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Fact or Fiction?
The Threat of a

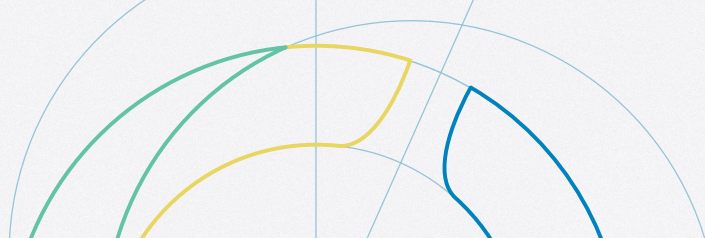
Cookie Apocalypse



Over the past few months, several perceived threats to the advertising industry have been widely discussed in the media. While some things certainly are changing, for both regulatory and technological reasons, at Adform, we believe that the impact of these changes has been broadly miscommunicated and does not signal – as some publications suggest – the end of digital marketing and programmatic advertising as we know it.

Recent articles have quoted regulators and have pointed to browser privacy changes to construct a narrative around the end of real-time-bidding and tracking. While it would also be misleading to suggest there aren't changes on the horizon, the truth, as ever, is somewhere in the middle. There will be welcome and significant changes that come with improved consumer control, but the notion that real-time-bidding and tracking will come to end is hyperbolic to say the least.

In the following white paper, we'll examine what some of these changes are, how the industry is already adapting, and why programmatic advertising will continue to be the innovative, data-led form of digital marketing that it is today. Ultimately, we predict that the way the industry tracks and targets users will gradually switch from "third-party" to "first-party" cookies, and that the methods for collecting user consent will continue on its trajectory from opt-out, to soft opt-in, to explicit opt-in.



Regulation will not Kill Programmatic Advertising, Targeting, and Measurement

So, what's all the fuss about? This summer, the UK's regulator overseeing personal data, the Information Commissioner's Office (ICO), published a report on the data practices surrounding which stated that "while the automated delivery of ad impressions is here to stay, we have general, systemic concerns around the level of compliance of RTB."

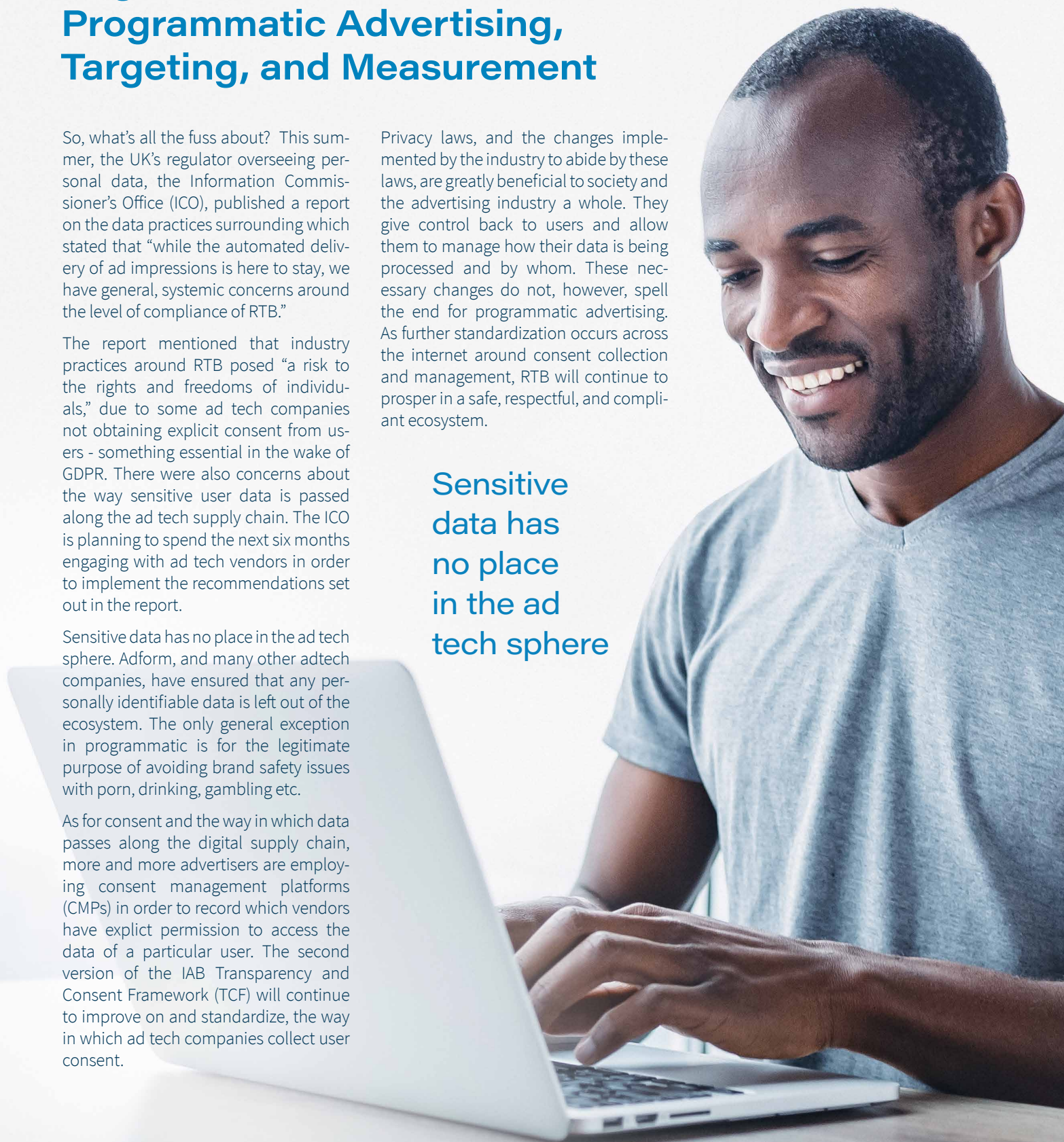
The report mentioned that industry practices around RTB posed "a risk to the rights and freedoms of individuals," due to some ad tech companies not obtaining explicit consent from users - something essential in the wake of GDPR. There were also concerns about the way sensitive user data is passed along the ad tech supply chain. The ICO is planning to spend the next six months engaging with ad tech vendors in order to implement the recommendations set out in the report.

Sensitive data has no place in the ad tech sphere. Adform, and many other adtech companies, have ensured that any personally identifiable data is left out of the ecosystem. The only general exception in programmatic is for the legitimate purpose of avoiding brand safety issues with porn, drinking, gambling etc.

As for consent and the way in which data passes along the digital supply chain, more and more advertisers are employing consent management platforms (CMPs) in order to record which vendors have explicit permission to access the data of a particular user. The second version of the IAB Transparency and Consent Framework (TCF) will continue to improve on and standardize, the way in which ad tech companies collect user consent.

Privacy laws, and the changes implemented by the industry to abide by these laws, are greatly beneficial to society and the advertising industry a whole. They give control back to users and allow them to manage how their data is being processed and by whom. These necessary changes do not, however, spell the end for programmatic advertising. As further standardization occurs across the internet around consent collection and management, RTB will continue to prosper in a safe, respectful, and compliant ecosystem.

Sensitive data has no place in the ad tech sphere



Browsers will not Kill RTB, Targeting, and Measurement

Aside from new legislation, there are valid concerns about the current and future impact of privacy changes by the major browsers. Let us quickly summarize the current situation:

Firefox, which is the smallest browser in terms of market share, has essentially shut down third - party cookies and tracking. Apple's Safari browser has also put significant limitations on tracking, though these limitations are slightly less restrictive than those implemented by Firefox's. Apple are, however, recognizing the need for advertising to thrive and have been proposing alternative ways of advertisers to continue measuring the effectiveness of ad spend without exposing too much of users' browsing history.

Google Chrome browser, by far the largest browser, commands roughly 70% of market share worldwide. Google has not made any significant restrictions on third-party cookies and has clearly communicated that they do not intend to disrupt the advertising ecosystem. They do, however, plan on introducing better privacy controls for Chrome users in the future. With this in mind, we can conclude that the third-party cookie will still remain on 70% of browsers for the time being. That being said, the ad tech industry still needs to act; primarily to solve the decline of CPMs on Safari and Firefox which is already hurting publishers globally, and also to safeguard the industry from potential further changes from Chrome in the future.

Many of the 'walled gardens' are pushing the message that the first-party cookies or log-in data used in their environments will be a safe-haven against any further decline of 3rd party cookies. However, the evidence is clear that walled gardens like Amazon and Google, will still need to rely on third party cookies when running campaigns on websites that fall outside their owned and operated properties.

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There is at present no secret workaround solutions available exclusively to the walled gardens outside their own domains. The only real solution to ensure effective tracking and targeting on third-party domains, for both walled gardens and those functioning in the open internet, is to use real first-party cookies; these are IDs which are written to a local cookie on the publisher domain or a domain shared between some publishers.

It's 1st party time!

We believe that real 1st party cookies and IDs set by the publisher, or by a consortium of publishers, is the way forward both for consumer privacy and for the wider industry.

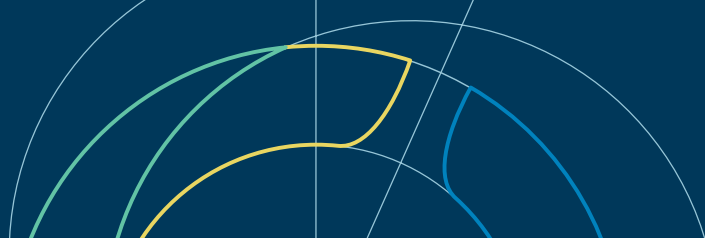
A universal ID based on a first party cookie works in the following way: when a user arrives on a website, the publisher redirects the user to a shared domain where consent is requested, and hopefully given, before redirecting them back to the publisher's own domain while transferring the shared ID across the different publishers. With this setup, a number of important things are achieved; firstly, the users who give consent have done so in a fully transparent manner; secondly, the users can have full control over their consent and do not have to individually deal with hundreds of different third party opt-out requirements. Finally, the longevity of first-party IDs is currently typically longer than your standard third-party cookie lifetimes.

Given the reduced yield on Safari and Firefox, the appetite for collaborative consent management can already be observed with many publisher consortiums. For instance, if you pay a visit to the Huffington Post website you are likely to be re-directed to an external CMP that collects user consent for various Verizon Media Sites. While it is great to see many publisher ID initiatives popping up across the world, such as NetID in Germany or Ozone in the UK, Adform believes there are obvious benefits to the entire industry by recognizing the IAB Techlab's Digitrust ID as a universal first party ID.

Why IAB Digitrust is different

At Adform, we will continue to support multiple IDs and participate in numerous ID consortiums; however, we also can clearly see the benefits of the entire industry coming together and focusing on a single ID. So, if we had to recommend a preferred solution, we would encourage the global adoption of the IAB Techlab's Digitrust ID. This is primarily because it is a well-established ID with the backing of many publishers and Adtech platforms. ID is the best option due to its neutrality, governance, and global presence resulting from its association with the IAB. It is already supported by DSPs such as Mediama, Sizmek, and Adform and it is also supported by several major SSPs, ensuring a smoother industry-wide roll-out. This ease of adoption also makes the IAB Techlab's Digitrust ID a superior option to national and local publisher initiatives, as these smaller outfits would require DSPs and SSPs to develop tailored support. Some publishers are already starting to see the benefits of adopting a first-party cookie ID, MailOnline, for instance, has reported uplifts in CPMs after trialing the Digitrust ID (Digitrust, Sept 2019).

At Adform, we support the fundamental idea that all users should have the power to decide what happens to their data



The Future Isn't Scary – Our Predictions

As ever, the ad tech industry is subject to the winds of change and it is hard to predict even a few years ahead. That said, there are a number of informed predictions that we can make regarding the immediate future. It is unlikely that any overnight changes from legislation or browsers will rapidly shakeup programmatic advertising for the next couple of years. The ICO seems unlikely to issue further guidance before mid-2020, and the delayed EU ePrivacy regulation will likely to prevent the ICO from reaching a concrete decision. That being said, it should not be surprising to those following the industry changes that everyone, including Germany, will be moving further along on the journey from opt-out to explicit consent. We predict that the most important regulatory implications for online advertising will be the following:

Regulatory actions that cause CMP user interfaces to change in a manner that will result in very significant opt-out/no consent actions by consumers – in contrast to today's >90% consent.

Regulatory actions that cause advertisers to implement CMPs leading to a large part of the advertiser data used for targeting, optimization, and performance measurements being cut off due to rejected consent from consumers.

Regulators forcing changes to the IAB Transparency and Consent Framework 2.0, leading to a significant drop in how many vendors can be represented by a CMP. This would have significant impact short term on smaller adtech providers and certain types of vendors like standalone DMPs, but we would expect this to trigger a much quicker adoption of universal IDs such as the IAB Techlab Digtitrust ID.

Aside from regulatory implications, we believe the following changes will also take place:



In keeping with Google's own communication, we believe there will be no major impact on Chrome tracking in the near future, although some change is expected from their increased privacy friendly settings.



Safari and Firefox will continue to crack down on fingerprinting, cookieless tracking and similar cookie alternatives like local storage objects. We expect Safari will release features allowing privacy-friendly tools for adtech to measure advertising performance.



The vast majority of European properties, including those of Google, will be using the IAB Transparency and Consent Framework Version 2.0 by mid 2020.



Eventually, all websites, including brand's own websites, will eventually be forced by regulators to ask for explicit consent before setting cookies. It is hard to predict when a strict-enough ruling will trigger this, but we do not think it will happen before mid 2020.



While the above will lead to a higher rate of opted-out users, cross-publisher support of a first-party ID will lead to better quality data and targeting.



We will see a range of new publisher consortiums pop up, particularly on a national basis in Europe as well as global solutions like the Digtitrust ID.

A Brighter Road for Everyone –

Balancing Data Rights with Relevant, Healthy Advertising

When whistleblowers from Cambridge Analytica revealed how Facebook data had been harvested without user consent, it created an international uproar. People around the world became aware of their status as data subjects and were rightly concerned with how they were being profiled and targeted online. The phrase 'data rights are human rights' appeared on T-shirts, and the world demanded that users retain control over who accesses from information on their online activity.

At Adform, we support the fundamental idea that all users should have the power to decide what happens with their data. While there certainly is some resentment against tracking, according to the IAB, 71% of consumers prefer ads to be targeted to their interests and shopping habits, and 3 out of 4 consumers prefer fewer, but more personalized ads. The digital advertising industry needs to ensure it continues to have the ability to target by interests, to frequency cap, and to measure effectiveness, while also ensuring users can consent to personalized advertising and have the ability to opt-out.

Collectively, the ad tech industry is working to address legitimate privacy concerns by providing solutions that protect the integrity of the user. Rather than hinder and disable digital advertising, the changes in browser functionality, and the correct implementation of privacy law, will alter digital advertising for the better, creating a brighter future for everyone involved in the ad tech ecosystem.

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Adform provides an integrated Software as a Service platform for the buying, managing and serving of digital advertising. The company's software consists of a Data Management Platform, a Demand Side Platform and an Ad Serving Platform with advanced analytics, reporting and creative tools that drive high impact digital advertising campaigns globally. Founded in Denmark in 2002, Adform services a client portfolio that includes the world's leading agencies, advertisers, consultancies, and publishers.

To learn more visit us at www.adform.com

