



the contrarian

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Original Sins of Digital Marketing

a whitepaper by

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MADE IN FUTURE

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In an age where situated and tactile living is fast becoming secondary to mediated living and living-as-information-exchange, it is only natural that the world of media, communications and marketing were being fundamentally rebooted. And this looks even more natural, if you account for the fact that a several of these transformational platforms actually depend on advertising dollars for their growth and valuation.

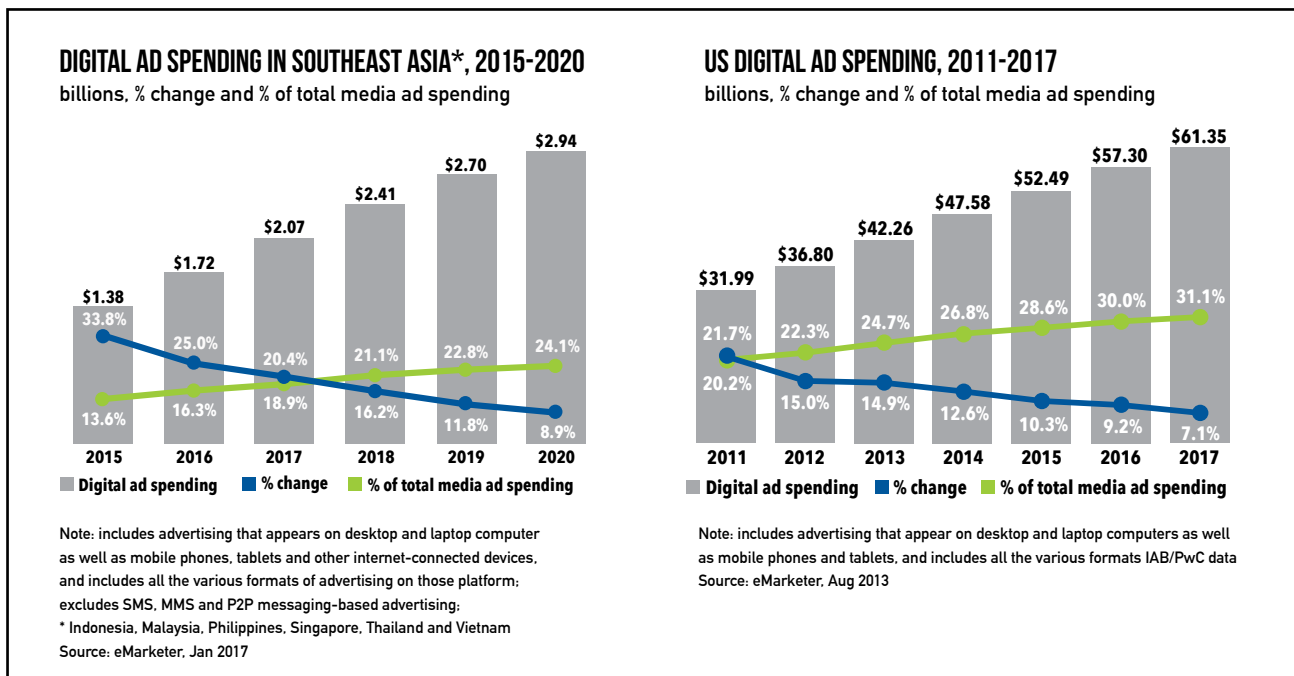
However as with any period of deep transition, once you step into the bazaar

where the change is being championed, hawked, negotiated and traded, it feels like a bit of a late 19th century America. The marketplace is brimming with thinkers, inventors, thought leaders, change agents, but also all sorts of opportunists, pretenders and snake oil merchants out to make the best of the confusion and complexity that rapid change inevitably brings.

As digital budgets race past TV, in markets after markets, not just for long tail spenders, but also the upper and mid funnel spenders, digital

investments can't any more hide behind the veneer of experimentation and innovation budget. If digital is 10% of your budget, and it doesn't work, you are still learning; however if digital is 30% of your budget, and it doesn't work, you are soon potentially losing your job.

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In the light of this, we at ENTROPIA felt compelled to set out seven rules of engagement with marketing in the digital age, that covers the heavy-hitter hygiene issues with the most significant dollar value opportunities. This has also been listed with traditional advertising majors in mind, who do not

just advertise for lower-funnel conversions – historically the DM/CRM/Direct sales area - but also upper and mid-funnel marketers, those who must create curiosity and desire, to create a genuine brand advantage in the marketplace. Though it would apply to any advertiser, in varying degrees.



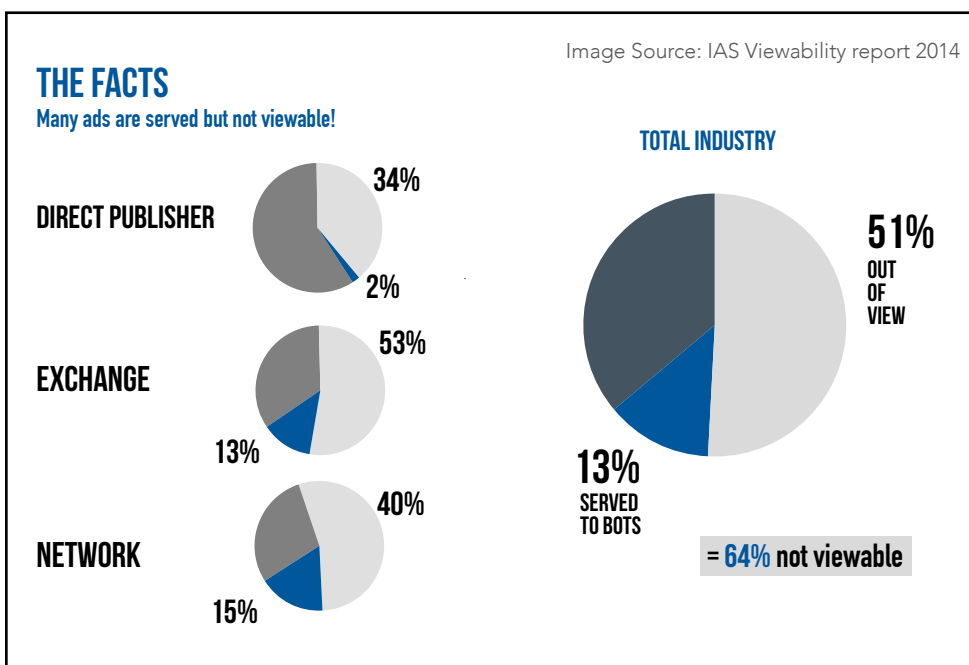
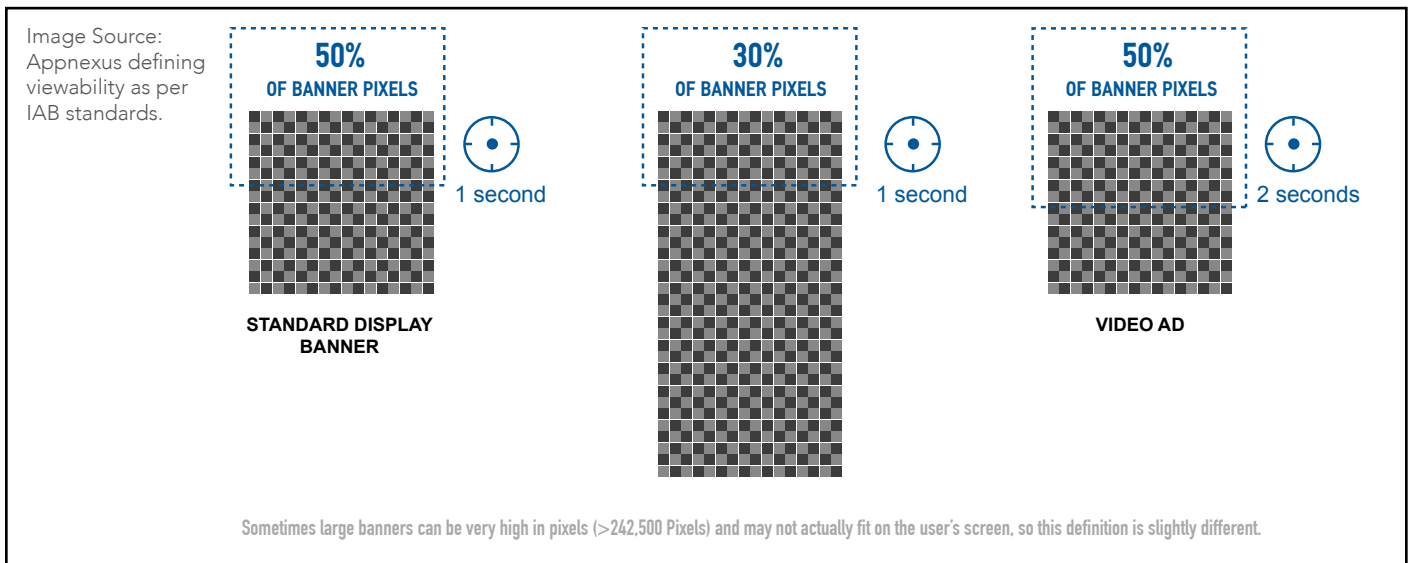
VIEWABILITY IS NON-NEGOTIABLE

If you are a significant spender on digital platforms, who has been paying for views, then it goes without saying that 'views' matter. Even if you are paying for pure last mile action, ultimately feeding the funnel via desire-building views, should be important. And if your attribution model is data-driven and robust, you

should be able to see the contribution of such views on the final sale.

Here, it's useful to take, for simplicity sake viewability to mean, passing IAB/MRC standards, as well as being seen by real people, not bots, and not be seen next to clearly undesirable content etc. Now there has been some debate

if these standards are good enough. It could be argued that much like Press and TV metrics, IAB standards are not perfect, however what's important is to have a well-defined industry standard, so no one takes advantage of the confusion and complexity.



Also given that even the relatively basic standards are not being followed properly today, our belief is that it's a good starting point, and can be complemented by other parameters where needed.

The criticality of this issue is underlined by studies such as that by IAS (Integral Ad Sciences), which says that over 13% of all views, are bots, and of the rest, about half may not be viewable in the wider sense of the word.

It's ironic that the whole digital media case was built for two decades by quoting the famous Wanamaker line – 'Half of my advertising is wasted, I just don't know which half' – and now we find that at 2/3rds of impressions not being real, it may actually be worse for digital media.

So it's important that you know what viewability does your campaign have. Now there are various myths that exist in the market in this regard. It's true that not all inventory comes labeled with viewability metrics, however there are publishers who offer viewable inventory, and then one can use services such as IAS, Moat etc. to filter most of the rest.

There is also a perception in some quarters that viewability doesn't apply to Facebook and Google, which is not correct. Facebook has tied up with Moat globally to offer viewable CPMs as a buying option; and GDN and YouTube need viewability audit, if you are paying for pure views.

THE CASE FOR DIGITAL MEDIA USED TO BE OFTEN MADE BY QUOTING THE FAMOUS LINE – 'HALF OF MY ADVERTISING IS WASTED, I JUST DON'T KNOW WHICH HALF' – AND NOW WE FIND THAT AT 2/3^{rds} OF IMPRESSIONS NOT BEING REAL, IT MAY ACTUALLY BE WORSE FOR DIGITAL MEDIA.

The image is a screenshot of a Facebook Business news article. At the top, the 'facebook business' logo is on the left, and search, resources, and support links are on the right. Below the header, there are navigation tabs for 'Marketing on Facebook', 'Inspiration', and 'News', along with buttons for 'Create an advert' and 'Create a Page'. The main content area shows the article title 'New: 100% In-View Impression Buying and Ad Analytics Partnership with Moat' dated September 17, 2015. The article is attributed to 'Facebook Business' and includes tags for 'Ads', 'Agency', 'Announcements', and 'Measurement'. It also shows social interaction buttons for 'Like' and 'Share' with a count of '1.5K'. A large blue graphic of a smartphone displaying a webpage layout is featured in the center of the article. The article title is repeated at the bottom of the screenshot.

Facebook Partners with Moat on Third-Party Viewability Verification
<https://www.facebook.com/business/news/100-in-view-impressions-and-moat-partnership>

Buy Viewable Impressions on Auction and Reserve on the Google Display Network

The Google Display Network ups its commitment to viewability

<https://www.thinkwithgoogle.com/intl/en-gb/articles/buy-viewable-impressions-on-auction-and-reserve-on-the-google-display-network.html>

And if you take all this into account, there is really a small portion of inventory that doesn't allow itself to be audited. And have no doubts, there must be reasons why many of them do not allow the audit. In another word, reach – real reach based on real views, and not notional reach based on notional views – should not be a big issue.

The other aspect of 100% viewability is the cost itself. Logically chances are that a lot of the cheapest inventory in the market is undefined inventory (and if the average real to notional views ratio is 1/3rd, then it doesn't take a lot of imagination what the ratio in such inventory could often be). In fact the shortest way to make high margins, is to buy such undefined inventory by playing down viewability's importance. However the moment you switch on the viewability filter, your cost rises. If you are using third party audit players,

it will cost extra, and on paper can be a decent fraction. However the catch lies in the huge difference between the notional views and the actual views, and the huge difference between the notional reach and actual reach.

At Entropia, in a series of such controlled experiments, we discovered that the real cost per view and the real cost per reach point, actually goes lower rather than higher, after applying smart viewability criteria, and paying for the required verifications.

And yes, it is important to recognize that bonafide viewable impressions deserve a premium, so that the publishers have an incentive to respect the viewability criteria.

HOWEVER THE CATCH LIES IN THE HUGE DIFFERENCE BETWEEN THE NOTIONAL VIEWS AND THE ACTUAL VIEWS, AND THE HUGE DIFFERENCE BETWEEN THE NOTIONAL REACH AND ACTUAL REACH.

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REACH IS IMPORTANT, AS EVER

In the din and clutter of the venture capital funded hype, where everyone and their bosses wanted to impress their own bosses about their future-readiness by driving spends on digital, some of the basics of marketing and media were forgotten. Reach, which had a well-defined meaning honed over five decades of mathematical rigor, came to mean anything and everything. So for the purposes of this paper we will go back to its original meaning, as percent of your target audience (a focused set), who have an opportunity to see your ad at least once, say.

According to Nielsen DAR that uses Facebook base to calculate reach among different target audience, the average

times people end up seeing an ad, if no reach consideration is used is 15 times on average. Even if there are Cookie caps put, a common approach taken, due to issues with cookies as uniqueness identifier, this number is 6-7 times on average. What actually ends up happening in most cases is, if reach is not controlled - via Nielsen DAR or Comscore vCE - then the cost optimization naturally finds the same cheap-to-reach guys, and keeps hitting them with the ad again and again. Also Common advertising techniques may identify unique persons but not your brand's unique target audience. Here again it is highly limited by constraints around Cookie data, for instance, it doesn't work for mobile apps. In such cases, while the cost per

view may be low, cost per unique person reached would be extremely high.

Again, there are costs involved in paying Nielsen or Comscore to control for this measure, however, saving on this cost, again creates an illusion of reach, but lowers impact dramatically, walking the brand into a tunnel of it own. This combined with heavy-duty retargeting, can walk the brand into a bubble that can have serious consequences in the due run (say where 70% of people very rarely see your ad).

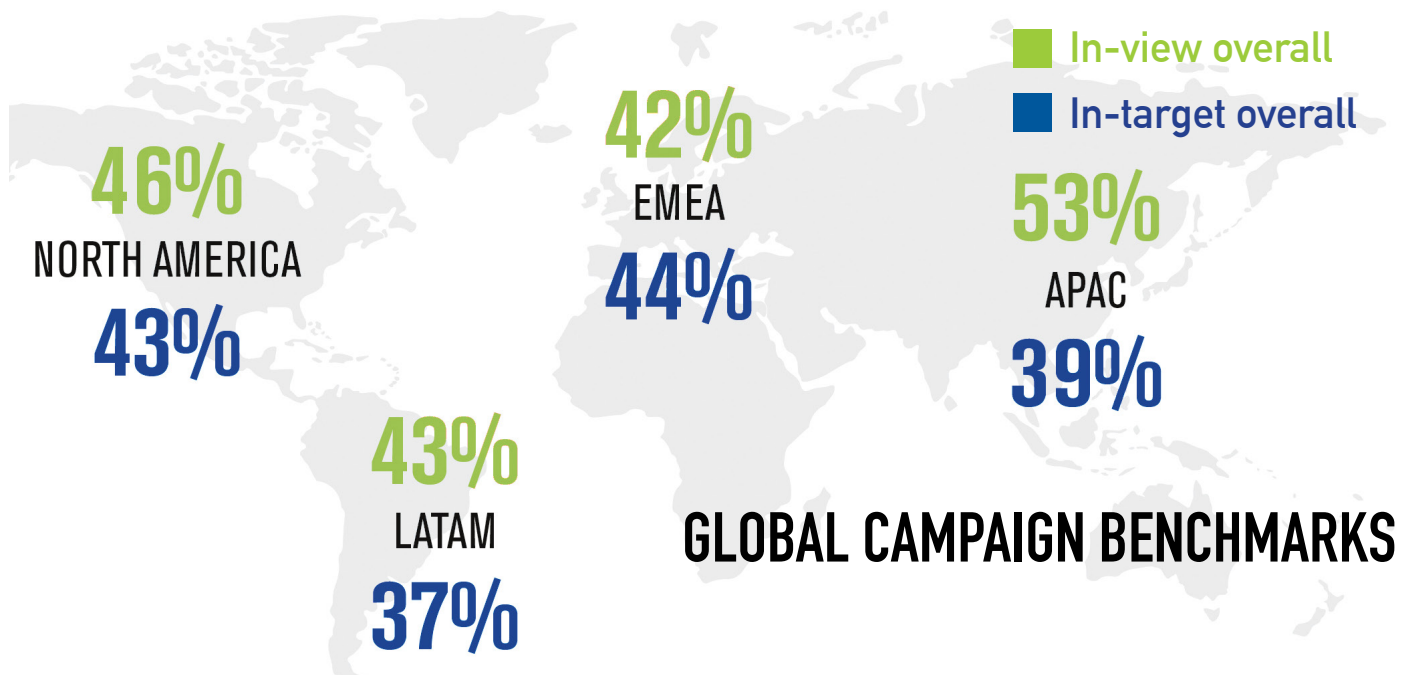


Image Source: ComScore vCE benchmarks



DATA FIREWALL IS CRITICAL

As a flurry of technology players, inventory aggregators and agencies rush to build differentiation (if not walled gardens), there is a realization that data is going to be the most important play. In a marketplace where inventory is almost infinite and demand relatively limited, data is the new premium and information asymmetry the biggest

trading advantage. If I know the pool of inventory that works for me, and the seller doesn't know, I have an opportunity to buy it at throwaway prices and make a killing on it.

In this context, of course having some ownership or exclusive access to the data that you have or generate in

course of your marketing campaigns can be crucial. Clearly where such firewall doesn't exist, the same data pool is used to target your ads, as well as your competitor ads, and hence the price may go up, as well as competitive advantage may be lost.

Also, it is important to note here that data in a generic DMP sense of the word, is not in itself an advantage. How do you carve a unique and custom data architecture marrying your owned data, publisher data, and other third party data available, using parameters and frameworks that can be usefully activated in a differentiated way, is the only real sustainable advantage.

In the context of media owners, the more they know about what works for you, higher is their chances of extracting a premium for that impact, in a world, where there are no rate cards, and information and walled gardens are key to pricing power. In such a world information that you don't own in some way, or that is not somewhat differentiated from what competitors or media owners have general access to, can also bring rapid parity and high premiums.

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NEUTRALITY IS AS IMPORTANT AS EVER

In times, when clients working with media owners directly, has become rather fashionable, and the relatively modest agency margins have to compete with Silicon Valley gazillions for investment into quality talent, neutrality clearly seems to be the saddest casualty.

However it is important to realize that if the primary role of agencies is to make the complex simple for clients, by operating as a trustworthy and specialist extension of their marketing arms, then there is a natural conflict of interest, if agencies have a vested interest in a certain inventory pool. If you own something, you are owned by it.

It's difficult to fault media owners here beyond a point, as it is their job to sell their unsold wares, by aggressively engaging and eloquently pursuing their potential buyers, at the highest price possible. Especially in a rather impatient Silicon Valley climate, where the feeling is that the "muggles" of the world owe them those gazillions in revenues. Hard, objective, big picture truth may sometimes be as irrelevant here, as the age of sales as a profession (in that sense, the more things change, the more they remain the same). Data is not automatically equal to accountability, complex is not always sophisticated, and technology is not always equal to transparency (remember

IF YOU OWN SOMETHING, YOU ARE OWNED BY IT.

how gold-plated MBAs and armies of PHDs in Economics brought down wall street in 2008). They are all double-edged swords, and come with the rather honest label of 'Caveat emptor'.

DATA IS NOT AUTOMATICALLY EQUAL TO ACCOUNTABILITY, COMPLEX IS NOT ALWAYS SOPHISTICATED, AND TECHNOLOGY IS NOT ALWAYS EQUAL TO TRANSPARENCY.

However clients have traditionally depended on agency partners to give them the right advice, and that spirit is coming increasingly under fire. And the fault lies on both sides. It is important that clients incentivize and recognize agencies for the role; they are supposed to play, as well as understand the difference in roles between the media owners and agencies. It is also important that client leaders team up with agency leaders to together engage media owners on how to, for instance, arrive at common standards and simplicity, so everyone can focus on building brand value rather than navigating logistical frankenstacks.



REAL TIME TRANSPARENCY IS BASIC

One of the great advantages of automated trading and distribution of messages in the digital world is the instantaneity – the real time nature of it. Campaigns can be adaptive in terms of targeting, allocations and messaging.

And hence the approval loops and decision process, need a certain speed and seamlessness, which requires deployment of right technologies that

integrates the ecosystem involved in this process.

This advantage is clearly lost, if clients do not have access to their digital campaign performance in real time - as they happen - to a level of granularity that they have the patience for. It also is a lost opportunity for giving clients a clear and transparent picture of what they are getting for their monies worth,

especially in a context where it's no more possible in digital, for them to get an analogous experience of opening the day's newspaper, and checking if the ad appeared.

CREATIVITY AT SCALE IN DIGITAL IS POSSIBLE



The first casualty of the digital media, was the classifieds industry. It still arguably is the largest casualty. Naturally creativity in digital, when spoken at scale, has its pedigree in classified ads. Basic, boring, transactional, lower funnel messaging. And as programmatic era dawned, it was a format that was easier for first generation DCO technologies to incorporate, as upper and mid funnel advertising forms were too complex, subjective and varied. As a result it can be argued that at least 90% of digital advertising today is horrible from the creativity perspective.

Insightful Creativity, that soul of marketing for a hundred years, was

degraded and made subservient to last click touting, as long as it suited the big boys of the new age. However, as lower funnel market starts showing diminishing growth, and much of the future lies upper and mid funnel, real marketing must come back. The power of insights and creativity again needs to become centerstage. It may just need to be A/B tested this time around, or have a more organic, real time, rapidly prototyping, shape-shifting form factor this time.

Marketing in the digital age has to be lifted up from the media cost and automation conversation to insightful personalization and micro-targeted creative impact. This also requires that

the traditional lines between media and creative, between programmatic and big ideas must go.

For some strange reason, (or may be because hacking feels so trendy), certain quarters of the industry believe that digital creatives should be cheap. Now, there is no doubt that digital banners can be cheap for sure – and the entire classifieds industry has mastered that art (with due respect, since that's a huge business in itself), but digital 'creatives' that can touch, engage, excite and entice people, is a whole different ballgame, and needs reasonable levels of investment into creative resources.



RIGHT PLATFORMS IN RIGHT ROLES ARE IMPORTANT

It is important to realize that the role that different digital platforms have in people's lives, the need states they cater to are quite different. The content forms and the formats are different too. In such a scenario, an important challenge of strategy in the digital age, is defining the roles of different digital platforms in the consumer journey, and hence using the right kind of content form as well as messaging for different platforms.

To have a one size fit all approach negates the many possibilities that digital age has brought to marketing. Robust attribution models that are algorithmic, can provide some validation and feedback into the effectiveness of these platforms in their due roles, and how well the baton is being passed down the rather non-linear funnel or through the loop (choose your aesthetics). Unfortunately a vast majority of attribution models being used today are highly misleading (such as last click, U-shaped etc.). It

can be argued that a conceptual but neutral model in such cases could be more correct than an approach that's too simplistic and favors specific platforms consistently, especially where the value-add is mostly ushering in people already walking into the store.

Also the range of formats in digital is vast - from the barely visible ones to the most impactful ones, and needs a calibrated approach accounting for their relative effectiveness. And though a lot of this complexity is wholly unnecessary, the diversity of formats also allows for a richer and deeper storytelling, creating connected and enhanced experiences, staying in the moment and mood.

There is also an illusion among certain quarters that smart marketers don't need to spend on paid media. It is true that if

HOWEVER REALITY REMAINS THAT OWNED AND EARNED MEDIA WILL REMAIN A SMALL AND HIGHLY INCONSISTENT CONTRIBUTOR TO THE REACH OF MOST BRANDS IN TERMS OF REAL NUMBERS.

your product is world changing, you don't need to do that. And that is as true today, as it probably was a hundred years ago, or may be a bit more true today due to social media shares and headlines with a fetish for the new. However reality remains that owned and earned media will remain a small and highly inconsistent contributor to the reach of most brands in terms of real numbers.

Just look at one of the owned YouTube channels of a brand and add all the number of views. Then compare that with the views that one TV spot on the largest prime time TV gets. The best campaigns today are leveraging paid, owned and earned channels and platforms in their respective and complementary roles.



ABOUT ENTROPIA

The advent of deep data and marketing technology has caused massive chaos and complexity in the marketing ecosystem. Marketing lives at the cusp of business and people - the most powerful insights and ideas, can be fragile and elusive. Complexity can kill the soul of marketing. At the least it can take focus away from what truly matters.

Brands must enhance human happiness. So, must data and technology. In the age of anticipatory data, Creative prototyping and curative technology, there is a historic opportunity to be different. And to make it simple. Entropia hopes to chance upon ways we can do that - with simplicity, consistency and scale.

We hope to bring to the play an agile, hybrid and ecosystem approach, which is native to the digital age - made in future. In the process, we hope to break a few norms, and call a spade a spade, even if at the risk of being wrong.

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