AI AND THE FUTURE OF PERFORMANCE MARKETING: DRIVING EFFICIENCY AND INNOVATION

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The CMO's Evolving Mandate

In a persistent demanding economic environment, the "more with less" mantra also rings true for the CMO office. Furthermore, today's measurement-oriented business landscape places CMOs under increasing pressure to demonstrate the value of their marketing spend. To measure success, they rely on a robust set of performance metrics, including customer acquisition costs, return on ad spend (ROAS) and lead generation rates. However, traditional marketing methods with ambiguous goals like brand awareness can make it difficult to quantify these metrics.

Performance Marketing: Ensuring Measurable Outcomes

As companies significantly veered towards accountable, precise, and measurable outcomes, performance marketing's role grew. In this results-oriented approach, advertisers pay only for specific actions users take. In a departure from traditional methods, performance marketing prioritizes measurable outcomes like conversions (sales or leads), app downloads, or high-value clicks indicating strong user interest.

How? By employing real-time data and analytics, performance marketers can precisely target audiences, optimize campaigns, and demonstrate clear ROI, making it an increasingly popular strategy for businesses of all sizes.

According to Gartner's CMO Spend and Strategy Survey, CMOs almost equally split the spending on brand awareness and performance marketing.[1] In short, performance marketing has emerged as a data-driven powerhouse in the digital landscape. It allows CMOs to clearly demonstrate the ROI generated by their campaigns, justifying their marketing budgets and optimizing future strategies.

Turbocharging Performance Marketing/ AI: The Game-Changer in Performance Marketing

Performance marketing, which has always thrived on data, is now experiencing a transformative shift with the evolution of Artificial Intelligence (AI). This intelligent technology is boosting efficiency through automation and driving innovation across all stages of marketing. A McKinsey report supports this expanded use by stating that generative AI could unlock $463 billion in annual marketing productivity gains, representing a 5-15% efficiency boost within the function. This powerful tool empowers CMOs to optimize their marketing strategies and confidently demonstrate the value of their campaigns.[2]

However, AI's impact extends beyond efficiency; it's fundamentally changing core aspects of performance marketing, including targeting, personalization, measurement, attribution and optimization.

The infusion of AI into the performance marketing ecosystem includes Predictive AI for hyper-personalization at scale, intelligent audience segmentation, bid optimization, budget allocation, and cross-channel attribution, and Generative AI for creative generation, optimization, workflow automation, A/B testing and copilot, which provides operational efficiency for brands and marketing agencies.

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[1] Brand vs Performance Marketing: 'Why Not Both?', Says monday.com (gartner.com)

[2] The power of generative AI for marketing | McKinsey

There are several more essential ways in which AI can add value. As the marketing landscape evolves into a "cookieless" future where third-party cookies are gradually getting phased out, the role of first-party data is becoming increasingly crucial. AI tools thrive on this rich data to deliver innovation, automation and optimization across all marketing functions. Data unification and centralization will be vital in this context, making advanced capabilities like Composable CDP essential for marketers to implement their first-party data strategy.

In the following sections, we will examine how AI is revolutionizing various aspects of performance marketing in more detail.

An in-depth look at AI's impact on performance marketing

- **Ad Targeting & Personalization**
  AI-powered Predictive Analytics platforms can analyze vast amounts of data and identify trends, patterns and outliers, enabling intelligent audience segmentation and targeted advertising. For example, AI can analyze past user behavior to identify high-value segments for targeted campaigns. As a result, they can deliver personalized ad experiences at scale to the right audiences, helping businesses reduce ad waste and increase ROI. In addition, AI can significantly boost efficiency in ad fatigue and wastage monitoring.

- **Cross-Channel Attribution**
  AI and ML have amplified the accuracy of Cross-Channel Attribution models. AI-based attribution models provide a much clearer picture of campaign performance across all channels by harnessing unified and high-quality data from search, video, display ads, and social media. This empowers marketers to create and deliver seamless and unified journey experiences for customers.

- **Creative Automation & A/B Testing**
  While Predictive AI can perform granular analysis of A/B testing data and identify influential factors for conversion, Gen AI accelerates iterations of creative and variation generation and tangibly amplifies the marketing function's operational efficiency.

Furthermore, Gen AI can create synthetic personas (AI Twins) and enable faster iterations of A/B tests with dynamic simulation of customer behavior, optimizing campaigns and outcomes.

Leading vendors in Digital Experience Platforms and Content/Digital Asset Management Systems now offer pre-integrated Gen AI solutions, providing robust content automation capabilities.

- **Paid Search Marketing**
  Gen AI-based chatbots have shaken up search engine marketing (SEM) so much that Gartner predicts that search engine volume will decline by 25% by 2026.[3] AI chatbots and virtual assistants will impact organic traffic to marketers' websites. Therefore, marketers must embrace AI technologies now and progress beyond conventional keywords and SEO optimization. AI in SEM can significantly continue to improve KPIs, such as ROAS, CTR, CPA, & CPC. While Gen AI enhances creative/content supply chain efficiency and keyword research, Predictive AI boosts ad targeting, hyper-personalization and bids optimization. Adopting AI offerings from publishers like Google's Pmax, Contextual Search (Broad Match), and Conversational Search and optimizing content for Google's Quick Answers (in SERPs) will also be essential.

- **Bid Optimization & Budget Allocation**
  Thanks to the integration with DSPs and Ad Servers, AI can analyze campaign performance and optimize spending, including altering bid amounts, allocating budgets to channels with better conversion rates, and creating creatives in real-time.

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[3] Gartner Predicts Search Engine Volume Will Drop 25% by 2026, Due to AI Chatbots and Other Virtual Agents

- **Data Centralization**

  Businesses globally recognize the value of data, which is especially applicable to AI in performance marketing. With the abundance of customer engagement channels generating vast amounts of data, data centralization is crucial for understanding the customers and prospects that marketers target. This impacts critical KPIs such as CPA, CLTV, campaign performance, and regulatory aspects, such as data privacy and security.

  As real-time marketing becomes the norm, unifying data from multiple channels and responding to customer behavior in real-time with contextual and personalized interactions is paramount. In an AI-powered marketing landscape, Customer Data Platforms (CDPs) are essential for creating unified customer profiles, identity stitching, and intelligent segmentation. They even enable Data Clean Rooms in multi-vendor setups. CDPs also exploit AI to achieve probabilistic profile matching in low-quality data scenarios, enhancing lead generation and customer engagement efforts.

- **Measuring outcomes**

  AI has created a tectonic shift in measuring performance marketing outcomes. Historically, **impressions, CTR, CVR, CPC, CPA, CAC, and CLTV were used to measure the results** of marketing spending **(Display Ads and Paid Search)**. AI-led Performance Marketing will dissipate silos and analyze E2E customer journeys to provide actionable insights on overall campaign effectiveness, leading to better marketing strategy definition and effective marketing spend management. For instance, it can present a much larger picture, enabling marketers to track engagement metrics, such as time spent on content or videos, to measure brand loyalty.

AI is the Backbone of Modern Marketing

AI has been and will continue to influence, transform, intrude and disrupt the spectrum of the marketing value chain. It has set newer standards and benchmarks to track, achieve and optimize Performance Marketing KPIs by ushering in a data-driven and customer-centric approach. From hyper-personalized experiences to real-time decision-making, AI empowers marketers to exceed customer expectations and gain a competitive edge in today's evolving landscape. As AI continues to grow, early adopters who embrace its transformative power will be best positioned to thrive in the future.

Interested in learning how AI can supercharge your Performance Marketing efforts?
Reach out to infosysaster@infosys.com for more information.

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