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Data Autonomy: The Key to Digital Marketing Transformation

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Introduction

As consumers increasingly interact with brands online, companies must harness the power of digital data to unify the customer experience across channels, drive loyalty, and increase revenue. At the same time, they must protect customer privacy and navigate ever-changing regulations and technology.

Our conversations with senior marketing executives at large enterprises reveal that their transition from fragmented, channel-specific marketing to orchestrated, omnichannel customer journeys is hindered by their reliance on large third-party ad platforms.

(Note that we refer to them as "third parties" because they intermediate between marketers and their customers.) The ability for marketers to capture, control, and analyze customer data independently of these platforms—an ability we refer to in this paper as "data autonomy"— becomes a critical competitive advantage in this environment.

This paper discusses the impact of data autonomy challenges on digital transformation in marketing, how leaders are overcoming those challenges, and what can be done to create a healthier commercial ecosystem going forward.

Marketers' objectives

Third-party platforms make data-driven marketing easier, but at high opportunity cost

Traditionally, marketers have focused on managing individual touchpoints and channels, with limited ability to understand and optimize the holistic customer experience. Increasingly, however, customers expect brands to deliver digital experiences that are personalized, relevant, and consistent everywhere.[1]

As one marketing VP we interviewed said, "We were previously brand-centric – for 28 years we didn't really advertise. But now we've pivoted. We are leading with digital, and we have to be innovative."

At the center of the current marketing ecosystem are third-party platforms that facilitate interactions among marketers, consumers, sellers, and content publishers. Due to customer privacy concerns, as well as network effects in online search and social media, data has become concentrated in a handful of these platforms. This makes it challenging for marketers to discover and deploy the value in customer data across channels.

[1]The Digital Consumer | Appnovation's Research Report
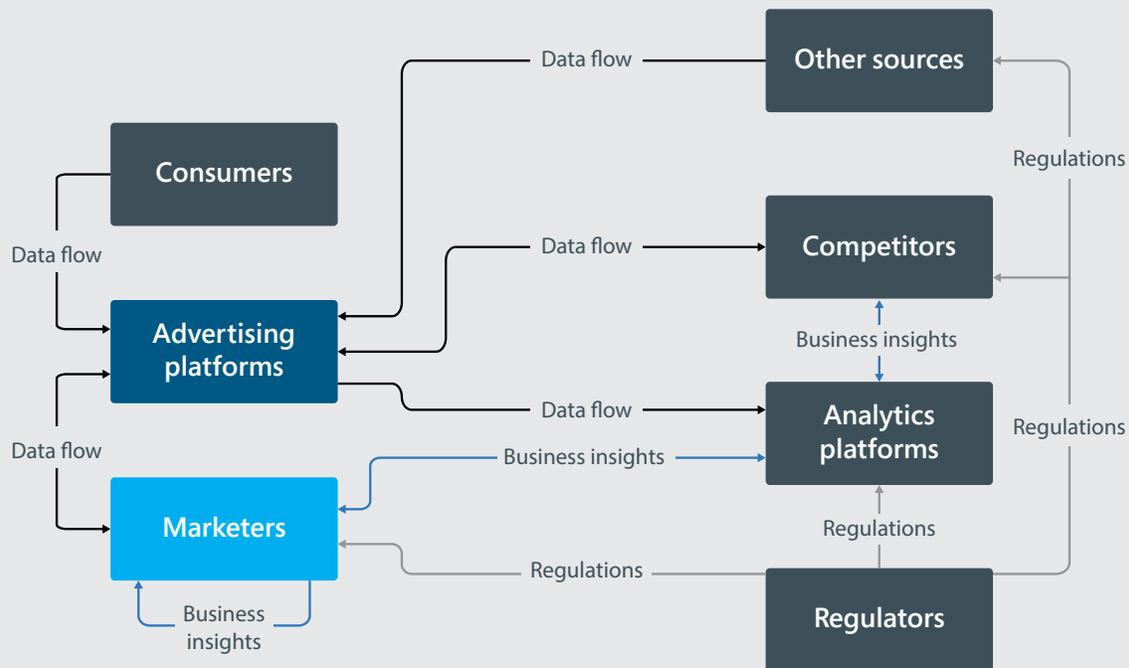
Ecosystem Data Flow

Figure 1. Third-party platforms act as intermediaries for publishers to sell ads, for marketers to reach customers, and for e-commerce sellers to drive purchases, while enabling the measurement of engagement and action.

Third-party platforms are providing incremental benefit to less technical firms, but inhibiting more technical firms

The services that these third-party platforms provide, combined with their unparalleled reach, have been critical in enabling marketers to reach their customers. These platforms provide powerful tools for companies of any size to reach large numbers of potential customers.

However, this advantage is not evenly distributed. Less technically advanced companies that lack first-party customer and operational data and the analytics capabilities to use it benefit from third-party platforms to a relatively greater degree than more technically advanced competitors. In fact, third-party platforms may limit the ability of the more advanced firms to use the best tools and analytics for their needs. This can disincentivize firm-level innovation and concentrate innovation within ad platforms.
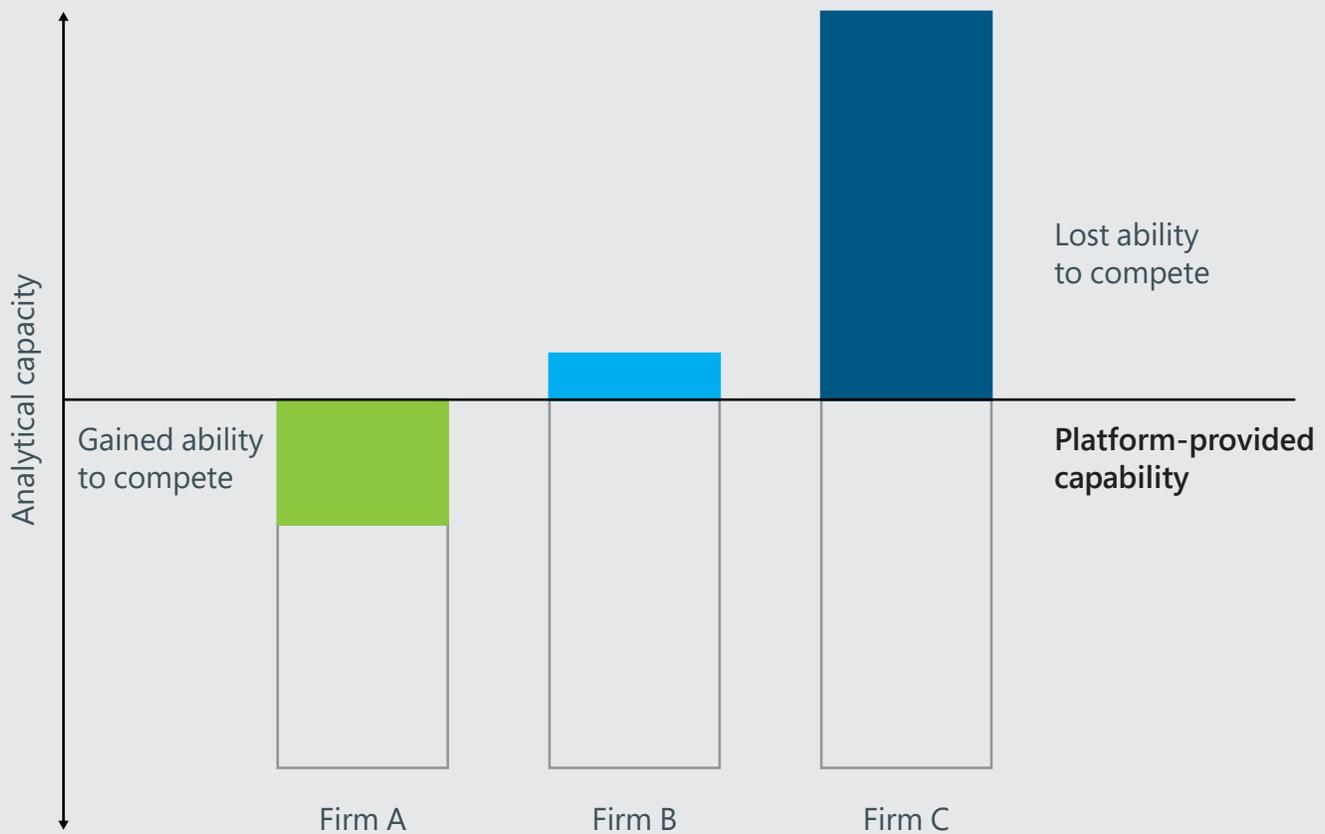
Figure 2. Platforms have leveled the playing field for marketers to compete, which benefits less technical firms but has inhibited more technical firms. Less technical firms, like Firm A, can compete on analytics with very little effort. More technically advanced firms, like Firm C, are limited in their ability to innovate. As firms become more technically advanced, the limits of the platform define the limits of their marketing capabilities.

The ongoing phasing out of third-party cookies further limits the information and insights available to marketers, including website visitor tracking, user experience analytics, and audience targeting.

The marketers we spoke to confirmed these themes. In particular, they noted that while using tools and data from third-party platforms is convenient, it ultimately limts their ability to innovate how they generate and use insights in the long run. In other words, larger firms with greater technology sophistication would benefit signficantly from increased data autonomy.

Platform dependence hinders marketers' key objectives

When asked about the most valuable capabilities enabled by data and analytics, marketers' responses centered around

three themes: personalization, automation and AI, and customer journey orchestration. All three are hindered by the limitations of third-party platforms.

Personalization

Personalization enables marketers to address customers with relevant, more individualized content at scale. This can drive increased brand engagement and loyalty. Unfortunately, because each platform provides its own tools for data exploration and analytics— with little to no interoperability between platforms— comparing data across them is difficult or impossible. This impedes the creation of a more nuanced, cohesive brand strategy.

> **Customers like the personalized experience they are getting, but regulators are trying to limit data due to privacy concerns, so eventually there will be a tradeoff."**
>
> Marketing SVP, Financial
> Services Company

Automation and AI

Automation and AI work together to enable personalization at scale. They also free up resources for innovation by eliminating routine and repetitive tasks, empowering

marketers to focus on strategic activities. They are also reliant on being informed by loads of data.

Respondents noted that data silos—both internal and external—were the most significant barriers to using automation and AI. Internally, they noted that aggregating data across internal teams and business functions can be cost-prohibitive.

Externally, they found that different platforms share data in different formats, or with different views, echoing the cross-platform fragmentation challenges faced in personalization. Additionally, disparate automation tools across platforms increase the cost of maintaining a unified automation environment. Ultimately, marketers find it difficult to justify the cost of customization or cross-platform integration. Instead, they tend to default to suboptimal but less costly out-of-the-box solutions provided by third-party platforms.

Customer journey orchestration

Today, marketers aim to use data, analytics, and automation to create consistent, relevant, omnichannel brand experiences. To do so requires capturing data about the customer journey across channels and augmenting it with external data to understand customer needs and preferences.

Marketers report that platform limitations on data sharing increase the cost and difficulty of achieving a 360-degree view of customer. Fragmented automation capabilities limit the ability to scale omnichannel responses.

Because enabling this comprehensive approach can be so resource-intensive and can take a long time to realize, marketers reported that they often prioritized optimizing for the short-term, siloed approach.

> **We don't look at customer returns and repurchases in a meaningful way, partly because of data architecture challenges. It's not just about the right data, it's also about tools or solutions on top to help make everything more user friendly and accessible."**
>
> Marketing VP, CPG Company

> **In an ideal world, you want to track the customer decision journey at the individual level, but even at an audience level it can be impactful. We are trying to build that, but a big chunk of our digital advertising goes through walled gardens."**
>
> Marketing VP, CPG Company

Ecosystem challenges

Today, third-party platforms with unprecedented reach and scale control the vast majority of consumer data and severely limit access to it. While this is to their commercial benefit, it is ultimately damaging to the commercial ecosystem in the long term.

Our previous research has shown that digital innovation requires an ecosystem in which platforms unlock the ability of other businesses to innovate autonomously and generate value from data.[2]

This benefits the platforms' customers in the short term, but also facilitates growth and value creation for the entire ecosystem, including the platforms themselves, in the long run.

In a less healthy ecosystem, platforms limit access to data and insights for short-term gain, stifling long-term innovation. The limits of those platforms ultimately become the limits of the entire ecosystem.

[2]The Keystone Advantage
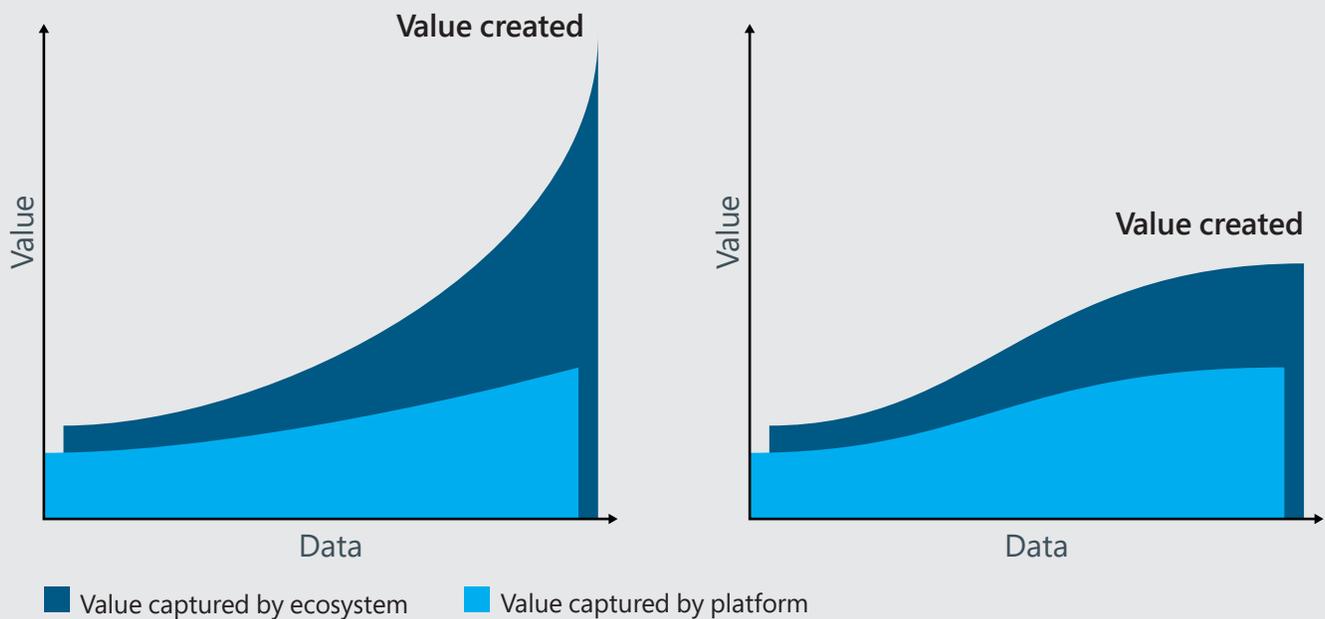
Figure 3. When platforms share data, ecosystem innovations create a feedback loop that grows value faster. When restrict data, they become a bottleneck to innovation.

Four key barriers to data autonomy

Our discussion with marketing executives revealed four significant barriers that get in the way of data autonomy: "walled gardens," vendor lock-in, conflict of interest, and intermediation.

Walled gardens

Marketers cite the inability to unify and analyze disparate data sets as the most important challenge they face in this ecosystem. third-party platforms typically do not share granular data or algorithm details, limiting the ability of marketers to port data on or off the platform, independently verify metrics (such as campaign performance), or combine data across platforms to generate new insights. This reduces their ability to undertand existing customers, target new ones, or compare campaign performance across platforms.

Vendor lock-in

Marketers perceive a high technical cost for switching from one platform to another, as it is difficult to port insights to other platform contexts. Furthermore, third-party platforms have more data and customer reach than even large corporate marketing departments, making it difficult to justify independent efforts.

Conflict of interest

Marketers are concerned that third-party platforms may share campaign insights with competitors or use markerters' data to develop and promote their own competing products.

Intermediation

Marketers noted that platforms could use certain touchpoints, such as search ads, to steer customers to platform-owned marketplaces rather than directly to marketers' businesses. This was considered less of a concern than walled gardens and vendor lock-in.

These four challenges are linked and mutually reinforce one another, fueling dependence on third-party platforms. The hidden dynamics and lack of transparency in the ecosystem make it harder for marketers to discern the longer-term impact of these challenges.

For example:

- A walled garden limits marketers to accessing and using data through platform-specific services and third-party platforms algorithms.

- Platform control over data and analytics drives vendor lock-in.

- Marketers isolated from customer data rely on the insights provided by platforms, limiting visibility into the effects of intermediation and conflict of interest.

Interconnected data autonomy challenges reduce long-term innovationn

Because platforms enforce arms-length interactions with the data and algorithms companies rely on, marketers are less likely to drive innovation internally. They also find it more difficult to achieve the components of tech intensity required for effective digital transformation, including:

- Tech deployed: Marketers reliant on services provided by third-party platforms have less budget, time, and incentive to internally deploy advanced technology that might be more appropriate for their own business needs. third-party platforms

- Tech architecture: Siloed data and insights across platforms inhibit the development of cross-functional insights and learning.

- Tech capability: Dependent on the expertise of platforms, businesses under-invest in employees' skills in data analyticsthird-party platforms

Mitigating Strategies

Two key strategies are driving increased data autonomy

To take back control over customer insights and the data and analytics innovation that drive them, marketers are focusing investment in two key strategies. First, they are adopting technology that connects customer touchpoints; and second, they are expanding and integrating their data portfolios.

Connecting customer touchpoints

Marketers report investment in Customer Data Platforms (CDPs) and similar technologies that aggregate, connect, and analyze data across the customer journey. Ideally, these solutions connect data owned by the marketer's company, such as that from owned e-commerce sites or CRM, with data provided by ad platforms— while protecting consumer privacy at the same time.

With a more comprehensive view of the customer, marketers can improve the relevance of content, campaigns, and experiences and better orchestrate the customer journey. Additionally, a more flexible, agile data architecture supports more sophisticated automation.

Diversifying the data portfolio

To further enhance the value of customer insights, companies are focusing on owning a greater share of customer data and their ability to extract meaning from it.
For example, many are investing in building more first-party touchpoints for capturing data, such as company-owned websites and mobile apps. They are also integrating marketing data with data from areas of the business such as supply chain, finance, HR, and so on.

This strategy provides three key benefits. First, diversified data provides deeper insights into preferences, purchase behavior, and other characteristics, driving more effective personalization.
Second, training machine learning models with more and better data improves the accuracy of automation. Finally, real-time feedback from diverse data sources can empower marketers to integrate and elevate the customer experience at a faster pace than competitors can.

At a strategic level, when they own a greater share of their data, marketers have more freedom to choose the best marketing and customer experience solutions for their needs. They can objectively evaluate the performance of different platforms and pivot away from those that are excessively restrictive or don't deliver results.
Perhaps most importantly, they regain control over their own destiny and ability to innovate. third-party platforms.

Strategy in action

Firm Characteristics: This CPG firm is a large enterprise (with 30+ brands), that purchases POS transaction data from aggregators, such as IRI and Catalin. Because the firm has limited insight into the end customer, the marketing department has focused more on marketing performance measurement (value of website, influencer marketing, paid media, etc.) and less on understanding and generating customer insights.

Strategy: The firm gained more control over their data and reduced their dependence on third-party platforms by:

- Prioritizing first-party data: Adding QR codes to products incentivized customers to interact with the company directly.

- Diversifying the data portfolio: Partnerships with other data providers support expanded insights and greater autonomy.

- Building tech capability: They now develop more solutions in-house, including their own CDP.

Lessons for other marketers: Data is the most important asset in the age of AI. The value of controlling your own data cannot be overstated.

"

We know it's working – if we stop advertising, we are suffering – but we can't put a dollar value to it and measure impact."

Marketing VP, CPG Company

Conclusion

Creating a healthier ecosystem through collaboration

Increasing data autonomy can help marketers mitigate the challenges of platform dependence. However, these efforts can be cost-prohibitive for many companies. What's more, the actions of individual firms can do little to create a healthier environment for innovation.

Improving the ecosystem will require broader collaboration, particularly in three specific forms.

1. Companies can look for opportunities to share data responsibly with partners who have overlapping customers, especially when it drives greater value for both parties in terms of understanding customer needs and preferences.

2. Companies and platforms can adopt privacy-enhancing technologies such as those used by healthcare consortiums.

3. Platforms can invest in greater platform interoperability with the knowledge that broader innovation drives value for all parties. This would reduce switching costs and barriers to entry in the current market while fostering healthy competition.[3]

Our conversations with marketing leaders portray an industry that is, in many ways, ahead of the curve on digital transformation. They understand the potential of data and analytics to shift how they work and transform relationships with customers. They are eager to innovate across advertising, promotions, go-to-market strategy, and more. They understand that personalization, automation, and customer journey orchestration drive differentation and maximize the value of creative and strategic capabilities.

Many also have the conviction to actively pursue data autonomy by building their own datasets, nurturing in-house digital and analytics capabilities, and diversifying their partnerships. However, their efforts are limited by walled gardens, vendor lock-in, lack of choice, conflicts of interest, and intermediation. They third-party platformsfeel that third-party platforms limit their ability to innovate and measure effectiveness. Ultimately, they face a tradeoff between realizing short-term KPIs and investing in longer-term data and analytics maturity.

Despite the challenges, there are reasons for optimism. Ongoing digital transformation empowers marketers with new ways to identify and demand improved capabilities from their platform partners.

[3]From 'walled gardens' to open meadows

New technology such as federated learning will enable third-party platforms to increase knowledge sharing without compromising privacy, and allow firms to partner for better insight into shared customer journeys.

Whatever happens in the future, it is clear from our conversations that data autonomy should be a core element of the modern marketer's strategy. Those who invested in data autonomy over the long term were better able to innovate and differentiate themselves from competitors.

Improving their internal capabilities enabled sustained innovation and helped them develop new ideas for realizing their current KPIs. They used their new data capabilities to support and refine existing ones, tailoring creative assets to specific audiences and adjusting websites dynamically to meet consumer preferences. Ultimately, data autonomy empowers marketers with knowledge about customers, enables innovation and growth, and unlocks new possibilities by building stronger customer relationships.

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