KEEP CALM AND MEASURE ON
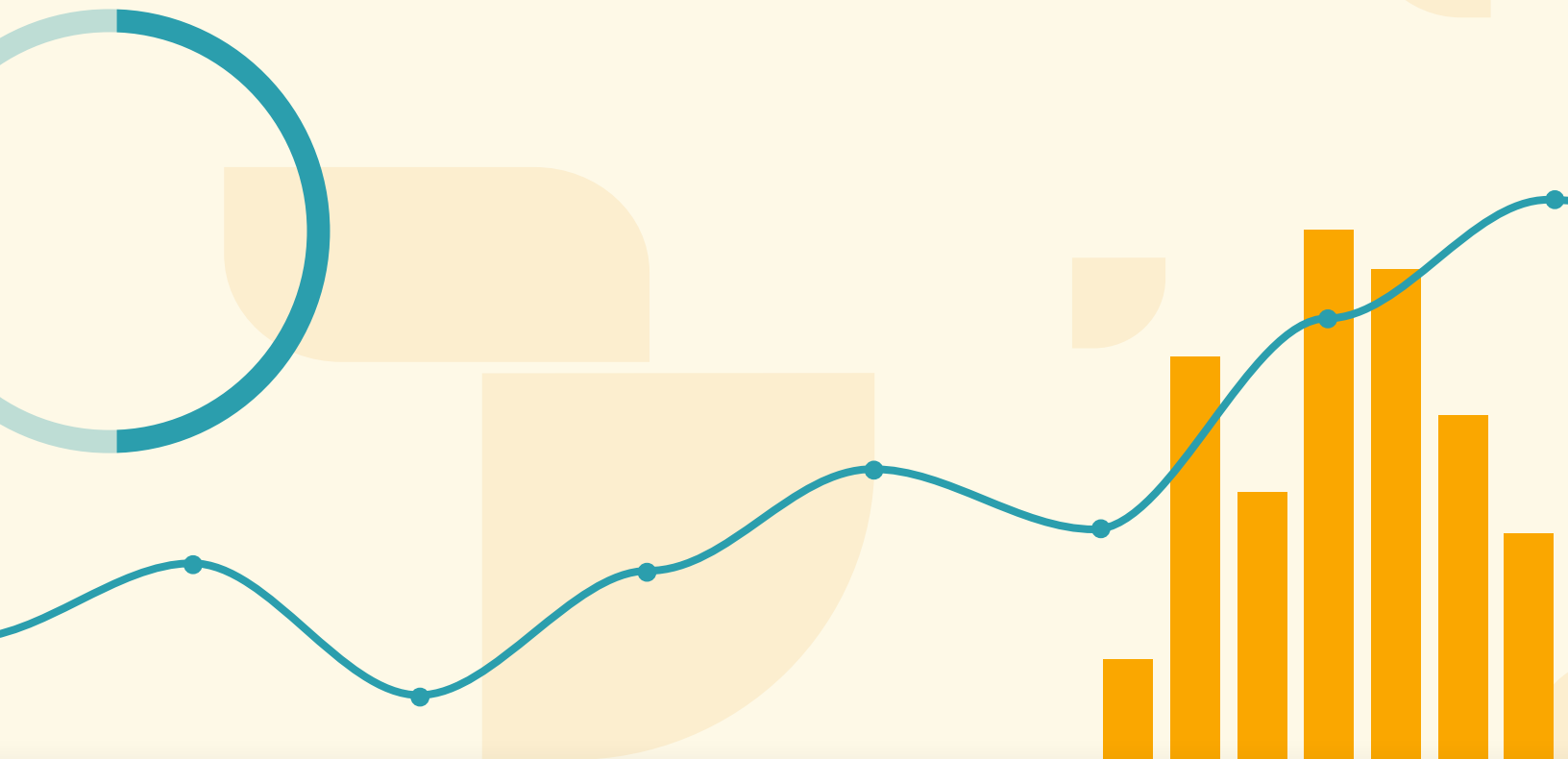
How Retailers Can Measure And Market Better In The New Privacy Landscape

FOREWORD

For the last few years, privacy concerns among consumers have been on the rise. Data breaches in the news, plus the passage of the landmark General Data Protection Regulation (GDPR) in Europe, put everyone in ecommerce on their toes — and helped garner support across the U.S. for individual state-wide consumer protection laws. Big Tech saw the writing on the wall and started putting in place its own privacy measures: first, Safari killed the tracking cookie; then, the iOS14.5 update limited the use of device IDs; and, soon, Chrome will be eliminating the 3rd party cookie. All of these changes chipped away at how the retail and ecommerce industry marketed and measured their campaigns.

Today, retailers have the opportunity to engage with more ecommerce customers than ever before, but it comes at a point when traditional data-driven marketing is forever changed, and regulators and Big Tech are inching toward giving consumers more control over their data. These new parameters require some significant rewiring of the way we, as an industry, implement our acquisition and retention strategies — and the way we measure our success.

To help, CommerceNext fielded a survey sponsored by Crealytics to understand how retailers and brands view the new privacy, post-cookie environment and what their strategies are for navigating it.

Our goals of this research were to:

- Study the impacts and challenges felt by a post-cookie environment.

- Find out how retailers are strategizing past new privacy restrictions.

- See how prepared our industry is overall to maneuver and measure through the next phase of privacy.
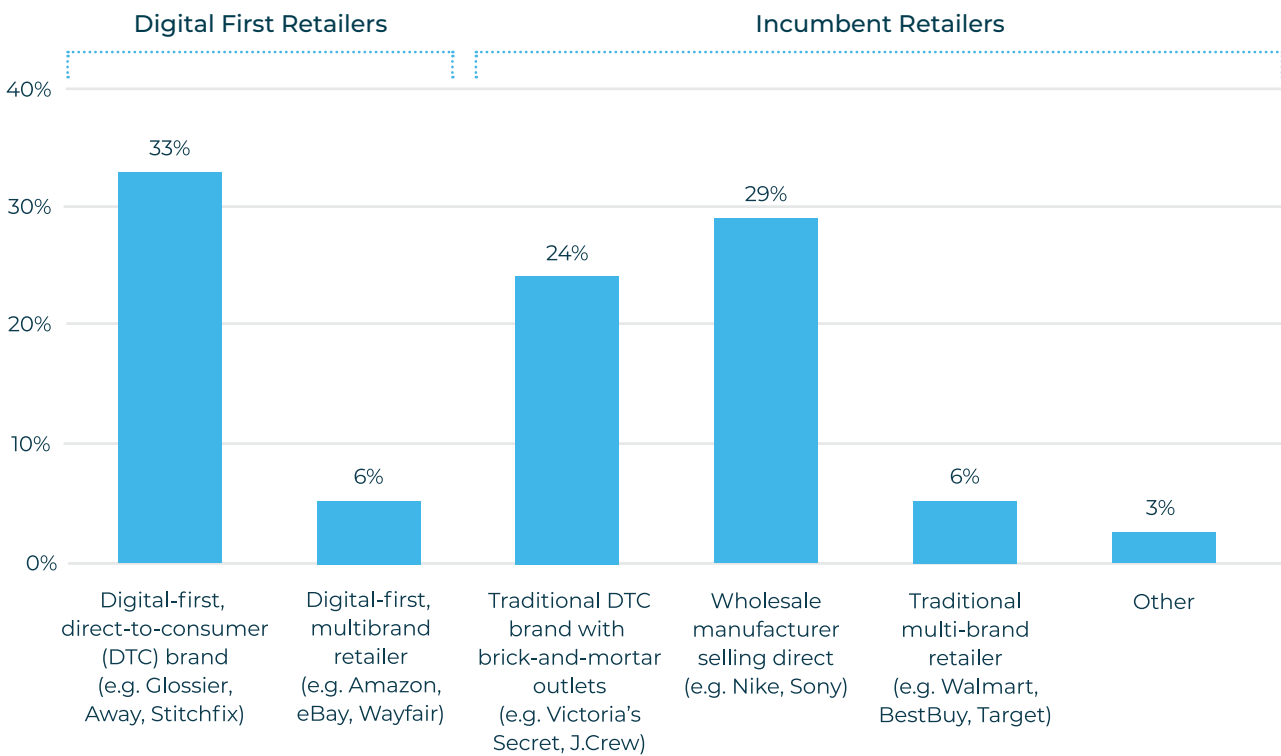
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METHODOLOGY

For this report, we surveyed 104 high-level retail and brand marketers in June 2021 to weigh in on their marketing strategies and challenges within the context of the changing privacy landscape.

As we analyzed the results, we noticed a few significant differences between "digital-first retailers" and "incumbent retailers," both of which are shown grouped below. Digital-first retailers started out online and are digitally native. Incumbent retailers started out with stores, catalogues or as wholesale brands; for them, digital was added after inception.

Q1: Which of the following best describes your retail model?

Source:
CommerceNext Survey, June 2021

Digital First Retailers   **Incumbent Retailers**

Category	Percentage
Digital-first, direct-to-consumer (DTC) brand (e.g. Glossier, Away, Stitchfix)	33%
Digital-first, multibrand retailer (e.g. Amazon, eBay, Wayfair)	6%
Traditional DTC brand with brick-and-mortar outlets (e.g. Victoria's Secret, J.Crew)	24%
Wholesale manufacturer selling direct (e.g. Nike, Sony)	29%
Traditional multi-brand retailer (e.g. Walmart, BestBuy, Target)	6%
Other	3%

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SUMMARY OF RESULTS

A lot of the privacy media hype centers around cookie and device ID extinction and what impact that will have on targeting and display. But, this is only part of a much bigger story for retailers. While there is fear, uncertainty and negativity among many in our industry, retailers are moving forward and they know what they need to focus on: first-party data and measurement.

This brief report summarizes how retailers are feeling about and prioritizing their marketing tactics and measurement tools within a first-party data only environment. A few key takeaways from this survey's results include:

- Digital-first retailers feel more adversely toward the privacy changes, but all retailers are worried about performance in a privacy-first environment.

- An overwhelming majority of all retailers are using first-party data in acquisition, but fewer are exploring more complex applications.

- Marketers recognize their (over-)reliance on last-touch ROAS and need to diversify their marketing measurement toolbox, including combining more advanced methodologies to achieve a complete attribution model.

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PRIVACY CHALLEGES:
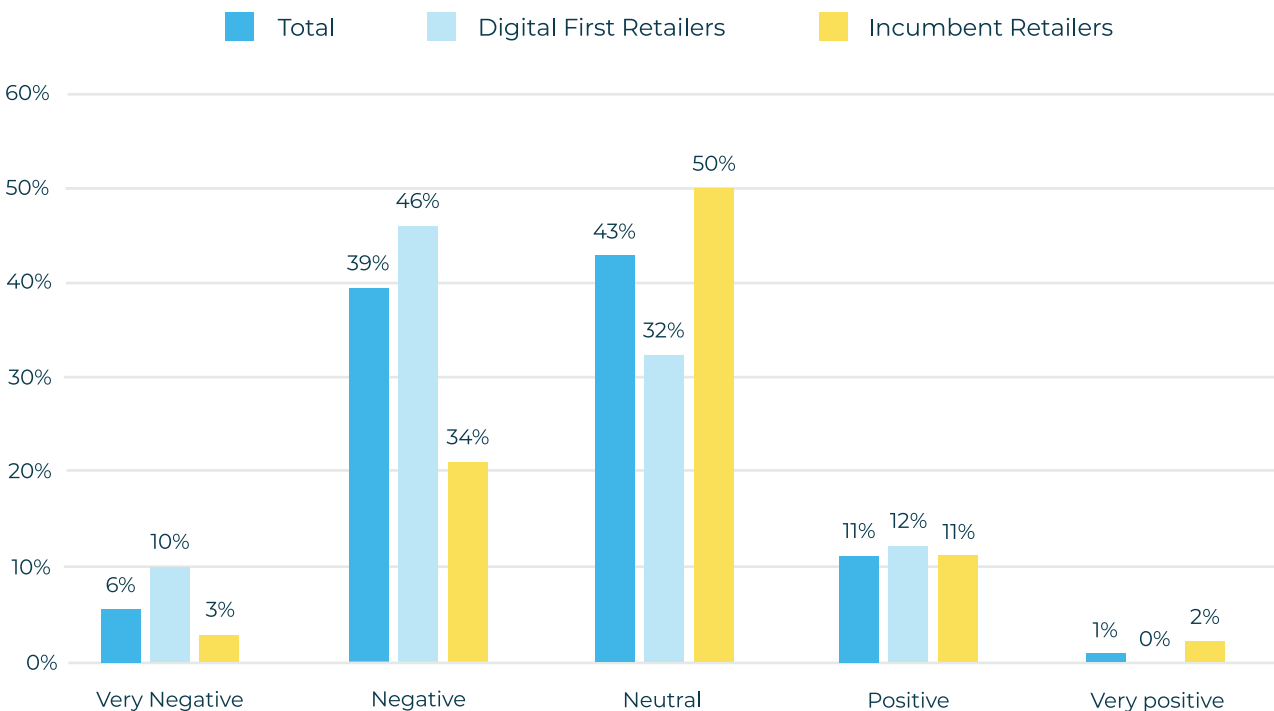# WHAT'S EVERYONE SO WORRIED ABOUT?

Our industry is basically in the "It's complicated" stage with privacy and data. Retailers feel they have more to lose than to gain in this evolving privacy-focused environment. This lukewarm sentiment is driven by legitimate challenges, from reduced targeting precision to less data points for accurate measurement and tracking. Overcoming these challenges means focusing on first-party data and evaluating and evolving marketing measurement toolkits.

Marketers show mixed feelings toward the death of the cookie and the birth of a privacy-first era.

Fifty-six percent of digital-first retailers reported a more negative outlook on the changing privacy-focused landscape. While incumbent retailers had a more neutral outlook to the post-cookie world, very few retailers (12%) had a positive sentiment toward what could enfold in this new environment.

Q2: How do you think your ecommerce business will be impacted in a post-cookie and more privacy-focused environment?

Source: CommerceNext Survey, June 2021

Legend: Total | Digital First Retailers | Incumbent Retailers

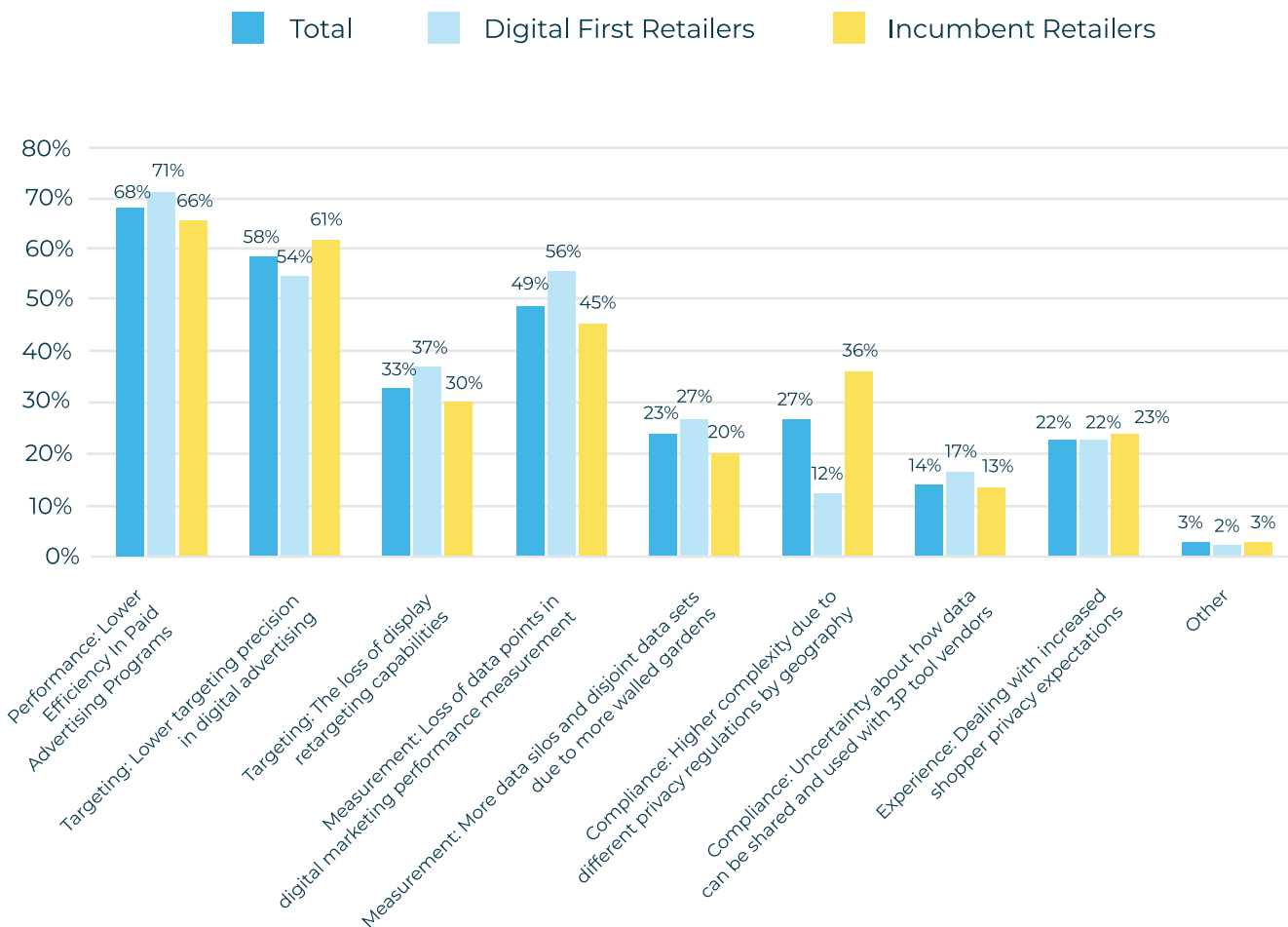|	Very Negative	Negative	Neutral	Positive	Very positive
Total	6%	39%	43%	11%	1%
Digital First Retailers	10%	46%	32%	12%	0%
Incumbent Retailers	3%	34%	50%	11%	2%

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It is not surprising that digital-first retailers had a more somber outlook; generally, they bear a heavier reliance on (and investment in) marketing technology and digital channels than their (mainly) omni-channel peers. While they may have the tools and processes needed to overcome their cookie withdrawal, they are likely still worried that less data could jeopardize their competitive advantage in making customer-driven decisions by aggregating and understanding disparate sources of customer data.

Most have serious performance marketing anxiety.

Our survey validated the idea that retailers anticipate the greatest post-cookie challenges to be around performance marketing, targeting and measurement. Specifically, retailers across the board are worried about: addressing lower efficiency in paid advertising (68%), lower targeting precision in digital advertising (58%) and having less data points in digital marketing performance management (49%).

Q3: Over the next two years, what do you believe are the challenges your business will face in a post-cookie privacy-focused environment? (Select top three responses)

Source: CommerceNext Survey, June 2021

Legend: Total · Digital First Retailers · Incumbent Retailers

Category	Total	Digital First Retailers	Incumbent Retailers
Performance: Lower Efficiency In Paid Advertising Programs	68%	71%	66%
Targeting: Lower targeting precision in digital advertising	58%	54%	61%
Targeting: The loss of display retargeting capabilities	33%	37%	30%
Measurement: Loss of data points in digital marketing performance measurement	49%	56%	45%
Measurement: More data silos and disjoint data sets due to more walled gardens	23%	27%	20%
Compliance: Higher complexity due to different privacy regulations by geography	27%	12%	36%
Compliance: Uncertainty about how data can be shared and used with 3P tool vendors	14%	17%	13%
Experience: Dealing with increased shopper privacy expectations	22%	22%	23%
Other	3%	2%	3%

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In a post-cookie world, targeting is likely to become less precise, and some retailers are already experiencing this pain. For Aaron Magness, CMO at Thistle, the biggest challenge he faces is keeping interested customers engaged without the ability to retarget them, which means winning them over from their first interaction with the brand. "The changes going on in the Facebook and Apple ecosystems make it more challenging and a higher lift for marketers to be relevant to the right people at the right time. We need to ask ourselves 'How do you tell your brand story on that first visit?' How do we get more information and more relevancy so that when a customer does come to your site, they understand immediately and don't need to be reminded through retargeting."

Seeing heightened anxiety over ad performance, it follows that measuring that performance would be perceived as a challenge as well. Measurement challenges in a privacy-first world arise from two distinct areas, even though both result in missing data points: (1) technical tracking limitations, which break conversion tracking, resulting in missing data points and incomplete conversion paths; and (2) limitations in measurement due to user consent regulations. According to Usercentrics, a leading user Consent Management Platform, this could mean between 25% and 75% less tracking data points for retailers. Interestingly, in our survey, digital-first retailers recognized this pain, with 56% calling out performance measurement as a key challenge.

It's clear everyone is worried about privacy. In answer, retailers are pursuing two major strategies: making better use of their first-party data, and evaluating and improving their marketing measurement toolkits. These critical lines of defense are likely to change the game in how retailers evolve into the next phase of cookieless marketing.
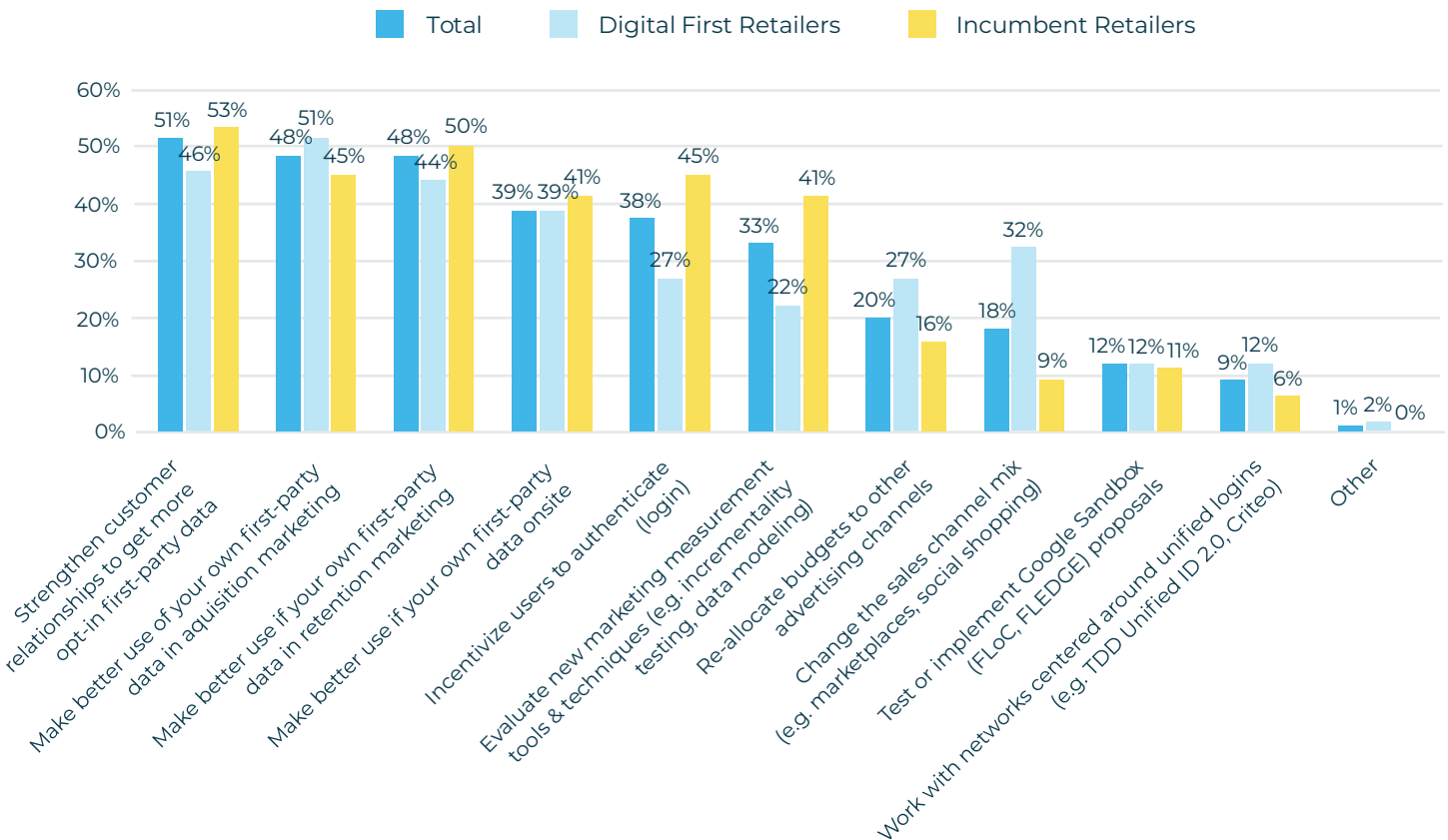
PRIVACY PROGRESS: WHERE RETAILERS ARE FINDING NEW OPPORTUNITIES

With the loss of third-party data, retailers are investing in strategies that will help them collect and leverage data they already have access to (first-party data) and measure that data more effectively to monetize the right acquisition and retention tactics. Neither of these efforts are an easy undertaking.

Retailers ready to play zone defense.

Q4: What strategies do you expect to focus on to adapt to a post-cookie and privacy-first environment? (Select top three responses)

Source: CommerceNext Survey, June 2021

Legend:
- **Total** (blue)
- **Digital First Retailers** (light blue)
- **Incumbent Retailers** (yellow)

Strategy	Total	Digital First Retailers	Incumbent Retailers
Strengthen customer relationships to get more opt-in first-party data	51%	46%	53%
Make better use of your own first-party data in acquisition marketing	48%	51%	45%
Make better use if your own first-party data in retention marketing	48%	44%	50%
Make better use if your own first-party data onsite	39%	39%	41%
Incentivize users to authenticate (login)	38%	27%	45%
Evaluate new marketing measurement tools & techniques (e.g: incrementality testing, data modeling)	33%	22%	41%
Re-allocate budgets to other advertising channels	20%	27%	16%
Change the sales channel mix (e.g: marketplaces, social shopping)	18%	32%	9%
Test or implement Google Sandbox (FLoC, FLEDGE) proposals	12%	12%	11%
Work with networks centered around unified logins (e.g: TDD Unified ID 2.0, Criteo)	9%	12%	6%
Other	1%	2%	0%

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Retailers are focusing on first-party data to defend and improve their marketing and advertising performance by activating it across many use cases, such as acquisition (48%), retention marketing (44%) and onsite personalization (39%). The death of the cookie plus browser tracking restrictions also make it harder for retailers to identify returning users, which is why many plan to incentivize users to log in (38%).

Many are also re-evaluating their marketing measurement toolkits. Not surprisingly, incumbent retailers (41%) are more likely to prioritize these efforts, as they are often challenged by legacy data infrastructure and organizational challenges that inhibit accurate measurement and tracking.

Putting first-party first.

First-party data has become an increasingly strategic asset. Google and Facebook derive their targeting power from knowing user intent and interests. Ecommerce brands increasingly activate first-party data to improve their targeting and personalize their messaging. Some even go down the Amazon path and monetize their first-party data to turn into retail media platforms. In the digital world, access to first-party data and its activation are more and more directly linked to revenue growth. In a privacy-first world, how retailers leverage first-party data may become a competitive differentiator.

Knowing its importance, retailers are aware of the key challenges around leveraging first-party data to its fullest potential: collecting and managing data.

Source: CommerceNext Survey, June 2021

Legend: Total ● Digital First Retailers ● Incumbent Retailers

Data Collection - Collect Meaningful User Data: 63% / 63% / 61%

Data Management - Unify Visitor Data, Break Down Data Silos: 54% / 39% / 64%

Data Use Cases - Figure Out and Prioritize Which Use Cases Will Bring the Most Value: 51% / 51% / 50%

Data Activation - Execute and Automate Use Cases that Depend On First-party Data: 51% / 51% / 50%

Data Access - Allow Different Teams and Applications to Acces the Data: 28% / 32% / 25%
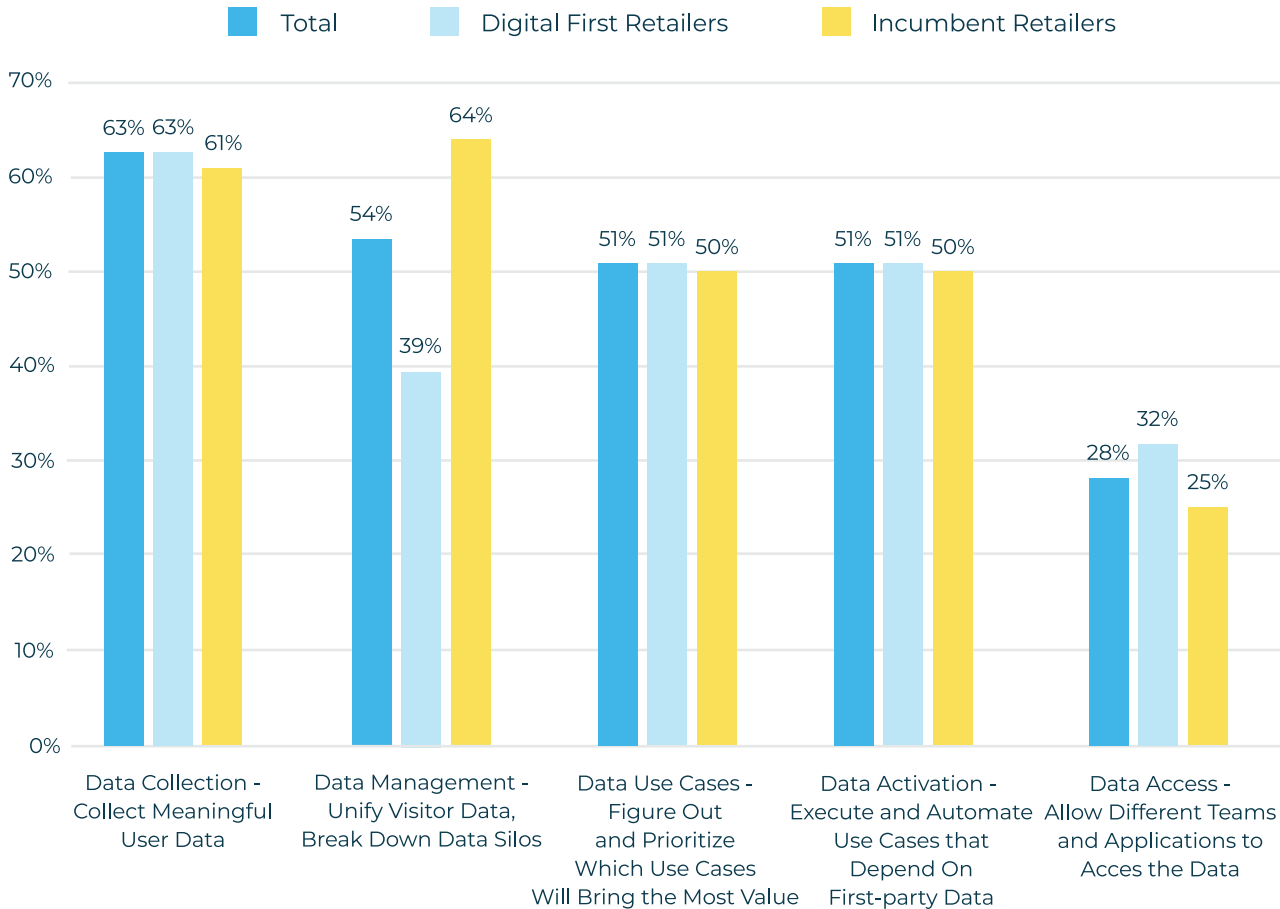
Beyond data collection, priorities shift between digital-first and incumbent retailers. Digital-first retailers, who presumably have solid customer data management tools in place (single view of customer, etc.) are focused on challenges relating to prioritizing use cases and the data activation needed to execute against these use cases (51%). While incumbent retailers are equally focused on use cases and activation (50%), they first have to tackle their biggest challenge around customer data management (64%). This truly reflects the infancy stage we are still in when it comes to the discipline of first-party data activation.
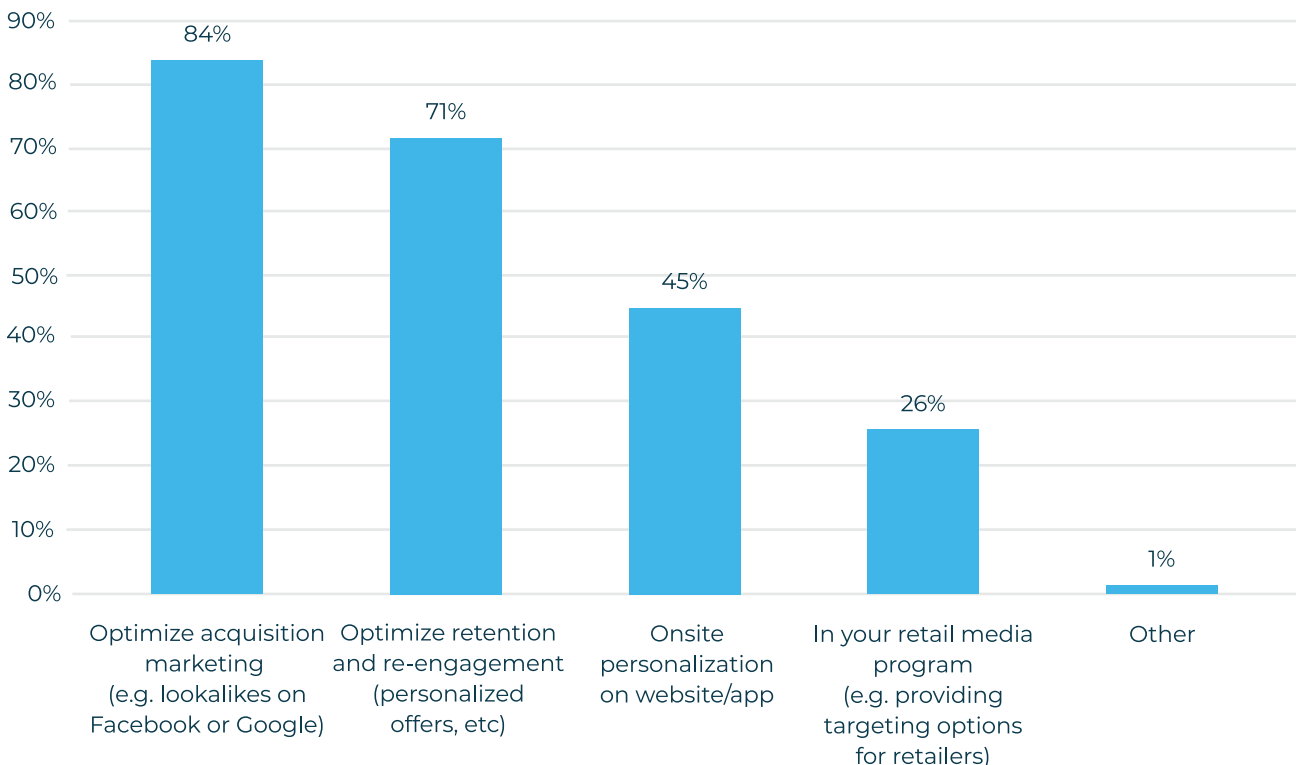
In her post-survey interview, Emily Culp (Former CEO, Cover FX Skincare & Board Member, Mizzen + Main) emphasized the importance of first-party data collection and management, advising companies to hire talent in-house to help get the data you do have (first-party) organized and in a format that is more actionable for future use."

Incumbent challenges around data collection and management will likely eventually disappear with the increased prevalence of Customer Data Platforms (CDPs). But, the increasing privacy restrictions will put more pressure on all retailers to define what data is important to collect, how it will be of mutual value to retailers and customers and, ultimately, how it will grow the business.

To understand more about the use cases around first-party data, we asked retailers how they leverage this data today. An overwhelming majority (84%) of retailers are already optimizing acquisition using first-party data. Because using lookalike audiences is a simple and effective tactic, it's understandable (if not a bit surprising) that first-party data is now used so extensively for acquisition.

Q6: How are you leveraging first-party data today? (Check all that apply)

Source: CommerceNext Survey, June 2021

| Category	Value
Optimize acquisition marketing (e.g. lookalikes on Facebook or Google)	84%
Optimize retention and re-engagement (personalized offers, etc)	71%
Onsite personalization on website/app	45%
In your retail media program (e.g. providing targeting options for retailers)	26%
Other	1%

Figuring out the next-gen first-party data use cases — in addition to acquisition and retention — and making data activation work throughout the customer's lifecycle will be two of the greatest challenges for ecommerce throughout the decade.

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Measurement has new rules.

Overall, last-touch ROAS is still dominating marketers' attention. While we all know we need to replace it with more robust measurement tools, only 46% of retailers have advanced to using multi-touch attribution.

Q7: What do you use today as part of your marketing measurement toolkit? (Check all that apply)

Source: CommerceNext Survey, June 2021
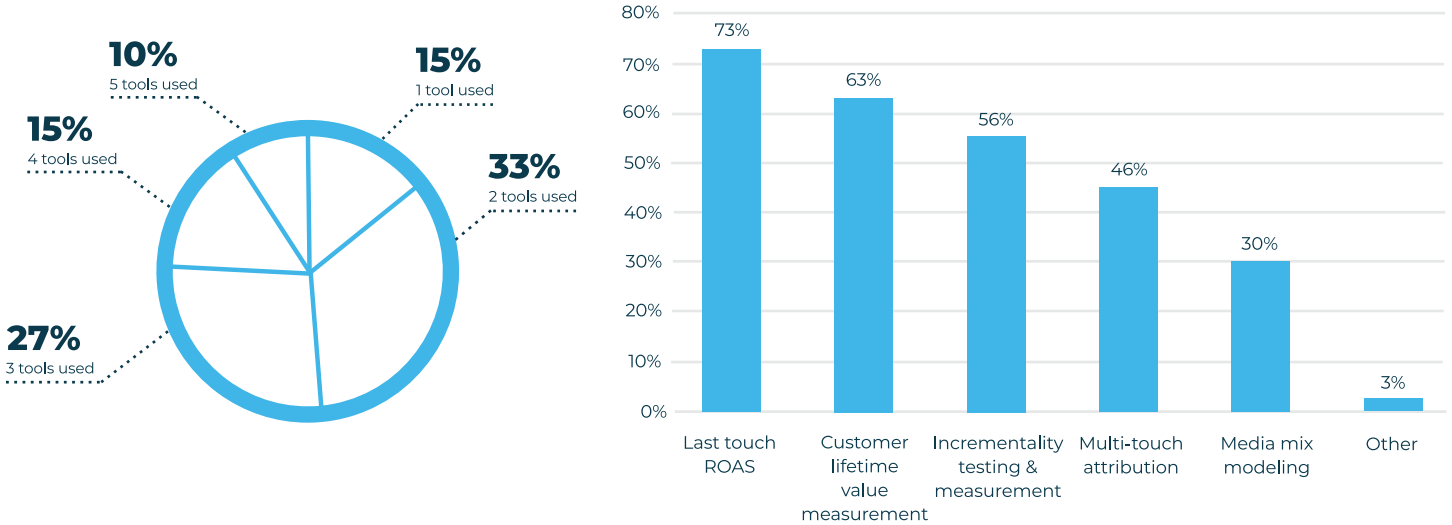
However, even if all retailers used multi-touch attribution instead of last-touch ROAS, there are still key challenges, given that the rules of the game are changing significantly. Retailers are starting to embrace new measurement tools, diversifying to include more advanced measurement tools that will ultimately help them combine data points and ask smarter questions. We were pleased to see 63% of retailers using Customer Lifetime Value measurement; this helps retailers create a longer-term valuation of their best customers so they can focus resources on campaigns and channels that attract high-value customers.

Fortunately, incrementality testing has entered 56% of retailers' measurement tool boxes, a development that could be fueled even more by privacy and tracking restrictions. This trend shows that marketers are starting to question the belief that attributed conversion is lost when a performance campaign is turned off. Today's conversion-focused, transaction-driven attribution model does not reflect true ecommerce business value, and retailers are now showing openness to finding new ways to measure value that leads to healthy lifetime ROI.

Over half of the retailers surveyed are using three or more measurement tools. What still remains to be seen, however, is if these retailers are now combining these tactics to optimize their effectiveness, or still using them independently of each other for different use cases.

We know a few digital-first retailers, like Thistle, are already tinkering with their own measurement recipes. Magness explains, "From a measurement standpoint for us, it's a combination of what you're seeing in your platform, your centralized data warehouse and in the 'How did you hear about us?' section as an example. The triangulation of all these pieces becomes much more impactful."

CLV Success Spotlight

How an IR100 Retailer acquires more loyal customers using first party data activation

A leading global retailer in the office supplies industry wanted to shift paid search budgets to acquire more loyal customers with a high lifetime value. So, it pivoted from short-term revenue and ROAS goals towards a customer lifetime value approach. CLV-ROI goals optimize for both short- and long-term profitability. For instance: if new customers acquiring printers had a higher lifetime value because of regular repeat ink purchases, a CLV-ROI optimization would learn that and activate the knowledge in media buying. Thus, the retailer was able to use its first-party data to predict lifetime values, fueling Google Ads with the data needed to bid higher on new loyal customers. **The staggering results: at 19% less marketing cost, new customers increased by 59%, margin ROI increased by 34% and new customer CLV rose by 49%.**

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PRIVACY ROADMAP:
HOW WILL IT ALL MEASURE UP?

The next big challenges for retailers in the new privacy era will be first-party data activation and measurement.

Even though 33% of retailers seemed worried about display retargeting becoming more inefficient (see Q3), display retargeting wasn't the most used or effective tool, even before this new era of privacy. Display retargeting is often not very incremental, so the losses in targeting precision and performance are not as relevant as other channels.

Targeting is also likely to get too much heat in the post-cookie conversation, as first-party data may mitigate many of the targeting challenges. Most of the ad budgets continue to flow to ad platforms like Google Ads, Facebook and Retail Media; these players will continue to have excellent first-party data that informs intent and interest-based targeting. Plus, if retailers start to activate more of their own first-party data points on ad platforms, they will see new levels of targeting precision and effectiveness through the power of combined first-party data — just like they do today with lookalikes.

So, what's left to solve now? Measurement.

It's time to get off the last-click train and get better with incrementality. With such a heavy reliance on last-touch ROAS and revenue measurement, we're only getting a fraction of the picture and not learning valuable lessons to help us improve acquisition in the post-cookie environment. Last-click only tells us "what" the customer clicked before converting, and has many flaws when used on its own. When just focusing on that last click, bottom-of-the-funnel tactics get over-credited for a sale.

Rather, we have to enrich our attribution data with: (1) incrementality to understand whether specific marketing tactics were the true reason a particular customer converted [4]; and (2) CLV to better understand the net long-term value of acquisition programs. Only with all three of these measurement tools will we have the true "why" from the customer acquisition story, particularly without cookies and device IDs.

As long as we're moving away from third-party acquisition strategies, we might as well also transition away from last-touch ROAS dependence, and continue 2021 with a privacy-first test-and-learn approach. We're already modernizing our acquisition and retention marketing tactics — let's do it with measurement tools, too.

SOURCES

[1] https://www.internetsociety.org/resources/doc/2019/trust-opportunity-exploring-consumer-attitudes-to-iot/

[2] https://www.kaushik.net/avinash/marketing-analytics-attribution-is-not-incrementality/

[3] https://hbr.org/2021/02/what-digital-advertising-gets-wrong

[4] https://www.adexchanger.com/data-driven-thinking/not-just-pass-fail-why-incrementality-tests-are-the-future-of-performance-measurement/

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About CommerceNext

CommerceNext is a community, event series and conference for marketers at retail and direct to consumer brands. Now in its third year, CommerceNext has grown to include webinars, virtual summits, industry research and an online community, in addition to the annual CommerceNext summit and the esteemed "CommerceNexty's Awards program. Inc. magazine named the CommerceNext Summit one of the Top 5 ecommerce conferences for 2019/2020. To learn more about CommerceNext visit commercenext.com.

About Crealytics

For over a decade, Crealytics has fueled the digital advertising success of the world's most successful ecommerce retailers, including Zappos, ASOS, Revolve, Urban Outfitters and Staples. Our approach activates retailers' first party data to unify digital measurement, acquire new customers, and improve CLV. We apply the best practices of Paid Search, Paid Social and Programmatic advertising to help our clients achieve long term financial success and deepen consumer relationships. Learn more at crealytics.com