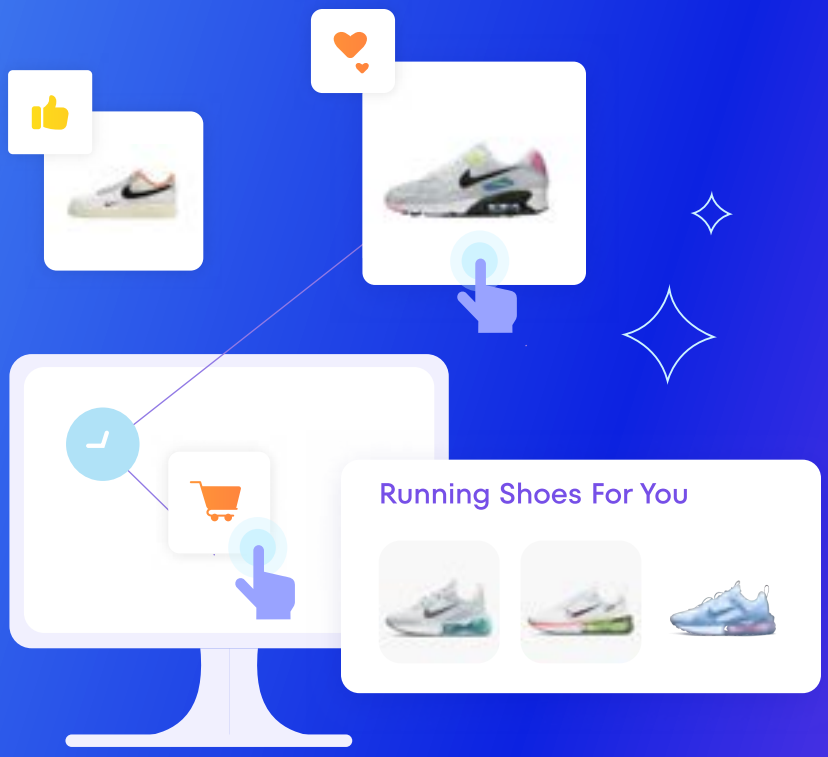
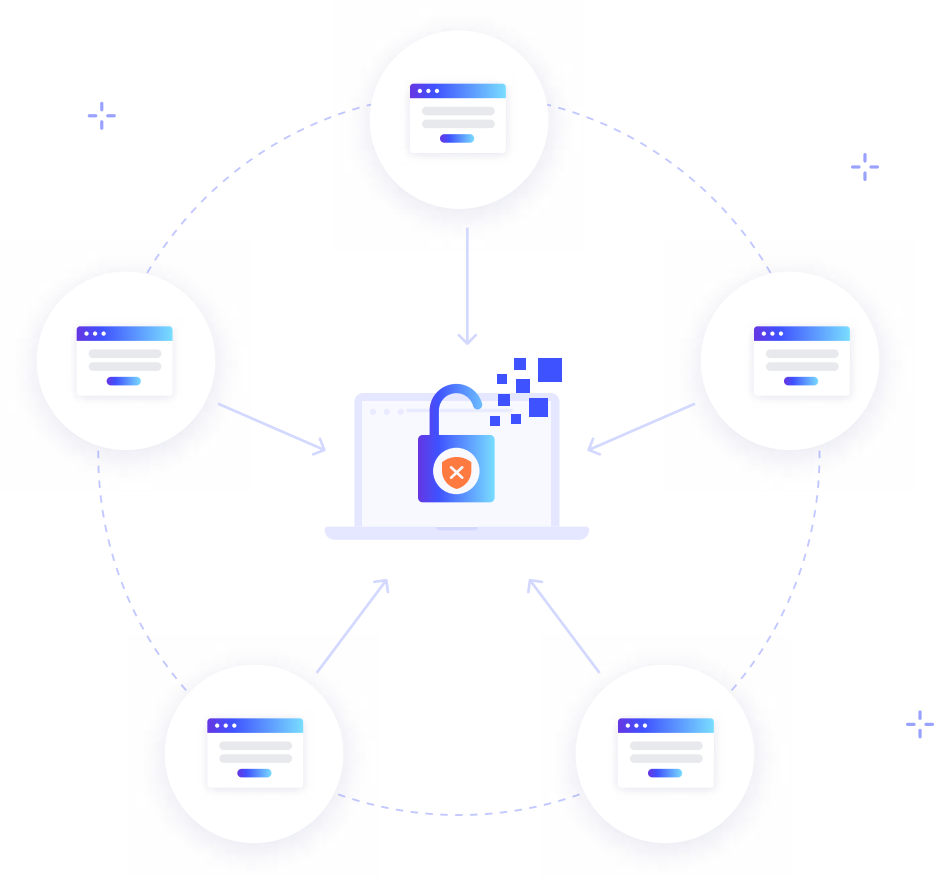
Crossing Minds

First-Party Data for Retailers: Best Practices for Personalization



Introduction

There's no escaping it – the end is nigh for third-party cookies. While shoppers concerned with their privacy may rejoice at the thought, e-commerce retailers are certainly less enthusiastic at the prospect of losing valuable insights into their customers' potential buying habits. What can retailers do to ensure their conversions don't suffer because of cookies' demise? And just how effective were third-party cookies at driving engagement and sales, anyway? First, let's dive into the history of third-party cookies and what their demise means for e-commerce businesses.



What are Third-Party Cookies, and Why are They Going Away?

THIRD-PARTY COOKIES USAGE TIMELINE

1994:
Introduction

1998:
Privacy concerns arise

2018:
- EU (GDPR) & California privacy laws go into effect
- Safari abandons third-party cookies

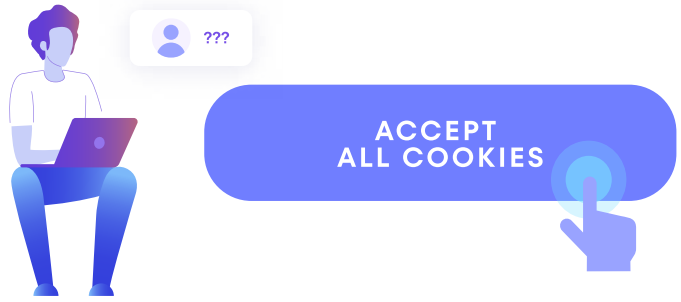
2019:
Apple ITP 2.3 blocks by default

2020:
- Samesite Attribute
- Introduction to ccpa

2022:
Firefox rolls out Total cookie protection

2024:
Chrome to abandon third-party cookies

Third-party cookies, introduced in 1994 at the onset of the home internet boom, are a collection of aggregated sets of consumer demographic information such as age, gender, and/or location sourced from data brokers. Cookies allow for behavioral targeting regardless of which website a user visits next, meaning they provide an opportunity for businesses to gain insights on what a user has done elsewhere on the internet, and, in theory, what they'd be most interested in on another site. Third-party cookies have long been viewed as the most effective tool for e-commerce businesses to deliver on personalization and sales.



However, both consumer and government concerns around privacy have tainted this method as an undesirable one, leading to browser and software abandonment, and even legislature limiting the practice. In particular, the European Union and State of California passed laws allowing consumer the ability to block tracking via cookies. Google, whose Chrome browser accounts for nearly two-thirds of the world's internet usage, plans to phase cookies out completely in 2024, while Mozilla Firefox and Apple Safari have already done so. This poses a real concern for retailers who need to quickly prepare for cookies' demise and still be able to recommend items effectively to customers.

What Does the End of Third-Party Cookies Mean for E-Commerce?

If you're among the 80% of marketers who rely on third-party cookies to engage with their target audience, you're probably wondering how this impacts you and where to go from here. Some of the commonly used methods for e-commerce personalization that are going away include:

- **Retargeting with third-party cookies**
- **Audience suppression**
- **Ad frequency capping**
- **View-through attribution**
- **Multi-touch attribution**
- **Lookalike audience targeting**

This means that things like A/B testing, data enrichment, measuring KPIs and cross-site personalization will be more difficult. However, there are still options for you to move forward with your personalization efforts.

There are four ways to replace third party cookies, and a framework based on your brand to apply those methods:

1. **Leverage your own first-party data** (we'll get to that more in a minute)
2. **Move to contextual targeting strategies**
   - Highly targeted, relevant display ads
   - Buy media where your audiences are automated
3. **Use Google's Topics API, Unify ID 2.0 or Live**
   - Google's Topics API (fka as Federated Learning of Cohorts, FLoC) and Privacy Sandbox
   - Unified ID 2.0 - led by The Trade Desk
   - LiveRamp's RampID (fka Identity Link)

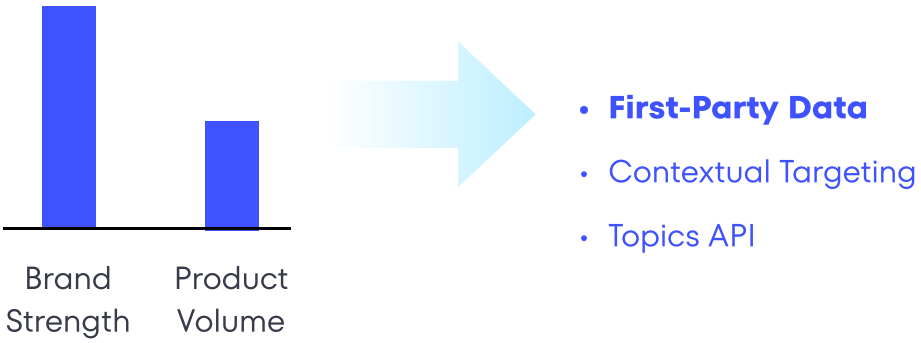
4. Capture category demand rather than paying to stimulate it

- Listen to what customers truly want
- Invest in your own infrastructure to capture existing "in market" demand

Every business is different, so how do you choose the best option of the four for yours?

First, look at your business from two dimensions: brand strength and the number of products you sell. Where these two dimensions sit on a low-to-high scale and how they interact will determine where you should potentially place focus.

For example, if brand strength (brand and direct traffic, above the line spend, domain authority, etc.) is high and your product volume is low, then leveraging first-party data, contextual targeting and Topics API may be a good fit. If your brand strength is low and product volume is high, then contextual targeting, capturing category demand, and Topics API may be a good fit. For the purposes of this guide, we'll be focusing on how to use your first-party data to achieve your personalization goals.



Examples of First-Party Data and How to Best Leverage It

While third-party data is being phased out because of its privacy concerns, there are still ways to use valuable signals from customers in order to drive sales. First-party data refers to the information a business gathers from a user through direct interactions with its own website or catalog. This information is gathered by informing the user that it is being collected and what for, something that 84% of consumers indicate they are willing to do.

Examples of first-party data that e-commerce businesses collect from their users include, but are not limited to:

Baseline information for personalization

- Email address
- First name

Explicit interest

- Poll responses
- Product or business reviews

Implicit interest and behavioral data

- Clicks
- Scrolls
- Purchases
- General engagement

Demographic

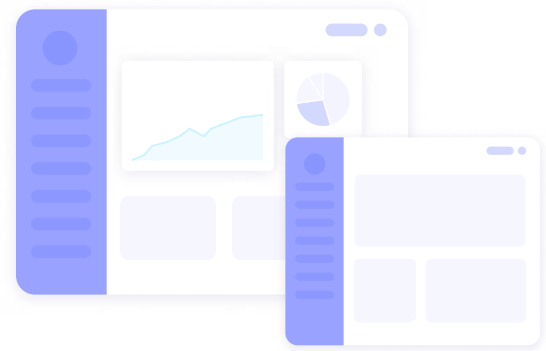
- Location
- Age
- Marital status
- No. of children

Optional, but still first-party

- Last name
- Mailing address
- Phone number
- Payment methods

Chances are, you're already collecting some or all of the above first-party information from your users. If you're not, or looking to refine the process, there are some best practices and standards when it comes to collection.

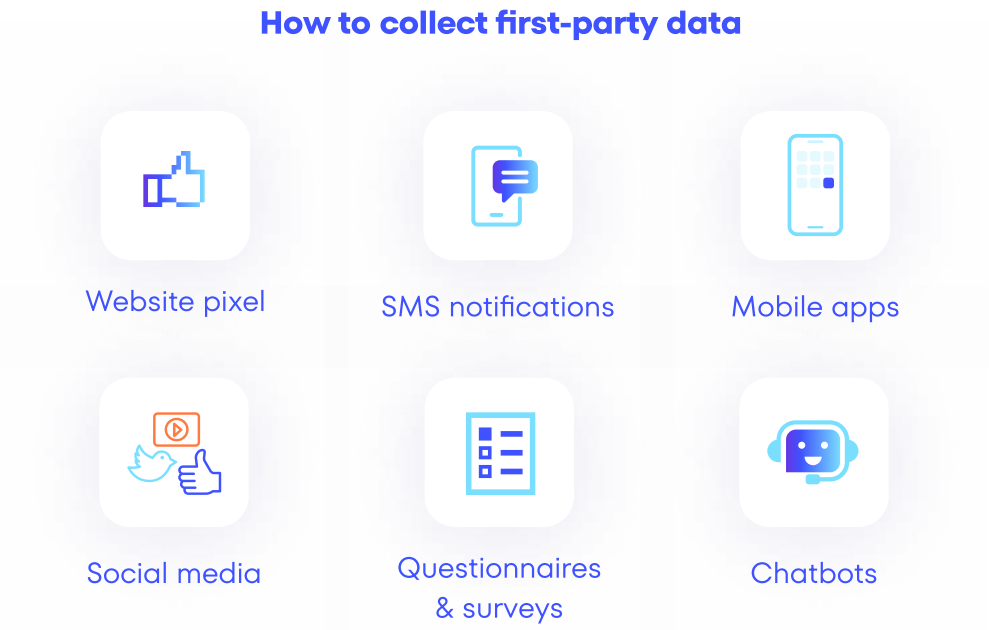
1. Create a user experience (UX) worthy of the data you're collecting. You want to make it so enticing that your users feel good about the information they voluntarily enter. People will leave your site if it has a UX that feels risky or unprofessional. But if it feels safe, is relevant, and presents a perceived high value to the user, you'll inevitably collect more data.



2. Use a pixel to collect information about behaviors and actions. First-party data is collected by adding a pixel to your website, product, or social media profiles that collect information about behaviors and actions and records it within your CRM or CDP. Whenever a visitor lands on or clicks your website, looks at your products, engages with a social media post, or fills out a survey, that data can be collected by the business. Here are some concrete examples of how to collect first-party data:

- **Website pixel:** Data from behaviors or actions are taken across your website, app, and/or product.
- **SMS notifications:** Used to share special offers or logistical information like shipping status, etc.
- **Mobile apps:** Customers must enter their information to gain access; you can incentivize them by offering additional discounts or deals.

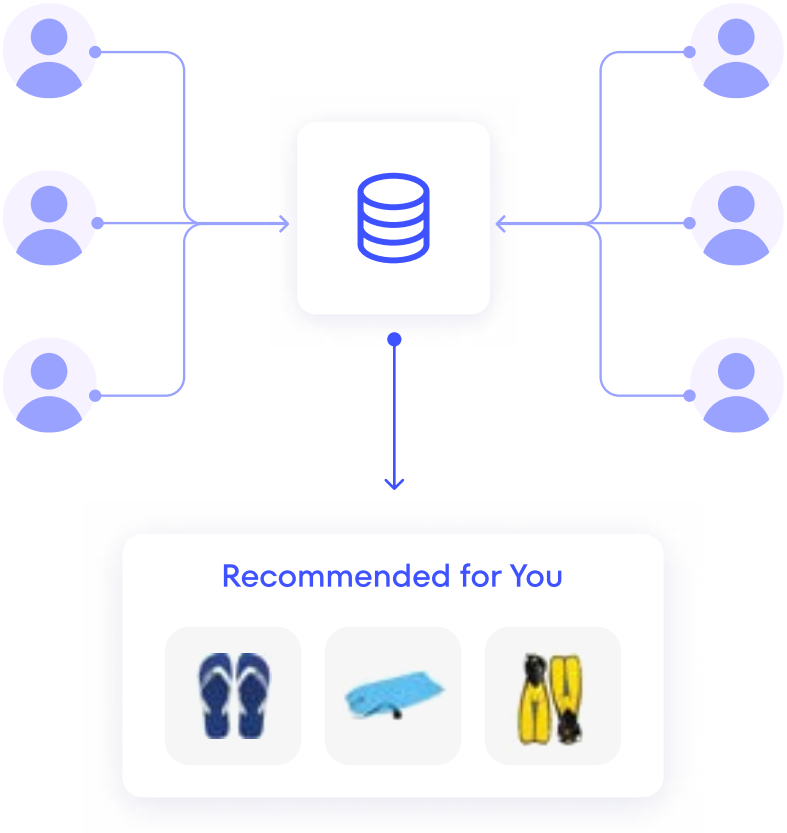
- **Social media:** These platforms provide insights into your followers' demographics and interests; e.g., Facebook Audience Insights.
  Lead generation forms: Exchanging personal information for value; e.g., offers, exclusive content, downloads, etc.
- **Questionnaires/surveys:** A great way to interact with your customer via your site, social media (stories), or email campaign. Use it to find out more personal information from your market.
- **Chatbots:** Can be used as a way to encourage newsletter signups. If you offer technical support via chat, ask for a name and email address before addressing their question.



3. Maximize the data you've collected with a CDP. A CDP (Customer Data Platform) is a place for bringing all first- and third-party data together. When it comes to data collected from transactions, social media, or email clicks – just to name a few sources – a CDP can store the data and help assemble customers' profiles. The more you know about your customer and the more personalized experience the customer receives, the more you'll convert.

The Rise of First-Party Data as a Personalization Strategy

For retailers, there are inherent benefits to first-party data over third-party cookies. Firstly, the information is obtained through an open exchange with the consumer, which gives the customer a sense of security and trust in the brand. Secondly and more importantly for the business, first-party data reflects the tastes and preferences of a user within the context of a given e-commerce store, as opposed to an agglomeration of other stores similar to it.

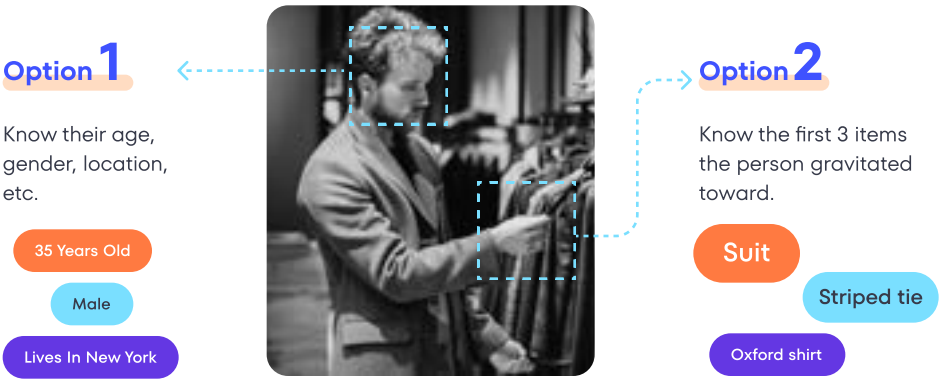


Applying a Brick & Mortar Scenario to E-Commerce

While third-party data has served as the primary data set used to make e-commerce recommendations to customers, it has never been the most effective way to achieve true personalization. That's because it is too concerned with who a person is versus what they want or are interested in.

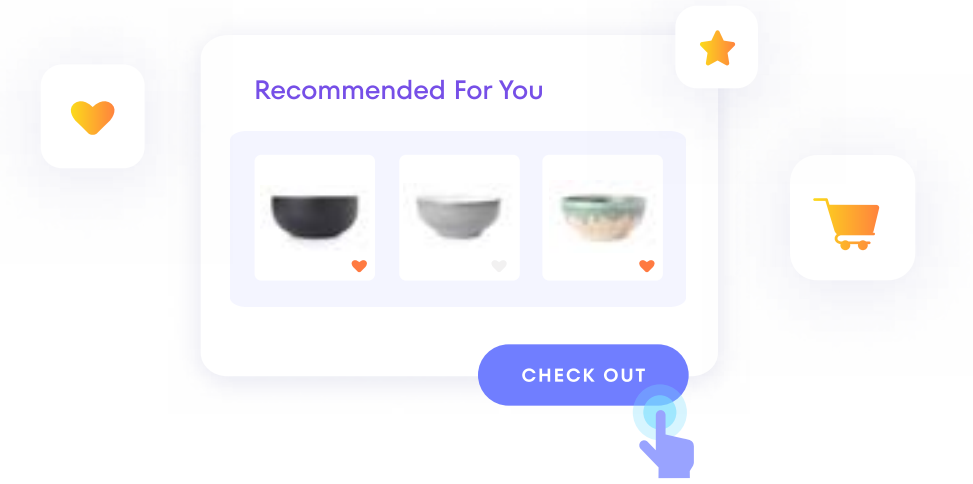
Consider the following brick-and-mortar retail store scenario. Imagine you, as a salesperson in the store, have one of two options when a customer walks in. You can ask them to disclose information such as their age, gender, and where they live as the first option. Or, you can allow the customer to browse independently and observe which items they interact with within their first few minutes in the store.

Obviously, the latter option would allow you to more accurately make a recommendation based on the customer's actual tastes and preferences, as opposed to making assumptions about what they might want based on how they identify as a person. The brick-and-mortar scenario holds true for customers online, as well.



Advancements in AI to Make First-Party Data Especially Valuable

The problem is that it can be difficult to accurately interpret customer interests in e-commerce settings in a timely enough manner to keep them from bouncing from your website. Recent advancements in artificial intelligence (AI) and machine learning (ML), however, have made behavior-based recommendations online a reality.



By leveraging cutting-edge AI and ML techniques, businesses can adopt an approach that focuses on customer behavior – things like cart adds, likes, page scrolls, etc. – in a matter of clicks, all without concerning themselves with personally identifiable information. This means that not only are third-party cookies less relevant than first-party data when it comes to effective personalization, but also that conversion-driving recommendations can be achieved even in the absence of prior browsing history. This is particularly important because nearly 90% of e-commerce website visitors are new or anonymous.

Using First-Party Data for Enhanced Personalization

Methods like recommending “best sellers” or “previously viewed” are standard yet mediocre ways to approach personalization because they limit discovery to storewide purchase data that may be irrelevant or outdated browsing history. This is especially limiting for new and anonymous users.

By using behavior-based recommendations to provide highly-personalized experiences to consumers, retailers are able to surface items a consumer loves in a shorter amount of time. This increases both the likelihood of a conversion as well as brand loyalty, since the consumer will feel that the business understands them and quickly surfaces items they are truly interested in.

Additionally, the first-party data that enables behavior-based recommendations while browsing can be used to enhance the checkout experience. Opportunities for bundling items or upselling can be more effectively presented to customers based on their habits.

Only by leveraging first-party data with the right recommendation platform can retailers take full advantage of these methods. Third-party cookies and less advanced recommender systems are ill-equipped to provide such a rich browsing experience for customers.

Using First-Party Data as an Omnichannel Strategy

First-party data from a customer's time on an e-commerce site is extremely valuable, even after the consumer navigates away from the site. Being able to re-engage with customers where they are within your brand's larger ecosystem is critical. An effective omnichannel approach can be the difference between an abandoned cart and a sale – and leveraging on-site behavior for emails, SMS, in-app, or in-store interactions will get you there.

Traditional omnichannel methods include recommending what was left behind in a cart, previous purchases, or new and popular items. While these can all be somewhat effective in terms of re-engagement, being able to hone in on user behavior to make recommendations is more likely to pique interest and get the customer back in a shopping mindset.

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