AdvertOne

What Permission Buys You

For more than two decades, digital advertisers have used and abused consumer, prospect, and consumer data. We have captured it secretly, shared it promiscuously, and weaponized it whenever possible.

We did all this while bragging about our brands: "Our brand is the promise we make to our customers." Some promise. Some brand.

Look around. A terrible reckoning has begun. There is a growing adblockalypse: 38% of American adults have installed ad blocking software. Regulators smell blood in the water. Five billion dollars here, $100 million there, with more fines in the offing. Of course, the potential damage to brand equity is incalculable.

Some very smart people have forecast the "end of advertising as we know it." Are they right?

It's time for a new beginning.

It all starts with permission

Permission-based advertising is a tectonic shift we are just beginning to understand. It may make the other models look like cracks in the sidewalk

Many existing digital advertising models are under threat. Real-time Bidding (RTB) systems and retargeting, are (and will increasingly be) under pressure. These systems are the perfect storm of possible privacy violations. They use cookies, second party, and behavioral data. They transfer these data with ferocious frequency across multiple jurisdictions.

A new advertising model has entered the market over the last few years. Directly addressable advertising on subscription-based platforms has been a major winner in the age of permission. We can now advertise to groups of identified individuals, not just to demographics, locations, or clickstreams. This has some profound implications. It places increased demands on permission and data management, but it also creates tremendous opportunities to increase response rates.

The medium may be the message, but in when you have permission, the individual is the offer. The sophistication of audience selection and the personalization of storytelling will change advertising down to its molten core.

With rights come responsibilities. Getting permission from an audience means respecting their privacy rights. Using advertising to build personal relationships with your brand means thinking about ads in a broader context, making sure that they are consistent with other marketing campaigns, and managing the cadence of your communications across all touch points.

This new generation of advertising is built on three pillars: precision, privacy, and people. Let's take a brief look at each.

Precision

Traditional advertising typically focuses on the unknown, the new advertising also focuses much more on the known. The old advertising reaches the many to find the few. The new advertising develops relationships with the few to find the many.

The starting point of this new advertising is often people you know something about: customers, prospects, website visitors, email responders, tire kickers, and even lookie-loos.

Understanding their preferences, behaviors, and the stories that resonate with them are keys to building a larger audience, and also to more precisely target your traditional advertising.

The first pillar is built with one-to-one, or directly addressable, advertising. Many subscription-based ad platforms now use standard identifiers like an email address, telephone number, or related information to place advertising.

The new advertising begins with your first party data. This is incredibly empowering. You control the data, the ad platform doesn't. You manage consent and you determine how, when, and where the data may be used. Think that's a burden? You are already doing it for email and telemarketing.

Data sources may include your data warehouse, several data marts, your CRM system, and regional and local marketing, sales, and service centers.

Deciding which data to use in advertising often leads to RFM—recency, frequency, and monetary value. When did they buy, how often do they buy,

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and what is the financial value of the relationship? Variations on this theme such as RFD (adding duration), RFE (engagement), RFMTC (time and churn rate) add more precision. Scoring your contacts based on these criteria helps you determine the right people to target in an ad campaign. It also helps drive the copy and creative.

Some sources of data capture important inflection points. A list of expiring lease or subscription holders, sales or service contracts due for renewal, newlyweds, home buyers, new parents, recent graduates, and many more help increase precision.

Think of your consolidated first party data as a giant spreadsheet with columns and rows. The column headers describe the key attributes for selecting an audience. These may include an RFM score, one of the inflections points above, geographic location, level in a loyalty program, or purchase history. The rows include information about named individuals and, as we discuss below, these require careful handling.

Want to advertise shoes to women in a specific postal code, who recently bought a red dress from your online store, and have more than 10,000 points on their loyalty card? No problem.

The practical limit on precision lies elsewhere. Specifically, what percentage of your selected audience is matched by and may be served an ad on your preferred advertising platforms? The match rates vary significantly by list and ad platform, but on Facebook B2C data often has a match rate of 70-80%. For B2B data, divide by two.

AdvertOne's definition of precision goes farther. Our software helps you speak to the smallest groups of people that the ad platforms permit. The responses we gather are linked to these micro-segments, so you can understand your audience interactions at the finest level of granularity. In practice that means that you can use matched lists as small as 300 individuals (LinkedIn), 500 people (Twitter), and up to a thousand or so on platforms like Google and Facebook.

Compared to the traditional concepts of precision, the new advertising offers mind-boggling opportunities.

Privacy
With regulation on the rise, it is important to ensure that your advertising investment is secure and that your audience's data is accurate, private, and under their control.

Today, when advertising people think about privacy two things probably come to mind: GDPR and consent.

The EU's General Data Protection Regulation is one of the most complicated issues advertisers face. The most visible lawsuits were filed on the first day by Max Schrems, the head of the lobbying group *None of Your Business*. The lawsuits focus on specific products: one filed against Facebook and two against its subsidiaries Instagram and WhatsApp. A fourth suit targeted Google's Android operating system. Together, the complaints seek a fine of 7.6 billion euro ($8.8 billion).

The lawsuits address how the companies obtain consent from subscribers. They target the way Facebook and Google require users to tick a single check box in order to access services. The complaints argue that this limits users to an all-or-nothing choice, a violation of the GDPR's provision about particularized consent.

Then there is the issue of handling and sharing data. The Federal Trade Commission fined Facebook roughly $5,000,000,000.00 for mishandling users' personal information. Your company may be next.

So, it is likely that privacy regulation will increase, not just in the EU but everywhere. If you advertise only in the US and believe that you are immune then you may want to reconsider. For example, The California Consumer Privacy Act takes several large steps in the direction of the GDPR. Eighteen US states have passed or are considering consumer privacy laws. At the national level, there is growing interest in Congress for a Do Not Track List which could act as the digital equivalent to the existing Do Not Call list.

Data privacy and permission involve many factors. Consent, for example, is something that sounds simple. Do you or do you not have permission from someone to market and advertise to them? For email, telemarketing, and direct mail the issues seem straightforward. If someone gives you their contact details and asks for additional information, or explicitly asks to be contacted, you may do so. Until they decide otherwise.

What about advertising? For digital advertising, consent also seems simple. You place an advertisement on a site and someone either sees it or they don't. Do they need to give consent to view something that everyone sees? Some advertisers have adopted the Digital Advertising Alliance's Ad Choices mechanism. This provides viewers with some control over how data about them is collected and used in digital advertising. So, case closed.

If it were only that simple!

Underneath the covers of digital advertising is an array of second party data, cookies, algorithms, data transfers, and auctions that determine to which browser a specific ad is served. The complexity and potential privacy issues with this model go well beyond the scope of this document. Sadly, it is also something that is largely outside of your control.

In the GDPR there is an issue about the particularity of consent. Here the theory is straightforward, but the practice is not.

Let's try a thought experiment. You have a landing page for a directly addressable advertisement. Someone clicks on the ad, views the landing page, and navigates to the opt-out section at the bottom. What does it say? Is it a general opt-out link that is used by other channels like email? Was it designed specifically for advertising or even explicitly for directly addressable advertising?

Let's say the page enables people to opt out of "targeted advertising." As a privacy-aware advertiser you capture any opt-out information and update the audience member's contact record in your database to reflect the change.

A month later, you run a traditional advertising campaign and the same person sees this new ad—one for which they were not specifically targeted. What happens? It may be that they will assume that you have not honored their opt-out request. In a litigious world, that is not a good thing.

This discussion highlights an important issue and a possible solution. The solution? Do not put opt-out information on landing pages. Rather, link to a more comprehensive privacy and permissions page that gives the person a menu of choices and also explains the impact of each. This is important, because personally identifiable information may reside in multiple locations and databases. It is important that opt-out information flows to them from a common source.

In the case of advertising, make it clear that if a person opts out of targeted advertising, he or she may still receive advertising from your company, in fact they may receive the same amount or even more advertising, but it will be less relevant. This complies with the "particular consent" requirement and as a practical matter, often decreases the number of opt-outs.

The other major issue with privacy is the management of all this data. (Data seems to find its way into every discussion.) Data about people should be accurate, used for an identified purpose, and be under the individual's control. People must be able to access data about them, they must be informed about any breach, and most importantly, under the GDPR at least, they have the right to be forgotten.

Any serious privacy initiative should begin with a company-wide inventory of data assets, data handling processes, and data processor contracts. Where does personally identifiable information reside, how is consent managed, how is the data stored, updated, protected, and deleted? One often overlooked aspect in this area is how data is transferred to outside data processors and sub-processors. It is imperative that these service providers meet your data handling standards and that you maintain an audit trail of all transfers.

People
Advertising was traditionally focused on brand and awareness—the top of the sales funnel.

Digital advertising also focuses on retargeting. There is much more advertising can do.

In another white paper (The Weird World of Marketing Math), we discuss how digital advertising has evolved to cover the complete funnel of awareness, consideration, transaction, service, and loyalty.

The third pillar of the new advertising concerns relationships—with people. Traditional ad retargeting might claim that it also works deeper in the sales funnel, especially between the consideration and transaction phases: from thinking about a purchase to buying. There is a key difference though. No one has ever had a relationship with a clickstream. The person typing on the keyboard or tapping the screen is usually unknown until an actual purchase. Is the person you just retargeted for intimate apparel a female managing director or a teenage boy?

The new advertising helps you communicate with people at every stage of a long and beautiful friendship. It helps you find, win, grow, and keep more customers. You have a new opportunity to learn from them, to discover their motivations, and to use that understanding to find more people like them. Of course, you also have the chance to profit by serving them better.

Advertising is storytelling. Traditional advertising tells the same story to millions. The new advertising personalizes that story for the groups of people that matter most.

There are two major reasons for this: data (again) and ubiquity. We have already discussed data in some detail. From a relationship perspective, it is equally important. Over the last two decades, customer relationship management software has changed the way we do business. For any company with multiple customer channels, it is now simply a "given."

When CRM first came to market it was sold as a means for multiple channels to share information about customers and prospects. The goal was, and still is, that a marketer, a service representative, and a clerk in a retail store can be equally knowledgable about the person to whom they are speaking. That is critically important in developing a consistent relationship with people across multiple touch points.

As CRM added marketing functionality, this kind of information became routinely available for campaign targeting. Advertising, though, still lags behind.

Permission-based advertising offers a much better opportunity to integrate with other customer channels. Since its core is often involves one-to-one communications, integrating with disparate channels is a matter of sharing data. If a salesperson is speaking to a customer on the telephone, he should know that the person was targeted for a specific ad, and more importantly, if the person accepted the offer.

Ubiquity—being where your customers are—is also important. The goal should be to maintain a consistent dialog, and to find people in the places they prefer, not to pummel them with ads everywhere. Advertising excessively to your audience is annoying, brand destroying, and wastes money. There is a similar issue with cadence. Many direct marketing channels have touch governance programs that limit the number of contacts to a certain number per days, weeks, or months. The new advertising must be part of this cross-channel calculation.

AdvertOne, Inc.

AdvertOne is a leader in permission-based advertising. We develop ad targeting and management software that helps you find a consistent voice across ad platforms like Facebook, Instagram, YouTube, AdWords, Gmail, and Twitter.

Our system was built from the ground up to support permission-based advertising. We don't use cookies or second party data. We help you comply with international privacy regulations like GDPR and CCPA. Our advertising cloud monitors the performance of your campaigns 24-hours a day. We move your budget dynamically to find the greatest reach and the most clicks, conversions, and acquisitions.

We help you do what's right for each audience member, even if that means forgetting everything about them.

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