



Deconstructing the Cookieless Future: Readiness Roadmap for Marketers



The Speed Read

By now, it's likely that you've heard about the "cookieless future," the rapidly-approaching era (2022, to be specific) in which cookies, for so long a cornerstone of digital advertising, will crumble, leaving advertisers and publishers to rethink fundamental issues like identity, targeting, attribution, and more. Much ink has been spilled on the demise of the cookie, so here we'll provide only a brief recap. Instead, we'll focus on the implications of the cookieless future and the specific steps marketing organizations should take in 2021 to better prepare for a new digital reality.

Third-party cookies are on the way out and marketers need new ways to solve for digital identity, ad targeting and attribution.

First-party data becomes critical in this new era, not just for measurement, but for targeting and ultimately driving toward authentication which will enable brands to more easily stitch together data across martech for a more meaningful view of audiences and marketing effectiveness. In fact, a lack of investment in first-party data- including website, CRM, point-of-sale, and calls data- means brands will be poorly positioned to leverage third-party data vendors and assemble a full view of their marketing opportunities.

Robust, homegrown first-party data pairs well with innovations in cookieless identity graphs which allow brands to build and control their own universe of people-based IDs to enable personalization, cross-channel targeting, measurement, media allocation, and more.

Identity used to be portable. Marketers could access user-level data on paid media performance through Google's DoubleClick ID. Privacy constraints mean that Google no longer allows this, and Identity now exists within "walled gardens" like Google and Facebook.

You may, however, analyze this data within the Google ecosystem, and some brands may be looking at long-term, exclusive relationships with one walled garden / platform. This "data clean room" approach lets you join, for example, paid media data with your own data and upload to Google for advanced analysis, segmentation and attribution modeling.

In this final year before the deprecation of third-party cookies, brands need to develop a sound first-party data strategy and start the work of stitching together data sets through people-based marketing platforms and within data clean rooms. These steps will ease, but not erase the challenges of a cookieless future.



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What is the cookieless future?

Third-party cookies have been instrumental to the digital advertising industry for a variety of important reasons. Fundamentally, they are the means which digital identity is maintained as users traverse the web. As a result, ad targeting and attribution are generally dependent on these cookies. Soon, however, we will have to make do without these cookies.

The cookieless future has been brought upon us principally by Apple, with Google supplying the coup de grâce. Apple and Google, of course, control the two most-commonly used gateways to the web: Safari and Chrome. As consumers become increasingly aware of the fact that their digital activity creates a stream of data – data which, discomfitingly, is being used in various ways – Big Tech companies like Apple and Google have identified an opportunity to compete on privacy. As a result, digital identity, ad targeting, and attribution – all of which provide clear benefits to the general public, though no-one in the industry can be bothered to explain them – are being sacrificed on the altar of privacy. In short: in the name of privacy, Apple and Google are preventing third-party cookies from being used in their web browsers, and the entire digital marketing industry is being thrown into flux as a result.



What's happened so far, and what comes next?

The cookieless future can be likened to the mass-extinction event that ended the dinosaurs' history on our planet. Apple's progressive rollout of "ITP" (Intelligent Tracking Prevention) was the "asteroid impact." Today, we're in the midst of the ensuing "impact winter," aware of our impending doom but not yet having gone extinct.

ITP 1.0 launched in June 2017 with a relatively limited mandate: to prevent cross-site tracking via third-party cookies. Since then, successively more restrictive versions of ITP have rolled out. For example, ITP 2.1 (February 2019) included first-party cookies in its scope for the first time. ITP 2.3 (September 2019) then further expanded the scope to include LocalStorage. These changes have been necessary because the digital ad industry at large initially focused on technical workarounds for ITP, rather than doing the much harder work of grappling with the intent of ITP.

ITP by itself was a cataclysmic event. However, ITP's impact on a brand is generally, though not exclusively, felt via the proportion of the brand's audience using Safari for browsing.. The other major web browser, Google's Chrome, did not have similar restrictions until much more recently. Then, in January 2020, Google announced that it would phase third-party cookies out of Chrome by 2022. That is when, in our analogy, the impact winter brought on by ITP will finally result in the extinction of current adtech.

Lastly, amidst the doom and gloom it's worth noting that, as with the K-T extinction, there will be some survivors. If your interests lie in use-cases supported primarily by first-party rather than third-party cookies (e.g. simple web analytics, on-site testing/personalization, etc.), you will still be impacted, but not to the same extent. While the importance of the cookieless future shouldn't be underestimated, it also shouldn't be overstated.

What does the cookieless future mean for marketers?

Okay, so third-party cookies are going away. That sounds bad. It is bad, if you're responsible for delivering marketing performance. If the picture we've painted so far isn't bleak enough, let's dig into some of the specifics of how marketers are going to be affected.

Digital Identity

Identity is foundational to digital marketing -- without a way to tell "who's who," on the open web, even seemingly simple questions become impossible to answer. The following are just a few representative examples:

1. How many people saw my ads?
2. How many times did the average person see my ad?
3. What percentage of visitors to my website are first-time visitors?

Many industry players are putting forward potential solutions to this identity crisis -- some of which we explore in more detail below -- but as of early 2021, no single solution seems to have gathered significant momentum. When even simple questions about marketing performance are becoming prohibitively difficult to answer, one can imagine the situation facing the industry when it comes to more challenging issues.

Ad Targeting

One of those more challenging issues is the issue of targeting. For many years now, advertisers have been able to target ads against audiences based on data aggregated from third-party cookies. Targeting is, of course, one of the primary drivers of the continued shift of marketing budgets away from traditional media and into digital channels. Without the ability to define highly-specific target audiences, marketers will likely resort -- in the short run, at a minimum -- to tactics that are unlikely to perform as well, because they are unlikely to provide advertisements that are as relevant to the user. Depending your point of view, this is a lose-lose situation: consumers see less-useful ads, and marketers consequently see lower performance.

This is one way of assessing the cost of privacy.

Attribution

As most readers will know, attribution is the exercise of crediting outcomes generated by marketing back to specific "touchpoints," such as a particular ad campaign running in a particular channel. Attribution solutions presuppose the idea of a measurable "customer journey." In other words, attribution solutions assume that marketers can look up any given individual and know which touchpoints they have had with that person. At scale, this allows us to determine, for example, which touchpoints make a person more likely to convert.

For years, this kind of analysis was indeed possible, and an entire attribution industry blossomed as a result. With the impending demise of the third-party cookie, however, attribution solutions will collapse. Without third-party cookies, it will become impossible for most organizations to track enough of the customer journey to make attribution viable. As a result, marketers who were previously making use of attribution will now make less-informed budget allocation decisions, leading to waste.

These challenges are daunting. They may seem discouraging. The good news, however, is that there new technologies and new tactics emerging that marketing organizations may be able to take advantage of in the quest to replace the cookie. Below, we'll introduce some of these potential innovations, and lay out some first steps marketing organizations can take now to position themselves to take advantage in the years to come.

How will digital marketing evolve in response to these challenges?

First-party, authenticated data

As we've outlined above, the cookieless future is, fundamentally, an identity crisis. In the absence of third-party cookies which can be used to track identity across the web, first-party, authenticated data will become a valuable substitute. The more a brand can drive its audience to authenticate, the better-positioned it will be to address the challenges created in the cookieless future.

For example, the more that your audience authenticates with your website or app, the easier it will be to tackle analytics challenges like:

- Deduplicating visitors (to better understand reach)
- Measuring visitor loyalty and frequency
- Segmenting audiences into cohorts (e.g. by acquisition date)

It's not just measurement that will benefit from first-party data, though. The more that you can drive your audience to authenticate, the easier it will be to stitch data together across your martech stack. For example, when web or app users sign in, their activity can then be tied to data from other sources, like:

- CRM
- Point-of-Sale
- Support / Call Center

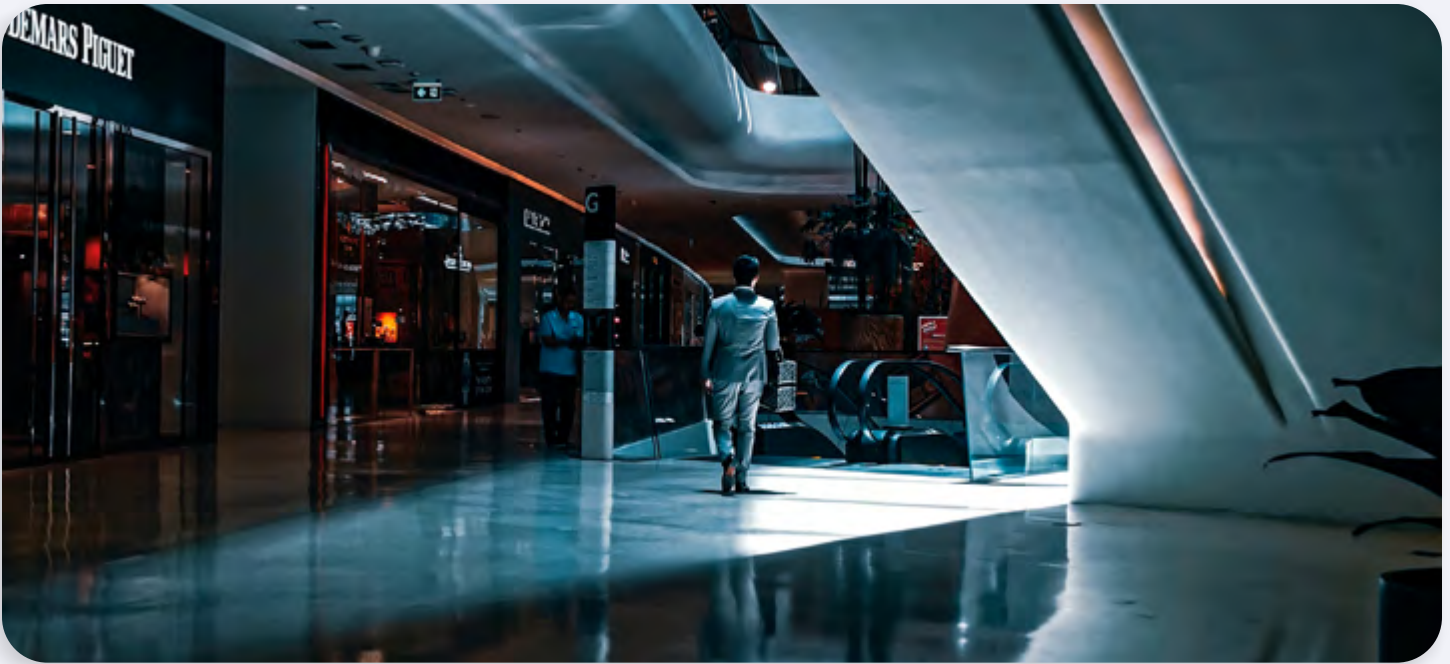
This kind of integration and enrichment will allow you to define much more interesting, useful audience segments -- like web visitors with a lead value above X and an unresolved support ticket. Of course, the ability to define these kinds of actionable segments will in turn equip you to meaningfully personalize the experiences your audiences are having with your brand.

It's not just on your owned properties that authenticated, first-party data has value. Building audiences of authenticated users also brings benefits when it comes to media targeting. For example, first-party-generated identity data will be more relevant and more targeted than anything

you can buy from a data vendor. In addition, your first-party data can be used to sync with walled gardens and identity management platforms. This means that when you go live with media campaigns, your media dollars will be working harder for you.

Furthermore, a strong first-party data graph will make the third-party data graphs work harder for you. This is because the first-party data graph is your truth-set of customer identity. The "graph" consists of every known customer touchpoint you can see and manage during the conversion journey. The best way to know that your call center rep is about to answer a call from one of your frustrated high-value customers having problems paying a bill online is to have their logged-in web interaction and phone number linked, and the rep can anticipate the issue in real time. In the customer's eyes, the brand should already know all of this information. The value of the first-party data graph also improves how you bring data to the digital ecosystem. If you end up using walled-garden-agnostic clean rooms and identity targeting platforms -- such as LiveRamp, Neustar, or Merkury -- the more first-party data you can bring to the table, and the more you'll reap the benefits of what these purchased graphs can provide. These third-party data graphs are robust and will deliver scale, but the degree of precision achieved in managing a customer journey is directly linked to how much first-party data that is available.

- Every customer touchpoint, in every channel, and in every technology platform is an opportunity to create and refine the customer identity truth-set
- This data should be leveraged throughout channels and customer touchpoints to enhance or personalize experience- like in the call center example.
- Harvesting first-party data and refining it into qualified audiences and onboarding to publisher/social sites is the next step to activate your first-party data
- Third-party data graphs (or private identity graphs) is how you then achieve scale and precision from your first-party data graph



Walled gardens and “clean rooms”

One of the reasons that solutions like multi-touch attribution worked in the past was that identity, a prerequisite for so many digital marketing use-cases, was portable. In one specific example, marketers used to be able to retrieve granular, user-level data on paid media performance from Google – with all of the data tied back to Google’s DoubleClick ID. In the name of privacy, Google no longer allows this, and hence identity is no longer portable. Identity is now trapped within the “walled gardens” like Google and Facebook.

Of course, the walled gardens still have this granular, user-level data; you just can’t use it on your own terms anymore. However, you can still make use of this data – just not in exactly the same way, and only on e.g. Google’s terms. This is where the concept of data “clean rooms” comes in.

Again, Google won’t allow you to extract user-level data from its platform any longer. However, Google will allow you to analyze this kind of data as long as you do so within the Google ecosystem. For example, Google’s Ads Data Hub allows you to analyze event-level paid media data, and even join it with your own datasets, which you upload to Google. This is important, because it allows you to segment audiences, analyze reach and frequency, and run attribution models.

So it’s likely that clean rooms will offer at least a partial solution to the challenges of the cookieless future. But it’s also likely that clean rooms will only offer partial, fragmented solutions. For example, the attribution insights you derive from Google’s Ads Data Hub will only be valid for the marketing touchpoints you orchestrate within Google’s ecosystem. What about ads you’re running on Facebook, on other social media platforms, on Amazon, etc.? We predict that each major walled garden will develop its own data clean room, offering similar capabilities to marketers. The challenge will then become not so much an inability to do attribution modeling, but a lack of holistic attribution modeling.

In this scenario, brands will be left to figure out how to sift through potentially conflicting insights from competing walled gardens. This challenge could, itself, be an incentive for brands to essentially go all-in with one walled garden, like Google or Facebook. Concentrating media budgets within one ecosystem would reduce fragmentation of insights, while re-enabling capabilities which marketers had grown accustomed to having in the era of third-party cookies. The irony of Big Tech’s walled gardens capturing an even greater share of marketing budgets – in the name of privacy – is outside the scope of this paper.



Changes to the ways cookies are set

It's worth mentioning that while marketers should be focused on evolving to deal with the cookieless future rather than resisting the inevitable, there will likely continue to be workarounds that make at least some use-cases viable through the use of cookies. For example, Simo Ahava demonstrates here how, if you want it badly enough, you can create your own web service to rewrite first-party cookies set via JavaScript (such as Google Analytics cookies).

In a nutshell, this technique allows you to work around the ITP-imposed 7-day expiration date. To do this, you take the value of GA's standard cookie, and then write it -- via a web service running on GCP -- to an HTTP cookie, which isn't subject to ITP. This particular solution is useful for making web analytics data less susceptible to ITP. Other workarounds, for other use-cases, may well exist or emerge in the future. However, we encourage you to use these judiciously, to be aware that workarounds may be made obsolete in the future, and to avoid making them central to your plans for the cookieless future.

What should marketers be doing now to get ready?

There's about a year left in the "impact winter" caused by ITP. What should marketing organizations be doing now, and over the course of 2021, to prepare themselves for the final extinction of the third-party cookie? Below, we outline a few priorities we believe will be relevant to organizations of all kinds.

Develop a First-Party Data Strategy

As we've outlined above, in the absence of data provided by third-party cookies, first-party data will take on even more value. For brands that don't currently have a direct-to-consumer business model, a first-party data strategy may seem like a novel challenge. However, it's critical that regardless of your industry or business model, you find a way to maximize the proportion of your audience that authenticates.

Here's an interesting example from Intel. As a chip-maker, Intel generally doesn't sell directly to end-users. As a result, you might think that there isn't much reason for an end-user to exchange personal information (i.e. authenticate) with Intel. However, knowing that gaming enthusiasts are an important end-user segment, Intel has set up a "Gaming Access" program which creates a variety of benefits for people who sign up. For instance, program members get beta access to new games, behind-the-scenes/exclusive content, networking opportunities and more.

Specific tactics to create authenticated audiences will vary widely, but the common theme will be value exchange. If you want people to authenticate with your brand, you'll have to give them clear reasons to do so. Common examples might include:

- Better pricing or promotions
- Early access to products or services
- Exclusive content
- Contests or sweepstakes

Whatever your particular first-party data strategy ends up looking like, the benefits will look similar: more accurate measurement, higher-resolution audience segments, more effective personalizations, and more.

Re-establish your relationship with contextual advertising

We tend to focus most of the cookie-less future strategies around the ways brands will still be able to identify customers online and target them with personalized messages. As discussed throughout this piece, identity-targeting will get harder in a cookie-less world, and it might get smaller too, creating a greater divide between known and unknown audiences. Do not let this discourage you. Brands can still leverage powerful targeting strategies by going a little retro and bringing back contextual.

Contextual or endemic advertising is a terrific way to reach your target audience without relying on cookies to be the linkage. The main difference is that you are targeting websites or content centered around where your customers

are likely engaging on the web. When done correctly, you will be serving messages about your brand when your customers are in the journey mindset.

Here's a hot tip. Right now you can be leveraging your DMP, DSP, analytics platforms, and third-party cookies to figure out how you will advertise when the cookies are gone! Use the functioning tools of today to develop a playbook of contextual strategies that you can implement as cookies continue to fade. Get your learnings now while it will be much easier to determine contextual advertising effectiveness and impact on conversion. A bonus outcome here is that you can also start to understand how contextual will help you build first-party data.



Enter the Clean Room (Put Your Spacesuit On!)

It's clear that data clean rooms will become at least one piece of the puzzle marketers will be putting together as we move into the cookieless future. Given that, it makes sense to start building some familiarity with clean rooms, and what it will take for your organization to unlock the benefits that they provide. Here are a few items to consider as you get ready to start working in clean rooms.

First, think about where your marketing budget is spent, both now and in the future. Is most of your spend with Google? Facebook? Amazon? The value that a clean room's capabilities can generate for you correlates with the proportion of your marketing spend that is allocated to each walled garden. In other words, if most of your spend is with Google and you expect that to continue to be the case, Google's Ads Data Hub is probably the place for you to start building some familiarity.

Second, take an inventory of your data. One benefit of clean rooms is that in addition to allowing you to access granular data in a privacy-safe environment, they allow you to enrich that data by uploading your own data and joining it with the walled garden's data. So, to position yourself to take fullest advantage of a clean room's capabilities, take stock of all the relevant datasets you might have at your disposal. For example, you might have point-of-sale, CRM, or support-related data that could be useful to join with granular ads data.

Third, don't forget that like any tool, a data clean room is only useful in the hands of a qualified user. To make a clean room work for you, you'll need team members who can do the nuts-and-bolts work of cleaning and harmonizing disparate datasets, writing and optimizing SQL (or SQL-like) queries, and interpreting the results of your analyses.



Conclusion

Third-party cookies, and the many digital marketing use-cases they've traditionally supported, will be gone some time in 2022. The question now isn't whether this will happen, or even when it's going to happen, but rather how marketing organizations will evolve in response. As we've laid out in this blog post, there are already several new fronts opening up along which marketers can start to make progress. Necessity is the mother of invention, after all.

Data clean rooms will start to offer marketers the ability to regain insights into reach and frequency, into audience segments, and into attribution. Organizations that start positioning themselves to take advantage of these tools now will reap rewards sooner, and to a larger extent. At the same, organizations that define a coherent, realistic first-party data strategy will be relatively well-equipped to navigate the cookieless future, relative to those who reach 2022 without such a strategy.

It should have been clear all along, but if the past few years have taught us anything about the ultimate fate of cookies, it's that we're very much at the mercy of Apple and Google. Timelines could shift. The "rules of engagement" could change. It's worth staying up to speed on developments so that your organization can roll with the punches and come out the other side. Over the course of 2021, Cardinal Path will continue to keep you apprised of developments and equip you with strategies and tactics you can use in response.

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About Cardinal Path

Cardinal Path is an award-winning data and marketing analytics firm that helps marketers to win in the digital economy. The world's leading brands look to Cardinal Path to navigate the complex marketing technology landscape, stand up a Martech stack that will drive their business forward, and create & activate a data strategy to achieve their goals. www.cardinalpath.com