The DTC Collective is a community that brings together influential, global voices to realize the potential of digital retail. The group was founded in response to three force majeures that occurred in rapid succession: First was the onset of GDPR in Europe, which sent retailers who sell or market on digital channels scrambling to update their communications to comply with guidelines that weren’t designed in response to companies like theirs. Second was the slow and still ongoing elimination of third-party cookies by companies like Mozilla’s Firefox, Apple, and soon, Google. And third was the onset of coronavirus, which expedited what many analysts had previously predicted would be a three-year journey to a 50-50 online/offline shift in retail. The founding members saw a need for a community coming together to do things differently in order to move into an all direct-to-consumer world and help actively shape the trajectory of the retail industry.

In July, the Collective convened to discuss the demise of the third-party cookie and its impact on the industry moving forward, which we have summarized below.

### Tapping into the Potential of your First-Party Data

First-party data management is a topic with a lot of surface area. It touches everything from identification, reach, consumer preference, privacy regulation, brand strategy, technology infrastructure, organizational design, and more. Why? Because the promise of great first-party data management is:

- Identification of the shoppers engaging with your marketing and brand.
- A unified understanding of the activities, preferences, and purchases of as many potential or current customers as possible.
- A way to reach these shoppers with relevant content, offers, recommendations on the channels they are most active in and where they are likely to engage or buy.
- An understanding of the optimal marketing spend based on historical data or A/B testing.
- A way to know if what we are doing in digital is driving incremental revenue for our businesses.
Third-party tracking filled a gap of first-party management best practices. It created a reasonable alternative to enrich shopper profiles, reach shoppers, and attribute/measure spend. However, third-party tracking never addressed the SPEED required to meet the needs of shoppers online. So while the decline of third-party tracking creates a notable impact on performance, it was already failing to maximize the potential e-commerce growth for retailers.

With third-party tracking on the decline, and the shift of shopper behavior, the observed impact to date is:

- **Decreased ROI on ad spend**: Especially Facebook and Google for brands that rely heavily on direct-to-consumer relationships. Current estimates show that brands will see a ~33% decrease in ad revenue. This is due to increasing media costs, more competition to bid on shoppers, and reduced reach.

- **Decreased reach and worse shopper experience**: Given the lower reach due to lower identification rates no longer bolstered by third-party networks, your customers become more precious so programs that drive repeat purchase and developing shopper loyalty programs are a priority. This also means third-party enrichment goes away which reduces the signal available to create relevant experiences.

- **Reduced fidelity of attribution and measurement solutions**: Every retailer needs to recalibrate their attribution and measurement solutions against their owned first-party data and incrementality tests vs. legacy benchmarks.

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**Short & Long-Term Strategies for your eCommerce Business**

Building a great first-party data strategy is easier said than done as shopper time and attention shifts fully to online environments supported by retail technology stacks that lack the proper first-party data instrumentation and tooling. **What does that mean?** It means that most marketing and IT tools aren’t built to manage the volume, variety, and speed of shopper behavior online, making it harder for brands to create a relevant, efficient, and performant shopper experience.

To date, many retail marketing organizations have confronted this issue by focusing on data aggregation and enrichment, which sometimes manifests into years-long CDP projects with little-to-no impact on a marketing organization’s ability to better communicate with shoppers. The best approach, utilized by the most successful retailers, focuses on shortening the time between data collection and activation, and increasing speed and agility of execution. Many retail marketing organizations have tackled this by focusing on data aggregation and enrichment, which sometimes manifest into years-long CDP projects with little-to-no impact on a marketing organization’s ability to better communicate with shoppers. The best approach, utilized by the most successful retailers, focuses on shortening the time between data collection and activation, and increasing speed and agility of execution.
So what do you do next?

- **Test tactics for collecting first-party identities:** Owning as much of your first-party data as possible and giving access to your teams will be key to building a strong first-party data management strategy. Look for quick setup site pop-up solutions and opportunities to incentivize shoppers to offer their email or phone number.

- **Double-down on retention initiatives through your owned channels:** Owned channels are a great avenue to make up the revenue loss from paid media due to shifts in privacy regulations like the iOS update. Develop email and SMS campaigns dedicated to getting shoppers to a second, third and fourth purchase. This is best managed by surfacing the next-best recommendations for each shopper based on their preferences (e.g. category or markdown preference). Converting 5% of your one-time buyers into repeat buyers can increase revenue by 900k over two years.

- **Target high-value audiences in paid media:** Since the current reach on paid media is low and the cost of acquisition is high, use predictive-audiences to target shoppers with the highest likelihood to convert to improve efficiency of marketing spend.

**Here’s what you Should be Considering for the Long-Term:**

- **Evaluate your tech stack from a marketing point-of-view, not an IT point-of-view:** RFPs and feature check-lists will not drive e-commerce growth. The ability to act off of shopper data in the form of automated campaigns that include 1:1 product recommendations across channels is critical. This is not possible if shopper data is managed in one system, data models built in another, that is integrated into a third execution system, and campaigns are manually created and delivered. Leverage proof-of-concepts to determine if any new technology you are considering will have an impact on revenue, efficiency, agility and the shopper experience.

- **Prioritize LTV as the ultimate measure of predictable e-commerce growth:** Acquisition, list growth, and third-party reach are all temporary tactics to fuel a quarter-by-quarter (or season by season) retail strategy. These tactics are easily influenced by unsustainable discounting or bursts of spending in channels like Facebook or Google. Purchase frequency, cart size, and cross-category buying are longer term approaches that are influenced by the scale of personalization programs, and have compounded efficiencies as each repeat purchase by a shopper drives a faster and higher value subsequent purchase. Empower your teams to focus goals on purchase frequency and cart size, and consider developing benchmarks to understand and improve upon each.

**MEMBERS OF THE COLLECTIVE STATED**

"If your marketing teams cannot build and launch a personalized campaign in under 1 hour, you do not have a tech stack developed for first-party data and a digital environment.

"First-party data is about connection first, and the transaction will come. We are building customer relationships through a focus on LTV."