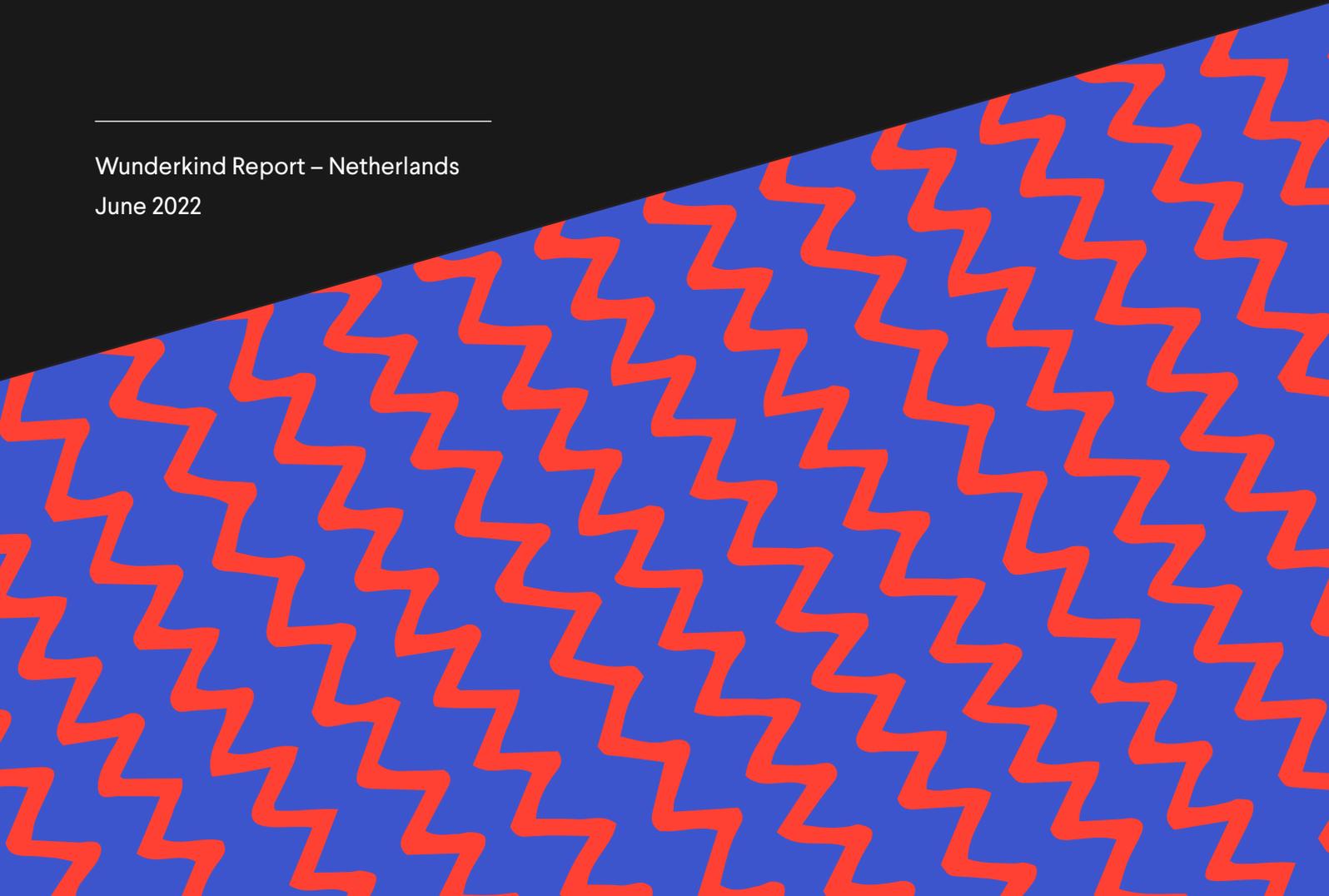


Wunderkind

Countdown to 2023

Personalisation, marketing and the drive
for first-party data in retail, as brands
prepare for a cookie-less future

Wunderkind Report – Netherlands
June 2022



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Wouter Koch

Country Manager NL, Wunderkind

Foreword



There's no getting away from it: third-party cookies are on their way out.

Although Google has granted the cookie a temporary stay of execution, the 2023 deadline is rapidly approaching. And with Apple also committing to a raft of major privacy updates to iOS, it's clear that the next year will see a tectonic shift in how marketers target, segment and engage with their audiences.

So, as consumers become increasingly mindful of data privacy – while also demanding high-quality, personalised shopping experiences – how can digital players carefully balance these imperatives with the need to drive bottom-line growth? And how can they develop a sustainable, future-proof approach to customer data ahead of 2023?

To tackle these questions, Wunderkind surveyed over 500 Dutch consumers to understand their shopping habits, communication preferences and sentiments around personalisation, and to

clarify what they truly value from the brands they engage with. In parallel, we quizzed a panel of 30 marketing and eCommerce leaders to uncover how they're currently identifying and communicating with customers – and how they plan to adapt over the next months.

Our findings made one thing abundantly clear: though many digital players have understandable concerns regarding the phasing out of third-party cookies, there's a significant growth opportunity, in revenue, customer loyalty and lifetime value terms, for those that intelligently evolve their approach.

By utilising sustainable first-party and zero-party data practices, and prioritising respectful one-to-one communications with consumers, brands can put themselves in pole position to make digital gains in 2023. Read on to learn how.

Introduction

There's a revolution underway in personalised marketing, and it brings with it major consequences for brands, consumers, and digital advertising.

Third-party identifiers, including online cookies, are standardised ways of identifying and sharing user data between publishers and the ad tech community, supporting targeted messaging and measurement of marketing performance.

But tech titans Google and Apple are leading the charge to change the system. Working towards an extended deadline of 2023, Google is phasing out third-party cookies (3PCs) in its Chrome browser – replacing them with a new interest-based targeting proposition called 'Topics'. The key difference is that Topics selects topics of interest (based on the user's browsing history) and shares those topics with participating sites, enabling targeted digital ads to be served.

Previously planned for this year, the extended timeframe for change recognises the disruption Google's move will cause the digital ad industry.

Meanwhile, in a similar vein, Apple has changed its Identifier for Advertisers (IDFA), with an update brought in with iOS 14, meaning consumers must now opt in to allow their data to be tracked by advertisers. Previously this just ran as a matter of course – with Apple users having to opt out if they didn't want it.

Both of these tech behemoths say their decisions revolve around improving consumer privacy – Apple even used Data Privacy Day, on 28 January, to tell the world how companies track user data across websites and apps, while underlining its own commitment to privacy.

Whatever the intention – good, or to take greater control over the digital ad ecosystem, or perhaps both – these moves are unsettling. Against this backdrop, Wunderkind has surveyed a panel of retail leaders to gauge the digital ad landscape as it stands, and assess how it might evolve in the next couple of years.

This report assesses the lay of the land, backed up by exclusive statistics from in-depth research that shines a light on digital and eCommerce industry preparedness for new marketing structures and exactly what consumers are looking for from brands.

Read on for insights and statistics as the countdown to 2023 continues...

Digital market dynamics

First, let's highlight the fundamentals. We've all heard about the growth in digital commerce since the onset of the coronavirus pandemic in spring 2020, but what's the latest?

According to Thuiswinkel Markt Monitor, the survey into online consumer spending in the Netherlands, online spending by Dutch consumers amounted to €30.6 billion in 2021; an increase of 16% compared to 2020. In the same period, 373 million online purchases were made – a growth of 13% compared to 2020 – with online accounting for a 31% share of total spending in 2021.

There will continue to be movement. With 1 in 6 physical stores having disappeared in the period between 2010 and 2020, and the continued rise of their digital equivalents, it's expected that, by the end of 2022, there will be more digital than physical stores in the Netherlands for non-food categories.

Wunderkind's research supports this, with 40% of Dutch shoppers questioned saying they buy more online now than they did prior to the pandemic. Women were more likely to have increased their propensity to shop online (44% vs 36% of men).

And, naturally against this backdrop, comes an even greater shift towards digital advertising.

Research from Deloitte revealed that digital advertising in the Netherlands grew 34% in 2021 to a value of €3.1 billion, with particularly strong growth in the digital out of home (+50%) and digital audio (+79%) segments.

As consumer spending improved, the digital ad market exceeded 2019 pre-pandemic levels, with paid search (+33%) and display (+35%) also showing continued strong growth, led by online video and social media.

Retail digital marketing tactics

Digital marketing nowadays is far more nuanced than simply running display ads and videos, of course, and the pandemic has prompted eCommerce and marketing professionals to experiment even further than previous years.

Customer Engagement



In the Netherlands, email remains the channel most brands use to communicate and engage with their customers (93%), followed by Facebook (63%) and the social media network's stablemate, Instagram (48%), according to Wunderkind's research.

Within the broader context of the rise of digital and eCommerce, 70% of survey respondents acknowledged that personalisation was a critical initiative in their current operations – having become a key element in their long-term growth strategy. 67% also said the role of personalisation would become even more important to their operations over the next two years.

Some 71% took a long-term view and said personalisation would become more important over the next five years.

Wunderkind's research also showed that more tailored marketing is a key focus area for all those involved in digital commerce, with 63% saying they plan to put greater investment into personalisation capabilities over the next two years. Meanwhile, over the next five years, 70% of respondents expect to invest more in this area.

New dawn breaking

As our introduction alludes to, change is coming in digital advertising. The countdown clock to 2023 is ticking down to a time when 3PC and third-party identifiers from Apple and Google to support brand personalisation tactics will depreciate.

At the beginning of 2020, Google announced its Privacy Sandbox initiative, which it describes as a strategy to build “a more private, open web” and aims to, among other goals, prevent the tracking of people as they browse the web.

The phase out of support for 3PC was set for 2022, but in June 2021 Google announced it had “become clear that more time is needed across the ecosystem to get this right”, so it extended this process to the end of 2023.

Vinay Goel, Privacy Engineering Director for Google Chrome, said his company will continue to explore how to create more private approaches to key areas, including ad measurement, delivering relevant ads and content, and fraud detection.

“By ensuring that the ecosystem can support their businesses without tracking individuals across the web, we can all ensure that free access to content continues,” he wrote.

“And because of the importance of this mission, we must take time to evaluate the new technologies, gather feedback and iterate to ensure they meet our goals for both privacy and performance, and give all developers time to follow the best path for privacy.”

After Google's initial proposed post-cookie solution 'FLoC' (Federated Learning of Cohorts) was met with widespread criticism, the search giant officially dropped it in favour of 'Topics' in January 2022. Google's Topics API will work by, on a weekly basis, automatically assigning web users to a number of categories (or 'topics') based on the websites they've visited, for example 'Travel & Transportation' or 'Books & Literature'. Topics will then randomly select one relevant category and share it with a participating website the user has visited. The website can then use this information to serve targeted digital ads to users during their visit.

Google has stated that Topics will only ever hold data for a maximum of three weeks, with the aim of creating a form of targeting that keeps the user's personal data completely anonymous, while maintaining a high degree of relevance. But how do marketers feel about the shift – and this proposed solution?

Nearly two-thirds (60%) of Wunderkind's survey respondents say they are reliant on 3PC. Meanwhile, 41% say they're dependent on these cookies to identify site traffic, which might explain why 51% were nervous or concerned about the forthcoming changes.

Throw in Apple's privacy updates – which now require apps to ask users for permission to collect and share data, giving consumers more ability to opt-out of any type of targeting or tracking – and brands have much to consider.

Time to understand what consumers want from all this...

Do you know who I am?

As digital players and brands come to terms with a changing marketplace, the first thing they should be considering is what exactly their target audience or potential customer base wants from them.

That has to be the best way to start developing new strategies in digital advertising.

When it came to improving how brands and retailers could communicate with them, 'less is more' was the battle cry from 51% of Dutch shoppers surveyed as part of Wunderkind's research. That is **as long as they communicate in a way that's more relevant or personalised.**

Indeed, personalisation came out strongly as a theme in the top three ways digital players can improve communications to customers, with 35% of consumers saying they want retailers to surprise them with offers based on their knowledge of said customer.

Meanwhile, 28% said that more timely interactions – communications sent to them based on when they need information – would be a welcome improvement.

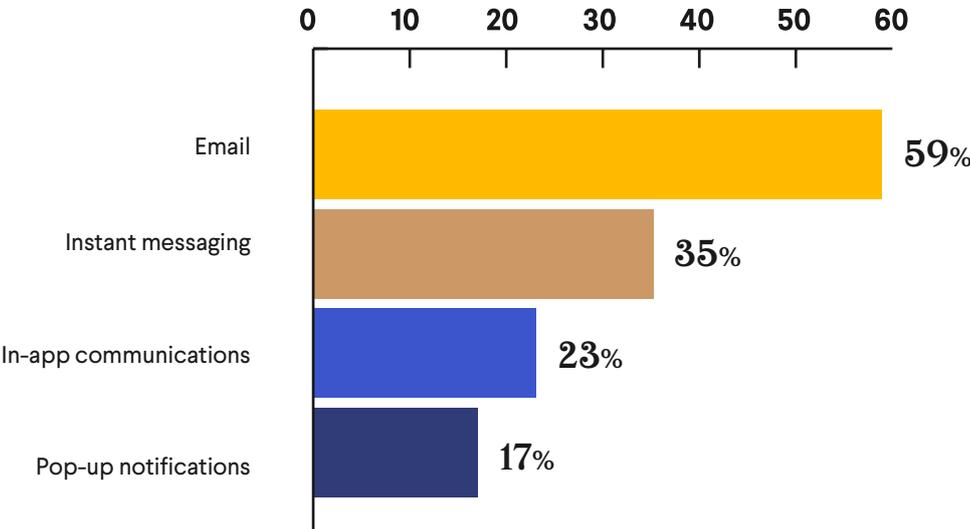
Platforms that resonate

Channels that resonate with consumers, according to Wunderkind's research, remain the traditional digital marketing options – but there are signs of change.

Email remains the dominant channel for consumers, with 59% saying they found it the most convenient for communications with a retailer during the buying journey. This was followed by instant messaging (35%), in-app communications (23%), and pop-up notifications (17%).

Indeed, text messaging remains a channel to watch, with 25% of consumers saying they had received a text message update / communication from a digital player in the last 12 months, and 43% suggesting the immediacy of text messaging was beneficial.

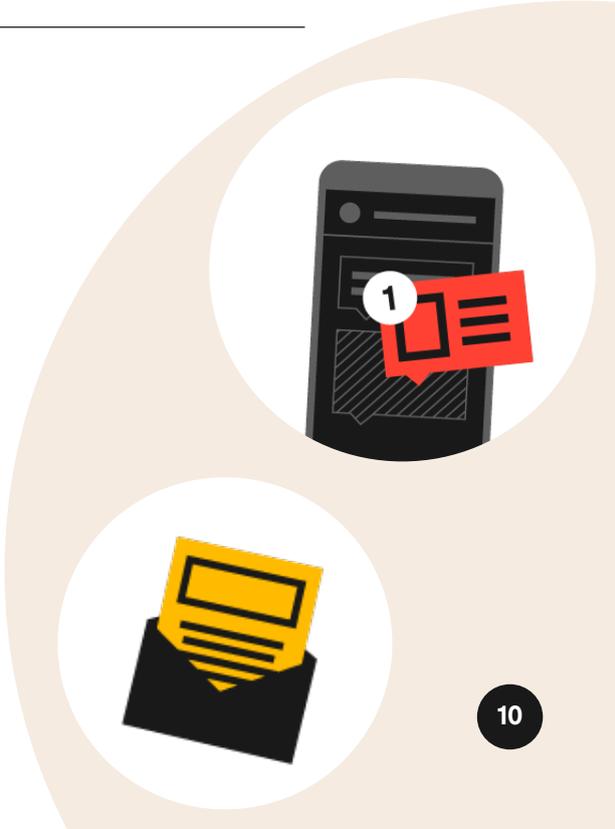
Preferred consumer comms channels



Whether it was receiving the information faster than they would have done on email, or helping them react to a fast-changing stage in the buying journey – e.g. delivery or discount – instant messaging clearly has a growing place in supporting the buying journey.

A further 31% said they'd valued the information being delivered succinctly by text message.

Wunderkind's questionnaire to businesses found only 7% currently use text messaging to communicate and engage with customers,



showing there is significant room to grow in this channel – and untapped commercial opportunity to explore.

In terms of techniques, consumers are keen on notifications about available discounts (35%).

An email notifying them that an item they had put in their online basket had been discounted was deemed useful by 38% of consumers, while the same communication via website pop-up notices was favoured by 33% of shoppers.

Some 24% said basket reminder notification emails were also useful in helping them to decide whether to buy a product, so brands and retailers should definitely be deploying these as a method for driving conversions.

G-STAR customer connections

The Wunderkind research shows 39% of consumers between 25 and 34 are more open to trying new brands now compared to the start of the pandemic.

It means no matter how digital players performed during the last challenging 24 months, with the right tactics and knowledge of consumer behaviour, there's always hope for gaining a new audience. You've just got to catch the consumer's wavering eye.

So, let's take a look at one inspiring example of best practice in digital marketing.



Famous for its raw denim and high-quality clothing, leading retailer G-STAR RAW was in search of efficient channels to fuel its digital expansion. After partnering with Wunderkind, the Dutch brand saw its total digital revenue and email list grow significantly.

Like many brands, G-STAR wanted to utilise email to turn prospects into customers, but were faced by barriers including cookie-dependent technology and reliance on authentication events to remarket to customers.

With Wunderkind, G-STAR was able to leverage triggered email as a new customer acquisition engine (compared to ESP-based programs that tend to reach mostly existing customers) thanks to the power of Wunderkind's Identity Network, which ties on-site shoppers back to email addresses and phone numbers in real time.

This resulted in a 7x increase in the number of monthly new customer emails acquired, and significant uplifts in online revenue.

“Wunderkind has been able to help us accelerate the number of new customers each month. The customer journey has influenced nearly 20% of digital revenue and with our upcoming alpha testing, we can't wait to see how Wunderkind can help us continue to grow in the future.”

John Sadeghipoor, Director of Digital & eCommerce, G-STAR RAW

Key results

- **18.5%** of total digital revenue from triggered email
- **#2** highest paid channel at driving conversions
- **6.5x** increase in triggered email revenue



Time is ticking

The title of this final chapter is not just a reference to the rise in power of video sharing app and growing social network TikTok – although it is worth recognising that the ByteDance-owned platform should be on almost every brand’s list of marketing channels to explore. It added over 1 million NL users last year to reach 1.7 million by December 2021, and serves almost 1 million active users daily.

The title of this section also indicates the countdown to a new digital marketing landscape has started – and knowing who their customers are and what they like (and crucially, being able to act on that information) is going to be of **even more importance** to digital players and brands in the very near future.

Ground zero

With the European Union stepping up its game with its strict third-party data privacy laws on the one hand – and consumers still expecting brand messages to be personalised, timely, and delivered on the right platform without having to sacrifice their privacy on the other – it is inevitable that marketers need to start maximising the value and insights they can derive from their first-party data.

Enza Iannopollo, Principal Analyst at Forrester, describes digital advertising as being “on the brink of major, systematic changes”, in the manner this report has already alluded to.

“Values-based customers increasingly look to share their data with companies that embrace privacy as a value and treat data ethically,” she says, describing information customers proactively and deliberately share with brands as “zero-party data”.

“On top of it, the death of the third-party cookie forces companies to focus more on collecting data directly from customers and rely less on more risky third-party data. CMOs will start to make strategic revisions to their ecosystem.”

She adds that CMOs must partner with their security, risk, and privacy peers to select the right technology and develop processes to support their objectives in this space.

Iannopollo also suggests consumers are “more likely to share their data and to spend more money with companies that they believe will keep their data safe”.

Food for thought, then, for digital players and brands navigating this new landscape. It’s resulting in some interesting tactics forming across the industry.

From Kruidvat to Douglas, and from Hotel Van der Valk to Albert Heijn Premium, parties from all sectors have launched new-style subscription services that bring additional benefits to those who join these initiatives. Traditional retail’s involvement in this space follows the success of the subscription specialists, such as streaming giants like Netflix and HBOmax, meal kit providers like HelloFresh, and Boldking with its razor subscription offering.

These could be described as new forms of loyalty scheme, although the financial outlay associated with subscription means customers are essentially paying for a premium service. Albert Heijn, with its Premium proposition, is a major retailer that has created its own annual paid-for membership in late 2021, which builds on previous loyalty programmes but promises year-long benefits to customers buying into its ecosystem.

Amazon Prime’s success – serving over 200 million members worldwide and pushing its total annual subscription net revenue beyond \$30 billion – shows

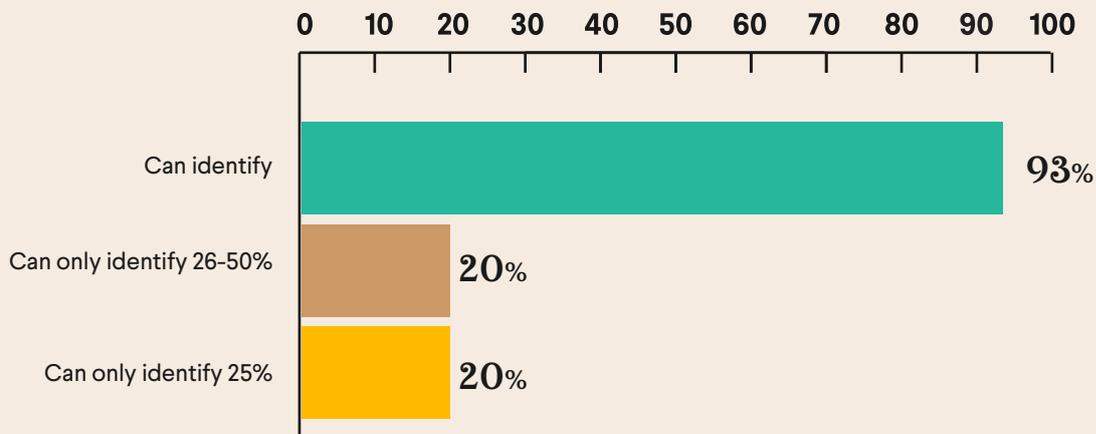
just what companies can do if they offer multi-layered services in return for an annual fee and access to their data. Other digital players are now looking to forge their own versions to get that all-important first-party data and create recurring revenue.

Preventing retailers veering off course

If a key aim for eCommerce players is to get a handle on just what customers are doing, there is clearly room for improvement.

According to the Wunderkind study, 93% of eCommerce and marketing professionals say they can identify their site traffic to some extent, however 20% can only identify between 26-50%, and 20% can only identify up to 25% of their site traffic.

Can eCommerce and marketing professionals identify their site traffic?

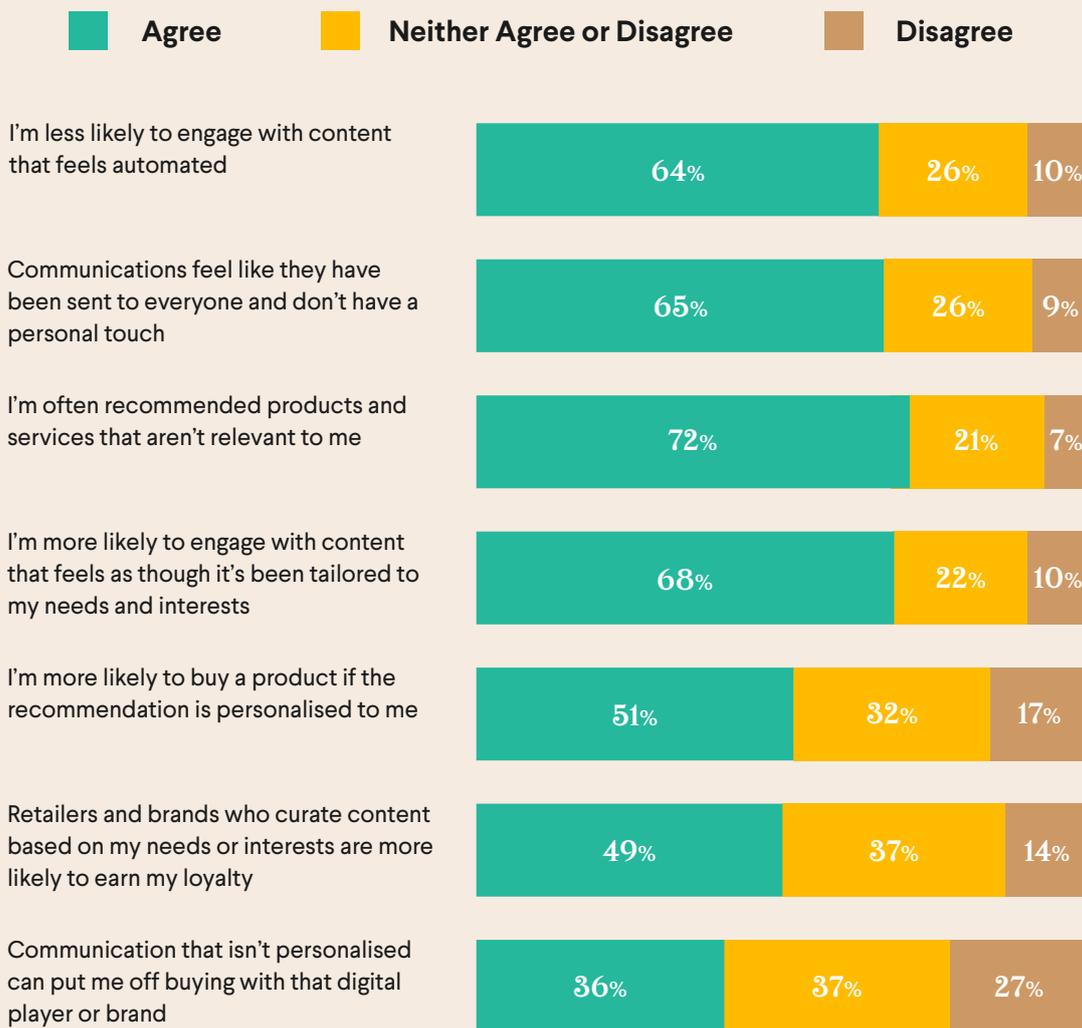


A significant 33% said they had issues identifying a shopper when they come on site using different devices, while 30% had issues identifying the customer when they move from one channel to another and then come onto site – for example from app to website.

Some 78% said they wanted to do more to improve cross-channel customer engagement. Not being able to deliver consistent messaging across channels was the personalisation challenge cited by most respondents (56%), while the ability to curate content based on shoppers' previous purchases (52%) and

making the on-site experience engaging at a one-to-one level (52%) were also huge problems noted by industry professionals.

Consumer view: Retailer comms and personalisation



It is perhaps unsurprising that eCommerce players are trying all types of new tactics to get this process right, given that knowing customers intrinsically can lead to commercial success.

This year's talk about Google's imminent 3PC depreciation and Apple's privacy update comes just three years after the introduction of GDPR. As we write this, responsible data management and brand-consumer relationships are truly under the microscope.

Emilie Maunoury has navigated the last few years as Digital, eCommerce & CRM Director at beauty brand Clarins UK, but talks positively about the changing landscape.

Clarins saw a huge dip in its addressable database after GDPR officially took effect in May 2018 and, like many retailers and customer-facing organisations, it needed to rebuild.

Clarins brought in Wunderkind in 2018 to build a high-quality, engaged CRM list and deploy a more effective and efficient retargeting strategy that would increase the value of customers on that list. In just six months, Clarins was able to add 68,000 emails to its CRM. This allowed the brand to drastically increase its triggered email reach and grow its revenue from triggered email by 13x.

Maunoury takes many positives from GDPR and the ongoing project. "I think it was a healthy thing because we were carrying along visitors who were not interested in the brand," she explains. "GDPR was a health check for company databases, and it helped us clear out the people who were never going to be engaged customers."

She continues: "I'm adding people to my list who have been showing interest in my site and intent to buy; it just makes sense. To me, that was the biggest Wunderkind selling point – quality growth."



In this period of change in digital advertising, a positive attitude will take brands far.

If companies look at recent European legislation and the forthcoming Google and Apple changes simply as new rules by which they can serve consumers better, that can surely be no bad thing.

As we have illustrated, there are plenty of techniques to do this. There's also some great technology out there to support digital players and brands on that journey.

But what are the most important points to consider?

5

Key takeaways

If eCommerce players take nothing else from this report, consider the following:

1. Strive for 1-2-1 marketing – first-party data (or zero-party data, if you take the Forrester description) is crucial to marketing success in retail. Do all you can to get hold of it to enable personalised consumer comms.

2. Ride the digital rollercoaster – the growth of eCommerce shows no signs of slowing down, so continually assessing and tweaking which tech tools, and sales and online marketing channels you use – and how you use them – is crucial.

3. Harness email and text – email is the preferred marketing communication channel among consumers, but don't dismiss text messaging's growing power to influence purchasing behaviour.



4. Seize the opportunity – like GDPR before it, phasing out of third-party identifiers represents real disruption to the digital ad space, so use this time as an opportunity to rebuild and focus on what's important: the customer.

5. Partner up – with so many changes on the horizon, retailers and brands are going to rely on tech partnerships more than ever, so make sure those comprising your tech stack are talking to you and speaking your language.

Wunderkind

Tools to get to know customers in the countdown to 2023...

Wunderkind is a performance marketing channel that delivers one-to-one messages at unprecedented scale, for over 650 clients.

We identify users by device (without cookies!) and match them back to an email address in real-time. This lets brands automate personalised experiences on-site and in inboxes to convert more users.

The result is a new, scalable revenue channel with directly attributable performance at industry-defining levels.

6-10%

Additional digital revenue driven by Wunderkind, measured last-click

2-5%

Average conversion rate increase through personalised experiences

#3

Ranked performance channel for clients, alongside Facebook and Google

Learn more and request a demo at wunderkind.co