

# The Future of Consumer Profiling is Here!

## How to Realize the Power of Prediction

*The amount of information collected through consumer analytics can be daunting. However, the wealth of insights that can be mined can generate true growth for a brand. Advancing technologies allow for marketers to not only identify trends, but to also now predict them.*

BY CHRIS NEUNER

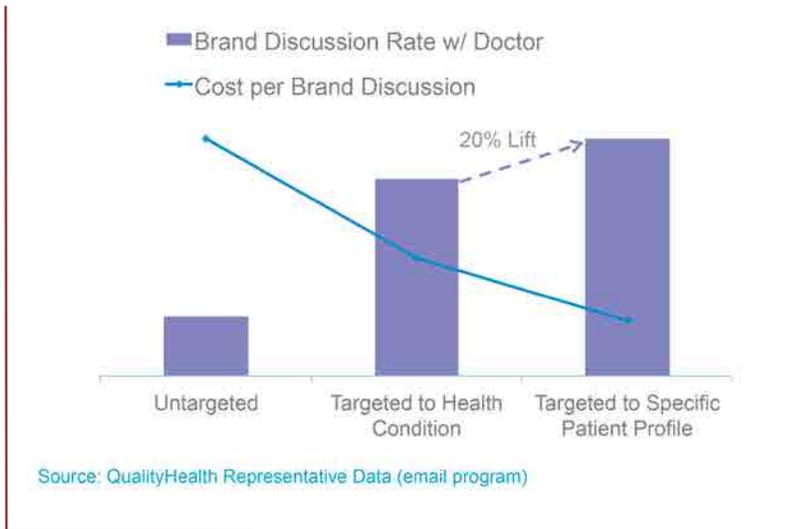
Everyone – McKinsey, *The New York Times*, Davos, even the government – is hooked on big data and its ability to make us “precogs” of sorts, able to magically predict the future before it happens. The biggest application of this kind of predictive power is, according to a recent McKinsey survey<sup>1</sup>, for Consumer Profiling: insights, segmentation and targeting. But while 60% of companies said they *should* focus their efforts on using data and analytics to generate these insights, only 20% reported that they have fully deployed data and analytics to this end. In fact, in the “2012 Digital Marketer: Benchmark and Trend Report” recently released by Experian, 28% of marketers noted that creating effective targeting profiles was one of their biggest marketing challenges last year.

Why is consumer profiling such a challenge? The value of consumer profiling isn’t a new discovery and is generally clear-

ly understood: better targeting improves media efficiency and consumer response, driving up ROI at a time when scrutiny on marketing spending is at its peak. (See Figure 1 for DTC specific comparative data.) With consumer profiling in action, brands that would not traditionally be able to afford DTC are able to more selectively harness consumer discretion and demand to generate real incremental business growth.

So why the challenge? The reason consumer profiling is anxiety-inducing for marketing executives is that we are in an unstable state of imbalance, where capability exceeds comprehension. Technology and analytics advancements and hyperactive development milestones are creating press, promises, and even hype that are, for better or worse, driving pressure from the boardroom for on-the-ground marketers who don’t necessarily know how or if they can leverage this ability to drive real business value.

**Figure 1: Improving Media Efficiency and Consumer Response**



What follows is a short overview of what’s new in consumer profiling, where we can derive value for healthcare, and how we as marketers can better prepare for the changes that promise to come.

**Methods for profiling consumers**

So, how do you do it? Here are six methods for profiling consumers that all DTC marketers should know about. (See Figure 2.)



**1. Geo-Demographic Profiling**

Large profiling companies like Experian, Acxiom, InfoUSA and TARGUSinfo have been aggregating geo-demographic data for decades. They continuously gather, store and sell information such as census data, surveys, phone records, credit scores, subscriptions, and DMV data on a large volume of the population. Marketers have been buying this information for years, mostly packaged into well-developed groups and sub-groups that these companies maintain as a way to classify and manage individuals. For instance, you can buy access to individuals who are classified into groups like “Elite Suburbs,” “Pools and Patios,” or “Kids and Cul-de-Sacs.” The data is expansive and relatively inexpensive.

Needless to say, demographics alone are insufficient to predict medical decisions or behaviors. But imagine the power when triangulating this profiling data with other health information to create a richer, more targetable view of the consumer population. With prescription tracking companies now overlaying their prescribing data on geo-

demographic segmentation, marketers will be able to find and evaluate consumers based on their prescribing behavior. The possibilities start to look really exciting.



**2. Transaction-Based Profiling**

I’m told that among many other notable quotes, Confucius said, “Study the past, if you would divine the future.” Transaction-based profiling uses a person’s past behavior to divine future actions.

Amazon is the company most universally known as best-in-class in transaction-based profiling. With every purchase a consumer makes, Amazon is better able to predict what they are likely to buy in the future, well before they’re even aware of the possibility.

Closer to our industry, Catalina is best known for more traditional transaction-based targeting at the checkout counter. If a consumer is a heavy Nicorette purchaser, we can classify them a high value target for a brand like Chantix, and target them with brand messages. Catalina is now investing in advancing this approach to expand into transaction-based digital media buying in partnership with Nielsen. Through Catalina, you will be able to target online ads (say, for Chantix) to an individual based on their offline purchases (say, of Nicorette).

While highly targeted and, ultimately, infinitely scalable, the full value of this method is dependent on a definitive study of impact of past behavior on future intent. With big, reputable companies placing bets on this transaction-based approach, it has the potential to fundamentally change the way we buy media on- and off-line in the near future.



**3. Explicit Profiling**

Explicit Profiling refers to data explicitly provided by the user, for a specified use. Many DTC marketers are currently using this approach in its simplest form. When a patient prospect signs up on a brand website to receive information,

**Figure 2: Six Methods for Consumer Profiling**



they are explicitly giving you permission and information to create their profile.

With a twist on this approach, companies like RealAge and eHarmony have built smart, credible fronts with high consumer appeal to support a deep algorithm-based consumer-profiling engine on the back end. A more sophisticated application of explicit profiling is Facebook Connect. When a website allows a consumer to sign in using Facebook Connect, they gain access to select Facebook-confirmed information contained in the consumer's explicitly-created Facebook profile.

Explicit profiling tends to have a high level of accuracy and therefore carries a high probability of impact. And because the profiling questions are customized to the situation, they can be as specific as needed to understand a consumer's health history and treatment status. Perhaps most importantly, an explicit opt-in gives the marketer unambiguous permission to market to the consumer.

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At the therapeutic level, scale is sometimes an issue with this approach. Large category brands with large DTC budgets can drive volumes of consumers in through their media outreach, but brands in smaller categories, like, say gout, are best directed to work with profile-based marketing companies who have built-in access to a large scale of health-seeking consumers. When working with a third-party, marketers should make sure that the company can reach a large portion of your core market, and can do so at a positive ROI. Another advantage of working with a third party is maintenance: A profile once built is only reflective of that point in time when the data was collected, so to be useful longer term, the profile needs to be actively updated.



#### 4. Contextual Targeting

Contextual targeting technology enables marketers to find consumers based on where they are interacting with related content. Historically, this has referred to buying advertising space alongside therapy-related content on a health information site. But this type of targeting is getting far more sophisticated. Companies like ContextWeb go out and classify trillions of pages of web content based on what they cover and provide tools for advertisers to buy context-related ad space in

real time. Google is doing something similar with the Google Content Network. When you buy a text ad targeted to a keyword, you can also get real-time placement on hundreds of pages covering content related to that keyword across Google's network of sites.

Traditionally, contextual targeting was limited to the amount of content a user consumed. But social media has driven an explosion in user-generated content and newer versions of ad-relevance software are giving us an automated way to place our messaging alongside the right related content. To add to its attractiveness, contextual targeting is highly efficient and is generally sold at a cost per click, which tends to be lower risk for marketers.

In its present state, contextual targeting has everything to do with the content and nothing to do with the user. But we can expect to see further refinements in this approach: Developers are devising ways to determine the ages and genders of the individuals using a particular computer so that the messages displayed to this audience can now be customized to the user.

For healthcare marketers, the only real limitation of this method is that you give up control – and MLR oversight – over how many impressions are served, and more importantly, on what sites. As the FDA's stand on content control for digital advertising takes shape, we'll be better equipped to fully utilize the potential value of this approach... or will be able to make the decision to walk away completely.



#### 5. Behavioral Targeting

With advanced analytics, the field of behavioral targeting is heating up. We are now able to target users by need or interest, as derived by their previous browsing activity. Let's say a consumer downloads a co-pay card for a diabetes drug on a site; a cholesterol drug can now theoretically buy this data for use in marketing their product to that consumer when they are on other (unrelated) sites.

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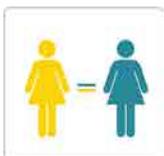
New media companies like EXelate, Audience Science and BlueKai track audiences all over the Internet and classify them based on their browsing behavior. Marketers can then either buy this data themselves to use in targeting their messages, or through a new class of "display 2.1" digital media company, like x+1 and MediaMath, who translate this cookie data

## Consumer Profiling Methods Cheat Sheet

|                               |                                                                                                                                                                                                                                                                                                     |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demographic / Geo-Demographic | Target and profile individuals by aggregating data and location-based information from online and offline records <ul style="list-style-type: none"> <li>• For broadly targeted categories</li> <li>• Real-value likes in triangulation with category-specific data</li> </ul>                      |
| Transaction Data              | Profile and target users based on their recent purchase behavior <ul style="list-style-type: none"> <li>• Where there is a correlation between a trackable past purchase and the probability a consumer has the condition you treat</li> </ul>                                                      |
| Explicit                      | Identify new customers based on their explicitly declared profile <ul style="list-style-type: none"> <li>• Can put as fine a point as needed on your target</li> <li>• Benefits need to be balanced with volume and cost</li> </ul>                                                                 |
| Contextual                    | Target ads and messages to users alongside the most relevant content and context <ul style="list-style-type: none"> <li>• If you have information-motivated consumers and an unlimited supply of high-quality content about the condition (or concomitant condition)</li> </ul>                     |
| Behavioral                    | Profile and target users by interest, based on their previous tracked activity <ul style="list-style-type: none"> <li>• When you have an affinity group that fits into one of the larger scale cookie-cutter segments</li> <li>• Expect to see innovation in health-customized solutions</li> </ul> |
| Look-Alikes                   | Identify new customers by modeling the browsing behaviors of actual brand converters <ul style="list-style-type: none"> <li>• Infinite possibilities forthcoming for modeling and replicating patients' profile and behavior</li> </ul>                                                             |

dynamically into real-time media buying and optimization to best reach the marketer's business goals.

Currently, behavioral profiling categories are pre-set for scale (e.g., Running Enthusiast, Health and Wellness Advocate), so they tend to be more relevant to the broader market with limited applicability to specific health criteria. But access to health-specific information is possible, which means that it will become available as soon as consumer privacy issues are sorted out. The real takeaway is for DTC marketers to understand the power of the potential here, and for our medical, legal and regulatory departments to be aware that this is the flavor of question that they will need to confront very soon in the future.



### 6. Look-Alikes

Look-alike profiling is a technique that will provide the scale for behavioral targeting to take root. It is, by definition, designed for high predictive index across topics and interests, and is being extolled as the *future of marketing*. Imagine that a consumer reads running content regularly, “likes” or comments on runners’ blogs fairly often, has searched for running apps, and visits a handful of online shoe retailers a few times a

year. Let’s say that this consumer then buys Brooks running shoes. The marketers at Brooks can now analyze the browsing behavior and/or social profile of this actual buyer to identify “look-alikes” who will be the future audience for their brand.

Companies like Media6degrees and Quantcast (in partnership with transaction data companies like SymphonyIRI and American Express) analyze hundreds of billions of media consumption events a month to create the highest scoring look-alike groups. Early results of this approach for consumer brands have been exceptionally strong.

Look-alikes may have similar interests, but the question still to be answered is, do they have similar health concerns? While full of potential, look-alike targeting is still in its infancy for healthcare. The key action for marketers to know what it is, watch its development and stay alert to innovations from the health-serving media.

### Lessons Learned from an Early User

**1. This doesn’t have to be creepy.** Gathering and maintaining consumer data is not a new practice; it has just become more elaborate. The benefit of this new consumer data economy is that it gives consumers the benefit of relevancy and billions of websites at no consumer cost. The debate on

consumer data is still playing out, but ultimately, as long as we A) respect consumer privacy, B) never discriminate, and C) always give the consumer the option to opt out of participation, these techniques can drive both company and consumer value.

**2. Health is a special case.** Needless to say, healthcare profiling and targeting decisions are dominated by privacy and control concerns. Additionally, healthcare does not have the heavy correlations that many consumer brands have with consumer interests and affinities. So the health profiling landscape is going to be played out in parallel by health media companies with reach and experience in this space. As a DTC marketer, you have a voice in this revolution and can drive the urgency and the vision for the next wave of change in health. Challenge your agencies to do the same.

**3. There are ways to start learning now.** Yes, with many of the newer technologies, DTC marketers are right to be cautious. But caution should not relegate you to sitting this phase out on the sidelines. Look for ways to work with media aggregators who can set up a firewall between experimental profiling options and your brand campaigns, while sharing campaign learnings and landmines with you.

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**4. Incubation must be a team effort.** This is so obvious it requires mention: Engage compliance, regulatory and legal teams to begin incubation work sooner rather than later on where your company is comfortable striking the balance between consumer privacy and consumer/shareholder value.

**5. Substantiate with business results.** Yes, it is all sexy. Yes, your management board may be, or will soon be, asking for it. But all of this sizzle is intended for incremental business performance. Do start learning about these technologies, because the space is heating up, and there *will* be opportunities for health, but don't do anything without KPIs or an ROI goal. **DTC**

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1 McKinsey Global Survey, "Minding your digital business", Brad Brown and Johnson Sikes

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