



**VICTORIA UNIVERSITY**  
MELBOURNE AUSTRALIA

## *Progressive segmentation in a new media landscape*

This is the Published version of the following publication

Higgs, Bronwyn (2007) Progressive segmentation in a new media landscape.  
Marketing Magazine, Septem. pp. 76-78. ISSN 0819-1131

The publisher's official version can be found at  
<http://www.marketingmag.com.au/>

Note that access to this version may require subscription.

Downloaded from VU Research Repository <https://vuir.vu.edu.au/967/>



# STRATEGYNOTES

*Bronwyn Higgs is a lecturer in marketing and advertising at Victoria University in Melbourne. [Bronwyn.Higgs@vu.edu.au](mailto:Bronwyn.Higgs@vu.edu.au)*

Recent developments have transformed mass customisation from pipe dream to reality, writes **Bronwyn Higgs**.

## Progressive segmentation in a new media landscape.

**M**ost marketers and advertisers understand that new media has changed traditional ways of advertising. The decline of viewing of traditional media has been well documented. TV viewing and newspaper readership are both showing long-term decline.

Australians, on average, are watching fewer hours of television. Low levels of interest in free-to-air television are even more pronounced among the keenly sought-after younger demographics. These trends have caused some to speculate as to whether the death of the conventional 30-second TV spot is imminent.

Advertisers, in turn, are experimenting with new ways to get their messages before increasingly reluctant audiences. PQ Media reports that spending on alternative media strategies had risen by 16 percent in 2006. Of the alternative media segments, out-of-home advertising, branded entertainment marketing, mobile and interactive marketing were the superstars – all posting double digit growth.

Interest in branded content and product placement, at least in part, reflects advertisers' desire to maintain some kind of presence within a traditional media environment. Yet tinkering with the optimal media mix may serve to obscure some of the more profound changes taking place.

New media, especially interactive media, represents far more than just another platform to be integrated into the media mix. The inter-

active nature of the internet, for example, provides opportunities for real-time, two-way communication, virtual experiences and the capacity to collect rich data about prospects.

New media is changing the interface between customers and marketers. It has transformed many aspects of brand marketing – product positioning, distribution, customer relationship management (CRM) and the customer value chain. Perhaps surprisingly, some of the most notable changes are occurring in market segmentation.

### MARKET SEGMENTATION

Market segmentation was pioneered by mid twentieth century brand marketers, who had access to demographic and purchasing data for groups but rarely for individuals. Similarly, advertising and distribution channels were available for groups, but rarely for single consumers. Segmentation – the division of populations into small groups sharing similar characteristics – enabled marketers to develop a highly focused marketing program with limited available information.

Market segmentation has become one of the most enduring concepts in brand marketing. Since its inception, marketers have yearned for finer segmentation and speculated about the prospect of segmenting down to the level of a single customer. Mass customisation – the ability to devise unique offerings for individual customers – depends on finer segmentation.

Recent developments suggest that mass customisation is no longer a pipe dream. New media has the potential to transform market segmentation. Three new approaches to segmentation – progressive profiling, addressable advertising and behavioural targeting – suggest that mass customisation is rapidly becoming a reality.

### PROGRESSIVE PROFILING

Progressive profiling involves incremental data collection across interaction points, typically online sessions. Rather than bombard new customers with a multitude of personal and often invasive questions, progressive profiling simply asks one or two questions per transaction. Over time, and with multiple contacts, information that the marketer desires is extracted gradually.

Each subsequent transaction provides the occasion to pose new questions and elicit new insights about the customer's needs and wants. Data gathered from each customer interaction is used to build extensive consumer profiles. Thus, the interactive nature of websites allows marketers to identify preferences and behaviour at the level of a single customer.

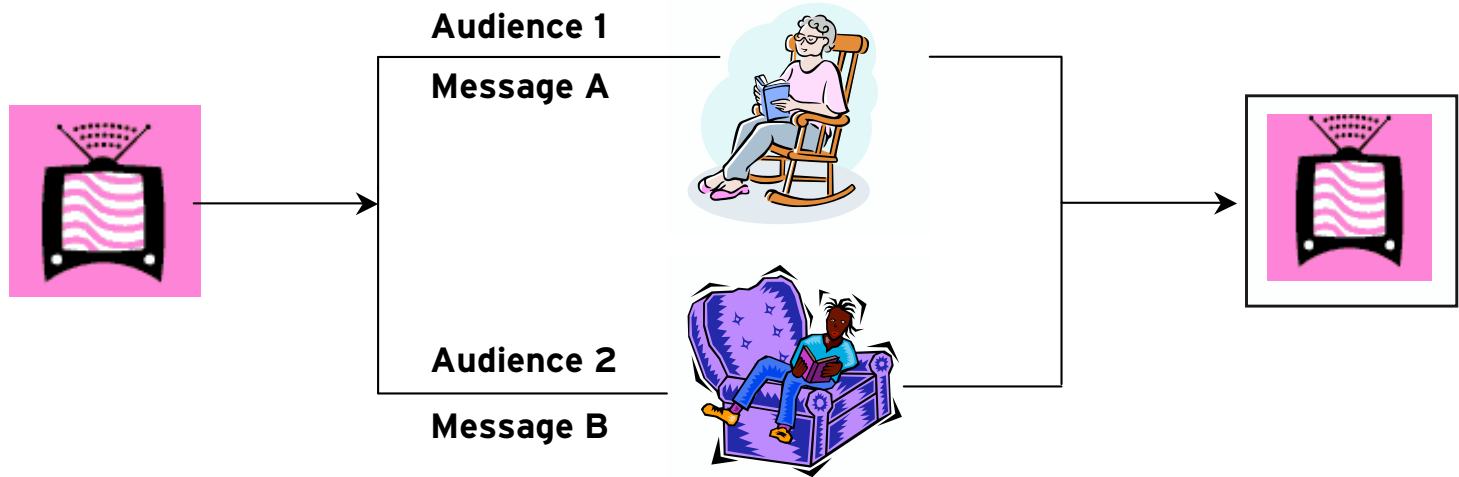
Progressive profiling, used extensively in customer relationship marketing, relies on intelligent proprietary software. Data captured online, is mapped and logged with a management information system. Programmed software analyses this data and may also source additional inputs from other internal

## ADDRESSABLE ADVERTISING

### FEATURE PROGRAM

### ADVERTISING BREAK

### PROGRAM



information networks. The software program also decides which information will be displayed on the customer's next web visit and which questions to ask.

Progressive profiling has the potential to yield rich data, facilitating continual refinements to the customer profile. More importantly, progressive profiling provides marketers with the opportunity to probe for additional information as their relationship with the customer matures. A customer with an established relationship is less likely to be alienated by highly personal questions about product usage, purchasing patterns, preferences and price sensitivity. Insights about customers gathered via progressive profiling may be used to devise customised product offers aimed at individual customers.

From the customer's viewpoint, progressive profiling offers clear benefits in terms of reduced time spent on-site, improvements in message relevancy and reduced frequency. From the marketer's viewpoint, progressive profiling is a cost efficient means of reaching customers who are more likely to be receptive to brand messages in an environment containing little or no clutter from competing brands.

### ADDRESSABLE ADVERTISING

Currently, advertising messages are analogue. All viewers watching a given network receive identical messages. Addressable advertising, in contrast, exploits the digital potential of interactive protocol television (IPTV),

personal video recorders (PVRs) and subscription television.

In theory, addressable advertising is a simple process, although it is backed by very sophisticated software. Different advertising is delivered to different households, watching the same program. At the consumer's end, there are few observable differences in the viewing experience – other than that consumers are exposed to advertising that is more relevant to their lifestyles. Some suppliers, such as TiVo, allow viewers to nominate the product categories where they are interested in receiving advertising.

Behind the scenes, networks gather information on viewing patterns including program choices and advertising content. Both advertisers and content distributors use the insights gained to segment markets, profile consumers and deliver highly targeted messages. For example, a viewer who watches a lot of cooking shows could be sent advertising for food programming from a video on demand supplier.

Networks use proprietary ad servers to control the flow of specific ads to given households. Intelligent delivery systems make decisions about which advertising messages to send to specific audiences at specific times.

As with most contemporary approaches to segmentation, addressable advertising allows the networks to provide quality information about who is actually watching advertisements. Ideally, these benefits should also

reduce the cost of advertising to the point where the advertiser only pays for the actual number of impressions.

### BEHAVIOURAL-BASED TARGETING

In January of this year, *Advertising Age* described behavioural-based targeting (BBT) as the 'new killer app'. BBT starts out by identifying a single person's web visitation. The next step is to identify that person's visitation patterns across the internet, noting those sites that have the high proportions of users with similar profiles.

BBT is built on an assumption that people with similar needs or interests visit similar websites and that web surfing behaviour will translate into purchasing. Visitors to a related group of websites are assumed to be receptive to customised offerings in the category.

BBT requires two types of data; a list of target users and site visitor sample populations. By comparing these, marketers can ascertain concentrations of users across websites.

BBT combines multiple segmentation variables in new ways. It integrates observed behaviour (domains accessed) with motives (content involvement), geographics (IP addresses), demographics (self-reported registration details) and brand preferences (site loyalty). Data inputs also include behaviour frequency (site visits), diversity (visitation across different landscapes) and fluidity (multiple time periods).

BBT requires advertisers to design an inventory of rich media components – different scenes, different positioning statements, different languages. Unique creative combinations are generated dynamically for each unique visitor. From a small inventory of a dozen creative components, thousands of different executions are possible.

To date, the primary application for BBT is in behavioural-based media planning. The UK's *Guardian* newspaper for example, now offers this service to its client advertisers. It is simply a matter of time before Australian publishers emulate such services.

Google and Microsoft are already active in behaviour-based media planning. In July of this year, Yahoo! launched its behavioural-based targeting initiative under the brand SmartAds. This service is designed to deliver customisable advertising according to a visitor's demographic and geographic profiles combined with their expressed interests and prior online activity.

To use Yahoo!'s own description of the product:

"SmartAds aims to connect users with what they are looking for based on their distinctive, expressed interests. For example, if a user is browsing for hybrid cars in Yahoo! Autos and has selected Sydney as their default location in Yahoo! Weather, the SmartAds platform can assemble and deliver a display ad in real time that showcases a hybrid vehicle from a major auto brand, as well as local dealer information and current lease rates. This provides a relevant experience to the user and allows the marketer to reach a user who is likely to become a customer."

In the US, media research companies, Arbitron and Nielsen, are currently integrating BBT into their suite of cross-media metrics and promise clients "richness of information that is [not] currently available".

## IN SEARCH OF THE HOLY GRAIL?

Superficially, progressive profiling, addressable advertising and BBT appear to be entirely unique applications. At a deeper level, however, it is clear that they are all platform-specific examples of what might be called hyper-segmentation.

Hyper-segmentation is a pre-requisite for marketers' holy grail – mass customisation.

These new approaches to segmentation not only provide the means to segment very tightly indeed, they go one step further.

Interactive environments allow access to the customer's observed behaviours.

Segmentation can be based on virtual experiences, website engagement, content involvement and brand engagement.

One of the main advantages of hyper-segmentation is that it allows marketers to make inferences about latent needs and motivations, which have proved to be very elusive in conventional segmentation approaches. At last, we are able to shift away from demographic profiling; a very blunt proxy for purchasing behaviour.

## IMPLICATIONS FOR MEDIA AND MARKETING

The emergence of hyper-segmentation is likely to have far-reaching consequences for marketing practice. Not only is it changing the relationship between advertisers and customers, it is also changing the relationship between TV networks and advertisers.

Its impact is already being noticed in creative, metrics and media strategy.

A number of production companies such as Vision World have responded to these developments by using a dynamic approach to creative content. Advertisers in conjunction with production teams are thinking more in terms of an inventory of creative assets – different scenes and different languages that can be reassembled in a variety of ways in an effort to tailor messages to specific audiences.

To leverage new media opportunities, an array of creative techniques has emerged recently. The value of narrative advertising has been rediscovered, as episodic storylines can be delivered in a sequence, defined by the customer. Telescoping is an interactive system where a viewer exposed to a short advertising message clicks on an embedded tag to 'telescope' it into a longer message. TiVo's Iads, a range of interactive advertisements, took out an Emmy award in this year's advanced use of media category.

Interactive media also allows for relatively easy tracking of complex multiple-media campaigns. Traditional auditing of reach and frequency optimisation can be supplemented with real insights into audience involvement. Advertisers can monitor which messages are more effective and how media complement each other. In essence, the new media environment is measuring engagement rather than simple impressions.

## HOT LINKS

### PROGRESSIVE PROFILING

**Pivotal-Market First**  
[www.marketfirst.com](http://www.marketfirst.com)

### ADRESSABLE ADVERTISING

**NDS**  
[www.nds.com](http://www.nds.com)

**Packet Vision (IPTV advertising)**  
<http://www.packetvision.com>

**TiVo**  
[www.tivo.com](http://www.tivo.com)

**Respondtv**  
[www.respondtv.com](http://www.respondtv.com)

### BEHAVIOURAL-BASED TARGETING

**Yahoo! SmartAds**  
<http://advertising.yahoo.com/marketing/smartads>

**Tacoda**  
[www.tacoda.com](http://www.tacoda.com)

**Blue Lithium**  
<http://www.bluelithium.com>

### MEDIA EXPENDITURE

**PQ Media**  
[www.pqmedia.com](http://www.pqmedia.com)

### PRODUCTION COMPANIES

**Vision World**  
[www.visionworld.com](http://www.visionworld.com)

### WHITE PAPERS

**Parks Associates**  
[www.parksassociates.com](http://www.parksassociates.com)

**Action Mailing Lists**  
[www.aml.com.au](http://www.aml.com.au)

In terms of media planning, advertisers are beginning to rethink the role of different media. It is no longer enough to treat emerging media as an 'add-on' and try to integrate it into the standard media mix.

The benefits offered by new media are profoundly different to those of traditional media. New media engages and involves consumers in two-way dialogue.

Traditional media, while it continues to deliver broad reach of populations, will always have a role in the media mix. New and alternative media, however, engages audiences in much more profound ways. In the new media environment, advertisers are more likely to use traditional media to drive consumers onto new media platforms where meaningful relationships can be developed. ■