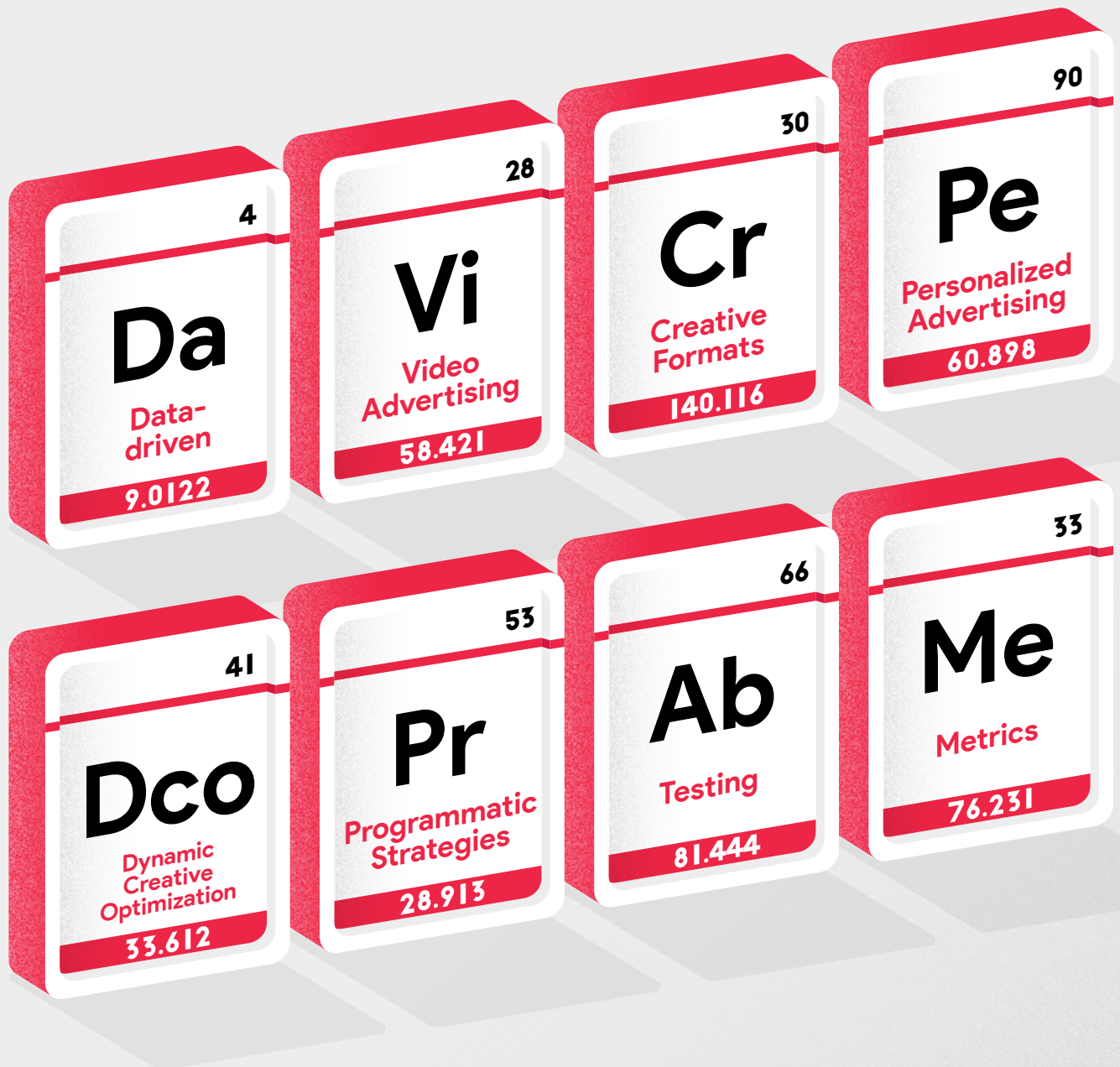


# WTF

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is data-driven  
creative?



# WTF is data-driven creative?

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Most people prefer ads that are personalized to them, such as when Amazon takes information from past purchases to suggest new items and moments of inspiration that customers are likely to enjoy.

Getting this outcome right comes down to data, and yet the approach turns on the underlying principle of anonymity — few customers or consumers want advertisers to know anything truly personal about them, as individuals, when it comes to how they deliver personalized ads. The trick to personalization is to leave personal identifiable information (PII) out of the equation but still make the ads resonate on a personal, circumstantial level.

In one method, creative is built on-the-fly, taking cues from data gathered between the impression being purchased and ad delivery — and that's what's known as dynamic advertising. In this WTF guide, we'll unpack the practice and highlight all the ways dynamic advertising can work for marketers in 2021, 2022 and beyond.



# OK, WTF is dynamic advertising?

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Dynamic advertising, which relies upon the crucial component of dynamic creative, is [defined by the IAB](#) as an ad that is customized in advance and has the ability to change, based on external data, before it appears on a webpage to a targeted audience.

This type of advertising [allows brands to break](#) cycles of redundant advertising with increasingly agile campaigns that take real-time information into account, delivering more relevant ads to consumers.

As it turns out, dynamic creative optimization (DCO) is at the heart of dynamic advertising.



# Got it, and then how does DCO work?



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At first, it was enough that ads were customized in advance and had the ability to change, based on external data.

For example, an advertiser would create several iterations of an ad, one for mobile users, one for desktop promotion and maybe a couple different headlines for each, and those ads would be served to the appropriate customers based on specific behavioral data. That was definitely a leap forward from previous creative methods. However, it wasn't until the [creatives were actually dynamically created](#) that a truly significant leap forward was made in dynamic advertising.

Data-driven creative takes dynamic advertising to another level as advertisers' ability to create distinct creatives catches up with their ability to target, render and serve those ads dynamically. In other words, every step — from inception to delivery, becomes a customizable, personalized process.

That being said, sometimes, in all the attention marketers have given to advertising's plumbing, the actual ad itself has been left on the sidelines.

"Understanding the value of dynamic advertising and creatives is essential," said Xiao Lin, managing director of solutions at Xaxis. "Creative is typically not a big focus when compared to other parts of media, such as targeting, frequency and other factors. Creative contributes to 47% of sales lift, which is higher than any other factor. Because creatives are undervalued, not as much time is spent on them as it should be."

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**Xiao Lin**  
managing director, solutions, Xaxis



## Is data-driven creative essentially just programmatic advertising?

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This is a misconception. Data-driven creative is complementary to any media buying paradigm, including programmatic. Much of it moves through programmatic pipes provided by DSP partners, but the two things are not equivalent — one is a targeting and buying mechanism while the other is a creative decisioning technology.

Furthermore, when talking about data, it's essential to talk about more than just targeting data. The conversation must also include all the data all around people that defines their circumstances — i.e., location, weather, time of day and more — to inform decisioning.

Data-driven creatives help represent a rich picture of what consumers are likely to respond to at an exact moment. When it works, advertisers avoid wasting an impression delivering an ad that the consumer would be more interested in at a different time, place or circumstance.

It's important to note that data-driven creative empowers programmatic buying. It's programmatic that utilizes data to target audiences for media, whereas data-driven creative utilizes data to cultivate messaging and provide the best brand experience for the viewer.

Data-driven creative approaches place an emphasis on the creative and the user experience, rather than the media.

The advertiser defines the audience and goals for the campaign. Programmatic buying enables the decision about when to show an ad and to whom it is shown. Then, the ad server decides what to show in that specific ad in real-time, based on various circumstantial and viewer-driven data signals. At this point, the most valuable data works to deliver the most relevant ad experience.

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DCO ad servers can manage, serve and track ads, including deciding which to serve in real-time based on a number of factors. These ad servers allow advertisers to set specific goals, such as targeting a certain number of users in a specific audience, which the ad server can then track and manage for them while gathering valuable data to then provide back to the advertiser.

If programmatic is about media and reaching the right audience at the right time, then data-driven creative is all about iterating the creative in the first place and delivering the most relevant content. Successful targeting isn't about creating an emotion or elevating an interest — that's the creative's job. Targeting data, plus the data that underlies data-driven creative, is more effective than targeting data alone.

“The right creatives are selected or built on-the-fly based on the data collected,” said Oz Etzioni, CEO at Clinch.

“There are a million decisions to be made about the creative that will be presented to users that advertisers need to figure out how to skew. Does this person demonstrate an affinity for buying groceries online versus in-store? That information may trigger messaging around free shipping and delivery offers. Is it snowing where they are? That may dictate the products we show in an ad's product carousel — think soup over ice cream.”

Data-driven creative is not just about segmenting; it's about what advertisers specifically deliver to a user based on what they know about the environment around them. Advertisers don't need to know email addresses or names — no PII is needed for this type of targeting — they only need to know the things with which a person engages and what their environment is like at the moment.



# OK, so is this just a fancier way of talking about A/B testing?

Yes and no, because unlike a single testing instance, data-driven creative keeps optimizing based on the incoming data.

Data-driven creative includes A/B testing, but with many more elements than just a few versions of one ad. There are, instead, multiple variable elements in data-driven creative and the testing is more sophisticated than a simple horse race. When it comes to data-driven creative, the scenario is not just a design problem; it's a decisioning challenge at a very high scale.

"When we're talking about data-driven exploration or optimization, we're talking about an entire process that has its own complex logic," said Adi Raz, head of product at Clinch. "While programmatic advertising is a broad term, when you want to optimize your creative you need a data-driven approach.

"To optimize the creative performance and strategy," he continued, "you need to employ a relatively wide array of metrics and dimensions in order for you to identify all

the points at which you can influence decision-making. We aren't talking about serving up two, three or even 15 creatives, we're talking potentially hundreds or tens of thousands of variations, depending on the situation. The more data you can bring on board into your decision making, the better. This translates into a wide array of potential variations of that specific creative."

For anyone who might be initially intimidated by this kind of advertising, given all the different components, moving parts and creative variations, Don Sklenka, vice president of creative strategy at Merkle, has some advice:

"Don't bite off more than you can chew," he said. "The crawl-walk-run strategy is great, but it's very important to have a good, solid base that's error- and bug-free to set up success for the long term. The first step is getting a basic template and data set, getting the media connected and the bugs worked out, then you evolve it from there."



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“This isn’t something that should take more than a couple of months,” Sklenka continued. “When people see crawl-walk-run strategies, it scares them because they think ‘run’ means years from now, but that’s not the case here. It should be about a month of set up and then a couple months to evolve into the next few phases. It’s important to not take on too much at once. Get things up and running and then work on evolving it.”

In addition to the anticipated disappearance of third-party cookies, the pandemic and quarantines also prompted marketers to address testing-strategy adjustments.

“It magnified how quickly things change and that changed how we approached testing strategies,” said Sklenka. “Prior to that, we would have year-long testing roadmaps and they were, quite frankly, so robust that you would never be able to complete them.

“So, what we moved to is a much shorter learning agenda,” he continued.

“We take a month or two — a quarter at the most — to identify three or four major things we want to learn, such as what is the best messaging for this audience or what is the best supporting imagery for this audience? Then, we try to get through a few basic tests and go from there.”

Overall, data-driven creative helps advertisers learn and activate faster with more in-depth, actionable insights.





# Got it. So, how are advertisers activating data-driven creative? What are some examples, and what are the outcomes?

“We encourage brands to experiment with a wide variety of platforms, ad formats and other creative elements and quickly test and remove any that are not performing,” advised Etzioni at Clinch. “Partnering with companies that can enable personalization across all channels in an easy-to-activate, scalable way will help advertisers optimize toward the best performing creative and channel in real-time by equipping advertisers with the learnings and insights to understand what’s working in each channel and why.”

When relying on data to activate, advertisers can then harvest even more data to further optimize the campaign strategy.

“Data-driven creative allows the advertiser to present a very refined message that shapes itself to the

customer’s circumstances,” Etzioni continued. “We see enormous lift when doing so, and our clients say the performance differences are substantial. For example, a weather-triggered creative driving coupon downloads for a major beer brand personalized to a viewer’s location and proximity to a retailer generated six times the return on ad spend compared to the alternative, generic creative.”

Furthermore, according to Roey Franco, vice president of product and innovation at Xaxis, “Adopting this type of technology also removes the guesswork and assumptions on what creative should be served to a consumer, while attempting to take into consideration dozens and hundreds of criteria that might have an impact on the campaign’s performance.”

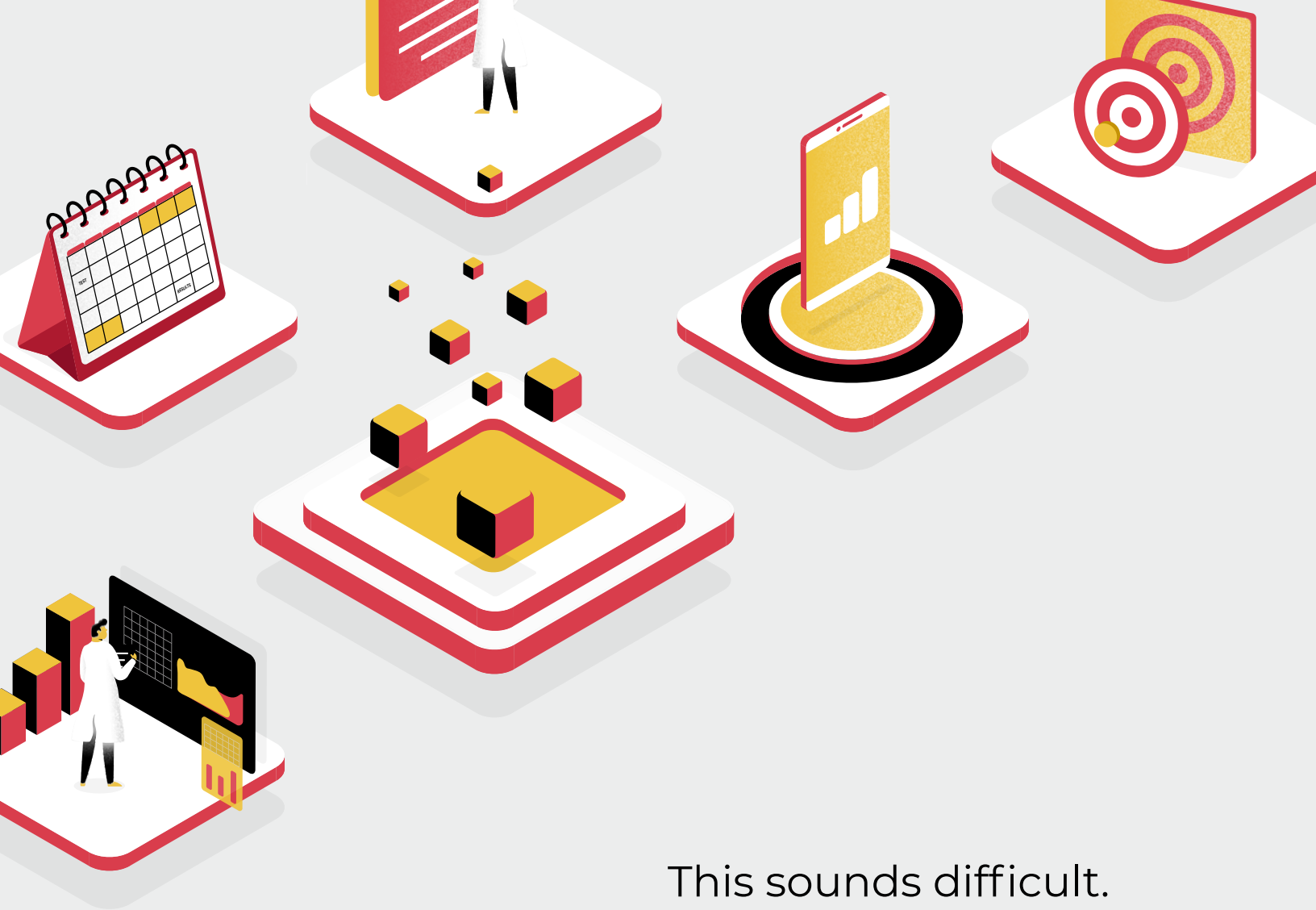
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Oz Etzioni  
CEO, Clinch







## This sounds difficult. Is data-driven creative hard to pull off?

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Not necessarily. Transitioning to data-driven, dynamic advertising approaches may not be as difficult as one might think.

“For some clients, it was easy because they saw the value in a dynamic approach but for others that were used to creative being in a separate silo, it was an educational process,” said Franco at Xaxis. “Almost all clients have multiple audiences that they want to reach and with the advances in advertising and dynamic creative, it’s possible to reach each audience on a more personalized level.”

# What metrics should my team focus on when ingesting data and working on optimizing data-driven creative strategies?

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First, while many people believe that the data that powers data-driven creative means user elements or attributes, it usually doesn't.

"Rather, it's focusing on the environment, such as time of day, where the user is and where they are viewing the ad, which is very useful information, but it's not related to the user specifically," said Raz Peter, Chief Technical Officer at Clinch.

From there, it's important to distinguish between ad metrics and learning. Ad metrics are ultimately proxies for ROI. Learnings can include understanding correlations between circumstances and performance, feeding back data on interactions to enrich the clients' CDP and identifying local drivers of action like price or need for a specific product.

All of these elements are more important than ad metrics. There are some factors metrics can't always capture.

"There's a distinction between the metrics and the results a campaign is being measured upon," Peter said. "For this process, the focus should be on data signals or features because KPIs are just numbers that say this is good or bad. Imagine a black box with the data coming in being user and environment features and the end output being the metrics and KPIs. These metrics are industry standards to measure if a campaign is 'good' or 'bad,' but that depends on the vertical and the client. For data-driven creatives, it's important to focus on those features and data signals that improve the effectiveness of decisioning."


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## What are data signals exactly and why are they important?

Signals are essentially events, said Peter at Clinch. "Think of signals as events captured from ad serving or engagements on a webpage. For example, a data signal could be that a user has added an item to their cart or purchased a product."

Simply collecting these data signals is not enough; it's crucial to know what to do with them.

"While one data signal may not be relevant on its own, when you normalize it to a set of meaningful features, that will have some impact on performance and what will work best or not," he said. "And then, machine learning models can help further by analyzing the correlation between a specific data signal or feature and connecting that to the end result. Finally, marketers can see which signals actually affected the results and keep going from there."



## OK, so data can flow in two ways. What does that mean?

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For data-driven creative, DCO platforms are in a unique position. By serving and testing different combinations of creative, they gather data that they are then able to feed back into an advertiser's CDP or CRM system. This is especially useful in retargeting campaigns as this process enriches the profile of a customer who made a purchase with information about their ad interactions.

This data is then used to optimize future campaigns, with each impression treated as a small experiment to allow for rapid scaling of intelligence throughout the campaign.

DCO can also discover additional or subsegments of the advertiser's audience that can be marketed to in discrete ways. This can include a subset of people who perhaps enjoy purchasing ice cream over soup in the cold months and would respond to a completely different creative than others in similar circumstances.

## What challenges should marketers expect when working with data-driven creative?

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One common challenge in the data-driven creative approach is that of tackling feed management.

“Leveraging the complex, high volume feeds within creatives served across many different channels and managing the different types of feeds and all the components involved is a big challenge for many advertisers,” said Taylor West, head of sales at Clinch.

“For advertisers to overcome this, they need to have the integrations and testing in place to ensure that these data-driven creatives, supercharged with complex data points, work through various distribution channels,” West continued. “It’s imperative that advertisers have one centralized place to manage these feeds and the partnerships in place with the distribution platforms and channels to activate this data in the right way for each campaign.”

There is also the issue of advertisers who may not realize their actions are hindering a campaign.

“We see this with some advertisers who think they know exactly what they want,” said Peter at Clinch. “They show us the performance they want, but they lock the setup completely and don’t give the system any flexibility to optimize the creative, so the system can’t decide which message or background image will

resonate for someone in California versus North Dakota, for example.

“Another challenge we see advertisers encounter is when they segment audiences and put them into different campaigns, and by doing this, they don’t let the system make decisions,” Peter continued. “They’ve predefined what each audience will see because they think they know what to show each of them. Data-driven creative approaches are designed to take an entire audience into one compact campaign with complex decisioning. You may want to segment the audience a little in terms of country, but the system does the rest, without having to set up multiple campaigns.”

When marketers are working to ensure they are obtaining the right data, the right setup is key.

“It starts with good-data-in and good-data-out,” said West. “Additionally, when we talk about data feeding into data-driven creative, much of this is feed-based and/or provided by brand advertising, such as the product catalog, price per location or retail site location. There’s also the audience targeting data that helps dictate certain components of the creative, which may change in real time across different channels.”

# What's available or in the works to help data-driven creative strategies work better for advertisers?

With all the moving parts involved with data-driven creative, advertisers will do well to seek out partners who can help them make the most of their strategies.

"In order for an advertiser to succeed with data-driven creative approaches, they need to have a DSP partner

that can utilize their insights and segments and pass them through to a dynamic creative optimization partner, which can then utilize those segments and signals for the advertiser to optimize their decisions and campaign strategies," said Raz at Clinch. "It's crucial to conduct trial runs with these DSP and DCO partners, too."

## Questions to ask prospective partners in the dynamic advertising space:



**Do their solutions align with the company's strategy, goals and objectives?**



**Can they augment existing data points with additional ones and integrate those into their own system?**



**Can they integrate and collaborate with upstream and downstream partners in the ecosystem, such as data identity providers and the like?**

In the end, and chiefly, data-driven creative offers two things that other forms of advertising struggle with.

First, it's designed to be a much better and more relevant experience for the consumer. Secondly, because the technology understands what configuration of elements was shown to each user and how they responded to it, the analytics data-driven creative enables extends beyond the "what happened" that the industry is used to all the way to "why did that happen," which allows a level of learning brands and agencies have no other way of gaining.

Looking to the future of dynamic advertising, "The most desirable thing to see in the future is an improved collaboration between publishers and advertisers, at least in the space of identity, which will allow us to bring the best experience to the viewer," said Raz at Clinch. "It will also eliminate a lot of the issues that we have with the current ecosystem, including the third-party cookie that still currently exists in some capacity. I think it will make for an overall best approach and best experience for users."

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