7

OVERTARGETING

What's the Trend?

Lured by the promise of big data, organizations segment audiences too narrowly and unintentionally end up abandoning large groups of potentially lucrative customers.

Last year, I made the mistake of purchasing a bow tie. To be more specific, I made the mistake of *searching* for a bow tie online. It wasn't really the bow tie that caused the problem. It was the ads. For weeks after I had conducted that online search, everywhere I looked online, ads for bow ties seemed to be following me around like banner equivalents of the paparazzi, and it was just as annoying.[1]

The ads went through a predictable script outlining incentives to complete that purchase. Would I like to receive 20% off? What about free shipping? Did I know they had a two-for-one special sale coming up?

The automated ad sequence was working so hard to convert me into a buyer, I even coined a term to describe the situation, joking in a blog post that I was being *adverstalked*.

The reason the script had targeted me in the first place was no surprise. I visited one fashion e-retailer's website and spent about 20 minutes browsing their collection. I had even added multiple products to my shopping cart before eventually abandoning that cart. According to any metric, I should have been an easy customer to convert.

The information they did not have was that I had never worn a bow tie in my life, and that I only needed one because I had a formal event coming up in two days. When I had trouble finding one that could be shipped fast enough to arrive in time for my event, I abandoned my online search and drove myself to a local store and bought a bow tie in person instead. At that point, I was no longer a bow tie customer.

Of course, there was no way for the algorithm to know that in real life, I had gone from an interested shopper to an unlikely one within the span of a few hours. The algorithm had no way of knowing how rarely I even think of wearing bow ties, and that this first bow tie would probably also be my last.

All the data tagged me as a prospective customer who just needed the right offer to convert. And all the marketing dollars spent to reach me were wasted. This is *Overtargeting* and the sad truth of online marketing today is that this is surprisingly common—and it is not accidental. There are plenty of unscrupulous people and companies who are profiting from this arrangement.

The New Snake Oil Salesman

In his book, *Clicksand*, author Bill Troy writes about the biggest problem with many online marketing consultants today. Like modern day snake oil salesmen, they promise the world and deliver hardly any results. Most of them promote the practice of remarketing to hyper-targeted customers and describe it as the *most* efficient type of online advertising money can buy.[2]

Along with a widespread belief in the power of remarketing among online marketers, there has been an explosion of so-called "martech" (marketing technology) companies ready to help companies put their big data to work through supposedly better segmenting and perfectly automated sequences of glorified spam masquerading as personalized marketing.[3]

The prevalence of these tools is a plague that is destroying the credibility of online marketing and it is a devolution that I have witnessed firsthand. As a senior leader in a digital focused group for nearly ten years at one of the biggest agencies in the world, we would routinely see clients burned by the illusion of ROI these companies would present.

In 2016, journalist Dan Lyons published a book titled *Disrupted,* about his time as a content creator inside the offices of Hubspot, one of the leaders in martech automation. He writes, "online marketers have invented euphemisms to make the work they do sound less awful. For example, we're told that our email campaigns do not involve badgering people, or pestering them—rather, we're 'nurturing' them ... if someone doesn't open our first email, we'll keep on nurturing them."[4]

He exposed many flaws in the system, but perhaps the most dangerous was this idea that if you can just create more targeting and more segmentation, then you can fully automate every interaction. The truth is, just because something *can* be automated doesn't mean that it *should*. For instance, what if the key to effective marketing had less to do with how narrowly you could define your audience and more to do with how compelling you could make your story?

B2Beyond Marketing

In our report from two years ago, I wrote about a trend called *B2Beyond Marketing* where a growing number of B2B companies were starting to realize the benefits of not over segmenting their audiences and instead creating content and marketing with a more widespread appeal.

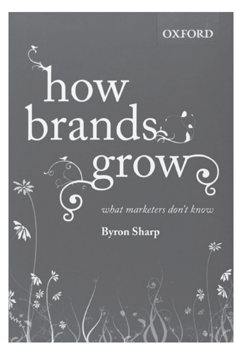
Illustrating this trend in action, I wrote about examples like Volvo creating a Super Bowl ad featuring actor Jean-Claude Van Damme to promote its automatic steering feature used on trucks, and construction vehicle manufacturer Caterpillar creating a viral video showing their products deftly moving heavy wooden blocks in an epic game of Jenga.[5]

Photo: Caterpillar #Builtforit campaign

The examples illustrated a truth about B2B marketing that seemed to fly in the face of what most people assumed at that time: smaller professional audiences were not always better, because reaching a broader audience could build more buzz even it you ended up reaching people who were not part of the target audience.

This is the big idea that has also helped an eight-year-old marketing book from Australia become one of the most popular ideas among senior marketing leaders over the past year.

The Myth of Modern Marketing



In 2010 an Australian professor named Byron Sharp wrote a book titled *How Brands Grow* which challenged the popular belief that 20% of customers drive 80% of revenue.

Instead of trying to sell more or increase brand loyalty from that small group of people who are already buying from you, Sharp suggested that marketing dollars and resources might be far better spent on efforts that generate *broader* reach and influence the other 80%. The key to growth in his model is to generate *more* sales from these light or non-buyers. This is exactly the opposite of what they teach in most graduate-level marketing programs. And it is changing how some of the world's largest marketers already think.

To prove his theory, Sharp uses data to examine everything from why price promotions don't usually work (they usually only reward customers who have purchased your discounted product in the past) to how true loyalty among consumers doesn't really exist (which explains why you probably have more than one brand of shampoo in your shower).

"If you get too targeted, you reinforce people who love your brands to use more. There are only so many cups of tea you can drink in a day."

KEITH WEED, Unilever

It took several years of slow, word of mouth sharing of Sharp's research before it finally got the attention of a small, well-connected group of early disruptors. Among them was Unilever chief marketing officer Keith Weed, an influencer who controls about $8 billion of marketing budget across all of Unilever's brands worldwide.[6]

Weed and other marketers introduced the book to *their* teams of brand directors, agencies, and others who worked with them. The growing influence of Sharp's work year after year generated a buzz that eventually exploded this past year, igniting a new discussion within the marketing industry.

And then the industry saw $140 million disappear overnight.

How the Marketing Industry Lost $140 Million

If anyone deserves the credit for jumpstarting an industry-wide urgency to improve marketing efficiency and get smarter about *Overtargeting*, it is Procter & Gamble's chief brand officer Marc Pritchard.

Also a fan of Sharp's book, Pritchard cited his deep dissatisfaction with how digital advertising was becoming far too focused on niche targeting when he announced that P&G would be slashing $140 million in digital advertising spending. The move was a response to a growing concern about bot traffic causing empty impressions (which advertisers still were paying for) and the potential risk that ads would appear next to objectionable content.

It was also a wakeup call for the industry to refocus on quality. For years lazy media buyers had simply followed the biggest numbers plugged into a spreadsheet to buy the largest pool of impressions available. Now one of the world's biggest advertisers was exposing the charade and demanding more accountability.

A few months after the announcement, P&G released the even more concerning conclusion that cutting over $100 million from its digital media spending had *no appreciable effect* on its business or sales figures.[7]

After the announcement, media measurement company comScore released a report suggesting that marketers need to take a more disciplined approach to online advertising campaigns and that "marketers, once enamored with reaching highly targeted audiences at bargain-basement rates, are encountering unanticipated problems. In some cases, they are overtargeting consumers at the expense of the broader reach needed to grow their brands."[8]

Don't Kill Demographics, Understand Them

Some brands are looking to blame demographics and plenty of marketing experts have called for an end to using demographics for targeting because they are so notoriously flawed. Demographics rarely reflect differences in customer needs; instead they use the easiest possible data points to segment a particular group (e.g., single versus married, age, geographic location). In this model, demographics are an easy scapegoat and I admit that I have probably expressed disdain for their use in the past. The real problem with demographics is not that they exist, but that we tend to rely on them in incorrect ways.

Demographics were created to help people other than marketers to understand the composition of populations of people. By looking at demographic factors like gender, age, income, births, deaths, or incidence of disease, city planners could build models to understand where different types of people live, what areas require more infrastructure and how that population might then interact with the environment around them.

A major problem today is that while demographics were never intended to describe how people *think*, marketers mistakenly make use of demographics to attempt to do so. When you target the "18-to-34-year-old" demographic, you make an assumption about how everyone in that group thinks and behaves based solely on that person's age. As most of us know, people's behavior and motivations don't fit neatly into those well-defined boxes.

When tech entrepreneur Gina Pell wrote about this problem, she suggested an end to the days of targeting people by their age or generational descriptors like Boomer, Millennial, or Gen Z.

> *"Perennials get involved, stay curious, mentor others, are passionate, compassionate, creative, confident, collaborative, global-minded, risk takers who continue to push up against our growing edge and know how to hustle. We comprise an inclusive, enduring mindset, not a divisive demographic. Perennials are also vectors who have a wide appeal and spread ideas and commerce faster than any single generation."*[9]
>
> GINA PELL, Entrepreneur and Writer

Pointing to how Amazon and Netflix tailor recommendations to us based on what we watch (and not by how old we happen to be), Pell suggests that the first step to treating people as individuals with varying preferences and desires is to do away with using these generational terms altogether.

When brands do manage to avoid the temptation of segmenting their audience too narrowly and avoid *Overtargeting*, they often will find success by embracing unexpected groups of customers. Let's consider a few examples of this.

Green Grandmas and Girls Riding Harleys

When Maura McCarthy, the co-founder of eco-friendly home builder Blu Homes, first discussed marketing strategy with her team, it all started with an assumption that they knew who their ideal customer was. Given that their product was modern, custom-built homes, it seemed obvious that the target should be hip 30-somethings looking to settle down and buy their first home.

That is, until a group McCarthy would later describe as the *green grandmas* came along.[10]

These financially secure, affluent customers in their 60s were a much better target customer for Blu Homes in every way. They knew what they wanted and were decisive. They were more financially stable. The streamlined building approach created by Blu to deliver a home faster appealed to them. And the stress-free fixed pricing model helped to build trust and close the deal.

As McCarthy learned from interactions with customers who began to walk through her doors, she could pivot her strategy to focus on these forward-thinking grandmas along with those 30-somethings.

Harley-Davidson is another brand that has managed to make a major pivot in their business in order to embrace an entirely new audience. After years of mainly targeting middle-aged white men, the brand worked hard to appeal to women and younger customers. Despite sluggish motorcycle sales overall, there are signs that these efforts are paying off.[11]

Photo: Harley Davidson Advertising – Old vs. New

Unfortunately, too many companies fail to do what Blu Homes and Harley-Davidson have done. Like the clueless online bow-tie retailer, they blindly rely on what their data is showing them and spend too much time, too much money, and too many resources *Overtargeting* their customers.

Why It Matters

The death of mass marketing has been declared numerous times over the past 20 years, but companies on a quest for that shrinking audience of perfect customers are slowly starting to realize that much of this promised automation is an illusion. Instead, companies need to stop thinking about audiences as one narrowly defined segment with a short, predictable list of priorities and motivations, and see them more as people whose behavior and choices change frequently depending on context and circumstances.

Rather than blindly following bad data, the smartest companies are starting to question these numbers, dig further, and sometimes even counterintuitively opt for targeting *broader* audiences when it makes sense. The truth is, this can be done without diluting the message. It is not about being everything for everyone. Being what you are to more people, though, is strategy worth considering.

How to Use This Trend

- ✓ **Demand transparency from partners.** Just as P&G has demanded more accountability from their vendors (and pulled budget to make the point), you have the ability to do the same. This doesn't require having a big budget, but rather changing the way that you hire and evaluate the companies you work with. Ask questions about their compensation models. Ensure they are not getting paid by vendors and are looking after your best interests. Bring an unbiased expert to evaluate how they operate. These are just a few of the ways you can make sure that you are getting the most from your partners.
- ✓ **Remap your customer segments.** Once many companies decide who their customers are, this assumption can become sacred and feel impossible to question. Avoid falling into this trap and conduct a new customer-mapping exercise. Speak to your surprising customers. Take the time to understand not only who is buying from you now, but who could be if you only started speaking to them as well.