This is Why First-Party Data-Driven Marketing is Taking Over

As the amount of consumer data explodes, concerns around privacy will reshape marketing for decades to come, placing greater value on dependable, first-party data.

By: Nick Van Sicklen & Matt Carroll
(Co-Founders of North & Warren)

NORTH & WARREN

For years, marketers have relied on third-party cookie data to build and scale their campaigns. An increase in new privacy laws, cookie-free browsers, and changing consumer preferences, however, are all forcing marketers to shift their efforts toward first-party data.

While Google's total phase-out of third-party cookies still isn't expected until late 2024, other companies like Apple have been leading the charge by making it more difficult for marketers to track customers across their platforms, often catching companies off-guard with big privacy updates. Though lamented at first, the switch away from third-party data is opening new doors by connecting companies with better in-house and market-wide data that can drive a more personalized and profitable customer experience.

Working to test the business outcomes of marketing campaigns using different types of data, Google and Boston Consulting Group found companies using first-party data experiences saw an increase in revenue of up to 2.9 times, compared to those that didn't, and increased cost savings of their campaigns by 1.5 times.

Though 63 percent of consumers expect a personalized brand experience online, 83 percent worry about sharing their personal information. To bridge what might sometimes seem like a divide between what customers want and what they are willing to give, first- party data has the potential to offer marketers the best of both worlds.

What is first, second, and third-party data?

First-party data is the data gathered directly from a customer on a company's owned platforms, such as interaction data from their website, survey data from an email questionnaire, or spending data from their purchase history.

Third-party data, in contrast, is the data collected from third-party platforms, like cookie data from a web browser or social media platform that tracks a user's behavior across multiple channels and is often done without their consent or awareness. Second-party data lies somewhere in the middle by collecting and curating first-party data sources and making them more accessible to third-party marketers.

Companies using first-party data experiences saw an increase in revenue of up to 2.9 times, compared to those that didn't, and increased cost savings of their campaigns by 1.5 times

Why is first-party data more valuable to marketers than third-party data?

First-party data is often more granular and specific, whereas third-party data like cookies shows only a broader picture of an individual's behavior that can leave marketers with more questions than answers. It usually infers audience types based on behavior or content consumption. For example, someone reading an article about the Caribbean does not make them an avid Caribbean Traveler.

By digging into details like transaction histories, sentiment surveys, and on-platform user behavior, first-party data gives marketers deeper answers to more specific questions.

At the same time, the fact these data come from a company's platform (or a trusted second-party data provider) means the data will be cleaner, more consistent, and accurate. Insights are only ever as impactful as their data is clean and usable. More often than not, third-party data sources from browsers and platforms collect information from so many sources, the signal can get lost in the noise due to all of the inconsistencies within it.

When companies rely on first-party data that are created, collected, and curated by a single source with a more direct connection to the user, the information you rely on is more dependable, easier to work with, and more deterministic.

The value of this data and its ease of use also make for a greater ROI. Whether companies are collecting the data directly from their platforms or second-party curators, the efficiencies behind these data and their strong value-offering result in marketers getting a greater return on their investment. For every dollar they spend collecting, analyzing, and putting data to work, they get a greater impact on the other side.

Similarly, this also means that whatever data you have access to, you are one of only a few companies, if not the only company, who has access to it. This exclusivity behind the nature of first-party data allows marketers to do more with this information. Beyond just fine-turning a more effective campaign, it also opens opportunities for a company to develop a more robust data-driven competitive advantage through unique insights.

With a more granular set of insights, first-party data ultimately allows you to achieve a greater level of insight and personalization in your marketing campaigns

How can marketers leverage first-party data in their strategies?

With a more granular set of insights, first-party data ultimately allows you to achieve a greater level of insight and personalization in your marketing campaigns, and credit card data is one powerful example.

Compared to third-party cookies which might have been useful for tracking a broader set of behaviors amongst an unknown variety of potential consumers, data like transaction histories, paired with relevant demographic or digital engagement data help marketers tailor an unmatchable experience.

To create a deeper and more intelligent marketing experience, companies need access to the contextual data that is so often found only in first-party data. Instead of painting a fuzzy picture in broad strokes, granular data like transaction history allows marketers to customize every step of the buyer's journey based on tried and true behaviors, as opposed to incomplete archetypes.

Going beyond simple marketing data, first-party data like this helps companies build business intelligence that's actionable and easy to understand. With better data organized around a clearer picture of who you're targeting, marketers can ultimately go further and faster to deliver better experiences and products every time.

Looking to the future of data analytics and artificial intelligence in marketing, this type of data and the level of specificity it provides will be foundational for the way companies develop better predictive and prescriptive models for their customers.

Without the incorporation of these deeper data insights, companies and their tech will remain at a disadvantage.

Despite all of this, companies sometimes struggle to scale their first-party data analytics and operations. While part of this has to do with the over-reliance on third-party data for such a long-time, it's also due to the fact first-party data is by definition, something a company must gather on its own.

Even though almost 90% of marketers recognize the value and importance of first-party data, over one-third report having a hard time maintaining its quality.

This is where working with a trusted second-party data provider can help companies close the gap in either their information needs, analytics capabilities, or both.

What's next for the future of data-driven marketing?

In the past, having a solid product and an efficient way to get it to a customer was enough to be successful as a business. Fast forward to our tech and data-driven media and information landscape and everything has become more complex but at the same time, full of new opportunities. Like any piece of technology or software that relies on good data to make smart decisions, marketers and the tools they use are only ever as good as the insights they have about their customers.

As the amount of data explodes and our relationship with it continues to change, recent trends toward privacy amidst a growing number of tools that allow marketers greater insight will continue well into the future.

Ultimately, what matters most in this environment is knowing your customer deeply through secure and dependable sources of information that offer clarity and consistency. If knowledge is power, then first-party data, amidst the many changes still to come, will always remain the most powerful asset in a marketer's toolkit.

Marketers and the tools they use are only ever as good as the insights they have about their customers