Future-proofing your digital measurement for the post-cookie era

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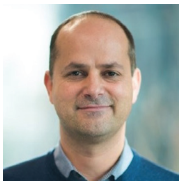

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Abstract After Google's most recent announcement[1], third-party cookies are expected to be fully deprecated from all web browsers in mid-2023, when market-leading Google Chrome joins Apple's Safari and other browsers in no longer recognising the bits of code placed on web browsers that help companies understand consumer behaviour across the internet. As such, the trusted open internet will lose its current basis for advertising campaign measurement and attribution. The primary way in which advertisers and publishers currently derive insights into ad effectiveness will go away, impacting everything from how brands decide to spend their advertising budgets and grow their businesses, to how publishers fund themselves and survive in the future and how valuable the internet is for consumers around the world. Despite the extended timeline (the change was originally scheduled for January 2022), the countdown is still on for the industry to adapt. So, what will the future of advertising on the open internet look like? How will consumer consent be recognised and success be measured? And what actions do advertisers need to take now to get ready for the change? This paper will address important factors to consider, and why identity solutions, consumer privacy and first-party data should be at the heart of advertiser contingency plans.

KEYWORDS: cookies, digital advertising, online publishing, data privacy

THE ISSUE

To know if an endeavour is worthy of ongoing investment of time and resources, it is essential to have some sort of measure of success. For education, that measurement is exams and career opportunities. For cooking, it is the appeal and taste of the final dish. For air travel, it is the safe arrival of passengers at their destination.

The same is true for online advertising. If you do not know if your advertising is effective, there's no logical reason to continue to invest your time or your company's money in it, when those resources could be used for other potentially more measurable growth strategies.

However, much of the debate around online advertising today centres on the ability for brands to deliver ads, not to measure their effectiveness.

This focus on relevancy vs. measurement stems from the concerns for consumer privacy when it comes to the types of data used to make those ads relevant, as has been highlighted by data privacy scandals brought to light through scrutiny on, for example, major social media companies. Recent legislations, including Europe's General Data Protection Regulation (GDPR) and the California Privacy Protection Act (CCPA), are high-profile manifestations of those concerns.

Some characterise the forthcoming move away from third-party cookies — the little bits of code dropped on consumer web browsers to help understand online behaviour — as a part of a trend in respecting consumer privacy (see Figure 1).[2] Other point to the strategic business advantages likely to accrue to the large technology companies, which are also major proponents of this change[3-5](eg, Google and its Chrome browser).

This difference in interpretations has led to a vast number of webinars, column inches and boardroom debates across the sector in recent months around the topic of delivering relevant advertising in a post-third party cookie world.

However, focusing on simply reaching audiences risks missing the point.

Even if the industry were to wave its collective magic wand and create a universally adopted way to deliver relevant online advertising tomorrow without third-party cookies, it would not be of great value. Just as measuring safe take-offs without measuring safe landings will not inspire passenger confidence, without being able to effectively measure success, being able to deliver relevant ads is close to useless.

While third-party cookies have been a popular mechanism for measuring return on investment from advertising for a long time, they are far from perfect. In fact, they have been less and less prominent in the process of delivering online advertising for some time. As illustrated in the graphic (see graph) less than half of internet traffic today is associated with a third-party cookie.

One consequence of this is that advertising budgets are being skewed towards the measurable part of the internet, increasing the competition for smaller volumes of online advertising inventory where cookies are present. As a result, publishers find it harder to monetise their entire audience. Without third-party cookies, the only signals that brands have to base their advertising on are

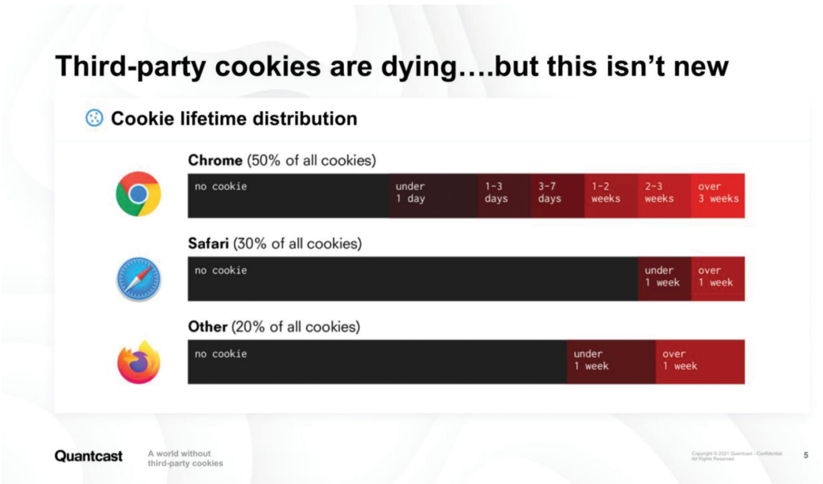

Figure 1: Some characterise the forthcoming move away from third-party cookies as a part of a trend in respecting consumer privacy

contextual (content on the site, time of day, etc) or their first-party data (eg registered users signed in). Contextual data alone is not sufficient to drive impact for brands at scale, and few publishers have the brand, loyalty or value required to drive a meaningful percentage of their audience to register.

When third-party cookies go away, the existing spectrum of techniques that facilitate the delivery of relevant advertising may no longer be possible. This includes frequency capping (limiting the number of times a browser is shown a given advert) and sequential messaging (showing a specific series of ads in a particular order over time to tell a story).

Without alternative solutions, online advertising is about to become a whole lot dumber.

WHAT SHOULD BRANDS AND PUBLISHERS BE DOING NOW?

There are five areas that brand and publishers should be focusing on right now:

Prioritising measurement: Brands and publishers should already be in the process of testing new ways to deliver and measure online advertising with partners that are not solely reliant on third-party cookies.

Consider consumer relationships and experience: Solutions that enable measurement at the sacrifice of consumer experience will not be a long-term fix. If presented with overly interruptive pop-ups and logins, consumers are likely to go elsewhere for their content and news.

Begin testing new ideas to drive compliant first-party data: For brands especially, curating a significant volume of first-party data — that is data that they collect from their customers directly — will be essential. We can expect to see new ideas when it comes to brands offering a value exchange, such as offering discounts and deals for consumers who are logged in to their site or have signed up for a newsletter.

Test new experiential opportunities to engage your desired audiences: Even some very large brands like P&G or Nestle do not enjoy direct relationships with consumers as their products are sold via other retailers. Brands should be considering live events or experiential marketing opportunities (now increasingly an option thanks to vaccine rollouts worldwide) to get in front of their consumers and build relationships. This data gap between large brands and their end consumers is one of the reasons behind the large growth in the direct-to-consumer (DTC) market.

Compliance: Compliance with applicable legislation is table stakes. Many companies had to erase vast amounts of data when GDPR came into effect. Non-compliant techniques, such as pre-checked opt-in boxes or unclear explanations of how data will be used, will not help build trust with consumers.

THE ELECTRICAL WIRING OF ONLINE ADVERTISING

So just how do things work today?

In simple terms, online advertising delivered automatically at scale today (known as programmatic advertising) relies on third-party cookies to recognise a consumer's browser during its online journey after its user has left a brand's site. That browser can then be shown advertising for, say, the specific product or category of product until the campaign hits the previously identified optimal ad frequency and number of impressions and, all being well, the consumer comes back to the brand site and makes a purchase or 'converts'. This 'retargeting' and 'prospecting' model of advertising accounts for a significant share of programmatic advertising today, and when retargeting is done using stale or incomplete data, consumers feel pursued all over the internet by products they have already bought.

Even without third-party cookies, brands and media agencies will still want to understand a consumer's journey but will only be able to recognise their browser for the period of time they are on a particular brand or publisher website. Once they leave that site, they will be untraceable and will look like a brand-new user if they come back. The opportunities to waste advertising budgets on irrelevant audiences or to irritate consumers with ad bombardment will increase exponentially if an alternative model is not found.

THE LAW OF UNINTENDED CONSEQUENCES

The COVID-19 pandemic created an interesting paradox for publishers. Just as the world flocked to online news sites to find information about lockdowns, infection rates and vaccine research, brands reduced advertising on those sites. Not wanting to be associated with a negative topic, marketers stopped campaigns running alongside articles about the pandemic, just when we as a society needed well-funded, reliable, editorial content.

That is just one example of the precarious nature of the publishing business model. The industry has been suffering for years as the traditional ad-driven business model has become harder and harder to sustain.[6] As a result, we have seen increasing numbers of publishers take to subscription models in recent years, putting up paywalls between readers and their content.[7] Access to quality journalism is already being limited to those who can afford it, and this multi-tier internet is in danger of becoming a reality.

Recent legislation, like GDPR and the CCPA, have presented publishers with new challenges, as they seek to respect consumers' choices and comply with evolving regulations.

Additionally, there has been a gradual trend among the more powerful internet companies to make sweeping changes to their own practices in the name of protecting consumers.[8] While these changes are often positioned as protecting consumers, they also result in benefits to the companies making them.[9] Google's decision to remove third-party cookies from Chrome is one such example, as highlighted by the articles mentioned above.

The collective impact of a weakening business model and new pressures brought on by legislation and the control of big tech companies could have disastrous effects.

In a world of fake news, deep fakes and global pandemics, it has never been more important for us to have access to reliable information online. And it is not just the big global stories. Perhaps the most important news about the world around us comes from within a mile of our front doors. How are our local taxes being spent by your city or county? How did your child's school perform in the latest inspection? How has funding for your local police department changed this year? Which local politician has been caught embezzling money?

It is these close-to-home stories, which the national press do not cover, that are the bread and butter of local news outlets, yet it is these publishers that have been hit the hardest.[10] Without the brand strength needed to command paywalls and subscriptions, their options are limited. Since 2004, more than 1,800 local newspapers have closed across the United States.[11]

Some may question the value of smaller outlets, including blogs and citizen journalism, but value is subjective. A major investigative news story broken by a huge national news title is valuable to us as a society. Being able to quickly get free access to a great pancake recipe on a blog could be incredibly valuable to a parent dealing with hungry kids at 7 am on a Saturday morning. Advertising is essential to that blogger, and a large part of the internet which we value as consumers is at risk. Yes, we have to acknowledge the bad parts of the internet, but we should spend more time celebrating and trying to protect the vast majority of great, valuable, informative and entertaining content.

THE PATH FORWARD

The challenges in sustaining a free and open and trusted internet, funded by advertising in a way that better protects consumer data privacy, will not be solved by any one organisation. It will take a wide spectrum of companies from across the online publishing, advertising and technology industries collaborating together to carve a path forward.

There are three pillars that should be the focus of every organisation that is impacted by this change:

Industry standards: It is vital that every player seeks partnerships, opportunities for collaboration and idea sharing that will benefit the collective network of companies involved in delivering online advertising today. It is only by bringing together diverse ideas and perspectives that we will build an internet that will thrive for years to come. By sharing insights and approaches to tackling the problem, we can 'check each other's work' in a self-regulating system that establishes reliable and thoughtful industry standards.

Interoperability: No one solution will suit the diverse needs and contexts of the vast range of audiences and companies involved in the online ecosystem. This is reflected in the numerous alternative solutions[12] coming forward from different parts of the industry. It is essential that these diverse signals reflecting consumer consent can be recognised and incorporated into the process of delivering and measuring online ads.

Innovation: The answer to this moment of change cannot simply be a convenient work-around to the data privacy issue and absence of third-party cookies. Any such solution will simply become the next target for regulators and consumer grievances. Instead, we must leverage increasingly available technologies like AI and machine learning to deliver innovative new solutions that will sustain a free and open and trusted internet for years to come.

CASE STUDY: DFS

DFS is an iconic UK brand and the country's largest retailer of sofas and other furniture. Founded in 1969, the company employs more than 5,000 people in the UK, Republic of Ireland, Spain and the Netherlands.

DFS's Senior Digital Marketing Manager, Catherine Woodford, is leading the company's response to the change and identified two areas of specific challenges:

Impact beyond digital advertising: As with many brands, the insights they derive from their online advertising campaigns goes on to inform other parts of the business. For example, when the audiences engaging with a recent ad campaign differed from the demographics they expected, those insights were passed on to the sales team as well as the team running their TV ad campaigns to ensure the opportunity from a newly identified audience was maximised across the business.

Importance of freedom of choice: Catherine points out that marketers need the freedom to choose where their ad budget is spent. If more ad dollars are directed to the large tech companies, she is concerned that choice will be eroded, including losing the impact of advertising alongside high-quality journalism on publisher sites.

DFS is taking a three-pronged approach to preparing for the forthcoming deprecation of third-party cookies:

Driving compliance through consent: DFS already uses a consent management platform on its online properties to gather consent from consumers for their data to be used to provide a more relevant online experience.

Building our first-party data: That consented data is being used to build up a valuable and rich source of insights about their audiences, insights which can then be used to refine and increase the effectiveness of their online campaigns.

Taking a collaborative approach: DFS has established an internal working group to bring together key stakeholders from across the business. In addition, this group has been expanded to incorporate their partners, including media agencies and advertising technology providers.

One of Catherine's main focus areas is education. Many consumers may not be aware that they have been enjoying a value exchange online for years, in the exchange of their data for high-quality news, entertainment, and more recently, education and new connectivity tools like video calls. As Catherine points out, consumers are not at fault for this lack of insight. It is the responsibility of brands and publishers to close the knowledge gap and help consumers make more informed choices and understand what they get in return.

In DFS's case, this includes creating a more relevant and easy-to-use online experience by remembering customer preferences, selections and so on. These can then be used to inform consumers on upcoming price changes, for example. In their experience, many consumers are very happy to have a more convenient experience in return for the data they share.

CONCLUSION

Despite the potentially daunting challenge ahead of the online ecosystem, the future is bright for the companies that can successfully navigate this change.

Honesty and openness are the secrets to many strong relationships we have in our personal lives. This leads to trust, which leads to loyalty and advocacy. You support and stand up for your friends and your loved ones. The same dynamic is emerging in the relationship between organisations and the people they interact with. By being clear about what data is being collected, how it will be used, and the value being offered in return, brands and publishers have a unique opportunity to foster strong relationships with their consumers and audiences in the long run.

Brands especially have an important role in sustaining a free and open and trusted internet that delivers a diverse range of ideas and content for consumers around the world. As the open internet becomes an easier place to buy advertising, through new innovations driven by AI and machine learning, they will have an opportunity to spend their advertising dollars directly where they will help a more varied range of smaller and independent publishers while effectively reaching their most valuable audiences and even improving their campaign results.

The alternative is not an option. If more and more brand spending continues to flow to a few very large companies which rely on reinforcing algorithms to keep us engaged, our access to diverse ideas and perspectives beyond what we already believe will be reduced. The result will be an increase in the polarity of the online political and social conversation. We should all feel motivated to act to prevent that outcome.

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