

## **MARKETING AND ADVERTISING TECH GUIDE:**

WHY FIRST-PARTY  
DATA WILL BE KEY  
TO PERSONALIZATION IN  
A POST-COOKIE WORLD

retail  
**TouchPoints®**  
TECH GUIDE





## INTRODUCTION

As more consumers than ever before engage digitally with brands, retailers must bring a new level of sophistication to their marketing, communications and advertising, both to maintain customer relationships and draw in new shoppers. And as physical stores reopen, **marketing will play a critical role in reassuring shoppers and bridging the online and offline customer experience.** Put simply, marketing has never been more important.

On one hand, the huge jump in digital activity means marketing and advertising professionals have more actionable data at their disposal than, perhaps, ever before. On the other hand, the introduction of so many new consumer touch points has fragmented the customer journey even further, making it infinitely more nuanced than the linear path to purchase of days gone by.

“In an online world the buyer is super knowledgeable, super empowered,” said Tom Kaneshige, Chief Content Officer at the CMO Council in an interview with *Retail TouchPoints*. “They research online, and they will either come up with a buying decision or a shortlist of vendors. In this scenario, **the marketer plays a huge role, because the sales action is happening at the top of the funnel** — that’s where the marketer is. [Marketers] have to learn more about the customer, and they have to be able to inform the rest of the company what’s happening out there so that they can meet the need.”

At the same time, marketers and advertisers are staring down the imminent elimination of key tools they have relied on to identify, target and serve their customers — namely, the third-party cookie on web browsers and Apple’s advertising ID (IDFA) on smartphones. This **industry-wide evolution** has many professionals scrambling to find alternatives. Retailers, however, will be in a prime position **as first-party data becomes the crown jewel of marketing.**

As the world emerges from the global pandemic and a new era of advertising takes shape, retailers have an opportunity to capitalize on this unique convergence of events to future-proof their business by:

- Understanding how the pandemic has **reshaped the marketing and advertising landscape;**
- **Using first-party data to build gratifying customer relationships** in a post-cookie world;
- Creating a dynamic customer journey through **personalization and an understanding of buyer intent;** and
- **Merging new and old consumer touch points** to realize the true potential of omnichannel retail.





## 'A CUSTOMER JOURNEY IN CHAOS': THE IMPACT OF COVID-19 ON MARKETING AND ADVERTISING

The U.S. ad economy has been on a roller coaster ride the past year, with a huge drop-off in ad spending at the beginning of 2020 as the pandemic began to take hold, followed by a rebound in August 2020 that carried through the end of the year — and then another decline in January 2021. It was **the worst start to a new ad year in terms of total volume since January 2017**, according to [Standard Media Index's U.S. Ad Market Tracker](#).

The bright spot was digital advertising, which grew by **5%** year-over-year in 2020 and is expected to account for 55% of all advertising in 2021, according to [GroupM](#). It makes sense — as the scope of the pandemic became clear, brands shifted their money to digital platforms in **order to maintain a direct line of communication with homebound consumers**. (The fact that digital advertising is often cheaper than a major television spot didn't hurt either.)

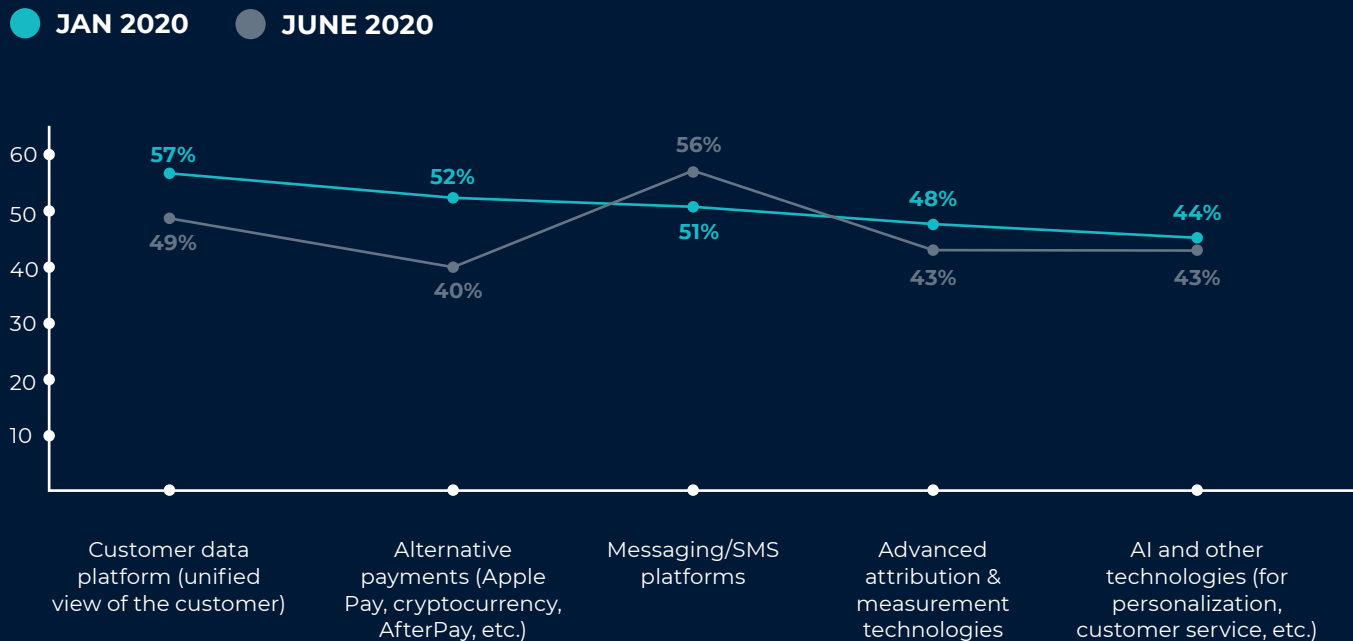
While TV advertising was down for a number of different reasons — production challenges, concerns over hitting the right note amid so many sensitive national conversations, financial woes caused by the economic downturn, to name just a few — last year's consumer shift toward online shopping did actually help TV advertisers in one sense: **attribution**.

"Before, it was really hard to track when you ran an ad on TV and then somebody went and bought [the product] in-store from a retailer," said Babak Bafandeh, Associate Partner in the Strategic Top Line Transformation practice at [Kearney](#) in an interview with *Retail TouchPoints*. "But now with more people buying online, you can tell — especially if the brand has a good DTC platform — you can actually start to see after a campaign how much success there was in that run, because people are buying it that day or the next day online."

**Attribution and behavior tracking** are becoming increasingly important at a time when the customer journey has been thrown into disarray, not just by an almost overnight shift in consumer behaviors but also by the **increasing prominence of new and varied digital communication and sales channels**.

"The customer journey is in complete chaos," said Kaneshige. "In the past, which wasn't that long ago, the customer journey was very linear from a brand's point of view — marketing convinces the customers to come in, then a salesperson helps them and converts. That doesn't happen today because we're living in an online world. **Now the brand doesn't always know where a person is on the customer journey.**"

## Coronavirus Impact: Emerging Technologies in Which U.S. Retailers Plan to Increase Marketing Investments, Jan. 2020 & June 2020



Source: CommerceNext "The Big Pivot: How Traditional and Digital-First Retailers Re-Prioritized Marketing Investments in the Wake of COVID-19"

And within this new multi-dimensional customer journey, the opportunities for intervention are often fleeting, because in many cases **digital has drastically shortened the length of the journey** as well.

"What happened in the last 12 months is that **people are consuming the media and the advertising mostly at the same places they're transacting**," said Bafandeh. "People are consuming the ad at home, they're making purchase decisions at home and a lot of times they're even buying at home, and that's going to continue."

Because of all these factors, data has become more important than ever before to retailers. The next wave in marketing and attribution will be all about **optimizing data**. There's a reason they say data is the new oil.

"**The ability to monetize data, in a safe, secure and privacy-enabled way**, is probably one of the biggest challenges of this next decade for retail," said Hilding Anderson, Head of Retail Strategy, North America at **Publicis Sapient** in an interview with *Retail TouchPoints*. "Nearly all retailers are grappling with this core question — how do I run effective marketing campaigns without violating the trust that we have built over decades with our clients?"

## THE DEMISE OF THE THIRD-PARTY COOKIE, AND THE RISE OF FIRST-PARTY DATA

The death, or to put it more nicely, “depreciation,” of the third-party tracking cookie is imminent. Safari has long blocked third-party cookies by default; Firefox rolled out its Total Cookie Protection feature earlier this year; and Google plans to phase out support of third-party cookies on the Chrome browser by 2022.

In a double blow, Apple also will make its Identifier for Advertisers (IDFA) — which does for apps what cookies do for websites — opt-in instead of opt-out when it rolls out iOS 14 updates this September.

All these moves will have a similar impact — the **minimization of unique identifiers that marketers and advertisers use to track consumers across digital ecosystems**, both to target their advertising and measure the effectiveness of campaigns. Both changes are ostensibly happening for the same reason — **consumer privacy**.

### Digital Media Challenges According to U.S. Digital Media Professionals, Oct. 2020

Third-party cookie depreciation



Cross-device attribution



Accurate measurement



Assessment of campaign ROI



Data privacy legislation



Programmatic transparency



Supply path optimization



Adapting to contextual targeting



Increasing levels of ad fraud



Fake news



Poor viewability levels



Ads delivering alongside risky context



Other



Source: **Integral Ad Science** “The 2021 Industry Pulse Report: U.S. Edition”

“If digital advertising doesn’t evolve to address the growing concerns people have about their privacy and how their personal identity is being used, **we risk the future of the free and open web**,” said David Temkin, Director of Product Management, Ads Privacy and Trust at Google in a March 3, 2021 [blog post](#), in which the company announced it would not replace third-party cookies with any kind of alternate tracking ID. “People shouldn’t have to accept being tracked across the web in order to get the benefits of relevant advertising. And advertisers don’t need to track individual consumers across the web to get the performance benefits of digital advertising.”

But it does put advertisers in a pickle: far and away the biggest digital media challenge in the next 12 months, according to U.S. digital media professionals surveyed by **Integral Ad Science**, was the depreciation of the third-party cookie.

So what then is an advertiser to do? Well Facebook for one has, fittingly, launched an ad campaign. Aimed at convincing consumers of the value of personalized ads, it's titled **Good Ideas Deserve to be Found**. For those without Facebook's ad budget, there are a number of alternatives already existing or in the works, but most professionals have one clear answer of where to start: **first-party data**.



***"I think we sort of swung the pendulum too hard into one-to-one marketing. There's nothing wrong with that, but one would say that there is enough information for you to get 90% of targeting right in a one-to-many, which is the more traditional archetype."***

Babak Bafandeh, Kearney

"I think we sort of swung the pendulum too hard into one-to-one marketing, [this idea that] each individual is super unique, let's make it super unique to you," said Bafandeh. "There's nothing wrong with that, but one would say that there is enough information for you to get **90%** of targeting right in a one-to-many, which is the more traditional archetype. You could actually use a lot of the information that is available without crossing that privacy boundary to get to the one-to-many for targeting, and then when it comes to the one-to-one, let them tell you that they're ready for that step, versus you overstep and for example pop up in their Facebook."

This kind of thinking will involve a **fundamental philosophical shift for marketers, back toward segment-based marketing** at the top of the funnel and using more generic parameters such as income range, region, affinities and certain online behaviors. Retailers would then be well positioned to create more individualized communications later in the funnel by tapping into their first-party data. Of course, that shift will require some work.

"Everything happening with cookies and the privacy issues is forcing the microscope inward," said Kaneshige. "There's still a lot of work to do on first-party data. There are a lot of data silos; there aren't very good governance models internally so there's a lot of bad data getting into the system. [Companies] are also going to have to tap first-party data from their partners through collaborative marketing. This is where you're working with your partners to share their data [to develop] **aggregated customer insights**."

Unlike some other businesses, retailers have a leg up because they have for years been collecting a treasure trove of first-party data, through **loyalty programs, surveys, subscription services, POS systems**, and more recently **apps** and **ecommerce websites**. The raw material is there, it's just a matter of using it the right way.

As an example, Clive Humby, Founder and Chairman of Dunnhumby, which helped **Tesco** enhance its Clubcard loyalty program, **said this** about why the program was so successful: "Probably the main factor in Tesco's success has been the commitment to use the data gained to drive the business. Many companies have used loyalty schemes as a sort of quick fix, promotion tool. While to a degree, a loyalty scheme *is* a form of promotion, it is an expensive way of doing this. **The real benefit of a loyalty scheme is the very rich data obtained on customer behavior**. These data improve a retailer's ability to **make the whole shopping experience more compelling**, with the right products on the shelves at the right prices and with the right promotions."





In fact, the phasing out of third-party tracking IDs like cookies can actually open up a **new opportunity for retailers to claim a central role in the advertising ecosystem.**



***“Because of these increases in online traffic, there’s a lot more volume coming in, and suddenly [brands] are looking at retailers as a significant advertising channel now.”***

Frank Riva, 1010data

“What you’re starting to see is the **retailer becoming almost a digital publisher**,” said Frank Riva, VP of Marketing at 1010data, a provider of analytical intelligence to the financial, retail and consumer markets, in an interview with *Retail TouchPoints*. “Because of these increases in online traffic, there’s a lot more volume coming in, and suddenly [brands] are looking at retailers as a significant advertising channel now. The good thing with that is you really don’t have to worry about too much of the privacy issues, because somebody has already signed up to be a customer.”

Many major retailers are doing just this with the creation of **retail media networks**. Advertising on Amazon has become ubiquitous, but other players are entering the mix:

- **Target** re-launched its in-house media company **Roundel** in 2019 to allow for the creation of “smart, personalized campaigns” using the retailer’s insights;
- **Kroger’s Precision Marketing** media advertising division aims to help brands connect the dots between in-store and online campaigns; and
- **Walmart’s Connect** division promises to help brands “get discovered” using the retailer’s “massive scale and reach.”

## TAPPING INTO THE POWER OF PERSONALIZATION WITHOUT SACRIFICING PRIVACY

Consumers are sending a bit of a mixed message these days. On the one hand, **81% of consumers say the risk of data collection outweighs the benefits**, according to a study from the [Pew Research Center](#). On the other hand, consumers want **personalized marketing** that aligns with their interests. In a [study](#) from Liveclicker and Sailthru, **62%** of respondents said it's important that brands personalize their retail experience online and in-store. That number is higher among wealthy consumers, with **81%** of those surveyed with an annual pre-tax income of **\$200,000** or higher saying personalization is important.

The key, it appears, to collecting consumer data without turning consumers off is transparency and a value exchange — offering them something they want in return.

“People are willing to exchange information, especially younger consumers, for a more personalized experience,” said Anderson. “Think of any streaming service; they’re using your data if you’re browsing Disney or Netflix or [Amazon](#), but you’re willing to do that because the result is better recommendations. **There is a willingness for consumers to share data as long as they get value.** I think the challenge comes when they don’t understand what’s happening, where it starts to be kind of creepy and they feel like they don’t have control over that data.”

“Consumers don’t just want personalization, they want **hyper-personalization**, they want a **customer segment of one**,” said Kaneshige. “Privacy is a weird, weird animal, because there’s a lot of talk about it, these laws come out about it, but the actual consumer doesn’t care about it until it goes wrong, like what happened with [Target](#). But until then if it doesn’t affect them personally, the younger generation is not so much concerned about privacy. They just want to make sure they get something out of it.”

The good news is that the **opt-in action** — whether it be to a loyalty program or an email list or an app — gives retailers freer rein to then take the data they are gathering and use it to offer up **personalized assortment selections, promotions and ads**. It also allows retailers to start to **track consumer intent**, and get ahead of the game with offerings that predict what the consumer wants before they ask for it.



***“The further down the funnel you get, generally the higher ROI there is for personalization because you can directly influence that final click to buy.”***

Hilding Anderson, Publicis Sapient

**“The further down the funnel you get, generally the higher ROI there is for personalization because you can directly influence that final click to buy,”** said Anderson. “One single personalization, right when they’re ready to buy, is very powerful, and you can also influence the basket size. One of the things grocers are doing now is, at checkout they surface **five or 10 items** based on what you shopped for before. So in my household, it might be homemade guacamole. It’s super expensive, very good, but I don’t always add it when I place my digital order. Generally as you get closer to that final checkout, the ability to personalize at that stage is quite valuable.”





## REALIZING THE TRUE POTENTIAL OF OMNICHANNEL RETAIL

Last year, digital commerce stole the spotlight, but now as consumers begin to return to stores, retailers have an opportunity to create truly **dynamic, integrated environments** that deliver on the promise of omnichannel retail.

“Once things come back to a little bit of normality, people are going to have this **screen fatigue** and we’re going to swing the pendulum back to more **experiential, in-person shopping**, even for the simple items that they were buying online before,” said Bafandeh. “And for a lot of brands, the big miss will be if you can’t connect the dots between your **online shoppers and the person in your store**. A lot of the marketing/advertising work has to be about **making people feel good about being back**. Recognizing, ‘Hey, you are a customer, we know you were shopping online with us, welcome back.’”

Most retailers haven’t yet built out the infrastructure to make this connection between online and offline shoppers, said Anderson. “Something like **two-thirds or more of shopping data is actually offline shopping data**,” he explained. “Most retail stores haven’t integrated all that offline data with their online data, and so they’re really only seeing a small part of the consumer’s buying patterns.”

The ability to **integrate these two data sets and create a personalized experience** that meets shoppers where they are, with messaging relevant to their needs in the moment, will be a true differentiator in the post-pandemic retail era. One could argue there has never been a more crucial time for retailers to get this right, as consumers navigate a delicate balance between ongoing safety concerns and the desire for a return to normalcy.

“There still is a lot of fickleness right now, because you don’t know how many of those people might go back [to their pre-pandemic patterns],” said Riva. “I think it’s too early to say how the whole journey has shaken out. You could say we built a highway [before the pandemic] and nobody used it, but guess what? Now everybody’s using all those different roads. **The question is, what’s the traffic volume going to look like moving forward?** I think for anyone to say they have a set answer on that is just not accurate. It’s too early. We don’t know how all those roads are going to be used. It’s more a matter of **building out the infrastructure** and then starting to monitor where things are going.”

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201.257.8528

[info@retailtouchpoints.com](mailto:info@retailtouchpoints.com)



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### ABOUT THE AUTHOR

Nicole Silberstein, Ecommerce Editor

Nicole covers the retail industry at large with a focus on ecommerce, looking at digital innovation and the evolution of modern retail.