

# AdAge



**A new study reveals although marketers are anxious about personalizing customer data at scale, they also understand that deeper insights are the key to thriving in this new landscape**

## **Zero-party data: An optimal path to personalization**

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# Zero-party data: An optimal path to personalization

As the sun sets on third-party cookies, a new study reveals marketers are anxious about personalizing customer data at scale, but also understand that deeper insights are the key to thriving in this new landscape



## Overview: A call to action

Marketing and ad personalization is undergoing a tectonic shift (several shifts, in fact) that have left marketers and agencies perplexed. Throughout the advertising ecosystem there is a realization that technologies can go only so far in targeting customers and in personalizing messages. Many seem slow to recognize the dangers in not taking full advantage of emerging personalization methods and adjust to new marketing realities.

Google's decision to stop selling ads that target users' browsing habits, and to no longer allow third-party cookies that collect that data on its Chrome browser, means companies need to find alternate ways to personalize their marketing and advertising. But according to a new survey by Cheetah Digital, "Path to

Personalization," many marketers indicate they still plan to rely on cookies—even after Google announced that it would block such third-party data from Chrome by January 2022.

Why? According to Cheetah Digital's analysis, many marketers are relying on their media agencies to "fix" the issues and give them a path forward. Alternately, they simply don't know how disruptive it is to rely on third-party data as their ad strategy in the near future. The fact is, not all players are currently equipped to embrace new personalization models and thrive—or even survive.

Those who turn a blind eye to the death of the cookie, the changes in the advertising landscape and the essential role of personalization in marketing and advertising are doomed to fail.

### Personalization at a crossroads

Here, we'll address several issues derived from "Path to Personalization" and map out a path forward. In essence, our general findings reinforce the following:

- The use of cookies has made marketers over-reliant on the technology—in fact, has made some lazy—and has loosened essential customer connections in the process.
- Google's planned cookie replacement, FLoC (Federated Learning of Cohorts), is not granular enough for effective marketing and ad personalization.
- Chrome's dominance of the browser market means relying on the use of cookies with alternate browsers does not scale adequately, and at any rate is a losing game for marketers and agencies that want to use true one-to-one personalization.
- First-party data can go only so far—in fact it's too coarse—in optimizing personalization that delights and engages customers. Further, the continued use of third-party data marketing integrations is being disrupted by privacy concerns.
- Evolving realities make it essential for marketers to know their customers better, offer a value exchange that incentivizes long-term engagement, and assemble their own databases not reliant on other sources. *Among the most promising and effective is what is now being called "zero-party data."*

With all the current disruptions in marketing personalization, brands need to collect and own their own data to establish closer, long-lasting relationships with customers. Loyalty programs based on zero-party data can create a better value exchange to ensure strong direct customer engagement. We'll examine that thesis in depth on the following pages.

### Moving to advanced personalization

"Path to Personalization" uncovers some promising findings in how marketers and agencies view the shifting marketing and advertising landscape. For one thing, some brands are recognizing that change has come, and are moving away from their reliance on cookies and

**Personalization is the use of accurate data known about, or provided directly from, an individual to be able to truly customize content, offers, journeys or ads directly to that individual on a one-to-one basis.**

**Personalization does *not* rely on inferred or deduced information about individuals or groups of consumers.**

**Personalization is *not* sending similar content, offers, journeys or ads to a group or segment of consumers who may or may not have lookalike characteristics.**

third-party data. Some 86.6% of respondents indicate that they're investigating reducing their reliance on these technologies, or have already reduced that reliance for advertising and marketing purposes (see Fig. 1).

"We believe there's always been a better solution to personalization than cookies and algorithms," says Tim Glomb, VP-content and data at Cheetah Digital. "Up to now the dollars spent have really been committed to marketers' addiction to technology and letting it do their job for them. But tracking customers is not personalization. It's snooping. This trend away from cookies and third-party data is a positive sign, but the alternative has always been out there—go direct to consumers in some way and ask them what they want. Consumers want experiences; ask them what experiences they'd like to have. That way you can collect your own data, and not be reliant on technology or aggregators."

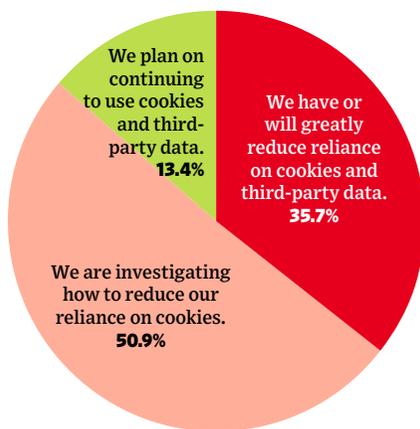
Marketers and agencies also are aware—often acutely aware—that one-to-one personalization capabilities will be essential to advertising and marketing efforts in the future: Fully 92.5% of respondents moderately or very much agree that one-to-one personalization will be important, and 48.3% indicate it's extremely important (see Fig. 2). Brands want to have a personalized approach to marketing, and many are committed to it. The question is, how to reach that goal?

There also is a strong intent to use advanced personalization on a one-to-one level. While fewer than one-in-four (23.8%) respondents report currently using these advanced personalization methods, half (50.1%) say they plan to do so in the next 12 months.

"I believe that one-to-one personalization from marketers to consumers—and the marketer's role in cultivating those relationships—is really critical," says Scott Cunningham, marketing technology consultant and founder of the IAB Technology Laboratory, the digital advertising and marketing industry's global technical standards body. Cunningham also believes that the primacy of personalization epitomizes the current discussions around data privacy.

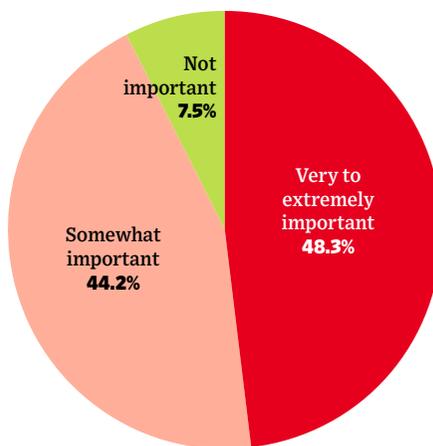
"If marketers are 'buying' audiences, which is what cookies and third-party data are all

## 1. Which statement describes your brand's plans about cookies and third-party data?



SOURCE: Cheetah Digital, n=387

## 2. How important do you believe one-to-one personalization will be to your efforts in the next 12 months?



SOURCE: Cheetah Digital, n=387

### 3. When personalizing content, offers or ads, which of the following have you used or plan to use?

Only customize content to segments or groups of customers

68.5%

Personalize at a one-to-one level using known data about an individual

38.5%

Use advanced personalization at a one-to-one level using known data, including predictive machine learning or AI

23.8%

SOURCE: Cheetah Digital, n=387

about, there are huge brand safety issues. In the future, you want to make very sure you're marketing to consenting individuals. You want to use your data for good. Your brand has that responsibility. People want to feel safe."

#### Red flags

Even with these positive trends, the study reveals plenty of indications of lagging appreciation of personalization or even an understanding of alternatives. For example, a stunning 78.7% say that since cookies have been fairly effective or very effective personalization tactics in the past, they see no reason to discontinue their use. Many even indicate they have no other personalization options, or aren't really sure how to get more personal information beyond first- and third-party data.

When asked about personalizing content, offers or ads across channels, only 23.8% of respondents indicate that they are currently using or plan to deploy such personalization during the next 12 months. Worse, 68.5% say they only customize to segments or groups of customers, and very few plan to rectify this in the near future (See Fig. 3). This indicates a severe failure to recognize the changing marketing landscape, and the need for better education.

Even among those marketers and agencies

strongly considering enhancing personalization efforts, about one-third say it is difficult to obtain the right data to personalize their marketing and advertising efforts at scale. Further:

- A quarter say their data is siloed and/or not available to their marketing platforms for personalization.
- Nearly a third indicate they don't have the right technology platform to execute personalization in their marketing efforts across channels.
- And the level of expertise is equally dismal. Less than a tenth say their personalization efforts are "best in class."

All of this is particularly dispiriting given the long timeline that marketers and agencies have had to prepare for the end of cookies and address the problematic privacy concerns in using third-party data—not to mention the years of evidence that personalization is a key to better sales and longer customer lifetime value.

"Customizing content to segments or groups of customers is not personalization," says Cheetah Digital's Glomb. "It's very clear that there is a major ongoing disruption in the market, and the new No. 1 goal is to own your own data. Marketers need a future where they

## 4. How would you describe your brand's use or attitude toward zero-party data?

We are unfamiliar with the collection or use of zero-party data.

38.8%

We are familiar with zero-party data but have not actively used it.

39.8%

We actively collect and use zero-party data, but could do better.

17.8%

We have sophisticated collection and use of zero-party data to personalize our marketing efforts.

3.6%

SOURCE: Cheetah Digital, n=387

can create their own segments, and own the data as well. Here's the takeaway: Hedge your bets. Collect as much customer data as possible to connect with them effectively."

### Zero-party is optimal personalization

Zero-party data is a relatively new term representing explicitly declared data direct to a brand from consumers. This may be survey data or other psychographic data that cannot be accurately deduced or inferred from tracked behaviors or provided by cookies. Zero-party data could include a customer revealing directly to a brand what his or her favorite flavor is. Or the reason they might buy a particular golf club, or their budget for an upcoming family vacation.

While zero-party data has been discussed for a few years, some 80% of marketers and agencies have not used or considered using this rapidly maturing personalization technique, even with an obvious and growing need to adopt a new approach to marketing (see Fig. 4).

Significantly, this represents a great opportunity for those marketers and agencies that step up their personalization efforts using zero-party data to gain a competitive advantage over laggards, and to ramp up sales, loyalty and lifetime value.

In the "Path to Personalization" study,

there was a decidedly mixed response about which marketing channel delivers the greatest return on personalization efforts, including email, SMS and push or advertising, defined as remarketing, display, social, etc. But about one in five respondents indicated their greatest ROI is coming from loyalty programs, including in-store point of sale, mobile app, content and offers or website content and experience.

Agencies actually are bigger believers in loyalty programs than are marketers by a nearly two-to-one margin, perhaps indicating that agencies are realizing the value of zero-party data at a quicker pace than their marketer colleagues.

### A path forward

Data privacy, personalization and customer loyalty are essential for making one-to-one connections with customers. As marketers and agencies continue to transition to a world that values and respects consumer privacy, they'll need to find a better way to connect with consumers. In fact, many already are realizing this: A large segment of respondents to "Path to Personalization" believe the platforms they advertise on need to offer more options beyond cookies and third-party data. Moreover, a third indicate that they need better martech solutions to collect other data types, to reduce their

## 5. Zero-party data

|                   | Inferred data                  | Observed data  | Self-reported data                          |
|-------------------|--------------------------------|--|---|
| Third-party data  | Inferred household income      | Mobile device ID<br>Set-top box data<br>Purchase preferences | Social media page likes                     |
| Second-party data | Product/category preferences   | Web cookie data  | Self-identified household income            |
| First-party data  | Cross-device identity matching | Loyalty program activity<br>Purchase history                 | Date of birth<br>Mailing address            |
| Zero-party data   |                                |  | Preference insights and purchase intentions |

SOURCE: Cheetah Digital

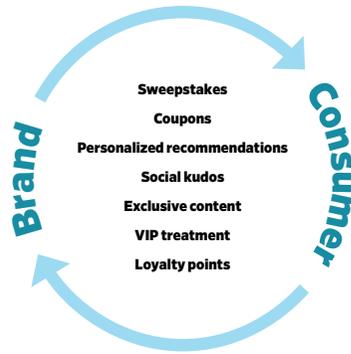
reliance on cookies and third-party data. Much of this comes down to the differences between inferred data, observed data and self-reported data. It is the latter that epitomizes “zero-party data” (see Fig. 5).

### How-to: A clear value exchange

- Ask consumers for their psychographic data (favorite activities, budget for a product or service, when they may plan to buy, where they prefer to buy, etc.) in exchange for personalized offers, exclusive content, discounts or even a chance to win something of considerable value. This can be an excellent driver to collect zero-party data at scale.
- Progressively profile consumers by continually asking the right questions based on previously collected information. This is crucial to learning more about them as individuals, rather than simply placing them into groups or segments.
- Much like human-to-human conversations, listen and understand so that what you learn informs what to ask next.
- Use the data you collect on an individual to deliver hyper-personalized experiences, content and offers that align with their needs and desires to achieve your desired outcomes.

### The bottom line

- Consumers are not asking for better ads. What consumers are really asking for is better service and experiences.
- There have always been better



personalization solutions and ways to create connections with customers. But to date, the money spent has largely resulted in an addiction to technology rather than a clear-eyed view of how customers want to interact with brands.

- Somewhere along the way, brands have lost the human connection that customers crave. Snooping around with technology to add customers is a practice that is now over at last.
- Go direct to consumers in some way, and ask what it is they want. Use your data for good. Your brand has a responsibility to make people feel safe and to trust you.

Cheetah Digital’s Glomb notes, “As marketers consider a multitude of options to enhance their personalization efforts to replace cookies and third-party data, it’s important to acknowledge this one idea: If you met someone on the street ... and, well ... you’d have a conversation with them, right? That’s what brands need to do with their customers.”

# Zero-party data in action

A look at a few brands that have leveraged zero-party data effectively, what they did and how it paid off



Discovery gained more than 500 million first-person data points from its HGTV Dream Home sweepstakes.

## Discovery Communications sweepstakes

Discovery Communications wanted to grow its marketing database while understanding more about both existing and new customers. Discovery devised a Dream Home competition on its HGTV channel, giving viewers an incredible value exchange for the opportunity to win a fully furnished waterfront paradise in Merritt Island, Florida. Participants provided their personally identifiable information on a dedicated microsite along with answers to several key questions related to their home improvement wants and needs.

**Results:** Discovery gained more than 500 million first-person data points from over 100 million sweepstakes entries and monetized content and offers with their key brand partners.

## AB InBev vaccination promotion

Budweiser was looking to help promote COVID-19 vaccinations in early 2021 and created a value exchange that offered a free beer to consumers 21 years of age or older in the U.S. They could visit [abeeronbud.com](http://abeeronbud.com) and upload a photo of their vaccination experience, along with their personal information, to collect a voucher good for one free Budweiser.

**Results:** This campaign was widely popular and also promoted Budweiser's loyalty program offering consumers points for purchases redeemable for merchandise online.

## PAG COVID campaign

Pure Archery Group wanted to help more than 1,000 retailers and independent

dealerships move units of their flagship product in brick-and-mortar stores during heavy COVID-19 restrictions in spring 2020. Promotions to archery consumers via email, SMS and social offered the ability to book a safe “1 on 1 Appointment” with their local dealerships if they provided zero-party data points, such as when they planned to buy a new product and their budget for it.

**Results:** In a period when nearly all brick-and-mortar sales were near \$0 due to COVID-19 restrictions, PAG drove more than \$250,000 in-store sales from a single email campaign and within one month had a 50% lift in overall market share in their top 10 U.S. regions.

### Aéropostale denim quiz

The U.S.-based apparel retailer created a denim quiz embedded on its website to learn about individuals’ needs and desires for products. Using visuals as aids, consumers could choose their preferred style and personalized fit dimensions along with budget and other selections.

**Results:** Aéropostale used this zero-party data to send autoresponder emails dynamically serving personalized content and product suggestions at an individual level, resulting in a 34% increase in open rates and a 267% increase in clicks to product pages.

**AB InBev’s promotion offered free beers to encourage adults to get the COVID-19 vaccine.**



## Defining the data landscape

Marketers can divide the data they have on their customers in a form of descending value:

### Zero-party data

Zero-party data uniquely collects preferences, motivations and purchase intent that is knowingly, willingly and explicitly declared by the consumer. The most impactful zero-party data is rooted in psychographic metrics that cannot be inferred by customer location, income, age or by tracking behavior.

### First-party data

First-party data is information that is collected from a consumer by a voluntary entry, usually by simply providing a name, email address or transactional information like past purchases, credit card data, age, address or other personally identifiable information.

### Second-party data

Second-party data is customer information provided by a brand’s partners and agencies. It’s basically another organization’s first-party data, purchased or shared directly from an organization that collected the data in the first place.

### Third-party data

Third-party data—the customer information that is directly threatened by the end of cookies and by increasingly stringent privacy regulations—is data an aggregator collects from a variety of sources and sells in a group of possible similar customers.

There are many more types of marketing data, including data that is inferred, gained by cross-device matching, mobile device ID and social media likes. The four above are foundational, with zero-party data taking an important and growing role.

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[Studio30@adage.com](mailto:Studio30@adage.com)

### **Staff**

Writer **Christopher Hosford**

Senior Art Director **Jennifer Chiu**

Copy Editor **Brian Moran**

Contact us

**James Palma**

General Manager, Revenue  
and Client Partnerships

[jpalma@adage.com](mailto:jpalma@adage.com)

**John Dioso**

Editor, Studio 30

[jdioso@adage.com](mailto:jdioso@adage.com)

### **About Cheetah Digital**

Cheetah Digital is the world's largest independent multichannel marketing platform powering direct-to-consumer experiences across the entire customer lifecycle for enterprise organizations. Our unique value is the ability to acquire, manage and activate crucial consumer data while delivering personalized experiences and cross-channel messaging that foster emotional loyalty in a single, marketer-friendly platform. Visit us here to learn how we simplify the marketer's struggle to manage the entire customer lifecycle without the integration issues and lack of agility commonly found in larger marketing cloud solutions.

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