

PMGUIDE

2016 PERFORMANCE MARKETING GUIDE

Data & Analytics

IN ASSOCIATION WITH

**PERFORMANCE
HORIZON**

The fundamental principle of performance marketing is that all activities should be tracked, measured, recorded and rewarded based on their performance.

You'll find this concept embedded throughout its many channels, including affiliate marketing, paid social and paid search among others. In fact, the performance marketing model is quietly sweeping its way across the digital ecosystem, earning respect and budgets from the boardroom and establishing a standard for others to follow.

Measuring marketing activities generates steady streams of data, which advertisers rely on to guide and validate their decision-making. Indeed, it is exceedingly rare these days for advertisers to make decisions that are not informed by data in some way.

That is because insights into the customer journey and the various stages within allows advertisers to make smarter decisions that ultimately result in better customer experiences, greater conversions, higher ROI, and top-line revenues.

But advances in technology have produced an unprecedented glut of data now available to advertisers, and some have struggled with the almost overwhelming amount of information at their hands. It only takes one look at the CMO Council's review of top challenges for marketing heads to see how many wish to have a better grasp their data-related issues – these take three of the top five concerns in 2015.

CMOs' concerns, ranked in priority order	PRIORITY
Managing the explosion in consumer data	1
Analyzing and exploiting this data to automate or personalize marcomms	2
Exploiting new channel and device choices	3
Privacy concerns around customer data	4
Generating content marketing	5
Overcoming financial constraints and demonstrating ROI	6
Decreasing brand loyalty	7
Corporate transparency and reputation management	8
Consumer collaboration and influence online	9
Realizing the potential in growth markets	10
Social media management	11
Shifting consumer demographics	12



To sift through this sea of information, identify trends, and distill actionable insights, advertisers must develop strategies for ingesting and managing their data streams, identify the key metrics that align with their overall business goals, and ensure those are analysed in a relevant and meaningful context.

The basics

Traditionally, advertisers have relied on data streams from two primary sources – first party and third party.

Third-party sources produce data sets based on research, surveys, another company's anonymized first-party data, or a combination of all of these, which they then sell to advertisers.

Because these data sets are often expensive, many advertisers prefer data from a known, accurate and reliable first-party source to analyze and inform their decision-making. From our own experience, third-party sets can also be out of date and inaccurate, which leads to complications later down the line.

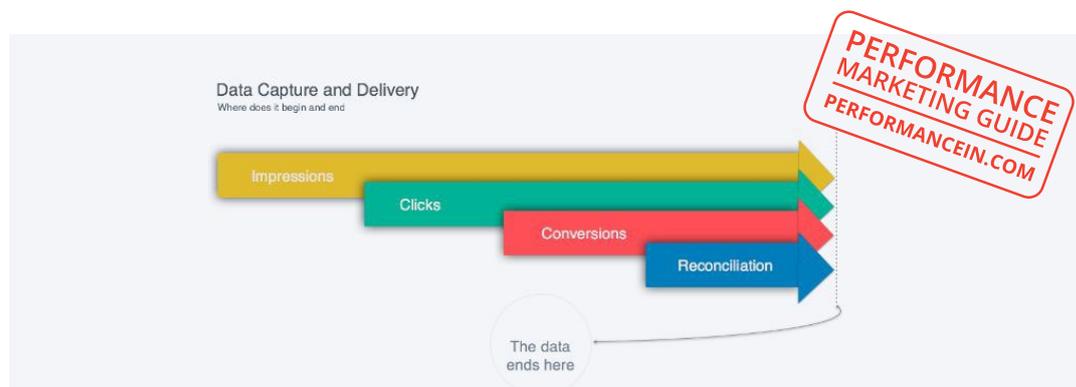
Given its idiosyncratic nature, there are many competing definitions of first-party sources. However, most generally agree with the line that first-party sources provide data directly from an advertiser.

Historically, advertisers had to rely on other parties to collect, ingest, and analyse their own first-party data. This is partially based on many companies having multiple sales channels with multiple collection points, siloed data warehousing, a lack of normalised or rationalised data standards, and more.

Despite the limitations of first-party data, there are numerous benefits that this source provides by generating data across the following areas:

- Browser behavior
- Device type
- Purchase history
- Basket insights
- Product data
- Social activity
- Previous campaign activities

The below trail to conversion has been represented linearly and advertisers have increasingly sought to easily access and action on this data.



Emerging technologies eliminate the need for the manual pulling of reports and instead offer more elegant and engaging solutions. For example, many advertisers find it helpful to pass their first-party data into a data management platform (DMP) where it can be represented in many different ways as well as combined with data from different sources. This way, the data collected and can become actionable in real time.

To generate actionable insights on the data collected, the first step is to understand first-party data in the context of a third-party platform. By allowing you to feed in more data, third-party systems can help you can begin to better understand how to change the path of attribution along the conversion trail and uncover those driving intent to purchase (as opposed to last click).

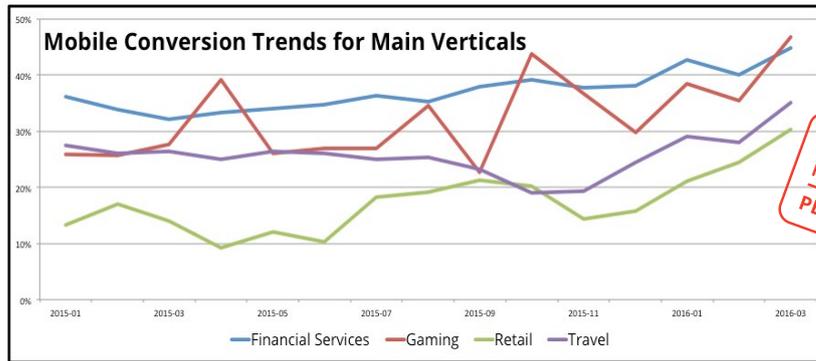
Moreover, real-time data feeds mean you can spend more time analyzing the information rather than struggling to access it retroactively.

By capturing data as it is created, you can drill deep into highly granular points specific to your business and industry. For example, an advertiser in the travel industry may find it helpful to include statistics such as revenue and traffic in addition to more relevant metrics such as individual types of popular hotels, or certain combinations of bookings.

In most cases, first-party data dimensions are specific to that business and only make sense in their own context. However, there is always the option of seeding this data into a third-party platform to open up new opportunities.

Data in context

Advertisers must situate their data in a relevant and meaningful context for their analysis to be valuable. For example, the graph below illustrates how conversion activity is shifting away from desktop to mobile for particular verticals.



Source: Performance Horizon Data Warehouse, 2016



In this case, everyone recognises the broader macro trend towards increased activity on mobile. However, it can be considerably more helpful for advertisers to understand how this impacts their specific vertical and business.

For instance, as shown above, mobile conversions in financial services are surprisingly higher than those in travel and retail. Conventional wisdom would suggest that privacy-oriented consumers would be reluctant to disclose their financial information on mobile device, although the data proves otherwise.

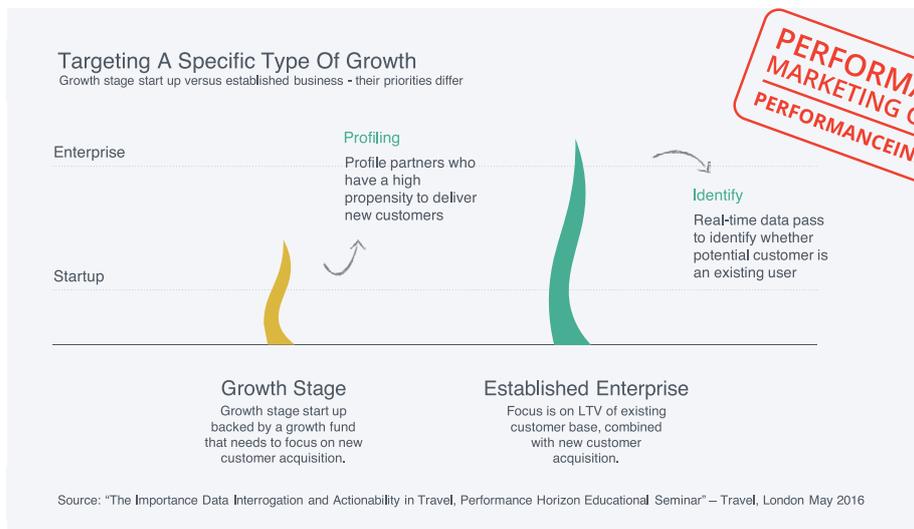
Overall, appropriately contextualising your data should provide value by allowing you to identify subtle yet critical trends, proactively benchmark your own progress relative to your competitors, and beat the curve.

Differentiation through data

Given that data provides value to advertisers only when they can make use of it, it is essential to identify, track, and prioritise truly relevant metrics, i.e. stats that correspond to revenues, or profitability, or both; not just metrics that are easy to measure or understand.

After all, the ability to access real-time data is invaluable, but also leaves advertisers at the mercy of third-party platforms. If everyone relies on the same data set, how can you achieve differentiation and an edge over your competitors?

The edge lies in you knowing your own business and understanding your customers. Companies in different industries at different growth stages can have wildly different needs and goals, as the graph below suggests.



Advertisers should harness known consumer behavior to inform campaigns that are aligned with their overall business objectives. For example, it would be helpful for a company in the travel industry to move through the following steps and questions to ensure they build a successful loyalty program:

1. **Analyse loyalty behavior among consumers** – Are they a frequent flier with a single airline? Do they always request wi-fi? If they hire a car, what model do they prefer?
2. **Determine loyalty information** – What are the loyalty metrics? What is their propensity to convert? Are they after specific information each time or can their experience be personalised?
3. **Develop business strategy** – How could the loyalty information be used to focus delivery of specific conversion metrics? If high-value flights with car rental at airport are desired, what data could drive that activity?
4. **Extract actionable insight** – Based on loyalty information, how could this be translated into actionable insight? If data is only available retrospectively, how could this be incentivised?

Conclusion

Data grants advertisers unprecedented insights into the consumer journey and immense power to influence the path to conversion. To make the most of their data, advertisers must develop strategies for ingesting and managing their streams, identify the key metrics that align with their overall business goals, and ensure those are analysed in a relevant and meaningful context.

Although many appear to be suffering from the sheer weight of data being collected, it is imperative that 2016 is the year that companies start to glean actionable insights from their masses of incoming information and use this to inform both their business and marketing strategies.