# dstillery

EBOOK

# How to Prepare for Digital Advertising in a Cookie-Less World

*June 2021*

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# Introduction   WHAT IS HAPPENING & WHEN

**Third-party cookies are going to be retired in late 2023.**

Are you prepared to be successful without them? We put together this eBook to help you understand exactly what is changing and the steps to take today to future-proof your digital campaigns.

You need to act now to move your campaigns forward. Even though cookies are going away in 2023, now is the time to test different solutions that are already available. But first... what's the difference between first party cookies and third party cookies?

**First party cookies** are created and stored by the websites you visit directly. They are designed to enhance the overall user experience by:

• Saving items in your shopping cart

• Remembering your language settings

• Storing your website usernames & passwords

First party cookies are and will continue to be supported by all browsers. They can be blocked or deleted by the user. Most importantly, first party cookies are not going away.

**Third-party cookies**, however, are slated for retirement by 2023. These are created by third party domains (domains other than the website you are visiting), and are used for:

• Tracking users cross-site

• Retargeting

• Ad-serving

While third-party cookies are supported by all browsers, they are blocked by default on most including Safari and Firefox, and are cleared by users on a regular basis.

In March of 2021, Google announced plans to block third party cookies on its Chrome browser by 2022. In June of 2021, Google then delayed cookie removal until 2023.
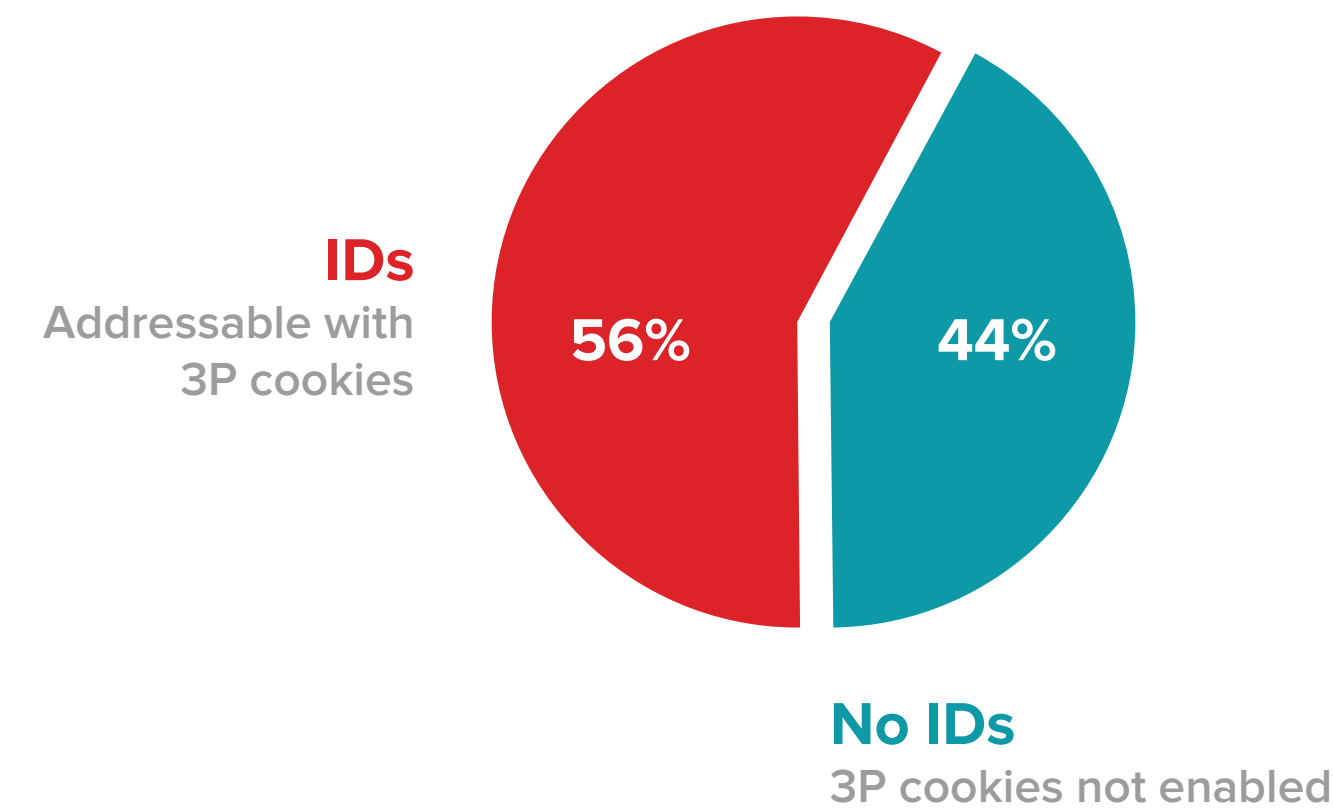
# What Does This Mean for Digital Advertising?

**Digital advertising is changing as we know it.**

The retirement of cookies will dramatically shrink the addressable universe. 44% of our digital landscape is already not addressable due to browsers and users blocking third party cookies.

Once Chrome cookies are blocked, **only *10-20%*** of the universe will be addressable.

**TODAY** ------------------------------>

**IDs**
Addressable with 3P cookies
**56%**    **44%**

**No IDs**
3P cookies not enabled

While this might cause waves of anxiety, with this change comes great opportunity. The industry is re-prioritizing user privacy and moving towards a privacy-centric world.

**2023 & BEYOND** -------------------

**IDs**
Addressable with new IDs
**10-20%**    **80-90%**

**No IDs**
Unaddressable; No IDs
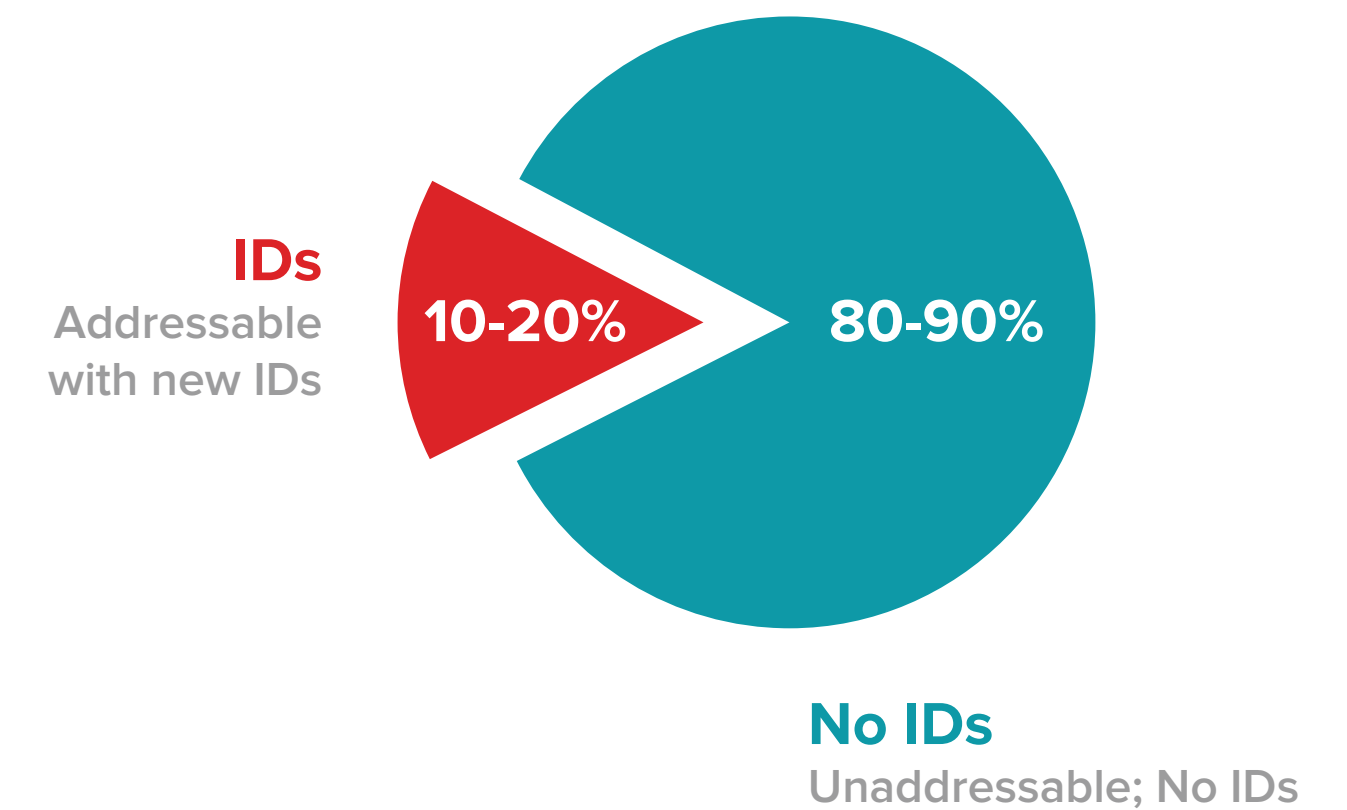
Looking at 2023 & onward, the industry is moving beyond cookies. So what solutions are already available now and what's the best for you?

## Before we answer that, let's first discuss replacement identifiers.

**REPLACEMENT IDENTIFIERS**

"Replacement" identifiers are jockeying for position, and are expected to provide precise targeting and granular measurement. The key improvement in these solutions is that the user consent is clear and explicit.

These replacement identifiers are built by companies other than the browser vendors and were never expected to be a Chrome-built browser feature, so to the extent that they are adopted by publishers and users, they will work regardless of whether Google buys into this philosophy.

Still, even before Google's announcement, it would have been a mistake to think of these new opt-in identifiers as full replacement solutions. Any advertiser who plans on

relying on these new identifiers to solve their problems needs to ask themselves, just how many of these impressions will be available? And am I willing to tie my campaign's success to that number?

The availability, penetration, and number of impressions available with those solutions will depend on a number of factors, including publisher adoption and user behavior around opt-ins.

Certainly, the number of display impressions that can be targeted based on an addressable ID will be far less than today's 56%. (Currently, about 44% of US internet users are already using web browsers without third-party cookies enabled.) The most ambitious estimates put the number of addressable impressions at around 30%, while many publishers believe 10% is optimistic. Whatever the end state, it will require a long adoption ramp-up, not a flip of a switch.

## Think about that:



**UP TO 90% OF ALL** display impressions will have no ID attached to them once cookies are retired.

Though the details remain uncertain, it's clear that the replacement identifiers will not be enough. In order to effectively target at scale in the post-cookie world, advertisers need to adopt a portfolio of approaches that includes solutions to intelligently target ads where no identifiers are available.

Replacement identifiers are simply insufficient replacements for third-party cookies.

As said best by Dstillery's Chief Data Scientist, Melinda Han Williams:

## "No new identifier will fill the hole left by cookies."
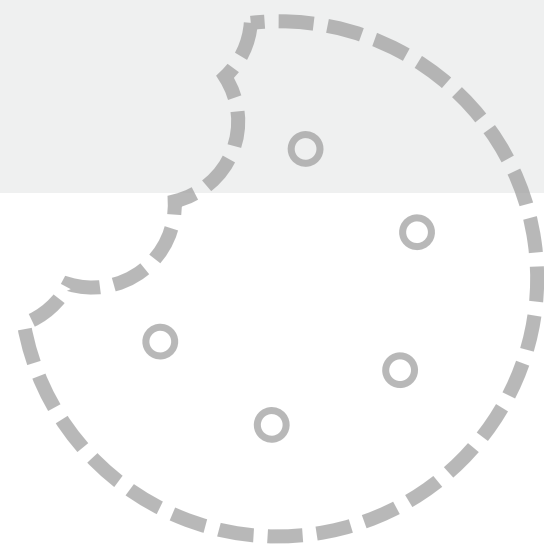
## COOKIE-LESS VS ID-FREE

There's lots of noise in the industry surrounding post-cookie and cookie-less solutions. The reality is that the vast majority of these "cookie-less" solutions are still using an identifier of some sort. And as we mentioned, replacement identifiers are not enough for your digital campaigns as that will only cover 10-20% of the addressable market in 2023.

## It's time for you to get used to a non-identifiable world.

The time to reach beyond addressable impressions is right now, before third-party cookies are retired from Chrome in 2023. Since 44% of US web impressions don't have any IDs, smart, identifier-free targeting solutions could improve scaled performance immediately.

## MEASUREMENT

Why is most of the industry still waiting to adopt identifier-free targeting solutions? **The answer is measurement.** It remains one of digital advertising's key promises, which is why the industry has remained hooked on identifiers up to this point.

Google's Chrome team has promised that a new measurement method will be in place before cookies are retired. But remember, Google can't control what Apple, Mozilla, or others do with their browsers. After cookies are gone, targeting on the web without user IDs requires buying inventory that lacks a precise measurement mechanism.

But the other option, the choice most advertisers are already making, is sacrificing scale. Today, dedication to device-level measurement means ignoring more than 40% of online consumers on the web. In the very near future, they'll have to decide whether they'd rather ignore 70-90% of online consumers, or have fuzzier measurement across 100% of potential customers.

A "fuzzier" measurement solution might mean extrapolating performance into the non-addressable web, or using a more traditional measurement framework like media mix modeling. Yes, this feels counter to everything we've gained in the last decade of hyper-granular data collection and analytics. But most brands will actually see a better ROI when they expand their views and target across the entire internet at its full scale. Even better, adopting an identifier-agnostic strategy now will leave advertisers well positioned to deal with the continued shift towards opt-in identification across all digital environments, not just the web.
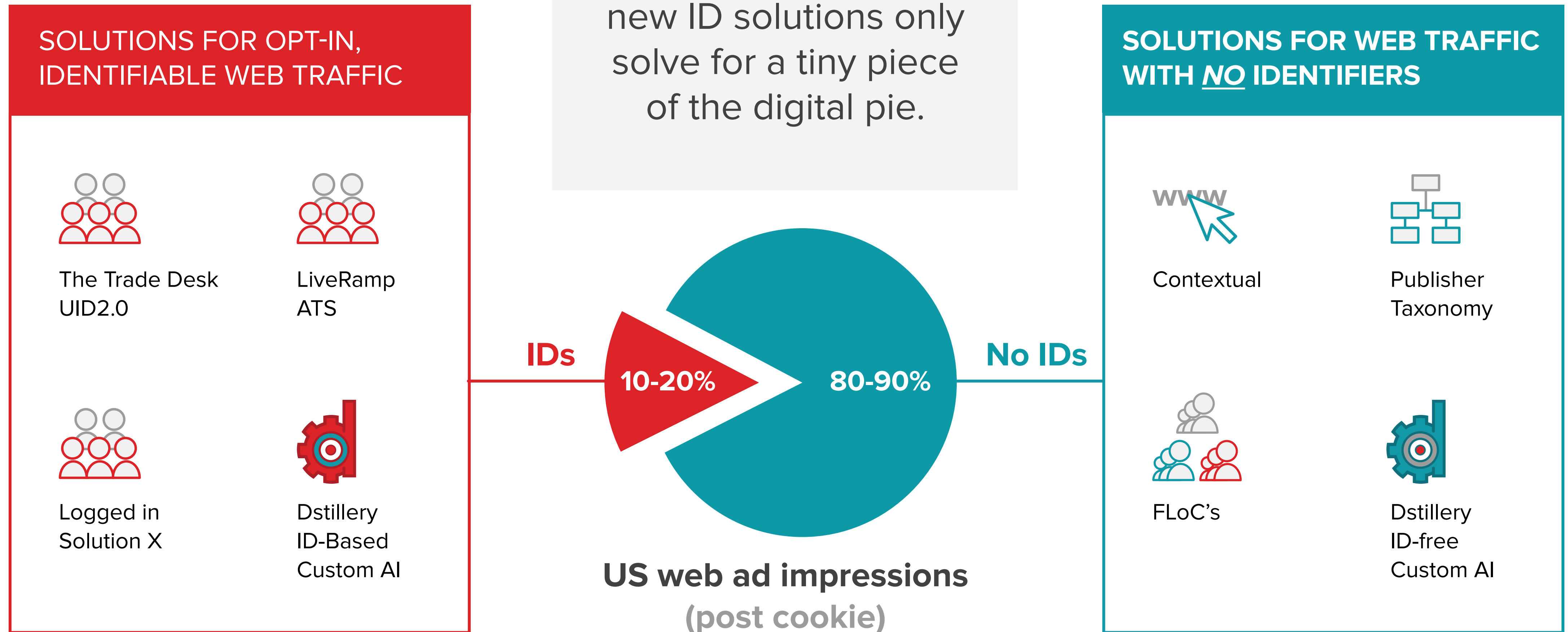
While looking ahead is frightening, remember that we're starting at a point where roughly half of the online audience can't be identified, right now.
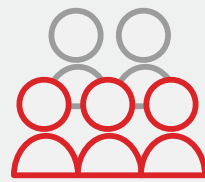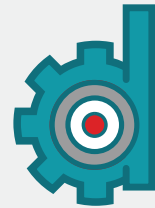
**Waiting around for new identifiers only limits advertisers even more.**

As you evaluate new identity solutions, keep this in mind... new ID solutions only solve for a tiny piece of the digital pie.

## SOLUTIONS FOR OPT-IN, IDENTIFIABLE WEB TRAFFIC

The Trade Desk UID2.0

LiveRamp ATS

Logged in Solution X

Dstillery ID-Based Custom AI

**IDs** 10-20%

80-90% **No IDs**

**US web ad impressions (post cookie)**

## SOLUTIONS FOR WEB TRAFFIC WITH *NO* IDENTIFIERS

Contextual

Publisher Taxonomy

FLoC's

Dstillery ID-free Custom AI

| Solutions | 1:1 TARGETING | | AGGREGATED IDENTIFIERS | NO IDENTIFIERS | | |
|---|---|---|---|---|---|---|
| **Benefits** | Logged in IDs | Publisher 1P audiences | E.g. FLoC's | Contextual | Publisher Taxonomies | Dstillery ID-free Custom AI |
| **SCALE** — Across all users | NO | NO | NO | YES | YES | YES |
| **SCALE** — Across all websites | NO | NO | EXPECTED | NO | NO | YES |
| **PERFORMANCE** — AI optimized to brand | EXPECTED | NO | EXPECTED | NO | NO | YES |

**A SUCCESSFUL POST-COOKIE STRATEGY WILL REQUIRE A PORTFOLIO OF SOLUTIONS.**

# Don't sacrifice scale for measurement - **kick the identifier!**

Embrace the window of opportunity to reset. As you benchmark new targeting solutions against familiar KPIs, experiment with new measurement solutions as well. The time is now to reset your benchmarks and future-proof your digital strategy.

Measure not only effectiveness, but scale as well. Will your post-cookie solution scale beyond the 1:1 addressable web? If yes, you might need to accept measurement with less than user-level granularity.

Keep your eyes on the ROI. Brands will begin to see better ROI when they expand reach into the non-addressable web. Start preparing today to have a successful tomorrow. Dstillery's ID-free Custom AI solution is available now to test.

# Dstillery's ID-free Custom AI Solution.

**AVAILABLE NOW**
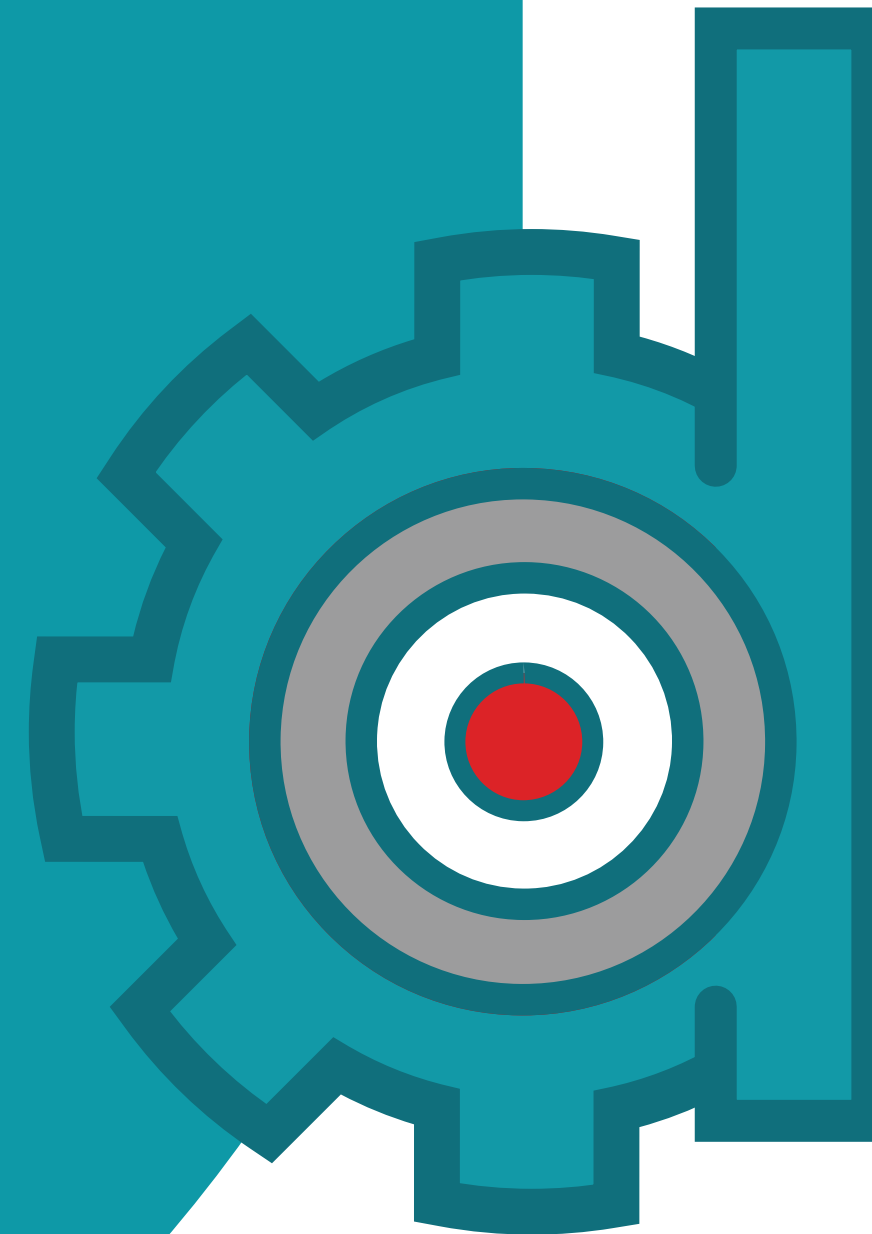
ID-free Custom AI is designed using the same machine learning-based predictive modeling as ID-based Custom AI, reaching users without enabling third-party cookies or any identifiers.

Modeled from a brand's own data, Dstillery's ID-free Custom AI uses privacy-friendly signals to discover and predict the best audiences across the programmatic web.

## HOW DOES ID-FREE CUSTOM AI WORK?

To get started, we first do a deep analysis of brand's first-party data. From this foundation, our ID-free model analyzes signals including location, time-of-day, and website to identify the set of conditions most likely to lead to a conversion for your brand.

 GEOLOCATION
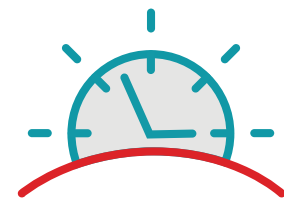
 TIME OF DAY

 WEBSITE

We then use predictive signals to target your audience on your DSP, without relying on cookies or any identifiers.

Okay, we know what you're thinking. How do only 3 signals yield accurate results? Using AI, there are ways to identify the most precise hours, DMAs, and domains that work best for an audience without having to have any pre-existing understanding of that audience or having to perform market research to figure out the signals. Further, as the target audience changes and shifts over time, the AI model will pick up on nuanced changes in behavior and automatically adjust to pick out the most accurate signals.

Using AI, decisions can also be made not only across the individual signals but across a combination of all three signals for maximum precision and accuracy. This might sound simple, but it can get complicated really fast. Take 24 hours, 210 DMAs, and let's just say 50,000 domains. That creates more than 250 million combinations that have to be scored and ranked to accurately target your audience!

## SHIFTING TO ID-FREE SIGNALS

The good news is all this complication is a problem that machine-learning and AI have been solving in digital advertising for a decade. While the application to date has primarily been for a cookie-based world, reapplying this technology to identity-free signals -- and shifting our preconceived notions on how audience targeting has to work -- would create a path to scalable and performant audience targeting, without using any IDs at all.

These audiences are refreshed daily and AI optimized. Future-proof your media buying and target high-propensity customers for your brand without IDs, cookies, or any personal information. Dstillery's new ID-free Custom AI solution - performance targeting for a privacy-centric world.

# ID-free Custom AI Case Study

Dstillery's ID-free solution continued to drive sales for a sneaker brand without the use of third-party identifiers, outperforming the Run of Network ROAS by **30%**.

**SNEAKER BRAND'S GOALS & OBJECTIVES**

A sneaker brand has been partnered with Dstillery since 2018 to help drive sales for its lifestyle and running products. In early 2021, we tested our new ID-free targeting solution to help the brand prepare for the cookie-less future.

**ABOUT DSTILLERY'S ID-FREE SOLUTION**

ID-free Custom AI is designed using the same machine learning-based predictive modeling as ID-based Custom AI, reaching users without enabling third-party cookies or any identifiers.

Modeled from a brand's own data, Dstillery's ID-free Custom AI uses privacy-friendly signals to discover and predict the best audiences across the programmatic web.

**ID-FREE TESTING STRATEGY**

Dstillery split the testing budget between four targeting tactics: ID-free Custom AI, cookie-based Custom AI, Contextual and Run of Network.

Each campaign was targeted to a unique portion of the trackable web to ensure that no person saw ads from more than one tactic. Additional parameters included:

- All tactics used the same $2 bid price with all fees baked into the eCPA analysis.

- No manual or automated performance optimizations were applied to better understand baseline performance for each tactic.

**CAMPAIGN RESULTS & BUSINESS IMPACT**

The one-week test drove a total of **291 lifestyle and running shoe sales**. Dstillery's cookie-based Custom AI Audiences drove the strongest performance with 125 sales. ID-free Custom AI came in second with 88 sales.

**INCREASED RETURN ON AD SPEND**

ID-free Custom AI **drove the highest ROAS- 30% greater** than run of network and **188% greater** than contextual targeting.

| | |
|---|---|
| RON | $3.78 |
| Contextual | $1.70 |
| ID-based Cusom AI | $4.85 |
| ID-free Custom AI | $4.90 |
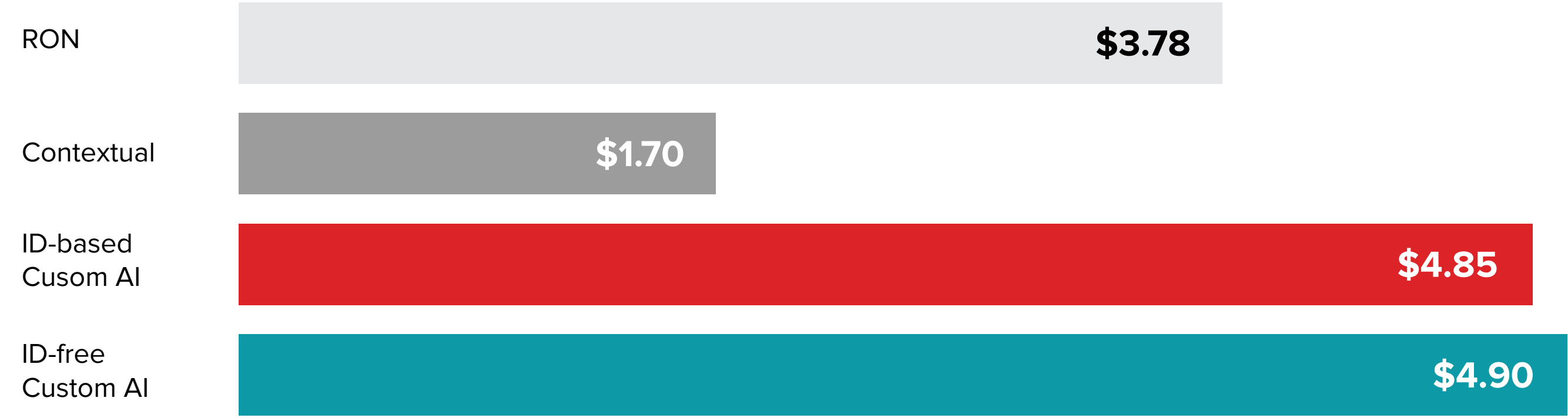
**ROAS**

**LOWERED CPA**

ID-free Custom AI achieved a **26% more efficient** CPA than run of network, and **72% more efficient** than contextual targeting.

| | |
|---|---|
| RON | $13.73 |
| Contextual | $37.29 |
| ID-based Cusom AI | $8.31 |
| ID-free Custom AI | $10.18 |
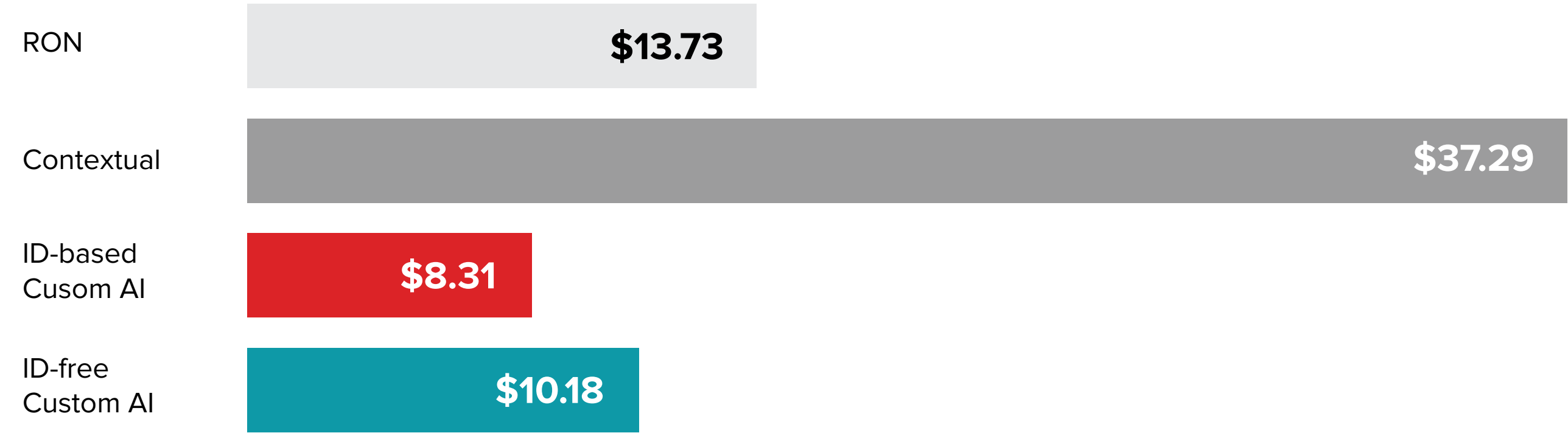
**CPA**

# Conclusion

## Test. Test. TEST!

Test multiple solutions TODAY so you can compare your cookie-less targeting results to your cookie-based targeting campaigns before third-party cookies are officially retired.
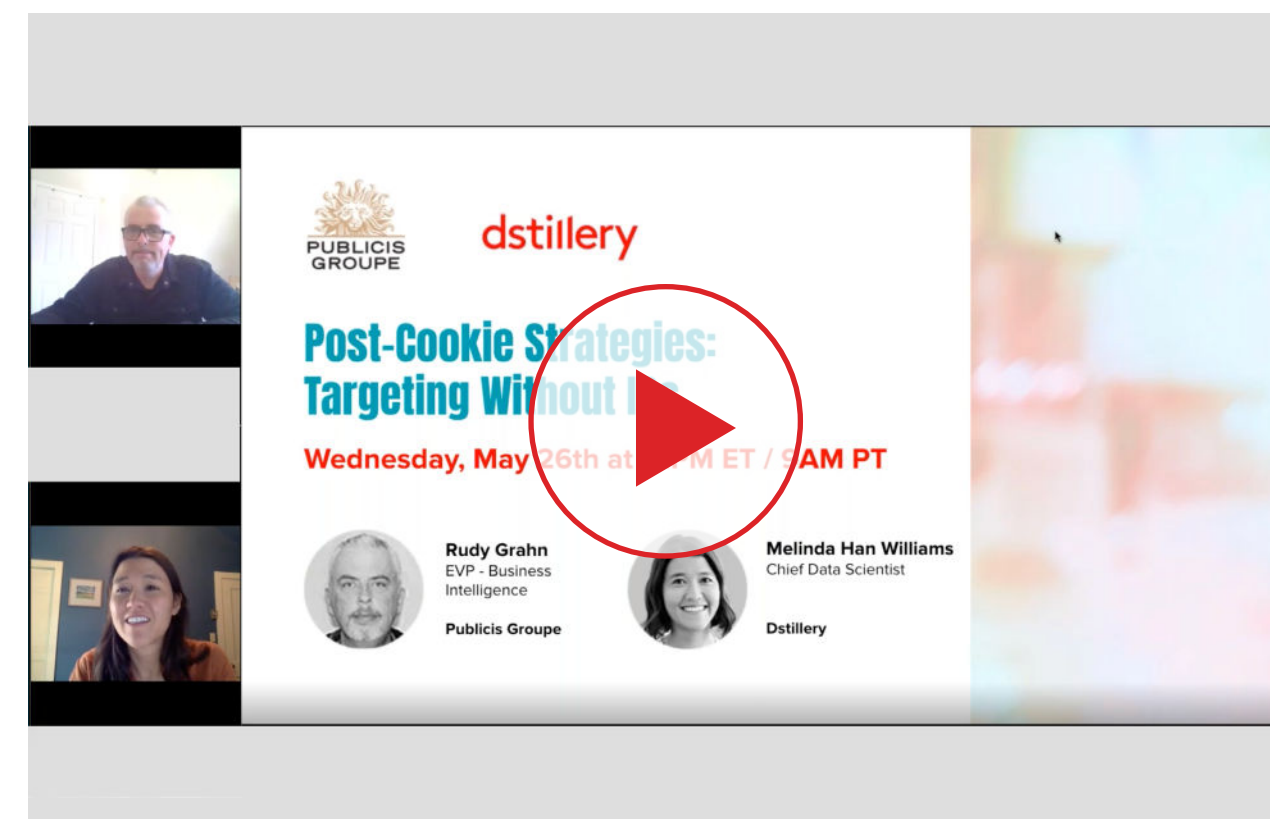
Be prepared to invest in a portfolio of solutions in 2023 including:

- Contextual
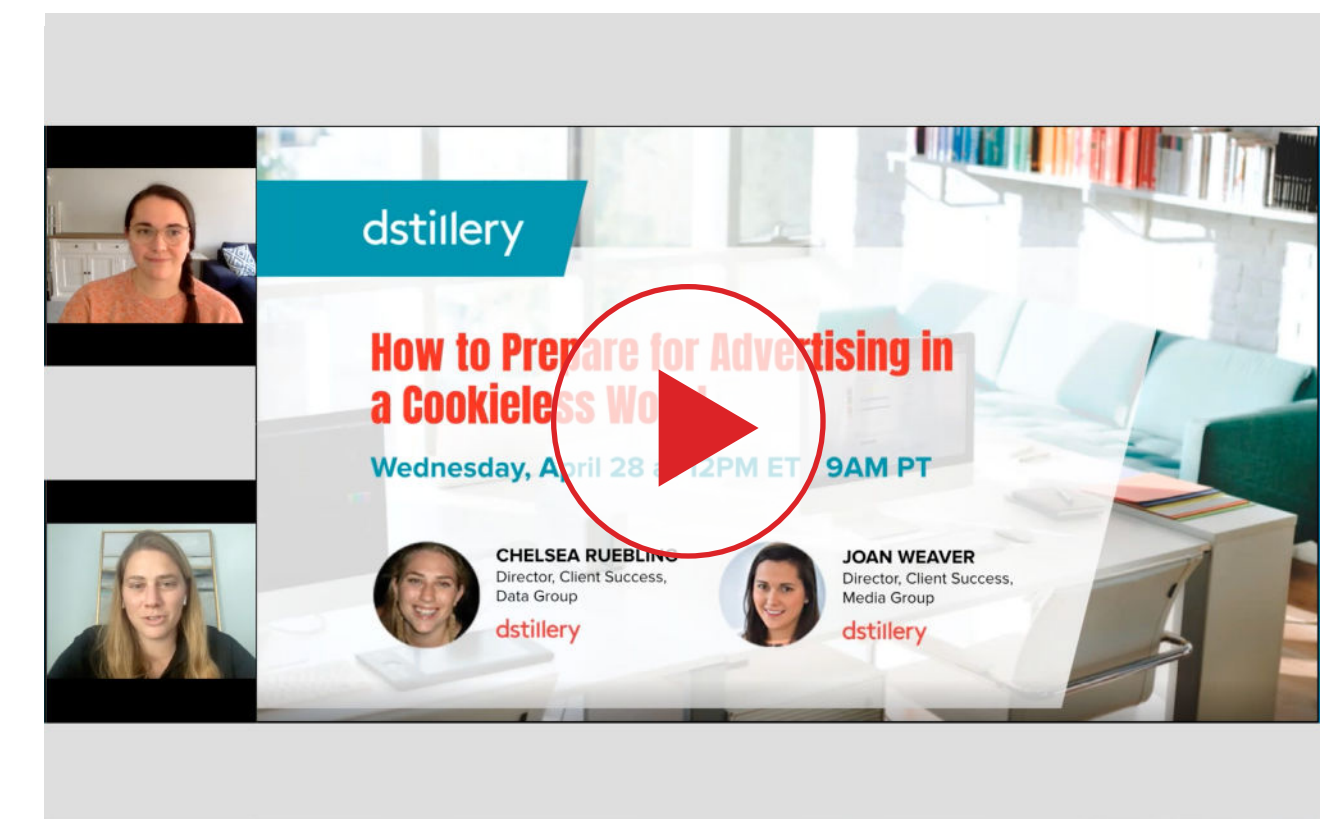- PMP
- ID-free Custom AI

Did we mention our product is available on The Trade Desk? Contact us today to learn more.

# Contact
## & MORE RESOURCES

To learn more about ID-free Custom AI, please click here or get in touch with us by emailing marketing@dstillery.com.





Watch our previously recorded webinar with Publicis on Post-Cookie Strategies: Targeting without IDs

Learn more about How to Prepare for Advertising in a Cookie-less World by watching our previously recorded webinar.

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