Your Guide to Quitting Third-Party Cookies

![Twilio SendGrid logo]

Houston,
we have a disconnect

This content is co-authored by Twilio, SendGrid, and Segment teams.

For consumers and businesses, personalization and privacy are two crucial customer engagement factors consistently at odds.

While 84% of companies claim to always or often offer personalized services, consumers say it's actually 50%. Meanwhile, with just 40% of consumers saying they trust brands to keep their personal data secure and use it responsibly, actually delivering on these personalized experiences is proving increasingly difficult.

To further complicate the personalization/privacy paradox, many businesses rely heavily on using third-party cookies to gather customer data. As third-party cookies decline in usage and efficacy, businesses find themselves in a quandary to continue delivering personalized customer engagement experiences.

While this transition will likely cause some upheaval as to how businesses collect data in the shorter term, in the long run, these changes actually have the potential to benefit and shift this personalization/privacy disconnect for consumers and businesses alike.

What's more, there are some readily available alternatives to help wean you off third-party cookies so that as this shift occurs, your business can continue with (even better) business as usual.

In this ebook, we'll go over the different types of data collection, what a cookieless world means for businesses, and four solutions and strategies to reduce your business's dependency on third-party cookies moving forward.

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What a cookie-less world means for businesses

If the vast majority of what you know about your prospects and customers comes from an external data source, you might be left wondering what impact this will have on your campaigns, as well as what your alternatives are.

Luckily, there's plenty of time to understand exactly how the deprecation of third-party cookies will impact your business, so you can make an informed decision on how to adapt.

Here are the top changes you'll want to anticipate:

1. **It will be harder to get a full picture of your customers.**

Web browsers collect and store information on the type of content a user views and interact with across the entire internet – not just on your site. This, of course, gives your business a better understanding of your customers and their wants and needs, so you can target specific users with highly-relevant content and ads. Without this data to lean on, companies must find new ways to collect data, build in-depth customer profiles, and serve personalized experiences. We'll talk more about this later on.

2. Your business will need to rethink its advertising strategies.

Many businesses that use third-party data to serve relevant ads to their users will need to find new ways to target customers. But while you won't be able to rely on third-party cookies to target users, your business can still use zero- and first-party data to target audiences. Adopting an identity resolution solution can help your business combine both anonymous and known customer data to give you a clearer picture of prospects and customers.

3. Measuring the impact of advertising will become more complex.

Ad attribution is becoming much more difficult. In fact, Twilio's 2022 State of Customer Engagement Report found that 42% of companies predict that the impending changes will lead to lower ROI on ad spend and decreased ability to measure campaign efficiency. Since third-party cookies are essential for multi-touch attribution models, many businesses anticipate they'll have no way to measure the full customer journey from ad

to conversion after cookies disappear. Luckily, switching from client-side tracking to server-side tracking removes your dependence on third parties like Google and gives your business more control. With server-side tracking, you can reliably track customer behaviors and don't have to worry about missing data from customers using ad blockers.

4. You'll need a reliable way to collect third-party data alternatives.

Not all data is good data. Siloed, inaccurate, and redundant information can develop if your business doesn't have the right tools to clean and consolidate your data across multiple data sources. With third-party data going away, many businesses will turn to data they can control and refine themselves: first-party data. Using a customer data platform like Twilio Segment can help you build consumer profiles in real-time, so your business can build experiences using the most up-to-date user data and preferences.

In the next section, we'll take a closer look at what actions you can take now to lessen the impact of this change and ensure your business can thrive even without cookies.

Join the party:
A quick overview of the four different types of data collection

[Understanding data collection](#) is no piece of cake, but it's worth it to familiarize yourself with the different types of doing so, so you can undtand the true value of collecting your own data first-hand.

On the next page, we'll quickly go over each as well as give further insights into why third-party data collection (via cookies) is being seen as increasingly more problematic as time goes on.

First-party data:

Generally seen as the most valuable (and safest to collect!) data for understanding your customer's experience, this data is collected directly by your company such as an email address to subscribe to a business newsletter.

Second-party data:

This is first-party data collected by another company and shared with, or sold to, a non-competitive partner. For example, partnering with a company to create an e-book and then sharing email lists for distribution. It's generally considered less secure and less quality because it comes from a partner.

Third-party data:

This is data that's collected by a data-collection company and then shared with anyone who wants to purchase it. Data-collection companies typically don't verify or even guarantee its accuracy. This type of data (such as third-party cookies, more on that later) is the hardest to prove it was collected ethically and can be used by anyone, making it the least valuable of the three.

Let's bake down the breakdown of third-party cookies

Apple introduces ITP/ Safari limits third-party trackers:

Safari removes 24hr cookie access window and Apple begins Intelligent Tracking Prevention to identify and block tracking cookies

2017

2018/2019

GDPR (General Data Protection Regulation) goes into effect/Firefox and Safari strip cookies:

Apple's ITP via Safari and Firefox's ETP (Enhanced Tracking Protection) now block third-party cookies from both platforms.

Google joins in:

Google Chrome announces changes to third-party cookie classification with plans to block them by 2022.

2020

2021

Apple's new update:

Apple releases iOS 14.5 which makes IDFA (Identifier for Advertising) a default out-out.

Google plans to opt out:

Google has announced 2024 is the year it will completely phase out cookies from its Chrome platform.

2024

4 solutions & strategies you can deploy to reduce your dependence on third-party cookies

While third-party cookies are set to phase out entirely in just over a year, 81% of companies say they currently have either complete or substantial dependence on them, and that they would be seriously harmed by losing access.

But, before you have a mental "bake down," just know that you have plenty of time to adapt to this coming change and prepare. To help you get started, here are four ways you can start preparing for the impending cookieless future:

1 Collect first-party data

It's time to pivot towards a more reliable and accurate data source: first-party cookies. While the 2024 deadline may seem far away, companies who begin collecting and using first-party data now will have a competitive advantage come the deadline.

But in order to start collecting first-party user data across the many channels you use, your business needs a customer engagement solution, like Twilio Engage. Twilio Engage collects first-party data from many different sources and consolidates them into one platform, giving businesses a unified view of all their customers in real time. From there, your business can send this data to downstream channels – like email, SMS, or digital advertising platforms – to provide unified, personalized experiences for each and every customer.

Put simply, Twilio Engage:

- Collects first-party data from different sources
- Cleans and validates that data against your tracking plan
- Uses identity resolution to unify your data and build real-time customer profiles
- Sends user data to downstream communications tools so you can build personalized customer experiences

And, of course, it allows your business to automate most or all of these actions. This empowers your team to spend more time building personalized marketing and advertising campaigns that boost engagement and drive conversions.

"Twilio Segment proved that our first-party data was more valuable than any third-party data – even third-party tracking cookies – could provide. We couldn't believe the advertising results we witnessed by using in-house data models and Twilio Segment."

– Martin Brummerstedt, Data Scientist & Digital Project Manager at Stylepit

So, how can you collect first-party user data? While there are many ways you can learn more about your customers, here are a few brands commonly use to learn more about their customers:

- Account creation/sign-up
- Browsing history
- Lead generation forms (newsletter sign-up, content downloads, demo requests, etc.)
- Purchase history
- Customer reviews
- Surveys and polls
- In-person and virtual events

However, if you choose to collect first-party data, remember to prioritize quality over quantity. You want this data to be accurate and reliable, as it will fuel all of your customer communications, advertising campaigns, marketing initiatives, and more.

2 Consider lookalike audiences

They say you are the sum total of those you surround yourself with and when it comes to creating solid lookalike audiences on your advertising platforms, that concept has never been more true.

Lookalike audiences are a great way to harness first-party data that many large advertising platforms such as Facebook, Google, and Twitter have already collected as a tool to target audiences that are 'similar' to your existing customers.

Here's how it works: By collecting valuable first-party data via Twilio Engage (which then "automagically" sends a coded list of your existing customer phone numbers or email addresses to an ad platform of your choice, the platform then 'matches' and identifies the customers shared between the company and the ad database. Then, the platform combines the matched users and finds similar customers to target your ads using its own first-party data.

This is a relatively inexpensive and trustworthy way to reach new valuable customers using the high-quality, first-party data of ad platforms like Facebook and Google. You can also feel confident keeping your customer data safe while also extending your reach using their advanced models to identify similar users to potentially convert on your site.

Twilio Segment customer Veronica Beard did just that, using lookalike audiences via Twilio Engage, and saw an 11% increase in return on ad spend (ROAS) and a 20% decrease in customer acquisition cost by doing so.

"Based on our research, we know that omnichannel customers are our most valuable customers. Because of this, we build Twilio Engage Audiences of our omnichannel customers and top customers in lifetime revenue, to use as the basis for Lookalike Audiences in Facebook Ads,"

– Maxime Lagresle, eCommerce Analytics Manager at Veronica Beard.

3 **Lean on server-side tracking**

When it comes to tracking user data, there are two methods you can use: client-side and server-side. Here's a brief overview of what they are and how they differ:

- **Client-side tracking:** In this tracking method, the user's browser (or the "client") sends their information to a server. This gives your business easy access to user information like cookies, URL parameters, user agent, and IP address. Your business can add a code snippet, or tag, to your website allowing this information to flow to third-party vendors.

- **Server-side tracking:** Server-side, on the other hand, sends user data directly to your business's web server, before passing it along to other destinations (like your marketing automation platform, analytics tool, etc.). It is generally seen as a more reliable, secure way to track user events as it doesn't depend as heavily on web browsers and doesn't share data with third-party vendors. Twilio Engage leverages this type of tracking.

While many businesses use client-side tracking as it's easy and cost-effective to implement, this method relies heavily on cookies and tracking pixels that can slow down your page loading times. Plus, this information isn't always accurate as ad blockers reduce its effectiveness. By contrast, server-side tracking doesn't rely on cookies, gives your business better data security, and allows you to depend less on browsers.

With cookies phasing out over the next year, your business may want to make the switch to server-side now to ensure your customer information remains reliable and accurate. Just note that setting up server-side tracking can require technical expertise, so you might need to tap into engineering resources and give your business time to get this tracking method up and running. But rest assured, you can manage and enrich first-party data, create visitor profiles, and manage audiences with Segment's server-side products.

4 Rethink your attribution model

Tracking the customer journey has only become more complicated with time, as new technologies, devices, and channels emerge. In an attempt to understand which channels influence users to convert, many businesses turned from a first- or last-click attribution to multi-touch attribution. Unfortunately, the longevity of this now common attribution model is also jeopardized by the degradation of third-party cookies.

Without cookies, multi-touch attribution is less reliable and can't give marketers an accurate understanding of which customer touchpoints are most effective. Since many businesses use this model to measure success, track ROI, and inform future investments, they will need to find new ways to track the effectiveness of their campaigns.

One trend we've seen is that many businesses are investing more heavily in owned media channels like email, SMS, push notifications, etc. These channels have generally relatively low costs, improved targeting capabilities, and greater access to data. Plus, Twilio Engage makes it easy for your brand to leverage first-party data to serve targeted, personalized

communications to your customers using these channels.

Twilio Engage also comes with best-in-class identity resolution features, which afford each customer a unique ID that identifies customers across channels (known and anonymous). This, in turn, facilitates a more accurate understanding of customer behavior across channels, and thus, attribution.

Want to learn more about identity resolution?

Check out our blog,
Identity resolution: the definitive guide.

"People have to want to be tracked and targeted, and they will want to be tracked and targeted by brands that are more transparent, deliver better experiences, and do so with a greater level of integrity."

– Daniel Newman, Principal Analyst at Futurum

No third-party cookies? No problem

As third-party cookies continue to decline, you now have several steps you can take to be proactive and start pursuing a first-party data collection strategy from the inside out. And you'll be ahead of the game for doing so, 55% of companies say they are not fully prepared for this imminent cookieless world.

Twilio Engage can give you the platform and tools you need to collect data first-hand and push personalized experiences for your customers while also protecting their privacy.

To learn more about Twilio Engage's capabilities with first-party data collection, and how it can help future-proof your digital strategy as cookies come to a close, schedule a demo here.

Recommended reading
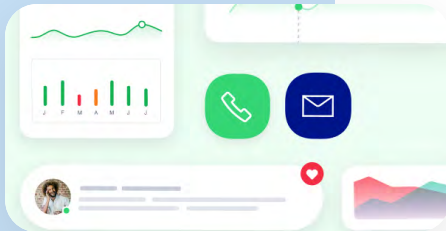
The CDP Report 2023

Our new CDP Report 2023 analyzes real data from the Twilio Segment platform (nearly 12 trillion API calls, to be exact) to examine the biggest digital trends happening in customer engagement.

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The Ultimate Guide to Customer Retention

Cost savings are top of mind during economic downturns. This guide takes a deep dive into customer retention strategies, key metrics to track, and real-life examples of businesses that use Segment's CDP to drive increased engagement

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10 Top Brands Reveal their Customer Engagement Tactics

To provide memorable experiences, businesses must use proven tactics to engage customers. Learn how top brands are focusing on customer engagement to build stronger relationships.

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About Twilio Segment

Twilio Engage uniquely puts the power of a native customer data platform (CDP) and native omnichannel together in one solution so marketers can build data-first, personalized experiences that reduce costs and grow lifetime value.

Built "data up" on Twilio Segment's CDP, Twilio Engage enables marketers to quickly activate real-time, first-party data across best-in-class engagement channels from a unified solution without needing to rely on engineering resources—so you can go from idea to campaign in minutes. By providing a complete view of the customer and the ability to easily create and scale multi-step customer journeys across any digital channel, Twilio Engage helps marketers deliver more engaging and relevant customer experiences while driving long-term, efficient growth.

Thanks for reading

This content is co-authored by Twilio, SendGrid, and Segment teams.
If you would like to learn more about what Twilio Engage can do for your business,
please contact the Twilio Segment sales team