WHAT IS WRONG WITH MICRO-TARGETING?

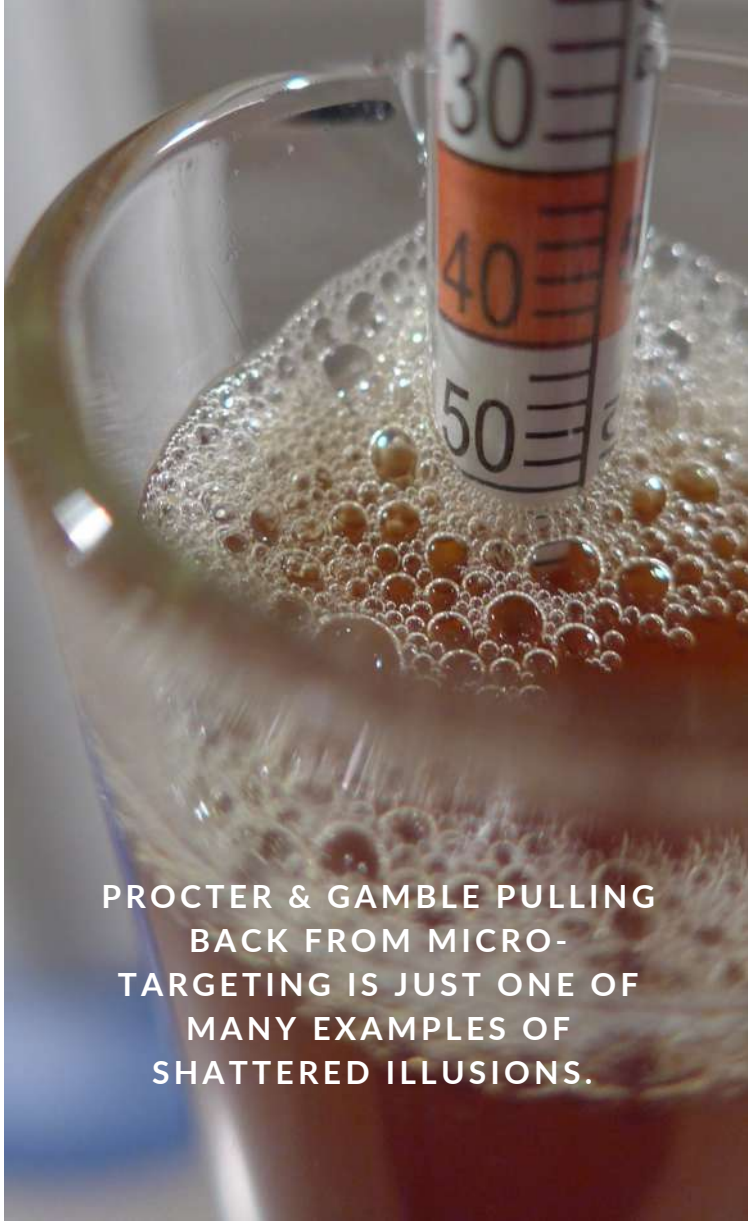
VERY, VERY SPECIFIC

"WE TARGETED TOO MUCH, AND WE WENT TOO NARROW."

That was the conclusion from Marc Pritchard, CMO at Procter & Gamble, the biggest advertising spender in the world, told to Wall Street Journal.

The practice Procter & Gamble was scaling down is called micro-targeting, meaning:

Combining multiple audiences to target a very specific and precise target group.



PROCTER & GAMBLE PULLING BACK FROM MICRO-TARGETING IS JUST ONE OF MANY EXAMPLES OF SHATTERED ILLUSIONS.

HIGH HOPES

With the enormous amount of audience data in social media and in the programmatic space, almost endless combinations are now available.

You can now target:
"Bachelor-educated married females in their late 30ies with twin children living in the countryside who reads cat magazines and drives a +5-year-old Mazda."

The digital world rightly thinks audience first, not media first.

And the apparent ability to pinpoint exact and very detailed audiences has led to very high (sometimes misguided) hopes for digital advertising.

LOW RATES

Just recently Byron Sharp, Professor of Marketing Science from the Ehrenberg-Bass Institute for Marketing Science, published a study where researchers analysed 3.1M ad exposures.

They found that micro-targeting generated very low click-through rates - sometimes lower than campaigns with no targeting.

So, what is the matter with micro-targeting?

There are – at least – two major problems.

GUESSWORK

THE FIRST PROBLEM IS THAT MICRO-TARGETING IS VERY OFTEN BASED ON GUESSWORK.

As Professor Sharpe writes:

"Marketers often do things based on theory/ logic rather than evidence. The worst myths, the longest-lasting, are those that sound plausible."

At IDFree, we work closely with more than 300 recurrent agencies and direct clients.

Most of them are highly professional and dedicated, but nonetheless, we very often see micro-targeting strategies that are based on:

- What the client thinks the relevant customers look like
- What audiences are available
- What they did last time

– or a combination of all three!

FRAGMENTS

We know our clients, and the problem is not a lack of competencies, it is much more a question of fragmentation.

There is often a very long way from the clients to the executing trading desk.

It is not unusual to see 8-10 steps between the client and the programmatic team implementing the online targeting strategy.

AGENCIES HAVE GONE FROM MAD MEN TO MATH MEN AND NOW NEED TO BE(COME) MATCH MEN.

MATCH MEN

As Peter Loell, Director of Data & Targeting at Hearts & Science puts it:

"Most marketing departments right have a wide variety of platforms that are not as "seamlessly linked" as it appeared on the PowerPoint presentation."

LOELL POINTS OUT THAT AGENCIES HAVE GONE FROM MAD MEN TO MATH MEN AND NOW NEED TO BE(COME) MATCH MEN THAT CAN CREATE A MATCH BETWEEN STRATEGIES, PERSONAS, CHANNELS, SYSTEMS AND RELEVANT DATA.

WASTAGE

THAT THERE IS STILL A LOT OF WORK TO BE DONE FOR THE MATCH MEN IS EVIDENT IN MANY CAMPAIGNS.

Liam Brennan, global digital director at MediaCom, cites one concrete example:

*"We call potential consumers who do not fit a rigid demographic profile "valuable wastage". A recent analysis for a blue-chip client revealed that 35% of its sales came from valuable wastage, or consumers outside its broad 18-34 target, and a **whopping 50%** of sales came from outside its 18-34 bullseye."*

SUMMARY OF PKT 1: TOO MUCH GUESSWORK IS PROBLEMATIC WHEN YOU TARGET VERY NARROWLY.

PROBABILISTIC

THE SECOND PROBLEM IS THAT MICRO-TARGETING OFTEN COMBINES PROBABILISTIC DATA.

Most 3rd party data available at scale in the DSPs are probabilistic data.

This is also true for data powerhouses like Google and Facebook.

Deterministic data is facts about users that we trust are 100% true.

These kinds of data are rare but usually, we treat login information or survey panel responses as facts and deterministic data.

Crucially, these facts will never change and the probability that they are true will always be 100%.

Given the choice, all marketers would prefer deterministic data where we KNOW the data is 100% true.

DETERMINISTIC

Another important aspect is that once true deterministic data is tied to a unique ID like a cookie, a mobile advertiser ID, then it per definition becomes private data according to:

EU GENERAL DATA PROTECTION REGULATION 2016/679 ARTICLE 4.

Consequently, deterministic data are scarce. There is only a very limited pool available and advertisers and campaigns require millions of impressions.

This is an impossible fit.

THE COST

Deterministic data cannot supply enough volume to the programmatic demand.

This is the reason most available targeting data today is probabilistic data – meaning attributes about users derived from mathematical models.

The advantage of using probabilistic modelling is the ability to scale your models since you no longer need to rely on first-party interactions and people providing you with private data like usernames and email addresses.

The right model

With the correct permissions and the right models, a user does not need to log in and provide you with personal data before they can be algorithmically matched to a specific target group.

COMBINATIONS

In probabilistic data, we have used a mathematical model to calculate the probability that user X is interested in a specific car brand.

The very nature of probabilistic data is that it is not deterministic.

We do not KNOW for sure that user X is interested in a specific car brand.

There is nothing wrong with probabilistic data especially if you as a marketer understand how and why the data is modelled.

But there is one aspect many marketers, unfortunately, ignore:

When you combine multiple probabilistic data, you are also multiplying the probabilities.

THIS CAN SERIOUSLY HURT YOUR CAMPAIGN RESULTS.

AN EXAMPLE

TO GET REACH, YOU NEED TO USE PROBABILISTIC DATA.

Let's say a marketer is using micro-targeting to target: Females, 30-50 y/o who are interested in a Nissan car.

In most DSPs, this would require that you combine three audiences:
Gender. Age groups. Nissan interest.

And let's assume the probability for each of the three audiences are 75%.

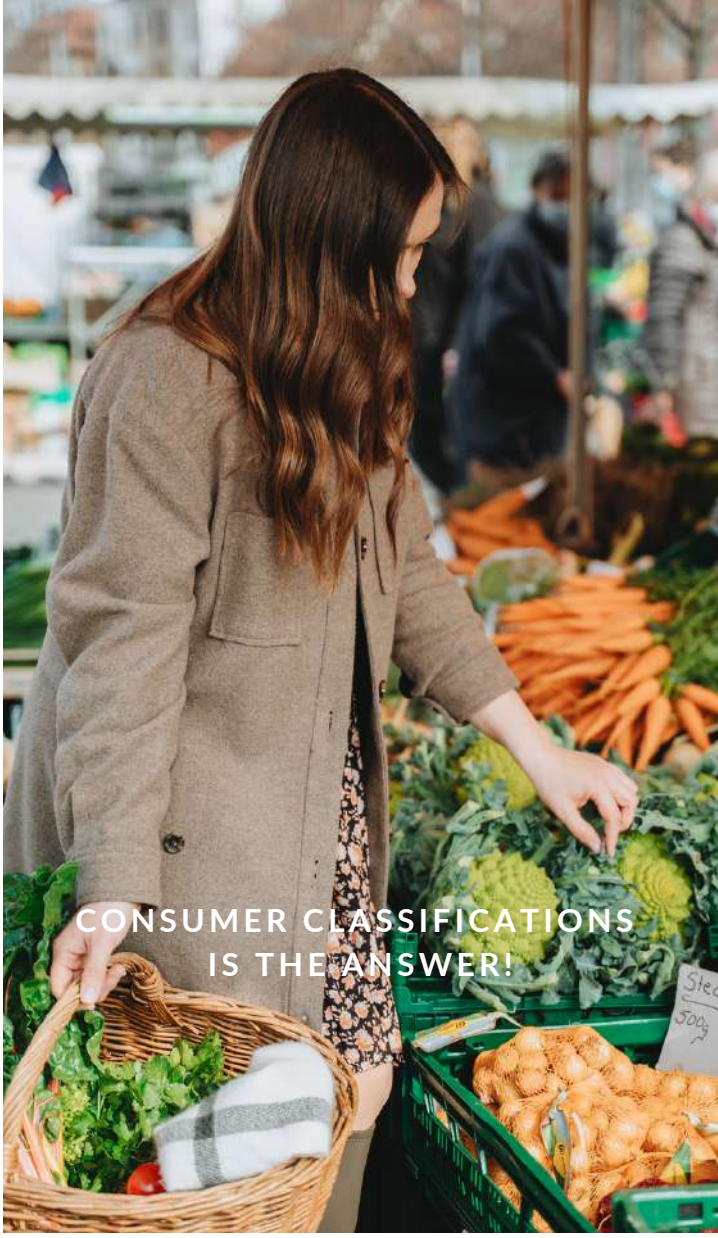
This sounds fair, but once you combine audiences, you also combine probabilities.

The chance of actually hitting a female, 30-50 who is interested in a Nissan car is:
0.75*0.75*0.75 = 0.42

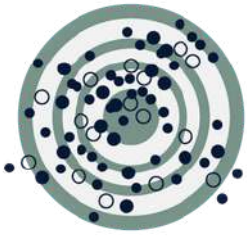
So, combining dramatically lowers the probability of hitting the target group.

In this case from a respectable 0.75 per audience to 0.42 for the combination.

THIS IS A VERY UNDERESTIMATED PROBLEM IN USING MICRO-TARGETING WHERE MULTIPLE PROBABILISTIC AUDIENCES ARE COMBINED.



SUMMARY OF PKT 2: COMBINING DATA VARIABLES ALSO COMBINES PROBABILITIES – LOWERS PRECISION.



WHAT THEN?

CONSUMER CLASSIFICATIONS IS THE ANSWER!