

In a World Without Third-Party Cookies, a First-Party Data Strategy Takes the Cake



For years, companies have used third-party cookies to track and understand buyer behavior online. Today, more than 77% of websites and 82% of all digital ads use tracking cookies, according to eMarketer.

Data collected through third-party cookies has long been the fuel for running targeted top-of-funnel marketing like display advertising campaigns. As online display advertising matured in the era of big data, third-party cookies offered a compelling, data-driven way for marketers to target and measure otherwise anonymous users. Due to their availability and tracking ease, third-party cookies offered individual interest data that brands wouldn't otherwise know.



- Adtech companies use third-party cookies on behalf of brands to track past website visitors and retarget them with ads to bring them back to the brand's website
- **DMPs (data management platforms)** use third-party cookies to track cross-site behavior across publishers, then sell this data to brands for ad targeting
- Third-party cookies are used by analytic tools to track users moving from one website to another, turn personal insights into interests, and determine which ads impacted the customer's journey

In reality, while targeting and measuring with third-party cookies is widely available and fairly effective, there are flaws.

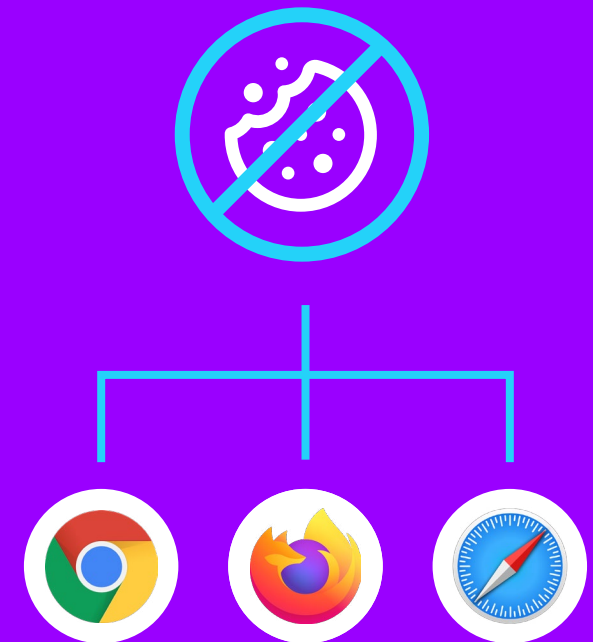
Relying on third-party cookie data to buy audience segments only brings you to parity with your competitors, as everyone is likely buying the same datasets. And, more seriously, privacy concerns have brought about significant browser changes that eliminate support for third-party cookies. Safari, Firefox, Mozilla, and even Google Chrome—representing 86% of browser traffic—will transition away from third-party cookies in 2022.

Clearly, data signals are becoming more restricted, and third-party cookie loss is just one symptom of a larger trend. There are other notable trends that are leading to change and can cause customer data ingredients to go missing:

- 1** **Regulatory compliance (GDPR, CCPA, and many more) gives new rights to consumers and responsibilities to businesses**
- 2** **Ad blockers and browser changes are increasingly having a negative impact on online advertising effectiveness**
- 3** **Identifiers, like IDFA, are being restricted as new solutions rise and fall regularly (Universal IDs, Google Privacy Sandbox, etc)**
- 4** **Walled gardens create ecosystems where they control access to data to maximize their pricing power**

The cumulative impact of these trends leads to “**data depreciation**”, which is a daunting way of saying we all need to rethink our data strategy.

The Bottom Line: To continue tracking and targeting customer behavior effectively, to provide the best customer experience (CX) possible, we have to change any strategy in place today that relies on third-party cookie technology and identifiers.



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The New Ingredient is First-Party Data

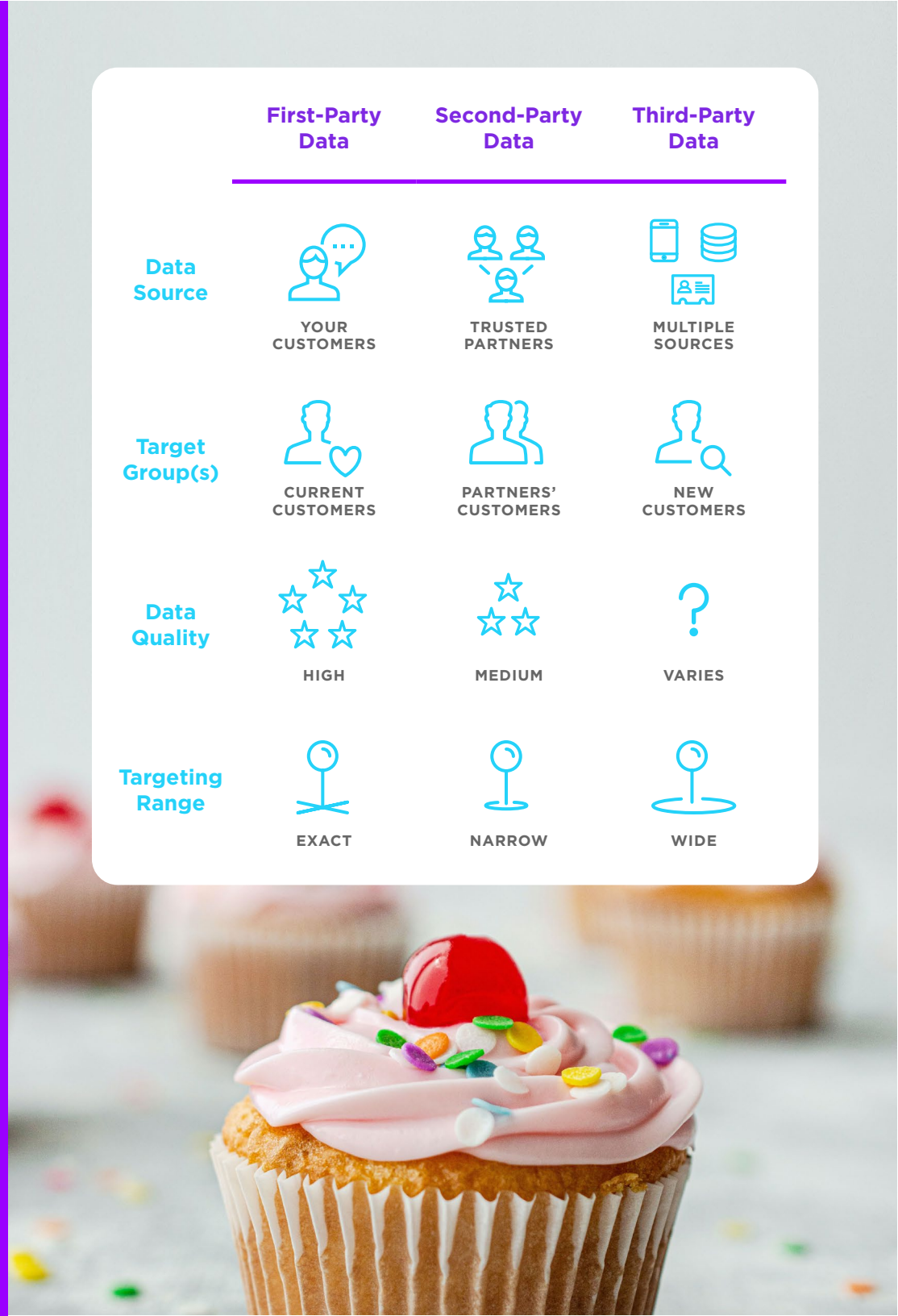
So what is the way forward? We don't need to panic! We know third-party cookies historically have been a tool marketers and digital teams rely on, and the industry is moving away from cookie-based tracking—teams need to explore alternatives now so they can successfully hit the ground running in 2022. It's still imperative to use customer data to create positive buyer experiences and measure them, so what are the options?

A good first step is to move to a **first-party data strategy**. Use the data you obtain directly from customer relationships—instead of buying it from a third-party or collecting it through a third-party cookie. The data will be more accurate and current, which is better for creating the right type of experiences for buyers.

Any company with a customer uses first-party data to some extent already. The next step is to create a more intentional, focused and effective plan to maximize that asset. That's where a first-party data strategy comes in—establish your plan for using this data to support your business goals.

For most companies, a first-party data strategy will require a re-focus on the customer journey itself—the direct relationship you have with your customers (not through a marketplace or intermediary)—and away from customer acquisition. But the benefits will far outweigh the challenges.

	First-Party Data	Second-Party Data	Third-Party Data
Data Source	 YOUR CUSTOMERS	 TRUSTED PARTNERS	 MULTIPLE SOURCES
Target Group(s)	 CURRENT CUSTOMERS	 PARTNERS' CUSTOMERS	 NEW CUSTOMERS
Data Quality	 HIGH	 MEDIUM	 VARIES
Targeting Range	 EXACT	 NARROW	 WIDE





Benefits of centering your CX strategy around first-party data include:

- Enhanced ability for advertisers to reach, engage and convert customers
- More direct visibility into prospects and customers who express interest in a product or brand
- Increased relevance and timeliness of customer engagement
- More accurate measurement and reporting
- A unified, rich customer view unlocking operational efficiency and agility

To reap these benefits, implement a first-party data foundation by first creating a customer data pipeline for your business—one that's real time, channel-agnostic, and trusted.

The Importance and Value of Direct Relationships with Your Customers

With restrictions on using customer data on the rise, direct relationships with your customer help fill the gap and form a future-proof foundation for customer experience. Companies have historically collected first-party data (ex: customer names within a CRM system), but without a purposeful data strategy around actually using this first-party data, it sits in silos and fails to achieve specific business outcomes.

For businesses who traditionally don't own their customer relationship because they sell through third-parties (CPG, Car Dealers, Franchises, etc), this may be a big change. But the first-party data exists, and it's up to you to activate it. By directly engaging your customer, you can add better value to the customer experience and drive differentiation within the market.



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Get the Right Technology in Place for Your New Data Pipeline

So, how do you start building this new data pipeline?

The good news is that these capabilities are now available in the form of a data-first, vendor-neutral customer data platform (CDP) which focuses first and foremost on the data: how it is collected, unified, enriched and then accessed through other tools.

A comprehensive view of your customer is the single most effective way to deliver a relevant and timely customer experience, but its value depends on high quality data collection and real-time distribution. To maximize the effectiveness of your CDP, ensure you are feeding it with high quality data. You can achieve a 360-degree customer view based upon a first-party data supply chain. Internal data such as transactions, CRM, and mobile and web interactions are enriched and normalized. These views are combined with external channels such as social media, email, and web search.



Collect

Pro Tip: Ability to collect diversity of sources is key. Tools to unify and maintain quality as data is collected pay big benefits downstream

Unify and Enrich

Pro Tip: Diversity of sources means you need flexible tools to unify, enrich and build insights into your customer profiles as you see fit.

Take Action

Pro Tip: Value depends on activation. Integrations to ecosystem drive revenue through engagement, agility and efficiency.

Steps for Baking Your New Strategy

Once you have the right tools in place, it's time to bake in your strategy and process. With the capabilities of a data-first CDP at your disposal, you are ready to build a first-party data strategy that can stand the test of time and sustain your advertising, marketing and CX campaigns.



STEP 1

Impart value on collection, identification and consent

Identification as a Central Part of Your Value Exchange/ Consent Strategy

Delivering the right experience many times depends on knowing who the user is. Opt-outs and new rules threaten this insight. If delivering the right experience is a value to the business, this means that there's value in customer identification. By responsibly identifying your customers in a digital context (not obtrusively, not without incentive), or simply collecting a small insight if identification is not appropriate, your CX will benefit.

Think about the value exchange with your customer when it comes to data collection and identification. This doesn't necessarily mean you're trying to get all visitors to your properties to authenticate everywhere. However, sometimes simply asking a user who they are will have significant value for your customer targeting strategies and your customer analytics programs. What can you give for this privilege? An honest and open relationship with customers delivers significant advantages.

If you don't do this, your ability to create personalized and targeted experiences will be limited—which may impact overall CX strategy.



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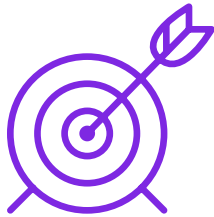


Identification has 2 parts:

- 1 Value Exchange** — if consumers don't understand why they should consent, then something is wrong and you likely are not performing well in obtaining consent. Without consent, targeting to support marketing and customer experience strategies is significantly impaired.
- 2 Design Consent and Identification Into Customer Experience** — It's going to take a value exchange for you to unlock the strategies you want.
 - Your consent banner is now just as important as an ad, arguably more important
 - Opt-in buttons will become recognized as ads, so design intentionally or else targeting will be hobbled
 - This should be incorporated into designing customer experience
 - Multivariate test your consent strategy. If you don't get it right, people will just opt out
 - Ask for consent as you need it. For example, ask customers to opt into customized advertising on the product page instead of the homepage. Create an experience driven by open conversations with the consumer around the usage of their data.

STEP 2

Re-strategize your targeting mix



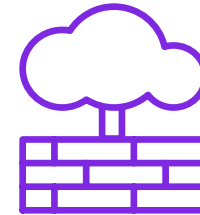
Targeting Mix

There are generally 3 buckets of targeting that any company will leverage; contextual, audience, and 1:1 (like retargeting, or personalization). The market shifts due to privacy will make audience and 1:1 targeting more difficult, leaving contextual targeting more important once again.



User Identification as a Component of Targeting Strategy

Doing 1:1 targeting (like retargeting) will now require the user to identify themselves to make this work. Brands will need to know it was a particular person before they can retarget. But publishers will allow privacy sandboxes—brands can merge this data with the publisher's data to target better.



Audience Targeting Changes

Audience targeting will become publisher-driven now (with the large walled gardens becoming more powerful) because these are the only brands with a broad enough footprint of customer engagement to meaningfully know user identity. The days of going to a DMP to buy audiences across publishers are no more. Leveraging first-party data for targeting direct with publishers or using publisher cohorts will be the primary ways to do audience targeting.

Brands will need to manage incremental identity through value exchanges with customers. Simply put: ask them who they are in order to drive better experiences.

Challenges with scale: First-party data historically has smaller scale than targeting that can be purchased based on third-party cookie data collection. Without easy access to this targeting data, it's important to maximize first-party data with a solid value exchange strategy, and grow scale by using first-party data as the kernel for generating larger targeting lists.

STEP 3

Make your first-party data a differentiator

Use First-Party Data to Augment Publisher Data

Major publishers will control the majority of audience targeting data, but they will let you augment it with your data for better targeting. This could be event-level or customer-level data, so having control and access for both is valuable. Ensure that your strategy has first-party data at the center by using it as the kernel for lookalike audiences or to inform more advanced contextual targeting with publishers.

First-Party Data Even More of a Targeting Differentiator

Every brand will still need to be effective at contextual targeting, but where you can differentiate and distance from competitors is how you can leverage your first-party data to optimize performance.

Diversity of Integrated Data Sources

Integration becomes even more important in this scenario. Data sharing becomes more important from trusted partners. If you can't get targeting and attribution data on demand as easily as you can today, then you'll need to explore more sources.

- 1** The more integration solutions you have, the more ready you will be. Pre-built solutions unlock the greatest value as they have the greatest potential for usage. However, there will be situations where a pre-built option is not available. So your strategy should account for this and include tools for dynamically integrating when needed.
- 2** Who are your strategic data sharing partners? These can augment your first-party data, but you will have to be selective and have tools to govern.



STEP 4

Facilitate a value exchange across the full customer journey, not just at the start

In the new world without third-party cookies, your ability to recognize, understand, and engage digital customers in pre-purchase situations will be hindered, and customer acquisition efforts will be impacted. But the customer experience doesn't end with acquisition. Thriving in the new world involves taking steps to fuel value exchange across the full customer journey—including post purchase.

Good news—you already have post-purchase data! While you ideally would be able to speak personally to each of your customers face-to-face, it doesn't scale. But your data illustrates if buyers are happy, engaged, or at risk of leaving. If buyer behavior changes (ex: purchases dramatically slow down or drop), you want to identify the problem and see what marketing strategies can be applied for retention.

A first-party data relationship is a key enabler of this value exchange strategy because it's only when you have a complete and accurate customer view that you can proactively identify and target customers at risk for churn (as well as those high-value customers most likely to buy more products).

Another post-purchase strategy is spotting when and where you can drive expansion revenue. If you're not selling additional products into your existing customer base to increase their customer lifetime value (CLV) then you're missing out on a huge revenue opportunity. But, in order to optimize ROI, do this in a way that drives marketing efficiency by targeting only those customers that are more likely to buy.

Driving powerful retention loyalty and retention programs involves accessing first-party data that leverages the capabilities of a vendor-neutral customer data platform. This allows you to access rich insights that allow for accurate identification and targeting of the segments you want. Ultimately this provides the opportunity to offset diminished customer acquisition opportunities with revenue gains from your existing customer base.





Winning the CX Bake-Off With First-Party Data

Once the shift away from third-party cookies accelerates in 2022, those who are ready will stand out from the crowd with relevant, timely and insightful customer experiences compared to the generic and one-size-fits-all experiences of the competition. Those who haven't prepared will need to build that strategy from nothing—all in an environment where there's simply less data available.

A first-party data strategy can help you unlock personalization at scale while maintaining trust with your consumers. You then have the opportunity to establish efficient automation aligned with privacy requirements. This forms the basis of a virtuous cycle that allows your business to sustain competitive advantage through personalized, effective targeting of prospects and superior CX.

Glossary

Data Deprecation

The combined impact of restrictions being put in place on brands' use of customer data. This includes the deprecation of third-party cookies by browsers, regulations limiting data collection and use, consumer actions like using ad blockers, and limitations using data with walled gardens.

Data Management Platforms (DMPs)

A data management platform (DMP) is a software platform used for collecting and managing data, commonly data collected by third-party cookies. They allow businesses to identify audience segments, which can be used to target specific users and contexts in personalized online advertising campaigns.

GDPR / CCPA

"General Data Protection Regulation" and "California Consumer Privacy Act". These are examples of localized regulations (by country, state, geographic entity) impacting how brands manage customer data (both first-party and third-party).

Google Privacy Sandbox

The Privacy Sandbox project's mission is to "Create a thriving web ecosystem that is respectful of users and private by default." It is Google's initiative to test and identify solutions for a cookie-less future.

IDFA

IDFA is one type of user identifier that can be used for targeting and tracking. "Identifier for Advertisers" is specifically a mobile device identifier made available by Apple if the user grants consent. iOS14 mandated more clear opt-ins for getting consent, thereby greatly diminishing its value and forcing advertisers to evaluate new solutions.

Universal IDs

One single identifier (there are competing solutions) that recognizes each user's identity across different platforms and over time. The predecessor to universal IDs, cookies, lacked standardization.

Walled Gardens

A Walled Garden is a closed ecosystem in which all the operations are controlled by the ecosystem operator. They represent both a source of rich data (limited accessibility), but also a challenge for brands first party data strategies. Common and relevant walled gardens include big publishers and media companies, the major marketing clouds, and big tech.



We Connect Data So You Can Connect With Your Customers

Tag Management • API Hub • Data Management
• Customer Data Platform and Machine Learning

Tealium connects customer data—spanning web, mobile, offline, and IoT devices—so brands can connect with their customers. Tealium's turnkey integration ecosystem supports over 1,300 client-side and server-side vendors and technologies, empowering brands to create a unified, real-time customer data infrastructure. The Tealium Customer Data Hub encompasses tag management, an API hub, a customer data platform with machine learning, and data management solutions that make customer data more valuable, actionable, and secure. More than 1,000 businesses worldwide trust Tealium to power their customer data strategies.

For more information, visit tealium.com.

