

What Google's Reversal on Cookies Means for Advertisers

Google's change of heart on eliminating cookies doesn't mean advertisers should expect a free-for-all when it comes to tracking and targeting Chrome users.



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Google won't be tossing its cookies after all.

For years the search giant had promised that, one day, it would eventually do away with the little text files that websites and browsers such as Google Chrome exchange to track people across the internet. But after repeatedly delaying the move, it said Monday it will go another way.

“Instead of deprecating third-party cookies, we would introduce a new experience in Chrome that lets people make an informed choice that applies across their web browsing, and they'd be able to adjust that choice at any time,” Anthony Chavez, vice president of Google's Privacy Sandbox, a project aimed at replacing cookies with different privacy tools and standards, wrote in a blog post.

Cookies became a hot-button issue in recent years as they sit at the centre of different competing interests. Advertisers like cookies because they help them target their digital ads, making sure they get in front of the customers most likely to find them relevant. Publishers who sell ad space like them because they want to serve shoppers ads they're more likely to click on, driving more revenue for them.

But because cookies can store an abundance of user information, including data that could potentially be used to identify people online, critics and regulators have argued allowing them by default violates consumers' privacy. The files were a key focus of the EU's General Data Protection Regulation, or GDPR, which took effect in 2018, and companies like Apple have blocked cookies in their web browsers.

Google — whose Chrome browser owns about 64 percent of the global browser market, according to web analytics firm Similarweb, making it by far the most popular choice — planned to replace cookies with its Privacy Sandbox tools in hopes of satisfying regulators, consumers and advertisers. But the task has proved difficult. UK authorities worried Privacy Sandbox didn't protect privacy enough and that swapping it for cookies would reinforce the market dominance of Google's ad-management tools.

Google isn't abandoning Privacy Sandbox, but now it won't ditch cookies either. That doesn't mean advertisers should expect a free-for-all when it comes to tracking and targeting Chrome users, however.

How will Google's reversal on cookies affect advertisers in the near term?

"I think this makes advertisers happier for now," said Vic Drabicky, founder and chief executive of the consultancy and marketing agency January Digital, whose customers include Tory Burch, Fenty Beauty and Victoria's Secret.

Testing has found that ads don't perform as well when eliminating cookies and only using Google's Privacy Sandbox environment. "If third-party cookies were deprecated today with the current Privacy Sandbox, our testing demonstrates publishers will lose an average of 60% of their revenue from Chrome," the ad platform Criteo **said recently**. (Google, which has **done its own testing**, has emphasised that ad performance is improving as it refines its tools.)

Advertisers would understandably want to avoid those circumstances, and the longer they do, the better it is for them. But Drabicky said that's not the only reason many feel relief. Google's years of saying it would phase out cookies and then bumping its timeline created a sense of uncertainty that made it difficult to plan for the future. Now, that uncertainty is gone — at least for the time being.

"The actual outcome [for advertisers] is going to be in the details of how Chrome allows people to opt out of cookies or how they implement this," Drabicky added.

What will Google's 'new experience' in Chrome be like?

Google's Chavez pointed out in his post that the company plans to introduce a new experience that gives Chrome users more choice (presumably in how they consent to cookies or other tools tracking them). What that might look like, however, is unclear. Until it is, it will be impossible to say what the ultimate impact on advertisers could be, but it could be significant if Google gives users an easy choice to opt out of tracking.

In 2021, Apple changed the way iPhone users are given the choice to block apps from tracking their activity across other apps and websites to collect data it could use for advertising or to sell to data brokers. When someone downloaded a new app, Apple by default showed them a pop-up notification allowing them to ask the app not to track them. It made opting out easy, and it had a noticeable effect.

A group of researchers **published a paper** earlier this year that concluded Apple's app-tracking transparency measures significantly reduced click-through rates on ads placed on Meta platforms, which the researchers said relied heavily on third-party data for targeting and measurement. The "more Meta-dependent advertisers had a 39.4 percent reduction in revenue that was primarily felt by small businesses and was driven by a reduction in orders from new customers," the study said.

Google already allows users to disable cookies, but it takes work to find that setting. The way Chrome users in the future are given the choice to adjust their privacy preferences, including how they're presented the options and the language used, could have a major effect on the choices they make.

What should advertisers do in the meantime?

Data privacy isn't about to fall off regulators' radars. Google and other big tech players will remain under pressure to protect user data, which could make targeting and measuring the effectiveness of digital ads more challenging. So what can advertisers do?

One thing many brands have already been doing as they've adjusted to new privacy measures is working to bolster their own data capabilities. They've been **placing more emphasis on first-party data** they gather themselves, which they can use to build look-alike models that let them reach out to the right shoppers online without necessarily relying on third-party cookies.

Brands should also keep testing different tactics for getting in front of shoppers and capturing their attention, from contextual targeting to more creative ads, according to Forrester analysts Stephanie Liu and Mo Allibhai, who noted in a **blog post** that a large share of audiences already exist in cookieless environments. "Yes, Google dominates the browser market, but consumers using Safari, Firefox, and other privacy browsers are already unreachable via third-party cookie. So, too, is anyone using privacy browser extensions in Chrome," they wrote.

Similarly, a large share of ad spend is allocated to "walled gardens like Meta and Snap" where the impact of Google's change of course on cookies won't be felt anyway, noted Nick Stoltz, chief strategy officer at Measured, which calculates the incremental sales brands see from the digital ads they run across different channels.

For now, advertisers will need to carry on being creative and doing the best they can in the environment they're in, whatever its rules.