



SMALL

DATA

The marketing world is awash in data. There is so much of it
the marketing industry gave it a flash label – **BIG DATA.**

Malcolm Auld

RULES

When it comes to data, less is always more.

The marketing world is awash in data. There is so much of it that the marketing industry gave it a flash label – BIG DATA. And of course, you're not a marketer these days unless you're a 'data-driven marketer'. Even industry associations are data-driven, as if using data in marketing was only invented this century.

But it's the source of most of this data that is causing concern, particularly among regulators. For much of this century, everything done online (by children and adults) has created a data point that is tracked. This (often illegal) digital surveillance tracks every click and stores all associated activity in vast server farms, so those who do the surveillance can sell the data – known as 'third-party data' – to make money.

According to research, ad tech companies hold 72 million data points on each child by the time the child turns 13. This is a frightening statistic, and it makes you realise the extent of the data-driven surveillance in society, as it's often the source of BIG DATA.

From a marketing point of view, there are pros and cons associated with this growth in data availability and usage, but first, let's look at what a couple of industry leaders have to say about the subject.

The path of least resistance is rarely the path of wisdom

In 2021, Tim Cook, CEO of Apple, delivered a presentation at a Data Privacy Day event. Here are some of his most insightful words about the use of data:

"Technology does not need vast troves of personal data stitched together across dozens of websites and apps in order to succeed. Advertising existed and thrived for decades without it, and we're here today because the path of least resistance is rarely the path of wisdom."

And as Bob Hoffman said in a recent newsletter in 2023, "The advertising industry was successful for many decades finding appropriate targets for advertisers without spying on the public. But the online ad industry claims that tracking is an essential part of their business model. This is the equivalent of saying that online advertising is such a weak force that the only way the industry can survive is if it is allowed to spy on the public."

I've been claiming for more than a decade, "Most companies aren't correctly managing their Small Data, let alone getting their BIG DATA right." And it's costing them dearly. Small Data such as a customer's name, address, phone number, email address or previous purchases are regularly incorrect, or not even stored.

Marketers appear to be enamoured with data volumes, focusing on data for data's sake. As one marketer stated, "I know 90% of the data I capture is useless, I just don't know which 90%." And to quote Tim Cook, "They're traveling the path of least resistance – much to their detriment."

"Marketers must get express consent if they want to remain in business. If customers don't opt-in, marketers must opt-out."

The pros of BIG DATA (software as a service)

Numerous platforms and SaaS have been developed that allow marketers to aggregate their own data with third-party data they buy from data sellers. Their own data can include: customer name and contact details, sales by customer, engagement with email and social media, activity on website, call centre recordings, advertising creative and campaign results, media channels, and more. While third-party data can be sourced from plug-ins, social media, affiliate networks, data brokers, weather apps and more, it can include all sorts of market, behavioural, engagement, environmental and sales data from a plethora of (mostly) online sources.

This allows marketers to append more data to individuals on their database so they can possibly: identify loyal customers or even advocates, determine the campaigns that generate the best ROI, identify factors influencing advertising campaigns, identify the best value media channels, identify the messaging that works best for acquisition versus retention, identify relationships between engagement and sales, and apply econometric modelling to improve targeting.

Third-party data is not new

Prior to the internet, marketers rented or bought third-party data in the form of research, demographics, or relevant lists of prospects. For example, an IT brand could buy lists of subscribers to IT magazines, or a wine marketer could buy a list of wine buyers and merge them with their own databases after using the lists. You could append the Australia Post Household Research data to your own database – it included all sorts of buying habits across dozens of categories linked to household collector districts.

Unfortunately, because alleged digital marketers thought what they were doing was new to the world (just because it was new to them) they ignored proven third-party data practices as they reinvented the wheel with a few new controversial ways of acquiring digital data.

>>



Gender:
Non-Binary
Age Group: 30-35
Fav. Brand: YSL
Fav. Food: Indian
Fav. Music:
Minimal House

Gender: Male
Age Group: 21-25
Fav. Brand: G-Starr
Fav. Food: American
Fav. Music: Rap



Gender: Non-Binary
Age Group: 41-45
Fav. Brand: Ralph Lauren
Fav. Food: ...Cocktails?
Fav. Music: Classical

Gender: Male
Age Group: 21-25
Fav. Brand: Nike SB
Fav. Food: Pizza
Fav. Music: Alt Rock

Gender: Female
Age Group: 25-30
Fav. Brand: Gucci
Fav. Food: Sushi
Fav. Music: Pop

“Most companies aren't correctly managing their small data, let alone getting their BIG DATA right.”

Cons of BIG DATA

There is a saying I use often, “Just because you can, doesn't mean you should.” I've said it more in relation to digital marketing than anything else, as so many marketers track unnecessary digital data just because they can. The focus of much of what is captured or bought is ‘nice-to-have’ data, not ‘must-have’ data, necessary to run a business.

Just because we can track every digital contact doesn't mean we should. It's the equivalent of recording the fact a shopper walks into a grocer, looks at the bananas, walks towards them, maybe even picks up a hand for, then puts them down before deciding not to buy – possibly because they remembered they had some in the fruit bowl at home? There is little value in tracking this action, so why do we chase non-qualified consumers around the web with irrelevant messages just because they visited our website? The data isn't adding to any business outcome, apart from the fact it is tracked, collected and reported.

BIG DATA has weakened many marketing teams

The marketing industry now has a generation that has only lived with the internet or third-party data. These marketers have relied heavily on computers, not humans, to do their marketing thinking.

They've become dependent upon buying platforms to do their media planning and buying, with almost no idea where the money is spent or where the related advertising appears. That's because there is no way to get an accurate picture of individual advertising placement when done via programmatic buying. The fraud in this area of the industry is estimated at \$60b to \$80b per annum.

Somehow marketers have been convinced that nice-to-have data rather than must-have data is the key to marketing success. Vanity metrics are regarded as valuable: knowing how many people liked a Tweet appears to be more important than the lifetime value of a new customer, assuming the lifetime value can be calculated, or, customer acquisition at all costs is more important than customer value, so marketers are ignoring the potential long-term damage of a database full of unprofitable customers.

The essential marketing data

There are only two contact strategies required in marketing: a customer contact strategy and a prospect contact strategy. With the right customer contact strategy, you can make 90+% of sales to existing customers without any third-party data.

Here is the must-have customer data you need to run a business profitably: name, gender/salutation, address, phone, email, purchase history (recency, frequency, monetary value), credit card or payment method and company name, and job title (for B2B marketing).

If you know who your customers are with the relevant must-have data mentioned above, you can build a relationship and continue to sell things without ever having to use any other data. Use media such as email, mail and telephone to make your sales, as well as sales people and POS if you sell via a physical store or in B2B marketing.

Of course you can append other data, including third-party to your customer data, but it's not essential to make a sale. The BIG DATA really only impacts the incremental sales that require slightly more effort to make.

Use what you know to target prospects

Your must-have customer data can also help you find prospects – your new customers. You can rent lists of prospects who have similar profiles to your customers: for example, grocery buyers, golfers, food and wine enthusiasts, donors, home owners and much more. In B2B marketing, you can rent a list of almost every job title in every industry and then communicate via mail, email or telephone.

But think beyond the obvious

For more than a decade the most successful rented list used by American Express for acquiring new customers was a list of people who bought adult toys, sex aids and the like. The reason is simple. These people are regular buyers of products with an average value of more than \$100 per sale, paid for using credit cards. They are perfect prospects for an American Express card.

>>

Look-alike lists

In the same way you list-match, you upload your customer list within social channels to find look-alike lists to which you can advertise within the social channel.

What about LinkedIn?

The best way to use LinkedIn is for identifying prospects. Then get off LinkedIn to build a relationship with them via mail, email, telephone, face-to-face and events. 'social selling spammers' have seriously damaged the credibility of LinkedIn as a source for nurturing relationships. While it's a cheap channel to reach lots of prospects, the damage done to individual reputations and brands with non-stop automation of sales pitches often outweighs the benefits.

Referrals rule

I often ask my seminar audiences, "What is the best lead?" to which the majority of the room replies, "A referred lead." I then ask, "How many in the room are running a referral program?" and silence tends to dominate. Use your current customers to introduce you to prospects.

I won't go into every way to get prospects, advertising being the primary one, but your customers are your major asset and they can help you find prospects if you just invest time and common sense, rather than chase nice-to-have data.

The hidden time bomb inside BIG DATA

The move back to a pre-internet world, commonly referred to as a cookieless world, is a major threat to marketers. As a result of surveillance and the related abuse of data by marketers, there are a range of new privacy laws being introduced around the world to counter how data is acquired and used. These laws are designed to protect consumers, not marketers.

In the world of BIG DATA, large volumes of personal data have been gathered without any customer consent. In the new world of stricter privacy, if marketers don't get 'express consent' or 'active consent', but rather they rely on 'implied consent', they may not be able to communicate with their database.

In simple terms - many marketers have put their companies and brands at risk by not obtaining customer opt-in.

Permission is the law, again

As Anton Buchner, partner at the Marketing Advisory Practice says, "The challenge with endless data is that most of it is meaningless. The basic questions are still not being answered by most marketers: How is upper funnel brand activity impacting lower funnel performance? Where should I allocate my budget for the best ROI (return on investment)?"

The lens many marketers are looking through is skewed by vested interest. Media agencies skew towards media mix models, platforms skew towards their walled garden, and vendors limit the ability to join up and measure end-to-end customer journeys.

There has been too much focus on the acquisition side of the ledger without enough focus on customer growth and retention. It's time to shift focus back to identifying true customer value and how

higher value customer profiles and relationships can be used for smarter, more effective marketing."

While Ian Bennett from the Marketing Advisory Practice says, "Consent is going to become a new driver of whether an organisation has the permission to engage with a person. And it is a specific consent, not some meaningless catch."


How will you define a customer?

It's possible under new laws that if someone buys a consumable product from you, but doesn't buy again for 12 months, they may not be allowed to be treated as your customer once they pass the 12-month anniversary. This wouldn't apply for high-ticket items or infrequent purchases such as a car or carpet for your home, for example.

There may also be category-related privacy rules. If a customer buys a textbook from you, then you are allowed to offer them a training course related to the book. But you cannot offer them your branded merchandise, unless they have opted-in to get offers beyond the initial category of purchase.

Implied consent no longer applies. Marketers must get express consent if they want to remain in business. If customers don't opt-in, marketers must opt-out. >>

"If someone buys a consumable product from you but doesn't buy again for 12 months, they may not be allowed to be treated as your customer once they pass the 12-month anniversary."



Gender: Male
Age Group: 21-25
Fav. Brand: Billabong
Fav. Food: Beer
Fav. Music: House

Gender: Non-Binary
Age Group: 21-25
Fav. Brand: P.E. Nation
Fav. Food: Vietnamese
Fav. Music: Trance

Gender: Female
Age Group: 18-21
Fav. Brand: Vintage
Fav. Food: Acai bowls
Fav. Music: Pop



Gender: Male
Age Group: 18-21
Fav. Brand: Adidas
Fav. Food: Japanese
Fav. Music: Lo-fi

Gender: Female
Age Group: 40-45
Fav. Brand: Prada
Fav. Food: French
Fav. Music:
Love Adele!

Gender: Male
Age Group: 35-40
Fav. Brand:
RM Williams
Fav. Food: Pub Classics
Fav. Music:
Aussie Rock

How will this impact brands?

Brand owners will have to conduct a complete audit of all the data they currently hold on their customers (and prospects) to confirm if express consent has been given. If not, they will have to ask for it or remove those people from their database – just look at the recent Optus data disaster. The company held data on former customers who had left years, or even a decade earlier, this will now be illegal.

Marketers will have to question the investment being made into MarTech and other platforms, as many will have over-invested for the returns being generated for their brands. Particularly, if they can only communicate with 20% of their database.

In summary

For most of this century, marketers have been awash in data that has produced very little demonstrable ROI, link or change to market share, profit, customer value or brand equity. Data for data's sake has ruled, and much of the data now in use will shortly not be compliant.

There are major changes afoot that will seriously impact marketers' ability to communicate with their alleged customers. Small data will (again) become more important than BIG DATA as express consent and opt-in become mandatory. Valuable data – less quantity but higher quality data will be imperative over BIG DATA.

Marketers will need to be specific when gaining consent. Inviting customers to subscribe to a newsletter and then sending offers will most likely be viewed as a breach of consent, unless the opt-in includes information explaining that offers will be part of the subscription. All databases need to be audited for compliance, sooner rather than later.

Why do marketers continue to do to customers what marketers don't want done to themselves?

Nobody likes their data or privacy being abused. People hate it when small data goes wrong and things don't get done as they should. Yet, marketers are quite content to disrespect their customers just because they can. It is easier to avoid the hard yards and take the path of least resistance.

So, again here we are in marketing land, regulating how we use data – it's déjà vu all over again. Bob Dylan said it best in 1964, "The times, they are a changing" – and marketers need to get with the times, or they'll get left behind.

Sources: Video Week, 2017; Mad Mail, 2023; Marketing Advisory Practice, 2023; Apple, 2021; Bob Hoffman, 2023; American Express, 2023; Bob Dylan, 1964

"All databases need to be audited for compliance, sooner rather than later."