they generally want. Issues such as cookie deletion and blocking and publishers’ reticence (or inability) to work with marketers interested in first-party targeting create holes that will, over time, be filled as the market matures, new standards are adopted, and publishers organize around new models of selling. As one VP of integrated advertising for a financial services institution noted: “If we match 50% [of our audience with a publisher or DSP] we want to match 80% — and if we pick new partners, we have to understand how much overlap is there. We want to keep focusing on the folks that expand our capabilities. I want to reach everybody — if it was 20 million we want to reach them all.”

• **Acquisition and retention efforts will be symbiotic rather than siloed.** The traditional organizational structures have tended to favor both a physical and logical separation between acquisition teams and those responsible for retention efforts. Thankfully, however, those walls are beginning to crumble as forward-thinking companies recognize that creating relationships with people requires that person-level interaction through the complete purchase life cycle, from the very first message designed to drive awareness through to the ongoing communications designed to drive usage and brand loyalty. Notes one digital strategy and social media lead, North America for a leading CPG: “If they’re loyalists already you want to hit them with messages to drive engagement. If they’re loyal with another brand, do you want to hit them? If they’re switchers, how do you approach them?”

  “It’s early days, but we've probably been [pushing our audiences to premium publishers] for close to a year. It’s not like we have hundreds of those deals in place, but we probably have 10 to 15 going now and will ramp up during the holidays [which is our most important season]. (President, gift services company)

• **The full range of customer interaction data will feed marketing strategy and messaging.** It’s not uncommon to find today’s leading marketers using every bit of available digital data on customer behavior to feed marketing decisions, but big gaps become apparent when we looked beyond the bounds of digital. Notes one VP of digital marketing at a credit card company: “It’s a matter of pixeled to track the online channel, but we can’t pixel direct mail, and so many people still mail paper applications.” Over time, those holes will inevitably be filled as accurate tracking and measurement of all prospect and customer interaction become higher and higher priorities at the enterprise level, leading to a future state where decisions and communications are informed by the full scope of customer touches online and off — from site visits to call center discussions to direct mail responses to in-store purchases — opening up a whole new range of fundamental marketing questions and opportunities.

• **Cross-platform communication will become the default standard.** The writing is on the wall for today’s marketers: Give people what they want, when they want it, and where they want it, or risk losing relevancy. Says one VP of integrated advertising at a financial services company: “The younger generation is not going to be used to traditional ways with dealing with a company. They expect new approaches, and we have to meet them where they are.” The adoption of new standards for targeting and tracking are a necessary prerequisite to allow marketers to communicate with these increasingly demanding consumers in a consistent way regardless of what
device they’re on. As one director of interactive marketing at a global shipping company explains it: “It is the marketer’s dream to get all these channels and data sources connected in a centralized engine that allows you to see and reach people across all of these channels.”

“All the marketing and advertising principles end up being the same — whether it’s the DSP or customer data world — what’s the most efficient way to deliver your message and have an impact on people?” (VP integrated advertising, financial services institution)
KEY RECOMMENDATIONS

Take a page from Ford and Team Detroit’s playbook: Commit to an enterprise wide shift toward customer-centricity over the long term, even if your day-to-day organizational structure and processes simply change in small, incremental ways in the short term.4 To take some critical, but manageable, steps on this path:

- **Conduct a first-party data audit to uncover the raw materials already available.** The perhaps now familiar refrain has become “Start with your own data!” That can feel more easily said than done for marketers inside of large (and potentially disjointed) organizations, but a couple of well-placed conversations with colleagues — such as your CRM or acquisition counterparts — can go a long way. If you haven’t started already, a well-managed and robust remarketing program using both site-based and more traditional customer data assets is a great — and manageable — place to begin.5 Says one VP of integrated advertising at a (traditional and slow-moving) financial services institution: “We do retargeting today, but want to improve. Now we’re going through the process of taking our existing customer info and mapping it back to our efforts in retargeting. We’re clearly committed to this.”

- **Look to publishers with direct consumer relationships for effective, consistent cross-channel targeting.** To take your person-based targeting and measurement efforts to the next level in an accurate and scaled way, and to put yourself one step ahead of the cookie question, take advantage of the leading publishers that maintain 1:1 relationships with their user base — increasingly in a multitude of different platforms, including mobile — such as the portals, leading eCommerce players, and global technology companies. Says one digital strategy and social media lead, North America at a CPG: “We do work with a large portal that has a significant first-party data pool. We buy it and they layer it over their private exchange to target the customer.”

- **Make a privacy-friendly approach to delivering relevant marketing a high priority.** In spite of what some vocal privacy advocates may lead you to believe, privacy and relevance need not be at odds. Says one senior program manager, direct marketing at an insurance company: “We want to be mindful of [the privacy question] but also be mindful of providing relevant messaging to people where we can.” The goal in an increasingly privacy-aware environment must be to balance consumer privacy preferences and maintaining consumer trust with delivering relevant and valuable content, whether through earned, owned, or paid means. Striking this balance necessitates a commitment to working with partners whose policies, technological approaches, and track record are well in line with your company’s beliefs and attitudes. Dig deeply into questions regarding data management practices with any and all potential partners, and don’t be afraid to ask for customer references whom you can contact for verification of vendors’ claims.

Appendix A: Methodology

In this study, Forrester conducted 11 anonymous telephone interviews with individuals responsible for marketing. These interviews served to evaluate the effectiveness of current practices and challenges in managing prospect and customer data for targeting and measurement within and across channels. The study began in July 2013 and was completed in September 2013.
Appendix B: Supplemental Material

Related Forrester Research
“Remarketing Done Right,” Forrester Research, March 11, 2011
“Solving the Cross Platform Targeting Riddle,” Forrester Research, August 23, 2013

Appendix C: Endnotes


4 To learn how Ford and Team Detroit evolved their digital media buying, audience management, and measurement approaches to be more customer-centric, see the May 2013, “Maximize Your Media ROI With A Customer-Centric Approach” report.