



Goodbye third-party cookies. Hello human experience.

The end of third-party cookies can be great news for your brand and your customers.

The long-heralded end of third-party cookies is now nigh. After two decades of relying on cookies as a key tool for ad personalization, attribution and performance tracking, the time has come for brands to reimagine how they're collecting and using online consumer data—while at the same time fostering the contextually

sensitive, emotionally resonant human experiences that today's consumers demand.

This shift represents a once-in-a-generation opportunity to not just change how you connect with customers and leads, but to strengthen those connections. By focusing on the first-party customer data that

you already own and connecting it across touch points, leaning in to “walled-garden” media ecosystems and bringing key data-driven functions in-house, you can build better bonds with customers, increase the effectiveness of online marketing for your brand ... and contribute to a better online experience for all.

Shadowed by shoes: the rise and demise of third-party cookies.

The invention of browser cookies in 1994 was a foundational moment for the commercialization of e-commerce and for ad-supported content online. Shopping carts, logins, content personalization and other site features and functions have since relied on *first-party* cookies to maintain a user's identity and activity within and between browsing sessions. And *third-party* cookies have

been an essential building block of personalized advertising, by helping ad networks provide increasingly fine-grained audience segmenting and attribution, connecting your marketing tactics to desired results.

In large part due to the capabilities enabled by third-party cookies, online advertising has seen explosive growth over the past generation—from

\$8 billion spent in 2000 to \$107.5 billion spent in 2018.¹ This growth has, in turn, fueled a proliferation of at-your-fingertips content that has helped make our world more connected, more informed and more empowered.

It doesn't take a sweet tooth to understand why many advertisers love third-party cookies and the sophisticated, fine-grained segmenting

Understanding cookies: What's changing, what's not—and what it means.

- *HTTP cookies*, generally just referred to as *cookies*, are small bits of textual data placed by a website server onto a user's device and then subsequently accessed to help maintain an understanding of the user's activity across clicks and sessions.
- *First-party cookies* are placed on the user's device by the website that the user is directly interacting with.

First-party cookies are used to keep track of site interactions and activities such as shopping cart contents, login status, etc. No other web server can directly access the first-party cookies placed by a site. First-party cookies remain a valuable (though often underutilized) element of brands' first-party customer data.

- *Third-party cookies* are placed by sites other than

the one that the user is directly interacting with, most typically when an advertisement is displayed on the page but also through the use of invisible tracking pixels and other means. Third-party cookies can track user behavior across any site where the third-party server places ads or tracking pixels. No major web browser will support this type of tracking by 2022.

that they can enable. But for consumers, they've been an increasing source of heartburn in recent years—particularly with the advent of retargeting.

That pair of shoes or trendy shirt that you looked at once and that now follows you everywhere you go on the web has raised the hackles of both privacy advocates and consumers who bristle at such clear evidence that they're being watched and followed online. Two out of five Americans believe that digital advertisers are too aggressive in following them on every device or browser²—which means your brand could be alienating 40 percent of its audience at this very moment.

Invasive ad fatigue is creating a vicious cycle that, ironically, now

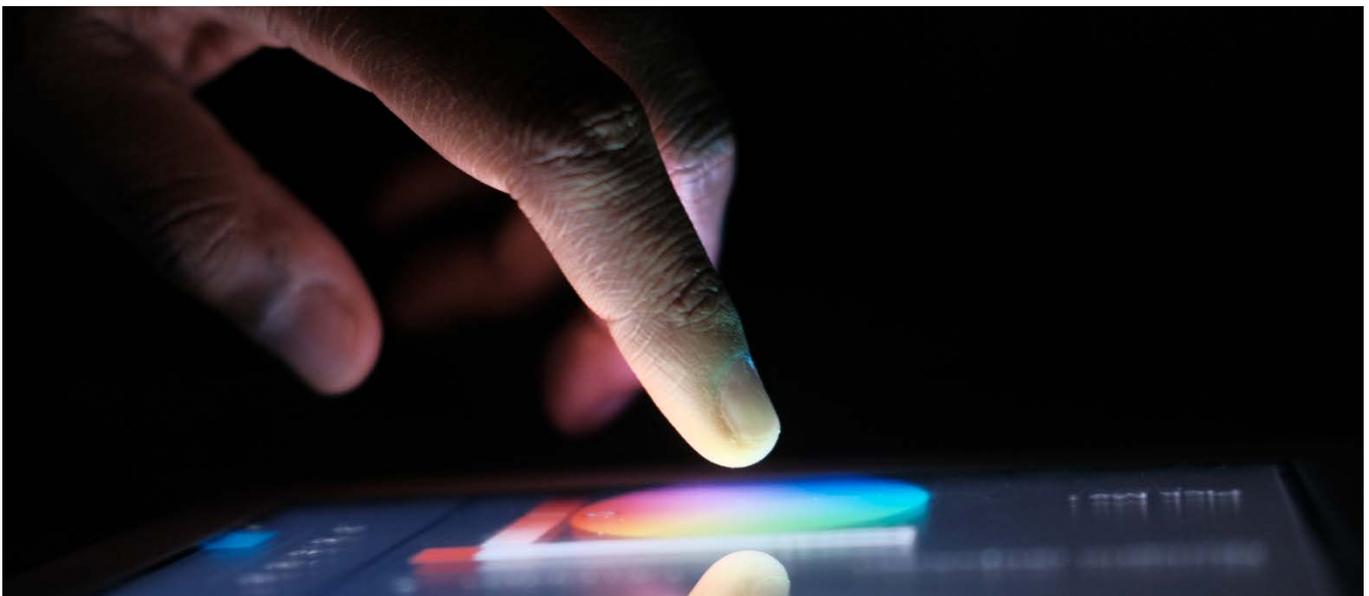
threatens the economic model of the very publishers that have benefited from the rise of online advertising. Approximately one in four US users now employ some form of ad blocking while surfing the internet,³ reducing the ad revenues that publishers can collect to support their work.

As consumers have taken more proactive steps to block ads and clear cookies to thwart traditional tracking, some advertisers and platforms have developed more sophisticated methods of tracking, such as digital fingerprinting—the ability to identify a particular user based on a combination of device settings such as monitor resolution, operating system, language settings, etc.

Worldwide, websites place an average of **12.4 first- and third-party cookies**⁴ and report data to **3.9 third-party domains** via third-party cookies.⁵

Some sites report to **more than 100 third-party domains**.⁵

This cat-and-mouse game has led to increasing scrutiny and has strengthened the push toward regulations such as the California Consumer Privacy Act and the EU's General Data Protection Regulation. All of the leading browser makers have been working to block digital fingerprinting.



From tracking to trust.

Ultimately, personalization isn't the problem. As the rise of social networks has made clear, users prefer a more customized, human experience online. Nor is advertising itself the problem. Deloitte Digital's research on emotion-driven engagement shows that consumers generally welcome contextually sensitive, coherent brand engagements. In fact, 62 percent of people consider themselves to be in a relationship with a brand.⁶

The frustrations and objections of consumers are ultimately rooted in a lack of consent, transparency and control. Over the past two decades advertisers and adtech companies have been collecting personal information from users, in many cases without explicitly asking their permission and without explaining what is being done with that information. As a result, when consumers see the details of their lives and interests reflected back in advertising, the *relevance* that advertisers intend can look more like *invasiveness*.

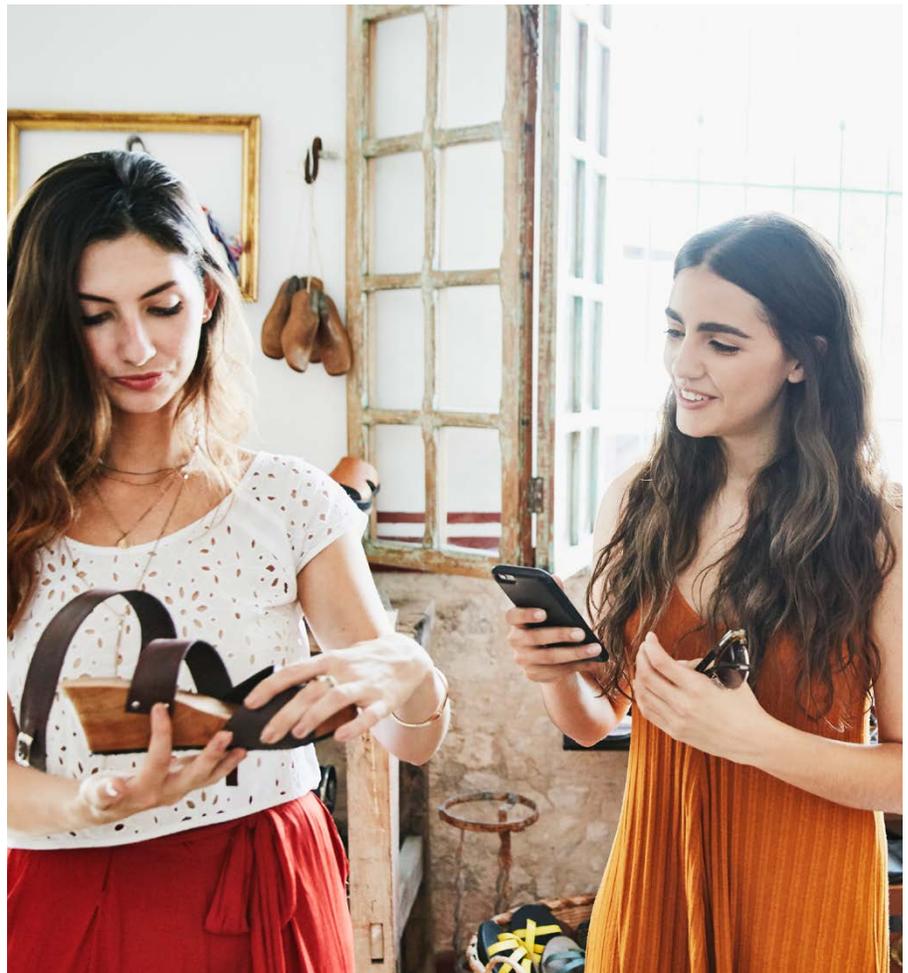
Rather than seeking out new technologies to achieve the same result, the time has come for brands and adtech

providers to take a step back and reimagine how to achieve relevance and performance through targeted online advertising—while also earning

According to Deloitte research, **trustworthiness (83%), integrity (79%)** and **honesty (77%)** are the emotional factors that consumers feel most align with their favorite brands.⁶

permission and consent from leads and customers.

The good news is, by collaborating with end users and consumers on approaches that serve their needs for a more personal, human experience combined with greater control, transparency and respect for privacy, **it is possible to cultivate a better online experience—and more effective advertising—for all.**



Keys to successful, consent-driven engagement.

In order to understand the impacts that will be caused by the phaseout of third-party cookies, a good place to start today is by looking at how the blocking of third-party cookies has already impacted performance of your current marketing activities. If you are selling goods or services online, there's a chance you're missing a third or more of your potential conversions already if your retargeting campaigns are powered by third-party cookies, assuming your audiences follow general demographics for browser use.

Understanding those impacts and finding new ways to genuinely connect with and

delight (rather than annoy) those customers will help prepare your brand for the moment when all browsers end support of third-party cookies.

Herein lies your first challenge, however. Vendors and agencies that have relied on third-party cookies for targeting and performance tracking are likely to claim that they have the solutions that will solve for these impending changes. After all, they don't want to lose your business.

This is not a moment for blind trust. When assessing campaign performance, it's critical that you have an objective understanding of the tools and techniques

that are available to you, as well as transparency into how your audiences are being targeted and reached and how that connects to the results you seek.

To get to that understanding, we recommend that brands focus on three key initiatives going forward:

1. Owning and mastering first-party customer data.
2. Deepening capabilities in social and other walled-garden media ecosystems.
3. Bringing mission-critical capabilities such as media buying in-house.

1 Own your own data.

Given the ongoing changes to third-party data availability and evolving customer privacy considerations, it is increasingly important to invest in ownership and mastery of your first-party customer data.

Getting there means investing in the right consent management solutions and in an advanced customer data platform that together allow you to manage

and leverage the consent of your customers and prospects while developing a fully contextualized and connected understanding of customer data. By deploying those tools in combination with first-party cookies and noncookie identifiers, you can begin to elevate the human experience for customers through personalization of advertising, website experiences and permission-based channels,

such as email, while also earning their trust and loyalty, long-term.

In the post-third-party cookie world, quality connected customer data will become one of the most important strategic assets that a business can own. Brands that leave those assets in the hands of outside vendors or agencies will likely find it difficult to leverage fully the potential within that data.



2 Lean in to the walled gardens.

Mastering your first-party customer data and consent is also critical in order to take maximum advantage of the targeting, measurement and advanced analytics capabilities within social media platforms and the walled-garden or control-access content and data ecosystems maintained by the world's largest search and e-commerce players.

These closed ecosystems are, for the most part, today well ahead of other adtech platforms and publishers when it comes to consumer consent regarding the data being tracked and used for marketing. They also offer exceptionally strong machine learning algorithms for digital ad performance optimization. When combined with their vast stores of consumer data and your own first-party data, those systems can provide a

level of personalization that is unmatched through other technologies or platforms.

Yet the deep and wide data assets and technical capabilities within those ecosystems are

largely underutilized by brands today. Those platforms also will not be as impacted by the move away from third-party cookies as will the rest of the programmatic universe.

Why the end of third-party cookies benefits social platforms.

Leading social media applications will likely gain an advantage in user tracking as third-party cookies phase out. That's because those platforms can obtain consumer opt-in permission to track and segment *all interactions with content that is shared within that network*. The reason: social platforms have access to the data about what content people are interested in.

By contrast, data aggregators that work with thousands of publishers as a source for their data must ensure that those thousands of publishers are all complying with proper consent management for each user. The compliance work of that data aggregator is significant compared to that faced by a single social media application.

We are already seeing the effect of this outside the United States, where less data is now available in the programmatic space due to higher consent and privacy restrictions related to the EU's GDPR.

3 Consider moving critical engagement functions in-house.

Owning and connecting your customer data across touch points and driving efficiencies in walled-garden ecosystems can help facilitate a more seamless, contextually coherent, human experience for your customers. But brands that continue to rely on outside agencies and martech platforms for targeting, bidding and buying of media will likely run into analytics and attribution hurdles due

to a lack of transparency into those processes and decisions and how they connect back to customers.

That's why the next two years may be a good time to consider bringing some of your brand's media strategy and/or buying in-house. By selecting the right partners to work with, and by becoming better-informed about viable solutions and

strategies, brands can begin to eliminate some of the layers of intermediaries and poor technologies that create waste and added cost. When combined with better first-party data mastery, this approach can create a virtuous circle that deepens customer relationships by creating a more coherent experience across marketing touch points.

Is your brand ready for a future without third-party cookies?

As your brand moves toward a future in which third-party cookies are no longer supported by major browsers, we believe it's important to develop a comprehensive, thorough and unbiased understanding of what works, what should be

outsourced, what capabilities your organization needs to grow in-house—and how to ultimately connect your data, decision-making strategy and messaging in ways that improve the human experience for all of your customers.

Along the way it will be important to address key questions such as:

- Do you clearly understand the potential impact on your business once third-party cookies are no longer supported by any major web browser?
- Do your key media and marketing partners have viable solutions that are privacy-compliant?
- Does your technology road map have budget reserved to evaluate new solutions over the next two to three years?
- Are your technology and marketing teams partnering to drive solutions for digital identity?
- Do you have a plan for evolving your marketing strategy and your technology capabilities to solve for digital identity of customers and leads by 2022?
- Where is your first-party data today, and how can it be better connected and leveraged to support your marketing activities?
- Do you have the right internal talent and tools to bring some or all of your media strategy, buying, optimization and analytics in-house?

Toward a better, safer, more human experience for all.

The next two years will likely be a bumpy road for many advertisers, publishers and adtech firms as they work to figure out the best path forward in a world without third-party cookies. What's clear is that significant changes are needed across the media and advertising spheres in order to provide consumers with the privacy protections they demand and the emotionally resonant, contextually relevant experiences they desire.

The potential benefit to consumers cannot be understated. As trust and transparency grows, likely so too will consumer willingness to share more data with the brands they love—giving brands more nuanced opportunities to treat people as people through intuitive, perfectly timed engagement, while providing consistent and respectful brand experiences across touch points.

Deloitte Digital's impartial knowledge of the vendors and tools across the media and advertising landscape coupled with our strong alliances and global capabilities in customer-led marketing can help brands seize this moment as an opportunity to not just shift digital marketing tactics but to deepen bonds with customers and drive rapid growth.

Get in touch

Kelly Leger

Managing Director, Deloitte Consulting LLP
kleger@deloitte.com

Ken Nelson

Managing Director, Deloitte Investments LLC
kennelson@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

Copyright © 2020. Deloitte Development LLC. All rights reserved.

SOURCES

1. A. Guttman, "Online advertising revenue in the United States from 2000 to 2018," statista, August 19, 2019, <https://www.statista.com/statistics/183816/online-advertising-revenue-since-2000/>, accessed February 1, 2020.
2. Ross Benes, "Five Charts: Why Users Are Fed Up with Digital Ads, People are annoyed by the state of advertising," eMarketer, October 16, 2018, <https://www.emarketer.com/content/five-charts-users-are-fed-up-with-digital-ads?ECID=SOC1001>, accessed February 3, 2020; quoting Janrain, "Data Privacy Consumer Survey," October 10, 2018. (Janrain has since been purchased by Akamai.)
3. Guttman, "Ad blocking user penetration rate in the United States from 2014 to 2021," statista, August 9, 2019, <https://www.statista.com/statistics/804008/ad-blocking-reach-usage-us/>, accessed February 1, 2020.
4. Web Cookies Scanner, "Cookie number statistics," WebCookies.org, <https://webcookies.org/number-of-cookies/>, accessed January 30, 2020.
5. Web Cookies Scanner, "Third party domains," WebCookies.org, <https://webcookies.org/third-party-domains>, accessed January 30, 2020.
6. Deloitte Digital, "Exploring the Value of Emotion-Driven Engagement," <https://www.deloittdigital.com/content/dam/deloittdigital/us/documents/offerings/us/offerings-20190521-exploring-the-value-of-emotion-driven-engagement-2.pdf> May 2019.