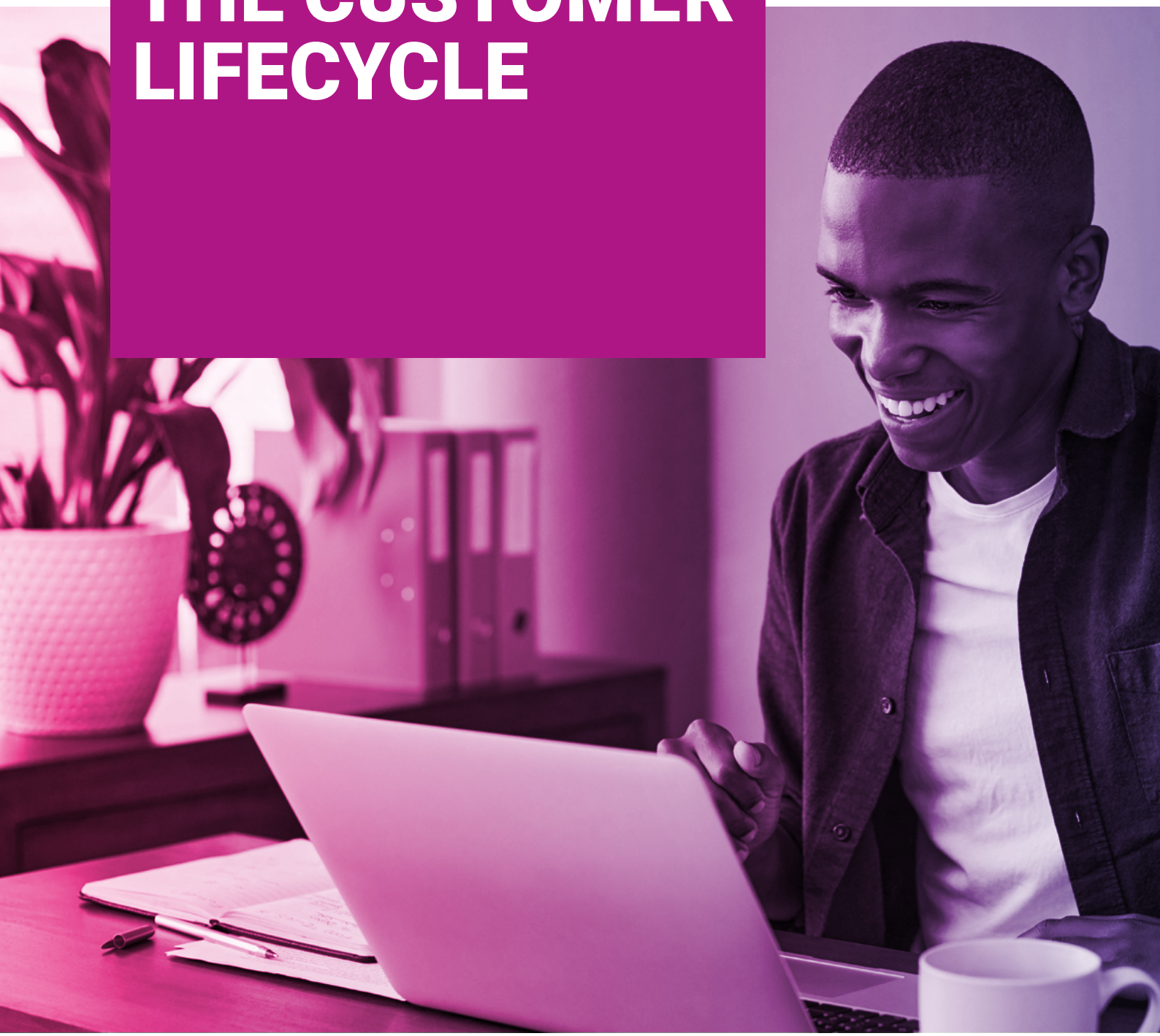
RETHINKING THIRD-PARTY DATA ACROSS THE CUSTOMER LIFECYCLE



The Drum

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INTRODUCTION

The internet has long been hailed as the most measurable marketing medium ever. It's also the most opaque in terms of how marketing messages are targeted at their recipients.

In 2020, Deloitte's Digital Consumer Trends survey looked at UK attitudes to companies' use of consumer data. It concluded that "the majority of digital users may not be able to comprehend the process via which information such as browsing history, location and device used could be shared instantly with hundreds of third parties."

The result of this lack of understanding has been relentless pressure from privacy campaigners and legislators. The prime culprit – the third-party cookie – is being phased out and the use of third-party data is now tightly regulated, leading marketers to move away from its use.

But has the pendulum swung too far? Are businesses putting too much emphasis on opted-in first-party data and ignoring both the wealth of permissioned third-party data still available and the benefits it can deliver?

This report examines how, by using first- and third-party data together, marketers can achieve better customer understanding and more accurate targeting, as well as greater scale for their campaigns with greater efficiency, than they can with first-party data alone.

MAKING THE CASE FOR THREE-DIMENSIONAL THIRD-PARTY DATA

"It's all very well having first-party data so you can retarget customers, but how are you going to get new customers? First-party data is the engine – but you need other components to make it work. You need third-party data to model out your first-party data."

ALISON HARDING
vice-president of data solutions, Lotame

The adoption of GDPR by the EU in 2016 sent marketers around Europe and beyond into panic. How can we use the data we've collected? How can we collect it in the future? What's the impact if we use and collect data in the wrong way? What is the wrong way?

This uncertainty subsequently spread around the world as other countries introduced similar legislation. Then, just as things had settled down, in 2020 Google revealed plans to make the third-party cookie obsolete. Six months later, Apple announced that the next version of its mobile operating system, iOS 14, would require app users to actively opt-in to be identified to advertisers, replacing the previous default opt-in.

Once again concern swept the industry. Research by IAB Europe that year found that almost half the people surveyed (47%) felt finding an alternative to the third-party cookie was critically important. All the focus was on collecting first-party data while other targeting technologies – such as contextual targeting and cohorting – were developed and tested. Google is now planning to stop supporting third-party cookies in its Chrome browser in 2024, joining Apple's Safari and Mozilla's Firefox.

The return of third-party data

With hindsight, did the fear of non-compliance cause the industry to scale back too far? According to Nik Dewar, European sales director, Samsung Electronics Europe, a better understanding of compliance has led brands and agencies to lean back into third-party data, but they're asking more informed questions: how are publishers collecting their data? Do they have consent? What can we do? What can't we do?

"That short-term swing of the pendulum actually helped because third-party data is coming back, but its use is more informed and we're able to make more informed decisions," Dewar says.

At the same time, third-party data owners have stepped up, making it clear they're moving away from cookie-based data collection products. And agencies too have realised that previously unstructured approaches to sourcing third-party data are no longer sustainable. Instead, they're switching to small numbers of trusted suppliers, carrying out stringent due diligence before adding anyone to their rosters.

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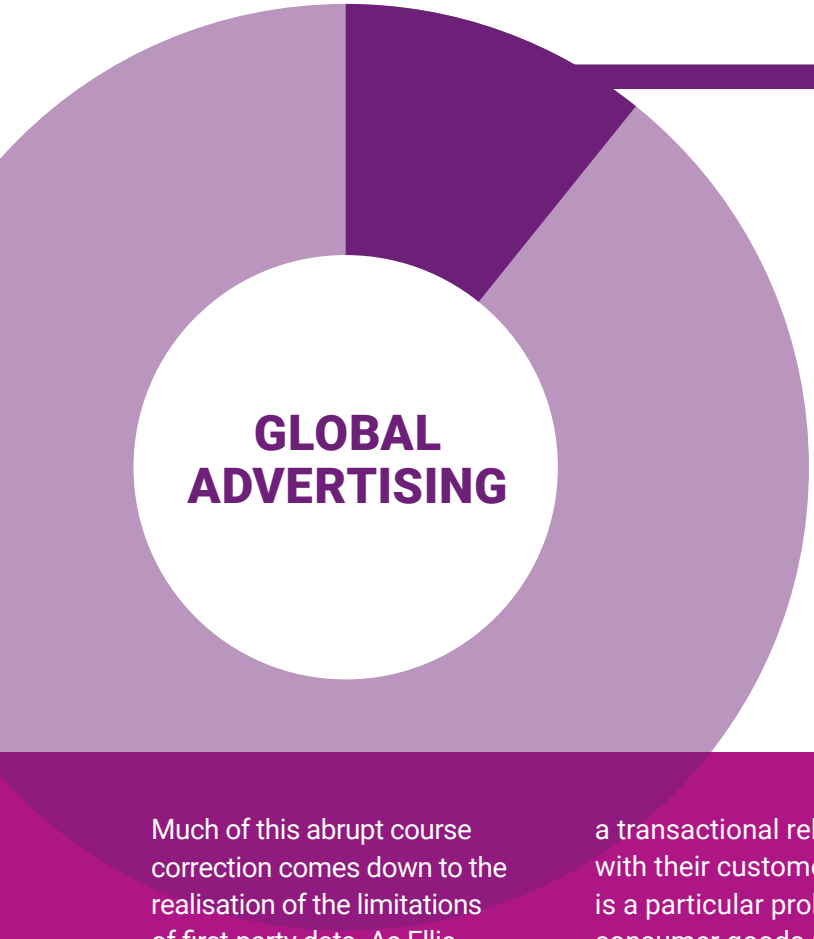


10.7%

RETAIL MEDIA 2023

Much of this abrupt course correction comes down to the realisation of the limitations of first-party data. As Ellie Marshall, global head of data and measurement at Finecast, WPP's addressable TV advertising company, explains, first-party data is difficult to scale and only gives one slice of an understanding of a consumer.

"The way we've pivoted as a business is to cater to both first-party and third-party data, working together with an advertiser to take their customers' data and give them the best understanding of their audiences, but also the best way to reach them on channels and the best way to speak to them as well," she says. "That's where first- and third-party can really work in a complementary way."

The other big factor is the difficulty many brands face in collecting first-party data, simply because they don't have a transactional relationship with their customers. This is a particular problem for consumer goods (CPG) brands and goes some way to explaining the rise in direct-to-consumer (D2C) subscription services for everything from razors to toilet rolls.

It's also one of the major drivers behind the dramatic growth in retail media in the past few years. The term covers brands advertising on retailers' web properties and using the retailer's data to better target advertising on other sites. According to a report last year by GroupM, retail media already accounts for 10.7% of global advertising, and its value is predicted to grow by 60% by 2027. At its heart is data collaboration; businesses sharing their own first-party data for mutual benefit.

"Retail media is an interesting area," says Brendan Abbott, the partners and alliances director at Experian. "It is heavily oriented toward first-party data captured by the retailer, however we have seen third-party data play an important role. Firstly, third-party data can add more colour to the profile of the customer, and secondly, it can be critical in extending audiences to deliver scale, especially in offsite channels."

Akin Garzanli, chief marketing officer at Turkish multinational household appliances manufacturer Arcelik Global, gives the example of his business working with a detergent company: "When you have a washing machine, of course you buy detergent, so why don't we put the data together to create value for the consumer? I believe more and more companies will cooperate under the umbrella of data benefits."

All you need is trust

The key to all of this is trust: trust among consumers that their data is being collected and used in accordance with their wishes; trust among brands in the quality of the data they're buying in; and trust between brands sharing data. Compliance with regulations is delivering the first of these. It should also be helping with the second, as third-party data suppliers have to be transparent about how the data they collect will be used. The last is being addressed by emerging technologies such as data clean rooms.

Marshall sees a growing openness among brands to share their data, but the challenge has been to ensure the right sort of intermediary is in place – hence the burgeoning demand for data clean room technology.

"Now there are routes to sharing data in a secure, compliant way, there's not as much reluctance or concern about doing so," she explains. "There's still a lot of legals that come with it, and it does take a lot of time, but the conversations to get a client to share first-party data feel more procedural now compared with three or four years ago."

The term 'clean room' comes from the pharmaceutical and electronics industries. It refers to an environment that is sealed to prevent contaminants entering the manufacturing process. In data terms, clean rooms allow partnering companies to combine their data and derive insights, or access the processed data hosted elsewhere (eg via clean rooms such as AWS and Snowflake where third-party data like Experian's WorldView is accessible alongside first-party data), without any of the partners being able to access other personally identifiable information (PII) data. That way, value can be created by sharing first- and third-party data without infringing data protection laws.

Advertisers still need third-party data to maximise the effectiveness and efficiency of their campaigns; some more than others. The combination of regulation and technological development now exists to allow that to happen.

REMIXING THE MARKETING DATA MIX

THE AGENCY VIEW: IMPROVING THE PRESENT, INFORMING THE FUTURE

"Third-party data is valuable throughout the customer journey, but in different ways. When you're looking at the plan, you want to be as effective upfront as possible. During the campaign, you want to be optimising towards what's best performing. Then, at the end of a campaign, there's a lot to be gained from the post-campaign insight and how you use that for future learning. So you're not just thinking campaign by campaign, but really having a relationship with a brand and working out which audiences the campaign was most effective with, so who did you not reach this time and what can you do in the future? It really helps inform the post-campaign planning and gives it a bit more of a circular approach."

ELLIE MARSHALL
global head of data and measurement, Finecast

Agencies, advertisers and platforms all have a different view of third-party data and the role it plays in their business, although there is also significant overlap.

Advertisers want to understand their customers (and potential customers) better in order to communicate with them more effectively and offer them better products and services.

Agencies too want that understanding, but they also need to locate it in the broader context of consumer behaviour. Third-party data helps them develop insights and deliver effective, efficient campaigns.

Finally, platforms need to appreciate – and meet – the data needs of advertisers and agencies. But they also require an understanding of what other data is available and what value it might deliver.

THE ADVERTISER VIEW: SCALE AND SPEED

"Consistent, reliable and trustworthy third-party data allows us to make informed decisions and reduce the risk of errors and misunderstanding. Then consistency over time and scale is very important, especially for global companies like us. It enables us to access larger data sets and gain more comprehensive insights to help our brands scale up and stay ahead of the competition. The decision-making process is much easier and faster. It's also critical for activation, helping us turn data into the action, and for improving consumer experiences and journeys. It also has a very strong impact on business efficiency."

AKIN GARZANLI
chief marketing officer,
Arcelik Global

"If you look at a category like pet care for instance, between our owned and operated properties, some of the pure players and potentially some private marketplaces, you get to a certain size of the total audience, which is very clearly defined. There, third-party data is only going to be a complement to try to expand what we have. But in some of our other categories it's going to have the lion's share of the big brand campaigns, to make sure they are happening against the right audience. Part of our challenge is to make sure that when we move more dollars into digital – whether it's connected TV, private marketplaces or the walled gardens – we have the size, the reach and the frequency we need."

FLORIAN JACQUIER
global head of data, personalisation, digital commerce &consumer analytics, Nestlé

THE PLATFORM VIEW: MAKING FIRST-PARTY DATA WORK HARDER

"For us, everything comes down to accuracy and trying to minimise wastage. Having those kind of third-party data signals that someone might be moving house, saving or whatever enables us to reach a user who's more likely to want to engage with the brand, product or service. If you've got that opportunity at scale, that's brilliant. And TV has always been predicated on the ability to reach a mass audience at one time. Then, with the advent of connected TV, we can take the best of digital and apply that to the television world. You know the old Wanamaker quote: '50% of my advertising budget is wasted, but I don't know which 50%'? We can start to answer that question by applying third-party data."

NIK DEWAR
European sales director,
Samsung Electronics Europe

"We've not seen a drop in our third-party data usage. In fact, it's gone up 25% in the last couple of years; even more in regions such as Latin America and APAC. So although it's about understanding your first-party data as a brand, it's also about being able to use it. There are a lot of brands that don't have a huge amount of first-party data and they need other tools – third-party data demographics, social demographics, etc – to be able to target effectively. And, of course, the cookieless side of things comes into it as well, and we're able to run in a cookie-free environment using our data as well, which is key."

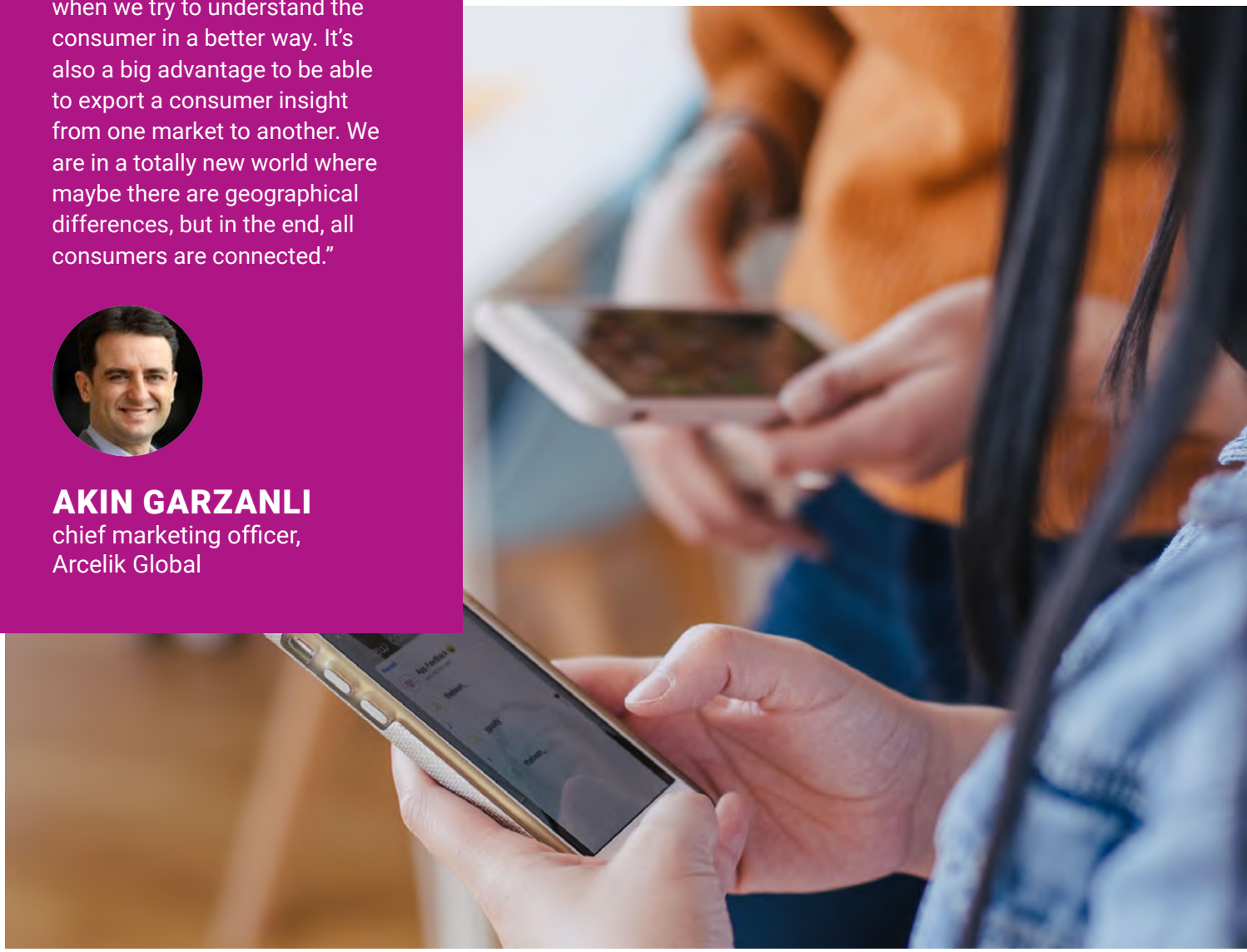
ALISON HARDING
vice-president of data
solutions, Lotame

MAKING THE MOST OF MARKETING'S SPHERE OF INFLUENCE

Marketers and advertisers have never had a broader sphere of influence. Digital technology has solved the delivery issue, allowing them to deploy campaigns around the globe at the press of a button. Competitive advantage and business success now rest on interpreting available data to find, reach and engage specific audiences, effectively and efficiently.

"The complexity of having such a large geographic footprint. But this also gives you the advantage of understanding the consumer needs in several markets. That's very important when we try to understand the consumer in a better way. It's also a big advantage to be able to export a consumer insight from one market to another. We are in a totally new world where maybe there are geographical differences, but in the end, all consumers are connected."

AKIN GARZANLI
chief marketing officer,
Arcelik Global

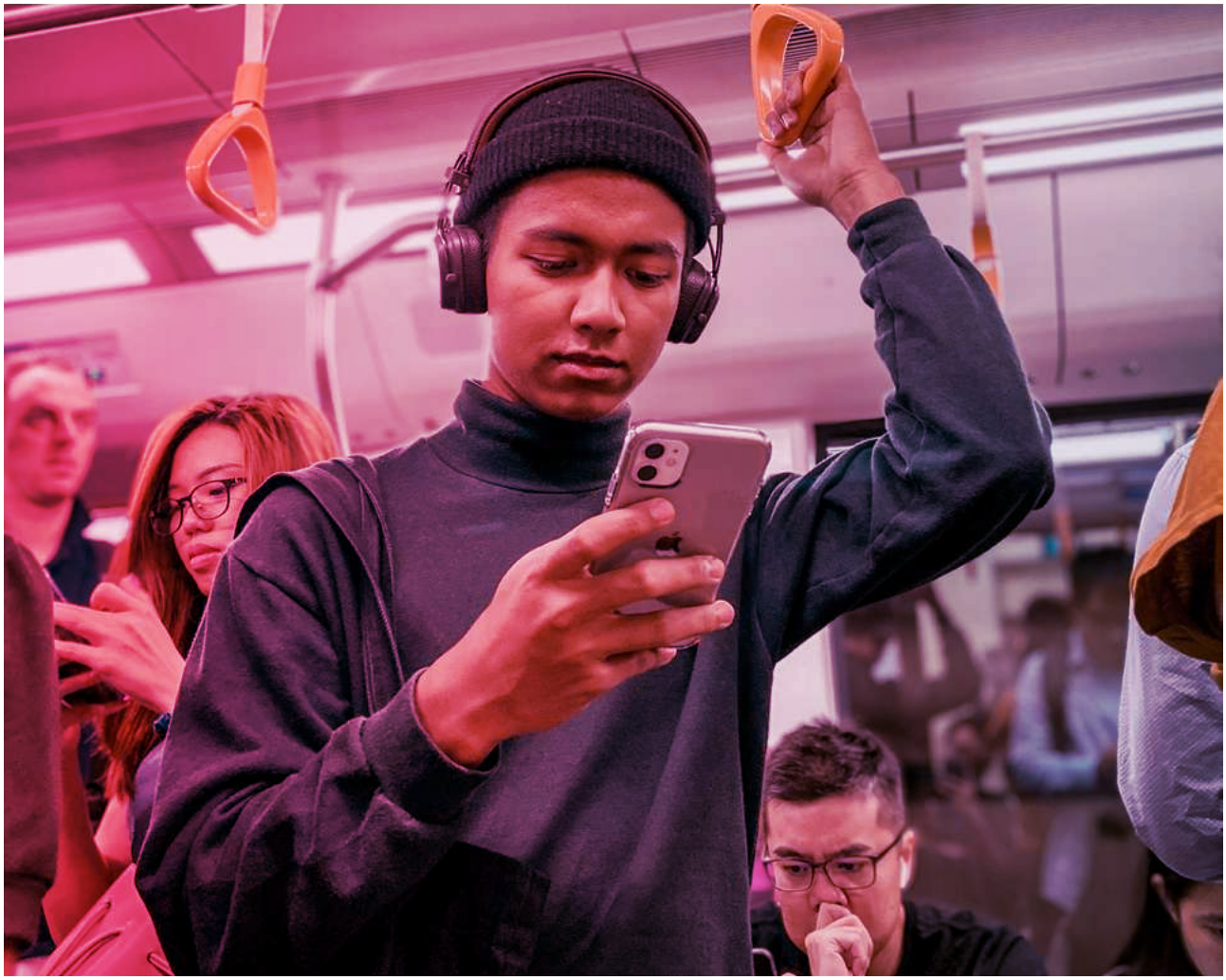


This is even more challenging for global organisations, which must strike a balance between achieving the economic benefits of scale and the necessity to respect local cultural nuances. This requires more than just localising language and branding. Different markets will expect different tones to their marketing communications, or different messages entirely. They may also favour different channels, or use the expected channels in different ways. They may even have significantly different attitudes and expectations around individual brands, or about advertising in general.

Trustworthy, multi-market third-party data plays a critical role here. If the data collection methodologies being used are consistent, marketers can have a consistent approach across all their various territories, even if there are nuances between them in terms of cultures and languages. As Samsung's Dewar says: "It gives marketers the reassurance that there's going to be limited wastage and increased ROI."

There is another benefit too. Having a single overall data supplier means agencies and advertisers only have one relationship to manage. Certainly, the big agencies look to decide on their data suppliers centrally, then either recommend or instruct the local team who to use. Getting to what Finecast's Marshall describes as "a horizontal and vertical view", means choosing the right supplier is crucial.

"We've found greater success when agencies representing global brands execute regional strategies rather than a one-size-fits-all approach," says Alison Harding, vice-president of data solutions at data platform provider Lotame. "It's key that agencies find someone who has that scale and that they're able to replicate that for efficiency."



WHAT'S NEXT FOR THIRD-PARTY DATA?

With the case clearly made for third-party data and related insights across different segments, regions, and types of business, how can organisations combine their contextual first-party data with the greater audience definitions enabled by external, third-party data to ensure a win-win for brands and consumers?

1.

Increased focus on making industry data collection practices transparent to consumers

Advertisers, agencies and consumers stand to benefit from new combinations of first- and third-party data, but transparency will be crucial to widespread public acceptance. Compliance with regulation is critical, but brands should think beyond this and embrace transparency as a source of competitive advantage.

"As a leading marketing services data and insight company, we've found that transparency is critical, says Brendan Abbott, partners and alliances director, Experian. "So, over the last four years, we've developed a Customer Information Portal with the sole purpose of keeping consumers informed about what we're doing with their data."

2.

Agencies embrace people-led planning

Brands and their agencies will move away from planning and evaluating channels in isolation, instead thinking about the total picture for consumers and their touchpoints across the whole brand strategy. This upfront planning will be enhanced by greater insights in terms of core audiences, their needs and objectives, allowing brands to go beyond an advertising perspective to also look at relevant product and service enhancements. Finally, there will be a shift in the evaluation of media performance to look at impact within particular audiences, rather than at general campaign metrics such as overall reach and clicks.

"Both accurate linkage and synchronisation are really important," notes Abbott. "Get it wrong and consumers either get connections they don't expect – which is creepy – or that are incorrect, which is simply not relevant. Many people think of third-party data for insight, but it also has a key role to play in linkage. For example, at Experian we've seen it used by a retailer who also provides financial services. In this case, third-party data acts as the glue to link together first-party data sets to deliver an accurate view of consumers across multiple in-house brands."

3.

Data clean rooms continue to grow in importance

Businesses that have first-party data see an opportunity to generate revenue from it. Businesses that don't have access to this data want to use other people's first-party data to improve their understanding of their customers. Neither side wants to infringe data protection law. Increasingly, data clean rooms will be the solution.

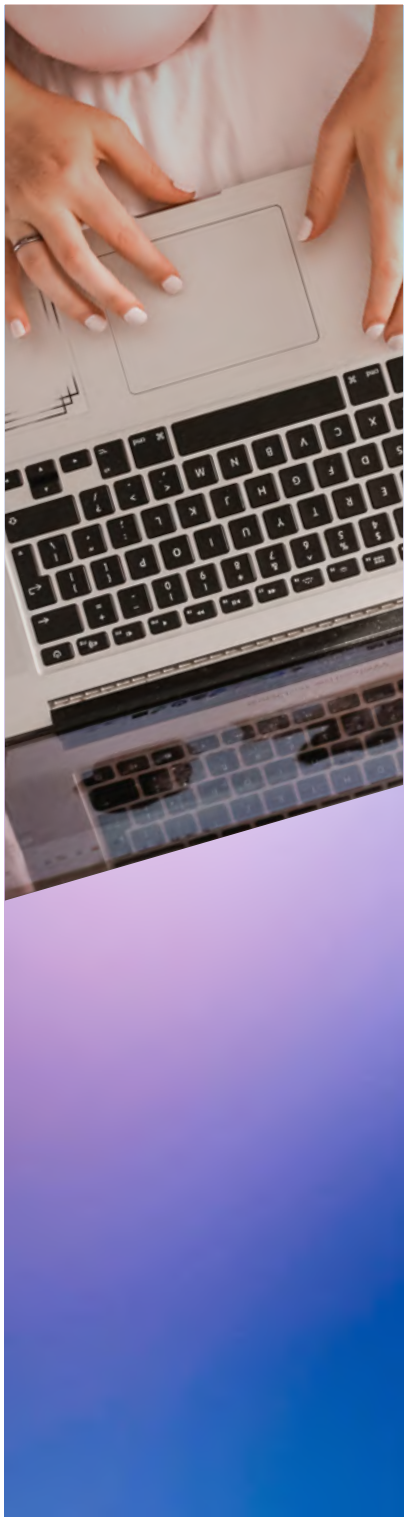
"What's interesting is that agencies are now starting to bring advertisers' first-party data into the mix," says David Newley, consultant, marketing services, Experian. "Previously, they wouldn't touch advertiser data and advertisers wouldn't trust agencies with their data, but clean rooms have become a conduit between the two."

4.

CPG brands look beyond retail data partnerships

Many brands don't have a direct relationship with their consumers, so they rely on the tech platforms, the advertising industry and retail channels to facilitate those relationships. But there are other sources of third-party data available.

"We're starting to see a growing trend of CPG brands that are disconnected from first-party transactional data really starting to look at the connection between research data and demographic data and so on," says Newley. "That may accelerate if budgets become more squeezed and those brands have to deliver more efficiency."



5.

Linking multiple consumers' journeys becomes crucial for major purchase decisions

Just as B2B businesses will have a buying committee for major purchases, there's usually multiple people involved in the decision to make a major consumer purchase, such as a new car or a new kitchen. All of these people will be sourcing information about the purchase from different places, which means, as they come further through the funnel, the linkage between channels and devices is really important.

"For considered purchase journeys, it's imperative brands can provide a consistent experience as consumers research and shortlist using different media and devices," says Abbott. "Considered purchase journeys happen infrequently, so we need to ensure a smooth experience for the customer in that buying cycle."

6.

Digital campaigns and business operations increasingly span country boundaries

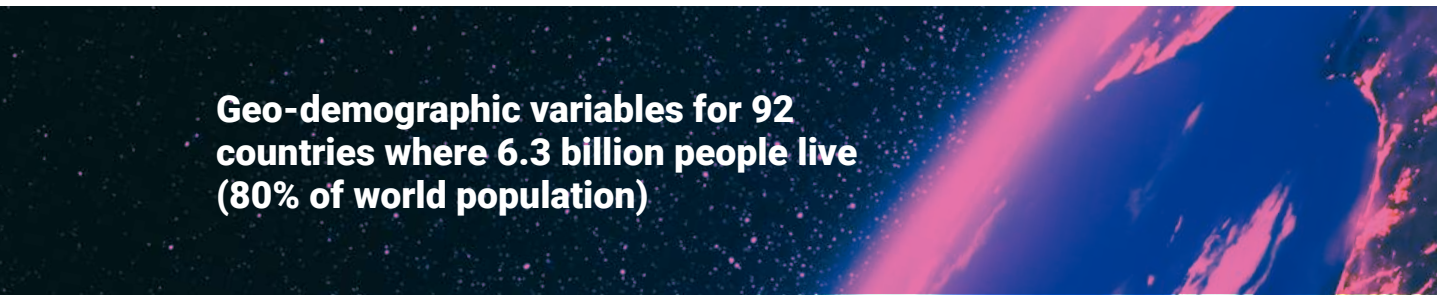
More and more multinational businesses and agency groups are choosing to centralise their third-party data purchasing, rather than leave it to regional or local offices. Their aim is to ensure data-driven decisions are consistent across countries and regions. However, they still need to respect cultural and linguistic nuances, so they need a provider that sources data locally, but in accordance with a single global methodology.

"More and more organisations are buying global data sets to ensure decision making and marketing is informed by a consistent underlying data framework," says Newley. "For example, a clothes retailer we work with is using consistent data across 92 countries, which means it can apply a consistent decision model to business decisions from Amsterdam to Zapopan."

It's clear that the pressure on brands is growing to ensure that they – and their agencies – are making the best use of both their available first-party data and the third-party data opportunities at their disposal. The question then that brands need to ask themselves is a simple one: have they got the balance right?

MEET WORLDVIEW

Sourcing global socio-demographic information has previously been a challenge. Data was inconsistent and only provided a partial view of international locations, markets and customers. Experian WorldView provides key attributes for 250 by 250 metre grids that cover the globe. This in turn provides immediate access to accurate information to help you make effective global location planning decisions and run marketing campaigns across multiple countries.

To find out more please visit the Experian website:

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