



THE PERSONALIZATION PARADOX: IS COHORT DATA THE ANSWER?

BY DAVID KEENS,
HEAD OF PRODUCT EMEA

ACX IOM

How personal data is used for advertising and marketing has been increasingly in the spotlight since the GDPR was introduced in 2018. The maturing regulations and subsequent developments have made people far more aware of what their data is being used for, while at the same time changing the debate around and recalibrating what is and what is not allowed.

I believe the marketing and advertising industry needs to shift to a progressive approach to ensure brands can respect the privacy choices of individuals, comply with evolving regulations, and still deliver the relevant, personalised experiences customers

prefer (and that drive performance). At Acxiom, we're convinced cohort data is a vital part of this new approach the industry needs to take. Greater use of data aggregation and anonymisation techniques are a key aspect of the future of data-driven marketing.

THE DATA PRIVACY LANDSCAPE IS EVOLVING

Respect for the individual person must be at the centre of marketing practice. Respect for the individual person must also be at the centre of managing personally identifying information (PII). After all, the purpose of marketing is to help people find the brands that are meaningful to them, brands that add value to their lives, and to deliver relevant, tailored brand experiences.

Putting the individual at the heart of marketing raises the 'personalisation paradox'. From Acxiom research, we know people prefer personalised experiences. People want to see advertising that's relevant to them and they don't want to see advertising that isn't. However, being able to do this, getting this personalisation right, requires data about people: data that describes what someone is more or less likely to be interested in. People are understandably cautious in the way they allow their data to be used by brands, especially with increased attention on data privacy. But less data leads to less personalised experiences. That's the personalisation paradox.



MIXED ATTITUDES TO DATA PRIVACY

Overall, research by the GDMA reveals consumers are increasingly comfortable sharing data, and are becoming more accepting of brands using their information for advertising. But there is still a real variation in attitudes. In the UK:

46%

ARE DATA PRAGMATISTS, meaning they are concerned about privacy but decide if the service is worth the data requested on a case-by-case basis.

31%

ARE DATA UNCONCERNED, meaning they have low levels of concern around privacy and are happy to share personal data.

23%

ARE DATA FUNDAMENTALISTS, meaning they are very concerned about privacy and are unwilling to provide information in return for service enhancement.

While individuals are increasingly open to the use of data to enable relevant experiences, there is a limit to what they will share. Almost three-quarters (74%) of UK adults expect companies to keep improving the levels of personalisation they provide without them having to provide any more of their personal information, which perfectly illustrates the personalisation paradox.

A SHIFTING REGULATORY LANDSCAPE

As the marketing industry responds to increased awareness and sensitivity around data privacy from individuals, it must also keep abreast of a continually shifting regulatory landscape.

Implementation of the GDPR was a significant milestone. This has been followed by a cascade of court findings, enforcement actions, and codes of practice. These continually add interpretations to the rules around how data can be used by the advertising industry. Further regulations are in the pipeline – in the UK and in many other important markets – creating ongoing complexity and uncertainty in the space.

As brands navigate complex data ecosystems and privacy regulations, they need more certainty that their data practices align with their brand values, respect the privacy of the individual, and (as a minimum) comply with applicable regulations and best practices. There is a strong desire for transparency across the advertising industry and I don't want the industry to be trying to constantly 'surf the grey area' between what's allowed and what's not.

Instead, I believe the industry needs a clear way of future proofing data-driven marketing so it is fully centred on the individual, transparent on how data is used, and consequently compliant with privacy regulations in a manner that is as future-proof as possible. Authentically protecting the privacy of the individual in a way that respects and understands the changing privacy landscape.

Cohort data techniques provide an effective answer to the personalisation paradox and give an intelligent strategy to what protecting the privacy of the individual will look like in the advertising industry of the future.

DATA COHORTS ARE THE FUTURE

Data cohorts aren't a new idea. In fact, the concept of personification (where personalised digital experiences are delivered to individuals based on their inferred membership of a customer segment, rather than on their personal identity) has been slowly working its way through the Gartner Hype Cycle for a number of years. Furthermore, many of the suggested solutions to the shift away from third-party cookie, including Google's Topics, centre on cohorts or aggregated data.

Grouping individuals into cohorts and intentionally using data anonymisation and aggregation techniques helps ensure the characteristics of those cohorts maintain the data brands need to deliver relevant messaging without making the individuals identifiable. It's about finding that data 'Goldilocks Zone' of having the 'just right' data resolution: too much resolution, and the data identifies an individual in an unnecessary way; too little resolution, and the data doesn't help the individual receive relevant messaging.

FIRST-PARTY DATA COHORTS

From a brand's perspective, this cohort approach can apply to a brand's own first-party data. Brands will always need to have individual-level customer data for operational reasons, for example that could be an address used to deliver a product, or payment details used to process a transaction. But there's rarely a need to use that granular level of information for marketing planning, measurement and intelligence use cases.

If a brand wants to know how a particular marketing campaign is performing, or how certain product lines are selling, they don't need to know precisely who is clicking on adverts or making purchases.

Using individual-level data for these use cases is possible but can lead to complexity and unnecessary data privacy risk. Is this really how the individual thinks their data is being used? Is there sufficient transparency? Are the right controls and structures in place to protect individual identities?

An alternative approach is to group first-party data into cohorts of individuals that behave in a similar way. For instance, instead of knowing Sam Jones purchased a skirt three hours and 15 seconds ago, from IP address 192.0.2.1, after clicking an ad placed with a specific webpage, the brand could achieve the same level of customer intelligence from knowing ten people in northern England purchased items in the womenswear summer skirt category in the last 48 hours after clicking an ad on a specific social media site. Brands can understand the shape, size, and behaviours of a group without unnecessarily identifying specific individuals.

Once brands create cohorts in their first-party data, this quickly opens up new possibilities around how that data can be used. Because they're using data about a group rather than an individual, they can use it for product research, KPIs, business intelligence, personalisation, and a variety of other marketing applications without having to put in place the same type of controls and processes necessary for personally-identifiable data.



THIRD-PARTY DATA COHORTS

And of course, these same cohort techniques can also be used within the third-party data products that allow brands to enrich and expand their first-party data.

That's the principle we've now applied to our InfoBase™ data products in the UK. It's a fully cohort-based data solution offering insight across all of the UK and provides a rich source of intelligence into cohorts of individuals while robustly protecting their identity. It aggregates data about individuals into groups that deliver meaningful insight, while maintaining the anonymity of individuals.

These groups are small enough to ensure a very finely tuned relevance, and to tailor the experience to the individual's wants and needs, without making them personally identifiable.

The solution creates insight data at a unique level of geography specifically designed to protect the individual's privacy and optimise the performance of the data for marketing.

By taking the approach of having no individually identifiable data in our InfoBase UK products, we're giving brands certainty that the data they use is fully compatible with privacy regulations and also respects the individual. And we're delivering stability as brands won't need to change their use of InfoBase every time the privacy landscape shifts.



FINDING THE RIGHT BALANCE

Of course, there are people that will say moving from individual-level data to cohorts will reduce the accuracy and predictive power of the data. In some ways, there's truth in that. By definition, aggregated data loses some of the resolution of the original individual-level data. But it's a question of finding the right balance and understanding just how precise you need to be to enable relevant experiences that drive performance.

By analogy, a car that can go 200 mph may be able to get you somewhere faster, but you need to balance that with safety, fuel consumption, reliability and other factors. It's not a simple one-dimensional problem. It's multi-dimensional.

How we use data in marketing and advertising is the same. We need to balance across these different dimensions. And when we find that balance, where brands get the right level of information to achieve their objectives, without unnecessarily using individual data, everyone wins. Customers get to see relevant, meaningful advertising without their privacy being compromised, and brands get the performance they need combined with ease of data access, and without having to concern themselves quite as much with regulatory control.

Rather than limiting us, we believe the shifts in privacy regulation are actually improving our InfoBase products. By balancing the predictive power of the information, with ease of use and protection of the individual, we feel we've created a win-win solution. As MarTech and AdTech platforms evolve in the future, we expect more and more use of privacy enhancing technologies (PETs) to ensure data is used in a way that gives benefit to both the customer and the brand but does not involve exchanging individual level data. And everyone at Acxiom is excited to be part of building that future for the advertising industry.



A MOVE TOWARDS SIMPLIFICATION AND AGGREGATION

This evolution of data-driven marketing is part of a wider move towards simplification in the industry.

In the digital world, we have far more information than we ever have before about the customer journey, their needs and motivations. As compute power gets stronger and the volume of data increases, our understanding will become ever-more nuanced. But at the same time those journeys are becoming continually more complex, so no matter how much we think we know, we'll never know everything.

Marketing data provides a simplified model of the real world based on probabilities, likelihoods, and aggregates of behaviour. As the industry matures, and we strive to use data in a way that is intelligent but at the same time protects the identity of individuals, we must accept that these aggregates and cohorts are good enough to deliver relevant, personalised experiences. We need to do what is right to achieve a positive balance between the needs of the individual and the commercial needs of brands.

READY TO TRY COHORT DATA FOR YOURSELF?

InfoBase allows brands to enrich first-party data with descriptive and predictive insights of their customers and prospects, enabling in-depth analysis, modelling and segmentation, while fully protecting the identity of people. InfoBase is also available within many AdTech and publisher platforms for building tailor-made audiences for brands.

[FIND OUT MORE.](#)

ABOUT ACXIOM

Acxiom is a customer intelligence company that provides data-driven solutions to enable the world's best marketers to better understand their customers to create better experiences and business growth. A leader in customer data management, identity, and the ethical use of data for more than 50 years, Acxiom now helps thousands of clients and partners around the globe work together to create millions of better customer experiences, every day. Acxiom is a registered trademark of Acxiom LLC and is part of The Interpublic Group of Companies, Inc. (IPG).

Visit **acxiom.co.uk** or email **ukenquiries@acxiom.com** to get started.

ACXIOM