monetate

PERSONALIZATION IN THE AGE OF
DATA PRIVACY AND COOKIELESS COMMERCE

Table of Contents

INTRODUCTION

Google's decision to block third-party cookies in its Chrome browser has caused a huge stir in eCommerce circles. As a result, advertisers and brands have been forced to take a new approach to customer targeting and personalizing their customer experience.

But Google's move is only the latest in a string of decisions by companies like Apple, Mozilla, and others to move away from a third-party data gathering model and prioritize in-session or on-site data.

So, what does this transition mean for marketers and online businesses who want to create personalized experiences for their customers?

To properly understand the current situation and how data privacy trends will play out over the next few years, we need to understand how we got here.

DATA PRIVACY:
BACKGROUND AND TRENDS

According to Gartner, by 2024, 75 percent of the global population will be covered by data privacy regulations. And Google's ban on third-party cookies will affect over 3.2 billion people.

The current data privacy landscape has been shaped by the last five years of decisions and innovations by companies and governments. Here's a timeline of the main events:

2017

Apple introduces Intelligent Tracking Prevention, known as ITP 1.0, which restricts cookies tracking users across the web

2018

The EU enact the General Data Protection Regulation (GDPR)

Apple introduces ITP 2.0. This is an important moment as the new framework is more restrictive than ITP 1, effectively stopping advertisers from gathering information on users' movements and behavior on sites other than the one they're on.

2020

California introduces the California Consumer Privacy Act (similar in scope to GDPR).

2021

Apple introduces the App Tracking Transparency framework (ATT) on iOS devices. This requires users to opt-in to apps sharing their data.

2022

Firefox introduces Total Cookie Protection, with similar cookie-blocking protocols as iOS/Safari.

2023

Google introduces the Privacy Sandbox for Chrome, with a view to begin blocking third-party cookies in Q1 2024 with a complete phase out in the second half of 2024.

The regulations on data privacy have been getting more restrictive for some time.

One of the most significant changes occurred when Apple introduced ITP 2.0 in 2018. Apple made a decision to privilege information gained from the user while in a particular session and exclude information gathered from elsewhere.

Or, to put it another way—they started to bar third-party data and privilege first-party data.

With Google's decision to block third-party cookies, this model of data privacy is set to become the norm.

Increasingly in 2024 and beyond, online brands in search of personalization will have to look to the first-party data they can glean from their own customers and site visitors, rather than rely on third parties to collect data on their behalf.

And the actions of companies like Google and Apple are only half the story.

Regulators and governments continue to roll out data privacy measures. Since GDPR was introduced by the European Union, other governments and regulatory bodies have been keen to adopt it as best practice.

CCPA, California's answer to GDPR, became effective on January 1, 2020.

What Does This Mean for Companies?

The phasing out of third-party cookie support has got more than a few businesses and marketing leaders worried about how they can continue to personalize their on-site experience.

And it's certainly true that online brands and retailers will be more constrained in the data that they can collect and store.

**Online Businesses Will No Longer Be Able To:**

USE THIRD-PARTY COOKIES TO GATHER INFORMATION Historically, advertisers have learned a great deal about internet users and their preferences and habits by placing cookies on browsers. These cookies have been able to follow people around the internet for extended periods of time and gather significant information about them—often without their knowledge or full consent. This is set to change, and the data these cookies provide will have to be gathered from a different source.

BUY THIRD-PARTY DATA A knock-on effect of limiting data to session or site-specific silos is the lack of third-party data available to buy. This is a concern for companies because traditionally they have relied on third-party data to accurately target their advertising and inform their personalization efforts.

THE COOKIELESS FUTURE
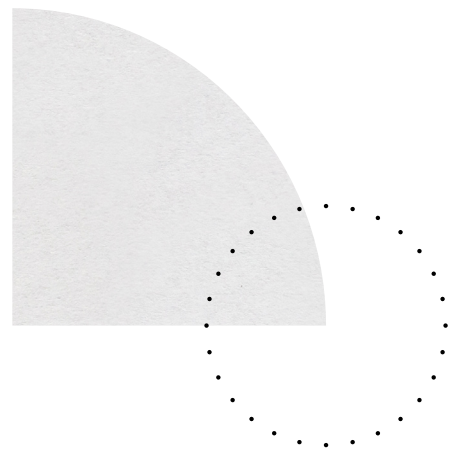
The shape of things to come is not yet entirely clear. These hotly anticipated changes are still in their infancy, and some will not be fully implemented for some time.

But here's the rundown on the latest developments from Google on the data privacy front:

Google's Privacy Sandbox

This is Google's new overall approach to data privacy, of which the removal of third-party cookies is a part. Google describes the purpose of the sandbox as a way to "Create a thriving web ecosystem that is respectful of users and private by default."

Topics API

This is Google's planned replacement for third-party cookies. It's called Topics because your website will be placed into one of Google's predefined topics so Chrome can "infer a handful of recognizable, interest-based categories based on recent browsing history to help sites serve relevant ads"
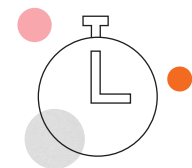
When Is It Happening?

Google has pushed its deadline for phasing out third-party cookies a few times, and currently plans to end support in Q3 2024. So whatever the future holds, there's time for businesses to prepare.

Android

In addition to rolling out its new Privacy Sandbox on the web, Google is bringing a version of it to Android. This will seek to block cross-app tracking on mobile, and bring Android into line with Apple/iOS devices.

THE CHANGING DATA PRIVACY LANDSCAPE:
IMPACTS ON PERSONALIZATION

As all these changes hone into view, one thing is becoming crystal clear: the prioritization of in-session data is here to stay.

One of the big potential impacts of this is the volume of information businesses will be able to gather.

Whereas with third-party data, retailers and online businesses could get access to information on pretty much all of their customers, now they will have to rely on the customers volunteering the information they need to make personalization effective.

This could drastically cut the percentage of customers that online businesses have useful data for.

Third-party tracking gives businesses access to a wealth of demographic, preference, and behavioral data on a very broad cross-section of their customers. But the number of site visitors willing to voluntarily opt-in to providing this data will be much, much smaller.

So marketers will have to come up with other ways of gaining insights into their customers.

How marketers look for and collect these insights will have to change, but it is still possible to gather the geographic, gender, age, and preference information you need to make personalization effective.

In short: online businesses will have to look to first-party data gathered from visitors' interactions with their own site and customer touchpoints, rather than rely on internet-wide data provided by third parties.

THIRD-PARTY DATA	FIRST-PARTY DATA
Large volume available on a high percentage of customers	Smaller percentage of customers willing to volunteer it
Often lower quality	Can be very high quality
Gathered from sources around the web	Taken direct from interactions with your business
Gives specific information about demographics and preferences	Often allows businesses to infer demographic information based on interactions and choices

Some online brands might be intimidated by the hurdles to gathering first-party data, and it will require marketers to think carefully about the areas of their business that will give them the data points they need to power their personalization strategies.

But the big advantage of using first-party data is that once you find a way to onboard and leverage it, the quality of the data will be much higher.

It comes directly from your customers and has been given with their full consent and knowledge.

In the end, your personalization will be stronger.

A BIGGER ROLE FOR ANALYSIS

There are direct ways online businesses can collect customer data directly from their customers. Sometimes, instead of being able to see their visitors' age, gender, and other demographic information (courtesy of third-party sources), retailers will have to find ways to intuit this information from interactions customers have with their site.

AI, Personalization, and Data Security

AI models are playing an increasingly prominent role in personalization, making choices about what messaging to display to which customers.

However, the people building these models sometimes use what could be classed as sensitive data to train them. **In the era of data privacy, this raises some questions:**

✓ *How can marketers make sure they're keeping consumers' data secure?*

✓ *Does this have any implications for the way marketers do personalization?*

The main thing for marketers is to ensure that they have fine-grained control over the AI model.

There is no one-size-fits-all for what data to use. Information that will be totally acceptable when informing AI choices in retail (gender, the composition of the neighborhood a customer is based in) would be illegal if used to make decisions in the insurance industry.

So you need to have configurability over your AI models.

There are different privacy rules in the US than in the EU. And even within the US, if you're based in California, the rules will be different again.

Being able to have flexibility in the data you use and, importantly, receiving guidance on how to configure your AI and machine learning for your specific use case are key components of a data-privacy-compliant personalization model that involves AI.

HOW TO GATHER FIRST-PARTY DATA

Brands need to think about how they can incentivize people to give them the information that they need about their interests and preferences.

The way you get this data will vary. It may come direct from the customer in the responses they give in forms, questionnaires, and quizzes (this voluntary, direct information is sometimes called zero-party data).

Other times it will come from analyzing the way visitors interact with your site or a customer's purchase history.

Get Your Organizational Structure Right

Monetate's client analysis shows that only 52% of clients onboard first-party data, and only 22% of these use this onboarded data for personalization.

There Are Many Places You Can Get First-Party Data From:

- ✅ CRM/loyalty systems
- ✅ POS system
- ✅ Offline event tracking systems
- ✅ Product catalogs

So if you have all this information floating about in your systems, how can you make use of it?

Often, the barriers that retailers and brands face in making use of their first-party data are more organizational than technical.

For example, your CRM team and your personalization team may be operating completely separately from each other. This is a mistake as your CRM is a treasure trove of information on your customers, their past behavior, and their preferences.

Give your marketing team access to purchase histories from your POS system, and make sure your sales teams are feeding information through to your personalization team.

Finding ways to break down data silos and put information into the hands of your personalization team means they'll have a much stronger base from which to design truly personalized experiences.

YOU SHOULD MAKE SURE YOUR TEAMS ARE:

Sharing information - Don't let data get siloed in different departments.

Building long-term relationships - Don't approach connecting teams as a one-off data dumping exercise. Find a way to set your teams up for long-term collaboration.

# HOW CAN BRANDS PREPARE FOR THE NEW ENVIRONMENT?

The impending loss of access to third-party data might seem scary if you've been relying on it for as long as your personalization program has been around. However, there are plenty of practical steps that businesses can take to set themselves up for success in the cookieless future.

Remove Obstacles to Data Flow

As we've seen, the way for businesses to avoid a huge gap in their customer data is to focus their efforts on gathering and utilizing first-party data.

But the big question facing brands is: **How do you get access to this first-party data and turn it into something useful for your business?**

There is a two part answer to this question:
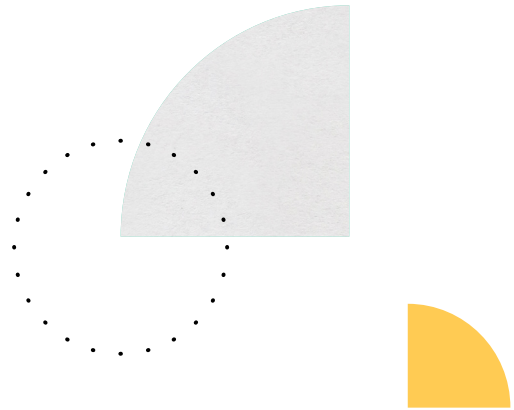
1. If you're not onboarding first-party data...

Work out a way to do so. That could involve **speaking to your various teams to find any blockages or data silos** and/or **working with personalization experts to identify areas of customer interaction where you could be capturing data.**

2. If you're onboarding but not personalizing...

Here, you need to look at the data you have through the lens of the customer journey.

Take an audit of all data you're onboarding and work out:

- ✓ **What part of your site could it best serve?**
- ✓ **What can you tell about customer intent and preferences from the data you have?**
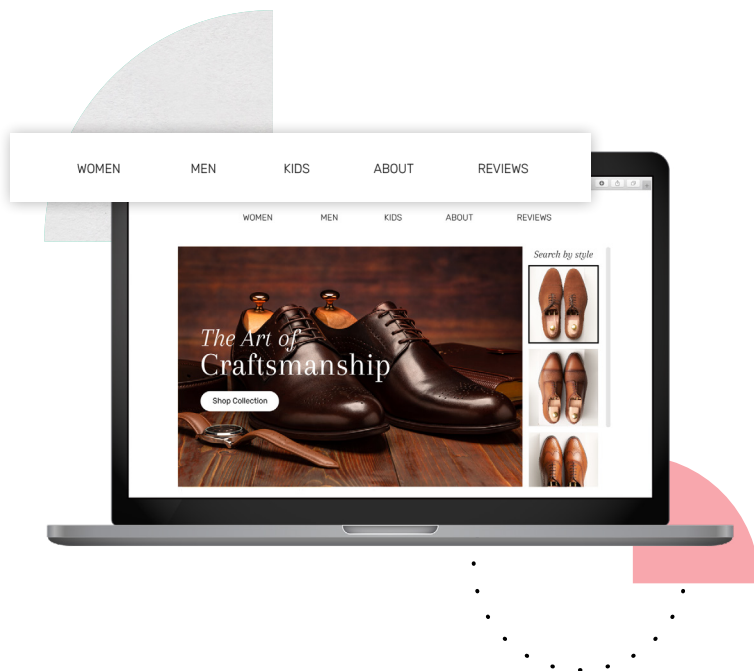
MAKING YOUR FIRST-PARTY DATA WORK FOR YOU

There are several customer touchpoints you can gather first-party data from. Naturally, there are many ways you could use this data. So how do you go about making sense of it?

One of the best ways to orient yourself is to start with the top navigation bar on your site.

This is a good place to start, as it's in line with how you already think about your customer journeys.

Let's say you have data in your CRM telling you a particular customer is male. And let's say you also know from information gathered in your POS system that men's leather shoes are selling well this season.

If you put these two bits of information together, when the customer lands on your site, you can personalize their experience by starting them at 'Men Shoes' and promoting your leather shoes product line.

The place you choose to start each visitor will be different depending on who they are and what your business priorities are. **But if you follow some simple steps, you can start to make sense of your first-party data and make it work for you:**

STEP 1

Start with the top navigation bar on your site

STEP 2

Identify who the customer is using information from your CRM, etc.

STEP 3

Look at what other data you have on this specific customer or customers similar to them

STEP 4

Use this data to inform a decision about which section of your site they should start their journey from

# HOW MONETATE CAN HELP YOUR FIRST-PARTY DATA PERSONALIZATION

Monetate is a personalization platform that works with first-party data from your CRM, your POS, your product catalogs, and other data-rich solutions. We combine it with our wealth of experience in online customer behavior and how to create personalized messaging and customer journeys that maximize revenue.

Working with leading brands and commerce businesses over several years to create hyper-personalized experiences means we have a deep understanding and knowledge of how different customer segments behave.

We don't share data, but will share our insights in the form of behavioral targets built into the platform.

We don't just offer a platform. We offer a team of highly experienced personalization experts that will dedicate themselves to understanding your brand, the unique challenges and hurdles you face in implementing personalization, and how you can overcome them to produce conversion-boosting, loyalty-generating customer experiences.

Monetate works with you to understand how your first-party data and in-house customer segments can fit together to create the branded, personalized experience you need to thrive in the privacy-conscious eCommerce era.
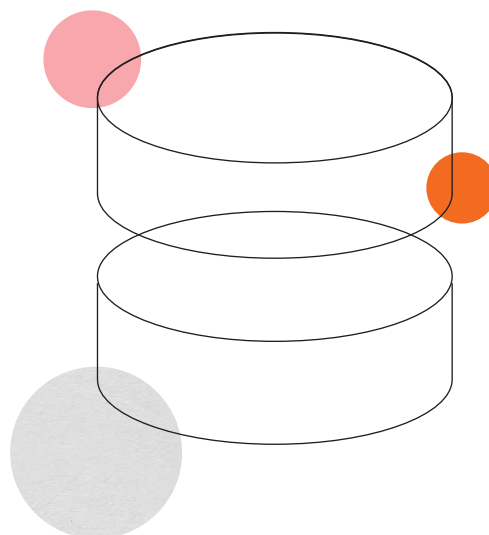
ABOUT MONETATE

Monetate helps organizations make personalization a reality.

Our personalization suite is built from the best components of Monetate and Certona, pioneers and leaders in enterprise A/B/n testing and AI-driven individualization and offered through a consolidated, user-friendly interface. Our comprehensive offering enables tailored experiences across digital channels through a diverse product range, including A/B tests, AI-driven testing, audience segmentation, product recommendations, social proof, 1-to-1 personalization, and more. We help clients get the most out of our solutions through a consultative model that offers success plans made by our internal experts that deliver on short-term and long-term ROI.

Monetate has been the choice of customer-centric businesses, influencing over $230 billion in revenue annually for companies like Office Depot and Lufthansa Group. Learn more at **www.monetate.com**.

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