

MAD MEN CIRCA 2012

Advertising used to be an exercise in mass marketing. Relying on frequency of exposure, brands pushed their messages to concentrated audiences through a limited set of print and broadcast outlets.

Messages did get to their intended audiences, but with limited data and therefore limited understanding of how these ads were working and, more importantly, their correlation to actual behavior.

The old way

NOW,

in a predominantly digital landscape, propelled by the advent of Big Data, advertisers, publishers, and agencies can track the efficacy of campaigns with unprecedented accuracy, directly linking sales to advertising.

The new way

In a wide variety of formats, ads are now digitally aimed at hyper-specific audience types with laser-like precision.

How is this done?

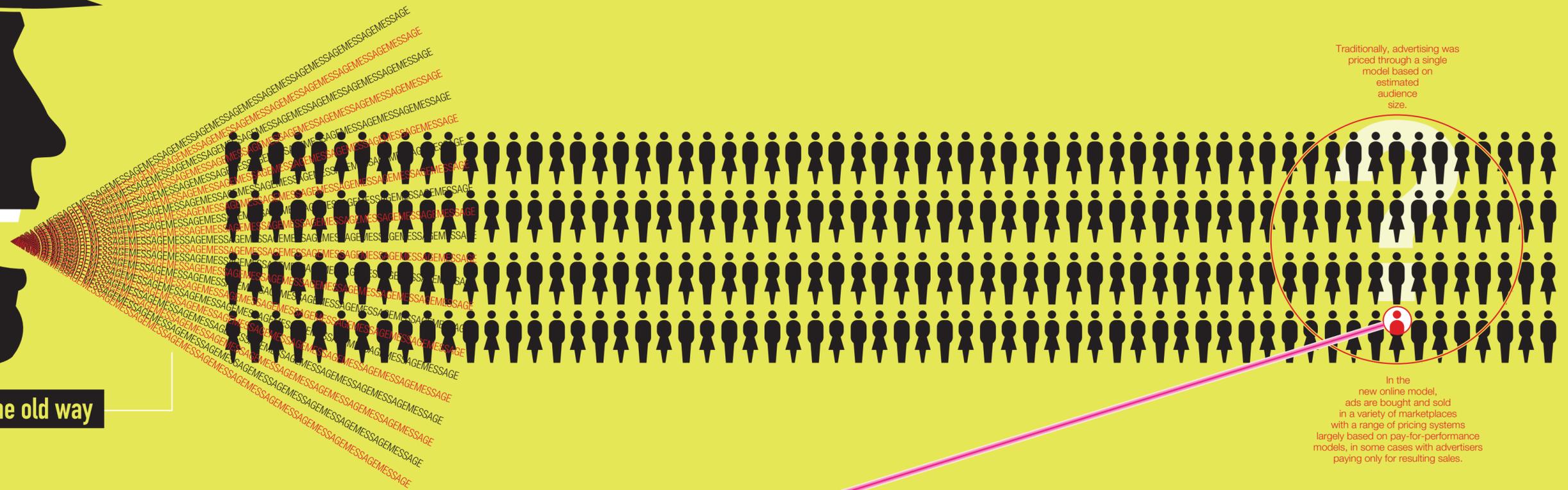
- 1 Consumers generate vast data footprints based on their online and offline behavior.
- 2 That data is then collected and harnessed by advertisers and third-party vendors to form the foundation of the new advertising marketplace based on predictive analytics and behavioral targeting.
- 3 This enables an advertiser to target specific consumers and serve them precise messages based on their real-time value.
- 4 Like purchasing stocks, the buying and selling of advertising has become principally electronic. Using Big Data, companies develop sophisticated algorithms to enable machines to trade with one another to purchase and execute advertising campaigns.

Online ad spending in 2012 is estimated to be

\$83.2 billion

In 2011, spending on ads for mobile devices was

\$2.1 billion



Traditionally, advertising was priced through a single model based on estimated audience size.

In the new online model, ads are bought and sold in a variety of marketplaces with a range of pricing systems largely based on pay-for-performance models, in some cases with advertisers paying only for resulting sales.

5 Let's say you're interested in a vacation in the Bahamas. You search for hotels and click on several to get information. Later you go into a store and buy a swimsuit using a credit card.

6 The data retrieved from the purchase of the swimsuit, combined with your browsing data, reinforces the possibility that you are interested in booking a room at a hotel in the Bahamas.

7 This means that you now have a quantifiable value to hotels with offerings in the Bahamas.

8 Armed with this information, hotels can now bid for your business, in real time, by securing advertising that reaches you with highly relevant messages and offers based on your intended behavior.

9 Online advertising marketplaces are now electronic auctions, so advertisers bid against each other for the best time to send consumers their messages.

In this instance, competing hotels must act swiftly and rely on their data systems and algorithms to secure the right inventory and serve up the right message.

10 In this new world of Big Data, advertisers with the best data make the best bidding and messaging decisions. Today's digital Mad Men earn their keep in large part by understanding the "math" of how to engage consumers.

It's big business, growing fast

