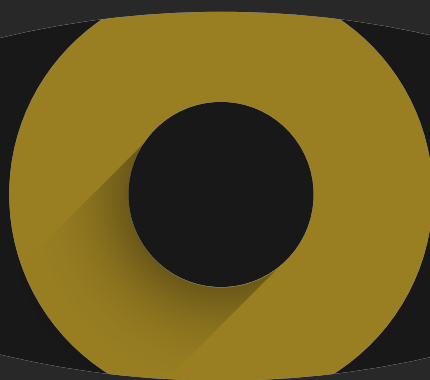# The state of direct brand engagement

2020

piano | **DIGIDAY**

What's in
this report?

- As cookies decline, advertisers are employing publisher-like tactics building direct paths to customers

- As first- and zero-party data become more important, advertisers are adjusting their engagement tactics

- Experts say advertisers are waiting too long to shift away from third-party data

- Brands see numerous roadblocks on the path to direct audience engagement

- Post-cookies, brands must create value to collect quality data

Post-cookies, brands are becoming content creators

It's no secret that third-party cookies are rapidly disappearing. By the time Google eliminates them entirely in 2022, brands, agencies and publishers will truly be working within a post-cookies landscape.

As the industry barrels toward this challenging eventuality, advertisers and publishers sit on different sides of the same coin. Without robust third-party data, publishers are struggling to provide advertisers with accurate data to be used in targeting and segmentation. And as advertisers struggle to use their shrinking data sets to effectively target users, ads become less effective and return-on-ad-spend shrivels.

Glossary
First-, Zero- and Third-party data

Third-party data
Data purchased from a company that wasn't the original collector of the data — for instance, a technology provider.

First-party data
Data collected directly from audiences or customers that they "leave behind," but with consent for the data to be used in targeting — e.g., when they click on an ad, trigger a beacon, communicate at the point of sale, etc.

Zero-party data
Data that a customer intentionally shares with a brand in response to a direct offer or prompt, such as signing up for a newsletter.

But third-party data isn't the end-all-be-all of successful marketing. Advertisers rely on multiple data types to target consumers, even if the third-party variety has historically loomed largest. As cookies fade into oblivion, advertisers are now taking a much closer look at other tools in their toolkit — especially first- and zero-party data — fully consented data types that advertisers cull from their own platforms and efforts.

All of this leads us to a critical question:
How are advertisers actually planning to generate this data, and to do so at great enough scale to offset the loss of cookies?

For this report, Digiday and Piano surveyed 111 advertisers from 71 brands and 40 agencies between July and August, 2020. The research surfaced a snapshot of an ad industry that is in the process of dramatically increasing its reliance on first- and zero-party data as a direct result of cookie deprecation.

50%

FIRST-PARTY DATA

THE FIRST AND ZERO PARTY DATA SPLIT

49%

ZERO-PARTY DATA

Q. **Due to the phasing out of third-party cookies, what types of data will your organization rely upon more in the coming year?** *Select all that apply*

Intriguingly, our research also found that most advertisers are now taking a cue from publishers to generate these data types — namely, by using direct engagement, content and value exchanges to convince users to volunteer consented data. Most brands, however, also expressed anxiety as to whether their capabilities and expertise would allow them fully embrace these tactics, and many are hesitating to shift away from third party data entirely.

Brands are building direct paths to consumers to generate consented data

According to our findings, brands and agencies emphatically believe that direct audience engagement — driven by publisher-like content — is crucial to generating data for targeting and audience segmentation. And overwhelmingly, they say they will use direct engagement tactics to generate first- and zero-party data over the coming year.
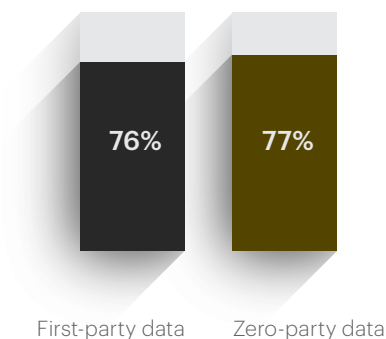
Q. **Over the coming year, to what extent will your organization use direct engagement to generate each of the following data types?**

POST-COOKIE DATA CHANGES

76%
First-party data

77%
Zero-party data

Indeed, many brands and agencies are already embracing direct engagement tactics to generate consented data.

"A lot of our engagement is with brands and how they approach consent-managed data," said Michael Horn, Chief Data Officer at the agency Huge. "And we're certainly seeing a lot of uptake … in brands [exploring] what it means for informed consent and value exchanges when it comes to data collection."
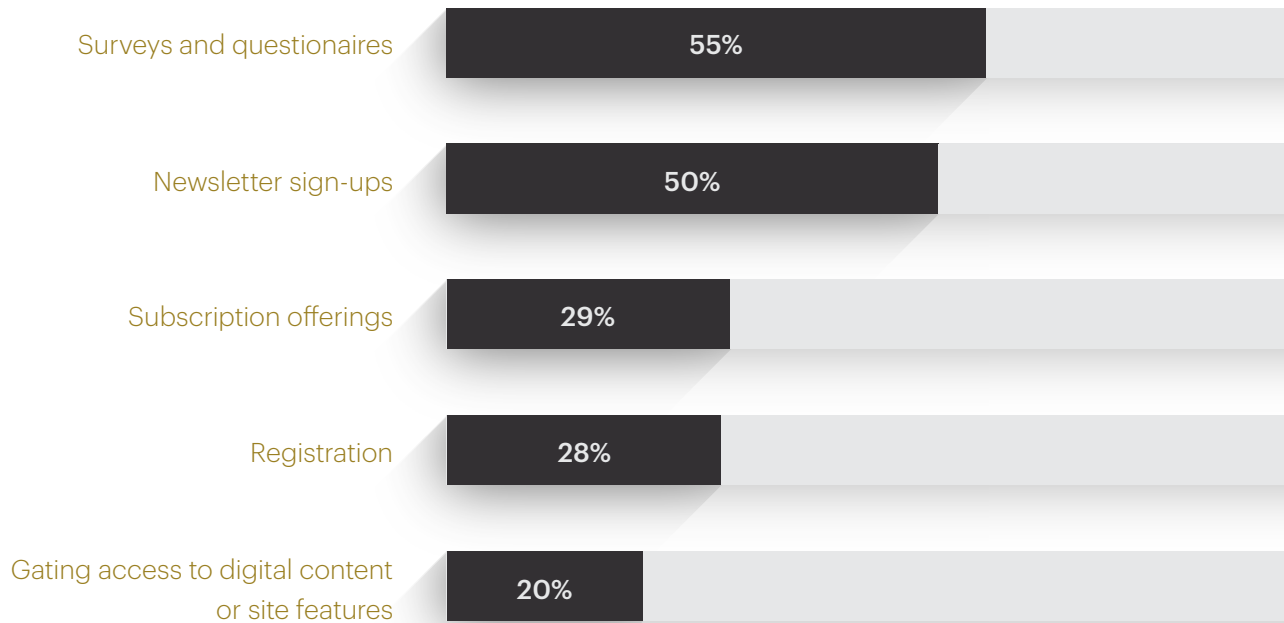
Some engagement techniques loom larger than others

Most brands are well past the early, vague stages of hatching general direct engagement plans. Rather, many are already employing specific tactics.

For now, surveys and newsletters reign supreme: Brands and their agency partners are using these tools to generate first- and

Q. **Which of the following approaches is your brand or agency using to acquire data from users?**

Surveys and questionaires	55%
Newsletter sign-ups	50%
Subscription offerings	29%
Registration	28%
Gating access to digital content or site features	20%

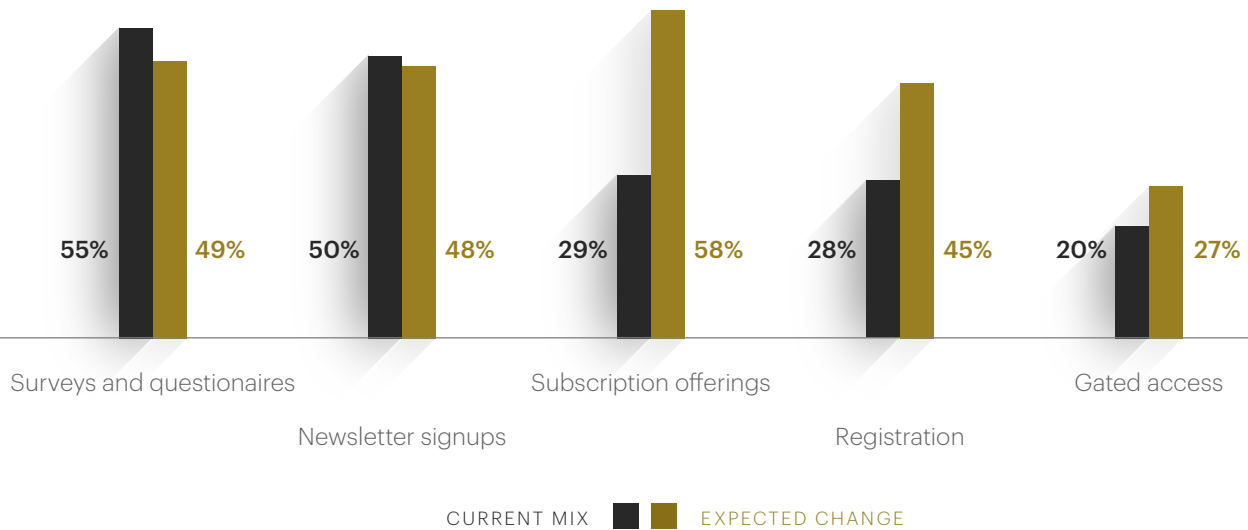zero-party data far more than any other approach at their disposal.

According to Benjamin Allison, VP of Global Media at the agency VaynerMedia, there's a very specific reason for this: Surveys and newsletters are linked to email — a channel that's already mature for most brands. "In the last decade, first-party data has really been a mode of communication through email," said Allison. "Questionnaires, surveys and

newsletters — that's how you'd distribute content. But really it's an email interaction."

As advertisers develop engagement strategies, they're embracing new tactics

While brands and agencies don't plan to substantially decrease their use of some engagement tactics like surveys and newsletters, they do plan to dive much more heavily into others. In particular, brands and

Q. **One year from now, which of the following approaches do you expect your brand or agency will be using to acquire data from users?**

Surveys and questionaires		Subscription offerings		Gated access	
55%	49%	29%	58%	20%	27%

Newsletter signups		Registration	
50%	48%	28%	45%

CURRENT MIX ■   ■ EXPECTED CHANGE

agencies are eyeing subscriptions and user registrations as a future means of generating first- and third-party data.

While there's very little drop-off amongst any individual tactic, subscription offerings and user registrations will leap 30 percent and 17 percent in usage, respectively, by next year. It's a fascinating and unexpected result.

According to Allison, at VaynerMedia, the explanation is likely as simple as this: While newsletters and surveys are already mature tactics when it comes to generating first- and second-party data, brands are still mastering

other approaches. Selling subscription products to customers, for instance, has long been a low-tech affair. It's only recently that brands — especially CPG and legacy brands — have begun racking their brains over how to wring sophisticated data sets out of long-existing offerings.

"For certain categories, including FMCG [fast-moving consumer goods] or CPG, a real consideration is, how can you start to play into e-retail and DTC," said Allison. "So how do you start to think about product differentiation and what that looks like?

"The entry point that many brands are thinking about is in some form of subscription model, or personalization of a product," Allison continued. "That covers a pretty wide range when you're looking at companies that are thinking about how they can start to acquire first-party data, because for those industries, they rely so heavily on offline retail as their customer base. They don't already have that feedback loop."

Allison pointed out that some brands are also using another form of subscription product — namely, subscription-based access to content. "You're seeing more content creators trying to create a revenue stream around their subscription-based model." Allison points out that, while some brands have developed such offerings, this dynamic is more frequently the province of publishers — at least for now.

The planned increase in user registrations — 45 percent one year from now, as compared to 28 percent now — is also representative of an industry that's in the midst of conceiving new ways to generate consented data.

"A bit of what we're talking about with registrations is about either giving customers things that they can't get elsewhere, or giving them time," he said. "So, making repetitive things easier and potentially offering discounts or savings. That's where you can create a value exchange for your customer, and use that as the way to leverage and get access to first-party data."

"

The entry point that many brands are thinking about is in some form of subscription model, or personalization of a product..."

– Ben Allison, Vaynermedia

Brands envision multiple uses for first- and zero-party data

Regardless of how they're collecting consented data, advertisers are employing it in a variety of ways — especially creating user profiles for ad targeting.

Q. **Over the coming year, what strategies will your organization employ once it has generated data from direct engagements and content offerings?**

It's clear that brands and agencies envision multiple crucial uses for consented first- and zero-party data. Direct ad targeting sits atop the list for advertisers — but many are also using the data to create broader segmentation and targeting models, and to engage in direct one-to-one interactions with customers.

74%

41%

37%
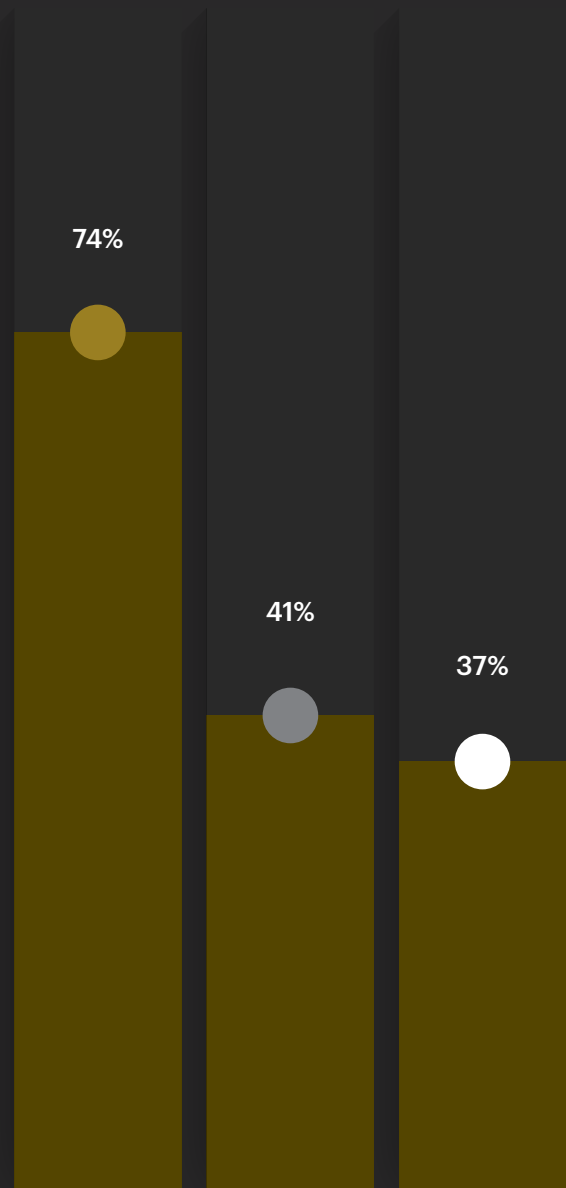
● Generate user profiles for later ad targeting

● Incorporate data into lookalike models to target wide audiences

● Use individual interactions daily to directly engage that specific user

# Advertisers are waiting too long to transition away from third-party data

The imperative to abandon non-consented third-party data is nothing new. Indeed, it's been in the offing since long before Apple and Google began shuffling cookies off of the digital coil.

Years of foretold privacy regulations have pointed toward the importance of consented first- and zero-party data. Now those regulations are in effect — and cookies are vanishing to boot.

Yet an alarming number of advertisers are still hesitating when it comes to staking out alternate data plans. In fact, some are going so far as to delay beyond the timeframe of 2022, when Google's abandonment of third-party cookies will take final effect.

April 2016

GDPR is officially adopted

September 2017

Apple's Safari browser releases Intelligent Tracking Prevention (ITP) limiting use of third-party cookies

May 2018

GDPR goes into effect

June 2018

California's Consumer Privacy Act (CCPA) is signed into law

January 2020

CCPA goes into effect

March 2020

Safari releases update with full third-party cookie blocking

2022

Google's Chrome browser fully phases out third-party cookies

Q. **When will you use direct engagement data to replace third-party data?**

44%	44%	6%	6%
In two years or less	In three years or more	No plans to do so	Not sure
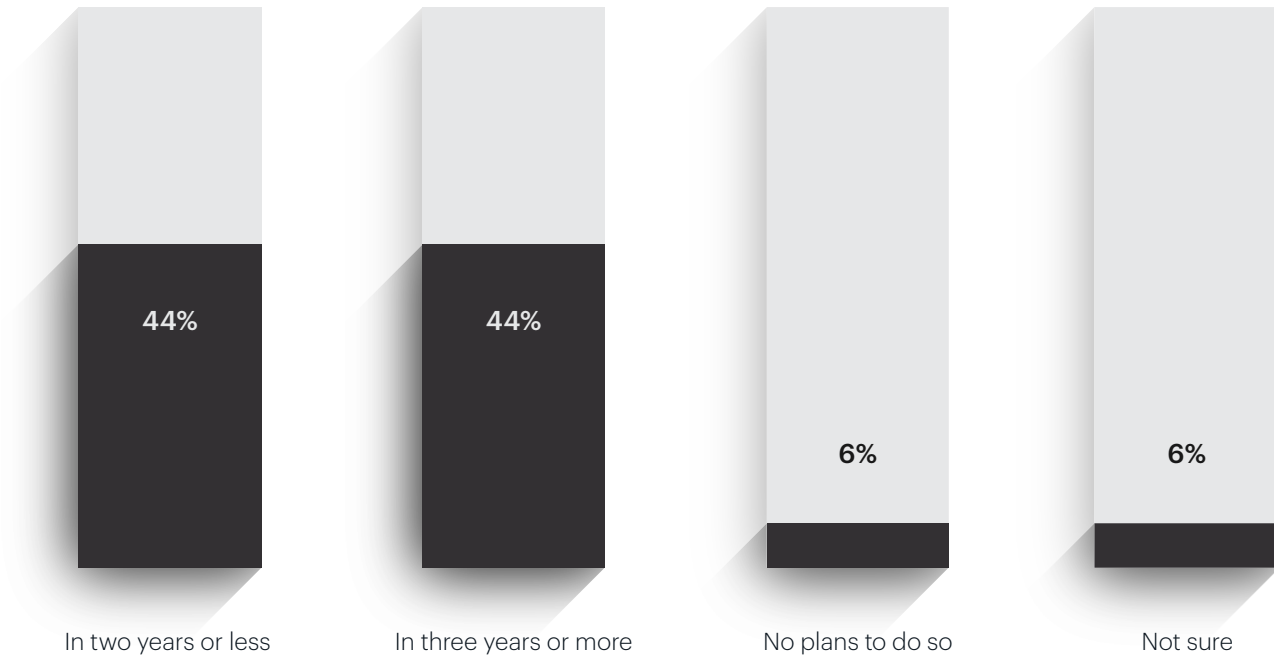
While brands and agencies are convinced that the data generated from direct engagements will ultimately play a crucial role in their plans for targeting, segmentation and engagement, it's clear that many anticipate clinging to some degree of third-party data over the next several years. Indeed, for half of our respondents, plans to fully replace third-party are at least three years away — or else nonexistent.

The questions arise:

Why are they waiting?

And are their reasons sound?

Our survey found that the brands and agencies that were planning to wait for three or more years (or else had no plans whatsoever) had one primary reason for doing so: They thought it would be easy enough to make the shift when the time came.

Q. **What are your reasons for not shifting away from third-party data sooner?**

■ We will be able to adapt using data types later, but dont need to now

■ We will be able to collect third-party data without cookies

■ We lack the expertise/resources to make the shift now

78%

15%

7%
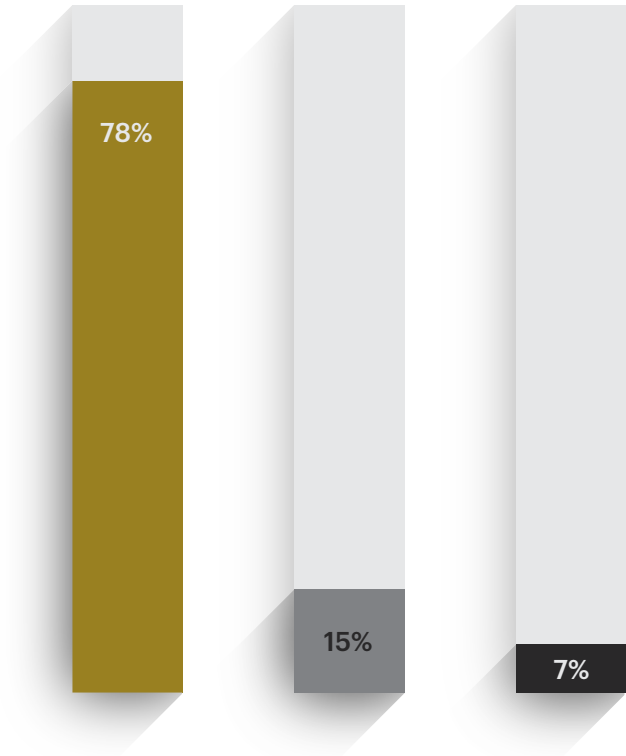
The experts we spoke to for this report stressed that this mindset was misguided.

"It's setting them up to be quite surprised when suddenly something breaks that is foundational to their approach and they have not been planning their way around it," said Peter Cook, Associate Director, Data Strategy at the agency Essence. "If you're heavily relying on third-party data to be your targeting platform today, and that suddenly disappears and loses all the existing quality

that those data segments had, then you'll need to go back to step one and say, 'Okay, what do we have available for targeting that isn't third-party data? Have we proven any of that? Is this stuff that will also remain available once the third-party cookie dies?'"

The advertisers that delay are setting themselves up to be caught unprepared. This sentiment is well in line with those recently expressed by multiple members of the W3C — the trade group that creates common

standards for browsers — who warned that advertisers, ad tech companies, browsers and publishers alike are taking too long to prepare for the post-cookies landscape.

Even while cookies still exist, first- and zero-party data may be preferable

For some advertisers, it's not simply a question of being prepared for a post-cookies landscape. When confronted with the choice between using first- and zero-party data — or using third-party data — many experts insist that the former is simply superior from a quality standpoint.

"We have found very little value in third-party data, for many years, because we don't know how it's captured," said Justin Scarborough, Programmatic Media Supervisor at the agency PMG. "We don't know what's in it and it doesn't perform well. It's already been severely deprecated on Apple devices. We largely wrote it off years ago."

Others are still working to get to that outcome. Even for the advertisers who are turning toward direct engagement with audiences, — those moving faster than others to transition away from third-party

data in the near-term — many are encountering roadblocks to embracing or escalating this approach.

"

We have found very little value in third-party data, for many years, because we don't know how it's captured..."
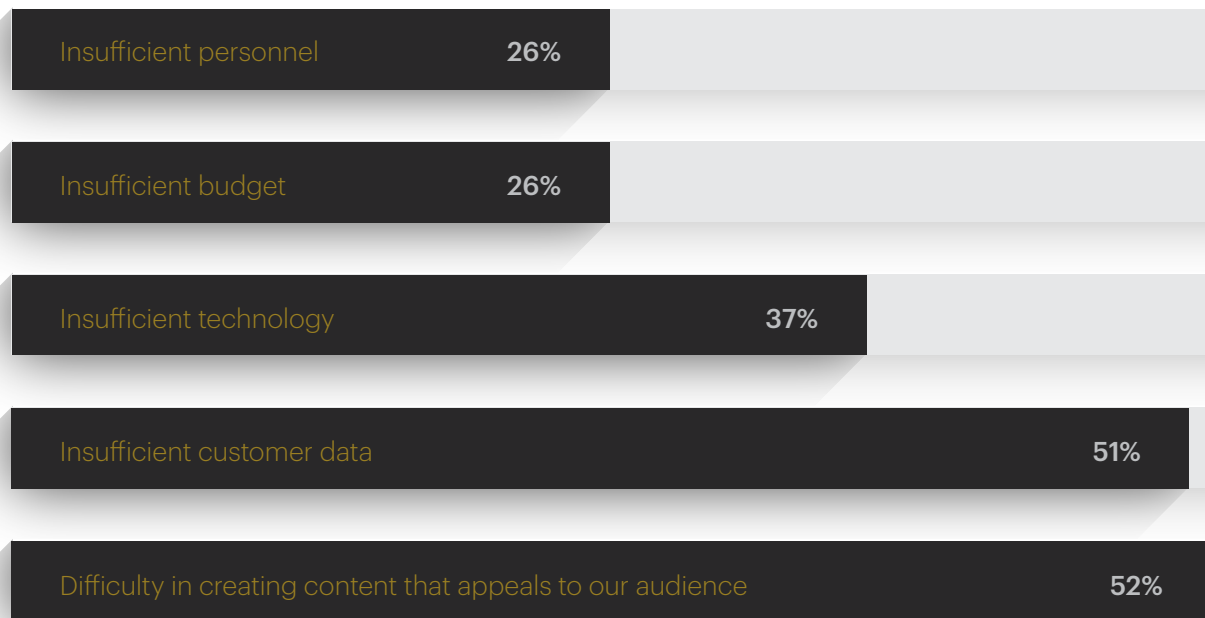
– Justin Scarborough, PMG

Brands doubt their own capabilities

When we asked advertisers about their biggest obstacles on the path to using direct engagement to generate first- and zero-party data, two concerns loomed largest, but others asserted themselves as well.

Firstly, the results demonstrate that many brands and agencies simply worry that they're not yet capable of replicating publishers' content creation abilities.

Publishers have been at it longer, and boast the necessary experience and in-house talent to create compelling content. But experts say this need not be viewed as an insurmountable obstacle for advertisers.

Q. **Which factors are creating roadblocks or reluctance when it comes to using or increasing direct engagement?**

Insufficient personnel	26%
Insufficient budget	26%
Insufficient technology	37%
Insufficient customer data	51%
Difficulty in creating content that appeals to our audience	52%

Advertisers can join forces with publishers - but publishers need to get better at data collection

According to the sources we spoke to for this report, advertisers that remain skeptical of their own content-creation skills can potentially shore up their first- and zero-party data by partnering with publishers' content studios on branded initiatives. It's still an imperfect solution, experts say, because most publishers are in the nascent stages of capturing data effectively. But there's significant potential in these relationships.

"The risk is when the data [from the publisher] is not super clean, it's not the format you need, or it doesn't really become representative of the brand's existing customer base," said Allison, at VaynerMedia.

"But I think there's opportunity there," he said. Allison pointed out that "figuring out how to collect [data]" is key to publishers' operating models, giving them a leg up over brands in this regard. Doing so on behalf of brands is where publishers need to make improvements. Ultimately, for the publisher–advertiser relationship to truly function as a data play, it's incumbent on publishers to get better at collecting quality data that can then be fluidly added to brands' CRMs.

Publishers that can master this process may be looking at an immense opportunity.

In the meantime, advertisers with content ambitions can also simply emulate successful publisher efforts. "There's a lot that brands and agencies can learn from publishers' mentality," said Allison. "Publishers are able to create a lot of different content that fits with their audience, and to flex it out in different ways to think about multiple different channel distributions."

For brands, embracing similar platform strategies could prove an effective means of generating consented data. Hiring skilled content creators, and empowering existing ones, will likely be necessary.
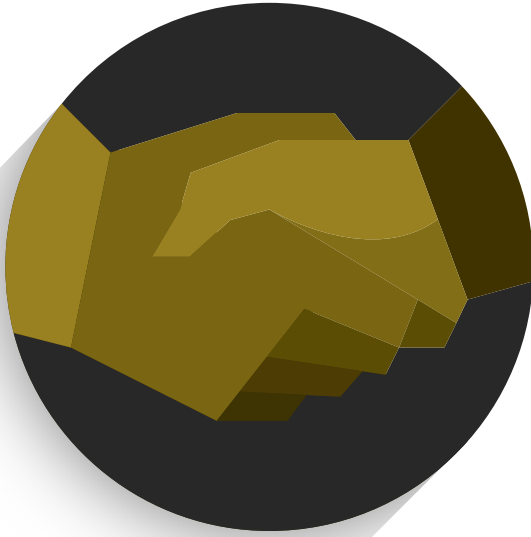
Data quantity, talent and budget present hurdles

It's worth noting the other top roadblock on the path to embracing direct engagement: 51 percent say they have insufficient customer data to directly engage users in the first place.

Generating direct engagement data — whether through publisher partnerships or solo efforts — is central to brands' efforts to surface sufficient customer data in the first place. The two are closely connected.

And these aren't the only two roadblocks. Concerns relating to technology, budget and personnel pose a significant challenge for many respondents. Experts say that advertisers — especially those with fewer resources, or those that aren't digitally native — will likely need to get a handle on these basic issues before they can make strides in more ambitious areas.

"There's a big difference in the maturity of different brands," said Horn, at Huge. "Part of that has to do with the larger brands being more digitally native, and just having the money to invest in dedicated staff for customer data management."

In the post-cookies world, advertisers must create value for their customers

Across the board, respondents indicated that direct engagement is key to generating desperately needed first- and zero-party data in a post-cookies landscape. And experts emphasized that the third-party data that advertisers have historically relied on is not only fleeting, but inferior.

"I would hope that, as more advertisers and brands are setting a better pipeline for collecting first-party data — and, in turn, using that to better understand their audience — they're appreciating that the third-party data they're utilizing today is either not as value-added as they thought or could be relatively easily replaced with data they have in-house," said Cook, at Essence.

First- and zero-party data are already of paramount importance — and within two years, they'll be irreplaceable. Through direct engagement with customers, advertisers can gain complete control over their data and dramatically improve their ad targeting and segmentation, while significantly mitigating concerns over quality.

Whether a given advertiser actually adapts and survives in a post-cookies world will depend in large part on whether they can successfully deploy a direct customer engagement strategy. The tactics that successful brands adopt now will permanently remake the tools, tactics and attitudes that they bring to targeting and interacting with consumers.

> "
>
> ...data they're utilizing today is either not as value-added as they thought or could be relatively easily replaced with data they have in-house..."
>
> – Peter Cook, Essence

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