

New Tools? New Rules! Why Ethical Data Use Will Win The Day



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Once again, I invited Ron Lunde to continue to share some of his insights concerning brand/retailer and consumer relationships in today's and tomorrow's markets. Ron has career experience as a senior executive in wholesale and retail as well as a stint as a senior vice president at a major advertising agency. I had a few new questions for Ron as a follow-on to our June 19, 2018 article, "[When Bytes Bite Back](#)."

Gary Drenik: Previously, we discussed the Critical Issues concerning brands and retailers as first, Technology Transition and second, something you called the evolution to an Intelligence Node. Can you expand on those thoughts?

Ron Lunde: Today, the word 'change' is more like a cliché than news. Change, however, is increasingly apparent with impactful consequences for consumers, brands and retailers. First, Technology Transition. Approximately 312 million people are now internet connected in the U.S. For retailing, JP Morgan estimates that e-commerce giant Amazon and brick and mortar colossus Wal-Mart will have equivalent domestic revenue within the next two years. In the brand/marketing space Inter Public Group (IPG), a major global advertising agency group, recently invested \$2.3 billion—cash—in the Intelligence Node by purchasing Acxiom, a company which provides the [ethical data](#) that allows marketers to engage consumers with relevant messages at scale and ties everything back to real results.

Drenik: Can you expand on the concept of Technology Transition?

Lunde: Technology Transition is the 'tool' that is empowering internet-connected consumers. Consumers/shoppers increasingly think and shop in the e-commerce/omnichannel dimension. They no longer take a single path to purchase. Instead, consumers take multiple, data-rich journeys via varied

technology pathways. Brands/retailers must adapt and adopt to the Technology Transition and the Intelligence Node to create hyper-personalized consumer experiences.

Over 2.5 quintillion bytes of data are created each day. 90% of the data in the world was generated over the last two years alone because of the expanding use of electronic devices from smartphones to IoT. At an increasingly rapid pace—consumers are therefore changing faster than either brands or retailers.

Drenik: What is the impact of the Technology Transition?

Lunde: For retailing, Amazon’s e-commerce empire is on track to match Wal-Mart’s domestic sales of over \$318 billion within the next two to three years, according to analysts at JPMorgan. Although Google today has around a 90% share of information search, Forrester reports that consumers are 2.5 times more likely to find out about the brand of a recent purchase from Amazon versus any other search engine. That single statistic is a significant advantage for Amazon versus any competitive retail channel.

For marketers, [the 2018 global advertising spend](#), according to eMarketer is in the area of \$628B. Digital media channels are forecasted to overtake traditional mediums by 2021. Mobile now accounts for 56.7% of all digital advertising; Social media advertising accounts for \$1 of every \$4 spent on digital advertising, according to the [IAB Internet Advertising Revenue Report](#).

In essence Technology Transition means that the law of “supply and demand” might need to be re-imagined as the law of “demand and supply” to better reflect the realities of change as consumers use technology to increase their control over the marketplace.

Drenik: As consumers use technology to increase their control over the marketplace, what’s the reason for the Intelligence Node you mentioned?

Lunde: At the moment, there are two. First, the over 2.5 quintillion bytes of data are created each day. Second, consumer data protection. Consumers, brands and retailers have to figure out how to make the massive amounts of ‘big data’—useful. The second part, consumer data protection, is starting to be addressed by government regulation laws such as the recently enacted European Union (EU) law, The General Data Protection Regulation and California’s Consumer Privacy Act of 2018. Fines for violating the laws can amount to billions of dollars.

Drenik: Can you provide any thoughts on how to make data more ‘useful’ as you put it?

Lunde: Consumers, retailers and brands need to make communications both bi-directional and relevant ... without violating consumer data privacy regulations. There is a new research paper, “New Methods of Segmenting Media Audiences”, presented on June 21, 2018 at the European Advertising Academy’s ICORIA 2018 in Valencia, Spain.

In the paper Drs. Don Schultz and Martin Block of Northwestern University’s Medill School of Integrated Marketing Communications, demonstrate that their methodologies can enhance the traditional media planning, distribution and consumption model ROI. The Schultz and Block paper analyzed the responses of over 32,000 consumers from Prosper Insights & Analytics proprietary 2017 and 2018 annual Media Behaviors and Influence survey in comparison to the previous 13 years of MBI surveys. Their research shows that relying on activities people say they do rather than traditional demographics enables better, more consumer relevant media plans than those currently developed and distributed today. For example, Schultz and Block calculate that in the fast-growing social media and Video game media segment, the improvement their model predicts for media consumption is 20.3% and 21.4% respectively—television was improved by a factor of at least 3.9 times.

Therefore, you have the rationale for Inter Public Group’s (IPG), \$2.3 billion investment in the Intelligence Node with the purchase Acxiom, a company which provides the data that allows marketers to engage consumers with relevant messages at scale and ties everything back to real results.

Drenik: How important will consumer data protection be to marketers and retailers?

Lunde: There are possibly billions of reasons ... called monetary fines. The regulations will force brands and retailers to rely on first-party and Anonymous first-party data sources ... plus predictive analytics in order to compete with competitors like Amazon, Alibaba, Facebook and Google. As IPG’s CEO Mike Roth stated when announcing the purchase of Acxiom, “Going forward, the ability to ethically source, manage and leverage first-party data and [personally identifiable information] will be too important a differentiator for our sector and related industries.” Further, validating the Schultz/Block ICORIA research I referenced earlier, Roth said, “What we’ve tended to find is if you can aggregate all digital media buys and power them with one tech stack, what can happen is really, really interesting.”

Drenik: Closing thoughts?

Lunde: Whenever ‘new tools’ are available, ‘new rules’ are certain to be necessary. In the era of Technology Transition and the Intelligence Node, that’s exactly what is happening. Keep in mind that the Technology Transition and Intelligence Node, as I identify them, can probably do less right now than you think. However, they will eventually do more than you think, probably in more places than you think, and will undoubtedly evolve faster than consumer evolutions have in the past.

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