Dynamic Creative Optimization (DCO)

Media and Advertising

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Executive Summary

This whitepaper talks about Dynamic Creative Optimization (DCO), which has been a key trend in programmatic advertising (https://martechseries.com/mts-insights/guest-authors/five-key-trends-programmatic-advertising-2018/). The digital world is ever changing and there are myriad opportunities for advertisers who want to improve the effectiveness of display, native, social, and video ads. A prime feature of DCO is the ability to automate the optimization of ads. When combined with other features including machine learning technology and algorithms, DCO allows app marketers to rest assured that their advertising efforts are in the optimal position for visibility.

This paper explores the arena of DCO and how it helps advertisers to automatically and simultaneously create and test hundreds of different creative options and optimize the best one that is likely to drive the most consumer engagement.

Introduction

DCO benefits advertisers and creative agencies by helping them reach their customers with efficient and tailored creatives with personalization like never before. It is magical to switch creatives that are custom-made to target the consumer's behavior or even to the conditions around them - like location, time of day, or weather. DCO makes effective use of multivariate testing and machine learning to ensure that ads change dynamically according to each consumer's liking and browsing history. It ensures that the advertiser's money is always spent on the creatives that are best performing. It allows marketers & creative teams to create thousands of ads on the fly. It offers a vast range of benefits to improve programmatic advertising results, since it uses a template approach to generate creatives.

DCO has shown significant increase in click-through rates and has reduced cost metrics. Studies have shown that DCO ads can have up to 50% higher post-click conversion rates over standard display ads. Access to data and ad-buying technology combined with DCO empowers advertisers to deliver relevant and personalized ads to drive better performance and improved ROI.
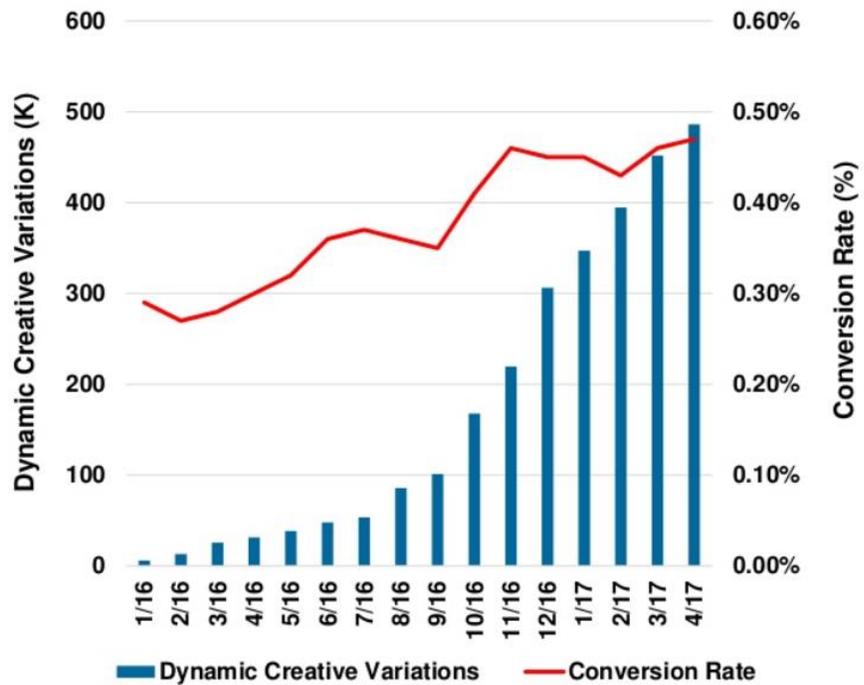
The following statistics shows how DCO is improving conversion rates.

In-App Ads + Dynamic Creative (Vungle) = Driving Higher In-App Install Performance

Dynamic Tab Ad
Video + Images
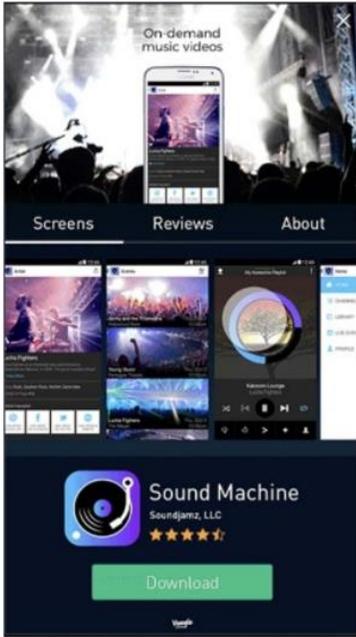
Vungle Dynamic Creative Ads
Improving Conversion Rates, 5/17

Source: Vungle (5/17)
Note: "Dynamic creative" is any creative ad that changes automatically based on information about the user (behavior, location, or context). A dynamic tab ad includes multiple interactive promotional modules alongside a video ad.

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Source: https://www.slideshare.net/kleinerperkins/internet-trends-2017-report/27-KP_INTERNET_TRENDS_2017_PAGE

What is DCO?

It is a technology based on display ads, which can produce tons of ads that are optimized depending on multiple rules and variables (sourced from various data feeds).

These variables and data may include physical components like color, font, and call-to-action, along with other factors like day of the week, time of the day, geographical location, and weather.

The ad creative will change to one that is the best fit for a specific consumer, and it will also be served at the most appropriate time and place. At the end of the day, the conversion rate will be higher as the served ad will have all the elements as per the want or need of the consumer.

How it works

DCO makes the most efficient use of machine learning as it learns the pattern and behavior of the consumers utilizing the available data. It picks—in real-time for all consumers and their perspective—the most pertinent set of graphic components to display, augmenting both the content and the creative.

When a DCO is set up, a template is created integrating indispensable data such as contact information, logo or promotion. In other words, it includes all the essential information that needs to be in the ad. The rest of the template has one to four dynamic elements to enable the rotation of each element among different versions. It fetches data from a Demand Side Platform (DSP) or Data Management Platform (DMP.

DCO appeals to marketers who want numerous variations and have the budget for the impressions for a statistically significant test.

As an example; a large travel agency might want to create an ad about the offers on cheap fares for destinations without mentioning any specific location or city. However, in case of any consumer is searching specifically for a flight from Chicago to Boston, DCO will allow that advertiser to create an ad on the fly showing fares specific to the consumer's need.

For the creative team, it is nearly impossible to build ads for all types of city combinations and permutations, which includes all the destinations too, but DCO does is magnificently.

The following image illustrates the main differences between "static creative optimization" and "dynamic creative optimization".

Common Use of DCO

DCO was initially used primarily for retargeting high-value consumers at the bottom of the funnel, where ads showed dynamic content based on a viewer's profile, such as the product that has been viewed or even added to the cart. This was especially popular in the retail and travel industries where there are abundant possibilities of permutations and combinations. Now, advertisers are spreading their horizons and have started using dynamic creatives for all stages of the funnel.

Advertisers who are conscious and want a better reach are shying away from making a generic ad that is shown to all users. As a replacement, these companies are utilizing consumers' data to offer more pertinent ads to their shoppers.

DCO can be used to implement audience-targeted creative ads across all digital formats including display, mobile, social and video. Additionally, it is not only limited to just banner ads. They can also utilize it for development of links sponsored on social media, as well as videos and rich media.

Limitations

1. DCO is most effective for advertisers who have a copious amount of segmented data and audiences. Setting up DCO is a long process to implement and is not always the solution for all the marketers or advertisers. It might be feasible for a big travel agency that offers thousands of destinations to the consumers who could benefit from DCO because they can test multiple variations and combinations of ads. However, for a small agency offering merely 5 or 6 destinations, DCO might not be worthwhile as there will not be many permutations

because of less data and combinations. They might be better off using retargeting campaigns, among other solutions.

2. It is very important for an advertiser to plan advertising campaigns beforehand in order to integrate all the data segments. It entirely depends on the system; it could take up a lot of time and resources.

   For example, if an advertiser wants to set-up a campaign to promote a sale which is going to run in the next five days, it is nearly impossible to set up DCO within these few days because it is a cumbersome process. Furthermore, most DCO vendors charge the advertisers every time they create a new ad template, which results in higher costs.

3. Multivariate testing is only restricted by the number of impressions in a campaign, which is a key consideration for buyers and sellers in creating a campaign using DCO—the bigger the buy, the more "learning or insights" DCO can offer.

4. DCO appeals to advertisers and marketers who might want many variations and have a decent budget for the impressions for a statistically substantial test.

5. Pricing for a DCO campaign maybe higher than standard display ads.

Benefits of DCO:

1. Advertisers have the freedom of introducing new creative variations in order to test new designs/ideas, which will keep the brand value intact and new.

2. DCO can eradicate the manual guesswork of which ad will serve better. DCO will push all the creatives to the audience automatically with a live data feed and we will know which ads are serving better through consumers' clicks. The creative that reverberates most for each audience wins.

3. DCO brings the ability to personalize and try something new. Ads can adapt to different geographies, demographics, and other factors with tailored ads and enhance the engagement.

4. DCO is a tool that delivers not only personalization, but also tackles all the manual effort of data preparation, study, analysis, and delivery/distribution at scale. It permits limitless opportunity to occur in real time.

5. Advertisers are now able to serve the most appropriate ads to consumers according to their initial engagement/browser history that was extremely difficult earlier, but with DCO, it is well within reach.

Conclusion

Dynamic Creative Optimization (DCO) is an incredible technology that empowers advertisers and marketers to serve abundant intricate and potent campaigns with less sweat than was earlier needed.

In traditional ad serving, creative teams had to create fully formed ads individually and test them manually to find the most effective ad creative and the best ad-to-audience fit. However, DCO automatically randomizes ad variations for advertisers, making it easier to serve the right ads to the right consumers.

DCO increases the efficiency of the creatives with less effort and utilizes sane data from DMPs to serve ads personalized to each audience section. An extensive variety of ads can be created, and then automatically personalized and tailored for many audiences, over many circumstances. Financial services, Automotive, Telecom, Ecommerce, Retail, Travel and Entertainment are leading the way on the use of DCO.

DCO also increases the likelihood of a learning outlook, since it tests variations on a message and enables advertisers to discover new understandings about their consumers. The new insights help them know who they are reaching and which of those consumers are responding. This data can be utilized for creative improvement, development, and optimization.

The capability to utilize data in DCO is also opening new avenues like programmatic advertising with audio in online radios. This is a massive possibility due to a favorable combination of data and insights for old and obsolete media such as radio. The new targeting technology is completely changing the way how advertising was done earlier or thought about; it is enabling us with profound information about consumer behavior.