

# Why data matters

Let's explore the role audience data plays  
in driving effective digital advertising.

# Introduction

Digital advertising epitomizes the transformational role of data. By using data to help better understand users, advertisers and ad tech vendors can improve audience profiles, targeting strategies and creative messaging. They can also use data to optimize campaign performance in real-time and to better understand their marketing results.

A business's ability to harness the power of data, whether on its own or with the help of a partner, has become an important determinant of its marketing success.

## Data powers superior results for advertisers.

Data-driven marketing is the process of using customer data that has been obtained from a variety of sources, including a company's website, sales system, in-store transactions and third-party sources. Marketers use it to understand their audiences and, in turn, serve targeted offers, messages and content.

It's important to note that "data" can refer to many different things in the digital advertising world. Data also includes campaign KPIs, such as click-through rates and downloads, that can be optimized throughout the length of a campaign to drive results. In this regard, data is used both to find audiences and to improve a business's ability to engage with them.

78% of marketers say that data is an important part of their marketing strategy. But data-driven marketing is not without its challenges. Finding and aggregating data and then using it to make informed decisions can be hard. According to research from eConsultancy, the most common pain points for marketers include marketing attribution and turning data into insights.

## Audience data powers smarter monetization strategies for publishers

Publishers use data to better understand their audience and the performance of their content. By tracking and analyzing the behaviors of their readers, listeners, viewers and users, they can improve the performance of their content and, in turn, create more valuable advertising packages for marketers.

The data they collect about their audiences is called first-party data. By sharing anonymous (non-personally identifiable information) with their advertisers and other digital advertising partners, they can improve targeting strategies, which may increase the value of their inventory as well as improve ad relevance for users.



<sup>1</sup> "Teradata 2015 Global Data-Driven Marketing Survey: Progressing Toward True Individualization," page 4, [http://assets.teradata.com/resourceCenter/downloads/TeradataStudies/EB8595\\_Teradata\\_DDM2\\_2015\\_Web.pdf](http://assets.teradata.com/resourceCenter/downloads/TeradataStudies/EB8595_Teradata_DDM2_2015_Web.pdf)

<sup>2</sup> <https://econsultancy.com/blog/66628-which-data-challenges-cause-the-most-pain-for-marketers/>

## One, three, two: Understanding first-, third- and second-party data.

First-party data is information that an advertiser or publisher collects themselves. This includes data from websites, apps, sales, customer relationship management (CRMs) software, social media, surveys and more. It is a crucial component of retargeting, in which advertisers serve their ads to users they have previously interacted with or targeted.

Third-party data is aggregated from many sources by data providers, such as data management platforms (DMPs), which use this data to inform their bidding in programmatic ad buys. For example, third-party data sources may partner with publishers to let them collect data on their visitors and then pair it with other information and tactics to create user profiles. Third-party data enables advanced behavioral targeting at scale. The drawback is that competitors can use the same data.

Second-party data is the newest data subset. It is someone else's first-party data. For example, an advertiser might share customer data with a publisher through its DMP to inform its targeting strategy, or a publisher might purchase first-party data from a source with a relevant audience to improve its advertising offerings or promote its content.



## How to Target: Deterministic vs. probabilistic identifiers

Data is the key to finding a target audience and serving a relevant marketing message. There are a few ways digital advertising providers can do so, depending on the type of data they have and the device they are targeting. In desktop advertising, cookies are used to track users. On mobile devices, a combination of deterministic and probabilistic identifiers are typically used to target and measure the effectiveness of campaigns.

In-app mobile advertising offers a variety of targeting options, including location, first-party demographic data, past behavior and context. Deterministic targeting identifiers use first-party data such as email addresses, login info or device IDs to identify users. Because of the reliability of first-party data, deterministic identifiers are very accurate measurement tools. For example, in in-app mobile advertising, marketers can use these identifiers because people often provide personal information when they download and use apps. Probabilistic identifiers are anonymous factors that can be used collectively to identify a user, such as browser version, time zone, location, behavioral data, etc.

Deterministic and probabilistic identifiers can also help inform powerful cross-screen strategies in which advertisers can target the same consumer across multiple devices, such as on a smartphone and on a laptop.

## Data: The heart of programmatic advertising

Data powers programmatic advertising, the fastest-growing digital advertising channel. According to eMarketer, programmatic accounted for 73% of all 2016 US digital display ad spending. Mobile is driving this growth. Mobile programmatic ad spending grew 65.7% in 2016, far exceeding desktop; in 2017, it will account for three-fourths of programmatic spending.<sup>3</sup>

Programmatic advertising is an automated approach to buying and selling digital ads across exchanges (for more information, see our article “Understanding Ad Exchanges”). Most programmatic buys use real-time bidding (RTB), the automated buying and selling of inventory in an auction-like environment. (Programmatic direct automates the execution of ad buying in cases when the cost has already been agreed upon.) Because programmatic advertising often helps advertisers extend the scale of their campaigns, it’s particularly beneficial for data-driven marketing efforts; the greater the scale of a campaign, the more impact fully data can be applied to make decisions.

With programmatic, advertisers can buy ads in any format (i.e., native, video, display, social) across any channel (i.e., desktop, mobile). Data is used by all players in the programmatic ecosystem to make smarter buying and selling decisions. With programmatic, advertisers can better serve the right ad to the right person at the right time, and at the right price. They can target by ad format, device type, location, demographics, geolocation, and even behavior. Programmatic channels also use data to optimize performance throughout a campaign. On the publisher side, benefits of programmatically selling inventory include increased efficiency, transparency, and access to a large number of potential buyers who can compete on price within one platform.

2016

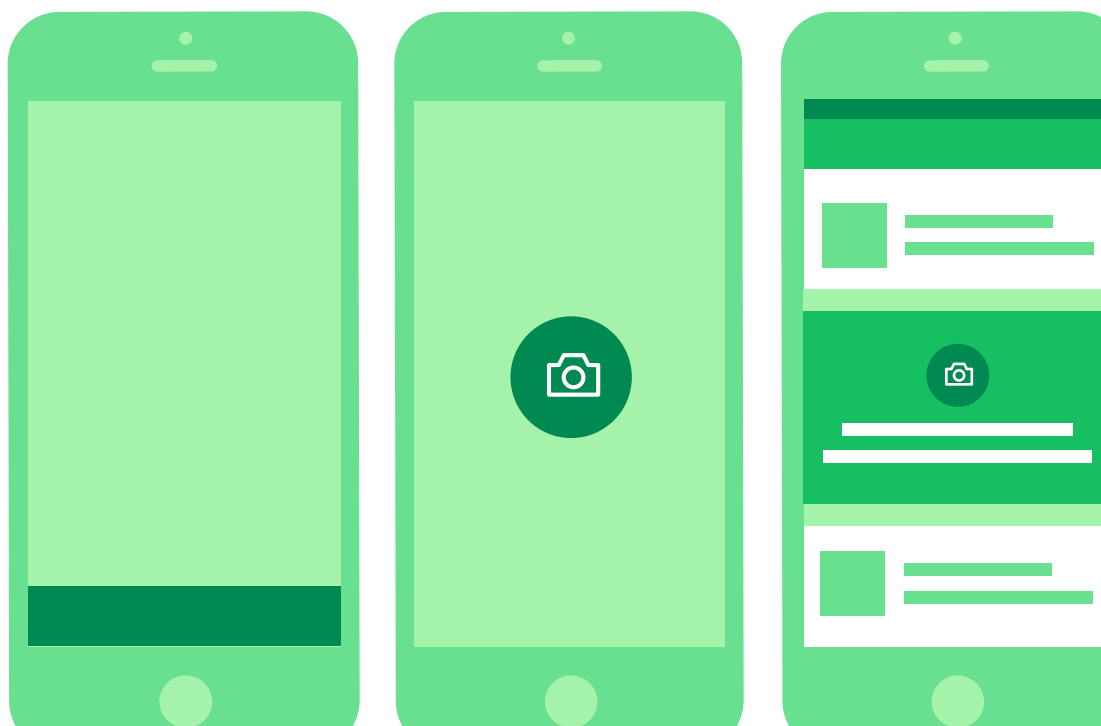
Mobile programmatic ad spending grew

65.7%

2017

Mobile programmatic ad spending will grow to

75%



<sup>3</sup> <https://www.emarketer.com/Article/Mobile-Fueling-Higher-than-Expected-Growth-of-Programmatic-Ads/1014521>

# The takeaway

A business's ability to obtain and understand data has become crucial to its marketing success. Data fuels the programmatic advertising industry, yields more effective monetization strategies for publishers, and drives better marketing results for advertisers and the industry at large.

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