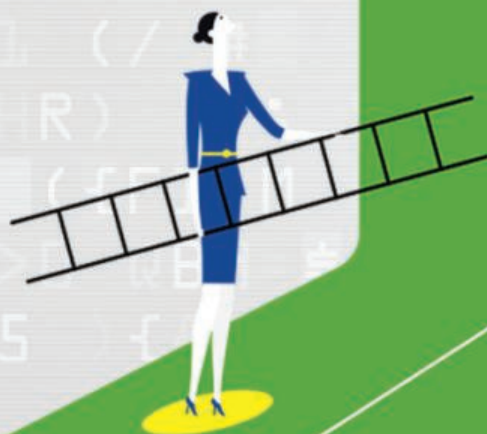


BEYOND THE WALLED GARDEN

A Strategic Approach to Taking Control of Your Digital Media

By Chuck Moxley and Ken Mallon





“WALLED GARDENS”

Sites such as Facebook or Google, are in the news more than ever, and they are a topic at every ad industry event. Walled gardens have their place and function, providing broad reach and compelling results for some advertisers, especially in the social and search space. But there are downsides to using Walled gardens, too. Smart marketers need to make strategic choices to maximize their ad spend.

Here, we take you inside the world of walled gardens and reveal a blueprint for a more strategic approach for digital media buying that will enable you to take control of your media buying, data, results, and ultimately your destiny in an otherwise confusing and cluttered marketplace.

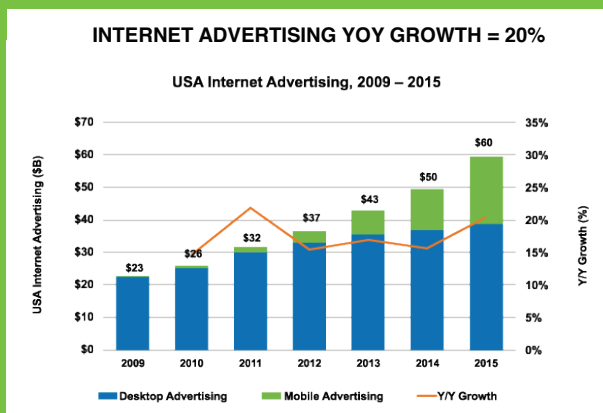
THE GROWTH OF INTERNET ADVERTISING

Internet advertising has grown steadily and relentlessly since 2009

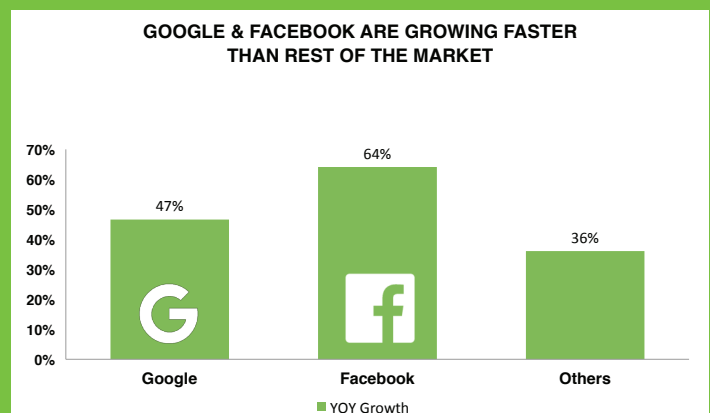
This growth was particularly striking in mobile. From \$32 billion in 2009 to \$60 billion last year – and indicators show there's plenty of headroom for continued growth.

The big growth lately has come in the mobile space – from a fraction of advertisers' spend in 2011 to tens of billions of dollars in 2015. This would suggest a vibrant and competitive market of digital advertising players. Or does it? Maybe, maybe not. Big brands equate to big scale in the digital advertising space — most times casting a monster-sized shadow on the rest of the market. Year over year, Google and Facebook have grown nearly 80 percent, with Facebook earning the lion's share of that growth.

Meantime, others in the digital space have grown in the double digits, but nothing on par with their larger competitors. And there are more where Facebook and Google came from. Yahoo, Microsoft, Amazon and AOL have all surged in growth in the digital advertising space over the past year, securing a “safe bet” status for brands and agencies buying digital ads.



Source: IAB / PwC Internet Advertising Report via KPCB Internet Trends 2016



Source: eMarketer, Net US Mobile Ad Revenue Growth, by Company 2015-2016, % change, Sept. 2016



How walled gardens fit into the broader digital media ecosystem

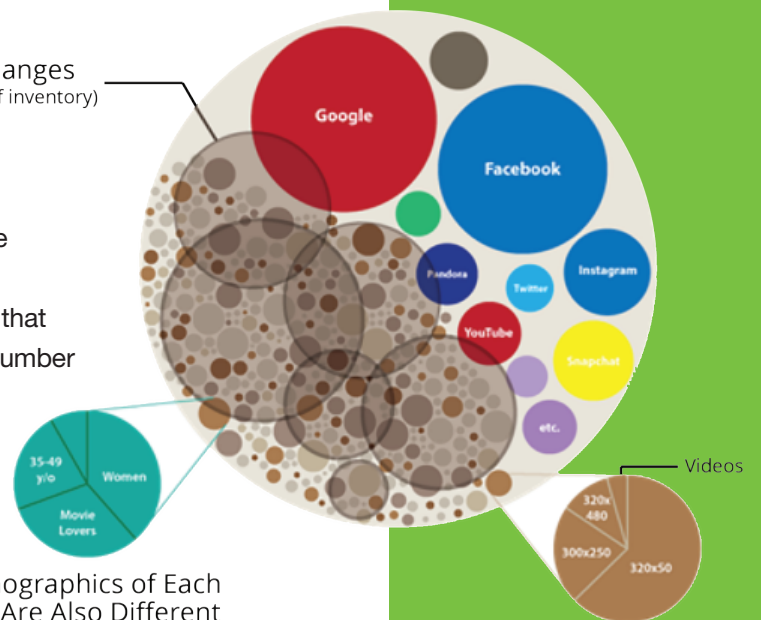
A walled garden online environment is one that controls the user's access to Web content and services, including the user's navigation and what content they see or don't see. Familiar examples include Google, Facebook and YouTube.

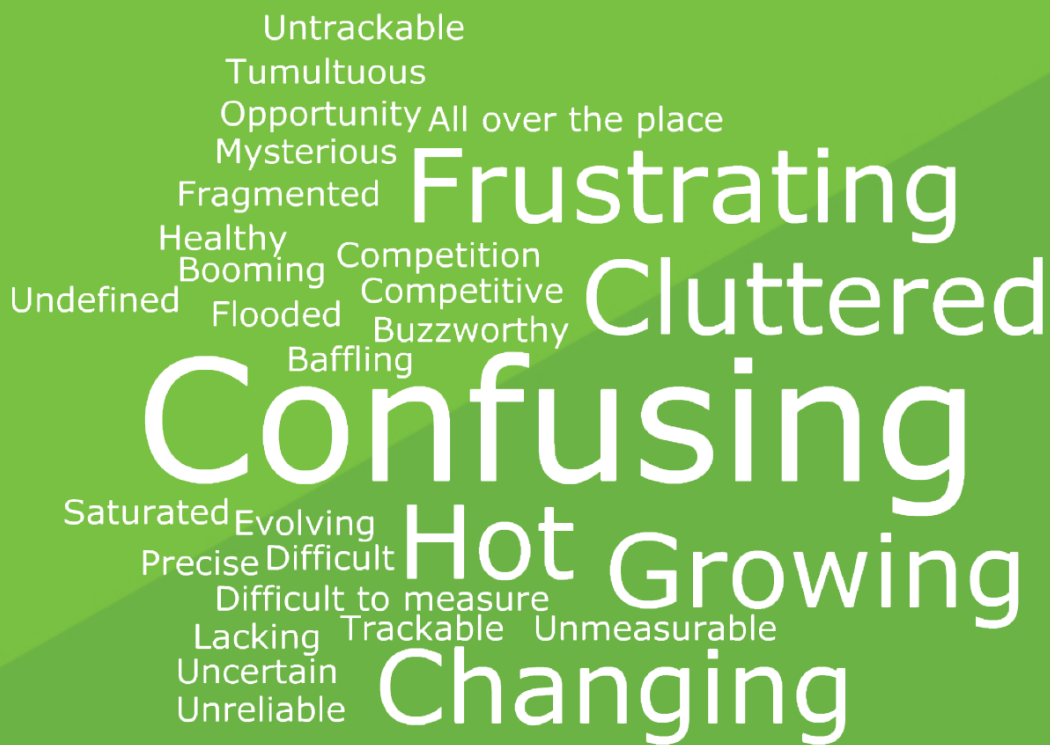
When you set up a user account to gain access to one of these walled gardens, you supply an e-mail address, your name and some basic demographic information. Whether what you provide is accurate or not, it's the information the provider then uses to identify you across devices and that advertisers use to target you. These walled gardens know that they have demographic and other information on a large number of people, and so, unlike ad exchanges, they do not make that data available in the ad ecosystem because of fears it would devalue what they have.

Historically, marketers bought ads on bigger websites using 3rd party data on property-level demo skews and on contextual relevance (such as banking ads on a finance site). And, since a lot of the larger publishers bundle their website and app inventory together, that trend has continued.

Walled gardens are often huge. But there are plenty of other places to buy and place ads as well. In fact, the ad exchanges take up roughly half of all the available inventory. You can also see the depiction of overlap between some exchanges and that not all apps have the same ad types and user information.

Ad Exchanges
(collections of inventory)





How media planners describe the state of the mobile display world

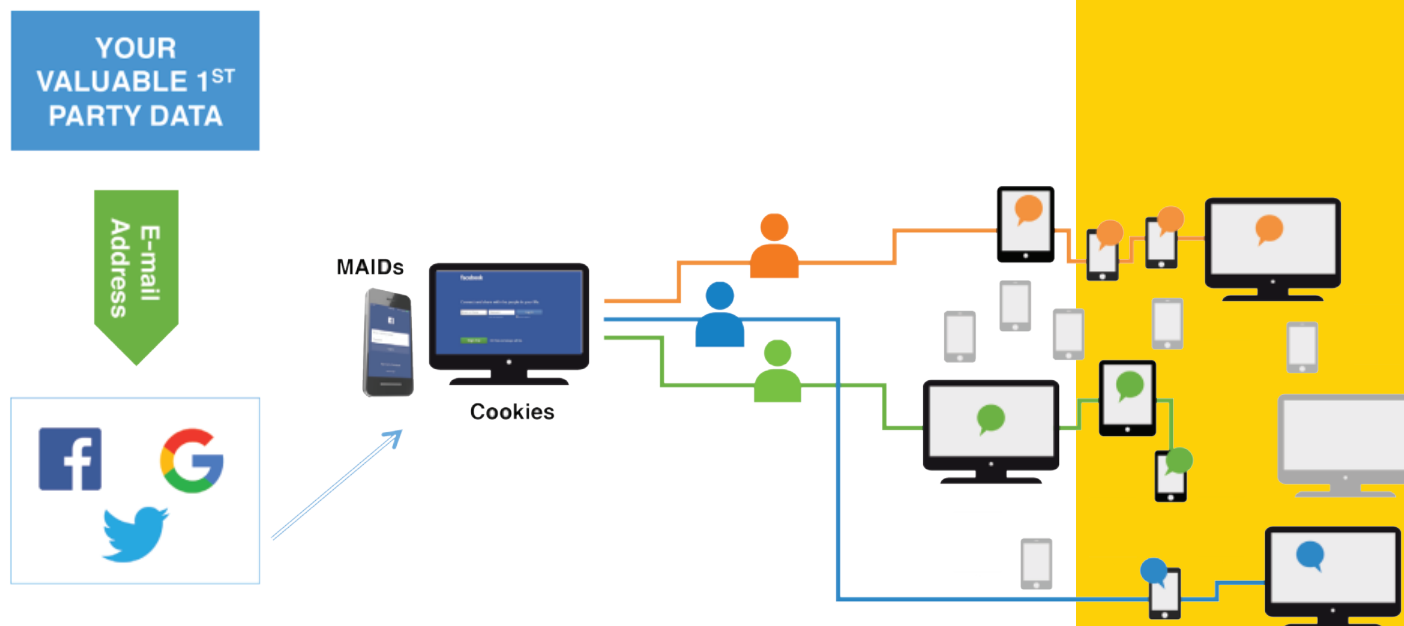
We surveyed 69 agency media planners and buyers, and asked them to describe the state of the current mobile display ad market. The word cloud above shows what they told us. The larger the word, the bigger the issue to them. Their confusion is only exacerbated by the state of the mobile display market, which is packed with plenty of other tricky issues for media planners and buyers to navigate:

- 1 Losing sight of your valuable data once given to a platform
- 2 Hassles of managing campaigns across closed platforms
- 3 Platforms often conduct their own campaign measurement
- 4 Isolated reporting that's difficult to consolidate
- 5 Fear of lack of control

1

Losing sight of your valuable data once given to a platform

A familiar scenario: you give your valuable customer data to a platform and then wonder what exactly they did with it – or how they lost sight of it. Maybe it's lost for keeps, dropped into the abyss through some secret walled garden trap door. Read on for how they could lose sight of it:





YOUR VALUABLE 1ST PARTY DATA

You've built a fantastic CRM database based on name, address, e-mail address or a combination. Now you want to use it for targeting. The walled garden publisher where you want to onboard your data likely has an e-mail address. What are the chances that the e-mail address your customer gave you is the same one they used for Facebook? Yes, there are 3rd parties who will work with both entities and try to map e-mail addresses into a single household to enable the match, but that is certainly not 100% accurate. What could possibly go wrong with your CRM data?

- **You and the walled garden platform may have mismatched marketing goals. Their plans for using your CRM data may tilt in their best interest. Their practices may wall you off from seeing what data went into your campaign – and what comes out.**
- **By handing over your data you may be giving your agency private customer data.**
- **Walled gardens not only work with you, but with your competitors. Your customer data could slip into the hands of your chief rivals without you even knowing it.**
- **Your customer data changes daily. Can you sync changes with your platform provider without hassles and confusion regarding who's who on your CRM file?**

2

Hassles of managing campaigns across closed platforms

Running a campaign over multiple platforms can run you ragged keeping track of data inputs and outputs, differing measurement formats and mismatched results. Much published literature shows the top 10% of your audience chews up 80% of the ad impressions, leading to a lot of waste.

We know that somebody who sees an ad five times is more likely to buy than someone who sees it twice. But there's also over-saturation – seeing an ad too often. This turns off consumers and reduces their likelihood to buy.

FREQUENCY CAPPING

The solution: frequency capping, so you don't overkill your audience with an ad and turn them off. While you don't want to under-frequent and miss triggering a sale, the cap you've set when working with walled garden platforms is going to be way off in total because there's no way to manage it across platforms.

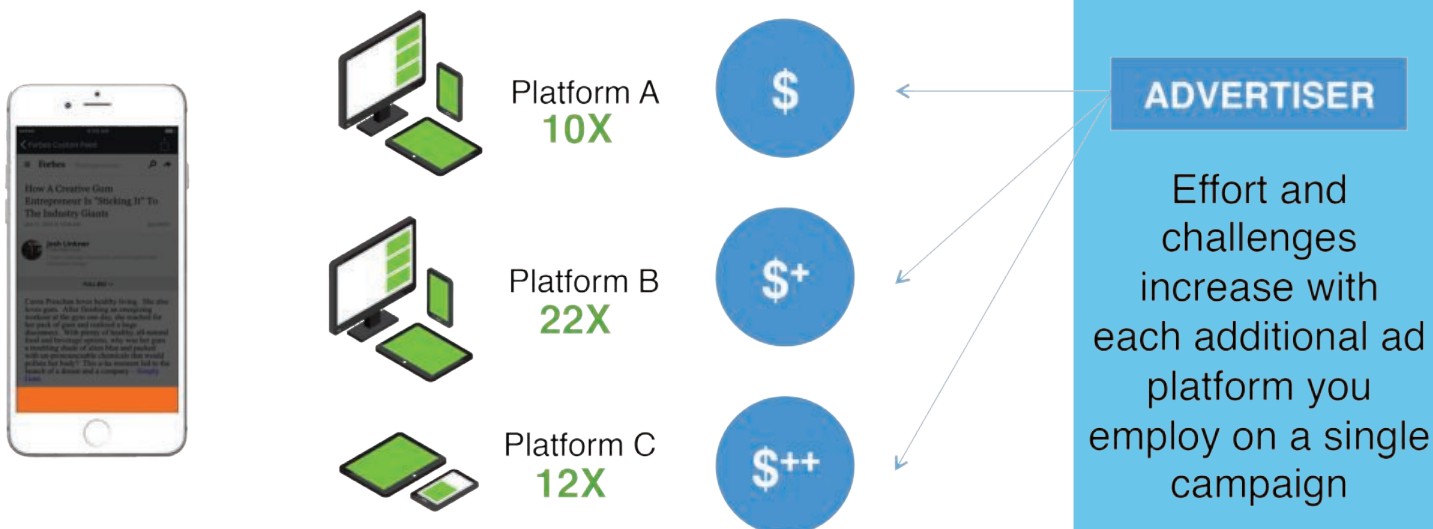
CAMPAIGN PACING

Pacing is all about timing – you don't want to deliver all of the impressions in the first week or two of a campaign and, ideally, you'll want to pace the impressions across the full length of the campaign because many products aren't bought every week. This image shows the ideal pacing to make sure you reach a consumer consistently during the campaign. But if you apply the same frequency caps to every platform you work with, you could have a situation such as Platform A, where they reach the cap and yet have three weeks left in the campaign. Or like Platform B, where they deliver them all in the first two weeks of the campaign.



CROSS BIDDING

Cross Bidding is another risk. You could be on a collision-course with inadvertent cross-bidding. Say you want to reach a particular consumer. Three platforms in your campaign get the ad request and bid on it. With multiple platforms targeting the same person, you could unknowingly be bidding against each other, driving up your costs.



3

Platforms conduct their own campaign measurement

Each publisher you work with likely has their own reporting dashboards and 3rd party measurement partners, and typically they are set-up to measure only the media on their system. It's very difficult to aggregate across publishers as they do not release any raw performance data.

In spite of the growth of e-commerce, 90% of US retail sales still takes place in the offline world. So, in addition to difficulty in tracking a mobile ad exposure to a website conversion, there is the bigger problem associated with offline conversion – tracking the consumer journey from mobile ad exposure to in-store purchase.

There's a lot of excitement today about measuring store visit traffic. But there are concerns here. How do you isolate the impact of your advertising on store traffic? Is this self-fulfilling? You target people who frequently shop for apparel, so it shouldn't be surprising to see that targeted group shop more for apparel. Proper control groups and research science must be utilized. And, although foot traffic may correlate with sales, it certainly falls short of proving sales happened.

So, why not just measure sales lift at the cash register resulting from a mobile ad? Many are not aware it's possible or they think it's too difficult or expensive to try.

In the case of the walled gardens, they work with their own partners to provide sales lift data but you have little control over the analyses or data cuts you need.

4

Isolated reporting that's difficult to consolidate

How do you get a clear picture of campaign success when you get a salad bowl of campaign reports using different metrics and methods? Or when you're getting different reports from different platforms at the end of the campaign?

You are left to compare apples with oranges with grapes, cherries and bananas...a veritable salad bowl of reporting that you have no way to consolidate the results and get a broad view of campaign success. A common salad bowl scenario:

- **Platform A gives you a campaign report basing success on clicks.**
- **Platform B gives you a campaign report basing success on store visits.**
- **Platform C bases their success on actual sales lift.**
- **Platform D does a brand awareness study.**
- **And Platform E? It's not clear from their report how the campaign fared.**



Platform A



Platform B



Platform C



Platform D



Platform E





Another example of isolated reporting — and perhaps the biggest knock against the huge Walled gardens — is the limited reporting you get. It's especially frustrating if you are using your first-party customer data for targeting. You hand over a set of customers to the platform. They are going to reach them on their platform. One customer may only view the ad. Another may click. Another could interact in some way with a rich media ad. But you won't know which customer did what. You'll likely just get a report at the end that summarizes the campaign results. You lose the individual interactions on a customer level that could help inform future campaigns. That's valuable data that simply doesn't ever get connected to your customer data. But who owns it when you work with a Walled Garden?

As an advertiser, ownership of your customer data at campaign's end is important. We hear from planners and buyers that Facebook is not doing enough to share that data, leaving an informational imbalance that, combined with Facebook's digital market share, gives it asymmetrical negotiating leverage.

“They become Facebook’s customers first and the brands’ customers second, leaving the question, “Who owns the customer data?”

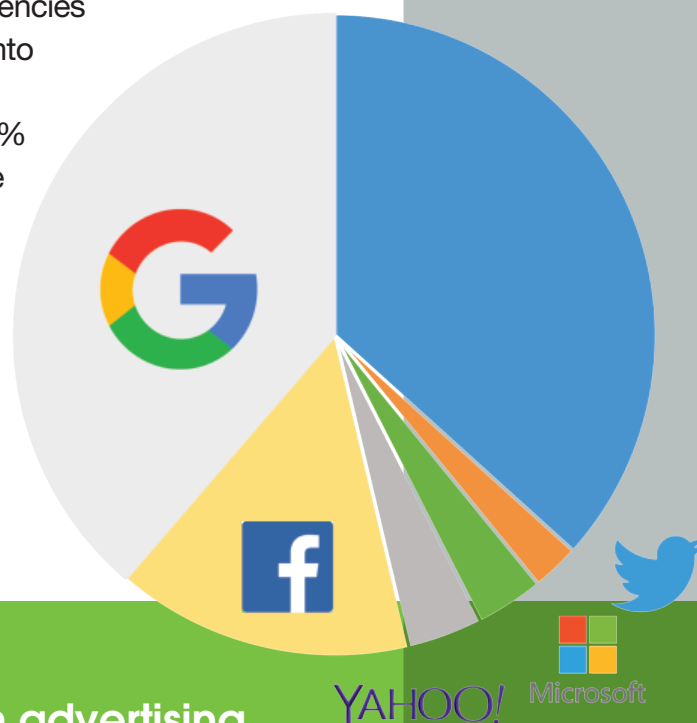
BEN WINKLER,
CHIEF INVESTMENT OFFICER, OMD

5

Fear of lack of control; giving away too much control

Consider the growing fear among brands and agencies that the digital advertising ecosystem is turning into a duopoly of two potent players — Google and Facebook, who collectively control more than 50% of the market. Both have the capacity to squeeze competition, uneven the playing field for ad exchanges and reset prices for their inventory.

With these two companies seizing that much of the market, marketers want to know, “Do I have to use them? Will I be left out if I don’t? With all that power and presence, will I be forced to comply with their pricing?”



“It comes up with publishers, with advertising agencies, with marketers. There’s a fear of duopolies overall.”

TIM ARMSTRONG
CHIEF EXECUTIVE OFFICER, AOL

Source: eMarketer 2016

ROBBER BARONS

The robber barons of the old monopolies have been replaced by duopolies — dominant firms in a market that can control or limit competition. And duopolies are everywhere. For example:

- **Take a summer vacation this year...You'll likely fly on a Boeing® or Airbus jet, as they have a 91% combined market share.**
- **In-flight, you select a soft drink from the makers of Coke or Pepsi products. 67% combined market share.**
- **You fire up your mobile device for some light reading, movie watching or game play. Most likely, it's an Apple or Samsung tablet as they have a 42% combined market share.**
- **Or use your cellphone, and odds are service is provided by either AT&T or Verizon Wireless, which together own over 60% of the wireless market.**

What's the big deal about a duopoly controlling 54% of total digital ad revenues? Duopolies can be not just demotivating, even demoralizing, but lousy for a competitive market!

- **It gives them the potential to price where they want.**
- **It grows the customers' dependence on these bigger players in order to get what they want.**
- **Data control, if you're a digital marketer, slips away.**
- **By virtue of duopolies' sheer size, they can squeeze out smaller players.**

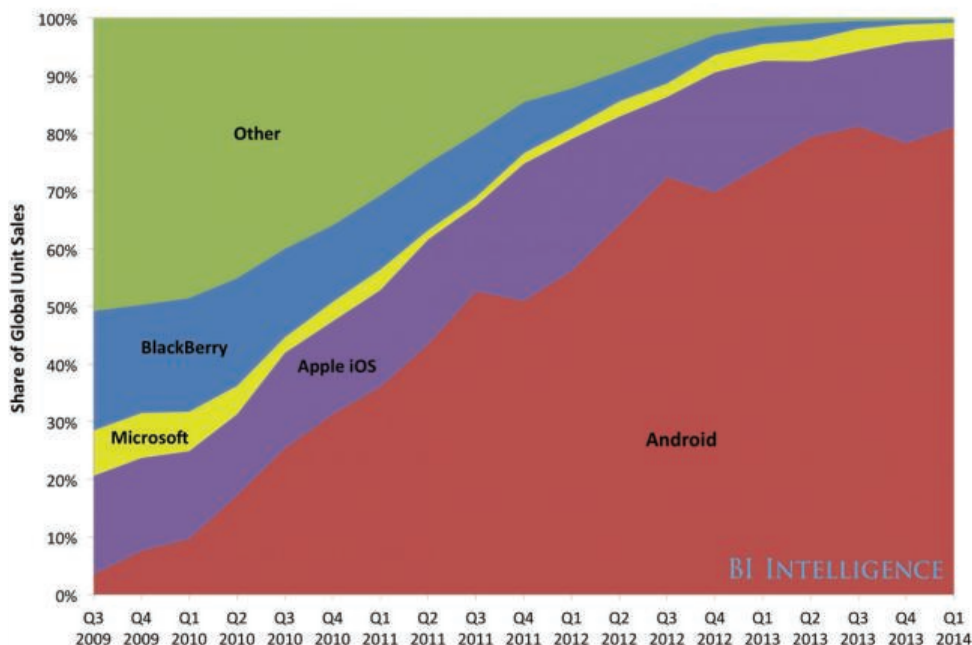


GLOBAL SMARTPHONE MARKET SHARE

This last issue is clearly seen in the global smartphone market share. In 2009, the market was well distributed across four major operating systems and a few others, with no one platform owning more than 20% of the market.

Contrast that to today, where IOS and Android own 96% of the market, and Microsoft and Blackberry are all but gone.

“Ownership of that data could be more important than the actual provision,” warns Eric Seufert in a recent AdExchanger article. He went on to say he could easily imagine a not-too-distant future in which Facebook talks up its exclusivity and ease of attribution to get developers to consolidate spend on Facebook’s platform. Facebook might say, “Work with us because we can provide you with more volume than anybody else and we can calculate ROI precisely because of all of our deterministic data,” Seufert added. “Ownership of that data could be more important than the actual provision of the ad impression.” A grim view of things, but likely where we’re heading.



Source: BI Intelligence via IDC Strategy Analytics.

4 | USE THE FOUR-STEP STRATEGY FOR DIGITAL MEDIA BUYING

With all of those challenges, especially with walled gardens, are we suggesting you don't buy from a walled garden? Of course not. But should you consider other options? Yes. The following four strategies get you past digital media challenges and give you more control over your media planning and buying, rather than be controlled by the platforms you work with and the media that your agency buys.

SOLUTIONS



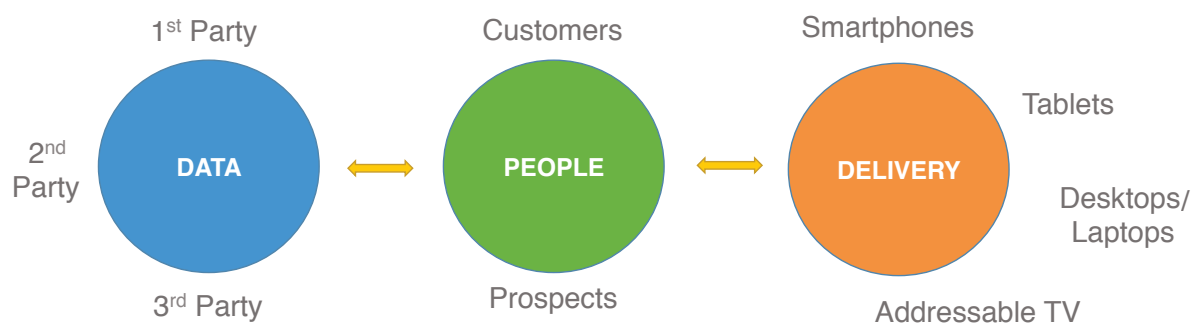
STRATEGY #1

Take Control of Your Data Strategy

When you take control of your data strategy, you own your data and manage who gets it, how it's used, how you want it measured. Demand that partners and platforms respect your data. Don't just turn it over to some walled garden that gives you nothing usable in return after your campaign winds down so that you can't integrate meaningful information into your future campaigns.

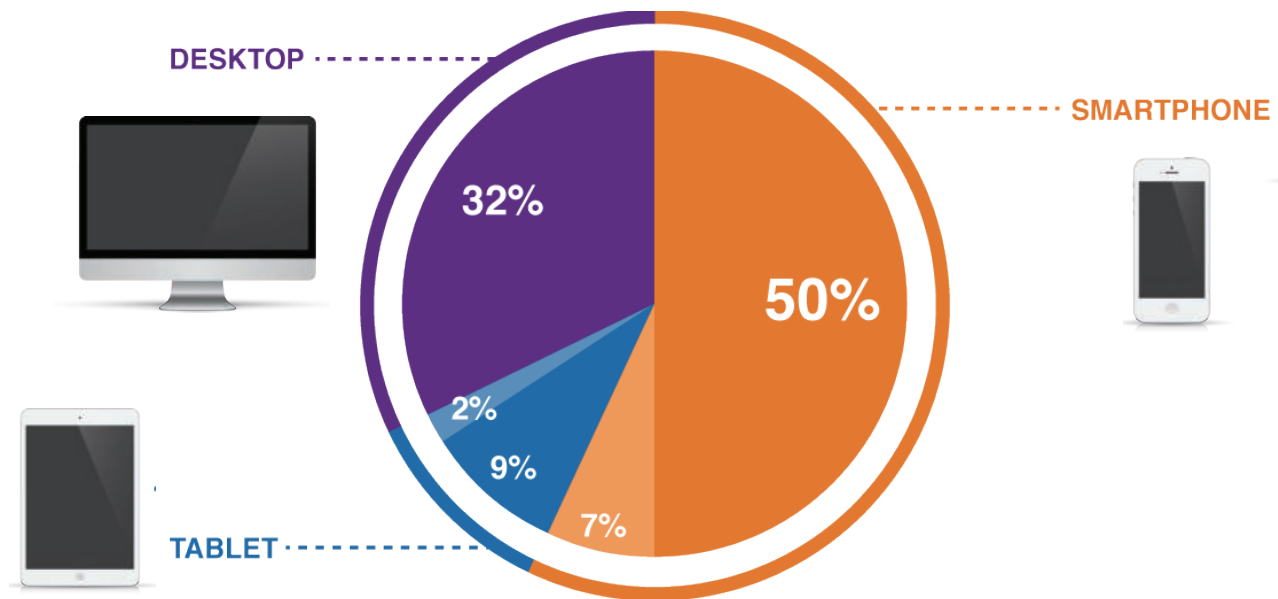
It's about owning your data and managing how it gets used. It's three components you have to develop strategies for:

- **The first component is people. Not just customers but prospects.**
- **The second is customer data – the data you already have (from your CRM or their activity on your website) and the data you obtain by participating in data cooperatives, which may be available for your industry, essentially licensed from a variety of data companies and brokers that add interesting and useful information to your first and second party data that will help you target and measure your campaigns.**
- **Third is message delivery – how you reach your audience. Beyond e-mail and platforms you control are the platforms you can use to reach consumers across all of their screens and devices.**



STRATEGY #1

Share of Total Digital Time Spent: July 2016



Source: comScore Media Metrix Multi-Platform & Mobile Metrix, U, Total Audience

We recommend that you either work with a DMP partner or build your own DMP internally to manage this data and begin to set rules for how it will be used.

Make sure that you are accurately connecting people to their data and their devices. It's more challenging than you might think, and not every method and onboarder will deliver the same level of accuracy, especially with mobile.

And mobile matters more now than ever. Today, half of consumers' digital time is spent in smartphones apps. You'll need to understand how mobile devices tie to people and how to track their mobile activity.

Mobile devices come with different technologies that deliver different rates of accuracy and reach, and the methods that worked in desktop don't translate to mobile. So, you have to figure out how to accurately tie mobile devices to people and at a scale that is meaningful. It's the lynchpin for all the other devices you'll want to connect to.

When you've defined your data strategy and put it to work, it:

- **Puts you in the driver's seat.**
- **Ensures your valuable customer data is properly managed and protected.**
- **Minimizes effort in getting data to platforms you work with.**
- **Provides maximum insight and analysis potential that can inform all of your marketing and advertising.**

And what you learn from your data can inform your marketing and advertising decisions going forward.

STRATEGY #2

Partner with an independent and flexible platform

Most likely, you're still going to partner with walled gardens on digital marketing projects in the future — especially if you want to reach social or search spaces. But don't rely on walled gardens as your only go-to play. Partner with at least one additional independent platform.

The key here is the word “partner.” When you partner with an independent, you're more likely to get what you can't from Walled gardens. For example, you'll get customer data after a campaign that informs your data strategy.

Independent platforms can custom design campaigns for you and bring in 3rd-party data measurement partners to assess your campaign results objectively. So, adding an independent platform will give you increased flexibility to try things a Walled Garden would likely nix.

Transparent and symmetrical relationships with your platform partners are important in brand building. There's a feeling from a lot of brands and agencies that Facebook is neither.

Independent platforms are more transparent. Brands and buyers who escape Walled gardens find that independent platforms are more likely to protect their data, try new things, give them more flexibility, and expand their connectivity to reach prospects on their platforms or others that you choose. Independent platforms don't wall you off from impression data, and they offer a wider range of partnerships with independent providers of data and measurement.

“It's important...to have a transparent and symmetrical relationship that allows us to build brands.”

TAMARA INGRAM
CEO, J WALTER THOMPSON

STRATEGY #3

Ensure you're getting Full Funnel Analytics™

Full Funnel Analytics looks at the entire customer journey of a mobile campaign. It gives you a framework to break down mobile ad measurement into three clear snapshots and understand where various measurement tools fit in the customer journey with a segmented view of mobile measurement:

1. The top of the funnel is the product awareness-raising activities that drive people toward engagement, measured by Impressions (reach & frequency, viewable), Audience Measurement (DAR/VCE) and Brand Lift.

Awareness



TOFU
Top of Funnel

2. The middle is where you use mobile ads to engage prospects, measured by Impressions (reach & frequency, viewable) and Audience Measurement (DAR/VCE).

Engagement



MOFU
Middle of Funnel

3. The bottom of the funnel is the point of purchase, where the key metrics are often App Download, Store Visits and Purchases (by, account opened, contract).

Purchase



BOFU
Bottom of Funnel

With Full Funnel Analytics, you get a complete picture of campaign success, make better decisions with more accurate and meaningful data and gain the ability to give the CEO data that proves the value of your advertising. Full Funnel Analytics also helps you make better marketing decisions down the road based on better data.

STRATEGY #4



Demand Independent Campaign Measurement

Demand that your campaign results undergo objective review. It helps inform your campaign decisions down the line. When there is no independent review, you essentially have the fox guarding the henhouse since the platform provider has a vested interest in the outcome.

Many companies measure performance independent of your interests, based on strict criteria. For example:

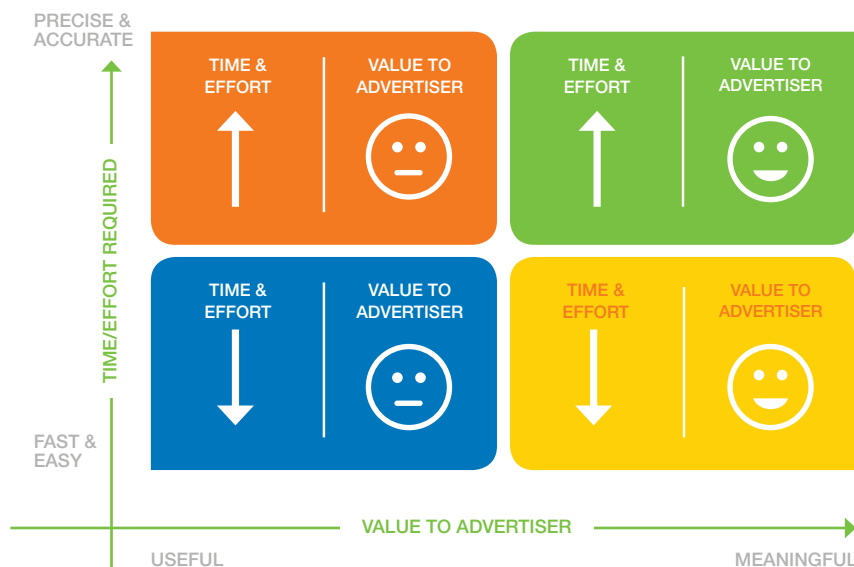


These companies provide an accurate read on results – if your campaign tanks, you'll know it. If it wins with consumers, you'll know it, too. Independent measurement omits the bias that comes with self-measurement and helps you link to the right data for meaningful campaign measurement.

HOW TO CHOOSE BETWEEN SIMILAR PLATFORMS

When evaluating platforms, the key is to look at how they link people to devices and then to data. This will affect accuracy and reach. Linking mobile devices to people is critical for linking data (such as past purchase data) for targeting and measurement. It's a first step in the evaluation process and a crucial one.

As you narrow your choices, focus on your platform's method. There are two common ones — probabilistic and deterministic. Deterministic delivers higher accuracy, but lower scale. Probabilistic gives you greater scale, but lower accuracy. The ideal choice lies in the top right quadrant as you see here. It borrows the best of both worlds to give you the accuracy of deterministic matching and larger scale from the probabilistic model to enable a broader audience reach.



IN THE UPPER LEFT HAND CORNER, the value to the advertiser would be "somewhat useful" but the time and effort required to gain that knowledge would be high.

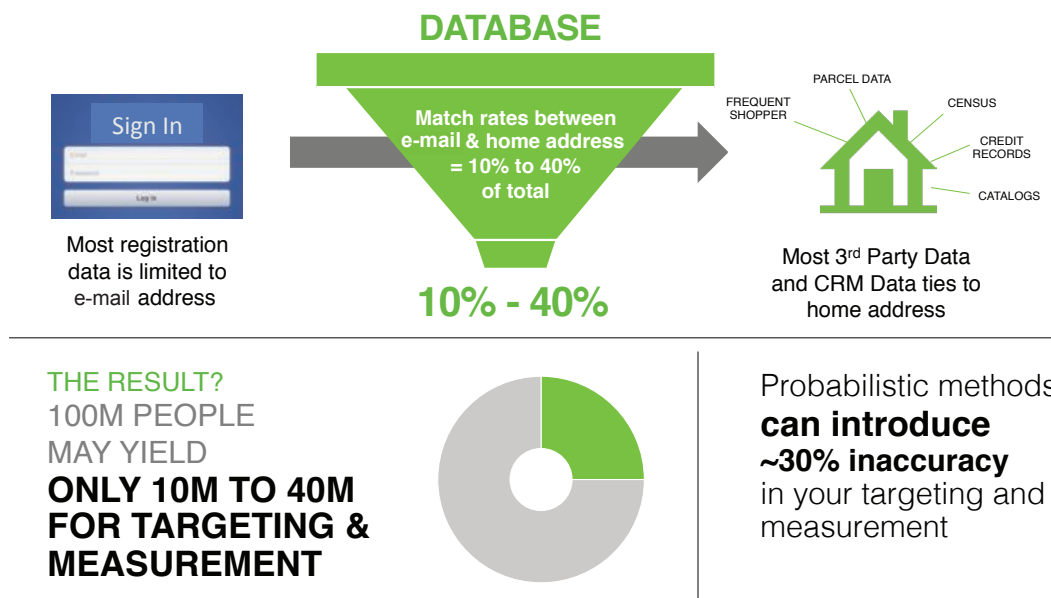
IN THE UPPER RIGHT HAND CORNER, the time and effort would be precise and accurate and the value to the advertiser would be highly meaningful.

IN THE BOTTOM LEFT HAND CORNER, the time and effort would be "fast and easy" and the value to the advertiser would be "somewhat useful."

IN THE BOTTOM RIGHT HAND CORNER, the time and effort would be fast and easy and the value to the advertiser would be highly meaningful.

When evaluating campaigns, beware the Illusion of Scale. Many platforms have only an e-mail address to tie an individual to a device. Facebook, for example, doesn't know your home address, only your e-mail address.

But the data used for targeting and measurement is usually linked primarily to a home address; data such as frequent shopper data, parcel data, census data, credit records, etc. To link devices to data, you must match e-mail addresses to home addresses and then match to the data.



And unfortunately, that match rate can be really low because the average consumer has six different e-mail addresses and they only last three years on average.

That means an audience of 100 million people may only match to data for 10-to-40 million of those people. And then probabilistic modeling can introduce up to a 30% inaccuracy in the ones that do match, creating major issues for marketers. Marketers who try to match their first-party data to another platform often tell us they are disappointed to be able to only match 15% or 20% of their customers to mobile devices, preventing them from reaching the target audience they want to with their campaigns. Questions you need to ask to avoid this risk:

- **How are you linking people to devices?**
- **What is your match key between devices and data?**
- **What are typical onboarding rates (matching people to devices and data to people)?**
- **Are you using look-a-like modeling to increase scale?**
- **What measurement partners can get my campaign data matched?**



About the Authors

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Chuck Moxley brings more than 25 years' experience in advertising and direct marketing. Serving in senior executive roles on both the brand side and with agencies, he offers unique perspective that spans advertising, direct marketing and media.



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Ken is the chief product officer at 4INFO, having held various leadership positions in the Technology (Yahoo!, Microsoft), Market Research (Millward Brown, Ipsos) and Biotech industries (Aviron, Amgen, Genentech). Since 2000, Ken has focused exclusively on the digital advertising field, working to pioneer and advance targeting, measurement and insights products for marketers.

