Klarity
The Analytical Tool for Serious Marketers

Making sense of 'BIG DATA' to improve Digital Media ROI

McKinsey has developed an approach that enables companies to access the power inherent in 'Big Data' by profiling Web users based on their web histories (and other sources of information) and customizing digital advertising as needed. Experience shows that the approach offers 250% greater efficiency than current practices. The approach has four key steps:

- Contact us
- Visit us
- Visit our website

A)   Profile Users

Marketing teams take a very large sample of Web users (e.g., several million) and collect their Web histories, using cookies or other forms of anonymous tracking. The company then analyses the profiles of these users based on behavioral criteria. This profiling relies on algorithms and on semantic analyses of user Web histories. For example, teams will rank a Web user high on the "sport" profile dimension if search terms related to sports can be found in his search history.
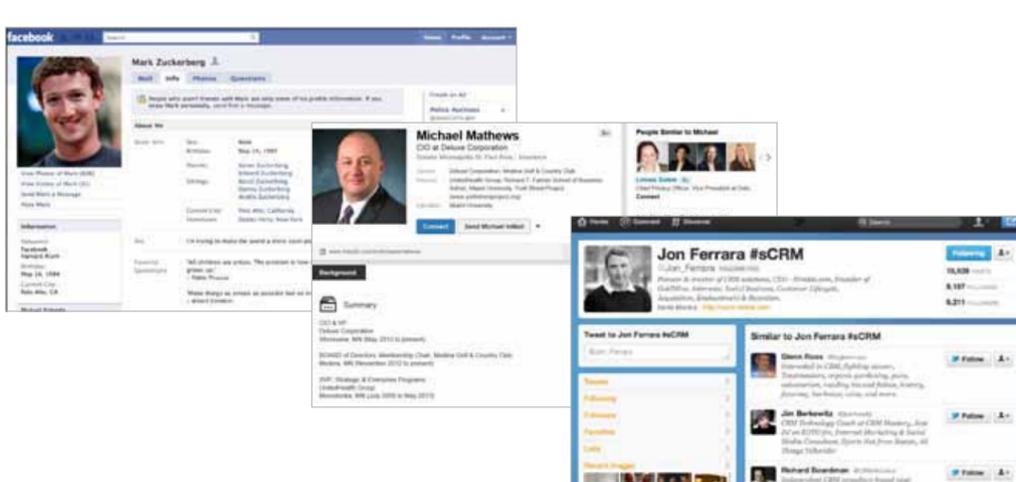
B)   Link to products

For a specific product, teams analyse consumer purchasing behaviors to identify correlations between the product and the profile characteristics of the Web users. Marketers should base the purchasing behavior analysis on sales conversion rates, i.e., the percentage of people who actually purchase the product compared to the total audience who received the related display advertising.

C)   Tailor advertising

Marketers then build a digital campaign that focuses on the customer segments they have identified as being the most likely to buy the considered product. Then, these segment-specific ads are pushed only to those segments for whom they were created.

D)   Integrate algorithm

Finally, the company must integrate the algorithm into its digital advertising management IT tools. Once the algorithm is embedded within the various ad servers, the targeted campaigning becomes a part of the organisation's day-to-day processes, focusing only and automatically on the Web users with the highest potential to convert.

The bottom-line benefit of enhanced digital marketing

Using McKinsey's pilot project on selected Internet user profile characteristics reveal a very strong correlation with the sales conversion rate. This correlation can enable marketers to build highly differentiated Web user segments, with the best-performing segments displaying a conversion rate 11.2 times higher than average.

The best way to capitalize on the strong correlation involves focusing the digital advertising campaign on the customer segments with the highest conversion rates.

> "Profiling online users in an effort to evolve digital marketing is only one step companies can take toward unlocking "big data's" potential."

Nevertheless, the application of online profiling is limitless. It could be applied to direct marketing (e.g., an e-mail campaign focused on the most promising prospects). Looking further, another exciting challenge to come will involve the adaptation of a company's online stores based on target Internet user profiles. As of now, marketing organizations would be well advised to take stock of the wealth of online consumer information that is readily available and develop highly targeted advertising campaigns to boost their marketing efficiency. In addition to profiling online users, "big data" can also be leveraged in a very pragmatic and operational way. There is no doubt it can reshuffle the cards of search, affiliation marketing, and Internet-based direct marketing.