THE COOKIELESS FUTURE

What it means
What dealers should do

sincro
An Ansira Company

THE COOKIELESS FUTURE

HAVE YOU HEARD that "cookies are dying" or that "the cookie is dead?" Are you wondering how it will impact your advertising, your website, your ROI measurement, and your digital marketing in general?

There's a lot of speculation out there, and some misconceptions about exactly what's happening and what it will mean. We'll explain the situation, bust some commonly overheard myths, and provide guidance as to how you can adapt your future marketing plans.

WHEN YOU FINISH READING THIS, YOU WILL UNDERSTAND:

- Which cookies will disappear, and which ones won't
- What digital advertising tactics will be impacted
- How reporting will change
- The future role of "first-party" data
- What the "walled gardens" are and how they will factor in
- Proposed third-party cookie solutions
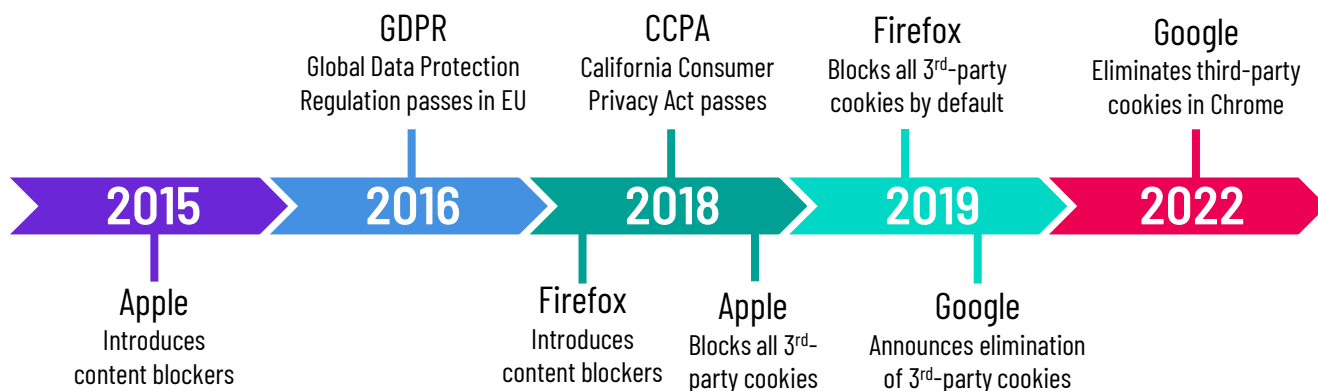- What you should do next

WHY IS THIS HAPPENING?
IN A WORD, PRIVACY.

We didn't get here overnight.

This is the latest event in an ongoing privacy trend. Over the past several years, browser ad blockers grew in popularity, largely preventing some cookies from being placed. Then came the General Data Protection Regulation (GDPR) in Europe, most recognizable to the casual web surfer via those pop-ups that prompt you to acknowledge and allow the use of cookies for personal data collection before you scroll or click. Then the California Consumer Privacy Act (CCPA) came along in 2018, adding another form of privacy regulation.

GDPR
Global Data Protection Regulation passes in EU

CCPA
California Consumer Privacy Act passes

Firefox
Blocks all 3rd-party cookies by default

Google
Eliminates third-party cookies in Chrome

2015   **2016**   **2018**   **2019**   **2022**

Apple
Introduces content blockers

Firefox
Introduces content blockers

Apple
Blocks all 3rd-party cookies

Google
Announces elimination of 3rd-party cookies

Google's cookie decision is impactful.

Web browsers Safari and Firefox have been enabling blocking of third-party cookies since 2015 and 2018, respectively. Those two browsers account for about 23% of web browsers worldwide. Google Chrome's nearly 64% share of the market will have the biggest impact as they follow suit in early 2022. It was Google's big cookie announcement that made advertisers and the ad industry snap to attention.

Now let's get to the myths out there and help you separate fact from fiction.

Browser Market Share
February, 2021

Firefox, 4%

All Others, 9%

Safari, 19%

Google Chrome, 64%
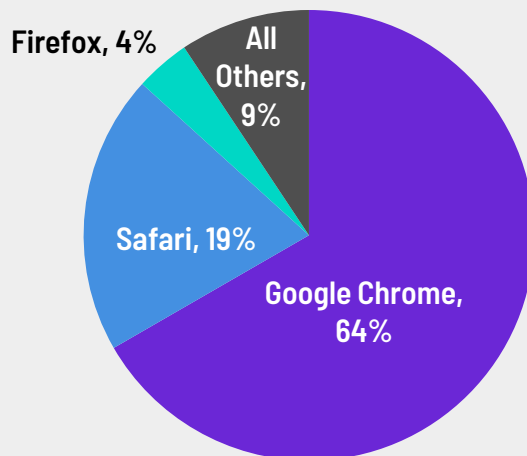
Source: Statcounter, 2021

MYTH 1
All cookies are disappearing.

TRUTH
Third-party cookies will disappear, but first-party cookies will not.

First party cookies are not impacted.

First-party cookies tag people that visit your website. It's data you collect about your own customers, and much of it is anonymized. It's the data you use to create a better website user experience, such as a recognition of the browser or device they're using to visit your website, a session ID for browsing history, etc. First party cookies fuel your reporting of what pages a shopper views on your website, in what order, and how much time they spend there.

27% of all internet users use some form of ad blocking

Source: eMarketer, July, 2019

Third-party cookies aren't your website cookies, or your data. When you visit a website that has advertising on it, an ad server places a cookie on your device. This sets a unique identifier so they can identify individuals across multiple touch points online. Since that cookie didn't come from the website you visited (i.e. the news outlet or blog), it's a "third-party" cookie.

Since third-party cookies identify users across the web, they enable personalized ads based on interests and behaviors, allow for capping the number of times a single user would see a particular ad ("frequency caps"), and enhance ad tracking, targeting, and measurement.

Third-party cookies also help create audience segments, allowing car dealers to target wide groups like "Jeep fans," or more specific and customized groups like "men aged 25-34, currently in the U.S., that are interested in sports."

Third-party cookies allow car dealers to target wide groups like "Jeep fans," and more customized groups like "men aged 25-34, currently in the U.S., that are interested in sports."

MYTH 2
All digital advertising will be impacted.

TRUTH

Ad personalization, Display advertising and Remarketing will be affected.

Ad Personalization

Without third-party cookies, you won't be able to identify users and target them on an individual basis. As a result, your display ads won't be as personalized. For car dealers, ad personalization means you're showing a specific model that matches their audience segment. It's showing the Chevrolet Traverse to a suburban family with younger children, and the Bolt to a single driver in the city.

Display

Display advertising will pivot away from behavioral targeting and return to the "contextual targeting" that was the standard in years past. With contextual targeting, your ad appears with similar content on a page or site, rather than a shopper's click history. While it will still be relevant, it won't be as fine-tuned as the behavioral targeting of recent years..

Remarketing (Retargeting)

One of the biggest and most visible impacts for auto dealers will be display remarketing, which is *entirely dependent* upon the usage of third-party cookies to serve ads to people on other networks of websites. You will no longer be able to track your individual website visitors and show them the exact vehicles they viewed on your website as they make their way around the web. There are plans for less-pinpointed remarketing, but there will be no matching exact VINs to individual users.

What's not impacted?

Search Advertising

- Search ads are triggered by a shopper performing a keyword-based search in one of the search engines and are not cookie-dependent.

- Search typically comprises the largest percentage of a dealer's digital ad budgets, as it zeroes in on in-market shoppers.

Over-the-Top (OTT) TV Advertising

- OTT/Digital TV/Connected TV advertising typically appears on the living room television, not in a web browser, so it is not reliant on cookies.

- One caveat would be Connected TV advertising that is blended with online video. If you have a blended OTT advertising product today, make sure you have a good understanding of how they're targeting.

MYTH 3

Reporting as we know it is dead.

TRUTH

Reporting will change, but it won't "die."

Third-party cookies enable a variety of tracking and ad measurement metrics.

Without the third-party cookie, you will no longer see view-through attribution. While click-through attribution tells you who clicked your ad and went to your vehicle details page, view-through attribution tells you who saw your ad but didn't click, and then later visited your site anyway.

View-through attribution is a measurement of impressions leading to conversions. It's a great tool in evaluating a holistic advertising strategy and measuring the value of different ad placements, helping guide future investment decisions. Google Analytics 360 has a similar metric, but that will only apply to ads that run within the Google ecosystem.

Likewise, multi-touch attribution will be replaced by last-touch attribution.

This means you'll see only the last interaction a shopper had before converting – what they last clicked on. You won't be able to see that a shopper saw two of your ads before awareness sunk in and they clicked on the third, and you won't know where they spotted those first two ads.

Many dealers focus on last-touch attribution today, but knowing the full scope of influence from your marketing mix helps craft the most impactful strategies moving forward.

MYTH 4

First-party data is the answer.

TRUTH

First-party data will help, but it won't make up for everything lost.

First-party data is your data.

First-party data is user data you collect about your own customers, both offline and online. It includes anything customers use to register with, log into or just use a website. For car dealers, first-party data also includes DMS and CRM records.

First party data uploaded to Google, Facebook, etc. helps with frequency capping, reporting attribution, and messaging, and we expect it to support those efforts in the future – though likely without the precision we see today, and it will be tied to each of those providers. (i.e. Google does not share with Facebook.)

First-Party Data
- ✓ *1st-party cookies*
- ✓ *Website login / registration*
- ✓ *DMS records*
- ✓ *CRM records*

First-party data is both invaluable and limited at the same time.

First-party data alone won't tell the full story about your target market.

What hobbies and outside interests do your customers typically have? Are they parents of young children, or do they have teens? What other websites do they frequent? If you limit your advertising audiences according to first-party data, you wouldn't be able to effectively conquest other brands, or target "off-road enthusiasts" with ads for your Ford Bronco or Jeep Wrangler inventory.

Layering in second-party data makes for a more complete picture.

Second-party data is someone else's first-party data, sold or shared directly to another company. It's often anonymized when shared between partners. Second-party data can include things like emails, geolocation, logged-in behaviors on a website, and demographics.

Second-party data can help you determine if a shopper is located in a rural area or near the city center, to better identify if they're a truck intender or more suited for an EV. It plays a key role in intent-based ad targeting. Intent-based ads resonate more with shoppers, because the ads feel *relevant* to them and their everyday behaviors.

An official, legal partnership is needed to put that information to work. Most dealerships rely on a well-connected advertising provider that has built multiple second-party data relationships.

Second-Party Data
- ✓ *Emails*
- ✓ *Geolocation*
- ✓ *Logged-in behaviors*
- ✓ *Demographics*

MYTH 5
Google's (or Facebook's) walled garden will save us.

TRUTH
The walled gardens are only part of the advertising ecosystem.

There's a lot of buzz about the "walled gardens" and how they could help solve for targeting challenges.

A walled garden is a closed advertising network of logged-in users that you can access through that network. Google, Facebook, and Amazon are the biggest walled gardens. You can reach a LOT of people while they use those sites and marrying your first-party customer data to theirs helps reach your target groups of customers.

But keep in mind:

1. You'll be relying on the targeting options and reporting that they provide, which may not be as specific as you prefer, especially in this age of privacy. It's a bit like they're grading their own homework.

2. You can also upload your first-party data to help target your advertising, but they can use your data for their own purposes, too.

3. Account size can matter, in terms of support. In many cases, it helps to be a large client, or to run your advertising through an agency that is one of those large clients.

4. While Google, Facebook and Amazon have the most data, they do not own a lot of the content. (e.g. Facebook has two URLs [and apps] where it serves ads: Facebook and Instagram)

The Walled Gardens

Google: 1.8 billion+ monthly Gmail users

Facebook: 2.7 billion+ monthly users

Amazon: 300 million+ active customer accounts.

There's a lot of landscape outside those walled gardens! A 2020 Harris Poll commissioned by OpenX showed that 60% of all ad dollars in the U.S. are spent in the walled gardens, with 40% going to the greater, "open" web. But people only spend about a third of their time in those walled gardens, and 66% of their time out on the open web. The open web includes any online property that isn't owned by a major tech company like Google, Facebook or Amazon. Examples include the Denver Post, Weather.com, All-recipes.com, and even apps like Angry Birds.

60%
U.S. ad dollars spent in walled gardens, where people spend only 1/3 of their time

40%
U.S. ad dollars spent on the open web, where people spend 2/3 of their time

Some of the big independent ad tech companies that get you ad placements on the open web include The Trade Desk, Magnite, LiveRamp, and more. They tend to work well with companies that build some of their own tech, such data management platforms (DMPs), demand-side platforms (DSPs), and ad servers.

It's never a good idea to be 100% reliant on just one source for your advertising. Just like a good investment mix hedges against big losses, a good marketing mix ensures a healthy and well-rounded advertising strategy.

Putting all your eggs in the "walled gardens" basket means you're missing 66% of your opportunities to reach shoppers.

MYTH 6

There's already a solution out there.

TRUTH

The big players are working on solutions, but we're not there yet.

There are two main approaches to a solution.

Google has proposed grouping web users together according to similar online activity and other characteristics. Google calls these different groups Federated Learning of Cohorts, or "FLoCs."

FLoCs would allow advertisers to understand and target a group or block of users with similar interests, rather than an individual basis, thus maintaining privacy. For example, a FloC could be made up of college-educated, Android phone users that shop at Whole Foods and live in Denver.

Google's FLEDGE project would allow advertisers to group similar users for remarketing. But there will be no 1:1 match for VINs viewed by a shopper on your site.

Initial U.S. testing of FLoCs with 1,000 users is set for May, 2021. It's unclear how FLoCs might work on other browsers, such as Safari and Firefox. Google does not currently have any FLoC testing scheduled in the E.U. because it may not be compatible with GDPR.

Multiple independent groups are working on independent cookie alternatives.

Adobe has focused on first-party data and a "Unique User ID," placing high importance on privacy. Google's March, 2021, statement that they will not support alternate identifiers casts some doubt on its long-term viability.

The Trade Desk and LiveRamp have also been working on establishing consumer IDs that are largely based on emails used by people logging in to access a site's content, save searches, etc.

An email-based option would require buy-in across the web, since individual websites would need to adopt that specific email-based system as their login method. That would be a site-by-site process.

We expect to see a more concrete picture of the final option(s) as the year goes on.

"Today, we're making explicit that once third-party cookies are phased out, we will not build alternate identifiers to track individuals as they browse across the web, nor will we use them in our products."

–March, 2021, Google announcement

NOW WHAT?
YOUR NEXT STEPS

Now that you understand what's happening, here are some key actions you should take now:

1. Evaluate your current approach to first-party data and start growing it now.

- What is your current customer data acquisition strategy? How do you currently collect valuable first-party data, and how can you expand on it moving forward? Are you considering the modern customer's expectation around privacy and permissions, while earning their loyalty?

- Establish a process for collecting customer emails at every opportunity, both online and in-store. Train your team so everyone at the dealership is working toward this goal. Consider incentivizing them for their opt-ins to make it fun and get the habit to stick.

- Run email marketing campaigns to learn audience interests and demographics.

- Utilize your CRM to build out the most complete picture you can on your customers, including completed surveys and customer feedback.

- Think about how you can take offline and online details and use them to provide a better overall picture of your customer. Are you sending more SMS messages to iPhones or Androids? What's the mix of device types for your website visitors?

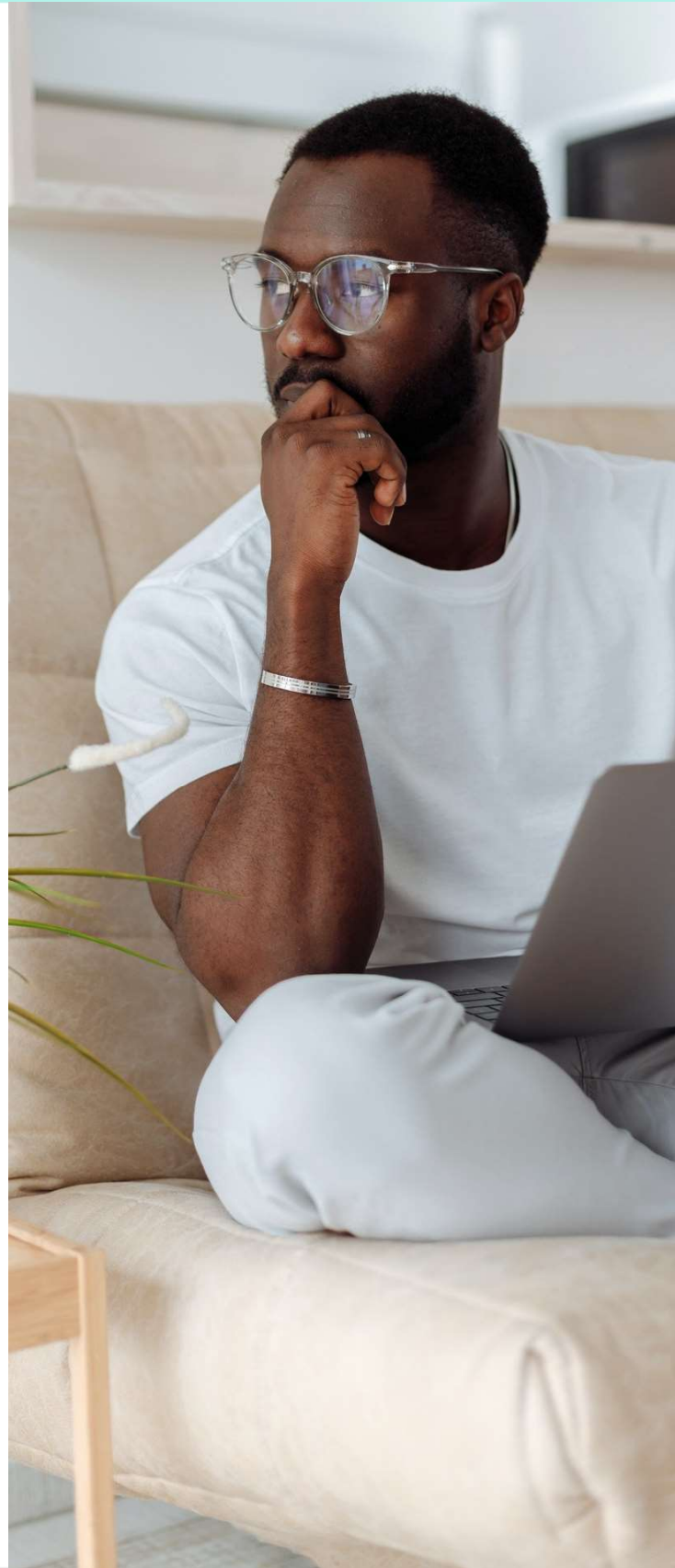*Advertising accounted for 81% of Google's total revenue in 2020 ($146.92 Billion).*

Source: Statista

2. Audit your current advertising strategy.

- Determine your current exposure risk and get a full picture of exactly how this change will impact your advertising. Aim for a diverse strategy that includes advertising that is not cookie-dependent as well as strategies that use the technology as long as it's available.

- Implement a holistic search advertising campaign, including both Google and Bing, to reach all the in-market shoppers in your area, no matter which search engine they use.

- Take a look at OTT (Digital TV) advertising, for targeted, yet broad-reaching brand awareness and event promotion in your local market. Its precision zip code targeting lets you narrow your focus to your best customers in a way traditional TV cannot, and you may be surprised at how easy it is to get started.

- Review your current social advertising strategy. If you're not already advertising there, it's time to start. Facebook's robust targeting options, combined with first-party data, means great visibility for your dealership and inventory. On-Facebook Destination for Automotive Inventory Ads (AIA) allow car dealers to run a 100% in-app ad strategy with reduced dependence on a browser-based pixel.

- Don't walk away from cookie-reliant advertising until you have to. Retargeting is an incredibly effective way to engage your website visitors after they click away, and display ads using behavioral targeting offer refined audiences of new prospects.

3. **Ask your advertising provider how they're positioned to adapt**.

We don't know exactly where all of this will net out. However, it's important to make plans now, to be in the best position when the change takes place. Key questions to ask include:

- How are you preparing for this change in relation to the potential solutions currently in play? Are you focusing exclusively on Google's solution? What about the open web?

- Do you have partner relationships to get access to second-party data for targeting?

- How can you utilize my first-party data (website cookies, DMS, CRM data) to help me reach past customers and reach new shoppers like them?

- Do you own an ad server or bidder that lets you buy premium ad space on the open web, or are you 100% dependent on other providers?

- What advertising options do you have, that aren't based on third-party cookies, that are a good match for my dealership goals?

- What attribution model do you use today to track the impact of each of my ads? (Multi-touch or last-touch?)

- If multi-touch attribution is used for evaluating my ad strategies as a whole, what options do we have for getting at least some of that data once the third-party cookie is gone?

- What methods are available to help determine my Return on Ad Spend (ROAS)?

At Sincro, we are carefully watching the developments in the industry as innovative ideas and proposals appear. We have always been dedicated to allowing dealers, dealer groups, and OEMs deliver their message effectively across advertising channels. Here's what we see in our future:

Effectively navigating the way forward will require some agility and innovative thinking.

Into 2022 and beyond, Sincro's cross-channel optimization method will continue to take a dealer's advertising budget and automatically move that money around the various channels, (e.g. search, display) according to daily performance metrics and the dealer's current goals. Is search working better recently, or is one of our display channels hitting the right numbers? Whichever the case, Sincro technology makes sure each of our dealers' dollars is more effective and better spent than the last.

Additionally, Sincro's proprietary, in-house Ad Server and programmatic bidder make it possible for us to directly plug in to ad exchanges and buy traffic on the open web. That in-house tech also simplifies working with important partners like Edmunds, eBay, KBB, Hearst, and many other sites where we might buy directly relevant ad inventory.

We are working with established platforms like Amazon, The Trade Desk, Facebook and others on new ways to take advantage of existing data layers and audiences to maximize our customers' advertising budgets. We will continue to work with Google as we adapt our ad targeting and reporting to maximize results for our dealers.

As the dust begins to settle around third-party cookie changes, Sincro is confident we'll be in a strong position to continue to deliver effective advertising strategies that help our dealers reach their business goals.

The end of the third-party cookie doesn't mean an end to digital advertising. In fact, we're optimistic about advertising evolving and adapting to this privacy-focused new reality.

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