Driving growth in a downturn: how to thrive in a cookieless world

The VC-funded tech ecosystem has enjoyed a period of rapid growth as people's belief in the transformative potential of digital startups has fuelled an explosion of innovation. In a low interest rate environment, there's been no shortage of capital seeking a place on startup term sheets in search of a return (when it's been difficult to do so in more traditional asset classes).

Temps de lecture : minute

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More recently though, the environment for startups has become more uncertain, with Crunchbase citing a *38% year-over-year decline* in European tech startup funding. The duration of any economic pullback remains unknown, and many forecasters predict a more supportive economic backdrop next year.

For many founders the environment is stressful. During a period where funding is harder to source, achieving profitability has suddenly become more urgent for many. Few channels offer startups the rapid growth potential of digital and the ability to create demand by putting their offers in front of specific audiences. But the way this works is currently undergoing drastic change. At Pixis we understand this all-too-well as we ourselves are a VC-backed growth business that supplies no-code AI solutions for marketing effectiveness. But it's not all doom and gloom: despite the broader economic backdrop, the artificial intelligence and machine learning industry is expected to grow at a *CAGR of 43%* through to 2027. So, we remain optimistic for the future but with an eye on how to identify and reach our future customers.

Can you reach your audience without cookies?

Startups are perhaps more reliant on digital marketing for growth than established brands. Take a fintech app targeted towards users in their twenties: to drive downloads, digital display advertising is often the primary channel for reaching new users. Brand campaigns across media like outdoor and TV usually follow later in a startup's journey, when early adopters have been found using digital. Investing growth resources in digital marketing means a digital product company can grow its user base across multiple geographies quickly, often without a dedicated office in-market. This playbook has been key to scaling for most successful leaders of both digital and non-digital brands. But significant changes are taking place that many startups haven't yet factored in.

New digital privacy legislation means that third-party cookies, the questionable practice of tracking user browsing habits across the websites they visit, are being phased out. Apple has already introduced privacy settings users can apply to remove tracking across iOS, and Google is expected to do the same in the next 18 months. For startups looking to drive cost-effective downloads and user growth during an economic downturn, this poses a significant challenge. It's likely that Return on Advertising Spend (ROAS) is about to drop by around 30% for many, as the ability to target ads based on rich user-specific profiles comes to an end.

Finding new users in a cookieless world with first-party data

If a company can no longer rely on third-party data, then its own first-party data needs to do more of the heavy lifting. First-party data is data that the brand itself has permission to use to understand the potential customer and their behaviour, and it isn't sourced from detailed user profiles built through tracking. Rather, first-party data is sourced from CRM systems, social media interactions and user visits to the firm's website or app. Technologies like Customer Data Platforms can store and organise this data, so other technologies can plug-in to make sense of it and power effective campaigns.

The role of AI in a cookieless world

No matter how sophisticated a company's first-party data infrastructure gets, it's unlikely to match cookies in terms of the availability, volume, and depth of individual user profile information. For all its faults, perhaps *because* of those faults, the cookie is an incredibly powerful way to understand web users. Unfortunately, first-party data alone isn't going to compensate for the 30% decline in advertising effectiveness, and *research from Google* highlights the scale of the challenge, finding that brands risk losing circa 50% of their revenue when they can no longer target using cookies. But using first-party data combined with the right decision-making capabilities, digital-first companies can make up the difference. That's where AI has a role to play.

The marketing 'problem' is ideally suited to AI. The task is really to match the right message, to the right user, at the right time to encourage an action, based on a huge number of variables. Success relies on learning what works from the data available and success is easy to measure, 'did the user take the desired action, or not?'. But building machine learning models with dedicated teams of data scientists isn't realistic for most companies. Most growth teams don't have this skill set and plug and play technology now exists that can deliver this capability quickly.

No-code AI is equivalent to cloud applications that companies have relied on for years. Nobody builds their own CRM system today, they plug-in Salesforce or an equivalent. It’s then how you use it that delivers value. The same is now true for machine learning in marketing, with no-code systems that can analyse previous marketing data to learn how to best allocate digital spend.

Integrating with the media channels a startup uses to reach its audience (Google, Facebook, Instagram et al) AI can identify micro-cohorts of users that are likely to be receptive to your message and automatically personalises visuals and messaging for each of those cohorts. Perhaps men aged 24-28 that like outdoor sports respond more favourably when food is prominently placed in an ad for a delivery app? Other cohorts might engage when a special offer is more prominent. AI learns these variables and builds personalised campaigns that optimise results by functioning well within today’s privacy constructs.

Today, startups with a strong chance of achieving profitability are proving popular with investors. ‘Jam tomorrow’ on the back of capital intensive expansion isn’t an easy pitch to investors. Rather, the startups that are securing funding tend to have a measured and well-considered plan for expansion. For most startups, the effectiveness of user acquisition is more relevant than ever. As the cookie continues to crumble, every founder should have a plan for digital growth.

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