



Future Proofing Customer-Centric Marketing in the New Identity Landscape

DATT Unplugged

OCTOBER 2021

Context

In response to changes to digital identifiers, we hear marketers asking 3 questions

- 1 **What is the value of 'identity' in marketing** and how will upcoming shifts impact my business?
- 2 **What are the emerging solutions and how should I evaluate them?**
- 3 **Given this uncertainty, what are the top 5 things I should be doing NOW to prepare?**

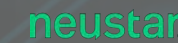
What we've done

Today will share themes from our ongoing research to address these questions



Future of Identity series

9 moderated sessions held to help marketers evaluate options and better understand landscape shifts



Report on Future Proofing Customer Centric Marketing

Additional research underway, report to be released later this year

Identity has been critical to the promise of “Customer Centric Marketing” ...

IMPORTANCE OF IDENTITY

LOW

HIGH



Mass media approach

Siloed channel measurement

Vanity metrics



Customer Centric Marketing

True cross-channel and omnichannel orchestration with:

- Personalization
- Precision media

Measurement and full-funnel attribution focused on driving customer lifetime value

... and consumer-centric marketing has been shown to drive significant impact across industries

Precision media

Tactics to drive customer acquisition



Precision targeted paid media, improving marketing spend efficiency and effectiveness to grow digital share

Typically unlocks:

~20-30%

effectiveness gain

Personalized experiences

Tactics to increase customer lifetime value



Hyper-personalized offers and recommendations, orchestrating customer journeys across channels to drive upsell and purchase frequency

Typically unlocks:

~6-10%

incremental revenue growth

However, preserving the ability to execute those use cases will require adjusting to a new Identity landscape

80% Of Consumers¹ are **concerned or cautious** about sharing personal data online but still expect personalization

90% Of companies² say **1P data is very important**



Anti-tracking measures

All personal identifiers, especially 3rd Party (3P) cookies are undergoing massive transformation leading to a lack of universal user identification



Increased regulations

Regulators are clamping down on consumer privacy; governments have been introducing and enforcing regulations with severe penalties

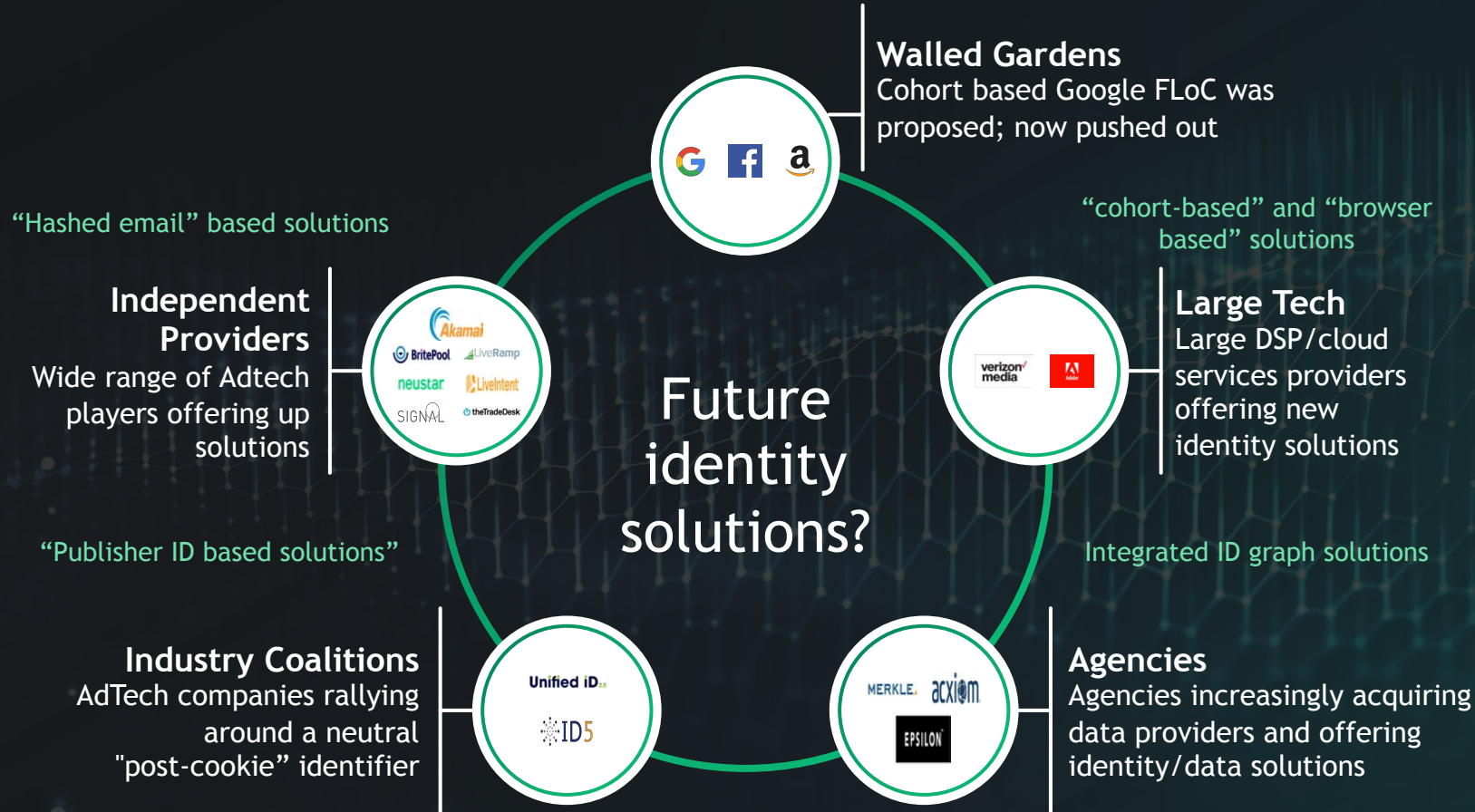


Rise of 1p data and new identity solutions

Heavy investments in 1p data; wide range of solution providers battling to provide new identity alternatives to support marketing use cases

While many new identity solutions are emerging, we continue to expect a highly uncertain “identity landscape”

New identity solutions emerging









Highly uncertain landscape
Large debate playing out between

- Individual PII based solutions
- Cohort based solutions

No perfect solution yet
some lack of scale, others lack consent, transparency, etc.

The implications of gaps in identity are significant, with examples surfacing ...

	Example implications		Example costs of identity gaps observed	
 Data driven targeting	<ul style="list-style-type: none">• Retargeting declines in value as tactic (as audience list sizes shrink)• 3rd party audiences, tools, and tactics see reduced effectiveness	10-20%	Increase in CPMs (due to reduced scale against high value target audiences post-ITP) ³	
 Media measurement	<ul style="list-style-type: none">• Reporting shifts; certain metrics deprecated, less accurate; shift to 'modeled' conversions• Promise of ideal 'silver bullet' cross-channel attribution fades	20-40% ¹	Spend misallocated (Increased confusion across channels - new vs returning; paid vs. organic)	
 Advertising technology	<ul style="list-style-type: none">• Investments in DMPs and 3p data reliant solutions stopped; costs to overhaul tech• New investments needing to be made in privacy/data governance teams	5-10%	Impact on tech cost and resource time (to design future proof tech/data strategy)	

... but if we can get there, the upside of a new identity future could be bright

Qualities of an identifier	3p Cookies (pre-deprecation)		New ID solutions		
			So far		Aspiration
 Scale Regions/devices/users					
 Democratization Activatable open/walled sites					
 Accuracy Accredited/qualified					
 Transparency To advertisers/buyers					
 Consent and Control To consumers					
 Compliance and Durability Aligns to regulations (incl. Across regions)					

Challenge is a **significant scale drop off so far** (e.g., reduced by “opt-in”s for identifiers or “logged-in” readers on sites)

Accuracy and transparency shows signs of improving (low bar from cookies); more testing needed to gain accreditation and buy-in

Low historical bar on consent and compliance - opportunity to move industry forward through privacy-safe, higher consent identity frameworks

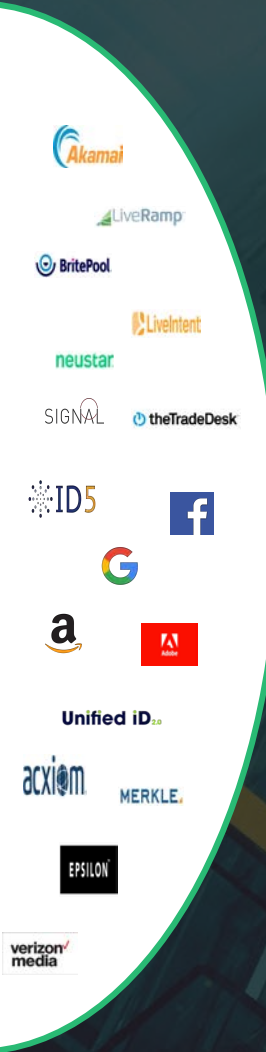
 High  Med  Low

In the meantime, marketers need to get "at bats" testing the variety of new ID solutions - and can use a common framework to evaluate their potential

Qualities of an identifier

Evaluation framework

 Scale Regions/devices/users	Geo coverage	Is it global or regional? What % of the population can it cover?
	Device / channel	Does it work across web and app? Desktop and mobile? CTV? Walled gardens?
 Democratization Activatable open/walled sites	Open	How does the solution solve for ID across the open web vs. owned inventory? Is it paid or free?
	Data sharing	Does it integrate with data clean rooms to enable data sharing? Is it exportable for analytics?
 Accuracy Accredited/qualified	Validation	Does it have 3p validation (i.e., MRC, IAB)? What is the balance of probabilistic vs. deterministic data?
	Performance	How well does this deliver on targeting, measurement, and optimization use cases?
 Transparency To advertisers/buyers	To advertisers	Is there transparency on the underlying data / identity sources? And on extrapolation and match rates?
	Data sources	What data is leveraged from 3p partners? Can you trace back data ingredients to ensure data quality?
 Consent and Control To consumers	Consent management	How well does the solution capture/enforce consent? What controls are available across markets and geos?
	Consumer controls	Can the consumer opt-out and/or directly manage their data (right to delete, etc.)?
 Compliance and Durability Aligns to regulations	Compliant	Is it fully compliant with regulations across regions? With strong data security?
	Durability	How well is the solution positioned to evolve to future changes in this dynamic market?



More broadly, marketers can take 5 actions to get ready

1



Invest in
and monetize
1st party data

2



Explore new
models of data
partnerships

3



Evolve your
approach to
measurement and
attribution

4



De-risk tech
investments
and focus on
durability

5



Take a Cross-functional C-level approach (CIO+CMO+Legal)

Without 3p cookies, increased emphasis put on 1st party and contextual data

Expected trend

1P Audiences



As 3P audiences fade, marketers **will cultivate/grow 1P data** and increase focus on 1P/known audiences

Contextual targeting



Contextual uses signals that are not cookie based (e.g., text in article being read, or reader's location), so **likely to become strong alternative** to cookie-based audiences

Retargeting



Retargeting in many cases requires ATT opt-in or 3p cookies; **expected to face declines** given inability to retarget at same scale with other identifiers

3P audiences



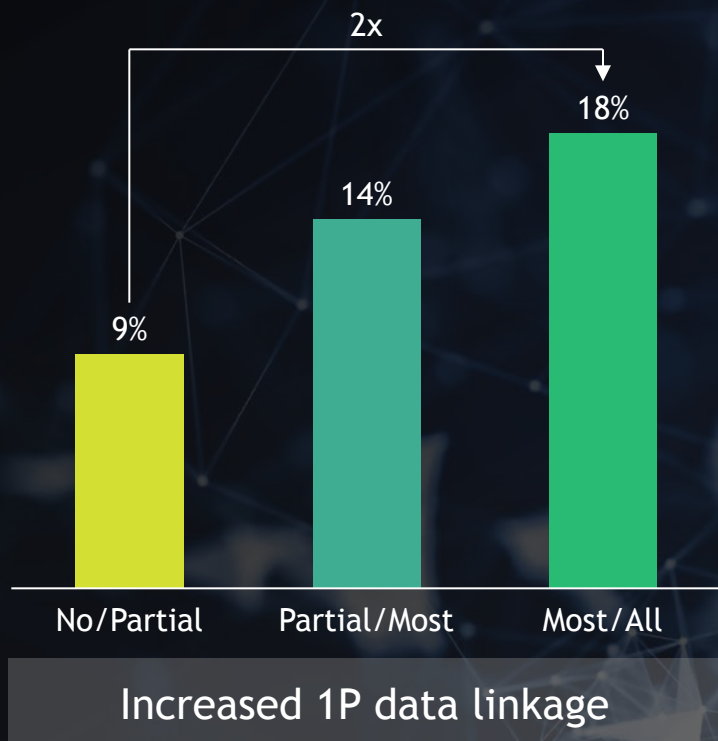
3P cookies and data are fundamental to creating many 3P audiences; consequently, **3P audiences will shrink in size** and effectiveness

Marketer Checklist

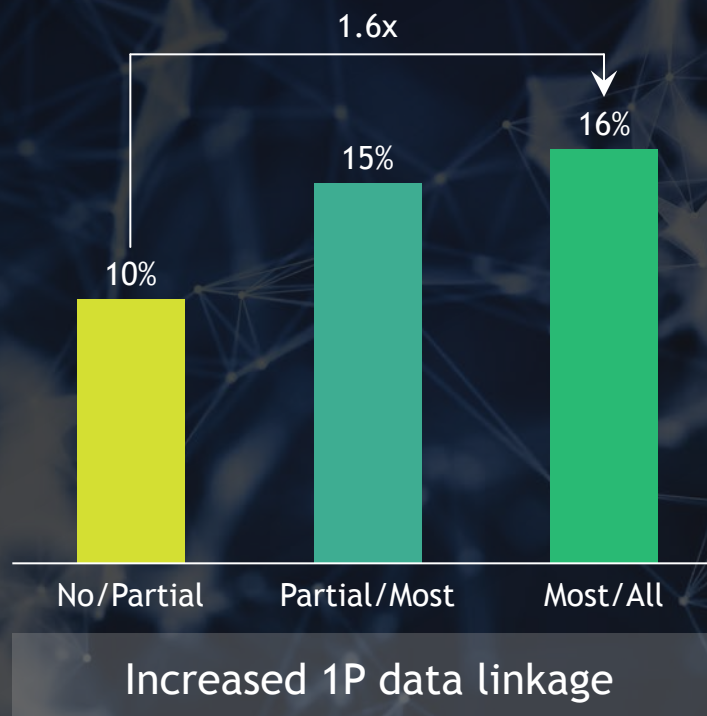
- Evaluate reliance on 3rd party data and cookies across your marketing program
- Develop new value exchanges to capture 1p customer data (e.g., loyalty program rewards)
- Unify customer data into singular ID and build out Customer360 data records
- Explore new contextual targeting use cases (e.g., micro-geo targeting)

Our research shows that using first-party data increases revenue uplift by 2x and cost savings by 1.6x

Ø Revenue uplift from DDM (%)



Ø Cost savings from DDM (%)



 **Impact**

+2x
Revenue increase

+1.6x
Cost savings

From lowest maturity to highest maturity in data linkage

Note: Based on DDM survey questions “What level of annual incremental revenue impact has your company achieved from data driven marketing?” and “What cost efficiencies has your company seen from data driven marketing?”
Source: Google/BCG Data-Driven Marketing maturity survey (n=380, Aug 2019), APAC; BCG analysis

Data partnerships are increasingly important way to create advantage in new evolving ecosystem



Data Clean Rooms

Secure spaces facilitated by walled gardens (Amazon, Google, etc.) to share aggregated information with advertisers



Data Sharing Services

1P and 2p based data provider services to share aggregated data factoring in privacy concerns and regulations (e.g., shopper data)

How it works

Insights gleaned from walled gardens are co-mingled with 1P data from advertisers to support measurement and attribution use cases

Companies with rich 1P data can share aggregated data or append segments; growth in new types of data partnerships, especially retail media services

Example



Marketer ✓ Checklist

- Assess market position and data gaps to define partnership requirements
- Leverage data clean rooms to maximize 1p and 2p data sources (e.g., to append data against existing assets)
- Improve identity resolution to connect across activation platforms (e.g., paid, owned)
- Evaluate new custom data offerings and services (e.g., from retail media networks)

Prior ways of attributing media impact are threatened, increasing need for test-and-learn

Expected trend

Test-and-learn (incl. incrementality tests)



Tests that create **true view of incremental impact** (e.g., by channel, tactic, etc.) will become even more critical as media KPIs become less reliable

Modern MMMs/ Unified Measurement



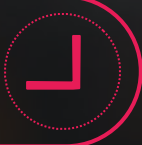
Statistical analysis to provide **holistic view on each marketing channel's contribution** to sales is not reliant on cookies and likely will regain traction

Silver bullet cross-channel attribution



Loss of identity signal and siloed data will create challenges for holistic real-time attribution across the journey; marketers can no longer expect a silver bullet

Frequency management



3P cookies used to limit ad exposure per user to prevent ad fatigue; **loss of cookies will create overexposure/waste**

Marketer Checklist

- Use tests to validate accuracy of MTAs and modelled conversion approaches
- Revisit “tried and true” lift studies, incrementality tests
- Shift from 'old' to 'modern' MMMs (more granular, frequent) and 'unified measurement'
- Push for clarity through integrating multiple systems of measurement (vs. silver-bullet)

Range of AdTech providers will face challenges, increasing need to rethink data and tech stack

DMP

- DMPs build audiences via merging 1P and 3P data/cookies and enable targeting throughout ad-tech landscape
- Absence of 3P cookies eliminates value of DMP-built audiences and ability to target

MOST IMPACT

Retargeters

- Retargeters leverage cookies to serve specific user-relevant ads across sites
- Loss of 3P cookies restricts ability to track consumers and serve user-relevant ads

Attribution

- Attribution players track consumer journeys to allocate sales across advertising touchpoints
- Without 3P cookies, no visibility of consumer journey, resulting in no/mis-attribution

3P data providers




- 3P data providers gather data and build audiences via 3P cookies on partner sites (CNN, WSJ, etc.)
- No 3P cookies translates into fewer data sources and less data collected

Marketer ✓ Checklist

- Acknowledge uncertain future of cookie reliant tech (i.e., DMPs, retargeting platforms)
- Test into new ID solutions and evaluate ability to deliver on critical use cases
- Assess current slate of AdTech vendors for durability; be wary of potentially unsustainable technology (i.e., fingerprinting)
- Explore new alternatives (e.g., contextual)

Driving cross-functional CxO relationships even more critical to validate returns

Historical pain points

	CMO/CEO	Misaligned strategy: Marketing organizations fail to define how strategy aligns with the broader business
	CMO/CIO	Unclear decision rights: CIOs purchase tech not valuable for marketing and CMOs purchase tech misaligned with broader organization
	CMO/CFO	Under-funded marketing: Lack of a common language and capability to translate marketing effectiveness into financial terms like profit or shareholder value

Marketer ✓ Checklist

- Accelerate education for CXOs to set a shared foundation of what's changing, when, and likely impact
- Establish cross-functional pod across CIO/CTO, CMO, and Legal org to define strategy and align approach
- Make future proofing marketing a set topic at set CXO leadership meetings





Thank you...

and more to come!

Full report and research to be
released in the coming months



BCG

**BOSTON
CONSULTING
GROUP**