Life after the third-party cookie

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Introduction

When Internet Explorer 2 was released in October 1995, it was the first browser to support cookie technology. In the intervening 26 years, third-party cookies have formed the basis of the billion-dollar digital advertising and marketing industry. Cookie-based advertising technology has enabled personally-targeted ads that track consumers across multiple websites and online destinations in the form of retargeting.

However, currently, consumer privacy concerns have led to legislation in countries across the globe, resulting in this valuable tool being specifically targeted by privacy legislators, and third-party cookies being phased out. **Many browsers, including Apple's Safari and Mozilla's Firefox, already block third-party cookies and Google has committed to banning them by 2023.**

Marketers who relied on third-party cookies are now in a tricky position. There has been some concern from advertisers and even pushback from ad tech companies who may feel that the third-party cookie's degradation has left them unprepared and financially exposed. Certainly marketers need to adjust to a "new world order."

We've talked to 250+ senior marketing executives at brands (directors and above) to understand how they plan to adapt their advertising in the coming months to accommodate an infrastructure that doesn't include third-party cookies.

Here's what they had to say.
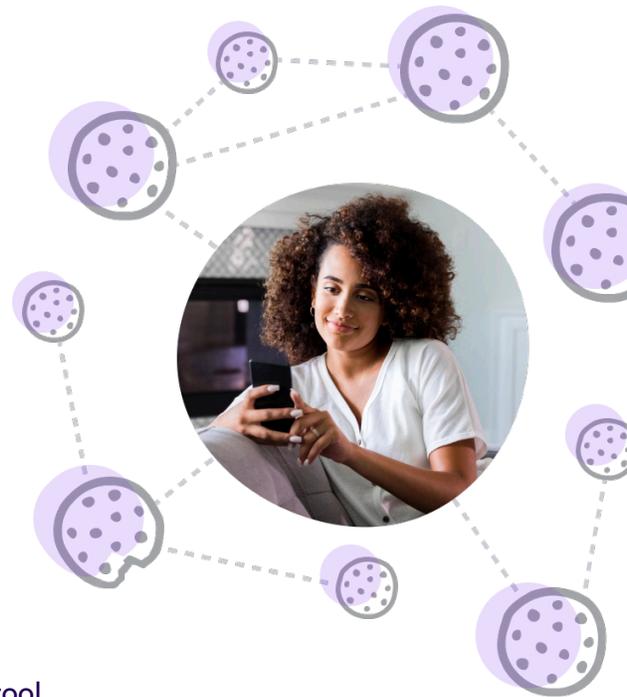
Bracing for financial impact

We've stated that third-party cookies are integral to many digital advertising and marketing campaigns. **Thus, it is not surprising that nearly 50% of respondents to our research, conducted in conjunction with Sapio, said that they anticipate a large financial impact on marketing ROI as a result of the end of third-party cookies.**

This surprising figure is born out of an over-reliance by marketers on third-party cookies to inform their marketing. While third-party cookies have been on the way out for over two years, 86% of marketing decision makers surveyed said that their current digital marketing and advertising is reliant on them, with 40% of those decision makers marketing initiatives being "completely reliant" on third-party cookies. **This is especially true for retail, beauty and financial services: 52% of retailers said they were completely reliant on third-party cookies; 46% of beauty companies; and 43% of companies in financial services. Larger advertisers, those with a budget of between $10-$20 million, anticipate being hit the hardest– with third-party cookie reliance peaking at 56% compared to those companies with budgets under $5 million, at which 16% said they were totally reliant. In total, fewer than 15% of respondents run their marketing independently.**

Nearly half of respondents to our survey believe that the end of third-party cookies will have a large financial impact on their marketing ROI: 55% of financial services marketers; 46% of beauty brands; and 54% of media. Fifty-seven percent of advertisers with budgets between $10-$20 million are anticipating a significant blow to their marketing ROI.

50%

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Walled gardens will reap rewards

With marketers' huge reliance on third-party cookies, and their acknowledgement of the bottom line impact of this data shift, what will the digital marketing landscape look like in the future? How will marketers adapt and readjust to achieve their current marketing ROI, but also increase their future ROI?

62%

62% of marketing decision makers reported that they would increase spending on the largest platforms

Our survey found that those advertisers who have built the biggest warehouses of first-party data stand to reap the biggest benefit from the third-party cookies deprecation. **Sixty-two percent of marketing decision makers reported that they would increase spending on the largest platforms, namely: Amazon, Facebook, Instagram and Google.** This was reflective of marketers with budgets small to larger, from $5 million to $20 million. Seventy-five percent of marketers in CPG and 70% in financial services plan to increase their spending with these platforms.

What's driving that increase? In September 2021, there were more than 50 billion total visits worldwide to social networks, according to Similarweb. And, research from 2020 estimated that users average 58 minutes per day on Facebook, and 53 minutes per day on Instagram. With that level of audience engagement and penetration, combined with ever-increasing advertising tools for targeting and reaching users, social networks will be an ever-increasing tool in marketers' toolbox. Similarly, consumer engagement and large numbers also account for marketers indicating that Amazon ad spending will increase as third-party cookie usage ends. In 2021, Amazon will be responsible for 41.4% of all U.S. ecommerce sales.

Simply, marketers want to spend where it's easy to find their customer and where they can use granular, targeted advertising technologies to effectively reach customers and prospects.

https://www.emarketer.com/content/amazon-clobbers-competition-us-retail-ecommerce-sales-2021

Marketers will leverage their own data more

With the demise of third-party cookies, first-party cookie data will become even more valuable for marketers and brands: **92% of respondents agree that first party data is now "more valuable than ever" in marketing**. First-party cookies record a user's preferences and behavior on a marketer or brand's own website or digital destination.

92%

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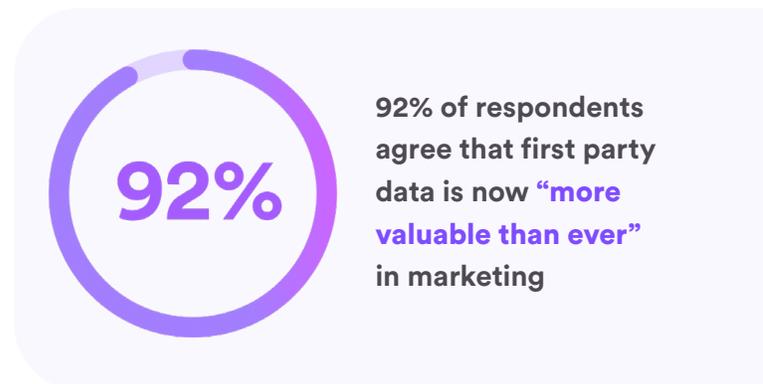
Today, the most popular ways of using first-party data are to inform marketing and create personalized content on websites (56%); followed by predicting customer behavior (54%); and creating more personalized emails (48%).

Given that the use of marketing emails to target customers and prospects will become an even more important marketing tactic as third-party cookie data goes away, first-party data will play an integral part in how effective future email marketing campaigns are. Fifty-one percent of marketers surveyed reported that they'll spend more on email marketing, and 48% indicated that they will increasingly utilize more first-party data to personalize those marketing emails.

However, leveraging first-party data is not without its challenges and complexities. The top two challenges with first-party data strategies are creating a holistic view of the customer (40%) and the lack of data or insufficient data collection (36%). Thirty-two percent of marketers admitted to under utilizing first-party data in their advertising.

With the increased value of first-party data, many marketers and brands will begin to examine, in greater detail, the content and information on their own websites that indicate a consumer's purchase intent. **This is especially striking in the media and entertainment category, where 77% of marketers said they will be collecting more first-party data.**

What comes after third-party cookie data?

Beyond a renewed focus on first-party cookie data, how will digital marketing evolve after the demise of third-party cookie data? Currently, there are a wide variety of discussions and industry efforts to devise a solution beyond third-party cookie data. One effort, Unified ID 2.0 identifies consumers via an encrypted email address. But, the post third-party cookie data future in digital marketing is far from certain today.

However, marketers are determined to figure out that future. **Fifty-four percent of marketers anticipate that they will be working more closely with ad/buying agencies to test new technologies as a result of the changes and fifty-seven percent of C-level marketers said that they will need to learn new systems and software.**

54%

54% of marketers anticipate that they will be working more closely with ad/buying agencies to **test new technologies** as a result of the changes

57%

57% of C-level marketers said that they will need to **learn new systems and software**

Conclusion

Google recently pushed back its ban of third-party cookies from 2022 to 2023 because marketers were unprepared, but it's unlikely that date will move again. In the two years since Google announced the end of the third-party cookie, it's remarkable to think that many (1/3rd of respondents) still do not have a strategy in place. Although marketers are working closely with their ad agencies to test new technologies, it's unlikely in the near term that a third-party cookie replacement will prevail. Rather, the depreciation will culminate in budgets being reallocated to existing platforms and marketers getting creative to find new ways to reach audiences, such as collecting more first-party data and acquiring data through brokers.

Questions?
Reach out!

▸ **lytics.com/resources**

✉ **info@lytics.com**

in **linkedin.com/company/lytics**

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