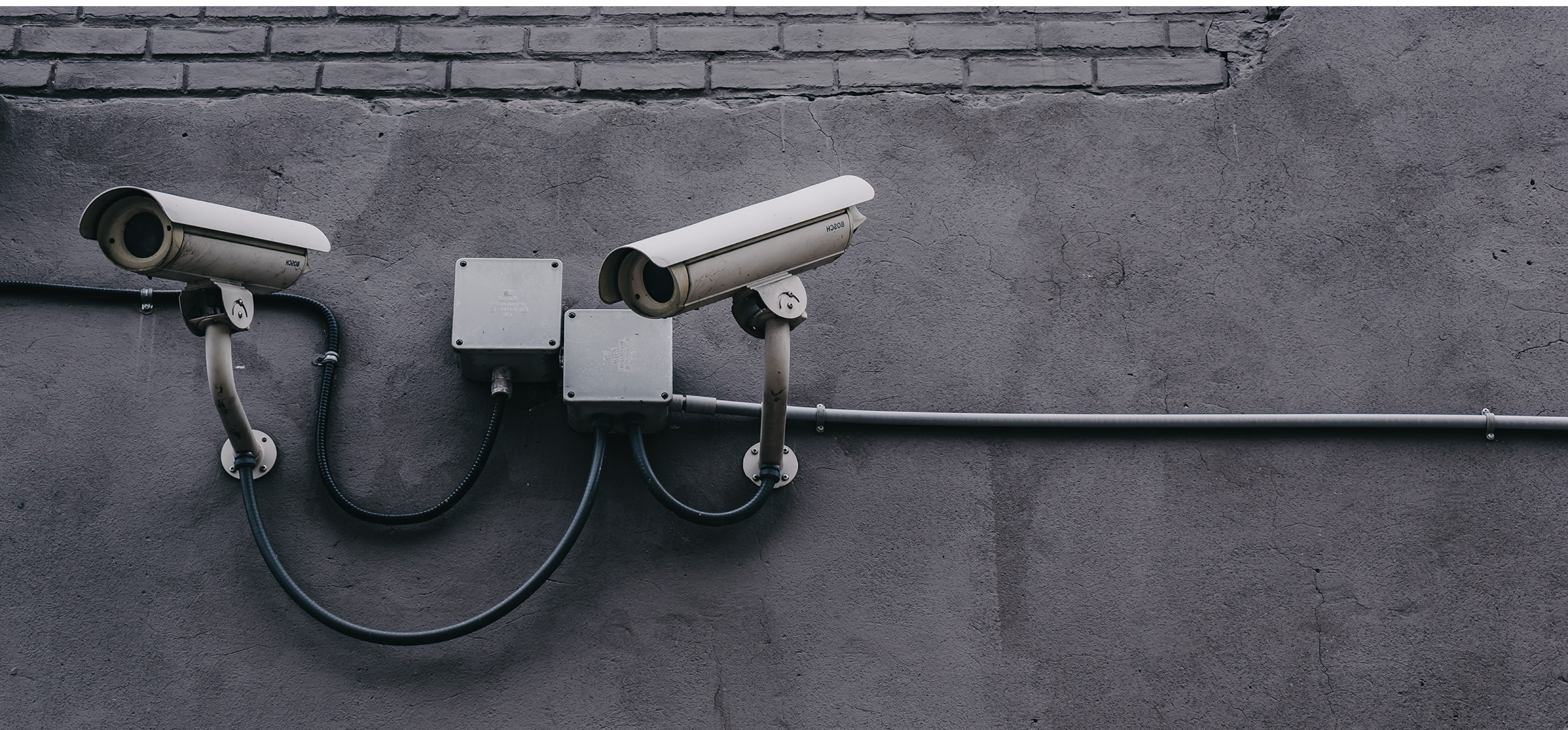
PRESS RESET:

WHY A COOKIELESS FUTURE COULD BE THE FRESH START DIGITAL ADVERTISING NEEDS

M&C SAATCHI PERFORMANCE



You could hardly have failed to notice that Google expects to phase out support for third-party cookies starting mid-2023. This is already a 12-month reprieve as Google felt advertisers and suppliers needed more time to choose the right solutions.

However, Apple already forged ahead with its App Tracking Transparency (ATT) update in April 2021, allowing users to opt out of being tracked to show targeted ads.

With these two initiatives adding to GDPR and ushering advertisers into a 'privacy-first' era, it can seem as though the consumer is about to 'go dark'. All the tools and tactics advertisers have been used to using for the last 20 years are about to be rendered obsolete. Unsurprisingly, the big question on everyone's lips is 'What next'?

Certainly, burying your head in the sand is not an option. Leading companies are already working with their suppliers and partners to find a way to navigate this new landscape. If you don't act, you will be left behind. However, despite the challenges posed by the phasing out of the cookie, there are solutions – and even opportunities – in the post-cookie world. We don't believe we're being too optimistic when we say that this could even be a reset that is long overdue, and that the industry badly needs.

But before we get ahead of ourselves, let's look at the immediate challenges because while the future is most definitely bright, there are undoubtedly some hurdles we have got to clear first.

REMOVING THE COOKIE – THE AFTERMATH

First up, when we said don't bury your head in the sand, it's no idle comment. Even barely a year and a half out from the end of cookies and most companies haven't put any strategies in place to cope with the change. Recent research from Ad Age shows that "more than half of marketers have a high sense of confidence in their company to navigate the future of privacy and identity, 70% say they do not have the resources necessary to move through the change with success"[1].

Without an alternative, removing cookies will see a big drop off in conversions. We're already seeing this in the new Apple privacy universe. A lot of the social platforms have seen a decline in measurable sales, with Bloomberg reporting that Facebook can "no longer reliably see how many sales its clients are making" impacting showing ads to new customers and retargeting.[2]

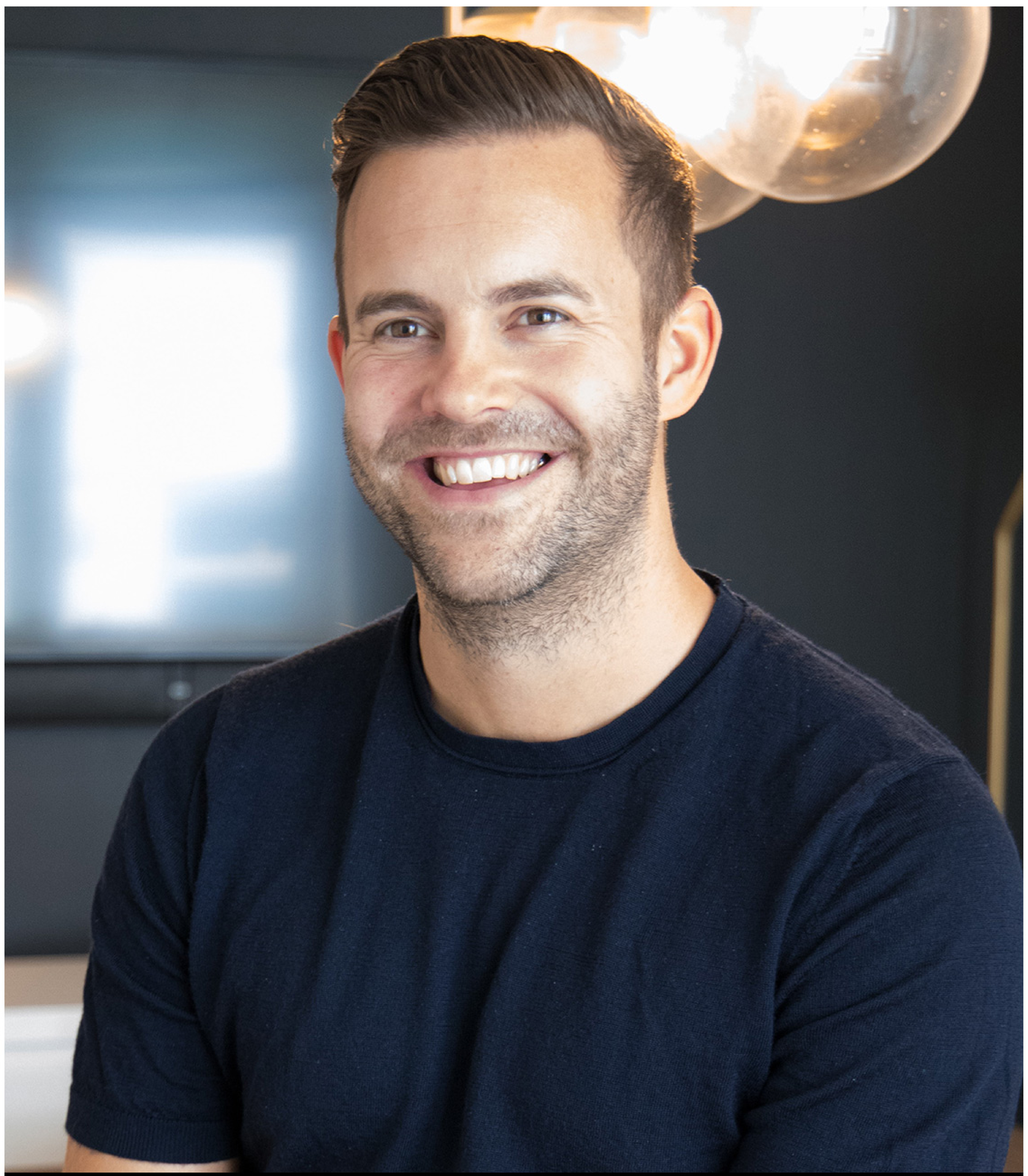
70%

OF MARKETERS SAY THEY DON'T HAVE THE RESOURCES TO SUCCESSFULLY MEET THE CHANGE

Across the digital universe in general, that granularity of data that marketers have been so reliant on for tracking and optimisation is going to disappear. This clearly has huge implications for brands' access to data and campaign measurement capabilities. Things like multi-touch attribution (MTA) and rewarding platforms for their specific contributions to a conversion will be lost.

Andy Platt, Performance Media Consultant, likens the process of ad targeting post-cookie if no action is taken to "throwing spaghetti at a wall". 'Spray and Pray' has been used by some advertisers as a successful method of capturing an initial brand engagement online but that won't be fit for purpose as you can't capture much engagement information or build user profiles. "Costs could rocket, while conversion falls," Platt warns. "There will be some performance data, but you just won't know what is working."

While consumers would naturally hope that by removing permissions for app tracking would be in their favour, the reverse is actually true. Brands will still advertise, it's just not clear where or to whom they should target those ads. So now, visitors to platforms just see a bunch of irrelevant ads. This experience is good for precisely nobody.



ANDY PLATT
PERFORMANCE MEDIA CONSULTANT

PREPARE YOUR POST - COOKIE STRATEGY

The good news is that companies don't need to be dependent on third-party cookies. There are many more ways brands can gather and use pertinent information and even target consumers more effectively than before. The path might be a little bumpy to start, but it's a road worth taking. More importantly, it's a journey you should start today.

> **WE LIVE IN A PRIVACY-FIRST WORLD. IT'S BEST TO ACT NOW.**
>
> **DHIYAY CHOHAN**
> Global Head of Programmatic

CLEAN HOUSE & BUILD TRUST

"We live in a privacy-first world. It's best to act now," insists Dhiyay Chohan, Global Head of Programmatic, M&C Saatchi Performance. Even though it has a scant 18 months left, he advises working on your current cookie strategy. Make sure you're collecting the correct cookie consents now, tell the user how their data is going to be used. The message is clear from the start: Get your house in order.

We need to get our house in order because, over the last 20 years, data and consumer targeting has acquired a really bad reputation. Even today, in a post-GDPR environment, 63% of consumers think companies aren't transparent about how they use their data and a mere 27% state they completely understand how their personal information is used. On Consumers don't want to be followed round the web by products they've bought or accosted by pop-ups every page they open.

They do want a targeted experience, with more than half (52% stating they expect their offers to be personalised, but on their terms. The consumer is starting to realise that they are the owners of their data and they're very aware of who they're willing to share it with.

"Privacy is unarguably a good thing. When people re-gain some control over their digital footprint, the resources and technologies that come along to negotiate that information/value-exchange makes the relationship with media more transparent and trustworthy," says Michael Hew, Media Supervisor, M&C Saatchi Performance.

That is going to be key over the next two to five years – building trust and transparency between brands, consumers and agencies.

SCOUR YOUR DATA SOURCES

To replace cookie data, companies will need to be much more intentional about how they acquire the information they need to target customers effectively. This means moving to a first or even zero-party data approach. It will be a fine line to tread and one that could present some initial challenges for businesses that don't have well-connected systems, or mechanisms set up to collect that information.

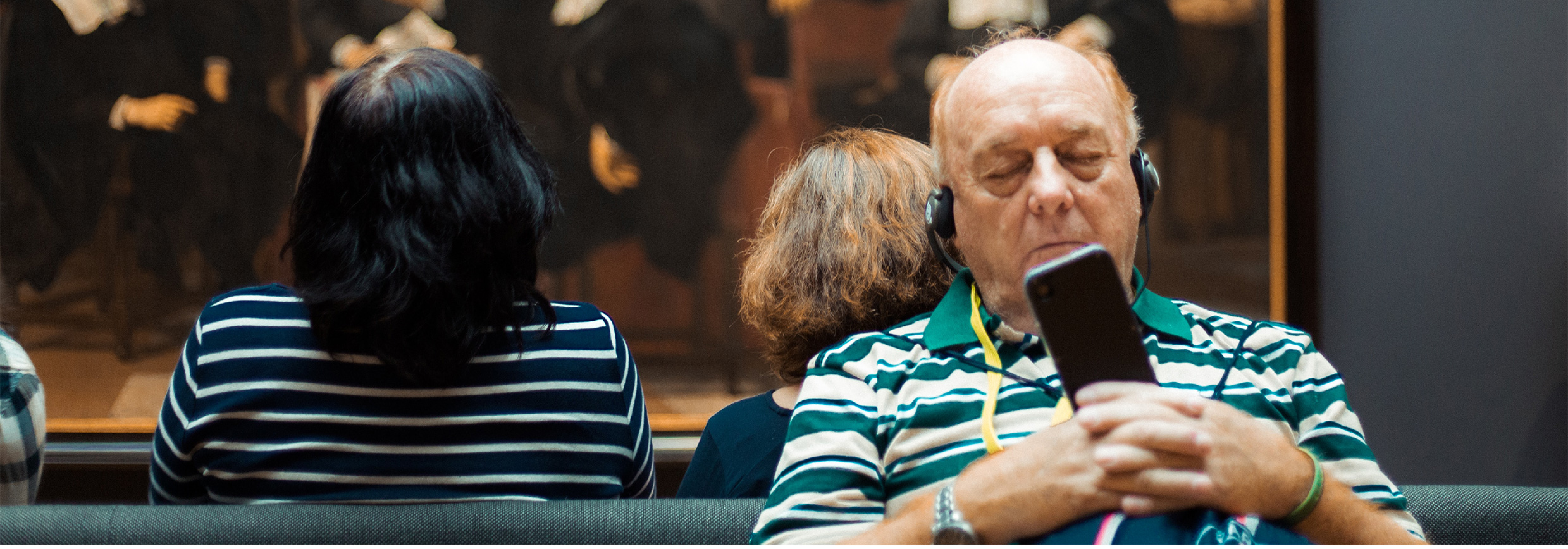
THE FIRST PARTY CHALLENGE

"Some brands possibly haven't got a data warehouse to store information, or one that connects to systems like their Customer Relationship Management. There will also be a market for other companies selling first-party data. Brands will want to take advantage of that in a very cautious and ethical manner. Ultimately, if companies are getting data from other third parties and the customer isn't aware of it, we'll be back to the same issue of bombarding consumers with ads they neither expect nor want," warns Dane Buchanan, Global Head of Data, M&C Saatchi Performance.

It doesn't mean don't forge data partnerships; it just means do so with care. Advertisers should be testing out the capabilities of data partnerships with complete audience sets, as well as the prospect of recombining those with their own data in Data Clean Rooms. But again, this presupposes the existence of strong privacy protocols and well-structured first-party data, perhaps with Customer Data Platforms and Data Management Platforms.

Some are already looking to the use of Universal IDs to plug the gaps left by third-party cookies. Research published by Warc in partnership with Lotame suggests that 51% of marketers and publishers are actively searching for an identity partner, while two-thirds think there will be multiple solutions needed to manage customer identity. A further two-thirds plan to use identity graphs[3]. Lotame also surveyed marketers across different geographies to find out how they plan to fill the gap and discovered that people-based/identity solutions were most popular worldwide. The least popular methods appear to be expanding prospecting or defining more relevant audience segments, suggesting that marketers are still keen to find some kind of way to track customers effectively, rather than take the hard yards of actively seeking new customers or drilling down into customer needs and behaviours.

52% OF CUSTOMERS EXPECT OFFERS TO ALWAYS BE PERSONALIZED



SWEAT EVERY DATA ASSET

It's important to note that successful targeting doesn't depend solely on first- or zero-party data. Marketers have become so used to the granularity provided by third-party cookies that they have all but forgotten the value of contextual targeting, such as where the ad is placed, whether the environment is relevant to the product or business and there should be more emphasis on this. Advertisers will have to explore their options. More planning will be needed, in terms of cost, feasibility, risk and responsibility. With emphasis on the latter because to go back on these principles would be counterproductive.

There's also the issue of making more use of the data companies already hold – have you forgotten that you're already sitting on a goldmine of customer data? From user site behaviour to purchasing patterns, customer service interactions and trends, there is a lot of work that can be done in capturing those insights and using modelling techniques to predict how certain customer segments may react. After 20 years finding the devil in the detail, we somehow forget how effective it is to look at the bigger picture.

"Most companies aren't doing anything much with their first- or zero-party data because they are reliant on platforms like Facebook delivering lookalike audiences. Instead, brands should be taking this away from Facebook and doing it internally. Identify your highest value customers and once you understand what they look like, start nurturing that relationship," insists Platt.

"Speaking to Drapers, Seasalt's director of digital, Tim Ryan, said that the fashion brand would inevitably lose sight of what customers are up to online, but has contingencies:

"The changes means that we will in effect have less visibility on what is going on [with customer's online behaviour]," says Ryan. "To limit the impact, we are concentrating on the data that we do have, creating relevant segments and bespoke customer journeys based on these. For us it is about knowing what we know and knowing what we don't and using testing to better understand what we don't know. The cookieless future is going to drive the importance of testing even more in digital."[4]

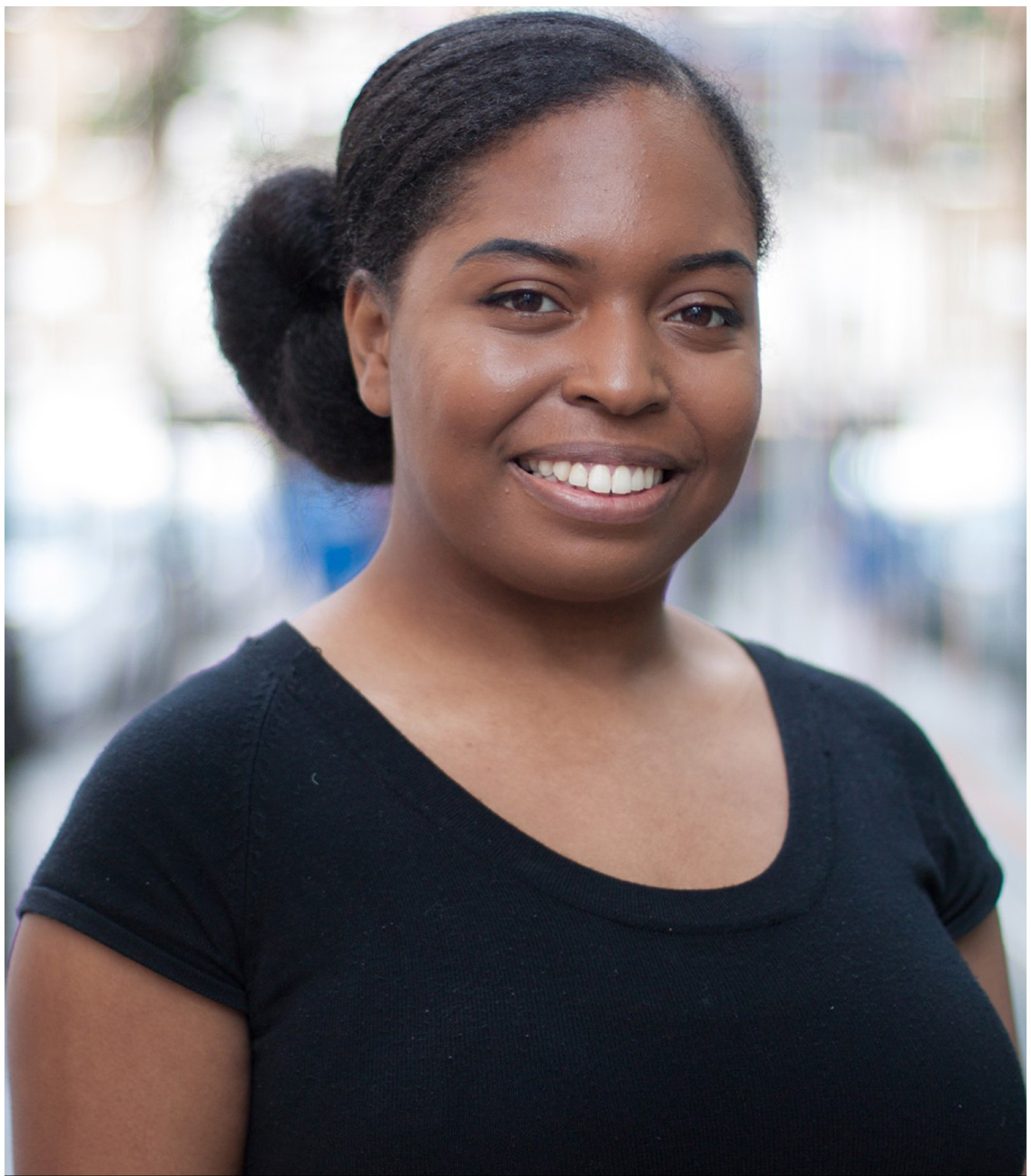
"Instead of Black Friday emails clogging up their inboxes, you need to create more of a one-to-one dialogue, with more effort on the brand side so you get a better idea of who they are what they like and don't like and engage with them so you can figure out how to acquire more people like them," Platt advises.

DEFINE VALUE EXCHANGE

If more data is really what's needed, the best way to get it is to provide engaging, valuable experiences that encourage customers to share vital information. Loyalty programmes have been the main tool for acquiring zero-party data since time immemorial (or at least since 1995 and the Tesco Clubcard).

But even here, the customer wants brands to go the extra mile. It's not enough to offer a discount or a freebie. Value, exclusivity, engaging content and aftercare are critical if you're to gain that all-important digital engagement that encourages sign ups, logins and other opportunities to capture data.

Equally, there has to be a good reason. "Why should I as a consumer give you my data even if you're specifically asking for it?" Chohan suggests, "Marketers need to understand what they are giving the consumer in return for that data and why they would accept those terms."



MICARLA JOSEPH
SENIOR DIRECTOR – BUYING

RICH CONTENT DRIVES THE DEEPEST DIGITAL ENGAGEMENT

ENGAGEMENT RATE BENCHMARKS

INDUSTRY	MONTHLY VISITS	UNIQUE VISITORS	VISIT DURATION
PUBLISHERS & MEDIA	25.3B	421.6M	06:36
ECOMMERCE & RETAIL	16.5B	490.7M	06:48
TV, MOVIES, & STREAMING	43.8B	613.9M	18:27
SOCIAL NETWORKS	51.5B	493.7M	08:45

Micarla Joseph, Senior Director - Buying, M&C Saatchi Performance adds: "We will see a change of behaviours on site. Advertisers in the past have relied so heavily on their advertising tactics that once a user arrives on site, they're left to it somewhat. What we will hopefully start to see is advertisers more aware of the need to nurture customers on site and keep them with them over a longer journey."

Businesses as well as publishers make consumers sign in to access content. There are going to be different business models here – subscribers get ad-free experiences or minimal tracking while free access sites monetise through advertising. However, there will still be some aggregation of data to keep showing the consumer content that meets their interests.

This could also mean there is much more movement in terms of partnerships between publishers and advertisers, with space for more creativity. "Publishers are going to get savvy, making relevant content in the digital space. Before, it was just retargeting for performance stats but now planning campaigns will centre around thoroughly understanding the brand and contextually planning campaigns," Chohan insists.

Mobile's influence will be huge. Not only has it moulded customer impatience meaning brands have to do a daily dance with mobile site or app richness of content and design with navigability and loading times, but it is also setting the standard for what engagement means.

DON'T THINK BRAND VERSUS PERFORMANCE

THINK ABOUT CHANNEL VALUE

With consumers largely mobile-first, M-commerce sales are expected to make up over 10% of all US retail sales by 2025, meaning that engagement on mobile will also rise to an all-time high[5]. China, as always, is leading the way with mobile engagement tactics, demonstrating just what rich experiences look like. This is particularly true of Livestreaming, which has seen it become more than 10% of the entire ecommerce market in just a few short years[6].

Some brands choose to use these tactics within existing walled gardens or marketplaces, like cold-brew coffee brand Quivr, which sees a 150% rise in sales in the 24 hours following each livestreaming session. Or Nordstrom which has its own Livestreaming channel, featuring employee experts and virtual personal shopping advice. To access the streams, all users have to do is RSVP and attend – sharing their data, their behavioural insights and even that sought-after one-to-one engagement Platt mentioned earlier[7].

RE-EVALUATE THE MIX & THE MESSAGE

All too often we talk about brand versus performance marketing. This is going to give us the chance to reset the marketing mix, take a step back and think about the digital channels' other values. Start with a customer-first approach to its properties – it's creative, it has reach and it's engaging. These are things that have all been disregarded in favour of its cheap scale. This helps digital become more integrated in your planning alongside TV, cinema, out-of-home and more, without getting side-tracked by big numbers like a 20% lower CPA on Facebook.

If we start to value digital in a different way, there could be an interesting change in how we use it to communicate with customers. Price has historically been the key factor but over time we could see other aspects that are important to customers taking precedence.

What is going to drive not just engagement, but high value interaction? Engagement that makes customers come back time and again. Because while price may grab attention today, ultimately what sways consideration is product and content.

If marketers feel that their targeting safe space is about to be yanked out from underneath them, the temptation is to straightaway seek out another. That's why many anticipate something of a flight to the walled gardens of Google, Facebook, TikTok et al – despite the existing concerns over reporting and privacy.

The walled garden does have its place in the marketing mix but perhaps it's time, as part of this grand reset, to re-evaluate just how much they contribute to long-term customer value and the brand's overall ability to reach new segments.

Hew advises: "Advertisers should look to preserve, but not rely on relationships with walled-garden partners. These channels are not the entirety of users' digital lives and though convenient are not a substitute for a healthy channel mix."

He continues: "Walled-gardens have been known to face measurement challenges and have their own opacity issues which are at-odds with the privacy value exchange. Despite significant one to one data relationships with audiences, getting data out comes with its own challenges in collaboration as gardens have walls for a reason."

Joseph agrees that the data ownership angle does limit the walled garden's overall usefulness and that removing the current over-reliance on it may impact figures in the short term: "How advertisers manage the relationship is important. The key is to make sure activity is part of a wider integrated mix. We have seen marketers rely heavily on Google and Facebook to keep their performance figures higher. They have to understand that performance may drop when cookies end, and they may have to change channel mix, but don't rush to walled gardens – diversify."

IS IT TIME TO BREAK OUT OF THE WALLED GARDEN?

"The challenge is going to be weaning marketers off the granular data drug over the next two to three years," Buchanan says. It's not going to be easy. Whatever can be said about the figures coming out of digital advertising in terms of fraud or inflation, the one thing you can't deny is that there weren't plenty of numbers to help the marketer make their case to the holders of the purse strings.

As cookies vanish, it's not entirely clear what will fill the void. Hew warns: "Technologies like Google's TURTLEDOVE initiative is meant to replace this but like FLoC, may have its wings clipped, and hasn't proved effective yet." However, despite their being no clear heir to cookies, Hew does suggest that: "those willing to look into these tools will be advantaged."

And we're not short of speculation or options. Many suggest we'll go back to marketing first principles and have to get comfortable again with a degree of uncertainty. Pre-digital, brands were willing to invest heavily in TV and Cinema, despite measurement being much more about who the audience was, does it chime with customer trends and, of course, the bottom line.

> **"MARKETERS MUST BE WEANED OFF THE GRANULAR DATA DRUG"**

"Attribution itself was never the full picture. It was the full picture for digital marketers, and it became a line in the sand, creating a dichotomy in the marketing department," Buchanan suggests. "With the exit of attribution, we now need to go into a more holistic view that combines performance and brand, so we all speak the same language." But he warns, "it will take a while to get there".

WHAT WILL THE NEW MEASUREMENT LANDSCAPE LOOK LIKE?

We're going to see a shift away from deterministic, user level attribution, towards incremental measurement approaches such as geo or matched market testing and media mix modelling. Marketer's will begin to see why attribution doesn't equal incrementality and how by optimising towards incremental outcome, brands can drive the best business results for their clients. This will involve a multi layered measurement framework:

1. Media testing and experimentation – the only unsuccessful test is the one you don't do. Testing has been front and centre for digital marketers for the last decade, we just need to shift the focus to measuring the incremental impact. Testing is also vitally important for verifying and understanding the results within walled gardens.

2. Media Mix Modelling (MMM) – a holistic measurement approach that unpicks the incremental impact of your media activity on a brands most important metrics. Outside of media, it allows you to understand all key drivers of your business e.g. price, promotions, seasonality etc. You need a solution that provides both tactical and strategic recommendations, at the speed and granularity digital marketers need.

3. Attribution will still be here, albeit in a reduced capacity due to the loss of signals. But it will play a role in optimising within channel budgets and giving added detail to the MMM recommendations.

Ultimately this multi-layered measurement framework allows brands to plan strategically and respond tactically. It will also help brand and performance departments speak the same language, making sure recommendations and goals are embedded across the business. But, as Buchanan warns, it could take at least 6 months to a year to have an impact, even more proof, if proof were needed, that brands need to act today to see off any shortfall caused by the loss of cookies.

“To change a culture takes time and it will hurt a bit, but this is good pain. We’ll end up with a much more customer-centric view. Creativity will become a central focus for marketing and each media channel will get the budget it deserves,” Buchanan insists.

The fact remains, however, that this is something of a watershed moment for digital. Despite having changed beyond all recognition in the 20 or so years it has been mainstream, becoming a sociable, entertainment and even virtual working space, how we measure interaction and success is based on its early, functional, transactional role. We need to start again because consumer behaviour has reset. All the historical models that used to work are gone – there’s no routine, no ‘peak browsing hours’, no set digital task. “This is a unique testing opportunity to understand digital’s impact on the marketing mix,” Platt suggests.

THE POST COOKIE FUTURE A SUMMARY

While cookies delivered an unprecedented amount of granular data to marketers, perhaps we shouldn’t mourn their passing too deeply. Over the past twodecades, the digital universe has evolved beyond recognition, becoming increasingly an important but equal partner to offline in the whole omnichannel ecosystem.

Having moved beyond search and transaction, cookie-based tracking and analytics was beginning to look increasingly unfit for purpose and, as COVID delivered the ultimate test of digital’s capabilities, perhaps the time is right for a reset.

Yes, there will be pain points for all involved as the industry recalibrates. The sudden drop in numbers to which the sector has been addicted will definitely be cold turkey. But, by addressing the points contained in this report, it is about making that transition as short and painless as possible.

By moving towards an advertising model that is more respectful of the consumer, the publisher and the advertiser, the door has been opened for a more holistic and better overall brand experience, one that leads to longer, deeper engagement and ultimately, higher revenues.

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